REPORT

OF THE

NOMIC APPRAISAL COMMITTEE

NOVEMBER, 1952
(REVIEWED: FEBRUARY 1953)

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1953

CORRIGENDA

	her Particulars	For	Substitute
2	3	4	5
	C	Economic Adviser's Officer	Economic Adviser's Office.
11	1952-53 (budget estimates) ...	1,27,73	1,27,72
11	1952-53 (budget estimates) ...	+2,98	+2,97
11	1952-53 (budget estimates) ...	1,24,89	1,24,87
11	1952-53 (budget estimates) ...	+38	+36
7	Table No. 4 (last line, last but one column).	7,76,14	7,76,61
38	5th line	Eleswhere ...	Elsewhere.
90	3rd line	certainty ...	uncertainty.
101	Last line	The following table shows	Tables Nos. 19 and 20 (on the previous page) show
105	1st line, last word	Wherehouses ...	warehouses
119	Last column	+59,49	59,46
216	Table No. 34 Total after Item No.	.75	.82
289	Item No. 7	400	n.a.
291	4th line	as heavy in our case ...	as heavy as in our case
291	Item No. xii	Umbarellas	Umbrellas.
	Footnote, 2nd line, 12th word ...	proper ...	poorer
467	9th line, 3rd word	beging ...	begin
474	Marginal heading	Foreign Aid loans received	Foreign aid and loans received
483	Quotation, 7th line 11th word ...	, however ...	. However
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169	3rd line	Add "(para 311)"	at the end
170	3rd line	Add "(para 315)"	at the end
174	3rd line	Add "(para 319)"	at the end
176	6th line	Add "(paras 324 and 325)" ...	at the end
227	5th line, 10th word	If ...	In
231		Add "(para 432)"	at the end
238	Marginal heading	Planning Sub-Committees	Planning Sub-Commissions
2	Heading and 2nd and 9th lines ...	Secretarianism ...	Sectarianism
2	Item No. 6	Suggeted ...	Suggested
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6	24th line	about 25 lbs ...	above 25 counts
	Footnote, 4th line	(40—5+20 ...	(40—25+20)
	APPENDICES		
6	Marginal heading	Conversive ...	Conversion.
	National Highways, 7th line ...	Rs. 616,426,000	Rs. 161,642,600
	Canada: para: 3, item No. 1 ...	structure ...	structural
	Items 1-4	§ ..	$

REPORT

OF THE

ECONOMIC APPRAISAL COMMITTEE

November 1952

(Reviewed : February 1953)

COMPOSITION OF THE COMMITTEE

Chairman

The Honourable Mr. Fazlur Rahman, Minister for Economic Affairs.

Members

1. Mir Laik Ali.
2. Mr. Zahid Husain, Governor, State Bank of Pakistan.
3. Mian M. Afzal Husain, *Ex*-Chairman, Pakistan Public Service Commission.
4. Mr. Ghulam Faruque, Chairman, Pakistan Industrial Development Corporation.
5. Mr. Mohemedali Habib, Managing Director, Habib Bank Ltd.
6. Mr. Mirza Ahmad Ispahani, Director, Pakistan Industrial Development Corporation.
7. Mr. Muazzamuddin Hosain, Chairman, Agricultural Development Finance Corporation.
8. Mr. A. F. Atwar Husain, Head of the Department of Commerce, Dacca University.

Secretary

Mr. A. Rashid Ibrahim, Deputy Secretary, Ministry of Economic Affairs.

Letter of Transmittal

* * * *

ECONOMIC APPRAISAL COMMITTEE

COMMITTEE ROOM,
BLOCK No. 90,
CENTRAL SECRETARIAT.

Karachi, the 23rd November, 1952.

To

The Secretary to the
Government of Pakistan,
Ministry of Economic Affairs,
Karachi.

Sir,

In terms of the Government of Pakistan Resolution No. 2 (21)-PG|52, dated the 20th August, 1952, constituting a Committee to review the economic conditions prevailing in the country in order to determine the measures which should be taken to reinforce its economy, I submit herewith, on behalf of the Committee, its Draft Report to the Government of Pakistan.

2. The Committee has practically completed the task assigned to it, but has not yet been able to reach final conclusions on some questions. The Committee hopes to resume its deliberations in the fourth week of December, 1952, and submit its Report soon thereafter.

Your obedient servant,

(A. RASHID IBRAHIM).
Secretary to the Committee.

Second Letter of Transmittal

* * * *

ECONOMIC APPRAISAL COMMITTEE

COMMITTEE ROOM,
BLOCK No. 90,
CENTRAL SECRETARIAT.

Karachi, the 20th March, 1953.

To

The Secretary to the
Government of Pakistan,
Ministry of Economic Affairs,
Karachi.

Sir,

With reference to my letter dated the 23rd November, 1952, forwarding the Draft Report of the Committee, I submit herewith, on behalf of the Committee, its final Report to the Government of Pakistan.

2. For certain unavoidable reasons, the Committee could not resume its deliberations in December 1952 as originally expected and reconvened only on 26th January 1953.

3. The Reports of three Working Groups appointed by the Committee to consider (i) international commodity agreements, (ii) invisibles and (iii) organisation of D. G. S. & D., will be forwarded later, and will constitute annexures to the Committee's Report.

Your obedient servant,

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Chapter I.—Review of Economic Situation

Chapter II.—Trade and Commerce

Chapter III.—The Balance of Payments

Chapter IV.—Agriculture

Chapter V.—Industry

Chapter VI.—Development in other Sectors.

Chapter VII.—Review of Development Programme and Targets

B. TABLE OF EQUIVALENTS

1 crore	=	100 lakhs = 10 million.
1 lakh	=	·01 crore = ·1 million.
1 million	=	·1 crore = 10 lakhs.
1 rupee	=	·306 dollar (30·22 cents) = ·10795 £ (2*s*. 2*d*.) = 1·44 Indian rupees.
1 dollar	=	3·3 rupees.
1 £	=	9·27 rupees.
1 Indian rupee	=	·7 Pakistani rupee.
1 maund	=	40 seers = 82·27 lbs. = ·367 ton.
1 lb.	=	·012 maund = ·49 seer.
1 ton	=	20 cwts. = 2240 lbs. = 27·2 maunds.
1 acre	=	4840 sq. yards.
1 bale	=	400 lbs. roughly.

C. ABBREVIATIONS USED

C. B. R.	Central Board of Revenue.
C. S. O.	Central Statistical Office.
D. C. I.	Director of Commercial Intelligence.
D. G. S. D.	Directorate General, Supply and Development.
E. A. O.	Economic Adviser's Officer.
E. C. A. F. E.	Economic Commission for Asia and the Far East.
E. C. O. S. O. C.	Economic and Social Council.
E. P.	East Pakistan.
F. A. O.	Food and Agriculture Organisation.
I. M. F.	International Monetary Fund.
n. a.	Not available.
O. G. L.	Open General Licence.
P. I. D. C.	Pakistan Industrial Development Corporation.
S. B. P.	State Bank of Pakistan.
T. C. A.	Technical Co-operation Administration (of U. S. Government).
W. P.	West Pakistan.
... ...	Not applicable (or insignificant).

D. BASIC DATA ABOUT PAKISTAN

1. **Area—**

Total 365,907 square miles (23·42 crore acres).
W.P. 311,406 square miles (19·93 crore acres).
E. P. 54,501 square miles (3·49 crore acres).
(Distance between W. P. and E. P.—nearest points—About 1,000 miles).

2. **Population—(1951 Census)—**

Total 7,58,42,000.

W. P. (Density 108 per square mile).
E. P. (Density 772 per square mile).

3. **Labour force (civilian)—(1951 Census)—**

Total 2,19 lakhs.

Agricultural 1,69 lakhs (W.P.—62 lakhs ; E. P.—107 lakhs).
Non-Agricultural 50 lakhs (W.P.—28 lakhs ; E. P.—22 lakhs).

4. **Monetary unit—**

Pakistani Rupee = 2*s*. 2*d* = \$ ·3 = 1·44 Indian rupees.

5. **National income—(1948-49 estimates)—**

Total 1,692 crores. *Per capita* Rs. 230 or \$ 69.

Agricultural production 1,171 crores.
Industrial production 13 crores.
Other sectors 508 crores.

6. **Area under cultivation—(1951-52)—**

Total 5·40 crore acres.

Rice 2·25 crore acres.
Wheat 1·02 crore acres.
Jute ·18 crore acres.
Cotton ·34 crore acres.

7. **Electric power production—(August 1952)—**

Total 2,19,81,791 Kilowatt hours.

Steam 1,28,34,323 „
Diesel 40,34,418 „
Hydel 51,13,050 „

8. **Communications—(1950)—**

Railways 6,982 miles.
Roads 71,233 miles.
Inland waterways (East Bengal)—2,670 miles.

9. **Literacy—(1951 Census)—**

Percentage of population 13·5

10. **Health—**

Expectancy of life...About 27 years.

11. **Central Budget—(The fiscal year is April to March)—**

(In lakhs of rupees.)

	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
Revenue	127,73	140,56	124,89
Expenditure met from revenue	124,75	139,90	124,51
Surplus/deficit on revenue account	+2,98	+66	+38
Capital expenditure	25,69	65,51	56,36

12. **Public Debt—(As on July 31st 1952)—**

Total	Rs.	131,49	lakhs
Central Government	„	110,18	„
Provincial Governments ...	„	21,31	„

13. **Foreign Exchange Budget—(The foreign exchange year is July to June)—**

(In lakhs of rupees.)

	1949-50	1950-51	1951-52
Receipts	94,85	247,15	240,61
Payments	129,82	189,49	287,90
Errors and omissions...	+3,50	—5	+93
Surplus/Deficit	—31,47	+57,61	—46,36

14. **Administrative Units—**

	Area (in square miles)
Governor's Provinces—	
East Bengal	54,501
Punjab	62,987
Sind	50,443
North West Frontier Province (N.W.F.P.)	13,815
Centrally Administered Areas—	
Baluchistan	52,900
Karachi	812
Tribal Areas	27,242
States—	
Bahawalpur	15,918
Khairpur	6,050
Baluchistan States Union (Kalat, Las Bela, Mekran and Kharan)	81,239
Chitral	4,000
Dir	3,000
Swat	1,800
Amb	174

INTRODUCTORY

The Economic Appraisal Committee was appointed by the Government of Pakistan on 20th August, 1952, under their Resolution No. 2(21)-PG|52 published in the Gazette Extraordinary of 21st August, 1952 (reproduced in Appendix No. 1).

2. The appointment of the Committee was considered necessary by the Government of Pakistan in view of the world economic recession and its repercussions on the economy of Pakistan, which called for a comprehensive review of the economic situation in the country, as a basis for the determination of measures which should be taken to reinforce the economy and to ensure that the pace of development in the country was not retarded by the economic recession and that the objective of raising the standard of living of the people in the shortest possible time was not affected adversely.

3. The detailed terms of reference of the Committee were :—

(1) To assess the economic conditions of Pakistan and to recommend ways and means for increasing the productive capacity and foreign exchange earnings.

(2) To review the fiscal, tariff, trade and industrial policies from the standpoint of development and increased production so as to stabilise the country's economy on a long-term basis.

(3) To review the financial and material resources available for development during the next five years.

(4) To review the development schemes already approved or under preparation and make recommendations regarding individual schemes and the overall pattern of economic development to be undertaken during the next five years.

Note :—This review should cover the schemes of Central, Provincial and State Governments. The activities falling under the private sector of the National Plan should also be reviewed.

(5) To recommend priorities for projects recommended for execution during the next five years. The fixation of priorities should keep in view the effect of a scheme in raising earnings or saving expenditure of foreign exchange.

(6) To review the progress made so far in the execution of development schemes, especially in the field of agriculture and industry, and to make recommendations to ensure the acceleration of execution and the attainment of full productive capacity.

4. The composition of the Committee was :

Chairman.

The Honourable Mr. Fazlur Rahman, Minister for Economic Affairs.

Members.

1. Mir Laik Ali.
2. Mr. Zahid Husain, Governor, State Bank of Pakistan.
3. Mian M. Afzal Husain, Ex-Chairman, Pakistan Public Service Commission.
4. Mr. Ghulam Faruque, Chairman, Pakistan Industrial Development Corporation.
5. Mr. Mohemedali Habib, Managing Director, Habib Bank Ltd.
6. Mr. Mirza Ahmad Ispahani, Director, Pakistan Industrial Development Corporation.
7. Mr. Muazzamuddin Hosain, Chairman, Pakistan Agricultural Development Finance Corporation.
8. Mr. A. F. Atwar Husain, Head of the Department of Commerce, Dacca University.

Secretary.

Mr. A. Rashid Ibrahim, Deputy Secretary, Ministry of Economic Affairs.

5. The Committee was requested to submit its report as soon as possible to enable the Government to consider its recommendations and take suitable measures expeditiously.

6. We held our first meeting on 29th August 1952, which was addressed by the Prime Minister of Pakistan, who assured us of the fullest co-operation and assistance on the part of the Government and promised prompt consideration and implementation of our recommendations.

7. On examination of the terms of reference, we found that they were of such a comprehensive character and so wide in scope, that very considerable data would be reauired before the problems involved could be given adequate consideration. We drew up an outline of our requirements but in view of the urgency attached to our deliberations, proceeded immediately to consider matters which could be discussed without awaiting detailed information.

8. We held almost daily meetings from the beginning of September, 1952. To consider certain problems requiring more detailed examination, we appointed a number of Sub-Committees and Working Groups. We had to adjourn for a fortnight in the first week of October, 1952 on account of the annual meeting of the Muslim League Council and resumed our sittings on 20th October, 1952. On 23rd November, 1952, *i.e.*, in less than three months from the date of our first meeting, we submitted a Draft Report to the Government which practically covered the entire scope of our enquiry. This was done in order to enable the Government to take into consideration our recommendations before framing the Budget for 1953-54. However, conclusions had not been reached on some questions and we had to adjourn again on account of the Commonwealth Prime Ministers' Conference. We could meet again only from 26th January 1953 after a lapse of over two months, and finalised our Report on 14th February 1953. We availed ourselves of this opportunity to bring the contents of the Report up to date as far as possible, and to take note of further developments during the interval. Mr. Mohemedali Habib could not take part in the deliberations of the Committee after 27th October 1952 and we regret that we were thus denied the benefit of his advice. The other Members attended all or most of the meetings of the Committee.

9. We considered over 200 documents and memoranda submitted by the Central and Provincial Governments at our instance. We take this opportunity of expressing our deep appreciation of the manner in which the various Ministries of the Central Government and the Departments of Provincial Governments responded to our requests. Notwithstanding their preoccupation with normal work, they furnished the information required with speed and diligence. Without this cooperation we could not have completed our task in the time available to us.

10. We had the benefit of the views expressed in the Interim Report (January 1952) of the Agricultural Enquiry Committee presided over by Lord Boyd Orr. We also profited by the Report of Mr. Colin Clark, the Australian economist who visited Pakistan in May—July 1952 and studied our economic problems. The Report of the Export Promotion Committee appointed bv the Ministry of Commerce (September 1952) was also made available to us and we had the opportunity of reviewing its recommendations.

11. In the course of our deliberations we examined a number of witnesses, official and non-official. The Chairman of the Committee held a special meeting with the representatives of the chambers of commerce and associations

of trade and industry at Karachi and invited their views and suggestions. The views of mofussil commercial and industrial organisations were secured through correspondence.

12. The structure of our Report does not strictly follow the terms of reference, as the latter overlap each other. After a general survey of the economic situation, a study has been made of the urgent problems of the balance of trade, the balance of payments and food shortage. The long-term remedies to be found in increased agricultural and industrial production have been discussed thereafter, followed by a brief reference to other sectors of development. A general review of development projects has been given and the problem of targets has been considered. Finally, an appreciation of the financial resources is made and ways and means are suggested for meeting the total needs. The conclusions and recommendations have been summarised at the end.

13. We wish to record our deep appreciation of the able manner in which our Secretary, Mr. A. Rashid Ibrahim, has handled his very difficult task. We are also pleased to express our gratitude to his staff who had to work hard and long hours.

Fazlur Rahman (FAZLUR RAHMAN)

(MIR LAIK ALI)

Zahid Husain (ZAHID HUSAIN)*

M Afzal Husain (M. AFZAL HUSAIN)*

G. Faruque (GHULAM FARUQUE)

Mohomedali Habib (MOHEMEDALI HABIB)

(MIRZA AHMAD ISPAHANI)

(MUAZZAMUDDIN HOSAIN)*

A. F. A. Husain (A. F. ATWAR HUSAIN)

* Subject to Supplementary Note at the end of the Report.

CHAPTER I.

REVIEW OF ECONOMIC SITUATION

Section 1.—Review of foreign trade

1. The five years since the Partition of the Indo-Pakistan sub-continent have been full of strains and stresses for Pakistan. With an economy based largely on the export of agricultural raw materials and the import of manufactured goods, she is naturally sensitive to changes in world economic conditions and particularly to the level of production and consumption in the industrial countries. Besides, the production of our exportable commodities is subject to seasonal hazards. Internal consumption of raw materials must necessarily remain limited in the present state of our development and there is always the possibility that a larger production of particular commodities might lower the prices obtainable in world markets. Unfortunately, economic recession in the world occurred before development in Pakistan had advanced sufficiently to be able to withstand its shock. It hit hardest the textile industry which consumes our major commodities, *viz.*, jute and cotton. The recession has been severe but with determination and proper planning, its effects can be overcome. **Economic recession.**

2. Pakistan emerged from the Partition with valuable resources in raw materials, principally jute and cotton, which were unlikely to go out of demand. However, she faced many economic difficulties. The whole economic life had been dislocated by the Partition and the situation was aggravated by the large influx of refugees. The new country was short of essential commodities like cloth, coal, iron and steel, and was denied access to the nearest market in India. New internal trade routes had to be fashioned towards the ports and new contacts established with traders abroad. Banking and insurance facilities had to be developed. However, efforts in these directions had advanced so much that when a majority of the world's currencies were devalued two years after the Partition, Pakistan found herself able to maintain the external value of her rupee in terms of dollar and gold. Though this decision was severely tested not only by countries holding genuine doubts about its permanence but also by the sustained refusal of recognition by India, it was maintained. This cheapened imports and helped to check inflation. **Developments since Partition.**

3. The outset of war in Korea restarted the seller's market which, after persisting from the end of World War II, had shown signs of subsiding; and this time, prices of raw materials rose higher and faster than those of manufactures. Consequently they had to swing back further when the frenzy of buying gave way to more regulated purchases again. The influence of the Korean war has perhaps been overstated in the case of Pakistan's cotton. Fears of an excessive surplus led to restrictive measures in U.S.A. in 1950, which were designed to reduce the cotton crop from 16 million bales to the region of 12 million. Adverse seasonal factors, however, produced a decline to 10 million bales. This loss of 6 million bales, or 20% of the normal world crop, in a single season was in itself enough to shake the cotton markets of the world, even without any Korean War, and did in fact do so. The important points for Pakistan are that the quantitative demand for her products should be firm and that the prices of the goods she has to import should **Korean War and after.**

be in reasonable relation to the prices of raw materials. There does not seem to be any indication of failure on either of these points and so it can be concluded from a long term point of view that the inherent strength of the country in the sphere of foreign trade, within the limitations of its present type of economy, is unimpaired.

Balance of trade on private account.

4. The following table shows the balance of trade on private account. Reference to imports on Government account is made in para. 8 (page 5). As payments for Government imports are at present not shown in the foreign exchange accounts separately from other Government payments (*e.g.*, on account of Diplomatic Missions abroad) and the Customs authorities do not maintain a full record of Government imports, it is not possible to work out an accurate balance of all exports and imports :

*Table No. 1.—Balance of trade on private account**

(In lakhs of rupees.)

	Exports	Imports	Balance
January—June 1948 (half-year)	41,66	10,03	31,63
July 1948—June 1949	80,46	75,58	4,88
July 1949—June 1950	86,96	74,93	12,03
July 1950—June 1951	2,30,76	1,27,29	1,03,47
July 1951—June 1952	2,18,69	1,92,67	26,02
Total** ...	**6,58,53**	**4,80,50**	**1,78,03**

(*Source : S. B. P.*)

* This table has been compiled from the published figures of the State Bank of Pakistan. The exchange control with India was introduced only on 27th February 1951 and the table therefore does not include the figures of trade (exports and imports) with India before that date. It also does not include the figures relating to Afghanistan, Nepal and Tibet but the level of trade with those countries was negligible. The figures of trade on private account with India as compiled from Customs returns are given below :

(In lakhs of rupees.)

Period	Exports	Imports	Balance
January—June 1948 (half year) (This includes only sea-borne trade between April and June).	7,13	9,57	—2,44
July 1948—June 1949 (This covers sea-borne trade *plus* land-borne jute exports).	1,04,38	40,67	+63,71
July 1949—June 1950	31,78	29,10	+2,68
July 1950—February 1951	27,90	17,51	+10,39
Total ...	**1,71,19**	**96,85**	**+74,34**

On the whole, there was a favourable balance of trade on private account with India of about Rs. 74 crores. The total figure of surplus given in Table No. 1 would therefore be about Rs. 250 crores.

** The figures for July—December 1952 are :

Exports	Imports	Balance
60,91	76,70	—15,79

The most striking point in these figures is the consistent surplus. This is readily explainable in the first period when the flow of imports had not been activated; but it is significant that this surplus should persist when imports were being freely stimulated to stock the country. The rise in cotton prices magnified the surplus in 1950-51; but even in the year 1951-52, which has been widely regarded as discouraging, the trade balance on private account was favourable.

5. The following statement shows the level of exports and imports in respect of the more important countries trading with Pakistan: Diversification of trade.

*Table No. 2.—Exports and imports on private account, by countries**

(In lakhs of rupees.)

Country	July 1950—June 1951		July 1951—June 1952	
	Exports	Imports	Exports	Imports
Dollar Area				
Canada	67	79	10	1,31
U. S. A.	15,90	9,46	5,26	11,88
Others	11	..	36	1
Total ...	16,68	10,25	5,72	13,20
Non-Dollar Area				
Argentine	2,12	...	81	11
Belgium	8,52	2,59	6,22	4,61
Germany	13,62	3,37	10,71	6,31
Japan	33,31	23,18	21,95	46,72
Switzerland	...	94	10	1,21
Australia	5,61	41	1,07	78
Ceylon	1,68	2,69	60	3,24
China	8,85	8,68	25,40	2,34
Czechoslovakia	1,84	1,30	2,16	90
France	17,01	2,73	17,24	2,43
Hong Kong	12,44	4,69	5,34	4,41
Iran	8	6,10	5	1,88
Italy	15,18	7,92	13,12	11,59
Netherlands	2,62	1,83	2,13	2,06
Spain	4,48	58	2,42	1,30
U. S. S. R.	1,00	70	2,15	11
United Kingdom	32,03	37,78	27,98	39,94
Poland	4,75	80	6,07	52
Indian Republic	55,63	21,56	37,56	34,67
Others	17,44	6,90	11,88	20,33
Total ...	2,38,21	1,44,16	1,94,96	1,85,36
Grand Total ...	**2,54,89**	**1,45,00**	**2,00,68**	**1,98,56**

(*Source*: *C.S.O.*)

A deliberate policy of diversification of trade was adopted by the Government. Whereas in 1948-49 there were only four countries each having trade exceeding Rs. 10 crores with Pakistan and together accounted for 77% of the total trade, in 1949-50 the number increased to seven covering 64% of the trade, and in 1950-51

* This table, compiled by C. S. O., is based on returns submitted by the Customs authorities. The totals will not tally with the totals shown in Table No. 1, because the latter represent actual credits or debits to the foreign exchange account maintained by S. B. P. There is a time lag between exports and realisation of foreign exchange earnings. In the case of imports, the foreign exchange expenditure may be incurred before or after the goods have been received at the ports.

to ten accounting for 83% of the trade. In 1951-52, there were nine* countries each having trade exceeding Rs. 10 crores with Pakistan, covering 82% of the total trade as shown below :

Table No. 3.—Countries with trade level exceeding Rs. 10 crores in 1951-52.

(July—June year) (In lakhs of rupees)

Country	Value of trade	Percentage of total trade
India ...	72,23	18
Japan ...	68,67	17
United Kingdom ...	67,92	17
China ...	27,74	7
Italy ...	24,71	6
France ...	19,67	5
U. S. A. ...	17,14	4
Germany ...	17,02	4
Belgium ...	10,83	3

(*Source : C. S. O.*)

Terms of trade.

6. While the prices of our exports have fallen sharply during the last nine months, the prices of our imports have not come down in the same proportion. Thus the terms of trade are at the moment, comparatively, unfavourable to Pakistan. It may be added, however, that the prices of cloth and yarn which constitute the heaviest item of imports have shown an appreciable fall.

Section 2.—Foreign exchange position

Balance of payments.

7. Since the Partition (during the period January 1948 to June 1952), the exports on private account contributed Rs. 658† crores to the foreign exchange account. The "invisible exports" ("Other receipts" in the following table) *i.e.*, foreign exchange earnings otherwise than through the export of commodities, were Rs. 70 crores. The imports on private account cost Rs. 481‡ crores and the imports on Government account *and other external payments by* Government Rs. 204 crores. The "invisible imports" ("Other payments" in the following table) *i.e.*, foreign exchange expenditure otherwise than on imports of commodities, were Rs. 92 crores. The overall balance of payments was *minus* Rs. 52 crores. Details, by years, are given below :

Table No. 4.—Balance of payments.

(In lakhs of rupees)

Period	Receipts			Payments				Balance
	Exports	Other receipts	Total	Imports on private account	Imports and other payments on Government account	Other payments	Total	
January—June 1948 (half year).	41,66	3,00	44,66	10,03	10,44	2,51	22,98	+21,68
July 1948—June 1949	80,46	20,42	1,00,88	75,58	56,43	14,41	1,46,42	—45,54
July 1949—June 1950	86,96	7,89	94,85	74,93	34,02	20,87	1,29,82	—34,97
July 1950—June 1951	2,30,76	16,39	2,47,15	1,27,29	43,32	18,88	1,89,49	+57,66
July 1951—June 1952	2,18,69	21,91	2,40,61	1,92,67	59,80	35,44	2,87,90	—47,29
Total** ...	**6,58,53**	**69,61**	**7,28,15**	**4,80,50**	**2,04,01**	**92,11**	**7,76,11**	**—48,46**
Adjustment for errors and omissions ...								—3,53
Net deficit ...								—51,99

(*Source : S. B. P.*)

* The value of total trade with Hongkong was almost Rs. 10 crores (Rs. 9.75 crores); and thus the number of countries with trade level exceeding Rs. 10 crores was practically 10.

† If trade with India is included, the figures will be Rs. 830 crores (exports) and Rs. 577 crores (imports).

‡ The figures for July—December 1952 (half-year) are given in the footnote on next page.

8. Over the whole period, we get the following abstract of account : Imports on Government account.

	(In crores of rupees.)
Exports	6,58
Invisible receipts	70
Total ...	**7,28**
Imports on private account	4,80
Imports on Government account and other payments	2,04
Invisible expenditure	92
Total ...	**7,76**
Net deficit in balance of payments	—52

As foreign exchange expenditure on Government account is not classified in the same way as expenditure on private account, exact figures for various items in respect of each year are not available. As explained earlier, even a broad division into expenditure on Government imports, and Government payments made otherwise, is not possible. However, a very rough estimate for the entire period is given below :

Table No. 5.—Government imports and other payments on Government account.

(In crores of rupees.)

1.	Coal (*a*)	23
2.	Oil (*b*)	10
3.	Foodgrains (*c*)	14
4.	Sugar (*c*)	51
5.	Salt (*c*)	1
6.	Defence stores (*d*)	83
7.	Payments on account of Diplomatic Mission abroad (*e*)	4
8.	Other Government imports and expenditure abroad (*f*)	18
	Total ...	204

Note 1. (*a*) Figures supplied by the Coal Commissioner.

(*b*) " " D. G. S. & D.

(*c*) " " Ministry of Food and Agriculture.

(*d*) " " Ministry of Defence.

(*e*) " " Ministry of Foreign Affairs and Commonwealth Relations, (based on fiscal year expenditure).

(*f*) This figure has been arrived at simply by deducting the total of the items Nos. 1 to 7 from the total known figure (204) of ' Government imports and other payments on Government account '. It would include imports by D. G. S. & D., other than oil, by the Railway Division and by Posts & Telegraphs Department, figures for which could not be obtained.

Note 2. As the figures are not based in all cases on actual expenditure ' booked ' by the accounts officers concerned, no reliance can be placed on them.

‡ The figures for July-December 1952 (half-year), *vide* footnote on previous page are :

	Receipts		Payments				
Exports	Other receipts	Total	Imports on private account	Imports and other payments on Government account	Other payments	Total	Balance
60,91	8,65	69,56	76,70	27,35	13,02	117,07	—47,51

Adjust for errors and omissions ... ... —78
Net deficit ... ... —48,29

Invisibles.

9. The drain on foreign exchange from invisible imports is excessive, mainly on account of the undeveloped character of our shipping, banking and insurance services. For the period in question, the total was Rs. 92 crores and net (taking into account invisible receipts) Rs. 22 crores. For the year July 1951—June 1952, the corresponding figures were Rs. 35.44 crores and 13.53 crores.

Element of private trade in balance of payments.

10. There are two points of interest to be noted before leaving these statistics of trade and balance of payments. First, exports are made almost entirely on private account, and represent over 90% of foreign exchange receipts. Imports are made both on private and Government account and the former represent about 2|3rd of foreign exchange payments. The following table gives the figures for each year :

Table No. 6.—Commercial exports and imports (excluding trade with India before 27th February 1951).

Period	Exports as percentage of all foreign exchange receipts	Imports as percentage of all foreign exchange expenditure
January—June 1948 (Half year)	93	44
July 1948—June 1949	80	52
July 1949—June 1950	92	58
July 1950—June 1951	93	67
July 1951—June 1952	91	67
Total (From January 1948 to June 1952)	**90**	**62**

(*Source* : *C. S. O.*)

Balance of payments by currency areas.

11. The second point to note is the distribution of the deficit among the various currency areas. This is significant because, as a member of the sterling area, Pakistan is expected to restrict her dollar expenditure to the minimum possible. The following table shows the position :

Table No. 7.—Balance of payments by currency areas.

(In lakhs of rupees.)

Period	Sterling Area	India*	Dollar Area	Other countries	Total
January—June 1948 (Half year)	+93	...	—1,95	+22,70	+21,68
July 1948—June 1949	—46,03	...	—11,37	+11,86	—45,54
July 1949—June 1950	—35,45	...	—8,98	+9,46	—34,97
July 1950—June 1951	—25,36	+15,80	—8,07	+75,32	+57,69
July 1951—June 1952	—56,01	+24	—25,87	+34,32	—47,32
Total ...	**—161,92**	**+16,04**	**—56,24**	**+153,66**	**—48,46**
Adjustment for errors and omissions	...	...	...	...	—3,53
Final total†	...	...	...	...	**—51,99**

(*Source* : *S. B. P.*)

*The figures do not reflect the entire volume of transactions with India before 27th February 1951 when the exchange control with India was introduced.

†The figures for July—December 1952 are :—

	Sterling Area	India	Dollar Area	Other countries	Total
	—34,86	—5,61	—4,58	+2,46	—47,51
Adjustment for errors and omissions					—78
Final total					—48,29

Although Pakistan had a deficit with the dollar area, she had a surplus with the European Payments Union (which came into being in July 1950). While she over-draws dollars from the central reserves of the sterling area, she helps to reduce the area's deficit with the E. P. U. which has to be paid for in gold or dollars, under certain circumstances.* Balance of payments with E.P.U.

Table No. 8.—Balance of payments with E.P.U. countries (excluding U.K.)

(July—June year) (In lakhs of rupees.)

	1950-51	1951-52	Total (Two years)
Receipts	64,19	59,83	124,02
Payments	21,81	37,85	59,66
Balance	42,38	21,98	64,36

(*Source* : *S. P. B.*)

Against a surplus of Rs. 64.36 crores with the E. P. U. we had a deficit of Rs. 33.94 crores with the dollar area in the corresponding period. Our total dollar deficit for the period January 1948 to June 1952 amounted to Rs. 56.24 crores.

12. Under the Partition settlement, Pakistan received a share of the gold, dollar and sterling balances of the Government of undivided India. The changes in these reserves, which reflect both the draw on initial balances and the excess of current expenditure over current earnings of foreign exchange, are shown below. In addition to these reserves, we hold Indian securities of the value of Rs. 14.82 crores. External reserves.

Table No. 9.—Gold, dollar and sterling reserves.†

(In lakhs of rupees.)

Date	Total rupee value	Change from previous balances
Half-yearly—		
June 30, 1948	51,79	...
December 31, 1948	1,41,61	+89,82
June 30, 1949	1,65,51	—23,90
December 31, 1949	98,02	—67,49‡
June 30, 1950	95,85	—2,17
Quarterly—		
September 30, 1950	87,07	—8,78
December 31, 1950	94,16	+7,09
March 31, 1951	1,38,16	+44,00
June 30, 1951	1,51,31	13,15
September 30, 1951	1,49,00	—2,31
December 31, 1951	1,48,17	—83
March 31, 1952	1,33,50	—13,68
Monthly—		
June 30, 1952	1,04,57	—29,92
July 31, 1952	87,16	—17,41
August 31, 1952	77,21	—9,95
September 30, 1952§	66,23**	—11,98

(*Source* : *Ministry of Finance*).

*Payments were made in gold by U.K. in certain months of 1951 and in the months of January to September 1952.

** Includes 12.70 crores in gold, Rs. 1.53 crores in dollars (with authorised dealers) and Rs. 52 crores in sterling of which £ 12.6 million is in No. 2 Account *i.e.*, blocked sterling.

† Gold and sterling assets due from Reserve Bank of India on account of Pakistan's share under the Partition settlement were received from time to time between 1948 and 1950 and amounted to Rs. 197.36 crores. These reserves include Rs. 3.45 crores representing gold and sterling securities still held by the Reserve Bank of India. Apart from these reserves, Rs. 11.96 crores were received from India under the two Payments Agreements in force with that country prior to 27th February 1951.

‡Rs. 43,30 lakhs is on account of depreciation of sterling and other assets.

§The figures for December 31, 1952 is Rs. 60.61 crores.

Section 3.—Review of exports

Export earnings.

13. During the period between January 1948 and June 1952, jute and cotton together were responsible for approximately 86% of total export earnings, each contributing nearly the same percentage *viz.* 43%. Wool earned 4%, hides & skins 4%, and other exports, the balance. These figures exclude the transactions with India before 27th February 1951. However, it makes little difference to the percentage of earnings from cotton which run at much the same figure before and after that date. Jute, on the other hand, contributed 40% by the end of 1950 but with the inclusion of Indian purchases, has been running at 45% of total export earnings.

Jute.

14. The following statement shows the exports of jute :

Table No. 10.—Exports of jute.

(July—June year) (In lakhs of bales.)

Year	Exports		
	India	Other countries	Total
1948-49	41.32	19.17	60.49
1949-50	16.54	17.28	33.82
1950-51	24.67	41.20	66.67
1951-52	16.44	32.05	48.48

(*Source* : *C. S. O.*)

15. Jute is on O.G.L. for the dollar area and freely licensed for the non-dollar area, though destinational quotas are imposed. The outstanding fact in the above Table is that whereas 68% of our jute went to India in the first full year after the Partition (1948-49), only half of that figure (33%) went last year. Following India's refusal soon after the Partition to lift agreed quantities of jute and cotton and her denial to give us the agreed quantities of essential supplies, it has been the policy of the Government of Pakistan to diversify trade and to encourage its widest spread throughout the world. The devaluation of sterling and other currencies and Pakistan's decision not to devalue her rupee, brought about a crisis in the jute trade. India stopped her purchases altogether, and other purchasers, notably in the U.K. and other European countries, also decided to pause in the hope that either Pakistan would devalue in a short time or with India out of the market, there would be a steep fall in prices. The Government took emergency measures to stabilise the position in the short-term, and introduced a price support scheme (minimum price of *white jat bottom* variety was fixed at Rs. 23 per maund) to safeguard the interests of the jute growers. Simultaneously, steps were taken to secure factual basis for the formulation of long-term policies on the assumption that jute had a place in world trade so long as its regular supply was assured from year to year, both in quality and quantity according to world requirements and at reasonable prices. The Jute Board was created in October 1949 under a special Jute Ordinance. It was made responsible for operating the support scheme, and was further directed to make investigations into all aspects of jute trade such as acreage, baling facilities, finance, marketing, manufacture and research. The implementation of the recommendations made by it continues in a progressive manner. The main feature of domestic policy has been to strengthen the position of the jute grower and provide him with facilities on

cooperative lines for the holding of his jute and means for sorting, baling and marketing. Externally, consumption of jute in countries other than India is now almost double of what it was in 1948-49.

16. The following statement shows exports of cotton : Cotton.

Table No. 11.—Exports of raw cotton.

(July—June year) (In lakhs of bales.)

Year.	Exports		
	India	Other countries	Total
1948-49	3.47	4.58	8.05
1949-50	0.21	9.39	9.60
1950-51	...	13.72	13.72
1951-52	...	10.95	10.95

(*Source* : *C. S. O.*)

The export of cotton is regulated by the issue of export licenses to individual shippers but without any restriction as to destination. The Partition of the country seriously disturbed the acreage and quality of cotton but the position was quickly recovered and has since improved. Prior to the Partition, cotton trade was mainly in the hands of Indian or other foreign merchants, and steps were taken not only to ensure exports in a smooth and uniform manner but also to provide opportunities for Pakistanis to participate in the trade in a substantial measure. The 1950-51 season registered a fall of approximately 6 million bales in the U.S.A. cotton crop. This occurred at a time when world demand was rising and, in common with other world markets, brought about instability in the Karachi market. The position was controlled by an adjustment of the export duty which proved to be of considerable benefit to the Government revenues. However, severity of fluctuations in price left behind a feeling of uncertainty which continued into the next season. There is some inherent weakness in the cotton trade as many traders lack adequate finance to tide over the recessions in demand and this provides the foreign buyers an opportunity to further depress the market. To bring about stability in the trade and to keep a continuous watch on its operations, the Cotton Board was created in December 1951 under a special Cotton Act. It was required to studv conditions of the entire cotton trade in all its stages and devise measures to bring about an improvement in the quality of cotton and ensure its most advantageous disposal. To create steadiness in the internal market, a price support scheme was introduced in March 1952 (the minimum price of *289 F-RG* variety was fixed at Rs. 90 per maund). The operation of the support scheme involved some adjustment in export prices which were permitted by the Cotton Board, the losses being borne by it.

17. The export of wool is on O.G.L. Statistics about this commodity are Wool. somewhat unreliable as some of the flocks of sheep are nomadic and cross international borders. The export surplus is generally taken as running between 25 and 30 million lbs., mostly carpet wools. Complaints in foreign markets about uneven quality and failure to give guaranteed yield are being met by the grading scheme which has been introduced very recently. Pakistan exporters put themselves at a disadvantage by their fondness for consignment business. This has the attraction of requiring very little finance and storage but it can be disastrous on a falling world market, as traders found to their cost in 1951. The possibility of establishing local auctions is under investigation.

Hides & skins.

18. Export of cow hides and sheep skins is on world O.G.L. but export of goat skins is on O.G.L. for the dollar area only and licensable for the non-dollar area with destinational quotas. The exports of hides and skins during 1951-52 were as follows :

Table No. 12.—Exports of hides and skins.

(July—June year) (In lakhs of pieces).

Year	Export
1948-49	98
1949-50	1,02
1950-51	1,44
1951-52	85

(*Source : C. S. O.*)

In a survey undertaken by the Government in 1951 it was considered that the objectives of our policy should be an improvement in quality, and further processing before export, so as to produce more valuable product. Pakistan is the third largest exporter, following Argentina and South Africa. There has been substantial expansion of tanning facilities within the country and exports of *raw* hides and skins would gradually show a fall.

Tea.

19. The production of tea, which is concentrated in East Pakistan has steadily increased from 336 lakh lbs. in 1948-49 to 530 lakh lbs. in 1951-52 (fiscal) and the exports of tea have risen from Rs. 265 lakh lbs. in 1948-49 to Rs. 436 lakh lbs. in 1951-52 (July—June year).

Other items of export.

20. The five main commodities referred to above account for over 95% of the export trade. Among other items of export, the more important are fish, fruit, sports goods, surgical instruments and other products of small scale and cottage industry.

Average export prices.

21. The following table shows the average export prices of the principal commodities since the beginning of 1948. Prices include duties at the various rates operative from time to time :

Table No. 13.—Average export prices of principal commodities (Inclusive of export duties).

(In rupees.)

Period	Jute (per bale)	Cotton (per bale)	Wool (per lb.)	Hides and skins (per piece)	Tea (per lb.)
1948—					
January—March	197.4	403.8	1.09	4.24	1.73
April—June	215.0	406.0	1.26	4.67	1.61
July—September	212.5	457.3	1.47	3.69	1.74
October—December	210.9	407.8	1.30	4.27	1.55
1949—					
January—March	196.6	447.2	1.29	3.53	1.43
April—June	227.1	533.9	1.46	4.76	1.47
July—September	176.7	521.2	1.38	3.36	1.66
October—December	177.9	490.0	1.27	2.84	1.62
1950—					
January—March	193.4	475.1	1.29	3.07	1.62
April—June	152.6	457.8	1.49	3.38	1.62
July—September	151.8	488.0	1.62	3.28	1.71
October—December	168.0	778.2	2.21	3.60	1.72

Period	Jute (per bale)	Cotton (per bale)	Wool (per lb.)	Hides and Skins (per piece)	Tea (per lb.)
1951—					
January—March	171.3	845.9	3.48	6.35	2.55
April—June	235.6	935.5	3.58	5.96	1.24
July—September	238.0	897.9	2.16	4.10	1.21
October—December	194.9	694.5	1.68	4.10	1.28
1952—					
January—March	202.4	717.7	1.65	3.92	1.30
April—June	195.5	669.1	1.35	3.21	1.26
July—September*	106.9	628.8	2.01	3.23	1.23

(*Source* : *C. S. O.*)

22. Although these are average prices over the respective quarters and thus do not disclose the full extent of fluctuations, they show nevertheless the stresses to which our economy has been subjected in these years on account of changes in world markets. It is remarkable that it has stood up to these knocks as well as it has done. The stresses are shown up more vividly in the graph on next page. We are once again passing through difficult times. Fluctuations in prices.

*The figures for the quarter October—December 1952 are :—

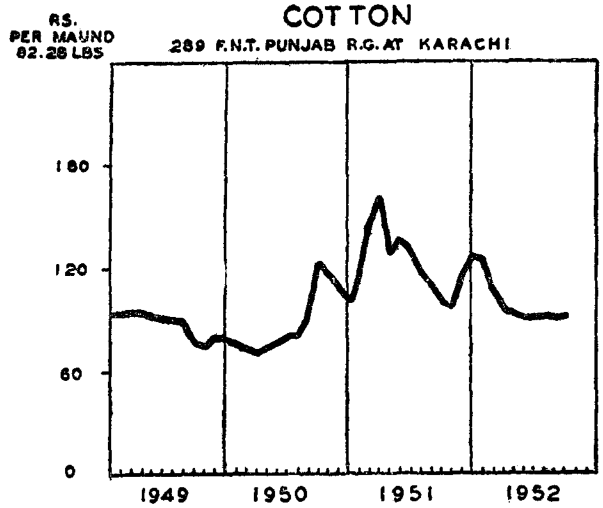
Jute	Cotton	Wool	Hides and skins	Tea
106.3	503.6	1.83	3.17	1.33

WHOLESALE PRICES OF PRINCIPAL EXPORTS

FROM JANUARY 1949

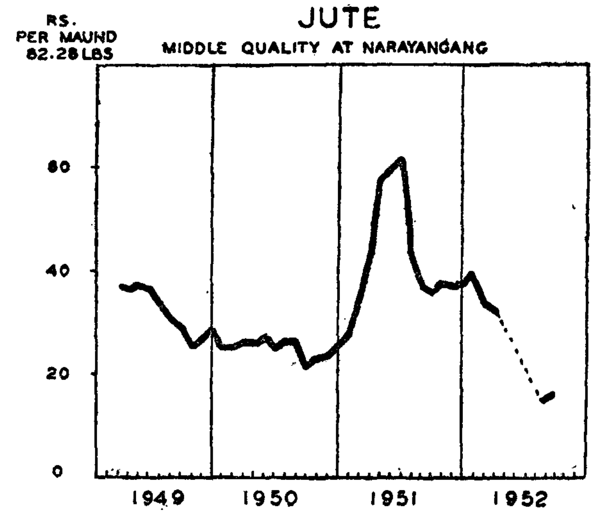
COTTON

289 F.N.T. PUNJAB R.G. AT KARACHI



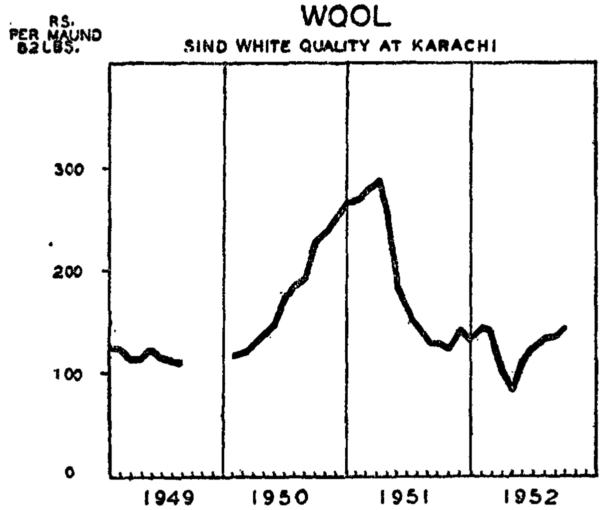
JUTE

MIDDLE QUALITY AT NARAYANGANG



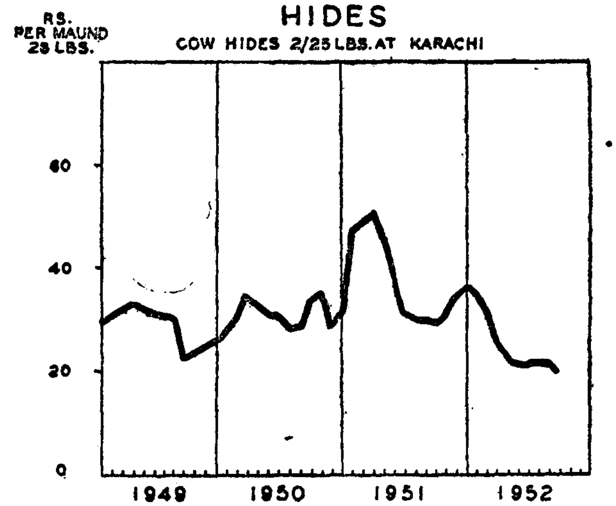
WOOL

SIND WHITE QUALITY AT KARACHI



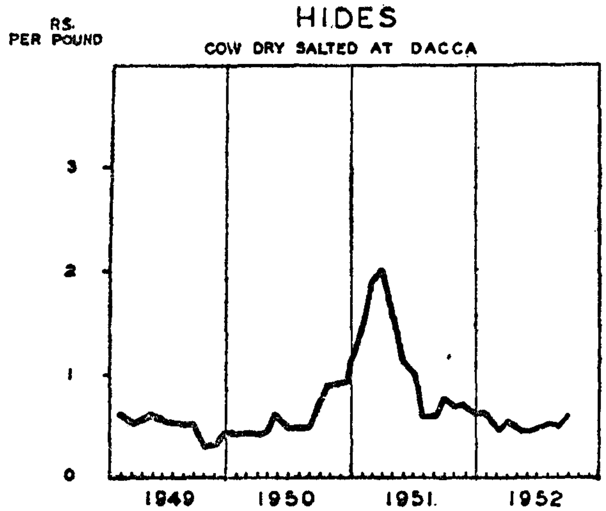
HIDES

COW HIDES 2/25 LBS. AT KARACHI



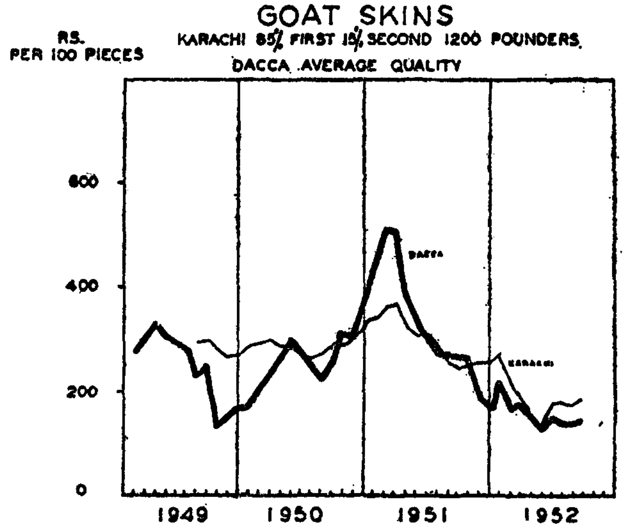
HIDES

COW DRY SALTED AT DACCA



GOAT SKINS

KARACHI 85% FIRST 15% SECOND 1200 POUNDERS.
DACCA AVERAGE QUALITY



(*Source : Central Statistical Office*).

Section 4.—Review of imports

23. An analysis of expenditure on imports during the years 1948-49 to 1951-52, shows that in the private sea-borne trade, which accounts for roughly 90% of all private imports, Pakistan spent approximately 8% on capital goods 25 to 30% on industrial raw materials (including yarn), about 45% on essential consumer goods and about 7% on non-essential consumer goods. About 10% of the imports are not specifically classified. The figures for different years are given below: **Analysis of imports.**

Table No. 14.—Break-up of sea-borne imports on private account.

(July—June year) (In lakhs of rupees.)

	1948-49	1949-50	1950-51	1951-52
1. Capital goods	6,68	7,83	11,59	17,99
2. Industrial raw material (*e.g.* yarn, metals & ores, chemicals, dyes, leather, etc.)	30,50	28,16	33,35	59,65
3. Essential consumer goods (*e. g.* cloth, vehicles, jute manufactures, oils, paper, madicines, matches, rubber manufactures, etc.)	58,93	42,15	58,76	72,56
4. Non-essential consumer goods *e. g.* (silk textiles, tea, manufactured tobacco, tinned provisions, earthenware, toilet requlsites, etc.)	12,57	8,73	7,36	8,16
5. Miscellaneous.	19,92	11,95	18,84	14,25
Grand Total	**1,28,60**	**98,82**	**1,29,90**	**1,72,61**

(*Source : Ministry of Commerce*).

24. The largest single element in the import field is cotton cloth and yarn. In the last twelve months (July 1951—June 1952), the cost of imported cotton cloth was 18% of all imports and imported cotton yarn came to another 13%. The development of cotton textile industry within the country should be expected to operate to reduce this drain on foreign exchange. However, as the following table shows, over a period when imports of yarn have been fairly steady and domestic production of both yarn and cloth has grown substantially, imports of cloth have continued to increase. Although between 1948-49 and 1951-52 domestic production of yarn rose from 92 to 198 lakh lbs., and domestic production of cloth from 870 to 1490 lakh yards, yet cloth imports simultaneously rose from 2910 to 3970 lakh yards. On these figures, the average individual consumption of cloth today, taking into account production of handlooms and allowing for unused stocks of cloth and yarn, would appear to be about 10 yards. **Cloth and yarn imports.**

Table No. 15.—Total supply of cloth and yarn (indigenous production and imports).

(In lakhs of yards and pounds & in rupees.)

Year	Cloth			Yarn		
	Indigenous production	Imports	Price per yard—imports	Indigenous production (Surplus from mills)	Imports	Price per pound—imports
	Yards	Yards	Rupees	Lbs.	Lbs.	Rupees
January—June 1948 ...	4,63	2,70	1.30	23	10	3,23
July 1948—June 1949 ...	8,69	29,10	1.04	91	5,40	2.59
July 1949—June 1950 ...	9,85	28,20	0.78	1,05	6,60	2.22
July 1950—June 1951 ...	11,41	40,80	0.81	1,49	8,30	2.77
July 1951—June 1952 ...	14,90	39,70	0.86	1,98	8,00	3.25

(*Source : Office of Textile Commissioner and C.S.O.*)

O. G. L. and its cost.

25. The large imports of cloth and yarn in the last two years (July 1950—June 1952) have made the cost of Open General Licence heavy. The policy of the Government was the utmost possible liberalisation of essential imports and the fewest possible changes in the O. G. L. The objectives were the assurance of reasonably cheap goods in the unregulated categories and the minimum of disturbance to trade so as to generate confidence in the stability of policy. The liberalisation was curtailed immediately after sterling devaluation until the world markets settled down, but by July 1950 a good deal of import trade was freed from control. This freedom was extended in July 1951 to a considerable number of industrial raw materials and associated requirements, costing in the aggregate relatively little. At the same time, the free limit of cloth was raised from Re. 1 to Rs. 1|8|- a yard to match the advance in world prices and this, as events turned out, cost a great deal. Despite a slump in the local cloth market some months earlier and increased indigenous production, another bout of buying began, apparently due to the circulation given to rumours of devaluation of Pakistan rupee by interested persons. It has been estimated that the O. G. L. covered about 70% by value of all commercial imports during 1950-51 but nearer 85% in 1951-52, and this on a much higher total import.

Section 5.—Food situation

Food position so far.

26. A serious problem which has developed recently is the food shortage. The areas now forming West Pakistan were known, before the Partition, as the granary of the sub-continent. Pakistan should therefore be a surplus food country. However, early in 1952, a few weeks before the wheat crop was harvested, a wheat deficit developed. The following table shows the imports and exports of foodgrains since the Partition :

Table No. 16.—Imports and exports of foodgrains

(Calendar year) (Figures in tons.)

Commodities	1947	1948	1949	1950	1951	1952
1. Wheat and wheatflour—						
Imports	8,710	77,726	1.31,358	...	...	325,180
Exports	...	2,520	27,021	1,35,052	53,656	...
2. Rice—						
Imports	5,411	...	63,233	...	...	...
Exports	...	69,303	...	367	2,06,538	+32,107
3. Gram—						
Imports	...	2,200	...	...	...	...
Exports	...	...	...	60,000	...	...
4. Other foodgrains—						
Imports	...	39,734	17,500	...	...	...
Exports	...	...	4,562	...	...	...
Total—						
Imports	**14,121**	**1,19,660**	**2,12,091**	...	...	**3,25,180**
Exports	...	**71,823**	**31,583**	**1,95,419**	**2,60,194**	**. 32,107**

(*Source : Ministry of Food and Agriculture*)

Imports of foodgrains had been necessitated during 1948 and 1949 due to conditions arising out of the Partition. Large stocks of foodgrains had been transferred immediately before the Partition to the areas now forming India, and crops had been adversely affected by the events which took place at the time of the Partition. Imports of rice were required for East Bengal which needs annually 1.5 to 2 lakh tons in addition to the local produce of about 70 lakh tons. It took some time before the agriculturist refugees, who were allotted land in Punjab and other parts, got used to the new conditions and obtained satisfactory yields. However, during 1950 and 1951, it was possible to export 2 to 3 lakh tons of foodgrains, after meeting the requirements of East Bengal.

Food shortage and measures for incresed production.

27. Deterioration in the food situation started in West Pakistan with the failure of monsoons in 1951 which affected the production of *kharif** crops. The drought continued and it also affected the sowing of *rabi*† crops resulting in short sowing by about 7% and short yield of wheat by about 24%. Action was taken by the Government to step up the production of *kharif* crops as far as possible, in order to release pressure on wheat consumption. However, the rains were again less than normal and in September 1952 locust swarms swept over large areas in Sind and Bahawalpur. Nevertheless the total production of *kharif* crops showed an increase by 1.61 lakh tons over the previous year. A Grow More Food Conference was convened in July 1952, and a number of measures were recommended for increased production during the next *rabi* crop *e.g.*, restoration of land to wheat, double cropping and intercropping, maximisation of canal water supplies wherever possible, remission of land revenue for new lands brought under food crops, reduction in *abiana* for additional area brought under food cultivation, procurement and distribution of seed to cultivators at concessional prices and accelerated supply of chemical fertilisers at subsidized rates. The Conference also considered long-term measures for increasing food production during the next five years.

Wheat imports.

28. At the same time, imports of substantial quantities of wheat were arranged from abroad§ and distributed over the different units. Normally, Punjab, Sind and Bahawalpur and Khairpur States are surplus in wheat but imported supplies had to be made available to them also. Although wheat was supplied at below the imported cost, prices of wheat in the non-provisioned areas have risen to unusually high levels. Provisioning of foodgrains is at present confined generally to towns in West Pakistan with comparatively large population, and while the prices in such areas remain closer to the official sale price, in the non-provisional areas prices have soared and black-marketing flourishes‖.

Prospects for 1953.

29. The prospects for the year 1953 also are not bright. There was failure of rains again at the time of sowing of the *rabi* crops, and the yield (harvest due about April 1953) is expected to be worse than the 1952 crop. It is estimated that the sowings have been about 80% of normal in Punjab and there have been similar shortfalls in N.-W.F.P. and Baluchistan. Apart from rains, other factors have contributed to the food shortage. These factors and the ways and means of increasing food production on short-term and long-term basis, have

**Kharif* crops are summer crops sown generally between the months of April and July and harvested between the months of September and December. The main *kharif* crops are rice, maize, jowar, bajra, pulses, sugar-cane and cotton.

†*Rabi* crops are winter crops sown generally between the months of October and December and harvested between the months of March and May. The main *rabi* crops are wheat, barley, gram, oil-seeds and pulses. Out of the *kharif* crops, sugar-cane and cotton extend into the *rabi* season.

‡*Abiana* means water rate.

§The total quantities arranged and actual quantities received upto the end of December 1952 are shown in the footnote on next page.

‖During recent months provisioning has been gradually extended and now covers almost all towns and some rural areas also.

been considered in Chapter IV—Section 3 (page, 70). Immediate requirements, however, will have to be met through imports. The wheat shortage for 1952 (the wheat year is May—April) was estimated at 8 lakh tons. The estimate of shortage for 1953 is 12 lakh tons.

§The total quantities arranged and the actual quantities received upto the end of December 1952, *vide* footnote on previous page, are :—

Supplying country	Total quantity arranged	Quantity received	Remarks
	Tons	Tons	
India	38,628	38,628	Under barter against rice.
Japan	106,000	76,960	,,
U. S. S. R.	146,000	65,941	Under barter against jute and cotton.
Turkey	100,000	99,016	
Syria	5,341	5,341	
U. S. A.	162,000	30,150	Under a wheat loan of $.15 million.
U. K.	9,144	9,144	Under a temporary loan.
Canada	100,000	...	
Total ...	**667,113**	**325,180**	

NOTE.—Further quantities arranged for delivery before April 1953 will raise the total from 667,113 to 804,000 tons.

CHAPTER II

TRADE AND COMMERCE

Section 1.—Imports

30. The balance of trade is of vital importance in our economy. After paying for the consumer goods and developmental goods imported on private account, and defence stores, capital equipment and other goods imported on Government account, a favourable balance is required to meet the excess of invisible payments over invisible receipts. Our invisible earnings of foreign exchange are relatively small and have ranged between 6 and 8 per cent. of earnings through commercial imports. On the other hand, invisible payments both on Government account *e.g.*, expenditure on Diplomatic Missions abroad, and on private account, *e.g.*, overseas travel and education, shipping, insurance and banking services rendered by foreign firms, etc., are substantial. **Importance of balance of trade.**

31. Imports into Pakistan are governed by the Import and Export (Control) Act of 1950 and notifications issued thereunder from time to time. For the purpose of issue of licences, two shipping periods are adopted *viz.*, July—December and January—June, and the world is divided broadly into two currency areas, *viz.*, dollar and non-dollar. A break up of actual imports, by principal commodities, is given in Appendix 5B. **Import control.**

32. Improvement in the balance of trade can be effected in two ways—by increase in exports and by reduction in imports. Reduction in imports is no real remedy as it involves the imposition of controls, tends to raise prices of consumer goods and reduces Government revenue, and may even hamper development and lower economic activity. Nevertheless, it is unavoidable in circumstances where exports are inflexible, and export prices are not favourable. **Restriction of imports.**

33. The question is how far imports can or should be restricted, on a long-term basis. Pakistan is an under-developed country, and the basic need is an extensive and speedy development of her resources which would create employment and diversify economy. Provision has therefore to be made, for an adequate supply of capital goods (whether imported on private account or Government account), for purposes of further development, and of raw materials and semi-finished goods for increased production by industry. These activities will in due course result in large savings of foreign exchange expenditure, *e.g.*, by reducing imports of yarn and cloth, jute manufactures, paper, sugar, etc. However, they mean heavier expenditure on the import of development goods in the first instance. **Development goods.**

34. Defence stores form a heavy item of imports*, and we would very much like that conditions in the world at large and nearer at home, should be such as not to necessitate high expenditure on defence, which an under-developed country like Pakistan can ill afford and which can only retard development. Though security of the State is an overriding consideration, we recommend that there should be a reasonable balance between the expenditure on import of defence stores and the expenditure on development goods and other essential **Defence stores.**

*Defence stores are imported mainly on Government account but non-war like items purchased through local agencies form part of imports on private account.

imports. It should thus be possible to effect reduction in external expenditure on defence. Further, productive capacity should be rapidly expanded within the country for the supply of as many of defence requirements as possible.

Consumer goods.

35. More substantial reduction will have to be effected in the case of consumer goods. An analysis of imports on private account has been given in para. 23. As stated therein, a large portion of imports is claimed by plant and machinery required for development projects and industrial installations and by metals and ores and other raw materials or semi-finished goods required for factories in operation. For the rest also, the major portion is claimed by cloth, and in recent months by food, both essential requirements of the people. The volume of imports of non-essential consumer goods is relatively very small and of items, which might be termed as luxury goods; less than 3%.

Need for austerity.

36. Except in the case of cloth, the field in which savings can be effected is very limited. Besides, reductions cannot be made indiscriminately or drastically. The consequences of such restrictions have been mentioned earlier—higer prices and inflationery pressure leading to all the resultant complications. It is, therefore, important that not merely the supply but the demand of such goods should be reduced. The level of consumption of the middle classes and the richer class will have to be reduced, and the step should be voluntary rather than compulsory, if reduced supplies are not to lead to increased prices. The nation must recognise and accept the need for austerity. The feeling must be changed that with the establishment of a State of our own, we should be provided immediately with all comforts and amenities. If we wish to retain economic as well as political independence and desire to become a strong and modern State, we must make sacrifices in the present to build up for the future. A strict code of austerity should be accepted by all.

Import policy: fair price.

37. The Government must frame its future import policy on this basis. We recommend that all imports should be made licensable. (We are glad to note that the Government has taken this action—in November 1952). Even if imports can be allowed more freely in certain periods, the ceilings should be raised rather than the items placed on O. G. L. Credit restrictions imposed by the Government in June 1952, in connection with imports, may, however, be removed. The procedure for licensing should be simple and so devised that delays and hardships in the issue of licences are avoided, particularly in the case of capital goods and industrial requirements. Side by side, action should be taken to limit the profits of importers in order to ensure that the consumer is not unduly burdened. Strong administrative and legislative measures should be taken to prevent profiteering, corruption and other anti-social practices in trade. The Government should also take necessary steps to encourage the establishment of 'fair price' shops and of consumer co-operative societies which would make direct imports.

Banning of luxury goods.

38. It has been suggested that the import of "luxury" items such as expensive cars, watches, shoes, furniture, crockery, cutlery. cigarettes, toilet goods, sweets, tinned provisions (except butter and baby food) and biscuits, should be banned altogether. We do not agree to total banning, but recommend that their import should be severely curtailed. Eleswhere (in para. 448 : page 161), we have suggested the imposition of heavy import duties on such items.

Locally produced goods.

39. In the case of items which are produced within Pakistan, the import should be banned or restricted according as the local production is sufficient to

meet the entire or partial needs of the country. However, the following considerations should be kept in view in the selection of each item :—

(i) The fundamental needs of the country should not be lost sight of, *e.g.*, import of oil engines should not be restricted because of the overall shortage of power.

(ii) The quality of goods produced—while steps should be taken to attain proper standards in local production small imports of specialised articles might be allowed in order to introduce an element of competition, *e.g.*, simple lathes, scientific instruments and laboratory equipment.

Ceilings for commercial imports.

40. The level of commercial imports during the years 1949-50, 1950-51 and 1951-52 (July—June period) has been Rs. 115 crores, Rs. 145 crores and Rs. 199 crores, respectively (*vide* Appendix No. 4A). World prices of consumer goods are now coming down. Keeping this in view and in consideration of our total export earnings and other needs (estimates for which have been made in para. 156 : page 51, we feel that the amount that can be allowed for commercial imports is Rs. 80 crores per year. We would have recommended a higher level of commercial imports for the reasons that (a) it determines the level of exports, particularly in the case of "treaty" countries, (b) it provides the main support to internal revenues of the Central Government through income from custom duties, and (c) it helps to keep down the prices and the cost of living. But we cannot do so, in view of the high demand of defence stores and developmental goods and other Government (external) expenditure. The figure should no doubt be raised suitably when improvement occurs in our foreign exchange earnings. We hope that the proposed amount will permit adequate imports on private account of capital goods (excluding the requirements of the P. I. D. C. projects which are imported against Government account) and industrial raw materials such as yarn, iron and steel, cement and timber, and a reasonable volume of consumer goods *on an austerity basis*. With the development of manufacturing capacity within the country of certain important consumer goods, *e.g.*, cloth, paper, jute manufactures etc., the position would improve appreciably. Ceilings for the import of various classes of goods and individual items should be fixed against the total of Rs. 80. crores, after due deliberation and balancing of different requirements. A sum of Rs. 1 crore per annum should be kept aside to meet the unforeseen requirements of industrialists, in between the licensing periods.

Important individual items : cloth and yarn.

41. The biggest single item of consumer goods promising savings in commercial imports is cloth. The value of imports (cotton and silk piece goods) during the last four years (July to June) has been Rs. 39, Rs. 23, Rs. 35 and Rs. 39 crores. Cloth is no doubt an essential requirement but there have been excessive imports of it during the last two years as indicated in para. 25 (page 14). The purchasing power of the people is limited and it is no use accumulating further stocks. Keeping this in view, the principle in relation to imports should be that for the time being a maximum consumption rate of 10 yards *per capita* should be adopted. The indigenous mills are fast increasing their production and handlooms meet a substantial portion of requirements. Only limited imports of cloth should therefore be allowed, after taking into account total mill and handloom production. On the other hand, import of yarn should be allowed more liberally (after taking into account indigenous production of surplus yarn), as that provides cloth at less expenditure of foreign exchange and gives more employment and income to handloom workers. The value of yarn imports (cotton and silk) during the last four years has been Rs. 16, Rs. 15, Rs. 25 and Rs. 29 crores.

Sugar.

42. Another item where saving can and should be effected is sugar. It is imported on Government account but is meant for public consumption. The level of imports and local production is shown in the following table :—

Table No. 17.—Total supply of sugar.
(Indigenous production and imports)

(In tons)

Fiscal year	Indigenous production	Imports	Total
1948-1949	35,497	76,145	110,099
1949-1950	30,227	123,991	153,131
1950-1951	38,572	58,583	93,107
1951-1952	57,374	212,464	281,824*

Source : C. S. O.)

Sugar is an essential requirement but in times of need its consumption could well be curtailed, as was done during the last World War. It will be observed that consumption has jumped from about 1 lakh tons in 1950-51 to almost 2½ lakh tons in 1951-52. We consider that while the foreign exchange position is difficult, sugar imports should be severely cut down.

State trading imports.

43. Regulation of trade in many countries not only includes licensing and exchange control, but also the structure of trading organisations. Private enterprise in some countries has been substituted by State-owned monopolies. We must, however, point out that state trading is not free from difficulties. In the sphere of imports, for instance, the Government must be in a position to make an accurate forecast of the domestic demand. The demand for a commodity is affected by several factors which interact on each other. The demand for different varieties of an article also varies with prices, and only a free functioning of the price mechanism properly determines the changing demand and supply position of various commodities. We, are, however, of the opinion that for commodities which are vital requirements of the people or of which the Government are the biggest consumer, a system of trading on Government account might be considered. At present, the Government make imports of sugar, foodgrains, coal and iron & steel. While there may be justification for state trading in our present conditions in foodgrains and sugar, or even in coal, which is largely consumed by the railways, we consider that there is no justification for state trading in iron and steel. The existing stocks should be liquidated, as early as possible, by utilising the steel equalisation fund, and further imports should be left to private enterprise. We do not suggest any further extension of state trading at this stage of the country's economy. We would add, however, that expenditure on state trading (or stockpiles) which is at present financed out of the cash balances of the Central Government, should appropriately be met through advances secured from the commercial banks. This expenditure is essentially of a commercial nature and should not be treated as ordinary capital expenditure. As and when commodities are disposed of, repayments should be made.

Exports.

44. There are similar difficulties in the adoption of state trading for exportable commodities. If a Government organisation is going to sell abroad, it

*Includes 57,000 tons imported for stockpiling.

must be in a position to procure supplies and find reliable markets. The overseas markets which are governed by factors like consumers' preference, etc., are difficult to be managed by a State-controlled agency. We recognise, however, that in certain conditions, export trade may have to be regulated by the Government. In the case of jute and cotton this has been done, but actual trading has been left to private enterprise. We do not consider that it is necessary or desirable for the Government themselves to undertake export trade.

45. We would emphasise the need for the Government to keep in touch with the commercial community and consult them on all matters affecting trade. The establishment of the Foreign Trade Development Council which consists of representatives of the various chambers of commerce and trade associations, is a step in the right direction. We would, however, suggest that the chambers of commerce and trade associations should set up a secretariat similar to the bureaus of foreign trade in other countries which could analyse statistical data, conduct market research and study other problems of trade. The utility of the Council could also improve considerably if steps were taken to ensure that the representatives of chambers of commerce and trade associations are men of considerable experience and knowledge of trade. **Consultation with trade association.**

Section 2.—Exports

46. The main hope for improving the balance of trade lies in the promotion of exports and the most vigorous effort is called for in this direction. **Importance of exports.**

47. Exports out of Pakistan are also governed by the Import and Export (Control) Act of 1950 and the notifications issued thereunder from time to time. Goods are divided into four broad categories, *viz.* **Export control.**

(i) Where export is altogether banned.

(ii) Where export is licensable.

(iii) Where export is on O.G.L.

(iv) Where export is not controlled at all and no licence is needed.

The goods placed under (i) are generally those which are essential for building the economy of the country, or are in short supply : export is however allowed in exceptional cases. Category (ii) comprises foodgrains or goods of local manufacture produced in adequate quantities for the country's internal requirements. When and where export is permitted, ceilings are fixed. Category (iii) relates to goods in excess of local requirements but their export is regulated occasionally with regard to destinations or quantities. No goods are specified under (iv) above. A break-up of actual exports, by principal commodities, is given in Appendix No. 5A.

48. Considerable attention has been given to the export drive of the two main exportable commodities *viz.*, jute and cotton, in respect of which announcements of export policy are made from time to time. The three commodities next in importance—wool, hides & skins and tea—have also claimed attention. It appears, however, that adequate attention has not so far been given to minor exports, existing or potential. **Export promotion.**

49. While in view of the world trend for regulated economy and the impact of external factors, it might not be possible to dispense with the export control entirely, it is essential that it should be made as liberal and flexible as possible. A policy of developing and diversifying exports would require that the minimum of restrictions are placed and the maximum of facilities are given for export trade. Except in the case of main foodgrains and particularly vital **Export policy.**

materials, there should be no control, subject, however, to the consideration that in order to direct exports to the dollar area or to particular " treaty " countries, destinational quotas may have to be fixed. Licensing might have to be resorted to in certain cases in order to ensure adequate participation by Pakistan nationals in the export trade. We recommend that an examination should be carried out of each item for which export restrictions are considered necessary, and all the rest should be placed on O.G.L.

Export of manufactures.

50. This principle should apply not only to raw materials but also to manufactured goods. There could be little apprehension of over-export of manufactures, in view of the small volume of output and the comparatively high cost of production. On the other hand, it is essential that our goods are known abroad and gain popularity which would lead to increased production and higher foreign exchange earnings. There may be instances in which the component raw material is of an essential nature, is imported from the dollar area, and forms the major cost of production. The export of such goods could be restricted. But in all other cases exports should be encouraged and not only the component raw materials should be allowed to be imported freely but refund should be given of the import duty paid, if any, on evidence of export.

Licensing procedure.

51. Even where exports have to be controlled, the licensing system should be simple and automatic. Wherever possible, destinational quotas alone should be prescribed and individual licensing should not be insisted upon.

Export duties.

52. The levy of export duties has a bearing on export trade. Export duties are levied in Pakistan principally for the purpose of Government revenues. However, in determining their rates in the case of agricultural produce it is essential to ensure that the interests of the grower do not unduly suffer. When external prices rise inordinately and out of all proportion to internal prices, as they did in the period immediately following the Korean War, the rates should be enhanced in order to stabilise the internal prices of particular commodities and as an effective anti-inflationary measure.

Refund of excise duties.

53. Excise duties paid on exported goods are refundable. This is a correct policy. However, there are complaints of inordinate delays in refunds, *e.g.* in the case of tea exports. It is essential that refunds should be authorised promptly and in any case within two months of the date of export. The documents giving evidence of export should be a sufficient basis to enable making of refunds.

Refund of sales tax.

54. We consider that like excise duties, sales tax paid on exported goods should be refunded, again without any avoidable delay.

Re-export of goods.

55. Re-exports can prove to be a valuable source of earnings of foreign exchange, particularly in relation to the dollar area. Imported goods might be re-exported, in cases where no conditions are imposed by the exporting countries and the consumption position in Pakistan warrants such a course. In such cases refund should be allowed of the import duty paid, if any.

Quality of exports.

56. In order to promote exports and maintain firm markets, it is essential that the importer should be assured of the quality of the goods he has contracted for. In the case of agricultural commodities, grading has been provided for in the Agricultural Produce (Grading and Marketing) Act of 1937 and substantial work has been done to prescribe and enforce grades. For manufactured goods, a Pakistan Standards Institute has been set up recently to lay down specifications and standards. It is considered, however, that in our present conditions, a compulsory enforcement of grades and standards might

prove a bottleneck for exports. Besides, in a number of cases, different qualities may be needed for different tastes and markets. Therefore, while grades and standards may be prescribed for all commodities their adoption should be left open to the exporters. A procedure should be introduced whereby the Pakistan Standards Institute would give certificates of conformity with standards, to exporters who may apply for them. It is likely that in order to re-assure the customers, the exporters would make increasing use of such certificates. It is also possible that the importers at the other end may ask for such certificates.

Arbitration Association.

57. The existing procedure for settlement of trade disputes between our exporters and importers abroad is not satisfactory, whether the intercession of our Trade Commissioners is sought or direct negotiations are held. There are inordinate delays and difficulties. As a remedial measure, a Pakistan Arbitration Association should be set up and its constitution and working methods approved by the Government. This association should establish links with similar bodies in other countries, and, on the basis of contracts and the standards specified therein, give speedy awards in trade disputes.

Department of Trade Promotion.

58. There is no separate Government agency at present to give the desired attention to export promotion. The Directorate of Commercial Intelligence answers trade enquiries and provides commercial information, but its scope is limited and its organisation inadequate. It should be expanded into a Department of Trade Promotion having two wings—trade promotion and intelligence. It should be responsible for watching developments in foreign markets in production, controls, tariffs, prices and Governmental policies, and also for maintaining and interpreting information about levels of internal production, demand and standards of exportable goods. On the basis of statistical and other data available, it should prepare reviews and appreciations from time to time for use of the Government and the business community. It should watch changes in export trends and make prompt suggestions regarding measures to counteract them. It should also help actively to remove the difficulties of exporters arising from official regulations and procedures and act as teacher and guide in procedural matters. The department should zealously watch that no restrictions are placed on export of any commodity unless the matter has been fully examined in each case. The head of this department should function as a Director of Exports and take over the functions relating to exports from the present Chief Controller of Imports & Exports.

Trade Commissioners.

59. We feel that the Trade Commissioner and commercial officers attached to our Missions abroad have not so far proved as effective as was expected. It is necessary that the trade officers should work as active salesmen of the country's products. We recognise that most of them have not been long enough at their stations. Further, they are seriously handicapped for want of guidance from Karachi. A manual should be prepared as a basic guide for such officers and they should be continually fed from Karachi with information relating to trade and industrial developments. This could be done best by the proposed Department of Trade Promotion. Before a trade officer is posted abroad, he should go through an intensive course of training in the Ministry of Commerce and allied offices for a period of six months. There should be periodical interchange of officers between the Department of Trade Promotion and trade offices abroad so that each side may understand problems encountered at the other end.

Delays in Custom Houses, etc.

60. One of the common worries of the traders is the delays that occur in their dealings with Customs Houses, Port authorities and other offices with which they have frequent contacts. Such delays not only upset businessmen but consume considerable time which could be better utilised in their normal activities. The offices which have dealings with traders should adopt commercial methods

of disposal and be more businesslike in their operations. Besides, instead of raising objections and finding faults, they should guide and teach the traders how to satisfy the necessary official formalities.

Facilities of transport and communications.

61. Next to the availability of goods for trade, the essential requirement is transport to carry them. The means of transport should be easy, quick and cheap. The problems relating to transport and communications will be considered in Chapter VI. Here we would only emphasise that expanded facilities of road transport, railway wagons, river movement, telegraph and telephones etc., are a great help to the trade. The expansion of port facilities is particularly important. For overseas trade, better and cheaper shipping arrangements should be provided. The Conference Lines practice of allowing rebates to their regular shippers is considered to be a factor hampering trade. The Government should therefore take suitable measures to eliminate this restrictive practice as far as possible. Concerted steps should be taken to bring Pakistan shipping on international routes. Besides, the present postal rates for parcels containing manufactured goods for export, which are unrealistic, should be revised to enable our goods to compete abroad.

Individual commodities.

62. The measures discussed above relate to export trade generally. Individual consideration might be given to the more important exportable commodities.

Jute.

63. The 1951-52 jute season synchronized with a world-wide recession in demand. The position was further aggravated by a bumper crop. Under normal conditions, the world demand of jute is estimated at about 95 lakhs of bales, 55 lakhs by Indian mills and 40 lakhs by mills in countries other than India. The only other country producing raw jute is India but as the demand of her own mills is much higher than local production, she is not in a position to export jute. India should normally be a large importer of Pakistan jute, but due to that country's policy of continuous expansion of jute cultivation, her off-take from Pakistan has considerably reduced. Imports of jute by India and other countries have been indicated in Table No. 10 (page 8). A major factor in the recession of world demand for jute was the high export duty levied by India on its jute manufactures, towards the end of 1950. This combined with an all-round rise in the prices charged by the Indian mills made jute goods considerably dearer in relation to other competing fibres. However, the high prices of Indian manufactures placed the other manufacturing countries in an advantageous position in relation to the Indian mills and stimulated substantially the demand of Pakistan jute for export to countries other than India. Nevertheless, the overall effect was a considerable drop in the consumption of jute manufactures. India attempted to counter-act this early in 1952 by a drastic reduction in the export duty but this action in itself has so far failed to restore the former position. The export of jute being of vital consequence to Pakistan, she had to take steps to neutralize in some manner the violent fluctuations in world prices brought about by action on the part of the Indian mills, and it was decided to levy a special licencing fee of Rs. 2|8|- per maund of jute exported to India. This gave the other manufacturing countries some advantage in relation to India in the price of raw jute, and regulated the demand for jute.

Jute support scheme revived.

64. With a view to maintain a reasonable level of internal prices, the jute support scheme was revived in March 1952 (the minimum price for *white jat bottom* variety was fixed in July 1952 at Rs. 17 per maund). This resulted in the Jute Board coming into the market in a large manner and the purchases on Jute Board account for the 1951-52 season amounted to approximately 13 lakh bales.

Regulation of jute production.

65. It is necessary that the fluctuating world position with regard to jute should be kept under continuous examination so as to ensure the disposal of crop from season to season in a satisfactory manner. The production should not

exceed the world demand including internal consumption, and towards this end we have recommended elsewhere (para. 402 : page 142) the target for jute production. A proper adjustment of the jute acreage would release land, which should be brought under rice cultivation thereby reducing the rice deficit of East Pakistan. A proper study should be made of the extent to which rice crop can replace jute and a scheme of crop regulation worked out to enable the transfer of land from jute to rice, when the relative price level of the two commodities so demands.*

66. As stated earlier, the Jute Board made an elaborate study in 1950 of all problems connected with the production and marketing of jute. The implementation of its recommendations should be pursued, keeping in view subsequent developments. The main recommendations of the Jute Board were: **Recommendations of Jute Board.**

(i) A basic acreage of jute should be authorised for a period of five years and increases considered necessary from year to year should be licensed only in the districts producing the qualities in demand. There should be a continuous check on the progress of the crop and export quotas should be based on the final survey, which should be published not later than the end of September.

(ii) A separate department of jute cultivation should be set up by the Government of East Bengal†. It should conduct propaganda regarding the most suitable varieties of jute, and encourage the use of quality seed. Better cultivation methods *e.g.*, line sowing instead of broadcast sowing, and improved retting techniques, should be propagated.

(iii) Six large experimental farms (including the present Dacca farm) should be established for growing quality seeds and for their distribution.

(iv) The establishment of cooperative societies of growers should be sponsored by the East Bengal Government in order to undertake movement of jute from the fields to the baling centres, and in due course to undertake kutcha baling and make direct sales to pucca balers.

(v) Adequate storage should be provided for jute to prevent its deterioration particularly when stocks have to be held over extended periods, *e.g.*, for the operation of the jute support scheme. Private dealers and exporters should also be encouraged to build more stores. (The Government have since built 167 jute godowns but more may be needed for their own purposes).

(vi) To put purchasers from India on equal footing with foreign buyers, the jute sent to Calcutta should also be in pucca bales as far as possible (kutcha bales of unassorted jute having no extra baling charges cost less than pucca bales). Increased pucca baling facilities should therefore be provided.

(vii) The Narayanganj Chamber of Commerce should have a licensed measurers' organisation, and a tribunal for arbitration. Contracts should be executed in standard forms which should be recognised by all buyers.

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* Mr. Muazzamuddin Hosain has suggested the following measures in connection with jute :—

(*a*) A jute stabilisation fund should be created out of the proceeds of export duty on jute and net profits of the Jute Board and losses in the operation of the price support scheme should be met from it

(*b*) The Jute Regulation Act should be strictly enforced and penalties should be imposed on offending. cultivators and on officials conniving at offences ;

(*c*) The methods of checking area under jute cultivation should be improved and physical checks should be carried out both before cultivation and after cultivation. Jute licensing should be finished by November and checking by the following March ;

(*d*) Jute statistics should be maintained more accurately ;

(*e*) An adequate number of jute godowns should be built.

† Mr. M. Afzal Husain considered a separate department unnecessary. The Department of Agriculture should be able to do this work.

(viii) The organisation of Director of Jute Prices should be overhauled and all inspectors and supervisers given a proper course of training in jute assortment. The duties of the Directorate should be expanded to cover all transactions from the grower to the *kutcha* baling centres.

(ix) All handling at the Chittagong port should be done by mechanical devices to reduce damage, and loading and unloading should be done under cover, as far as possible.

(x) Bulletins should be issued fortnightly to give foreign buyers up-to-date information about crop forecasts, quantity and quality sold and exported, transport and baling facilities, steps taken to eliminate abuses and improve retting, etc.

Central Jute Committee.

67. A Central Jute Committee has been in existence since August 1950, with headquarters at Narayanganj. It is concerned with agricultural, technological and economic research in jute, study of methods of crop forecasting and jute statistics, production and testing of improved seeds, enquiries into transport facilities and advice on marketing conditions. It receives annual grants from the Central Government (total Rs. ·24 lakhs up to 1952-53). The Committee has in view a number of schemes, the more important of which are establishment of a Jute Research Institute, a Central Jute Museum and jute seed multiplication farms. We recommend the formulation and pursuit of a coordinated programme.

Cotton.

68. Unlike jute, Pakistan is comparatively a minor producer of cotton, our production being about 10% of U.S. production and about 5% of the world production. The level of exports to India and other countries during the previous years has been indicated in Table No. 11 (page 9). Indigenous consumption of cotton has risen from 1 lakh bales in 1948-49 to over 2 lakh bales in 1951-52 and will rise further, but the production of cotton has also increased from 9.6 lakh bales in 1948-49 to 17.5 lakh bales in 1952-53 and the exportable surplus has thus steadily gone up. We should, however, spare no pains to improve the quality of our cotton both by the use of better seeds and by further improvement in picking, grading and ginning. It is because of their low quality that our cottons fetch less prices in the world markets than comparable cottons of other countries. The Cotton Control Act and the Cotton Ginning and Pressing Act should be strictly enforced, and all possible measures taken by the Central and Provincial Governments to ensure improved and unadulterated supplies of cotton. Suggestions have been made in various quarters for the establishment of a hedge market in Karachi to promote the export of cotton and stabilise the market. We were unable to make a full study of the question and are therefore not in a position to comment on the advisability or otherwise of the proposed step. We consider that the proposal requires detailed examination to bring out all its implications and suggest that the Government should appoint an expert committee for the purpose*.

Central Cotton Committee.

69. A Central Cotton Committee has been in existence since January 1949. Its aim is to develop the qualitative and quantitative growing of cotton and its marketing and manufacture. It gets its funds from a cess imposed on cotton (whether exported or consumed by indigenous mills) which are supplemented by grants from the Central Government (total grants Rs. 28 lakhs up to 1952-53). The Committee has framed a five-year programme and has already approved 31 schemes covering a wide range of research work pertaining to improvement in the quality and yield of cotton, supply of pure seed, control of cotton pests and diseases improvement of marketing conditions, etc. Buildings for the Pakistan Institute of Cotton Research and Technology are nearing completion and the laboratory equipment required is on its way. The Institute is expected to start

* A Note by Mr. Zahid Hussain on the establishment of futures commodity markets, which was received after the Committee had concluded its deliberations, is reproduced in Appendix No. 29.

functioning by July 1953. The Committee also plans to set up an Institute of Plant Industry which will undertake fundamental research on the cotton plant as distinguished from the cotton fibre and yarn. We recommend the expansion and active pursuit of the Committee's programme.

70. With an annual production of 500,000 tons of cotton seed of which only a quarter is required for seed and cattle feed, there is a sizeable problem regarding the disposal of the balance (375,000 tons). Oil mills in operation or under construction will consume about 175,000 tons, leaving 200,000 tons for disposal. It is possible to absorb about 50,000 for the manufacture of non-edible oil for soap-making but the balance (*i.e.*, 150,000 tons) has to be utilised for the manufacture of edible oils. This would not only remove an export problem but would also save a considerable sum of foreign exchange (about Rs. 80 lakhs) spent on the import of vegetable oils. Meanwhile, in order to assure the foreign buyers of the quality of cotton seed, a grading scheme should be introduced. **Cotton seed.**

71. The wool grading scheme should be pursued vigorously and a system of yield certificates to be issued by the grading authorities should be prescribed. It is estimated that with the completion of woollen mills under installation, most of the indigenous wool will be consumed by them. **Wool.**

72. Hides and skins are good dollar earners. It is necessary to improve the quality of hides and skins, which is at present very poor because of faulty flaying and curing. The sellers should be educated in modern methods of flaying and curing; flaying should be licensed in all important towns and modern curing yards provided in suitable centres. **Hides and skins.**

73. The rehabilitation of tea estates owned by Pakistanis has been receiving attention of the Government for some time. We recommend that no further time should be lost in taking the steps considered necessary in this direction. **Tea.**

74. Two other important commodities in which an export drive can yield substantial results, are tobacco and fish. Average annual production of tobacco is 16 crore lbs. and Pakistan is thus an important tobacco producing country in the world. However, most of the tobacco grown (over 80%) is of inferior quality usable only in *hukka*, *biri*, etc. In order to feed the growing indigenous *biri* industry, the cultivation of *hukka* and chewing varieties of tobacco should be partially diverted to *biri* tobacco. Similarly, larger quantities of superior (virginia) tobacco should be cultivated. The cigarette manufacturing industry in Pakistan is not interested in the production of tobacco in excess of its own requirements. The Government should themselves undertake to encourage cultivation, distribute good quality seeds, establish flue curing factories in producing centres and sponsor research, as part of an organised export programme. The quantity and price of our virginia tobacco are such that its export could form a dependable source of foreign exchange earnings. **Tobacco.**

75. Fish and prawns can be good earners of dollars. The establishment of the proposed fish harbour at Karachi with cold storage facilities, will be a great help to the fisheries industry. Expansion and modernisation of fishing facilities and processing and cold storage arrangements should generally be provided both in West and East Pakistan. **Fish.**

76. There is considerable scope for the development of fruit trade—fresh, dried and preserved. The fruit trade should be reorganised, and picking and packing methods should be improved. Grading, which will ensure the export of good quality fruit, will help to establish regular markets abroad. **Fruit.**

77. The export of sports goods and surgical instruments also deserves to be stimulated. They have stood well the shock of the Partition and proved their **Sports goods, surgical instruments and cottage industry products.**

worth in foreign markets. However, the quality and standard must be maintained in order to sustain and improve exports. We have elsewhere in the Report (para. 320 : page 107) suggested a drive for the overseas marketing of other products of small scale and cottage industries.

Other commodities.

78. It is not possible to refer individually to all other items of exports and we can only recommend that every item which has been exported or has potentialities for export, should be examined in order to see how and in what direction export can be enlarged.

Price factor.

79. Apart from quality, the most vital factor in the saleability of a commodity is its price which should be realistic and competitive. We must keep this fundamental consideration in view, both in respect of manufactured goods and raw materials, and, on the one hand, improve their quality and, on the other, keep the prices attractive. If adjustments are made in the internal prices of a country's exports the exchange ratio of its currency does not matter so far as their sales are concerned. However, if the cost of production remains inflexible and high, little adjustments can be made. Better and more efficient methods of production—agricultural and industrial—must therefore be adopted : these have been referred to in subsequent Chapters (Chapters IV and V).

Section 3.—Trade and Commodity Agreements

Justification.

80. Trade and commodity agreements are being increasingly considered as important measures for promoting trade and maintaining it at a high level. Basically, however, they are against the concept of free trade. In the present controlled economy of the world, Pakistan cannot afford to ignore the prospects offered by trade and commodity agreements for the disposal of her surplus commodities on terms most favourable to her.

Bilateral agreements.

81. At the time of the partition, Pakistan found herself greatly dependent upon India, and to a smaller extent, upon U.K. The danger of such a situation soon became apparent when India stopped supplies of goods required by Pakistan and restricted import of our raw materials. The so called "natural" market for our trade having been blocked, we had to look in other directions. A policy of diversification of trade was adopted and with that objective, bilateral trade agreements were negotiated with a number of countries. A list of such agreements, in suitable detail, is given in Appendix No. 7.

Main features.

82. The basic feature of such agreements was that permissible limits of exports from Pakistan and imports from the other country were provided and both the Governments concerned agreed to remove controls or grant facilities (*e.g.*, issue licenses and authorise quotas) for transactions to that extent. But there was no guarantee for off-take on either side as the operations were left to private enterprise. In certain cases, however, definite quantities of exports from Pakistan or imports of essential or scarce goods from the other country were sought to be ensured. As a *quid pro quo* single country licenses for import into Pakistan were issued. These bilateral trade agreements helped to provide a formal basis for new avenues of trade and removed dependence on any one country for the export of our surplus commodities or the import of essential goods *e.g.*, capital goods, metals, yarn and piece-goods. Thus while at the time of the Partition, Pakistan was almost entirely dependent upon India for the disposal of jute and cotton, the number of countries importing jute over Rs. 50 lakhs in value increased to 21 in 1951-52 (from 10 in 1948-49). Similarly, countries importing cotton over 25,000 bales increased to 8 in 1951-52 (from 5 in 1948-49).

Working of trade agreements.

83. As the actual level of trade under the bilateral trade agreements has been less than the level envisaged, the impression might be created that these agreements have been ineffective. This is not correct. Unless there was state

trading on both sides, full attainment of targets could not be expected. Indeed, it is best that while the traders should have the opportunity to make exports to or imports from a particular country, they should be free to enter into actual transactions on the most suitable terms, after a comparison of the prices and conditions obtainable in various countries. We consider, therefore, that the existing pattern of bilateral trade agreements should continue.

84. The question would rise whether, in addition to specifying quantities, a range of prices could not be specified in the bilateral agreements in order to ensure stability in the prices of our exportable raw materials, which are subject to violent fluctuations from year to year. It has also been suggested that the agreements should be for longer periods *e.g.*, three years or more instead of one year as at present. The problem of prices is delicate and intricate. It is doubtful whether it would be practicable to determine a range of prices, and then to include it in an agreement without offering similar or compensating terms to the other country. Without state trading on the one hand, and a more general enforcement of prices (*e.g.*, international) on the other, prices could hardly be sustained at pre-determined levels. As regards the period of agreements, the balance of payments situation of all countries being as difficult and uncertain as it is, it is unlikely that the other parties would be in a position to accept long-term commitments, even if we ourselves were prepared to enter into them. This does not mean, however, that in respect of individual commodities, long term arrangements for disposal should not be tried. Efforts should be made to negotiate bilateral agreements or contracts, particularly with countries with which we have regularly a deficit in balance of payments. Such contracts, made on reasonable terms, will give suitable strength to the commodity concerned. as off-take of part of the production will be assured. For the same reason, we would recommend the conclusion of barter agreements, in conditions where they are found more practicable and advantageous. Pakistan has recently entered into barter deals with Russia (jute and cotton *vs* : wheat) and Japan (rice *vs* : wheat). Price clause. Contracts and barters.

85. This brings us to the question of international commodity agreements. Such agreements are being increasingly regarded as an instrument for stabilising the demand and prices of primary commodities which are subject to fluctuations. Commodity agreements may take a variety of forms and no particular type can be ruled out on general considerations. If commodity agreements are to benefit Pakistan, they must definitely ensure a floor price for the commodities and a definite guarantee on the part of foreign purchasers to buy specified amounts. In addition, there must be some provision incorporated in the agreements which will allow for an automatic variation of the agreed price keeping in view the general movement of world prices. The International Wheat Agreement became unpopular because the prices specified therein have actually proved to be widely off the mark over the duration of the Agreement and the Agreement did not include any provision for their automatic variation. However. a recent study made by the Food and Agriculture Organisation on the working of the Wheat Agreement has suggested a new formula for adjustment of prices specified in the Agreement. This study was presented to the eighth session of the International Wheat Council which met in London last April and had a favourable reception. It seems certain that future discussions on commodity agreements will take into account the analysis incorporated in this study. Commodity agreements.

86. Previous experience in the various international conferences, where the subject was discussed, showed that the industrially advanced countries were International discussions.

interested only in preventing a rise in the prices of primary products and were not anxious to conclude commodity agreements to arrest a fall in prices. It now appears that support is growing within the United States administration and in several other industrialised countries, for stabilisation of commodity prices in order to maintain the income of primary producers as an objective of foreign economic policy. This seems to be a consequence of intensive Government study of the entire raw material question during the last few years, culminating in the publication of the Paley Commission Report in June 1952. In order to stimulate foreign trade and the development of new resources, and to maintain economic stability in the primary producing regions, the Commission recommended that the United States should negotiate inter-governmental commodity agreements and enter into long-term contracts with price guarantees. In the last session of the Economic and Social Council which met in New York in July and August 1952, the spokesmen of some of the leading industrialised countries made a powerful advocacy of commodity agreements to aid backward countries in reviving and maintaining economic stability. The Commonwealth Economic Conference held recently in London agreed that violent fluctuations and uneconomic levels of prices for primary commodities were against the interests of consumers as well as producers. All Commonwealth Governments therefore expressed their readiness to co-operate in considering, commodity by commodity, international schemes designed to ensure stability of demand and prices at an economic level. They also recognised the need for an agreed procedure for calling together the Governments concerned to consider emergency action in the event of rapidly developing conditions of surplus or shortage of commodities entering into international trade.

Guarantee regarding manufactured goods.

87. Pakistan's main objection to commodity agreements so far was that it did not appear possible to secure any effective guarantee against a slump in the commodity prices. The recent trends, described above, have recognised the importance of this viewpoint. We also desired firm assurance from industrialised countries for supplies of manufactured goods, particularly capital goods, as a feature of commodity agreements, as without such an assurance we would be left with little bargaining power to secure manufactured goods on suitable terms. Pakistan's suggestion for a formula which would link up prices of manufactured goods with those of raw materials did not find much favour in the Economic and Social Council. However, as the result of a recent E.C.O.S.O.C. resolution, the problem of relationship between the prices of raw materials and manufactured goods is being studied by the Secretriat of the United Nations. The advanced countries generally base their objections on the difficulty of controlling effectively the prices of innumerable varieties of manufactured goods. In present circumstances, we need not press our stand on this point, as, with keen competition among industrialised countries, we can reckon on securing our requirements of manufactured and capital goods, at reasonable prices on the whole.

Terms of trade.

88. It seems that there is greater danger of the terms of trade turning against raw material producing countries. This is specially so in the case of Pakistan dependent as she is mainly on two textile fibres *i.e.*, cotton and jute. Industrialised countries can protect themselves in conditions of recession more easily than raw material producing countries, as the production of the latter is less flexible. It is, therefore, in our interest to accept commodity agreements in principle. As such agreements cover only a part of the actual or potential exportable surplus, the door to bilateral agreements with countries not parties to the commodity agreements, is not barred.

Individual commodities.

89. In cotton, our exports form a small proportion of the total exportable surplus of the world. Conditions in the world market are determined by the

total world production and the domestic policies of U.S.A., which is the largest single producer and exporter of cotton. Fluctuations in the American exportable surplus and price of cotton cause pronounced reactions in other cotton exporting countries. An international commodity agreement in cotton would therefore give stability to the internal cotton market. On the other hand, in jute, Pakistan is the largest producer and the only exporter. By limiting our production to total world requirements (jute being a regulated crop, this can be done), a firmness could be given easily to the internal jute market. If the prices are maintained at a reasonable rate, the threat of substitutes would be diminished. An international commodity agreement would be of advantage only if it ensures the creation of additional world demand for jute. As regards tea, Pakistan is already a member of the International Tea Agreement which regulates the acreage and exports of tea. We have not joined the International Wheat Agreement because hitherto we were self-sufficient in wheat with no export or import problem.

90. It must be emphasised that the whole concept of international economic co-operation is of comparatively recent origin. Violent fluctuations in the prices of our agricultural products introduce an element of great certainty in our economic situation. If we can ensure stable prices for our exportable commodities, it would add materially to the strength of our economy.*. **Stabilisation of agricultural prices.**

Section 4.—Trade between West and East Pakistan

91. The need for promotion of trade between East and West Pakistan to the maximum extent possible is self-evident. It will help to reduce foreign imports, through each wing supplying the wants of the other, and it will stimulate production in either wing, apart from bringing the people closer together. **Importance.**

92. The first essential is easy and cheap transport, both for persons and goods. Pakistan has the unique feature of having two wings, more than a thousand miles apart. Nevertheless, they are parts of the same country and this fact must be recognised with all its implications. Transport costs between two parts of the same country should not be as high as they are. The Government should assess what rates would be reasonable considering all factors. In regard to passenger traffic, they should subsidise the air and shipping companies to the extent considered necessary. Further, the transport of goods between the two wings should be treated as inland movement and "through" booking facilities provided by the railways. The existing trans-shipment and despatch difficulties at ports effectively prevent expansion of inter-zonal trade. If necessary, the North Western Railway and the Eastern Bengal Railway, should create special organisations at the ports to deal with inter-zonal traffic. The quotation of through booking rates will mean that there should be regular shipping services and fixed shipping rates, and both these requirements should be met. Additional storage accommodation would also be needed at the ports for purposes of inter-zonal trade. **Transport facilities.**

93. The next most important requirement is adequate knowledge of the produce and potentialities of the other wing and establishment of trade contacts. There are many goods which can be exported from West Pakistan to East Pakistan and *vice versa*. The usual source of supply is India, which involves unnecessary expenditure of foreign exchange unless it breeds illicit trade, which is worse. A list of the commodities in demand in West Pakistan and available in East Pakistan, and *vice versa*, with an indication of the present **Goods suitable for interzonal trade.**

* A Note by Mr. Zahid Hussain on stabilisation schemes for cotton and jute, which was received after the Committee had concluded its deliberations, is reproduced in Appendix No. 30.

production in either wing, is given below:

Table No. 18.—Production in West and East Pakistan of goods suitable for inter-zonal trade.

(Fiscal 1950-51)

S.No.	Commodity	Unit	Production in West Pakistan	Production in East Pakistan
	A. Commodities in demand in West Pakistan:			
1.	Betel nut	maunds	Nil.	12,07,000 (a)
2.	Pan	„	Nil.	30,87,000 (b)
3.	Tea	lbs.	Nil.	3,78,56,000
4.	Onions	maunds	27,52,000	33,95,000
5.	Garlic	„	9,000	3,77,000
6.	Ginger	„	...	1,00,000
7.	Pine apples	„	Nil.	1,45,250
8.	Bananas	„	1,02,170	4,36,15,000
9.	Eggs	„	14,17,06,000	38,49,91,000 (c)
10.	Fur and fancy skins	pieces	11,93,000	7,10,000
	B. Commodities in demand in East Pakistan:			
1.	Rice	maunds.	2,32,47,000	20,03,59,000
2.	Wheat...	„	10,73,15,000	5,46,000
3.	Rape and mustard seed	„	51,57,000	24,28,000
4.	Malta (orange)	„	35,16,400	...
5.	Apples...	„	8,20,095	...
6.	Grapes...	„	1,83,400	...
7.	Cotton...	tons.	2,32,000	3,000
8.	Cotton seed	tons.	4,93,500	6,500
9.	Dates	maunds.	40,96,310	...
10.	Pomegrantes	„	71,040	...
11.	Wool	„	2,86,000 (c)	3,000 (c)
12.	Cattle	heads	1,45,80,000 (d) (superior quality).	1,53,16,000 (d) (poor quality)

(a) 1948-49 (b) 1944-45 (c) 1949-50 (d) 1948.

(*Source: C. S. O.*)

Organisation and publicity

94. There must be other commodities in either case and there is need for detailed investigation. It has been suggested that trade offices should be set up at Chittagong and Karachi with the specific purpose of providing information and promoting inter-zonal trade. It has also been suggested that Provincial commercial museums should be established in all Provincial headquarters and other important towns, displaying the products of all Provinces. We would commend both the suggestions.

Section 5.—Financing of trade

Requirements of trade finance.

95. It is difficult to judge the adequacy of credit facilities for trade in its various stages, without a detailed study of credit conditions in different parts of the country for different commodities, and adequate data about volume and areas of production, distribution and consumption centres, turn-over during various parts of the year, prices, etc. Credit facilities for trade are required in each of the following stages:

(a) Procurement of produce from the growers or manufacturers.

(b) Movement of produce from centres of production to collection centres and from there to processing centres and later to export points (in the case of exportable commodities); and movement to centres of consumption within the country (in the case of domestic and imported commodities).

(c) The processing of raw produce.

(d) Stocking of domestic or imported commodities at centres of consumption and of exportable goods at exporting points.

Pre-requisites.

96. The provision of finance by credit institutions has certain pre-requisites *viz.*, ability do deposit margins required, pay the rates of interest asked for and furnish suitable security against advances. Where even the minimum requirements of these factors cannot be satisfied, the provision of credit is necessarily limited.

Procurement of surplus produce.

97. In the case of (a) above, credit facilities were mainly provided before the Partition by *mahajans** and now by the local well-to-do landholders, and in a smaller measure, by cooperative societies. Commercial banks make little contribution at this stage.

Movement of produce.

98. In the case of (b) above, *viz.*, movement of produce, credit facilities are usually available from the commercial banks against receipts issued by the railway or (in the case of East Bengal) inland steamer companies, but difficulties arise for want of adequate number of branches of commercial banks. If the centre of production or collection does not have a bank office, the railway receipts have to be sent elsewhere in order to obtain credit. If there is no railway station, the position is worse as risk of transport of cash from the bank town to the production or collection centres has to be faced. However, after the goods reach port towns, credit facilities are reasonably adequate.

Processing of produce.

99. In the case of (c) above, *viz.*, the processing stage, branches of banks are generally located at the processing centres, but in the absence of good godown facilities the banks are unable to extend credit in desirable volume.

Financing of Internal trade.

100. In the case of (d) above, *viz.*, financing of stocks, credit facilities are very inadequate except in the port towns, and this is a great lacuna in the credit structure. Even in larger cities there are complaints of inadequacy of funds for retail business. The commercial banks do not wish to provide finance against pledges, as stocks of retailers are continually drawn upon for daily sales. Before the Partition, Hindu *shroffs* provided finance by discounting the *hundis*† and subsequently rediscounting them with the commercial banks. Efforts on the part of the National Bank of Pakistan to develop a similar system have not yet succeeded.

Table No. 19.—*Increase in the number of banks.*

	August 1947	August 1948	August 1952
1. Number of Scheduled Banks‡	46	34	31
2. Total number of offices of Scheduled Banks ...	213	194	215¶
3. Number of Non-Scheduled Banks	190	124	95
4. Number of offices of Non-Scheduled Banks ...	493	172	146

(*Source* : *S. B. P.*)

Table No. 20.—*Consolidated position of Scheduled Banks.*

(In lakhs of rupees.)

	July 1948	July 1949	July 1950	July 1951	July 1952
1. Demand liabilities	85,92	89,57	1,00,65	1,17,55	1,14,25
2. Time liabilities	15,48	18,28	24,23	28,25	25,13
Total demand & time liabilities ...	**1,01,40**	**1,07,85**	**1,24,88**	**1,45,80**	**1,39,38**
3. Cash in Pakistan	3,74	3,27	3,58	4,21	4,18
4. Balance with State Bank of Pakistan	24,87	18,44	12,34	23,01	10,19
5. Advances in Pakistan	24,08	40,06	44,85	42,19	72,58
6. Bills discounted in Pakistan	42	2,39	3,50	9,54	6,30

(*Source* : *S. B. P.*)

**Mahajans* were Hindu money-lenders.

†*Hundi* means bill of exchange.

‡A Scheduled Bank is a bank included in the Second Schedule of the State Bank of Pakistan Order, 1948. It must have a paid up capital and reserve of an aggregate value of not less than Rs. 5 lakhs.

¶Although the increase since August 1948 appears to be 21, it was actually 125. A large number out of 194 offices in 1948 was defunct and closed down shortly afterwards.

Commercial banks.

101. Commercial banks are the basis of credit structure. With the departure of Hindu bankers in the wake of the Partition, a difficult situation was created. The establishment in July 1948 of the State Bank of Pakistan was an event of great importance. The State Bank helped to regulate and organise the banking system. The following table shows the progress :

Financing of cotton trade.

102. The two main commodities requiring large finance for trading are cotton and jute. In the absence of normal banking facilities, the Government sponsored in September 1947, the Pakistan Finance Corporation but its scope was limited as it gave credit against baled cotton only. Considerable finance is required also for purchasing and ginning cotton. The co-operative banks were able to help substantially, by entering into the commercial field. With the opening of more branches of commercial banks every year, credit facilities have progressively increased. The National Bank of Pakistan, which initially confined its attention to jute, has now become the main financier of cotton business. (During 1951-52 season it lent Rs. 31 crores).

Financing of Jute trade.

103. In the case of jute, finance was mainly provided by *marwaris* and by foreign banks, but they withdrew the facilities after the sterling devaluation in September 1949. The National Bank of Pakistan was sponsored in November 1949 and assumed heavy responsibilities immediately, lending almost Rs. 11 crores in the first season. The amount increased to Rs. 16.38 crores in the 1951-52 season.

Bill market.

104. The commercial banks face two main problems—the inadequacy of funds during the busy season and the absence of good godowns. There is no bill market in Pakistan which could ensure automatic increase and decrease in the money supply in the country according to requirements, through rediscounting facilities given by the Central Bank. The system of cash credits is more popular in the country. The commercial banks also have not favoured bills because of the comperative ease in getting Central Bank accommodation against government securities and higher rate of stamp duty payable on time bills. The State Bank has recently introduced a scheme of bill discounting under which advances will be granted to the scheduled banks, in the form of demand loans on their executing demand promissory notes supported by usance promissory notes of their constituents maturing within 90 days. The scheme also provides for the rediscounting of bills. The rate of interest on bills has been reduced to half a percent below the bank rate of 3% and the State Bank bears half the cost of stamp duty. Under the scheme, agricultural bills are also eligible for rediscounting and for the grant of advances against such bills. These steps have been taken by the State Bank as the first measure towards the development of a bill market. We understand that where necessary, the maturity period can be extended under the law to 9 months in the case of agricultural commodities. We recommend that this facility should be allowed in practice, as liberally as possible. A further step to encourage the bill market will be to grant special legal protection to the settlement of claims against bills of exchange.

Warehouses.

105. The absence of an adequate number of well-regulated wherehouses and the system of warehouse receipts, which would constitute negotiable documents, is a big obstacle to the availability of easy credit facilities to cultivators and traders. Some storage accommodation has been built by the Government for commodities in which they are interested as part of their state trading operations *i.e.*, for foodgrains and sugar or price support schemes *i.e.*, for jute (*vide* Appendix No. 13). But it is insufficient to meet their own normal requirements for the purpose of custody and distribution of stocks. Very few private warehouses exist. At the port towns the problem is less acute, but in

the interior, even the larger ginning factories have no proper storage accommodation. We recommend that the Government should sponsor one or more corporations (preferably one in each Province or producing region) for establishing warehouses in the country. These corporations should be financed jointly by the Central as well as Provincial Governments, commercial banks, corporations, individual businessmen and the general public. There should be a central board for coordinating the activities of the corporations and for regulating their policies and procedures. The corporations should function on purely commercial lines aiming to make reasonable profits. They should lay down the various types of accommodation and the minimum engineering and other requirements. The corporations may also help the existing warehouses and godowns to come up to the prescribed standards and grant them licences for conducting similar operations. An assessment of the storage requirements of the country will have to be made carefully after a study of the areas of production, quantities of crops, centres of distribution and consumption, the volume of movement during various parts of the year, the existing facilities available, etc., and a balanced storage map of the country drawn up. What is needed is a chain of storehouses stretching throughout the country and providing facilities in all important *mandis* and collecting centres as well as for groups of villages in the producing areas.

Section 6.—Prices

106. Restrictions on import of consumer goods lead to rise in prices. At present, stocks of many imported items are plentiful in the country, particularly the essential item of cloth. We also hope that our appeal for austerity in consumption will reduce the effective demand for consumer goods. Nevertheless, immediate consideration should be given to the question of control of prices, in order that the consumer may not be put to undue hardship. The change from O.G.L. to a policy of import licenses calls for a most vigilant watch on the trend of prices. It is a matter of regret that in many cases excessive profits have been charged by importers and middlemen, so that the consumer did not always receive the benefit of the non-devalued rupee or liberal imports. The range of profits has been 50% to 100% or even more, from landed cost to wholesale price and then to the retail price. The suspension of O.G.L. will further restrict the element of competition and there is danger that the unscrupulous will only increase the margin of their unjustified gains. *Need for price control.*

107. The Central Government has powers, under the Essential Supplies (Temporary Powers) Act of 1946 to control the production, supply, distribution and prices of the following commodities :— *Legislative powers.*

(i) Foodstuffs.
(ii) Cotton and woollen textiles.
(iii) Paper.
(iv) Petroleum and petroleum products.
(v) Spare parts of mechanically-propelled vehicles.
(vi) Coal.
(vii) Iron and steel.
(viii) Mica.

108. We are not in favour of enforcing controls if it can be helped. They impose heavy burden on the administrative machinery and lead to all sorts of malpractices. Controls which are not administered with full efficiency and integrity, prove worse than no controls. We consider, therefore, that controls should be imposed ordinarily only on the most essential commodities which are in short supply. The scope of the above Act need not be widened further except to *Control on essential commodities only.*

the extent necessary for the well being of the common man. For instance, items like drugs and medical preparations, photographic materials including X-ray films, medical and surgical instruments and appliances should only be included.

Advance planning of controls.

109. Control orders in respect of various items should be kept ready and a plan for the administrative organisation and procedure should be drawn up in advance. The controls should be introduced as soon as a long-term shortage of the particular item threatens to develop. The corollary of price control is distribution control and the two should not ordinarily be divorced from each other.

Other measures.

110. Other measures to arrest the rise in prices should be thought out and adopted. Of foremost importance is increase in indigenous production. We have suggested earlier that fair price shops should be opened and consumer co-operative societies should be organised which should make direct imports. Such steps are particularly necessary for salaried personnel having inflexible incomes. The Government should also arrange to give wide publicity to the landed cost of at least the more common articles of consumption as an indirect measure to discourage unduly high profits by middlemen. The prices of as many goods as possible should be marked on them. Fair retail prices should be determined whenever feasible, particularly in the case of monopolies (whether in imports or in local production) and the margins of profit should be reasonable—keeping in view all factors. The co-operation of the people should be enlisted fully in order to make price controls effective. The businessmen themselves should be associated and their public spiritedness invoked. The provisions of the Hoarding and Blackmarket Act of 1948 should be made more comprehensive and more practical. The punishment should be more deterrent and in the case of fines, which a profiteer can well afford to pay, the amount should be such as to reduce the offender to penury. The law should provide punishments both for the seller and the buyer who deliberately helps him in charging a high price. An enforcement machinery will need to be created in order to check cases of malpractice. Further, effective means should be adopted of reducing procurement and distribution costs of Government-rationed commodities. *e.g.*, foodstuffs. The difference between the procurement price and the final sale price has ranged, even within West Pakistan, from 50% to 75% and, in the case of rice sent from West Pakistan to East Pakistan, more than 100%. This is obviously untenable and means undue hardship for the consumers.

Prices in East Pakistan.

111. There is disparity of prices between West and East Pakistan, both in the case of imported articles and goods produced in West Pakistan. This is partly attributed to smuggling of imported goods from East Pakistan to India and partly to higher freight charges to Chittagong. Steps should be taken to bring down the prices in East Pakistan, and in the case of manufactured articles sent from West Pakistan, to give a special rebate in freight wherever possible to purchasers in East Pakistan.

Price statistics.

112. While on the question of prices, we would like to emphasise the need for accurate and reliable statistics of prices of both agricultural and non-agricultural items. At present, only the following types of statistics are maintained :—

(i) Average wholesale prices of commodities.

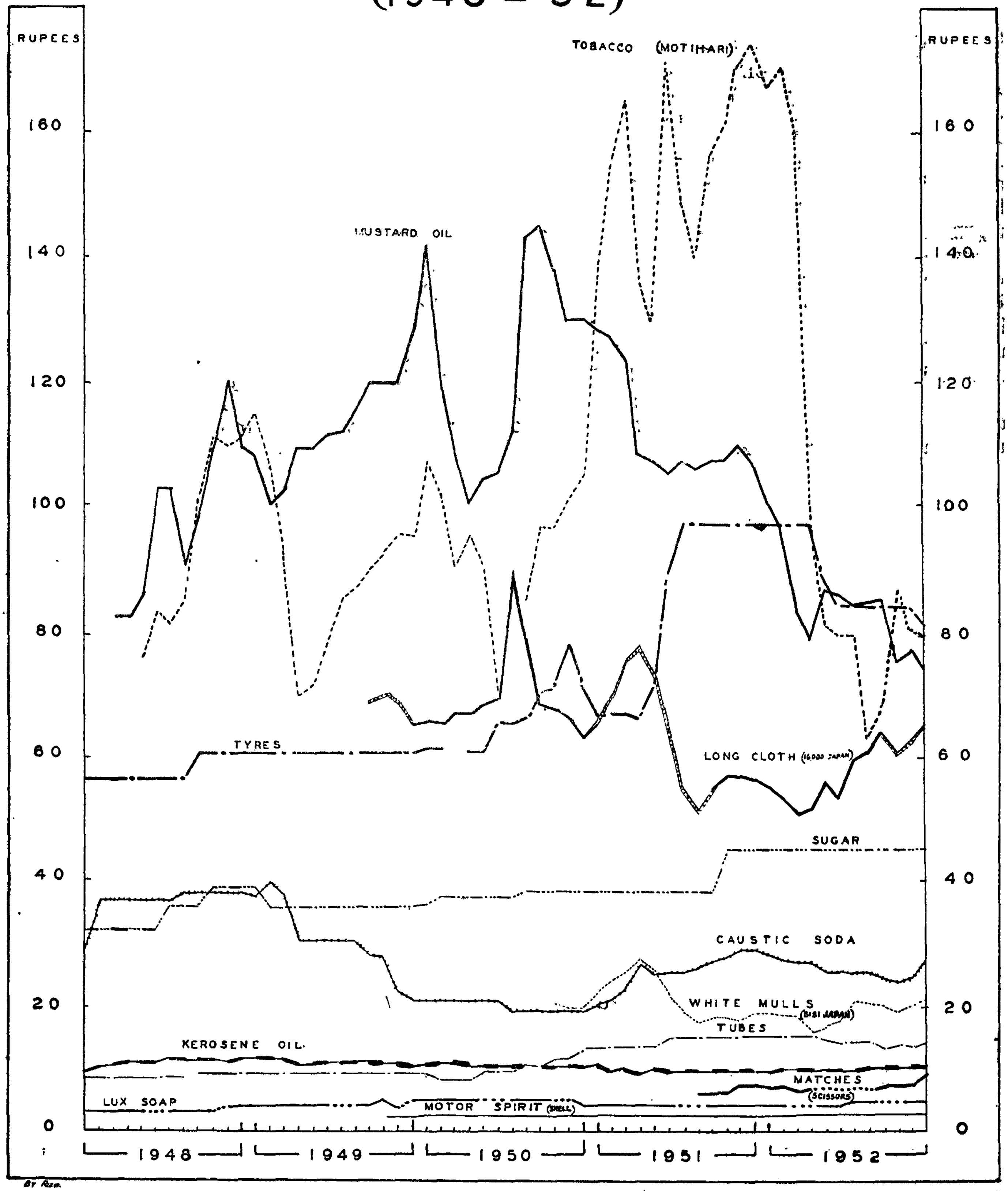
(ii) Retail prices of important consumer articles in major towns.

No cost of living indices are published except in the case of industrial labour in five selected towns. It is extremely important that cost of living indices of other sections of population and an average index for the population as a whole should be compiled. Besides, wholesale price indices should be constructed for major commodity groups. These also may be weighted into an overall wholesale price index to permit comparisons with price trends in other countries. For any effective price control administration, it is essential that the fullest and most reliable price data should be readily available. We would therefore suggest that there should be a special Price Section in the C. S. O.

113. The result of the present inadequacy of price statistics is that while there are appreciable and sometimes serious fluctuations in prices, the official figures do not reflect them. The public has, therefore, lost confidence in Government price statistics. Official statistics are normally based on control prices where they exist. There should be a system of covering free market prices also and bringing out the effect of that element. The published cost of living indices for industrial labour have not shown much variation (figures for September 1952 are 101 for Karachi, 98 for Lahore and 114 for Narayanganj, with the base year 1948-49 as 100). This is apparently because the indices are weighted heavily in favour of food items, and in Pakistan the procurement and ration programmes of foodgrains have generally kept the food costs within reasonable levels in the rationed areas. Nevertheless, whenever any overall shortages develop, as at the present time, a black market at much higher prices flourishes. Data about retail prices of imported or locally-produced goods is not available prior to January 1951 but wholesale prices are available since 1948 (fuller details given in Appendix No. 9), and these have been depicted for selected articles in the following graph, in order to give an idea of the movement of prices. A graph showing the price movement of exported commodities has been given on page 12.

Published official statistics.

MONTHLY AVERAGE WHOLESALE PRICES OF SELECTED COMMODITIES IN PAKISTAN (1948 – 52)



(SOURCE_*CENTRAL STATISTICAL OFFICE*).

Section 7.—Trade statistics

Delay in the compilation of trade statistics.

114. Trade statistics have been largely covered by the Central Statistical Office and data about seaborne trade, land-borne trade, analysis of imports and exports by countries and by commodities, operation of trade agreements and coastal trade is regularly published. However, detailed trade statistics are available only with a time lag of two months. Provisional data is now proposed to be made available within three weeks. In order to expedite the flow of data and compilation of final statistics a system should be devised whereby land customs outposts can report trade returns more rapidly than they do at present. We suggest that all possible steps should be taken to eliminate the delays in compiling trade statistics and where they are unavoidable, a system should be evolved of incorporating estimates. Mechanization of foreign trade statistics should be undertaken in order to speed up the release of final data.

Statistics of Government imports.

115. A serious lacuna, on account of which our study was greatly handicapped, is that properly classified figures regarding imports made on Government account are not available. For this reason, it has not been possible to compile a correct statement of our balance of trade. We have been told that Government import accounts are not maintained by the Government on the same lines as the commercial imports. The defect arises out of differential treatment given by the custom authorities to imports on Government account. We consider that Government imports should be classified in the same way as private imports and up-to-date records, maintained in similar detail to enable proper examination and control. Large purchases are made through our Diplomatic Missions abroad and information about their transactions is not readily available. They should submit accounts for each month by the middle of the following month, and the C.S.O.|S.B.P, should be given full assistance to compile trade|foreign exchange statistics under appropriate heads.

Recommendations.

116. We make the following detailed suggestions:

(i) Imports on Government account should be subject to the same custom regulations and procedures which apply to commercial imports, as regards filing of documents and recording of statistics. In the case of defence stores, no further analysis need be given, if so required in the interest of security, but the total figures for all defence stores received from time to time should be recorded, fuller details being maintained by the Ministry of Defence.

(ii) The trade classification used for imports on Government account should be as detailed as for private account imports, and invisible expenditure on Government account *i.e.*, payments otherwise than for physical imports, should be kept separate.

(iii) In order that full information about Government imports is made available, and delays in submission of returns are eliminated, the C.S.O. should work out detailed procedures in consultation with the Custom Houses and other agencies concerned.

(iv) The Diplomatic Missions abroad should submit accounts for each month by the middle of the following month and these should be promptly made available to the C.S.O.|S.B.P. in the form required by them.

(v) All trade statistics should be maintained on the July—June year basis, but an analysis by quarters should be shown invariably. This would facilitate conversion of the figures to the calender year or the fiscal year basis, whenever needed.

CHAPTER III

BALANCE OF PAYMENTS

Section 1.—Invisible exports and imports

The problem. 117. The balance of payments is the account of receipts and payments of foreign exchange. A country should try to be in balance with each of the other currency areas with which it has transactions, in order to avoid adjustment of the deficit in gold or in dollars. Members of the sterling area need not have individual balancing of accounts with each other, but each of them should balance her transactions as a whole, and together they should balance their transactions with the rest of the world.

Balance of payments *vs.* balance of trades. 118. The "balance of trade", is frequently confused with the "balance of payments", and there exists an impression that if the balance of trade is favourable, there is no further problem. As explained earlier, our foreign exchange payments arise not only from imports on private account but also from imports by Government (whether of commodities needed for public consumption *e.g.*, foodgrains, sugar, coal, oil, etc. or stores required by Government departments including Defence). Besides, there are 'invisible' payments on private and Government account which are only partly set off by 'invisible' receipts. Under the present system of maintenance of foreign exchange accounts, the expenditure on invisibles on Government account is not shown separately from expenditure on physical imports made by the Government. We have elsewhere recommended that the foreign exchange account should be maintained in greater detail : only then would it be possible to group together all expenditure on physical imports distinctly from expenditure on invisibles.

Trends in balance of payments. 119. The trend in the balance of payments since January 1948 is shown in the following table.

*Table No. 21.—Balance of Payments, by half-years.**

(In lakhs of rupees.)

Period	Receipts	Payments	Errors and omissions	Balance
Jan.—June 1948	44,66	22,98	—3,18	+18,50
July—Dec. 1948	32,02	56,71	+3,81	—20,88
Jan.—June 1949	68,86	89,71	—8,54	—29,39
Total ...	**1,00,88**	**1,46,42**	**—4,73**	**—50,27**
July—Dec. 1949	36,26	60,34	+2,23	—21,85
Jan.—June 1950	58,59	69,48	+1,27	—9,62
Total ...	**94,85**	**1,29,82**	**+3,50**	**—31,47**
July—Dec. 1950	77,71	81,66	+2,11	—1,84
Jan.—June 1951	1,69,45	1,07,80	—2,16	+59,49
Total ...	**2,47,16**	**1,89,49**	**—5**	**+57,62**
July—Dec. 1951	1,18,40	1,28,31	+2,42	—7,49
Jan.—June 1952	1,22,21	1,59,59	—1,49	—38,87
Total ...	**2,40,61**	**2,87,90**	+93	—46,36

(*Source* : *S. B. P.*)

*The figures for the half year July—December 1952 are :—

Receipts	Payments	Errors and omissions	Balance.
69,56	117,07	—78	—48,29

Our balance of payments was in deficit from July 1948 to June 1950. Under the impact of the Korean boom the deficit decreased and in the half-year January—June 1951, we had a heavy surplus (of almost Rs. 60 crores). Since then the balance of payments has been deficit again. It will be observed, however, that the balance for the two years July 1950 to June 1952 is *plus* 11.28 crores, while for the previous two years July 1948 to June 1952, it is *minus* Rs. 81.74 crores. During the earlier period, we were able to meet the deficit by drawing down our sterling balances but this is no longer possible in view of the present position of the reserves.

120. The following table shows the position of balance of payments and reserves, on quarterly basis, since July 1950.

Table No. 22.—Quarterly balance of payments during boom period and after.

(In lakhs of rupees.)

Period	Receipts	Payments	Errors and Omissions	Balance	Foreign exchange reserves at end of period*
July—Sept. 1950	29,15	38,87	+1,25	—8,47	87,07
Oct.—Dec. 1950	48,56	42,79	+86†	+6,63	94,16
Jan.—March 1951	94,48	49,62	—1,76	+43,09	1,38,16
April—June 1951	74,97	58,18	—40	+16,39	1,51,31
July—Sept. 1951	53,70	58,28	+2,24	—2,33	1,49,00
Oct.—Dec. 1951	64,70	70,03	+18	—5,17	1,48,17
Jan.—March 1952	78,39	88,44	—49	—10,55	1,34,50
April—June 1952	43,82	71,15	—1,00	—28,33	1,04,57
July—Sept. 1952†	25,62	65,59	—63	—40,59	66,23*

(*Source* : *S. B. P.*)

Until June 1951, the position of reserves was continually improving. A small deficit (Rs. 2.33 crores) developed in the balance of payments during the quarter July—September 1951 and it increased (to Rs. 5.17 crores) during the following quarter *viz.* October—December 1951, the total deficit for the half-year being Rs. 7.50 crores. However, the reserves at the end of December 1951 stood at Rs. 148 crores, a figure much higher than was normally required (in para. 152, page 50 we have assessed it at Rs. 110 crores). The Government continued the liberal import policy adopted in July 1951 beyond December 1951 apparently on the strength of this reserve, and in the view that as the boom conditions were over, commercial imports during the half year January—June 1952 would not be higher than they were during July—December 1951 (Rs. 83 crores). It was evidently considered better to enlarge the imports of plant and machinery and industrial raw materials and stock the country with consumer goods, than to keep the foreign exchange earnings in the form of sterling balances beyond a reasonable figure. However, there was speculation on the part of importers and excessive buying occurred against the O.G.L. Eventually, the total commercial imports during January—June 1952 turned out to be Rs. 109 crores *i.e.*, an excess of Rs. 26 crores over the previous half year, when the same liberal import policy had been in operation. An element of this expenditure was due to over-invoicing of imports. The result of this excessive expenditure was a deficit

* The figure at the end of quarter October—December 1952 was Rs. 60, 61 lakhs. This further fall is due largely to heavy wheat imports.

† The figures for the quarter October—December 1952 are :—

Receipts	Payments	Errors & omissions	Balance
43,94	51,48	—15	—7,69

* The difference between successive figures in this column is not the same as the figures in the previous column, because of fluctuations in other items of Investment and Financing Account of the balance of payments.

of about Rs. 39 crores during the half-year January—June 1952, although the earnings were still high and slightly better than the previous half-year. The Government took certain steps in June and July 1952 to control speculation and excessive imports on the part of trade—they imposed marginal restrictions on the opening of letters of credit, prohibited clean overdrafts, restricted advances against stocks and raised the import duty on cotton textiles.

121. However, despite these restrictive measures, the commercial imports, though declining, continued at a high level—the figure for the quarter July—September 1952 was Rs. 43.57 crores. This coupled with a sharp decline in earnings due to the fall in prices of jute and cotton and a further draw on account of unanticipated food imports, led to a serious depletion of reserves which came down to Rs. 66 crores at the end of September 1952. The O.G.L. was curtailed only in August 1952. We recognise that the decline in the prices of our exportable goods has been more precipitous than expected. We feel, however, that the restrictive measures adopted by the Government from time to time should have been imposed earlier than they were.† The O.G.L. was entirely suspended in November 1952.

Present situation.

122. The existing level of reserves being low, we must live within our earnings. We have to balance our foreign exchange receipts and payments on current account : indeed we must build up our foreign exchange reserves as soon as circumstances permit (the required level of reserves is considered in para. 152 (page. 50).

Balance of trade.

123. The measures for reducing physical imports and increasing exports in order to achieve a more favourable balance of trade, have been considered in Chapter II. The problem of increasing "invisible" exports and reducing "invisible" imports may be considered now.

Invisible exports.

124. Our invisible exports are very small in volume and though they have increased, with the increase of export and import trade, they are likely to register a fall in conditions of recession. An analysis by main items is given below :—

Table No. 23.—Invisible exports

(*July* 1951 *to June* 1952)

(In lakhs of rupees).

1.	Shipping	1,85
2.	Air	17
3.	Insurance	38
4.	Foreign Governments and R. A. F.	1,30
5.	Office maintenance	28
6.	Savings	8
7.	Interest on sterling and India rupee balance	1,86
8.	Foreign Missions	13
9.	Losses	3
10.	Profits	28
11.	Commission	22
12.	Income tax	53
13.	Settlement of claims	32
14.	Repayment of overdrafts	1
15.	Settlement of money orders	14
16.	Expenses on imports, exports, etc.	25
17.	Miscellaneous	14,08
	Total	**21,91**

(*Source : S. B. P.*)

† The Hon'ble Mr. Fazlur Rahman did not like to express any opinion regarding the appreciation and conclusions contained in paras 120 and 121.

125. The scope for increasing invisible exports does not appear to be large at the present stage. Attempts, however, could be made in certain fields, for instance, tourist traffic. On account of inadequate hotel and transport facilities at the places and in the areas likely to draw tourists, there is little attraction at present for visitors. These deficiencies should be made good and everything possible should be done to encourage foreign tourists. A tourist organisation should be set up for the purpose. One facility that could be provided immediately is to allow transit passengers passing through Karachi to visit the City during their halt, by providing a transit ticket and even free transport. Tourist traffic.

126. The same considerations apply to the holding of international conferences in Pakistan which should be encouraged to the extent facilities can be provided for them. Likewise, efforts should be made to have regional offices of the United Nations and other international agencies established in Pakistan. International conferences and U. N. offices.

127. Another possibility that can be explored is to develop a free zone for imports and re-exports—this would improve invisibles through commissions earned by Pakistani intermediaries. Free zone for imports.

128. While there is not much scope of effecting improvements in invisible exports in the immediate future, there are better prospects of effecting savings on invisible imports. An analysis of such imports is given below : — Reduction in invisible imports.

Table No. 24.—Invisible imports

(July to June)

Items	1948-49	1949-50	1950-51	1951-52
1. Travel.	86	2,59	2,63	4,20
2. Family maintenance	88	1,15	1,17	1,35
3. Agency services	70	99	84	1,09
4. Educational expenses	10	16	18	28
5. Periodicals	2	3	...	...
6. Refunds and rebates	1,00	98	1,11	4,40
7. Insurance premia & other insurance payments ...	28	41	78	1,87
8. Film rentals	6	6	9	26
9. Freight charges and passage earnings	1,16	1,73	2,54	5,55
10. Operating expenses of Pak. steamship & air companies	1,30	82	61	2,21
11. Remittance of savings	1,81	1,48	1,08	66
12. Profits, interest and dividends	71	1,84	2,49	3,14
13. Payment of debts	...	11	25	21
14. Royalties	...	...	...	2
15. Miscellaneous	5,53	8,52	5,12	10,19
Total ...	**14,41**	**20,87**	**18,88**	**35,44**

(Source : S. B. P.)

In addition to these invisibles are the invisible payments on Government account *i.e.*, payments for purposes other than import of goods, *e.g.*, expenditure on Diplomatic Missions abroad and officials and delegations sent out. These invisibles are likely to increase in future on account of (a) the annual payments of debt to India as Pakistan's share of the net liabilities of the Government of undivided India and (b) the repayment instalments on account of World Bank and other loans. Invisibles on government account.

129. The items of largest magnitude are : freight charges and passage payments (Rs. 5.55 crores), refunds and rebate (Rs. 4.40 crores), travel abroad (Rs. 4.20 crores), remittance of profits, etc., by foreign firms (Rs. 3.14 crores) operating expenses of Pakistani steamship and air companies (Rs. 2.21 crores) Main items.

and insurance payments (Rs. 1.87 crores). All the figures quoted relate to the year July 1951 to June 1952. Concerted and planned action is called for in order to effect savings under each heading. Our recommendations designed to reduce the volume of invisible expenditure are as follows :—

Travel.

130. *Travel.*—(i) The basic quota of foreign exchange admissible to an individual for European countries should be reduced from £250 to £150 for each year.* (We are glad that this has since been done.)

(ii) Steps should be taken to limit the total expenditure on account of travel to Rs. 2.5 crores.†

(iii) No leave salary or salary on duty should be paid to Government servants during visits abroad. When on duty, a Government servant is given suitable allowances. Like non-officials, he should justify his requirements and obtain foreign exchange on an *ad hoc* basis.

(iv) The maximum limits adopted for release of foreign exchange for business travel abroad, *viz.*, £10 for U.K. and the Continent and $40 per day for U.S.A. should be reduced by 25%.

Family maintenance.

131. *Family maintenance.*—No foreign nationals* should normally be permitted to remit more than £75, per month for the purpose of family maintenance, instead of the present maximum limit of £100.

Agency services.

132. *Agency services.*—Pakistani businessmen should be encouraged to open branch offices abroad in order to reduce the payments made to foreign business houses for agency services. However, adequate safeguards will have to be worked out to ensure that the foreign exchange provided for the purpose is not abused and the branch offices do not help to under-invoice exports and over-invoice imports.

Refunds and rebates.

133. *Refunds and rebates.*—No releases of foreign exchange in settlement of claims for refunds and rebates should be permitted except on presentation of award by a duly recognised body.

Film rentals.

134. *Film rentals.*—(i) The ceiling for expenditure on films should be Rs. 26 lakhs—Rs. 18 lakhs for India and Rs. 8 lakhs for other countries. With India, reciprocity should be established as far as possible.

(ii) The Pakistani film industry should be developed and should seek markets, apart from India, in other adjoining countries.

Air transport.

135. *Air transport.*—(i) Chartering of aircraft, whether between West and East Pakistan or for foreign countries, should be finalised with due regard to the foreign exchange expenditure involved.

(ii) In order to encourage the national air lines to buy provisions including petrol, in Pakistan instead of foreign countries, a rebate should be given to them on custom and excise duties levied.

(iii) The quality and quantity of services at the air ports—medical, customs, security and catering arrangements—should be improved.

(iv) An office of the National Bank of Pakistan should be set up at the Karachi Airport and other airports to facilitate money-changing.

(v) Better arrangements should be made for the display as well as sale of Pakistani products at the Karachi Airport, and other airports.

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* For Indian nationals there are special regulations which allow remittance up to Rs. 35 per month only.

† Mr. Moazzamuddin Hosain expressed the view that such limitation of expenditure on travel should not affect adversely travel for the purpose of performing *haj* or receiving education abroad.

(vi) The Civil Aviation Department should try to arrange that a national airline, instead of a foreign airline, is selected to look after the interests of companies which do not have offices of their own at our airports.

Note.—Our recommendations on the development of international air services (Chapter VI) will also help to increase foreign exchange receipt and reduce expenditure.

136. *Shipping.*—(i) All chartering of ships by the Government should be arranged through the Controller of Shipping who should canalize his demand through one agency in order to avoid raising the quotations. **Shipping.**

(ii) The payments made for purchases or repairs of ships should be jealously scrutinized and made subject to the production of certificates by a recognised firm of price surveyors, which should be checked by the Controller of Shipping. Similarly, a detailed examination of all expenses incurred abroad by the shipping companies should be conducted by the Controller of Shipping in consultation with the State Bank of Pakistan.

(iii) Rebate of customs duty should be given to Pakistani companies for provisions, stores and fuel purchased in Pakistan, including the vessels plying between West and East Pakistan. Where import licences are needed by them they should be granted liberally on the recommendations of the Controller of Shipping in order to avoid purchases abroad.

(iv) Pakistani ships should be employed for foreign exports and imports as far as possible, *e.g.*, where Conference Lines do not operate, or where provision can be made in bilateral agreements or barter arrangements.

(v) The earnings of Pakistan shipping companies should be jealously scrutinised. The Controller of Shipping should obtain regular returns of the movements of ships. Complete accounts pertaining to each voyage should be submitted to the State Bank through the Controller of Shipping within six weeks of the completion of the voyage. Such accounts should be checked, if necessary, with the assistance of a firm of recognised surveyors. The credit of all amounts received by shipping companies as compensation from insurance companies should be watched. No Pakistani vessel should be allowed to be mortgaged abroad without the prior sanction of the Controller of Shipping.

Note.—Our recommendations on the development of international shipping (Chapter VI) will also help to increase foreign exchange receipts and reduce expenditure.

137. *Profits, interests and dividends.*—The provision in the income-tax law requiring distribution of more than 60 per cent. of assessable income as dividend, prevents investment by foreign companies, and should therefore be re-examined. **Remittance of profits, etc.**

138. *General.*—(i) The statistics relating to invisible payments and receipts should be improved. The classification of receipts and expenditure should be under the same or similar headings. The invisibles on Government account should be separated from payments made for Government imports, and they should be subdivided under distinct headings similar to those adopted for invisibles on private account. Expenditure on important items such as Diplomatic Missions abroad should be available readily. The existing " Miscellaneous " heading in the case of both receipts and payments should be further subdivided as far as practicable in order to enable fuller analysis and better control of the transactions covered. **General.**

(ii) A further examination should be conducted of the "Miscellaneous" invisible receipts and payments by the Ministry of Finance in consultation with the State Bank of Pakistan and the Ministries concerned.

Control over foreign companies.

139. In connection with the remittance of profits by foreign companies, the need for control over foreign firms generally and over foreign insurance companies particularly, was considered. Foreign firms are welcome in industry and in such commercial activities as require special technical knowledge and experience. However, many foreign business firms are only subsidiaries of organisations abroad and their transactions are not fully accounted for in Pakistan. We feel that legislation should be undertaken to provide that all foreign business firms and all foreign companies dealing with imports and exports, insurance, banking, shipping and forwarding and clearing, etc., should take out licences specifying the nature of business. The proposed legislation should empower the Government to call for any information from such firms. The question of associating Pakistani capital and employment of Pakistan nationals in commercial and other firms, as in the case of industrial concerns, should be investigated. We understand that proposals on these lines were made previously by the State Bank of Pakistan and the Ministry of Commerce.

Foreign insurance companies.

140. Insurance premium earned by foreign insurance companies involves appreciable expenditure of foreign exchange. The foreign companies make remittances of surplus funds after deducting liabilities due to commissions, office expenses, taxation, losses paid out or outsanding and reserves for the unexpired risks not exceeding 40% of the net premium. On the subject of insurance, we make the following recommendations :

(i) The State-sponsored Insurance Corporation should be established as early as possible*. It should examine the possibilities of early investment of large funds in first class insurance companies and should be provided with a sufficiently large capital and reserve, so as to retain, to start with, 30% to 50% of the re-insurance business in Pakistan. It should act as a mother institution for insurance companies in the same way as the State Bank of Pakistan acts for banks and assist existing and promote new insurance companies. At present out of 89 insurance companies operating in the country only 11 are Pakistani.

(ii) The question should be examined whether the establishment of mushroom insurance companies could be controlled, as also the renewal of licences to existing foreign companies and grant of permission to new foreign companies. Many mushroom companies have been set up specifically to cover the insurance business of large importing and exporting foreign business concerns.

(iii) The question should be examined whether any effective step can be taken to curb the practice of illegal rebates.

(iv) Before remittances are authorised the foreign insurance companies should be required to submit to the Controller of Insurance and the State Bank of Pakistan a complete analysis of their transactions at the end of each financial year, in the revised proforma suggested for the purpose (Appendix No. 11). The proforma provides for retention of reserves for unexpired risks at 100% of net premium income of the year for marine, 50% for fire and 50% for accident insurances, and these limits should be enforced.

(v) All Governmental and semi-Governmental organisations should give to the Pakistani insurance companies the first option of their business. All Government contractors should also be made to insure

* The Insurance Promotion Corporation has since been set up (January 1953).

with Pakistan companies by including this condition as a term of contract. Further, all Pakistani importers should be required to purchase goods, on F.O.B. or C.I.F. basis and should take out insurance with Pakistani companies. This should be made a condition precedent to the opening of letters of credit.

(vi) A pool of Pakistani companies should be established for allocating business given by Governmental and semi-Governmental agencies, and run in consultation with the Controller of Insurance.

(vii) Pakistani companies should be encouraged to make re-insurance treaty arrangements with foreign companies on a reciprocal basis, consistent with their own resources.

(viii) Pakistani insurance companies should be encouraged to maximise the use of re-insurance locally among themselves.

(ix) It should be laid down that remittances for insurance business placed abroad directly will be permitted only on production of a certificate from the Controller of Insurance to the effect that the risk could not be covered either wholly or partly within Pakistan.

(x) The question should be examined whether a directive could be issued to the foreign banks not to insist on insurance being placed with foreign companies before allowing banking facilities to Pakistani traders. If necessary, legislation should be brought out for the purpose.

(xi) The taking out of life policies by Pakistanis, in foreign currencies, should be prohibited except where exemptions are made by the Controller of Insurance for sufficient reasons.

(xii) A pool of Pakistani and foreign companies should be formed for taking on the business of Thole Produce Yard at Karachi in order to spread the risks and bring down the rates.

(xiii) The Controller of Insurance should advise Pakistani companies to adopt procedures which will expedite the settlement of legitimate claims, in order to attract more private business.

(xiv) The Controller of Insurance should examine whether remittances for re-insurance purposes on life policies should be stopped altogether, except for policies in excess of specified amounts.

141. With reference to payments on Government account, other than for import of goods, we would recommend that every effort should be made to reduce their volume, *e.g.*, the expenditure on the sending of delegations to international conferences, etc., and of officials on tours abroad should be curtailed. Likewise, the expenditure on our Diplomatic Missions abroad should be brought down. Government invisibles.

Section 2.—Leakages through evasion of foreign exchange law

142. Leakage of foreign exchange occurs through infringement and evasion of the provisions of the Foreign Exchange Regulation Act and the rules made thereunder. The objectives are transfer of capital in order to escape tax, or import of goods against part payment to foreign suppliers in cash or sale of foreign exchange in free market. There is a good market for such sales in view Reasons for leakage.

of the continuous demand of gold smugglers, Indian nationals in East Pakistan wishing to repatriate funds, and payments by East Bengal residents for agricultural rents, film rentals, etc. due in India.

Measures taken by S. B. P.

143. The State Bank of Pakistan has been introducing measures from time to time to prevent leakage of foreign exchange. The State Bank took over the exchange control from the Reserve Bank of India on 1st July 1948 (the date S. B. P. was established). The control covered all countries except India and Afghanistan; it was extended to India on 27th February 1951. Our decision in September 1949 to maintain the value of our rupee threw an enormous strain on the control machinery, as exchange profits through evasions of the regulations became more lucrative. To cope with the situation the Exchange Control Department of the State Bank was strengthened, rules and regulations were revised to make the control more effective and measures were taken to close the loop-holes whenever they came to notice. Assistance of the Special Police Establishment was sought in the investigation of cases of evasion and certain amendments to the Foreign Exchange Regulation Act were carried out to make the legal provisions more effective. Repatriation of Pakistani notes from countries outside Pakistan was banned and special notes were introduced for pilgrims going to Hejaz. The basic travel quotas for the European continent and other countries were reduced and subsequently completely withdrawn for India and the Persian Gulf. Export price checking procedure was introduced for exports of cotton and subsequently for exports of jute, in order to ensure that foreign exchange credit was received in each case in accordance with the price prevailing on the date of the contract.

Need for further measures.

144. However, evasions continue and further steps should be helpful. The main sources of leakage and our recommendations in respect of them are given below :

Smuggling.

145. *Smuggling of goods, gold and currency.*—Pakistan is faced with special difficulties in the matter of smuggling, namely,—

(a) Proximity of the Makran coast to the Persian Gulf ports and consequently the ease of smuggling operations. Smuggling of gold has been a regular feature since before the Partition.

(b) Extensive borders with India, both in East and West Pakistan which render easy the smuggling of goods and currency.

(c) Large scale movement of people between East Bengal and India.

(d) Non-application of evacuee law to East Bengal resulting in pressure from the Indians owning business and property in East Pakistan to take out funds to India.

In these circumstances, it is difficult to adopt comprehensive anti-smuggling measures. We can only suggest that the checks by the customs authorities should be made more effective and that the customs staff should be suitably strengthened and equipped with transport for patrol duties.

Illegal transfers.

146. *Payments through non-official channels.*—Large remittances are made through the free market to India chiefly from East Bengal, in breach of the foreign exchange regulations. Provision should be made in the law for heavy punishment for persons indulging in free market operations with a view to making exchange profits. It is also necessary that all the various agencies concerned namely, customs, import and export control, police, exchange control and commercial banks exercise full vigilance in their respective spheres and co-operate fully with each other in preventing unauthorised remittances.

Evasions in import and export trade.

147. *Evasions in import and export trade.*—In the case of imports, the exchange is remitted against import documents, before the goods arrive into the

country, but subsequently either the goods may not be received or their quantity or quality may be lower. Similarly, in the case of exports, after the goods have left the country, either export documents may not be negotiated or export proceeds may not be received by the authorised dealers. The following measures should be adopted :—

(i) All exporters and importers must be registered by an order under the Import and Export (Control) Act. Before registration, the antecedents of the applicants should be checked and, either the person should be required to provide a guarantee from a Scheduled Bank, the amount depending upon the nature and volume of trade sought to be conducted, or the firm should be incorporated as a Pakistani Company with a paid-up capital of not less than Rs. 5 lakhs. These conditions may be relaxed in the case of Pakistanis only, by competent authority. The applicant must in any case be a person|organisation of sufficient standing and business integrity with financial stake in the country. Whenever malpractice is detected, the registration should be cancelled and other suitable action taken. (We are glad to note that action in this direction has since been taken by the Ministry of Commerce.)

(ii) In the case of perishables (including fish, poultry and *ghee*) of which there is a large volume of exports by smaller men, particularly in East Bengal, the question should be examined whether (i) above can be made applicable. It is considered that apart from the ports, only a limited number of points of exports should be named and exports through other routes prohibited. The objection that this would affect direct exports by smaller parties and bring in middlemen, is not quite valid, as already the exports are mainly conducted through intermediaries. For example, in the case of fish in East Bengal, exports are concentrated at a few places where facilities regarding ice and boxes are available.

(iii) The question whether irrevocable letters of credit should be insisted upon in the case of all exports except specified items, should be considered.

148. *Under-invoicing of exports.*—As stated earlier, an E.P.C. (export price check) procedure is now in existence for exports of cotton and jute. It has been found successful, though very small margins of under-invoicing, *e.g.*, 1 or 2%, are difficult to detect. The extension of this procedure to other commodities has been considered, but the obstacle is the absence of fixed varieties in those commodities to which prices could be related. We suggest that the Government should appoint a small committee consisting of both officials and non-officials to suggest measures for the elimination of under-invoicing in exports. Under invoicing.

149. *Over-invoicing of imports.*— Over-invoicing.

(i) The committee proposed in the preceding paragraph should also consider the problem of over-invoicing of imports.

(ii) A system of intelligence of the prices of imported goods in the exporting countries should be established and the Trade Commissioners should be charged with the function of watching and reporting on the prices, particularly in the case of commodities where malpractices are suspected *e.g.*, iron and steel. Importers found guilty of malpractice should be removed from the list of registered traders.

(iii) We understand that the authorised dealers* are required to insist upon the production of a firm contract before booking any foreign exchange or opening any letter of credit. We suggest that the authorised dealers should see, as far as possible, that there is no over-invoicing and in cases where they detect over-invoicing, they should report to the State Bank of Pakistan.

Unauthorised imports.

150. *Unauthorised imports.*

(i) The import trade schedule should be revised and omnibus items should be specifically divided up in order to prevent the import of useless articles covered by the general description of many items.

(ii) In order to check the import of goods of more than the authorised amount in case of licensable items, the question should be examined whether both the copies of the import license issued, should not be checked after the licenses have been utilised.

General.

151. *General.*

(i) The conducting of all illegal foreign exchange transactions, which are already penal offences under the law, should be classified into major and minor offences. Prompt action should be taken on all offences and, in the case of major offences particularly, deterrent punishment should be awarded in order to prevent a commitment of further offences.

(ii) Arrangements should exist in the Ministry of Finance and other Ministries concerned for examining on a regular basis all receipts and payments of foreign exchange including invisibles in order to see how far earnings can be promoted or savings made, and necessary measures should be adopted from time to time. We understand that an inter-departmental committee exists which makes a periodical study but that it has not been active recently. We consider that this committee should function more effctively and should have as members representatives of the Ministries of Commerce, Industries and Economic Affairs, apart from the Ministry of Finance and the State Bank of Pakistan. Representatives of other Ministries *e.g.*, Defence and Foreign Affairs & Commonwealth Relations should be co-opted whenever matters pertaining to them are discussed.

Section 3.—Level of foreign exchange reserves

Required level of reserves.

152. We have considered the question of minimum level of foreign exchange reserves which should be maintained. This level should be determined with reference to (a) the amount required as backing for currency, and (b) the amount needed as a working balance. Even if we do not take into account the seasonal fluctuations, the year to year changes in currency circulation must be kept in view. In consideration of the increasing economic activity and higher governmental expenditure, provision should be made for a currency circulation of Rs. 250 crores, as against the existing level of Rs. 203 crores (September 1952). At the rate of 30% the requirement for currency backing will be Rs. 75 crores. As regards the working balance, we feel that it should be at least 25% of the normal annual imports. Accordingly, for imports worth Rs. 140 crores or less the amount will be Rs. 35 crores. Thus the minimum requirement of reserves will be Rs. 110 crores, as a long-term objective.

Building up reserves.

153. In view of the existing position of reserves (Rs. 66.23 crores on 30th September 1952†, excluding the Indian securities worth Rs. 14.82 crores), it is

* Authorised dealers are banks and other agencies authorised by the S. B. P. to deal in foreign exchange.
† Rs. 60.61 crores on 31st December 1952.

We consider that, as soon as circumstances permit, Rs. 10 crores should be set aside each year for this purpose. If the foreign exchange earnings exceed the expenditure by a margin higher than estimated by us in Section, 4 part of the excess also should be utilized to build up the reserves.

154. The present proportion of gold in the foreign exchange reserves is not adequate. The gold is formally valued at Rs. 12.70 crores at the I.M.F. price. We recommend that it should be substantially increased. We understand that smuggled gold consfiscated by the customs authorities is at present retained by them or sold in the open-market. We recommend that such gold should be made over to the State Bank at the official price. Gold reserve.

Section 4.—Estimates for future

155. For a planned programme of imports, both of consumer goods and goods required for developmental purposes etc., it is necessary to make an assessment of the future position of the balance of payments. Such an assessment is extremely difficult as our earnings of foreign exchange depend upon the demand and prices of our primary commodities, the level of which is largely affected by world factors. There have been sharp fluctuations during the last five years which make us hesitate to attempt the task. A number of estimates prepared previously have proved incorrect by the turn of events. Nevertheless, some sort of appreciation is essential to give guidance for planning. Need for assessment of futures position.

156. Our estimates of earnings for the half-year July-December 1952 and January-June 1953 are as follows : Estimates for 1952-53.

Table No. 25.—Estimates of foreign exchange receipts for July 1952–*June* 1953.

A—Half-year July-December 1952*

	Rs.	
Jute ...	26·47	crores
Cotton ...	26.38	,,
Other exports ...	8·06	,,
Other receipts ...	8·65	,,
Total ...	69·56	,,

B—Half-year January-June 1953

	Rs.	
Jute (32 lakh bales, 10 to India at Rs. 90/- per bale and 22 to other countries at Rs. 120/- per bale) ...	35·40	crores.
Cotton (8 lakh bales at Rs. 375/- per bale) ...	30·00	,,
Other exports ...	8·00	,,
Other receipts ...	8·00	,,
Total ...	81·40	,,
Grand total for the year July 1952 to June 1953. slightly reduced and rounded off to ...	150·00	,,

157. The basis for these estimates (half-year January-June 1953) is indicated below : Explanations

Jute.—It is estimated that for the half-year January-June, 1953, a total quantity of 32 lakh bales would be shipped. For the previous half year, about 25 lakh bales were shipped (roughly 9 to India and 16 to other countries) which makes a total of 57 lakh bales (19 to India and 38 to other countries) for the whole year (July 1952-June 1953). The average price per bale is estimated at Rs. 90 for India (India takes her jute imports largely in kutcha bales which are much cheaper than pucca bales because the former contain unassorted jute and involve less baling charges) and Rs. 120 for other countries. This year's Jute earnings.

*These estimates have now (10th February 1953) been replaced by the actual figures compiled by S. B. P. which have since become available.

crop is estimated by East Bengal Government at 68 lakh bales which together with a carry over of 17 lakh bales gives a total of 85 lakh bales. The export of 57 lakh bales during the year will leave a carry-over of 28 lakh bales for the next year.

Cotton earnings.

Cotton.—For the half-year January-June 1953, shipment of 8 lakh bales is estimated. The figure for the previous half-year is 6 lakhs or less which gives a total of 14 lakh bales for the whole year. The new crop is estimated at 17.5 lakh bales which together with the carry-over of 3 lakh bales of old crop totalled to 20.5 lakh bales. 3 lakh bale is estimated as the amount of internal consumption. The carry-over beyond June 1953 will thus be 3.5 lakh bales. If international cotton market improves exports could easily be higher, and the foreign exchange earnings would be appreciably stepped up.

Other exports.

Other exports.—A figure of Rs. 8 crores has been assumed for the half-year January-June 1953 on the basis of figures for the four half-years prior to July 1950, which marked the beginning of the Korean boom (Rs. 7.33 crores, Rs. 10.30 crores, Rs. 7.90 crores and Rs. 7.48 crores).

Invisible receipts.

Other receipts.—A figure of Rs. 8 crores for the half-year has been assumed, keeping in view the decline, although the figure for January-June 1952 was Rs. 12.71 crores.

Estimates of payments.

158. Our estimates of payments for the two half-years are as follows :—

Table No. 26.—Estimates of foreign exchange payments for July 1952-*June* 1953.

A—*Half-year July-December* 1952*

	Rs.	
Imports on commercial account	76·70	crores.
Imports and other payments on Government account	27·35	„
Other payments	13·02	„
Total ...	117·07	„

B—*Half-year January-June* 1953

	Rs.	
Imports on commercial account	35·00	crores.
Imports and other payments on Government account	30·00	„
Other payments	12·00	„
Total ...	77·00	„
Grand total for the year July 1952 to June 1953, rounded off to ...	194·00	„

159. The basis for these estimates is indicated below :

Imports on commercial account.

Import on commercial account.—For the half-year January-June 1953, the imports should be restricted to Rs. 35 crores. As we have recommended licensing of all imports, this should be possible. On the basis of Rs. 80 crores a year, recommended in para. 40 (page. 19), the figure for a half-year should be Rs. 40 crores, but considering the large imports in the previous half-year, a lower figure has been suggested.

Government payments.

Imports and other payments on Government account.—The figures for the year 1949-50, 1950-1951 and 1951-52 (July-June) are Rs. 34.02, Rs. 43.32 and Rs. 59.80 crores, respectively. Keeping in view the maximum expenditure so

* These estimates have now been replaced by the actual figures compiled by S. B. P. which have since become available.

far, the estimate for the half year January-June 1953 is placed at Rs. 30 crores. The Government expenditure is increasing as the result of greater development activity etc. The recent fall in the prices of manufactured goods should help to obtain actually a larger volume than represented by Rs. 59.80 crores at last year's level of prices.

In this connection, we have to observe that the estimates for imports and payments on Government account are prepared on a most inadequate basis. We understand that the Ministry of Finance ask for an assessment of the requirements of various Central Ministries when preparing the foreign exchange budget for a half-year. The figures are generally not supported by facts and are related neither to commitments nor to future obligations. A very large expenditure is incurred by the D. G. S. & D. or allied agencies but even in their case no proper accounts of orders placed and existing and future commitments, in relation to different periods, are maintained. We suggest that a detailed proforma should be prescribed by the Ministry of Finance for estimates of requirements to be furnished by various Ministries and the supply of full information should be insisted upon. Faulty estimates of Government payments.

Other payments.—A figure of Rs. 12 crores for the half-year January-June 1953 has been assumed, keeping in view the highest figure for a half-year during the pre-boom period (Rs. 12.8 crores). Invisible expenditure.

160. The above estimates give the following appreciation for the whole year July 1952—June 1953. Overall estimate for 1952-53.

Receipts	Rs.	150·00	crores
Payments	Rs.	194·00	„
Balance	Rs.	44·00	„

This means that the gold, dollar and sterling reserves which stood at Rs. 105 crores at the end of June 1952 will stand at about Rs. 61 crores at the end of June 1953.

161. For the succeeding four years (1953-54 to 1956-57), we estimate earnings of foreign exchange as indicated below: Estimates for subsequent year's earnings.

1953-54	Rs. 160 crores
1954-55	Rs. 170 crores
1955-56	Rs. 180 crores
1956-57	Rs. 190 crores

On account of the present recession in the textile industry, the demand for cotton has not kept pace with the supply, resulting also in fall in prices. The position in future years should be better. Our recommendations for a vigorous drive in other exports should also bring in some additional earnings. However, the largest increases are expected on account of jute manufactures and additional rice production. By the end of June 1954, jute manufactures are expected to conribute Rs. 10 crores and by the end of June 1955 another Rs. 10 crores. The further rise during the year ending June 1956 is expected partly on account of further exports of jute manufactures and partly on account of rice exports. The final increase by June 1957 will be due partly to rice exports and partly to additional cotton exports. Additional exportable surpluses of rice and cotton are expected to arise from the completion of the Lower Sind Barrage and further progress in the Thal Project and other agricultural measures stated in Chapter IV.

Payments.

162. On the other hand, with the completion of industrial projects in progress, our foreign exchange expenditure should decrease appreciably. Table No. 46 (page 112) gives an idea of the savings expected from the P.I.D.C. projects. The development of cotton textile industry should also help to reduce substantially the expenditure on import of cloth and yarn. The projects undertaken by private enterprise will also assist to reduce the import of consumer goods. Our recommendations in Sections 1 and 2 should help to reduce invisible expenditure, as well. There will of course be, on the other hand, increasing demand for capital goods and additional demand for consumer goods also will be generated with increased employment and improved incomes. However, on the whole, it should be possible to balance the foreign exchange budget every year. A sum of Rs. 10 crores a year should be set aside to rebuild foreign exchange reserves, from the year 1954-55 onwards.

Distribution of payments.

163. When foreign exchange earnings for the year rise to Rs. 170 crores, the amount available for ordinary expenditure (allocating Rs. 10 crores to reserves) would be Rs. 160 crores. Our effort should in any case be to maintain the level of external expenditure at Rs. 160 crores in order to keep the economic activity in the country at a reasonable pace. Out of this sum at least Rs. 80 crores should be available for commercial imports, for reasons given in para 40 (page. 19). We expect an average expenditure of Rs. 20 crores on invisible imports during the next four years. The balance of Rs. 60 crores should be adequate for Government imports and other Government payments. It should enable the continuance of the development programme in the public sector at the present level, keeping in view the level of actual expenditure which reached the maximum figure of Rs. 59.60 crores in 1951-52. In addition, some foreign assistance should be expected to be available for Government projects (*vide* the following paragraph). On the other hand, a fall in expenditure on Government account should occur as the result of our recommendation, made earlier, that a serious effort should be made to reduce " other payments on Government account " such as the expenditure on Diplomatic Missions abroad and the deputation of delegations etc. outside Pakistan. We have also recommended elsewhere (para. 293 : page 97), that preference should be given to indigenous manufactures when making purchases for supplies required by various Government departments etc.

Food imports.

164. However, there is a disturbing feature for the next year at least. It is likely that to meet the wheat shortage, import of foodgrains will continue to be necessary and this may mean substantial expenditure. It may affect even the level of Government imports. To enable wheat imports, import of sugar should be drastically curtailed as suggested earlier (para 42 : page. 20). When the country is faced with a food grain deficit, the people will undoubtedly be prepared to reduce consumption of refined sugar and use *gur* and *shakkar*. The shortage of foodgrains wil have to be made good in any case, and if their import costs an excessive figure, every effort should be made to secure wheat loans *i.e.*, loans from foreign Governments or agencies specially for the import of wheat. One such loan ($ 15 million) has been secured recently from U.S.A.

Foreign aid and loans.

165. We have not taken into account in the preceding estimates foreign aid and loans, available for development purposes. In Chapter VIII, these are expected on an average to contribute Rs. 11 crores per year. This contribution is normally required to be spent exclusively on development projects and to the extent efforts are successful to have it increased, the progress of developmental activity will be accelerated.

CHAPTER IV

AGRICULTURE

Section 1.—Agricultural economy

166. The economy of Pakistan rests mainly on agriculture, which provides food, clothing and in many cases, even shelter to our immense population. Agricultural products provide raw material for the major industries in the country. Direct and indirect land taxes and taxes on produce provide the bulk of the revenue for the administration of the Provinces|States and contribute substantially towards the financial resources of the Central Government. Export of agricultural commodities is the main source of foreign exchange earnings. The rural population constitutes the bulk of consumers and, therefore, the level of internal trade of the country depends upon the spending power of the farmer. Increase in agricultural production and maintenance of remunerative prices for the produce form the bases for improvement in the standard of living of the people. Recession in production or in prices of the produce means all round distress, the first victim of which is the farmer himself. The peasant and his occupation should, therefore, receive the fullest consideration in any scheme of planning for the welfare of the State and the stability of its economy. Agricultural economy.

167. The development of agriculture in the Indo-Pakistan sub-continent has been the subject of periodical enquiries for almost one hundred years. The Bengal and Orissa Famine Commission of 1866 was followed by similar other Commissions, and they all emphasised the importance of agriculture and the need for its advancement. The first systematic report on the improvement of Indian agriculture was submitted by Dr. Voelcker in 1889. More recently, there was the Royal Commission on Agriculture (1926-27), which made an exhaustive study of the whole field of agriculture and presented a very voluminous and comprehensive report. This was followed after an interval of ten years by an enquiry conducted by Sir John Russell and Dr. Wright (1936-37). The Famine Enquiry Commission of 1944-45 also dealt with the problem of food and agriculture. With particular reference to Pakistan is the recent report of Agricultural Enquiry Committee presided over by Lord Boyd-Orr (1952). The Interim Report of this Committee was made available to us.* It deals in an admirable manner with questions relating to agriculture in Pakistan, including the problem of increased production. Previous enquiries into agr. development.

168. All Reports have deplored the low standard of production and recommended steps to overcome it. Irrigation has been continuously extended, Departments of Agriculture have been established, researches carried out and extension services developed. The progress made was described by the Royal Commission on Agriculture (1926-27) thus : Low standard of production.

> "That production has increased is beyond doubt; some part of this increase is due to the enhancement resulting from the expansion of irrigation but a far larger part is due to the spread of cultivation. Only a small portion of it can be attributed to the introduction of higher yielding varieties of crops and it is doubtful if any appreciable increase in yield can be attributed to better methods of cultivation or the increased use of manures".

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*Subsequently, we had the opportunity to see the final Report.

Population outpacing production.

169. Since then, further progress has been made. Improved varieties of several crops are available and are grown on a larger scale than previously. The position, however, remains more or less the same. It is clear that agricultural production has not kept pace with population growth.

Demand for agricultural products.

170. The world demand for foodstuffs must increase with the rise in populations and standards of living. The food shortage that exists in Pakistan to-day calls for special attention towards increased food production. With higher world levels of industrial production and consumption, the demand for other agricultural commodities is likely to increase. Increase in agricultural production is therefore an object of vital importance. However, the production of such crops as jute, cotton and tea should be regulated in accordance with the world requirements.

Section 2.—Increase in production

Target for agricultural production.

171. The target for agricultural production indicated by the Agricultural Enquiry Committee is an increase of 5 to 10 per cent. *per annum*. The Grow More Food Conference, which was held in July 1952, and which considered specially the problem of food production, suggested the target of 25 per cent. increase over the existing output of foodgrains, within the next five years. We agree that an overall target of such a magnitude should be aimed at.

Achievement of the target.

172. How can such a high target be achieved in practice? Judging by previous experience and present rate of progress, this appears almost impossible, but if a determined effort is made, the result might not fall too short of the objective. The two broad ways of increasing production are: (a) increase in area under cultivation, and (b) increase in yields per acre. Before discussing the possibilities of increased production, it will be useful to clear the ground and attempt an appreciation of the existing position.

Comparative crop yields.

173. We are often presented with a gloomy and depressing picture of the low yields of our crops, and we are told that these are among the lowest in the world. Below are some figures which are often quoted :

Table No. 27.—Yields per acre in different countries

(In lbs. per acre)

Country	Wheat	Maize	Paddy
1. Pakistan	768	946	1,249
2. China	938	1,182	2,246
3. Egypt	1,620	1,859	3,519
4. France	1,392	946	2,293
5. India	534	582	1,044
6. Italy	1,218	1,719	4,552
7. Japan	1,332	1,036	3,361
8. United Kingdom	2,166	...	...
9. U. S. A.	1,026	2,055	2,144

(*Source : Ministry of Food & Agriculture*)

From such data, the conclusion is drawn that something is radically wrong with our farmer and our system of farming.

Our agricultural skill.

174. Excessive self-glorification breeds complacency, and excessive self-criticism frustration. A rational appreciation of our achievements and failings would create self-confidence and provide basis for improvement. The following

is a comment made on the agricultural skill of our farmers by a scientist—Dr. Voelcker :

> "There can be no question, that the ideas generally entertained . . that Indian agriculture is primitive and backward are altogether erroneous. . . . The conviction has forced itself upon me that, taking everything together, and more specifically the conditions under which Indian crops are grown, they are wonderfully good. At his best the Indian *raiyat** is quite as good as, and, in some respects, the superior of, the average British farmer ; whilst at his worst it can only be said that his state is brought about largely by an absence of facilities for improvement which is probably unequal in any other country and that the *raiyat** will struggle on patiently and uncomplainingly in the face of difficulties in a way that no one else would ".

175. At the same time it does seem strange that inspite of the efforts of research workers and the Departments of Agriculture, extending almost over half a century, the yields of crops are what they are. And, it is necessary to investigate the causes for this state before means of improvement can be devised. **Main causes for low yields.**

176. The main causes of the low average yields of our crops are : **Cultivation of marginal and sub-marginal lands.**

(i) The density of population has forced the farmer to bring marginal and sub-marginal lands, with low productivity potential, under the plough. In many countries such lands would be under forests, grass or left uncultivated. This is evident from the fact that in Pakistan the forest area has been reduced to 4 per cent., though 25 per cent. is considered normal for a balanced economy. There are hardly any grass-lands. Further, agricultural statistics, as they are collected, compiled and presented, give an entirely erroneous idea of crop yields. For instance, during one year yields of wheat per acre in Punjab varied from 270 lbs. on unirrigated land to 1,191 lbs. on irrigated lands. Simple averages are struck when publishing data. No scientific statistical analysis is attempted and we are presented with such low figure as 768 lbs. as the yield per acre of wheat. If statistical data are analysed, the yields will be found much higher than we are given credit for.

(ii) There are factors beyond human control which put serious limitation on increased production. The dominant factor controlling crop yields all over the world is climate—precipitation and its distribution, humidity, temperature, movement of air, intensity and duration of sunlight, etc., and the climate of most parts of Pakistan is unkind. It is well recognised that a tropical climate with alternating strong sunshine, torrential rains and wind, is hard on cultivated plants. Rainfall (irrigation water supply being an expression of it) exercises a predominating influence on crop production. It is very rare that in any part of Pakistan it rains just at the right time, at required intervals and in desired volume. It is concentrated during the few monsoon months. Droughts, floods, hailstorms are extreme manifestations of the fickleness of weather. Vagaries of monsoon determine the fate of the farmer and make all the difference between plenty and penury. Irrigation provides a margin of safety, but even here the supply of irrigation water is grossly inadequate for maximum achievement of high-yielding varieties and heavy crops. The canals in Punjab provide for an intensity of 50 to 75 **Climatic factors: lack of water.**

**Raiyat* means farmer (generally tenure-holder).

per cent. of the area commanded, and yet the average intensity of cultivation approaches 110 per cent. The farmer banks on rains and if the rains fail him, the yields of his crops drop. Experiments conducted at Lyallpur show that under similar conditions of soil fertility, the quantity of irrigation water determines the yields obtained.

Table No. 28.—Effect of water on crop yields

	Total water applied (in inches)	Yield per acre (in maunds)	
		straw	*grain*
1. Wheat	8.6	52	24
	14.6	60	29
	17.6	68	30.5
	20.6	72	31
		kapas	
2. Cotton	22.7	14	...
	28.7	18	...
	34.7	20.48	...
	37.7	20.84	...
		cane	
3. Sugarcane	49.30	871	...
	62.80	1,081.45	...
	70.55	1,159.5	...
	77.30	1,207.93	...
	85.05	1,264	...

(*Source : Results of Experiments on Water Requirements of Crops at Resalewala, Lyallpur*).

In countries where high yields are obtained, through use of fertilisers, water is the determining factor, because fertilisers act with full efficiency only in the presence of adequate soil moisture.

Lack of humus.

(iii) Practically all that the land yields in Pakistan (other than fibre) is utilised as food, fodder or fuel, and very little is returned to the soil. Chronic shortage of fuel for cooking forces the farmer's wife to burn in the house-hold hearth all that can be burnt—cattle-dung, cotton and jute sticks, sugarcane thrash or remnants of other crops. Not only that, but these materials, useful for enhancing soil fertility, are also sold in the towns as fuel. The land is thus starved of humus with its life giving properties—food for plants, water-holding capacity, texture, and what is aptly described as " good heart ".

Handicaps in attaining fullest yields.

177. Besides several other factors, which are subsidiary, these three are the main factors which determine the efficiency of farming. As long as these cannot be controlled, yields approaching those of countries more fortunately situated, where land of low fertility potential is not cultivated, where rainfall is more certain and better distributed and where supply of fuel, other than cattle-dung and crop remnants, is available—cannot be attained. This fact must be faced.

Development according to local conditions.

178. Even so there is room for improvement. It is, however, necessary to be cautious, as adoption of measures which may have been successful elsewhere is no guarantee of their success under our conditions. Novelty is not necessarily improvement. Every plant gives its best performance under a certain set of ecological conditions, and the mutual relationship of individual

factors in the environment of the plant is a very complex phenomenon. We have been often led astray by blindly following what others have done. Sir John Russell said :

"The improvement of Indian agriculture has been attempted by many Governments over a long period of years and by a variety of methods. In the first instance, Western methods were introduced on the assumption that as they had succeeded in the countries of their origin they would also succeed in India.... In general these methods failed.... Finally it was recognised that Indian agriculture constituted a problem of its own; it could not be modelled on any other system but must be developed to accord with the natural conditions of the country and the requirements of its people".

This is a truth which is not fully recognised. We must develop our farming to accord with the natural conditions of our country and our social structure.

Increase in area under cultivation.

179. We may now examine the prospects of increased production. First, we shall consider the increase in cultivable area. The total area of various units of Pakistan and the area under cultivation, are shown in the following table :— **Increase in crop area : total area under cultivation.**

Table No. 29.—Total area & area under cultivation

(1948) (In lakhs of acres.)

Province/State	Net area sown	Current fallow	Total cultivated area(2+3)	Other unculti-vated land excluding current fallow	Forests	Not avail-able for cultivation	Total area (4 to 7)	Area not reported
1	2	3	4	5	6	7	8	9
1. Punjab ...	169.5	28.0	197.5	95.7	11.4	67.0	371.6	32(*a*)
2. Sind ...	56.4	62.3	118.7	53.0	7.2	123.0	301.9	
3. N.-W. F. P. ...	24.5	4.7	29.2	26.2	4.1	26.3	85.8	160.0(*b*)
4. Bahawalpur ...	23.3	4.3	27.6	8.7	.1	8.7	45.1	81.9(*c*)
5. Khairpur ...	3.8	2.1	5.9	.1	.2	3.6	9.8	28.2(*c*)
6. Baluchistan ...	4.6	6.8	11.4	6.2	.8	4.8	23.2	818.4(*d*)
(Total) West Pakistan	282.1	108.2	390.3	189.9	23.8	233.4	837.4	1120.7
7. East Pakistan ...	197.5	23.1	220.6	42.1	29.7	50.7	343.1	...
Grand Total ...	**479.6**	**131.3**	**610.9**	**232.0**	**53.5**	**284.1**	**1180.5**	**1120.7**

(*Source : Ministry of Food & Agriculture*).

NOTE :—(*a*) Border area of D.G. Khan District for which the classification is not reported.
(*b*) N.-W.F.P. states and Tribal Areas.
(*c*) Mostly desert.
(*d*) Baluchistan States for which the classification is not reported.

180. It will be observed that in East Pakistan, about 75% of the available area is already utilised for cultivation. In West Pakistan, there are much better potentialities of bringing new land under cultivation, but the problem here is shortage of water. Two large schemes already undertaken are the Thal Project in Punjab (promising irrigation of 15 lakh acres) and Lower Sind Barrage Project in Sind (additional 16.4 lakh acres). A sizeable scheme—Kurram Garhi Weir **Irrigation projects.**

Project—is under way in N.-W.F.P. (additional 1.2 lakh acres). The Nari-Bolan Project and the Sailaba Cultivation Project in Baluchistan promise to bring under cultivation 1.7 lakh and 1.2 lakh acres, respectively. Of the larger schemes still under consideration, important ones are Tankzam-Gomal Scheme in N.-W.F.P. (1.5 lakh acres) and Taunsa Barrage Scheme in Punjab (5.9 lakh acres). If the target of increased production is to be achieved, more schemes of similar character, will have to be thought out and vigorously pursued. Every inch of available land and every drop of available water should be utilised. We are not in a position to express an opinion on the merits of individual projects, but would emphasise the necessity for a very careful enquiry into the potentialities of a scheme before it is launched.

Development of water resources.

181. We recommend the most vigorous action for the utilisation and development of the water resources of Pakistan. This is necessary not only to extend the area under cultivation but to ensure full productivity of the lands already cultivated. The shortage of water from canals controlled by India which has already affected production in Punjab adversely and may do so in greater measure in the future, brings into relief the gravity and urgency of the problem. Therefore, apart from the big rivers, the potentialities of smaller waterways and of subsoil waters should be investigated and made use of, under a concerted and sustained plan of action. Canals, reservoirs, wells, tube wells, power pumps and other means of bringing water to cultivable land should all be exploited.

Smaller irrigation schemes.

182. The smaller irrigation schemes, which are easier to handle and inexpensive to execute, promise more immediate results. We feel that greater attention should be given to them, and would therefore draw the specific attention of the Central and the Provincial Governments towards this measure.

Conservation and reclamation of land: water-logging and salinity.

183. Almost as important as irrigation projects, are those for the conservation and reclamation of land which has gone out of cultivation or is rapidly deteriorating. In Punjab alone, water-logging as such has taken away 40,000 acres of land from cultivation, and the worse menace of salinity, which is sometimes linked with water-logging, has made over 20 lakh acres of land barren. And it is stated that 20,000 to 30,000 acres of good land is going out of cultivation every year. No effective cure for water-logging and salinity has yet been found. Punjab has undertaken a large tube-well project to recover such land. We understand that, on the recommendations of a team of F.A.O. experts, four pilot projects are to be undertaken in Punjab, Sind and Khairpur State, to investigate a method, or combination of methods, which can most efficiently remove the surplus underground water and reduce water-logging and salinity. We consider that the highest priority should be given to the completion of these pilot projects and, as soon as definite results are established, successful methods should be brought into use more widely.

Soil erosion.

184. Punjab and Baluchistan face another serious problem—soil erosion. Large tracts of valuable land have been rendered unfit for cultivation in the course of a few years in the northern districts of Punjab (estimated 80 lakh acres) and in Baluchistan uplands. We feel that the problem should be tackled more diligently and on a more extensive scale than it has been done hitherto.

Dredging & drainage.

185. In East Pakistan, large cultivable areas are rendered useless by rain water floods and by silting up of river beds and channels causing overflow of water. A multipurpose scheme involving *inter alia* dredging of waterways, commonly named as the Brahmaputra Project, has been conceived by an F.A.O. expert, but its magnitude and cost are such that it will take many years to reach fruition. A smaller scheme—Ganges-Kobadak Scheme—has been suggested for immediate execution as part of the bigger project but that too has not yet been worked out in detail. We consider that high priority should be given to the

investigation and designing of this project in its various parts and to its execution in suitable phases. In the meantime, smaller excavation and drainage schemes, covering *khals** and *beels*† should be executed with greater speed and determination, as they will yield more immediate results. No time should be lost in making effective use of the fleet of dredgers which is stated to have been ordered recently.

186. Double cropping and inter-cropping are important measures for increasing the overall crop area. The present area under double cropping is shown in the following table : **Double cropping and inter-cropping.**

Table No. 30.—Double cropped area in Pakistan.

(In lakhs of acres.)

	East Bengal	Punjab	N.-W.F.P.	Sind	Bahawalpur	Total
1. Total area cropped ...	2,62	1,71	25	63	25	5,46
2. Net area sown to crops ...	2,05	1,61	22	55	23	4,66
3. Double cropped area ...	57	11	3	8	2	81

(*Source : Ministry of Food & Agriculture*).

The largest potentialities are in East Pakistan, where the land is very fertile and water resources abundant, and it is possible to grow even three crops on the same land during the year. Of special importance in this connection is the Lift Irrigation Project of East Bengal, which aims at the installation of 500 power pumps over five years in order to provide water during the dry season to enable double cropping. Of course, when attempting such high intensity of cropping, measures should be adopted to maintain soil fertility at high level.

187. While in under-developed parts of Pakistan bringing more land under cultivation appears a comparatively simple matter, increase in yields per acre means real progress. Therefore, relatively higher priority should be given to measures calculated to increase yields. **Increase in yields per acre.**

188. Having secured an adequate supply of water, the following measures can substantially increase yields : **Various measures.**

(*a*) use of better varieties of crop plant,

(*b*) use of organic manure particularly green manuring and inorganic fertilisers,

(*c*) use of improved implements,

(*d*) application of better farming methods,

(*e*) research and application of knowledge gained,

(*f*) economic holdings, co-operatives and land reforms,

(*g*) mechanization.

**Khal* is a water channel.

†*Beel* is low-lying marshy land.

Better varieties of crops.

189. All the Provincial and State Governments attach considerable importance to the provision of good seeds of approved varieties to the farmers, but the supplies cover only a few crops. There are very few seed farms in Pakistan, and considering the large requirements, the work to be done is immense, but it is worth the effort and the expenditure involved. The provision for better seeds envisaged in the Six Year Plan is Rs. 9.9 crores but the number of seed farms set up so far is disappointing. More schemes and greater effort at executing them are called for.

Organic manure: need for alternative fuel.

190. The farmer is no doubt aware of the value of manures. Unfortunately, because of shortage of fuel, cattle-dung, cotton sticks, jute sticks, sugar-cane trash, and every other plant material is burnt as fuel. The remedy, therefore, is to find a cheap alternative fuel. In East Pakistan, the problem could be met by extensive growing of *madar* and other quick growing trees, which are suitable as fuel. In West Pakistan, trees suitable for fuel should be grown everywhere and anywhere, particularly along the rivers, canals, roads and railway lines. There is a campaign already afoot for afforestation and tree plantation, but it should be intensified. Suitable trees for different types of soils and climatic conditions should be selected and seedlings and other facilities provided extensively This is a field in which co-operation of villagers could be secured and usefully exploited. Immediately, it seems necessary to discover an alternative domestic fuel* and also to carry out investigations to evolve a less wasteful *choolah*†.

Green manure crops, and other organic manures.

191. Despite concessions given in certain Provinces for the growing of green manure crops, the farmer has not shown adequate response. It is true that one green manure crop would benefit several subsequent crops, and the monetary loss involved initially would be more than made up later, but our subsistence farming, pressure of immediate food requirements and shortage of water do not generally permit land being put under green manures. Nevertheless, all possible measures to encourage green manure crops should be taken.

Other organic manures.

192. The use of other organic manures *e.g.*, fish-meal, bone-meal and oil-cakes should also be popularised, and their export should be restricted. Certain types of oil-cakes may with advantage be fed to the cattle and farmyard manure thereafter applied to the fields.

Chemical fertiliser condition for use.

193. At present the use of chemical fertiliser is very limited in Pakistan. For the area of 480 lakh acres under crops, the maximum annual quantity imported so far is 20,000 tons. In comparison, Egypt uses 8,00,000 tons over an area of 60 lakh acres, which gives a ratio of 1 to 320. In Japan and Western countries the use of artificial fertilisers is extensive. *A priori* it would appear that the soils of this sub-continent which have been cultivated for countries, and have thus been exhausted and depleted of nutrient elements, much more than lands in the West, would stand in greater need of replenishment. However, while the theoretical possibilities of chemical fertilisers may appear almost limitless, their achievements on the majority of our lands is restricted by soil and climatic factors, particularly deficiency of humus and water supply, quite apart from financial considerations. Sir John Russel says :

> "The results given by fertilisers depend almost entirely on the water supply. In regions of precarious rainfalls or inadequate irrigation, artificial fertilisers usually fail and organic manures are erratic in their action. With good moisture supply, artificial fertilisers are more effective".

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*The possibilities of using natural gas and crude oil should be investigated, to begin with, in the towns.

† *Choolah* means cooking range.

As regards humus, the average nitrogen content of our soil is 0.05 per cent. and organic carbon content 0.6 per cent. European soils have 0.15 per cent. nitrogen and 3 per cent. organic carbon, that is, the European soils are almost five times richer in humus content than our soils. This fact explains the disappointing results we sometimes obtain from fertilisers. It is stated that in several cases repeated applications of chemical fertiliser have led to bad residual effects on the soil, but when used in combination with organic manures, such deterioration has not appeared. This again points to the importance of humus.

194. As to the relative place of organic manures and chemical fertilisers in the scheme of crop production, two divergent schools of thought exist, and each school has eminent scientists to support its viewpoint. The following is perhaps an extreme view :— **Organic manures *vs.* chemical fertilisers.**

> " ....the United States of America, using fertilisers on a scale without precedent in the history of agriculture, has already exhausted 100 million acres of land in less than two centuries of cultivation. "*
>
> At the same time, there is considerable justification for the view that :—
>
> " ....organic manures, even when carefully conserved, cannot be expected permanently to serve as the basis for a high level of agricultural production, without simultaneous use of artificial fertiliser. "†

On the whole, organic manures and chemical fertilisers should be regarded as complementary, and the combination should be capable of giving very high yields. An assured supply of water and humus must be provided for in order to secure the best results from chemical fertilisers.

195. Careful and systematic experiments are necessary to determine the value of different chemical fertilisers, their time and manner of application, doses, etc. Wherever possible, they should be used in combination with compost. Chemical fertilisers, when used to grow leguminous crops for green manuring, help greatly to increase the humus content of the soil. In Pakistan, the main chemical fertiliser used at present is ammonium sulphate. Little application has been done of super-phosphate or combination of super phosphate with ammonium sulphate. Soils which are inherently poor in humus are better served by phosphates, as has been the experience in the case of reclaimed eroded soils of the Tennessee Valley in U.S.A. **Suitability of fertilisers.**

196. The Six-Year Plan envisaged an expenditure of Rs. 9.2 crores on subsidization of fertiliser. Almost every Province|State has schemes of subsidization but the scale and progress of work has been meagre. During 1952, Pakistan received 10,000 tons of fertiliser from U.S. Government under the T. C. A. Aid Programme which was distributed to the various units. There is no doubt that subsidization of fertilisers will be necessary until their use has been fully tried and they are more popular with the ordinary farmer. The proposed fertiliser factory in Thal Area is planned to produce 50,000 tons of ammonium sulphate per year. This quantity is too small to meet the requirements of the country and the capacity of the factory should be expanded in due course. Besides, early attention should be given to indigenous manufacture of double super-phosphate fertiliser. Pakistan is favourably placed in regard to the production of sulphuric acid, but the supply of rock phosphate would have to be arranged from other countries, *e.g.*, Morroco. Adequate supplies are available within Pakistan of bones which also could be treated with comparative ease with sulphuric acid and turned into super-phosphate fertiliser. We consider that not only the manufacturing capacity for chemical fertilisers should be developed within the country **Subsidisation of fertilisers.**

* Josue de Casto—*Geography of Hunger.*

† Yates : *Four Thousand Million Mouths.*

as much as possible, but the internal consumption of chemical fertiliser should be raised by quick stages to 400,000 tons per year by 1957. The present distribution system of subsidised fertiliser through Government departments has not succeeded in enlarging the sale and use of fertiliser, and the employment of a private agency, which would establish an efficient sales and publicity organisation should be considered. The expansion of consumption at the rate proposed would greatly depend upon the efficiency of the distribution system.

Improved implements.

197. Improved implements help to save labour and increase efficiency, but despite the efforts made so far to evolve and produce suitable implements, the farmers have not taken to them on any large scale. One or two implements *e.g.*, cane crusher and fodder cutter have, however, become popular. There are two reasons for lack of popularity. First, the increase in efficiency is not significant and the saving of labour is not an important consideration with Pakistani cultivators. Secondly, the implements are generally expensive. Consequently, the remedies will be further research in order to evolve more suitable and effective implements, and large scale production of acceptable implements in order to reduce cost. There is of course also the need for demonstration of the use and benefits of the implements.

Better farming methods Village AID Programme.

198. The question of better farming methods has two aspects—research and extension. The value of measures like crop rotation, deep ploughing, furrowing, line sowing, timely watering, etc., has been established. We feel that although useful researches have been made in these and other directions their application is generally confined to the experimental or Government farms. "Extension" is therefore even more important than research. We understand that with the assistance of U. S. Government under the T. C. A. programme a large Village AID (Agricultural-Industrial-Development) Programme is contemplated with the two-fold objective of spreading the knowledge evolved for the use of cultivators and mobilisation of the voluntary effort of villagers in order to improve rural conditions. We attach the highest importance to such a programme and urge speedy and sustained pursuit of it. The villages are the basic units of all agricultural activity and should be recognised and organised as such. We consider that much can be achieved, by making the village the focal point of agricultural development. A new enthusiasm and a healthy spirit of rivalry amongst the neighbouring villages need to be created. The Village Aid Programme will take some time to gather momentum. Meanwhile extension work should be accelerated.

Economic holdings.

199. The gradual shrinkage of the size of holdings and their fragmentation has been responsible, in a large measure, for decrease in agricultural production. For one thing, the ordinary cultivator's surplus production, if any, is so small that he has no incentive either to increase it or to market it properly, and for another, no effective large scale measures can be adopted to secure improvement in yields. The existing legislation for the consolidation of holdings has proved of little avail, as it is based on voluntary approach. In fact the tendency is increasingly towards fragmentation on account of the law of inheritance. We consider that legislation should be undertaken to provide that if a holding goes below a minimum size so that it ceases to be economically productive (which may be 4 acres, but would require further examination to suit local conditions in each Province), it should be acquired by the Government on prompt payment and resold in suitable consolidated units. At the same time, the exercise of the right of pre-emption should be encouraged in order to enable the owners of adjoining uneconomic holdings to enlarge their holdings and prevent their requisition.* We

* Mr. Muazzamuddin Hosain considered that no acquisition should be done by the Government, but only the right of pre-emption should be more widely exercised.

realise that this will be no permanent solution as the same process of fragmentation will start again. But we hope that the proposed legislation will discourage people from cutting up the land and that the agricultural families will adopt the practice of retaining only a few members on the land, while others seek their living elsewhere.

200. An equitable agrarian system is an obvious necessity for a contented peasantry and full-scale productive effort. Land reforms have been effected in all Provinces since the Partition, in a greater or lesser measure. The problem was studied in 1949 by a committee appointed by the Muslim League Party, which at present is in power both in the Central Government and in all the Provincial Governments, and the objective was defined as the abolition of all landlordism and creation of peasant proprietorship. East Bengal has been the most progressive in land reforms. That Province had a system dating back to 1799 under which all lands were held by landlords and the rents were paid to the Government by them or their sublessees at whose mercy remained the actual tiller. There has been a series of legislation culminating in the East Bengal State Acquisition & Tenancy Act of 1950, which provides for the acquisition of all lands by the Government on payment of compensation and their direct allotment to peasant owners. Legislation has been passed in other Provinces also though not as far-reaching. In Sind laws were passed in 1950 and 1951 to provide security of tenure to the tenants. In Punjab and N.-W.F.P. also laws have been enacted which confer greater security on the cultivator and ensure for him larger share of the produce. *Jagirs** have been abolished in these three Provinces. We recognise that without creating in the peasant real interest in his cultivated land and providing him an adequate return, no appeals for increased production and no measures for improvement will be fully effective. Land reforms.

201. It is also true that farming of large compact areas of land under unified control gives better results. In fact, for efficient agriculture, resulting in increased crop yields, farming in large units is necessary, where mechanisation could be introduced, where unnecessary labour both of men and cattle could be eliminated, where water economy could be practised, where fields could be properly manured and fertilised, where central supervision and expert guidance could be arranged, where crop planning could be done and all waste eliminated and where marketing could be properly planned. At present conditions suitable for such farming exist only in tea plantations and some fruits farms. Co-operative, joint and collective farming has been urged, for the same reason, for many years, but has found no extensive use in actual practice. Such farming should be encouraged through all means available to the Government. At the same time, in areas which are newly irrigated or reclaimed, large scale farming should be introduced, on cooperative or joint stock basis, particularly for crops like sugarcane. Large sugarcane farms for supply of sugarcane to specified industrial units would help to reduce the cost of sugar production which at present is excessive.† Large scale farming.

202. Thus two major considerations in crop production in our country at present are : Agricultural dilemma.

(a) increased production per unit area of land, and

* *Jagirs* are lands granted in the past to persons in lieu of meritorious services, the land revenue being assigned to the grantee.

† In this connection Mr. M. Afzal Hussain wished to draw attention to the Note submitted by Sardar Muhammad Ghazanfarullah Khan to the Agricultural Enquiry Committee (Appendix VIII of its final Report).

(b) maximum employment over available cultivable area.

And these considerations are conflicting, as maximum employment means small holdings which in turn mean low yields. This constitutes an agricultural dilemma.

Mechanization.

203. When considering mechanical means for purposes of agriculture, their two main categories should be distinguished :—

(i) The use of mechanical equipment and power machinery for lifting water and for other stationary work ; and

(ii) the use of power traction machinery for cultivation, haulage, etc.

There is no doubt about the utility of the first category. In fact, tube well cultivation is not possible without the use of oil engines or electric motor pumps. Mechanisation for this purpose should be extended as far as possible, though a prerequisite is cheap motive power. As regards traction machinery it has three essential features, namely, (a) lower labour cost, (b) speed in operation and (c) efficiency in cultivation. In Pakistan, labour is available in abundance and is cheap. Mechanisation is estimated to throw two out of three farmers out of employment. In certain soils, deep ploughing with tractors once in three or four years may be advantageous and a programme should be developed for the purpose to cover such areas where they are large enough for the use of tractors* The breaking of sub-soil hard pan which is sometimes formed in continuously irrigated areas, without the use of tractors and heavy equipment like rooters, is not possible**. Mechanization is also necessary in the case of East Bengal *haor* lands and other areas where the cultivation must be done very quickly, in order to exploit the short rain and free season. Wherever deep rooted weeds have to be destroyed, mechanical operations are unavoidable. The conditions which favour mechanization for cultivation purposes are reasonable cost of tractors and allied equipment, easy availability of repair and maintenance facilities, cheap supply of mineral oil and existence of large farms. The Agricultural Enquiry Committee has indicated a unit of 300 acres of canal irrigated land with 100% intensity as an economic proposition for a tractor of 25 to 35 H.P.

Saving of fodder.

204. There is another consideration in favour of mechanisation. At present there is a widespread shortage of fodder, as well as of concentrates, for the cattle population of the country. In Pakistan the cattle serve the purpose primarily of cultivation and secondarily of supply of milk and meat to the population. Consumption of fodder and other animal foods by the work cattle does not leave surplus to feed milch cattle which therefore suffer in quality and yield. The limitations on the use of tractors to replace plough animals have been described above. One great difficulty lies in evolving a suitable tractor which could be used economically, in comparatively small plots of land. A very low power tractor may not be able to function effectively in land the crust of which is hardened for lack of rain. On the other hand, for standard high power tractors the plots are generally too small. If a satisfactory tractor could be evolved, it

* Mr. M. Afzal Hussain did not agree that deep ploughing with tractors was of any advantage in Pakistan soils. On the other hand, he felt that this would lead to soil erosion by exposing the moist under-earth to the scorching sun.

** Mr. M. Afzal Hussain expressed the view that the formation of hard-pan did not occur in West Pakistan soils Consequently the use of tractors in water-logged areas was no remedy.

would be well worth the research expenses involved : it may mechanise agriculture without displacing labour extensively, may make cultivation more efficient and would save the expense of maintaining work cattle which remain idle for more than half of the year.*

205. While for normal cultivation except as indicated above the use of mechanisation in Pakistan is limited, there is large scope for it for reclamation and other purposes. In fact, reclamation of extensive eroded areas and of culturable wastes could not be done effectively and cheaply without the use of tractors Similarly, tractors are also ideal for construction of *bunds* and village roads. Use of tractors.

206. The Agricultural Enquiry Committee has estimated the total number of tractors in West Pakistan at 2,000 *plus* another 50 in East Pakistan Mechanization is being slowly extended in Pakistan since the Partition. A number of projects involving the use of tractors have been undertaken by the Provincial Governments, and the bigger landlords of Sind, Bahawalpur State and Punjab are taking to tractors. The largest concentration of tractors is in the Thal Project which seeks to reclaim 15 lakh acres within five years. A number of tractors is already in use and more are being purchased under a loan secured from the World Bank. A big tractor workshop and a mobile unit are already in existence in Thal. The World Bank loan will help to improve the stationary workshop and establish four mobile workshops. A special agricultural machinery organisation is being set up under the Thal Development Authority. In Sind, a small tractor cultivation scheme has been in operation for some time—it aims both at reclamation of uncultivated land (1,800 acres per year) and at mechanical cultivation of large farms (600 acres a year) on a contract basis under which the landlords hire the tractors. A mechanical cultivation scheme aimed at bringing 5,000 acres of new land under cultivation by bunding and terracing of '*barani*' land in Baluchistan was started in 1946 and is now part of the normal activity of the Provincial Department of Agriculture. Tractors are used on hire basis as in the case of Sind. The objective of the Baluchistan scheme, known as the Sailaba Cultivation Project, is to dig channels to lead flood waters to fields which will be bunded and terraced with the help of tractors and to construct dams at suitable sites to establish reservoirs for perennial irrigation. For East Bengal, a large Mechanical Cultivation Project has been in view for some time—it aims at providing 450 tractors in 5 years. A central workshop, four subsidiary workshops and ten mobile workshops will be established and tractors will be let out on hire to cultivators on a no-profit-no-loss basis. The Government of N.-W.F.P. have in view a similar scheme. under which a Tractor Division will be set up in the Provincial Department of Agriculture and the reclamation of culturable waste land will be undertaken (their extent is 26 lakh acres). The Punjab Government will in due course have a huge scheme for the reclamation of eroded soils in the northern districts (30 lakh acres out of a total affected areas of 80 lakhs are considered reclaimable). The Central Government also had prepared a scheme for a Central Agricultural Engineering Organisation for purposes of reclamation of land in different areas—a net work of tractor units and workshops was to be established together with an institute of traction technology. But this scheme has not been pursued apparently because action on Provincial basis was considered more Tractors schemes.

* Mr. M. Afzal Hussain wished to draw attention to the need for attracting the educated class to the villages. At present educated men and women are lured by the life in towns, and Government service and other urban occupations are sought after. The possibility of mechanised agriculture which eliminates drudgery from farming might encourage the educated class to return to the village and improve village life and agricultural methods. As Sir John Russel has said : " The absence of educated middle class agriculturists is intimately bound up with the unattractiveness of the villages, the malnutrition and unhealthiness, and the inertia engendered thereby ". It would appear necessary that the limitation of *khudkasht* area which has been introduced in Punjab is reviewed in the light of this consideration.

suitable. We suggest that two institutes, one in West Pakistan and the other in East Pakistan, should be set up to test different tractors and auxiliary implements, and evolve suitable types for our requirements. These institutes could also make experiments in smaller agricultural implements to be used with bullocks or by hand. We also consider that, to begin with, the tractors used in Pakistan should be confined to a few tried varieties and makes, and accordingly their import should be regulated. Further, it is important to ensure that adequate spare parts are available for the tractors imported and that full service and repair facilities are provided. Results of tractor operations should be carefully examined and analysed in the case of all major schemes.

Pests and plant diseases.

207. The various methods of increasing yields directly have been considered above. The problem of control of pests and diseases of crops and stored grains or other products is no less important. The Agricultural Enquiry Committee has estimated that losses caused by crop pests and diseases amount to at least 15 per cent. every year and up to 50 per cent. or even higher in certain years. By adopting suitable measures to deal with pests and diseases the net yield of crops can be increased and the final produce protected. The locust menace has been, we are glad to say, tackled fairly effectively, but for other destructive insects and diseases there is no adequate organisation. We feel that each Province or State should have a Plant Protection Branch in the Department of Agriculture, with adequate equipment.

Water hyacinth.

208. Water hyacinth is a major problem for East Bengal. It has been roughly estimated that 30 to 40 lakh acres of water surface and land are affected by it. The plant blocks rivers and channels rendering them unfit for navigation. and causes silting-up leading to overflow of water. It provides breeding ground for mosquitoes and creates malarial conditions, and it damages the agricultural crops directly by intrusion and enveloping the land. No effective cure for the water hyacinth problem has yet been found. Recent experiments show that the harmonic type of herbicides are very effective—their spray disintegrates and destroys the plant. We consider that power machines and other equipment needed for the spray should be acquired and an organisation created, on an experimental basis, to deal with this problem. The water hyacinth flows into East Bengal largely through water-channels coming from Assam, and cooperation with India should be secured in order to eradicate the water-hyacinth at its origin, as far as possible. It may be possible to find some use of water hyacinth as green manure or for the production of paper pulp or power alcohol.

Storage problem.

209. Next in importance is the storage problem. Storage is required not only to protect the harvested crops against disease and weather, but also to facilitate distribution and marketing and to secure the most equitable prices for the grower. Storage godowns and warehouses are a prerequisite for credit facilities. The physical loss and deterioration for lack of proper storage cannot be assessed, but it must be considerable. It is estimated that less than 40 per cent. of the food grains is marketed and, the balance remains with the producers. It is, therefore, also necessary to evolve better household storage bins and simple storage technique for adoption by the farmers.

Storage accommodation.

210. The existing and proposed storage accommodation in the country is indicated in Appendix No. 13. We feel that this storage is very inadequate, considering the needs of the country. A fuller investigation should be made by the Government to assess the requirements as suggested by us earlier (para. 105 : page. 34), and a long term programme of construction should be prepared.

211. The following two tables show the livestock population of Pakistan and livestock products, as estimated in 1948 (no later estimates are available) :— Livestock and its products

Table No. 31.—Livestock population (1948)

		(In lakh heads)
1.	Oxen	2,43
2.	Buffaloes	56
3.	Sheep and goats	1,01
4.	Horses	5
5.	Donkeys	9
6.	Camels	5
	Total	**4,19**

(*Source : Ministry of Food and Agriculture*).

Table No. 32.—Livestock products (1948)

		(Figures in lakhs)
1. Hides ...		51 pieces
(a) Kips	45 pieces	
(b) Buff	6 „	
2. Skins ...		76 „
(a) Sheep skins	24 pieces	
(b) Goat skins	52 „	
3. Fancy furs and skins		19 „
4. Wool ...		247 pounds
5. Goat and camel hair		82 „
6. Milk ...		15,58 maunds
(a) Milk consumed in fluid	5,12 maunds	
(b) Milk used in making ghee	10,46 „	
7. Ghee ...		28 „
8. Meat ...		71 „
(a) Beef	44 maunds	
(b) Buffalo meat	10 „	
(c) Goat meat	11 „	
(d) Mutton	6 „	

(*Source : Ministry of Food and Agriculture*).

212. Livestock form a very important element of national wealth. Broadly speaking, they fall into two categories—draught animals and milch animals. Every effort should be made to improve livestock breeds. The number of draught animals should be reduced as suggested earlier. Milch animals should, as far as possible, be preserved as such so that the milk supply is increased. A number of modern cattle farms exist in West Pakistan and a very large farm is being established in the Thal area with the assistance of the Commonwealth Governments of Australia, New Zealand and Canada. There are no farms in East Pakistan with the result that the cattle population is suffering deterioration in quality and quantity. A large farm is now proposed to be established at Katabari, but many more farms are needed. In the case of sheep, we would not suggest the breeding of higher quality wool animals as climatic conditions in our country are not suited for the purpose. On the other hand, the existing coarse quality sheep should be developed so that their yields are increased. Livestock development.

Wool of the type produced in Pakistan is a good dollar earner. Goat grazing has been responsible for denudation of many fertile lands, and effective measures should be taken to deal with the problem.

Poultry and its products.

213. The number of fowls and ducks in Pakistan was estimated in 1948 at 21 lakh and 51 lakh respectively. Of the total, about 74 per cent. of fowls and about 98 per cent. of ducks were in East Pakistan. Likewise, of the total production of 52,57 lakh eggs in the whole of Pakistan 38,50 were produced in East Pakistan. Poultry farming is a subsidiary occupation of agriculturists in East Pakistan, but no large model poultry farms exist. It is considered that this industry should be organised on a scientific basis. Not only will it improve the diet of the people but there is considerable scope for expanding its exports.

Fisheries.

214. Fisheries fall in three main categories, 'marine', 'estuarine' and 'inland fresh water' fisheries. Pakistan has a coast line of 740 miles (West Pakistan 530 and East Pakistan 210 miles). East Bengal, Sind and Baluchistan have got access to the marine fisheries. The estuarine fish fauna is very rich owing to the discharge of the Indus in the Arabian Sea and of the Ganges and other rivers in the Bay of Bengal. Fresh water fisheries have immense potentialities particularly in East Pakistan. Total annual production of fish in Pakistan has been estimated at 77,000 tons as indicated below:—

Table No. 33.—Production of fish in Pakistan (1948)

Karachi	...	12,500 tons
Sind	...	9,500 ,,
Punjab	...	8,000 ,,
Baluchistan	...	7,000 ,,
East Bengal	...	40,000 ,,
Total	...	**77,000 ,,**

(*Source : Ministry of Agriculture*).

Fish is exported in large quantities to India, Ceylon and Burma. The methods of fishing are still primitive and power crafts are seldom used. As suggested by us earlier (para. 75 : page. 27), fishing facilities should be expanded and modernised. The problem of fishery development has been studied by F. A. O. experts and a large fish harbour is proposed to be established at Karachi. Sea fishing should also be developed in East Pakistan and all the requisites, *e.g.*, cold storage curing yards and fish processing equipment, should be provided.

Section 3.—The food problem

Gravity of problem.

215. In Chapter I, we have indicated the extent of food shortage which developed in the country during 1952 and which threatens to continue during 1953. Continued food shortage will have most serious repercussions. We cannot possibly afford to import large quantities of foodgrains, as in consequence, not only will the import of essential consumer goods required in the country be restricted, but also that of capital equipment and industrial requirements, thus affecting the entire development programme and the prospects for future. The import of 1 lakh tons of wheat, at the present prices, costs Rs. 3.5 crores. The margin of food surplus in normal years (about 2% of the total production) was too small to withstand the shock of adverse climatic and other factors and it is unfortunate that our attitude towards food production, until recently, was

one of complacency. The food problem is a world problem and has engaged the attention of other Governments and the F.A.O. The total world supplies are short of requirements, and it has been stated that the consumption of food *per capita* in the world is less now than 15 years ago. The problem is becoming more acute every day, as in the existing world population of 230 crores, an increase is occurring at the rate of about 3 crores per year. It is, therefore, extremely important for Pakistan to increase food production not only for herself but to help to relieve the world shortage as far as possible.

216. The area under food and non-food crops during 1951-52 is shown below: Acreage of food and non-food crops.

Table No. 34.—Area under food and non-food crops of Pakistan during 1951-52

(In lakhs of acres)

	Province/State	Cereals (a)	Pulses (b)	Oilseeds (c)	Garden crops	Sugarcane	Tea	Potato	Tobacco	Cotton	Jute
1.	East Bengal ...	204·91	9.44	7·07	8·88	2·29	·75	1·00	1·30	·57	17·79
2.	Punjab ...	99·68	20·85	5·72	2·43	3·33	...	d.	·30	18·65	...
3.	Sind ...	32·64	4·26	3·84	·80	·15	...	d.	·02	8·34	...
4.	N.-W. F. P. ...	19·39	2·36	·91	·25	1·03	...	d.	·14	·16	...
5.	Baluchistan ...	4·26	d.	·62	·24	...	...	d.	·01	...	...
6.	Bahawalpur ...	10·23	3·07	2·27	·16	·43	...	d.	·02	5·31	...
7.	Khairpur ...	1·75	·21	·76	·11	·02	...	d.	d.	·73	...
	Total ...	**372·86**	**40·19**	**21·19**	**12·87**	**7·25**	**·75**	**1·00**	**1·79**	**33·76**	**17·79**
							·92				
	Approximate percentage of total	73·3	7·9	4·2	2·4	1·4	0·1	0·2	0·4	6·6	3·5

Food crops	89·5%	+ Cotton 6·6	—96·1%
Non-food crops	10·5%	— Cotton	— 3·9%
Total	100·0%		

(*Source : Ministry of Food & Agriculture*).

(a) Include rice, wheat, bajra, Jawar, Maize & barley.

(b) Include gram, mung, mash, math, masur, etc. The figures under this heading represent the average area under pulses in 1948-49.

(c) Include rape & mustard, linseed and sesamum.

(d) Below 300 acres

Food crops—cereals, pulses, edible oilseeds, sugarcane, condiments and stimulants—together account for more than 85% of the cultivated area. If cotton is also regarded as a contributory food crops, because of the cotton seed which is a source of edible oil, then the percentage goes up to 96.

Production of food-grains.

217. Rice and wheat are the most important foodgrains produced in Pakistan and form the staple diet (rice in East Pakistan and wheat in West Pakistan). The annual production of various foodgrains in Pakistan since the Partition is shown in the following table (these figures, however, are not reliable) :

Table No. 35.—Production of foodgrains in Pakistan

(In lakhs of tons.)

Commodity	1947-48	1948-49	1949-50	1950-51	1951-52
1. Rice	73·85	84·06	81·38	81·95	77·45
2. Wheat	33·21	39·96	39·58	39·53	30·60
3. Jowar	2·03	2·35	2·17	2·38	1·99
4. Bajra	2·96	3·92	3·59	3·55	2·76
5. Barley	1·26	1·93	1·54	1·61	1·37
6. Maize	3·55	3·76	4·23	3·68	3·96
7. Gram	5·17	8·04	7·11	7·43	4·92
Total ...	122·03	144·02	139·60	140.13	123·05

(*Source* : *Ministry of Food and Agriculture*)

Food requirements.

218. After making an allowance for seed, cattle feed and wastage, and also for consumption by food industries, the average quantity of food grains available for human consumption in Pakistan during normal years may be placed at 125 lakh tons. If the basis of an average daily ration of 16 ounces *per capita* (including children) per day, mentioned in the Six-Year Plan, is adopted, the total requirement for a population of 7.60 crores will be 123.9 lakh tons. In actual practice, the consumption has been somewhat less, which enabled the exports made during 1950 and 1951. By 1957, the population is expected to rise to 8.1 crores and the consumption should increase to 132 lakh tons. On the basis of existing production, this will mean a deficit of 8 lakh tons. In order to cover the deficit as well as to provide against lean years and some surplus for export, we should aim at increasing our present production by 25%, *i.e.*, 32 lakhs tons, by 1956-57. This was the target adopted by the Grow More Food Conference, held in July 1952. Its break-up by Provinces and States has been suggested as follows :—

	Lakh tons
1. East Bengal	14·00
2. Punjab	12·60
3. Sind	1·65
4. N.-W. F. P.	2·00
5. Baluchistan	·30
6. Bahawalpur	1·25
7. Khairpur	·20
Total	32·00

219. It will be a most difficult task to achieve this target and it will require all the resources and efforts of the Central and Provincial|State Governments to reach up to it. We shall have to think of both short-term and long-term measures. Maximum effort to increase food production

220. Before taking up the consideration of measures for increased production, it is advisable to analyse the reasons for shortage of food which developed in West Pakistan during 1952. The main factors responsible for it are considered to be : Reasons of food shortage in W. P.

(a) Failure of rains,

(b) Low water-levels in rivers and canals, due partly to failure of rains and largely to diversion by India of normal supplies of water reaching Pakistan.

(c) Diversion of land from food crops to cash crops.

(d) Hoarding.

(e) Smuggling.

(f) Increased consumption.

It is almost impossible to estimate the effect of each individual factor, as the various factors interact on each other and our agricultural statistics are not so advanced as to enable an assessment of variations in acreage and yield due to the operation of different factors.

221. Evidently, however, the failure of rainfall has the most serious consequences. Cultivation in *barani** areas depends on rainfall—both in point of quantity and time (pre-sowing, sowing and post-sowing periods) and not only the acreage under cultivation but also yields are affected. The average rainfall since the closing months of 1951 has been less than in corresponding periods of the previous years. Rainfall also affects cultivation in *sailaba*** areas where the level of floods determines the extent of cultivation. Similarly, although cultivation in irrigated areas is less dependent upon rainfall, the crops are influenced by it. There is less supply of water in the rivers and canals and less areas can be covered by irrigation. Failure of rains in W. P.

222. In the case of Punjab and Bahawalpur, water supply in the canals is not only dependent upon rainfall but also largely upon the regulation by India of quantities of water reaching Pakistan. It has been estimated that during 1951-52 there was a reduction in supplies of 51% in the case of Indian-controlled canals and 22% in the case of others. The position in succeeding years may be worse. Short and uncertain supplies in canals can be most damaging to the yields in Punjab and Bahawalpur. We can only recommend that all possible steps open to the Government should be taken to ensure more regulated and fuller supply of water in the canals. The canal water question which has been the subject of a dispute between Pakistan and India is of vital importance for Pakistan's economy, and an early and equitable settlement of it is a foremost necessity. As suggested earlier, all sources of irrigation should be developed. Water supply in canals.

223. The diversion of cultivable area from cereals to non-cereals such as sugar-cane, cotton, oil-seeds and tobacco is due to the higher financial returns offered by the latter. The area under sugar-cane is estimated to have increased in 1951-52 by only 22,000 acres, mainly in the N.-W.F.P. The area under cotton Diversion from cereals to non-cereals.

**Barani* lands are rain-fed lands.

***Sailaba* lands are flood-fed lands.

increased by about 363,000 acres. This diversion must have largely affected *kharif* foodgrains in 1951 though the wheat sowings might also have suffered to some extent. The area under oil-seeds showed an increase of 215,000 acres. This must have affected the wheat acreage as well as other *rabi* crops. The diversion of land from cereal crops to non-cereal crops can theoretically be checked either by regulation of prices or by regulation of cultivable areas of various crops. At present no price regulation is done, except in the case of foodgrains where Government purchases are made at controlled rates, and in the case of jute and cotton where minimum price support schemes are operated. Similarly, no regulation of acreage is done except in the case of jute. The regulation of prices of food crops in relation to non-food crops, the prices of which are essentially determined by world factors, is a most difficult process and fraught with many risks and complications. Similarly, the regulation of acreage is an extremely difficult proposition and, in view of the immense administrative responsibilities it would entail, cannot be recommended off-hand. We suggest, however, that the Government may assume powers for regulation of both prices and acreage of agricultural crops, and for the exercise of such powers equitably under take a study of the price-area relationship. When necessary and feasible, regulation could be introduced, in specified areas. We consider that the Government should give all the official patronage that is possible to food crops. This can take the form of concession in land revenue and abiana, facilities of irrigation water supplies, offer of chemical fertilisers at concessional rates etc. Action has already been taken along these lines, during the last *kharif* and *rabi* seasons. The Provinces and States in Pakistan gave 25% remission of revenue on lands diverted from other crops to foodgrain crops and complete remission on lands brought under cultivation for the first time and put under foodgrains. We recommend the continuance of these concessions and the adoption of other measures of encouragement in order to ensure as far as possible that there is no diversion from cereal to non-cereal crops. It is, however, to be recognised that we are also short of sugar and vegetable oil—two very useful and necessary foods.

Hoarding.

224. It is well-known that at the slightest indication of shortage, panic is created and large-scale hoarding resorted to. The growers and the *zamindars* retain larger quantities of wheat than they would normally keep for their own use. The Government procurement drive should be made as comprehensive as possible and the Hoarding and Black-market Act of 1948 should be made more effective. The distribution of available supplies over all areas should be arranged in an efficient and equitable manner. While conditions of shortage continue, a food reserve of adequate proportions, should be built, both as a margin of safety and as a measure for discouraging hoarding.

Smuggling.

225. For reasons of scarcity and higher prices across the borders, the temptation for smuggling is great. The extent to which smuggling has taken place cannot be judged. A number of steps have been taken by the Government to prevent this malpractice. The custom checks have been made more extensive and intensive ; 'prohibited' belts of land along the border in Sind and Bahawalpur have been created, and police outposts have been established. The East Bengal (Smuggling of Foodgrains) Act was passed in 1950 to prevent smuggling of foodgrains out of East Bengal and it was extended to West Pakistan in April 1951. A more comprehensive law *viz.*, the Prevention of Smuggling Ordinance was enacted in September 1952. We consider that all anti-smuggling measures should be tightened up. The Prevention of Smuggling Ordinance should be brought into operation throughout West Pakistan and enforced effectively.

226. With the gradual increase in population, (at the average rate of 10 lakhs per year), there must be proportionate increase in the consumption of food-grains. Some other reasons are also mentioned as having contributed to the food shortage. It is stated that the productivity of land has decreased and the yields per acre are falling. It is also stated that the refugees settled on land have not yet been able to secure full normal production, as their tenure on land is generally of short and un-certain duration. Increased consumption and other reasons.

227. Amongst short-term measures to improve the food situation, the most effective appears to be an expansion in the use of artificial fertilisers. It is stated that the application of one ton of fertiliser increases the yield by two tons. A very extensive use of artificial fertiliser is therefore called for. The investment made in the purchase of fertiliser would be much more than repaid. The Government should obtain fertiliser against foreign aid or loans as far as possible. The recovery of the subsidised price from cultivators should be made in instalments, the major portion to be paid after the crops have been harvested. We suggest that a consumption target of at least 200,000 tons should be aimed at during 1953. A special machinery will have to be created for the import, transport and distribution of fertiliser, as on the smoothness and efficiency of distribution would depend the quantum of production. Short term measures for increased production.

228. We have, earlier, referred to some short-term measure adopted by the Government to increase the production of the last *kharif* and *rabi* crops. These measures should be continued. We have also urged the fullest official patronage in favour of foodgrain crops. For the supply of water, the smaller irrigation schemes including tubewells and power pumps would yield quicker results than the bigger irrigation and reclamation projects, and all possible attention should be given to the investigation and execution of such schemes. Grow-more-food campaign.

229. Both as a short-term and long -term measure, a campaign of "grow more food" should be initiated in the urban as well as rural areas. In the cities and towns, garden cropping should form part of all housing programmes and necessary facilities should be provided for the purpose. In the villages, the resources of the villagers and of the cooperative societies and other village bodies should be mobilised and, wherever possible, vegetables, fruit and other garden crops should be planted. A country-wide drive should be made to bring each bit of available land under the plough. Long-term measures.

230. As regards improvements of food situation on a long-term basis, not only the existing agricultural projects will have to be pushed through vigorously but the formulation of more schemes will be necessary. All the various measures mentioned in Section 1 for increasing agricultural production will assume a new importance in the face of the vital and urgent need of increased food production. The completion of existing projects according to schedule should improve the position substantially by 1957. As indicated in Table No. 10 (page. 85), the major schemes of irrigation and reclamation alone should help to produce additional foodgrains to the extent of 22, lakh tons. Dietory requirements.

231. In Pakistan, the net area sown at present is 4.8 crore acres as against a population of 7.6 crores. The land available for production is thus 0.6 acre *per capita*. The population will continue to rise but there is a limit to the extension of area under cultivation or increasing yields per acre. It has been estimated that in U.S.A. the area of land required *per capita* for a

"liberal" diet is 3.1 acres, for an "adequate" diet from 1.8 to 2.3 acres and for "emergency restricted" diet to tide over difficult times and periods of privation 1.2 acres. It seems clear that, in the years to come, it will become more and more difficult to meet the total food requirements of Pakistan from local production. The alternative is the adoption of a system of rationalised dietetics. The required supply of carbohydrates constituting the bulk of our food must be obtained from sources which produce these in the highest quantities per acre. Of the essential components of human diet—carbohydrates, proteins, fats, minerals and vitamins—the cereals are rich in carbohydrates (up to 78% of weight) but the protein contents are inadequate (not more than 12%). They are deficient in fats also. It appears that both from the point of view of yield per acre and food value, we could with advantage change over partially to tubers from cereals, which at present form our staple diet.

Substitute foods: tubers, etc.

232. Tubers have a much higher yield per acre than cereals *i.e.*, the same acreage can feed more people. As against the production per acre of about 10 maunds of wheat or rice, the yield of potatoes is over 100 maunds. While rice yields 7.8 and wheat 7.1 maunds of carbohydrates (starch mainly) per acre, potatoes yield 22.9 maunds. The performance of sweet potatoes is even better. Thus for the same area of land, potatoes provide carbohydrate needs of three times the population as compared to rice or wheat. For this reason, potatoes have become a popular food in the European countries and America replacing cereals by almost 50%. U.S.A. has a million acres under sweet potatoes. China and Japan consume large quantities of sweet potatoes. In Pakistan, we can easily grow both potatoes and sweet potatoes. There is no reason why with the necessary push, and provision in sufficient quantities of healthy seeds, the use of tubers cannot be extended in our country. While in the case of potatoes, supply of seeds is a limiting factor, sweet potatoes can be grown from cuttings. The cultivation of tubers leads to soil improvement also. In Pakistan there will be difficulties in marketing, particularly in the beginning. As the product is bulky and as it has high water content, the "keeping" qualities are not satisfactory. Not only transport and storage facilities will need to be provided, but to begin with, the Government will have to guarantee the off-take in selected areas where the experiment of popularising substitute food might be started. Carrot is another food which has a very heavy yield per acre. We might add here that the cultivation of soya beans as a substitute food should also be tried.*

Protective foods.

233. A well balanced diet must have the various component in correct proportion. Little attention has so far been given in Pakistan to the protective foods *e.g.* meat, poultry, fish and eggs (which provide proteins) and milk and milk products (which provide fats). The reasons are mainly economic. The existing consumption is apallingly low. The supply of these foods should be expanded and made cheaper through the development of cattle wealth and poultry and fisheries. The same applies to fruits and vegetables which are important sources of vitamins. Lack of balance in diet results in malnutrition and disease.

Priorities within agriculture.

234. The question will arise as to what priorities *inter se* should the various agricultural crops have in general, and in the newly irrigated or reclaimed areas in particular. The first place must obviously go to cereals and, as stated earlier, not only the country should be made self-sufficient, but a reasonable surplus should be attained. The objective should be self-sufficiency in wheat and

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*Mian Afzal Husain suggested that the possibilities of utilising cotton seed flour as human food should be investigated.

exportable surplus in rice, as rice earns foreign exchange almost double of wheat. There should be increased production of crops which yield more food per acre, such as tubers and roots, potatoes, sweet potatoes, carrots, etc. Pulses including gram should be next in order of importance as they are a substitute for meat for the poor. Oil-seeds and sugar-cane will come next. Both of them will be needed for indigenous industry and will help to reduce import of vegetable oil and sugar. However, the production of these crops and the indigenous capacity for manufacture will have to be inter-related and coordinated. The fullest use should be made of cotton seeds, as a source of edible oil by extending the crushing industry. Of the cash crops, tobacco will not demand much extra land but if any additional acreage could be put under it, it should be for the superior virginia variety. As regards jute and cotton, we have recommended elsewhere (paras 402 : page. 142 and para. 403 : page. 143), production targets for them. We must add, however, that the requirements of fodder should not be lost sight of in any programme of increased production, and additional fodder should be produced wherever possible, in order to provide proper food for the cattle and increased production of milk. At the same time, as envisaged earlier, it will be necessary to reduce the number of work cattle by the introduction of tractors of suitable design.

Control of population.

235. In connection with the food problem, a question which is always posed is whether population should and could be restricted. There is no doubt that at the rate at which human population is increasing, the problem of food will become more and more difficult of solution, despite all efforts at increasing food production. However, the suggestion of family planning is neither easy nor generally acceptable, and in any case it will take years to show effects. The problem, however, requires careful consideration.

Section 4.—The problem of employment

Agricultural employment: Colin Clark's view.

236. In his Report, Mr. Colin Clark has attempted an analysis of the total land available for cultivation in West and East Pakistan and the maximum employment it can offer. 2500 man-hours of work per year per male cultivator is considered to represent reasonably full employment, the extra help available from women and children during the busy season being offset by the time required to look after the cattle. For this amount of work, roughly 4 acres of rice land would be needed for cultivation. However, in East Pakistan 94 lakh male cultivators (1951) have on an average only 2.18 acres of crop land, equivalent to 2.80 acres if double cropping is taken into account. Thus there is little room for further agricultural employment in East Pakistan. As regards West Pakistan, there is no shortage of land, but there is shortage of water. After assessing the total water available, through existing or future schemes of development, and taking into account the water requirements of various crops, Mr. Colin Clark has come to the conclusion that the probable practical limit of cultivation would provide full time employment for 73 lakh cultivators only as against 57 lakhs at present (1951). According to the census of 1951, the total labour force in Pakistan excluding Karachi is roughly 219 lakh (about 30 per cent. of the whole population). Out of this figure, 169 lakhs (62 W.P. and 107

E. P.) are in agricultural and 50 lakh in non-agricultural occupations (28 W. P. and 22 E. P.). The figure estimated for 1961 is 247 lakhs, an increase of 30 lakhs or 3 lakhs per year. On the basis that the ratio of labour force to total population in East Pakistan is at present lower than the national average, it is estimated that there will be 2 lakhs in East Pakistan and 1 lakh in West Pakistan to be provided for every year. Summing up, while no addition can be made to the number of cultivators in East Pakistan, an increase of 16 lakhs might be possible in West Pakistan, if water resources are exploited more vigorously and new land brought under cultivation. While the acceptability of such figures is dependent upon the accuracy of various assumptions made, there is no doubt that there is serious under-employment in Pakistan, particularly in the rural areas.

View of Agr: Enquiry Committee.

237. The view expressed in the Agricultural Enquiry Committee's Interim Report is that the increase in Pakistan's population could be supported only by the development of the potential agricultural wealth of the country. The Committee has estimated that even if all the industries contemplated in the Six-Year Plan were completed they would give employment only to about 3 lakh workers (over the entire period). Consequently, the removal of under-employment and the provision of employment for the additional labour force should be sought in agricultural development.

Balanced development.

238. We are of the view that the solution of our problems should be found in balancing agricultural and industrial development. Development of industry will directly increase employment and development of agriculture will reduce under-employment. Both will improve our financial resources which will help gradually to absorb more and more people in social services, trade, transport services, etc., and open up increasing avenues of employment.

Section 5.—Agricultural organization

Agricultural Enquiry Committee's proposal.

239. The achievement of the target of increased food production and the improvement and extension of agricultural activity otherwise, call for a sustained and determined effort. The existing agricultural organisation in the Provinces and States or at the Centre has worked well in many ways but seems incapable of bringing about a major change in the factors on which accelerated improvement will depend. The Agricultural Enquiry Committee made a tentative suggestion for a three-winged organisation *viz.*, (a) the recently constituted Agricultural Finance Corporation to raise and provide funds, (b) a National Co-operative Corporation to promote increased production and orderly marketing with an associated Board for special development, and (c) strengthened Department of Agriculture.

Multi-purpose co-operative societies.

240. We have considered the question and feel that the problem must be tackled from both the bottom rung and the top rung. Villages are the basic agricultural units and agricultural development must be organised with them as the nuclei. Multipurpose co-operative societies should be established in each village or group of villages*. They should be responsible for all economic and

*Mr. Muazzamuddin Hosain considered that the village self-governing institutions *e.g.*, Union Boards in East Bengal and *panchayats* in West Pakistan should be revitalised and that they should have suitable powers and responsibilities. They should function like tiny republics and report their activities to the Collectors. A healthy spirit of rivalry should be created amongst them, and at the end of the year, certificates of merit awarded to selected villages on the basis of results shown.

social activities in the village—formulating minor schemes in agricultural and other fields, popularising measures for increased production, mobilising voluntary labour to improve village conditions (roads, bunds, drainage, social amenities, etc.), acting as media for agricultural credit, ensuring proper marketing of produce, etc. These societies should be non-official bodies, but it will be necessary to provide a Government official as secretary who will act as the link between the village and the Government. He must identify himself with the interests and needs of the village and be a friend and guide to the villagers. Such village agents must be given proper training and as an incentive provided with reasonable emoluments and good prospects for advancement. We understand that it is proposed to establish four training institutes for such workers (two in West Pakistan and two in East Pakistan) with the assistance of the T.C.A. under the Village Aid Programme. This is a welcome step but it must be ensured that the training given is suited to our conditions. Economic and social conditions in Pakistan are different from other countries and the level of income of villagers is low. We have to be vigilant and should examine continually what is the best that can be done within existing resources and in the present state of literacy of villagers.

241. The organisation at village level should be projected upwards at Tahsil| Thana, District and Provincial levels culminating into a Provincial Co-operative Corporation. In the Tahsil|Thana, a separate official should be appointed specially for purposes of village development to supervise the village agents. In the District, the Collector or Deputy Commissioner should be in overall charge though he may have a number of assistants to help him and to meet the various requirements of village societies communicated to him through the Tahsil|Thana officer. Much will depend upon the enthusiasm and the attitude of the Collector. Many are the minor improvements which can be made in the villages if only the administrative head takes a little interest. Provincial Co-operative Corporation.

242. While the village societies should look after the improvement needed in normal agricultural activity, it is necessary to establish at the top an organisation which can undertake agriculture development on a large scale. We consider that an autonomous agricultural development corporation should be constituted to plan agricultural development projects and to direct and assist the Provincial Governments and local authorities (including those which might be set up for individual projects) to execute those projects. It is not intended that this corporation or any other Government authority should undertake farming on a large scale but the idea is that waste land should be developed or land gone out of cultivation reclaimed, and then made over to the farmers for cultivation. The Provinces may like to set up similar authorities for development for the Province as a whole or for particular areas. Agricultural Development Corporation.

243. We agree, however, that in addition, the Provincial|State Departments of Agriculture should be strengthened and revitalised. Very considerable work will have to be done if the target of food production and other measures to improve agricultural production are to be carried through. The Provincial Agriculture Departments will have to feed the Village Aid Programme and will have to guide the autonomous authorities that might be set up for agricultural development. As an immediate measure, we suggest that in order to provide incentive and create a healthy spirit of rivalry among the officials of Agriculture Developments, a bonus scheme should be introduced. At the end of each year's working, a fixed percentage of subordinates should be selected on the basis of efficiency, enthusiasm and results shown, and suitable bonuses awarded to them. Provincial/State Departments of Agriculture.

244. As the success of the entire agricultural and food programme hinges on the administrative machinery, we agree with the recommendation of the Agricultural Enquiry Committee that a small committee of experts should be Committee of experts.

appointed to study the existing organisation in various Provinces and to recommend a stream-lined machinery capable of taking quick decisions and implementing them without delay. It is essential, however, that whatever organisations are set up at various levels, they must be manned by adequately trained and properly paid personnel. (We made an interim recommendation to this effect to the Ministry of Agriculture and are glad to find that a committee has already been appointed for the purpose, with the following terms of reference:

(i) to recommend what form this organisation should take at various levels;

(ii) to suggest the administrative details regarding personnel, functions of various units of the organisation, their relationship *inter se* and with other organisations, and reorganisation of the existing set up if necessary; and

(iii) to examine the financial implications of the proposed organisation.)

Section 6.—Financing of agriculture

Sources of rural finance.

245. The usual sources of rural finance are: (a) the Government, (b) private money lenders, (c) commercial banks, and (d) co-operative societies supported by co-operative banks. The Government finance is generally available as short-term loans for the purchase of improved seeds, manure, etc. (often in kind) and long-term loans for improvement of land. In actual practice, however, substantial funds are made available only in periods of emergency such as famines, floods and failure of crops. The Government loans are not generally popular on account of the procedures adopted and the attitude of smaller officials. Private money lending was very common until some years ago when it was controlled by legislation. With the departure of *mahajans* after the Partition this source dried up. The commercial banks give loans only on the security of agricultural produce, and as no licenced warehouses exist the agriculturist derives little benefit from them. Co-operative societies were essentially a credit movement, but since the Partition, the funds of co-operative banks have been increasingly diverted from agricultural credit to commercial and industrial enterprises. And this source of financing agriculture has also been rendered inadequate.

Agencies for short-term and long-term finance.

246. There is thus great need for improving and extending credit facilities for the agriculturist, both for short-term requirements at the time of sowing, harvesting and marketing and long-term requirements for the purpose of land improvement. The Agricultural Enquiry Committee has suggested four different agencies—two for short-term and two for long-term finance. In the former category will be the multipurpose co-operative societies (the objective of which should be to provide credit as well as arrange marketing of agricultural produce) and pilot agricultural banks sponsored by the State Bank of Pakistan. The co-operative societies are intended to be financed, through the Provincial Co-operative Corporations, by the State Bank of Pakistan or the Agricultural Finance Corporation. The two agencies suggested for long-term financing are the Provincial Governments acting through Agriculture Departments and the Agricultural Finance Corporation acting through its own offices in the Provinces or through the co-operative societies.

Pilot agricultural bank

247. Thus the small agriculturist would have to deal with four separate financing agencies, apart from private money lenders. We agree that for short-term loans, pilot agricultural banks should be established in addition to the co-operative societies because the latter have become inffective and it will take

time to revive and expand their activities. We feel, however, that these two agencies should be utilised for long-term finance also, particularly the pilot agricultural banks. The Agricultural Finance Corporation could finance agricultural banks as well as multipurpose societies for the purpose of long-term loans but it need not normally make loans direct to small cultivators. If attention is concentrated on two agencies, better results will be achieved. It is very unlikely that in the face of the existing shortage of trained personnel, the Agricultural Finance Corporation will be able to establish offices in many outlying areas. In cases where the agricultural banks or the co-operatives do not find it possible to make credit available because of lack of organisation or non-acceptability of security offered, the Provincial Government might step in through their Agriculture Departments. With the development and extension of these two agencies (co-operative societies and agricultural banks) the need for Government assistance should gradually disappear, except in times of emergency, when grants rather than loans are required.

Khaikhalashi banks.

248. We have considered a proposal for the establishment of *khaikhalashi* banks in East Bengal (details given in Appendix No. 14). In that Province a system prevails under which a cultivator in need of money makes over to the lender his cultivable land for a specified period under a usufractuary mortgage deed (*i.e.*, authorising full use of the land and its proceeds). The lender uses the land and its income as he likes and returns it to the owner at the end of the period without any encumbrances. The owner himself might be employed by the lender as *bagadar.** The proposal is to set up *khaikhalashi* mortgage banks to lend money to the cultivators on the same terms. However, the banks would charge to the account of the cultivator only 6¼ per cent. per annum of the loan given *plus* overhead costs, and would place the balance of income from the land mortgaged at the credit of the cultivator. By the end of the mortgage period, there would be a substantial credit to the cultivator's account, so that he will not have to resort again to *khaikhalashi,* but on the other hand should be able to make use of the funds for improvement of his land, etc. The basis is that instead of the present lenders of money exploiting the cultivators by charging exorbitant rates, these banks should charge what is reasonable and, without making any profits, save the money for the cultivators. The drawback of this proposal is that in order to be effective a large number of banks will have to be established and overhead expenses will be considerable. The banks will have to organise the management of lands which will not be an easy matter. Besides, unlike private moneylenders, the banks will find it difficult to investigate land titles to enable them to advance loans. It was stated, however, that in actual practice no difficulty would be experienced in verifying ownerships through the Union Boards : between one and two lakhs of usufractuary mortgage deeds are executed in East Bengal every year but very seldom have there been cases of dispute about ownership. We feel that the proposed scheme, which takes advantage of an existing system, is worth a trial under proper supervision. We recommend that, to start with, it should be introduced in selected areas in East Bengal where the extent of *khaikhalashi* transactions is substantial, and its operations should be carefully watched.

Land mortgage banks West Pakistan.

249. In West Pakistan, existing land mortgage banks (which exist mainly in Punjab) have not been successful. The reasons given are many—lack of funds on a long-term basis, the directors' indulgence in giving loans to their relatives or friends, misuse of loans which were employed for liquidation of debts rather than improvement of land, etc. These defects arose out of the co-operative structure of the banks. We consider that the proposal for establishment

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* *Bargadar* is an agricultural labourer who cultivates land for some superior owner. He generally gets (in East Bengal) one half of the produce as the cost of his labour.

of agricultural banks should be further examined keeping in view the features and experiences of land mortgage banks. Land offers much better security than agricultural produce and could be accepted to give long-term loans. It is necessary, however, to ensure that the loans are used for the purposes for which they are made available. If advances are granted in kind wherever feasible, that would be better. (A note prepared on this problem by the State Bank of Pakistan is reproduced as Appendix No. 15.).

Co-operative banks.

250. We reviewed the working of existing co-operative banks and feel that under the present system, wherein the directors (elected representatives of co-operative societies) have no substantial financial stake in the banks and wherein the advances and other transactions are not subject to the control of the State Bank of Pakistan, many unwholesome practices exist. The staff employed by the banks has no training in banking and the Registrars of Co-operative Societies, under whose guidance the banks function, have little knowledge of the banking technique. The co-operative banks have increasingly diverted their funds to commercial advances. They have accumulated deposits (Rs. 20 crores) equal to nearly 1|7th of the total bank deposits in the country. Their proper running is therefore important to the economy of the country. We consider that control over these banks should be exercised by the State Bank of Pakistan in the same way as over commercial banks, in order to improve their financial standing and promote their stability. Legislation should be brought about for the purpose. The State Bank should be made responsible for the training of officers of these banks for which regular cadres should be established in each Province with provision for recruitment on a centralised basis. The training should cover commercial banking; co-operative principles and practice and co-operative banking; and a training institute should be organised for the purpose. We do not suggest, however, that the co-operative character of the banks should be changed but hope that with the proposed measure, it will be improved and reformed.

Section 7.—Marketing of agricultural produce

Difficulties in marketing.

251. The main reason why a cultivator cannot get full price for his produce is the difficulty of transport, particularly in East Bengal where inland waterway communications are available only for part of the year. Matters pertaining to transport are considered in Chapter VI. Other essential factors in marketing are the existence of regulated markets, knowledge of market conditions on the part of cultivators, storage accommodation, grading of produce and banking facilities. The number of regulated markets should be much larger than it is at present. Greater publicity should be given to the conditions of market and the prevailing prices of various commodities. Punjab has already established a number of regulated markets at important centres and Sind also has passed legislation. The need for warehouses and the importance of grading has been considered in Section 2 and the problem of financing in Section 6.

Weights and measures.

252. Another important factor in marketing is standardisation and regulation of weights and measures. The provisions of existing legislation should be enforced rigorously and Government factories set up to produce standard weights, which could also be used for purposes of checking. We consider it extremely desirable, as a long-term measure, that the metric system should be adopted in weights, measures and currency in order to introduce simplicity in transactions. We understand that a Committee was appointed by the Council of Technical Education to consider the implications and requisites for introduction

of this system. We suggest that either this Committee should be revived or a new committee appointed to make final recommendations on the subject.

Section 8.—Review of progress

253. Mention has been made in the preceding sections of a number of schemes of agricultural development which have been approved for execution. A résume may be given of the progress made in the more important schemes concerning expansion or reclamation of cultivable area and enlargement of irrigation facilities. **Agricultural and irrigation schemes.**

254. The Thal Project in Punjab is a huge undertaking, if all its three phases are taken together *viz.*, irrigation costing Rs. 15.4 crores, colonisation costing Rs. 18 crores and road construction costing Rs. 3.3 crores *i.e.*, a total of almost Rs. 37 crores. The Thal area covers 50 lakh acres of land but the present project aims at developing only 22 lakh acres, of which 15 lakhs will be brought under cultivation. The irrigation phase has been practically completed. The whole of 230 miles of main canals and branches, and 1137 miles out of 1630 miles of distributaries, have been constructed. Out of the total mileage (main roads) of 676, over 450 miles have been completed. Colonisation is proceeding apace and by now 70,000 persons have been settled and 3.25 lakh acres of land brought under cultivation. The World Bank has given a loan of $3.25 million for the purchase of 200 tractors for reclamation work. **Thal Project.**

255. The next biggest project is Lower Sind Barrage which will command an area of 28 lakh acres in Lower Sind, at present partly fed by a number of inundation canals. The project will be completed in two phases—in the first phase, which is expected to be completed by the beginning of 1954, the headworks, the feeders and other new channels will be constructed, and in the second phase, to be completed by 1960, the existing channels will be remodelled and extended. The revised estimated cost of the project is Rs. 24 crores. Out of a total of 82 crores cubic feet of earth-work in the first phase, 77 crores has been done so far June 1952, and the remaining will be completed by June 1953. The progress on this project, which was started in 1946-47, is not satisfactory, and we would urge that a detailed investigation should be made into the causes of delay. An autonomous body like the Thal Development Authority should be constituted for the speedy execution of the project as well as for development of the new areas for cultivation and set[illegible]s. We understand that controversy exists between the Government of Sind and the Central Government regarding the crop pattern and intensity of cultivation in the irrigated area, with the result that the project has not yet been formally approved. This is unfortunate. We recommend that the controversy should be settled without delay and full assistance of the Central Government should be provided for the expeditious completion of the project. **Lower Sind Barrage.**

256. Taunsa Barrage Scheme in Punjab, not yet formally approved by the Central Government, aims at the construction of a barrage across the river Indus, 85 miles downstream of Dera Ismail Khan, with a road and railway bridge on it and two irrigation canals linking up with the heads of existing inundation canals. The total estimated cost is Rs. 10 crores and the total commanded area will be 13.73 lakh acres. **Taunsa Barrage.**

Kurram Garhi Project

257. Kurram Garhi Project in N.-W.F.P. provides for the construction of a weir across the Kurram River near Bannu in N.-W.F.P. which will command 2.53 lakh acres of land. The estimated cost is Rs. 1 crore. Survey and other preliminary work at site has been completed.

Tank-zam-Gomal Scheme.

258. Another important scheme in view of the N.-W.F.P. Government is Tank-zam-Gomal scheme which aims at the damming of two small rivers in Dera Ismail Khan District and creating reservoirs to provide irrigation facilities for over 2 lakh acres of land.

Nari-Bolan and Sailaba Cultivation Projects.

259. In Baluchistan, two major schemes have been approved *viz.* Nari-Bolan Project and Sailaba Cultivation Project. The estimated cost is Rs. 2 crores and Rs. 60 lakhs and the area expected to be brought under cultivation 1.7 lakh acres and 1.2 lakh acres, respectively. Preliminary works are stated to have been completed and execution is expected to be taken up shortly. Financial aid has been offered by the Government of New Zealand under the Colombo Plan for development of irrigation in Baluchistan.

Brahamputra Project.

260. For East Bengal, a huge multipurpose scheme—the Brahamputra Project—has been drawn up by an F.A.O. expert. It will ultimately consist of the following works :—

(a) A barrage on the Brahamputra river.
(b) A barrage on the Surma-Meghna river.
(c) A barrage on the Teesta river.
(d) Several electric pumping plants.
(e) Hydro-electric power stations including a big plant near Mymensingh.
(f) A high tension transmitting set.
(g) An irrigation-cum-navigational canal system with diversion works and locks, and
(h) A drainage canal system.

Ganges-Kobadak Scheme.

It is a long-term scheme (30 years) estimated to cost Rs. 165 crores and considerable investigations will have to be carried out before the project can be completed. It has been divided into a number of independent schemes to enable execution by stages. These are (a) Ganges Kobadak Scheme, (b) Padma-Faridpur Scheme, (c) Teesta Scheme, (d) Surma Valley Scheme, (e) East Meghna Scheme, (f) West Brahamputra Scheme, and (g) East Brahamputra Scheme. The undertaking of a detailed survey for the Ganges Kobadak Scheme has been approved. This scheme, estimated to cost Rs. 19 crores, provides for the construction of a pumping station to pump water from the Ganges and the excavation of a distribution canal out of old river beds. It will help to bring an additional area of 18 lakh acres under cultivation. The entire Brahamputra Project when completed will convert East Bengal from a rice-deficit Province to a substantially surplus area. It will increase rice production by 20%, and also the production of sugar-cane, oil seeds, tobacco, ground nuts and other crops in an appreciable measure, Foreign aid (from T.C.A. and F.A.O.) is expected to be available to carry out detailed investigations of the Ganges Kobadak Scheme and other parts of the project.

Lift Irrigation Project.

261. A major approved scheme in East Bengal is the Lift Irrigation Project, which also will be integrated with the Brahamputra Project. It provides for the installation of 500 power pumps over a period of five years in order to provide irrigation water during the dry season. Only a few pumps have been introduced so far and they have proved successful. Canada is expected to supply large number of pumps under the Colombo Plan aid.

262. Another important scheme in East Bengal is the Mechanical Cultivation Project, which provides for the acquisition of 450 tractors over a period of five years for use in areas requiring quick cultivation (during non-flood season) and for reclamation of lands in the Chittagong Hill Tracts. Only a few tractors have been brought into use so far. A sizeable number is expected to be provided by Canada under the Colombo Plan aid.

Mechanical Cultivation Project of East Bengal.

263. In the following table, an estimate is given of the *additional* acreage to be irrigated and the likely *additional* production as a result of the above projects :—

Table No. 36.—Additional acreage and production on account of major projects

(In lakhs of acres and tons).

S. No.	Name of project	Additional acreage to be irrigated	Additional estimated production of food grains	Remarks
1	Thal Project	15.00	4.00	Total commanded area will be 22 lakhs acres of which 15 lakh acres will be cultivable. Estimated break-up of increased production is 4.00 lakh tons of food-grains, 0.25 lakh tons of cotton and 2.75 lakh tons of sugarcane. Existing production is ·73 lakhs tons.
2	Lower Sind Barrage Project	16.44	5.70	Total commanded area will be 28 lakhs acres. The existing cultivable area is 6 lakh acres and existing production is 1.8 lakh tons.
3	Taunsa Barrage Scheme	5.89	2.14	Total commanded area will be 13.73 lakh acres of which 12.56 is cultivable. Existing irrigated area is 6.67 lakh acres and existing production is 2.43 lakh tons.
4	Kurram Garhi Project	1.20	0.40	Existing cultivable area is 1.33 lakh acres.
5	Tank-zam—Gomal Scheme	1.50	0.50	Existing cultivable area is 50,000 acres.
6	Nari-Bolan Project	1.70	0.62	....
7	Sailaba Cultivation Project, Baluchistan	1.19	0.57	....
8	Ganges-Kobadack Scheme	18.00	7.00	....
9	Lift irrigation Project, East Bengal ...	0.83	0.45	500 pumps will be installed, each pump to irrigate 165 acres approximately.
10	Mechanical Cultivation Project, East Bengal	0.75	0.33	500 tractors will be used, each tractor to cultivate 150 acres of land approximately.
	Total ...	62.50	21.70	

Note.—All areas and yields shown above are approximate and production has been calculated generally at the rate of 10 maunds per acre, except where definite estimates were available.

Section 9.—Agricultural statistics

264. Agricultural statistics cover a wide field. Broadly, they may be classified into (a) basic statistics embracing the number of agricultural holdings and their main characteristics *e.g.*, size, form of tenure, utilization of area, utilization of agricultural produce, farm implements and machinery, and (b) current statistics embracing data on crop acreage, yields, livestock numbers and products, and prices of agricultural produce.

Classification of agricultural statistics.

Present position.

265. The collection of agricultural statistics in Pakistan is confined to current statistics. Another drawback is that statistics are not collected on a uniform basis and there is a very large area (670 lakh acres comprising the Frontier States and the Baluchistan States Union), which is not covered at all. While the remaining areas in West Pakistan, namely the Provinces of Punjab, Sind, N.-W.F.P. and Baluchistan and the States of Bahawalpur and Khairpur have permanent revenue administrations which carry out cadastral surveys and collect statistics, in East Pakistan there is no administrative agency (except in the case of jute) to record currently* the crop acreage and other agricultural statistics from field to field. The jute statistics are maintained by a large staff employed for the purposes of the Bengal Jute Regulation Act of 1940. This staff is responsible for enforcement of the jute regulations (to ensure that the area authorised each year for jute growing, with reference to the areas under jute in 1940, is not exceeded) and to collect jute statistics. The yield is assessed on the basis of crop cutting experiments mixed up with subjective estimates. In actual practice, the official assessments announced by the East Bengal Department of Agriculture, have been found to fall very short of the actual yield. The lack of reliable agricultural statistics, particularly of food production etc., has proved a great handicap in the formulation of policies and planning of programmes, and improvement is urgently called for.

Acreage and production statistics.

266. Acreage and production statistics are at present maintained for the following crops :—

(a) Food-grains : rice, wheat, barley, jowar, bajra, maize, gram and other foodgrains including pulses.

(b) Oilseeds : rape, mustard, sesamum and linseed.

(c) Sugar-cane.

(d) Fibres : cotton, jute and others.

(e) Tea, tobacco, cinchona, dyes, fodder crops, fruit and vegetables, condiments and spices.

Forecast for areas and yields of principal crops are issued by the Directorate of Statistics in the Ministry of Agriculture, based on the data supplied by the Provincial and State Departments of Agriculture.

Measures recommended.

267. The following suggestions are made in order to improve agricultural statistics :—

(i) The coverage of statistics should be expanded. Agencies for collection of data should be set up in the non-reporting areas mentioned above. Data for potatoes and sweet potatoes also should be compiled.

(ii) Statistics should be compiled for the whole of Pakistan on a uniform basis in order that they are comparable. To make such statistics useful for international purposes, the classifications and definitions worked out by the F. A. O. should be adopted as far as possible. A coordinating committee on agricultural statistics comprising Central and Provincial representatives should be convened in order to evolve an agreement on the standardization of classification and methods of collecting data.

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*A plot-to-plot survey of the whole undivided Bengal was made in 1944 and crop statistics compiled.

(iii) In West Pakistan, the village *patwari** who is responsible for the basic collection of data of crop acreage, should be given a short course of training for the purpose and his work should be properly supervised and inspected. To relieve the burden on him the sphere of his jurisdiction should be revised, and the collection of agricultural statistics should be made his regular responsibility. In East Pakistan, data is collected by Circle Officers from the presidents and members of Union Boards, prominent cultivators and the village headmen. A more satisfactory arrangement needs to be evolved. It should be possible to make use of the jute regulations staff, after giving them a short course of instruction.

(iv) For estimates of yield, the use and efficiency of sampling methods should be given fuller attention. Sample aerial survey may be employed to check up acreage. A complete yearly census-taking in agriculture is almost impossible but statistics based on "judgment", though inexpensive, are unreliable. The best *via media* is the method of random sampling in order to obtain estimates of a known accuracy rather than a partial enumeration with unknown accuracy. Experience has shown that the error in sampling method does not generally exceed 5%. Crop cutting experiments are more dependable than subjective conjectures. Particular attention will have to be given where mixed cropping is prevalent.

(v) In the case of jute, we understand that an F. A. O. expert has studied the problem in detail and has made recommendations for the collection of more accurate statistics. It may be advisable to seek the assistance of F. A. O. or other agencies and invite a mission of experts for the reorganisation and improvement of the system of agricultural statistics, as a whole.

(vi) Consideration should be given to the need for comprehensive basic statistics, on a national scale, in order to provide reliable basis for future planning. The undertaking of an agricultural census is no doubt a big task but in view of its importance to an agricultural economy, it must be given high priority.

(vii) As in the case of other statistics, agricultural statistics including agricultural census should be made the responsibility of the C. S. O. The Ministry of Agriculture may maintain a small staff for the purposes of obtaining data from the C. S. O. and putting it into a shape needed for the formulation of their policies.

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*A *patwari* is a revenue official responsible for survey and maintenance of revenue records connected with lands covering a group of villages.

CHAPTER V

INDUSTRY

Section 1.—Increase in production

Importance of industrial development.

268. Industry is an essential complement of agriculture: without its development, an agricultural economy is extremely vulnerable. Increased industrial production also lessens dependence upon imported goods and reduces expenditure of foreign exchange. Although surpluses of exportable raw material might get somewhat reduced and the need for larger imports of raw materials and consumer goods would develop, the balance of payments will on the whole improve. We must also keep in view the uncertain supply position in the world, which develops from time to time, and must therefore manufacture as many as possible of our essential civil and defence requirements. Development of industry should consequently receive adequate attention.

Reasons for slow progress.

269. The industrial policy of the Government declared in April 1948 (reproduced in Appendix No. 16) is that, except for a few specified industries, operations in the industrial sector should be the concern and responsibility of private enterprise. Private enterprise has shown increasing initiative, but on the whole the quantum of effort is not as large as it should be. The Government has had to step into the field in order to start certain essential industries, which could not brook delay, and the Pakistan Industrial Development Corporation has been set up to sponsor industries in which the private initiative was found to be inadequate. The causes of slow progress on the part of private enterprise, generally speaking, arise out of—

(a) Lack of experience and enterprise.
(b) Lack of funds and the taxation structure.
(c) Lack of adequate facilities.
(d) Government controls.
(e) Certain special problems.

These factors are analysed in the following paragraphs.

Lack of experience and enterprise: lack of fund and taxation structure.

270. Muslims of the Indo-Pakistan sub-continent had little opportunities in the field of industry, before the Partition. Whatever little industries existed were controlled largely by non-Muslims. Muslims were mostly engaged in trade and had no industrial tradition. The creation of the new State and the migration of non-Muslim traders diverted all attention to the immediate problem of importing consumer goods and exporting surplus commodities. Trade offered quick returns. No large investments were needed to do the business of imports and exports. Gradually, however, industry which promises more stable though less immediate returns, is drawing increased attention but the investment is not yet adequate. Taxation and other concessions have been granted by the Government to industrial investors (details given in Appendix No. 17). Apparently, these have not proved to be sufficient to attract the capital required. The problem of investment has been considered in Chapter VIII where the second point mentioned above *viz.*, lack of funds and the influence of taxation structure is discussed.

271. As part of their industrial policy, the Government have undertaken to provide the maximum facilities to private enterprise for the establishment and development of industry. However, much greater and more sustained help is needed in several directions, particularly land, water, power, building materials, transport and communications. Lack of adequate facilities.

272. We have studied conditions of availability and prices of land, particularly in Karachi and Chittagong, and have come to the conclusion that much more needs to be done in the way of facilitating the acquisition of land required by industrialists and reducing its cost. With the resources at its disposal, private enterprise cannot afford to pay for land at the rate of Rs. 750 per acre per annum (this is lease rent and not liquidation payment) which is proposed to be levied in the Landhi Industrial Area, or the still higher charges in Chittagong. We consider that the annual rent on account of acquisition, development and maintenance charges in the Karachi Federal Area should not exceed Rs. 250 per acre for industrial estates or residential colonies where industrial labour and staff will have to be housed. The standards adopted by the developing authorities and the estimates of development expenditure should be modified on that basis. The level of facilities thus provided should be adopted also for industrial estates elsewhere in Pakistan to the extent that is practicable. We commend the establishment of industrial estates in selected areas, which will not only enable the provision of various facilities required by industrialists but also help in the balanced dispersal of industry all over the country. The industrial estates should be administered by autonomous authorities consisting of equal number of officials and non-officials *plus* a chairman nominated by the Government. The non-officials should be selected initially from the industrial and commercial associations in the area concerned, and subsequently elected from and by the members of the estates. For the development of the estates the Government should advance loans at the fixed rate of 3 per cent. and the estate authorities should be allowed to realise an additional half per cent. for the purpose of liquidating the loans *i.e.,* they should make a provision for $3\frac{1}{2}$ per cent. towards interest and amortisation of the loans obtained. The Government should grant State owned land free to the industrial estates and transfer any private land acquired at the actual cost of acquisition. For each industrial estate provision should be made for a residential colony adjoining or near the estate. The estates should be run on a no-profit-no-loss basis and, as far as possible, rentals should be charged on a sliding scale, initial charges for new industries being as low as practicable. Where the development of an industrial estate is undertaken by the Government or by a Government agency *e.g.,* Landhi Industrial Area, it must be carried out expeditiously. If, for financial considerations or other reasons, delays are anticipated, the establishment of industries in the area concerned should not be held up indefinitely. In such an event, the task of development should be left to the industrialists themselves. Land. Industrial estates.

273. In respect of areas other than industrial estates, we recommend that the Government should provide maximum facilities for acquisition of private land and should make it over to the industrialists at the actual cost of acquisition. The State-owned land should be made available at actual valuation, in terms of the Land Acquisition Act, recoverable over a number of years. We further suggest that the Land Acquisition Act should be amended to enable the Government to acquire land for industrial purposes with the least loss of time. We would add, however, that as far as practicable, good agricultural land should not be used for industrial installations. Provision of land elsewhere.

274. The problem of water is mainly confined to the Karachi Federal Area, as elsewhere the selection of site for an industrial unit or an industrial estate is Water problem in Karachi.

done with full knowledge of the water supplies available. The problem at Karachi will not be solved until the water supply scheme for Greater Karachi is completed and we suggest more vigorous effort in this connection. It is a matter of great regret that the total available supplies of Karachi have not increased to any appreciable extent though five years have passed since the Partition and many schemes have been talked about. We would also suggest that at present caution should be exercised in setting up more industries at Karachi, particularly those having large requirements of water.

Power.

275. Power is perhaps the biggest single factor retarding industrial development. It is considered in Section 2.

Building materials.

276. All new or expanding industries require adequate and prompt supply of building materials particularly structural steel, cement and timber. Steel has to be imported and the problem of imports is referred to in a succeeding paragraph. In the case of cement or timber, while for immediate purposes liberal imports should be allowed, indigenous productive capacity should be stepped up on a priority basis. The exploitation of Chittagong Hill forests to meet the requirements of timber required for industry as well as railways, calls for a more concerted effort.

Transport and communications.

277. Lack of adequate and cheap transport also acts as an impediment in industrialisation. Quick movement, both of goods required for production and of the finished products, helps. Any inordinate delay in the arrival of raw materials and stores might occasionally cause irretrievable set-backs. We therefore recommend that preferential treatment should be given by the railway authorities to the request of industrialists for transport. The Railways have a schedule of minimum and maximum charges per mile for different classes of goods. Actual rates are fixed within this range with reference to the requirements and conditions of each class of goods. We feel that in order to encourage indigenous industry, the Railways should reduce rates for industrial raw materials and finished goods, whenever possible, where indigenous products cannot compete with corresponding imported goods. It is not only the immediate revenue to the Railways, but also the long-term return to the country's economy, that needs to be borne in mind. We suggest that rates advisory bodies should be constituted for both West and East Pakistan, so that the industrial and commercial interests could present their view-point more effectively. The scope of these advisory bodies should cover railways as well as inland water transport, in whose case also a schedule of minimum and maximum charges should be drawn up. We further recommend that the policy of providing railway sidings should be made more liberal, and that the Railway administrations should ensure that no delays occur in considering the applications or executing works and that the cost of providing a siding is kept down to the minimum. In the case of industrial estates or concentration of industries elsewhere, the Railways should lay the sidings at their own cost and levy reasonable rents or haulage charges.

Tele-communications.

278. Difficulties are also experienced in the matter of telegrams and telephones. There are complaints of inordinate delays and defects in working in East Pakistan. We hope that with the programme of development of tele-communications already undertaken, these difficulties will be largely eliminated.

Government controls.

279. The following Government regulations have special bearing on industrial development :

(i) Control of capital issues.

(ii) Operations of Development of Industries (Federal Control) Act, 1949.

(iii) Import control.

(iv) Labour legislation.

280. The control of capital issues is considered by some to be a serious obstacle in the way of industrialisation. It is said to be inconsistent with the policy of promoting investment and encouraging private enterprise. We have considered the question carefully and feel that in the present circumstances this control should continue for two main reasons*. The total resources available for investment are limited and are not enough to meet the various demands on them. In order to ensure balanced development they must be guided into particular channels as far possible. Secondly, there have been many cases of misuse of public investment and if reasonable steps to safeguard the interests of the shareholder are not taken, it is possible that he may lose confidence in stock investment which still requires to be nursed. Except where the promoters had failed to supply further information (which thus casts a doubt on their *bona fides*) very few applications have been rejected (50 out of 696 until August 1952) by the Controller of Capital Issues. Control of capital issues.

281. We fully agree, however, that delays in the operation of the control should be eliminated and that certain features of the present official policy should be modified. For example, no share qualification should be imposed for directorship, the fixation of terms for remuneration of directors is unnecessary, the payment to managing agencies should be allowed up to 10 per cent. of net profits (instead of the present 6 per cent.), and a certificate of valuation of assets from a recognised valuer or a chartered accountant should normally be accepted when assets of an existing concern are taken over by the new company. The present exemption limit of Rs. 1 lakh should be increased to Rs. 2½ lakhs. Further, the statutory advisory committee for the Controller of Capital Issues (who is an officer of the Ministry of Finance) should consist of, in addition to representatives of the Ministries of Economic Affairs, Commerce and Industries, two elected representatives of the Pakistan Bankers Association and the Chambers of Commerce (five members in all). The Controller of Capital Issues should not be of a rank lower than Joint Secretary to the Government. We also recommend that the Controller should have arrangements in his office to instruct applicants in the requirements of legislation and other formalities to be observed in securing sanction of capital issue. The attitude should not be one of finding faults but of helping the promoters to meet the objections, if any. Improvements suggested.

282. Under the Development of Industries (Federal Control) Act, 1949, planning and regulation of 27† specified industries has been taken over by the Central Government. We agree that such Central control in selected industries is desirable. Although the Act has not been made applicable to undertakings which employ less than 50 persons, its scope is nevertheless very wide and we suggest that a review of it should be undertaken to confine its operations to what is really necessary and feasible. Any one who wishes to start a new industry or expand an existing industry, has to obtain permission on a prescribed application form. We have found this to be too elaborate and consider that it should Development of Industries (Federal Control) Act.

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*Mir Laik Ali and Mr. M. A. Ispahani did not agree that continuance of the control was necessary.

†The 27 regulated industries are :—

(1) Arms and munitions of war ; (2) Cement ; (3) Coal ; (4) Electrical equipment—fans, lamps, motors, generators, transmitters and switchgears ; (5) Generation of electric power—hydel and thermal ; (6) Glass and ceramics ; (7) Heavy chemicals industry—sulphuric acid, caustic soda, soda ash, fertilizers ; (8) Heavy engineering industries for construction of aircrafts, ships, locomotives, wagons, automobiles, agricultural machinery ; (9) High temperature and high pressure reaction and carbonisation plants ; (10) Iron and steel ; (11) Machine tools ; (12) Manufacture of telephones, telegraphs and wireless apparatus ; (13) Marine fisheries ; (14) Mineral industries ; (15) Non-ferrous metals and alloys industry ; (16) Paper and pulp ; (17) Petroleum and mineral oils ; (18) Power and industrial alcohol ; (19) Pharmaceuticals and drugs ; (20) Preserved and prepared foods ; (21) Rubber manufacture ; (22) Scientific instruments, gauges and precision tools ; (23) Sugar ; (24) Salt ; (25) Tanning and leather ; (26) Textiles—cotton, woollen, jute, silk and rayon ; (27) Tobacco.

be simplified. The objective of the Act is to coordinate development particularly from the point of view of location and balancing of investment, and if there is no objection on these grounds, the requests should be accepted straightway, detailed information being collected later, if necessary. We regard the present method of operation of this Act as a bottleneck and in some ways a duplication of the controls exercised under the Capital Issues Act.

Import control.

283. Until 11th August 1952, all items of iron and steel, non-ferrous metals, and plant and machinery were on O.G.L. from non-dollar area and plant and machinery was on O.G.L. even from the dollar area. Most of the raw materials required by the industrialists and the building and engineering materials were also on O.G.L. For iron and steel items, licenses are issued by the Iron and Steel Controller, and for non-ferrous metals and plant and machinery, by the Director General, Supply and Development. In the case of other items required by industrialists, licenses are issued by the Chief Controller of Imports and Exports on the recommendations of the Ministry of Industries and preferential treatment is given to industrialists.

Licenses for industrialists.

284. The raw materials etc. required by industrialists are in most cases imported for ordinary consumption also and it is difficult to distinguish genuine industrial needs from others. Frequently, the import licenses secured by industrialists have been misused and employed for trading purposes. Except for the bigger concerns, industrialsts cannot make direct imports, as either they do not have the necessary contacts or do not wish to lock up capital. The trade alone can meet the requirements of smaller industrialists, and if it was unduly restricted by confining imports of industrial raw material to industry, the industry itself would suffer. We consider therefore that while facilities should exist enabling industrialists to make direct imports, and they might even be encouraged to do so in order to reduce manufacturing costs, either individually or collectively by organising themselves into co-operative bodies, the serviceability of trade to industry should not be unduly affected. In order to meet the unforeseen requirements of industrialists between the licensing periods, a reserve of foreign exchange should be kept aside (recommended elsewhere at Rs. 50 lakhs for each half-year).

Labour legislation.

285. Labour problems in Pakistan so far are not as grave as in other countries, because industry is in its infancy*. We should take lesson from the experience of other countries and shape our policies accordingly. While on the one hand the trade unions should be organised on proper lines, the suggestions for idealistic programmes for labour conditions should be reviewed on a realistic basis. The final objective should of course be to provide the best possible terms and most favourable working and living conditions for all labour, but it would obviously be unwise to apply hastily standards suited to more advanced countries of the world where industry has been established on a firm footing for years and is paying good dividends. The infant industry of Pakistan should be given time to develop in order to be able to pay for better living conditions and amenities, and should not be saddled with responsibilities which it cannot bear with its present resources. The existing Pakistani laws already provide a good range of amenities and rather than add to them we should ensure their proper observance, keeping in view the circumstances of our industry, the limited resources available and the need for rapid development. We suggest that representatives of labour should be associated with the bodies constituted to ensure observance of existing laws.

* The " industrial labour " numbers less than 10 lakhs. The term " industrial labour " covers workers employed in factories (2 lakhs) and mining industries, on all types of transport including railways (2.5 lakhs) and handling of cargos, construction works and organised agriculture *viz.* plantations (1 lakh). Workers employed in cottage industries are roughly estimated between 30 and 40 lakhs. There is also a large population of seamen.

Arrangements should also be made to train personnel in problems connected with working conditions and labour welfare. We consider that the question of providing further facilities should be considered only after a period of five years and that any studies being carried out at present should proceed on that basis. International Labour Conventions have not been ratified even by the more "progressive" countries as readily as by Pakistan, and our attitude in future should be more circumspect. We consider, however, that the institution of provident funds for labour is an essential provision and should be introduced. The provident fund institution should be extended to all labour whether in factories or in commercial establishments, employing 20 persons or more and the contributions on the part of both employer and employee should ordinarily be $6\frac{1}{4}$ per cent. which might be increased by mutual agreement to 8-1|3 per cent. The contribution should start after an employee has served for a period of one year.

Proper development of trade unions.

286. We also feel that trade unions should be given fuller guidance and the trade union movement developed on the right lines. Conditions should be created for the fullest consultation and co-operation between the employees and the employers both in order to eliminate strikes which our country can illafford and to ensure full productivity. The greatest handicap in orderly development of trade unionism is the illiteracy prevalent amongst the workers. Experiments should be made in "fundamental education," the objective of which is not the teaching of the three R's, but the development of knowledge related to one's work and responsibilities. Centres for such education should be established, to begin with, in localities having large concentrations of labour. It is necessary that the labour, while concerned about its rights and claims, should be made aware of its obligations, both as workers and citizens.

Industrial Facilities Committee.

287. In order to help the industrialists to meet the requirements of Government controls and to secure facilities which can be arranged by the Government, we commend the establishment of Industrial Facilities Committees. These have been set up at Karachi and in one or two Provinces. Not only should such bodies be established at each Provincial headquarters but their working should be made more businesslike. They should have whole time secretaries who will receive complaints and representations and discuss them with the industrialists, and progress the decisions of the Committees. We consider further that greater publicity should be given, than is done at present, to rules and regulations and other orders affecting industry, issued by the Government from time to time.

Special problems.

288. There are a number of other problems affecting industrial production which deserve attention. The most important of these are difficulties in the supply of capital goods and essential raw materials, the shortage of trained manpower and foreign competition.

Capital goods and industrial raw materials.

289. Difficulties are experienced not only by private industrialists, but by the Government Departments also, in the procurement of capital goods and essential raw materials required for industry and other development projects. The supply position of certain items of equipment and of raw materials has been difficult in the exporting countries due to the shifting of civilian production to defence production, the emphasis given to the armament programme, and consequent shortage both of productive capacity and raw materials. In many cases delivery periods quoted are too long. Of late, the supply position in these countries has shown improvement. However, while the prices of primary commodities have fallen precipitously, the prices of manufactured goods have remained comparatively high. Availabilities are larger in the dollar area but owing to the difficult position of the sterling area balance of payments, imports cannot always be made from there. There is little that can be done

by indentors in Pakistan to improve the situation. It must be mentioned, however, that the Government's decision not to devalue the Pakistan rupee has proved an incentive to the industry which is able to obtain the capital and other essential goods at comparatively low rupee prices. An indication of the level of imports and indigenous production estimated annual requirements, of certain important development goods is given in the following table.

Table No. 37.—Total supply of developmental goods

(Indigenous production and imports)

(Fiscal 1951-52 except where stated otherwise)

Item	Indigenous production (in tons)	Imports Quantity (in tons)	Imports Value (In lakhs of rupees)	Estimated annual requirements (in tons)
1. Plant and Machinery ...	n. a.	n. a.	15,95	n. a.
2. Coal	5,06,000 (1951)	974,160	2,82	20,00,000
3. Iron and steel	2,889 steel ingots (1951).	229,149	5,57	3,50,000
4. Non-ferrous metals ...	nil.	4,870	137	12,000
5. Cement	4,99,000 (1951)	68,634	61	9,50,000
6. Mineral oils				
(a) Aviation spirit ...	nil.	36,823	n. a.	50,000
(b) High speed diesel oil...	8.229	67,047	n. a.	1,00,000
(c) Light diesel oil ...	13,712	91,625	n. a.	1,21,000
(d) Furnace oil ...	98,544	676,395	n. a.	9,00,000
7. Vehicles	nil.	n. a.	825	400
8. Fertiliser	nil.	10,125	24	4,00,000 (by 1957)
9. Timber	n. a.	n. a.	61	n. a.

(Source : C. S. O. & D. G. S. & D.).

Technical manpower.

290. The problem of trained manpower is apt to be exaggerated ; in many cases deficiency can be met by a proper search, quick training programmes for Pakistanis arranged either abroad or locally, and import of foreigners if necessary. However, there is no doubt that the increasing pace of development and the needs for maintenance and operation of completed installations, require the building up of a large potential of technical manpower. We find that investigations about shortage of trained personnel and indigenous facilities for technical training, have been conducted from time to time ever since the Partition. However, no comprehensive figures or final conclusions are available either in respect of the shortage of manpower, existing and potential, or the measures required to be taken. Engineering and other institutions have been developed on an *ad hoc* basis. The emphasis appears to have been on training abroad whether under the Overseas Training Scheme or under the various Technical Assistance Programmes. A most welcome opportunity has been provided by these Programmes to strengthen the technical knowledge within the country, both by way of training Pakistanis in other countries and visit of foreign experts to our country. Pakistan has taken full advantage of the facilities offered*. It is, however,

* 493 Pakistanis were trained abroad and 160 experts visited Pakistan under these Programmes, by the end of December 1952.

extremely important to ensure that such technical assistance is made full use of, *e.g.*, the trainees utilise effectively their experience on return and the advice of foreign experts is received and acted upon promptly. It is also necessary that all training is related to developmental activity already undertaken or proposed to be undertaken and unnecessary visits abroad are not allowed. Further, we consider that an assessment of the manpower required in various categories, on the basis of both normal activities and developmental projects, should be made as early as possible and a detailed programme for the expansion of existing technical and technological institutions and the creation of new institutions within the country drawn up. Much greater emphasis should be given to the enlargement of training facilities within Pakistan than done hitherto and the expenditure on technical training should bear a definite relationship to the investment made in industry and other fields of development. We understand that Pakistani delegations have consistantly pressed in the Economic and Social Council, the Colombo Plan Bureau of Technical Co-operation and elsewhere, that the Technical Assistance Programmes must give greater help in the establishment of training institutions locally than in overseas training. Such help would be of lasting benefit and incidentally avoid expenditure of foreign exchange. It is understood that U. K. has already agreed to provide equipment and instructors for 8 Technical High Schools. The Ford Foundation is setting up a Polytechnic at Karachi together with short-term Training Centres in general and electrical trades. It is obviously of the utmost importance that, in order to operate and maintain the various industries being set up in the country, particularly jute and cotton textiles, adequate personnel at all levels should be trained.

Foreign competition.

291. The indigenous product is more often than not unable to compete with the foreign manufacture. The reasons are many. Industry in other countries is much better organised and has longer experience. Initial costs of setting up plants were not as heavy in our case. Production is on a larger scale. Indigenous industry suffers from shortage of trained personnel and is seldom familiar with cost accounting methods and measures to reduce expenses. It therefore needs assistance. The Pakistan Tariff Commission, set up in April 1950 has already helped to secure some measure of protection for the following industries* :—

(i) Grinding wheels.
(ii) Lathes.
(iii) Paint, colour and varnish.
(iv) Biri.
(v) Industrial type power switch board.
(vi) Electric fans.
(vii) Hurricane lanterns.
(viii) Motor car and cycle pumps.
(ix) Cotton textiles.
(x) Leather footwear.
(xi) Steel re-rolling.
(xii) Umbarellas.
(xiii) Macaroni, spaghetti and vermicelli.

The Commission has already given reports on the following industries and we suggest that the Government's decision should be expedited.

(1) Steel castings.

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* The information has been brought up to-date (February 1953).

(2) Glassware.
(3) Fruit preservation.
(4) Torches.
(5) Matches.
(6) Rayon.
(7) Sewing machines.
(8) Plastic and fountain pens.
(9) Locks.
(10) Washing soap.
(11) Sodium silicate.
(12) Tooth brushes.

The following industries are under investigation by the Tariff Commission and we would urge that recommendations in respect of them should be made as early as possible :—

Machine tools; toilet soap; pulleys; wire netting; diesel oil engines; woolen textiles; incandescent lamps; cutlery; brushware, surgical instruments; batteries and battery plates; iron safes and almirahs; drugs and pharmaceuticals; cycle tyres and tubes; sports goods; canvas footwear; *ayurvedic* drugs & medicines; cycle saddles; cycle spokes; automobile spare parts; typewriter ribbon and carbon paper; umbrella fittings; slate and slate pencils; ink; button; coir goods; short gun and single barrel gun; boot polish; iron bolts, nuts and rivets; steel trunks and suitcases; enamelware; musical instruments; coal-tar paint; lace; cast iron sanitary fittings; printing type; icecream freezers, meat mincers and fruit juice machines; fire bricks; gas mantles; combs; deepwell turbine pumps; vegetable oil; berets and door and window fittings.

Working of Tariff Commission. Long delays have occurred in the consideration of the Tariff Commission's reports and frequently differences have arisen between the Central Ministries. We consider that the recommendations of a body like the Tariff Commission should be given effect to promptly and official delays should be eliminated. The Commission has been handicapped in its working by lack of data from Government Departments and lack of information from the importers and the industrial concerns themselves. The machinery for statistics relating to industries and prices should be strengthened. The Commission should be constituted into a statutory body and given powers to call for books and accounts and to take evidence on oath. The Tariff Commission examines only the cases of industries already established, but it is equally important in certain cases to examine the need for protection before an industry is set up, as that alone will attract investment. We recommend therefore that the terms of reference of the Commission should be suitably modified to secure this objective.

Cost and quality should be competitive. 292. While on the subject of protection, we would like to emphasise the need for the indigenous industry to stand on its own feet. Initial help may be necessary and should be given, but in due course the local products should be able to compete with foreign manufactures. The cost of production should be reduced by proper organisation of the industry and by a continual study of component costs, to be followed by necessary steps reducing those costs. Further, the quality of goods should be improved so as to remove the existing bias in favour of foreign products. Improvement of quality is the best protection for indigenous industry. For this purpose, testing facilities in Pakistan should be expanded and standards for local products prescribed as far as possible. Means should be devised to consult the consumers also, who eventually use the products, about their quality and defects.

293. Apart from direct protection, there are other measures which can assist indigenous industry. The Government (Ministries of Central Government including Defence and Departments of Provincial Governments) are a very big buyer. Their annual purchases made through D.G.S. & D. alone have increased from Rs. 14.38 crores in 1948-49 to Rs. 46.26 crores in 1951-52, but orders placed on indigenous mills etc. have increased from Rs. 2.55 crores to Rs. 6.21 crores only Preference should be shown in such purchases to indigenous goods. Even in a highly industrialised country like U.S.A. a price preference up to 25% is given to locally produced goods and this position has been ensured by legislation. We understand that similar policy is followed by our Government and in order to develop new manufacturing capacity, even "educational" orders are placed. This is commendable. It is necessary, however, that the production costs of indigenous goods should be studied before giving any price preference. For this purpose, cost accountants should be employed by the D.G.S. & D. No margin of preference need be given in cases where the indigenous products can be disposed of even otherwise by sale to the public *e.g.*, cotton textiles other than khaki cloth. We consider, however, that Government orders should be placed as much in advance as possible so that the particular indigenous industry can plan and sustain its production *e.g.*, re-rolling and fabrication of iron and steel. Normally, the supply of goods of equal quality should be insisted upon but in some cases, a lower standard of product as compared with foreign manufacturers may be acceptable. It must be borne in mind that the existing specifications followed in Pakistan are based on British standards, which places non-British products at a disadvantage. Revised specifications and standards, keeping in view local production and products of other supplying countries, should be drawn up as early as possible. **Government purchases of indigenous products.**

294. Tariff inequities existing at present should be removed ; in no case should the import duty on manufactured goods be lower than the rates for component raw materials, keeping in view their contribution to cost. For example, the import duty on washing soap works out approximately to 15%, but the import duty on caustic soda, a major constituent raw material, is 26% to 36%. Again, there is no import duty on full units of plant and machinery but duty is levied on component parts. Similarly, aluminium cut in circles has less duty than aluminium ingots. We suggest, therefore, that the import schedule should be rationalised and an expert committee set up for the purpose, if necessary. We also recommend that the sales tax payable on imported industrial raw materials should be abolished whenever possible. Where the materials are also used for non-industrial purposes, a refund of sales tax should be permitted on production of consumption figures by the industrial concerns. **Removal of tariff inequities.** **Sales tax.**

295. In order to conserve foreign exchange the import of a number of articles which are produced locally, is restricted. A list of such articles is given in Appendix No. 20. In normal circumstances the policy should be to give adequate protection to indigenous goods after due investigation and then let them compete with foreign manufactures the import of which should not be restricted. This would ensure improvement of quality and reasonableness of price of the indigenous manufacture. However, in the present foreign exchange situation, such a measure is not recommended. **Restrictions on unnecessary imports.**

Patronise Pakistan Products.

296. A campaign to " Patronise Pakistan Products " has been launched by the Government but its success can be ensured only if two conditions are satisfied. First, the quality of products should satisfy the consumer and this implies that the price should be reasonably related to the quality. Secondly, the product should be easily available *i.e.*, it should be produced in sufficient quantities and should be on sale in accessible markets. There have been complaints that persons, who wanted to buy Pakistani goods, could not do so because they could not obtain them. Speaking generally, the policy in regard to indigenous industry should be to expand production to the maximum extent by utilising the entire capacity, to improve quality and reduce costs, and to develop marketing on as extensive a basis as for imported goods.

Mineral Products.

297. Minerals can be a most valuable source of foreign exchange, but unfortunately at present Pakistan has little known deposits of the metals in high demand in the industrial countries, *e.g.*, iron, lead, copper, zinc, manganese, etc. On the other hand, we have to make imports of both ferrous and non-ferrous metals for internal requirements which adds to the cost of industrial production. The investigation and exploitation of the mineral resources of Pakistan is therefore a matter of extreme importance. The Government of Pakistan passed the Mines, Oilfields and Mineral Development (Federal Control) Act in 1948 and subsequently framed rules thereunder, in order to regulate the grant of mineral concessions, etc. A systematic and comprehensive survey of the country is necessary to ascertain the potentialities. The Six-Year Plan provided for an expenditure of Rs. 1 crore for geological survey. A number of foreign geologists have visited the country and given their reports. An aerial photographic survey of Baluchistan and other unmapped areas of West Pakistan has been undertaken very recently by a Canadian firm under the Colombo Plan aid. Oil and coal have been referred to in the succeeding Section. Iron ore has been found in Hazara District (N.-W.F.P.) and Chitral State but the deposits are considered either inadequate or inaccessible. More deposits have been discovered recently in the western district of Punjab and the ore is considered to be of good quality. Manganese has been discovered in Las Bela. Pakistan has rich deposits of chromite, gypsum, limestone, silica sand and rock salt and their actual production has been as follows :

Table No. 38.—Production of important minerals

(In thousands of tons.)

	1948	1949	1950	1951	1952
1. Chromite	17·4	16·2	18·1	17·4	17·4
2. Gypsum	11·3	15·6	15·6	22·7	29·1
3. Limestone	355·4	278·8	280·3	343·9	702·4
4. Silica sand	n.a.	1·6	3·4	5·3	4·6
5. Rock salt (fiscal year) ...	208·3	173·4	143·7	n.a.	n.a.

(*Source : Ministry of Industries*).

There are also good deposits of antimony, bauxite, celestite, fireclay, Fuller's earth, soapstone and sulphur. Asbestos, beryllium, celestite, magnesite, marble and mica are also known to be available, but are not worked in any commercial quantities. We consider that high priority should be given to efficient mining and profitable disposal (processing and exports) of known minerals particularly chromite, gypsum and rock-salt, and to the exploration in promising areas of new resources.

Section 2.—Power

Power and industry.

298. Power is the most essential requisite of industry. Power is also important for agriculture, where it may be used for lift irrigation, for reclamation of water logged areas through tube wells, and for production of artificial fertiliser,

etc. Cottage industries have a special importance for our country but in their present form they are generally uneconomical and unable to compete with large scale industry. The experience of Japan shows that if cottage industries are suitably mechanised and provided with power, they can by themselves meet many requirements of consumer goods and even help big industries in providing component parts. The present supplies of power in Pakistan are most inadequate.

Table No. 39.—Consumption of power per capita *in some countries.*

Country	K.W.H. per head in 1950
1. Pakistan	2
2. Brazil	55
3. Ceylon	11
4. Chile	262
5. Colombia	63
6. India	14
7. Japan (1947)	411
8. Malaya	109
9. Mexico	174
10. Panama	106
11. Phillippines	23
12. Thailand	3
13. Turkey	38
14. United Kingdom (1946)	810
15. U. S. A. (1947)	1776

(*Source : Central Engineering Authority*).

299. At the time of the Partition, the installed capacity in Pakistan was 74,000 k.w. It has risen now to 1,25,000 k.w. Part of the increase is in hydel power (Malakand 10,000 and Rasul 11,000). The other additions are thermal, mainly at Karachi (8,000), Multan (3,370), Hyderabad (3,600) and Dacca (3,000). Actual production, however, is much lower and is probably not more than 90,000 k.w. This shows painfully slow progress. The following table gives the installed capacity in August 1947 and in August 1952 : Power production in Pakistan.

Table No. 40.—Installed capacity of electric power

(In kilowatts)

Province	August 1947				August 1952				Additions made since Partition
	Steam	Diesel	Hydel	Total	Steam	Diesel	Hydel	Total	
1. East Bengal	3,200	4,086	...	7,286	6,200	5,282	...	11,482	4,196
2. Punjab	26,308	5,530	1,100	32,938	31,902	11,198	12,100	55,200	22,262
3. Sind	1,750	4,996	...	6,746	5,150	6,340	...	11,490	4,744
4. N.-W.F.P.	...	1,603	9,600	11,203	...	1,435	19,600	21,035	9,832
5. Baluchistan	...	1,735	...	1,735	...	2,741	...	2,741	1,006
6. Karachi	4,000	9,996	...	13,996	9,000	13,606	...	22,606	8,610
Grand Total	**35,258**	**27,946**	**10,700**	**73,904**	**52,252**	**40,602**	**31,700**	**1,24,554**	**50,650**

(*Source : Central Engineering Authority*).

Most of the increase in production is due to schemes started before the Partition. There is acute shortage of power in East Bengal with the result that even the installed looms of the new jute mills at Narayanganj cannot all go into production. We must express our extreme disappointment that, despite the great demand for power all round, so little has been done during the last five years.

300. Table No. 41 shows the projects under construction or examination :

Table No. 41.—Power projects in view

(August 1952)

(In k. w. s.).

Province	Projects under construction				Projects under Two-Year Programme†				Projects under examination or sanction			
	Steam	Diesel	Hydel	Total	Steam	Diesel	Hydel	Total	Steam	Diesel	Hydel*	Total
1. East Bengal	...	9,480 (Sidhirganj) 4,210 (Chittagong) 168 (Brahmanbaria) 200 (Chandpur)	...	14,058	20,000 (Sidhirganj) 15,000 (Chittagong)	9,000 (Sidhirganj) 4,000 (Chittagong) 7,000 (Khulna)	...	55,000	...	...	160,000 (Karnafuli)	1,60,000
2. Punjab	8,000 (Lyallpur) 6,000 (Montgomery)	7,807 (Abandoned undertakings)	22,000 (Rasul completed)	43,807	30,000 (Lyallpur)	10,000 (Lyallpur)	...	40,000	...	1,000 (Makerwal, under examination).	1,25,000 (Mianwali)	1,26,000
3. Sind	...	...	...	...	15,000 (Hyderabad).	...	...	15,000	...	...	...	...
4. N.-W.F.P.	...	...	20,000 (Dargai—completion expected June 1953)	20,000	...	...	...	...	...	4,500 (for Warsak construction)	1,50,000 (Warsak)	1,54,500
5. Baluchistan	...	...	...	...	...	...	...	...	...	1,000 (under examination.)	...	1,000
6. Karachi	15,000 (completion expected early 1954)	...	...	15,000	30,000	...	...	30,000	60,000 (under examination)	...	...	60,000
Total	**29,000**	**21,865**	**42,000**	**92,865**	**1,05,000**	**35,000**	...	**1,40,000**	**60,000**	**6,500**	**4,35,000**	**5,01,500**

*Approved by the Economic Council in September 1952.

†It is understood that the capacities have since been revised for East Bengal stations as follows :
Sidhirganj (30,000 steam and 9,000 diesel) ; Chittagong (6,000 diesel) and Khulna (10,000 diesel)

(*Source : Central Engineering Authority*)

301. In March 1951, the Government approved, as part of the Two-Year Priority Programme, a project for the expansion of thermal power (140,000 kilowatts)*. Although almost two years have elapsed already, no results are yet visible. We understand that the time has been spent mainly in making enquiries and calling for tenders because various parts of the equipment required were sought to be purchased from different manufacturers. Orders for the plants have now been placed or are being placed. But it will take another 18 to 24 months in the case of diesel plants and 36 months or more in the case of steam plants, to go into production. Composite sets, which are more readily available in America, would have been worth-while in certain cases despite their higher initial price and operating costs, because of the resulting saving in time. Australia purchased last year 26 composite sets from U.S.A. for similar reasons. We consider it unfortunate that all the thermal stations are proposed to be installed on a departmental basis. There is shortage of technical personnel and we fear that the governmental machinery will find it difficult to carry the burden imposed by the simultaneous execution of a number of stations. We would recommend "turn-key" jobs for stations for which final commitments have not been made. In any case, we consider that a time schedule should be drawn up and both the manufacturers and the officials responsible for installation should be tied down to it. We also recommend that immediate steps should be taken to strengthen agencies responsible for installation and operation of the plants, and to institute an extensive programme of training in power generation at all levels. Thermal power.

302. From Pakistan's point of view, hydro-electric power is far more important than thermal power. Hydel power can be produced in much larger quantities and is cheaper. The hydel projects are generally multipurpose and help in irrigation, flood control and navigation. The hydel potential of Pakistan is estimated at over 80 lakhs k.w.s. but we may not have the resources to make use of all of it for some years to come. The Government have recently approved three major hydel projects, details of which are given below :— Hydro-electric power.

Table No. 42.—Major hydel projects

S. No.	Name of project	Total cost Rs. in crores	Capacity KWs	Expected date of supply	
				Year	Quantity
1	Karnafulli (East Bengal) ... ... (Will also help to control floods)	20.70	1,60,000	1957-58 1960-61 (a)	1,20,000 K.W. 40,000 K.W.
2	Mianwali (Punjab)	21.14	1,25,000	1954-55 1955-56 1956-57	25,000 K.W. 75,000 K.W. 1,25,000 K.W.
3	Warsak (N.-W.F.P.) ... ... (Will also irrigate 75,000 acres)	22.02	1,50,000	1955-56 1957-58	60,000 K.W. 90,000 K.W.

(a) This phase has not been approved yet.

(*Source : Ministry of Economic Affairs*).

As these projects involve heavy financial outlay, effort is being made to obtain foreign aid and loans for them. We consider that the importance of power development is such that these projects should be proceeded with nevertheless, unless foreign aid is forthcoming within a reasonable period. The expenditure will be spread over a number of years. Any delay in undertaking the preliminary works will jeopardise the chances of completion within the scheduled period.

* Originally proposed at 1,25,000 K. W. s.

Load requirements.

303. The question is asked, particularly in connection with hydel projects, whether load requirements justify the production of power. Assessments have been made by the Central Engineering Authority on the basis of existing demands and potential needs and in the light of estimates given by foreign experts, and the conclusion is that the load will develop fast enough and that there should be no fear of the supplies remaining unutilised. Indeed, the availability of power breeds the demand. Nevertheless, it is necessary that as soon as a big power project is started, steps should be taken to develop the market for it. But we are convinced that it will be suicidal to hold up on that account the execution of hydel projects. In fact the need for power is so great that we would not recommend the curtailment of the programme for thermal power except where hydel power is likely to be available within almost the same period.

Power administration.

304. For more expeditious execution of power projects and their efficient management, we suggest that autonomous corporations with adequate Central representation should be set up in each Province to undertake generation, transmission and distribution of power; and that a central autonomous board with representatives of the Central and Provincial Governments and the Provincial corporations should be established to advise on the overall planning and control of power. This board should settle inter-Provincial matters relating to transmission and rates, where the Provinces concerned cannot reach mutual agreement. Two or more Provinces may choose to have a joint corporation instead of separate corporations.

Coal.

305. Hydroelectric power when developed will become the backbone of development in Pakistan, but at present coal and oil occupy a very important position. In 1949, a foreign firm (Messrs. Duffryn Powel Ltd. of London) was asked to survey the coal deposits and suggest measures for their scientific development. Pakistan's coal is not generally of a satisfactory quality but in certain directions it is increasingly meeting local requirements. High sulphur content and the presence of unduly large foreign matter, are handicaps for indigenous coal and as such it is not very welcome to the standard boiler operators. Another drawback is its high cost. Considerable improvement is possible in these directions. Usually, sulphur in coal occurs in intervening bands, and if such bands and other foreign matter could be sorted out by the conventional process, the mined coal should be satisfactory for direct use in the standard boilers. Experiments are also being conducted for separating sulphur by other means, but until such experiments are successful and their application on large scale is possible, simple grading methods should prove to be of great advantage. The existing high cost of production is the result of present mining operations which are conducted in certain cases on the most primitive lines. The volume of production has already been stepped up from 3 lakh tons a year to 6 lakh tons, and the target given in the Six-Year Plan of 8 lakh tons would be reached much before 1957. However, the known deposits of coal in Pakistan are estimated to be 1500 lakh tons, and as much as 30 lakh tons a year could be extracted. But such a target can never be achieved under present conditions wherein numerous isolated small scale operators exist. The Government should take steps to integrate and rationalise coal mining under central control, at least in the Makerwal area in Punjab and the Sharigh area in Baluchistan. If large-scale mining is conducted on scientific lines and mechanisation is introduced, it should not be difficult to reach the target of 30 lakh tons in the course of the next five years. The capital cost involved may be of the order of Rs. 5 to 6 crores spread over this period, but it would be justified by the resulting savings in foreign exchange and increased productivity of the country. At the moment, imports of coal are a serious drain on the economy of the country. The use of oil as a substitute of

coal is also not desirable, if it can be helped, because oil too means high expenditure on foreign exchange. Apart from the development of coal resources in Makerwal and Sharigh, due attention should be paid to the exploitation of lignite deposits of East Bengal. It would present some serious local problems as most of the lignite deposits are understood to be under rice fields. Nevertheless, the importance of coal to the country being so great, serious effort should be made to resolve the administrative and technical difficulties involved. Investigations should also be made about the utilisation of lignite. It is believed that cheap thermal power can be generated where lignite can be mined at relatively low cost.

306. The production of crude oil in Pakistan has increased from 57,000 tons in 1948 to 200,000 tons in 1952. It helps to meet about 13% of the country's present requirements of refined products. The following table shows the progress in indigenous production of crude oil and oil products and the level of imports during 1952 :— Oil.

Table No. 43.—Total supply of oil products

(Indigenous production and imports)

(In tons)

Products	Indigenous production		Imports
	1948	1952	1952
Crude Oil	56,678	201,011	
1. Furnace oil	26,730	98,544	676,395
2. Light diesel oil	3,381	13,712	91,625
3. High speed diesel oil	1,711	8,229	67,047
4. Kerosene oil	1,476	8,300	165,128
5. Motor spirit	8,681	48,378	85,409
6. Aviation spirit	...	...	36,823

(*Source* : *Ministry of Industries*).

Exploration, prospecting and drilling licenses have been given both to Pakistan Oil-fields Limited (former Attock Oil Company) and Pakistan Petroleum Limited (former Burma Oil Company), and drillings are at present bring carried out near Chakwal in Punjab and Sui in Baluchistan, and at Patiya and Patharia in East Bengal. Oil has been struck by Pakistan Oil-fields at Dhulian. At present there is only one small refinery at Rawalpindi. The possibility of establishing more refining capacity at the ports should be considered, in order to reduce the volume of refined oil imports which mean much higher expenditure of foreign exchange.

307. With the change over of Pakistan railways from coal-burning to oil-burning engines, the requirements of oil have increased. Oil will remain an important fuel for the smaller towns and villages where oil engines could and should be put up to run small scale and cottage industries and lift irrigation pumps. Demand for oil.

308. Power alcohol is another important source of power, though not yet fully exploited in Pakistan. Sugar manufacturing capacity to the extent of 95,000 tons a year exists and it is proposed to be increased by 50,000 tons. If all the molasses Power alcohol.

that will become available are made use of, about 25 lakh gallons of power alcohol could be produced and thus help to reduce the imports of motor spirit. In India, legislation has been passed requiring 20% mixture of power alcohol with motor spirit in certain areas and similar steps could be taken in Pakistan, so that the off-take is assured. We consider that the sugar mills, existing and proposed, should be encouraged to produce power alcohol, and financial assistance should be provided for the acquisition of power alcohol plants, if necessary. We also suggest that low temperature carbonisation of materials such as maize cobs, water hyacinth, lignite, and other surplus vegetable and forest produce should be explored.

Section 3.—Priorities within industry

Basic considerations.

309. The main considerations that should govern the planning of industrial growth in the country are:

(i) Use of our own raw materials *e.g.*, jute, cotton, bamboos, sugar-cane, wool, hides and skins, cereal straws, oil seeds, limestone, gypsum, etc.

(ii) Reduction of imports, particularly of essential items in which we should have certain minimum indigenous productive capacity.

(iii) Maximum productivity in relation to the capital invested and maximum employment.

(iv) Net social and economic advantage to the country.

Cotton and Jute manufacture.

310. In the field of cotton textiles, not only have we to meet the cloth requirements of our people but we have to provide a very essential balancing factor for the cotton produced in the country, the disposal of which at present is at the mercy of the export markets. Our objective should therefore be to consume in our textile factories at least half of the cotton produced in the country. In the case of jute industry, labour and climatic conditions make it desirable that an appreciable part of our jute should be exported in the form of finished goods. The ratio of the value of the finished goods to the capital involved is high in the case of both cotton and jute industries, and the figure of investment *per capita* employment offered is one of the lowest. Both these features have special significance in the economy of Pakistan.

Processing of other agricultural produce.

311. The processing of other agricultural and forest produce must also find a high place in the industrial programme, but all efforts should be made to minimise the cost of production, so as not to burden the consumer and to promote exports where possible. For example, the cost of sugar production in Pakistan is at present much too high as compared with the production cost in other countries. It is, therefore, necessary to support such industries with a good deal of research and the Government should undertake such research themselves, well ahead of the installation of production units. We recommend the early establishment of a research centre in East Pakistan for the treatment and utilisation of timber and other forest produce, for the same reason.

Processing of minerals.

312. The mineral deposits in the country, as known at present, are of a type that without special attention of the Government, the development of mineral resources would not be possible. In the preceding Section, we have made certain suggestions for the exploitation of coal resources. Similarly, limestone resources should be more fully exploited. The demand for cement is at present high on account of the development and building programmes and the selling price is excessive. We would therefore recommend rapid expansion of cement production. In regard to other minerals such as chrome, bauxite, etc., which are available in abundance but are not likely to be utilised within the country in

the near future, we recommend that the Government should, in due course, execute schemes for their primary processing and concentration, and the standardization of products, for purposes of exports. Such products have a good market both in the dollar and non-dollar areas.

313. There are certain articles in which Pakistan as a matter of national importance, should be self-sufficient as far as practicable, even if the capital cost involved does not bear favourable proportion to the value of the out-put. In this category would fall essential medicines and pharmaceutical products, insecticides and disinfectants, refined petroleum and other allied products, chemical fertilisers, certain heavy chemicals, materials on which other industries are dependent and essential defence requirements. Likewise, light and medium engineering industries must find a place as on them depends the future industrial progress of the country. Some undue apprehension seems to exist in the minds of some people about engineering industry, which we consider unjustified. With a few suitable plants to deal with heavy fabrications and smaller precision materials, a fair proportion of the equipment of other industrial installations can be manufactured within the country, thus reducing the value of imported materials as well as providing the nucleus for building in due course more complete plants. In times of emergency, such plants can also manufacture spares and other materials needed to keep the existing industries going. It may be added that plants to manufacture motor-trucks, cycles, light and heavy electrical equipment and machine tools would all come in the category of light and medium engineering industry. Their provision could be suitably phased, depending upon the resources available from year to year. **Essential requirements.**

314. We have referred earlier to the policy of the Government to provide the maximum facilities to private enterprise for establishment and development of industry. The Government has had to take the initiative through the P.I.D.C. in setting up some of the heavy industries requiring large funds and specialised technical skill, but the objective remains that as and when private capital comes forward, the investment and control would be transferred to it. To achieve this objective in due course, and for the present to guide and canalise private investment into the more important and essential industries which do not require such large blocks of capital, we feel that there should be greater co-ordination than exists between the public and the private sector of industrial development. As far as possible, development of industries should be entrusted to private enterprise. **Co-ordination with private sector.**

315. It is the declared policy of the Government not to permit undue concentration of industry in any one area or Province. As far as possible, in locating new industries, the relative extent of unemployment in different areas should be taken into consideration*. **Location of industry.**

316. Cottage and small scale industries have special position in the economic system of Pakistan, as they correlate and complement development in the field both of agriculture and industry. They provide part-time employment and increase the level of income of the rural population, and meet the requirements of consumer goods of a substantial section of the population. Cottage industries **Cottage and small-scale industry.**

*Mr. Muazzamuddin Hosain expressed the view that as there is greater under-employment in East Pakistan and agriculture cannot absorb more people, priority should be given to East Pakistan in the location of industries. In this connection he referred to the views of Mr. Colin Clark, who has estimated that out of the annual increase of labour force of 3 lakhs, 2 lakhs will be the increase in East Pakistan, and who has therefore suggested that " special steps should be taken to favour East Pakistan in all industrial development projects ".

have a traditional importance and we must correlate the expansion of large scale industry to the need for development of small scale and cottage industry.

Co-ordination with large-scale industry.

317. Large scale industry is indispensable in certain fields *e.g.*, heavy engineering, but as far as possible cottage and small scale industry should be promoted not only to produce consumer goods but to feed large scale industry wherever feasible. This has been done successfully in Japan. One great merit in cottage industry is that the cost of investment required *per capita* is very small and with the same amount of money, many more people can be given employment than in large scale industry. Another advantage is that it does not involve large concentrations of labour thus creating social and administrative problems.

Handloom industry.

318. The most important cottage industry is handloom. The total number of handlooms in Pakistan is estimated at 5 lakhs (almost equally divided between West Pakistan and East Pakistan). In East Pakistan, they provide cloth for the major portion of rural requirements but only about half of them are considered to be in active production. We consider that everything should be done in order to make fuller use of existing handlooms and to improve their products. It is generally believed that a large expansion of handlooms would solve the problem of unemployment or underemployment, but calculations show that there is not much room for such expansion. For example, in East Pakistan, on the basis of 18 yards *per capita,* the total requirements of cloth will be 72 crore yards. If the full-time production of one handloom is taken at 12 yards per day, the yearly production (300 days) will be 3,600 yards. This will mean that even if no other cloth is used, 2 lakh looms will give enough production for the requirements of the entire population. Actually, however, over 2,250 mill looms are already operating in East Bengal, and therefore the total demand for whole time handlooms will be much less than 2 lakhs. Nevertheless, it is extremely important to utilise the entire productive capacity of handlooms. This will, on the one hand, reduce the volume of cloth imports and, on the other hand, make handloom industry more paying to the weavers. The greatest handicap is shortage of yarn. We, therefore, recommend that not less than 25% of the effective spindleage of each textile mill should be used to produce yarn *i.e.*, it should be left uncovered by mill looms, and that another spinning mill of 25,000 spindles should be set up in East Bengal, if necessary, by the Government (in addition to the 50,000 spindles already sanctioned). Further, the fullest facilities should be provided for the import of yarn until indigenous capacity is developed to meet total requirements. We understand that six handloom centres are proposed to be established in various parts of Pakistan in order to give guidance to weavers in the matter of designing, calendering and finishing and also to afford facilities for marketing the produce. This is a step in the right direction. We recommend, however, that facilities for the use of power looms should be provided in areas where electrical power becomes available. In other areas, the use of small oil engines may be encouraged although their maintenance might present some difficulties. In East Bengal, a semi-automatic loom, requiring no use of power, but having greater productive capacity, has found favour. Until power looms can be introduced the use of such looms should be made more extensive and, if necessary, large scale production of these looms at a central workshop should be arranged.*

Other cottage industries.

319. In the case of other cottage industries, our view is that a deliberate policy of encouraging particular industries in different areas, selected on the basis of existing talent and production and considerations of economic working

should be followed. Further, a system of standardisation of products, and large scale production of the same types and designs should be developed. A study of production costs appears all the more necessary, in view of the experience of the industrial colonies set up by the Refugee Rehabilitation Finance Corporation, which incurred losses in many cases.

320. The major problems facing cottage industry are :— Problems of cottage Industry.

(i) Lack of finance.

(ii) Difficulty in obtaining raw material at cheap prices.

(iii) Research in technique and processing etc.

(iv) Marketing of products.

The non-Muslim *mahajans* having left, cottage workers have no fixed source of finance. The co-operative banks and commercial banks are not a dependable source for cottage industry finance. With the departure of Hindu middlemen, the established source of assistance in the acquisition of raw materials and disposal of goods is not available. The Central Government are considering a proposal for the establishment of a cottage industries corporation which will aim at the solution of these problems. We consider, however, that as cottage industry is a Provincial subject, each Province or State should have a cottage industries corporation of its own and that at the Centre there should be a central board consisting of representatives of these corporations to coordinate policies and regulate marketing, particularly launch a drive for marketing overseas. Initially, these corporations should be financed jointly by the Central Government and the Provincial|State Governments. While the corporations should be run on commercial lines, the expenditure on research and training should be defrayed by the Governments concerned. The Provincial|State corporations should set up depots in all important areas where orders for supplies or purchase of goods should be booked, advances made, standard designs made available, guidance given to the cottage workers, raw materials sold at reasonable prices and stocks of standard products kept. In each Province and State, there should be a research centre attached to the corporation and not only designs should be standardised and new designs produced, but simple mechanical appliances evolved to facilitate production and improve the income of cottage workers. Each centre should have a museum with working models and should arrange training classes and demonstration parties. The Central board should take steps to develop foreign markets and arrange for necessary publicity, on a planned basis.

Section 4.—Financing of industry

321. According to the declared policy of the Government, activities in the industrial sector, except in the case of certain specified industries, are left to private enterprise. However, the degree of its interest so far is not adequate in view of the country's requirements, and is confined to a limited number of fields. Internal trading and import and export business have provided greater attraction. There has been a change in outlook, of late, and restrictions in imports would probably help in drawing more funds to industrial activities. The following table gives details of investment made so far in various fields, through joint stock companies. The total paid up capital for items 2 to 6, which appear to fall in the industrial sector, amounts to Rs. 21 crores. Private investment.

Table No. 44.—Joint-stock companies in operation, by types of business : October 1952*

(In lakhs of rupees except for number of companies.).

Type of business	Number	Authorised capital	Subscribed capital	Paid-up capital
1. Tea and other planting companies	11	1,43	7	6
2. Mining and quarrying companies	39	10,79	27	25
3. Sugar manufacturing companies	3	1,18	54	50
4. Breweries and distilleries	2	29	24	24
5. Mills and presses	272	79,84	7,84	6,51
6 Trading and manufacturing companies	1,848	137,31	17,74	13,64
7 Banking, loan and insurance companies	8	3,39	2,35	1,13
8. Transit and transport companies	268	27,22	2,95	2,08
9. Estate and building companies	43	16,86	25	5
10. Hotels, theatres and entertainment companies ...	165	10,48	55	44
11. Miscellaneous companies	290	3,68	1,05	1,03
Total ...	29,49	29,247	3,385	25,93

*Figures are provisional.

(*Source* : *C. S. O.*)

It will be observed that the subscribed capital is disproportionately small, as compared to the authorised capital. We understand that the Controller of Capital Issues does not now permit such disparity between the authorised and the subscribed capital of a company seeking the issue of capital.

The P.I.D.C.

322. Partly with a view to make up for the lack of private enterprise and partly to meet essential requirements of the country, the Government have had to enter the industrial field, in a large way. The P.I.D.C., established in January 1952, has been made responsible for the development of the following industries :

Jute ; paper ; heavy engineering (including iron and steel) ; ship-building ; heavy chemicals ; fertiliser ; sugar ; cement ; and textiles.

However for each individual venture, it is the policy of the Corporation to float a public company and associate private interests with it.

Industrial Finance Corporation etc.

323. The Government also established in February 1949, an Industrial Finance Corporation to give medium and long-term loans for the development of industry and its scope has recently been enlarged to cover individuals and partnerships in addition to public limited companies and co-operative societies. In each Province, legislation exists providing for State aid to small scale industry by way of loans in the form of machinery or raw materials. The suggestion has been made that an industrial bank should also be established by the Government, but in view of the institutions already existing, we consider that such a measure, is not necessary at this stage.

Effect of taxation structure.

324. There is need for much greater capital formation and larger investment in industry. The lack of incentive created by the existing taxation structure and remedies to overcome it are considered in paras. 435 *et seq.*

325. The publicity given to the avenues of industrial investment for indigenous or foreign capital is at present far from adequate. We feel that a comprehensive brochure should be issued on the subject, which should also indicate the various Government regulations and procedures. Such a publication will greatly help in attracting investors. The published literature must be kept up-to-date in order to be of practical advantage. In addition, a directive should be issued to our Diplomatic Missions to conduct sustained propaganda in order to attracting foreign capital. Publicity.

Section 5.—Review of progress

326. Despite many handicaps, good progress has been made in the field of industry during the last five years. A brief resume in respect of the more important industries is given in the following paragraphs.

327. No jute manufacturing capacity existed at the time of the Partition. The Six-Year Plan envisaged the setting up of 6,000 looms by June 1957. Three mills of 1,000 looms each are being established by the P.I.D.C. in collaboration with a private firm. One mill is already in production and the other two are expected to go into production by the end of 1953. Besides these large mills, two small units are in production (less than 250 looms). Four additional mills of 500 looms each and two mills of 750 and 250 looms, will be set up by the P.I.D.C. in partnership with other concerns and they are likely to go into production before the end of 1955. The total investment involved in jute industry is Rs. 16.5 crores of which the Government share (through the P.I.D.C.) is estimated at Rs. 6.28 crores. They will consume over 10 lakh bales of jute when working in three shifts. Not only will the internal requirements of jute manufacturers be met fully but exportable surplus worth over Rs. 20 crores will be produced. Internal requirements are estimated at 35,000 tons of jute manufactures per year, while the production of 6,000 looms on two shift basis will be about 240,000 tons. Jute textiles.

328. At the time of the Partition, the installed capacity for cotton textiles was 1,77,418 spindles and 4,824 looms (17 mills). The production of cloth was about 74,000 bales. The present position is indicated below : Cotton textiles.

Table No. 45.—Progress of cotton textile industry.

	Spindles	Looms
1. In operation (September 1952—33 mills)	3,90,853	8,604
2. Under installation	6,88,573	5,468
3. Authorised (booked or under negotiation)	2,77,594	8,734
Total ...	**13,57,020**	**22,806**

(*Source : Ministry of Industries*).

The cotton textile industry has provided the biggest attraction to private enterprise. The target in the Six-Year Plan was 10 lakh spindles which has already been exceeded. The annual production on the basis of figures for January—December 1952 is about 1,18,000 bales (1,500 yards each) of cloth and 56,000 bales (400 lbs. each) of surplus yarn. Some of the mills are not working three shifts, because of shortage of power and as-yet untrained labour, but efforts are being made to achieve full production as early as possible. The production on normal working basis, taking into account the capacity under installation or on order, will go up to 3,42,000 bales of cloth and 3,36,500 bales of surplus yarn which help to produce on handloom the equivalent of another 3,58,900 bales of cloth *i.e.*, a total of about 7 lakh bales. In order to give a fillip to cotton textile industry, the Government authorised last year the purchase of 11 mills of 25,000 spindles each on their own account, to be installed by Provincial Governments in association with private enterprise. (East Bengal 2; Punjab 6; Sind 2: and N.-W.F.P. 1). Their capacity is included in the above figures. When all these looms and spindles are in production (expected by end of 1955), the cloth available in the country should be about 16 yards *per capita* against the present consumption of 10 yards. The total surplus yarn available would be 1747 lakh lbs. against about 1,000 lakh lbs. during July 1951—June 1952. (Detailed figures given in the footnote to para. 407: page 144). Therefore, generally speaking, indigenous production will be enough to meet internal requirements.

Woollen textiles.

329. No woollen manufacturing capacity existed at the time of the Partition. Two woollen mills with 4,000 worsted spindles and 400 woollen spindles are now in production in Karachi and Punjab. Another mill at Karachi is producing woollen yarn for carpets and blankets. The Government had purchased machinery for two woollen mills of 2,340 spindles and 24 looms each for establishment in the Frontier regions (Bannu in N.-W.F.P. and Harnai in Baluchistan). These are now being installed by the P.I.D.C. Nearly 60% of the yarn produced by these mills will be made available for cottage industries. The P.I.D.C. is setting up a third mill in the Thal Area of Punjab in partnership with private enterprise and the Thal Development Authority. The first two mills are scheduled to go into production during 1953 and the third in 1954. Two other woollen mills are being set up in Punjab by private enterprise. The total production will be enough to cover internal requirements.

Paper and cardboard.

330. There was no productive capacity for paper or paper board at the time of the Partition. A three-unit (estimated cost Rs. 4.5 crores) paper mill with a daily capacity of 100 tons of paper (with provision for increase to 250 tons) has been set up near Chittagong by the P.I.D.C. and the first unit is likely to go into production during 1953. Full production will be achieved by the end of 1954. The P.I.D.C. is also establishing a high grade board mill (estimated cost Rs. 99 lakhs) with an annual capacity of 7,500 tons at Nowshera in N.-W.F.P. and a straw board mill with similar capacity (estimated cost Rs. 60 lakhs) at Rahwali in Punjab. The plants have already been ordered and the mills are likely to go into production by the middle of 1954. The total production will meet all internal requirements of paper and cardboard.

Sugar.

331. The nominal manufacturing capacity of sugar at the time of the Partition was 65,000 tons (two factories in W. P. and five in E. P.) but actual production was very much less. Since then, private enterprise, with the financial assistance of the Government, has been responsible for the setting up of a big sugar mill at Mardan (capacity 30,000 tons a year). Figures of yearly production are given in Table No. 17 (page 20). The P.I.D.C. proposes to set up 5 additional sugar mills each of 10,000 tons capacity a year, in various parts of Pakistan. The new mills are expected to be completed by 1955-56. The total production

will meet the bulk of internal consumption requirements, which are roughly estimated at 2,65,000 tons a year.

332. The productive capacity of cement at the time of the Partition was 600,000 tons per annum in W. P. (at Karachi, Rohri, Dandot and Wah) and 50,000 in E. P. (Chattak), but actual production was only 350,000 tons. Since then the factory in East Bengal, with the help of loans advanced by the Government, has expanded its capacity to 75,000 tons. Other factories have also enlarged their production. The P.I.D.C. proposes to set up additional factories with a capacity of 400,000 tons a year in various parts of Pakistan—in Karachi, Hyderabad and Thal. The cement plant for Thal (100,000 tons capacity) has been offered by Canada under the Colombo Plan Aid. The resultant productive capacity will largely meet the internal requirements envisaged at present. Cement.

333. The P.I.D.C. is setting up a caustic soda-*cum*-chlorine plant at Nowshera in N.-W.F.P. in private partnership. The capacity of the plant, which is expected to go into production by the end of 1954, will be 10 tons a day. One caustic soda plant of 9 tons-a-day capacity is being installed in East Bengal as part of the paper mill and will also meet partially the requirements of that Province. The P.I.D.C. has also taken up the responsibility of setting up a D.D.T. plant (capacity 2 tons a day), offered jointly by the World Health Organisation and the United Nations International Children Emergency Fund. This is expected to be completed in 1954. A fertiliser factory (ammonium sulphate) of 50,000 tons capacity is being installed by the P.I.D.C. in the Thal area at a cost of Rs. 6.35 crores. The plant for this factory has been offered by the T.C.A. under their aid programme. The project will take three years to complete. Considerable productive capacity for sulphuric acid has been developed already by private enterprise, but a plant of 20 tons a day capacity is proposed to be set up by the P.I.D.C. at Lyallpur for the production of 6,000 tons of super phosphate fertiliser per year. The project is expected to be completed by the middle of 1954. The productive capacity for chemical fertiliser will be far from being adequate for the planned requirements of the country, but a good beginning will have been made. Heavy chemicals: Caustic soda Chlorine.

334. The existing engineering industry comprises a large number of small workshops and a few fair-sized rolling and re-rolling mills. It produces a wide variety of articles, such as agricultural implements, oil expellers, sugarcane crushers, machine tools, lathes, light and heavy structural materials, surgical instruments, electric fans and lamps, sanitary fittings, containers, etc. Towards the end of 1949, the Government of Pakistan invited a foreign firm (U. S. Steel Export Co.) to survey the steel requirements of Pakistan and suggest the most effective methods of meeting such requirements with the minimum expense of foreign exchange. The firm made recommendations for both short-term and long-term measures. It estimated steel requirements of Pakistan at 260,000 tons *per annum* rising to 600,000 tons in 70 years. Some of its recommendations have been indicated in Appendix No. 19 (against item 4). The P.I.D.C. is preparing schemes for the setting up of re-rolling and fabricating capacity of 200,000 tons of steel and structural material *per annum*, but it is not possible to state at this stage when the schemes would be taken up and completed. During 1951-52, 229,000 tons of iron and steel manufactures were imported. As billets will have to be imported for the local industry, the ultimate saving in foreign exchange expenditure would be only Rs. 2 crores. as against the present expenditure on imported iron and steel of about Rs. 15.6 crores. Engineering industry.

P.I.D.C. projects.

335. A comprehensive statement of the projects already undertaken or proposed to be undertaken by the P.I.D.C., showing the cost, earnings|savings of foreign exchange and other details is given below :

Table No. 46.—List of P.I.D.C. Projects.

(In lakhs of rupees).

Industry	Total cost	Total Govt. capital	Total private capital	Already spent	Balance Govt. share	Balances private share	Foreign exchange savings/ earnings on completion	Direct employment offered (number of workers)
1. Jute mills ...	16,50	6,28	10,22	8,50	3,92	4,08	21,28	50,000
2. Paper and board ...	6,00	4,75	1,25	2,52	2,23	1,25	3,84	5,350
3. Heavy engineering Iron and Steel.	*8,50	*8,50	...	...	*8,50	...	*2,00	1,000
4. Welding electrodes	8	6	2	2	6	...	8	38
5. Shipyard and boilers	5,00	5,00	...	...	5,00	...	3,98	6,945
6. Sugar	4,00	3,60	40	...	3,60	40	8,50	10,000
7. Caustic soda ...	26	13	13	4	9	13	16	173
8. Superphosphates ...	26	20	6	6	20	...	12	32
9. Ammonium sulphate	4,20	4,20	...	...	4,20	...	1,06	523
10. D. D. T. ...	13	13	...	...	13	...	15	50
11. Cement	4,25	4,25	...	...	4,25	...	2,72	925
12. Woollen textiles ...	1,25	1,17	8	70	47	8	39	600
Total ...	**50,43**	**38,27**	**12,16**	**11,84**	**32,65**	**5,94**	**44,28**	**75,636**

Notes.—(1) From 1952 onwards and until the completion of the projects, the saving/earnings of foreign exchange accrue as follows :—

1952	...	Rs. 86 lakhs
1953	...	Rs. 7,00 „
1954	...	Rs. 17,30 „
1955	...	Rs. 34,67 „
1956	...	Rs. 43,41 „
1957	...	Rs. 44,28 „

(2) The figures marked (*) are only preliminary.

(3) The capital outlay shown as the share of private enterprise takes into account only established participation or expectation. More definite assessment of private capital in the projects will be available when the mills are nearing completion.

(*Source* : *P. I. D. C.*)

Private enterprise.

336. It is difficult to mention in similar detail all other indigenous industries. Considerable progress has been made in the manufacture of vegetable oil and soap, rubber and leather goods, cigarettes and matches, glass, ceramics and machine tools. A list of important indigenous manufactures is given in Appendix No. 19.

Section 6.—Industrial statistics

Present defects in industrial statistics.

337. As in the case of agriculture, both basic statistics and current statistics need to be collected. There is a statutory provision for the collection of industrial statistics in the Industrial Statistics Act of 1942, which empowers the Central Government to collect statistics on any matter relating to factories and certain matters relating to labour. Rules incorporating detailed forms for purposes of collection were issued in 1945 and they now cover 63 industries. Every Provincial Government has a statistical office for the purpose of collecting data from the factories and forwarding it to the Central Statistical Office. As the latter office began functioning only in September 1950, no compilation or analysis of industrial statistics for the period until then has been done. The biggest difficulty is incompleteness and inaccuracy of the forms filled by occupiers of factories, who are not always educated and do not maintain proper records. They

either show apathy or aversion to the supply of information, or deliberately give wrong data for fear of its use for other purposes, *e.g.*, tax assessment. The allotment and reallotment of evacuee factories has created further problems. For the Federal Area of Karachi, no statistical authority has been designated since its separation from Sind in 1950, and it appears doubtful that the required information would now be available at all. The Industrial Statistics Act does not apply to States and the rules thereunder do not extend to small scale industries, both of which are serious omissions.

Need for comprehensive industrial statistics.

338. The task of collection, compilation and interpretation of industrial statistics requires knowledge and experience in modern statistics methodology. Accurate definitions of subjects have to be given and questionnaires have to be designed carefully, keeping in view the convenience of those who will have to fill them and avoiding ambiguity. Detailed instructions must be framed. After the data has been collected, it has to be properly edited and tabulated. At present the production and employment statistics are very inadequate, and they need to be collected and compiled much more scientifically. It is essential, for the purpose of industrial planning and regulation of imports, to have the fullest information about local industries, covering not only the 27 industries regulated by the Central Government but also other industries including small-scale industries which are mainly the concern of Provincial Governments. The data should not only cover the existing production but also productive capacity and further potentialities for development, total demand at present and estimate for future, imports, exports if any, requirements of raw materials, cost of production and cost of corresponding imported goods, etc.

Measures recommended.

339. The following measures are suggested, but we feel that the problem should be gone into more thoroughly and a definite plan and procedure for the compilation of industrial statistics should be drawn up :

(i) The scope of Industrial Statistics Act of 1942 should be enlarged to cover the acceding States. The rules framed thereunder should be made applicable to all registered factories. For small scale industries, not falling within the purview of the Factories Act, a suitable sampling scheme should be devised to collect the required data. The C. S. O. should be designated as the statistical authority for the Federal Area of Karachi (which will incidentally help the staff of that office to get practical experience of field conditions). This will complete the industrial coverage.

(ii) The forms prescribed for collection of data should be made as simple as possible, though comprehensive. Duplication in the collection of data should be avoided *e.g.*, the forms prescribed in the rules issued under the Development of Industries (Federal Control) Act of 1949 should be correlated to the forms prescribed in the rules issued under the Industrial Statistics Act of 1942. Adequate arrangements should be made for the collection and compilation of statistics relating to production and employment, as indicated in the preceding paragraph.

(iii) An advisory committee comprising the representatives of industry and the Central and Provincial Governments (including officials concerned with both industry and statistics) should be constituted to advise and assist the C. S. O. in problems connected with industrial statistics. This committee should also consider how the co-operation of the occupiers of factories may be enlisted in obtaining complete and accurate data.

(iv) Immediate consideration should be given to the compilation of basic industrial statistics covering large-scale and small-scale industries, the latter to be dealt with on a sample survey basis, if necessary.

CHAPTER VI

DEVELOPMENT IN OTHER SECTORS

Section 1.—Transport and communications

Importance of transport facilities.

340. The need for easy, quick and cheap means of transport has been brought out in Chapter II as a measure for promotion of trade. The importance of transport facilities has also been emphasised in Chapter IV, as a factor in the marketing of agricultural produce to the best advantage of the grower and the country. Transport is no less necessary for the promotion of industrial production. Accordingly, any programme of general development must be adequately supported by a programme of transport development.

Provision in Six-Year Plan.

341. The Six-Year Development Plan made the following provisions for Transport and Communications :

Railways	Rs. 20 crores.
Roads	Rs. 10 crores.
Ports	Rs. 14 crores.
Telecommunications	Rs. 9 crores.
Total ...	Rs. 53 crores.

Experience during the year and a half since the inauguration of the Plan (July 1951) has shown that these provisions are not sufficient. Nor are they comprehensive, as the development of inland water transport, shipping and civil aviation has not been provided for.

Railways.

342. The railways are the most important means of communications in this country. The following table shows the progress of passenger and goods traffic handled by the railways :

Table No. 47.—Rail movement of passengers and freight.

(Fiscal year) (In lakhs)

Period	Passenger miles	Ton miles
1948-49	489,20	233,90
1949-50	548,50	235,30
1950-51	567,60	271,80
1951-52	616,50	306,80

(*Source* : *Railway Division*).

Thus, there has been a steady increase in both passenger and goods traffic. The railways suffered heavily during the last War and at the time of the Partition, and have a large backlog of replacements and renewals. Additional engines and rolling stock are also being acquired and, in order to reduce consumption of coal, more than 50% of engines have been converted from coal-burning to oil-burning. Workshop facilities are also being expanded. The following table shows the equipment acquired and on order :

Table No. 48.—Progress of railway development programme.

Type of equipment		Already received	On order	Future programme (with an indication of period)	Remarks
1. Engines—	Broad gauge	23	19	18	(The figures in Column 4 against Nos. 1 to 3 relate to the programme for 1952-53.) 2000 wagons were manufactured by E. B. Railway in its own workshops.
	Meter gauge	25	40	13	
2. Wagons—	Broad gauge	366	3,823	159	
	Meter gauge	1,300	1,934	90	
3. Carriages—	Broad gauge	*Nil*	122	123	
	Meter gauge	45	133	86	
4. Rail cars—	Broad gauge	*Nil*	10	...	

(*Source : Railway Division*).

A loan of $ 27.20 million has been negotiated with the International Bank for the railway rehabilitation programme. The railways have done well within their resources but reports of congestion and delays, on certain sections of the railways, *e.g.*, Chittagong Port, have been frequent. There are also complaints of losses of goods in transit and inordinate delays in settling claims. We consider that the railway authorities should investigate such reports and take steps to provide additional facilities and remove the basis for complaints. It appears to us that the railway programme will cost much more than the provision indicated in the Six-Year Plan. The following table shows the expenditure already incurred or budgeted, on capital account.

Table No. 49.—Railway expenditure on Capital account.

(In lakhs of rupees

	Net Capital expenditure			Expenditure from D.R.F.†
	N.W. Railway	E. B. Railway	Total	
1947-48* (actuals)	—62	—27	—89	...
1948-49 (actuals)	1,54	1,61	3,15	12
1949-50 (actuals)	2,86	1,73	4,59	77
1950-51 (actuals)	53	1,79	2,32	1,05
1951-52 (revised estimate)	2,14	4,53	6,67	7,67
1952-53 (budget estimate)	2,99	5,72	8,71	8,22

(*Source : Railway Division*).

* The figures for 1947-48 relate to the period 14th August 1947 to 31st March 1948. The negative expenditure due mainly to recoveries under Store Suspense being larger than the expenditure, resulting from non-adjustment of the cost of stores and coal purchased.

† D. R. F. (Depreciation Reserve Fund) is created from the annual railway revenues at the rate of 1/60th of capital-at-charge.

Elsewhere (para. 434 : page 157), we have made some suggestions concerning the administration of railways, with particular reference to the financial aspects.

Roads. 343. Roads are the next most important means of communications. The existing mileage of roads of various types is given below :

Table No. 50.—*Road mileage in various Provinces.*

Provinces	Superior surface roads	Metalled roads	Unmetalled or *kutcha* roads	Total
1. East Bengal	594	1,028	20,272	21,894
2. Punjab	2,694	410	12,883	15,987
3. Sind	597	160	11,648	12,405
4. N.-W. F. P.	1,103	120	1,899	3,122
5. Baluchistan	586	637	3,453	4,676
Total ...	**5,574**	**2,355**	**50,155**	**58,084**

(*Source* : *Ministry of Communications*).

Information about the States is not readily available. The progress in road construction and improvement as well as maintenance has been satisfactory in Punjab and N.-W.F.P., but Sind and East Bengal do not appear to have done well, particularly the latter. The following table shows the expenditure on improvement and construction of roads incurred so far :

Table No. 51.—*Expenditure on construction and maintenance of roads.*

(In lakhs of rupees.)

Provinces/States	1948-49	1949-50	1950-51	1951-52
1. East Bengal	62·65	135·91	210·21	308·08
2. Punjab	120·92	189·47	262·20	309·82
3. Sind	44·74	37·90	34·75	n.a.
4. N.-W. F. P.	56·14	57·90	51·10	57·12
5. Paluchistan	12·97	18·95	27·83	36.32
6. Karachi	...	3·41	7·20	n.a.
7. ahawalpur State	13·09	10·09	17·29	27·94
8. Khairpur State	3·78	3·50	2·72	3·66
Total ...	**3,14·29**	**4,57·13**	**6,13·30**	...

(*Source* : *Ministry of Communications*).

We understand that East Bengal has recently embarked on a large road construction programme with the help of mechanical devices. We would recommend that Sind Province should also devote greater attention to road construction.

344. A Central Roads Fund has been created out of a portion of the excise and customs duty on petrol. The following allocations have been made from it up to March 1952 for assisting the Province, etc., in road development : Central Roads Fund.

Table No. 52.—*Allocations from the Central Roads Fund.*

(*Up to and including* 1951-52)

(In lakhs of rupees.)

1. East Bengal	37·57
2. Punjab	39·64
3. Sind	17·26
4. N.-W. F. P.	13·71
5. Baluchistan	10·04
6. Karachi	6·29
7. Bahawalpur State	4·19
8. Khairpur State	1·22
9. Other areas and Reserve, etc.	60·02
Total ...	**180·24**

(*Source : Ministry of Communications*).

Recognising the importance of roads the Central Government created last year a fund of Rs. 5 crores for roads of national importance, to provide additional aid to the Provinces. An integrated six-year programme for road development was drawn up by a Chief Engineers' Conference held in 1951.

345. The number of motor vehicles in Pakistan has increased by more than 100% since 1947, which shows the increasing popularity and demand for road transport : Roads *vs.* railways.

Table No. 53.—*Number of vehicles*

Type of vehicle	1947	1951
1. Motor cycles	2,715	8,021
2. Private cars	12,366	28,860
3. Taxi cabs	999	1,709
4. Buses	5,518	9,869
5. Trucks	3,142	7,415
6. Miscellaneous	695	1,525
Total ...	**25,435**	**57,399**

(*Source : Ministry of Communications*).

As between railway and road transport, the tendency so far has been to favour the former. However, the modern trend in other countries appear to give greater importance to road transport. The advantages are smaller capital outlay, greater accessibility and easier handling. Besides, little foreign exchange expenditure is involved in road construction. Of course, for the heavier type of traffic and long distance haulage, railways are indispensable, but it seems high time that for other types of traffic, the comparative economics of road and railway transport should be worked out and the programmes of railway and road development adjusted accordingly. We recommend that an expert committee should be appointed for the purpose which should keep in view not only the initial capital cost and operating expenses but also other economic factors.

Nationalisation of transport.

346. The Central Government passed legislation in 1951 envisaging nationalisation of passenger road transport services in West Pakistan during the next five years. Though from the point of view of improving the standards of service and punctuality, this is understandable, we feel doubtful that such a measure is necessary and that the required improvement could not be effected otherwise. It is sometime suggested that all means of transport including roads, inland waterways and civil aviation should be nationalised. We consider, however, that the financial and technical manpower resources of the Government are hardly adequate for the purpose. We would therefore prefer that instead of nationalising road transport, the Government should take steps to control and regulate it in order to meet the objectives of improvement in the standards of service and elimination of undue rail-road competition.*

Inland water transport.

347. Inland water transport has not yet been developed in West Pakistan but for East Pakistan it is vital. The existing mileage of waterways is estimated at 5,000 during the monsoons and 2,500 miles during the dry season. On account of the network of rivers and the floods during monsoons, railways and road transport cannot reach all parts of the Province and waterways are the only means of communication for many areas. There are two main river companies—River Steam Navigation Company and Indian General Navigation and Railway Company. The Eastern Bengal Railway also put into service a small flotilla in early 1951. And there is an enormous number of country boats plying all over the Province. Improvement is needed in two directions—dredging and training of waterways and improvement in the number and type of river craft. For the former, a fleet of dredgers has been ordered recently by the Government of East Bengal and the proposed Brahamputra Multi-purpose Project provides for the expansion, classification, and systematic organisation of all navigational channels in order to open up the whole Province to river traffic. For the improvement of river craft and river services, a phased programme of development is needed and we consider that it should be planned without further loss of time. We would recommend that an inland waterways control authority should be set up for this purpose. Elsewhere (para. 277 : page 90), we have recommended the constitution of a rates advisory body for inland waterways as well as railway rates.

Shipping.

348. Shipping is important for Pakistan both for international traffic and coastal traffic. The following tables show the increase in shipping traffic :

Table No. 54.—Coastal shipping.

(In thousands of tons.)

Period	Vessels entered			Vessels cleared		
	No. of vessels	Tonnage		No. of vessels	Tonnage	
		In ballast	With cargoes		In ballast	With cargoes
1949-50	213	1.1	347·8	556	16·7	381·1
1950-51	209	5·3	388·0	271	47·9	372·0
1951-52	250	35·2	494·2	308	31·9	476·4
1952-53 (April to October) ...	128	24·1	287·6	142	24·5	242·4

(*Source* : *C. S. O.*).

* Mr. M. Afzal Husain was strongly in favour of nationalisation of road transport.

Table No. 55.—International shipping.

(In thousands of tons)

Period	Vessels entered			Vessels cleared		
	No. of vessels	Net registered tonnage		No. of vessels	Net registered tonnage	
		In ballast	With cargoes		In ballast	With cargoes
1949-50	1,637	159·8	3,753·6	1,650	1,227·5	2,566·6
1950-51	1,729	424·8	3,735·8	1,837	1,240·9	3,102·5
1951-52	2,157	558·3	4,454·2	2,010	1,522·0	3,400·7
1952-53 (April to October) ...	1,000	314·7	2,852·5	990	883·6	2,151·7

(*Source* : *C. S. O.*).

The expansion of Pakistani tonnage has been considerable : from 2,000 tons in 1947, it has increased to 165,000 tons (September 1952) under eight national shipping companies. This was achieved through a policy of allocation of coastal traffic on the basis of tonnage acquired by a company. Unfortunately, many of the ships acquired by the Pakistani companies are obsolete and uneconomic, with the result that their operating costs are high and they cannot compete with foreign ships on international routes. We consider that the Pakistani companies should be organised into a coastal conference. Further, a shipping corporation should be established with an authorised capital of Rs. 5 crores, in order to enter into international routes. It is unfortunate that the Pakistani companies have been unable to come together and form a corporation themselves. The Government should therefore bring about legislation to create a corporation. Care should, however, be taken not to accept the obsolete ships, which deserve to be scrapped. An expert should be employed to study the whole situation and recommend how many and what type of ships should be owned by the corporation and all questions, both from the technical angle and economic angle, should be gone into. The organisation of the Controller of Shipping should be strengthened by the appointment of technical advisers, experienced in different aspects of shipping, on lines similar to the Civil Aviation Department. We consider that there should be at least two passenger ships for regular coastal service between West Pakistan and East Pakistan and that the entire *haj* traffic should be taken over by Pakistani companies as early as possible. The coastal rates, both freight and passenger, should be standardised. We are glad to note that a Mercantile Marine Academy is being set up at Chittagong to train 120 cadets every year.

349. The ports of Karachi and Chittagong and the Chalna anchorage, have handled increasing amounts of cargo, as shown below :

Table No. 56.—Cargo handled by Pakistan ports.

(In thousands of tons.)

Period	Imports			Exports			Grand Total
	Karachi	Chittagong	Chalna	Karachi	Chittagong	Chalna	All ports
1950-51	23,91	12,69	1*	10,81	4,26	32*	52,00
1951-52	26,22	12,04	1,30	11,56	4,45	2,18	57,75
1952-53 (April to October) ...	13,74	7,71	1,05	4,13	1,95	1,09	29,67

(*Source* : *C. S. O.*)

* From December 1950, the date of opening of the port, to March 1951.

The Karachi port has a normal handling capacity of 43 lakh tons a year. We understand that a scheme for the reconstruction of east wharves is under consideration of the Karachi Port Trust. This would enable expansion of the capacity by 30%. The Chittagong port, which had a handling capacity of only 6 lakh tons a year (and 4 ships at a time) at the time of the Partition, has been improvised already for over 20 lakhs tons a year (and 15 ships at a time). The Chittagong Port Development Project, designed to effect improvement on a permanent basis and increase the capacity to 30 lakh tons a year, is under progress. Contract for the construction of new jetties has been given to an English firm and the provision of sidings, railway yards, storage sheds, electric cranes and warehouses, etc., has been made the responsibility of the Eastern Bengal Railways. We understand, however, that the progress is behind schedule. This is a costly project and we would recommend that after completion of Phase I of the project (balanced in all respect) the economics of the whole project should be re-examined and further programme of expansion should be revised, if necessary, keeping in view also the opening of the Chalna anchorage. In any case, the reasons for slow progress should be investigated and the executive agencies pinned down to specified completion dates. In order to facilitate port working an autonomous port trust should be created for Chittagong on the lines of Karachi Port Trust. The anchorage at Chalna (first opened in December 1950) has proved more successful than anticipated and has already developed a capacity of 5 lakh tons a year. The earliest steps should be taken to develop it into a regular port. An autonomous authority should be created also for Chalna and, apart from normal working, it should be made responsible for initial construction and provision of various port facilities. Such autonomous authorities should have adequate Government representation and their constitution should be such as to ensure that national interests are not subordinated to commercial or departmental considerations.

Ship repair and shipbuilding.

350. Great importance attaches in our view to the provision of facilities for :—

(a) dry and wet repairs to all vessels for inland water transport, coastal and international traffic ; and

(b) building of vessels in Pakistan both for inland water transport and for cargo and passenger traffic on the high seas.

None of these facilities exist to any sizeable extent in Pakistan at present with the result that there is not only large 'invisible' expenditure of foreign exchange but serious difficulties and delays are experienced in booking repair facilities in foreign countries. The construction of a dry dock by the Karachi Port Trust is thus a step in the right direction but, by itself, it will not meet all repair requirements. A suitable modern workshop is a necessary adjunct to the dry dock and this will be provided by the shipyard scheme to which we shall presently refer. The expansion and modernisation of dockyards at Narayanganj for the smaller vessels and launches plying in East Pakistan is also important. We understand, however, that though the project has been sanctioned no progress on it has yet been made.

351. The P. I. D. C. has submitted a scheme to the Government for the setting up of a modern shipyard at Karachi to provide repair facilities and to build (a) cargo vessels including tankers of 8,000 dead weight to 12,000 dead weight tons, (b) passenger ships for plying between East and West Pakistan, (c) pilgrim passenger ships, (d) river craft for East Pakistan, (e) light vessels, inspection boats and other Government vessels, and (f) new naval vessels of smaller classes. Such a shipyard will meet a vital need. The P. I. D. C., in consultation with

German experts, is also preparing a scheme for building up river traffic in East Pakistan, with its complementary repair and building facilities, to be established at suitable places in that Province. Tangible results should be expected from this effort.

352. Civil aviation in Pakistan is still in infancy. One of the two authorised airlines closed down in 1950. We understand that another company has been recently approved for scheduled services. The Government has been considering nationalisation for a long time but no results have been visible, except that three Super-constellations have been ordered for international traffic. We recommend that an autonomous air corporation should be sponsored by the Government, both for external and internal services, and that it should take over the assets of existing companies and the aircraft ordered by the Government. The Government must also accept the position that they will have to subsidize the running of the corporation, particularly for passenger traffic between West and East Pakistan. The provision of aviation facilities, *e.g.*, improvement of air fields and air communications, navigational aids, etc., will continue to be the responsibility of the Government and adequate steps should be taken for the purpose. The training of a sufficient number of Pakistanis for commercial flying is most important, and the instructional facilities at the flying clubs should be expanded and improved. Civil aviation.

353. The Posts and Telegraphs Department has made substantial progress since the Partition. The following table shows the business transacted by it : Posts and Telegraphs.

Table No. 57.—Working of Posts and Telegraph Department.

(In thousands of rupees.)

	Unit	1948-49	1949-50	1950-51	1951-52
1. Insured letters	Rupees	9,72,42	11,09,58	12,86,23	15,18,80
2. Insured parcels	„	75,69	1,29,00	1,46,93	1,55,86
3. V. P. letters	„	2,75,59	3,29,19	3,77,38	4,55,82
4. V. P. parcels	„	86,72	1,13,13	1,13,96	1,75,83
5. Registered letters	Number	65,30	82,01	87,86	94,83
6. Registered parcels	„	6,41	6,97	8,27	9,08
7. Money orders issued ...	Rupees	24,44,38	24,95,09	24,59,96	27,83,57
8. Unregistered articles delivered...	Number	32,13,15	31,76,36	35,59,61	39,88,21

(*Source* : *Ministry of Communications*).

The expansion in the number of telephones, telephone exchanges and tele-printers is shown below :

Table No. 58.—Telephones, exchanges and tele-printers.

Service	1947 (15th August)	1952 (15th August)	Six Year Plan Target
1. Number of telephones	13,726	21,904	28,000 Auto 6,850 Manual
2. Telephone exchanges	244	296	55 additional new exchanges and expansion of 67 existing exchanges.
3. Tele-printers	28	56	100

(*Source* : *Ministry of Communications*).

A telephone factory has been started recently, under an agreement with a foreign firm, and in five year's time the production will rise to 7,000 instruments and 7,000 line exchange equipment per year. A factory for the production of telegraph line stores is already in operation. V. H. F.* equipment for telegraphs and telephones, both in West and East Pakistan, is proposed to be installed. A number of wireless transmitters to establish direct communication between West and East Pakistan and with important international centres, have been installed and more are proposed. We understand that some equipment (wireless transmitters) has been offered by Australia under the Colombo Plan aid, and that more is expected. The expansion of postal and tele-communication facilities is of great importance to the development of trade and industry, and the progress made should be maintained. The ~~complaints in working~~ reported from East Pakistan, *e.g.*, delays in delivery and mutilation of telegrams and delays in securing trunk call on telephones should, in particular, be looked into.

354. The following table shows the capital expenditure incurred by the Posts and Telegraphs Department so far :

Table No. 59.—Capital expenditure of Posts and Telegraph Department

(In lakhs of rupees.)

Year	Gross expenditure
1947-48†	12
1948-49	21
1949-50	1,29
1950-51	82
1951-52†	1,36
1952-53	2,33

(*Source : Budgets of the Central Government.*)

Section 2.—Social development—Education

Importance of social development.

355. It is a most difficult task to determine what portion of available resources should be devoted to social development. Such investment is not productive in the ordinary sense and does not directly increase the quantity of goods available for consumption or export. A school of thought maintains the view that in underdeveloped countries, the primary need is productive economic development which, on the one hand, builds up resources for investment in social development later on and, on the other hand, has a disinflationary potential. However, to ignore the requirements of education and health and other social obligations, would neither be possible nor desirable. Even the basic educational and medical facilities are lacking in Pakistan and it would be wrong to disregard the immediate need for their expansion. Political emancipation creates demand for improvement in living conditions, of which the most obvious factors are education, health and housing. We cannot also lose sight of the long term effect of non-development of educational and health facilities. The very purpose of an economic development programme will be undermined if the man-power, which is the primary sustaining factor, is rendered continually deficient in knowledge and health. A programme of social development is therefore

*V.H.F. means very high frequency.
†Figures relate to the period 15th August 1947 to 31st March, 1948.

as important as a programme of economic development. It pays good dividends ultimately, enabling a faster rate of development than would be possible otherwise.

356. The percentage of literacy in Pakistan is one of the lowest in the world. The following table gives the figures for various Provinces and States etc. : Percentage of literacy.

Table No. 60.—Percentage of literacy.

1.	Pakistan (average)	13·5
2.	East Bengal	16·9
3.	Punjab	10·2
4.	Sind	10·8
5.	N.-W. F. P.	7·8
6.	Baluchistan	8·2
7.	Federal Capital Area, Karachi	31·3
8.	Bahawalpur State	6·0
9.	Khairpur State	8·8
10.	Tribal Area (N.-W. F. P.)	1·3
11.	Baluchistan States (Union)	2·2

(*Source* : *C. S. O.*).

The existing educational facilities are very meagre—only 40,295 primary schools and 6,500 middle and high schools for the population of 7.6 crores. The number of technical training institutions is only 25 or so in the whole country. Apart from the intrinsic value of education, lack of it hampers development in two important ways—it makes it more difficult to pick up knowledge and it prevents the growth of a full sense of responsibility. Technical education and research facilities are vital for all industrial progress. Existing facilities.

357. The provision for education included in the Six-Year Plan was only Rs. 19 crores (including Rs. 9 crores for technical training). This was in no way intended to represent the entire expenditure on education in the country, but was sought to be an extra provision, *i.e.*, in addition to the normal expenditure on education in the various Provinces and other administrative units. The inadequacy of this amount has been demonstrated already by the social uplift grants which the Central Government made last year. Out of the total of Rs. 18 crores, education has claimed Rs. 8.82 crores. A list of the schemes approved against the social uplift grants is given in Appendix No. 25. This shows that the original provision was influenced more by the consideration of lack of funds than by the real needs. The expenditure incurred in the various Provinces since the Partition is given in the following table. The figures for States are not readily available. Expenditure on education.

Table No. 61.—Expenditure on education in Pakistan.

(In lakhs of rupees.)

	1948-49	1949-50	1950-51	1951-52	1952-53	Total
1. Centre*	27·96	64·24	66·07	1,24·63	1,03·37	3,95·49
2. East Bengal	1,86·73	2,11·63	2,09·30	2,18·66	2,62·48	12,23·38
3. Punjab	224·36	2,46·80	2,78·46	3,06·29	3,71·04	15,35·61
4. Sind	76·19	82·48	89·76	1,03·10	1,40·25	5,75·37
5. N.-W. F. P.	41·48	47·70	61·80	76·35	88·48	3,53·95
Total	**5,56·72**	**6,52·85**	**7,05·40**	**8,29·03**	**9,65·62**	**40,83·80**

(*Source* : *Budgets of the Central and Provincial Govts.*).

The annual expenditure on education has risen from Rs. 5.6 crores to Rs. 9.7 crores. However, the proportion of expenditure on education during 1952-53 to the total revenues of the Central and Provincial Governments is only 5%. This is grossly inadequate.

*Includes expenditure in Baluchistan and Karachi, which are Centrally-administered areas.

Reorientation of educational policy: six-year programme.

358. A reorientation of the educational policy has been attempted to suit the ideals and aspirations of the new State. An Education Conference was convened towards the end of 1947. Three permanent bodies were set up, *viz.*, Advisory Board of Education, Inter University Board and Council of Technical Education and a number of expert committees were appointed to investigate the specific problems of educational aims, organisation, contents and methods. In July 1951, a conference of Education Ministers, Vice-Chancellors and Directors of Public Instruction was held, and the Universities and Provincial Education Departments were asked to draw up a six-year programme of education. The total cost of the programme comes to Rs. 115 crores of which Rs. 72 crores is non-recurring and Rs. 43 crores recurring. An indication of the items included in the programme is given below :

Table No. 62.—Proposed Six-Year Programme of Education (1951-57).

Items	Present Position		Provision under the programme		Cost (in lakhs of rupees)		
	Number	Capacity	Number	Capacity	Recurring	Non-recurring	Total
1. Pre-primary education.	18	883	30	1,940	14·74	16·92	31·66
2. Primary education	40,295	32,12,312	24,027	37,51,070	2,033·59	2,221·36	4,254·95
3. Secondary education	6,486	11,64,142	721	2,37,600	574·62	1,704·83	2,279·45
4. Education of the handicapped.	9	166	7	800	9·93	9·65	19·58
5. Teachers training ...	136	6,930	127	13,870	287·54	237·42	529·96
6. Additional inspectoral staff.	...	...	...	...	113·54	7·38	120·92
7. Higher education (Colleges).	125	39,393	10 colleges 10 hostels	3,050 985	82·07	318·79	400·86
8. Higher education (Domestic Science and Arts).	1	41	3	500	13·93	36·57	50·50
9. Higher education (Universities).	5	...	(Development of the existing five universities).	...	332·01	1,208·46	1,540·47
10. Higher education (New Universities)	...	...	1	...	104·00	59·00	163·00
11. Adult education ...	881	27,736	8,072	9,20,000	8·90	7·96	88·96
12. Audio visual aids ...	...	...	...	...	30·83	26·10	56·93
13. Physical education	1	...	1	...	6·49	15·62	22·11
14. Sports stadiums and gymnasiums.	4 stadiums and 105 gymnasiums.		9 stadiums 2 sports hostels. 530 gymnasiums and 3 swimming pools.	...	5·56	112·30	117·86
15. Youth movement ...	2,858 (youth clubs.) 6 (youth hostels.)	...	...	845 youth clubs. 27 youth hostels.	27·23	56·66	83·89
16. Medical inspection and treatment of school children.	In 2 high schools	...	...	Regular medical inspection in 3,231 institutions.	119·18	17·00	136·18

Items	Present position		Provision under the programme		Cost (in lakhs of rupees)		
	Number	Capacity	Number	Capacity	Recurring	Non-recurring	Total
17. Fresher courses for teachers.	...	...	261	30,000	4.81	13.31	18.12
18. Encouragement of art & cultural activities.	1 Art gallery. 1 Science museums. 6 public museums. 2 colleges of fine arts. 20 cultural centres 23 public libraries	...	4 Art galleries 3 Science museums. 3 public museums. 2 Colleges for fine arts. 26 Cultural centres. 524 Public libraries.	...	76.31	454.33	530.64
19. Overseas scholarships		...	372 in natural sciences, the humanities, technology and education;	...	56.73	3.00	59.73
20. Training of existing personnel abroad.	...	...	264 persons to be sent abroad.	...	19.63	...	19.63
21. Technical education	2 Tech. high schools 3 Engg. colleges	...	20 Technical schools. 7 Composite schools. 2 polytechnics 2 Engg. colleges.	5,430 1,770 2,250	220·82	531·40	752·22
22. Commercial education.	8 Commercial schools 3 Commercial colleges	774 614	12 Commercial schools. 1 Institute of Commerce.	4,420 350	60·43	120·63	181·06
23. Miscellaneous schemes.	...	...	(1) Institute of Islamic Research. (2) Urdu Academy. (3) Central Council of Fine Arts etc.	...	41·93	43·50	85.43
			Total	...	43,16.82	72,22·21	115,39·99

(*Source : Ministry of Education*).

359. The aim of the proposed programme is to achieve balanced and systematic educational progress in all its aspects—physical, intellectual, social, moral, religious and aesthetic—at all stages from the pre-primary to the post-graduate standard and for all types of pupils including the handicapped. Adequate provision has been made for technical and commercial education as an integrated part of the educational system. The programme contains practical suggestions for financing the recurring and non-recurring expenditure. It is intended that apart from the provisions which may be made by the Central, Provincial and State Governments, private effort should be mobilised. For instance, in the case of primary schools, while the entire recurring cost should be met by the relevant **Objectives for future.**

Governments, the responsibility for provision of land, buildings and equipment should be borne mainly by the people of the localities concerned. In the case of secondary schools, three private schools should be established against one Government school, though the Government concerned should give grants-in-aid up to 50% of the capital expenditure involved. As regards recurring expenditure, the schools should be able to find the major part of it by making suitable adjustment in fees. The Government concerned will, however, give grants-in-aid to private institutions, though on a reduced scale. The same principles would apply to the colleges. The cost of youth movement and cultural activities should be shared equally by the Government and the private agencies. On the above basis, the distribution of financial responsibility for the programme would be roughly as indicated below :—

(In crores of rupees.)

	Recurring	Non-recurring	Total
Central Government	8.7	14.9	23.6
Provincial and State Governments ...	33.5	29.5	63.0
Public	.8	27.6	28.4
Total ...	43.0	72.0	115.0

360. The existing educational budget of Central and Provincial Governments totals to only Rs. 9 crores a year. Although an additional Rs. 8.82 crores have been provided by the Central Government out of the social uplift grants, and this should enable the Provinces etc., to launch the first phase of the educational programme, it appears necessary that the provisions for the future should be substantially higher. Education forms the basis of all progress, political as well as economic and social, and no development projects can yield full benefits if the personnel responsible for their execution, maintenance or utilisation is not suitably educated.

Section 3.—Social development—Health

Expectancy of life.

361. The standards of nutrition and the climatic conditions in many parts of Pakistan are such that the incidence of disease is heavy. The expectancy of life is, therefore, one of the lowest in the world as would be apparent from the following table.

Table No. 63.—Expectancy of life in various countries

	Expectancy of life		Year in which the estimate was made
	Male	Female	
1. Pakistan & India	26.91	26.56	1921—31
2. Austria	54.5	58.5	1930—33
3. Australia	66.07	70.63	1946—48
4. Burma	30.61	31.00	1921—31
5. Belgium	56.02	59.79	1928—32
6. Canada	62.96	66.30	1940—42
7. Egypt	35.65	41.48	1936—38
8. Germany	59.86	62.81	1932—34
9. Japan	50.06	53.96	1947
10. Norway	67.76	71.68	1945—48
11. Netherlands	69.4	71.5	1947—48
12. New Zealand	65.46	68.45	1934—38
13. Switzer land	62.68	66.96	1939—44
14. Thailand	36.73	43.30	1937—38
15. U. K.	66.01	70.63	1949
16. U. S. S. R.	41.93	46.79	1926—27

(*Source : Ministry of Health*).

Apart from other considerations, the time wasted in sickness and the loss of life at an early age, mean a colossal national waste. Considerable expansion is therefore called for in both the preventive and curative wings of medical organisation. The existing facilities are very meagre. There are only 1700 rural dispensaries and 800 hospitals of all sorts, for the population of 7.6 crores and area of 360,000 square miles.

362. The provision for health in the Six-Year Plan was only Rs. 4 crores, for the same reasons as indicated for education in Section 2. The allocation for health out of the Central social uplift grants of Rs. 18 crores made last year was Rs. 8.47 crores. A list of the health schemes approved against these grants is given in Appendix No. 25. The following table shows the expenditure on health in the various Provinces since the Partition. The figures for States are not readily available. Expenditure on health.

Table No. 64.—Expenditure on health in Pakistan.

(In lakhs of rupees.)

	1948-49	1949-50	1950-51	1951-52	1952-53	Total
1. Centre*	10.50	13.09	13.92	14.60	25.73	80.95
2. East Bengal	36.09	30.55	36.18	37.82	37.80	1,99.58
3. Punjab	26.48	64.57	1,18.77	1,94.26	1,44.46	5,58.33
4. Sind	8.10	8.64	8.52	9.39	10.07	53.32
5. N. W. F. P.	2.10	2.46	3.57	3.82	5.54	20.69
Total ...	83.27	1,19.31	1,80.96	2,59.89	2,23.60	9,12.87

(*Source* : *Budgets of the Central and Provincial Governments*).

It will be observed that the annual expenditure has increased from Rs. 83 lakhs to Rs. 2,24 lakhs. It was (during 1952-53) only 1% of the total revenues of the Central and Provincial Governments, a figure totally inadequate.

363. A Health Conference was held at Dacca in January 1951 and a number of development schemes were approved there. They are regarded by some as a six-year programme for health but cannot obviously claim this position as they present no integrated picture and give no idea of the total expenditure involved. The "programme" covered the following schemes :— Health Conference proposals.

Table No. 65.—Schemes included in the health "programme".

(In lakhs of rupees.)

Name of scheme	Non-recurring cost	Recurring cost
1. 2,000 dispensaries of the type recommended by the Bhore Committee for primary units.	n.a.	n.a.
2. 500 30-bedded hospitals	n.a.	n.a.
3. 160 200-bedded hospitals	n.a.	n.a.
4. Conversion of two medical schools in East Pakistan into medical colleges ...	n.a.	n.a.
5. One new medical college in West Pakistan	n.a.	n.a.
6. Institute of Hygiene and Preventive Medicine	1.0	3.4
7. Drugs factories—one each in West and East Pakistan	3.6	6.1
8. Medical Research Institute	n.a.	n.a.
9. Drug Testing Laboratories	n.a.	n.a.
10. Factory for the manufacture of penicillin	n.a.	n.a.
11. Improvement in the existing T.B. hospitals	n.a.	n.a.
12. Improvement of water supplied in the country and provision of sewerage in main towns.	n.a.	n.a.
13. 4 200-bedded T.B. hospitals—two in West Pakistan and two in East Pakistan	n.a.	n.a.
14. One additional 500-bedded hospital at Karachi	6.0	20.0
15. Installation of X-ray plants in all existing and proposed hospitals	n.a.	n.a.
16. Improvement of Dow Medical College, Karachi	n.a.	n.a.
17. Provision of adequate equipment for all existing hospitals	n.a.	n.a.
18. Organisation of anti-malaria operations	n.a.	n.a.
19. A Radium Institute at Karachi	22.0	n.a.
20. A Nutritional Research Institute	n.a.	n.a.

(*Source* : *Ministry of Health*).

*Includes expenditure in Baluchistan and Karachi which are Centrally-administered areas.

Some of these schemes have already been taken up with the help of funds provided by the social uplift grants or as part of normal departmental activity, but it appears that the other schemes have not yet been worked out in detail.

Additional health schemes.

364. The following other schemes are stated to be in view :—

Table No. 66.—Additional health schemes in view

(In lakhs of rupees)

Name of scheme	Non-recurring cost	Recurring cost
1. Mental hospital at Karachi	2.6	7.3
2. Institute of Hygiene and Preventive Medicine at Dacca	3.0	14.1
3. Malaria Institute building at Dacca	7.0	*Nil*
4. T.B. control and training centre at Karachi	4.2	.5
5. T.B. control and training centre at Dacca	n.a.	n.a.
6. Maternal and child health project at Karachi	1.0	.5
7. Maternal and child health projects at Dacca, Lahore and Peshawar ...	n.a.	n.a.
8. V. D. Centre at Karachi	1.5	1.5
9. V. D. Centre at Dacca	1.6	.5
10. B. C. G. vaccination in Baluchistan	1.5	n.a.
11. Nurses Training Hospital at Dacca	n.a.	n.a.
12. Children's Hospital at Karachi	2.9	n.a.
13. Medical College at Hyderabad	19.6	70.0

(*Source* : *Ministry of Health*).

Need for integrated plan.

365. It appears to us essential that an integrated health programme for the country should be drawn up for the next five years, and priorities *inter se* should be determined. The programme should be implemented to the extent of available resources, but we envisage that both the Central and the Provincial Governments will make larger provisions for health expenditure than made hitherto.

Section 4.—Social development—Housing

Importance of housing.

366. Of the three primary necessities of human life *viz.*, food, clothing and shelter, housing is one. No statistics are available regarding residential accommodation available in Pakistan or the extent of housing shortage. But it is a matter of common knowledge that acute difficulties exist in the urban areas. The movement of rural population to urban areas in search of employment is the normal phenomenon of modern times, but the influx of refugees has greatly aggravated the problem in Pakistan.

Expenditure on housing.

367. The provision included in the Six-Year Plan was only Rs. 4 crores. However, out of the special refugee taxation levied in 1950 and the refugee rehabilitation fund of Rs. 5 crores created by the Central Government in 1951-52 budget, a substantial portion (over Rs. 3 crores), has already been made available for housing schemes for refugees only. This is in addition to the expenditure incurred by the Provincial Governments on refugee housing, and the cost of town planning schemes and ordinary housing programmes.

Schemes of refugee satellite towns.

368. The following schemes of housing and satellite towns have so far been approved by the Central Government for refugees :

Table No. 67.—Schemes of satellite towns

(In lakhs of rupees).

Name of town	Central grant
	Rs.
Punjab—	
1. Lyallpur (three colonies)	43.65
2. Multan	19.37
3. Gujranwala	14.62
4. Sargodha...	12.70
5. Montgomery	11.02
6. Rawalpindi	21.52
7. Jhang	21.83
8. Satellite towns at Lahore	40.52
Total ...	185.23
East Bengal—	
9—12. Four satellite towns at Mirpur, Narayanganj, Kaliganj and Tejgaon	2.54*
Sind—	
13. Hyderabad	81.86
14. Mirpurkhas	7.76
15. Nawabshah	2.18
Total ...	91.80
Baluchistan—	
16. Satellite town near Quetta	7.94
17. Houses in various areas	.90
Total ...	8.84
Karachi Federal Area—	
18. Lalukhet	33.78
19. Drigh village	
Grand Total ...	322.19

* For Mirpur & Narayanganj only.

(*Source* : *Ministry of Refugees and Rehabilitation*).

These satellite towns are expected to provide housing accommodation for about 58,000 refugee families or for 3 lakh persons. Public amenities such as schools, hospitals, maternity homes, mosques, etc., will be provided in these towns. In Karachi, three refugee colonies have been developed already, Nazimabad (1,000 acres), Aurangabad (75 acres) and Lalukhet (524 acres). Two more are planned—Drigh Village and Malir. The Refugee Rehabilitation Finance Corporation has built one artisan colony at Nazimabad and has planned a second one at Mangho Pir. A small colony at Landhi has been built out of the Quaid-e-Azam Relief Fund. The building of such satellite towns is a step in the right direction but two considerations are important : (a) such towns should be located as far as possible in areas requiring housing for industrial labour so that industry is relieved of this responsibility and expenditure, and (b) care should be taken not to reduce such towns into slum areas for the poorest class of population but there should be provision for housing of lower middle and upper middle classes also.

Gravity of problem in Karachi.

369. The problem of housing is, however, far from having been solved and we consider that the efforts made should be intensified. The provision of houses for

refugees seems to have been left entirely to the Government initiative. In such a matter, private enterprise and public interest should be mobilised, and many more and cheaper houses built all over the country. In Karachi alone, 50,000 refugee families are estimated to be still squatting on foot-paths and the influx into Karachi continues. Lack of housing is a grave source of discontent, apart from being socially unjust and undesirable. The population of Karachi has risen from 3.5 lakhs before the Partition to 11.13 lakhs at the time of 1951 Census, when the refugees were numbered at 5.43 lakhs. It is estimated that the number of refugees has since gone up further to 7.5 lakhs. The available water supply has consequently diminished from 40 gallons *per capita* per day to less than 15 gallons. Similarly, the available power supply is under acute strain. For these reasons we feel that the question of dispersal of surplus refugee population from Karachi should be seriously considered; and for the numbers that can be retained in the metropolis, the house building programme should be speeded up and all formalities and bottlenecks hindering progress should be eliminated.

Town planning and housing generally.

370. Apart from housing schemes for refugees, town planning schemes have been undertaken in the bigger towns like Karachi, Lahore, Dacca and Chittagong, with a view to develop areas both for industrial and residential purposes. At Karachi, an Improvement Trust has been established and it has in view the development of 10 different areas in and around the town. At Lahore, the local Improvement Trust has created a number of new townships. The town planning schemes of Dacca and Chittagong which are operated by the Provincial Government themselves together involve a cost of over Rs. 2 crores and should help to meet the growing needs of those towns.

Housing for Govt. servants.

The Central Government (particularly the Ministry of Defence, the Railways and the Posts and Telegraph Department) and the Provincial Governments have been constructing housing accommodation for their employees as part of their normal activity. The total expenditure incurred by the Central Government on this account is 11.5 crores (including the year 1952-53). At Karachi alone, over 10,200 Government quarters of various types have been built or are under construction, and 1,030 more are on programme (though 8,500 employees would still remain unprovided for). Facilities have been offered both to Government servants and private persons for building houses of their own, by allotment of Government owned land (about 4,700 acres) to over 80 co-operative housing societies on very cheap terms. About 600 houses have already been constructed by the Government employees' housing society alone. The authorisation by the Central Government of house advances up to 18 months' salary, has been of great help to Government servants, particularly those who had lost their assets as a result of the Partition.

Housing Finance Corporation.

371. We consider that an imaginative building programme on the part of the Housing Finance Corporation (authorised capital Rs. 5 crores) is called for. The machinery of the Corporation should be set into operation without further delay and all necessary measures to promote house building by the people at large should be taken, after a survey of requirements and potentialities in various areas. Not only finance but facilities for obtaining building materials at reasonable prices and extra labour where necessary must be provided. The Central Government have offered two important concessions: no income-tax is leviable for a period of two years on the rental value of houses started and completed during the period 1st April 1951 to 31st March 1953, and, houses built in the Karachi Federal area after 28th February 1949 are not to be requisitioned. We consider that these concessions should be continued.

372. On the Partition of the Indo-Pakistan sub-continent on 14th August 1947, Pakistan faced, in addition to the big task of setting up a new Central administration and re-organising the armed forces, the bigger problem of settling lakhs of refugees. Mass killing and looting took place and Muslims were driven across the new border. Within a few months of the Partition over 60 lakhs of Muslims had entered West Pakistan. The mass migration to East Pakistan started in March 1950 and by June 1952, 33.42 lakh Muslims had entered East Bengal while 20.76 lakh persons left the Province leaving a net influx of 12.66 lakhs. Due to economic and social reasons, Muslims from India still continue to cross into Pakistan and the present rate of influx through Khokrapar (Sind) alone is about 5,000 per month. The total refugee population in Pakistan is now estimated at 75 lakhs. There is a net excess in West Pakistan of nearly 11 lakh persons (67 lakh entered against 56 lakh left). In addition, in West Pakistan (mainly Punjab) there are 5 lakh refugees from Kashmir. Number of refugees.

373. The resettling of such a large number of uprooted people, in almost destitute conditions, presented a problem unprecedented in history. Not only immediate relief by way of shelter, food and clothing had to be provided, but permanent means of livelihood had to be found for the new comers. Very considerable expenditure (estimated at over Rs. 30 crores) has been incurred during the last five years by the Centre and the Provinces on refugee camps and other relief measures, and subsequently on rehabilitation including the housing schemes referred to in the preceding Section. The brunt was borne by Punjab, East Bengal and Karachi. The Central Government levied special refugee taxes in November 1950 in order to meet the financial burden. The proceeds of this taxation, estimated at Rs. 4.65 crores (during the years 1950-51, 1951-52 and 1952-53) and the fund of Rs. 5 crores created from surplus revenues in 1951-52, have been allocated as follows :— Expenditure on relief and rehabilitation.

Table No. 68.—Allocation of Central refugee rehabilitation grants.

	(In lakhs of rupees.)
1. East Bengal	1,25
2. Punjab	3,00
3. Sind	1,00
4. N.-W. F. P.	10
5. Baluchistan	10
6. Karachi	3,00
7. Bahawalpur State	20
8. Kashmir refugees	1,00
Total	9,65

(*Source : Ministry of Finance*).

These allocations are not considered adequate by the Provinces etc., whose total immediate requirements are over Rs. 21 crores against Rs. 9.65 provided. In addition to these grants, the Central Government has from time to time made grants-in-aid and loans to the Provinces during the last five years. Apart from the expenditure incurred by the Central and Provincial Governments large monies were spent out of the Quaid-i-Azam Relief Fund (Rs. 3.29 crores), mainly for immediate relief of refugees.

Agriculturist refugees.

374. Agriculturist refugees have been settled on evacuee land which has generally been allotted on rental basis, but it is now proposed to give them proprietory rights on the basis of their holdings in India, not exceeding however, 450 acres in any case. *Taccavi** loans and maintenance allowances were given liberally to enable the agriculturist refugees to start new life. It is estimated that out of 46 lakhs rural refugees 42 lakhs have been settled on a temporary or permanent basis. The remainder can be settled only with the help of new irrigation and reclamation schemes like the Thal Project, Lower Sind Barrage, etc., and their permanent rehabilitation therefore depends upon the progress of such schemes.

Urban refugees.

375. The urban refugees have been settled in towns and cities by allotment of evacuee houses, shops and factories, etc. In their case, apart from housing, the problem was of finding suitable employment. The Refugee Rehabilitation Finance Corporation was set up in 1948 with a capital of Rs. 3 crores to help in starting cottage industries at different centres in order to absorb the artisan classes and to grant loans (Rs. 1 crore advanced already mainly in the form of equipment) to individuals and societies for resettlement purposes. The employment exchanges have also been helping to secure suitable employment for refugees. The number of persons, comprising refugees mostly, registered and placed in employment, is shown in the following table:

Table No. 69.—Persons registered and placed by Employment Exchanges

Year	No. of persons registered	No. of persons placed in employment
1947	13,615	4,455
1948	15,515	4,952
1949	18,923	5,974
1950	19,256	3,818
1951	21,121	3,126
1952 (January to August)		
Total ...	**88,430**	**22,325**

(*Source* : *C. S. O.*).

Numerous industrial homes and infirmeries have been established, either directly by the Government or by public bodies, for maintenance of un-attached women and orphans. Scholarships and stipends have been given to indigent refugee students. In East Bengal, two major schemes for rehabilitation of 29,000 agriculturist refugee families and 4,000 non-agriculturist refugee families have been taken up at a cost of Rs. 66 lakhs and 22 lakhs, respectively.

Kashmir refugees.

376. As regards refugees from Kashmir, 27,000 are still living in camps while others are scattered over Punjab and Azad Kashmir. Efforts are being made to enable these refugees to earn their living, and substantial expenditure has already been incurred in this connection.

Importance of absorption into economic life.

377. We consider that the permanent rehabilitation of all refugees is an urgent problem. It is obviously important to resettle persons who have been uprooted out of their normal environments and vocations and to make them part and parcel of economic life in Pakistan. Floating population and lack of employment, create not only acute moral, social and political complications but are a disturbing source for the entire economy. Therefore, on the one hand, we would urge all-out efforts to enable refugees to lead a fully useful life, and, on the other hand we would appeal to the refugees also to help themselves and show anxiety to make their contribution in the new economic and social conditions.

**Taccavi* loans are loans advanced by the Government for assistance to agriculturists in improving land purchasing cattle, etc.

CHAPTER VII

REVIEW OF DEVELOPMENT PROGRAMME AND TARGETS

Section 1.—Development expenditure so far

378. Capital expenditure involves the creation of new assets or the improvement of existing assets and may thus be considered development. But all expenditure on capital account is not necessarily 'development'. On the other hand, there may be an element of developmental expenditure on revenue account, particularly where reconstruction or renewal is involved. Most of the expenditure on agriculture and almost the entire expenditure on education, health and other items of social development is met by the Provincial Governments from the revenue account. What is development expenditure.

379. The following table shows the capital expenditure on developmental purposes incurred by the Central Government so far. It makes a total of Rs. 88 crores. Developmental expenditure of Central Government.

Table No. 70.—Development expenditure of Central Government on Capital account.

(In lakhs of rupees.)

	1947-48 (actual)	1948-49 (actual)	1949-50 (actual)	1950-51 (actual)	1951-52 (revised estimates)	1952-53 (budget estimates)	Total
1. Railways*	—89†	3,15	5,59	3,37	14,34	16,94	42,50
2. Posts and Telegraphs*...	12	21	1,12	82	1,36	2,33	5,96
3. Agricultural improvement and research	...	...	...	...	...	1,02	1,02
4. Irrigation	...	3	10	3	9	14	39
5. Industrial development	...	3	1,03	51	6,43	10,26	18,26
6. Civil Aviation ...	5	4	41	26	1,08	1,18	2,65
7. Broadcasting ...	12	21	16	7	17	8	81
8. Civil Works	1,29	1,00	2,68	1,69	1,88	2,83	11,37
9. Capital outlay on Federal Capital	...	...	...	...	30	2,32	2,62
10. Capital outlay on ports	...	...	...	...	11	33	44
11. Misc. government investments...	...	...	...	...	50	1,52	2,02
Total ..	69	4,67	10,72	6,75	26,26	38,95	88,04

(*Source : Budgets of the Central Government.*)

*The figures indicate gross capital expenditure, *i.e.*, they include expenditure from D. R. F.

†For explanation, *see* footnote under Table No. 49 in para 342 (Chapter VI).

Funds for development.

380. During the last three years the Central Government created a number of funds out of surplus revenues, for development purposes. Their list is given in Table No. 85 (page. 146). They total up to Rs. 50.80 crores (or Rs. 52.30 crores, including the agricultural development grants).

Development expenditure of Provinces.

381. The expenditure on development incurred by the Provincial Governments on capital account is shown in the following tables. It is Rs. 24 crores in the case of East Bengal, Rs. 49 crores for Punjab, Rs. 20 crores for Sind and about Rs. 6 crores for N.-W.F.P.

Table No. 71.—Development expenditure of East Bengal Government on Capital account

(In lakhs of rupees.)

Items	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)	Total
1. Irrigation, navigation, embankment and drainage work ...	...	...	...	...	40.00	1,00.00	1,40.00
2. Agriculture-development and research	1.26	1.61	1.36	2.70	10.30	29.00	46.23
3. Industrial development ...	0.06	2.46	3.34	3.09	10.12	1,07.25	1,26.32
4. Narayanganj dockyard, etc. ...	...	...	...	.19	4.20	11.00	15.39
5. Civil Works	18.62	59.12	1,51.18	279.91	6,26.70	8,88.27	20,23.80
Total ...	**19.94**	**63.19**	**1,55.88**	**2,85.89**	**6,91.32**	**11,35.52**	**23,51.74**

(*Source : Budgets of East Bengal Government.*)

Table No. 72.—Development expenditure of Punjab Government on Capital account

(In lakhs of rupees.)

Heads	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)	Total
1. Irrigation Works ...	76.76	3,04.75	5,11.15	5,34.55	6,52.43	7,08.60	27,88.24
2. Capital outlay on agricultural schemes.	...	2.58	24.09	—4.94	1.54	...	23.27
3. Capital outlay on industrial development.	...	18	—.15	—3.50	.16	—0.20	—3.71
4. Civil Works	3.78	81.89	1,48.68	2,07.45	3,24.10	3,29.28	10,95.18
5. Electricity Department ...	52.05	1,13.03	1,56.34	1,60.17	2,29.56	3,07.56	10,18.71
Total ...	**1,32.59**	**5,02.53**	**8,39.91**	**8,93.73**	**12,07.79**	**13,45.24**	**49,21.69**

(*Source : Budgets of Punjab Government.*)

Table No. 73.—Development expenditure of Sind Government on Capital account

(In lakhs of rupees.)

Items	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)	Total
1. Construction of irrigation & electric works.	32.55	75.25	1,69.59	62.63	3,51.37	3,54.37	10,28.74
2. Agricultural improvement & research.	.20	3.25	4.72	...	3.35	6.08	17.60
3. Industrial development ...	...	...	...	...	...	1,39.00	1,39.00
4. Civil Works	1,05.14	61.39	27.03	26.23	1,99.27	3,12.81	7,31.87
5. Electricity schemes ...	1.37	.67	.55	.66	7.28	1,20.75	1,31.28
Total ...	**1,39.26**	**1,40.56**	**2,01.89**	**89.52**	**5,61.27**	**5,64.27**	**20,48.49**

(*Source : Budgets of Sind Government.*)

Table No. 74.—Development expenditure of N.-W. F. P. Government on Capital account

(In lakhs of rupees.)

Items	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)	Total
1. Irrigation	...	1.28	3 73	7.76	27.68	48.27	88·72
2. Civil Works	...	...	...	...	7.15	15.09	22·24
3. Industrial development ...	...	...	...	...	...	5.00	5·00
4. Flectricity schemes	19.31	28.04	75 40	80.39	1,50.76	1,79.83	5,33·73
Total ...	**19.13**	**29.32**	**79·13**	**88·15**	**1,85.59**	**2,48.19**	**6,49·69**

(*Source : Budgets of N.-W.F.P. Government.*)

Development expenditure on capital account.

382. A summary of the development expenditure on capital account of the Central and the Provincial Governments is given below :—

Table No. 75.—Development expenditure in Pakistan on Capital account

(In lakhs of rupees.)

Unit	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)	Total
1. Centre ...	69.00	4,76.00	10,72.00	6,75.00	26,26.00	38,95.00	88,04.00
2. East Bengal ...	19.94	63.19	1,55.88	2,85.89	691.32	11,35.52	23,51.74
3. Punjab ...	1,32.59	5,02.43	8,39.91	8,93.73	12,07.79	13,45.24	49,21.69
4. Sind ...	1,39.26	1,40.56	2,01.89	89.52	5,64.27	9,12.99	20,48.49
5. N.-W. F. P. ...	19.31	29.32	79.13	88.15	1,85.59	2,48.19	6,49.69
Total ...	**3,80.10**	**12,11.50**	**23,48.81**	**20,32.29**	**52,74.97**	**75,36.94**	**187,84.61.**

(*Source : Budgets of Central and Provincial Governments.*)

It will be observed that so far a total expenditure of Rs. 188 crores has been incurred on development in the public sector. It should be borne in mind that in all cases the figures for 1951-52 are revised estimates, and for 1952-53 budget estimates and the latter might not be fully incurred.

Development expenditure of States.

383. Similar data in respect of the States is not available. At present little developmental expenditure is incurred in the Baluchistan States Union (comprising Kalat, Kharan, Makran and Lasbela) or in the Frontier States (Swat, Dir, Chitral and Amb). Khairpur State incurs some expenditure on irrigation & industries, but details are not available. Figures in respect of Bahawalpur are given below.

Table No. 76.—Development expenditure in Bahawalpur State on Capital account

(In lakhs of rupees.)

Heads	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53	Total
1. Irrigation	8·33	...	...	...	9·72	19·83	37·88
2. Commercial undertakings ...	34·19	23·85	10.86	15·73	7·33	15·00	106.96
3. Social uplift	...	...	...	...	...	35·00	35·00
4. Electrification schemes ...	...	...	...	0.82	7.36	13·10	21·28
Total ...	**42·52**	**23·85**	**10·86**	**16·55**	**24.41**	**82.93**	**201·12**

(*Source : Budgets of Bahawalpur State*).

Private investment in industry.

384. It is almost impossible to make an assessment of the investment made by private enterprise for developmental purposes. Figures of investment in joint stock companies have been given in Table No. 44 (page 108). The paid-up capital in the field of industry amounts to Rs. 21 crores, but there is substantial private investment otherwise.

Total developmental expenditure incurred.

385. The total expenditure during the last five years and a half on development may be roughly put at Rs. 250 crores, taking into account the Governmental expenditure on capital account by the Centre (Rs. 90 crores) the Provinces (Rs. 100 crores) and the States (Rs. 3 crores) and private joint-stock investment in the field of industry (Rs. 21 crores), and making an allowance for Governmental expenditure incurred on revenue account and private investment made otherwise than through joint stock companies. This gives an average of Rs. 45 crores a year, which is roughly 3 per cent of the national income.

Expenditure on approved projects.

386. An estimate of the expenditure incurred by the Government (Central and Provincial) on Centrally-approved development projects *as such* has been made in Section 2 and excluding the agricultural grant schemes, it works to Rs. 99 crores up to the end of March 1953. A summary is given below:—

Table No. 77.—Expenditure on approved *projects of Central and Provincial Governments*

(In lakhs of rupees.)

	Number of approved projects	Total cost	Expenditure incurred upto 31-3-52	Estimated expenditure during 1952-53
1. Centre	56	1,06,91	17,91	15,76
2. East Bengal	32	41,26	1,25	7,27
3. Punjab	16	89,61	32,01	10,35
4. Sind	8	32,38	3,96	6,44
5. N.-W. F. P.	10	24,57	1,47	1,61
6. Baluchistan	26	2,09	80	55
Total ...	**148**	**2,96,82**	**57,40**	**41,98**

(*Source* : *Ministry of Economic Affairs*).

A break up by sectors of development is shown in the following table :—

Table No. 78.—Expenditure on approved *projects by sectors of development*

(In lakhs of rupees.)

Sector	Total cost	Expenditure upto 31-3-52	Estimated expenditure during 1952-53
1. Agriculture and irrigation	80,85	28,34	13,77
2. Power	90,84	6,85	10,67
3. Industry	42,69	6,13	8,54
4. Communications	69,69	15,77	5,15
5. Other Sectors	12,75	31	3,86
Total ...	**2,96,82**	**57,40**	**41,99**

(*Source* : *Ministry of Economic Affairs*).

However, these figures do not cover all development projects, *e.g.*, projects which did not require to be referred for approval to the Central Government or projects which the Provincial Governments could finance out of their own resources.

387. A comprehensive list of the development projects, Central and Provincial, which were approved by the Central Government until the end of September 1952, is given in Appendix No. 23. It must be repeated that this list does not cover all development projects. The rules of procedure of the Central Planning Commission require that all schemes, involving a cost of Rs. 5 lakh non-recurring (or Rs. 1 lakh recurring) should be submitted to it for prior approval. Although information about the smaller schemes, which may be approved otherwise *i.e.*, directly in consultation with the Central Ministry of Finance|Provincial Finance Department, is also required to be sent, actually the Central Ministries|Provincial Governments do not submit it. The rules have been finalised only recently and most of the offices are not fully aware of them. Besides, the Planning Commission came into being only in January 1951. Prior to that a Development Board existed to which all schemes involving a cost of Rs. 50,000 non-recurring (or Rs. 10,000 recurring) were required to be submitted for purposes of co-ordination. The Provincial Governments seldom submitted any scheme to it which they could finance out of their own resources. We have been told that, notwithstanding the existence of the Developoment Board or the Planning Commission, in many cases the Government gave direct approval to development schemes. The result of all these factors is that no comprehensive statement of development projects taken up so far, could be made available. Elsewhere (para. 493 : page. 173) we have emphasised the importance of observing strictly the procedure laid down for approval of development schemes. Approved development projects.

388. We have reviewed the individual projects and allotted three degrees of priority, A, B or C (*vide* list in Appendix No. 23). In giving these priorities, we have kept the following considerations in view : Outstanding commitments on approved projects.

(a) The highest priority should be given to projects of agricultural, power and industrial development. Schemes for technical training of personnel in various fields should also receive high priority.

(b) Projects for which foreign aid has been received or anticipated should come next.

(c) In the case of other projects, our view is that priority should be given to schemes which meet an urgent need, or are highly productive on short-term basis, with due regard to foreign earnings.

As most of the approved projects are already under execution, it has not been possible for us to restrict category 'A' projects to a smaller number, through we would have liked to do so, on considerations of economy and relative importance. Reasons for giving low priorities have been indicated in the Appendix. Disregarding the projects which have been completed or which have been given priority lower than A, as also the projects which should be taken up by private enterprise, an estimate of commitments, both in respect of Central and Provincial projects, is given below. It has not been possible to secure up to date or authentic figures and the following table is based on approximations in many cases. Details of State Government projects are not available : they are financed by those Governments independently.

Table No. 79.—Commitments on development projects by units

(In lakhs of rupees.)

	Agriculture and irrigation	Power	Industry	Communications	Other Sectors	Total
1. Centre ...	5,07	2,32	26,02	30,23	7,94	71,58
2. East Bengal ...	2,25	22,02	...	7,28	1,12	32,67
3. Punjab	5,64	26,40	...	...	...	32,04
4. Sind	18,23	1,23	75	1,77	...	21,98
5. N. W. F. P. ...	6	21,57	...	...	...	21,63
6. Baluchistan ...	61	...	...	...	...	61
Total ...	**31,86**	**73,54**	**26,77**	**39,28**	**9,06**	**180,51**

(*Source : Ministry of Economic Affairs*).

Development loans to Provinces.

389. The expenditure on development has been met mainly out of public borrowings. The Provincial Governments did not float, until recently*, any loans themselves and obtained funds on loan from the Central Government to supplement their resources. The allocation and utilisation of development loans by the Provincial Governments is indicated below :

Table No. 80.—Allocation and drawal of Development Loans

(In lakhs of rupees.)

Province	1948-49		1949-50		1950-51		1951-52		Total		1952-53
	allocation	drawal	allocation	drawal	allocation	drawal	allocation	drawal	allocation	drawal	Allocation
1. East Bengal.	4,00	...	4,21	...	1,00	...	2,50	2,50	15,00	2,50	3,90
2. Punjab ...	5,00	5,00	5,25	5,25	4,00	4,00	4,50	4,50	21,65	18,75	2,90
3. Sind ...	1,75	...	...	...	1,75	35	1,50	...	5,30	35	30
4. N. W. F. P.	52	52	90	40	75	75	1,50	1,50	4,57	3,17	90
Total ...	**11,27**	**5,52**	**10,36**	**5,65**	**7,50**	**5,10**	**10,00**	**8,50**	**46,52**	**24,77**	**8,00**

(*Source : Ministry of Economic Affairs*).

Apart from these development loans, the Central Government have also been giving grants for agricultural development, social uplift and refugee rehabilitation details of which are given elsewhere.

* *Vide* Table No. 104 (page 163).

390. In the course of review of development projects and the expenditure incurred by various Provincial Governments, we have been struck by the slow progress in East Bengal. We would recommend that the Central Government should help the East Bengal Government to resolve their technical and administrative difficulties and give greater guidance and assistance to them in the matter of planning and implementation of development schemes. Development in East Bengal.

391. Since 1949-50, the Central Government has been setting aside each year Rs. 50 lakhs (Rs. 1 crore in the first year) for the purpose of giving grants to Provinces for schemes of agricultural development. Only part of the expenditure incurred during the year, on approved schemes, is covered by the Central grants. The balance has to be found by the Provincial Governments from their own resources and there is no commitment on the part of the Central Government for expenditure in future years, if any. Out of Rs. 2.5 crores provided so far, grants have been authorised to the extent of Rs. 1.65 crores (East Bengal—72 lakhs, Punjab—36 lakhs, Sind—35 lakhs and N.-W.F.P.—22 lakhs). A balance of Rs. 85 lakhs is available for further allocation. An idea of the total cost involved in these schemes is given below :— Central agricultural development grants.

Table No. 81.—Provincial schemes of agricultural development partly financed through Central grants.

(In lakhs of rupees.)

Province	No. of schemes	Total cost
1. East Bengal	34	15,58
2. Punjab	8	18,37
3. N.-W.F.P.	18	3,41
4. Sind	10	1,92
Total ...	70	37,28

(*Source : Ministry of Agriculture*).

It has not been possible to obtain an estimate of outstanding commitments on these schemes. Their details are, however, given in Appendix No. 24.

392. When the Six-Year Plan was originally drawn up in September 1950 (c.f. Appendix No. 21), the approach was rather conservative. Besides, until then the process of planning was not well-advanced and the Plan was prepared rather hurriedly. Subsequently, many inadequacies, and omissions were discovered and had to be provided for. An expert committee of officials (known as the Supply Committee) submitted a Two-Year Priority Programme in February 1951 (details given in Appendix No. 22) which incidentally supplemented the original Plan in a number of ways. From time to time, more schemes have been added and the process is not yet complete. The Central Planning Commission has set up a number of Sub-Commissions for different sectors of development and they have been charged with the task of reviewing, on a comprehensive basis, the resources available and the requirements which should be met, in the fields allotted to them and to prepare detailed schemes. They have not yet completed their task and a revised assessment of total requirements for the remaining period of the Plan is not yet possible. The provision for power has been increased already to almost double the original figure. Certain further additions will be evidently necessary *e.g.*, for railways (the Commitment indicated not exhaustive.

existing provision would cover only three years period), roads (the rate of actual expenditure is much higher than originally envisaged); shipping; civil aviation and inland water transport (no provision was made for these three fields in the original Plan), the Village Aid Programme (this was not envisaged when the Plan was prepared), etc. The need for increased food production will call for much larger outlay. Social development will also require much greater expenditure than has been provided for.

Estimated dvelopment expenditure during the next five years.

393. It might be assumed that a minimum of Rs. 300 crores will be needed during the next five years, for expenditure on development projects in the public sector *i.e.*, Rs. 60 crores per year. It might further be assumed that the Provincial Governments will be able to find Rs. 10 crores a year from their own resources, which would leave Rs. 50 crores a year to be found by the Central Government for expenditure in their own sphere and for loans etc., to the Provincial Governments. It is difficult to make an assessment of the external expenditure involved and the foreign exchange thus required. It ranges between 20% or less in the case of agricultural projects and 50% or more in the case of thermal stations. Very roughly, 33% might be adopted as a workable basis. It would thus be necessary to find Rs. 20 crores (33% of Rs. 60 crores) of foreign exchange every year for development programme undertaken by the Government.

Section 3.—Total investment required

National income.

394. We may now consider the problem from another angle *i.e.*, the total capital outlay which ought to be made in order to improve the standards of living appreciably and afford a reasonable level of employment. The total national income of Pakistan roughly estimated for 1948-49 is Rs. 1691 crores (*vide* Appendix No. 3) which gives a *per capita* income of Rs. 230 for the year. By far the largest portion of the national income is contributed by agriculture *viz.*, Rs. 1171 crores or 69 per cent. and the present income from industry is negligible. The following table gives comparative figures of components of national income of some countries.

Table No. 82.—National income of some countries by component sectors

(In percentages of total)

	Year	Agriculture	Manufacturing and Construction	Trade	Transport and Communication	Govt.	Others
1 Pakistan ...	1948-49	69.2	0.3	8.7	1.0	3.2	17.6
2 Denmark ...	1950	21.9	35.5	15.3	8.8	7.4	11.1
3 Egypt ...	1945	44.4	11.1	10.2	3.1	6.4	24.8
4 Finland ...	1949	29.3	39.3	13.1	6.3	8.5	3.5
5 France ...	1949	15.8	39.6	12.1	9.4	11.3	11.8
6 India ...	1948	47.5	17.2	18.9	...	5.3	11.1
7 Ireland ...	1950	30.5	25.3	20.6	...	7.4	16.2
8 Italy ...	1950	29.5	33.5	10.2	8.0	10.3	8.5
9 Japan ...	1949	28.4	32.2	14.0	8.3	4.7	12.4
10 Kenya ...	1949	42.6	15.2	18.2	8.0	8.5	7.5

(*Source* : *C. S. O.*).

How to increase national income.

395. No improvement will result in the standards of living unless the national income is increased substantially. This can be done in one of three ways :—

(a) improvement in real output per head in various sectors of economy,

(b) transfer of labour from the less productive to the more productive sectors, and

(c) exploitation of new resources in order to create employment.

In Pakistan, we must make an effort in all the three directions, as we have a very long way to go. Figures of *per capita* national income of some developed and under-developed countries are given below.

Table No. 83.—Per capita *national income of some countries in* 1949

Country	National income (in millions of U. S. dollars)	Population (in millions)	Per capita income
1. Pakistan (1948-1949)	51,134	76	69
2. Afghanistan	600	12	50
3. Burma	612	17	36
4. Ceylon	487	7	67
5. Chile	1,070	6	187
6. Colombia	1,456	11	132
7. Ecuador	134	3	40
8. Egypt	1,989	20	100
9. France	19,857	41	482
10. India	19,572	346	57
11. Indonesia	2,000	79	25
12. Iran	1,450	17	85
13. Iraq	424	4	85
14. Lebanon	155	1	125
15. Mexico	2,960	24	121
16. Philippines	850	19	44
17. Saudi Arabia	240	6	40
18. Thailand	650	18	36
19. Turkey	2,452	20	125
20. U. K.	38,922	50	773
21. U. S. A.	216,831	149	1,453

(*Source* : *C.S.O.*)

Improvement in national income in other countries.

396. We have already recommended measures for increasing agricultural yields per acre which will help in direction (a) above. We have also recommended the extension of cultivation to new lands and reclamation of lands gone out of use, as also the establishment of new industries, which will help in direction (c) above. It appears, however, that the quickest improvement in national income can be achieved in direction (b) above *viz.*, transfer of labour from the less productive to the more productive sector. Most of our labour force is employed on uneconomic agricultural holdings and is grossly under-employed but at the same time there is plently of labour available for industrial employment. The process of increasing *per capita* national income is difficult and slow and in recent history only Japan has been able to make a substantial progress (from 106 units in 1915 to 337 in 1936). In Japan there was a rapid movement of population from primary production and an extensive development of secondary industry.

Amount of investment required to absorb labour force.

397. On the other hand, the fact has to be faced that in normal conditions the rate of absorption in industry cannot be high. Except in Japan and in Russia, it has not increased anywhere beyond 2 to 3 per cent. per annum of the labour force employed in industry. In Pakistan, the non-agricultural labour force is 65 lakhs and the maximum increase in normal circumstances will therefore be 2 lakhs. We might aim at putting into non-agricultural employment the entire annual

increase in labour force which is assessed at 3 lakhs. It has been estimated by Mr. Colin Clark that new capital investment of Rs. 4 will raise real national income by Re. 1 per annum. The national income in Pakistan in 1948-49 was Rs. 775 per person in the labour force. Mr. Colin Clark has therefore assessed roughly that a capital of 4 times of Rs. 775 or a little over Rs. 3,000 will be required to place each additional person in employment. Accordingly, to increase the labour force by 3 lakhs a year an additional capital of Rs. 90 crores per year will be needed. However, if indirect and incidental employment is also taken into account, roughly at the same figure as direct employment, then the direct investment required to absorb 3 lakh persons will be about Rs. 45 crores per year. In order to reduce existing under-employment and secure an effective rise in the national income *per capita,* the total investment should be appreciably higher.

Section 4.—Review of targets

Targets in Six-Year Plan.

398. The Six-Year Development Plan (July 1951—June 1957) did not lay down targets for all sectors or all the different aspects of those sectors. In some cases, simply lump provisions were indicated and in some other cases only the individual schemes to be executed were mentioned. A review is made of the important items :

Agriculture :

Foodgrains.

399. It has not been possible to obtain an appreciation of the improvement effected in agricultural production since the Six-Year Plan was prepared, but in the case of food-grains, a shortage has developed and a revised target of 32 lakh tons for cereals only has been suggested. We do not consider this target as impracticable provided careful planning is done and the various measures recommended in Chapter IV are pursued vigorously. As no agricultural crop except jute is regulated under the law, it is difficult to ensure that the new or existing cultivable areas are not used excessively for non-food crops. The best way to encourage production of food-grains in existing circumstances is to give official patronage to it and adjust the various Government levies in favour of food crops. We have already recommended that this should be done and have also indicated the ideal priorities within agriculture.

Fats : oilseeds.

400. Milk and milk products are essential components of food. The existing consumption is so low that the targets based on normal consumption standards (*e.g.,* 10 oz., per head per day of milk) cannot be thought of yet. We can only recommend that the production of milk, butter, ghee, etc., should be expanded as much as possible, and for this purpose dairying should be popularised and improved. For the same reason, the production of oil-seeds (and conversion into vegetable oil) needs to be enlarged, but not at the expense of foodgrains.

Protective foods.

401. Meat, eggs and fish are important foods. The development of cattle, sheep, poultry and fisheries must therefore claim adequate attention. This has assumed an urgency of late as the rate of killing cattle to meet the requirements of meat seems to outpace their growth. A balanced growth of animal population should be aimed at, consonant with the fodder resources of the country, giving priority to draught and milch cattle.

Non-food crops : Jute.

402. Of non-food crops, the most important are jute and cotton. The production of jute envisaged in the Six-Year Plan by 1957, *viz.,* 66 lakh bales, has already been exceeded as the production this year was 68 lakh bales. The production target should be restricted to the internal consumption *plus* the external demand. The latter factor is uncertain and depends largely on the price of jute. If the price is low, the Indian production will go down as it will not be then

economical to grow jute in India and she will prefer to buy jute from Pakistan. The demand in other countries is also stimulated by lower prices as substitutes go out of favour, comparatively. As far as we can foresee, the local consumption by the end of 1957 will be 10 lakh bales and the external demand will be around 50 lakh bales. Production should therefore be 60 lakh bales in normal years. For the next year, it should be lower, on account of the carry over (17 lakh bales) from the last year and the bumper crop of this year (68 lakh bales). Out of the total 85 lakh bales, it should be possible to export 57 lakh bales this year and consume locally 3 lakh bales. A carry over of 5 lakh bales would be needed. Accordingly, the next year's crop should be limited to 60 *minus* 25 *plus* 5 or 40 lakh bales.

403. The production of cotton envisaged in the Six-Year Plan by 1957, *viz.*, 15 lakh bales, has also been exceeded already, as the estimated production for 1952-53 crop is 17½ lakh bales. As a general proposition, the production target should be equal to the local consumption from year to year *plus* exports at the level of 14 lakh bales. This will help to sustain our foreign exchange earnings, but extension of cotton cultivation should not be at the expense of foodgrains while the food shortage exists. **Cotton.**

404. Both for indigenous cigarette industry and for purposes of export, the production of superior quality tobacco should be increased. The target must depend on our ability to export and, as recommended earlier, overseas market should be developed. **Tobacco.**

405. The laying down of targets in other agricultural commodities is neither important nor feasible. Increased production of sugarcane has to be related to the sugar manufacturing capacity, but rather than divert any part of existing arable land to its cultivation, new lands should be put under this crop. The acreage of tea is regulated by the International Tea Agreement. The production of fruit should be expanded both for local consumption and export, mainly in Baluchistan and the Frontier Regions. High targets for the plantation of trees should be prescribed for each Province, State, etc. **Other commodities.**

Industry :

406. In the industrial sector, apart from the targets included in the Six-Year Plan, certain targets have been adopted by the Industrial Advisory Council. The target for jute industry in the Six-Year Plan was 6,000 looms. We consider that this should be increased by 1,500 looms which could be procured during 1955 provided orders are placed by the end of 1953. We must add that the productive capacity should be utilised fully and the jute looms should be worked to three shifts. **Jute manufactures.**

407. The target for cotton textile in the Six-Year Plan is 10 lakh spindles. This has already been exceeded and it may not be necessary to further increase it before 1957. However, an additional spinning mill of 25,000 spindles should be set up in East Bengal to assist the handloom industry. As we have suggested earlier not less than 25% of the effective spindles of each mill should be left uncovered by looms. Although the Textile Advisory Committee of the Council of Industries has suggested a target of 20 lakh spindles by 1957, we do not endorse it in view of our limited financial resources, which are required in other fields also and the lack of purchasing power of finished goods in the country. With the total of 13,57,020 spindles and 22,806 looms (*vide* Table No. 45, page 109) which are expected to be in operation by 1955, the indigenous production on full working capacity basis will be 5,13,100 bales of cloth and 4,36,800 bales of surplus yarn. **Cotton textiles.**

Together with the production of handlooms, this will provide 16 yards *per capita** and this should suffice for the present. Except for a small quota, if possible, of fine and superfine cloth, no imports should be necessary at all. The productive capacity of mills should be utilised fully and three shifts should be worked. We do not recommend any further increase in the number of handlooms beyond the existing 5 lakhs which, however, should be utilised more fully. As far as possible, they should be gradually replaced by power-looms.

Woollen textiles.

408. For woollen textiles, the target indicated in the Six-Year Plan is 20,000 worsted spindles and 24,000 spindles for hosiery and carpets, over and above the capacity in June 1951. These targets should be retained. In view of the capacity of mills already being set up, no further authorisation would appear necessary.

Vegetable oil.

409. The target for oil crushing capacity in the Six-Year Plan is an additional capacity of 200,000 tons. This may be retained, but development should be left entirely to private enterprise which appears forthcoming.

Sugar.

410. The target in the Six-Year Plan for sugar manufacturing capacity is 100,000 tons, over and above the capacity in June 1951. We have considered the points for and against increasing production of sugar and have come to the conclusion that sugar is an essential food requirement, and in order to save foreign exchange expenditure (almost Rs. 9 crores at present), additional capacity should be developed. However, the target by 1957 should be reduced to an additional capacity of 60,000 tons in view of other pressing requirements and the time needed for the development of sugar-cane plantations. The location of new units should be decided upon after careful examination of the suitability of climatic conditions and availability of land for new sugar-cane farms, both in West and East Pakistan.

Paper.

411. No paper, straw-board or card-board factories, other than already authorised, need be allowed. However, the possibility of producing newsprint out of *gewar* soft wood, which is found in the Sunderbans in East Bengal, should be explored.

Fertiliser production.

412. The target in the Six-Year Plan of 80,000 tons of ammonium sulphate, may be reduced for the present to 50,000 tons, on practical considerations. However, as suggested earlier, the production of super phosphate fertilisers should be explored.

Engineering industry.

413. The Six-year Plan made no provision for engineering industry, which is a serious omission. The steel re-rolling capacity, approved on the recommendations of the U. S. Steel Mission and the Supply Committee should be developed. A dry dock at Karachi and slip-ways at Narayanganj have been sanctioned already. High priority should be given to all well-planned engineering industries.

Other sectors :

Other Sectors.

414. We have no particular comments to make, apart from what we have said in Chapter VI.

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*The analysis would be (figures in lakhs) :—

	Normal working	Full capacity working
Production of cloth by textile mills (22,806 looms)—yards	5,130	7,697
Production of surplus yarn—lbs.	1,346	1,747
30% deduction for other uses of yarn—lbs.	404	524
Nett yarn available for handloom—lbs.	942	1,223
Conversion of yarn into cloth by handlooms—yards... ... ... (at 4 yards cloth per lb. of yarn).	3,768	4,892
Total supplies of cloth—yards	8,898	12,598
Per capita consumption of cloth (Population 800 lakhs)	11 yards.	About 16 yards.

CHAPTER VIII

FINANCIAL RESOURCES

Section 1.—Present position

415. We must now take stock of our financial resources and try to see what are the prospects of finding money for development required in agriculture, industry and other sectors. The prospects regarding foreign exchange have been indicated in Chapter III (Section 4). An assessment of the internal financial resources may now be made. Internal financial resources.

416. The following table summarises the revenue budgets of the Central Government since the Partition (including the part year 1947-48*) : Revenue budgets of Central Government.

Table No. 84.—Budgetary position of Central Government—Revenue account

(In lakhs of rupees.)

	1947-48* (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
Receipts	19,89	66,76	88,58	127,72	140,56	124,87
Expenditure	23,60	64,70	85,32	124,75	139,90	124,51
Balance	—3,71	+2,06	+3,26	+2,97	+66	+36

(*Source : Budgets of the Central Government*).

417. All the budgets presented so far have shown surpluses on revenue account, except 1947-48, which was not a period of normal activity. It will be observed that the revenues have been steadily increasing and were in 1951-52 more than double of 1948-49. The remarkable improvement in 1950-51 over 1949-50 (almost 50 per cent.) was mainly due to conditions arising out of the Korean War, though the much smaller U. S. cotton crop of 1950, which helped the sale of our cotton on even more favourable terms, was also an important factor. The bulk—more than 50 per cent.—of the Central revenues comes from customs duties. These were directly affected by the increase in demand and prices of our exportable commodities. Not only more goods were exported but export duties were also increased. The improved foreign exchange position in consequence led to increased imports and higher revenue from import duties. The revenue from other sources, *viz.*, income tax, sales tax and excise duties also increased due to the general rise in economic activity. Although the full force of the Korean influence was reflected in the 1950-51 budget, the favourable position continued in Pakistan during 1951-52. The outlook at the time of presentation of 1952-53 budget was still optimistic, but the recession, which had shown its signs towards the end of the financial year 1951-52, rapidly gathered momentum thereafter and has since resulted in changing the favourable picture shown in the budget estimates for 1952-53. Analysis of budgetary position.

* The period covered is 14th August 1947 (the date of the Partition) to 31st March 1948.

Funds created from revenue surpluses.

418. The increased revenues during the easy years were partly utilised to meet the increased current expenditure and partly set aside in the shape of funds mainly for developmental purposes. Although these funds form part of the general cash balances, they represent a commitment of the Central Government to provide the amounts specified for the purposes indicated (*vide* table below). Substantial expenditure has been incurred already out of funds nos. 1, 2 and 5.

Table No. 85.—Funds created from Revenue surpluses

(In lakhs of rupees.)

Name of Fund	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)	Total
Developmental Funds:				
1. Social uplift fund and grants	7,00	11,00	...	18,00
2. Economic development	13,00	3,50	...	16,50
3. Development of agriculture	...	...	500	5,00
4. Roads of national importance	...	5,00	...	5,00
5. Refugees rehabilitation	3,00	2,00	...	5,00
6. Promotion of cottage industry	...	1,00	...	1,00
7. Overseas scholarships	...	...	30	30
Total ...	**23,00**	**22,50**	**5,30**	**50,80***
Other Funds:				
8. Aircraft factory, tank and heavy gun manufacture	5,00	2,50	...	7,50
9. Civil defence	...	1,00	...	1,00
10. Closer inter-Provincial contacts	...	...	50	50
Total ...	**5,00**	**3,50**	**50**	**9,00**
Grand Total ...	**28,00**	**26,00**	**5,80**	**59,80**

(*Source* : *Budgets of the Central Government*).

Prospects for 1952-53 & future years.

419. The fall in the demand and prices of our primary goods, which was first reflected in export figures towards the end of the financial year 1951-52, has continued. The revenue from export duties has decreased. Similar decrease in the revenue from import duties has not yet occurred because the full effect of the restrictive measures adopted has not yet shown itself in the volume of imports. A contributory reason is the higher import duty levied on cotton textiles from 9th July 1952. But for the year as a whole, some shortfall in receipts from customs duties is certain.

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* In addition, a total of Rs. 250 lakhs has been provided by the Central Government (though not from Revenue surpluses) as non-lapsable Agricultural Development Grants: (1949-50—Rs. 100 lakhs; 1950-51—Rs. 50 lakhs; 1951-52—Rs. 50 lakhs and 1952-53—Rs. 50 lakhs). If these grants are taken into account, a total of Rs. 53,30 has been set aside in the form of special funds for developmental purposes.

Table No. 86.—Monthly gross receipts from customs duties.

(In lakhs of rupees.)

	Import duties		Export duties	
	1951-52	1952-53	1951-52	1952-53
April	330.78	468.95	250.99	184.87
May	395.19	417.37	420.70	280.26
June	360.47	289.51	222.01	66.48
July	420.79	514.14	182.40	220.56
August	464.71	574.32	189.23	220.37
September	396.67	429.39	154.63	82.58
October	431.85	434.77	272.02	231.19
November	406.93	...	285.44	...
December	378.44	...	335.35	...
January	995.80	...	503.05	...
February	537.94	...	322.01	...
March	418.49	...	517.48	...
Total for the period covered ...	**5538.06**	**3128.45**	**3655.31**	**1286.31**

(*Source : C. B. R.*)

The revenue from sales tax will also be affected though income tax receipts may not show an immediate fall. On the whole, the total revenues for 1952-53 are likely to be in the neighbourhood of Rs. 115 crores. On the other hand, expenditure has continued at the same rate. There would also be losses on account of the operation of the price support schemes of jute and cotton, in consequence of the continuance of relatively high export duties on them. The financial year 1952-53 is therefore expected to end with a deficit on revenue account. For the succeeding years, when the effect of various factors mentioned above will be more accentuated, the figure for revenue, on the existing basis of taxation, will probably be Rs. 90 crores only.

Revenue budgets of Provincial Governments.

420. A few words might be said about the financial position of the Provincial Governments. The budgetary position since the Partition is summarised below :

Table No. 87.—Budgetary position of Provincial Governments.

(In lakhs of rupees.)

Province	1947-48* (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
East Bengal—						
Revenue	+9,72	16,86	14,42	17,60	19,45	28,49
Expenditure	+8,84	16,00	17,10	18,24	23,55	29,19
Balance	+88	+86	—2,68	—64	—4,10	—70
Punjab—						
Revenue	6,57	17,21	19,50	22,18	25,56	23,75
Expenditure	10,88	19,43	18,31	20,50	23,73	24,10
Balance	—4,31	—2,22	+1,19	+1,68	+1,83	—35
Sind—						
Revenue	8,23	7,62	7,19	8,30	8,51	9,32
Expenditure	9,52	8,25	8,08	8,33	9,26	9,17
Balance	—1,29	—63	—89	—3	—75	+15
N.-W. F. P.						
Revenue	3,36	3,20	3,31	4,20	4,80	6,03
Expenditure	3,66	3,41	3,77	4,43	5,09	5,71
Balance	—30	—21	—46	—23	—29	+32

(*Source : Budgets of the Provincial Governments*).

* In the case of East Bengal and Punjab, these figures relate to the period 14th August 1947 to 31st March 1948.

The share of Provincial Governments in items of revenue collected by the Central Government, *e.g.*, income tax, sales tax, jute export duty, etc., will be affected, but generally the revenue resources of Provincial Governments are much less susceptible to world factors. Consequent upon the Raisman Award which reallocated revenues between the Centre and the Provinces, the latter have gained substantially at the expense of the former. The main features of the Award which come into force from the financial year 1952-53, and resulted in a transfer of Rs. 6.5 crores to the Provinces, are :—

(a) 50% of the net proceeds of income tax in the Provinces should be reassigned to the Provinces.

(b) The administration of sales tax should remain with the Central Government and 50% of the proceeds in the Provinces should continue to be assigned to them, collections at Karachi being also divisible amongst West Pakistan Provinces.

(c) 50% of the net proceeds of Central excise duties on tobacco, betelnuts and tea should be assigned to the Provinces.

(d) The additional duty on jute should be merged into the basic export duty and 62½% of the net proceeds should be assigned to East Bengal without an upper limit. If any further increase in duty is made, 10% of the net proceeds thereof should be assigned to East Bengal.

(e) The subvention to N.-W. F. P. should be increased from Rs. 100 lakhs to Rs. 125 lakhs a year, and a subvention should be given to Baluchistan, when it is made into a Governor's Province, in order to cover the estimated deficit.

Capital expenditure of Central Government.

421. The following table shows the rate of capital expenditure of the Central Government :

Table No. 88.—Capital expenditure of Central Government.

(In lakhs of rupees.)

Year	Gross expenditure	Expenditure met out of special Funds	Net capital expenditure	Payments made for extraordinary items included in previous column
1947-48	3,07	...	3,07	—
1948-49	36,12	...	36,12	10,39 (1)
1949-50	86,18	1,00	85,18	54,00 (2)
1950-51	26,76	1,07	25,69	20,75 (3)
1951-52 (revised estimates)	79,20	13,69	65,51	37,50 (4)
1952-53 (budget estimates)	69,83	13,47	56,36	...

(*Source : Budgets of the Central Government.*)

Financing of capital expenditure.

422. This expenditure has been met out of revenue surpluses. and borrowings. The latter (public loans and other savings) are discussed in Section 5 (page. 161). It was also met partly by drawing down the cash balances which were received as Pakistan's share at the time of the Partition. The following table summarises the position of receipts and disbursements over the entire period, 15th August 1947 to 31st March 1952.

(1) Payment made to the U. K. Government for the purchase of sterling pension annuities.
(2) & (3) Payments made to the SBP for shortfall in its reserves due to the devaluation of sterling and Indian currencies.
(4) Payment made for subscription due to the I.M.F. (31,60) and the International Bank for Reconstruction and Development (5,90) in the form of non-interest bearing non-negotiable notes.

Table No. 89.—Receipts and disbursements of Central Government (15th August 1947 to 31st March 1952).

(In lakhs of rupees.)

Receipts		Disbursements	
1. *Cash balance received by Pakistan on Partition* ...	70,05	1. *Loans and Advances :*	
2. *Accumulated revenue surpluses* ...	6,16	(*i*) Loans to Provincial Govts. ...	51,02
		(*ii*) Miscellaneous loans to States, Government servants, and other bodies, etc. ...	2,48
			53,50
		2. *Capital Expenditure not met from Revenue:*	
3. *Public Debt—*			
		Railways ...	15,84
(*i*) Permanent debt (net) ...	95,15		
		Posts and Telegraphs ...	3,23
(*ii*) Floating debt (net)* ...	1,21,09		
		Defence ...	47,01
(*iii*) Unfunded debt (net) ...	4,22		
		Civil Aviation ...	1,64
	2,20,46	Broadcasting ...	80
		Currency and Mint* ...	1,13,71
4. *Received from India for—*		Civil Works ...	8,51
(*i*) Establishment of Ordnance Factories (1948-49) ...	2,47	Printing presses ...	88
		Schemes of state trading ...	11,65
(*ii*) Pakistan's share of expenditure on Joint Defence Council (1948-49) ...	3,00	Grants to Provincial Governments for development ...	2,65
(*iii*) Contribution to the I.M.F. (1950-51)	1,82		
		Industrial development ...	1,84
	7,29		
5. *Payment by H. M. G. in* respect of recoverable War expenditure (1948-49) ...	11,93	Miscellaneous ...	10,93
			2,18,69
6. *Deposits and Advances & Remittances* ...	15,35		
		3. *Closing balance* ...	59,05
Total ...	**3,31,24**	**Total** ...	**3,31,24**

(Source : Ministry of Finance.)

* This item includes in addition to the ordinary floating debt of the Government, the *ad hoc* securities provided by the Government of Pakistan for various purposes. It includes *ad hocs* of the value of Rs. 10·39 crores representing the purchase of an annuity for sterling pensions; Rs. 31,59,56,652 in non-negotiable non-interest bearing securities paid as part of membership subscription to the International Monetary Fund; Rs. 5,89,57,800 in non-negotiable non-interest bearing securities paid as part of membership subscription to the International Bank for Reconstruction and Development; payments made by the Government to the State Bank to enable it to cover the short-fall in the currency and other reserves of the Bank arising from the depreciation of the pound sterling and the Indian rupee, in the shape of Government securities, initially valued at Rs. 54 crores, but subject to variation with changes in note circulation. Except for the payment made for purchase of the annuity mentioned above, the other items are also shown under the heading " Currency and Mint."

The estimates for the year 1952-53 are given below :

Table No. 90.—Receipts and disbursements of Central Government (fiscal year 1952-53).

(In lakhs of rupees.)

Receipts		Disbursements	
1. *Opening balance*	59,05	1. *Loans and advances by the Central Government (net).*	8,70
2. *Revenue surplus*	36	2. *Capital expenditure not met from Revenue—*	
3. *Public debt—*		Railways	16,93
(*i*) Permanent debt (net)	18,00	Posts & Telegraphs	2,33
(*ii*) Floating (net)	1,74	Defence	27,31
(*iii*) Unfunded debt (net)	2,88	Civil Aviation	118
	22,62	Broadcasting	8
4. *Deposits and Advances (net)* ...	8,14	Currency and Mint	15
5. *Remittances (net)*	40	Civil Works	2,83
		Printing presses	21
		Schemes of state trading	283
		Industrial development	10,26
		Miscellaneous	5,72
		Deduct—Amount met from various funds.	13,47
			56,36
		3. *Other disbursements*	5
		4. *Closing balance*	25,46
Total ...	90,57	Total ...	90,57

(*Source : Budgets of the Central Government*).

423. The rate of capital expenditure in the Provinces is shown in the following table :

Table No. 91.—Capital expenditure of Provincial Governments.

(In lakhs of rupees.)

Province	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
1. East Bengal	—2,00*	29	7,25	2,25	7,44	11,55
2. Punjab	63	2,70	13,84	4,78	10,96	14,01
3. Sind	5,01	—1,83*	4,33	2,80	—3,76*	8,69
4. N.-W. F. P.	—4*	22	1,25	48	1,79	2,77

(*Source : Budgets of the Provincial Government.*)

Section 2.—Reduction in expenditure

Reducing expenditure.

424. In view of the reduced revenues and the high level of expenditure, particularly the requirements of economic and social development, measures must be considered of reducing existing expenditure, increasing revenues and exploiting other financial resources.

*The figures represent the excess of amount of recoveries and profits, etc., made under the Provincial state trading schemes over the total amount of capital expenditure incurred.

425. An analysis of the revenue expenditure of the Central Government is given in the following table : Analysis of revenue expenditure.

Table No. 92.—Analysis of Revenue expenditure of Central Government.

(In lakhs of rupees.)

Items	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
1. Direct demands on revenue ...	69	1,55	1,97	2,15	2,67	2,76
2. Debt services	90	2,10	3,52	6,56	6,45	7,62
3. Civil Administration ...	4,90	10,90	14,21	16,49	22,42	23,86
4. Currency and Mint	14	36	45	32	54	57
5. Civil Works	23	66	95	1,39	1,30	2,78
6. Miscellaneous	80	1,51	1,03	30,59	24,11	10,70
7. Defence Services	15,38	46,15	61,54	65,56	72,11	67,69
8. Contribution and miscellaneous adjustments between Central and Provincial Governments.	50	1,40	1,60	1,60	10,10	1,85
9. Other Heads	2,53	7	5	9	20	6,68
Total :– Normal expenditure met from revenue.	26,07	**64,70**	**85,32**	**1,24,75**	**1,39,90**	**1,24,51**

(*Source : Budgets of the Central Government.*)

An analysis of the capital expenditure is also given below :—

Table No. 93.—Analysis of Capital expenditure of Central Government (1948-49 *to* 1952-53)

(In lakhs of rupees.)

Items	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
1. Railway capital	—89	3,15	5,59	337	14,34	16,94
2. Posts and Telegraphs	12	21	1,12	82	1,36	2,33
3. Irrigation	...	3	10	3	9	13
4. Agricultural improvement and research	...	...	...	...	...	1,02
5. Industrial development	...	3	1,03	52	6,43	10,26
6. Civil Aviation	5	4	41	26	1,08	1,18
7. Broadcasting	12	21	16	7	17	8
8. Currency and Mint*	...	477	54,30	22,65	32,00	14
9. Civil Works	1,29	100	2,68	16,9	1,88	2,83
10. Commuted value of pensions	...	1	4	7	5	5
11. Purchase of annuity for payment of sterling pensions	...	10,39	—41	—28	—26	—26
12. Printing Presses	5	13	1	20	32	21
13. Defence capital outlay	3	11,62	13,68	4,51	15,51	27,31
14. Schemes of state trading	2,21	3,01	6,42	—7,15	5,32	2,83
15. Capital outlay on Federal Capital ...	...	...	...	...	30	2,32
16. Capital outlay on Ports	...	...	...	...	11	33
17. Misc. Govt. investments	...	...	...	...	50	1,52
18. Lump provision for other schemes ...	...	...	...	...	...	61
19. Others	10	1,52	1,05	...	...	...
Total ...	3,08	**36,12**	**86,18**	**26.76**	**79,20**	**69,83**
Deduct—Amount met from various Funds ...	...	...	1,00	1,07	13,69	13,47
Total net capital expenditure ...	**3,08**	**36,12**	**85,18**	**25,69**	**65,51**	**56,36**

(*Source : Budgets of the Central Government*).

* Includes *ad hocs* mentioned in Table No. 89 (page 149).

Defence expenditure.

426. It will be observed that the revenue expenditure of the Central Government has been increasing consistently—it has risen by over 100 per cent. since 1948-49. The large expenditure is on Defence Services which also claim the lion's share in capital expenditure. Figures of defence expenditure are summarised below :

Table No. 94.—Defence expenditure—Revenue and Capital.

(In lakhs of rupees.)

	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
1. Revenue expenditure ...	15,38	46,15	61,54	65,56	72,11	67,69
2. Percentage of total revenue expenditure.	77%	71%	68%	52%	51%	54%
3. Capital expenditure ...	3	11,61	13,68	4,51	15,51	27,31
4. Percentage of total capital expenditure.	·9%	32%	16%	18%	24%	48%
5. Total revenue and capital expenditure.	15,41	57,77	75,21	70,07	87,62	95,00
6. Total Central Revenues for the year.	19,89	66,77	88,58	127,73	140,56	124,86

(*Source : Budgets of the Central Government*).

The revenue expenditure has ranged between 51 and 71 per cent. of the total Central revenues and the capital expenditure between 16 and 48 per cent of the total capital expenditure. The total outlay has ranged between Rs. 58 crores and Rs. 95 crores and constituted between 54 and 86 per cent. of the total revenues of the relevant year. All these figures are very high. Effort must therefore be made to economise in defence expenditure, both on revenue and capital accounts. We recognise the paramount importance of maintaining our freedom, but excessive expenditure in this field may affect outlay on development and development alone can sustain the expenditure on defence. Expenditure on defence must therefore bear a definite relationship to the total resources available and a balance should be maintained between the allocations made for defence and development. The correct balance will be the minimum expenditure on defence consistent with security, and the maximum expenditure on development consistent with resources. The Government must take the people into confidence in order to secure their intelligent co-operation in the programmes of defence and development. They should also examine the question of integrating the defence requirements with civilian industry and a competent committee should be appointed for the purpose.

427. The next largest item in revenue expenditure is Civil Administration. A break-up of the expenditure is given below : Civil Administration.

Table No. 95.—Expenditure on Civil Administration.

(In lakhs of rupees.)

	Head of Expenditure	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
1.	General Administration	82·04	196.83	262.36	314.33	350.69	415.14
2.	Audit	18·29	38.71	48.91	57.42	70.59	78.05
3	Administration of justice	1·10	5.01	5.72	8.24	24.75	10.87
4·	Jails and convict settlements	2·51	6.88	9.49	9.17	10.14	10.13
5·	Police	14·89	48.43	79.98	1,45.97	213.35	224.52
6·	Ports and pilotage	0·71	1.68	2.50	2.54	11.68	17.15
7·	Lighthouses and light ships	1·00	1.24	1.27	2.08	2.07	2.48
8·	Ecclesiastical	6·14	.32	.47	.15	...	...
9·	Frontier Regions	212·79	425.53	539.91	558.29	720.13	728.16
10·	Foreign Affairs	37·31	101.38	129.72	145.37	180.61	213 17
11·	Scientific Departments.	17·99	37.59	38.48	48.53	68.65	97.95
12·	Education	9·22	27.96	64.24	66.07	124.63	103.37
13·	Medical	8·01	15.45	28.53	31.39	55.50	82.62
14·	Public Health	3·11	10.50	13.09	13.92	14.60	25.73
15·	Agriculture	6·27	15.01	19.07	43.48	95.08	57.90
16·	Veterinary	0·89	2.57	4.22	5.10	9.67	14.66
17·	Corporation	...	...	.26	.17	.69	1.23
18.	Industries	...	1.11	1.72	6.85	9.22	22.24
19.	Aviation	16·13	35.65	54.58	52.32	94.89	95.35
20.	Broadcasting	10·96	46.28	42.90	53.84	66.71	69.41
21.	Department Supply and Development...	19·64	39.31	41.73	51.70	73.19	75.53
22.	Misc. Departments	20·97	33.55	32.28	31.94	44.77	40.77
	Total ...	**489·07**	**10,90.35**	**14,21.44**	**16,48.87**	**22,41.61**	**23,86.43**

(*Source : Budgets of the Central Government.*)

It will be observed that the expenditure has risen from Rs. 11 crores or 16 per cent. of total revenues to Rs. 24 crores or 20 per cent. of total revenues. While some increase is understandable on account of increased wages and salaries, we consider the total rise to be unjustified. No organisation can afford to spend such a large proportion of its income on administration, particularly at a time when income is declining. We consider that the expenditure on Civil Administration should be reduced immediately to 15 per cent. of total revenues and in due course to $12\frac{1}{2}$ per cent. An Economy Committee to review the governmental organization and suggest savings has been in session for over three years, but the expenditure has increased on the whole, instead of decreasing. We feel that no committees or outside advisers can effect reduction in any organisation, as the staff employed and other items of cost can always be justified. We suggest that, on the basis of the total amount available for Civil Administration, a suitable allocation, keeping in view the existing expenditure and other relevant factors, should be made to the Ministries and Departments and they themselves should be made responsible for reducing expenditure to that level.

428. In para. 447 (page. 160), we have envisaged the level of Central revenues at Rs. 100 crores during the succeeding years. We suggest its board allocation as follows :— Future allocation of expenditure.

Defence Services	Rs. 60 crores
Civil Administration	Rs. 30 crores (together with All other Heads)
All other Heads	
Development expenditure met from revenue	Rs. 10 crores
Total ...	Rs. 100 crores

We consider it necessary that a reasonable amount should be available from revenues alse for expenditure on development, particularly of the non-productive type. Necessary economies and adjustments should be made in other heads to make this possible.

Section 3.—Increase in revenues

Analysis of revenue receipts.

429. An analysis of the revenue receipts of the Central Government, is given below :

Table No. 96.—Analysis of Revenues of Central Government

(In lakhs of rupees.)

Items	1947-48 (actuals)	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (revised estimates)	1952-53 (budget estimates)
Principal Heads of Revenue—						
1. Customs	11,37	32,92	42,22	78,73	79,70	71,90
2. Central excise duties	1,38	5,34	5,17	6,86	7,25	5,00
3. Income tax and Corporation tax ...	2,70	6,59	11,56	13,38	16,50	12,50
4. Sales tax	...	...	8,73	6,68	14,67	11,345
5. Salt	40	3,76	2,51	3,20	2,40	2,40
6. Taxes and duties levied under the Supplementary Finance Act, 1950 ...	...	...	...	50	1,93	2,00
7. Other Heads	27	5,29	1,51	1,74	1,84	2,30
Total Principal Heads ...	**16,12**	**53,89**	**71,70**	**1,11,09**	**1,24,29**	**1,07,45**
8. Railways : Net receipts (including interest charges)	1,71	3,34	1,97	1,27	51	74
9. Posts & Telegraphs : Net receipts (including interest charges)	8	25	3	1,47	41	28
10. Debt Services	2,68	4,94	5,91	5,35	6,83	7,06
11. Civil Administration	22	71	1,08	1,17	1,46	1,55
12. Currency & Mint	...	31	1,08	89	91	2,03
13. Miscellaneous	38	75	76	74	65	70
14. Defence Services	1,17	2,17	5,17	4,81	3,01	3,39
15. Extraordinary items	6	52	29	71	2,23	1,41
16. Other Heads	10	20	30	22	25	25
Total Revenues	**19,89**	**66,77**	**88,58**	**1,27,73**	**1,40,56**	**1,24,87**

(*Source : Budgets of the Central Government.*)

Revenues from customs duties.

430. An analysis of custom duties, which account for the bulk of Central revenues, is given below :

Table No. 97.—Analysis of receipts from customs duties.

(In lakhs of rupees.)

Item	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (actuals)	1952-53 (budget estimates)
1. Import duties (total)	1967.98	3682.16	4162.12	5538.50	5115.00
(*i*) Spirit, liquors, etc.	40.00	45.28	54.30	49.14	68.00
(*ii*) Spices	17.09	35.54	43.22	104.47	100.00
(*iii*) Tea	2.54	14.61	27.69	23.25	23.00
(*iv*) Tobacco	38.07	254.17	355.26	262.92	276.00
(*v*) Kerosene oil	59.36	65.60	105.69	109.26	81.00
(*vi*) Motor spirit	300.49	325.95	421.42	497.01	500.00
(*vii*) Motor cars, cycles, lorries etc., and parts	84.61	143.73	181.61	167.50	182.00
(*viii*) Machinery	55.70	47.27	55.56	87.95	49.00
(*ix*) Iron and steel	29.66	45.13	112.56	179.33	132.00
(*x*) Sugar	25.74	577.33	31.21	828.98	600.00
(*xi*) Matches	64.84	104.22	307.81	158.55	190.00
(*xii*) Textile manufacture	531.15	1007.76	1275.37	1717.13	1530.00
(*xiii*) All others	718.73	1015.57	1190.42	1353.01	1384.00
2. Export duties (total)	1881.95	1222.80	4277.33	3655.32	2975.00
(*i*) Jute raw	1176.76	571.06	921.48	1281.93	1250.00
(*ii*) Cotton seeds	41.10	15.80	23.18	7.94	11.00
(*iii*) Skins	25.99	9.74	27.00	11.51	12.00
(*iv*) Hides	17.14	13.21	29.93	18.63	33.00
(*v*) Jute manufactures	3	3	21	7	...
(*vi*) Raw cotton	564.16	509.64	3169.60	2187.38	1500.00
(*vii*) Rice	.06	.14	1.07	3.88	5.00
(*viii*) Tea	31.49	86.25	30.11	53.26	75.00
(*ix*) Other agricultural product ...	5.92	7.58	1.29	.62	4.00
(*x*) Fish (all kinds)	.99	2.57	14.34	6.93	10.00
(*xi*) Wool raw	...	...	59.12	83.17	75.00
(*xii*) All others	18.31	6.78	...	...	...
3. Miscellaneous	42.36	90.16	99.85	73.78	80.00
4. Gross receipts	3892.29	4995.12	8539.30	9267.60	8170.00
5. Refunds and drawbacks	157.43	302.93	238.79	267.87	280.00
6. Share of Provinces	649.00	436.50	708.60	639.74	700.00
7. **Net receipts** *	**3085.86**	**4255.69**	**7591.91**	**8359.99**	**7190.00**

(*Source : C. B. R.*)

* These figures are based on returns submitted by the Customs Houses and do not tally with the figures in Table No. 96 which are based on the figures furnished by the accounts offices.

The customs receipts rose from Rs. 31 crores in 1948-49 to Rs. 84 crores in 1951-52, an increase of over 150 per cent. They have ranged between 50 and 60 per cent. of the total revenues. The revenue for 1952-53 is likely to be lower than the budget estimate, for reasons stated earlier. In certain circumstances, export duties might have to be reduced. Import duties may be raised but they would apply to the relatively small field of non-essential and luxury goods, the bulk of imports consisting of machinery and industrial raw materials being duty-free.

431. The next largest source of revenue is income tax and corporation tax. The break-up of receipts is given below : **Income tax and Corporation tax.**

Table No. 98.—Break up of receipts of income tax and corporation tax.

(In lakhs of rupees.)

	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (actuals)	1952-53 (budget estimates)
Income-Tax					
1. Ordinary collections } 2. Super Tax }	5,43	7,83	9,83	12,39	11,51
3. Surcharge	26	24	24	8	6
4. Excess Profits Tax	37	35	21	14	8
5. Business Profits Tax	17	32	17	33	16
6. Capital Gains Tax	3	1	3	2	...
Total ...	6,26	8,75	10,48	12,96	11,81
Deduct—Share payable to Provinces ...	...	...	...	...	—2,55
Corporation Tax					
1. Ordinary collections	28	96	1,92	2,83	2,46
2. Surcharge	...	...	...	...	...
3. Excess Profits Tax	...	3	5	14	2
4. Business Profits Tax	7	44	93	1,32	1,21
5. Capital Gains Tax	...	1	...	...	...
Total ...	35	1,44	2,90	4,29	3,69
GRAND TOTAL* ...	6,61	10,19	13,38	17,25	12,95

(*Source* : *C. B. R.*)

Income tax data furnished to us in respect of the year 1950-51 (no later figures were available) showed that the total number of income tax assessees was 72,000 *i.e.*, less then 1 per cent. of the population and the income assessed was Rs. 68 crores *i.e.*, less than Rs. 10,000 per assessee. The number of assessees in the income slab higher than Rs. 1 lakh was only 531. The reduced incomes on account of lower export prices of goods and lesser imports will show their effect in due course on income tax receipts. On the existing basis of taxation, the revenue would fall. The rates of income tax and corporation tax cannot be raised as they affect adversely the investment in industry ; in fact, during the previous years, tax concessions have been given increasingly in order to encourage such investment. We would, however, point out that tax collection needs to be made more efficient and comprehensive. In cases of evasion detected, deterrent punishment should be given.

432. Similar decline in revenue will occur in the case of sales tax. The administration of this tax was taken over by the Central Government in April 1948, and, on the recommendations of the Sales Tax Committee appointed in **Sales tax.**

* These figures are based on returns submitted by the Income Tax Commissioners, and do not tally with those given in Table No. 96, (Page, 154) which are based on the figures furnished by the accounts offices.

1950, its levy was limited to one stage only, *i.e.*, at the import|export stage or manufacture stage, from 1st July 1951. This led to an increase in revenue as the chances of evasion became less.

Table No. 99.—Collections of sales tax.

(In lakhs of rupees.)

	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (actuals)	1952-53 (budget estimates)
Gross collections	7,52	12,26	14,96	25,32	20,23
Deduct—Share payable to Provinces ...	3,39	5,25	6,20	10,10	8,86
Net Receipts* ...	**4,13**	**7,01**	**8,76**	**15,22**	**11,37**

(*Source* : *C. B. R.*)

The standard rate of this tax is 10 per cent. though on luxury articles it varies from 12½ per cent. to 20 per cent. The latter rates could be increased further but it is unlikely that they would more than offset the shortfall on account of reduced imports and lower incomes.

Excise duties.

433. The next important source of revenue is excise duties. An analysis by main items is given below :

Table No. 100.—Break up of revenue from Central excise duties.

(In lakhs of rupees.)

Items	1948-49 (actuals)	1949-50 (actuals)	1950-51 (actuals)	1951-52 (actuals)	1952-53 (budget estimates)
1. Motor spirit... ...	37.00	81.61	1,34.74	1,41.70	1,46.00
2. Kerosene	.87	3.30	4.70	4.10	
3. Sugar	20.25	20.89	23.60	23.06	30.00
4. Matches	8.91	9.98	9.53	3.43	3.00
5. Tobacco	2,21.48	2,26.54	2,68.75	3,44.22	3,70.00
6. Betel nut	97.89	75.19	1,15.57	93.34	1,05.00
7. Tea	56.15	17.03	50.89	22.12	32.00
8. Textiles	1,18.12	72.96	46.64	54.87	65.00
9. Special excise duty on sugar ...	.24	...	.02	...	...
10. Steel ingots	.12	.16	.07	.10	... 9.00
11. Vegetable products ...	.35	—2.95	4.95	5.56	...
12. Miscellaneous ...	4.38	3.74	7.53	6.85	...
Total Gross ...	**5,65.77**	**5,14.35**	**6,66.99**	**6,99.35**	**7,60.00**
Deduct (a) Refunds ...	1.06	.33	1.65	4.55	10.00
(b) Share of Provinces					– 250.00
Net receipts ...	**5,64.71**	**5,14.02**	**6,65.34**	**6,94.80**	**500.00**

(*Source* : *C. B. R.*)

Excise duties could be increased in the case of certain items, but so far as manufactured goods are concerned, these have to be applied with caution lest indigenous enterprise is discouraged. However, some increase in revenue could be expected on the whole.

* These figures are departmental figures and do not tally with the corresponding figures given in Table No. 96 (Page, 154) which are based on figures furnished by the accounts offices.

434. The Railways used to be an important source of revenue in undivided India, and in Pakistan also, they did well in the beginning. They contributed Rs. 3.34 crores to the Central revenues in 1948-49. But this contribution has fallen progressively and was only Rs. 51 lakhs in 1951-52. The decline is brought out in the following table : Railway receipts.

Table No. 101.—Net receipts of Railways.

(In lakhs of rupees.)

Year	Gross receipts	Working expenses	Net receipts
1947-48 (actuals)	15,23	13,54	1,70
1948-49 (actuals)	35,13	31,79	3,34
1949-50 (actuals)	34,86	32,89	1,97
1950-51 (actuals)	38,16	36,89	1,27
1951-52 (revised estimate)	40,93	40,42	51
1952-53 (budget estimate)	42,61	41,87	74

(*Source : Budgets of the Central Government.*)

There has been steady increase in earnings as the result of larger commercial activity since the Partition. Both the North Western Railway and the Eastern Bengal Railway are more favourably placed in the matter of traffic earnings than before the Partition, as the ports of Karachi and Chittagong are now the only inlets and outlets of the areas covered by these Railways. The increase in expenditure is attributable largely to higher prices of fuel (coal) and increases in wages and salaries. Nevertheless, the margin between gross earnings and working expenses should not have diminished as much as it has. The railways in India (capital at charge Rs. 862 crores) have given increasing surpluses : 15.05 crores in 1950-51, Rs. 20.06 crores in 1951-52 and Rs. 23.47 crores in 1952-53. We have no doubt inherited the unproductive strategic railways of the north-west frontier but a reduction of Rs. 18 crores was made on this account at the time of the Partition, so that the total capital at charge of our Railways was estimated at Rs. 115 crores (now Rs. 133 crores). We consider that the Railways must yield much larger surpluses—well over Rs. 5 crores in due course. Economy should be made in expenditure and traffic should be developed with such adjustments in rates and fares as may be possible. The railways must be run as a separate commercial department. We consider that arrangements existing before the Partition should be readopted *i.e.*, there should be a separate railway budget and a Railway Board with the Financial Adviser as part of it. This will help to improve the functioning of the railways as well as the attitude of railway authorities towards their responsibilities. In order to give an incentive to the railways to earn larger surpluses, part of the surplus should be available to them for building a reserve fund for development of their services. The responsibility for running the railways efficiently and economically should be placed squarely on the Railway Board which should be expected to make reasonable contributions to the general revenues. We suggest that an expert committee should be appointed to make specific recommendations regarding the composition, character and status of the Railway Board, the relation of the Railway Financial Adviser with the Ministry of Finance and the allocation of railway surpluses. Suggestions regarding railways.

Section 4.—Taxation structure

Tax concessions to industry.

435. The existing pattern of taxation in Pakistan has been inherited from undivided India. In order to encourage industrial development, the rates of income tax have been progressively reduced since the Partition, a number of concessions have been granted to industrial undertakings, changes have been made in the customs tariff and other measures of relief provided for indigenous industry (some details given in Appendix No. 17). However, the basic structure remains the same. The conditions in Pakistan call for a new approach. Our future progress depends upon development. Under their industrial policy, the Government want and expect private enterprise to undertake responsibility for industrial development. The Government have had to assume responsibility for the development of certain essential industries, but, appropriately, private enterprise should come forward to take them over. The need for private investment and capital formation is therefore paramount and conditions must be created for it. A fundamental consideration in the evolution of our taxation structure should be that it is equitable. Considerations of social justice require that both the richer and the poorer sections of the population should be given, as far as possible, equal opportunities to invest.

Existing rates of income tax.

436. Investment should come out of savings, but with the present high level of taxation in Pakistan there is little incentive to save. On the other hand, there is a tendency to show lower incomes and higher expenditure in the income tax returns. The rate of taxation in Pakistan for individual persons is about the highest in the world, even though income tax *per capita* on the basis of total population works to a low figure (the number of assessees being very small).

Table No. 102.—Maximum rates of income tax in certain countries.

Country	Maximum rate of tax	Annual income above which levied
1. Pakistan	78 per cent.	Rs. 2.5 lakhs.
2. India	61 „	„ 1.86 „
3. Ceylon	64 „	„ 1.86 „
4. Philippines	60 „	„ 33.00 „
5. Indonesia	22 „	„ .53 „
6. Australia	60 „	„ 1.25 „
7. Urgentines	22 „	Between Rs. 5 and 10 lakhs.
8. Peru	30 „	
9. Guetamala	12 „	
10. Mexico	30 „	
11. Brazil	50 „	

(*Source* : *C. S. O.*)

Tax on expenditure, not income.

437. In countries where industry has already developed, a high rate of taxation might be justified. In an under-developed country like Pakistan where investment in industry is not attractive for other reasons also, *e.g.*, lack of experience, delay in yields, shortage of technical personnel, etc., and total capital available for investment is not large, all possible encouragement should be given in order to promote investment. Not only that, but the taxation structure should be such that the people are encouraged to spend less and save more. In this background, the suggestion made by Mr. Colin Clark that income-tax should cease to be a tax on income and should become a tax on spending, merits serious consideration " if we want to encourage everybody to earn as much but to spend as little as possible."

438. To achieve the objective in view, we considered the following proposals :— Some proposals.

(i) All savings invested in "approved" investments should be declared exempt from taxation provided that if any disinvestment was made, tax would become leviable.

(ii) A rebate on income tax|super tax should be given up to a maximum of 50% of the amounts chargeable provided that the investment made was double the amount of rebate sought in income tax and four times the rebate sought in super tax.

(iii) Exemption has already been given* by the Government to investors in the share capital of approved public companies up to a maximum of 10% of the total income. This percentage should be increased, ranging from 20% to 50% for higher to lower income groups.

We have examined the operation of each proposal in detail, and have had elaborate calculations made in order to estimate the measure of incentive provided, the investment likely to be secured, and the loss of revenues to the Government under each proposal. While proposal (i) is expected to lead to the maixmum investment and create an atmosphere where evasion of taxation will not be attractive, it benefits largely the higher income groups. However as stated earlier, a vital consideration in any such proposals should be that they are equitable and enable both the richer and poorer sections of the population, as far as possible, equal opportunity and incentive to save. Proposal (ii) above works well for lower income groups but for higher incomes—beyond Rs. 40,000 a year—it does not provide an incentive for investment commensurate with the loss of revenue to the Government. Proposal (iii) has the merit of being familiar, but it does not suit the lower income groups who will have little incentive to save, as the relief will be very small.

439. After careful thought, we have come to the conclusion† that the best measures would be that : Measures recommended.

(a) The percentage of exemption mentioned above should be increased from 10% to 20%.

(b) In the case of income groups up to Rs. 25,000 per annum the option should be given that a rebate on income tax may be claimed up to a maximum of 50% of the amount payable provided the investment made is double the amount of rebate sought.

(c) The investment enabling relief should include Government securities and savings certificates in addition to the present approved investment of "initial share capital (also share capital subsequently issued) taken up in an approved public company incorporated in Pakistan and formed for the purpose of engaging in an industrial undertaking".

440. The reason for (c) above is that most people are not yet familiar with investments in joint stock companies. The Government securities offer a safe field and the saving certificates are the most accessible form of investment.

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* This exemption is formally described in the following words :

"In respect of initial share capital (also share capital subsequently issued) taken up in an approved public company incorporated in Pakistan and formed for the purpose of engaging in an industrial undertaking, the investor (not being a company) is given a tax concession which takes the form of exemption from both income-tax and super-tax on the amount of share capital subscribed by him, subject to a maximum of ten per cent. of his total income."

† Mir Laik Ali did not find himself in agreement with the measure (b) above, provided for the middle classes as an alternative to (a).

Expected results of the measures.

441. We feel that although these measures are not as far-reaching as the need for capital formation demands, they will create an atmosphere for investment. Moreover (b), above will create an urge for saving in the middle classes and capital formation will thus spread over a larger section of the population. We also hope that these concessions will lead to less evasion of income-tax and the loss to Government revenues will not be as much as may *prima facie* be expected.

Investment by agriculturists.

442. We would recommend further that with a view to encouraging investment by the agricultural population, the question of granting relief from taxation on agricultural income, in respect of amounts invested in approved investments, should be examined.

Business profit tax.

443. We have considered the abolition of the business profits tax. But in view of the facts that exemptions have been given already and that it does not apply to new industries, we do not recommend any change in the present position.*

Estate duty.

444. We consider, however, that the levy of estate duty should be held in abeyance for a period of 10 years. It acts as a strong deterrent to capital formation and leads to fragmentation of assets.

Hoarded wealth.

445. Linked with the question of taxation is the problem of hoarded and underground wealth. It was estimated in 1949 at Rs. 200 to 300 crores by the Public Investment Enquiry Committee, but must have increased substantially since then. High profits in export and import trade and tax evasions must have led to large accumulations which are at present concealed and are unproductive. In order to draw out this wealth, we recommend that a general amnesty should be granted for declarations made by a specified date, provided the amounts are invested in approved investments. This date should be so fixed as to give sufficient time to the persons concerned including those who wish to transfer their capital from foreign countries. Safeguards will have to be provided to distinguish this wealth from current income, but care must be taken to see that the attitude of income tax authorities in making enquiries and giving amnesty does not defeat the objective of this measure.

Turnover tax.

446. We have also considered a suggestion for the levy of turnover tax, which would cover not only all commodities but transactions at all stages of distribution, and have come to the conclusion that the administration of such a tax will be extremely difficult and beyond our present administrative resources. It will also be inequitable, as logically it will be leviable even when losses are sustained in transactions. This tax has not been successfully enforced in any country though multi-point sales tax is levied in a number of countries. In Pakistan, the single point tax has been found more successful than the multi-point sales tax.

Minimum level of Government revenues.

447. We consider that the annual revenues of the Central Government should not be allowed to fall below Rs. 100 crores. This is the level which would enable all revenue expenditure including defence, on the reduced basis indicated by us, to be met and allow some provision for capital expenditure of a non-productive character, not appropriately met from capital account. Keeping in view the tendency of decline in revenues described earlier and the investment concessions suggested by us, we make the following proposals.

Import duties.

448. Custom duties on import of consumer goods should be increased and levied on a graduated scale, particularly for articles of personal use, on the basis

*Mr. M. A. Ispahani did not agree with this recommendation as he considered that the business profits tax, which was introduced as a war-time measure, was no longer justified.

of their value and the degree of comfort and luxury offered. The general basis should be that the higher income groups should pay more than the lower income groups. Import duties will have to be raised in any case on textiles, motor spirit, tobacco, liquor, matches, etc., but similar action may have to be taken if found necessary for items like sugar, kerosene, etc. Exemptions given at present to individuals on the levy of import duties should be completely removed except in the case of foreign diplomats. The import tariff schedule needs review with the objective of promoting indigenous industry and some considerations in this connection have been indicated in Chapter V.

449. There is little scope for the levy of further export duties. Export duties.

450. The rates of sales tax should be enhanced on articles of personal consumption, particularly in the case of luxury items, on a graduated scale depending upon the degree of luxury offered. Sales tax.

451. Excise duty should be increased in the case of textiles, motor spirit, tobacco, matches and, if found necessary, sugar, kerosene and salt*. But, in respect of salt, the concessions already promised to East Bengal, may continue. Excise duties.

452. We consider that both as a measure to increase revenues and as a step to enforce austerity, annual user tax should be levied on a graduated scale, on the possession of articles of personal use which are of the nature of luxuries. Annual user tax.

453. A surcharge should be levied on railway passenger fares, on a graduated basis. When the general level of economic activity has revived, a similar surcharge should be imposed, but on a flat rate basis, on goods and parcel rates.† Railway fares and rates.

454. We have refrained from suggesting specific rates of taxation in the absence of complete statistics and other relevant information, and recommend that the Government should take steps to work them out for very early implementation. The objective should be that a minimum figure of Rs. 100 crores for the total revenues of the Central Government is attained. Early implementation.

455. We recommend that the existing concessions to industrial undertakings by way of depreciation allowances, etc., should be continued and should be extended to industries like chemicals, plastics, potteries and glass, etc., even if they employ less than 50 persons and do not use power. Depreciation allowances.

456. We would take this opportunity of suggesting that a change in the present fiscal year should be considered. Our revenues are directly affected by the volume of agricultural production and no estimates based on it can be made with accuracy before the end of October. The jute year is July-June but the crop is not out of danger until August. The cotton year is from September to August and the forecast of U. S. A. crop, which is an important factor in the marketing of cotton, is not available until the end of August. The position of rice crop is known only by the end of October. The present fiscal year is therefore out of tune with our conditions and a change over to the calendar year January-December, as our fiscal year, appears desirable. Change in fiscal year.

Section 5.—Savings‡

457. The volume of savings in a country mainly determines the rate of investment and capital formation *viz.*, the creation of real assets. Savings may be on Government account or on private account. The latter may again be mobilised by the Government through public loans and official saving schemes to help the Savings and capital formation.

* Mr. Muazzamuddin Hosain did not agree that any increase on excise duty of *biri* and *hukka* tobacco, matches, kerosene or salt could be justified, as it would affect the proper sections of the population. On the other hand, excise duty might be levied on *ghee*, mutton, superior varieties of rice, yarns of above 25 counts, and the existing rates of excise duty should be increased appreciably in the case of cotton cloth above Rs. 1/8/- per yard, artificial silk cloth, and woollen cloth above Rs. 5/- per yard.

† Mr. Muazzamuddin Hosain suggested levy of extra charges for reserving berths for sleeping accommodation.

‡ A Note by Mr. Zahid Hussain on savings and investment, which was received after the Committee had concluded its deliberations, is reproduced in Appendix No. 31.

financing of the capital budget, or may be invested by the individuals or business firms themselves. It is extremely difficult to make an assessment of total savings in Pakistan and the rate of capital formation, as all the basic data required for the purpose particularly in the private sector is not available.

Estimate of national savings.

458. No proper study of the question has yet been undertaken. The Public Investment Enquiry Committee of 1949 made a rough guess of the hoarded wealth in the country at Rs. 200—300 crores but did not make any estimate of total annual savings. Mr. Colin Clark has estimated the savings at Rs. 43 crores per annum—Rs. 19 crores urban savings and Rs. 24 crores rural savings—and has hazarded a guess of possible future savings at Rs. 98 crores but there is no reliable basis for these figures. We consider that a scientific compilation of saving and investment statistics should be attempted along with the national income statistics. This is necessary for the proper formulation of development policies and planned employment of national resources.

Desirable rate of capital formation.

459. In countries where rapid progress is occurring, net capital formation is much higher than 10%* of the national income, which in our case amounts to Rs. 170 crores. In under-developed countries, it is generally less than 5%.† This is mainly due to low incomes and partly due to inadequate mobilization of savings. We must aim at increasing capital formation to Rs. 100 crores a year at least.

Mobilization of savings.

460. It is important not only to urge to all people to save more but also to mobilize their savings and canalize them into proper investments. The existing taxation structure acts as a deterrent to savings and investments, and this aspect of the problem has been considered in Section 4. Much larger savings and investment are needed in the private sector. The Government mobilizes savings mainly through the floatation of public loans and the operation of a Small Savings Scheme.

Public loan central.

461. The following table shows the public loans floated by the Central Government so far, excluding the loans floated in October 1952‡ :—

Table No. 103.—Permanent debt of Central Government.

Description	Date of floatation	Amount outstanding
		Rs.
1. 2 3/4% Loan, 1953-54	14-2-1948	31,89,34,700
2. 2 3/4% Loan, 1955-56—		
(a) Original issue	18-10-48	11,81,42,500
(b) Further issue	14-2-50	1,59,07,000
Total (a) and (b)		13,40,49,500
3. 2 1/2% Loan, 1956-57	20-7-50	6,95,58,000
4. 2 3/4% Loan, 1958-59—		
(a) Original issue	18-10-48	6,73,44,000
(b) Further issue	14-2-50	3,57,09,000
Total (a) and (b)		10,30,53,000

(Table continued on next page)

* Rate of *net* capital formation is stated to be 23% in West Germany (1951), 25.9% in Australia (1950), 21.5% in Canada (1951), 15% in U.S.A. (1951) and 11.9% in U.K. (1951).

† Percentage of *gross* capital formation which includes depreciation reserves is stated to be 8.2% in Ceylon, 7.8% in Philippines, 13% in Cuba and 14% in Chile.

‡ The figures for the loans floated in October 1952 are :—

	Date of floatation	Amount outstanding
1. 2¾% Loan 1957-58	15-10-52	12,00,54,000
2. 3% Loan 1969-70 (Second issue)	15-10-52	2,97,12,900

Description	Date of floatation	Amount outstanding
		Rs.
5. 1-1/2 % Income tax free Bearer Bonds, 1958 ...	14-2-48	8,55,200
6. 3% Loan, 1960	14-2-48	12,74,09,900
7. 3% Loan, 1963	18-10-48	3,02,33,300
8. 3% Loan, 1968—		
(a) Original issue	14-2-48	7,19,90,200
(b) *Ad Hoc* issue	22-12-49	7,25,67,500
(c) Further issue	14-2-50	40,900
Total (a), (b) and (c) ...		14,45,98,600
9. 3% Loan, 1969-70	20-7-50	2,33,08,700
Total debt‡ ...		95,20,03,900

(*Source : Ministry of Finance*)

A major portion of the loans has been subscribed by the banks, Provincial Governments, local bodies, insurance companies and other institutions, and contribution by individuals is very small.

462. The following loans have also been floated recently by the Provincial Governments. They did not raise any public loans earlier as their requirements were met from loans advanced by the Central Government : Provincial loans.

Table No. 104.—Provincial loans floated since Partition

Description	Date of floatation	Amount outstanding
		Rs.
1. 3-1/2% Punjab Loan, 1963	27-11-51	3,92,16,406
2. 3-1/2% N.-W. F. P. Loan, 1964	30-8-52	75,00,000
3. 3-1/2% Punjab Loan, 1964	30-8-52	4,11,94,700
Total ...		8,79,11,100

(*Source : Ministry of Finance*)

Conditions in the money market are stringent and there seems little scope for further borrowings from the commercial banks and the public in the immediate future. However, all possible steps should be taken to popularise Government bonds. The establishment and orderly functioning of security markets is a vital factor in making Government bonds popular. We also suggest that there should be a greater variety of bonds to meet different requirements. The floatation of public loans for particular projects of large magnitude, which might have an appeal for particular interests or areas, might be considered.

Small Savings Scheme.

463. The progress of the Small Savings Scheme of the Central Government which aims at mobilising small savings through savings|certificates and postal saving accounts, is shown in the following table :

Table No. 105.—Net savings in Savings Certificates and Postal Savings Banks

(In lakhs of rupees)

Date			12 years' Pakistan National Savings Certificates	6 years' Pakistan Defence Savings Certificates	Post Office Saving Banks	Total
1st April, 1948	...	...	10,70	...	28,26	38,96
1st April, 1949	...	...	10,55	4	29,48	40,07
1st April, 1950	...	...	11,04	44	30,48	41,96
1st April, 1951	...	...	11,60	56	31,77	43,93
1st April, 1952	...	...	12,36	93	33,69	46,98

(*Source : Ministry of Finance.*)

Saving certificates.

464. The net receipts from savings certificates have not exceeded Rs. 1.13 crores a year, which is not an encouraging figure. Facilities for the purchase and encashment of savings certificates should be made more extensive and the formalities connected with them as few and simple as possible.

Postal saving banks.

465. The efficiency of postal saving banks should be improved. By providing suitable incentive for postal staff and extension of postal facilities, this channel of savings could probably expand appreciably. Both in the case of postal saving accounts and saving certificates, the limits for deposit|investment by individuals, should be enhanced.

Rural savings.

466. In the rural areas, savings could also be promoted substantially through the development of multi-purpose co-operative societies. The establishment of agricultural banks, recommended elsewhere (para. 247 : page. 80), should also help to mobilise rural savings.

Insurance.

467. Insurance can prove to be a very valuable means of mobilising savings and indirectly promoting capital formation. Therefore, insurance facilities should be expanded as far as possible. In the advanced countries, life insurance savings constitute a substantial proportion of national savings. It is stated that in U.S.A. insurance companies command about 1|3 of the total national savings lodged in major financial institutions and government savings bonds, and constitute the biggest source of investment capital. We have recommended elsewhere (para. 140 : page. 46), that the State-owned Insurance Co-operation should beging to function as early as possible, and assist existing insurance companies and promote new ones. Greater use should also be made of the postal life insurance system and its extension to the rural areas should be considered, as private insurance companies are not likely to be attracted to those areas.

Compulsory savings.

468. The introduction of a compulsory savings scheme, which may take the form of compulsory life insurance, for all salaried personnel of Government and semi-Government offices, should be considered, and private employers should be later urged to extend it to their staff. The recoveries should be made on a graduated basis.

Savings campaign.

469. What is most important is that a vigorous publicity drive should be launched for national savings. It should aim both at eradicating the habit of

hoarding and creating a desire for investment. The avenue for investment should be made known fully. Savings are required not only to help the Government to execute their development projects but also to assist private enterprise in entering fields of economic and social activities. We have to rely principally on our own efforts and resources, and our own efforts will have a meaning only when we save to invest. To enable this, we should develop an attitude of austerity and practise it in our lives. The desire to bring in Western comforts into the country at the earliest date must be restrained in favour of an all-out effort to build the basic strength of the country's economy. The example of Japan is before us. By voluntary savings and by domestic efforts, the country was able to raise its national income *per capita* almost three times within a period of 30 years. On the other hand, if we continue in extravagant habits, spending almost all that we earn, we shall face a permanent state of national poverty. As incomes in our country are low, the need for saving is even greater. All forms of extravagance should be avoided; for instance, parties and entertainments should be restricted. Legislation should be undertaken to enforce such measures of austerity, if necessary. In the mobilisation of savings, will lie the test of our leaders and we hope that our public men will lead the way, both by precept and by example, to create a climate and a fervour for investment.

Section 6—Foreign capital

470. Foreign capital is welcome in Pakistan and equal facilities are given to foreign investors. In the following industries, opportunity is required to be given to indigenous capital to participate to the extent of 51% in the share capital and debentures : **Facilities for foreign investors.**

> Cement; coal; cotton spinning and weaving mills; fish cannings and fish oil; generation of electric power, glass and ceramics; heavy chemicals and dye-stuffs; minerals; preserved and prepared food; power alcohol; shipbuilding; sugar; and tanning and leather.

In other industries, opportunity should be given to Pakistani nationals to participate to the extent of at least 30%. However, in either case, where the required amount of indigenous capital is not forthcoming, the balance may be subscribed by foreign investors with the permission of the Government. It is expected that Pakistani nationals would be employed and trained by foreign investors. A fair and just treatment is assured to foreign capital and adequate foreign exchange is provided for remittance of profits.

471. In spite of the facilities offered, foreign capital has not come in to any large extent. The important countries from which capital can come are U.S.A. and U.K. U.S. investors have plenty of opportunities for investment at home, in Canada and in South American countries. If they cross the ocean, they seldom go beyond Europe unless it is in search of oil. As for U.K., she has been in chronic difficulties of balance of payments and is hardly in a position to allow large export of capital. **Inadequacy of foreign investments.**

472. During the last five years, 105 foreign companies were granted permission to issue capital in Pakistan. But the total did not exceed Rs. 21,48 lakhs. The following table gives figures by countries of origin. **Foreign companies in Pakistan.**

Table No. 106.—Foreign capital authorised for issue by Controller of Capital Issues (between 14th August 1947 and 31st August 1952).

Country	No. of companies	Issued capital
1. U.K.	51	12,28
2. U.S.A.	2	17
3. India	14	3,31
4. Other countries	38	5,71
Total ...	**105**	**21,48**

(*Source* : *Ministry of Finance*).

Of these companies, 33 are in the field of industry, with an issued capital of Rs. 16,71 lakhs.

Additional measure to attract foreign capital.

473. The amount of foreign capital invested is far from being adequate, in view of our requirements. An appreciable increase can take place only if the attitude of foreign investors is more enterprising and helpful. On our part, however, we suggest that the following steps should be taken as a further measure to attract foreign capital :—

(i) A reasonable period should be specified in which Pakistani capital should offer itself for participation and this period might be indicated in the sanction issued by the Controller of Capital Issues.

(ii) Repatriation of foreign capital invested in approved industries should be allowed at any time to the extent of original investment *plus* authorised additions to investments including ploughing back of profits. Further, just and fair compensation should be assured in case an industry is nationalised or otherwise acquired for public purposes.

(iii) Avoidance of double taxation agreements should be entered into with countries from which investments are expected. These should include U. S. A. and Canada.

(iv) Special facilities should be offered in selected industries in which foreign investment is particularly needed, due to lack of indigenous private enterprise or technical skill, and special steps should be taken through our Diplomatic Missions abroad to interest foreign investors in them.

The statement of industrial policy (Appendix No. 16) should be reviewed and revised accordingly, and sustained publicity done through foreign missions in Pakistan and our missions abroad. A comprehensive brochure outlining the facilities available and relevant regulations should be prepared and given wide circulation.

Foreign Aids loans received.

474. Apart from private enterprise, foreign capital may come into the country through grants or loans given by foreign Governments and international agencies. The offers of such aid in the form of grants amounted to about Rs. 8 crores during 1951-52 ($ 10 million from Canada, £ A-2 million from Australia and £ 250,000 from New Zealand under the Colombo Plan and $ 10 million from U. S. A. under their T. C. A. Programme). The loans negotiated with International Bank for Reconstruction and Development have amounted so far to about Rs. 10 crores ($ 30.45 million) and actual drawals during a year are estimated at Rs. 3 crores. Particulars of the various development projects etc., for which the above grants and loans have been offered are given in Appendix No. 26. Recently a wheat loan of about Rs. 5 crores ($ 15 million) has been obtained from the Export-Import Bank of U. S. A..

475. Prospects for the future are difficult to indicate, but it is expected that the aid under the Colombo Plan will continue in the same measure for the duration of the Plan *viz.*, until 1957. The aid from U.S.A., might be expected to go up, but much depends upon the attitude of the new Government in power. Further negotiations are proceeding with the International Bank for loans for additional projects. The Bank has estimated Pakistan's creditworthiness at the equivalent of $ 150 million and has indicated willingness to negotiate immediately loans up to $ 65 million (in U.S. or Canadian dollars or Swiss francs) *plus* such additional amounts in non-dollar currencies as may be available for loan operations out of the Bank's resources. The biggest obstacle has been that the Bank has no ready availability for loan purposes of sterling and other European currencies. U. K. is the most familiar source of supply for capital goods required for our projects and the prices in U. K. and Europe are generally lower even though delivery periods are somewhat longer than U. S. A. The Government of Pakistan have been pointing out this difficulty to the Bank and drawing attention to it in international forums, so that if it could be removed, the resource offered by the Bank could be more conveniently made use of. In the E.C.O.S.O.C., discussions have taken place for the creation of an International Development Authority to give grants for non-self liquidating projects, and for the setting up of an International Finance Corporation to provide equity capital and loans to private enterprise. However, no immediate results may be expected in these directions. Prospects for future aid and loans.

476. It has been recognised by all international experts that the internal resources of underdeveloped countries and the maximum rate of capital formation which they might be able to secure, would not be adequate to meet the requirements of their development programmes, if the fall in their living standards (due to increase in population) is to be arrested and reasonable levels of employment and economic prosperity are to be provided in the foreseeable future. They consider that the more highly developed countries must offer assistance in a much greater measure than done hitherto. Pakistan has been able to meet her requirements so far practically herself and we must continue to rely mainly on our own resources. But these resources have been adversely affected by the recent international recession and the development programme is gradually taking fuller and more concrete shape, necessitating larger outlay. Foreign aid will therefore be necessary and welcome. Its extent cannot be stated by us, but the higher its level the greater the pace of development and the lesser the burden on an already overburdened people. There is a limit to taxation and, the national income being low, the potentialities for mobilizing savings, are not large enough. Foreign capital, therefore, constitutes a most important source for financing the development programme. Foreign capital has greater advantage than the monetary value it represents, because it is generally in the form of capital goods and is accompanied by technical skill. It is also considered of valuable help in stimulating and drawing out indigenous investment. We feel sure that the need for added help in the present difficult period for raw material producing countries would be generally appreciated by those who are in a position to help. Importance of foreign capital.

Section 7.—Deficit financing

477. The foregoing Sections bring out the fact that ordinary methods of financing will not be adequate for the increasing requirements of the development programme. Revenue from export duties has fallen and may fall further. Financing of development programme.

Commercial imports have to be reduced and though the rates of import duties may be increased for certain items, there will be substantial reduction in revenue, on the whole. The receipts from income tax should improve in due course but they are likely to show a fall in the immediate future. The revenue from sales tax will also be affected adversely on account of reduced exports and imports. The income from excise duties could probably be increased but not to any substantial extent. The scope of raising money through internal loans and savings is limited. We are, therefore, faced with the alternatives of curtailing the development programme *and* finding other means of financing it. As our future prosperity and the hope of higher standard of living lies in development, there should be no question of reducing expenditure on development.

Deficit financing.

478. Deficit financing has been resorted to by countries when conditions have made it necessary. In Pakistan also, deficit financing was done to meet requirements of development and other capital expenditure, to the extent of about Rs. 45 crores, until the end of last fiscal year (31st March 1952).* The extent of deficit financing is decided upon by the Government normally at the time of the annual budget, keeping in view (a) total requirements and the nature of the projects which cannot be financed out of the normal means and (b) the economic conditions prevailing at the time particularly the position of foreign exchange and price and wage levels.

Need for assured funds.

479. It is clear, however, that without assured funds, planning in advance and orderly execution of development projects is not possible. Hitherto, the requirements of the development programme were not extensive, as the projects were either in the stage of consideration or designing, but the time has now arrived when demands are increasing and an assured supply of money must be available, unless the projects are to be suspended or postponed. During 1952-53, for instance the Provincial Governments required a loan of Rs. 28 crores from the Central Government for the execution of their projects approved by the Central Planning Commission, but only Rs. 8 crores could be made available.

Deficit financing in other countries.

480. Experience of other countries has shown that deficit financing is not necessarily harmful. Its needs should be judged by the objective and the effects *i.e.*, whether conditions and justification exist for deficit financing and whether its effect can be controlled. The experience of Western countries may not be quite applicable to our conditions but it might be mentioned that in the thirties both U.S.A. and Germany resorted to deficit financing, with results which fully vindicated the policies adopted, although they were initially much maligned. In this connection, we might quote from the proceedings of the second Working

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*This deficit financing represents the excess of expenditure over revenue surpluses and borrowings and consists of the following :—

(*a*) Non-revenue expenditure not financed through revenue surpluses and borrowings. Non-revenue expenditure during the period was Rs. 331.24 crores *minus* the closing cash balance of Rs. 59.05 crores, *viz.*, Rs. 272.19 crores. From this should be deducted the total revenue surpluses (Rs. 6.16 crores) and the total borrowings (Rs. 220.46 crores) which leaves a figure of Rs. 45.57 crores.

(*b*) The amount of Central loans subscribed by the State Bank of Pakistan up to 31st March 1952. This figure is Rs. 16.64 crores.

(*c*) The amount of loans and advances provided by the State Bank of Pakistan to the Commercial Banks against the collateral of Government securities. This figure is Rs. 18.64 crores.

The above three figures total to Rs. 80.67 crores. Out of this should be deducted the value of stock-piles. These are roughly estimated at Rs. 5 crores as on 31st March 1952. The deficit financing was partly offset by drawals on initial cash balances Rs. 11 crores (70.05 *minus* 59.05) and utilisation of special payments received from India and H.M.G. Rs. 19.22 crores (7.29 *plus* 11.93). Actual deficit financing may therefore be placed roughly at Rs. 45 crores. All the figures quoted above are taken from Table No. 89, (Page 149) except the figures against (*b*) and (*c*) above which were obtained from the S.B.P.

Party of experts on mobilisation of domestic capital, convened by E.C.A.F.E. in September 1952.

" Despite the measures discussed above, Governments might find it difficult to avoid deficit financing; indeed it was already taking place to some degree in some countries. The Working Party recognised that in certain circumstances deficit financing need not be inflationary. But it emphasized that inflationary deficit financing carried with it most serious consequences and should not be practised to any significant extent. In this connection the Working Party considered the various factors relevant to deciding at what point deficit financing became inflationary in its effects : the size of foreign exchange reasources, the sensitivity of the cost and price structure and of exports and imports, the speed with which particular development projects would lead to increase production, the efficiency of the monetary weapons available for limiting private expenditure .

Relevant factors in Pakistan.

481. There are large material and manpower resources awaiting utilisation—in fact, that is the basis of our entire development programme. The existing percentage of labour force to the total population (about 30%) is lower than other countries in a stage of economic development similar to Pakistan. It might be argued that our manpower is mostly unskilled and there are shortages of trained personnel. However, these shortages can and should be met. As regards idle resources, apart from the possibilities of increased yields in agriculture and extension of cultivable area, our raw materials have enormous possibilities of manufacture, *e.g.,* jute, cotton, limestone, bamboos, etc. The agricultural and industrial projects mentioned in Chapters IV and V are of a productive kind and some of them promise results in the immediate future. The present level of foreign exchange reserves is low, but as indicated in para. 161, earnings would improve in the succeeding years. This income should be husbanded in the most profitable manner. Restriction of imports of consumer goods and equitable distribution of essential goods would have to be done, but such controls already exist, and further anti-inflationary measures could be taken. In particular, the production and consumption of indigenous goods should be increased.

Extent of deficit financing.

482. We agree, however, that deficit financing should not be adopted in an uncontrolled manner, and its operations and effects must be watched. We have suggested elsewhere strengthening of the statistical machinery and accurate compilation of price, production and employment data. We would not suggest the creation of paper money as such, but borrowing from the State Bank. As the income of the State Bank by way of interest etc., reverts to the Central Government, in effect this makes no difference. We would in no case suggest deficit financing for ordinary Government expenditure, but exclusively for development. Our proposal is that the development budget should be separated from the ordinary budget. It should be financed, to as much an extent as possible, from normal resources *i.e.,* taxation, savings and borrowings from the public. Indeed the amount thus made available for development should have a definite relationship to the total ordinary revenues, so that the requirements of the development budget are not sought to be met exclusively from deficit financing. It should also be ensured that, as far as possible, the amount of deficit financing corresponds to the expenditure incurred during the year on the more highly and quickly productive projects *e.g.,* production of foodgrains and other projects which start yielding results within two to three years. All development expenditure, though ultimately deflationary is initially inflationary, and this precaution would help to reduce the adverse effect. The fear that deficit

financing tends to multiply itself will remain unfounded if the limit of deficit financing is determined in advance and measures to control inflation are effectively taken. In our view the extent of deficit financing should not exceed in any year Rs. 25 crores. The aim should be to provide a total expenditure of Rs. 60 crores a year for development in the country in the public sector *i.e.*, development financed by the Government. Out of it Rs. 10 crores should be found by the Provinces from their own resources, leaving Rs. 50 crores to be provided by the Central Government. Broadly speaking, this amount should be found as follows :—

From revenue budgets	...	Rs. 10 crores.
" borrowings foreign aid and loans deficit financing	...	Rs. 40 crores.
Total	...	Rs. 50 crorse.

The needs of the Provincial Governments for development loans should be met out of this total.

Full exploitation of normal resources.

483. The above conclusion presumes that efforts to exploit normal sources—taxation, borrowings and foreign capital—would in no way be relaxed. To the extent that income from these sources exceeds the anticipated amount, the pace of development could be further accelerated. We have suggested deficit financing only to ensure that the amount required by the Government from year to year for developmental purposes will definitely be made available and projects will not be suspended or postponed on that account. We might quote here from the Report on " Domestic Financing of Economic Development " issued by the United Nations (1950) :—

> " It was generally agreed that economic development should be achieved with a minimum of inflation. If voluntary savings are not sufficient, funds should be obtained through compulsory savings in the form of taxation. If this is not sufficient various controls and external financing should fill the gap. If even these latter are not sufficient and the development programme is essential, inflationary borrowing or printing of money may be considered as a last resort, however this method is a dangerous one. Nevertheless, the development should not necessarily be suspended in order to avoid inflationary methods "

Deficit financing necessary for Pakistan.

484. In a country whose future depends solely on the extent and speed of development of its resources, where the degree of under-employment is colossal and alternative avenues of employment do not exist and where population is increasing fast, it would be suicidal to restrict development expenditure and to hold up the wheel of progress. In Pakistan, the present situation indicates that the balance of advantage lies in favour of deficit financing. The development programme should, as far as possible, be accelerated rather than cut down. Its undue curtailment would cramp the economy, setting up a cycle which would constrict economic activity further and further. We envisage total receipts and disbursements of the Central Government at a level of Rs. 160 crores, roughly made up as follows :—

		Rs.
Revenue receipts (including Rs. 10 crores for expenditure on development)	...	100 crores
Development expenditure not met from revenue (from borrowings foreign aid and loans and deficit financing)	...	40 "
Non-productive capital expenditure including Defence (to be met mainly from borrowings)	...	20 "
Total	...	160 "

Section 8.—Monetary Policy

Role of State Bank of Pakistan.

485. The State Bank of Pakistan as the central bank of the country is the chief monetary authority, with very important responsibilities under the law. We have reviewed the policies that have been followed and the measures that have been taken from time to time in the monetary sphere. In this connection, we have tried to ascertain if there are any steps which could be taken to enable the State Bank to play its part more efficiently and effectively. We feel that the special position and status which the State Bank enjoys should be utilised more fully in the formation and implementation of overall economic policies to the greater benefit of the country. For this purpose, it is essential that it should be able to present its view-point to the Government as adequately as possible.

Position of Central Banks in other countries.

486. The central banks all over the world have enjoyed a high degree of freedom from legislative and executive authorities of the nation, and thus from Government control and political influence. In recent years, however, with the expansion of economic responsibilities of the Government and the growth of public debts, a tendency has developed of integration or central banks into the Governmental structure. In some countries, the central banks have even been nationalised. However, generally, the countries have made elaborate statutory provisions to make sure that the central bank is given an opportunity to develop independently its own point of view and to assert that point of view strongly in highest counsels of the Government. The aggressive use of monetary policy adopted by some countries has led to a reaction and re-established the view that the central bank should have a special and independent position even within the Governmental structure. It is only in the U. K. that the Minister of Finance holds unqualified powers to direct the policy decisions of the Bank of England. Similar legislative position, previously in force in the Netherlands, Australia, New Zealand and Japan, has been recently modified. Special procedures have been laid down for the resolution of differences of view between the central banks and the relevant Government departments. In the Netherlands, the central bank has the right of appeal to the Crown in case of disagreement with the Minister of Finance. In Australia, the differences between the central bank and the Treasury (Minister of Finance) are required to be placed before the Government as a whole, and the Government's decision is to be laid before the Parliament together with statements of the bank and the Government. New-Zealand and Sweden have given special status to the central bank by making it responsible direct to the Parliament instead of the Government. In U.S.A., the Federal Reserve Bank is required to act on the basis of its own best judgment subject to such guiding principles and restrictions as the Congress prescribes.

487. It is recognised in all free countries that the exercise of central banking functions requires special knowledge gained by experience, continuous study and intellectual independence. For this reason most central banks, while part of the Governmental structure, occupy a special position within that structure and the power to over-rule them tends now to be reserved to the Government as a whole and is limited to cases of difference on basic national policies.

Special procedure suggested for Pakistan.

488. We should take note of these developments and make a provision for resolving differences of view between the State Bank of Pakistan and the Ministry of Finance. It goes without saying that differences which need to be resolved by a special procedure arise only after all efforts to find an agreement have failed. We recommend that when such a situation develops the matter should be submitted to the Government as a whole along with a statement by the State Bank. The decision of the Government together with the

reasons for it should be communicated to the Bank. We consider that such a provision in the rules of business will be in the best interests of the country and enable the Bank to emphasise with confidence its point of view in all important matters of national importance.

Bank's advice should be freely available.

489. We suggest that the various Ministries of the Central Government and the Provincial Governments should be entitled to seek the advice of the State Bank through the Ministry of Finance.

The Bank and financial corporations etc.

490. We also suggest that in the case of Government-sponsored credit institutions *e.g.*, financial corporations, one of the nominees of the Central Government should be a representative of the State Bank of Pakistan. On other bodies, the State Bank should be represented by an adviser or observer. This suggestion is made in order to ensure that the special knowledge and experience of the State Bank is available in fields where it is likely to be useful.

CHAPTER IX

SOME GENERAL CONSIDERATIONS

Section 1.—Planning Organization

491. Finance, capital goods and technical skill are no doubt the most important factors for the successful prosecution of a programme of development, but there are a number of other considerations which are vital for ensuring an orderly progress in the various sectors of economy. We might first refer to the need for an adequate and efficient planning organisation. Need for an efficient planning organisation.

492. The existing planning organisation consists of the Economic Council, the Planning Commission and a number of Sub-Commissions. The Economic Council is presided over by the Prime Minister of Pakistan and has as its members the Central Ministers incharge of Agriculture, Communications, Economic Affairs, Education, Finance and Industries. Its function is to watch the progress and ensure the implementation of the Six-Year Plan. It has final powers to sanction schemes. The Planning Commission is presided over by the Central Minister for Economic Affairs and has as its members, Secretaries of the Central Ministries concerned with development, and Development Commissioners|Secretaries of the Provincial Governments. Its function is to consider and coordinate development schemes, Central and Provincial, and to make recommendations to the Economic Council. Under it are a number of Sub-Commissions (in the fields of agriculture, irrigation, industries, education, health and housing), which are presided over by the Secretaries of the Central Ministries concerned and have, as their members, representatives including technical experts of the relevant Central Ministries and the Provincial Governments. Other officials or non-officials may be coopted. The rules of procedure for consideration of development schemes have been finalised only recently. The Sub-Commissions have not yet started functioning, but the Planning Commission has been in operation since January 1951. The Ministry of Economic Affairs (Planning Wing) acts as the secretariat of the Planning Commission and a separate Division has been created in the Ministry of Finance under Financial Adviser, Development, to facilitate financial advice in the sphere of development. An elaborate form for the submission of development schemes to the Planning Commission has been prescribed (reproduced in Appendix No. 27A). Existing setup.

493. It appears to us that, considering the shortage of qualified persons in the country and other limitations, both the planning organisation and the procedure for its working are on the right lines. We have, however, some comments to make. First, the procedure does not appear to be followed strictly, with the result that frequently schemes are sanctioned which have not been fully worked out. We consider that no development scheme should be approved without reference to the Planning Commission|Economic Council and that the supply of the entire information required under the rules of procedure should be insisted upon. It is better to spend more time on the proper investigation and designing of projects than to make commitments on half-backed proposals, which may lead to much more loss of time and money. For proper planning, full knowledge of all features of a project is essential *e.g.*, financial implications, repercussions in other fields and requirements of plant, materials and personnel, both for construction and operation. A full scrutiny of the scheme, both Strict observance of procedure.

from the technical and economic angles, is necessary to ensure its success and all schemes should therefore be submitted for prior expert examination, if necessary by foreign consultants having experience in the field. We also feel that after a scheme has been sanctioned, its progress should be watched regularly and, on its completion, the results compared with the original expectations (forms at present prescribed for these purposes are reproduced in Appendix Nos. 27B and 27C). The final approving authority (Planning Commission| Economic Council) should always lay down a time schedule for the completion of various parts of a scheme. In the case of schemes of an experimental character, a periodical assessment of results is all the more essential. Where the sponsoring authorities fail to submit progress|completion reports, further approval to their schemes should be withheld.

Integrated plan.

494. Secondly, more orderly and integrated planning should be done than hitherto. It appears to us that though certain targets in different fields have been laid down, they have not been considered in relation to the overall resources and requirements, and consideration and approval of schemes has proceeded essentially on an *ad hoc* basis. Initially, this was unavoidable and it did not prove harmful, because the field of development was so large and the needs so obvious, that any project was bound to bring in substantial benefits. We would suggest that it is high time that the Planning Sub-Commissions were asked to start functioning and to complete at an early date the study of resources and requirements in their particular spheres. This alone will provide a proper basis for a review of the existing Six-Year Plan by the Planning Commission in order to make it an organic whole. We do not consider the formulation of a rigid plan desirable, but in order to chalk out a programme, whether for the mobilisation of capital or building up of technical skill, an indication of the schemes to be taken up within an overall framework is indispensable. In order to enable quick execution, the schemes must be fully worked out in advance. The constitution, of a planning group of technical experts has been suggested by some foreign experts, in order to undertake planning in various sectors. We feel that if the planning Sub-Commissions do their task properly, and have their schemes duly prepared and scrutinised by experts as prescribed in the rules of procedure, no further technical examination should be necessary. A general economic appreciation of the schemes recommended, the assessment of their repercussions in other fields and the integration of proposals relating to different sectors should be the function of the secretariat of the Planning Commission.

Regular watch on economic events.

495. Another observation that we have to make on the existing planning organisation is that there is no machinery to keep an overall watch on economic events in the foreign countries as well as within Pakistan. The various Ministries are concerned with their own particular spheres and have therefore a departmental outlook. The Office of the Economic Adviser is expected to discharge this function but in the absence of the Economic Adviser and incumbents of other senior appointments in his office, no effective contribution has been possible. Happenings in the last two years have brought into relief the importance of an organisation, which should be responsible for closely watching economic activity, at home and abroad, to point out the symptoms as soon as they appear and to suggest remedies before it is too late. We therefore regard the early appointment of an Economic Adviser as extremely important. One of his functions would be to prepare appreciations on current economic problems, external and internal, and disseminate them to the Central Ministries and the Provincial Governments. As a logical step, we consider that the Economic Council should concern itself not only with development as such but with all economic problems, which have such vital bearing on development.

496. The availability of accurate and up-to-date data is of fundamental importance to any Government, whether for planning of development or consideration of other problems of administration. Underdeveloped countries do not have adequate statistical machinery. Our task would have been greatly facilitated, if reliable and up-to-date figures had been available in all cases. In certain cases, different sets of figures for the same item were supplied to us on different occasions. The modern trend is towards controlled economies, which makes statistics all the more important in order to ensure effective observance of controls and avoid adverse results. We have pointed out the need for accurate trade (and price), balance of payments, agricultural and industrial statistics in Chapters II, III, IV and V, and would now make a few general observations. Need for accurate and up-to-date statistics.

497. At the time of the Partition, the statistical machinery in Pakistan consisted of a number of statistical cells inherited by the various Central Ministries. They varied in technical competence and on the whole were inadequately staffed and equipped. On the recommendations of a Statistical Organisation Committee appointed in April 1948, the Central Statistical Office was constituted. It began functioning in September 1950 and was headed first by an expert made available by the United Nations and now by an expert offered by the U. S. Government under the Point Four Programme. The statistical cells have been merged into it except in the case of the Ministry of Agriculture. The scope of its activities has gradually increased and a monthly statistical bulletin has been issued since March 1952, giving statistics about foreign trade, industrial production, prices, Communications and finance. Further improvement is called for in a number of directions :— Central Statistical Office.

(i) The scope of functions of the C. S. O. should be enlarged to cover statistics relating to agriculture, labour, housing, living conditions and population census. Census is basic to national statistics, as it supplies data on population, education, occupations and many other characteristics, and should therefore be made a responsibility of the Central Statistical Office. A census organisation, created periodically, leads to loss of much useful data. All statistical work should as a rule be centralised in the C. S. O. Enlargement of functions.

(ii) Greater attention should be given to the compilation of national income statistics, which should be collected and published annually. Arrangements should be made to fill the existing gaps in certain sectors and secure reliable data for them. National income statistics.

(iii) The C. S. O. should be strengthened by the provision of trained staff and mechanical equipment. Adequate printing facilities should be available to the C. S. O. to enable publication of statistics as soon as compiled, and a small electric press might be provided for its exclusive use. In order to attract suitable personnel, the question of constituting a regular service of economists and statisticians should be examined : this service could man not only the C. S. O. but also the Office of the Economic Adviser and other similar offices, and could feed the Provinces on a deputation basis. Staff and equipment. Service of economists and Statisticians.

(iv) Proper statistical machinery should be created in the Provinces and the States which are the basic collecting and compiling units. There should be effective coordination between the C. S. O. and the Provinces and States in the same way as between the C. S. O. and the Compilation and co-ordination.

Central Departments, etc., having statistical offices *e.g.* Custom Houses, S. B. P. and others. It would be advisable to have a standing committee of Central and Provincial|State representatives to consider problems connected with the technique of collection, compilation and interpretation of data. All duplication should be avoided.

Surveys.

(v) Survey operations should be given full attention. Studies relating to family budgets have already been started by the C. S. O. in co-operation with the Provincial Governments; their range should cover the various classes (by occupation and income level) of people particularly in the agricultural sector. Similar surveys should be undertaken in other fields such as agricultural production, land use, housing and industry, by the Provincial|State Governments under the guidance of the C. S. O.

Statistical legislation.

(vi) As there is resistance on the part of the people at large towards statistics, suitable statistical legislation should be brought out so that statistics in Pakistan are given a firm and legal basis with appropriate responsibilities attached to the public at large as well as Government officials. At present, legislation exists only in respect of industrial statistics. Further, the importance of statistics and the need for public co-operation to ensure their accuracy should be publicised.

Prompt supply of statistical data.

498. Statistics should not only be accurate but they should be available promptly and up-to-date. All necessary steps should be taken by the C. S. O. and by the Provincial statistical departments in order to compile and publish statistics without any avoidable delay.

Independence of statistical approach.

499. It is important that the collection and compilation of statistics should be done on a purely objective basis; otherwise the resultant figures might do more harm than good. The analysis and interpretation of statistics should also proceed on scientific lines and there should be no pre-conceived ideas to prove or disprove a proposition. It is the job of the administrators and not the statisticians to formulate policies and the latter should, therefore, be completely unbiased in their outlook.

Official accounts.

500. Linked with statistics, is the question of Government accounts. The official accounts have been maintained in a form devised several decades ago and it is frequently found difficult to get data in an easily intelligible shape or at short notice. In the case of commercial departments, the accounts must be maintained practically on the lines of commercial concerns. In the case of other Government accounts also, the system of accounting and compilation should be revised and we would suggest that a committee of experts should be appointed to go into the whole question and make detailed recommendations.

Section 3.—Other considerations

Constitutional requirements.

501. We should like to take this opportunity of making some observations of a general character which have an indirect but important bearing on the problems we have been considering. The present constitution of Pakistan is the Government of India Act, 1935 as adapted at the time of the Partition, and amended subsequently from time to time. It indicates the spheres of legislation of the Federal Government and the Provincial Governments and includes a list of subjects in which the Central and the Provincial Governments can both legislate. The new constitution of Pakistan is in the process of finalisation. For balanced and speedy development, with the minimum wastage of resources,

central planning is essential. While the execution of national programmes should be left to the Provinces as far as possible, their formulation must be done on a coordinated basis for the country as a whole. We would therefore suggest that in the new constitution, planning and regulation of development should be made a Central responsibility.

502. The administrative machinery of the Government can be a serious bottleneck for development in a controlled economy. We recognise the valuable role played by civil servants in organising the administration of the new country and are aware of the very hard work which most of them put in. But we cannot help referring to the corruption which is spreading and which is undermining the structure of administration. (We have referred to this danger more fully in a subsequent paragraph. There is also slackness of effort in many offices and inordinate delays occur. The loss of time not only costs money but is also very upsetting, and cases have been reported to us where an intending industrialist gave up the enterprise merely because he could no longer afford to run from one office to another, in order to complete the various formalities required or secure the facilities offered. One reason given for the delays is that the junior staff is not well-trained and we would therefore urge that suitable training programmes should be organised at all levels. It appears, however, that the fault lies more with the various procedures and formalities which have to be gone through before a decision is reached. Inter-departmental consultation and coordination have their merits but they can be overdone. Too many meetings are held and too many committees are appointed, and the responsibility for decision is cut into bits. An Organisation and Methods Division has been created recently in the Central Government and we hope that it will not only look into routine procedural matters but also into the problem of allocation of responsibility and its speedy discharge. The benefit of its studies and operations should be extended to the Provincial Governments also. As an immediate practical measure, we would suggest that a watch should be kept on all delays in correspondence or in reaching decisions, by the highest official in the Ministry|Department, who should give this requirement personal attention in spite of the other demands on his time. Administrative machinery.

503. Frequent complaints are heard against the common service departments such as the Pakistan Public Works Department and the Directorate General, Supply and Development. In the case of the former, long delays occur in the various processes connected with the construction of buildings required for developmental and other purposes, and we can only suggest that some procedure should be devised whereby these processes can be initiated earlier and completed in shorter periods. Similarly, in the case of D. G. S. & D. serious delays occur and the Provincial Governments and other indenting departments have made them a standing grievance. D. G. S. & D. is a very important department and the scope of its Supply Wing has expanded at an extraordinary rate, as shown by the following figures: D. G. S. & D.

Table No. 107.—Purchases made by the D. G. S. & D.

(In lakhs of rupees.)

Years	Indigenous purchases	Foreign imports	Total
1947-48 ... ... (August—March).	47	3,54	4,01
1948-49	2,55	11,83	14,38
1949-50	5,00	14,09	19,09
1950-51	5,14	16,26	21,40
1951-52	6,21	40,05	46,26

(*Source* : *D. G. S. & D.*)

A major portion of the purchases made is connected with development projects and delays upset the entire progress, sometimes very seriously. We suggest that the entire organisation should be overhauled and replanned as a business concern. The various processes connected with purchase should be made almost automatic. Ledgers should be maintained under different categories showing at any time the extent of the orders placed, the sources of supplies, details of delivery and the commitments with regard to different currencies. A system of card-indexing, and continuous progressing of orders placed, should be introduced. The purchase organisation in London and Washington, which are responsible for large orders, should submit periodical statements to the D. G. S. & D., so that the latter can keep its ledgers up-to-date. We would further suggest that the accounts of the purchase offices abroad should not be mixed up with the accounts of Diplomatic Missions to which they are attached. The D. G. S. & D. should have regular liaison with the other purchasing offices *i.e.*, Railway Division (rolling stock and sleepers), Posts and Telegraphs Department (telegraphs and telephone equipment), Ministry of Food (food purchases) and Ministry of Defence (warlike stores), the purpose of liaison being to evolve common procedures and to secure the most advantageous terms *vis-a-vis* the same supplier. The staff of the D. G. S. & D. should be properly trained and technically qualified persons should be appointed to deal with different stores. An efficient system of accounting should be devised in the D. G. S. & D. also, in order to indicate the position of transactions at any time and to ensure prompt payment of bills. The inordinate delays which occur at present in settling the bills result in pushing up the quotations from suppliers, who make allowances for the interest they have to pay on advances secured from banks.

Limitations of Government machinery.

504. We would like to add here that too much burden should not be thrown on the Government administrative machinery. The resources of the Government, in qualified personnel and in finance, are limited, and they should not therefore undertake more than what they can perform efficiently and effectively. It has been rightly decided not to nationalise more than a few specified industries. The scope of state trading should also be restricted as far as possible. In the course of our study, we have suggested the establishment of a number of corporations. The advantage of such organisations is that while the Government can control and regulate their activities, the former can function more freely and expeditiously than Government offices. We would take this opportunity to reiterate that the people at large should also not expect the Government to do everything for them. As responsible citizens of a democratic State, they should assume their share of responsibility for the orderly promotion of economic and social life.

Delegation of powers.

505. Official delays may also be attributed to the inability of various officers to take final decisions for want of delegation of powers. Since the Partition, there has been a gradual shift towards concentration of responsibility, so that a problem is referred up and up and finality is reached after long. If officers are given powers and confidence is placed in them, there is no reason why they should not rise to the occasion and justify the trust reposed. A few errors and mistakes will be less harmful than interminable delays. Financial responsibility must be similarly delegated and officers representing the Ministry of Finance posted to various Ministries and Departments as Financial Advisers. Their powers should be defined and within those powers no reference should be necessary to the Ministry of Finance. There seems to be an atmosphere of lack of confidence and for each official|organisation entrusted with a certain work, another official| administration is provided for supervision or check. Some supervision and check is no doubt necessary, but it can be overdone. We feel that, apart from adding to efficiency and speed in disposal, appreciable economy can be affected

in expenditure on administration by proper delegation of powers and judicious reposal of confidence in government officials|organisations.

506. The general tone of administration needs much improvement. Corruption and nepotism are rampant. We recognise that higher standards of public conduct are expected now than previously and a more critical attitude is adopted towards the national Government. But it is also true that there has been deterioration in the moral fabric, both of officials and of persons who seek favours from officials. The offer of a bribe, as well as the acceptance of it should be a penal offence involving deterrent punishment. The practice of *sifarash* is stated to be more prevalent now than ever before and it is alleged that almost nothing gets done unless it is backed by recommendation of some sort. This is most unfortunate as it destroys confidence in the working of administration and leads to all types of abuses. Public men who gain their position through votes of the electorate are more vulnerable to requests of favour. In order that the officials should perform their duties without fear or favour, it is important that no undue influence should be brought to bear on them. The services should, therefore, have adequate protection, and they should not expect to secure advancement by subservience to political influence. Integrity of character and independence of judgment should be the most valued qualities of officials and full weight should be given to these features when making promotions. The present system of litigation is another potent factor in corruption. We urge that something should be done to simplify and shorten the procedures for settlement of disputes, which at present drag on and on, almost indefinitely. We have also been told that only an insignificant percentage of the cases of corruption detected by the Special Police Establishment result in punishments. The causes for this should be investigated and removed. However, the evil of corruption cannot be dealt with on a curative basis only; indeed, the preventive basis would be more effective. The leaders should focus attention on it and create an atmosphere where corruption would be considered so wicked and so unsocial as to be voluntarily shunned. The non-officials are as much responsible for any corruption in public administration as the officials. The standards of conduct, both public and private, need to be raised. **Corruption and nepotism.**

507. The evils of provincialism and sectarianism also appear to be spreading. Such tendencies are directly opposed to the basic concept of unity of national existence. They must therefore be discouraged in every form in which they manifest themselves. **Provincialism and sectarianism.**

508. We would also ask for a change in the official attitude towards industry, trade and development generally. The objective of the Government and the nation is to secure rapid development of the country's resources and to improve all sectors of economy. The official attitude should not therefore be one of raising objections or even of passive interest, but it should be one of active sympathy. There should be few occasions for taking stand behind authority and regulations. On the other hand, an identification of interest between the Government and the people should be developed. Officials should guide and advise how to meet technical formalities. Indeed, they should be inspired by an enthusiasm to further the cause of progress. The problem is no longer of maintenance of law and order, or of conducting routine administration, howsoever efficiently, but of improving conditions of living and levels of employment. We consider that as an incentive, the contribution that an official makes in the programme of development and the attitude which he adopts towards matters affecting economic progress, should be taken into account when assessing his worth at the time of recording his annual report or considering his promotion. A directive should accordingly be issued to all Central Ministries and Provincial Governments. **Official encouragement of development.**

Consultation with non-official opinion.

509. In a democratic Government, the public view-point must obtain supreme consideration. On matters of high policy, it finds ventilation through the legislature, but it is also important that non-official opinion should be consulted, from time to time with regard to other Government decisions particularly when they affect the people at large. We have elsewhere emphasised the importance of consulting trade in framing trade policies. Similar consideration applies to other fields of Governmental activity. We would add here that public criticism should be welcomed and full opportunity should be given for its expression. When we suggest this, we also hope that the public also, in its turn, would avoid irresponsible criticism and would, in discussing Government policies or procedures, make constructive suggestions, keeping always in view the larger national interests rather than Provincial, sectional or personal considerations. It is not only necessary for the Government to take the people into confidence but to educate and instruct them so as to enlist their understanding cooperation.

Need for austerity and hard work.

510. We have repeatedly urged the need for austerity and for saving in the present to build up the future. Not only savings, but hard work is needed. We must adopt business-like habits and do a full day's job and even more, each one of us. It is only the hard work and savings of the present generation that can give a better life to the next generation, and so on, and the process must be continued until we are able to compare ourselves with the economically advanced countries. Freedom is certainly no synonym for laziness : freedom has to be safeguarded by continuous hard labour and sacrifice. The virtues which enabled nations to achieve remarkable progress are self-discipline, sense of responsibility and the will to work. Not only must we work hard but we must take pride in our work, however humble it may be, in the belief that it makes a contribution to the country's progress.

Sustained action.

511. Finally, action is more important than deliberation. The submission of reports and the making of recommendations will not help, however good they may be. What is needed is steady implementation of decisions once reached. No relaxation of effort should be permitted until a real improvement in the standard of living and a reasonably high level of employment is achieved.

Section 4.—Outlook for future

Objectives.

512. Our objectives are the improvement of conditions of living of the common people and the provision of minimum standard of living in the immediate future, and, for that purpose, avoidance of unemployment and under-employment, as far as possible, through development of a balance and diversified economy. We should aim at the fullest utilisation of our natural resources : we should increase food production, make the best disposal of our surplus commodities and develop industries based on our raw materials. Finally, we should ensure equitable distribution of goods and equal opportunities for all.

Limitations.

513. Our limitations are an excessive dependence on agriculture. Industry is yet in its infancy. The earnings of foreign exchange, therefore, depend on a few raw materials, the prices of which are subject to violent fluctuations. The Government revenues are likewise heavily dependent upon custom revenues. There is at present lack of iron and steel and shortage of coal and oil. Our administrative resources as compared with other countries are small and the availability of technical manpower is inadequate.

Prospects.

514. Though the present conditions are difficult and there is uncertainty attached to factors operating in the immediate future, there is no cause for undue anxiety. Even the most optimistic persons could not hope that the prices of raw

materials would remain at the levels which they touched during 1951 and the need for readjustment was bound to arise sooner or later. It has arisen sooner than expected, but the present conditions are generally not worse than prior to the Korean boom. The Central revenues, no doubt, threaten to go down to a low level and necessary measures would have to be taken. But the foreign exchange earnings, despite the steep fall they have recently registered, are still much better than 1949-50, and would improve in the following years. The international recession has already lasted nearly two years and may have almost spent itself. The supplies of primary commodities are readjusting themselves to the changed conditions of world demand and the production and consumption levels of the world are bound to stabilise in due course. We have valuable resources in our raw materials. Economic prosperity can therefore be secured provided, on the one hand, realistic domestic policies are followed and, on the other hand, there is real international cooperation. We must be constantly vigilant and should frame our policies, taking full account of internal and external factors, and keeping in view our objectives and our limitations.

515. Pakistan has lived through five years of stress and strain, and despite our limitations, we have made positive progress : economic life has stabilised since the Partition, banking and trade have been organised and internal production has increased. Notwithstanding the present difficulties we can face the future with confidence. Our greatest wealth is the unbounded enthusiasm and the patriotism of the people and their faith in their future destiny. While that subsists and there is willingness to work and make sacrifices, and uphold the virtues of "unity, faith and discipline", the road to economic prosperity and stability is assured. **Outlook for future.**

CHAPTER X

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Chapter I.—Review of Economic Situation

Economic recession.

1. The recession has been severe but with determination and proper planning, its effects can be overcome (para 1).

Indecent strength in foreign trade.

2. The important points for Pakistan are that the quantitative demand for her products should be firm and that prices of the goods she has to import should be in reasonable relation to the prices of raw materials. There is no indication of failure on these points, from a long-term point of view (para 3).

Balance of trade.

3. As payments for Government imports are at present not shown in the foreign exchange accounts distinctly from other Government payments, it is not possible to work out an accurate balance of all exports and imports (para 4).

Invisibles.

4. The drain on foreign exchange from invisible imports is excessive, mainly on account of the undeveloped character of our shipping, banking and insurance services (para 9).

Fluctuations in prices.

5. The fluctuations in our export prices since the Partition show the stresses to which our economy has been subjected on account of changes in world markets. It is remarkable that it has stood up to these knocks as well as it has done. We are once again passing through difficult times (para 22).

Cloth consumption.

6. The average individual consumption of cloth, taking into account production of handloom and allowing for unused stocks of cloth and yarn, appears to be about 10 yards (para 24).

Chapter II.—Trade and Commerce

Importance of balance of trade.

7. The balance of trade is of vital importance in our economy. After paying for the consumer goods and developmental goods imported on private account, and defence stores, capital equipment and other goods imported on Government account, a favourable balance is required to meet the excess of invisible payments over invisible receipts (para 30).

Restriction in imports.

8. Improvement in the balance of trade can be effected in two ways—by increase in exports and by reduction in imports. Reduction in imports is no real remedy and has adverse consequences. Nevertheless, it is unavoidable in circumstances where exports are inflexible and export prices are not favourable (para 32).

Development goods.

9. Provision has to be made for an adequate supply of capital goods and of industrial raw materials (para 33).

Defence stores.

10. There should be a reasonable balance between expenditure on import of defence stores and the expenditure on developmental goods and other essential imports. It should thus be possible to effect reduction in external expenditure on defence. Further, productive capacity should be rapidly expanded within the country for the supply of as many defence requirements as possible (para 34).

Consumer goods import policy.

11. Most substantial reduction will have to be effected in the case of consumer goods (para 35). Except in the case of cloth, the field in which savings can be effected is very limited. It is important that not merely the supply but

the demand of consumer goods should be reduced. The nation must recognise and accept the need for austerity (para 36). The Government must frame its future import policy on this basis (para 37).

12. All imports should be made licensable. Credit restrictions imposed by the Government may be removed. The procedure for licensing should be simple and so devised that delays and hardships in the issue of licenses are avoided, particularly in the case of capital goods and industrial requirements (para 37). **Licensing.**

13. Side by side, action should be taken to limit the profits of importers in order to ensure that the consumer is not unduly burdened. Strong administrative and legislative measures should be taken to prevent profiteering, corruption and other anti-social practice in trade. The Government should also take necessary steps to encourage the establishment of "fair price" shops and of consumer cooperative societies which would make direct imports (para 37). **Limitation of profit.**

14. We do not agree to total banning of luxury goods but recommend that their import should be severely curtailed. We have also suggested the imposition of heavy import duties on such items (para 38). **Luxury goods.**

15. The import of goods produced within the country should be banned or restricted according as the local production is sufficient to meet the entire or partial needs of the country, subject to the conditions stated (para 39). **Locally produced goods.**

16. In the present circumstances, the maximum amount for commercial imports should be Rs. 80 crores per year. The figure should be raised suitably when improvement occurs in our foreign exchange earnings. Ceilings for import of various classes of goods and individual items should be fixed after due deliberation and balancing of different requirements. A sum of Rs. 1 crore per annum should be kept aside to meet the unforeseen requirements of industrialists in-between the licensing periods (para 40). **Ceilings for commercial imports.**

17. Total cloth supplies for the time being should be based on a maximum consumption rate of 10 yards *per capita*. Imports should be allowed after taking into account total mill and handloom production within the country. On the other hand, imports of yarn should be allowed more liberally (para 41). **Cloth imports.**

18. While the foreign exchange position is difficult, sugar imports should be severely cut down (para 42). **Sugar imports.**

19. State trading should be considered only for commodities which are vital requirements of the people, *e.g.*, foodgrains, or of which the Government are the biggest consumer, *e.g.*, coal. There is no justification for state trading in iron and steel and the existing stock should be liquidated and further imports left to private enterprise. We do not consider any expansion of state trading desirable, whether on import or export side (paras 43 and 44). **State trading.**

20. The expenditure on state trading (or stock-piles) should appropriately be met through advances secured from the commercial banks and not treated as capital expenditure (para 43). **Financing of state trading.**

21. The Government should consult the commercial community on all matters affecting trade. The trade associations should also make themselves more useful (para 45). **Consultation with trade.**

22. The main hope for improving the balance of trade lies in the promotion of exports and the most vigorous effort is called for in this direction (para 46). **Export promotion.**

23. It appears that adequate attention has not so far been given to minor exports, existing or potential (para 48). **Minor exports.**

Export policy. 24. Except in the case of main foodgrains and particularly vital materials, there should be no export control, subject to conditions stated (para 49).

Export of manufactures. 25. In the case of manufactured goods, not only the component raw materials should be allowed to be imported freely, but refund should be given of the import duty paid, if any, on evidence of exports (para 50).

Licensing. 26. Where exports have to be controlled, the licensing system should be simple and automatic. Wherever possible, destinational quotas alone should be prescribed and individual licensing should not be insisted upon (para 51).

Export Duties. 27. In determining the rates of export duties on agricultural produce, it is essential to ensure that the interests of the grower do not unduly suffer (para 52).

Excise duty. 28. Refund of excise duty paid on exported goods should be made promptly (para 53).

Sales Tax. 29. Like excise duty, sales tax paid on capital goods, should be refundable (para 54).

Re-exports. 30. Re-exports could be a means of earning foreign exchange, particularly in relation to the dollar area (para 55).

Quality of Exports. 31. While grades and standards should be prescribed for all commodities, their adoption should be left open to exporters. In the case of manufactured goods, a procedure for the issue of quality certificates by the Pakistan Standards Institute should be introduced (para 56).

Arbitration Association. 32. A Pakistan Arbitration Association should be set up to give speedy awards in trade disputes and it should establish links with similar bodies in other countries (para 57).

Dept. of Trade Promotion. 33. The Directorate of Commercial Intelligence should be expanded into a Department of Trade Promotion to give fuller attention to export promotion and to perform the functions stated (para 58).

Trade Commission. 34. Trade Commissioners should be given fuller guidance from Karachi and should be properly trained for their duties (para 59).

Delays in offices. 35. The offices which have dealings with traders should adopt commercial methods of disposals, and instead of raising objections should guide the traders (para 61).

Transport & Communications. 36. Increased facilities of transport and communications (some mentioned) are a great help to the trade (para 61).

Jute. 37. The fluctuations in world position with regard to jute should be kept under continuous examination so as to ensure satisfactory disposal of crop from season to season. The recommendations made by the Jute Board in 1950 should be pursued, keeping in view subsequent developments (paras 64 and 66). The Central Jute Committee should formulate and pursue a coordinated programme (para 67).

Cotton. 38. No pains should be spared to improve the quality of cotton, whether by use of better seeds or by improvement in picking, grading and ginning (para 68). The proposal for the establishment of a hedge market in cotton should be examined by an expert committee to be appointed by the Government (para 68). Further expansion and active pursuit of the Central Cotton Committee's programme is recommended (para 69).

Cottonseeds. 39. Cotton seed should be increasingly utilised for manufacture of edible oils and, in the meantime, a grading scheme for exports should be introduced (para 70).

Wool. 40. The wool grading scheme should be applied effectively and a system of yield certificates should be prescribed (para 71).

Hides and skins.

41. The quality of hides and skins should be improved by modernising flaying and curing (para 72).

Tea.

42. The rehabilitation of tea estates owned by Pakistanis should be taken up urgently (para 73).

Tobacco.

43. The cultivation of *hukka* and chewing varieties of tobacco should be partially diverted to *biri* tobacco and larger quantities of virginia tobacco should be grown. The Government should organise an export programme (para 74).

Fish.

44. Fish exports should be enlarged by expansion and modernisation of fishing facilities, etc., in West and East Pakistan (para 75).

Fruit.

45. The fruit trade should be organised and picking and packing methods improved. Grading should be introduced for exports (para 76).

Sport goods.

46. The standard of sport goods and surgical instruments should be maintained to sustain exports (para 77).

Other export.

47. Every item which has been exported or has potentialities for exports should be examined to see how and in what direction exports can be enlarged (para 78).

Price of exports.

48. The prices of exports should be realistic and competitive, and the cost of production should be brought down as far as possible (para 79).

Trade and commodities agreements.

49. Pakistan cannot afford to ignore the prospects offered by trade and commodity agreements for the disposal of her surplus commodities on terms most favourable to her (para 80).

Bilateral agreements, contracts and barters.

50. The existing pattern of bilateral trade agreement should continue (para 83). However, in respect of individual commodities, long-term arrangements for disposal should be tried particularly with countries with which we have a regular deficit in balance of payments. Long-term contracts and barter arrangements should be acceptable in conditions where they are found more advantageous (para 84).

Commodity agreements.

51. It is in our interest to accept commodity agreements in principle. As such agreements cover only a part of the actual or potential surplus, the door to bilateral agreements with countries not parties to the commodity agreement, is not barred (para 88). If we can ensure stable price for our exportable commodities, it will add materially to the strength of our economy (para 90). An international commodity agreement in cotton would give stability to the internal cotton market. A commodity agreement in jute would be of advantage only if it ensures the creation of additional world demand (para 89).

Inter-zonal trade.

52. The need for promotion of trade between West and East Pakistan is self-evident (para 91). The Government should subsidise air and shipping companies for passenger traffic to the extent considered necessary. For transport of goods, movement between the two wings should be treated as inland movement and " through " booking facilities should be provided by railways (para 92). Fuller investigation should be made of the commodities suitable for inter-zonal trade. Inter-zonal trade offices may be set up at Karachi and Chittagong and Provincial commercial museums may be established in all important Provincial towns displaying the products of all Provinces (para 94).

Financing of trade.

53. It is difficult to judge the adequacy of credit facilities for trade in its various stages, without fuller data (para 95).

Bill market.

54. The bill market in Pakistan should be developed and, as one measure, special legal protection should be granted to the settlement of claims against bills of exchange (para 104).

Warehouses. 55. The absence of well-regulated warehouses and a system of warehouse receipts is a big obstacle to availability of credit facilities to cultivators and traders. The Government should sponsor one or more corporations for establishing warehouses in the country. A chain of warehouses stretching throughout the country in all important *mandis* and collecting centres, is needed (para 105).

Price control. 56. Immediate consideration should be given to the question of control of prices to relieve the consumer from possible hardship. It is a matter of regret that in many cases, excessive profits have been charged by importers and middle-men; suspension of O. G. L. would worsen the position (para 106).

Ordinarily, control should be imposed on the most essential items which are in short supply. The Essential Supplies (Temporary Powers) Act of 1946 should be enlarged only to the extent considered really necessary (para 108). The corollary of price control is distribution control (para 109). All measures to arrest rise in prices should be adopted (some measures have been suggested) (para 110).

Prices in E. P. 57. Steps should be taken to remove the disparity between prices in West and East Pakistan (para 111).

Price statistics. 58. Accurate and reliable statistics in prices are necessary for any effective price control administration. A special Price Section should be set up in the C. S. O. (para 112). A system of covering free market prices should be adopted. Official statistics, based on control prices, do not inspire confidence (para 112).

Trade statistics. 59. All possible steps should be taken to eliminate delays in compiling trade statistics (para 114). Government imports should be classified in the same way as private imports and recorded in similar detail (para 115). A number of detailed suggestions have been made in para 116.

Chapter III.—Balance of Payments.

Fall in reserves. 60. The foreign exchange reserves came down to Rs. 66 crores at the end of September 1952. We recognise that the decline in the prices of our exportable goods has been more precipitous than expected. We feel, however, that the restrictive measures adopted by the Government from time to time should have been imposed earlier than they were (para 121).

Future policy. 61. The existing level of reserves being low, we must live within our earnings. We have to balance our foreign exchange receipts and payments on current account: indeed, we must build up our foreign exchange reserves as soon as circumstances permit (para 122).

Invisible exports: tourist traffic. 62. Our invisible exports are very small and the scope for increasing them does not appear to be large at the present stage. But there are prospects in certain fields, for instance, tourist traffic. Everything possible should be done to encourage foreign tourists and a tourist organisation should be set up for the purpose. Facilities should be provided to transit passengers passing through Karachi to visit the city during their halt (para 125).

International conferences. 63. The holding of international conferences in Pakistan should be encouraged to the extent facilities can be provided for them. Likewise efforts should be made to have regional offices of the United Nations and other international agencies established in Pakistan (para 126).

Free zone. 64. The possibility of developing free zone for imports and re-exports should be explored (para 127).

Reduction in invisible imports.

65. While there is little scope for effecting improvement in invisible exports in the immediate future, there are better prospects of effecting savings on invisible imports (para 128). Detailed recommendations for reducing the volume of invisible expenditure are given in paragraphs 130 to 137. They cover travel quotas, family remittances, agency commissions, refunds and rebates, film rentals, air transport, shipping, remittance of profits by foreign companies, insurance, etc.

Statistics of invisibles.

66. The statistics relating to invisible payments and receipts should be improved. The classification of receipts and payments should be under the same or similar headings. The invisibles on Government account should be separated from payments made for Government imports and they should be suitably subdivided. The existing "Miscellaneous" heading in the case of both receipts and payments should also be further sub-divided as far as practicable (para 138).

Further examination.

67. A further examination should be conducted of the "Miscellaneous" invisible receipts and payments by the Ministry of Finance in consultation with the State Bank of Pakistan and the Ministries concerned (para 138).

Foreign companies.

68. Legislation should be undertaken to provide that all foreign business firms should take out licenses specifying the nature of business. The question of associating Pakistani capital and employment of Pakistan nationals in commercial and other firms, as in the case of industrial concerns, should be examined (para 139).

Insurance companies.

69. Remittances by foreign insurance companies involve appreciable expenditure of foreign exchange. Certain detailed recommendations have been made in para 140.

Government invisibles.

70. Every effort should be made to reduce the volume of invisible payments on Government account, *e.g.*, the expenditure on Delegations and tours of officials abroad should be curtailed ; likewise the expenditure on our Diplomatic Missions should be brought down (para 141).

Leakage of foreign exchange.

71. Leakage of foreign exchange occurs through infringement and evasion of provisions of the Foreign Exchange Regulation Act and the rules made thereunder (para 142). A number of measures have been adopted by the State Bank of Pakistan but further steps should be helpful (paras 143 and 144). Detailed recommendations to prevent leakage have been made in paras 145 to 150. These cover smuggling of goods, gold and currency, illegal transfer through non-official channels, evasions in imports and exports trade, under-invoicing of exports, over-invoicing of imports and unauthorised imports.

Punishment for offences.

72. All illegal foreign exchange transactions should be classified into major and minor offences and deterrent punishment should be given particularly in major offences (para 151).

Regular scrating.

73. All receipts and payments of foreign exchange including invisibles should be examined on a regular basis by a standing inter-departmental committee in order to see how far earnings can be promoted or savings made (para 151).

Level of reserves.

74. The minimum requirement of foreign exchange reserves is Rs. 110 crores, as a long-term objective (para 152). As soon as circumstances permit, Rs. 10 crores should be set aside each year for this purpose (para 153).

Gold.

75. The proportion of gold in the foreign exchange reserves should be increased substantially. As one measure, all gold confiscated by the custom authorities should be made over to the State Bank at the official price (para 154).

Estimate for 1952-53.

76. An assessment of the future position of balance of payments is extremely difficult as our earnings of foreign exchange depend upon the demand and prices

of our primary commodities, the level of which is largely affected by world factors. Nevertheless, some sort of appreciation is essential to give guidance for planning (para 155). Estimates of receipts and payments for the year July 1952—June 1953 have been made in paragraphs 40 to 44 and a net deficit of Rs. 44 crores during the year is expected.

Date for foreign exchange budget.

77. A detailed proforma should be prescribed by the Ministry of Finance for estimates of requirements of foreign exchange to be furnished by various Ministries for the purpose of preparation of foreign exchange budget every half-year (para 159).

Estimates for future years.

78. For the succeeding four years, earnings of foreign exchange have been estimated at Rs. 160 crores during 1953-54 rising to Rs. 190 crores during 1956-57 (para 161). The improvement will be due mainly to export of jute manufactures and rice (para 161). On the other hand, the level of payments will be reduced on account of increased indigenous production. On the whole, it should be possible to balance the foreign exchange budget every year. Rs. 10 crores should be set aside annually to rebuild foreign exchange reserves from the year 1954-55 onwards (para 162). The appropriate distribution of foreign exchange payments is indicated in para 163.

Food Imports.

79. There is a disturbing feature for the next year at least, *viz.*, the need for import of wheat. The wheat shortage will have to be made good in any case and every effort should be made to secure wheat loans from foreign Governments or agencies (para 164).

Chapter IV.—Agriculture.

Agricultural economy.

80. The economy of Pakistan rests mainly on agriculture. Recession in production or in prices of agricultural produce means all-round distress, the first victim of which is the farmer himself. The peasant and his occupation should, therefore, receive the fullest consideration in any schme of planning for economic stability (para 166).

Demand for agricultural product.

81. Food production has not kept pace with population growth (para 169). The world demand for foodstuffs must increase with the rising populations and standards of living. The demand for other agricultural commodities is also like to increase with higher production and consumption levels in the world. Increase in agricultural production is therefore of vital importance (para 170).

Target for increased production.

82. An overall target of 25% increase over the existing output, within the next 5 years, should be aimed at (para 171). Judging by previous experience and present programme, the achievement of this target appears almost impossible, but if a determined effort is made, the result might not fall too short of the objective (para 172).

Main causes for low yields.

83. The main causes of low average yields of our crops are the cultivation of marginal and sub-marginal lands, climatic factors including lack of water, and lack of humus (para 176). The attainment of yields available in countries more fortunately placed in these respects, is therefore extremely difficult (para 177). However, there is room for improvement. But we must develop our farming to accord with the natural conditions of our country and our social structure (para 178).

Individual projects.

84. We are not in a position to express on opinion on the merits of individual projects, but would emphasise the need for a very careful enquiry into the potentialities of a scheme before it is launched (para 180).

85. We recommend the most vigorous action for the development of water resources of Pakistan. Apart from big rivers, the potentialities of smaller waterways and of subsoil waters should be investigated, and a concerted plan of action drawn up (para 181).

86. The smaller irrigation schemes which are easier to handle and inexpensive to execute, promise more immediate results and greater attention should be given to them (para 182).

87. Almost as important as irrigation projects, are those for the conservation and reclamation of land gone out of cultivation. The highest priority should be given to the completion of pilot anti-water-logging projects (para 183). The reclamation of eroded soils in Punjab and Baluchistan should be attempted more diligently and extensively than hitherto (para 184).

88. High priority should be given to the investigation and designing of the Ganges-Kobadak Scheme and other parts of the Brahmaputra Project in East Bengal. In the meantime, smaller excavation and drainage schemes, covering *khals* and *beels* should be executed with speed and determination (para 185).

89. Double cropping and inter cropping should be extended wherever possible, particularly in East Bengal and the Lift Irrigation Project there should be expedited (para 186).

90. While in under-developed parts of Pakistan, bringing more land under cultivation appears comparatively simple, increase in yields per acre means real progress. Therefore, relatively higher priority should be given to measures calculated to increase yields (para 187).

91. More schemes for the provision of improved seeds and greater effort at executing them, are called for (para 189).

92. A cheap alternative fuel for domestic consumption in rural areas should be found. Trees suitable for fuel should be grown everywhere and anywhere, and the campaign for afforestation should be intensified. Further, a less wasteful *choolah* should be evolved (para 190).

93. All possible measures to encourage green manure crops should be taken (para 191). The use of other organic manures should also be popularised (para 192).

94. The desirability of using chemical fertilisers in Pakistan is considered in paras 193 and 194. Organic manures and chemical fertilisers should be regarded as complementary. An assured supply of water and humus must be provided in order to secure the best results from chemical fertilisers. Systematic experiments are necessary to determine the value of different chemical fertilisers, their time and manner of application, doses, etc. Soils which are inherently poor in humus are better served by phosphates (para 195).

95. Subsidising fertilisers will be necessary until their use has been fully tried and they are popular with the ordinary farmer (para 195). Internal consumption of chemical fertilisers should be raised by quick stages to 400,000 tons per year by 1957. Such expansion would largely depend upon the efficiency of the distribution system (para 196).

96. The productive capacity of the proposed fertiliser factory in Thal Area should be expanded in due course. Besides, early attention should be given to indigenous manufacture of double super-phosphate fertiliser (para 196).

97. More suitable and effective agricultural implements should be devised, and large scale production of acceptable implements should be arranged in order to reduce cost (para 197).

Extension Village Aid Programme. 98. Better farming methods should be more widely introduced and "extension" work should be accelerated. We attach the highest importance to the proposed Village Aid Programme. The villages are the focal points of agricultural development and should be recognised and organised as such (para 198).

Economic holdings. 99. Legislation should be undertaken to acquire uneconomic holdings and re-allot them in consolidated units. At the same time, the exercise of the right of pre-emption should be encouraged to reduce the number of uneconomic holdings (para 199).

Land reforms. 100. An equitable agrarian system is an obvious necessity for a contented peasantry and full-scale productive effort. Unless the peasant has interest in the land and gets an adequate return from it, no appeals for increased production would be fully effective (para 200).

Large-scale farming. 101. Co-operative, joint and collective farming should be encouraged through all means available to the Government. At the same time, in new areas, large-scale farming should be introduced on co-operative or joint stock basis, particularly for crops like sugar-cane (para 201).

Mechanization. 102. A programme should be developed whereby deep ploughing operation, once in three or four years, is done by heavy mechanical ploughs. Mechanization is also necessary in the case of East Bengal *haor* lands and other areas where cultivation must be done very quickly. Besides, wherever deep rooted weeds have to be destroyed, mechanical operations are indispensible. The conditions which favour mechanization for cultivation purposes are : reasonable cost of tractors and allied equipment, easy availability of repair and maintenance facilities, cheep supply of mineral oil and existence of large farms (para 203).

Saving of fodder. 103. Another consideration in favour of mechanisation would be the saving of fodder for work-cattle and better nourishment of milch cattle. But a suitable tractor must be evolved to replace plough animals, without however replacing human labour extensively (para 204).

Other uses of tractors. 104. Reclamation of eroded areas and of culturable wastes could not be done effectively and cheaply without the use of tractors. Tractors are also useful for construction of *bunds* and village roads (para 205).

Some requirements of mechanization. 105. Two institutes, should be set up to test different tractors and auxiliary implements, and evolve suitable types for our requirements. For the present, tractors used in Pakistan should be confined to a few tried makes, and their import should be regulated accordingly. Adequate spare parts and full service and repair facilities should be arranged. Results of tractor operations should be carefully analysed in the case of all major schemes (para 206).

Pests and plant diseases. 106. Each Province or State should have a Plant Protection Branch in the Department of Agriculture, with adequate equipment, to deal with the problem of pests and plant diseases of crops and stored produce (para 207).

Water hyacinth. 107. An organization should be created on an experimental basis to deal with the water hyacinth problem in East Bengal (para 208).

Storage problem. 108. It is necessary to evolve better household storage bins and simple storage techniques, for adoption by the farmers (para 209). The requirements of storage godowns and warehouses for distribution and marketing of agricultural produce should be fully investigated and a long term programme of construction prepared (para 210).

Livestock development. 109. Livestock form a very important element of national wealth. Modern cattle development farms should be established, particularly in East Bengal. Goat grazing should be restricted to specified areas (para 212).

110. Poultry industry should be organized on scientific lines (para 213). Poultry and its products.

111. Fishing facilities should be expanded and modernised, and all the requisites, *e.g.*, cold storage, curing yards and fish equipment should be provided (para. 214). Fishing.

112. Continued food shortage will have most serious repercussions, as we cannot possibly afford to import large quantities of foodgrains. It is extremely important for Pakistan to increase food production, not only for hereself but to help to relieve the world shortage as far as possible (para. 215). Food problem.

113. By 1956-57 we should aim at an additional production of 32 lakh tons of foodgrains. All the resources and efforts of the Central and Provincial Governments should be mobilized to achieve this (paras. 218 and 219). Food requirements.

114. The reasons for the current food shortage have been considered in paras. 220 to 226. They cover failure of rains, reduced water supply in canals, diversion from cereal to non-cereal crops, hoarding, smuggling, increased consumption and lower productivity, etc. Reasons of food shortage.

115. All possible steps open to the Government should be taken to ensure more regulated and fuller supply of water in the canals (para. 222). Water supply in canals.

116. The regulation of prices of food-crops in relation to non-food crops, the prices of which are essentially determined by world factors, is a most difficult process and fraught with many risks and complications. Similarly, the regulation of acreage is an extremely difficult proposition and cannot be recomended off-hand. We suggest that the Government should assume powers for regulation of both prices and acreage of agricultural crops, and undertake a study of the price-area relationship. When necessary and feasible, regulation could be introduced in specified areas. However, the Government should give all the official patronage that is possible to food crops. This may take the form of concession in land revenue and *abiana*, facilities of irrigation water supplies, offer of chemical fertilisers at concessional rates, etc., (para. 223). Diversion of food to non-food crops.

117. The Government procurement drive should be made as comprehensive as possible and the hoarding and Black Market Act of 1948 should be made more effective. The distribution of available supplies over all areas should be arranged in an efficient and equitable manner. A food reserve of adequate proportions, should be built up (para. 224). Hoarding.

118. The Prevention of Smuggling Ordinance should be brought into operation throughout West Pakistan and enforced effectively (para. 225). Smuggling.

119. Amongst short-term measures to improve the food situation, the most effective is the use of artificial fertilisers. A consumption target of at least 200,000 tons should be aimed at during 1953 and a special organisation should be set up for the import, transport and distribution of fertilisers. Apart from measures already adopted by the Government, to stimulate food production, the execution of smaller irrigation schemes, including tube wells and power pumps, should be undertaken with expedition (paras. 227-228). Short-term measures for increased production.

120. A campaign of "grow-more-food" should be initiated in the urban as well as rural areas and a country-wide drive should be made to bring each bit of available land under the plough (para. 229). Grow-more-food campaign.

121. For long-term improvement, the existing agricultural ~~products~~ project should be pushed through vigorously and new schemes should be formulated. The successful completion of the major approved schemes alone should help to produce 22 lakh tons of additional foodgrains (para. 230). Long-term measures.

Substitute foods.

122. It seems clear that in the years to come, it will become more and more difficult to meet the total food requirements of Pakistan from local production. The alternative is the adoption of a system of rationalised dietetics and using foods which are produced in the highest quantities per acre. Increased cultivation and consumption of tubers (*e.g.* potatoes and sweet potatoes should be considered, and also of soya beans (paras 231-232).

Protective foods.

123. The supply of protective foods *e.g.*, meat, poultry, fish, eggs and milk and milk products should be expanded, as also of fruits and vegetables (para 233).

Priorities within agriculture.

124. Priorities within agriculture have been indicated in para. 66, roughly in the order : cereal, pulse, oil-seeds and sugarcane, tobacco and cotton *plus* fodder wherever possible (para 234).

Control of population.

125. Considering the rate at which human population is increasing, the problem whether and how far population can be planned, requires careful consideration (para 235).

Problem of employment.

126. Certain calculations have been made by Mr. Colin Clark regarding levels of employment in Pakistan. The accuracy of conclusions is dependent upon a number of assumptions. But there is no doubt that there is serious under-employment in Pakistan, particularly in the rural areas (para 236). In our view, the solution of the problem of under-employment and unemployment in Pakistan should not be sought exclusively either in agricultural or in industrial development, but in balanced development of both sectors (para 238).

Agricultural organization.

127. The achievement of increased food production and extension of agricultural activity would depend on the administrative and executive organisation made responsible for it (para 239). A small committee of experts should therefore be appointed to make detailed recommendations for a suitable organisation at various levels (para 244). Whatever form the organisation takes, it must be manned by adequately-trained and properly-paid personnel.

Multi-purpose co-operative societies.

128. Multi-purpose co-operative societies should be formed in each village or group of villages. A properly trained Government official should be appointed as the society's secretary. Such officials must identify themselves with the interests and needs of the villages (para 240). The organisation at village level should be projected upwards culminating into a provincial co-operative corporation (para 241).

Agricultural Development Corporation.

129. An autonomous agricultural development corporation should be constituted to plan agricultural development projects and to direct and assist the Provincial Governments and local authorities (including those which might be set up for individual projects) to execute those projects (para 242).

Agricultural Departments.

130. The Provincial|State Departments of Agriculture should be strengthened. As an immediate measure, a bonus scheme should be introduced to create a healthy spirit of rivalry among the officials of Agriculture Departments (para 243).

Agricultural credit.

131. There is great need for improving and extending credit facilities for the agriculturist, both for short-term requirements at the time of sowing, harvesting and marketing, and long-term requirements for the purpose of land improvement (para 246). For short-term loans, pilot agricultural banks should be established in addition to the cooperative societies. And these two agencies, particularly the agricultural banks, should also be utilised for long-term finance (para 247).

Khail-khalashi banks.

132. For East Bengal, the proposal for the establishment of *khail-khalashi* banks may be given a trial in selected areas (para 248).

133. The proposal for establishment of agricultural banks should be examined further, keeping in view the features and experience of land mortgage banks (para 249). Agricultural banks.

134. Control over cooperative banks should be exercised by the State Bank of Pakistan in the same way as over commercial banks, in order to improve their financial standing and promote their stability. Legislation should be brought about for the purpose. The State Banks should also be made responsible for training of officers for these banks. However, the cooperative character of the banks should not be changed, but reformed (para 250). Cooperative banks.

135. The number of regulated markets should be much larger than it is at present. Greater publicity should be given to market conditions and prevailing prices of various commodities (para 251). Marketing.

136. The provisions of existing legislation on weights and measures should be enforced rigorously and Government factories should be set up to produce standard weights. As a long-term measure, the question of introduction of metric system in weights, measures and currency should be examined in detail by an expert committee (para 252). Weights and measures.

137. In paras. 253 to 263 a review of major irrigation projects has been made They are expected to bring an additional acreage of 63 lakh acres under cultivation and increase food production by 22 lakh tons (apart from other crops). With regard to the Lower Sind Barrage, we have suggested that the controversy regarding crop pattern and intensity of cultivation should be settled without delay and full assistance of the Central Government provided for expeditious completion of the project. Investigation should be made into the causes of delay in progress and an autonomous body should be constituted for the speedy execution of the project and development of the new areas. Review of irrigation projects.

138. The lack of reliable agricultural statistics, particularly of food production, has proved a great handicap in the formulation of policy and planning of programmes, and improvement is urgently called for (para 265). Certain detailed suggestions have been made in para 267. Agricultural statistics.

Chapter V.—Industry

139. Industry is an essential complement of agriculture : without its development an agricultural economy is extremely vulnerable. Development of industry should consequently receive adequate attention (para 268). Importance of industrial development.

140. Private enterprise has shown increasing initiative but on the whole the quantum of effort has not been adequate (para 269). Factors affecting progress have been discussed in paras 270 to 296. These cover lack of experience and enterprise, lack of funds and the taxation structure, lack of adequate facilities (land, water, power, building materials, transport and communications etc.), Government controls and certain special problems *e.g.*, supply of capital goods and industrial raw materials, technical manpower, foreign competition, etc. Reasons for slow progress.

141. We commend the establishment of industrial estates in selected areas all over the country. The annual rent on account of acquisition, development and maintenance charges in the Karachi Federal area should not exceed Rs. 250 per acre. The level of facilities available within this amount should be adopted for industrial estates elsewhere in Pakistan. The industrial estates should be administered by autonomous authorities. Loans and free land should be provided by the Government. The development of such estates should be carried out expeditiously (para 272). Industrial estates.

Provision of land. 142. In areas other than industrial estates, the Government should help to facilitate provision of land. The Land Acquisition Act should be amended to enable the Government to acquire land for industrial purposes (para 273).

Water. 143. It is a matter of regret that there has been no appreciable increase in the water supplies of Karachi since the Partition. More vigorous effort to augment supplies is needed (para 274).

Timber. 144. Indigenous productive capacity for timber should be stepped up on a priority basis. Chittagong Hill forests should be fully exploited (para 276).

Transport. 145. Preferential treatment should be given by the railways to requests of industrialists for transport, and rates should be reduced for industrial raw materials and finished goods to enable indigenous products to compete with foreign manufactures. Rates advisory bodies should be constituted in West and East Pakistan, covering railways as well as inland water transport. The provision of railway sidings wherever needed should be facilitated (para 277).

Control of capital issues. 146. The control over capital issues may continue (para. 280), but the delays in its operation should be eliminated. Certain features of the present official policy should be modified, as indicated. The present exemption limit should be raised to Rs 2½ lakhs. Non-officials should be associated with the advisory committee. The applicants should be guided and instructed in the requirements of legislation (para 281).

Federal control of industries. 147. Central control in selected industries is desirable, but a review should be undertaken of the Development of Industries (Federal Control) Act, to confine its operations to what is really necessary and feasible. The working of the Act is at present a bottleneck and should be simplified (para 282).

Import licences. 148. While facilities should be given to industrialists to make direct imports and they should even be encouraged to do so in order to reduce manufacturing costs, the serviceability of trade to industry should not be unduly affected (para 284).

Labour policy. 149. The objective of labour policy should be to provide the best possible terms and most favourable conditions for all labour, but it would be unwise to apply hastily standards suited to more advanced countries, where industries have been established on a firm footing and are paying good dividends. Enlargement of facilities should be considered after a period of 5 years. However, better observance of existing labour laws should be ensured and provident fund should be instituted for labour (para 285). Trade union movement should be developed on the right lines. Conditions should be created for the fullest cooperation between the employees and employers in order to ensure full productivity. Centres for imparting "fundamental education" should be started in labour colonies (para 286).

Industrial Facilities Committees. 150. Industrial Facilities Committee should be established at each Provincial headquarters and their working should be made more businesslike (para 287).

Capital goods. 151. The Government's decision not to devalue Pakistan rupee has proved an incentive to the industry which is able to obtain the capital and other essential goods at appreciably lower rupee prices (para 289).

Technical manpower. 152. The increasing pace of development and the needs for maintenance and operation of completed installations require the building up of a large potential of technical manpower. A comprehensive assessment of manpower required in various categories should be made and a programme of expansion of training facilities should be drawn up. It is important to ensure that the technical assistance provided under the various Programmes is made full use of.

Much greater emphasis should be given to training within Pakistan, and expenditure on technical training should bear a definite relationship to the investment made in industry and other fields of development (para 290).

153. Indigenous products are often not able to compete with foreign manufactures. Indigenous industry therefore needs assistance, and a number of cases have been examined or are under examination by the Tariff Commission. The Commission's recommendations should be given effect to promptly. In order to enable it to function more effectively, the Commission should be constituted into a statutoty body. Further, its terms of reference should be enlarged to consider protection for an industry even before it is set up (para 291). Protection to industry.

154. While initial help is necessary for indigenous industry, it must stand on its feet in due course. The cost of production should be reduced and quality of goods should be improved. The testing facilities in Pakistan should be expanded and standards for local products prescribed as far as possible (para 292). Cost and quality of indigenous goods.

155. Price preference to indigenous goods should be given in the case of Government orders, after due examination and keeping in view relevant considerations (para 293). Government purchases.

156. Tariff inequities existing at present should be removed and the import schedule should be rationalised. An expert committee should be appointed for the purpose (para 294). Import duties.

157. The sales tax payable on exported industrial raw materials should be abolished wherever possible (para 294). Sales tax.

158. The campaign to 'Patronise Pakistan Products' will be successful only if the quality and price of the products are satisfactory and they are easily available (para 296). Patronise Pakistan Products.

159. High priority should be given to the efficient mining and profitable disposal of known minerals, and to the exploration in promising areas of new resources (para 297). Mineral products.

160. Power is the most essential requisite of industry. It is also important for agriculture and for cottage industries. The present supplies of power in Pakistan are wholly inadequate (para 298). The progress in power production has been painfully slow (para 299). Power and industry.

161. The purchase of composite thermal sets which are more readily available would have been worthwhile despite their higher initial price and operating costs, because of resultant saving in time. It is unfortunate that all thermal stations are proposed to be installed on a departmental basis as we fear that the burden would be too heavy for the governmental machinery. "Turn-key" jobs should be arranged where final commitments have not been made. In any case, time schedules for completion should be drawn up; and immediate steps should be taken to strengthen the governmental agencies and to institute an extensive programme of training at all levels (para 301). Thermal power.

162. From Pakistan's point of view, hydro-electric power is far more important. The three major hydel projects should therefore be proceeded with even if foreign aid is not forthcoming (para 302). Hydel power.

163. The availability of power breeds the demand. Nevertheless, as soon as a big power project is started, steps should be taken to develop the market for it (para 303). Load requirements.

Power administration. 164. Autonomous local corporations should be set up to undertake generation, transmission and distribution of power, with a Central board to advise on overall planning and control of power (para 304).

Coal. 165. The Government should take steps to integrate and rationalise coal mines under Central control. If mining is conducted on scientific lines and mechanisation is introduced, it should not be difficult to reach the target of 30 lakh tons during the next five years. The use of oil as a substitute of coal is not desirable if it can be helped. The lignite deposits of East Bengal should also be exploited (para 305).

Oil. 166. The possibility of establishing more refining capacity for crude oil at the ports should be considered.

Power alcohol. 167. The existing and proposed sugar mills should be encouraged to produce power alcohol and financial assistance should be provided, if necessary (para 308).

Priorities within industry 168. The main considerations which should govern the planning of industrial growth are stated in para 309 and priority items have been indicated in (paras 310 to 313).

Research in industry. 169. Industries, particularly where the cost of production is high, should be supported with a programme of research, to be undertaken by the Government themselves.

Coordination with private sector. 170. There should be greater coordination than exists between the public and the private sector of industrial development. As far as possible, development of industries should be entrusted to private enterprise (para 314).

Location of industry. 170. There should be no concentration of industries in any particular area, but, in locating new industries, the relative extent of unemployment in different areas should be taken into consideration as far as possible.

Cottage industries. 172. Cottage industries have a special position in the economic system of Pakistan and their development should be co-related with the expansion of large-scale industry (para 316).

Handloom industry. 173. Everything should be done to make fuller use of existing handlooms and to improve their products. Not less than 25% of the effective spindleage of each textile mill should be used to produce yarn for handlooms. Another spinning mill of 25,000 spindles should be set up in East Bengal. Further, the fullest facilities should be provided for import of yarn. Handlooms should be replaced by power looms in areas where electrical power becomes available. In other areas, oil engines may be used for motive power. In East Bengal, the use of semi-automatic looms should be made more extensive (para 318).

Specialisation & standardisation of cottage products. 174. A deliberate policy of encouraging particular industries in different areas should be followed and a system of standardisation of products and large-scale production of the same types should be developed.

Cottage industry Corporations. 175. Each Province or State should have a cottage industries corporation of its own to help in financing of cottage industries, supply of raw materials and provision of other facilities. There should be a Central board to coordinate policies and regulate marketing. The corporations should set up depots in all important areas and also research centres for designing and evolving simple mechanical appliances to facilitate production. Each research centre should have a museum and training arrangements (para 320).

Financing of industry foreign capital. 176. There is need for much greater capital formation and larger investment is needed. The publicity given to avenues of industrial investment for indigenous or foreign capital is far from adequate. A comprehensive brochure should be issued on the subject incorporating all standing rules and regulations. A directive should be issued to our Diplomatic Missions to conduct sustained publicity for attracting foreign capital.

177. A resume of the progress made in some important industries has been given in paras 327 to 336. It covers jute textiles, cotton textiles, woollen textiles, paper and cardboard, sugar, cement, heavy chemicals including fertilisers, engineering industry, etc. A comprehensive statement of P. I. D. C. projects is given in para 335. A list in respect of some other industries is given in Appendix No. 19. Review of progress.

178. At present, production and employment statistics are very inadequate. It is essential, for the purpose of industrial planning and regulation of imports, to have the fullest information about local industries covering not only existing production but also productive capacity, further potentialities for development, total demand at present and estimate for future, imports, exports if any, requirements of raw materials, cost of production and cost of corresponding imported goods, etc. (para 338). Certain detailed suggestions have been made in para 339. Industrial statistics.

Chapter VI.—Development in other Sectors.

179. Any programme of general development must be adequately supported by a programme of transport development (para 340). Importance of transport facilities.

180. The railways have done well within their resources but reports of congestion and delays on certain sections of railways, *e.g.*, Chittagong Port, have been frequent. There are also complaints of losses of goods in transit and inordinate delays in settling claims. Steps should be taken to provide additional facilities and remove the basis for complaints (para 342). Railways.

181. We suggest that Sind Province should devote greater attention to road construction (para 343). Roads.

182. The comparative economics of road and railway transport should be studied and programmes of railway and road development adjusted accordingly. An expert committee should be appointed for the purpose (para 345). Roads *vs* railways.

183. Instead of undertaking the proposed nationalisation of road transport, the Government should take steps to control and regulate it in order to meet the objectives of improvement in the standards of service and elimination of undue rail-road competition (para 346). Natoinalisation of transport.

184. Dredging and training of inland waterways in East Bengal is very important. For the improvement of river crafts and river services a phased programme should be planned. An inland waterways control authority should be set up for the purpose (para 347). Inland water transport.

185. The Pakistani shipping companies should be organised into a coastal conference. Further, a shipping corporation should be established in order to enter into international routes and legislation should be brought about for the purpose. The organisation of Controller of Shipping should be strengthened. There should be at least two passenger ships for regular coastal service, and the entire *haj* traffic should be taken over by Pakistani companies as early as possible. The coastal rates, both freight and passenger, should be standardised (para 348). Shipping.

Ports. 186. The Chittagong Port Development Project should be re-examined after completion of Phase I and further expansion planned keeping in view the opening of Chalna anchorage. An autonomous port trust should be created for Chittagong and also for Chalna. The earliest steps should be taken to develop Chalna into a regular port with necessary port facilities (para 349).

Ship repairs and ship-building. 187. The provision of facilities for dry and wet repairs to different types of vessels and for building of vessels in Pakistan, has great importance (para 351).

Civil aviation. 188. An autonomous air corporation should be sponsored by the Government both for external and internal services. The passenger traffic between West and East Pakistan should be subsidized. A sufficient number of Pakistanis should be trained for commercial flying (para 352).

Posts and Telegraphs. 189. The expansion of postal and tele-communication facilities is of great importance to the development of trade and industry, and the progress made should be maintained. The complaints in working reported from East Pakistan should be looked into (para 353).

Importance of social development. 190. Even the basic educational and medical facilities are lacking in Pakistan. The very purpose of an economic development programme will be undermined if the manpower, which is the primary sustaining factor, is rendered continually deficient in knowledge and health. A programme of social development is therefore as important as a programme of economic development (para 355).

Education and technical education. 191. Lack of education hampers development in two important ways—it makes it more difficult to pick up knowledge and it prevents the growth of a full sense of responsibility. Technical education and research facilities are vital for all industrial progress (para 356).

Expenditure on education. 192. The existing (1952-53) proportion of expenditure on education to the total revenues of the Central and Provincial Governments is only 5%. It appears necessary that provisions for the future should be substantially higher (paras 357 and 360).

Health facilities. 193. The time wasted in sickness and the loss of life at an early age, mean a colossal national waste. Considerable expansion is therefore called for in both the preventive and curative wings of medical organisation. An integrated health programme should be drawn up for the next five years and priorities *inter se* should be determined (paras 361 and 365).

Health expenditure. 194. The existing (1952-53) proportion of expenditure on health to the total revenues of the Central and Provincial Governments is only 1% which is totally inadequate. We envisage larger provisions in the future, (para 365).

Importance of housing. 195. Housing is one of the three primary necessities of human life, *viz.*, food, clothing and shelter. Acute difficulties exist regarding residential accommodation, particularly in the urban areas (para 366).

Satellite towns for refugees. 196. Two considerations are important in the housing programme for refugees : the satellite towns should be located as far as possible in areas requireing housing for industrial labour, and care should be taken not to reduce such towns into slum areas by making provision for housing of lower middle and upper middle classes as well as poorer sections (para 368).

Housing in Karachi. 197. Lack of housing in Karachi is a grave source of discontent, apart from being socially unjust and undesirable. We feel that the question of dispersal of surplus refugee population from Karachi should be seriously considered ; and for the numbers that can be retained in the city, the house building programme should be speeded up (para 369).

Housing generally.

198. An imaginative building programme on the part of the Housing Finance Corporation is called for. A survey of requirements and potentialities in different areas should be made and, apart from finance, other facilities for construction should be provided. The existing concessions to encourage housing should be continued (para 371).

Rehabilitation of refugees.

199. The permanent rehabilitation of all refugees is an urgent problem. Floating population and lack of employment are a disturbing source for the entire economy. We should also appeal to the refugees to help themselves and show anxiety to make their contribution in the new economic and social conditions (para 377).

Chapter VII.—Review of Development Programme and Targets

Development expenditure incurred so far.

200. The total expenditure on development during the last five years may be roughly put at Rs. 220 crores which gives an average of Rs. 45 crores a year, *i.e.,* 3% of the national income (para 385). The expenditure on Centrally-approved development projects *as such* works to Rs. 99 crores. These projects do not cover the entire developmental activity, *e.g.,* the projects which the Provincial Governments financed out of their own resources without seeking approval of the Central Planning Commission (para 386).

Development in East Bengal.

201. The progress in development has been comparatively slow in East Bengal. The Central Government should help the Provincial Government to resolve their technical and administrative difficulties and give them greater guidance in planning and implementing development schemes (para 390).

Estimated expenditure during next five years.

202. When the Six-Year Plan was originally drawn up in September 1950, the approach was rather conservative. As the Planning Sub-Commissions have not yet completed their task, a revised assessment of our total requirements for the remaining period of the Plan is not yet possible. However, provisions would have to be increased in a number of sectors (para 15). It might be assumed that a minimum of Rs. 300 crores would be needed, *i.e.,* Rs. 60 crores per year. The external expenditure would probably be Rs. 100 crores, *i.e.,* Rs. 20 crores per year (para 393).

Investment required to absorb additional labour force.

203. The process of increasing *per capita* national income is difficult and slow. In normal conditions the rate of absorption in industry cannot be high. If direct and indirect employment are both taken into account, an investment of about Rs. 45 crores per year will be needed to absorb 3 lakh persons, which is the estimated annual increase in labour force (paragraphs 396 and 397).

Review of targets.

204. Targets for development have been reviewed in paragraphs 399 to 414. These cover foodgrains, fats and oil seeds, protective foods, non-food crops (jute, cotton, tobacco, sugarcane, fruit, tea, etc.), jute manufactures, cotton textiles, woollen textiles, vegetable oil, sugar, paper, fertiliser, engineering industry, etc.

Chapter VIII.—Financial Resources

Prospects of revenue budget.

205. The financial year 1952-53 is expected to end with a deficit on revenue account. For the succeeding years, when ~~the effect of~~ various factors responsible for reducing receipts will be more accentuated, the figure for revenue, on the existing basis of taxation, will probably be Rs. 90 crores only (para 419).

Measures necessary.

206. In view of contracted revenues and comparatively high level of expenditure, particularly the requirements of economic and social development, measures must be considered of reducing existing expenditure, increasing revenues and exploiting other financial resources (para 424).

Reduction in expenditure: defence. 207. The expenditure on defence (on revenue and capital account) has been very heavy and has ranged between 54 and 86 per cent of total revenues of the relevant year. Effort must, therefore, be made to economise in defence expenditure. We recognise the paramount importance of maintaining our freedom, but excessive expenditure in this field may affect outlay on development and development alone can sustain the expenditure on defence. Expenditure on defence must therefore bear a definite relationship to the total resources available and a balance should be struck between the total allocations made for defence and development (para 426).

Defence requirements with civilian industry. 208. The Government must take the people into confidence in order to secure their intelligent cooperation in the programmes of defence and development. They should also examine the question of integrating defence requirements with civilian industry and a competent committee should be appointed for the purpose (para 426).

Civil administration. 209. The expenditure on Civil Administration should be reduced immediately to 15% of the total revenues and in due course to 12½%. On the basis of the total amount available for Civil Administration, suitable allocations should be made to the Ministries and Departments and they themselves should be made responsible for reducing expenditure accordingly (para 427).

Allocation of revenues. 210. The level of Central revenues is envisaged at Rs. 100 crores during the succeeding years. Its broad allocation should : Defence Services—Rs. 60 crores; Civil Administration and all other heads—Rs. 30 crores; and development expenditure met from revenue Rs. 10 crores. We consider it necessary that a reasonable amount should be available from revenues also for expenditure on development, particularly of the non-productive type (para 428).

Tax collection. 211. Tax collection needs to be made more efficient and comprehensive. In cases of evasion detected, deterrent punishment should be given (para 431).

Excise duties. 212. Excise duties have to be levied with caution, lest indigenous production is discouraged (para 433).

Railways. 213. The railways must yield much larger surpluses—well over Rs. 5 crores in due course. Economy should be made in expenditure and traffic should be developed with such adjustments in rates and fares as may be possible. The railways must be run as a separate commercial department. We suggest that an expert committee should be appointed to make specific recommendations regarding the composition, character and status of the Railway Board, the relations of the Railway Financial Adviser with the Ministry of Finance and the allocation of railway surpluses (para 433).

Taxation structure. 214. The existing pattern of taxation in Pakistan has been inherited from undivided India. The need for investment calls for a new approach. Considering that our future progress depends upon development, the need for private investment and capital formation is paramount and conditions should be created for it. The taxation structure should be equitable and both the richer and the poorer sections of the population should be given, as far as possible, equal opportunities to invest (para 435). Investment should come out from savings but with the present high level of taxation in Pakistan, there is little incentive to save (para 436). The taxation structure should be such that the people are encouraged to spend less and save more (para 437).

Taxation Measures. 215. The following measures should be adopted and though they are not as far-reaching as the need for capital formation demands, they would create an atmosphere for investment. In particular the measure (b) would create an urge for saving in the middle classes and capital formation would thus spread over a larger section of the population. We also hope that this concession would lead to less evasion of income-tax and the loss to Government revenues would not be as much as may *prima facie* be expected (paras 439 to 441):

(a) The existing percentage of exemption from taxation in respect of approved investment should be increased from 10% to 20% of total income.

(b) In the case of income groups up to Rs. 25,000 per annum the option should be given that a rebate on income tax may be claimed up to a maximum of 50% of the amount payable provided the investment made is double the amount of rebate sought.

(c) The investment enabling relief should include Government securities and savings certificates in addition to the present approved investment of " initial share capital (also share capital subsequently issued) taken up in an approved public company incorporated in Pakistan and formed for the purpose of engaging in an industrial undertaking ".

216. In order to draw out hoarded and underground wealth, a general amnesty should be granted for declarations made by a specified date provided the amounts are invested in approved investments (para 445). **Hoarded wealth.**

217. Other forms of taxation have been considered and recommendations made in paragraphs 443 to 453. They cover business profit tax, estate duty, turn-over tax, import duties, export duties, sales tax, excise duties, annual user tax and railway fares and rates. The Government should take early steps to consider and implement the taxation proposals made. The objective should be that a minimum figure of Rs. 100 crores for the total revenues of the Central Government is attained (para 454). **Other proposals.**

218. The existing taxation concessions to industrial undertaking should be continued and should be extended to industries like chemicals, plastics, potteries and glass, etc., even if they employ less than 50 persons and do not use power (para 455). **Concessions to industry.**

219. A change-over to the calendar year (January—December) as our fiscal year appears desirable, and consideration should be given to this suggestion (para 456). **Fiscal year.**

220. The volume of savings in a country largely determines the rate of investment and capital formation. It is extremely difficult to make an assessment of total savings in Pakistan or the rate of capital formation. as all the basic data required for the purpose is not available (para 457). We consider that a scientific compilation of savings and investment statistics should be attempted along with national income statistics (para 458). **Savings.**

221. We should aim at increasing capital formation to Rs. 100 crores a year at least (para 459). It is important not only to urge people to save more but also to mobilise their savings and canalize them into proper investments. **Level of capital formation.**

222. Conditions in the money market are stringent and there seems little scope for further borrowings from commercial banks and the public in the immediate future. However, all possible steps should be taken to popularise Government bonds (para 462). Some steps have been suggested in para 462. **Government bonds.**

223. The amount of savings mobilised through the small savings scheme is not encouraging. Facilities for the purchase and encashment of savings certificates should be made more extensive and the formalities connected with them as few and simple as possible (para 464). **Savings certificates.**

Postal banks rural savings. 224. The channel of savings through postal banks should also be improved in the manner suggested (para 465). Rural savings could be promoted through multi-purpose co-operative societies and agricultural banks (para 466).

Insurance. 225. Insurance can prove to be a valuable means of mobilising savings and indirectly promoting capital formation, and insurance facilities should be expanded as far as possible (para 467).

Compulsory savings. 226. The introduction of a compulsory savings scheme, which may take the form of compulsory life insurance, for all salaried personnel, should be considered (para 468).

Savings campaign. 227. A vigorous publicity drive should be launched for national savings. We should develop an attitude of austerity and practise it in our lives. If we continue in extravagant habits, we shall face a permanent state of national poverty. All forms of extravagance should be avoided. Legislation should be undertaken to enforce measures of austerity, if necessary. If the mobilisation of savings, will lie the test of our leaders and we hope that our public men will succeed in creating a climate and fervour for investment (para 469).

Foreign capital. 228. Foreign capital is welcome in Pakistan and a fair and just treatment is assured to it (para 470). However, in spite of the facilities offered, little foreign capital has come in so far (para 471). We should take further measures to attract foreign capital. Some suggestions have been made in para 473. Sustained publicity should be carried out through Foreign Missions in Pakistan and our Missions abroad.

Need for foreign aid. 229. Internal resources of under-developed countries and the maximum rate of capital formation which they might be able to secure would not be adequate to meet the requirements of their development programmes. The more highly developed countries should offer assistance in a larger measure than done hitherto, particularly in view of the recent economic recession and the increasing spending capacity of development projects. Foreign aid is therefore necessary and welcome. We feel sure that the need for added help in the present conditions would be recognised by those who are in a position to help (para 476).

Need for assured funds. 230. The ordinary methods of financing will not be adequate for the expanding requirements of development programme. We are therefore faced with the alternatives of curtailing the development programme and finding other means of financing it. As our future prosperity and hope for higher standard of living lies in development, there should be no question of reducing expenditure on development (para 477). Without assured funds, planning in advance and orderly execution of development projects is not possible (para 479).

Deficit financing. 231. Deficit financing should, therefore, be considered. Its need should be judged by objectives and by effects (para 479). There are large material and manpower resources awaiting utilisation in Pakistan. Many agricultural and industrial projects promising short-term yields are ready (para 481). Of course, deficit financing should not be adopted in an uncontrolled manner and its operations and effects must be watched. Deficit financing should be for the purpose, exclusively, of development. Indeed, the development budget should be separated from the ordinary budget and met, as far as possible, from normal resources, the balance being found from deficit financing.

Level of deficit financing. 232. The aim should be to provide a total expenditure of Rs. 60 crores a year for development in the country in the public sector. Out of it, Rs. 10 crores should be found by the Provinces from their own resources and the balance as follows :- from revenue budget—Rs. 10 crores; from borrowings, foreign aid and loans and deficit financing—Rs. 40 crores. The needs of Provincial Governments for development *loans* should be met out of the total figure of Rs. 50 crores (para 482).

233. The preceding conclusion presumes that efforts to exploit normal resources—taxation, borrowings and foreign capital—would in no way be relaxed. The object of deficit financing is only to ensure that the amount required by the Government from year to year for development purposes will definitely be made available and projects will not be suspended on that account (para 483). **Normal resources must be exploited.**

234. In a country whose future depends solely on the extent and speed of future development, it would be suicidal to restrict developmental expenditure. Indeed, the development programme should be accelerated rather than cut down. Its undue curtailment would cramp the economy setting up a cycle which would constrict economy further and further. The present situation indicates that the balance of advantage lies in favour of deficit financing (para 484). **Justification.**

235. It is essential that the State Bank of Pakistan should be able to present its view-point to the Government as adequately as possible (para 485). Where differences of view occur between the State Bank of Pakistan and the Ministry of Finance, the matter should be submitted to the Government as a whole, and suitable provision should be made for the purpose in the Rules of Business (para 488). The various Ministries of the Central Government and the Provincial Governments should be entitled to seek the advice of the State Bank through the Ministry of Finance (para 489). A representative of the State Bank should be nominated on all Government—sponsored credit institutions and the State Bank should be associated with other bodies through advisers or observers (para 490). **S. B. P.**

Chapter IX.—Some General Considerations.

236. Apart from finance, capital goods and technical skill, an adequate and efficient planning organisation is essential for the successful prosecution of the development programme (para 491). Considering the shortage of qualified persons in the country and other limitations, the existing organisation and the procedure for its working appear on the right lines (para 492). **Planning organisation.**

237. The prescribed procedure for the submission and consideration of development schemes should be followed strictly and no schemes should be approved without reference to the Planning Commission|Economic Council. A full scrutiny of any scheme, both from the technical and economic angle is necessary to ensure its success. The progress of each sanctioned scheme should be watched regularly and on its completion the results should be compared with original expectations (para 493). **Development schemes.**

238. The Planning Sub-Commission should start functioning and should complete at an early date the study of resources and requirements in their particular spheres. This alone would provide a proper basis for a review of the existing Six-Year Plan in order to make it an organic whole (para 494). **Planning Sub-committees.**

239. In order to watch economic events as a whole in the foreign countries as well as within Pakistan and to give timely advice, the early appointment of an Economic Adviser is extremely important (para 495). **Integrated economic advice.**

240. The Economic Council, which is at present responsible for the implementation of Six-Year Plan, should concern itself not only with development as such but with all economic problems (para 495). **Economic Council.**

Statistics. 241. The availability of accurate and up to date statistics is of fundamental importance, whether for planning of development or consideration of other problems of administration (para 496). Certain detailed suggestions have been made in para 497 covering enlargement of functions of C. S. O., compilation of national income statistics, provision of staff and equipment, establishment of statistical machinery in Provinces, undertaking of sample surveys and need for statistical legislation. All necessary steps should be taken by the C. S. O. and Provincial Statictical Departments to compile and publish statictics without any avoidable delay (para 498). The collection and compilation of statistics should be done on a purely objective basis and the statisticians should be completely unbiased in their outlook (para 499).

Government accounts. 242. In the case of Government accounts, the accounts of commercial departments should be maintained practically on the lines of commercial concerns. As regards other Government accounts, a revision of the system of accounting and compilation appears to be called for and a committee of experts should be appointed to go into the whole question and make detailed recommendations (para 500).

Constitutional requirement. 243 While the execution of national programmes should be left to the Provinces as far as possible, their formulation must be done on a coordinated basis for the country as a whole. Accordingly, in the new constitution, planning and regulation of development should be made a Central responsibility (para 501).

Administrative machinery. 244. We recognise the valuable role played by civil servants in organising the administration of the new country. However, there is slackness of efforts in many offices and inordinate delays occur. Suitable training programmes should be organised at all levels and official procedures and formalities should be simplified. The Organisation and Methods Division should not only look into routine procedural matters but also into the problem of allocation of responsibility and its speedy discharge. A watch should be kept on all delays in correspondence or in reaching decisions, personally by the highest official in the Ministry|Department (para 502).

P.P.W.D. 245. Some procedure should be devised whereby the various processes connected with the construction of buildings by the Pakistan Public Works Department can be initiated earlier and completed in shorter periods (para 503).

D.G.S. & D. 246. The entire organisation of D. G. S. & D. should be overhauled and organised as a business concern. Certain detailed suggestions in this respect have been made in (para 503).

Limitations of Government machinery. 247. The resources of the Government in qualified personnel and in finance are limited and they should not therefore undertake more than what they can perform efficiently and effectively. The people at large should also not expect the Government to do everything for them and as responsible citizens of a democratic State they should assume their share of responsibility for the orderly promotion of economic and social life (para 504).

Delegation of powers. 248. An extensive and judicious delegation of powers should be done in order to expedite the reaching of final decisions. A few errors and mistakes would be less harmful than interminable delays. Financial responsibility must be similarly delegated (para 505).

Corruption and nepotism. 249. The general tone of administration needs much improvement. Corruption and nepotism are rampant. The standards of conduct, both public and private, need to be raised. The services should have adequate protection and should not expect to secure advancement by subservience to political influence.

Something should be done to simplify the present system of litigation and shorten the procedure for settlement of disputes. The reason why most of the corruption cases detected do not result in punishment should be investigated. The leaders should focus attention on the evil of corruption and create an atmosphere where corruption would be considered so wicked and so unsocial as to be voluntarily shunned (para 506).

250. Provincialism and sectarianism, which are directly opposed to the basic concept of unity of national existence, must be discouraged in every form (para 507). Provincialism and sectarianism.

251. The official attitude towards industry, trade and development general, should not be one of raising objections or even of passive interest, but one of active sympathy. The problem is no longer of conducting routine administration, howsoever efficiently, but of improving conditions of living and levels of employment. The contribution that an official makes in this respect should be taken into account when considering his advancement. A directive should accordingly be issued to all Central Ministries and Provincial Governments (para 508). Official encouragement to development.

252. Non-official opinion should be consulted with regard to Government decisions particularly when they affect the people at large. Public criticism should be welcomed and full opportunity given for its expression. And the public also, in its turn, should avoid irresponsible criticism and make constructive and unbiased suggestions. It is not only necessary for the Government to take the people into confidence, but to educate them so as to enlist their understanding cooperation (para 509). Consultation with non-official opinion.

253. There is need for austerity and for savings in the present to build up the future. Besides, hard work is needed and each one of us must do a full day's job and even more. Freedom is no synonym for laziness: it must be safeguarded by continuous hard labour and sacrifice. Not only must we work hard but we must take pride in our work (para 510). Need for austerity and hard work.

254. Finally, action is more important than deliberation. What is needed is steady implementation of decisions once reached, without any relaxation of effort (para 511). Sustained action.

255. Our objectives and limitations and the present prospects are stated in paras. 512 to 514. Economic prosperity can be secured provided, on the one hand, realistic domestic policies are followed and, on the other hand, there is real international cooperation. We must be constantly vigilant and should frame our policies, taking full account of internal and external factors, and keeping in view our objectives and our limitations. Despite our limitations, we have made positive progress during the last five years. Notwithstanding the present difficulties, we can face the future with confidence. Our greatest wealth is the unbounded enthusiasm and the patriotism of the people and their faith in their future destiny. While that subsists and there is willingness to work and make sacrifices, and uphold the virtues of "unity, faith and discipline", the road to economic prosperity and stability is assured (para 515). Outlook for future.

SUPPLEMENTARY NOTE BY MR. M. AFZAL HUSSAIN

Food shortage its causes and remedies (*cf. paras* 26 *et seq. and para* 220 *et seq*)

1. In Chapter I, Section 5 and Chapter IV, Section 3, we have dealt with the various aspects of the Food Problem. We have enumerated the causes of food shortage, such as deficient rainfall, short supply of canal water, diversion of area from foodgrain crops to other crops, smuggling, hoarding and increased consumption. It is important for the evolution of a sound policy of food production and administration that the share of each of these various factors is assessed, and remedies to fight against these ills discovered. I am, therefore, of the opinion that a comprehensive and thorough enquiry be made into the causes of the existing shortage, and the share of each cause assessed, and remedies discovered to ensure that such a situation does not arise in future.

Provincialism and secretarianism (*cf. para.* 507)

2. In Chapter IX, we have referred to the evils of provincialism and secretarianism, which are spreading, and have recommended that they must be discouraged " in every form in which they manifest themselves ". The most glaring manifestation of provincialism is the existence of the quota system in services, based on the Province of origin of the candidates. And, lately, this has been introduced into the selections for scholarships for over-seas training. As long as this quota system exists, provincialism is bound to survive and flourish. Merit and merit alone should be the quality sought for in a public servant, if it is desired to kill provincialism and secretarianism. A person who gains a position, or obtains a scholarship for study abroad, not on the strength of his personal merit, but because of the accident of his birth in a particular zone, cannot be expected to forget his origin in all his deeds and actions, in the position he occupies in public life. Conversely, a person, who possesses high personal merit, but has either lost a scholarship for study abroad or a position in public service, simply because of his place of origin, gets deeply embittered, and having tasted the bitter fruits of provincialism, carries the evil feeling throughout his life.

Planning and regulation of development (*cf. para.* 501)

3. We have in several places dealt with planning and development in various sectors of our economy. In this connection, I wish to draw attention to the Report submitted by Commander R. G. A. Jackson on ' Development in Pakistan ' (paragraph 30, page 6). There is, he says :

> " . . . . need for the clearest possible definition of functional responsibility for the development of resources as between the Central and Provincial Governments. Here, experience in other countries suggests several things. First, there will be a natural tendency for the Central Government to draw responsibility to itself. Experience indicates that this will almost certainly lead to friction and inefficiency within the Provinces. The primary function of the Central Government is to plan the overall strategy for the nation as a whole, bringing the Provinces together with the Central Government for this purpose ; and then, when a national development plan is finally adopted, turning back to the Provinces the responsibility for the tactical execution of the plan. Second, failure to define functional responsibilities clearly will also lead to friction and inefficiency. For example, if the

Provinces are made responsible for agricultural development and the Central Government retains authority for electric power development, it can be accepted that there will be misunderstanding and duplication of work, particularly in the field of water use. Third, a clear understanding of the respective fields of financial responsibility is imperative. At present, all the Governments in Pakistan—both Central and Provincial—are of the same party. When the day comes on which different parties are in power at the Centre and in the Provinces, any weakness in the definition of responsibilities will undoubtedly be exploited politically, and development will suffer ".

4. In my opinion the advice tendered by Commander Jackson is very sound, and deserves most earnest consideration in all spheres of Governmental activities. Today there is much duplication of effort between the Centre and the Provinces and States, resulting in heavy cost of administration and recession of achievements on account of ill-defined sphere of responsibility. I agree fully that planning should be done collectively and cooperatively, the Centre providing a forum for it, but " regulation " (para. 501 of the Report) of development, with its undefined scope and varied manifestations, will create serious difficulties and lead to crippling inefficiency, as pointed out by Commander Jackson. Any attempt at regulation of development will kill initiative in the Provinces|States, and produce a feeling of frustration among the people, with all the evil consequences. These have become evident to-day.

5. In the Report that we are presenting, reference is made again and again to the obstacles to development created by controls and regulations : control of capital issues (para. 362), Development of Industries (Federal Control) Act, 1949 (para. 364), control over import of raw materials etc. (paragraph 366) and so on. These measures perhaps useful in themselves at the present stage of our development, create difficulties through Central controls, causing delays and leading to corruption. In the Report, bottle-necks caused by controls have been referred to again and again. As a remedy creation of " autonomous corporations " and " authorities " has been advocated to counterpoise the weight of " regulation of development ", and provide for initiative, freedom of action, and expeditious execution of a project.

6. What I have said above does not apply to industry alone, but to all spheres of development. Planning and cooperation can yield best results only when elasticity is maintained, ensuring maximum freedom and unlimited initiative consistent with the welfare of the country as a whole.

SUPPLEMENTARY NOTE BY MR. MUAZZAMUDDIN HOSAIN

(The note received from Mr. Muazzamuddin Hosain referred to some other points also. Some of these have been covered by the addition of suitable footnotes under relevant paragraphs of the Report. The other points were of a general character, not relevant to the contents of the Report, and have therefore not been reproduced.)

The handloom industry (*cf. para 401*).

1. I am not at all satisfied with the recommendations in the Report regarding the handloom industry. Although it is admitted in the Report that the handloom industry deserves encouragement, the only suggestion made in respect of it is that 25% of yarn manufactured in the textile mills should be reserved for handlooms.

2. The following statement gives figures for spindles and looms in the textile mills :—

		No. of spindles	No. of looms
(1)	At the time of the Partition	1,77,418	4,824
(2)	Installed since the Partition	2,13,435	3,780
(3)	Under installation	6,88,573	8,604
(4)	Total of 1, 2 & 3	10,79,426	14,072
(5)	Authorised	2,77,594	8,734
(6)	Target suggeted by the Textile Advisory Committee	20,00,000	37,750

The average out-turn of one spindle, of yarn of less than 25 counts, is 5 oz. per shift, or 15 oz. per day of three shifts. This gives 280 lbs. for 300 working days in a year. Spindles are expected to work three shifts a day, but for the second and three shifts the out-turn will be slightly less. Allowance must also be made for shorter output when turning out yarns of finer texture. Consequently, the average annual output of spindles on three-shift basis may be put down roughly at 240 lbs. The out-turn of one loom when producing coarse cloth is about 40 yards per shift or 120 yards for three shifts. Thus the average annual output of a machine loom may be put down at 36,000 yards.

3. The total of items (1 to 3) of the statement above shows that the number of spindles and looms in mills already established or under installation, including those existing at the time of the Partition, is 10,79,426 and 14,072, respectively. According to the averages given in the preceding paragraph, we should get 10,79,426×240 or 2591 lakh lbs. of yarn and 14,072×36,000 or 5066 lakh yards of cloth. On the basis that for every 4 yards of cloth one lb. of yarn would be consumed, the production of 5066 lakh yards of cloth would consume 1266 lakh lbs. of yarn leaving 1325 lakh lbs. of yarn as surplus for the use of handloom industry, etc. Leaving aside 30% for other uses, the amount of yarn available for consumption by handlooms would be 927 lakh lbs.

4. The total requirement of cloth in Pakistan on the basis of existing population, and consumption standard of 12 yards per head, would be 760×12 or 9120 lakh yards. The production of cloth by mills *viz.*, 5066 lakh yards falls short of this amount. However, 927 lakh lbs. of surplus yarns available for consumption by handlooms would help to produce another 3700 lakh yards of handloom cloth. This would give a total of 8766 lakh yards as against the requirement of 9120 lakh yards.

5. Even if it is presumed that 12 yards *per capita* would be consumed and thus the total requirement of cloth in the country is 9120 lakh yards, the question arises as to what is the position of handloom industry on this basis. As it would produce only 3700 lakh yards, the production per handloom (the total

number of handlooms being estimated at 5 lakhs) would be only 740 yards during the year or 2.5 yards per day. The average capacity of a handloom being 12—15 yards per day this means that the handlooms will not be fully utilised. It also means that the daily income accruing to handloom workers for each handloom will be too small to be attractive. These considerations are quite apart from the bigger issue that in such a situation handloom industry will not be able to stand alongside textile industry and may gradually die out.

6. When the additional looms authorised for textile mills (8,734) *vide* item 5 of the above statement, also go into production the position will worsen still further. And in case the target suggested by the Textile Advisory Committee is attempted, we shall be reduced to an absurd position. Not only will the handloom industry be crushed, but the textile mills will also remain mostly idle, as their productive capacity will be in excess of internal requirements. The capital sought to be invested in cotton textile industry, should appropriately be diverted elsewhere in the interests of all concerned. Undue expansion of textile industry will throw a large number of handloom workers out of employment, as the mills employ only 10% of the workers engaged in handloom industry, for the same amount of production. It appears that in allocating looms for textile mills no consideration has been given to the need for sustaining the handloom industry. Reservation of 25% of yarn manufactured in textile mills for handlooms, as recommended in the Report, will not be of any real help, as long as the total number of looms in textile mills is not restricted. We must make an assessment of the total consumption of cloth in the country, provide reasonable activity for the handlooms and limit the number of mill looms to meet the balance of requirements. This means that while the authorised number of spindles might be retained, the number of mill looms should be cut down. If the consumption of cloth rises, more spindles should be installed to make larger quantities of yarn available to handlooms, so that the later are more fully utilised and are made a better economic proposition for the handloom workers. Another step which appears necessary is that the textile mills should be required to manufacture cloth of finer texture *e.g.*, about 25 lbs., and the requirement of coarse cloth should be increasingly met through handlooms. Indeed, the various types and varieties of cloth required in the country should be specifically allocated for manufacture by mills or handlooms as may be suitable.

7. It might be argued that cloth could be exported abroad and that the increased production by textile mills would not therefore affect the handloom industry. Considering the production cost of our textile mills and the keen competition for markets on the part of old and established manufacturing countries, this does not appear possible in the forseeable future.

SUPPLEMENTARY NOTE BY MR. ZAHID HUSAIN

[A long note was received from Mr. Zahid Husain. Portions, which referred to points discussed in the Committee and wherein a different view had been expressed by Mr. Zahid Husain, have been reproduced below. Portions which brought up entirely new points, at no time placed before the Committee but providing additional material for consideration of the problems discussed, have been reproduced in Appendices (Nos. 29, 30 and 31) and footnotes have been added under relevant paragraphs of the Report to draw attention to them. The rest of the note mostly reiterated points already covered or contained general observations, not relevant to the contents of the Report. As the note was received after the Committee had concluded its deliberations, it could not be considered by the Committee. The facts and figures contained in the following paragraphs have not been checked by the Committee's secretariat.]

Import policy (*cf. paras 25 and 35—40*)

1. The objectives of commercial policy have been variously defined *inter-alia* as the securing of country's requirements and the disposal of its surplus produce on the most favourable terms, diversification of sources of supply and market, promotion of industrial development, increase of national participation in foreign trade, maximising collections of customs revenue and finally the utilisation of foreign exchange to the best advantage of the country. There does not seem to have been any mention of the need of conserving foreign exchange reserves. The emphasis on the O.G.L.—its continuous expansion and its maintenance—during the past years would tend to show that as regards import trade our commercial policy lacked in positive purpose, or at best that the objectives of policy could be achieved without controls. Over 70% of the import trade on private account was free of all licensing controls after 1950 (over 85% in 1951-52), and even in the case of licensable commodities, there is evidence that licences were often granted freely. The O.G.L. made trade diversification less likely since it reduced our ability to give preference to countries which were able to purchase our raw materials.*

2. Nothing is farther from our intention than to criticise any one for policies which seem in retrospect to have cost the country dearly. It is easy to be wise after the event and criticism would be profitless except to derive lessons for the future.

3. The O.G.L. and free licensing are incompatible with the desire to expend foreign exchange on importing capital goods. The degree of such incompatibility has been high in the circumstances which have prevailed in the country since September 1949. Owing to persistent propaganda in the foreign press regarding our ability to hold the rupee at the official rate, the market has been characterised by recurrent rumours of impending devaluation. Accordingly, the desire of our traders to import maximum possible quantities of goods by taking full advantage of the O.G.L. and by applying strongest pressures on the Government to grant licences for ever-increasing amounts can well be understood. Their inclinations in this direction were reinforced by the large profits which could be made immediately in the market as licences are known to have been easily saleable at substantial premiums. From April or May, 1952, the

* Actually, diversification was not affected, as would be observed from the facts given in para 5 (page 3) of the report.

end of liberal import policy was clearly foreseen by all observers and this further whetted the appetite of importers to make the best of their opportunity in the certainty of making large profits in the period of scarcity which was bound to follow.

4. It must also be admitted that the O.G.L. help to convert our market into a dumping ground for consumer goods, particularly cotton textiles, drugs, oilman stores, etc. Some of the consumer goods are known to have been imported to be smuggled to India. Over importation led to recurrent crises in the market for textiles. The cost of O.G.L. proved to be particularly heavy in terms of foreign exchange. The imports nearly always exceeded the estimates and made foreign exchange planning meaningless.

5. The consequences of liberal import policy are vividly brougnt out by the mounting expenditure on imports on private account. From Rs. 111.93 crores in 1949-50 there was an increase to Rs. 144.84 crores in 1950-51 and Rs. 197.83 crores in 1951-52. The rise, though partly due to an increase in import prices, mainly reflected a rising physical volume of goods.

6. It seems that the liberal import policy was considered necessary in the belief that the existence of large volumes of goods would ensure distribution to consumers at reasonable prices. For ensuring a reasonable price attempt should have been made to organise and encourage consumer cooperative societies on a widespread basis. The possibility of auctioning the licences should have been investigated in order to retain for the Government at least a part of the large profits that were made by importers. Profits appropriated by the Government to their revenues for use on public purposes do not fall under the category of 'profiteering' which applies to gains made for private use. Undue profits made by individuals or groups of individuals only are anti-social.

7. It appears clearly in retrospect that the liberal import policy was carried too far. By the middle of 1951 commodity markets had begun to ease, minor vallies specially over the year-end, proved abortive and by the end of January 1952, the weakening tendencies were again in evidence. By April|May, 1952 it was evident that barring unforeseeable international political developments, commodity markets were on a downward course. The foreign exchange reserve had begun to decline and the economy had entered a contractionist phase. The source of domestic recession lay in external influences, but measures could have been taken to safeguard our foreign exchange position by imposing direct import cuts which is the recognised method of meeting such a situation. For reasons which are not known these were not considered necessary and instead stringent credit controls on the financing of import trade were imposed. In the prevailing circumstances credit channels needed to be kept free instead of being chocked at a time when employment and production were threatened with difficulties.

8. In the conditions that existed at that time credit restrictions could not achieve any purpose. The trade was aware that foreign exchange resources were diminishing and credit restrictions had been imposed as a substitute for import cuts. In other words, the door for imports was left open while every indication pointed to its inevitable closing. The restrictions proved ineffective as they failed to restrain the big trader. Similarly the increase of import duty on cotton textiles also served as a signal for further imports since cloth dealers expected to sell in the internal market at a much higher price while foreign quotations for textiles were falling sharply. Textile imports continued at high levels.* The drain on foreign exchange thus continued unabated, the volume

* This is not correct. Textile imports (cotton piece-goods and art silk piece-goods) have been continually declining. The total figures since April 1952 (in lakhs of rupees) are — April — 360 ; May — 332 ; June — 305 ; July — 275 ; August — 189 ; September — 158 ; October — 144 ; November — 88 and December 1952 — 57. (*Source* ; *C. S. O.*)

of imports on private account during July—September 1952 at Rs. 43.57 crores was only slightly lower, compared with Rs. 46.58 crores in April|June 1952 and imports continued to pour in during October and November 1952, at an average monthly rate of Rs. 11.75 crores in fulfilment of commitments made after the credit restrictions were applied. By the time a new O.G.L. XIV was introduced, foreign exchange reserves had already fallen to perhaps the lowest figure since partition. The cancellation of this O.G.L. in November 1952 ended the struggle for maintaining a liberal import policy, which world conditions had made impossible.

9. The following additional recommendations are made:—

(1) The question of selling import licences by auction should be considered.

(2) A condition should be included in the licences by which Government should exercise the power of requiring the importer to sell the goods partly or wholly to cooperative societies on payment of cost *plus* a reasonable margin of profit which may be about 5 per cent.*

(3) A departmental committee consisting of representatives of Finance, Commerce and Industries should consider and recommend the programme of imports for each period and should also review the result at the end of each period.† The reports of this committee should be submitted to the Cabinet or to a high-powered Economic Committee at Ministerial level.

Exports—Loss of Indian Market

10. One of the striking trends is the continuous decline in exports to India since 1948-49. Thus, the value of exports to India in 1948-49 amounted to 104.38 crores, of which raw jute alone contributed over Rs. 80 crores. In 1949-50, the total value had dropped to the low level of Rs. 32.4 crores and recovered very gradually to Rs. 61.86 crores in 1951-52. The consequences of this reduced volume of trade with India must not be lost sight of. India holds more than 60 per cent. of total world jute loomage. Her internal production of raw jute was only 17 lakh bales in 1947-48 and she purchased 52.90 lakh bales in that year out of our total sales of 60.55 lakh bales. In 1951-52, non-Indian purchases increased by 25.35 lakh bales. With an Indian crop of approximately 50 lakh bales in 1952-53‡, there must be a contraction in our markets for raw jute. Similarly, in regard to cotton there has been a decline of Indian purchases from 3.47 lakh bales in 1948-49 to almost negligible quantities in 1951-52. From the purely economic point of view we must view the loss of Indian market with perturbation. We cannot trade with an unwilling partner but we must continue to explore all possibilities of making it easy for India to resume normal trade.

* It is part of the import policy of the Government to grant licences to co-operative societies for direct mport of goods for the use of their members.

† The monetary limit for commercial imports is decided upon by the Government as a whole, and ceilings are worked out by the Ministry of Commerce in consultation with the Ministries of Industries, Food etc., under he procedure already existing.

‡ No official statistics of jute production in India are available, as far as could be ascertained.

Export policy (*cf. paras 46—79*)

11. Export policies must be administered on an integrated basis by a single agency, replacing the present distribution of responsibilities among various Ministries. It is understood that a Department of Trade Promotion is likely to be created under the Ministry of Commerce. This would be a desirable step. It should be assisted by appropriate advisory bodies consisting of officials and non-officials. Recommendations have also been made relating to grading and standardisation, postal and freight rates, transport and communication facilities, arrangements for arbitration, the functioning of Trade Commissioners in foreign stations, export duties, etc. While these are in the right direction, it is necessary to emphasise that they have a single purpose, *viz.*, promotion of the export trade. At present, they are apt to be considered on a compartmental basis by separate Ministries, jealously insistent upon their jurisdictional powers. The Department of Trade Promotion assisted by appropriate advisory bodies should be enabled to expedite decisions. Export promotion should be made a paramount objective of national policy. The conviction must be brought home to officials, no less than to private traders, that every possible avenue of export promotion must be fully exploited. Today we can neither eat nor develop nor defend our heritage unless we export.

Commodity Agreements (*cf. para 89*)

12. In cotton, our production being a small proportion of the total exportable surplus of the world, the need for commodity agreements is not so urgent provided we ensure reasonable prices and dependable qualities for the foreign buyers. This could be achieved by measures designed to import stability to the internal market, such as the introduction of the hedge operations. Even so, international agreements would be of use in that they would give confidence and security.

13. Jute, on the contrary has features which are especially favourable for making long-term international commitments. Pakistan is the only exporter and, therefore, there is no question of reconciling conflicting interests of producers. Also jute tends to be in surplus which creates uncertainty with dangers of serious fluctuations. Substitutes will be discouraged under international agreements which ensure regular supplies, at reasonable prices.

Bilateral Trade Agreements (*cf. paras 82—84*)

14. It might appear at first sight that though opposed to participation in International commodity agreements, Pakistan has shown an active trend towards bilateralism. A series of bilateral agreements have been concluded between Pakistan and other countries during the last few years. It deserves attention, however, that the quantities specified in the trade agreements concluded hitherto have implied no firm commitments on the part of either party. They have merely meant that the importing country would be prepared to grant import licences to the traders for importing specified goods up to the specified maximum. If the traders did not import quantities specified in the trade agreements, it is no concern of the contracting governments. The result has been that though Pakistan's bilateral agreements have facilitated the process of trade diversification, they have not succeeded fully in their purpose. Since the agreements are not of a binding character, there is nothing to guarantee under conditions of declining demand and falling activity in the world economy that the quantities contracted for by the various countries would actually be lifted.

amounts to Rs. 13.05 crores. This balance, even if it had been convertible into sterling, would not have made much difference in the deficits which the country has been incurring with other countries.

21. The deterioration in the balance of payments is emphasised by the change from surplus to deficit with India since July, 1952. The surplus with India of Rs. 15.80 crores in 1950-51 had shrunk to a fractional surplus of Rs. 0.24 crores in 1951-52 and had been converted into a deficit at an annual rate of Rs. 11.22 crores during the 6 months ended 1952*. Similarly, the country had a deficit with the United Kingdom of Rs. 28.78 crores which rose to Rs. 51.28 crores in 1951-52 and was running at an annual rate of Rs. 67.04 crores in July—December 1952. Finally, there was a deficit of Rs. 24.66 crores with Japan during 1951-52 as against a surplus of Rs. 13.92 crores in 1950-51. The deficit continued to mount after June 1952 and was running at an annual rate of Rs. 11.24 crores by the end of December, 1952*.

22. A deficit in the balance of payments can be financed either by running down foreign exchange assets (including gold) or by incurring capital liabilities *i.e.*, indebtedness. Individual countries in the sterling area, of which Pakistan is a member can meet their deficits by drawing on their holdings of sterling balances. While the countries in the sterling area have a responsibility for attempting to avoid a deficit with such countries or groups of countries as would result in a net loss of gold and dollar, any member can, subject to arrangement with the U.K. finance its balance of payments deficit in any part of the world by drawing on the sterling balances.

23. Pakistan inherited the largest part of its foreign exchange reserves in the form of sterling balances as a result of the division of assets of the Reserve Bank of India. Total gold and sterling assets so received amounted to Rs. 188 crores. In addition, as noted above, sterling valued at Rs. 11.95 crores was received from India under the Payments Agreement. In fact, deficits in our balance of payments had arisen after July 1948 with countries other than India but they are not reflected in the fall of foreign exchange reserves, since during that period assets were being received from India. After March 1949, however, the transfer of assets came to an end and the balance of payments deficits began to be reflected in the fall of foreign exchange reserves which by September 30th, 1950 were down to the level of Rs. 87.07 crores. Thereafter, the surpluses arising from the commodity boom helped to build up the balance by Rs. 64.24 crores to Rs. 151.31 crores by the end of June, 1951. Thereafter a period of deficits supervened and by December, 1952 the foreign exchange reserves had fallen to the lowest level since partition, *i.e.*, Rs. 60.61 crores.

24. In other words, the country not only failed to conserve the resources which it had inherited from India but also the resources which accrued as a result of exceptionally favourable conditions following the Korean War. Foreign exchange budgeting appears to have been an accounting process, the striking of a balance between estimated current earnings and free sterling available from past balances on the one hand and current expenditure on the other. The liberal import licensing policy was reversed, only on two occasions, immediately after the non-devaluation in September 1949 and again in August 1952, under compelling circumstances. The need for adequate foreign

* Attention is invited to figures given on page 6 of the Report (Table No. 7 and footnote) which show a different picture.

exchange reserves is paramount in every country. A decline in such reserves becomes a matter of grave anxiety and corrective measures in the form of import restrictions are considered and imposed in good time when a drain appears and before it can go far.

25. The course of events in 1952, during which our sterling balances have recorded a fall from Rs. 137.58 crores to Rs. 46.45 crores, has been explained in paras 120 and 121 of the Report. The statement of the position therein is neither complete nor correct. It is true that the economic outlook in January to March 1952 could not be clearly interpreted to presage a stormy weather and it was permissible to hope that the economic situation would not take a wholly unfavourable turn. In the circumstances which appeared unmistakably from April 1952 it was quite natural for the traders to make commitments for large imports. They could not count on the continuation of O.G.L. while the foreign exchange position was deteriorating and, as business-men looking for profit, they made the best use of the situation. They did not speculate but made purchase commitments which contained the certain promise of large profits. It has been stated that part of the strain on the foreign exchange position was due to over-invoicing of imports. This is unsound since overinvoicing, if any, would apply to all periods during the past and not to the specific January—June, 1952 period. If the incidence of overinvoicing was more it was only because the volume of imports was larger under the O.G.L. Again, it is not wise to attribute heavy imports to speculative trading since "speculation" was inevitable under the conditions of foreign exchange strain following the decline in export prices during this period. The imposition of credit restrictions far from reducing speculative imports should, in fact, have provided greater impetus to them since the trade rightly regarded these restrictions as a signal for strict import restriction. It was again wrong to have based a liberal import policy on the slackening of boom conditions since purchasing power in the country which had increased during the boom period was still active. It is also not clear how the country could be 'stocked' with goods since no part of private imports could be insulated from the market and thereby prevented from depressing prices and affecting internal consumption.

26. The credit restrictions that were imposed in June 1952 in the hope of halting the drain did not constitute an adequate or even an appropriate measure*. In the prevailing circumstances, credit restrictions could act only as an inconvenience and not as an effective† obstacle to bar the way of those who were operating in the market with the certainty of large profits after the cancellation of O.G.L. which could only be delayed but not prevented. They were inappropriate because credit restrictions tend to depress economic activity and are contra indicated in circumstances of recession. What was not obscure at

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* On the contrary, the view expressed in the recent Commonwealth Economic Conference was that unless suitable internal financial policies including monetary and credit restrictions are followed, there would be increasing pressure on the external accounts of the members of the sterling area, and that import restrictions were only temporary palliatives seldom successful in preventing exchange crises. The I. M. F. has always emphasised the importance of fiscal and monetary policies as against import restrictions.

† The level of commercial imports since April 1952 does show that credit restrictions imposed in June 1952 were effective in reducing the volume of imports. These figures (in lakhs of rupees) are April — 1922; May — 1883; June — 1460; July — 1616; August — 1379; September — 1064; October — 964; November — 833 and December — 1952 — 677. (*Source* : *C. S. O.*)

any time after April 1952 is clear now in retrospect that forthright measures for restricting our commitments should have been taken to safeguard our foreign exchange. To meet a similar situation Australia had in January 1952 cancelled all commitments except those supported by letters of credit. It appears that we not only did not cancel the commitments but made large further commitments by issuing further licences of substantial amounts after June, 1952*, in the curious belief that credit restrictions would undo the mischief of generous import licensing.

27. By dealing with this matter at length it is not the intention to apportion blame. This has been done so as to present a truthful picture in order to derive lessons from the past for the sake of future.

Deficit Financing (*cf. paras 474—484*)

28. It has been proposed that the Central Government should annually provide a sum of Rs. 50 crores for development purposes, Rs. 10 crores from the revenue budget and the remaining Rs. 40 crores from internal borrowings, foreign aid and loans and deficit financing. If deficit financing in any year is not to exceed Rs. 25 crores, as recommended in the Report, it would imply that development expenditure worth Rs. 15 crores can be financed out of internal borrowings and foreign aid and loans. Borrowing is also expected to provide another Rs. 20 crores per annum for financing non-productive capital expenditure including defence. This means that the calculations are being based on the assumption that funds amounting to Rs. 10 crores would become available from the revenue budget for development purposes and that borrowing and foreign aid and loans would provide a sum of Rs. 35 crores per annum. Judging from the present context and prospective conditions in the near future, these assumptions appear unrealistic. The budgetary position is unlikely to allow the earmarking of a sizable sum of Rs. 10 crores for development. The inflow of foreign capital has been very insignificant so far and unless conditions change radically, substantial amounts cannot be obtained from this source. And, as shown above, hopes of internal borrowings too on anywhere near the scale envisaged are bound to be disappointed.

29. Under these circumstances, the idea of a development budget separate from the ordinary budget, as mooted in the Report, is fraught with serious risks. While it is easy to lay down that the Government should find as much as possible from its ordinary receipts for financing the development budget, in actual fact increasingly greater reliance is likely to be placed on created money for this purpose, particularly if, as seems the intention, a pre-determined rate of development expenditure has to be maintained at all costs. It would also have serious effects on the disciplinary financial controls and administration of the Government. There would be an increasing tendency to modify the tests of productivity of schemes so that as many projects could be transferred from the ordinary budget to the development budget as possible. Inflationary finance once it gets under way, might prove extremely difficult to stop. A difficult problem of judgment would be involved in determining exactly the point beyond which it would not be safe to go. The lack of good statistical indicators to determine the direction in which the economy might be moving would be a serious handicap. Thus, much damage may be done to the economy even before it is fully realised.

* This is not correct. The issue of licenses was restricted simultaneously with the imposition of credit restrictions.

30. Deficit financing, if it exceeds the safe limit, is likely to cause highly undesirable repercussions.* The disastrous consequences that would ensure if the limits are allowed to be over-stepped cannot be over-emphasised. It would be realised that deficit financing is a negation of the direct organised method of obtaining a part of national output through borrowing and taxation and implies a failure to obtain resources in a direct manner. Deficit financing, if allowed beyond a certain limit would tend to raise the general level of prices and would thus cut into the consumption of classes least able to bear this hardship. Inflationary finance tends to raise or increase the costs cumulatively. The estimates of development programmes would then tend to become frequently out of date. Rising costs may also create difficulties in meeting the ordinary expenses of the Government. The constantly increasing costs of goods and services might upset the ordinary revenue budget and require deficit financing in ever-increasing amounts even for a purpose for which it was not originally intended. In the absence of an incorruptible, efficient and effective system of price and wage controls, it would be extremely difficult to put a brake on the rising level of prices. Inflationary conditions are likely to encourage the kind of ventures not desirable from the point of view of sound economic development, *e.g.*, speculative undertakings, addition to inventories, investment in real estate and hoarding of gold and foreign exchange. Voluntary savings through financial institutions may also be discouraged due to the falling value of money.

31. The argument that unemployed resources exist which could be obtained for development by means of deficit financing without restricting consumption or rising prices over-simplifies the problem of economic development. Idle resources in a country like ours are of an altogether different nature from those in a developed economy passing through a recession. In the case of latter, there are idle equipment and unemployed skilled labour which are only to be brought together in order to expand output. But, in an economy like Pakistan, the amount of un-utilised or idle capacity at any particular time, either in the fields or in the factories (which would come to be utilised immediately as a result of additional effective demand) is not very much. The process of economic development in our case involves much more than the provision of finance and labour. Large amounts of money would first have to be sunk in capital investment and construction activity for quite sometime. As the propensity to consume is very high and there is no broad-based industrial structure capable of expanding production in the short run, the inflationary impact of such expenditure is likely to be fairly serious in the time lag, which may be a fairly long time lag.

32. It needs to be emphasised that monetary outlay by itself cannot carry the development programme to success if it disregards the nature and the volume of available real resources. It is necessary to find out whether the envisaged rate of investment is commensurate with the ability of the community to supply the necessary real resources. If this is not so, increased monetary outlay would only lead to an increase in the price level due to the several inflexibilities and inelasticities in the supply of resources. Again, the availability of external resources for the development programme is crucial to the entire problem of deficit financing. Serious pressure is likely to develop on supplies of imported consumer goods as a result of increased money incomes through money

* In the Report (para 482), strict control of deficit financing has been suggested and a number of measures have been proposed to ensure it. The maximum amount of deficit financing envisaged in any year is Rs. 25 crores, but the amount would be reduced to the extent borrowings and foreign aid and loans bring in more than Rs. 35 crores (40 — 5 + 20 non-productive capital expenditure).

creation and would inevitably involve serious pressures on the balance of payments and the foreign exchange reserves. The size of external resources must play a decisive role in another way, since the process of development involves heavy imports of machinery and capital goods. The considerations of external resources have become specially important now in view of the reduced level of our foreign exchange reserves. The development programme must, therefore, be based broadly on a full and realistic appraisal of the total real resources of the country, both internal and external. The programme must seek a balance with the internal and external resources and the available monetary outlay on development must be so arranged as to bear a proper relationship to available external resources.

33. In the light of the above considerations, the idea of a separate development budget, which might come to be financed largely by means of created money, is unsound. It is impossible to lay down precisely in advance as to what amount of money can be created from year to year, if at all. A figure ranging between 10 and 15 crores of rupees may, however, be mentioned as a relatively safe target. Instead of a development budget, it is suggested that each year the Minister of Finance, when preparing his budget, should determine the extent to which the expenditure on development can be met from ordinary resources. If such resources are not sufficient to meet all essential development, he may decide to resort to deficit financing in the light of the then prevailing conditions provided the dose of inflation is modest. It would of course be necessary for this purpose to have reliable statistics in regard to employment, production and prices in order to keep a watch on the conditions of the economy ; the doses of inflationary finance would then be regulated in the light of their effect on the economy. The various considerations that would be relevant in this connection would pertain to the size of foreign exchange resources, the sensitivity of cost and price structure and of exports and imports, the speed with which particular development projects would lead to increased production and the efficiency of the monetary and fiscal weapons available for limiting private expenditure.

Future Outlook (*cf. paras 514 and 515*)

34. The recession was virtually unrelieved during the year 1952. The whole period was one of pronounced and almost unbroken downward drift in prices. As to the future outlook, there is no doubt that under existing conditions, no major change can be expected in the short-term and that to hope for an early revival merely because the recession has lasted well over a year and half is no more than wishful thinking. On the whole, there are indications that prices have still not reached their lowest level in the present recessionary situation. This assessment of the outlook is strengthened by two significant factors. In the first place, the defence programme in the United States is expected to level off by the end of 1953 and though it is not possible to make any prediction regarding the future course of American economic policy, according to all accounts, the new American Administration is expected to restrict public expenditure and endeavour to pursue orthodox policies. All authoritative pronouncements upon the future outlook of U.S.A. economy point to the danger of accentuated recessionary conditions when in 1955 the level of defence expenditure begins to fall off. Secondly, in pursuance of the programme formulated at the recent Commonwealth Conference, the sterling area is expected to move towards the goal of economic balance through orthodox monetary and fiscal policies.

APPENDICES

LIST OF APPENDICES

APPENDIX No. 1.

Government of Pakistan's Gazettes Extraordinary dated 20th August 1952 and 29th September, 1952, appointing the Economic Appraisal Committee.

1. Ministry of Economic Affairs Resolution dated 20th August 1952:

"*No.* 2 (21)-*PG*|52.—In view of the present world economic recession and its inevitable repercussion on the economy of Pakistan, it has become necessary to review the economic conditions prevailing in the country in order to determine the measures which should be taken immediately to reinforce its economy. The Government of Pakistan have accordingly decided to set up a Committee with the following terms of reference and composition :—

Terms of reference :

(1) To assess the economic conditions of Pakistan and to recommend ways and means for increasing the productive capacity and foreign exchange earnings.

(2) To assess the financial and material resources available for development during the next five years.

(3) To review fiscal, tariff, trade and industrial policies from the stand-point of development and increased production so as to stabilise the country's economy on a long-term basis.

(4) To review the development schemes already approved or under preparation and make recommendations regarding individual schemes and the overall pattern of economic development to be undertaken during the next five years.

Note.—This review should cover the schemes of Central, Provincial and State Governments. The activities falling under the private sector of the National Plan should also be reviewed.

(5) To recommend priorities for projects recommended for execution during the next five years. The fixation of priorities should keep in view the effect of a scheme in raising earnings or saving expenditure of foreign exchange.

(6) To review the progress made so far in the execution of development schemes, especially in the field of agriculture and industry and to make recommendations to ensure the acceleration of execution and the attainment of full productive capacity.

Composition :

Chairman

1. The Honourable Mr. Fazlur Rahman, Minister for Economic Affairs.

Members

2. Mir Laiq Ali.
3. Mr. Zahid Husain, Governor, State Bank of Pakistan.
4. Mr. Ghulam Faruque, Chairman, Pakistan Industrial Development Corporation.
5. Mr. Mohammad Ali Habib, Managing Director, Habib Bank Ltd.
6. Mr. Mirza Ahmad Ispahani, Director, Pakistan Industrial Development Corporation.
7. Mr. Moazzam-ud-Din Husain, Ex-Member, Tariff Commission.
8. Mr. A. F. Atwar Husain, Head of the Department of Commerce, Dacca University.

Secretary

Mr. A. Rashid Ibrahim, Deputy Secretary, Ministry of Economic Affairs.

The Committee has been asked to submit its report as soon as possible to enable Government to consider its recommendations expeditiously and to take suitable measures to ensure that the pace of development in the country is not retarded by economic recession and that the objective of raising the standard of living of the people is achieved in the shortest possible time.

(Sd.) SAID HASAN,
Secretary."

2. Ministry of Economic Affairs Resolution dated 29th August 1952:

"*No.* 2 (21)-*PG*|52.—The following addition is made to the membership of the Committee announced in this Ministry's Resolution No. 2 (21)-PG|52, dated the 20th August 1952, published on pages 941-42 of the Gazette of Pakistan, Extraordinary, dated the 21st August 1952:—

'Mian Afzal Hussain,
Chairman,
Pakistan Public Service Commission'.

(Sd.) SAID HASAN,
Secretary."

APPENDIX No. 2.

Area and population of Pakistan, by units, showing refugee population and labour force.

(Census of 1951) (Figures in lakhs, except land area & population per square mile.)

Unit	Land area (Sq. miles)	Total population	Population per square mile	Refugees: Total refugee population	Refugees: Percentage of total population	Civilian labour force: Agricultural labour force	Civilian labour force: Non-agricultural labour force	Civilian labour force: Total civilian labour force	Civilian labour force: Percentage of total labour force to total population
1. East Bengal Province ...	54,501	420.63	771.8	7.01	1.7	107.14	21.71	128.85	30.72
2. Punjab Province	62,987	188.29	298.8	48.82	26.0	39.75	20.40	60.15	29.15
3. Bahawalpur State	15,918	18.22	114.5	3.71	20.3				
4. Sind Province	50,443	46.19	91.4	5.61	12.2	12.52	4.19	16.71	33.93
5. Khairpur State	6,050	3.09	52.7	.11	3.4				
6. North-West Frontier Province	13,815	32.58	235.8	.51	1.6	6.59	3.10	9.69	16.52
7. N.-W.F. Tribal Area ...	27,242	26.42	97.0	...	...				
8. Baluchistan District ...	52,900	6.22	11.8	.29	4.7	2.64	.085	3.49	30.24
9. Baluchistan States Union ...	81,239	5.52	6.8	.01	0.2				
10. Karachi Federal Capital Area	812	11.26	1386.6	5.43	48.2	n.a.	n.a.	n.a.	n.a.
TOTAL (ALL PAKISTAN)	**3,65,907**	**758.42**	**207.2**	**71.50**	**9.4**	**168.64***	**50.25***	**218.89***	**29.37***

(Source : C. S. O.)

* Figures exclude Karachi.

APPENDIX No. 3.

National Income of Pakistan.

(1948-49) (Figures in lakhs.)

Net National Product Sector	Rupees	Percentage contribution
1. Agriculture :		
(*a*) Major agricultural crops	629,72	
(*b*) Minor agricultural crops	174,74	
(*c*) Livestock products	301,69	
(*d*) Fishing	61,96	
(*e*) Forests	3,26	
	1,171,37	69·2
2. Mining	7,24	0·4
3. Manufacturing	5,40	0·3
4. Transport and Communications	16,50	1·0
5. Government	64,32	3·2
6. Public utility services	20,17	1·1
7. Services	251,76	15·0
8. Rental income	41.79	2·5
9. Wholesale and retail trade	137,63	8·7
		101·4
10. Rest of the World	—24,27	1·4
TOTAL NATIONAL INCOME	1,691,90	100
ESTIMATED POPULATION (1948-49)	7,34	
PER CAPITA INCOME	Rs. 230 annas 6	

(*Source* : *C. S. O.*)

APPENDIX No. 4.

Direction of Pakistan's trade on private account*

A.—TRADE BY COUNTRIES (EXPORTS & IMPORTS)

(July—June year). (In lakhs of rupees.)

COUNTRIES	1948-49	1949-50	1950-51	1951-52	1952-53 (July—Dec.)
EXPORTS					
1. Belgium	666	193	852	622	318
2. China	204	214	885	2540	973
3. France	462	1008	1701	1724	310
4. Germany	528	394	1362	1071	483
5. Hong Kong	80	976	1244	534	206
6. Indian Republic	1,0438	3179	5563	3756	995
7. Italy	284	441	1518	1312	372
8. Japan	453	438	3331	2195	1070
9. United Kingdom	2034	1838	3203	2798	736
10. U. S. A.	1117	683	1590	526	383
11. Other countries	1226	2502	4240	2990	1049
Total Exports ...	**1,7492**	**1,1866**	**2,5489**	**2,0068**	**6895**
IMPORTS					
1. Belgium	84	156	259	461	112
2. China	939	361	868	234	28
3. France	80	62	273	243	87
4. Germany	20	75	337	631	246
5. Hong Kong	60	48	469	441	57
6. Indian Republic	4089	2732	2156	3467	971
7. Italy	624	675	792	1159	358
8. Japan	206	1237	2318	4672	1108
9. United Kingdom	3617	2856	3778	3994	1773
10. U. S. A.	1040	1101	946	1188	513
11. Other countries	2103	2183	2304	3366	1265
Total Imports ...	**1,2862**	**114,86**	**1,4500**	**1,9856**	**6518**

(Source : C. S. O.)

* NOTE (*a*)—Land trade data is included completely from the year 1949-50 onwards. For the year 1948-49, however, value of exports of only raw jute by land (and no other land trade), is included.

(*b*) Value of exports through Karachi is on " real value " basis upto December 1950 and on F. O. B. basis since January 1951. Value of exports through Chittagong, Chalna and over East Pakistan land frontiers is on " real value " basis upto July 1950 and on F. O. B. basis since August 1951.

APPENDIX No. 4—contd.

B.—TRADE WITH INDIA ON PRIVATE ACCOUNT*

(July—June year). (In lakhs of rupees.)

Commodities	1948-49	1949-50	1950-51	1951-52	1952-53 (July—Dec.)
EXPORTS					
1. Raw jute	8000	2127	3842	3026	814
2. Raw cotton	1586	92	4	2	...
3. Raw hides and skins	142	30	87	45	23
4. All other articles	710	930	1630	683	158
Total Exports ...	**1,0438**	**3179**	**5563**	**3756**	**995**
IMPORTS					
1. Apparel	24	36	11	4	1
2. Chemicals, drugs and medicines	42	46	66	84	41
3. Coal and coke	52	55	26	219	99
4. Dyes and colours	81	55	32	38	17
5. Hardware and instruments	37	22	18	50	16
6. Leather and leather manufactures ...	113	53	38	24	12
7. Machinery	18	39	20	36	42
8. Metals and ores	62	52	30	35	31
9. Paper, pasteboard and stationery ...	23	7	14	12	1
10. Provisions and oil-man's stores	43	66	47	38	17
11. Rubber manufactures	48	20	3	3	1
12. Soap	25	8	8	28	17
13. Black tea	214	11	1	7	9
14. Cotton twist and yarn / Cotton piecegoods	1594	476	474	469	144
15. Jute manufactures	422	98	158	211	77
16. Artificial silk piecegoods	212	55	41	1	2
17. Tobacco un-manufactured / Tobacco manufactured	195	528	409	534	81
18. All other articles	802	1008	592	1674	363
Total Imports ...	**4089**	**2732**	**2156**	**3467**	**971**

(*Source : C. S. O.*)

*NOTE.—(*a*) Land trade data is included completely from the year 1949-50 onwards. For the year 1948-49, however, value of exports of only raw jute by land (and no other land trade), is included.

(*b*) Value of exports through Karachi is on " real value " basis upto December 1950 and on F. O. B. basis since January 1951, value of exports through Chittagong, Chalna and over East Pakistan land frontiers is on " real value " basis upto July 1950 and on F. O. B. basis since August 1951.

APPENDIX No. 4—contd.

C.—TRADE WITH JAPAN ON PRIVATE ACCOUNT*

(July—June year) (In lakhs of rupees.)

Commodities	1948-49	1949-50	1950-51	1951-52	1952-53 (July—Dec.)
EXPORTS					
1. Raw cotton	3,87	3,96	28,15	19,59	9,82
2. Raw hides and skins	...	...	53	4	10
3. Raw jute	65	38	2,48	2,13	69
4. Raw wool	...	...	1	...	1
5. All other articles	1	4	2,14	19	8
Total Exports ...	**4,53**	**4,38**	**33,31**	**21,95**	**10,70**
IMPORTS					
1. Hardware (excluding cutlery)	1	5	5	23	4
2. Instruments	...	4	2	14	13
3. Machinery	...	56	1,77	3,13	67
4. Metals and ores	...	3	9	6,76	1,67
5. Paper and pasteboard	...	2	...	2	...
6. Rubber manufactures	1	1	...	2	1
7. Cotton piecegoods	1,59	8,07	17,49	22,10	3,94
8. Cotton twist & yarn	37	3,05	3,09	8,94	1,89
9. All other articles	8	54	67	5,38	2,73
Total Imports ...	**2,06**	**12,37**	**23,18**	**46,72**	**11,08**

(*Source* : *C. S. O.*)

*NOTE.—Value of exports through Karachi is on " real value " basis upto December 1950 and on F. O. B. basis since January 1951. Value of exports through Chittagong, Chalna and over East Pakistan land frontiers is on " real value " basis upto July 1950 and on F. O. B. basis since August 1951.

APPENDIX No. 4—contd.

D.—TRADE WITH UNITED KINGDOM ON PRIVATE ACCOUNT*

(July—June year) (In lakhs of rupees.)

Commodities	1948-49	1949-50	1950-51	1951-52	1952-53 (July—Dec.)
EXPORTS					
1. Raw cotton	4,44	2,14	9,79	7,13	17
2. Raw hides and skins	21	41	64	57	17
3. Raw jute	8,358	8,79	12,02	12,51	3,23
4. Tea	3,95	4,27	2,44	3,84	2,12
5. Raw wool	1,33	1,82	5,70	1,21	92
6. All other articles	2,06	95	1,44	2,72	75
Total Exports ...	**20,34**	**18,3**	**32,03**	**27,98**	**7,36**
IMPORTS					
1. Chemicals, drugs and medicines	2,68	1,81	2,02	2,86	1,75
2. Hardware	34	36	41	51	22
3. Instruments & apparatus	1,41	84	1,82	2,58	1,04
4. Machinery	4,14	4,32	6,12	8,92	4.51
5. Metals & ores	2,09	2,25	2,96	3,80	1,60
6. Oil, mineral	22	12	14	85	50
7. Paper & pasteboard	39	24	22	43	21
8. Provisions and oil man's stores	56	24	32	45	29
9. Rubber manufactures	7,8	77	1,06	1,14	30
10. Cotton twist & yarn	3,99	2,41	1,40	1,40	30
11. Cotton piecegoods	8,77	6,85	6,42	4,89	1,50
12. Vehicles (ex-locomotives)	3,16	2,66	3,17	3,61	1,53
13. All other articles	7,64	5,69	11,72	8,50	3,98
Total Imports ...	**36,17**	**28,56**	**37,78**	**39,94**	**17,73**

(*Source* : *C. S. O.*)

*NOTE.—The value of exports through Karachi is on " real value " basis upto December 1950 and on F. O. B. basis since January 1951. Value of exports through Chittagong, Chalna and over East Pakistan land frontiers is on " real value " basis upto July 1950 and on F. O. B. basis since August 1951.

APPENDIX No. 4—contd.

E.—TRADE WITH U.S.A. ON PRIVATE ACCOUNT*

(July—June year.) (In lakhs of rupees.)

Commodities	1948-49	1949-50	1950-51	1951-52	1952-53 (July—Dec.)
EXPORTS					
1. Raw cotton	56	22	20	...	11
2. Raw hides and skins	63	73	1,66	50	26
3. Raw jute	7,83	4,01	11,79	3,29	1,53
4. Black tea	9	7	11	2	...
5. Raw wool	1,34	1,35	1,45	99	1,69
6. All other articles	72	45	69	46	24
Total Exports ...	**11,17**	**6,83**	**15,90**	**5,26**	**3,83**
IMPORTS					
1. Chemicals, drugs and medicines	45	88	81	99	36
2. Hardware (excluding cutlery)	31	41	32	20	8
3. Instruments and apparatus	37	45	58	35	13
4. Machinery	1,99	2,05	1,85	2,81	1,11
5. Metals and ores	55	62	12	57	17
6. Oils minerals	44	54	59	2,05	1,24
7. Paper and pasteboard	15	6	8	19	4
8. Provisions and oilman's stores	11	10	10	1	1
9. Rubber manufactures	29	10	15	7	1
10. Cotton twist and yarn	53	19	6	2	...
11. Cotton piecegoods	1,34	66	6	1	...
12. Vehicles	1,64	2,52	2,06	2,96	65
13. All other articles	2,23	2,43	2,68	1,65	1,33
Total Imports ...	**10,40**	**11,01**	**9,46**	**11,88**	**5,13**

(*Source* : *C. S. O.*)

*NOTE.—Value of exports through Karachi is on " real value " basis upto December 1950 and on F. O. B. basis since January 1951. Value of exports through Chittagong, Chalna and over East Pakistan land frontiers is on " real value " basis upto July 1950 and on F. O. B. basis since August 1951.

APPENDIX No. 4—contd.

F.—DIRECTION OF JUTE EXPORTS*

(July—June year) (Figures in lakhs.)

COUNTRIES	1947-1948		1948-1949		1949-1950		1950-51		1951-1952		1952-1953 (July—December)	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	bales	Rs.	bales	Rs.	bales	Rs.	bales	Rs.	bales	Rs.	bales	Rs.
1. Belgium	·84	146	2·76	471	·82	146	4·40	438	2·79	593	2·21	286
2. France	1·17	229	1·93	382	2·76	496	5·13	874	5·12	1168	·98	114
3. Germany	·34	67	2·34	421	1·15	209	4·47	783	4·22	819	1·98	286
4. Indian Republic	...	...	41·32	8000	16·54	2127	24·67	3842	16·44	3026	9·96	815
5. Italy	·67	121	·70	136	1·35	236	4·17	689	3·26	694	2·07	275
6. Japan	...	...	·36	65	·22	38	1·41	248	·88	213	·55	69
7. Netherlands	·06	11	·13	28	·40	74	·93	158	·67	146	·43	55
8. Spain	...	...	·06	9	·13	21	·66	106	·36	68	·31	29
9. United Kingdom	1·66	309	4·07	835	4·72	879	6·70	1202	5·56	1252	2·55	322
10. U. S. A.	1·50	308	3·56	783	2·20	401	7·04	1179	1·53	329	1·51	152
11. All other countries	1·45	274	3·24	826	3·53	631	3·73	1464	7·75	1648	2·52	302
Total ...	**7·69**	**1465**	**60·49**	**11956**	**33·82**	**5258**	**66·67**	**10983**	**48·48**	**9955**	**25·07**	**2706**

(*Source* : *C. S. O.*)

*NOTE :—

(*a*) Land trade data is included completely from the year 1949-50 onwards. For the year 1948-49, however, value of exports of only raw jute by land (and no other land trade), is included.

(*b*) Value of exports through Karachi is on " real value " basis up to December 1950 and on F. O. B. basis since January 1951. Value of exports through Chittagong, Chalna and over East Pakistan land frontiers is on " real value " basis upto July 1950 and on F. O. B. basis since August 1951.

APPENDIX No. 4—concld.

G.—DIRECTION OF COTTON EXPORTS*

(July—June year.) (Figures in lakhs)

COUNTRIES	1947-1948		1948-1949		1949-1950		1950-1951		1951-1952		1952-53 (July—December)	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	bales	Rs.	bales	Rs.	bales	Rs.	bales	Rs.	bales	Rs.	bales	Rs.
1. Australia	·33	131	·02	7	·22	92	·64	471	·10	64	·12	63
2. Belgium	1·32	476	·26	123	·10	34	·09	70	...	...	·04	20
3. China	·87	314	·42	199	·47	203	1·09	828	3·34	2502	1·46	972
4. France	·66	240	·06	28	1·24	500	1·02	807	·74	531	·38	193
5. Germany	...	...	·08	26	·35	138	·46	341	·32	191	·36	165
6. Hong Kong	·53	203	·17	73	2·28	968	1·83	1239	·80	531	·39	205
7. Indian Republic	1·26	478	3·47	1586	·21	92	...	4	...	2	...	...
8. Italy	·83	315	·20	85	·40	160	1·09	753	·76	518	·07	32
9. Japan	·53	166	·75	387	·95	396	3·98	2815	2·87	1959	1·93	982
10. Poland	...	...	...	...	·28	124	·46	371	·64	448	...	...
11. Spain	·47	183	·14	67	·27	114	·54	332	·24	173	·10	44
12. United Kingdom	·86	240	1·08	444	·57	214	1·28	979	·85	713	·04	18
13. All other countries	2·11	830	1·39	632	2·25	1138	1·24	862	·21	141	·74	396
Total ...	9·00	3576	8·05	3647	9·60	3973	13·73	9872	10·95	7773	5·64	3090

(*Source : C. S. O.*)

*NOTE :—
(*a*) Land trade data is included completely from the year 1949-50 onwards. For the year 1948-49, however, value of exports of only raw jute by land (and no other land trade), is included.
(*b*) Value of exports through Karachi is on " real value " basis upto December 1950 and on F. O. B. basis since January 1951. Value of exports through Chittagon Chalna and over East Pakistan land frontiers is on " real value " basis upto July 1950 and on F. O. B. basis since August 1951.

APPENDIX No. 5.

COMPOSITION OF PAKISTAN'S TRADE ON PRIVATE ACCOUNT.*

A. EXPORTS

(July—June year.) (Value in lakhs of rupees.)

Commodities	Unit of Quantity	1948-49		1949-50		1950-51		1951-52		1952-53 (July—December)	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1. Raw Jute	Tons	1,080,000	1,19,56	604,000	52,58	1,190,600	1,09,83	871,400	99,55	447,700	27,06
2. Raw Cotton	,,	143,800	36,47	171,400	39,73	245,100	98,72	195,000	77,73	100,700	30,92
3. Raw Wool	Lbs.	22,449,000	3,10	25,978,000	3,51	29,287,000	7,47	18,540,000	3,12	26,492,000	3,30
4. Hides and Skins	Pieces	9,845,000	3,68	10,219,000	3,04	14,440,000	6,50	8,550,000	3,30	4,513,000	1,46
5. Black Tea	Lbs.	29,879,000	4,24	30,850,000	4,61	23,585,000	3,06	34,518,000	4,16	17,960,000	2,22
6. Other Commodities	...	...	7,87	...	15,19	...	29,31	...	12,83	...	3,99
Total ...	...	...	1,74,92	...	1,18,66	...	2,54,89	...	2,00,69	...	68,95

(*Source* : *C. S. O.*)

*Note.—(1) Complete land trade data is included from the year 1949-50 onwards. For the year 1948-49 however, only export of raw jute by land (and no other land trade data) is included.

(2) Value of exports through Karachi is on " real value " basis upto December 1950 and on F.O.B. basis since January 1951. Value of exports through Chittagong, Chalna and over East Pakistan land frontiers is on " real value " basis upto July 1951 and on F.O.B. basis since August 1951.

APPENDIX No. 5—concld.

B. IMPORTS.

(July—June year). (In lakhs of rupees.)

Commodities		1948-49	1949-50	1950-51	1951-52	1952-53 (July—Dec.)
1. Chemicals, drugs and medicines ...	...	4,71	3,82	4,45	6,25	3,25
2. Artificial silk piecegoods ...	...	3,35	1,32	1,77	2,31	1,67
3. Artificial silk yarn	...	70	25	1,72	2,90	1,36
4. Cotton piecegoods	...	35,29	21,41	33,09	37,12	7,44
5. Cotton twist and yarn	...	14,87	14,89	20,55	25,76	4,67
6. Machinery	...	6,68	8,10	11,19	17,12	7,89
7. Metals and ores	...	4,23	5,60	702	18,27	5,30
8. Mineral oils	...	2,72	3,53	6,26	9,75	5,14
9. Vehicles	...	5,48	5,77	6,55	9,29	2,65
10. Other articles	...	50,59	50,17	52,40	69,79	25,81
Total	...	**1,28,62**	**1,14,86**	**1,45,00**	**1,98,56**	**65,18**

(*Source* : *C. S. O.*)

APPENDIX No. 6

Pakistan's trade by currency areas (on private account)*

(July—June year). (In lakhs of rupees.)

Area	January—June 1948 (Half-year)	1948-49	1949-50	1950-51	1951-52	1952-53 (July—December)
1. All countries :						
Exports	41,66	80,46	86,96	230,76	218,69	60,91
Imports	10,03	75,58	74,93	127,29	192,67	76,70
Balance ...	+31,63	+4,88	+12,03	+103,47	+26,02	—15,79
2. Dollar Area :						
Exports	5,97	14,02	7,69	17,59	6,45	3,78
Imports	1,53	8,48	9,60	10,19	9,59	4,92
Balance ...	+4,44	+5,54	—1,91	+7,40	—3,14	—1,14
3. Sterling Area :						
Exports	8,57	24,05	31,39	76,26	81,10	18,78
Imports	4,19	48,16	35,26	61,54	94,09	38,78
Balance ...	+4,38	—24,11	—3,87	+14,72	—12,99	—20,00
4. O.E.E.C. Countries (excluding U.K.) :						
Exports	n.a.	n.a.	n.a.	64,02	59,33	16,17
Imports	n.a.	n.a.	n.a.	19,23	33,22	10,56
Balance ...	n.a.	n.a.	n.a.	+44,79	+26,11	+5,61
5. Other Countries :						
Exports	27,12	42,39	47,88	72,89	71,80	22,17
Imports	4,31	18,94	30,07	36,33	55,79	23,43
Balance ...	+22,81	+23,45	+17,81	+36,56	+16,01	—1,26

(*Source* : *S. B. P.*)

*NOTE.—This Appendix has been compiled from the published figures of the State Bank of Pakistan. The exchange control with India was introduced only on 27th February 1951 and the appendix therefore does not include the figures of trade (exports and imports) with India before that date. It also does not include the figures relating to Afghanistan, Nepal and Tibet but the level of trade with those countries was negligible.

APPENDIX No. 7

Analysis of Pakistan's Trade Agreements up to August 1952

(In lakhs of rupees.)

S. No.	Agreement country	Period of Agreement		Agreed value		Actual trade					Remarks.
		From	To	Imports	Exports	From	To	Imports	Exports	Balance	
1.	Australia 1952 ...	5-1-52	31-12-52	Not specified		Jan. 1952	Aug. 1952	62	91	(+)29	
	Australia 1950-51 ...	19-10-50	18-10-51 (Extended upto 30-6-52)	*1,23	*2,00	Oct. 1950	June, 1952	91	1,47	(+)56	*To be increased by 50% due to extension.
	Australia 1952-53 ...	1-7-52	31-6-53	...	...	July, 1952	Aug., 1952	5	5	...	
2.	Belgium 1952-53 ...	15-3-52	14-3-53	15,00	6,74	...	...	...	...	...	No figures have so far been received.
3.	Ceylon 1951-52 ...	1-7-51	31-12-53	5,00	7,00	July, 1951	Aug., 1952	3,80	75	(—)3,05	
4.	Czechoslovakia 1948-49.	21-10-48	31-10-49	...	...	July, 1948	June, 1949	87	2,85	(+)1,98	
	Czechoslovakia 1950-51.	15-1-50	31-12-50 (Extended to 31-3-51)	...	...	Jan., 1950	March, 1951	1,46	2,40	(+)94	
						April, 1951	June, 1952	1,15	2,74	(+)1,59	
	Czechoslovakia 1952-53. ...	1-7-52	30-6-53	1,94	2,25	July, 1952	Aug., 1952	10	2	(—)8	
5.	Egypt 1949-50 ...	1-7-49	30-6-50	...	...	July, 1949	June, 1950	2,07	1	(—)2,06	
	Egypt 1950-51 ...	1-7-50	30-6-51	...	...	July, 1950	Aug., 1952	4,35	74	(—)3,61	
6.	France 1949-50 ...	29-11-49	28-11-50	...	...	Dec., 1949	Nov., 1950	1,33	13,87	(+)12,54	
	France 1950-51 ...	30-11-50	29-11-51 (Extended upto 29-2-52)	12,00	17,00	Dec., 1950	Dec., 1951	3,61	23,02	(+)19,41	
	France 1952 ...	1-1-52	31-12-52	...	...	Jan., 1952	July, 1952	1,37	8,49	(+)7,12	Figures for August 1952 not yet received.
7.	Germany 1950 ...	1-1-50	30-9-50	...	...	Jan., 1950	Sept., 1950	1,50	5,96	(+)4,46	
	Germany 1950-51 ...	1-10-50	31-12-51 (Extended to 30-6-52).	20,66	22,14	Oct., 1950	June, 1952	8,97	21,00	(+)12,03	
	Germany 1952-53 ...	1-7-52	30-6-53	...	...	July, 1952	Aug., 1952	99	55	(—)44	
8.	Hungary 1950-51 ...	27-11-50	31-12-51 (Extended upto 30-6-52).	1,73	1,50	Dec., 1950	June, 1952	83	20	(—)63	
	Hungary 1952-53 ...	1-7-52	30-6-53	...	...	July, 1952	Aug., 1952	11	1	(—)10	
9.	India 1948-49 ...	1-7-48	30-6-49	...	...	July, 1948	June, 1949	40,89	1,04,38	(+)63,49	
	India 1949-50 ...	1-7-49	30-6-50	...	...	July, 1949	June, 1950	27,32	31,79	(+)4,47	Trade was suspended due to non-devaluation and a short term trade agreement was concluded in April 1950.

APPENDIX No. 7—contd.

(In lakhs of rupees.)

S. No.	Agreement Country	Period of Agreement		Agreed value		Actual trade					Remarks.
		From	To	Imports	Exports	From	To	Imports	Exports	Balance	
	India 1950	21-4-50	31-7-50	...	...						
	India 1951-52 ..	26-2-51 (Extended to 7-8-52)	30-6-52	Not possible to work out.		Feb., 1951	July, 1952	42,96	66,06	(+)23,10	
	India 1952-53 ...	8-8-52	30-6-53	9,00	9,00	August, 1952		1,61	64	(—)97	
10.	Iraq 1951-52 ...	31-3-51 (Extended to 30-3-53)	30-3-52	Not specified		April, 1951	Aug., 1952	90	1	(—)89	
11.	Italy 1950-51 ...	1-7-50 (Extended upto 31-10-51)	30-6-51	13,62	24,84	July, 1950	Oct., 1951	11,41	17,83	(+)6,42	
						Nov., 1951 Dec., 1951	...	1,66	3,46	(+)1,80	
	Italy 1952-53 ...	1-1-52	31-12-52	13,62	24,84	Jan., 1952	Aug., 1952	8,08	7,53	(—)55	
12.	Japan 1948-49 ...	5-6-48	30-6-49	...	...	July, 1948	June, 1949	2,06	4,53	(+)2,47	
	Japan 1949-50 ...	1-7-49	30-6-50	...	...	July, 1949	June, 1950	12,37	4,38	(—)7,99	
	Japan 1950-51 ...	1-10-50 (Extended to 31-12-51) (Further extended indefinitely)	30-9-51	*23,00	*23,00	Oct., 1950	Aug., 1952	73,36	49,34	(—)24,02	*To be increased by 50% due to extension.
13.	Norway 1951-52 ...	22-5-51 (Extended to 20-11-52)	21-5-52	Not specified		May, 1951	Aug., 1952	74	15	(—)59	
14.	Poland 1949-50 ...	1-7-49	30-6-50	...	...	July, 1949	June, 1950	22	2,36	(+)2,14	
	Poland 1950-51 ...	1-7-50	30-6-51	6,46	5,68	July, 1950	June, 1951	83	4,75	(+)3,92	
						July, 1951	Dec., 1951	18	98	(+)80	
	Poland 1952-53 ...	1-1-52	30-6-53	...	...	Jan., 1952	Aug., 1952	35	4,96	(+)4,61	
15.	Spain 1951-52 ...	22-1-51 (Extended upto 30-6-52)	21-1-52	*10,00	*9,00	Jan., 1951	June, 1951	1,70	5,00	(+)3,30	*To be increased by 50%.
	Spain 1952-53 ...	1-7-52	30-6-53	...	...	July, 1952	Aug., 1952	6	10	(+)4	
16.	Switzerland 1950-51 ...	9-9-50	8-9-51	2,78	2,59	Sept., 1950	Aug., 1951	1,22	17	(—)1,05	
						Sept., 1951	Feb., 1952	58	7	(—)51	
	Switzerland 1952-53 ...	22-3-52	Till a fresh agreement is concluded.	1,85	1,73	March 1952	Aug., 1952	50	3	(—)47	
17.	U.K.	2-4-51	1-10-52	...	...	...	...	...	...	...	Barter Agreement.
18.	U.S.S.R.... ...	Oct., 1952	Dec., 1952	...	...	...	...	...	...	...	

(*Source : Ministry of Commerce.*)

APPENDIX No. 8

Changes in export duties of principal commodities

(Upto 15th November 1952.) (In rupees, annas & pies.)

1. Jute

Period	Cuttings (per bale)	Other descriptions (per bale)	Kutcha bales (per maund)
Before 14-11-47	4 8 0	15 0 0	...
From 14-11-47 to 31-3-48	4 8 0	15 0 0	3 0 0
From 1-4-48 to 30-10-51	6 0 0	20 0 0	4 0 0
From 1-11-51 to 30-6-52	10 0 0	35 0 0	7 0 0
From 1-7-52 to date	5 0 0	15 0 0	3 12 0 *plus* 2 8 0 as licence fee for exports to India.

2. Cotton

	Desi (per bale)	Other varieties (per bale)
Before 23-1-48	20 0 0	20 0 0
From 23-1-48 to 22-2-48	40 0 0	40 0 0
From 23-2-48 to 5-10-49	60 0 0	60 0 0
From 6-10-49 to 22-10-50	40 0 0	60 0 0
From 23-10-50 to 23-11-50	180 0 0	180 0 0
From 24-11-50 to 9-9-51	300 0 0	300 0 0
From 10-9-51 to 10-9-52	100 0 0	180 0 0
From 11-9-52 to date	*Nil*	90 0 0

3. Wool

Before 6-12-50	No duty
From 6-12-50 to 28-4-52	25% *ad valorem*
From 29-4-52 to date	Abolished

4. Hides

From 14-8-47 to 15-4-51	10% *ad valorem* on tariff value
From 16-4-51 to date	10% *ad valorem* on real value

5. Skins

From 14-8-47 to 15-4-51	5% *ad valorem* on tariff value
From 16-4-51 to date	5% *ad valorem* on real value

6. Tea

Before 15-3-52	0 4 0
From 16-3-52 to 11-9-52	0 3 0
From 12-9-52 to date	Suspended

(*Source : C. B. R.*)

APPENDIX No. 9.

Average wholesale prices in Pakistan.

A. WHOLESALE PRICES OF SELECTED IMPORTED COMMODITIES AT KARACHI.

	Long Cloth 16,000 Japan	White Mulls 8181 Japan	White Shirting C 40,000 Holland	Gunny Bags B. Twill 2 1/4 lbs.	Pipe Tobacco (Capstan Navy Cut Medium)	Matches (Czech.) Scissors 50 sticks	Kerosene (Elephant Brand)	Caustic Soda (U.K.)	Penicillin G. Crystalline (Arlon Brand)	Writing Paper	Lux Toilet Soap (3 oz.)	Tyres & Tubes (Dunlop) 5·00 × 19 Cover	Tyres & Tubes (Dunlop) 5·00 × 19 Tubes	Motor Spirit (Shell)
	Piece of 42 yds.	Piece of 20 yds.	Piece of 42 yds.	100 Bags	Lbs.	Gross	2 Tins of 8 Galls.	Cwt.	Viols of 0·5 Mega	Lbs.	Dozen	Piece	Piece	Gall. in Bulk
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1948—														
January ...	...	...	...	...	...	...	9 4 0	28 6 0	...	...	3 11 0	56 8 0	8 4 0	...
February ...	...	...	...	...	...	...	10 2 9	36 6 3	...	...	3 11 0	56 8 0	8 4 0	...
March ...	...	...	...	...	...	...	11 0 3	36 6 3	...	...	3 11 0	56 8 0	8 4 0	...
April ...	...	...	...	...	...	...	11 5 3	36 6 3	...	...	3 11 0	56 8 0	8 4 0	...
May ...	...	...	...	...	...	...	11 6 0	36 6 3	...	...	3 11 0	56 8 0	8 4 0	...
June ...	...	...	...	...	...	...	11 6 6	36 6 3	...	...	3 11 0	56 8 0	8 4 0	...
July ...	...	...	...	...	...	...	11 8 0	37 12 3	...	...	3 11 0	56 8 0	8 4 0	...
August ...	...	...	...	...	...	...	11 8 0	37 12 3	...	...	3 11 0	56 8 0	8 4 0	...
September ...	...	...	...	...	...	...	11 9 0	37 12 3	...	...	3 11 0	60 12 0	8 14 0	...
October ...	...	...	...	...	...	...	11 9 6	37 12 3	...	...	3 11 0	60 12 0	8 14 0	...
November ...	...	...	...	...	...	...	11 1 3	37 12 3	...	...	4 9 3	60 12 0	8 14 0	...
December ...	...	...	...	...	...	...	11 10 0	37 12 3	...	...	4 9 3	60 12 0	8 14 0	...

APPENDIX No. 9—contd.

	Long Cloth 16,000 Japan	White Mulls 8181 Japan	White Shirting C 40,000 Holland	Gunny Bags B. Twill 2 1/4 lbs.	Pipe Tobacco (Capstan Navy Cut Medium)	Matches (Czech.) Scissors 50 sticks	Kerosene (Elephant Brand)	Caustic Soda (U.K.)	Penicillin G. Crys-talline (Arlon Brand)	Writing Paper	Lux Toilet Soap (3 oz.)	Tyres & Tubes (Dunlop) 5·00×19 Cover	Tyres & Tubes (Dunlop) 5·00×19 Tubes	Motor Spirit (Shell)
	Piece of 42 yds.	Piece of 20 yds.	Piece of 42 yds.	100 Bags	Lbs.	Gross		Cwt.	Voils of 0·5 Mega	Lbs.	Dozen	Piece	Piece	Gall. in Bulk
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1949—														
January ...	...	...	...	...	...	...	11 11 0	36 0 0	...	...	4 9 3	60 12 0	8 14 0	...
February ...	...	35 0 0	164 0 0	...	...	...	11 11 0	39 4 0	...	...	4 9 3	60 12 0	8 14 0	...
March ...	...	33 12 0	104 3 0	...	...	...	11 1 0	37 0 0	...	...	4 9 3	60 12 0	8 14 0	...
April ...	...	34 3 0	121 10 0	...	...	...	10 12 0	30 0 0	...	...	4 9 3	60 12 0	8 14 0	...
May ...	...	36 8 0	124 0 0	...	...	...	10 12 0	30 0 0	...	...	5 7 3	60 12 0	8 14 0	...
June ...	...	38 0 0	120 8 0	...	...	...	10 14 0	30 0 0	...	...	5 4 9	60 12 0	8 14 0	...
July ...	...	35 8 0	119 2 0	...	...	...	10 14 0	30 0 0	...	...	5 4 9	60 12 0	8 14 0	...
August ...	...	29 0 0	112 6 0	...	...	...	10 14 0	30 0 0	...	...	5 4 9	60 12 0	8 14 0	...
September ...	69 8 0	26 9 0	100 0 0	177 0 0	...	...	10 14 0	28 7 0	...	...	5 4 9	60 12 0	8 14 0	...
October ...	70 0 0	25 12 0	94 8 0	172 0 0	...	...	10 14 0	28 7 0	...	...	5 4 9	60 12 0	8 14 0	2 4 0
November ...	69 1 0	27 0 0	89 8 0	177 12 0	...	...	10 3 6	28 7 0	...	...	4 6 0	60 12 0	8 14 0	2 2 6
December ...	65 2 0	27 0 0	80 8 0	185 12 0	...	...	10 4 6	22 0 0	...	...	4 6 0	60 12 0	8 14 0	2 2 0

APPENDIX No. 9—contd.

	Long Cloth 16,000 Japan	White Mulls 8181 Japan	White Shirting C 40,000 Holland	Gunny Bags B. Twill 2 1/4 lbs.	Pipe Tobacco (Capstan Navy Cut Medium)	Matches (Czech.) Scissors 50 sticks	Kerosene (Elephant Brand)	Caustic Soda (U.K.)	Penicillin G. Crys-talline (Arlon Brand)	Writing Paper	Lux Toilet Soap (3 oz.)	Tyres & Tubes (Dunlop) ·00×19 5Cover	5·00×19 Tubes	Motor Spirit (Shell)
	Piece of 42 yds.	Piece of 20 yds.	Piece of 42 yds.	100 Bags	Lbs.	Gross	2 Tins of 8 Galls.	Cwt.	Voils of 0·5 Mega	Lbs.	Dozen	Piece	Piece	Gall. in Bulk
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1950—														
January ...	65 5 0	25 9 0	82 0 0	189 12 0	20 0 0	...	10 7 0	21 0 0	...	...	4 6 0	60 13 6	8 14 0	2 2 0
February ...	65 0 0	...	84 0 0	226 8 0	20 0 0	...	10 9 6	21 0 0	...	...	4 6 0	60 15 0	8 1 0	2 2 0
March ...	66 15 6	...	...	225 3 3	20 0 0	...	10 9 6	21 0 0	1 11 0	...	4 6 0	...	...	2 2 0
April ...	67 0 6	...	89 0 0	187 4 0	20 0 0	...	10 2 0	21 0 0	1 11 0	0 11 9	4 6 0	60 15 0	8 1 0	2 2 6
May ...	67 8 9	19 14 9	86 4 0	202 3 3	20 0 0	...	10 1 6	21 0 0	1 11 0	0 10 3	4 6 0	60 15 0	8 1 0	2 2 6
June ...	69 8 0	...	95 0 0	210 8 0	20 0 0	...	10 2 0	21 0 0	1 11 0	0 9 9	4 6 0	65 10 0	9 8 0	2 2 6
July ...	90 5 3	28 13 3	...	198 0 0	20 0 0	...	10 2 0	19 5 0	1 11 0	0 9 6	4 6 0	66 11 9	9 8 9	2 2 6
August ...	79 4 0	23 13 0	...	187 3 3	20 0 0	...	10 2 0	19 5 0	1 11 0	...	4 6 0	70 8 6	9 11 0	2 2 6
September ...	68 10 9	...	...	190 0 0	20 0 0	...	10 2 0	19 5 0	...	0 10 9	4 6 0	70 11 0	9 11 0	2 2 6
October ...	68 8 0	20 12 0	...	182 12 0	20 1 3	...	10 2 0	19 5 0	...	0 11 6	4 6 0	78 15 0	10 14 0	2 2 9
November ...	67 5 6	19 11 6	...	176 10 9	20 2 0	...	10 2 0	19 5 0	...	0 12 0	4 6 0	70 5 0	11 10 9	2 2 9
December ...	64 14 6	19 12 0	92 1 0	177 8 0	20 0 0	...	10 2 0	19 5 0	...	0 12 3	4 6 0	66 7 0	11 15 0	2 2 9

APPENDIX No. 9—contd.

	Long Cloth 16,000 Japan	White Mulls 8181 Japan	White Shirting C 40,000 Holland	Gunny Bags B. Twill 2 1/4 lbs.	Pipe Tobacco Capstan Navy cut Medium)	Matches (Czech.) Scissors 50 sticks)	Kerosene (Elephant Brand)	Caustic Soda (U.K.)	Penicillin G. Crys-talline (Arlon Brand)	Writing Paper	Lux Toilet Soap (3 oz.)	Tyres & Tubes (Dunlop). 5·00 × 19 Cover	5·00 × 19 Tubes	Motor Spirit (Shell)
	Piece of 42 yds.	Piece of 20 yds.	Piece of 42 yds.	100 Bags	Lbs.	Gross	2 Tins of 8 Galls.	Cwt.	Viols of 0·5 Mega	Lbs.	Dozen	Piece	Piece	Gall. in Bulk
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1951—														
January ...	66 8 0	22 5 3	100 12 0	184 8 0	20 0 0	...	10 2 9	20 7 6	1 5 0	0 12 3	4 6 0	67 7 0	14 15 0	2 3 3
February ...	69 7 6	24 1 6	105 5 3	188 12 0	20 0 0	...	9 11 6	21 10 0	1 5 0	0 14 6	4 6 0	67 3 6	14 15 0	2 4 0
March ...	76 2 0	25 12 9	...	194 6 6	20 0 0	...	9 10 9	23 9 6	1 5 0	1 1 0	4 6 0	67 7 0	14 15 0	2 4 0
April ...	78 10 9	27 10 3	...	214 8 0	20 0 0	...	9 7 6	27 2 0	1 5 0	1 1 9	4 6 0	67 7 0	14 15 0	2 4 0
May ...	74 5 6	25 14 9	...	319 0 0	20 0 0	...	9 7 6	25 10 0	1 5 0	1 1 0	4 6 0	72 13 3	14 12 6	2 4 0
June ...	66 12 0	22 3 6	...	215 3 3	20 0 0	...	9 7 6	25 10 0	1 5 0	1 1 0	4 6 0	90 11 9	14 9 6	2 4 0
July ...	55 5 0	19 0 3	...	204 0 0	20 0 0	...	9 7 6	25 10 0	1 5 0	0 15 0	4 6 0	97 11 0	15 12 0	2 4 6
August ...	52 12 0	18 1 3	...	208 0 0	22 0 0	6 4 0	9 7 6	26 2 6	1 4 0	...	4 6 0	97 11 0	15 12 0	2 5 0
September ...	55 2 0	18 13 3	120 0 0	206 12 9	22 0 0	6 4 0	9 9 9	27 6 0	1 3 6	0 15 0	4 6 0	97 11 0	15 12 0	2 5 0
October ...	57 4 6	18 10 3	120 0 0	221 8 0	22 0 0	6 5 3	9 11 0	27 13 0	1 3 9	0 15 0	4 6 0	97 11 0	15 12 0	2 5 0
November ...	57 0 3	18 4 3	120 0 0	235 0 0	22 0 0	7 0 0	9 11 0	29 2 0	1 3 0	0 15 0	4 6 0	97 11 0	15 12 0	2 5 0
December ...	56 11 3	19 3 3	116 3 6	282 12 9	22 0 0	7 4 6	9 13 9	29 2 0	1 3 0	0 15 0	4 6 0	97 11 0	15 12 0	2 5 0

APPENDIX No. 9—contd.

	Long Cloth 16,000 Japan	White Mulls 8181 Japan	White Shirting C 40,000 Holland	Gunny Bags B. Twill 2 1/4 lbs.	Pipe Tobacco (Capstan Navy Cut Medium)	Matches (Czech.) Scissors 50 sticks	Kerosene (Elephant Brand)	Caustic Soda (U.K.)	Penicillin G. Crys-talline (Arlon Brand)	Writing Paper	Lux Toilet Soap (3 oz.)	Tyres & Tubes (Dunlop) 5·00×19 Cover	Tyres & Tubes (Dunlop) 5·00×19 Tubes	Motor Spirit (Shell)
	Piece of 42 yds.	Piece of 20 yds.	Piece of 42 yds.	100 Bags	Lbs.	Gross	2 Tins of 8 Galls.	Cwt.	Voils of 0·5 Mega	Lbs.	Dozen	Piece	Piece	Gall. in Bulk
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1952—														
January ...	55 1 0	19 1 6	111 0 0	261 4 0	22 0 0	7 7 0	10 0 0	28 8 9	1 3 0	0 15 0	4 6 0	97 11 0	15 12 0	2 5 0
February ...	53 3 0	18 10 3	110 0 0	229 4 0	22 0 0	7 3 0	10 5 0	27 14 0	1 3 0	0 15 0	4 10 3	97 11 0	15 12 0	2 6 0
March ...	51 0 0	18 4 0	109 9 6	182 6 6	22 0 0	6 15 0	10 11 9	27 4 0	1 1 6	0 15 0	4 14 6	97 11 0	15 12 0	2 6 0
April ...	51 12 9	16 6 6	108 0 0	182 0 0	22 0 0	6 10 0	10 9 6	27 4 0	1 1 0	0 15 0	4 14 6	97 11 0	15 12 0	2 6 6
May ...	56 0 0	18 1 0	108 0 0	171 0 0	22 0 0	6 11 0	10 12 0	26 7 3	1 0 0	0 15 0	4 14 6	90 3 0	14 8 9	2 7 0
June ...	54 5 0	18 14 3	109 5 3	128 4 0	22 0 0	6 10 0	10 10 3	26 4 0	1 0 0	0 15 0	4 14 6	85 3 0	13 12 0	2 7 0
July ...	59 14 3	21 9 3	116 0 0	118 12 0	22 0 0	6 4 0	10 14 9	26 4 0	1 0 0	0 15 0	4 14 6	85 3 0	13 12 0	2 7 0
August ...	61 9 6	21 6 3	118 0 0	111 9 7	22 0 0	6 11 6	10 15 0	26 4 0	1 0 0	0 15 0	4 14 6	85 3 0	13 12 0	2 7 0
September ...	64 8 3	20 15 3	119 3 3	118 12 0	23 0 0	7 0 0	10 15 0	24 15 0	1 0 0	1 2 0	4 14 6	85 3 0	13 8 0	2 7 0
October ...	61 12 0	19 12 0	116 8 0	118 14 0	23 0 0	7 4 0	10 15 0	24 8 0	1 0 0	1 2 0	4 14 6	85 3 0	12 12 0	2 7 0
November ...	63 8 6	20 9 3	116 8 0	124 1 7	23 0 0	7 7 6	10 15 0	25 5 6	1 0 0	1 4 0	4 14 6	85 3 0	12 12 0	2 7 0
December ...	65 7 0	21 14 3	118 6 6	119 12 0	23 0 0	8 10 0	10 15 0	28 11 0	1 0 0	1 3 6	4 14 6	82 12 6	12 15 0	2 7 0

(*Source: C. S. O.*)

APPENDIX No. 9—contd.

B. AVERAGE WHOLESALE PRICES OF SELECTED LOCALLY PRODUCED COMMODITIES.

Commodity	Market	Unit	December, 1948	December, 1949	December, 1950	December, 1951	December, 1952
Food, Drink and Tobacco—							
1. Wheat (Fair Average Quality)	Karachi	2½ Mds.	30 2 0	30 2 0	23 9 0	26 9 0	28 14 6
	Multan	Maund	14 0 0	9 11 0	7 15 0	10 15 6	22 12 3
	Lyallpur	,,	9 14 0	8 15 0	7 7 6	11 8 9	22 0 0
	Peshawar	,,	15 13 0	...	8 14 6	12 8 9	23 3 0
2. Rice :							
Kangni (F. A. Q.) ...	Karachi	2½ Mds.	30 9 0	30 9 0	30 9 0	29 5 6	36 4 0
Sugdasi ,, ...	,,	,,	46 1 0	46 1 0	46 1 0	35 10 3	47 3 0
Basmati ,, ...	Gujranwala	Maund	40 0 0	18 6 0	18 6 0	20 6 6	20 0 0
Medium Quality ...	Chittagong	,,	21 14 0	15 7 0	15 2 0	21 0 0	21 6 0
,, ,, ...	Dacca	,,	34 12 9	...	17 8 0	23 12 9	23 0 0
3. Gram (F. A. Q.)	Karachi	2½ Mds.	20 10 0	23 12 0	20 8 0	...	43 13 6
	Okara	Maund	15 0 0	6 8 6	8 0 0	8 7 6	20 6 0
	Peshawar	,,	...	14 0 0	7 15 0	9 3 3	19 15 9
	Dacca	,,	17 0 0	15 8 0	16 0 0	11 14 6	13 0 0
4. Barley (Punjab variety) F. A. Q. ...	Karachi	8 Mds.	61 8 0	...	50 0 0	...	...
	Multan	Maund	12 0 0	5 15 0	5 14 6	7 2 9	16 0 0
5. Maize	Peshawar	,,	13 13 0	...	6 9 0	9 5 3	16 14 3
	Lyallpur	,,	15 0 0	6 11 6	6 9 0	9 1 6	...
6. Jawar	Multan	,,	11 8 0	5 3 0	8 1 0	6 14 0	17 6 6
7. Bajra	Multan	,,	14 2 0	7 10 0	8 2 0	9 8 0	19 13 6
8. Pulses :							
Mash (whole)	Multan	,,	18 0 0	12 8 0	17 2 0	24 14 9	24 3 6
Mash Kali (whole) ...	Dacca	,,	...	...	15 4 0	8 11 3	12 12 0
Moong Washed	Karachi	,,	...	...	17 4 0	31 0 0	38 0 0
Moong (whole)	Dacca	,,	...	...	22 0 0	20 8 0	20 4 0
9. Sugar (Refined Quality) ...	Karachi	,,	39 12 0	36 0 0	38 2 0	45 0 0	45 0 0
	Lahore	,,	40 2 6	40 8 9	41 4 0	47 4 0	49 12 0
	Mardan	,,	...	44 0 6	40 0 0	48 13 6	44 8 0
	Dacca	,,	41 14 0	38 2 0	36 4 0	45 0 0	45 0 0
	Chittagong	,,	...	...	35 8 0	44 4 0	44 0 0
10. Gur	Lyallpur	,,	...	9 4 0	18 8 0	25 1 6	15 0 0
(1st Quality) ...	Mardan	,,	18 0 0	10 8 0	15 0 0	27 13 6	16 8 0
11. Edible Oils :							
Til Oil	Karachi	,,	...	...	...	...	...
Coconut Oil (Local) ...	,,	,,	...	...	72 0 0	81 6 6	73 4 0
Mustard Oil (Ghani) ...	Chittagong	,,	110 10 0	130 0 0	130 0 0	106 12 9	74 8 0
,, ,, ...	Dacca	,,	...	...	118 0 0	112 10 0	76 4 0
Vanaspati							

Commodity and Description	Market	Unit	December, 1948	December, 1949	December, 1950	December, 1951	December, 1952
12. Tea :							
Leaf Orange Peko ...	Karachi	Lb.	2 1 0	1 11 6	....	...	...
Dust High Brown ...	,,	,,	2 8 0	1 9 6	...	...	...
Lipton White Label ...	,,	,,	2 9 0	2 10 0	2 6 9	2 5 0	2 1 6
13. Salt :							
Mauripore Variety ...	Karachi	Maund	3 5 0	3 5 0	3 10 0	3 11 0	3 9 0
Lahore Variety	,,	,,	...	5 12 0	7 0 0	6 0 0	5 8 0
Rock (F. A. Q.)	Lahore	,,	5 8 0	4 12 0	4 12 0	4 6 6	4 4 9
Crushed ,, ...	Chittagong	,,	9 2 0	7 0 0	8 0 0	7 15 6	7 15 6
,, ,, ...	Dacca	,,	10 11 3	...	8 8 0	10 0 0	10 0 0
14. Tobacco :							
Leaf	Sargodha	Maund	60 0 0	100 0 0	100 0 0	75 0 0	73 2 0
,, ...	Mardan	,,	84 12 0	120 0 0	70 0 0	72 0 0	73 2 0
Motihari	Dacca	,,	111 0 0	95 0 0	115 0 0	174 0 0	80 0 0
Locol	Chittagong	,,	32 12 0	...	49 8 0	32 0 0	70 0 0
Raw Materials—							
1. Jute, Raw (Middle) ...	Narayanganj	Maund	37 0 0	28 2 9	...	37 10 6	16 12 0
2. Cotton Raw:							
4F (Punjab) R. G. ...	Karachi	,,	71 8 0	74 2 0	97 6 0	122 4 9	61 8 0
289 FNT (Punjab) R. G. ...	,,	,,	90 8 0	79 10 0	101 4 0	126 12 9	68 12 0
L.S.S. (Punjab) R. G. ...	,,	,,	80 4 0	75 0 0	99 0 0	123 9 6	64 14 0
Sind Desi	,,	,,	57 6 0	64 8 0	89 12 0	102 6 6	57 6 0
Punjab Desi	,,	,,	50 12 0	58 10 9	88 0 0	100 0 0	54 4 0
3. Wool :							
Sind White	Karachi	,,	120 0 0	...	265 0 0	133 0 0	149 0 0
Punjab Superior White ...	,,	,,	...	...	275 0 0	141 12 9	154 0 0
Goat Hair Cleaned ...	Multan	,,	75 0 0	70 0 0	85 0 0	120 0 0	83 12 0
Sheep Pulled Cleaned ...	,,	,,	90 0 0	60 0 0	115 0 0	100 0 0	96 10 0
First Quality	Peshawar	,,	52 8 0	86 10 9	182 8 0	54 9 6	61 5 3
4. Hides and Skins :							
Cow Hides 2/25 lbs. ...	Karachi	28 lbs.	30 0 0	25 8 0	40 4 0	36 0 0	22 0 0
Buffalo Hides 12/40 lbs. ...	,,	,,	16 12 9	19 4 0	30 12 0	33 0 0	23 0 0
Papras First 500 pieces of 800 lbs.	,,	100 pieces	...	135 0 0	218 5 3	244 0 0	172 8 0
Goat Skins 85 of First 15%, Seconds 500/1200 lbs. ...	,,	,,	263 0 0	276 4 0	333 5 3	252 0 0	185 0 0

APPENDIX No. 9—concld.

Commodities	Market	Unit	December, 1948	December, 1949	December, 1950	December, 1951	December, 1952
4. Hides and Skins—*contd.*							
Cow Dry Salted	Dacca	Lb.	0 12 0	0 7 0	1 2 3	0 10 3	0 12 0
Buffalo Dry Salted ...	„	„	0 7 3	0 4 0	0 13 6	0 8 3	0 8 0
Goat Skins	„	„	250 0 0	175 0 0	368 12 0	175 0 0	221 4 0
5. Oil Seeds:							
Rape seed (Sind)	Karachi	2 1/2 Mds.	67 3 0	51 14 3	47 14 0	...	33 9 0
Til seed	„	Maund	...	...	...	...	...
Sarsoon Seed	Lyallpur	„	24 0 0	19 12 0	20 10 9	18 9 7	...
Cotton Seed (N.T.P.K. New)	Karachi	„	8 12 0	5 11 9	5 9 0	8 6 3	6 8 0
Cotton Seed	Lyallpur	„	11 4 0	11 14 0	7 7 3	9 6 0	...

(*Source* : *C. S. O.*)

APPENDIX No. 10.

Pakistan's Balance of Payments

A.—ALL COUNTRIES*

(In lakhs of rupees.)

Items	1948 January June	1948-49 July-Dec.	1948-49 Jan.-June	1948-49 Total	1949-50 July-Dec.	1949-50 Jan.-June	1949-50 Total	1950-51 July-Dec.	1950-51 Jan.-June	1950-51 Total	1951-52 July-Dec.	1951-52 Jan.-June	1951-52 Total	1952-53 July Dec.
Receipts :	**44,66**	**32,02**	**68,86**	**100,88**	**37,26**	**58,59**	**94,85**	**77,71**	**169,45**	**247,16**	**118,40**	**122,21**	**240,61**	**69,56**
Jute exports	9,02	12,06	26,98	39,04	10,59	19,85	30,44	32,27	54,03	86,30	68,58	47,42	1116,00	26,47
Cotton exports	25,09	9,43	14,36	23,79	13,90	27,24	41,14	27,69	81,85	109,54	27,40	53,56	80,96	26,38
Hides & Skins exports ...	2,79	1,96	3,01	4,97	1,57	2,26	3,83	2,49	4,96	7,45	2,38	2,05	4,43	2,06
Wool exports	2,22	2,05	1,52	3,57	1,73	2,39	4,12	4,27	5,38	9,65	2,49	2,07	4,56	2,89
Miscellaneous exports ...	2,54	3,32	5,77	9,09	4,60	2,83	7,43	3,62	14,22	17,84	8,35	4,39	12,74	3,11
Total exports	41,66	28,82	51,64	80,46	32,39	54,57	86,96	70,34	160,43	230,77	109,20	109,49	218,69	60,91
Other receipts	3,00	3,20	17,22†	20,42	3,87	4,02	7,89	7,37	9,02	16,39	9,02	12,71	21,73	8,65
Payments :	**22,98**	**56,71**	**89,71**	**146,42**	**60,34**	**69,48**	**129,82**	**81,66**	**107,80**	**189,49**	**128,31**	**159,59**	**287,90**	**117,07**
Imports on private account	10,03	26,52	49,06	75,56	35,91	39,02	74,93	58,56	68,73	127,29	83,39	109,29	192,68	76,70
Imports and other payments on Government account ...	10,44	24,76	31,67	56,43	15,64	18,38	34,02	14,96	28,36	43,32	27,96	31,84	59,80	27,35
Other payments	2,51	5,43	8,98	14,41	8,79	12,08	20,87	8,16	10,72	18,88	16,97	18,47	35,44	13,02
Balance :	**+21,68**	**—24,69**	**—20,85**	**—45,54**	**—24,08**	**—10,89**	**—34,97**	**—3,97**	**+61,65**	**+57,68**	**—9,91**	**—37,38**	**—47,29**	**—47,51**
Errors and omissions ...	—3,18	+3,81	—8,54	—4,73	+2,23	+1,27	+3,50	+2,11	—2,16	—5	+2,42	—1,49	+93	—78
Net investment (+) or dis-investment(—)	**+18,50**	**—20,88**	**—29,39**	**—50,27**	**—21,85**	**—9,62**	**—31,47**	**—1,84**	**+59,49**	**+57,62**	**—7,49**	**—38,87**	**—46,36**	**—48,29**

(*Source : S. B. P.*)

*NOTES.—(1) Excludes transactions with Afghanistan.

(2) Transactions with India included from 27th February 1951, and with Nepal and Tibet from 16th March 1951, when exchange control was extended to these countries. For the earlier periods, in the absence of exchange control no figures are available with S. B. P.

(3) Figures will not necessarily add to totals because of rounding off.

†Includes Rs. 13·02 of Receipts on Government account.

B. BALANCE OF PAYMENTS BY CURRENCY AREAS

Items	1948 January June	1948-49 July-Dec.	1948-49 Jan.-June	1948-49 Total	1949-50 July-Dec.	1949-50 Jan.-June	1949-50 Total	1950-51 July-Dec.	1950-51 Jan.-June	1950-51 Total	1951-52 July-Dec.	1951-52 Jan.-June	1951-52 Total	1952-53 July-Dec.
STERLING AREA														
Receipts ...	11,42	10,66	33,22	43,88	16,50	22,01	38,51	27,15	43,19	70,74	22,82	30,36	53,18	25,05
Payments ...	10,49	42,09	47,82	89,91	35,75	38,21	73,96	46,64	49,07	95,71	44.29	64,40	108,69	65,52
Balance ...	31,93	—71,43	—14,60	—46,00	—19,25	—16,20	—35,45	—19,49	—5,88	—25,37	—21,47	—34,04	—55,51	—40,47
DOLLAR AREA														
Receipts ...	6,02	5,08	9,14	14,22	2,22	5,90	8,12	7,88	10,82	18,70	3,09	5,30	3,39	4,87
Payments ...	7,97	6,23	19,36	25,59	7,35	9,75	17,10	8,62	18,16	26,78	20,71	14,04	34,75	9,55
Balance ...	—1,95	—1,15	—10,22	—11,37	—5,13	3,85	—8,98	—74	—7,34	—8,08	—17,62	—8,74	—26,36	—4,68
OTHER COUNTRIES														
Receipts ...	27,22	16,28	26,50	42,78	17,54	30,68	48,22	42,68	94,76	137,44	58,31	75,30	133,61	39,64
Payments ...	4,52	8,39	22,53	30,92	17,24	21,52	38,76	26,40	35,72	62,12	44,81	54,48	99,29	41,99
Balance ...	+22,70	+7,89	+3,97	11,86	+30	+9,16	+9,46	+16,28	+59,04	+75,32	+13,50	+20,82	+34,32	—2,35

(*Source* : *S. B. P.*)

NOTES.—(1) Transactions with India included from 27th February 1951, and with Nepal and Tibet from 16th March, 1951 when exchange control was extended to these countries. For the early periods, in the absence of exchange control no figures are available with the State Bank of Pakistan.

(2) Excludes transactions with Afghanistan.

(3) Figures will not necessarily add to totals because of rounding off.

APPENDIX No. 10—contd.

C. BALANCE OF PAYMENTS BY SELECTED COUNTRIES

Item	1948	1948-49			1949-50			1950-51			1951-52			1952-53
	January-June	July-December	January-June	Total	July-December	January-June	Total	July-December	January-June	Total	July-December	January-June	Total	July-December
1. INDIA*														
Receipts ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20,67	20,67	34,15	11,26	45,40	9,54
Payments ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,86	4,86	18,50	26,67	45,16	15,15
Balance ...	n.a.	n.a.	n.a.	n.a.					+15,81	+15,81	+15,65	—15,41	+24	—5,61
2. JAPAN														
Receipts ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10,12	28,74	38,85	5,89	17,88	23,77	9,88
Payments ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,82	17,11	24,93	18,79	29,63	48,42	15,50
Balance ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+2,30	+11,63	+13,92	—12,90	—11,75	—24,65	—5,62
3. O. E. E. C. COUNTRIES (excluding U.K.)														
Receipts ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	21,08	43,12	64,19	32,60	27,23	59,83	16,47
Payments ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11,08	10,74	21,81	18,85	19,00	37,85	16,88
Balance ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+10,00	+32,38	+42,38	+13,75	+8,23	+21,98	—41
4. UNITED KINGDOM														
Receipts ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19,07	28,11	47,18	16,46	24,39	40,85	11,65
Payments ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	36,66	39,30	75,96	35,67	56,46	92,13	45,17
Balance ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	—17,59	—11,19	—28,78	—19,21	—32,07	—51,28	—33,52
5. UNITED STATES														
Receipts ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,57	10,41	17,97	2,91	5,07	7,98	4,52
Payments ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,91	16,41	24,32	19,24	11,49	30,73	8,67
Balance ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	—34	—6,00	—6,35	—16,33	—6,42	—22,75	—4,15

(*Source : S. B. P.*)

*Transactions with India included from 27th February 1951 when exchange control was extended to this country. For the earlier periods, in the absence of exchange control, no figures are available with S.B.P.

APPENDIX No. 10—concld.

D. INVESTMENT AND FINANCING ACCOUNT

(In lakhs of rupees.)

Items	January-June, 1948	1948-49			1949-50			1950-51			1951-52			1952-53
		July-Dec.	January-June	Total	July-Dec.	January-June	Total	July-Dec.	January-June	Total	July-Dec.	January-June	Total	July-Dec.
1. Investment in Pakistan (—) ...	—7	—10	—51	—61	—37	—4	—41	—14	—31	—43	—47	—53	—1,00	—82
2. Investment by Pakistan (—) (in I.M.F. and I.B.R.D.) (+).	...	...	...	...	...	...	...	+7,78	+31,93	+39,71	...	...	...	...
3. Changes in gold, dollar and sterling assets [Increase (+) Decrease (—)].	+45,80	+89,82	+23,90	+159,52	—67,49	—2,17	—69,66	—1,69	+57,15	+55,46	—3,14	—43,60	—46,74	—43,86
4. Gold and sterling assets received from the Reserve Bank of India [Receipts (—)].	—26,67	—109,04	—51,90	—187,61	...	—7,93	—7,93	—1,82	...	—1,82	...	...	...	...
5. Changes in rupee liabilities [Increase (—) Decrease (+)].	—61	—1,61	—82	—3,04	+2,71	+38	+3,09	—6,22	—34,75	—40,94	+2,58	+1,55	+4,13	+90
6. Changes in other short-term banking assets. [Increase (+) Decrease (—)].	+5	+5	—6	+4	...	+14	+14	+22	—51	—29	—18	—39	—63	—15
7. Changes in other short-term assets [Increase (+) Decrease (—)].	...	...	...	...	...	...	...	...	+4,25	+4,25	—6,07	+5,03	—1,04	—32
8. Suspense items	...	...	...	...	...	...	...	...	+1,72	+1,72	—22	—88	—1,10	—3,92
9. Allowance on account of devaluation of sterling etc.	...	...	...	...	+43,30	...	+43,30	...	...	...	...	...	...	...
10. Net investment (+) or disinvestment (—).	+18,50	—20,88	—29,39	—31,70	—21,85	—9,62	—31,47	+4,35	+53,29	+57,64	—7,50	—38,88	—46,38	—48,55

(*Source* : *S. B. P.*)

NOTE.—(1) Transactions with India are included from 27th February 1951 and with Nepal and Tibet from 16th March, 1951 when exchange control was extended to these countries.

(2) Figures would not necessarily add to totals because of rounding off.

APPENDIX No. 11

Proposed proforma for submission of accounts by foreign insurance companies

Particulars	Dr.	Cr.
Reserve for unexpired risks at the beginning of the year.		
(a) Fire Premia less Refunds.		
Marine Premia less Refunds.		
Accident Premia less Refunds.		
(b) Fire Reinsurances.		
Marine Reinsurances.		
Accident Reinsurances.		
(c) Claims under policies less Reinsurances :—		
Paid during the years :—		
Fire.		
Marine.		
Accident.		
Add outstanding claims whether due or intimated as due at the end of the year :—		
Fire		
Marine.		
Accident.		
Less outstanding claims at the beginning of the year :–		
Fire.		
Marine		
Accident.		
(d) Commissions paid during the year less recovered on Refunds & Local Reinsurances.		
Less Recovered on Treaty Reinsurances.		
(e) Expenses of Management.		
(f) Head office expenses not being more than 5% of gross premium.		
(g) Reserve for unexpired risk : being 100% of the net premium income of the year for marine, 50% for fire, and 50% for accident.		
Balance being Profit/Loss		

Explanations :—

(a) *Premia (Gross Premium Less Refunds).*

The Insurance Companies may be asked to submit a supporting schedule showing (i) Premium introduced by Agents, (ii) Premium earned on Reinsurances accepted and Premium earned on direct policies without any intermediary.

(b) The Insurance Companies may be asked to submit a supporting schedule showing (i) Local, and (ii) Treaty Reinsurances separately. The figures to be shown in this schedule should not be after deduction of Reinsurance Refunds.

Note :—Most of the foreign Insurance Companies will contend that being Branch Offices, they are unable to supply the figures for Treaty Reinsurances placed by their H. O. on the Branch's A|C. According to the accepted Treaty Reinsurance accounting procedure obtaining to the H. O.'s of an Insurance Coy's., the Treaty Reinsurance Premia, Loss Recoveries, Commission Recoveries, Reserves Created and Reserves Released are worked out separately for each country, where their income is subjected to taxation for filling Income Tax Returns. The Branch Offices can, therefore, approach their H.O's, to obtain the necessary Treaty Reinsurance data.

(c) *Claims.*

(i) Paid losses denote Gross Losses paid by the Companies in Pakistan Less salvage recovery, if any, Local Reinsurance Loss Recoveries and Treaty Loss Recoveries.

(ii) Claims outstanding at the end of the year denote losses which have been intimated to the Company but have not been paid. The figure given should represent the net share of the Company in the Losses after taking credit for the Reinsurance Recoveries.

(d) *Commissions.*

The Companies may be asked to submit a supporting schedule showing (i) Commission paid or adjusted on Reinsurance accepted and (ii) Commissions paid to Agents on business received through them.

Commission Recovered on Refunds and Local Reinsurance denote commission recovered from Agents on Refund of Premium and Commissions recovered by the companies on reinsurance may be deducted and net commission recoveries shown. The Insurance companies may be asked to submit a supporting schedule showing commission recoveries from Agents on Refunds and from other Insurance Companies on Reinsurance placed locally.

Commissions recovered from Treaty Reinsurers on reinsurance placed with them. This information will be supplied by the H.O's. of the Companies. It may be pointed out that Marine Reinsurances are placed on original net basis *i.e.*, the Reinsurer is paid his proportionate share of the net premium earned by the Reinsured (Premiums Less Commission) as such the Companies may be asked to give the particulars of the Grosses Reinsurance Premium separately under (b) and the difference between the Gross Premium payable and Net Premium paid representing the commission recovery should be shown (c) (d) (Marine only). Further required usually deducts at an average of 5% a Commission called "Exchange Commission". This recovery may also be added to the commission recovery under Marine.

(e) *Expenses of Management.*

The Companies may be asked to submit a supporting schedule showing the mai heads of expenditure and amounts incurred under each. It may be mentioned ther in terms of certain Treaty Reinsurance Arrangements, the Reinsurers reimburse th Reinsured with its expenses. Such recoveries generally do not exceed 10% of the re insurance premia ceded and the Coys. may be asked to give credit for such recoveri to the "Management Expenses" if their Treaty Arrangements include such a clause

Amounts which the Foreign Companies may be allowed to remit.

(i) Treaty Reinsurance Premiums on a quarterly basis on production of confirmed accounts from their Treaty Reinsurers. The accounts statements should give full information regarding Reserves Released and Reserves Created.

(ii) Any surplus on an annual basis worked out as per proforma. If the result shows a deficit in one year, this should be deducted from the surplus of the following year to arrive at the amount to be remitted or in other words in arriving at the surplus for a year previous year's deficit, if any, must be deducted from the surplus of the year under review.

APPENDIX No. 12

Acreage and yield of principal crops in Pakistan

A.—SUMMARY STATEMENT*

(Fiscal year) *(In thousands of acres and tons).*

Crops	Area (000 acres)					Yield (000 tons)					Yield per acre (in lbs.) Average for the years 1949-50 to 1951-52
	1947-48	1948-49	1949-50	1950-51	1951-52	1947-48	1948-49	1949-50	1950-51	1951-52	
1. Rice	209,61	214,95	217,72	224,01	224,81	73,85	84,06	81,38	81,95	77,45	8,09
2. Wheat	98,55	106,77	107,15	108,32	102,19	33,21	39,96	39,58	39,53	30,60	7,73
3. Bajra	19,97	23,26	22,90	23,27	20,21	2,96	3,92	3,59	3,55	2,76	3,34
4. Jowar	10,48	11,26	11,92	12,65	10,76	2,03	2,35	2,17	2,38	1,99	4,15
5. Maize	9,05	9,50	10,04	9,42	9,57	3,55	3,76	4,23	3,68	3,96	9,15
6. Barley	4,88	6,60	5,62	5,71	5,32	1,26	1,93	1,54	1,61	1,37	6,08
7. Gram	23,82	30,03	27,41	28,13	24,06	5,17	8,04	7,11	7,43	4,92	5,48
8. Sugarcane	6,90	7,01	7,54	7,00	7,25	8,87	10,09	10,39	8,74	8,92	28,83
9. Rape and mustard	14,90	15,87	14,32	16,26	18,55	2,50	2,68	2,36	2,78	3,02	3,72
10. Sesamum	2,01	1,71	1,81	2,01	1,96	35	29	25	34	34	3,62
11. Linseed	74	74	80	66	68	13	12	13	10	12	3,45
12. Cotton†	31,10	26,50	28,62	30,11	33,76	1,96	1,72	2,22	2,26	2,35	1,66
13. Jute‡	20,59	18,77	15,61	12,50	17,79	12,22	9,78	5,95	7,95	11,31	12,34
14. Tea§	70	73	75	75	82	12·6	15	17	17	23·7	5,12

(Source: Ministry of Food and Agriculture.)

*NOTE.—(1) Yield of rice is given in terms of husked rice.
(2) Yield of sugarcane is given in terms of *gur*.

†Cotton yields, in bales, work to 10.97 lakhs (1947-48), 9.64 (1948-49), 12.42 (1949-50), 12.90 (1950-51) and 13.17 lakhs (1951-52).

‡Jute yields, in bales, work to 68.42 lakhs (1947-48), 54.79 (1948-49), 33.33 (1949-50), 44.42 (1950-51) and 63.31 lakhs (1951-52).

§Tea yields in pounds, work to 282.24 lakhs (1947-48), 336.00 (1948-49), 380.80 (1949-50), 380.80 (1950-51) and 530.00 lakhs (1951-52).

APPENDIX No. 12—contd.

B.—RICE

Province/State	Area (000 acres)					Yield (000 tons)					Yield per acre (in lbs.) Average for the years 1949-50 to 1951-52
	1947-48	1948-49	1949-50	1950-51	1951-52	1947-48	1948-49	1949-50	1950-51	1951-52	
Baluchistan	58	48	51	65	67	15	12	13	20	19	637
East Bengal	1,90,06	1,94,24	1,95,28	2,00,07	2,03,01	67,36	76,73	73,78	73,43	70,34	815
N.-W.F.P.	28	34	37	37	37	6	10	13	13	12	767
Punjab	6,52	7,05	8,00	8,37	7,66	2,46	2,97	3,11	2,80	2,62	795
Sind	11,63	12,21	12,87	13,76	12,49	3,65	3,95	4,01	5,14	4,01	751
Bahawalpur	38	50	53	61	44	11	15	16	18	13	666
Khairpur	16	13	16	18	17	6	4	6	7	4	747
TOTAL (All Pakistan) ...	2,09,61	2,14,95	2,17,72	2,24,01	2,24,81	73,85	84,06	81,38	81,95	77,45	809

Note.—Yield is given in terms of husked rice.

(*Source : Ministry of Food and Agriculture.*)

C.—WHEAT

Baluchistan	2,62	2,57	2,63	2,64	2,56	44	55	50	52	41	409
East Bengal	85	95	96	94	96	20	19	23	20	23	517
N.-W.F.P.	10,13	10,87	12,13	11,01	10,91	2,80	2,67	2,96	2,65	2,32	521
Punjab	65,03	69,91	70,23	72,83	70,75	23,69	29,69	30.28	30,07	23,81	882
Sind	11,55	13,74	12,74	12,02	9,42	3,34	3,74	3,26	2,89	2,22	548
Bahawalpur	7,25	7,61	7,45	7,98	6,72	2,39	2,80	2,04	2,93	1,34	638
Khairpur	1,12	1,12	1,01	90	87	35	32	31	27	27	685
TOTAL (All Pakistan) ...	98,55	1,06,77	1,07,15	1,08,32	1,02,19	33,21	39,96	39,58	39,53	30,60	773

(*Source : Ministry of Food and Agriculture.*)

APPENDIX No. 12—contd.

D.—BAJRA

Province/State	Area (000 acres) 1947-48	1948-49	1949-50	1950-51	1951-52	Yield (000 tons) 1947-48	1948-49	1949-50	1950-51	1951-52	Yield per acre (lbs.) (Average for the years 1949-50 to 1951-52).
Baluchistan	4	3	6	7	5	(*b*)	(*b*)	1	1	(*b*)	361
East Bengal	(*a*)	1	1	1	1	(*b*)	(*c*)	(*b*)	(*b*)	(*b*)	...
N.-W.F.P.	84	1,29	1,40	1,11	90	10	18	12	11	6	190
Punjab	11,56	13,00	1,216	12,42	10,51	2,07	2,73	2,32	2,23	1,73	401
Sind	6,05	6,71	745	7,96	7,41	47	52	73	83	67	219
Bahawalpur	1,44	2,16	1,76	1,65	1,30	31	48	39	36	29	495
Khairpur	4	6	6	5	3	1	1	2	1	1	640
TOTAL (All Pakistan)	19,97	23,26	22,90	23;27	20,21	2,96	3,92	3,59	3,55	2,76	3,34

(*Source : Ministry of Food and Agriculture*).

E.—JAWAR

Province/State	Area (000 acres) 1947-48	1948-49	1949-50	1950-51	1951-52	Yield (000 tons) 1947-48	1948-49	1949-50	1950-51	1951-52	Yield per acre (lbs.) (Average for the years 1949-50 to 1951-52).
Baluchistan	1,05	50	1,14	92	79	10	5	14	13	12	307
East Bengal	1	1	1	1	1	(*d*)	(*d*)	(*d*)	(*d*)	(*d*)	...
N.-W.F.P.	48	92	88	68	60	7	20	10	10	9	301
Punjab	3,30	4,16	4,10	5,21	4,18	57	73	77	91	71	397
Sind	3,04	3,60	3,75	3,83	3,11	65	83	74	82	59	451
Bahawalpur	1,82	1,30	1,38	1,36	1,41	39	29	30	30	31	491
Khairpur	78	77	66	64	66	25	25	12	12	19	491
TOTAL (All Pakistan)	10,48	11,26	11,92	12,65	10,76	2,03	2,35	2,17	2,38	1,99	415

(*a*) Below 500 acres.
(*b*) Below 500 tons.
(*c*) Below 200 tons.
(*d*) Below 200 acres.

(*Source : Ministry of Food and Agriculture.*)

APPENDIX No. 12—contd.

F.—MAIZE

Province/State	Area (000 acres)					Yield (000 tons)					Yield per acre (lbs). (Average for the years 1949-50 to 1951-52)
	1947-48	1948-49	1949-50	1950-51	1951-52	1947-48	1948-49	1949-50	1950-51	1951-52	
Baluchistan	9	8	8	11	10	1	2	2	3	2	541
East Bengal	6	7	12	13	10	2	2	3	3	2	512
N.-W.F.P.	4,60	4,86	4,99	4,63	5,08	1,86	1,99	2,30	2,07	2,32	10,19
Punjab	4,04	4,22	4,57	4,30	4,03	1,60	1,67	1,82	1,50	1,55	846
Sind	4	4	5	5	6	1	1	1	1	1	420
Bahawalpur	22	23	23	20	20	5	5	5	4	4	462
Khairpur	(a)	(a)	(a)	(a)	(a)	(b)	(b)	(b)	(b)	(b)	...
TOTAL (All Pakistan)	9,05	9,50	10,04	9,42	9,57	3,55	3,76	4,23	3,68	3,96	9,15

(*Source : Ministry of Food and Agriculture*).

G.—BARLEY

Province/State	Area 1947-48	Area 1948-49	Area 1949-50	Area 1950-51	Area 1951-52	Yield 1947-48	Yield 1948-49	Yield 1949-50	Yield 1950-51	Yield 1951-52	Yield per acre (lbs.)
Baluchistan	7	8	8	10	9	1	2	1	2	1	332
East Bengal	73	85	87	82	82	15	16	17	15	16	428
N.-W. F.P.	1,57	2,00	1,72	1,38	1,53	39	50	49	41	44	648
Punjab	2,14	3,12	2,47	2,88	2,55	64	1,12	79	91	70	681
Sind	14	26	25	30	15	2	5	4	6	3	416
Bahawalpur	21	27	21	20	16	5	7	4	5	2	432
Khairpur	2	2	2	3	2	(a)	1	(a)	1	1	...
TOTAL (All Pakistan)	4,88	6,60	5,62	5,71	5,32	1,26	1,93	1,54	1,61	1,37	608

(*Source : Ministry of Food and Agriculture.*)

H.—GRAM

Province/State	Area 1947-48	Area 1948-49	Area 1949-50	Area 1950-51	Area 1951-52	Yield 1947-48	Yield 1948-49	Yield 1949-50	Yield 1950-51	Yield 1951-52	Yield per acre (lbs.)
Baluchistan	19	15	15	17	19	6	4	4	4	3	483
East Bengal	2,08	2,06	2,01	2,00	2,01	51	49	52	47	52	562
N.-W. F. P.	1,73	2,16	2,06	2,14	1,37	22	25	32	33	12	309
Punjab	13,19	18,75	17,62	17,48	15,20	2,86	5,59	5,13	4,97	3,22	593
Sind	4,15	4,18	3,36	3,59	3,62	79	88	68	83	76	481
Bahawalpur	2,31	2,52	2,04	2,56	1,51	68	74	38	75	24	502
Khairpur	17	21	17	19	16	5	5	4	4	3	474
TOTAL (All Pakistan)	23,82	30,03	27,41	28,13	24,06	5,17	8,04	7,11	7,43	4,92	548

(*a*) Below 500 acres.

(*b*) Below 500 tons.

(*Source : Ministry of Food and Agriculture.*)

APPENDIX No. 12—contd.

I.—SUGARCANE

Province/State	Area (000 acres)					Yield (000 tons)					Yield per acre (lbs.) (Average for the years 1949-50 to 1951-52)
	1947-48	1948-49	1949-50	1950-51	1951-52	1947-48	1948-49	1949-50	1950-51	1951-52	
Baluchistan	...	...	...	..	...	...	..	..	..	...	...
East Bengal	2,24	2,25	2,27	2,26	2,29	3,27	3,41	3,10	3,33	3,43	3238
N.-W. F. P.	1,21	1,09	1,02	82	1,03	1,34	1,22	1,15	91	1,15	2505
Punjab	2,89	3,04	3,50	3,35	3,33	3,73	4,81	5,28	3,79	3,60	2788
Sind	10	13	17	17	15	12	18	22	27	24	3337
Bahawalpur	43	48	56	38	43	38	44	61	42	47	2453
Khairpur	3	2	2	2	2	3	3	3	2	3	2988
TOTAL (All Pakistan) ...	6,90	7,01	7,54	7,00	7,25	8,87	10,09	10,39	8,74	8,92	2883

Note.—Yield is given in terms of gur.

(*Source : Ministry of Food and Agriculture.*)

J.—RAPE AND MUSTARD

Province/State	Area 1947-48	Area 1948-49	Area 1949-50	Area 1950-51	Area 1951-52	Yield 1947-48	Yield 1948-49	Yield 1949-50	Yield 1950-51	Yield 1951-52	Yield per acre (lbs.)
Baluchistan	58	20	40	74	62	7	2	4	4	5	165
East Bengal	4,32	4,63	4,77	4,88	5,02	78	83	86	89	1,00	420
N.-W. F. P.	76	1,04	1,02	93	89	6	9	8	7	7	174
Punjab	4,51	4,41	3,65	3,60	5,38	62	73	65	69	90	397
Sind	2,41	3,36	2,28	3,24	3,71	46	52	34	47	58	337
Bahawalpur	1,86	1,69	1,49	2,15	2,17	41	37	24	47	26	374
Khairpur	46	54	71	72	76	10	12	15	16	16	470
TOTAL (All Pakistan) ...	14,90	15,87	1,432	16,26	18,55	2,50	2,68	2,36	2,78	3,02	372

(*Source : Ministry of Food and Agriculture.*)

K.—SESAMUM

Province/State	Area 1947-48	Area 1948-49	Area 1949-50	Area 1950-51	Area 1951-52	Yield 1947-48	Yield 1948-49	Yield 1949-50	Yield 1950-51	Yield 1951-52	Yield per acre (lbs.)
Baluchistan	...	...	...	...	...	...	...	...	...	...	...
East Bengal	1,37	1,27	1,30	1,44	1,44	28	24	20	27	29	427
N.-W. F. P.	4	2	3	2	2	1	(*c*)	(*c*)	(*c*)	(*c*)	...
Punjab	40	24	29	30	27	4	3	3	3	3	234
Sind	13	12	11	15	13	1	1	1	2	1	229
Bahawalpur	7	6	8	10	10	1	1	1	2	1	320
Khairpur	(*a*)	(*b*)	(*a*)	(*a*)	(*a*)	...	(*d*)	(*c*)	(*c*)	(*c*)	...
TOTAL (All Pakistan) ...	2,01	1,71	1,81	2,01	1,96	35	29	25	34	34	362

(*a*) Below 500 acres.
(*b*) Below 200 acres.
(*c*) Below 500 tons.
(*d*) Below 200 tons.

(*Source : Ministry of Food and Agriculture.*)

APPENDIX No. 12—concld.

L.—LINSEED

Province/State	Area (000 acres)					Yield (000 tons)					Yield per acre (lbs.) (Average for the year 1949-50 to 1951-52).
	1947-48	1948-49	1949-50	1950-51	1951-52	1947-48	1948-49	1949-50	1950-51	1951-52	
Baluchistan	...	...	...	...	...	...	...	...	...	...	...
East Bengal	69	68	74	60	61	12	11	12	9	11	368
N.-W. F. P.	...	...	...	...	...	...	...	...	...	...	...
Punjab	5	6	6	6	7	1	1	1	1	1	354
Sind	...	...	...	...	...	...	...	...	...	...	...
Bahawalpur	...	...	...	...	...	...	...	...	...	...	...
Khairpur	...	...	...	...	...	...	...	...	...	...	...
TOTAL (All Pakistan) ...	74	74	80	66	68	13	12	13	10	12	345

(*Source* : *Ministry of Food and Agriculture*).

M.—COTTON (Lint).

Province/State	1947-48	1948-49	1949-50	1950-51	1951-52	1947-48	1948-49	1949-50	1950-51	1951-52	Yield per acre
Baluchistan	(*a*)	...	...	...	...	(*b*)	...	...	...	...	...
East Bengal	55	55	55	55	57	2.5	3.2	2.7	3.2	3.2	120
N.-W. F. P.	4	5	6	11	16	(b)	(b)	(b)	(b)	(b)	95
Punjab	18,26	15,77	16,13	17,13	18,65	1,19	94	1,29	1,11	1,14	152
Sind	7,97	7,19	7,83	8,13	8,34	53	52	56	80	79	195
Bahawalpur	3,90	2,59	3,57	3,75	5,31	30	19	30	32	38	173
Khairpur	38	35	48	44	73	2.5	2.5	3	3	4.4	139
TOTAL (All Pakistan) (c)	31,10	26,50	28,62	30,11	33,76	1,96	1,72	2,22	2,26	2,35	1,66

(*Source*: *Ministry of Food and Agriculture*).

N.—JUTE

Province/State	1947-48	1948-49	1949-50	1950-51	1951-52	1947-48	1948-49	1949-50	1950-51	1951-52	Yield per acre
East Bengal	20,59	18,77	15,61	12,50	17,79	12,22 (68.42 Lakh Bales)	9,78 (54·79 Lakh Bales)	5,95 (33·33 Lakh Bales)	7,95 (44·52 Lakh Bales)	11,31 (63·31 Lakh Bales)	1234
TOTAL (All Pakistan) (d)	20,59	18,77	15,61	12,50	17,79	12,22	9,78	5,95	7,95	11,31	1234

O.—TEA

Province/State	1947-48	1948-49	1949-50	1950-51	1951-52	1947-48	1948-49	1949-50	1950-51	1951-52	Yield per acre
East Bengal	70	73	75	75	82	12·6	15	17	17	23·7	512
TOTAL (All Pakistan) (e)	70	73	75	75	82	12·6	15	17	17	23·7	512

(*Source* : *Ministry of Food and Agriculture*).

(*a*) *Below 500 acres.*
(*b*) *Below 1000 tons.*
(*c*) *Cotton yields in bales, work to* 10.97 lakhs (1947-48), 9.64 (1948-49), 12.42 (1949-50), 12.90 (1950-51) and 13.17 (1951-52).
(*d*) *Jute yields in bales, work to 68.42 lakhs (1947-48),* 54.79 (1948-49), 33.33 (1949-50), 44.42 (1950-51) and 63.31 (1951-52).
(*e*) *Tea yields in pounds, work to 282.24 lakhs (1947-48), 336.00 (1948-49),* 380.8 (1949-50), 380.80 (1950-51) and 530·00 lakhs (1951-52),

APPENDIX No. 13.

Government storage accommodation for *foodstuffs*

(Capacity in tons)

S. No.	Province/State	Existing storage accommodation	Schemes for additional storage accommodation	
1.	East Bengal ...	2,74,000 (Lahore sheds and Calcutta sheds)	75,000	50,000 for reserves of salt. 15,000 for reserves of sugar. 10,000 for elevators at Chittagong.
2.	Punjab	77,000 (Lahore sheds 19,000 tons) ... ... (Storage bins 58,000 tons)	70,000	45,000 15,000 for reserves of sugar. 10,000 for grain elevators at Lyallpur: extension (existing 4,000 tons elevator).
3.	Sind	60,000 (Lahore sheds 30,000 tons) ... ... (Storage bins 30,000 tons)	24,500	20,000 4,500 for reserves of sugar.
4.	N.-W. F. P. ...	10,000 (Lahore sheds and pucca godowns)	3,000	(for reserves of sugar).
5.	Baluchistan ...	19,000 (Lahore sheds and pucca godowns)	2,000	(for reserves of sugar).
6.	Karachi	30,000 (half covered sheds)	28,000	8,000 for reserves of sugar. 20,000 for grain elevators.
7.	Bahawalpur ...	3,000 (Lahore sheds and pucca godowns)	32,000	30,000 2,000 for reserves of sugar.
8.	Khairpur	10,000 (Lahore sheds and pucca godowns)	5,500	5,000 500 for reserves of sugar.
	TOTAL ...	4,83,000	2,40,000	

(*Source: Ministry of Food and Agriculture*).

APPENDIX No. 14.

Memorandum by Mr. Muazzamuddin Hosain on the establishment of Khaikhalashi Banks in East Bengal.

1. The Bengal Agricultural Debtors Act and the Bengal Money-Lenders Act have dealt a death blow to the professional money lenders of Bengal who used to lend money to the agriculturists at exorbitant rates of interest. The disappearance of such money-lenders is no doubt a boon to the country, but it must be admitted that a country of petty agriculturists whose average area per family is only 3.35 acres as it is in East Bengal, cannot get on without facilities for seasonal loans on easy terms for carrying on agricultural operations. It is unfortunate that though the professional money-lenders have disappeared, no attempt has so far been made to establish agricultural banks in rural areas for financing the agriculturists at times of need. Far from any new banks growing up for helping the agriculturists even the co-operative credit societies which hitherto used to cater to the needs of the agriculturists have appreciably contracted their fields of activities and most of such societies are now in moribund conditions. The co-operative credit societies have been always finding great difficulty in realising the overdue loans from the debtor-members as most of them are holders of uneconomic areas of land and could not make any savings to pay their overdue loans. There is thus no hope of co-operative credit societies ever successfully solving the agricultural finance problem of East Bengal. The resources now left to the agriculturists for raising money for meeting agricultural needs are (i) either by mortgaging portion of their land in complete usufructuary mortgage or (ii) by selling portions of their holdings. People who have some money in hand prefer outright purchase to usufructuary mortgage although a usufructuary mortgagee ordinarily makes an annual profit of 50 per cent. on the money invested and the debtor gets satisfaction of loan annually at the rate of 1/15 only. It is estimated that transfer by usufructuary mortgage is only 1/10 of that by sale deeds. There can be no doubt that the vast majority of the agriculturists failing to secure money by offering land in usufructuary mortgage, have recourse to sale. At least 4/5 of the sales could be prevented if money could be made available for agriculturists on usufructuary mortgage basis. Disappearance of money lenders.

2. In a typical Thana of 50,000 population and 100 square miles in area it has been found that in normal years lands worth Rs. 4 lakhs are transferred by registered sale deeds and an average sum of Rs. 40,000 is taken as loan by registering complete usufructuary mortgage deeds per year. If sales go on at this rate, the small agriculturists who comprise not less than 70 per cent. of the agriculturists of East Bengal will be entirely wiped out and lands will accumulate in the hands of bigger agriculturists or non-agriculturists. Sale deeds and usufructuary mortgages.

3. It is, therefore, suggested that the problem of agricultural finance may be solved satisfactorily if usufructuary mortgage which is commonly known as khaikhalashi, is popularised in the country, by establishing usufructuary Land Mortgage Banks (to be called Khaikhalashi Banks) throughout the rural areas. Such banks will find no difficulty in realising their dues as these will be automatically realised every year from the produce of the mortgaged land. The land given in usufructuary mortgage to the Bank, could be let out in *borga** to the mortgager as is ordinarily done in khaikhalashi transactions, but if the mortgager does not play his part and does not give the anticipated *borga* crops, the lands can be taken away from him and let out on *borga* to some other able-bodied cultivators. There is thus no chance of Banks dues falling in arrears except in years of agricultural calamity for which necessary allowance may be made in calculating the programme of realisation. In a typical Thana of Kishoreganj Sub-Division of Mymensingh District, it is found that ordinarily a plot of land producing Rs. 150 worth of crops is let out at Rs. 150 in usufructuary mortgage for 15 years. The value of net produce excluding the *borgadar's* half will be Rs. 75 from such a plot. On calculation it is found that the entire loan together with profit of the financing bank, cost of collection and establishment charges can be easily recovered within 3 years. Usufructuary land mortgage Banks.

*'Borga' is a system under which a farmer cultivates land owned by another person on yield-sharing basis.

Mortgagers' position safe.

4. According to the terms of contract the mortgager's debt will decrease by 1|15 or Rs. 10 only per year, in the concrete case under consideration so that the entire debt of Rs. 150 will be fully satisfied after 15 years when the land will revert to the mortgager free from debts. But if the debtor wants to take back the land before expiry of 15 years, he has to pay the balance of the loan-money after deducting Rs. 10 for each year of possession by the mortgagee. In such transactions the mortgagee's position also is absolutely safe, both in respect of the principal and profit. Even if the land is returned to mortgager after 1, 2 or 3 years enjoyment by the mortgagee, the former will have to pay the latter Rs. 140, Rs. 130 or Rs. 120 respectively, and the mortgagee's total recovery including the usufruct of the land will be Rs. 215 (140+75), Rs. 280 (130+75+75) or Rs. 345 (120 + 75 + 75 + 75), respectively. There is thus no chance of any loss even if the land is taken back just after 1 year's possession unless there be total failure of crops in that year. There is no possibility of any mortgaged land being taken back in any year of substantial failure of corps as the debtor cannot possibly secure money in such year for getting release of the mortgaged land. The mortgagee's position is thus absolutely safe under all circumstances.

Finance for the proposed bank.

5. The Banks suggested are proposed to be established with the money secured from the Pakistan National Bank or some other Government-sponsored Bank. It is hoped that money will be available from such bank at 6¼% profit per year. Besides, the profit payable at 6¼% to the parent bank, 3⅛% of the annual income from the net produce of the land will be deducted every year for the cost of establishment and reserved fund of the Khaikhalashi Bank, besides another 3⅛% for contributions to a charity fund. Over and above this, another 12½% of the annual profit will be deducted for meeting the cost of special staff to be appointed by the Bank for management of the mortgaged lands. It will be seen that even after making all these deductions, ordinarily the Bank's dues will be fully recovered at the end of the 3rd year when a small balance will be available for credit to the account of the debtor in the case cited above. At the end of the 8th year as much as Rs. 319|3|10 will be the Bank balance to the credit of the debtor after clearance of all liabilities.

Conversive of rural bank into self-financed co-operative bank.

6. If another 2 years be taken as margin for partial failure of crops, it can be reasonably expected that after 10 years an amount equivalent to twice the amount taken as loan by the debtor will accumulate to the credit of the debtor in the Bank. It will be perhaps better if after clearance of Bank's dues, a further 12½% of the profit is deducted for credit to a Cattle Insurance Fund and another 6¼% for credit to an Agricultural Calamity Insurance Fund and monies accumulated in these funds are separately invested in khaikhalashi transactions. If this is done, large amounts of money are sure to accumulate to the credit of the insurance funds for substantial help for replacement of disabled or dead cattle or for tiding over agricultural calamities, and this will enable Government to reduce substantially its allotment for cattle loan and agricultural loan in their annual budget. If the suggested deductions for the insurance funds be made the aggregate deduction for insurance will be Rs. 14|1|- from an annual income of Rs. 75|- and so the net credit to the debtor's accounts from 4th year onward will be Rs. 46|14|- (60|15|- minus Rs. 14|1|-) per year, instead of Rs. 60|15|- and the total amount to the credit of the debtor at the end of 8 years or, to be on the safe side, 10 years will be Rs. 202|10|- instead of Rs. 319|3|10. Seasonal loans may be given from the balance, up to half the amount of the balance on condition of repayment with an additional amount of 6¼% just after the reaping of the next crop. The entire amount after recovery may be credited again to the debtor's account. On failure of repayment, no further seasonal loan shall ever be given to the defaulting debtor. At the end of 10 years, just at the time of closing the account, shares of the Khaikhalashi Bank up to the value of the amount originally taken as loan on mortgage deed should be purchased out of the Bank balance standing to the credit of the debtor and the remainder of the balance (*i.e.*. Rs. 52|10-) should be either paid to the debtor as rebate or kept as deposit in the Bank if so desired by him. The idea is that the rural bank starting with the money taken as loan from some Government-sponsored Bank will ultimately, after 10 years or so, be converted into a self-financed co-operative bank of the agriculturists, entirely run with the share-money and deposits of the agriculturists themselves. Making two years allowance for partial failure of crops, the debtors accounts is expected to be closed down after 10 years. Even giving a further allowance of another 2 years for unforeseen agricultural calamities of extraordinary nature it is almost certain that there will be no need of keeping any account open for more than an aggregate period of 12 years. But if due to continuous failure of crops of an unprecedented nature or steep fall of prices of produce, the programme cannot be kept up, the Bank will be

at liberty to retain the land up to 15 years. If the debtor wants to take back the land any time before the Bank releasing it of its own accord, he will not have any right to claim the money which would otherwise have been available for credit to his account. On the contrary, he will have to pay to the Bank any amount left as balance after deducting 1|15 of the money taken as loan for each year of occupation of the land by the Bank. Under such circumstances there is little chance of a debtor taking release of the land before the Bank's offering release. If the scheme works as indicated, the Bank will not only clear off the debts of the agriculturists but will succeed in putting the tottering agriculturists of East Bengal on their feet by making savings for them out of the produce of their own mortgaged land which will enable them to tide over all financial difficulties incidental to an agriculturist's life in Bengal and all this will be possible through khaikhalashi system of usufructuary mortgage which is permissible according to *shariat*. The taking and giving of interest which is forbidden in Islam can thus be entirely avoided according to this scheme. To make the scheme absolutely free from interest the first loan from the financing bank may be taken on condition of payment with profit at not more than 25% of the net annual usufruct instead of at 6¼% interests. The loan will then be cleared off in 8 years and another 2 years net amount of usufruct will go towards profit. According to the usufructuary mortgage deed the bank will still have another 5 years as margin for years of failure and partial failure of crops.

Average annual requirements of loans.

7. It is estimated that the average annual requirement of loans for agriculturists per Thana will be about 2 lakhs of rupees. If one such Khaikhalashi Bank is established in each Thana the aggregate requirement for about 350 Thanas of East Bengal will be Rs. 7 crores. It will be better first to start every Bank with one lakh of rupees only and then gradually increase the capital. The scheme may thus be implemented with Rs. 3½ crores and either the State Bank or the National Bank of Pakistan may finance this amount with an assured return of 6¼% per year as profit. The State Bank can easily raise this money by floating a 5% loan repayable after 12 years.

Agricultural Development Finance Corporation.

8. The Co-operative Departments can be safely entrusted with the task of establishing these khaikhalashi-credit banks and one such bank can be set up in every Sub-Division as an experimental measure from the next financial year. The Agricultural Development Finance Corporation should take up implementation of the scheme in right earnest.

APPENDIX No. 15.

Memorandum by State Bank of Pakistan on the establishment of Agricultural Banks

Inadequacy of credit facilities.

1. A study of credit facilities in Pakistan undertaken by the State Bank some time ago, clearly revealed their inadequacy in the sphere of agriculture. No estimate can be made about the total demand for short-term agricultural credit in Pakistan in exact quantitative terms. But in view of the predominantly agricultural character of the country's economy, with the vast majority of population engaged in agricultural operations and considering also the present unsatisfactory financial status of most of the farmers, it can be safely concluded that this demand should add up to a substantial amount. The growing pressure of population on land in Pakistan as well as the influx of a large number of destitute farmers, must also have increased the demand for agricultural credit.

Need for long-term funds.

2. Aside from the need for seasonal credit, the agriculturist also needs long-term funds for improvement, purchase of equipment, cattle, etc. Since there are no agencies for the supply of long-term funds at present functioning in this country, apart from taccavi loans by Government, it is impossible to gauge the capital requirements of agriculture, but there is no doubt that it must be substantial.

Co-operative credit movement.

3. The available sources of supply of both long and short-term credit, have not been sufficient to cope with the demand. The most widely used source before the partition was the village money-lender. The flow of funds from this source has been drastically reduced after the mass migration of non-muslims from West Pakistan. The co-operative credit movement, apart from the difficulties from which it is suffering, has made some progress only in Punjab, while its presence is scarcely felt in the other provinces. Even in the Punjab, it is estimated that co-operatives are not meeting more than 10 per cent. of the rural credit requirements and have thus touched only the fringe of the problem. Commercial banks in Pakistan are not in a position to provide agricultural finance to the farmers. The Government taccavi loans do help a little, but these, apart from their gross insufficiency, are not very popular due to delays in granting of advances, rigidity in realisation and corruption amongst the subordinate staff.

Land mortgage banks.

4. Land Mortgage Banks are the only other agency that can be thought of in connection with long-term credit to agriculturists. Their number in Pakistan is woefully small (12 in Punjab and 2 in East Pakistan) and even these are almost solely engaged either in the collection of old advances from members or in voluntary liquidation proceedings.

Reasons for their failure.

5. These banks were initially organized in the Punjab in 1922, on co-operative principles, for the Provincial Co-operative Bank. Long-term advances for periods extending from 3 to 20 years, were granted on the security of land mortgages. They were expected to be managed by members as in the case of other co-operative institutions, but were at the same time the special responsibility of the Assistant Registrars. It is reported that a number of them did function successfully till this personal supervision was forthcoming but were involved in serious difficulties as soon as the management was left to the Boards of Directors. The following reasons have been advanced for the failure of land mortgage banks :—

(1) The funds, although required for long-term, were not raised through debentures. This resulted in the use of short-term deposits for long-term advances, and a consequent shortage of funds.

(2) The directors' indulgence in loans to themselves and to their relatives resulted in laxity and fraud.

(3) A number of the banks were started during the boom period when land values as well as prices were high. Many of the members defaulted on payment during the depression.

(4) Funds were generally advanced for the liquidation of old debts instead of for the improvement of land.

(5) The lending rates charged by the banks varied from 5¼ to 10½ per cent., which were rather high.

(6) Delay in granting of loans, in-elasticity in rules governing their grants inadequacy of amount, demand of high security, rigid realisations and annuity instalments not well adopted to the repaying capacity of the borrower, were some other defects which handicapped the progress of Mortgage Banks.

6. With commercial banking in the urban area brought to a stage when it could meet normal requirements, the State Bank considered it necessary to turn its attention to the supply of short-term credit facilities in the rural areas. With this object in view, the State Bank proposed the organisation of Pilot Agricultural Banks, one in West and the other in East Pakistan, for the supply of short-term credit to agriculturists. It was proposed that these banks would function purely as commercial institutions, making advances on the security of produce, stored either in the Bank's warehouses or in the fields. The intention was that if successful these banks should ultimately form themselves into large rural banks or function as branches of some of the existing commercial banks. The scheme was submitted to the Government and is under their consideration. Pilot Agricultural Banks.

7. Mr. Moazzamuddin Hussain has presented a scheme to the Economic Appraisal Committee, on the organization of banks for the making of long as well as short-term advances to agriculturists. The detailed functioning of these banks has been worked out with special reference to conditions and existing methods of financing in East Pakistan. But, the idea as such, *i.e.*, the organization of agricultural financing agencies around a local method of financing already familiar to the people of the area, is sound and may be extended to suit the requirements of the other provinces as well. Mr. M. Husain's Scheme.

8. Mr. Moazzamuddin Hussain's scheme is to establish Khaikhalashi Banks in each Thana for the purpose of providing long-term credit to small agriculturists on the security of land which is given over in usufructuary mortgage to the Bank. It is proposed that the Bank realises all its expenses from the income obtained from the renting of this mortgaged land, the land reverting to the borrower at the end of the mortgaged period. It is further proposed that as the amount accruing to the Banks in the form of rent would be more than what is legitimately chargeable as interest, the rest could accumulate to the credit of the borrower with the Bank and could be utilised for granting short-term funds to agriculturists. Khaikhalashi Banks.

9. The idea of the Khaikhalashi Bank, as outlined above is simple and has the further advantage over other schemes of reducing to the minimum the Bank's risk in the grant of long-term funds to small holders. No doubt, certain obvious difficulties can be raised against the scheme, as, (1) the difficulties involved in dealing with those having uneconomic holdings, (2) the risk of the borrower mortgaging the remaining portions of his holding with private money-lenders and (3) the possibility of fraud by the petty officials of the Bank who will be responsible for obtain ng the Bank's share of the produce from mortgaged lands. Most of these difficulties must be faced by all agricultural banks and will arise wherever a scheme of rural credit is undertaken. However, certain basic precautions must be taken in safeguarding the position of the Bank. Thus, (1) in making long-term advances special care must be taken to ensure the purpose for which money is granted, so that funds are not wasted in unproductive expenditure, (2) in making advances to those with uneconomic holdings, it should be the objective of the Bank to provide finance for the purchase of land with a view to creating economic holdings. (3) similarly, the borrowers must be restricted from mortgaging any part of their holdings to other credit institution, without the previous approval of the Bank.

10. The scheme prepared by Mr. Moazzamuddin Hussain provides a suitable occasion for reviewing the position regarding the organisation of Pilot Agricultural Banks which has been proposed to the Government by the State Bank. The formation of Land Mortgage Banks with their technique and procedures based as far as possible on traditional methods would be a distinct improvement upon the idea of Pilot Agricultural Banks designed for short-term credit only. Land Mortgage Banks would operate on better security and could be used for providing short as well as long-term credit. Our examination of the position shows that the idea is not impracticable, though detailed enquiries and investigation would be necessary to form concrete schemes and to propose schemes of legislation. Land mortgage banks.

Sind.

11. With the exception of co-operative banks there are no agencies in Sind for the provision of either long or short-term finance. There are 2 types of co-operative banks functioning at present : the Taluka Banks which provide finance mainly to small holders and the Zamindari Banks, organised specially by the large Zamindars.

Taluka Banks were organised by the amalgamation of village credit societies, for the provision of short and medium termed finance to cultivators, paying from Rs. 50 to Rs. 1,500 per year as land revenue. These banks generally charge from $6\frac{1}{2}$ to $9\frac{3}{8}$ per Taluka Banks.

cent. interest on short-term advances and from $4\frac{1}{2}$ to $5\frac{1}{2}$ per cent. on medium termed loans. Members are entitled to a rebate in interest of $\frac{1}{2}$ per cent. for punctual repayment can be either in cash or in kind.

According to the co-operative law in force in Sind, every application for membership in banks (both Taluka and Zamindari) must be accompanied by a declaration specifying the immovable property on which a charge can be created for the dues of the Bank. A member is precluded from alienating any part of the property specified in the declaration. Also, subject to the prior claim of the Crown in respect of land revenue, the Bank has a first claim on the property specified in the declaration. The amount advanced by the Banks to any one individual cannot exceed one-third the value of the land mortgaged. The Bank is also allowed under the said Act to attach the harvested crop of the borrower in case of default. Apart from taking over the land in mortgage, the Banks also insist on the execution of an agreement by the borrower to sell either his total produce or at least so much of it as will cover the amount due, through a co-operative sale society.

Taluka Banks have a past record of 95 per cent. repayment in advances, due partly to the special provisions under which they function, the close supervision exercised by the Registrar and to the fact that no further advances are granted to defaulters. It is not to the interest of the member to default since this would mean that in the next year credit would be available to him on much less favourable terms or not at all.

Sind Zamindari Banks.

The Sind Zamindari Banks function under the same provisions as the Taluka Banks with the one distinction that they provide funds only to zamindars paying Rs. 1,000 or more as land revenue.

There are at present only 16 Taluka Banks and 6 Zamindari Banks functioning in Sind. As there are 60 Talukas in the Province, there are over 40 Talukas where no co-operative credit facilities are available. Even in the case of those Talukas where Banks have been organised the funds available with the Banks are not sufficient and membership is forcibly restricted. In the opinion of the Registrar, a number of agriculturists who have a good credit standing cannot be accommodated by the Banks due to limitation of funds.

Reasons for their tardy growth.

The following reasons have been listed by the Registrar of Sind as being responsible for the retarded growth of the Banks:—

(1) that, budget allotment for the Co-operative Department has been reduced by 50 per cent. As a consequence, the Registrar does not have the staff to organise more Banks and supervise them at the initial stages.

(2) that, there is a shortage of trained personnel who may be employed as Managers of the Banks.

(3) that, only limited funds are available from the Provincial Co-operative Bank, Sind. According to the Registrar the Provincial Bank obtains most of its funds in the form of current deposits which cannot be loaned out for periods of 10 months to a year as needed by the Taluka and Zamindari Banks.

Orgainising agricultural banks in Sind.

In our scheme of organising agricultural banks in Sind, we felt we should use the Taluka and Zamindari Banks. As organised under the co-operative law, these banks enjoy certain distinct advantages, and therefore constitute an experiment which could be pressed forward with advantage provided they are placed, to the desired extent, under central supervision and control for at least technical purposes. In case of agreement as to control, these banks should become the subject of thorough investigation. In certain instances, it may be found necessary to train the managers of the existing banks. Means shall have to be found to make more funds of a medium term nature available. At present the Taluka Banks are not extending long-term advances, this may be investigated and an experiment in long-term loans undertaken. As experience is gained in the functioning of existing banks, new banks may be started in the other Talukas till a net work of such banks have been organised in all the 60 Talukas of Sind for the provision of finance to both small holders and zamindars. The possibility may also be considered of making these Taluka and Zamindari Banks scheduled banks. This would improve their status at the same time making them easily eligible for short-term advances from the State Bank.

Punjab.

12. According to a recent detailed study on rural debt made by the Board of Economic Enquiry, Punjab, the credit needs of the farmers are being met by (1) relatives, who do not charge interest. It is estimated that 60 per cent. of the credit needs are being currently supplied by relatives; (2) traders and shopkeepers, who provide around 20 per cent. of rural finance; (3) zamindars and other well-to-do agriculturists who supply 10 to 15 per cent. of the funds; (4) co-operative credit societies catering to about 3 per cent. of the needs and (5) the rest being supplied by others, including money-lenders. **Rural finance in Punjab.**

It is the general opinion of those who are in a position to know the facts, that the Punjab farmer especially in the Canal Colonies is fairly well off, partly due to increased prices obtained during the last few years and partly as a consequence of contributions from relatives in the army. It is believed that his need for short-term credit is considerably reduced. In fact, there is some evidence to the effect that the position has been reversed with the farmer financing both the traders and the ginners, by waiting for his payment, in certain cases, till the goods are despatched and railway receipts obtained. There is some indication of this same trend, in the fall in demand for funds from co-operative credit societies since partition. **Need for development funds.**

The need for medium-term and long-term development funds, however, continues to be high (1) Funds are needed, especially by the refugees, for the purchase of work animals and equipment; (2) for the construction of wells, drainage and other improvements on the farm and (3) finally for the purchase of land. This latter need is greater now since, under the recent legislation occupancy tenants have been allowed to obtain ownership rights on the payment of compensation to Zamindars. With this increase in the number of owner-operators, the demand for developmental funds may be expected to increase. **Agricultural banks for Punjab.**

Agricultural Banks may be organised in the Punjab with the object of providing both medium and long-term funds to peasant proprietors. Credit may be provided by these institution on the security of land mortgage after a personal and detailed investigation of the character and credit standing of the borrower and perhaps on the surety of one or two people of known reputation in the neighbourhood. The Bank may secure its loan further by obtaining a mortgage on the equipment purchased.

Before organizing Agricultural Banks for the Punjab, a detailed survey should be undertaken on the functioning of Co-operative Land Mortgage Banks in the Province and the reasons for their failure. All possible precautions must be taken to avoid the mistakes previously committed in the management of these banks.

N.-W.F.P.

13. According to the Revenue Authorities, agriculturists in the N.-W. F. P. obtain finance from the following sources: **Sources of finance in the province.**

1. The Provincial Government through
   (a) Revenue Departments.
   (b) Department of Agriculture.
2. Co-operative Societies *via* the Frontier Co-operative Bank.
3. The Premier Sugar Mills and the Takt-Bai-Sugar Mill.
4. Private Money-lenders.
5. Relatives and friends.
6. Dealers and village shopkeepers.

The source of finance depends on the crop cultivated. Thus, the sugar growers, who cultivate around 1/26th of the total cultivated acreage, are dependent for their finance on the two mills now functioning in the Frontier. (1) The Premier Sugar Mill, which obtains funds from the National Bank of Pakistan and (2) the Takt-Bai-Sugar Mill, which gets advances from the Frontier Co-operative Bank. It is reported that the two mills compete for the raw sugar produced in Mardan and may, therefore, be expected to give favourable terms to the growers, in terms of both price and credit. The growers also have the third alternative of converting sugar-cane into *gur*, the demand for which is high. On the above considerations it may be assumed that the sugar growers of Mardan are not in great need of short-term funds. Similarly, the fruit growers, who are generally large operators, obtain finance either directly from the Frontier Co-operative Bank or from fruit dealers. In the rest of the cultivated acreage, amounting to around 15 lakhs acres wheat, maize and barley are grown. Here, the need for short-term finance is greater and loans are obtained from Muslim money-lenders and shopkeepers, who are known to charge around 50 per cent. interest.

Frontier Co-operative Bank.

The Frontier Co-operative Bank, which before partition was affiliated to the Punjab Provincial Co-operative Bank, reorganised itself after the partition amalgamating all the central co-operative banks into a single institution, functioning through its branch offices. The number of branches have increased from 7 in 1947 to 10 in 1952. To a considerable extent this progress has been made in the direction of commercial banking. At present there are certain districts where there are no commercial banks and the Frontier Bank serves both members and non-members. As a consequence of the limited banking facilities available in the Province, the deposits in the Frontier Bank have a large percentage of commercial deposits. In fact, 70 per cent. of its paid-up share capital is owned by individuals and 80 per cent. of the loans advanced in 1951 were to private firms and individuals.

Present position.

The Co-operative Registrar as well as the Managers of the Bank recognise that co-operative funds are divided away from agriculture, into industry and trade and that the credit needs of the rural areas remains un-satisfied. Recently the Department as well as the Provincial Government have agreed (1) that, more funds should be directed towards agriculture (2) that the Frontier Co-operative Bank should be subject to the surpervision, inspection, and control of the State Bank in the same way was scheduled banks and (3) that the banking staff is poor and requires to be trained.

Remedies suggested.

In view of the above, it is considered that (1) an experienced officer should be deputed to survey the movement in the Frontier Province and to submit a report on the progress of the movement (2) that, the State Bank take over the recruitment and training of the officers of the bank, including suitable refresher courses for others now in employment (3) that, a plan of operation be drawn up for making advances to agriculturists, along lines familiar to the people of the province through the existing branches of the Frontier Bank and (4) finally, that finance be made available, if necessary on long-term basis and at reasonable rates of interest, to the Frontier Co-operative Bank for the granting of advances to agriculturists.

Under this approach, the Frontier Co-operative Bank would function under the general guidance and supervision of central agency or agencies as an alternative to organising new banks and duplicating the number of credit agencies serving the rural people.

14. The Provincial schemes for the organization of agricultural banks briefly outlined above, require to be worked out in full detail after investigations of selected areas. However, there are certain matters of principle to which attention must be called now.

Land mortgage banks.

15. In principle Land Mortgage Banks are intended to provide long-term credit needs of agriculturists, but it is considered that the banks which we have proposed should also be employed to meet short-term credit requirements. This will result in making the loaning machinery more complicated, since the principles as well as the procedures governing the two types of advances are distinct. In general, and on principle it would be ideal not to combine long and short-term financing in a single institution. Thus, ordinarily it would be the concern of the co-operative credit societies to provide short-term funds, while the Agricultural Mortgage Banks confine their activities to longer-term finance. But as things are, the co-operative movement cannot be depended upon to rise to the occasion and meet the short-term needs of the borrowers. If short-term funds are not forthcoming from the co-operative banks, the foundations of the Agricultural Banks would be weakened as a consequence, since the borrowers would be forced to turn to other lending agencies and obtain short-termed funds at exorbitant rates. In these circumstances, insistence on two separate agencies for short and long-term funds would necessitate the organisation of two separate sets of banks, which would create difficulties of personnel. A single agency has therefore to be accepted as it would mean a saving in personnel, lower over-head costs and convenience in dealing, so far as the agriculturist is concerned. These banks would be in a stronger position in dealing with the borrowers as they would be holding their land in mortgage. In Bengal it is likely that working under traditional methods of finance by means of usufructuary mortgage, the banks would be making larger recoveries than they would need and surplus funds supplemented by borrowings from other

agencies could be used for short-term advances. It would be in the interest of the bank to save its customers from exorbitant rates of interest and to help them to secure the best possible price for their produce. This could be done by meeting all their legitimate requirements for credit, both short and long-term.

16. All agricultural banks must devote special attention to see that the funds advanced by them are used for sanctioned purposes only. The mis-use of loaned funds has been mainly responsible for the failure of Land. Mortgage Banks in the Punjab and must be guarded against at all costs. The entire procedure with reference to repayment will be considerably simplified if advances are granted in kind rather than in cash. If this is accepted in principle, then two specific questions come up for consideration: (1) that, the Agricultural Banks work in close co-operation with the Departments of Agriculture and the Extension Service Organization (2) that, the agricultural banks have attached warehouses, where the borrowers' produce is stored on delivery. Warehouses are also necessary in East Pakistan for the storage of the Bank's share of the produce and in West Pakistan to ensure a fair price for the borrowers. Proper use of funds.

17. In order to give some assurance of success to this venture into the relatively unexplored field of rural credit, special legislation will be necessary. In some provinces restrictions exist on mortgages of lands which will have to be relaxed in favour of the proposed banks. In Sind the mortgage of holdings less than 300 acres require the sanction of Revenue Authorities. This restriction shall have to be reviewed. We must also aim at simplification of registering mortgage deeds, the installation of a speedy recovery machinery in case of default, etc. This will involve a detailed study of existing legislations and the preparation of new legislation perhaps both at the Provincial and the Central level, but certainly at the provincial level. Need for special legislation.

18. It is suggested that Agricultural Banks as proposed in this Paper should be the responsibility of the Agricultural Development Finance Corporation. This Corporation is the logical agency to undertake this scheme since it has been organised for the purpose of providing finance to agriculture. It will have an expert staff at the Centre who will specialise in the problems of agricultural finance and as such will be in a position to provide the necessary advice and supervision to the bank managers. The Agricultural Development Finance Corporation has also been made responsible for the direct import of machinery, fertilisers, etc., from abroad. It will, therefore, be in a better position to provide these to the agriculturists at reasonable rates. The Corporation is also to construct (or rent) warehouses in the interior for the storage of improved seeds, fertilisers, etc. There will, thus, be no difficulty in extending the use of these to the Agricultural Banks. So far as short-term funds are concerned the State Bank may be approached, either directly by the Agricultural Banks or indirectly through the Regional Office of the Development Corporation. The role Agricultural Development Finance Corporation.

19. The proposal for the organization of Agricultural Banks is based on a genuine need for funds in the rural areas and as such there is every reason for their success. A certain 'hands-off' attitude has been created on this subject, due mainly to the failure of the co-operatives to handle the problem. However, the failure of the co-operatives is partly the result of their own failings and is further due to the fact that the people are not sufficiently educated to manage and run these organisations. There is no reason why well-managed and properly supervised institutions should not succeed. In many countries Governments have taken charge of the rural credit machinery and are running it on profitable lines. This is not only true of prosperous countries such as U.S.A. but also of Mexico, Egypt and Japan where conditions are not dissimilar to those in Pakistan and where the scale of operations is also small. Agricultural banks.

20. No spectacular results can be expected from these banks in the first instance. Their main service will be to collect a considerable amount of useful data needed to make our plans for opening up the interior for the collection of savings and provision of credit. We would gather knowledge about the difficulties as well as the opportunities which lie for any pioneer enterprise of the type in the interior. It will also help in understanding the attitudes and reactions of the rural people who have to be attracted towards the banks. If these agricultural banks are properly supervised and run by enterprising young men with a social outlook they can blaze the trail for others. An experiment in this direction needs to be made even with the previous knowledge that the going will be hard and that the project may not prove to be the success we desire it to be. It should be regarded as an experiment which must be undertaken if a beginning has to be made for the provision of rural credit, and which may involve some losses Simplicity in operation.

before techniques and procedures of lending and supervision are finally determined for the various areas. However, the risk of failure will be reduced to the minimum if the banks are organised after a detailed study of local conditions, and if their operations are properly supervised. The chief aim in view should be simplicity in operation since the institutions are to deal with those who have had little or no previous contact with organised credit.

Objectives.

21. The proposal for organising special Agricultural Banks has been made not with the object that they should compete with the existing co-operative credit institutions. In fact, the objective is that short-termed, medium-termed and long-termed be ultimately provided by the co-operative societies. For the time being, however, it is expedient to organise special institutions, in view of the present limitations of the movement. It is hoped that the Agricultural Banks will provide a stimulant to the reorganization of the co-operative banks along new lines of endeavour in the field of rural finance. However, in those Provinces where the Co-operative Credit Institutions are functioning efficiently and where it is possible to work out a scheme within the co-operative structure, special agencies need not be set up. The decision as to whether finance should be provided through the existing co-operative banks or through special banks organised for this purpose, may be made in terms of the following criteria:

(1) The past record of the co-operative banks.

(2) Whether these banks enjoy special privileges which give them an advantage over ordinary banks in regard to security for the loans given.

(3) Whether the Provincial Government and the Co-operative Department agree to Central control.

Taluka banks in Sind.

22. The Taluka banks in Sind, as they function today, satisfy the first two provisions of our criteria. Thus, their past record of repayment has been quoted as 95 percent. Their success in obtaining punctual repayments is due partly to the special legislative provisions under which they function, which give them substantial advantage over ordinary banks. The issue of control has, however, not been settled yet.

Co-operative banks in East Pakistan.

23. Co-operative banks in East Pakistan have been running at a loss for a number of years and are in the process of being reorganised into multi-purpose societies. At this stage, when the reorganisation has not as yet been completed, it would be unwise to depend upon them completely.

24. Co-operative Credit Institutions in East Pakistan have been granted certain special rights in the collection of dues:

(1) They have a prior claim on member produce after land revenue and rent has been paid.

(2) In the case of land mortgage banks, the mortgager is restricted from transferring or creating a charge on the 'equity of redemption'.

(3) A mortgage executed in favour of a Co-operative Land Mortgage Bank shall have priority over any claim of the Provincial Government arising from a loan under the Land Improvement Loans Act.

(4) In case of default on payment to the Bank, the Registrar has the right to recover such sum by distraint and sale of not more than half the produce of the mortgaged land.

Inspite of the favouring legislation, the land mortgage banks in East Pakistan failed to prosper. In view of this and since Mr. Moazzamuddin Hussain's plan has been worked out around local financing practices familiar to the people, it is recommended that Khaikhalashi Banks be organized as separate entities. It may be noted, however, that the scheme itself envisages the gradual conversion of these banks into co-operatives.

In Punjab.

25. In the Punjab, co-operative funds are being diverted from agriculture into industry and trade. This is due to the generally poor repayment record of the agriculturists. The special land mortgage banks, which were organized for the granting of long-term funds also fared badly and are in the process of liquidation. Co-operative Credit Institutions, in general, in the Punjab, do not operate under any special advantages as compared to other credit agencies. Thus, in common with other banks they are precluded from contracting complete mortgages. In view of this and considering the present administrative set up of the movement in the Punjab, it is proposed that special Agricultural Banks be organized in the province, equipped with special legislative provisions so far as mortgaging of land is concerned.

26. The Frontier Co-operative Bank, which has been in existence since 1948, is organized on a unitary basis with ten branches, scattered over six districts. If the Provincial Government agree to State Bank control it might be found possible to work through the Frontier Co-operative Bank which is running efficiently. Supervision will be greatly simplified through the head office of the Bank. It will, however, be necessary to enact special legislation to empower the Bank to contract complete mortgage with members. In N.W.F.P.

27. In conclusion, it should be emphasised that the subject of rural credit is beset with all kinds of impediments and difficulties. Our schemes must be preceded by detailed investigations and surveys on the spot and should be put into force on an experimental basis. Special care should be taken to make the experiment under as favourable conditions as can be found and created in the matter of clientele, staffing, supervision and control. We must be ready to face upsets and disappointments and to modify our plans as difficulties appear and unforeseen conditions are met with. It is going to be an uphill task but a great prize awaits the pioneers who will persevere and ultimately discover the techniques which will work. Conclusion.

APPENDIX No. 16.

Statement of Industrial Policy.

Introductory.

For some time now, the Government of Pakistan have had under consideration the various issues connected with the planning of industrial development in Pakistan and the formulation of industrial policy calculated to ensure the building up of a sound and healthy economy. They have examined, in particular, the recommendations of the Pakistan Industries Conference held in Karachi from the 13th to 17th December, 1947, at which all the Provinces and States of Pakistan were represented. The Government of Pakistan consider it to be in public interest now to announce the conclusions reached by them on various aspects of industrial policy, and thereby enable private enterprise to play its part in the industrial development of the country.

2. Features of Pakistan economy.

Pakistan is essentially an agricultural country, the bulk of whose people live and work in villages. Technical and technological institutions, research and analytical laboratories, and credit and service agencies, which one normally associates with an industrially developed country, have yet to be organised.

The most striking feature of Pakistan's present economy is the marked contrast between its vast natural resources and its extreme industrial backwardness. A country producing nearly 75 per cent. of the world's production of jute does not possess a single jute mill. There is an annual production of over 15 lac bales of good quality cotton, but very few textile mills to utilise it. There is an abundant production of hides and skins, wool, sugarcane and tobacco—to name a few of the important products, Pakistan's considerable resources in minerals, petroleum and power remain as yet untapped. In laying down any policy of industrialisation, note has to be taken of these deficiencies and handicaps, and a concerted effort made to overcome them.

3. Aims and objectives.

These might be defined very broadly as an improvement in the standard of living of the people brought about by harnessing, to the maximum extent possible, the forces and treasures of nature in the service of the people by providing gainful and legitimate employment and by assuring freedom from want, equality of opportunity, dignity of labour and a more equitable distribution of wealth. Free play will be given to private enterprise and individual initiative, subject to the conditions mentioned hereafter. In framing their policy Government have been guided by the experience of other countries and their anxiety has been to avoid the evils which have attended industrial growth elsewhere.

4. In view of the predominantly rural economy of Pakistan, initial emphasis must perforce rest upon the reconstructions and development of agriculture and of industries based upon or connected with it; and on the promotion of medium, small and cottage industries. But the development of large scale industries essential to the security of State, or its general prosperity, will also receive the utmost attention and encouragement. Pakistan would therefore seek, in the first place, to manufacture in its own territories the products of its raw materials, in particular jute, cotton, hides and skins, etc., for which there is an assured market whether at home or abroad. At the same time, to meet the requirements of the home market, efforts will be made to develop consumer-goods industries for which Pakistan is at present dependent on outside sources. Some of the heavy industries might have to come at a later stage of the industrial programme, but no opportunity would be lost to develop any heavy industry which is considered essential for the speedy achievement of a strong and balanced economy.

5. Planning.

In order to ensure the industrial development of Pakistan on sound lines, it is necessary that such development should be carried out according to a well defined and integrated plan. In preparing such a plan, due account will be taken of the resources and requirements of the country as a whole. These conditions can best be satisfied if the task of planning becomes, in a large measure, the responsibility of the Centre.

6. **Role of Centre and Provinces in industrial planning and development.**

Under the Government of India Act, 1935, the development of industries is a Provincial subject, but it is open to the Centre to declare by law that the development of certain industries under Central Control is expedient in the public interest.

— This arrangement is inherently defective and is illsuited to the special requirements of an industrially underdeveloped State such as Pakistan. Industrial development is so bound up with fiscal policy that the two must be closely integrated. Then, again, the location of industry is, in these days, determined by requirements of balanced regional development and strategic considerations. The Centre is in a better position to judge these matters than the Provinces. Central control is also necessary to facilitate procurement and ensure equitable allocation among Provinces and States of Machinery and raw materials in short supply.

For these and other reasons, it is proposed, in consultation with provinces to transfer "development of industries" from the Provincial Legislative List to the Concurrent Legislative List.

Similar considerations apply to regulation of mines and oilfields and development of minerals which are now within the Provincial sphere of activity. Provinces have already agreed, as an *ad interim* measure, to refer to the Central Government all cases in which extensions are asked for or new mining concessions sought. The Centre now proposes to formally take over, in consultation with the Provinces, power to regulate mines and oilfields and their development.

7. This does not mean that the Centre will assume exclusive jurisdiction in the matter of industrial planning. In fact, in accordance with the recommendations of the Pakistan Industries Conference it is proposed, for the present, to limit Central planning mainly to the 27 industries listed in the Annexure. Provinces would be closely associated with the Centre in the task of preparing the plans, and, except for industries owned or operated by the Central Government the implementation of plans would largely be their responsibility. Central Planning would extend to the allocation of industrial units to Provinces, the location of such units within the Province being done in consultation with them. The Centre would assist in the procurement of capital machinery and plant from abroad and in the procurement and distribution of essential raw materials which are in short supply. The Centre will gradually build up machinery to ensure maintenance of proper production standards. It will prefer to exercise a general supervision over industrial development to ensure that the pace of progress is according to plan. In the field of technical education and training, the Centre will cooperate with the Provinces. The Centre would also assume its share of responsibility in the encouragement of scientific and industrial research and act as a clearing house of information regarding industrial experiments and achievements in other countries.

To enable the Centre to discharge it and perform the responsibilities outlined above, the Government of Pakistan have recently set up a Development Board to coordinate development plans, Central and Provincial, so that the available resources are put to the best possible use; to make recommendations regarding priorities among development plans and to keep watch on the progress of development schemes in order to remove bottle-necks and difficulties in the way of uniform progress in all fields. A Planning Advisory Board has also been established, consisting of representative of Central Government, the Provincial Government and States, and of special interests such as industry, trade, banking, labour, etc., to advise Government generally on matters relating to planning and development, to review the progress made in the implementation of the plans, and to educate the public in regard to the necessity for various development schemes undertaken by the country. In pursuance of the recommendations of the Pakistan Industries Conference, industrial panels and committees have been established by the Central and Provincial Governments and the working out of detailed plans for various industries is in progress. It is hoped that as a result of the labour of these bodies the first phase of a seven years development plan will emerge.

8. **Relation of State to industry.**

The next point for consideration is the relation of the State to industry, in particular the extend to which industries should be owned by the State and the nature and degree of Government control over private industry. There is general agreement that monopolies and public utilities are peculiarly suitable for nationalisation. Mention may be made of such industries as Communication Services, like posts, telegraphs, telephones, wireless and broadcasting, and Transport Services, like railways all of which are already State owned and State managed. As regards the three remaining forms of transport—Road, River and Air—Government have already announced their policy with regard to Civil Aviation. In so far as road transport is concerned, many Provincial Governments have nationalised sections of such transport and propose nationalising the rest in due course. As regards river services, Government propose to leave them to private enterprise for the present, the question of their nationalisation being examined in the course of time. With regard to other industries, Pakistan Government propose that for the present the following should be owned and operated by the State:—

(i) Arms and Munitions of war;

(ii) Generation of hydel-powers; and

(iii) Manufacture of railway wagons, telephones, telegraph and wireless apparatus.

The Government of Pakistan must, however, reserve their right to take over or participate in any other industry vital to the security or economic well-being of the State. Government might find it necessary, in the national interest, in the event of private capital not forthcoming in adequate measure for the development of any particular industry of national importance, to set up a limited number of standard units more as a means of attracting private enterprise than for any other object.

9. An indication has already been given of the extent of Government control over industries which will remain privately owned. Government will be responsible for fixing of industrial targets, the location of industry and the allocation of materials in short supply. Government will also ensure that employers of labour maintain fair labour standards especially in matters of hours of work, wages, conditions of work and employment.

10. **Assistance to industry.**

It is not the desire of the Pakistan Government that their role in industrial development should be merely negative and regulative. On the positive side, Government would give all reasonable help for the establishment and development of private industry. Apart from the maintenance of peace and internal security, and the establishment of stable administration, which are the essential prerequisite of any economic development, Government will seek to create conditions in which industry and trade may develop and propsper. Pakistan's considerable resources of minerals and mineral oil will be surveyed and energetically exploited. Schemes for development of the country's power resources are being worked out and their implementation will be accorded the highest priority. Plans for the improvement of the important ports of Karachi and Chittagong are in hand and steps are being taken to gear up the transport services to the maximum efficieny. Measures are also being taken to develop agriculture to increase the production of raw materials required by industry and to improve their quality. Government are rendering and will continue to render all assistance necessary for procurement of capital goods and machinery and essential raw materials from foreign countries, for the development of scientific and industrial research and for obtaining facilities for technical education and training abroad.

Government have already expressed their intention to establish an Industrial Finance Corporation in order to assist industry. Detailed proposals are being worked out by a Committee of the Legislature. So far as possible Government will encourage Pakistan industry by buying its products in preference to products of others.

Provincial and State Governments already do and will continue to assist industrialists in the purchase of land required for factory sites and in the provision of electric power and other services. Some provinces, notably Sind, have undertaken the development of large Industrial Trading Estates adequately served with communications, power and with factory buildings constructed on the most progressive lines. Additional facilities would doubtless become available as a result of close co-operation between the Central, Provincial and State Government on the one hand and private industry on the other.

11. Tariffs.

It is a well-recognised practice of Governments to protect new and recent industries against outside competition. The Government of Pakistan will always be prepared to give favourable consideration to claims for reasonable measure of protection for industries established in Pakistan. Such claims will be subjected to examination by a Tariff Board, to be appointed as and when required.

12. Taxation.

Despite its stringent budgetary position, the Pakistan Government recognize that taxation policy should, as far as possible, mitigate the hazards to which new industrial projects are likely to be subject for some time to come and that a reasonable opportunity and level of profit should be allowed to those who take part in the industrial development of the country. Government have recently announced the following measures of taxation relief to industry :—

Tax concessions are announced every year at the time of presentation of Budget, and have been gradually extended. (For latest details, 1952-53, please see Appendix No. 17).

13. Foreign capital.

Pakistan would welcome foreign capital seeking investment from a purely industrial and economic objective and not claiming any special privileges. Participation of nationals of Pakistan must however be ensured, both in the administrative and technical services manning the industry, and training facilities should be provided to Pakistan nationals by concerns that wish to establish themselves in Pakistan. Where trading facilities, rather than esablishment of an industry, are desired by foreign firms, subsidiaries should be registered in Pakistan. Subject to these conditions, foreign capital will be welcome so long as opportunities for participation of indigenous capital are provided and monopolies avoided. Government consider that, in the national interest, nationals of Pakistan should ordinarily be given the option to subscribe at least 51 per cent. of all classes of share capital and debentures in the industries detailed below :—

(i) Cement,
(ii) Coal,
(iii) Cotton spinning and weaving Mills,
(iv) Fish canning and fish oils,
(v) Generation of electric power (other than hydro-electric)
(vi) Glass and ceramics,
(vii) Heavy chemicals and Dye stuff,
(viii) Minerals,
(ix) Preserved and prepared foods,
(x) Power alcohol,
(xi) Shipbuilding,
(xii) Sugar, and
(xiii) Tanning and leather.

With regard to other industries, an opportunity should normally be given to Pakistan nationals to subscribe at least 30 per cent. of all classes of share capital and debentures. But in either case, Government are satisfied that the requisite amount of indigenous capital is not forthcoming, the balance might, with their prior approval, be subscribed by foreign investors.

Apart from these conditions, which are necessary for the safety and political and economic well-being of the country, industries financed and controlled by national of other countries are assured of fair and just treatment. Government will allow facilities for the remittance of a reasonable proportion of profits to countries from which capital is drawn.

The policy of Government regarding petroleum and petroleum products is under consideration and will be announced hereafter.

14. General.

Government are fully conscious of the fact that State action alone, however beneficial or far-reaching it may be, will not usher in an era of intense industrialisation. Individual initiative and private enterprise must play their part if Pakistan is to succeed in building up a balanced economy. It is Government's firm belief that the policy they have now announced and the measures that will be taken in pursuance of that policy will help in the process. Government are confident that every section of the people will, spend its energies and spare no effort to build up a progressive and prosperous Pakistan which will play a worthy part in the comity of Nations.

ANNEXURE.

List of Industries Subject to Central Planning.

1. Arms and Munitions of War.
2. Cement.
3. Coal.
4. Electrical equipment—fans, lamps, motors, generators, transmitters and switchgears.
5. Generation of electric power—hydel and thermal.
6. Glass and ceramics.
7. Heavy chemicals industry—sulphuric acid, caustic soda, soda ash, fertilizers.
8. Heavy engineering industries for construction of aircraft, ships, locomotives, wagons, automobiles, agricultural machinery.
9. High temperature and high pressure reaction and carbonisation plants.
10. Iron and steel.
11. Machine tools.
12. Manufacture of telephones, telegraphs and wireless apparatus.
13. Marine fisheries.
14. Mineral industries.
15. Non-ferrous metals and alloys industry.
16. Paper and pulp.
17. Petroleum and mineral oils.
18. Power and industrial alcohol.
19. Pharmaceuticals and drugs.
20. Preserved and prepared foods.
21. Rubber manufacture.
22. Scientific instruments, gauges and precision tools.
23. Sugar.
24. Salt.
25. Tanning and leather.
26. Textiles—cotton, woollen, jute, silk and rayon.
27. Tobacco.

Supplementary Statement of Industrial Policy.

Since the publication of the Pakistan Statement of Industrial Policy on 2nd April, 1948, a number of requests for clarification have been received, namely in connection with the principles laid down for participation of foreign capital. It is hoped that the following statement will provide the required elucidation.

2. The minimum percentage of indigenous capital prescribed for certain industries does not apply to existing units nor to any transfer of an established business, nor to foreign companies which start subsidiaries in Pakistan and engage solely in trading activities and not in industry. If, however, a trading company established in Pakistan wishes to expand its activities and undertake industrial production the appropriate association of indigenous capital in the additional issue will be required.

Private limited companies are on the same footing as public companies in regard to participation of indigenous capital.

3 The Statement of Industrial Policy made it clear that if Government were satisfied that the requisite amount of indigenous capital is not forthcoming, the balance might, with their approval, be subscribed by foreign investors. In amplification of this it is desired to state that the intention is to give such decisions quickly and liberally where it is clear that Pakistan capital has had every opportunity to subscribe and has failed to do so. Equally liberal treatment will be accorded in cases of extension of existing companies.

4. Government undertook in the statement of Industrial Policy to allow facilities for the remittance of a reasonable proportion of profits to countries from which capital is drawn. Some uncertainty has been expressed as to the interpretation of 'reasonable proportion of profits.' The intention is to place no restriction on such remittances other than those of general application arising from foreign exchange limitations and policy to which such remittances are subject every where.

5. Finally, cases have come to notice where direction and control which would naturally accrue to Pakistanis from their share in the capital of a business is diverted by a managing agency agreement which secures control to the foreign element in the business. If the object of such control is the maintenance of the quality of a product, and of standards of raw materials, Government would be prepared to condone this diversion and to let the managing agencies continue for such terms as Company Law permits provided always that these managing agencies work to the primary objective of creating Pakistani administrative and executive control of the industry during the next ten years.

APPENDIX No. 17

Taxation and other concessions to industries

(fiscal 1952-53)

Exemption for investment.

1. In respect of initial share capital (also share-capital subsequently issued) taken up in an approved public company incorporated in Pakistan and formed for the purpose of engaging in an industrial undertaking, the investor (not being a company) is given a tax concession which takes the form of exemption from both income-tax and super-tax on the amount of share-capital subscribed by him, subject to a maximum of 10% of his total income.

2. Income from buildings constructed between 1st April 1951 and 31st March 1953 is exempt from tax for two years from the date of completion.

New industrial undertakings.

3. Profits of a new industrial undertaking set up or commenced in Pakistan after the Partition (14th August 1947) are exempt from income-tax and super-tax to the extent of 5% of the capital invested. The concession is available from 1948-49 assessment for 8 years up to 31st March 1956 but is restricted to five consecutive assessments. Distribution to shareholders from profits so exempted are also exempt in the hands of shareholders.

No business profit tax is payable by such undertakings in respect of any chargeable accounting period which falls after 31st March 1951.

Depreciation.

4. Depreciation in respect of plant and machinery installed between 1st April 1948 and 31st March 1953 is allowed at double the normal rate. This concession is admissible for five years.

An extra allowance is given at 50% of the normal rate for double shift working, proportionate to the number of days during which double and triple shift are worked.

Special depreciation.

5. In addition to normal depreciation allowance at prescribed rates, a special initial depreciation allowance is allowed at 20% in the case of machinery and plant installed, provided that such machinery or plant has not been previously used in Pakistan.

Similarly a special depreciation allowance is given in the first year, at the rate of 15% on buildings erected between 1st April 1946 and 31st March 1953 and at 10% on other buildings.

Reduction of assessible income.

6. Expenditure on the training of Pakistanis abroad under an approved scheme is allowed as a deduction from assessible profits.

Note :—Income from business is computed after deducting revenue expenditure such as rent; expenditure on repairs; bad debts; interest on borrowed capital; insurance; depreciation; bonuses or commission; expenditure on scientific research; contributions to recognised provident and superannuation funds and any other expenditure which is not of a capital or personal nature provided that such expenditure is laid out or expended wholly and exclusively for the purpose of business.

Carry forward of losses.

7. Losses are allowed to be carried forward for six years. They can be set off against incomes from the same business, in subsequent years.

Import duties.

8. No import duty is levied on capital goods and on industrial raw materials such as pig iron; old iron and steel; iron alloys commonly used for steel making; iron and steel ingots; blooms, billets and slabs; cement; coal and coke; pitch and tar; plumbago and graphite; chrome compounds and carbon black. Import duties have been abolished on steamers, launches, boats and barges. The duties have been reduced on several items including art silk yarn, aluminium bars and blocks, lead, zinc and iron oxide, etc.

Import licensings.

9. Until August 1952, all items of plant and machinery and most industrial raw material were on O.G.L. It is the policy of the Government to allow imports of such items as freely as possible.

10. No sales tax is levied on capital goods imported for initial installation. Sales tax.

11. (a) No tax is levied on monies brought from abroad.

(b) Relief is granted on income taxed in Pakistan as well as in Ceylon, Aden, Kenya, Tanganyika, Uganda, Zanzibar, Gold Coast, Nigeria, Sierra Leone, Gambia and Mauritius. An agreement for the avoidance of double taxation between India and Pakistan was concluded in December 1947. Agreements for the avoidance of double taxation between Pakistan and the United Kingdom as also between Pakistan and the United States of America are under consideration.

(c) Foreign Companies are allowed to remit their profits without any restrictions except those of general application arising from foreign exchange limitations.

(Source: C. B. R.)

APPENDIX No. 18

List of manufacturing establishments by Province and Industry (as on 31st December 1951)

Industry	Pakistan	N.W. F. P.	Punjab	Sind	Baluchistan	Karachi Federal Capital Area	East Bengal
TOTAL	1,525	23	622	261	18	182	419
I.—FOOD MANUFACTURING EXCEPT BEVERAGES ...	387	4	50	106	5	16	206
1. Wheat Milling	38	1	16	6	3	12	...
2. Rice Milling	209	...	31	94	2	...	82
3. Biscuit making (including bakeries and confectionaries).	10	...	...	6	...	4	...
4. Fruit and Vegetable Processing ...	2	1	1	...	...	...	...
5. Sugar	12	2	1	...	...	...	9
6. Tea Manufacturing	115	...	1	...	...	...	114
7. Edible nuts processing and dal manufacturing.	1	...	...	...	...	...	1
II.—BEVERAGES	4	...	2	1	...	...	1
1. Distilleries & Breweries	4	...	2	1	...	...	1
III.—TOBACCO	3	1	...	...	...	2	...
IV.—TEXTILES	404	1	184	129	...	8	82
1. Cotton Textiles (Spinning & Weaving) ...	28	1	8	1	...	5	13
2. Woollen Textiles	3	...	2	...	...	...	1
3. Jute Textiles	1	...	...	...	...	...	1
4. Textile dyeing, bleaching and other processing.	9	...	9	...	...	...	...
5. Cotton Ginning & Pressing	299	...	164	127	...	3	5
6. Silk and artificial silk	2	...	1	1	...	...	...
7. Jute Pressing	62	...	...	...	...	...	62
V.—WEAVING APPAREL AND OTHER MADE UP TEXTILE GOODS.	16	...	4	...	...	2	10
1. Hosiery and other knitted goods ...	15	...	3	...	...	2	10
2. Clothing & Tailoring	1	...	1	...	...	2	...
VI.—WOOD PRODUCT INCLUDING FURNITURE ...	16	...	1	...	...	12	...
1. Saw Milling	13	...	1	...	...	9	3
2. Woodware including Furniture manufacturing.	3	...	...	...	...	3	...
VII.—PRINTING, PUBLISHING AND OTHER ALLIED INDUSTRIES.	78	4	42	...	...	19	13
VIII.—LEATHER AND LEATHER PRODUCTS INCLUDING FOOTWEAR.	13	2	4	2	...	2	3
1. Tanning	8	2	3	1	...	...	2
2. Footwear and leather manufacturing ...	5	...	1	1	...	2	1
IX.—RUBBER PRODUCTS	6	...	3	...	...	1	2
X.—MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS.	96	1	47	4	1	21	22
1. Vegetable oil seeds crushing and extracture and processing of vegetable oils.	67	...	33	4	...	16	14
2. Paints & Varnishes	3	...	3	...	...	...	...
3. Chemicals including drugs & pharm. ...	17	...	10	...	1	5	1
4. Matches	8	1	...	...	...	...	7
5. Turpentine and Rosin	1	...	1	...	...	...	...
6. Arms, ammunitions and explosives ...	...	...	...	...	...	...	...

Industry	Pakistan	N. W. F. P.	Punjab	Sind	Baluchistan	Karachi Federal Capital Area	East Bengal
XI.—PETROLEUM PRODUCTS	2	...	1	...	...	...	1
XII.—NON-METALLIC MINERAL PRODUCTS EXCEPT PRODUCTS OF PETROLEUM AND COAL.	26	1	7	2	...	9	7
1. Cement	5	...	2	1	...	1	1
2. Glass and Glassware	8	...	1	1	...	1	5
3. Ceramics	3	...	2	...	...	...	1
4. Humepipe and other cement and concrete products.	6	1	2	...	...	3	...
5. Bricks, tile, lime and surkhi manufacturing.	4	...	...	...	...	4	...
XIII.—BASIC METAL PRODUCTS ...	58	...	43	...	...	12	3
1. Aluminium, Copper and brass all products from Ore smelting to manufacturing.	40	...	32	...	...	5	3
2. Iron and Steel smelting	18	...	11	...	...	7	...
XIV.—MACHINERY.	215	1	153	6	1	33	21
1. Sewing Machine	1	...	1	...	...	...	...
2. Electric lamps	2	...	1	...	...	1	...
3. Electric Fans	4	...	4	...	...	...	...
4. General Engineering and Electrical Engineering.	207	1	146	6	1	32	21
5. Textile machinery and accessories ...	1	...	1	...	...	...	...
XV.—TRANSPORT EQUIPMENT	80	7	28	6	5	12	22
1. Automobiles and Coach Building ...	29	6	16	...	...	3	4
2. Ship Building and Ship Repairs ...	11	...	...	...	...	5	6
3. Railway Workshops, repair shops and locomotive shops.	34	1	11	5	5	2	10
4. Aircraft assembling repairs and servicing.	3	...	...	...	...	2	1
5. Railway Wagon Manufacturing ...	3	...	1	1	...	...	1
XVI.—ELECTRICITY GENERATION AND TRANSFORMATION.	38	1	13	3	4	4	13
XVII.—MISCELLANEOUS INDUSTRIES NOT INCLUDED ELSEWHERE.	83	...	40	2	2	29	10

(Source: C. S. O.)

APPENDIX No. 19.

Indigenous productive capacity in certain industries

Note.—The industries mentioned in Chapter V (Section 5) are not included here. They are jute textiles, cotton textiles, woollen textiles, paper and cardboard, sugar, cement, heavy chemicals (including caustic soda, chlorine, D.D.T. and fertilizers) and engineering industry (P.I.D.C. schemes).

Serial No.	Name of industry	No. of manufacturers	Actual production		Productive capacity		Estimated annual requirements		Remarks
			Quantity	Value	Quantity	Value	Quantity	Value	
1	2	3	4	5	6	7	8	9	10
				Rs.		Rs.		Rs.	
1.	*Small arms for sports* ... ... (Single barrel and double barrel shot guns, revolvers, etc.)	40	n.a.	3,00,000 (1952)	n.a.	5,00,000	n.a.	30,00,000	
2.	*Electrical equipment, appliances and goods.*								
	(*i*) Electrical accessories and domestic appliances *e.g.*, switches, lamp holders, cutouts, plugs, sockets, lamp brackets, water heaters, electric iron, etc.	Cottage industry	n.a.	3,00,000 (1951-52)	n.a.	5,00,000	n.a.	40,00,000	
	(*ii*) Electric lamps	2	15,00,000 general service lamps (1952)	...	30,00,000 general service lamps (one shift)	n.a.	20,00,000	n.a.	Capacity exceeds internal requirements. Messrs. Hyeson's Co. are the main manufacturers.
	(*a*) Electric fans (ceiling and table) ...	6	20,000	15,00,000 (1952)	30,000	n.a.	n.a.	n.a.	
	(*b*) Electrical industrial switch gear ...	1	n.a.	5,00,000	n.a.	5,00,000	n.a.	7,50,000	*T. C. has given some concessions.
	(*c*) Electrical equipment other than bare transmission cables, *e.g.*, bare copper wires.	n.a.	n.a.	2,00,000 (bare wires only).	n.a.	5,00,000 (bare wires only).	n.a.	50,00,000	A large scheme for production of cables and wire is under consideration.
3.	*Machine tools, precision tools, gauges and workshop equipment.*								
	Lathes, drills, shaper, planing machines, grinders, etc.	7	99 lathes (1952)	n.a.	300 lathes	30,00,000 (lathes only).	n.a.	1,00,00,000 (but of lathes only 20,00,000)	Lathes are available for export. Case of protection with T.C.
4.	*Iron and Steel*								
	(*i*) Smelting	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	See footnote†.
	(*ii*) Melting	2	10,000 tons	n.a.	25,000 tons	n.a.	n.a.	n.a.	

*T. C. stands for Tariff Commission.

†On the recommendation of U. S. Steel Mission, a number of schemes have been drawn up including (*a*) Two 50-ton basic open hearth furnaces with blooming and billet mills (capacity 60,000 tons), (*b*) 14" cross country type bar mills (capacity 60,000 tons), (*c*) Three, two-highhand sheet mills (capacity 40,000 tons), (*d*) Three 10 tons electric furnaces (capacity 12,000 tons), (*e*) Wire mills (capacity 5,400 tons), (*f*) Hand bar mill (capacity 30,000 tons), (*g*) Fabrication plant (capacity 400 tons), (*h*) Revamping and modernising of existing rolling mills, (*i*) Low temperature reduction plant for iron ore (capacity 1,000 tons per day). For implementation taken up by P.I.D.C., please see Chapter V (Section 5).

APPENDIX No. 19—contd.

1	2	3	4	5	6	7	8	9	10
				Rs.		Rs.		Rs.	
	(*iii*) Rolling	32 out of which 20 generally remain idle.	20,000 to 40,000 tons.	n.a.	1,00,000 tons (one shift)	n.a.	n.a.	n.a.	Two firms are installing capacity of 15,000 & 6,000 tons per year.
	(*iv*) Iron and steel foundries (casting)	150 small and medium size.	40,000 tons non-ferrous 5,000 tons.	n.a.	n.a.	n.a.	n.a.	2,00,00,000	
5.	*Heavy Engineering**								
	(*a*) *General Machinery*								
	(*i*) Centrifugal pumps ...	4	n.a.	1,00,000 (1951-52)	n.a.	3,00,000	n.a.	15,00,000	
	(*ii*) Oil expellers and crushers ...	5	n.a.	n.a.	n.a.	50,00,000	n.a.	10,00,000	
	(b) *Agriculture Machinery*—								
	(*i*) Persian wheels, chaff edge Cottage tools, chaff cutters, ploughs Industry, etc.	...	n.a.	2,00,000	n.a.	15,00,000	n.a.	15,00,000	
	(*ii*) Prime movers (oil engines) ...	70	1,680 engines or 40,000 (1951).	80,000	90,000 B.H.P.	1,80,00,000	87,000 B.H.P. (1951)	1,74,00,000 (1951-52)	Case for protection of oil engines with T.C.
	(*iii*) Structurals	5	n.a.	n.a.	n.a.	1,50,00,000	n.a.	3,00,00,000	
	(*iv*) Motor Car assembly plants ...	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	One plant set by Ford Motors. Another being set up by General Motors (middle of 1953).
6.	*Non-ferrous metals*—								
	(*a*) Smelting, refining and rolling.	33	n.a.	10,00,000	n.a.	20,00,000	n.a.	2,00,00,000	
	(*b*) Fabricated products utensils, brass water fittings, etc.	94	n.a.	n.a.	n.a.	20,00,000	n.a.	10,00,000 (brass water fittings)	Some quantities exported to Ceylon, Turkey, Iraq and Egypt. Exports can be developed further.
7.	*Scientific and mathematical Instruments*—								
	Geometry boxes	1	n.a.	5,00,000	n.a.	5,00,000	n.a.	10,00,000	
8.	*Rubber industry*—								
	(1) Vacuum brake hose pipe ...	1	n.a.	n.a.	1,000/1,500 hose pipes of standard length per day.	n.a.	n.a.	n.a.	
	(2) Cab and perambulator tyres ...	3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
	(3) *Rubber, surgical and sports goods*— Anema tubes; syringes, hot water bottles, ice bags, surgical gloves, dropper caps, football bladders, hedle grip of hockey stick, rubber toys, etc.								

1	2	3	4	5	6	7	8	9	10
				Rs.	Rs.	Rs.		Rs.	
	(4) *Cycle tubes*	3	n.a.	n.a.	9,80,000 (one shift)	n.a.	10,00,000	n.a.	These articles would be available for export. Production of motor tyres and tubes is likely to commence during 1953.
	Cycle tyres	n.a.	n.a.	n.a.	7,50,000	n.a.	6,00,000	n.a.	
9.	*Light engineering industries*—								
	(*i*) Grinding wheels (from 14" to 24" diameter).	1	40 tons annual.	6,00,000	100 tons	n.a.	40 tons annual.	6,00,000	Protection granted by T. C.
	(*ii*) Hurricane lanterns ...	4	n.a.	10,00,000	n.a.	20,00,000	n.a	10,00,000	Productive capacity exists for exports. Protection granted by T.C.
	(*iii*) Jerricanes	2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
	(*iv*) Sewing machines ...	1	n.a.	10,00,000	n.a.	15,00,000	n.a.	50,00,000	
	(*v*) Tin containers	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n. a.	Drums and Containers required by oilmills, biscuit factories etc., are being produced in large numbers. The biggest factory is matel Box. Co.
	(*vi*) Wire gauge and wire netting. ...	1	n.a.	5,00,000	n.a.	5,00,000	n.a.	5,00,000	
	(*vii*) Locks and padlocks ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Artisans have migrated into Pakistan from Aligarh which was the home of lock industry. Productive capacity is available for export.
	(*viii*) Sheet metal products tubs, buckets, milk cans, ice box, etc.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	There are large numbers of manufacturers mostly of cottage scale. Productive capacity is available for export.
	(*ix*) Steel safe and furniture ...	n.a.	n.a.	6,00,000	n.a.	n.a.	n.a.	2,50,000	
	(*x*) Cycle components ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Indigenous production is sufficient to meet internal requirements.
	(*xi*) Pistons and piston rings for automobiles and engines.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Indigenous capacity is sufficient to meet ordinary requirements.
	(*xii*) Sanitary fittings and flushing cisterns.	n.a.	n.a.	n.a.	n.a.	30,00,000	n.a.	20,00,000	Considerable capacity exists but imported goods are cheaper. Case for protection is with T.C.
10.	*Plastic industry*— Pen holders, buttons, combs, bangles, electrical switches, etc.	29	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Case for protection is with T.C. Demand for plastic goods is considerable. But major difficulty is supply of moulding powder.
11.	Timber industry	n.a.	92,55,782 cft.	n.a.	n.a.	n.a.	n.a.	n.a.	A plywood factory at Rawalpindi is in view. Furniture packing cases and other simpler wooden goods are all produced locally.
12.	Edible oils, hydrogenated or otherwise.	n.a.	Edible 1,00,000 tons Hydrogenated 13,000 tons.	n.a.	Edible oil 1,00,000 tons Hydrogenated 18,500 tons.	n.a.	(*a*) oils 2,50,000 tons Mustard 50,000 tons. other edible oils 2,00,000 tons (*b*) Hydrogenated 25,000 tons.	n.a.	Since Partition 19 additional mills have been established. Demand is still not fully satisfied.

1	2	3	4	5	6	7	8	9	10
				Rs.		Rs.		Rs.	
13.	*Glass and Ceramics*—								
	(1) Glass hollow wares ...	13	7,200 tons	n.a.	15,000 tons	n.a.	20,000 tons	n.a.	A number of concerns have been established since the partition. Two large plants (7 tons a day) of hollow glassware have been set up in Karachi and Chittagong.
	(2) Glass sheet	n.a.	nil	n.a.	nil	n.a.	70,00,000 sq. ft.	n.a.	
	(3) Bangles	n.a.	1,200 tons	n.a.	2,500 tons	n.a.	2,500 tons	n.a.	
	(4) Ceramics: Heavy clayware refractories.	n.a.	5,200 tons	n.a.	8,000 tons	n.a.	40,000 tons	n.a.	
	(5) Potteries	9	n.a.	n.a.	n.a.	n.a.	500 tons	n.a.	
14.	*Heavy Chemicals*—								A number of plants have been installed already (3,000 tons at Karachi, 6,000 tons at Lyallpur, 3,000 tons at Rawalpindi and 3,000 tons at Chittagong). Consumption depends upon development of industries like leather fertiliser, chemicals, explosives, etc. At present productive capacity is surplus and not fully utilised.
	(*a*) Sulphuric acid	n.a.	680 tons (1951)	n.a.	3,330 tons	n.a.	1,000 tons	n.a.	(600 tons capacity p.a.)
	(*b*) Hydrochloric acid	n.a.	Negligible	n.a.	600 tons p.a.	n.a.	350 tons p.a.	n.a.	A large plant set up in Karachi since August 1952. There is a smaller plant at Rawalpindi.
	(*c*) Nitric acid	n.a.	do.	n.a.	Negligible	n.a.	300 tons p.a.	n.a.	A 300-ton capacity plant will be in production at Karachi shortly.
	(*d*) Sodium bichromate	n.a.	nil	n.a.	nil	n.a.	300 tons p.a.	n.a.	A plant with annual capacity of 600 tons would be in production at Karachi shortly.
	(*e*) Soda ash	n.a.	23,500 tons	n.a.	24,000 tons p.a.	n.a.	24,000 tons p.a.	n.a.	Productive capacity (I. C. I. plant at Khewra) is enough to meet internal requirements.
	(*f*) *Soap and Glycerine*—								
	(*i*) Washing Soap	n.a.	40,000 tons	n.a.	55,000 tons p.a.	n.a.	55,000 tons p.a.	n.a.	
	(*ii*) Toilet Soap	n.a.	200 tons	n.a.	6,300 tons	n.a.	5,000 tons	n.a.	Messrs. Sadiq Vegetable and Allied Industries will produce high-grade washing soap and toilet soap and glycerine (250 tons p.a.) in their factory at Rahimyarkhan.
	(*iii*) Glycerine	n.a.	nil	n.a.	nil	n.a.	n.a.	600 tons p.a.	

1	2	3	4	5	6	7	8	9	10
				Rs.		Rs.		Rs.	
15.	*Drugs and Pharmaceuticals*—								
	(*a*) Ephedrine hydrochloride ...	30	800 lbs. (Oct. - Dec. '51).	n.a.	3,000 lbs.	n.a.	500 lbs.	n.a.	
	(*b*) Santorin	n.a.	4,300 kilos (1951-52.)	n.a.	8,000 lbs.	n.a.	150 kilos	n.a.	
16.	*Power and industrial alcohol*—								
	(*i*) Industrial alcohol ...	n.a.	5,50,000 LP gallons.	n.a.	23,00,000 LP gallons.	n.a.	20,00,000 LP gallons.	n.a.	Two distilleries working in W.P. (Takht Bai and Rawalpindi) and one in E. P. (Darsana). Premier Sugar Mill (Mardan) is installing a plant of 10,000 LP gallons a day capacity.
	(*ii*) Power alcohol	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
17.	*Tobacco*: *Cigarettes*	n.a.	2,720 millions (1951).	n.a.	2,900 million p.a.	n.a.	3,000 million p.a.	n.a.	Pakistan Tobacco Co., Karachi is mainly responsible for present production. It has set up another factory at Chittagong (capacity 400 million cigarettes per annum). Other smaller firms are also coming into the field. Present productive capacity is sufficient for internal requirements except in high class cigarettes.
18.	*Industrial Gases*—								
	(*a*) Oxygen gas	n.a.	123 lakh cft. (1951).	n.a.	270 lakh cft. W.P. 72 lakh cft. E.P.	n.a.	120 to 125 lakh cft. W.P. 20 to 30 lakh cft. E.P.	n.a.	A plant came into production in Chittagong in August 1952 (capacity 72 lakhs cft.). A plant is being installed at Rawalpindi (capacity 126 lakhs cft.) raising productive capacity in West Pakistan to 468 lakhs cft. which will be more than internal requirements.
	(*b*) Acetylene gas	n.a.	17.1 lakh (1951).	n.a.	117 lakh cft. W.P. 22 lakh cft. E.P.	n.a.	15 to 20 lakh cft. W.P. 7 to 10 lakh cft. E.P.	n.a.	A plant came into production in Chittagong in August 1952 (capacity 22 lakhs cft.). A smaller plant is being installed at Rawalpindi (capacity 7 lakhs cft.), raising production in West Pakistan to 124 lakhs cft. which would be more than internal requirements.
	(*c*) Carbon dioxide gas	n.a.	313 tons (1951).	n.a.	2,400 tons W.P.	n.a.	300 to 350 tons p. a. W. P./for E. P. not known.	n.a.	A plant has been installed at Hyderabad (capacity 1,800 tons per annum).

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1	2	3	4	5	6	7	8	9	10
				Rs.		Rs.		Rs.	
19.	*Rosin and Turpentine*—								
	(*a*) Rosin	4	80,000 mds.	n.a.	1,50,000 mds.	n.a.	40,000 mds.	n.a.	N.-W.F.P. Government are setting up a plant to handle 75,000 maunds of raw rosin per year.
	(*b*) Turpentine	n.a.	1,50,000 gallons	n.a.	n.a.	n.a.	80,000 gallons.	n.a.	
20.	*Paints and varnishes*	18	1,756 tons (1951).	n.a.	14,000 tons	n.a.	15,000 tons	n.a.	Productive capacity is enough for ordinary paints. A foreign firm Messrs. Andrew Co. is setting up a plant for good quality paints (capacity 2,000 tons per annum).
21.	(*i*) *C. C. blocks*	8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Capacity is sufficient to meet internal requirements. Most of the production is on cottage scale.
	(*ii*) Prefabricated houses ...	1	n.a.	n.a.	1 to 2 houses per day	n.a.	n.a.	n.a.	
22.	*R. C. C. pipes*	7	10 lakh running ft. (1950-51)	n.a.	21 lakh running ft.	n.a.	21 lakh running ft.	n.a.	Productive capacity is sufficient for internal requirements of ordinary pipes. A plant for high pressure pipes is being imported from Australia under Colombo Plan aid.
23.	*Enamel-ware*	7	n.a.	n.a.	1,000 tons p.a.	n.a.	550 tons p.a.	n.a.	The capacity is not fully utilised.
24.	*Sodium silicate manufactures* ...	14	14,000 tons	n.a.	50,000 tons	n.a.	14,000 tons	n.a.	The capacity is far in excess of internal requirements.
25.	*Matches*	4	n.a.	n.a.	26,00,000 gross boxes	n.a.	50,00,000 gross boxes	n.a.	Two large factories at Karachi (capacity 45 lakh gross boxes), and Khulna have recently gone into production. There are 7 smaller factories operating on cottage scale. Productive capacity is expected to rise soon to meet full requirements. Case for protection is with T. C.
26.	*Leather Industries*—								
	(*a*) Footwear industry	n.a.	n.a.	n.a.	n.a.	n.a.	2,10,00,000 pairs	n.a.	
	(*i*) Requirements of canvas and rubber shoes.	n.a.	Sufficient	n.a.	Surplus	n.a.	54,00,000 pairs	n.a.	The target for leather industry approved by Council of Industries is 20 mechanised tanneries for sole leather and 25 for upper leather with productive capacity of 190 lakh lbs. and 158 lakh sq. ft. respectively.
	(*b*) *Tanning industry*—								
	(*i*) Upper leather	n.a.	72,00,000 sq. ft. (by mech. units)	n.a.	1,25,00,000 sq. ft.	n.a.	2,05,00,000 sq. ft.	n.a.	
	(*ii*) Sole leather	n.a.	83,00,000 lbs. (by mechanised units).	n.a.	1,50,00,000 lbs.	n.a.	2,36,00,000 lbs.	n.a.	
27.	*Art Silk Industry*	47	55 lakh yards.	n.a.	n.a.	n.a.	n.a.	n.a.	A total of 736 powerlooms is in production.

(*Source: Ministry of Industries.*)

APPENDIX No. 20

List of goods produced in Pakistan the import of which is restricted to conserve foreign exchange, (September 1952)

1. Lathes.
3. Grinding wheels.
4. Conduit pipes-B-2|6.
2. Small hand tools.
5. Soda ash.
6. Sulphuric acid.
7. Ephedrine & Salts.
8. Bangles.
9. Electric lamps (bulbs).
10. Standard electric accessories.
11. Ceiling fans.
12. Footwear.
13. Wooden furniture.
14. Cutlery.
15. Hurricane lamps.
16. Aluminium utensils.
17. Locks.
18. Leather.
19. Surgical instruments (metal).
20. Spirits (denatured).
21. Sugar cane crushers and oil engines, etc.
22. Mustard oil.
23. Carbon paper.
24. Jams, jellies, pickles, etc.
25. Fruit juices.
26. Salt.
27. Gur.
28. Mollasses.
29. Tea.
30. Bottled provisions and canned fruit.
31. Vegetable ghee.
32. Cycle tyres & tubes.
33. Rubber soles & heels.
34. Cycle accessories.
35. Worsted yarn.
36. Hand loom cloth.
37. Cigarettes.
38. Hair oil.
39. Laundry soap.
40. Combs, hair clips, etc.
41. Rosin.
42. Buttons.
43. Fireworks.
44. Ivory (manufactured).
45. Umbrellas.
46. Requisites for games and sports.
47. Plastic & leather manufactures.

(*Source: Ministry of C*

APPENDIX No. 21

Main objectives of Six-Year Development Plan

Sl. No.	Field	Estimated expenditure	Existing position		Objectives (shows increase only)
1	2	3	4		5
1.	AGRICULTURE ...	... Rs. 82 crores ...	Crop Area	54 million acres	6 million acres.
			Food Crops*	20 millions tons	6.9 million tons.
			Non-food cash crops.†	1.4 million tons.	1.9 million tons.
			Other agricultural commodities.‡	...	55 million tons.
2.	TRANSPORT AND COMMUNICATIONS—	... Rs. 53 crores.			
	(a) Railways ...	... Rs. 20 crores ...	Locomotives	1.244	170 new engines.
			Carriages	4.154	310 new carriages.
			Wagons	38.153	1,950 new wagons.
			Sleepers ...	...	3 million sleepers to be re-placed. Full repair facilities to be provided on E. B. R.
	(b) Roads	... Rs. 10 crores ...	...	63,259	9,198 miles.
	(c) Ports	... Rs. 14 crores ...	Handling capacity of Chittagong 0.6 million tons.	...	3.4 million tons.
			Ship repairing facilities.	...	Provision of Dry Dock at Karachi.
	(d) Telecommunications	... Rs. 9 crores ...	Telephone Exchanges **	111	55(L)
			Telephones ...	17,626	30,174
			Telegraph Offices.	2,638	200
			Tele-printers ...	60	100
3.	FUEL AND POWER	... Rs. 47 crores ...	Hydro-electric	9,600 K.W.	2,07,000 K.W.
			Thermal Power	67,030 K.W.	40,300 K.W.
			Coal production	0.3 million tons.	0.5 million tons.
4.	INDUSTRY AND MINING ..	Rs 49 crores ...	Mechanisation of Mines.	...	About 30 mines to be mechanised.
			Cotton Textiles	100 million yds.	1,250 million yards.
			Jute goods ...	*Nil*	130,000 tons per year.
			Paper manufacture.	*Nil*	30,000 tons per year.
			Other industries	...	Woollen textiles, heavy chemicals, fertilisers, sulphuric acid, soda ash, soap and glycerine, leather, vegetable oil, glass and ceramics, sugar, etc.
			Geological survey	...	A complete survey of the whole country to be conducted.
5.	SOCIAL CAPITAL	... Rs. 29 crores.			
	(a) Housing	... Rs. 4 crores.			
	(b) Health & Medical	... Rs. 4 crores ...	Rural Dispensaries.	1,691	600
			Mobile Dispensaries.	...	600
			Hospitals ...	744	120

(Contd. on next page)

Sl. No.	Field	Estimated expenditure	Existing position		Objectives (shows increase only).
1	2	3	4		5
(c)	Education	Rs. 10 crores ...	Primary Schools	39,612	4,460
			Middle Schools	4,833	4,956
			High Schools	1,649	1,020
			Teacher's Training Schools.	108	31
			Teacher's Training Colleges.	4	6
(d)	Technical Training and Polytechnics.	Rs. 9 crores ...	...	...	Technical training institutes and research laboratories and Scholarships for training abroad.
(e)	Water supply for Karachi ...	Rs. 2 crores ...	...	...	25 million gallons a day.

(*Source* : *Ministry of Economic Affairs.*)

*Including cereals, pulses and food, cash crops, *viz.*, oil seeds, vegetables, sugarcane, fruit and tea.

†Including jute, tobacco, cotton.

‡Including wool, hides and skins, forest products, milk products and fodder. Of the total estimated increase (*viz.*, 55 million tons), 48 million tons represent fodder, 5 million tons forest products and 1·3 million tons milk products.

**Manual and automatic, excluding private branch exchanges.

(L) According to subsequent figures supplied by the Posts and Telegraphs Department.

Six-Year Development Programme of Pakistan (July 1951—June 1957)

(Below is reproduced the explanatory text of the Six-Year Plan of Pakistan which was compiled in September 1950 and published in November 1950). Since then the Plan has undergone modification and amplification, and a number of schemes included in it have been revised.)

In Pakistan, the Development Board has so far examined 212 schemes sponsored by various Provincial Governments and Central Ministries and approved of 111 schemes of the total value of Rs. 1,125,700,000. This work does not, however, represent an attempt to plan development nationally. Even a large number of unrelated projects does not make up a National Plan. No attempt has so far been made to prepare an integrated plan of "consumption, production, investment, trade and income distribution in accordance with social objectives set by bodies representative of the nation." The statement of industrial policy has been made and as a result of certain conferences, targets have been set for various industries. But man does not live on bread alone and a national plan has to take into account not only the production and distribution of goods, but also social services and civilising activities. The standard of living of a people is a composite whole, comprising material, social and cultural amenities. A proper equilibrium amongst these factors probably determines the fullness of life of a people. For the formulation of a national plan, it is necessary to state the norms for the attainment of which the nation must strive. These norms will constitute the measure of the standard of living which, within a specified time, it is desired to achieve.

Social objective

While almost every one talks these days of standard of living, few perhaps would be able to define the ideal which is attainable within a foreseeable future, even under the most favourable conditions. It is easy enough to aver that the social objective of a country should be to ensure a full life for all its citizens, but a full life itself is impossible to define as its perquisites vary for every race and every clime. The removal of poverty and want is often a politician's promise which eludes definition, for poverty and want are both relative terms, with a different connotation in every set of cricumstances. The Indian National Planning Committee decided "that the doubling of the present standard of living amongst the people of India, within a prescribed time-limit, say ten years," was one of the aims of planning. A more rational way of viewing the problems would, perhaps, be to assess the development that can be made on pre-determined lines within a specified period, and, at the end of this period, to review the change brought by that development in the economic life of the country and to begin work on the next phase of the plan.

The need for a Development Programme

A greater part of the area now comprising East Pakistan was included in the India—Burma—China theatre of the war and suffered not only the damage caused by the enemy, but even to a large degree devastation arising from the scorched-earth policy of the defenders of the land. It is a well-known fact that the great famine which cost Bengal several million lives and the health of an entire generation was to a large extent caused by the scorched-earth policy of the Allied armies. When the war ended, the Allied armies marched away seemingly unconscious of the havoc that had been wrought in that land by the fact of their occupation. While the economic rehabilitation of Europe became a major concern of the United States, the rehabilitation of East Pakistan appears to have interested no one—neither the United States nor the United Kingdom.

India was an important supplier of raw products needed for the war and these came almost entirely from the area now constituting Pakistan. The prices at which these commodities were supplied were controlled ruthlessly and bore no relationship to their value. The producers of these commodities were deprived of the only chance which came to them in a quarter of a century to build up reserves for the coming years, when the prices of agricultural products would fall. Nor was this all. In India, most of the war expenditure was financed by "created" money and as inflation increased, the value of the small savings of the cultivator diminished. This was a forced contribution to war, and the burden fell the heaviest on the producers of basic commodities, especially as the prices of basic commodities were controlled severely. There was no increase in the value of these commodities even as prices enhanced, because they rose in direct proportion to inflation. On the other hand, the industrialised countries enjoyed the full advantage of scarcity of goods which has characterised the post-war period. It is difficult to assess in monetary terms the suffering imposed on the producers of raw products in Pakistan, but it is evident that it must be very large indeed.

No part of the Indian sub-continent suffered so intensely from the direct and indirect effect of war as the provinces which now constitute Pakistan. These provinces were essentially agricultural. Eastern Pakistan was a part of the Eastern Front and suffered from the scorched-earth policy as well as the economic effects of war. Its railway system was reduced to a scrap by the intensive use and lack of repairs during the period of army occupation. West Pakistan was the granary of the sub-continent and the land of the warrior classes. The financial reserves which its people should have built up were diminished by the fixation of very low prices of food commodities required for the Allied armies. The value of their reserves was further diminished by inflation, and by the fact of the prices of manufactured goods rising much more than the prices of agricultural commodities. In the Western provinces also, the transport system was reduced to a very low state, because of intensive use of the carriage of foodgrains and troops, as the recruitment to the army of the combatant personnel was largely confined to this area.

Soon after war came Independence. The periods preceding Independence and that following it make up one of the most gruesome chapters in human history. Widespread communal riots, arson, massacre and unspeakably sadistic cruelties which occurred during these two years eclapse the ravages of Changiz Khan hordes into insignificance. The two peoples who had lived together for several centuries, without being welded into a nation, decided to part and to seek their own ways of life separately. The entire economy of the sub-continent was changed and the development plans which had been talked of for the five years of war were relegated to the background. Pakistan set out on its Future without its share of assets, without any developed resources—in fact little but the grim prospect of a long and hard struggle ahead.

The need for development in Pakistan is so patent that one almost assumes it as a self-evident truth. In any agricultural country the measure of advancement must be the production of agricultural commodities per acre. In Pakistan it is one of the lowest as the following table will show :—

TABLE I.—YIELDS OF CROPS

Present yield per acre

Item	*West Pakistan*	*East Pakistan*	*Yield per acre in other countries*	
	lbs.	lbs.		lbs.
(1) Wheat	850	...	Germany (1941) ...	2,200
			Italy (1941) ...	1,350
(2) Rice	...	890	China	1,400
			United States ...	1,450
			Egypt	2,000
			Japan	2,300
			Italy	3,000
(3) Tobacoo	962	...	United States ...	1,180
			Canada	1,133
			Argentina ...	841
(4) Cotton	166 (1948-49)	...	Egypt	745
	205 (highest		China	142
	1942-43)		United States ...	234
			U.S.S.R. ...	333
(5) Jute	...	1,240	Expert's objective is	1,640

The following table further illustrates the economic backwardness of Pakistan :—

TABLE II.—STEEL CONSUMPTION

Country	*Per capita consumption (in lbs.)*	*Year*
Pakistan	3	1949
India	8	1946
Ceylon	11	1936-39 average
Iran	14	1936-39 average
Turkey	19	1936-39 average
Spain	40	1948
Brazil	46	1946
Argentina	164	1935-39 average
Germany	209	1948
Great Britain	594	1948
United States	855	1946

TABLE III.—FOOD AND CLOTH CONSUMPTION

Consumption per capita standard (1949)

Item	*East Pakistan*	*West Pakistan*	*Minimum standard of consumption per capita recommended by experts*
(1) Cereals	330 lbs. p.h. p.a.	368 lbs. p.h. p.a.	365 lbs. p.h. p.a.
(2) Pulses inc. Gram	0·8 ozs. p.h. p.d. on the whole		3 ozs. p.h. p.d.
(3) Vegetables	1·58 ozs. p.h. p.d. on the whole		6 ozs. p.h. p.d.
(4) Fats and oils	·12 ozs. p.h. p.d.	·54 ozs. p.h. p.d. (or .3 ozs. p.h. p.d. on the whole).	1·5 ozs. p.h. p.d. of all kinds of fats and oils.
(5) Sugar cane	On the whole 30 lbs. p.h. p.a.		United Kingdom, 112 lbs. p.h. p.a. United States, 103 lbs. p.h. p.a. Japan, 29 lbs. p.h. p.a. Australia, 114 lbs. p.h. p.a.
(6) Fruits	On the whole 2 ozs. p.h. p.d.		3 ozs. p.h. p.d.
(7) Fish	·080 ozs. p.h. p.d.	·094 ozs. p.h. p.d.	Fish, meat and eggs at 2·5 ozs. p.h. p.d. For fish alone say 1 oz. p.h. p.d.
(8) Milk	1·2 ozs. p.h. p.d.	3·5 ozs. p.h. p.d. (with lassi, curd, &c., works out at 8 ozs. p.h. p.d.).	8 ozs. p.h. p.d. of pure milk.
(9) Cloth	As a whole 9 yds. *per capita.*		18 yds. *per capita.* In United States, consumption 46 yds. *per capita.*

TABLE IV.—RAILWAYS

Country	*Total mileage*	*Miles of lines per 100 sq. miles of area*	*Population per mile of line*
Pakistan	6,982	1·9	11,863
United States	238,829	6·9	573
United Kingdom	20,080	22·5	2,233
Belgium	6,470	54·9	1,250
France	26,437	12·4	1,585
Italy	14,220	11·8	3,023
India (undivided)	43,128	2·3	8,181

TABLE V.—POWER

Country	*Available total K. W. capacity*	*Capacity in K. W. per* 1,000
Pakistan	69,074	1·02
Japan	8,539,000	109·00
India	1,362,000	4·10
China	1,332,000	2·88
Indonesia	350,000	3·07
Malaya	120,000	20·68
Philippines	108,000	5·53
Hong Kong	27,000	41·14
Indo-China	46,000	1·70
Burma	30,000	1·76
Ceylon	21,000	3 04
Siam	16,000	0·94

TABLE VI.—EDUCATION

Subject	Country	Post-war proportion of university students to entire population
University education ...	Pakistan (presumed as in undivided India)	1 to 2,206
	Germany	1 to 690
	United Kingdom	1 to 837
	United States	1 to 225
Bisnil	U.S.S.R.	1 to 300

TABLE VII.—HEALTH

	Ratio to population in case of—			
	Doctors	Nurses	Midwives	Pharmaceutists
Pakistan	1 to 6,000	1 to 43,000	1 to 60,000	1 to 4 million
United Kingdom	1 to 1,000 (1946)	1 to 300 (1946)	1 to 618	1 to 3 doctors
United States	1 to 750			

In undivided India, it was computed that while the income *per capita* was Rs. 64|-, the cost of the bare necessities of life, which comprised the following items, was Rs. 71|-:—

Food *per capita* per day : Cereals, 16 ozs. ; Pulses, 3 ozs. ; Sugar, 2 ozs. ; Vegetables, 6 ozs. ; Fruits, 2 ozs. ; Fats and Oils, 1.5 ozs. ; Whole Milk, 8 ozs.

Cloth : 30 yards *per capita* per year.

Housing : 100 square feet per person.

Health : One dispensary per village, general hospitals and maternity clinics in towns, specialised institutions for treatment of T.B., etc., and proper sanitary and water supply arrangements.

Education : Every person of 10 year's age should be able to read and write, and also take intelligent interest in private and social life.

This was at prices which ranged in 1939. In Pakistan, the cost of almost the same standard of life at prices as on 1st July, 1950, would be Rs. 211 and the income *per capita* (very roughly calculated) Rs. 215. The Tata. Plan. took as its ideal the doubling of standard of living in a period of 10-15 years at a cost of Rs. 10,000 crores (100,000 million). The National Planning Committee, too, set before itself the objective of doubling the standard of living in 10 years.

Though the social objectives of Pakistan have not been defined, it is certain that they are higher than a mere provision of a standard of living very near the minimum requirements of human life. It is, however, realised that viewing the matter realistically, an expenditure equal to 1|5th to 1|4th of what the Tata Plan contemplated, is beyond the conceivable capacity of Pakistan. Fortunately the country is self-sufficient (and even a little surplus) in food. She produces 85 per cent. of the world's jute and a large quantity of cotton, hides and skins, wool, etc. There is sufficient potential of hydro-electric, but withal her economy is entirely agricultural, with the consequent low standard of living. At present there is no jute mill in Pakistan despite the fact that she grows 85 per cent. of world's jute. Most of her raw cotton is exported as there are only 277,000 spindles working which can consume about 33,000 tons out of a total production of 200,000 tons of cotton. For want of tanneries, the entire production of hides and skins is exported. Out of a potential of 5 million K.W., the present hydro-electric generation is only 9,600 K.W. The production of coal is only 324,027 tons per year as the mines are not mechanised and are still worked by archaic methods.

It will be observed that there is poverty—dire, oppressive poverty—in Pakistan in the midst of a possible plentitude, and one's mind naturally turns to schemes of economic development of the country.

There is a very great deal to be done in every sphere of national life, social services, industries, transport, agriculture and the rest. The Government of Pakistan have, however, decided to follow the good principle that national effort towards social and economic development must be applied first to fundamentals. The first phase of the development programme of Pakistan is proposed to be confined generally to "basic development," *i.e.*, the development of essential industries and services, *e.g.*, irrigation, mechanisation and modernisation of agriculture. The six year's programme of development which has been formulated by Pakistan and which is now being forwarded to the Commonwealth Consultative Committee, in accordance with the decision taken in this behalf at Sydney, envisages a total expenditure of Rs. 2,400 million. It is not a spectacular programme and the end of the period of its realisation there will apparently be but little visible change in the standard of living or the pattern of economy, but in fact the foundation of a sound national economy of the future will have been laid. The estimated expenditure of Rs. 2,400 million* will be distributed over various sections of development, as shown in the following table:—

	Rs. million
(1) Power	450
(2) Transport (Railways)	200
(3) Ports	140
(4) Roads	100
(5) Telecommunication	90
(6) Mines and Surveys	30
(7) Agriculture and Irrigation	820
(8) Industry	480
(9) Water Supply	20
(10) Technical Training	70

It is expected that the implementation of the six years' development plan will have the following effects:—

(*a*) Increase in power by 256,000 K.W.

(*b*) Increase in area under cultivation by 6 million acres.

(*c*) Increase in production of food crops by 6,855,000 tons.

(*d*) Increase in production of non-food crops by 55,000,000 tons.

(*e*) Rehabilitation of Railways:

(i) New engines: 170

(ii) New wagons: 1,950.

(iii) New carriages: 310.

(iv) Machinery for workshops: to provide necessary facilities for repairs and overhauls on E.B.R.

(v) Replacement of sleepers: 3 million.

(*f*) Development of Chittagong Port: Handling capacity of the port will rise to 3,960,000 tons per annum.

(*g*) Geological Survey: A complete geological survey would have been completed.

(*h*) Mechanisation and modernisation of coal mines: About thirty mines in all would be mechanised.

(*i*) Telecommunications: Number of telephones would increase from 17,526 to 47,800; telephone exchanges from 111 to 223; telegraph offices from 2,638 to 2,838; teleprinters from 4 to 15, etc.

(*j*) Increase in water supply of Karachi by 25 million gallons a day.

(*k*) Production of textiles up to 1,350 million yards or 900,000 bales.

(*l*) Production of paper up to 3,000 tons per annum.

(*m*) Production of jute manufacturers up to 130,000 tons per annum.

In terms of standard of living, there will be an increase of 30 per cent., but this does not take into account the effect on the economy of the country of the development of small-scale and cottage industries (which will continue to be looked after by the Provincial Governments out of their revenue resources). In a country with predominantly

* Subsequently, Rs. 200 million was added for Education (100), Health (40), Housing (40) and water supply at Karachi (20).

agricultural economy, and that, too, of a rather primitive type, it is essential that the masses of ryots should be provided with secondary avocations to supplement the paltry income derived from agriculture. The precise economic effect of this expenditure cannot, however, be assessed. Nor is it possible to evaluate financially the effects of the basic development which will take place as a result of the Plan. It is essentially a preparatory plan—a plan to enable the country to develop industrially in future.

Power

The first place in the development plan has been given to generation of power, as it is realised that without an adequate supply of power, the process of industrialisation must indeed be very slow. It has been estimated that Pakistan's power potential is between 5 and 6 million K.W., and the first Pakistan Industries Conference, which met in December 1947, recommended a target production of 500,000 K.W. in the coming five years. Subsequently, Sir Henry Howard (a Consulting Engineer of repute) surveyed the power resources and immediate demands for power in Pakistan and estimated that up to 1955 the generation of 200,000 K.W., would be necessary. It has been decided, in consultation with the Central Engineering Authority and Messrs. Merza, Rendel, Vatten (Pakistan) to undertake a countrywide transmission of electric energy from the projected generating stations by means of suitable electric grids. These will eventually join up in two grids, one in the East and the other in the West Pakistan and supply power at the very doorsteps not only of the industrialists but also of other consumers throughout Pakistan. At present the total installed capacity of the different power stations in Pakistan (excluding small sets which certain units of industries are using for their own purpose) is 69,074 K.W., distributed as follows :—

	KW.
Diesel	24,450
Steam	32,868
Gas	56
Hydel	10,700

The major portion of this power is generated by old and inefficient diesel and steam stations, which have been in continuous operation for several years, without repair and overhaul, due to ever-increasing demand for electricity and non-availability of spare parts during the war. The additional load, the demand for which has already been registered with the appropriate authorities, already exceeds the estimates given by Sir Henry Howard, namely, 200,000 K.W. Taking all factors into consideration, the Government of Pakistan have decided to proceed in the matter with extreme circumspection and to restrict the target for the next five years to the estimates prepared by Sir Henry Howard. The following hydel projects have been taken in hand already or sufficient progress has been made in planning to lead to the expectation that they will be taken up in the very near future :—

(1) Extension of Malakand Hydro-electric Station : Additional production 10,000 K.W.

(2) Rasul Hydro-electric Project, installed capacity : 22,000 K.W.

(3) Dargai Hydro-electric Station : 15,000 K.W.

(4) Mianwali Hydro-electric Project : 30,000 K.W.

(5) Warsak Hydro-electric Project : 60,000 to 100,000 K.W.

(6) Karnafuli Hydro-electric Project : 40,000 K.W.

Transport (Railways)

It has come to pass that the railways situated in the territory now comprising Pakistan have had to bear the brunt both of the Allied struggle against Japan on the Eastern Frontier of the Indian Sub-Continent and the conditions of anarchy and chaos which followed Independence, in some provinces of India. On the Eastern Front, the railway system now called the East Bengal Railway, besides contributing, in 1942, a large number of metre-gauge locomotives and wagons for the use of Allied forces in Iraq, had to carry almost the entire military traffic caused by the Allied activity in that region, with the result that the system almost succumbed to that pressure, for which it was neither planned nor prepared. By the time victory was won the entire East Bengal Railway had been worn down to a very low condition. Unfortunately, by the terms of Partition, Pakistan had to take over the Railway at its book value, notwithstanding its actual condition.

In West Pakistan the North-Western Railway had similarly borne its share of the effects of war. The railway set apart a considerable portion of its workshop—at that time perhaps the most efficient workshop on the sub-continent—for the use of the Army, for manufacturing war materials. This railway had also to carry large military traffic, serving as it did (and does) an area inhabited by martial races which have, through the ages, supplied the largest portion of the army personnel on the sub-continent. This area being surplus in food, the railway had to carry food for the rest of India and for the armies spread over the sub-continent. When peace came and the rehabilitation of railways was planned, orders were placed for the replacement of engines and rolling-stock for these railways also, but before they (the engines and the rolling-stock) arrived, the country was partitioned and the railways in Pakistan were denied their share.

Immediately after Independence, anarchy and massacre raged in East Punjab (India) and the North-Western Railway had to carry the entire refugee traffic in both the directions. The refugees taken to India added to the losses of the Railway by causing wanton damage to carriages.

The Provision made in the development plan for the rehabilitation of railways comprises the following items :—

New engines	...	...	...	...	...	...	170
New wagons	...	...	...	...	...	...	1,950
New carriages	...	...	...	...	...	...	310
Replacement of sleepers		...	...	...	...	...	3,000,000

Also certain additional machinery for workshops.

While many new railway links have been surveyed and it is recognised that many of them are of extremely urgent necessity, a sum of Rs. 25 million only has been provided in the programme for new constructions.

Ports

A provision has been made in the development programme for development of ports to the extent of Rs. 140 million, out of which nearly Rs. 130 million will be expended on Chittagong. Throughout the entire period of British rule in India, every effort was expended on the development of Calcutta. The teeming millions of East Pakistan toiled and sweated for bare subsistence and their towns and dwellings were allowed to decay, as the only purpose for which the fertile plains of East Bengal were considered to be meant was to produce jute for the jute mills of Calcutta or for being exported from Calcutta to countries of the world. Chittagong, the Port of East Bengal, was neglected and it was only during the war that under the stress of Japanese threat, it came into certain prominence. At the time of the establishment of Pakistan, Chittagong had a jetty frontage of about 2,300 ft., comprising four berths capable of taking in four ships. The jetties were old, the equipment was worn out and the maintenance work had been completely neglected, while the Allied armies on the Eastern front occupied the port. The condition of the port on the whole was unspeakable.

The handling capacity of Chittagong was between 5 and 6 million tons per annum in August 1947. Some work has been done on it, at a cost of little over Rs. 10 million, but a very great deal still remains to be done. It is to be remembered that the port of Chittagong alone serves East Pakistan, which has a population of nearly 45 million and which produces nearly 85 per cent. of world's jute, which is entirely exported The Consulting Engineers. Messrs. Merz, Rendel, Vattan (Pakistan), have now completed their plants of development, and during the next five years it is proposed to spend a little over Rs. 130 million.

The balance of Rs. 10 million is required for a drv dock at Karachi.

National highways

Pakistan has at present 63,259 miles of roads, out of which nearly 50,000 miles are unmetalled. It is inevitable that an all-round development of the country should necessitate the opening up of new communications, especially as it is expected that there will be a very large increase in agricultural production in Pakistan, which will have to be moved to markets. The various Provincial Governments have submitted to the Central development authorities schemes for the construction of a little over 9,000 miles of new roads at a cost of Rs. 616,426,000. Most of the expenditure will be internal. Taking into consideration the necessity of giving proper balance to the whole plan, the Government of Pakistan are of the opinion that expenditure on roads should be restricted to Rs. 100 million during the next six years, and a provision for that amount has been made in the Plan.

Industries

It has been emphasised in some of the preceding chapters that the first six years' plan of development embodies projects relating principally to basic needs of the country. While it is essential, from a long-term point of view, to concentrate every effort on fundamentals, *e.g.*, Power, Transport, Communications, &c., it also appears necessary that the immediate needs of the people should not be disregarded entirely. The provision of sufficient cloth is one of these elementary necessities of human life. In undivided India, various planning missions which engaged themselves on the task of preparing development plans for the sub-continent, estimated that the average requirement of cloth *per capita* was 30 yards per annum. In Pakistan, at present, the production of cloth amounts to 500 million yards, including the handloom production out of the imported yarn. In 1949, 200 million yards of foreign cloth were imported, thus giving an average consumption of nine yards *per capita*. This is obviously inadequate. The first Pakistan Industries Conference reported that during the next few years we should set for ourselves a target of 18 yards *per capita*, or 1,500 million yards in all, for the whole country. To make up the entire shortage even with the reduced requirement of 18 yards per head, Pakistan requires about 40 textile units of 25,000 spindles each. Out of this 16 have already been ordered, or are under construction. Taking account of expenditure in other sections of the Plan, the Government of Pakistan have reached the conclusion that it will be possible for 24 units to be set up during the next six years. At the end of the period, the productive capacity of Pakistan will be about 1,350 million yards, thus leaving a shortage of 150 million yards. This will have the effect of reaching our external expenditure by Rs. 300 million. With the rise in the standard of living, people will no doubt require larger quantities and better qualities of cloth, for which Pakistan will have to look to foreign markets.

Jute

Pakistan produces 85 per cent. of the world's jute, but depends on foreign countries for the supply of even its own requirements of jute manufactures. As Pakistan produces bulk of the world's raw jute, it should be easier for her to develop a jute manufacturing industry to meet its own demands as well as such portion of world's demand as is not already covered by the existing industry, or which may develop because of the inability of the existing industry to meet the growing demand on account of increased production of food-grains in the world or on account of diminution in the production of the existing old and decaying mills. It is necessary to manufacture jute goods under the most favourable circumstances, so that they may be produced economically and be able to compete with substitutes. The threat of substitutes has to be met effectively, as it is a threat to the entire economy of Pakistan. The Government of Pakistan has, therefore, decided that jute industry must be considered as one of the basic industries of Pakistan, and has set a target of 15,000 loomage for the next 10 years. In the development programme for six years, provision has been made for five jute mills at a cost of Rs. 110 million.

Paper

Along with cotton textiles and jute, the manufacture of paper is regarded as a basic requirement of Pakistan. There is a very large supply of bamboo in the Chittagong Hill Tracts of East Pakistan and most of it has been exported so far. Lately, the Government of Pakistan engaged the services of two foreign consultants, both of whom reported very favourably on the feasibility of establishing a paper mill in Chittagong. At present, Pakistan imports nearly 40,000 tons of paper a year but with increased literacy and political consciousness, an increase in consumption is inevitable. For the time, being, however, it is planned to set up a mill of the capacity of 100 tons finished paper per day and the expenditure on this mill during the period of the plan is estimated at Rs. 40 million.

Agriculture

As is well known, the economy of Pakistan is predominantly agricultural and out of the population of 80 million, at least 80 per cent. subject on agriculture. In under-developed countries, particularly where archaic methods and paucity of fertilisers have exhausted both the soil and the tiller, the introduction of modern methods and mechanical equipments is an urgent necessity; if the standard of living of the people is to be raised and they are to be convinced that something is being done to ameliorate the drudgery of existence. Considering the prevalent illiteracy and poverty in the country, it is not to be expected that the small farmer will be able to turn to mechanical ways of farming on his own account. He has to be educated and subsided either directly or indirectly. The Government of Pakistan has, therefore, decided to :—

(i) establish a central agricultural engineering organisation and workshops to popularise the use of modern machinery;

(ii) provide earth-moving machinery;

(iii) provide fertilisers, batteries of tractors and essential spare parts;

(iv) establish modern workshops capable of overhauling tractors;

(v) establish seed farms;

(vi) subsidise the sale of fertilisers and ultimately to set up a fertiliser factory.

The pressure on land at present is so severe and the need for rehabilitating the several million refugees who have immigrated into Pakistan is so urgent that several vast tracts of waste land have to be brought under cultivation. For this purpose, very large irrigation works are necessary and accordingly two such projects have been taken in hand, and a third is in the offing. These two projects, *viz.*, Thal and Kotri, will command additional 4.8 million acres. The irrigation works alone will cost Rs. 270 million and colonisation projects Rs. 209 million. The third project is, in fact, a multi-purpose scheme intended essentially to generate electricity, but it will, incidentally, bring under irrigation 93,000 acres of land. The cost of this project has been included under "Power". Another scheme of colonisation is the one known as "Abbasia Colonisation Scheme" and is intended to bring under irrigation 26,000 acres of land is estimated to cost Rs. 18 million.

Besides irrigation and mechanisation of agriculture the problem of modernising agriculture in Pakistan involves the use of improved varieties of seeds and fertilisers and crop planning. A sum of Rs. 100 million has been provided for seed farms. As regards fertilisers, we import, at present about 20,000 tons per year at an average *c.i.f.* value of Rs. 200. The import price is so high that the use of fertilisers is necessarily very restricted. The Government of Pakistan has. therefore, planned to set up a fertiliser factory, capable of producing 80,000 tons per year at a cost of nearly Rs. 50 million. A provision has been made in the development programme for the importation of fertilisers of the value of Rs. 92.5 million during the next years 1951—57. It is, however, projected to establish a fertiliser plant, for which separate provision has been made and when it is in operation the import of fertilisers will be reduced.

Another irrigation problem which confronts Pakistan is that of waterlogging. It has been estimated that over 2.3 million acres of arable land are now lying waterlogged in West Pakistan and about 40,000 acres of land get waterlogged yearly. Various measures have been suggested by experts from time to time to meet this menace and quite recently Dr. Wilhelm of the United States Department of Reclamation paid a visit to Pakistan to study the question. It has been decided that the best method of removing waterlogging is by construction of tube-wells in the area, by which means the water table can be lowered. A special hydro-electric project, called "Rasul" is under construction for this purpose, and as soon as it is ready, a chain of tube-wells will be constructed. On the whole, a provision of Rs. 124 million has been made in the Development Plan for the purpose of removing waterlogging in West Pakisan.

Provision has also been made in the Plan for the development of fisheries and improvement of livestock. Pakistan is known to have substantial resources of fisheries, but very little has been done so far to develop them. Recently, an F.A.O. expert, Dr. G. L. Kesteven, visited Pakistan, and it is hoped that measures will be taken in the near future to develop fisheries.

As regards livestock, it may be observed that cattle are not only a source of milk and meat but also the principal source of power for agricultural purposes. Even with partial mechanisation of agriculture in Pakistan, cattle will continue to play a major part in agriculture. A sum of Rs. 200 million has been provided in the Plan for improving cattle wealth of the country and for developing dairy farms.

The overall effects of the measures of irrigation, mechanisation and improved methods of agriculture briefly will be :—

(a) To bring under cultivation 6 million acres of land ;

(b) To increase the total production as follows :—

	Tons
(*i*) Foodgrains	2,550,000
(*ii*) Oil-Seeds	695,000
(*iii*) Commercial Crops	2,807,400
(*iv*) Fodder	48,000,000

Making allowance for larger consumption due to increase in population and better standard of living, it is estimated that the exportable surplus at the end of 6 years will be of the value of Rs. 1,445.5 million, as at prices on 1st July, 1950.

It will be observed that in our agricultural programme for the next six years a good deal of emphasis has been laid on oil seeds, pulses and vegetables. This has been done in order to improve the nutritive value of food of the common man. The Plan, in this behalf, is based on the objective of providing 2,600 calories per man per day, as recommended by Dr. W. R. Aykroyd, Director, Nutrition Division, F.A.O.

Telecommunications

The capacity of the existing telephone system is extremely inadequate for the requirements of the country, and at almost every station a large number of applications for new telephone connections is pending and the demand grows daily. The density of telephones per 100 population in Pakistan is .02 as against—

United States	24.02	United Kingdom	9.03
Canada	17.04	Australia	11.09
Argentina	4.00	New Zealand	16.05
Denmark	14.08	Norway	12.00
Sweden	21.02	France	5.20
Switzerland	16.03		

The present number of trunk circuits between the important exchanges is very small and cannot deal efficiently with the existing traffic. Only "delayed" service is given on all sections in the country and the available channels have not been able to introduce "on demand" service on any route. The traffic throughout the country is increasing progressively and will continue to increase with the development in trade and improvement in living standards.

The existing telegraph systems in the country are mostly Morse and Baudet. To a small extent teleprinters are in use. Baudet is now almost an obsolete system and Morse is slow and wasteful.

The present number of offices in the country where telegraph services exist is 854. For a country with 80 million population, this number is too small. So apart from modernisation it is necessary to extend the telegram facilities to rural areas in the interior.

The Government of Pakistan have decided to extend and modernise telecommunication services in the country at a cost of Rs. 90 million. The following measures are proposed to be taken :—

(a) To instal new telephone exchanges at 55 places in the country during 6 years.

(b) To extend 66 existing telephone exchanges.

(c) To extend trunk circuits.

(d) To extend telegraph facilities by opening 200 additional offices during the next 6 years. Additional over-head lines will be erected from the nearest existing telegraph offices suitable for working Morse.

(e) In comparatively large offices where telegraph traffic is fairly heavy, the existing Baudet and Morse systems are propdsed to be replaced by teleprinters. It is expected that 100 telepriners will be installed during the period of the Plan.

(f) With the extension of telegraph service and increase in the telegraph traffic, suitably to increase the number of existing telegraph circuits on main routes.

(g) To instal facsimile services between Pakistan and Overseas and within Pakistan. During the next 5 years the service will be made available at Karachi, Lahore and Dacca. The equipment at Karachi and at Dacca will be suitable for operation on radio telephone circuits. The Karachi terminal will also work on overseas circuits. The equipment at Lahore will be suitable for operation on landline carrier channels.

(h) A training centre has been established in the Punjab where technical staff of all categories in the Posts and Telegraph Department receive theoretical and practical training. It is proposed to establish a testing laboratory at the centre where operators and equipment will be tested and standardised.

A provision of Rs. 90 million (for the development of telecommunication services in Pakistan) has been made in the Plan.

Coal mines and Geological survey

The annual requirement of coal of Pakistan, at present is estimated to be 1,680,000 tons, out of which local production amounts only to 324,027 tons. Messrs. Powell Duffryn (Technical Services) Ltd., of London who were engaged recently to advise the Government of Pakistan have reported that by a mechanisation of these mines the production will rise to 835,000 tons per year.

A geological survey of Pakistan has not been made so far, and there are reasonable indications of the existence of considerable quantities of several minerals. In the Colombo session of the Standing Committee of the Commonwealth Consultative Committee. Pakistan asked for a geological survey party out of the Commonwealth Technical Assistance Scheme, and it is hoped that the Commonwealth countries will be able to provide such a party in the near future. It is essential, for the economic life of Pakistan, to have a geological survey made at a very early date, and to take in hand an extension of mining operations.

A total provision of Rs. 30 million has been made in the Plan for the mechanisation of mines and an extension of geological operations.

Technical experience

While it is true that Pakistan, like other countries in South Asia, is short in technical personnel, it is expected that sufficient skilled staff will be available for the projects which comprise the Six Years' Development Programme. There may be difficulties as far as very senior appointments are concerned, but it is hoped that the foreign manufacturers on whom orders will be placed for machinery will be able to send out experts, and also to undertake the training of Pakistan nationals in the relative work. It may be observed, in this connection, that only few of the projects included in the Plan are new to Pakistan. Even in the matter of paper and jute manufacture, which are entirely new ventures in Pakistan, there are available, at present, a number of Pakistanis who have held important posts in similar enterprises in India. In regard to agriculture and irrigation projects, it is generally admitted that Pakistan technicians are very well qualified in the work. Even if there is an overall shortage, it is hoped that it will be possible to import experts from the Commonwealth countries, and in the last extreme from foreign countries.

*Education, Health and Housing**

A provision of Rs. 70 million has been made in the Plan for the establishment of technical institutes, research laboratories, &c. (Rs. 40 million) and grant of scholarships for training abroad in scientific and technical subjects (Rs. 30 million). Considering the needs of a new country like Pakistan, the provision is indeed very small, but it is expected that Pakistan will get considerable technical assistance out of the Commonwealth Technical Assistance Scheme. Besides, the Provincial Governments have fairly large programmes of education. The following table shows the extraordinary expenditure which is estimated to be incurred on Education during the period of the plan—in addition to the ordinary annual expenditure :—

	Estimated Total Capital Cost (1951-57)	*Estimated Recurring Expenditure per annum after* 1956-57
	Rs.	Rs.
1. Total	96,189,600	166,624,260
2. From Public Funds at a basis of 50 per cent ...	48,094,800	83,312,130
3. Government Expenditure	48,094,800	83,312,130

Similarly, the Provincial and the Central Governments have large development programmes for extending Health Services. As this expenditure will be met out of the ordinary budgets of the Governments concerned, no provision has been made for this in the six years' Plan. The extraordinary development expenditure is estimated at Rs. 39,750,000 Capital (1951-57) and Rs. 35,440,800 recurring per annum after 1956-57.

The estimates for major development works include, as a rule, provision for houses for labourers and supervisory staff. Besides this, both the Central and the Provincial Governments have under consideration rather large programmes for the construction of houses for refugees, and, in fact, the imposition of certain special taxes for this purpose is under the consideration of the Central Government. It is not possible, at this stage, to indicate the amount which will be expended for this purpose, but it is expected that it will be very considerable.

Administration

The Government of Pakistan have decided that the most expeditious and effective method of implementing the six years' Plan is to establish an autonomous administrative machinery to be charged specifically with the functions of carrying out the plan. They have therefore decided to set up an Economic Council which will be responsible directly to the Cabinet. Subject to the general overall control of Government, this Council will be autonomous in every way and will be empowered to make appointments of consultants, experts and officials and determine the method and the agency by which work is to be done. The details of the administrative machinery are being worked out at present.

Finance

The estimated expenditure on the entire Plan during the years 1951—57 is Rs. 2,400 million, out of which it is hoped that private enterprise, both local and foreign, will be able to invest Rs. 400 million, thus leaving Rs. 2,000 million to be financed by Government. After a very careful consideration, the Government of Pakistan have come to the conclusion that they will be able to finance the entire internal expenditure

* Subsequently, Rs. 200 million was added for Education (100), Health (40), Housing (40) and water supply at Karachi (20).

of Rs. 1,000 million and assistance is therefore needed to the extent of Rs. 1,000 million to cover external expenditure. It is obvious that unless the external expenditure can be financed and equipment and machinery imported into the country the plan cannot be taken in hand. There is exceedingly little that can be achieved with internal expenditure alone because for every project a certain amount of machinery is necessary, to obtain which foreign currencies are needed.

The financial effect of the Plan, as far as can be foreseen at present, will be a net increase of our external credit by Rs. 800 million per year. It is evident that it will be extremely easy for Pakistan to service foreign loans even if the Commonwealth assistance to be given for the implementation of the six years' Plan were to take the form of loans and credits. The increase in the revenue of Government is estimated to be Rs. 100 million. The increase in the standard of living is estimated to be 30 per cent.

The Government of Pakistan are convinced that time is the most important factor in the present situation which confronts not only Pakistan but all the countries in South and South-East Asia. For many centuries religion has been the only solace which has reconciled the peoples of the lands to a life of famine, pestilence and disease, but even faith is now receding from the hearts of the people and the desperation of disbelief accentuates the awareness of their poverty and makes them yarn for any panacea that would cure their many ills—or at least bring them relief of oblivion. In such times quacks and knaves do flourish, and such periods of human history are preludes to revolutions.

(*Source* : *Ministry of Economic Affairs.*)

APPENDIX No. 22

List of Schemes in the Two-Year Priority Programme (March 1951)

(In lakhs of rupees.)

Name of Project		Estimated cost
I.—TRANSPORT AND COMMUNICATIONS :		
(1) Construction of commercial dry dock, Karachi		1,21
(2) Expansion of ship-repairing facilities in East Pakistan		3,00
(3) Formation of a national steamship Corporation		3,00
(4) Purchase of 15 ocean-going steamers		3,00
(5) Establishment of a Mercantile Marine Academy		30
(6) Purchase of three ' convair ' aircraft		65
(7) Line stores factory		10
(8) Telephone factory		33
(9) Installation of wireless transmitters, wireless receivers and aerial equipment		50
(10) Installation of high frequency radio equipment for telegraphs and telephones		68
II.—FUEL AND POWER :		
(11) Thermal station at Karachi additional capacity	30,000 K.W.	
Do. Sind	20,000 K.W.	
Do. Punjab	25,000 K.W.	12,50
Do. Chittagong	20,000 K.W.	
Do. Khulna	10,000 K.W.	
Do. Narayanganj	20,000 K.W.	
III.—INDUSTRY AND MINING :		
(12) Wires and cables plant		80
(13) Cotton textiles—additional 250,000 spindles		7,50
(14) Steel melting, re-rolling and fabricating mills		6,35
(15) Leather and footwear		50
(16) Cement—two factories		2,00
(17) Jute mills—four of 500 looms each		4,50
(18) Straw-boards, box-boards, etc.,—three factories		1,05
(19) Caustic soda		30
(20) Power alcohol		20
(21) Pharmaceuticals and chemicals		60
(22) Rubber tyres and tubes		Cost not indicated.
(23) Cotton seed oil mills—two plants of 50,000 tons annual capacity		45
(24) Coal tar distillation pilot plant		11
(25) Antimony refining plant		5
(26) Establishment of a pool of drilling machines		cost not indicated.
IV.—AGRICULTURE :		
(27) Provision of cold storage for potato seeds—two plants		20
(28) Purchase of equipment for animal husbandry		66
(29) Purchase of trawlers and launches for fisheries		20

(*Source : Ministry of Economic Affairs*)

APPENDIX No. 23

List of Development Schemes approved by the Central Government.

NOTE.—This list does not include Provincial schemes which have been approved for Central Agricultural Development Grants only. Those schemes are listed in Appendix No. 24.

A. CENTRAL GOVERNMENT

(P—in column 7 means suitable for private enterprise.) (In lakhs of rupees)

Serial No.	Name of project	Total estimated cost	Expenditure incurred up to 31-3-52	Estimated expenditure in 1952-53	Further commitment	Category of priority	Comments by Committee
1	2	3	4	5	6	7	8
Industry.							
1.	Central Testing Laboratory ...	9·10	7·27	n.a.	1·83	A	
2.	Chatak Cement Factory, East Bengal (loan).	8·00	8·00	*Nil*	*Nil*	Completed.	
3.	Woollen mills in N.-W.F.P. (Bannu) and Baluchistan (Harnai)—two.	100·00	30·29	50·00	19·71	A	
4.	Paper mill in East Bengal.	400·00	126·15	143·84	130·01	A	
5.	Coal briquetting plant at Rawalpindi.	12·00	*Nil*	3·00	9·00	C	The product is expensive and will not find ready market.
6.	Cotton seed oil extraction and refining plants. —two.	45·00	*Nil*	30·00	15·00	P	Appropriate for private enterprise.
7.	Coal-tar distillation pilot plant.	11·00	*Nil*	8·00	3·00	C	Not started. The proposed fertiliser factory will produce coal-tar as by-product.
8.	Establishment of antimony ore refinery.	5·00	*Nil*	2·50	2·50	A	
9.	Cement industry (2 mills) ...	200·00	*Nil*	110·00	90·00	A	
10.	Wires and cables plant ...	80·00	*Nil*	40·00	40·00	P	The raw material required will involve high foreign expenditure. In any case, private enterprise should be mobilised.
11.	Power alcohol	20·00	*Nil*	12·00	8·00	P	Appropriate for private enterprise.
12.	Leather and footwear ...	50·00	n.a.	n.a.	50·00	P	
13.	Six centres for handloom weavers in East and West Pakistan (Assistance by Centre).	81·12	*Nil*	64·12	17·00	A	
14.	High grade board mill in N.-W.F.P. and straw board mill in Punjab.	90·00 60·00	n.a.	43·34	106·66	A	
15.	Jute mills (6,000 looms) ...	1671·00	337·00	200·00	1134·00	A	
16.	Cotton textile mills 11, East Bengal 2, Punjab 6, Sind 2, N.-W.F.P. 1.	1100·00	n.a.	n.a.	1100·00	A	
	Total ...	39,42·22	508·71	706·80	2726·71		

1	2	3	4	5	6	7	8
Power.							
17.	Thermal Power Supply Scheme, Karachi. (30,000 K.W.)	324.70	*Nil*	92.87	231.83	A	
	Total ...	324.70	*Nil*	92.87	231.83		
Agriculture.							
18.	Control of black-headed cricket.	1·05	0·87	*Nil*	*Nil*	Completed.	
19.	Control of codling moth, etc., in the Tribal Areas of N.-W.F.P.	0·41	0·93	*Nil*	*Nil*	„	(Spent more than the amount sanctioned.)
20.	Organisation of scientific forestry in the Tribal Areas of N.-W.F.P.	0·21	*Nil*	*Nil*	0·21	B	Project not started ; not of urgent nature.
21.	Establishment of mycological harbarium in Pakistan.	0·33	*Nil*	n.a.	0·33	B	
22.	Survey of medical herbs and plants and research.	2·64	0·09	0·62	2·13	A	
23.	Pakistan Animal Husbandry Research Institute.	15·00	3·16	5·10	6·74	C	Provinces should look after this work.
24.	Pak-mark wool grading scheme.	6·38	0·43	n.a.	5·45	A	Will be a permanent scheme.
25.	Creation of Central Soil Conservation Organisation.	17·00	0·50	2·50	14·00	A	
26.	Construction of silos (40,000 tons).	110·44	*Nil*	*Nil*	110·44	A	
27.	Construction of modern fish harbour at Karachi.	74·00	*Nil*	36·00	38·00	A	
28.	Village Agricultural Industrial Development Programme.	401·66	*Nil*	111·66	290·00	A	An agreement with T. C. A. has been executed.
29.	Purchase of trawlers and launches.	20·00	n.a.	n.a.	20·00	A	If orders for purchase not placed, allocation of priority should be Category C.
30.	Research equipment for animal husbandry.	66·00	n.a.	3·14	62·86	C	Provinces should look after this work.
31.	Construction of storage of 60,000 tons capacity for foodstuffs at Karachi.	44·00	17.40	n.a.	26·60	A	Port Trust should be made responsible for construction.
	Total ...	759·12	23·38	159·02	576·76		
Broadcasting.							
32.	Development of Broadcasting earlier phases.	80·50	70·85	n.a.	9·65	Completed.	
33.	Development of broadcasting phase III	32·00	...	8·00	24·00	A	
	Total ...	112·50	70·85	8·00	33·65		

1	2	3	4	5	6	7	8
Health.							
34.	Fatima Jinnah Medical College for Women and attached hospital (assistance by the Centre).	25·37	4·31	5·25	15·51	Completed.	
35.	Bureau of Laboratories—Phase II.	1·06	1·06	Completed	*Nil*	Do.	
36.	Expansion of Port Health Department Chittagong.	3·50	3·50	*Nil*	Do.	Do.	
37.	Grants-in-aid to Holy Family Hospital, Rawalpindi.	6·00	6·00	Do.	Do.		
38.	Pakistan Central Drugs Laboratory.	6·20	*Nil*	1·05	5·15	A	
39.	Karachi Water Supply (loan to Sind Govt. for Hilaya scheme).	83·00	10·00	40·00	33·00	A	
40.	Greater Karachi Water Supply Scheme.	700·00	*Nil*	n.a.	700·00	A	The expenditure on distribution and drainage should also be taken into account.
41.	Federal Capital Greater Karachi Project.	n.a.	30·00	231·60	n.a.	A	
	Total ..	825·13	54·87	277·90	753·66		
Communications.							
42.	Telephone Factory ...	64·00	n.a.	14·00	50·00	A	
43.	Line Store Factory ...	9·80	0·52	4·71	4·57	A	
44.	High frequency radio equipment for telephone and telegraphs.	89·70	*Nil*	15·90	73·80	A	
45.	Pakistan Mercantile Marine Academy.	34·50	2·00	2·40	30·10	A	
46.	Commercial Dry Dock, Karachi.	121·00	0·40	5·00	116·60	A	
47.	Wireless transmitters and receiving sets.	87·00	n.a.	n.a.	87·00	A	
48.	Rehabilitation of railways ...	1637·00	858·00	n.a.	779·00	A	
49.	Provision of oil storage capacity.	61·77	9·22	n.a.	52·55	A	
50.	Jacobabad—Kashmore line (conversion into B.G.).	209·00	n.a.	n.a.	209·00	B	Expenditure should be staggered ; and open line construction basis adopted to reduce cost.
51.	Construction of a B.G. railway line from Kashmore to Kot Adu.	435·00	n.a.	n.a.	435·00	A	
52.	Construction of Tando Md. Khan Moghalbin railway.	235·48	n.a.	n.a.	235·48	A	
53.	Construction of M.G. railway line from Sylhet to Chattak.	67·00	n.a.	n.a.	67·00	A	

1	2	3	4	5	6	7	8
54.	Construction of a B.G. line from Mardan to Charsadda.	48·00	n.a.	n.a.	48·00	A	
55.	Purchase of super-constellation (three).	65·00	n.a.	n.a.	65·00	A	
56.	Development of Chittagong Port.	1448·05	251·22	248·80	948·03	A	In view of the opening of Chalna Anchorage, the project should be reviewed.
57.	Development of Chalna Anchorage.	75·00	11·50	32·70	30·80	A	
	Total ...	4,687·30	1,132·86	323·51	3,231·93		
Education.							
58.	Karachi Polytechnique ...	40·00	n.a.	8·00	32·00		
	GRAND TOTAL ...	**10,690·97**	**1,790·67**	**1,576·10**	**7,586·54**		

B.—EAST BENGAL

Agriculture and Irrigation.

1.	Conservation of private forests and afforestation of waste lands.	9·56 (for 1st 5 years only.)	0·72	1·91	6·93	A	
2.	Plant protection in East Bengal.	1·75	n.a.	0·35	1·40	A	Should be considered as departmental activity.
3.	Pilot scheme for the reclamation and colonisation of waste land blocks in the district of Dinajpur.	7·68	3·60	1·40	2·68	A	
4.	Pilot scheme for the reclamation and colonisation of waste land areas in Jantiapur block in Sylhet District.	22·81	2·00	14·40	6·41	A	
5.	Development of Chittagong hill tracts.	10·00	*Nil.*	n.a.	10·00	C	Not urgent in view of approval of Karnafulli paper mill project.
6.	Scheme for the establishment of jute seed multiplication farm.	19·78	n.a.	4·00	15·78	A	
7.	Livestock Development farms at Katabari.	54·01	*Nil.*	32·62	21·39	A	The object should be to improve the local cattle breed.
8.	Chittagong hill tracts timber extraction scheme.	14·00	*Nil.*	14·00	*Nil.*	A	
9.	Construction of Daulat Khan Bund.	6·59	*Nil.*	1·12	5·47	A	
10.	Kachikota bed irrigation.	0·40	0·29	Completed.	*Nil.*	Completed.	
11.	Re-excavation of channel from Jhanabad Taspora to river Baravi.	1·14	0·67	n.a.	0·47	A	
12.	Re-excavation of *khal* from Bamunji *beel* to Bansgati river in P. S. Jamalpur.	1·32	8·12	Completed.	*Nil.*	Completed.	

1	2	3	4	5	6	7	8
13.	Re-excavation of Eochia and Hilmil *Khal.*	0·64	0·62	Completed	*nil*	Completed.	
14.	Re-excavation of Pakaria river.	2·20	2·01	Completed	Do.	Do.	
15.	Mahesgri *beel* drainage ...	0·66	0·72	Do.	Do.	Do.	
16.	Drainage of Sardargari and other adjoining *beels.*	0·93	0·69	Do.	Do.	Do.	
17.	Re-excavation of Tollola *Khal.*	2·71	2·58	Do.	Do.	Do.	
18.	Re-excavation of Dokatia *Khal.*	3·16	1·54	Do.	Do.	Do.	
19.	Re-excavation of Damodar *Khal.*	1·02	1·02	Do.	Do.	Do.	
20.	Collection of hydrological data of the principal rivers of East Bengal.	1·65	1·51	n.a	0·13	A	
21.	Purchase of new dredgers ...	171·00	*nil*	40·00	131·00	A	
22.	Survey & designing of Ganges-Kobodak Scheme in East Bengal.	44·70	*nil*	24·70	20·00	A	Estimate considered too high. A hydrological laboratory on the lines of Punjab laboratory should be started in E. Bengal.
23.	Cold storage plans for seed potatoes (three).	25·00	*nil*	12·00	13·00	A	
	Total ...	402·71	26·09	146·50	234·66		
Power.							
24.	Nursery electrification scheme Brahmanbaria.	3·15	*nil*	0·45	2·70	A	
25.	Scheme for the improvement of Chandpur Electric Supply Co.	5·13	*nil*	1·80	3·33	A	
26.	*Khulna Power Station Diesel (7,000 K.W.)	60·00	*nil*	34·00	26·00	A	
27.	*Siddir-ganj power station (Diesel ... 9,000 K.W.)	91·00	*nil*	34·00	57·00	A	
28	*Siddirganj power station (Steam ... 20,000 K.W.)	145·00	*nil*	25·00	120·00	A	
29.	*Power supply for Chittagong (Diesel 4,000 K.W.) (Steam 15,000 K.W.)	52·00	*nil*	23·00	29·00	A	
30.	*Power supply for Chittagong (Steam 15,000 K.W.)	120·00	*nil*	21·00	99·00	A	
31.	Karnafulli multi-purpose project.	2070·00	*nil*	205·00	1865·00	A	
	Total ...	2546·28	...	344·25	2202·03		

*The capacities of Thermal Station in East Bengal are understood to have been revised further as follows: Siddirganj (30,000 steam & 9,000 diesel), Chittagong (6000 diesel) and Khulna (10,000 diesel).

1	2	3	4	5	6	7	8
Communications.							
32.	Expansion and modernisation of Govt. dockyard at Narayanganj.	117·49	*nil*	7·00	110·49	A	
33.	Road development programme of East Bengal.	755·00	*nil*	137·63	617·37	A	
	Total ...	872·49	*nil*	144·63	727·86		
Housing and Town-planning.							
34.	Development of Dacca town	143·08	71·52	35·80	37·14	A	Expenditure to be reduced where not already incurred in accordance with conclusions reached by the Committee in connection with town planning schemes of Karachi.
35.	Development of Chittagong town.	161·40	34·35	56·25	74·88	A	
	Total ...	304·48	105·87	92·05	112·02		
	***GRAND TOTAL** ...	**4125·96**	**124·96**	**727·43**	**3267·75**		

C.—PUNJAB

1	2	3	4	5	6	7	8
Agriculture and irrigation.							
1.	Thai irrigation project ...	1545·00	1250·00	62·51	222·49	A	
2.	Rasul tube-well project ...	440·06	148·34	104·83	186·86	A	
3.	Bhambanwala-Ravi-Bedian link.	607·00	603·00	36·00	...	A	
4.	Construction of 15-R distributary taking off at R. D. 4,18,350 right of main line Upper Jhelum canal.	4·85	2·00	2·00	0·85	A	
5.	Balloki Sulemanki link ...	570·00	91·00	353·00	126·00	A	
6.	Chuhur khana anti-water-logging pilot project.	46·15	*nil*	23·59	22·56	A	
7.	Taunsa Barrage project ...	1014·00	0·79	n.a.	1013·21	B	(Not yet formally approved by the Economic Council. Survey part allotted category A.)
8.	Cold storage plant for seed potatoes.	9·00	*nil*	4·00	5·00	A	
	Total ...	4236·06	2395·13	585·93	1576·96		

**N.B.*—Total of columns 4 to 6 does not tally with the total of column 3 because most of the agricultural schemes were completed at a lesser cost than was estimated.

1	2	3	4	5	6	7	8
Power.							
9.	Installation of a 2,500 k.w. package set at shahdara.	30·00	14·60	10·37	5·03	A	
10.	Interlinking N.-W.F.P. and Punjab gird system.	87·85	2·84	35·78	49·23	A	
11.	Gujranwala Daska-Sialkot gird extension project.	49·32	*nil*	21·00	28·32	A	
12.	Rasul Hydel Project ...	857·37	531·85	98·82	226·70	A	
13.	Mianwali hydel project ...	2114·00	*nil*	210·00	1904·00	A	
14.	Sialkot electricity undertaking.	5·00	*nil*	3·00	2·00	A	
15.	Installation of additional steam and diesel power at Lyallpur.	411·30	*nil*	36·49	374·81	A	
16.	Installation of two second hand 4,000 k.w. generating sets at Lyallpur.	83·04	0·26	33·24	49·54	A	
	Total ...	3637·88	549·55	448·70	2639·73		
Communications.							
17.	Development of roads ...	1097·00	366·00	n.a.	731·00	B	
	Total ...	1097·00	366·00	n.a.	731·00		
	GRAND TOTAL ...	**8960·94**	**3200·68**	**1034·64**	**4947·69**		

D.—SIND

Agriculture and Irrigation.							
1.	Kalri Anti-water logging pilot project.	32·00	*nil*	21·00	11·00	A	
2.	Khairpur & Shikarpur anti-waterlogging pilot project.	46·00	*nil*	24·00	22·00	A	
3.	Lower Sind Barrage Project	2400·00	235·00	375·00	1790·00	A	Not yet formally approved by Economic Council.
4.	Machinery for the construction of essential works in P.W.D. Sind.	197·00	60·00	137·00	*nil*	A	
	Total ...	2675·00	295·00	557·00	1823·00		
Power.							
5.	Power Station, Hyderabad ...	153·00	*nil*	30·00	123·00	A	
	Total ...	153·00	*nil*	30·00	123·00		

1	2	3	4	5	6	7	8
Industry.							
6.	Karachi Industrial Trading Estate.	100·00	40·00	n.a.	60·00	A	
7.	Sind Industrial Trading Estate, Hyderabad.	25·00	*nil*	10·00	15·00	A	
	Total ...	125·00	40·00	10·00	75·00		
Communications.							
8.	Development of roads ...	285·00	61·00	47·26	176·74	A	
	Total ...	285·00	61·00	47·26	176·74		
	GRAND TOTAL ...	**3238·00**	**369·00**	**644·26**	**2197·42**		

E.—N.W.F.P.

1	2	3	4	5	6	7	8
Agriculture and Irrigation.							
1.	Kheski lift irrigation ...	18·89	7·73	7·92	2·44	A	
2.	Garhi Ismailzai lift irrigation	0·81	0·79	0·02	*nil*	Completed.	
3.	Irrigation tube wells in Dosha Begram.	1·28	0·90	n.a.	0·38	Completed.	
4.	Extension of Mama Khel Jadid canal.	1·60	1·36	0·29	*nil*	,,	
5.	Spill weir under Rodi-Kohi	6·00	n.a.	n.a.	6·00	Abandoned.	
6.	Remodelling of Tarban wab	0·98	0·98	*nil*	*nil*	Completed.	
7.	Subsidised distribution of ammonium sulphate.	6·00	*nil*	2·00	4·00	A	
	Total ...	34·76	11·76	10·23	12·82		
Power.							
8.	Extension of Malakand hydro-electric project.	56·82	40·00	38·28	n.a.	A	Generation part completed. Further expenditure on transmission.
9.	Dergai hydro-electric project	155·50	95·50	42·74	17·26	A	
10.	Warsak hydro-electric project	2210·00	*nil*	70·00	2140·00	A	
	Total ...	2422·32	135·50	151·00	2157·26		
	GRAND TOTAL ...	**2457·08**	**147·26**	**161·23**	**2170·08**		

1	2	3	4	5	6	7	8
	F.—BALUCHISTAN						
	Agriculture and Irrigation.						
1.	Distribution of improved varieties of wheat seed.	17·61	n.a.	*nil*	Permanent scheme.	Completed.	
2.	Establishment of seed multiplication farms at Quetta Loralai and Sibi Jadid.	3·51	n.a.	*nil*	,,	,,	
3.	Mechanical cultivation scheme	15·38	19·00	*nil*	,,	,,	
4.	Mycological Scheme ...	1·90	1·90	*nil*	,,	,,	
5.	Minor Irrigation Schemes ...	0·97	4·86	*nil*	,,	,,	
6.	Control of codling moth ...	4·86	...	*nil*	,,	,,	
7.	Horticultural Scheme ...	6·94	6·94	*nil*	,,	,,	
8.	Fruit Experimental Station, Quetta.	0·99	0·99	*nil*	,,	,,	
9.	Sub-surface river Breway, Quetta.	0·57	0·57	*nil*	*nil*	,,	
10	Karachi Irrigation Scheme ...	2·11	2·11	*nil*	*nil*	,,	
11.	Anawle river irrigation ...	8·00	0·31	0·31	7·38	,,	
12.	Duki water course ...	0·50	0·48		*nil*	,,	
13.	Zangi Zangi scheme ...	3·40	4·61		*nil*	,,	
14.	Anti-fruit pest scheme ...	4·77	*nil*	0·84	3·93	A	
15.	Training of students of veterinary science.	2·33	*nil*	0·31	2·20	A	
16.	Immunigation of sheep against anthrak.	3·21	*nil*	0·77	2·44	A	
17.	Improvement of poultry industry.	2 12	*nil*	0 36	1·76	A	
18.	Control of watble fly ...	2·00	*nli*	0·48	1·52	A	
19.	Nari Bolan irrigation project	29·52	*nil*	10 00	19·52	A	
20.	Pishin Lora sailaba cultivation project.	60 00	*nil*	38·00	22 00	A	
21.	Cold storage plant for seed potatoes.	4·00	*nil*	4·00	*nil*	A	
	Total ...	174·69	49·68	55·27	60,75		
	Industry.						
22.	Improvement of Sharigh Coal mines.	4·60	4·60	*nil*	*nil*	Completed.	
	Communications.						
23.	Construction of roads in Nasirabad Sub-Division.	17·00	17·00	*nil*	*nil*	Completed.	

1	2	3	4	5	6	7	8
Health.							
24.	Anti-malaria organisation ...	6·52	6·52	*nil*	*Nil*	Completed.	
25.	Zaghamullah water supply ...	3·57	n.a.	n.a.	3·57	Abandoned.	
26.	Water Supply for Ustard ...	0·70	0·70	*nil*	*Nil*	Completed.	
27.	Improvement of channel from Thal to Spin Korly.	1·78	1·78	*nil*	*Nil*	„	
	Total ...	12·57	9·00	*nil*	3·57		
	GRAND TOTAL ...	**208·86**	**80 28**	**55·27**	**64·32**		

(*Source : Ministry of Economic Affairs.*)

G.—SUMMARY OF APPROVED DEVELOPMENT SCHEMES

	Total estimated cost	Expenditure incurred up to 31-3-52	Estimated expenditure in 1952-53	Further Commitment
1. Central Government	10,69.97	17,90.67	15,76.10	7,586.54
2. East Bengal	4125.96	124.96	727.43	3267.75
3. Punjab	8960.94	3200.68	1034.64	4947.69
4. Sind	3238.00	369.00	644.26	2197.42
5. N-.W. F. P.	2457.08	147.26	161.23	2170.08
6. Baluchistan	208.86	80.28	55.27	64.32
Total... ...	29681.81	5712.85	4198.93	20233.80

(*Source : Ministry of Economic Affairs.*)

NOTE :—The figures in columns 2, 3 & 4 tally with the figures in Table No. 77 of Report. The figure in column 4 does not tally with the figure in the last column of Table No. 79 of the Report because while the former includes commitments on *all* approved schemes, the latter covers only the schemes allotted to Category ' A ' by the Committee.

APPENDIX No. 24

List of Provincial Schemes approved for Central Agricultural Development Grants

(In lakhs of rupees.)

S. No.	Name of scheme	Total estimated cost.	Amount granted	Remarks
	East Bengal.			
1.	Drainage of low areas in Khulna district	11·41	3·3	90% work completed.
2.	Silt clearance of Narode river and re-excavation of a channel from Nakkati and Sunti bils to river Fakirni.	3·88	2·08	Work completed except 2 footbridges.
3.	Re-excavation of Katwajuri, Balia-juri and Bejoypur Khals.	1·49	0·78	Work completed.
4.	Drainage of low areas in Jessore district	2·06	0·74	Do.
5.	Closing of newly formed Dhalas and Khals from Kushtia river.	0·88	0·38	Do.
6.	Reclamation and Drainage of Mallickpur, Rampur, Nurmohammedpur and other adjoining bils.	0·85	0·34	Do.
7.	Re-excavation of a khal for draining Putimari bil ...	0·76	0·33	Do.
8.	Re-excavation of Mogra-Palkura Khal	0·68	0·29	Do.
9.	Improvement of Nalaya river	5·97	2·06	Earth work completed.
10.	Supply of manures and fertilisers at subsidy	11,44·00	10·00	
11.	Mechanised cultivation	1,74·30	10·00	
12.	Power Pump irrigation	85·63	6·00	
13.	Reclamation of derelict water areas for increasing supply of fish in East Bengal.	3·19	0·38	
14.	Encouragement of cultivation of fodder in East Bengal ...	5·00	0·25	
15.	Re-excavation of Kalapani Khal and two drainage cuts from Teliani and Tenachera Bils.	7·94	2·26	83% work completed.
16.	Construction of a regulator at the junction of old and new courses of Tulsiganaga.	1·39	0·25	
17.	Scheme for establishment of agricultural stores	7·05	3·52	
18.	Scheme for organisation of horticultural section	1·85	0·92	
19.	Soil survey of East Bengal	1·35	0·55	
20.	Establishment of permanent departmental fish seed farms ...	6·90	0·26	
21.	Re-excavation of Chatra river in Faridpur district ...	2·63	0·25	
22.	Re-excavation of a Khal improvement of drainage of Chakol, Tangargari and Lakshipara in P.S. Gurudaspur, Rajshahi.	2·09	0·60	
23.	Improvement of poultry extension work	1·85	0·23	
24.	Development of disease control in 'haors' of Sylhet and Mymensingh.	2·13	0·42	
25.	Improvement of animal husbandry education—Phase I ...	3·33	1·67	
26.	Expansion and organisation of East Pakistan veterinary College—Mymensingh.	62·37	21·54	
27.	Establishment of a fish landing jetty and fish shed at Khulna Ghat.	0·86	0·27	
28.	Reclamation of land for Boro-cultivation under Kanaighat P. S. in district of Sylhet.	1·46	0·25	
29.	Reclamation of land for Boro-cultivation on both sides of Sylhet Trunk Road in district of Sylhet.	1·15	0·25	
30.	Scheme for excavation of a Drainage canal from "bil" Fathenghara to Boral river in the district of Pabna.	0·43	0·13	
31.	Scheme for excavation of a drainage channel from Digdari and Buriar bil to the Barbaria river in the district of Mymensingh.	0·48	0·16	
32.	Scheme for excavation of Goshaipur Daura and Durgapur in Rajshahi District.	0·57	0·24	
33.	Reclamation and improvement of land in Mukhtarpur and Banaia Haor in Sylhet.	2·64	0·15	
34.	Pilot scheme for reclamation and colonization of waste land areas in northern extremity of Chengri Valley in the Chittagong hill tracts.	9·02	0·59	
	Total ...	15,57·59	72·07	

S. No.	Name of Project	Total cost	Amount granted	Remarks
Punjab.				
1.	Purification of Pak-American Cotton	15·00	4·50	
2.	Tube-well irrigation in forest areas of Muzaffargarh District. ...	0·60	0·20	
3.	Thal colonization project	17,94·24	20·00	
4.	Improvement of flaying of animals	0·82	0·07	
5.	Sinking of 100 tube-wells in the Punjab	20·37	10·18	
6.	Scheme to offset the adverse effects of floods on cattle breeding and dairying activities. ...	4·00	0·38	
7.	Reclamation of Aliwala forest in Muzaffargarh District.	1·43	0·28	
	Total	18,36·46	35·61	
Sind.				
1.	Control of rice stem borer in Sind	·73	·09	Implementation of the scheme was suspended in March 1948, due to non-availability of Entomologist. It is now to become a part of the extension services in connection with plant pests and diseases.
2.	Shifting of Agricultural College from Sakrand to Hyderabad.	50·18	23·13	Choice of site under consideration. No equipment ordered.
3.	Distribution of sulphate of ammonia to zamindars ...	7·48	2·25	Only 1,912 tons of sulphate of ammonia out of the target of 2,000 tons distributed up to 30-6-52.
4.	Scheme for the distribution of improved seeds ...	42·06	·44	Arrangements have been made for distribution of 1.60 lakhs maund of wheat seeds during Rabi 1952-53.
5.	Cultivation of zamindari Lands by means of tractors on contract basis.	56·60	4·53	During 1951-52 nine tractors were purchased and 30 tractors of various sizes are still to be purchased.
6.	Incidence and control of liverfluke and other internal parasites of domestic animals in Sind.	6·57	·88	The officers will be trained from 1-10-52 for 3 months. After their training the scheme will be started.
7.	Pumping scheme for land between Laki and Kotri on the right bank of Indus.	4·21	1·54	Detailed plans and specifications completed. Pumping machinery has been ordered. Pumps have been received. Work of canal excavation and other civil works started.
8.	Development of Agriculture in Khairpur	12·50	0·10	
9.	Extension service in connection with plant pests and diseases.	6·95	1·42	
10.	Sheep breeding establishment of a sheep-breeding farm	4·43	0·31	
	Total	1,91·71	34·69	

APPENDIX No. 24—(contd.)

S. No.	Name of Project	Total cost	Amount granted	Remarks
N.-W.F.P.				
1.	Research in sugar-cane	4·67	0·76	
2.	Development of wool	4·42	0·96	
3.	Construction of tube-wells in Kohat Distt. ...	10·00	2·06	
4.	Drainage for reclamation of water-logged lands in Mardan District. ...	7·75	1·37	
5.	Construction of Weir Kurram Garhi	1,00·00	10·00	
6.	Sheep-breeding scheme	1·76	0·20	
7.	Control of warble fly pest	4·42	0·42	
8.	Establishment of apiaries at Peshawar and Haripur. ...	1·07	0·08	
9.	Establishment of six Districts poultry farms. ...	4·08	0·39	
10.	Insect pest control	19·39	2·53	
11.	Addition to the existing sugarcane research Station. ...	3·30	0·17	
12.	Control of fasciollasis infested areas	0·11	0·05	
13.	Reafforestation of Rakh Sheikh Buddin ...	2·20	0·11	
14.	" Kahir " Plantation for the manufacture of Katha. ...	1·50	0·07	
15.	Walnut plantation in Guzara forests	0·20	0·02	
16.	Improvement of marketting flaying and curing of hides and skins. ...	1·58	0·16	
17.	Establishment of dairy-*cum*-cattle breeding farm. ...	20·43	2·16	
18.	Subsidised distribution of ammonium sulphate. ...	6·00	0·67	
	Total	1,92·88	22·18	

SUMMARY OF AGRICULTURAL DEVELOPMENT GRANT SCHEMES

(In lakhs of rupees.)

Unit	Total estimated cost	Grants allocated
1. East Bengal	15,58	72
2. Punjab	18,36	36
3. Sind	1,92	35
4. N.W.F.P.	1,93	22
Total	37,79	1,65

(*Source : Ministry of Economic Affairs*)

APPENDIX No. 25

List of schemes approved for Central Social Uplift Grants

A. SCHEMES RELATING TO EDUCATION

Serial No. 1	Name of scheme 2	Total estimated cost 3	Objective 4
		Rs.	
1. East Bengal.			
1.	Improvement of Sub-divisional High School	25,00,000	
2.	Improvement of girls education	9,50,000	
3.	Improvement of Govt. High Schools	9,00,000	
4.	Audio-visual aids and Film studios	17,55,000	
5.	Training College	30,00,000	
6.	Establishment of a Technical High School	5,00,000	
7.	Improvement of private colleges	13,00,000	
8.	Improvement of Govt. Colleges	30,00,000	
9.	Opening of a Science Section at Eden College at Dacca	5,00,000	
10.	Establishment of a Central Public Library	10,00,000	
11.	Establishment of College of Physical Education, Dacca	10,00,000	
12.	Institute of Arts, Dacca	15,00,000	
13.	Improvement of District Libraries	1,50,000	
14.	Improvement of Madrassas	10,00,000	
15.	Public School	10,00,000	
16.	Improved Type of Girls Schools	5,00,000	
17.	Training abroad	4,02,000	
18.	Compulsory primary education	50,00,000	
19.	Grant to Dacca University	20,00,000	
	TOTAL ...	2,79,57,000	
2. Punjab.			
1.	(*a*) Construction of 1,200 primary school buildings at a cost of Rs. 5,000 per school (half the cost to be borne by the Government).	30,00,000	
	(*b*) Equipment for these schools at Rs. 1,000 per school	12,00,000	
2.	Improvement and Equipment expenditure for existing primary schools ...	20,00,000	
3.	(*a*) 2 Normal schools at Rs. 8,00,000 per school	16,00,000	
	(*b*) Equipment for the Normal Schools	1,50,000	
4.	Equipment for teaching Science in Middle Schools	8,00,000	
5.	Equipment for teaching Science in High Schools	6,00,000	
6.	Technical High Schools	6,19,000	
7.	Opening of 8 High Schools at Rs. 4,00,000 per school	32,00,000	
8.	Building grant (in case of privately managed schools) half of cost to be borne by the Government and half by private body.	12,00,000	
9.	Improvement of 50 High Schools (in case of privately managed schools) half of the cost to be borne by the Government and half by the management concerned.	4,80,000	
10.	Opening of 50 Middle Schools at Rs. 25,000 per school...	12,50,000	
11.	Engineering College	20,00,000	
12.	Women's College for the Teaching of Domestic Science	5,00,000	
13.	Hostel for girls students in Lahore	3,00,000	
14.	Improvement in Science and Technical Laboratories in Lahore Colleges ...	10,00,000	
15.	Science College outside Rawalpindi to be developed into a University by stages.	13,00,000	
16.	An Arts College	8,00,000	
17.	Training College (Extension)	2,00,000	
18.	Museum and Art Gallery	2,51,000	
19.	Audio-visual aids	3,50,000	
20.	Building for an additional hostel at Aitchison College (Residential School)	2,00,000	
21.	Overseas training	5,00,000	
22.	Punjab University Schemes	15,00,000	
	TOTAL ...	2,50,00,000	

Serial No. 1	Name of scheme 2	Total estimated cost 3	Objective 4
		Rs.	
	3. Sind.		
1.	Training Institutions for Primary Teachers	5,00,000	
2.	8 Hostels for Govt. Secondary Schools and 1 for Govt. College, Hyderabad (Sind).	30,00,000	
3.	Girls Arts College	10,00,000	
4.	2 Technical High Schools	5,00,000	
5.	Sind University for Dev. Schemes	20,00,000	
6.	Library, Museum and Arts Gallery	10,00,000	
7.	Scheme for Purchase of Scientific equipment apparatus for College in Sind	3,00,000	
	TOTAL ...	83,00,000	
	4. N.-W. F. P.		
1.	Construction of school buildings	17,83,265	
2.	Library at D. I. Khan College	36,950	
3.	Additional Hostel for F. College for Women, Peshawar	56,065	
4.	Equipment for B.Sc. Teaching at F. College for Women, Peshawar ...	40,000	
5.	School Health Service	90,000	
6.	Public School	9,03,000	
7.	Government Training School, Nowshera	29,000	
8.	Administrative Block Peshawar University	6,00,000	
9.	Intermediate College, Mardan	3,58,720	
10.	Degree College, Abbottabad	5,83,250	
11.	Construction of Electrical and Mech. Eng. College Peshawar University ...	13,00,000	
12.	Building and Equipment for Degree and Postgraduate Classes Peshawar University.	10,00,000	
13.	Government Training School, D.I. Khan	3,09,000	
14.	(a) Government Tech. High School	2,90,000	
	(b) Two Girls High Schools	3,69,000	
15.	Construction of Youth Hostels	1,06,000	
	TOTAL ...	77,54,250	
	5. Karachi.		
1.	21 Government Primary Schools	28,35,315	
2.	4 Government High Schools	14,31,200	
3.	Building grant and equipment for 6 non-Govt. High Schools	9,00,000	
4.	Government Junior Model School	1,05,000	
5.	Building grant and equipment for 2 non-Govt. special type of primary school (Kindergarten).	1,35,016	
6.	Repairs to buildings vacated by refugees	2,00,000	
7.	Two hostels for school students	3,00,000	
8.	Buses for Secondary Schools for girls	1,00,000	
9.	Conversion of one High School into composite High School with workshop	2,80,000	
10.	Audio-visual Aids	2,50,000	
11.	Public Reading Rooms and Libraries	3,30,000	
12.	Two hostels of residence for Karachi University	9,00,000	
13.	Grant to Karachi University	10,00,000	
	TOTAL ...	87,66,531	

Serial No.	Name of scheme	Total estimated cost	Objective
1	2	3	4
		Rs	
	6. Bahawalpur.		
1.	Building and equipment for two Normal schools	2,05,000	
2.	Building and equipment for (a) 2 Middle Girls School (b) Buildings, additions etc., 2 Girls High Schools.	2,92,000	
3.	Building for 2 boys High Schools and equipment and additions and alterations to 5 boys High Schools.	4,79,000	
4.	Equipment for 2 Colleges and addition and alterations to Sadiq Egertion College.	2,24,000	
5.	Library and Film Projection Unit	32,000	
6.	Construction of one orphanage at Bahawalpur	1,10,699	
	TOTAL ...	13,42,699	
	7. Tribal Areas and State of N.-W.F.P.		
1.	Construction of Schools—Primary Boys Schools, Primary Schools for Girls and High Schools.	22,97,810	
2.	Construction of hostels for 10 High Schools	11,40,000	
3.	Staff Quarters for 3 High Schools	1,76,000	
4.	Improvement and extensions of existing school building	3,42,150	
5.	Provision of furniture, teaching aids, books, first aid boxes, science equipment and radios.	1,01,500	
6.	Equipment for existing schools	50,000	
7.	Construction of 5 new hostels	1,25,000	
8.	Construction of buildings for the Intermediate College and Science Laboratory (Swat State Saidu Sharif.)	1,00,000	
9.	Upgrading of the school at Shadar (Swat State)	17,000	
	TOTAL ...	43,49,460	
	8. Azad Kashmir.		
1.	Construction of Boarding House for the College at Mirpur	25,000	
2.	Science equipment for the College at Mirpur	2,000	
3.	Construction of Boarding House for Govt. High School, Muzaffarabad ...	25,000	
4.	Repairs to the existing Boarding House for Govt. High School, Palandri ...	5,000	
5.	Repairs to the existing Boarding House for Govt. High School, Bagh ...	3,000	
6.	Science equipment, furniture, library books, sports material etc., for the Govt. High School for Girls at Muzaffarabad	3,500	
7.	Improvement to the existing Teachers' Training School at Mirpur and additional accommodation therefor.	15,000	
8.	Construction of College Building and Boarding House for the College at Rawalkot and provison of Science equipment for that College.	50,000	
9.	Construction of two additonal rooms at the back of 3 class rooms of Govt. High School Gilgit.	12,150	
10.	Construction of new Science and drawing blocks for Govt. High School, Gilgit.	30,375	
11.	Construction of two new rooms to be attached with the boarding house of Govt. High School, Gilgit.	24,300	
12.	Construction of a Middle School at Astore	60,750	
13.	Construction of a Middle School at Chilas	32,425	
14.	Additions and alterations to the existing school building at Skardu ...	30,000	
	TOTAL ...	3,18,500	

(*Source : Ministry of Economic Affairs*)

Note.—BALUCHISTAN. A comprehensive list of Baluchistan schemes is not yet available.

APPENDIX No. 25—contd.

B. SCHEMES RELATING TO HEALTH

Serial No.	Name of scheme	Total estimated cost	Objective
1	2	3	4
		Rs.	
1.	**East Bengal—**		
	1. Improvement of Dacca Medical College and Hospital ...	50,00,300	Expansion of existing and construction of new department and wards and other accommodation.
	2. Improvement of Dacca Medical School	8,00,000	Provision of additional accommodation for nurses, hostel students, construction of operation theatres in the T.B. ward, etc.
	3. Improvement of Medical School at Sylhet	1,00,000	Provision of an up-to-date hospital with a large out-door department for teaching purposes. The outturn of doctors is to be increased.
	4. Improvement of Mymensingh Medical School	3,50,000	Provision of hostel for students who are at present accommodated in requisitioned houses.
	5. Provincialisation of the Rajshahi Medical School ...	13,51,000	Provision of additional staff and special department.
	6. Establishment of a new Medical College at Chittagong ...	41,90,000	Increasing the output of medical graduates. A 500 bedded hospital will be attached to it.
	7. Establishment of a 200 bedded mental hospital... ...	27,00,000	There is no mental hospital in East Bengal at present.
	8. Establishment of a Combined Public Health Laboratory ...	36,05,000	All the Public Health Laboratories *viz.*, Public Health Analytical, Drugtesting and Nutrition research laboratories, etc., will be concentrated at one place, *i.e.*, at Dacca.
	9. Establishment of a 200 bedded T.B. Hospital	30,32,000	Incidence of T.B. is very high in East Bengal, but there is no special hospital for treatment.
	10. Maternity and Child Welfare Works (24 Centres) ...	4,04,000	Each centre will have 4 beds.
	11. Rural drinking water supply	15,00,000	Resinking of about 25% of the choked up tube wells which are approximately 25,000 in number.
	Total ...	2,30,32,300	
2.	**Punjab—**		
	1. Nishtar Medical College, Multan	60,00,000	For provision of College buildings; equipment, etc.
	2. Rebuilding of all such rural dispensaries as are in need of reconstruction.	40,00,000	For provision of repairs, additions and alterations etc., of existing dispensaries.
	3. Development of District Headquarter Hospitals ...	70,00,000	For provision of new buildings for hospitals, dispensaries, etc., and equipment.
	4. Extension of water supply projects	15,00,000	For provision of pure water supply.
	5. Anti-malaria measures for water-logged areas	7,25,000	To carry out anti-malaria operation by insecticide spray thrice a year in about 1839 villages in water-logged areas of the Province.
	6. Additional Maternity and Child Welfare Centres	7,00,000	The scheme envisages the establishment of 176 additional maternity and child welfare centres in various parts of the Province.
	7. Scheme for the expansion and improvement of K. E. Medical College, Mayo Hospital and Lady Willingdon Hospital, Lahore.	30,00,000	60 additional beds will be provided at Mayo Hospital and 36 additional beds at Lady Willingdon Hospital. General improvements will be effected in the College.
	8. Extension of Mobile Dispensaries to each Tahsil	10,00,000	Provision of 45 additional mobile dispensaries are proposed. 16 such dispensaries already exist.
	9. Improvement of Lady Aitchison Hospital, Lahore ...	10,75,000	The present accommodation of 100 beds will be increased to 300 beds.
	Total ...	2,50,00,000	

Serial No. 1	Name of Scheme 2	Total estimated cost 3	Objective 4
3.	Sind—	Rs.	
1.	Training of nurses, midwives and assistant midwives ...	4,00,000	A centre will be established at Hyderabad for training of 25 nurses, midwives and assistant midwives each.
2.	Better equipment for hospitals	20,00,000	Provision of modern and up-to-date equipment for the hospitals.
3.	Extension, improvement and recognisation of hospitals and dispensaries.	30,00,000	Starting of two new hospitals at a cost of Rs. 15 lakhs; 10 lakhs will be spent on extension and improvement of dispensaries and 5 lakhs on improvement of hospitals.
4.	T. B. Sanatorium with 125 beds	8,64,000	The incidence of T. B. in Sind has been on the increase owing to the influx of refugees. It is proposed to establish a 125 beded sanatorium. There is at present no such institution in the Province.
5	Eye Hospital	6,31,000	It is proposed to start a 100 bedded Eye Hospital in Sind.
6.	Hyderabad water supply and drainage	20,37,000	The water supply and drainage in these cities are to be extended and improved.
7.	Mirpur Khas water supply and drainage	6,50,000	
8.	Sukkur water supply and drainage	10,53,000	
9.	Larkana water supply and drainage	5,60,000	
10.	Thatta water supply and drainage	3,00,000	
	Total	1,14,95,000	
4.	N.-W. F. P.—		
1.	New Hospital at Kohat	3,00,000	It is proposed to establish a new 75 bedded hospital.
2.	Civil Hospital, Abbottabad	50,000	For provision of additional bed accommodation and purchase of new equipment.
3.	Lady Reading Hospital, Peshawar	1,22,000	For provision of additional accommodation and equipment for Eyes, and Ear, Nose Department of the hospital.
4.	Improvement of T. B. Sanatorium, Dadar	3,35,666	For provision of additional accommodation and better equipment.
5.	Opening of training school for Pharmacists and Compounders.	67,000	There is no training school for pharmacist and compounders in the Province.
6.	Improvement of present T.B. clinic and work at D. I. Khan	1,40,000	Certain additions and alterations are to be made to the existing T. B. ward.
7.	Construction of a new 25 bedded ward at Civil Hospital at D. I. Khan and equipment.	90,000	Provision of additional 25 bedded ward and new equipment.
8.	Equipment for T. B. Clinic and Ward, Mardan	50,000	Provision of a new 20 bedded T. B. ward and equipment.
9.	Construction of 20 bedded ward and equipment for Civil Hospital, Tank.	60,000	For the construction of a pucca ward of 20 beds and equipment.
10.	Construction of Hospital at Lora, (Hazara)	53,000	For construction of a new hospital building.
11.	Modernisation of Civil Hospital, Darband	34,000	Provision of additional hospital facilities and staff quarters.
12.	(a) Construction of and equipment for hospital at Bolakot ...	55,000	For construction of a small modern hospital etc.
	(b) Construction of and equipment for hospital at Kaghan ...	68,000	Do.
13.	Construction of a Hospital at Pubbi	65,000	For provision of a new hospital and equipment.
14.	Opening of Leper's Colony at Balakot	51,500	For provision of additional accommodation and equipment.
15.	Opening of a T. B. clinic at Kohat	45,000	Provision of a T. B. clinic at Kohat which will be attached to the new Civil Hospital there.

Sl. No. 1	Name of Scheme 2	Total estimated cost 3	Objective 4
		Rs.	
16.	Opening of a T. B. Clinic and ward at Abbottabad	1,00,000	It is proposed to open a T. B. clinic and/or 20 bedded T. B. ward with necessary equipment.
17.	Construction of 36 rural dispensaries	10,98,000	It is proposed to open 36 new dispensaries in rural areas to provide medical facilities in far off villages.
18.	Improvement of existing hospitals and dispensaries ...	10,00,000	Some of the hospitals and dispensaries in the Province are illequipped and most of the buildings are in a dilapidated condition.
19.	Opening of a Zenana Hospital at Mardan	3,00,000	For provision for a separate Zenana hospital at Mardan.
20.	Opening of a 50 bedded Zenana Hospital at Abbottabad ...	4,50,000	For provision of separate Zenana Hospital at Abbottabad.
21.	Construction of a new Zenana Hospital at Peshawar ...	9,70,000	It is proposed to construct a new 200 bedded Zenana Hospital and to provide the necessary equipment.
22.	B. C. G. Vaccination scheme	1,90,870	For carrying out B. C. G. vaccination work.
23.	Establishment of a 300 bedded Mental Hospital	15,50,000	
	TOTAL ...	72,45,036	
5 Karachi—			
1.	Improvement of Dow Medical College & Civil Hospital Karachi.	43,13,000	General improvements in teaching depts. will be effected and existing hospitalization facilities will be improved and expanded.
2.	Additional T. B. bed accommodation at the J. C. H. and Ojha Sanatorium, Karachi.	10,50,000	100 additional beds are proposed to be provided at Jinnah Central Hospital and facilities for treatment at Ojha T. B. Sanatorium will be improved.
3.	Additional accommodation at Manghopir Hospital ...	3,00,000	The bed strength of the existing leper hospital at Manghopir will be augmented.
4.	Mobile Dispensaries (6)	3,00,000	Six mobile dispensaries will be set up and utilised for providing medical care in refugee colonies and outlying areas of Federal Capital.
5.	Maternity and Child Welfare Centre at Karachi Air Port ...	31,000	A new maternity and child welfare centre will be established to cater for the needs of the staff residing near and around the Air Port.
6.	Improvement to Lady Dufferin Hospital	2,00,000	Residential accommodation for staff and nurses will be constructed and existing treatment facilities will be subsidised and improved.
7.	UNICEF Maternity & Child Health Project for Karachi ...	2,50,000	A maternity and child health centre will be established in collaboration with the UNICEF. It will provide clinical as well as training facilities for doctors, nurses, midwives, etc.
	TOTAL ...	64,44,000	

Sl. No. 1	Name of Scheme 2	Total estimated cost 3	Objective 4
		Rs.	
6.	**Bahawalpur State—**		
1.	Nurses Training School	2,50,000	A school for 40 probationer nurses and residential accommodations for them is proposed.
2.	Training Centres for Dais at Bahawalpur and Rahimyarkhan.	30,000	Two schools will produce 20 trained and licensed dais each year.
3.	Mobile Dispensaries (4)	2,98,800	For providing medical aid to those areas which are not in reach of hospitals and dispensaries.
4.	Rural Infant and Maternal Health Centre (10)	2,12,000	To give advice to mothers and to train them in mother-craft and house-nursing.
5.	Maternity hospitals at Rahimyarkhan and Bahawalpur ...	1,00,000	Modifications to existing buildings to make them fit for maternity hospitals and provision for equipment.
6.	T. B. Wing, B. V. Hospital, Bahawalpur	1,59,200	40 beds are proposed to be provided of specialised treatment of T. B. patients.
7.	Provision of medical and surgical equipment including X-Ray and Laby. equipment for hospitals.	2,25,000	Medical and surgical equipment for existing and new hospitals on modern lines.
8.	Rahimyarkhan Water Supply Scheme...	2,02,415	To have 3 tube wells for meeting the drinking water requirements of the town.
9.	Chistian Water Supply Scheme	1,90,000	To have one tube well and to provide water taps in streets. Water supply system is at present defective.
10.	Harunabad Water Supply Scheme	2,05,000	To have one tube well for supplying water.
11.	Bahawalpur Water Supply Scheme	2,84,886	Three tube wells are proposed and water taps will be provided in streets.
	TOTAL ...	21,75,30	
7.	**Azad Kashmir**		
	1. Equipment for Muzaffarabad Hospital	1,75,000	
	2. Equipment for Health Centres	50,000	
	3. Equipment for T.B. Wing at Trarkel	75,000	
	4. Equipment for Gilgit Hospital	62,500	
	5. Equipment for Skardu Hospital	1,62,500	
	6. Health Centres and Dispensaries	75,000	
	TOTAL ..	6,00,000	

(Source : Ministry of Economic Affairs)

NOTES:—

1. **Baluchistan.**—The Baluchistan Administration has been asked to prepare revised schemes within the revised allocation of Rs. 70 lakhs. A scheme of the Baluchistan Administration *viz.*, B. C. G. Vaccination estimated to cost about Rs. 35,000 has been sanctioned in advance as the foreign experts who will run the scheme have already arrived in Pakistan.
2. **N.-W.F.P. Tribal Areas.**—Revised schemes in the medical and public health sphere of the N.-W. F. P. Tribal Areas have been received from the Government of N.-W. F. P. and are being examined.
3. **Baluchistan State Union.**—The Baluchistan Administration has been asked to submit schemes of Baluchistan States in the medical and public health sphere within the approved allocation of two lakhs. Pending receipt of schemes from other Baluchistan States, the schemes of Makran and Las Bela States in the medical and public health sphere have been examined and referred to the Ministry of Finance for concurrence.

APPENDIX No. 25—*contd.*

C. OTHER SCHEMES.

Serial No. 1	Name of Scheme 2	Total estimated cost 3	Objective 4
	1. Karachi	Rs.	
1.	State Orphanage	11,16,000	
2.	Widows Home	4,45,030	
3.	Poor House	3,42,000	
4.	Women Industrial Home ...	2,19,496	
5.	Construction of two welfare centres at Lyari and Nazimabad.	2,50,000	To provide physical and social amenities to the industrial workers of Karachi.
	TOTAL ...	23,72,526	
	2. Baluchistan		
1.	Water Supply schemes	1,25,000	
	TOTAL ...	1,25,000	
2.	Two Mobile Dispensaries	30,000	
3.	Six School Buildings	90,000	
4.	Ten Residential Houses for Teachers ...	50,000	
5.	Ten Hospitals	50,000	
6.	Ten Residential Houses for Medical Staff	50,000	
7.	Housing for Coal Miners	1,00,000	
	TOTAL ...	4,95,000	

(*Source : Ministry of Economic Affairs*)

D. SUMMARY OF SOCIAL UPLIFT SCHEMES.*

Unit.	Total allocation	Approved Schemes		
		Education	Health	Other
1. East Bengal	5,50,00,000	2,79,57,000	2,30,32,300	
2. Punjab	5,00,00,000	2,50,00,000	2,50,00,000	
3. Sind	2,00,00,000	83,00,000	1,14,95,000	
4. N.-W.F.P.	1,50,00,000	77,54,250	72,45,036	
5. Baluchistan	80,00,000	...	...	4,95,000
6. Karachi	1,90,00,000	87,66,531	69,92,000	23,82,526
7. Bahawalpur State	35,00,000	13,42,699	21,57,301	
8. Tribal Areas, N.-W.F.P. ...	80,00,000	43,49,460	...	
9. Other areas including Azad Kashmir	15,00,000	3,18,500	6,00,000	
TOTAL ...	18,00,00,000	8,37,88,440	7,59,73,637	28,77,526

(*Source : Ministry of Economic Affairs*)

*NOTE.—Schemes originally received from the Provinces, etc., for approval against the total allocations of Social Uplift Grants amounted to Rs. 8·82 crores in respect of Education and Rs. 8·40 crores in respect of Health. However, certain schemes had to be reviewed, *e.g.* of Baluchistan in whose case out of the total allocation of Rs. 80 lakhs, Rs. 10 lakhs was set aside for the Baluchistan States Union.

APPENDIX No. 26

List of schemes for which foreign aid or loans have been offered

A. ECONOMIC ASSISTANCE UNDER THE COLOMBO PLAN FOR ECONOMIC DEVELOPMENT IN SOUTH AND SOUTH-EAST ASIA

1. The Colombo Plan, which had its origin in the Commonwealth Foreign Ministers' Conference held at Colombo in January 1950, aimed at raising the standard of living in the underdeveloped countries of South and South-East Asia, and implementing, for this purpose, the six-year programmes of development (July 1951—June 1957) drawn up by those countries. The basis of plan is self-help and cooperation. The countries themselves would frame and execute their development projects to the maximum extent of their own resources. And the economically developed countries, which are members of the Colombo Plan, would provide cooperative assistance to bridge the gap between total requirements and indigenous resources, as far as possible. Technical assistance would also be provided under a Scheme of Technical Cooperation.

2. The following countries are members of the Consultative Committee which has been set up to watch the progress of the Plan:

> Australia; Burma; Cambodia; Canada; Ceylon; India; Indonesia; Loas; Nepal; New Zealand; Pakistan; United Kingdom; U. K. Territories in South and South-East Asia (Malaya, Singapore, Borneo and Sarawak); United States of America; and Vietnam.

Phillipines and Thailand are not yet members of the Consultative Committee but they attend its meetings as observers. The World Bank and ECAFE also participate through observers.

3. The following economic assistance has been received so far by Pakistan under the Colombo Plan:

Canada:

Canada offered \$ (Canadian) 10 million for the year 1951-52 (April—March) for the following schemes:

S. No.	Name of scheme	Amount of aid offered	Remarks
1.	Cement factory including diesel power plant and structure steel for construction.	§ 5.0 million.	
2.	Railway sleepers	§ 2.8 ,,	
3.	Equipment for Commonwealth Livestock Farm in Thal Area.	§ 0.2 ,,	This farm is being set up jointly by Canada, Australia and New Zealand, and the amount represents Canada's share.
4.	Aerial photographic survey	§ 2.0 ,,	Photographic Survey Corporation of Canada has already started work.

Similar amount of aid is expected for the year 1952-53. Schemes for aid are under negotiation.

Australia :

Australia offered £ (Australian) 2 million for the year 1951-52 (July—June) and a similar amount for the year 1952-53. The following equipment is being supplied under this aid :

S. No.	Name of scheme	Amount of aid offered	Remarks
1.	Tractors for Mianwali and Warsak projects ...	£(A) 23,000	Already supplied.
2.	Electric meters for K.E.S.C.	£(A)204,000	Part supply received.
3.	Posts and Telegraphs transmission equipment ...	£(A)648,000	Orders placed.
4.	Pumping equipment for Thal Area	£(A)910,000	,, ,,
5.	Pipe manufacturing plant for Greater Karachi Water Supply Scheme.	£(A)184,000	,, ,,
6.	Cold storage plants	£(A)200,000	,, ,,
7.	Fishing craft	£(A) 500	,, ,,
8.	Equipment for Thal Livestock Development farm ...	£(A) 9,000 —10,000	,, ,,
9.	Diesel locomotives (9)	£(A)810,000	,, ,,
10.	Pest control air-crafts	£(A) 26,000	,, ,,
11.	Broadcasting equipment	£(A)443,000	,, ,,
12.	Pumping equipment for East Bengal	£(A) 90,000	,, ,,

New Zealand :

New Zealand offered £ 250,000 for the year 1951-52 (April-March). The amount has already been paid in cash, and is to be spent on the Nari-Bolan Project and other schemes of irrigation development in Baluchistan. A similar amount is expected for the year 1952-53.

B. ECONOMIC ASSISTANCE UNDER THE T.C.A. PROGRAMME OF U.S.A.

In his inaugural address to the American Congress in January 1949, President Truman made four points to outline the policy of his administration. Point No. Four called for "a bold, new programme" of sharing technical knowledge with under-developed countries of the world in order to "help them realise their aspirations for a better life". In pursuance of this policy, which has come to be known popularly as Point Four Programme, an Act of International Development was passed by the American Congress in June 1950. A more comprehensive Act *viz.*, Mutual Security Act was passed subsequently (October 1951), and under it appropriations are authorised from year to year for purposes of mutual security which includes military as well as economic and technical assistance. The appropriation for the fiscal year 1952 (July 1951-June 1952) was $ 5,926 million out of which $ 1,706 million was set aside for economic and technical assistance. The T.C.A. (Technical Cooperation Administration) which administers the economic and technical assistance funds, offered $ 10 million to Pakistan for the fiscal year 1952, for the following schemes :—

S. No.	Name of scheme	Amount of aid offered	Remarks
1.	Village Agricultural Industrial Development Programme.	$ 2.3 million	
2.	Project for acquisition and distribution of fertilizer (10,000 tons).	$ 0.9 ,,	Already received.
3.	East Pakistan Forest Research Laboratory ...	$ 0.2 ,,	
4.	Training activities	$ 0.7 ,,	
5.	Health and Sanitation Project	$ 0.5 ,,	
6.	East Pakistan Road Development Training Programme.	$ 1.1 ,,	
7.	Construction of fertiliser factory	$ 4.0 ,,	
8.	Chittagong Hill Tracts Timber Extraction Project ...	$ 0.3 ,,	

Somewhat larger aid is expected for the fiscal year 1953 and negotiations regarding the schemes to be financed are under way.

C. AID FROM THE FORD FOUNDATION OF U.S.A.

The Ford Foundation is a phillanthropic trust in U.S.A. which operates in other countries as well. The basic objective of this Foundation to "advance human welfare" which has been amplified to cover "the advancement of peace, education, the behavioral sciences, democratic institutions and economic stability". The foundation offered to Pakistan during 1951-52 an aid of $ 1.6 million for the following schemes:

S. No.	Name of scheme	Amount of aid offered	Remarks
1.	Polytechnic with two short-term Training Centres in General and Electrical trades.	$ 1·1 million	Equipment already ordered.
2.	College of Domestic Science for Women... ...	$ ·5 „	

D. LOANS FROM THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT.

The International Bank for Reconstruction and Development is an international agency, the purpose of which is to assist the member-countries in reconstruction and development of productive resources by providing loans. Pakistan became a member of the Bank in July 1950. In due course, the Bank assessed the credit-worthiness of Pakistan at $ 150 million. Loan Agreements for the following schemes have been signed so far:—

S. No.	Scheme	Amount	Remarks
1.	Rehabilitation and development of railways (27-3-52)	$ 27·2 million	The loan covers purchase of diesel locomotives (76), boilers (12), carriages (197), wagons (1194), sleepers (60,000) and workshop equipment. Part of loan already drawn.
2.	Punjab agricultural machinery project (13-6-1952) ...	$ 3·25 „	The loan covers supply of crawler tractors (160), wheel tractors (54), ancillary equipment, transport and workshop equipment (one stationary and four mobile shops) for use in Thal Area.
	Total	$ 30·45 „	

Loans for a number of other projects *e.g.*, thermal stations, paper mill, development of tele-communications and silos are under negotiation.

APPENDIX No. 27

Proformas prescribed by the Central Planning Commission

A. FORM FOR SUBMISSION OF DEVELOPMENT SCHEMES TO THE PLANNING COMMISSION (P. C. I.)

(Please see the last page for instructions for filling the Proforma)

PART A

I. Serial number of scheme:

II. Name by which scheme will be known:

III. Administrative authorities:

(a) Sponsoring Provincial Government|Central Department.

(b) Central Ministry concerned.

IV. Cost and period:

(a) Total estimated cost. (In thousands of rupees).

(b) Estimated period of execution.

V. General description of scheme:

VI. Manner of Implementation:

(a) Agency for execution|operation.

(b) How proposed to be financed.

VII. Justification of scheme:

(a) Financial justification.

(b) Economic advantages.

(c) Other advantages.

VIII. Repercussions of scheme:

PART B

IX. Schedule of work:

(a) Present stage of work.

(b) Proposed dates of commencement|completion of scheme.

(c) Description of phases, if any.

(d) Proposed schedule of work by years, for each phase.

X. Analysis of work involved:

XI. Estimated cost: (In thousands of rupees).

(i) *Table No. 1—Expenditure by currencies.*

	Internal expenditure in Pak rupees	External expenditure in foreign currencies	Break up of external expenditure				Remarks
			Sterling	Other soft currencies with names	Dollar	Other hard currencies with names	
1st Year ...							
2nd Year ...							
3rd Year ...							
4th Year etc. ...							
Total ...							

(ii) *Table No. 2—Expenditure by main items,*

(a) Preliminary expenditure on survey, investigation, etc.
(b) Land.
(c) Plant and machinery—(i) Total.
(ii) Local.
(iii) Foreign.
(d) Construction charges—
(i) Labour, by main categories.
(ii) Material, with break up.
(e) Administrative establishment during execution, by main categories.
(f) Other important items.
(g) Total.

XII. Plant and machinery required:

(a) Requirements—

Name of plant etc.	Number required	Estimated Cost	Year in which delivery required	Prospects of availability and deliveries

(b) Arrangements for custody during construction.

(c) Arrangements for maintenance and repairs.

XIII. Structural and construction material required:

Name	Quantity required	Estimated cost	Year in which delivery required	Prospects of availability and deliveries
1	2	3	4	5

XIV. Other essential requirements:

(a) Land.
(b) Water.
(c) Power.
(d) Transport.
(e) Others.

XV. Personnel required during execution:

Category	Number required	Number locally available	Deficiencies			Remarks
			Foreigners to be imported	Training arrangements proposed for Pakistanis 5		
				Training abroad	Training locally	
1	2	3	4			6

PART C.

XVI. Raw materials required for operation:

Name	Annual consumption	Source of Supply	Prospects regarding availability
1	2	3	4

XVII. Personnel required for operation:

Category	Number required	Number locally available	Deficiencies			Remarks
			Foreigners to be imported	Training arrangements proposed for Pakistanis 5		
				Training abroad	Training locally	
1	2	3	4			6

XVIII. Recurring expenditure on completion of scheme:

XIX. Financial results:

XX. Marketing of products:

PART D.

XXI. Details of expert examination:

(a) By sponsoring Government/Department.

(b) By Central Ministry.

XXII. Miscellaneous information:.. .. ..

XXIII. General observations by central ministry concerned:

— * * * * * —

Instructions for filling form P. C. I.

General.

It is requested that serial order given in the proforma should be followed. The various parts should begin on new pages and separate sheets may be used for important entries. If such sheets are attached at the end, cross references should be given. Information should be given *as far as possible* and where no data is available, indication should be given whether and when it would be supplied.

PART A.

I. Serial number of scheme.

This entry will be filled in by the Ministry of Economic Affairs (Planning Wing). All schemes received are brought on to a register and a serial number, in order of receipt, is given to each scheme. The number will be indicated in the Memorandum submitted to the Planning Commission and in the letter advising approval to the scheme.

II. Name by which the scheme will be known.

This should be a brief, but adequate description of the scheme and should be proceeded by an indication of the sector to which the scheme belongs. The unit sponsoring the scheme should be indicated in the brackets at the end. The different sectors of development are :

Agriculture ; Irrigation ; Power ; Industry ; Mining ; Transport and communication ; Housing and water-supply ; Education including technical education ; and Health.

Multipurpose projects should be shown under the sector having the largest emphasis. Typical example of names are :

(i) Irrigation—Tube-well irrigation in forest areas of Muzaffargarh (Punjab).

(ii) Communications—Third phase of development of broadcasting (Centre).

III. Administrative authorities.

(a) The name of the Provincial Government or the Central Department (*e.g.*, Department of Plant Protection or Posts and Telegraphs Department) sponsoring a scheme should be given here.

(b) The name of the Central Ministry administratively concerned with the scheme should be given here.

IV. Cost and period.

(a) Give the total cost without any break up.

(b) Give the total period required—reference to particular years is not necessary.

V. General description of the scheme.

Give a general description of the scheme giving primarily its objectives and indicating its origin, nature and scope, location, etc., and the facilities available for execution of the scheme. A map of the area|site showing location should be attached. Provide details of the preliminary work done, if any, e.g., surveys carried out, pilot project set up, etc.

VI. Manner of implementation.

(a) Indicate whether the scheme is to be undertaken by a Government Department (Central or Provincial) or a semi-official agency *e.g.*, Pakistan Industrial Development Corporation, a co-operative body, or private enterprise (joint stock company or otherwise). If a Government Department or through contractors. In all cases it should be indicated whether private enterprise has been interested and if so, with what results.

(b) Indicate whether expenditure will be met directly by Government (Provincial or Central) and whether budget provision exists. In the case of a Provincial scheme, indicate whether it will be financed out of their own resources or by loan from the Central Government, etc. If private enterprise, whether Government is expected to contribute and if so, to what extent and in what form.

VII. Justification of scheme.

Against (a), give the justification of the scheme on the basis of financial results expected under entry XIX.

Against (b), indicate expected improvement in economic conditions *e.g.*, elimination of dependence, increase in employment, *rise in standard of living etc.

VIII. Repercussions of scheme.

This is an important entry—it is intended to bring out the effect of the scheme in other sectors of development and the requirements, etc., created therein as a result of its execution *e.g.*, a large agricultural scheme may need expanded transport facilities. Coordinated planning demands that the conditions generated in all sectors by the implementation of a scheme should be thought of and provided for.

PART B.

IX. Schedule of work.

(a) Indicate very briefly what has been done already, keeping in view various items of work involved *vide* entry X and give the figure of expenditure already incurred.

(b) If no definite data can be given, indicate after what period from the date of approval, execution will be started|completed.

(c) A very brief description of the various stages, if any, in which the scheme would be executed should be given.

(d) Indicate in detail the time schedule of completion of each phase and of various items of work included in each stage with reference to entry X. This entry is important to judge the actual progress of work later on.

X. Analysis of work involved.

This is a most important entry and is intended to secure a description (nature and volume) of all items of work involved from the very beginning to the completion of the scheme *e.g.*, acquisition of land, earthwork, masonry, installation of various plants, etc., etc. If the scheme is a phased scheme, items under each phase should be described in separate parts.

If full information cannot be given, data should be furnished as far as possible. If a Project Report has been prepared, it should be attached. Otherwise the fullest details should be given together with plans and drawings, etc.

*Against (c) indicate other advantages, promotion of research, strengthening of defence, stratique value, etc., etc.

In the case of the following types of schemes, the specific points indicated against each should be covered by the details furnished:

A. Agriculture and irrigation schemes.

(i) Provide details of the present agricultural practice in the area to be irrigated, giving the average acreage planted per year in each of the crops grown, average yield per acre, and average gross and net income to farmers per acre from each crop. Give comparable estimates, indicating basis therefor, for the allocation of areas to various crops and the yields of each after completion of the scheme.

(ii) Provide information on topographical surveys and water availability. In the case of pumping systems provide information on geological formation and data on existing pumping installations, if any, referring also to anticipated fall in the water table. Indicate possible adverse effects *e.g.*, water logging, salt accumulation, etc.

(iii) Provide complete information on Government revenue estimated to accrue, such as increase in land taxes, water sales and other income.

(iv) Indicate briefly the land tenure systems in the areas to be covered and the various costs and charges payable by cultivators.

B. Industrial schemes.

(i) Indicate operating expenses and revenue of similar industrial units in existence within the country, or in India.

(ii) State the terms and conditions of the managing agency proposed for the operation of the proposed industrial units.

(iii) Indicate whether power required will be purchased from an existing source or a plant set up as part of the scheme, and state the effect on production costs.

(iv) Indicate extent, type and cost of residential accommodation required, available, and proposed to be built, for essential key personnel required for the scheme.

(v) Indicate the suitability of the particular location from point of view of climate, availability of labour, power, transport, etc., proximity of markets. Bring out advantages over other possible sites.

C. Power schemes.

(i) Provide a detailed market analysis broken down by categories, such as domestic consumption, public lighting, industrial requirements, agricultural needs, etc. Provide statistics of actual consumption covering the past three years and also prospects for the next five years, in the same detail.

(ii) Provide information regarding existing and proposed electric rates for the various categories mentioned above.

(iii) In the case of hydro-electric stations, provide information available on topographical surveys and water availability. For steam stations, provide information regarding the type of fuel to be used and its availability. Fuel consumption and plant efficiency should also be indicated.

(iv) Provide details of estimated production cost at various loads on the station. Provide also, if possible, estimated daily and annual load surveys on individual stations.

XI. Estimated cost:

Under Table No. 1, give as accurate estimates as possible, on the basis of expectations or negotiations already carried out, which should be referred to in the 'Remarks' column. The distribution over years should be according to financial years.

Under Table No. 2, give expenditure expected to be incurred on the main items comprising the scheme. The columns may be modified or supplemented in view of the actual nature of the scheme, so that all important items are covered. In schemes (*e.g.*, agricultural) involving large expenditure of a recurring character (*i.e.*, on establishment, etc.), this should be clearly brought out so that expenditure of a capital nature can be distinguished.

XII. Plant and machinery required:

(a) This is self-explanatory; all main items of plant and machinery should be covered.

(b) The sites for installation may not be ready in time and equipment must be protected against deterioration. Indicate arrangements proposed.

(c) This is important. To ensure full life for the equipment used, during construction as well as operation, maintenance arrangements must be adequate and efficient. Describe what they are—whether part of the scheme or otherwise.

XIII. Structural and construction material required:

This is self-explanatory; all main items should be covered.

XIV. Other essential requirements:

Please indicate in respect of the items named and others necessary for the success of the scheme, the facilities available. If not already available, indicate how and when they will be provided and whether the operation of the scheme will not be upset if there is delay.

XV. Personnel required during execution:

This is intended to cover all categories of staff *e.g.,* unskilled labour, semi-skilled labour, skilled labour, technical supervisory staff, specialists and experts and managerial staff. Apart from the table, bring out in narrative form the actual availability of necessary " know how " and details of the arrangements proposed to meet dificiencies. Facilities are available for training abroad of technicians etc., and import of foreign experts under various Technical Assistance Programmes. If utilization of these facilities is required, exact requirements should be indicated.

PART C.

XVI. Raw materials required for operation:

This is intended to cover all basic materials required for use after completion of the scheme.

XVII. Personnel required for operation:

This entry is supplementary to entry XV and should show only personnel required for operation, apart from that required for execution and available subsequently for operation.

XVIII. Recurring expenditure on completion of scheme:

Provide information on the recurring expenditure (working capital) required on completion of the scheme broken up by staff, raw material, etc.

XIX. Financial results:

Give a statistical analysis of:

(a) **Production Costs.**—of all main items to be produced. Cost of raw materials, direct labour, other operating expenses, overhead staff etc., should be computed and cost per unit indicated. In the case of industrial schemes, the following table should be adopted and after listing various items produced, totals should be given for the whole scheme :

Description of item produced	Total cost of production incl. all overheads	Distribution and selling expenditure	Total cost (2 plus 3)	Cost per unit: No. of units to be produced	Cost per unit: Cost per unit	Current market price per unit: Indigenous	Current market price per unit: Imported: CIF price	Current market price per unit: Imported: Landed cost	Total revenue at: Indigenous market price	Total revenue at: Imported CIF price.	Estimated profit: As compared to indigenous	Estimated profit: As compared to imported
1	2	3	4	5	6	7	8	9	10	11	12	13

(b) **Productivity.**—The return over the investment made should be computed, keeping in view the gross revenue on the basis of total production expected, working expenses and other charges *e.g.*, depreciation, interest etc., marketable price and net revenue. Percentage of yield on capital cost should be indicated.

(c) **Effect on foreign exchange.**—Net increased earnings or savings of foreign exchange should be computed on the basis of surplus available for export or reduction in existing imports.

(d) **Increase in national income.**—The total effect of execution of scheme in its own and other sectors of economy should be assessed.

(e) **Increase in Government revenues.**—The effect, if any, on the revenues of the Government (separately for Provincial and Central) by way of land revenue, excise duty, sales tax, incometax export|import duties, etc., should be assessed as far as possible.

XX. Marketing of Products :

Indicate the international prices of the products as also prices prevailing within the country and their bearing on marketing. Compare with production costs and bring out clearly the prospects of marketing showing the likely markets for the products and the arrangements existing or intended for marketing, as also the transport facilities available.

PART D.

XXI. Details of expert examination :

(a) Against this, give details of the technical and other examination made of the scheme—the names and status (designation and qualifications) of experts, the extent of scrutiny done and the findings given. Give full history of the expert examination together with the final expert opinion. If no expert examination has been considered necessary by the sponsoring Government Department, reasons for it may be given.

(b) Similar details about expert examination made, if any, after the scheme had been initiated, should be given. If no further examination is considered necessary, reasons for it should be given.

XXII. Miscellaneous information :

Against this give any other information required to enable full appreciation and balanced consideration of scheme.

XXIII. General observations by Central Ministry concerned:

This should incorporate the views of the Central Ministry concerned on various features of the scheme. A separate sheet may be used for the purpose. Reference should be made to similar schemes which may have been approved previously or which may be in operation and experience gained therein should be mentioned.

(*Source*: *Ministry of Economic Affairs.*)

B. FORM FOR SUBMISSION OF PROGRESS REPORTS ON DEVELOPMENT PROJECT (P. C. III).

(Please see the last page for instructions for filling the form)

Note.—The Report is required to reach the Ministry of Economic Affairs within 21 days of the close of the period.

I. Serial No. of project:

II. Name of project:

III. Report for quarter ended 31 Mar.|30 June|30 Sep.|31 Dec. 195 :

IV. No. and date of sanction letters:

(a) of Ministry of Economic Affairs conveying approval of Economic Council;

(b) of Central Ministry|Provincial Government conveying detailed sanction.

V. Administrative authorities:

(a) Sponsoring Provincial Government|Central Department.

(b) Central Ministry concerned.

VI. Executive organisation:

(a) Authority initiating report.

(b) Officials incharge of project.

VII. Cost of project: (In lakhs of rupees).

(i) **Table No. 1.—Total Cost:**

(a) As approved by Economic Council.

(b) Revised estimate, if any.

(c) Reasons for change in estimated cost.

(d) Action taken to regularise change, if necessary.

(ii) **Table No. 2.—Actual expenditure:**

Amount of sanctions issued authorising expenditure			Actual expenditure up-to-date			Commitments made		
Total	Internal	External	Total	Internal	External	Total	Internal	External

VIII. Progress of work:

(a) Date of approval of project by Economic Council.

(b) Date of detailed sanction of project.

(c) Date of commencement.

(d) Reason for interval between (b) and (c), if long.

(e) Progress made :—

Item	Since last report	Since commencement	Whether according to schedule and reasons for delay or otherwise
(*i*) Preparation of detailed plans, specifications, estimates, etc.			
(*ii*) Purchase of machinery and other equipment ...			
(*iii*) Arrangements for construction material ...			
(*iv*) Signing of contracts, if any			
(*v*) Storage and maintenance of machinery, etc. ...			
(*vi*) Work at site, building, installation of machinery, etc.			

IX. General assessment of progress :

X. Reasons for delays and difficulties and suggestions for removal :

XI. Changes made in plans, objectives, etc., if any :

XII. Recruitment and training of staff :

XIII. General observations by Central Ministry :

INSTRUCTIONS FOR FILLING FORM P. C. III.

General.—In making entries, reference should be made constantly to the Form P.C. I. submitted to the Planning Commission to secure sanction of the project and information should be given in relation to what was stated therein under relevant items. In order that progress reports may prove of real value, it is essential that they must reach the Ministry of Economic Affairs within 21 days of the close of the period to which they relate.

Accordingly, the authority initiating the report must start its compilation immediately after the close of the period. Additional sheets should be attached where required, indicating this clearly against the relevant entry and giving reference to that entry on the top of the extra sheet.

I. Serial No. of project :

This would be the Serial Number given to the scheme by the Ministry of Economic Affairs and advised in the letter conveying approval.

II. Name of project :

This should be the name as finally given in the letter conveying approval.

III. Period under report :

Cross out the period not applicable and fill in the year.

IV. No. and date of sanction letter :

(a) Self-explanatory. This letter is addressed to the Central Ministry concerned while actual sanctions are issued by the Central Ministry itself or Provincial Government accordingly as the scheme is a Central or Provincial scheme.

(b) Copies of the letter|letters issued during the period should be attached.

V. Administrative authorities :

Self-explanatory. Please see instructions for P.C.I.

VI. Executive organisation :

(a) This should be the name of the office|organisation immediately in charge of execution of project.

(b) The name of the head and other important executive officers, if any, should be given and changes during the period under review indicated with dates.

VII. Cost of project:

(i) The entries are self-explanatory. If there is a material change in estimate (of Rules of Procedure), a fresh P. C. I. will have to be submitted to the Planning Commission.

(ii) In this table, fill in the relevant amounts up-to-date *i.e.*, up to the end of the period under report.

VIII. Progress of work:

(a) This may be the date of letter from Ministry of Economic Affairs.
(b) This will be date of first letter of the Central Ministry|Provincial Government conveying detailed sanction.
(c) & (d) Self-explanatory.
(e) This is intended to give the fullest information about actual progress and concrete facts should be given rather than vague statements made. For example, against (ii) bring out whether tenders invited through D. G. S. & D., or otherwise, whether orders placed, whether all or part of equipment (and which) received, etc., etc.

IX. General assessment of progress:

Describe briefly the stage reached in various directions bringing out progress on major items of work *vide* Entry X "Analysis of Work" in Form P.C.I. Indicate concrete results achieved, if any. If any portions of the work have been completed indicate their productivity. Has there been a change in the expected date of completion and if so, why?

X. Reasons for delays and difficulties and suggestions for removal:

Self-explanatory. Bring out delays with reference to scheduled expectations *e.g.*, orders not placed by D. G. S. & D., equipment not available, long delivery periods quoted, technical personnel difficult to get, etc. Difficulties and special measures called for may be brought to the notice of the Planning Commission **at any time.**

XI. Changes made in plans, objectives etc., if any:

If in the course of execution it has been found necessary to change plans or objectives, they should be reported to the Planning Commission even if the total cost is not increased.

XII. Recruitment and training of staff:

Describe briefly the measures taken to recruit and train staff required in various categories and the success achieved. If the requirements have been reassessed, the revised figures should be given.

XIII. General observations by Central Ministry:

This will include a general criticism of the progress and action contemplated with reference to entry X.

(*Source: Ministry of Economic Affairs*)

C. FORM FOR SUBMISSION OF COMPLETION REPORTS ON DEVELOPMENT PROJECTS (FORM P. C. IV) (PLEASE SEE THE LAST PAGE FOR INSTRUCTIONS FOR FILLING THE FORM)

Note: The Report is required to reach the Ministry of Economic Affairs within six months of the completion of the Projects.

I. Serial No. of project:

II. Name of project:

III. No. and date of sanction letters:

(a) of Ministry of Economic Affairs conveying approval of Economic Council.

(b) of Central Ministry|Provincial Government conveying detailed sanction.

IV. Administrative authorities:

(a) Sponsoring Provincial Government|Central Deptt.

(b) Central Ministry concerned.

V. Executive organisation:

(a) Authority initiating Report.

(b) Official in charge of Project.

VI. Review of cost: (in lakhs of rupees)

(i) Table No. 1.—Total cost.

(a) As originally approved by Economic Council.

(b) Final revised estimate, if any.

(c) Difference in original and revised cost.

(d) Reasons for change in estimated cost.

(e) Action taken to regularise change, if necessary.

(ii) **Table No. 2.—Expenditure by currencies.**

	Total	Internal	External	Break up of external expenditure			
				Sterling	Other soft currencies with names	Dollar	Other non-dollar currencies with names
As originally estimated							
Actually incurred ...							
Reasons for difference							

VII. Changes made in plans, objectives etc., of project, if any:

VIII. Review of progress made:

(a) Date of approval of Project by Economic Council.

(b) Date of detailed sanction of project.

(c) Reasons for interval between (a) and (b), if large.

(d) Date of commencement.

(e) Reasons for interval between (b) and (d), if large.

(f) Period for completion estimated originally.

(g) Period actually taken for completion.

(h) Reasons for difference between (f) and (g), if large.

IX. Any portion of work yet uncompleted:

X. Personnel employed during execution:

Category	No.	No. obtained locally	Arrangement made for the rest.

XI. Delays and difficulties experienced and suggestions for the future:

(a) Investigation and designing of project.
(b) Obtaining machinery and equipment.
(c) Obtaining other materials.
(d) Recruiting staff.

XII. Changes in justification of project:

(a) Financial justification.
(b) Economic justification.
(c) Other advantages.

XIII. Review of estimate of recurring expenditure:

XIV. Review of estimate of financial results:

XV. Availability of personnel for operation:

Category	Number required as estimated originally	Number required now	Number available locally	Arrangement made for the rest

XVI. Arrangements for maintenance of plant and machinery:

XVII. Arrangements made for marketing:

XVIII. Difficulties expected in operation, if any:

XIX. Repercussions of scheme:

XX. General observations by Central Ministry:

INSTRUCTIONS FOR FILLING FORM P. C. IV.

Instructions for filling form P. C. I. and form P. C. III will apply, *mutatis mutandis,* except as indicated below. Entries are otherwise self-explanatory. Reference should be made constantly to form P. C. I. submitted to the Planning Commission to secure sanction of the project and information should be given in relation to what was stated therein under relevant items.

III. No. and date of sanction letter:

Under (b), give reference to all the letters of sanction issued from time to time.

V. Executive Organisation:

Under (b), give a list with dates of the executive officers who remained in charge of the execution of the project.

(*Source*: *Ministry of Economic Affairs*).

APPENDIX No. 28

SOME MONETARY STATISTICS

A. Statement of affairs of the State Bank of Pakistan.

(i) ISSUE DEPARTMENT

(In lakhs of rupees).

	July 30, 1948	Dec. 31, 1948	Dec. 30, 1949	Dec. 29, 1950	Dec. 28, 1951	Dec. 26, 1952
Liabilities.						
(1) Notes held in the Banking Department.	5,93	2,35	3,19	5,74	6,23	4,80
(2) Notes in Circulation ...	70,06	1,67,36	1,70,69	1,92,51	2,35,10	2,00,82
(3) Total Notes Issued	75,99	1,69,71	1,73,88	1,98,25	2,41,33	2,05,62
Assets.						
(1) Gold and Silver (Bullion and Coin)—						
(a) In hand	...	2,02	4,21	4,21	4,21	7,91
(b) Held with the Reserve Bank of India.	1,70	19	19	19	19	19
TOTAL ...	1,70	2,21	4,40	4,40	4,40	8,10
(2) Sterling and other foreign securities (including Securities of the Government of India):—						
(a) In hand	...	72,26	89,17	80,39	1,24,23	51,15
(b) Held with the Reserve Bank of India.	48,22	5,41	5,41	3,76	3,76	3,76
TOTAL ...	48,22	77,67	94,58	84,15	1,27,99	54,91
(3) Indian Notes representing Assets recoverable from Reserve Bank of India.	22,07	81,44	43,17	29,99	29,99	29,99
(4) Rupee Coin—						
(a) In hand	2,35	1,85	4,96	4,32	2,15	6,46
(b) Held with Reserve Bank of	1,66	1,55	30	30	30	30
TOTAL ...	4,01	3,40	5,26	4,62	2,45	6,76
(5) Government of Pakistan Securities.	...	5,00	26,47	75,10	76,05	1,05,86
(6) Internal Bills of Exchange and other commercial papers.	...	...	...	...	...	...
(7) Percentage of Gold, Silver sterling securities and approved foreign exchange to total note issued.	94,70	95,05	81,75	59,79	67,29	45,23

(ii) BANKING DEPARTMENT

	July 30, 1948	Dec. 31, 1948	Dec. 31, 1949	Dec. 29, 1950	Dec. 28, 1951	Dec. 26, 1952
Liabilities.						
1. Government Deposits ...	72,41	98,64	59,30	67,28	63,61	38,56
2. Bank Deposits	28,48	14,70	21,87	10,00	14,75	10,13
3. Other Deposits (including Bills payable and other Liabilities).	8,92	6,81	6,45	5,89	8,50	7,47
4. Total Deposits	1,09,81	1,20,15	87,62	83,17	86,86	56,16
Assets.						
5. Assets in the Banking Department in the Form of Notes, Rupee Coins and other subsidiary Coins.	5,94	2,37	3,22	5,74	6,23	4,80
6. Balances held abroad ...	1,02,53	99,34	46,87	44,22	43,99	*
7. Loans and Advances to Governments.	6	37	...	5	5	15,25
8. Bills purchased and discounted.	...	12,20	10,48	10,51	9,89	32
9. Investments and other Loans and Advances (including other Assets).	2,80	8,33	33,05	28,65	32,69	41,31

* Balances held abroad are no longer reported separately in State Bank return.

(*Source* : *S. B. P.*)

B. CURRENCY IN CIRCULATION.

(In lakhs of rupees.)

Months	1949	1950	1951	1952
January	1,81,87	1,78,53	2,15,12	2,54,71
February	1,82,74	1,80,01	2,21,06	2,44,54
March	1,79,43	1,81,59	2,20,01	2,36,89
April	1,76,44	1,82,28	2,15,47	2,33,58
May	1,73,33	1,79,88	2,08,83	2,24,87
June	1,72,56	1,74,76	2,02,98	2,23,83
July	1,71,08	1,72,67	1,99,01	2,10,06
August	1,69,17	1,71,50	2,04,69	2,04,86
September	1,74,91	1,70,06	2,09,97	2,03,46*
October	1,67,09	1,76,07	2,17,47	2,07,29*
November	1,66,95	1,85,98	2,33,33	2,11,38*
December	1,73,94	1,99,19	2,46,74	2,14,52*

* Provisional.

(*Source* : *S. B. P.*)

C. RATES OF INTEREST.

(i)—Inter-bank call money rates at Karachi.

(Mid-month quotations.)

Months	1949	1950	1951	1952
January	...	1/2%	1 1/2% to 2%	2 1/2% to 2 3/4%
February	1/4%	1%	2%	2 1/4%
March	1/4%	1%	1 3/4% to 2%	1 3/4% to 2%
April	1/4%	1%	1 3/4% to 1 7/8%	2%
May	1/2%	1/2%	1% to 1½%	2%
June	1/2%	1/4%	1 /4%	1 3/4% to 2%
July	1/2%	1/4% to 1½%	1/4%	1 3/4% to 2 1/4%
August	1/2%	1%	1/4%	1 7/8%
September	1/2%	1%	1/4%	2% to 2 1/4%
October	1/2% to 3/4%.	1% to 1 1/4%	1/4%	2 1/4% to 2 1/2%
November	1/2%	1 1/2% to 2%	3/4%	2% to 2 1/2%
December	1/2%	1 1/2% to 2%	1 1/2% to 2%	2% to 2 1/4%

(*Source* : *S. B. P.*)

(ii)—Banker's deposit rate at Karachi.

	1st July 1948—29th June 1952.	30th June 1952—31st December 1952 (as agreed by the Associated Exchange Banks of Karachi.)
1. Money at call	...	1/4%
2. Money subject to 7 days notice	...	1 1/2%
3. From one month to within 3 months ...	...	2%
4. From 3 months to within 12 months ...	...	1 1/2%
5. 6 months fixed deposit	1/2%	...
6. 1 year fixed deposit	1 1/4%	2%

(*Source* : *S. B. P.*)

(iii)—State Bank of Pakistan rate of interest.

State Bank of Pakistan rate of interest of 3% has remained unchanged since 1st July 1948, the date when the Bank came into being

D. CLEARING HOUSE RETURNS

(Karachi, Lahore, Dacca, Narayanganj and Chittagong.)

(In lakhs of rupees.)

Year	Number	Amount
1949	10,36,760	401
1950	13,53,691	551
1951	15,22,307	661
1952	17,85,778*	624*

* Provisional.

(*Source* : *S. B. P.*)

APPENDIX No. 29.

Note by Mr. Zahid Hussain on the establishment of Futures Commodity Markets.

Stability through Futures Markets.

1. Stability in our commodity markets is one of our pressing needs. One of the recognised means of imparting stability lies in a well-regulated and smoothly functioning futures market. The question of establishing such a market for cotton has been the subject of controversy in Pakistan, and there is an obvious need of authoritative pronouncements on this subject. The rapid development of mill industry makes it an urgent issue and there is sufficient reason for dealing with it fully here.

Salient features of Spot & Futures Markets.

2. A well organised Commodity Exchange should provide for members and for non-members acting through members, two separate markets: (1) Cash or Spot Market, and (2) the Futures Market. In the cash market, it is expected that operations will be restricted to actual sale (or purchase) of a commodity and its delivery in accordance with the terms of the contracts. This will: involve delivery to the buyer of the amount and specific quality of commodity purchased or stated in the contract. In the futures market, on the other hand, buying and selling occurs in terms of contract calling for delivery of a specified quality of the commodity at a specified date. When the customer places the order to buy or sell a contract, he may or may not expect to take or make delivery, but the assumption is that delivery will be made. At least, the customer must be prepared to take or make delivery. In actual practice, futures contracts are bought with the expectation that futures contracts will be sold before the end of the month specified in the contract. In fact, trading in future contract usually is dealt in by businessmen as a price protection device, known as the "hedge" and not for the purpose of acquiring commodities.

Method of operation.

3. Since the essential purpose of the 'hedge' is to secure protection against random fluctuations of prices, the method of operation is to match the purchases and sales in two markets, under the assumption that price movements in the two markets will take place in the same direction and to the same extent. In other words, a perfect hedge presupposes that price movements in the cash and futures markets are so tied together that price advances and declines occur practically simultaneously and in the same magnitude. Otherwise, full protection against unforeseen price movements is not available. Ordinarily, price movements in the cash and futures markets are seldom exactly parallel. Nevertheless, the divergence is seldom so great as to invalidate the value of the 'hedge'.

Hedge contracts do not eliminate market risks.

4. It should be understood that operations under the hedge contract do not eliminate market risks; these risks are merely transferred to and are assumed by those who are willing to buy from and sell to businessmen who deal in hedge contracts. The hedge markets have been built up and operate on the theory that since some one must assume the risks of price fluctuations they can best be transferred to the specialist in assuming risks, i.e., the market traders or speculators who earn their profits from successful forecasting of future price movements. In the absence of hedge markets the risks have to be borne by the trader and manufacturer.

Advantages.

5. There are certain recognised benefits which ordinarily flow from the operation of a commodity exchange which provides facilities for the future contracts:—

(a) Futures contracts make possible short selling which tends to reduce price fluctuations and to create more market stability. While short selling influence directly only the price of futures, the weakness in futures affects spot prices, since there is a tendency for spot and futures prices to move together. As a consequence, the peak is taken off the rise in spot prices. Moreover, as prices decline, there is a tendency for short sales to be covered checking or reversing the trends in both futures and spot prices.

(b) As businessmen and manufacturers reduce the risks of price fluctuations through hedge contracts, they become better credit risk. Hence, access to bank credit becomes easier and often it is obtainable at lower rates. Likewise, it is usually feasible to operate on narrower collateral margins.

(c) The futures market facilitates the equalisation of prices between markets.

(d) It facilitates planning through indications as to future trends of prices to manufacturers, middlemen, farmers and consumers.

(e) It encourages the wide dissemination of information about market prices and the supply of and demand for the commodity.

6. In Pakistan, the need for a Futures Market, specially in cotton, is urgent for the following reasons :—

Need for Futures Markets in Pakistan.

(a) The entire cotton trade from growers' sale to the export commitment is subject to considerable risk. Whether the trader at any point in the marketing process wishes to speculate or not, he is compelled to do so and cannot confine himself to genuine business and to the profit margins available in genuine business. The grower is unable to protect himself against undue fluctuations in prices between the planting and marketing of the crop, and is almost entirely at the mercy of the ginner. The ginner who buys kapas at a certain level of prices must assume a risk during the period that the cotton is being ginned and is likewise at the mercy of the spot merchant at Karachi. The export house also must take the risk of price fluctuations during the period when sales are being consummated. Generally, the carriage of the extra risk means that higher profit margins were necessary at every stage. Since the grower is the weakest element in the entire structure, the profit-margins come out of the price of kapas which he is compelled to sell at lower prices than conditions would otherwise warrant.

(b) At the present time there is no quality-basis to the trade and a ginner has little incentive, if not a positive disincentive to ginn clean cotton. The definition of the standards and grades under the hedge contract would mean that any cotton that did not meet the required standard could be rejected for the purpose of the contract.

(c) A hedge contract would arrest the present tendency for a decline in the market to become cumulative if foreign demand is inactive for any length of time. At the present time the more prices fall, the greater is the dumping on the market as weak holders are required to sell when banks ask for additional margins. Moreover, the pressure of up-country arrivals at certain periods in the season periodically creates weakness and instability and decline at such a period could easily deteriorate into a rout. A futures market would discount the pressure of arrival much earlier through lower quotations and the spot market would have a sufficient time to adjust itself gradually to the lower level of prices. In general terms a hedge contract would mean that the initial shock of a decline would be taken almost entirely by the futures section of the market. But as future quotations fell, the greater would be the difference between the contract and the settlement price and to that extent the trader would be compensated on the difference what he lost on the price. The spot market would thus be partly insulated from the full rigours of crisis.

(d) A hedge contract is very necessary for the growing textile mill industry. At the present time the mills in the interior have no choice but to purchase their entire requirements of the year within a narrow period when cotton is available in the interior. Any postponement would mean that the best quality might be taken up by the export houses or the cotton would be consigned for sale to Karachi. Thus the mills are required to speculate on the possibility that the prices would not fall and to incur crippling losses if such a fall actually occurs as happened in the 1951-52 season and again in the earlier part of the 1952-53 season.

7. However, some difficulties are felt in running a Futures Market. They are discussed below :—

Assessment of difficulties foreign interests.

Foreign financial interests, possessing large resources and able to operate on future markets for the same commodity in their country would be in a position, if they so desired, to depress the markets in Pakistan. They could build up heavy speculative short positions and hammer the market by selling at continuously lower quotations for future deliveries. As the time for meeting the contracts approached, they would reverse and purchase contracts. If prices had risen in the meantime, they would have to meet the difference between the contracted sale and purchase prices. But this contingency could very well be 'hedged' through simultaneous opposite movements on the Futures exchange in their own country. At the time they were sellers of future contracts in the Pakistan market they would be purchasers of contracts for the same maturity in their own markets. If prices rose—and they would be assumed to rise both in

Pakistan and their own country they would be recipients of funds in their country at the time of closing in their purchase commitments so that the scheme of depressing the Pakistan market would be apparently riskless. On the other hand, if prices fell at Karachi, and in the foreign market, the profits in the former would be offset in the latter. It is assumed for the sake of argument that foreign interests would work on a no-profit-no-loss basis, but with the objectives of depressing our markets without prospects of profit. This is by no means an entirely realistic assumption, because there are few if any who are financially able or would be willing to assume risks without hope of profits. Further, it would be appropriate to examine whether the hedge could ever be a perfect one, i.e., that it would eliminate all possibilities of making loss.

8. The following considerations seem to point to the contrary :—

(a) It must be remembered that operators are generally very volatile in their reactions, and the futures markets would therefore tend to react very sharply when foreign interest reserved their position as the time came for closing their contracts in both markets. For example, when they entered the Pakistan market to purchase contracts, the market rates might well become nominal and a sharp rise in quotations may follow. On the other hand, in their country, the market could break sharply as operators reversed and began to sell. In other words, any profits which were in prospect as a consequence of a successful depression of the Pakistan market would be cut into by the sharp rise in quotations. Moreover, their losses in the foreign market would be increased as prices fell sharply on their entry into the market as sellers. This would be the more likely as such interests would in any case be assumed to be powerful business houses who alone could be expected to indulge in transactions involving the possibility of large payments for purely speculative reasons.

(b) It would not be possible for any operator, however, bearish, to depress prices far below competitive world parity levels except possibly for very short periods. Foreign demand would be attracted to this market and thus tend to get a floor below which prices could not fall. It must be remembered that arbitrage on futures markets by operators working on a world-wide basis is an accepted method of keeping prices in all world cotton markets in line and if the tactics of foreign operators in Pakistani market brought about such parity it could hardly be considered an entirely undesirable influence.

(c) Any tendency for our markets to become relatively more depressed would immediately make it profitable for foreign firms with world-wide connections to operate in foreign markets by selling forward and covering in the Pakistan market. In other words, the entire operation could work both ways.

(d) The 'hedge' would never be perfect since it would generally be necessary to transfer funds between the two countries through black markets, where the free exchange rate may fluctuate widely. For instance, assuming a free rate of Rs. 100 (P) =Rs. 100 (I), any large scale repatriation of profits earned in Pakistan would result in carrying the rate against the Pakistan rupee further and thus bring a smaller quantity of India rupees than necessary to meet the losses in India. This risk however, could be minimised to the extent Indian interests were able to obtain advance agreement on rate of exchange from some small Pakistani traders against cash support.

(e) Since the two markets are in different countries, there may well be different reactions to changing internal conditions and economic policies, which may entirely upset calculations and render the entire operation a risky one.

(f) Any deliberate attempt to build up a speculative short position by selling forward could be detected. It could be laid down, for example, that no person could hold a speculative short or long position beyond a certain maximum. On April 2, 1947, the Commodity Exchange Commission in the U.S.A. issued an order limiting the maximum net long or short speculative position which any one person could hold or control to 30,000 bales in any one future, or in all futures combined.

(g) Severe measures could also be taken against chronically bearish operators, extending to the cancellation of their registration of brokers through whom they operate. Meanwhile other safeguards could also be worked out. For example the registration of operators could be suspended on suspicion.

9. There is wide spread ignorance about the implications of the hedge contract over large areas of the cotton trade. The grower is far too uninformed, if not illiterate to be able to make use of the facilities. Similarly the traders and the ginners in the interior have little or no knowledge of its operations. Among the export houses it is only the large foreign firms which have some knowledge and experience. The remaining export houses are Pakistani who have entered the trade after the partition. Similarly almost all the traders and commission agents in the interior are new entrants and are similarly ignorant. The present system, it may be argued, had worked well enough during the past four years and there is little justification for changing it at the present stage. We should bear in mind that the institution of a Futures market would itself be a most powerful factor in educating the trade to its use and education is unlikely to take place until a futures markets is established. A supplementary education campaign could also be conducted. **Ignorance of the working of Futures Markets.**

10. It can be argued against the hedge contract that speculative tendencies would acquire even greater scope. At present those who take the risks at least have their eyes open to the risks they assume. A hedge contract would invite into the business a class of individuals and firms who have little or no knowledge of the trade and the economies of cotton and who re-prepared merely to take the speculators' risk in the hope of making a large profit. The trade therefore would be open to even greater risks. This would make the possibility of defaults greater rather than less. Such speculators also could make it more difficult to appreciate and assess the mind and conditions of the market. Against this it must be pointed out as noted earlier, that everybody in the cotton trade today is a speculator. Moreover, the establishment of a clearing house and the necessity to meet the settlement difference, week by week, or at shorter intervals if desirable would considerably discourage speculation. At the present time, a trader can postpone meeting his commitment on forward contract for at least a month or more. Moreover, stringent regulations could be laid down by legislation which would restrict ability to build up purely speculative positions. **Speculation.**

11. The need to provide the difference when prices rise would mean an additional strain on the finance of the cotton trader and the ginner. At the present time many of them are finding it difficult to obtain adequate financial assistance. This would mean that they would have even less ability to obtain finance for meeting the difference. This would lead inevitably to the disappearance of many of the small operators who would be swallowed up by bigger operators with better banking connections and therefore greater ability to obtain the finance for this purpose. On the other hand, the banks would have a better security when the cotton or kapas pledged with them is covered by hedge contract. If the cotton hedged any loss sustained by a decline in price is offset by the profit from the hedge sale. The bank would be able to offer much higher advances and to retain much lower margins than is necessary at the present time. It may be pointed out that in most countries with hedge facilities, no bank was prepared to advance against cotton unless the same had been covered by a hedge. Moreover, Banks could be given representation on the Board of the Cotton Exchange, thus giving them a more close and intimate picture of changing trade attitude and psychology. **Financial aspect.**

12. It is argued that the Pakistan crop at an average 1½ million bales, is not large enough to have a hedge market, which might require a crop of as much as 3 million bales. It is essential to have a rather large body of speculators. While manufacturers and dealers operating in the hedge contract, might carry out purchases and sales simultaneously, thus matching sales against purchases, this coincidence cannot be relied upon. There must be continuity of trading in sufficient volume at any time so that substaintial purchases and sales may be made without causing the market to move substantially higher or lower. The market must have body; it cannot be 'thin'. In other words, any buyer or seller should be able to enter the market at any time and complete a transaction at substantially the same price as that prevailing at the time the order is entered. This type of market can be maintained only through the operations of a body of speculators who stand ready to buy on small recessions and to sell on small advances. It was feared that a small crop would not permit the market to have 'body' in this sense. Moreover, it was feared that between May and September, supplies might dwindle so rapidly as to permit various unhealthy manipulation such as 'corners' or 'squeezes'. On the other hand; there is good reason to believe that the present strength of brokers would easily be large enough to provide 'body' with even a small crop. Moreover, various regulations could effectively guard against unhealthy practices. **Size of crop.**

Need for Ready Exchange.

13. The present spot cotton market at Karachi is not really a Ready Exchange. Unless a well developed and active spot market existed, operators would not be able to acquire or sell cotton on the spot market at fairly stable prices at any moment. In other words, it would not be possible to consummate transactions in both spot and futures market at the same time and without undue fluctuations, so that there would be no real hedge. However, steps could be taken to re-organize the present market so as to achieve the minimum degree of facilities. In this connection, special attention had to be directed to storage.

Standardization.

14. The introduction of a futures market would not be possible without effective standardization of types and grades which would enable the 'basis' to be determined and the 'tenderable' qualities' laid down, with the 'off' and 'on' margins. At the present time, there was hardly any quality-classification available and it would probably take some years and considerable improvements in the uniform application of correct cultivation and ginning techniques before a workable classification would be available. This problem could be tackled by having a sufficiently large number of grades for each standard and by having a reasonably wide range of 'tenderable' qualities. On this basis, a workable classification could be worked out without undue delay.

Specialised Skill and honesty.

15. The successful operation of a Hedge Market required highly specialised skills on the part of operators. It was essential that they should be well informed, follow market trends closely and were willing to take a position on either side of the market, as conditions warranted. Moreover, the operators in such a market would have to possess good financial resources and be financially responsible even though some form of a Clearing Association were in operation. Neither the skills nor the financial integrity were as yet present in the trade. Business morality is reported not to be high at present. If prices go up, the seller does not want to fulfil his commitment to the buyer either in quantity or quality. If prices-go down buyers were not willing to fulfil their commitments to sellers in time, quantity, quality or place. A hedge contract requires complete sanctity of contract and the willingness to meet the differences immediately the settlement price was posted. These difficulties can be overcome in the school of experience, and minimized by force of law. Both Government and the Exchanges should have adequate powers to enforce the fulfilment of contracts entered into in good faith. They must be prepared to deal promptly and effectively with any situation created by unscrupulous tactics.

Suggestions.

16. To sum up, there were various difficulties that could presumably arise in the introduction of hedge facilities. Not all these difficulties are likely to be met in practice and if met, none will prove fatal. As indicated against each objection, various measures could be adopted to regulate the market and ensure that the unfavourable influences are minimised, if not eliminated. Strict Government control will be necessary and its powers exercised swiftly and with complete integrity in order to achieve results and discourage those who are tempted to abuse the facilities of a Hedge Market.

17. The following steps must therefore be taken as soon as the date for establishing a hedge market in cotton is decided upon :—

(1) An integration of all Government agencies concerned with cotton marketing must be quickly achieved and such as agency must have complete final powers to deal with any situation. For this purpose, necessary legislative measures will have to be introduced for regulating the future market and providing adequate powers for Government to intervene swiftly, as and when necessary.
(2) A committee must be appointed to work out suitable standards and grades.
(3) A Ready Cotton Exchange must be established early by suitable changes in existing arrangements.
(4) Training arrangements should be made not only for public officials who would administer the above proposed legislation but also to the existing brokerage and other firms and operators on the proposed future markets.
(5) Arrangements must be made whereby the purely organisational aspects of the establishment of the future market would have to be clearly laid out and executed by the integrated Government agency (proposed above) and the concerned Association.
(6) An educational programme must be launchd, through the media of publications, to acquaint all elements in the trade with mechanics, benefits and regulations concerning the operation of 'Future' Exchanges.
(7) An information bureau under capable management must be developed as a part of the Exchange facilities to provide accurate information about world wide conditions with respect to cotton.

APPENDIX No. 30

Note by Mr. Zahid Hussain on stabilisation schemes for cotton and jute.

Internal price stability :

1. Since commodity agreements are likely to provide for the supply of Pakistan of stipulated quantities within some range of prices, it is necessary to examine simultaneously the possibilities of imparting internal price stability to cotton and jute. However, schemes for ensuring stability have justification, quite apart from the problem of Commodity agreements.

Price fixation :

2. Any scheme for internal stabilisation of cotton price must take account of the fact that the United States holds a dominating position with respect to the production as well as export of cotton. Furthermore, the United States has operated a support programme since 1938 and the American support price is a dependable support level since it places in fact a floor below the price level of cotton throughout the world. We could therefore safely use the American support price of cotton as a base for a programme of stabilisation. A study of the figures shows that the U.S.A. support prices do not show violent variations from year to year, and there have been very few occasions on which the actual market price in the United States has fallen below the support price even for short-periods. On the contrary, during the last 4 to 5 years, market prices have easily ranged 10 per cent. or more over the support level. We should proceed to fix maximum internal prices each year and in doing so we should take into account, the American support price and the difference between the support and market prices from year to year in the past. The maximum internal prices for our cotton should be fixed in the beginning of each season and must remain fixed throughout the seasons. The U.S.A. support prices are announced in August every year and are not alterable during the season. In fixing our prices we should take into account the total world as well as the total U.S.A. crops which will enable us to estimate the probable variations of market prices from support prices. The object must be to eliminate the risk of losses, as will be explained later, consistently with need of keeping the prices reasonably high. The figures thus arrived at should be further modified to take account of differences in quality. These figures should be announced as the maximum internal prices for our cotton at the beginning of each season. These would be the prices at which traders should be prepared to sell cotton at Karachi and at which the Government, if need be, will buy cotton compulsorily if necessary at Karachi. The ginner, the commission agent, and the exporter will then all operate within the limits set by these prices.

Cotton equalisation fund :

3. The merchants will be expected to sell their stocks to overseas buyers at the prices ruling in the world market, but the differences between the maximum internal prices and the export prices will be on account of the Government for which special legislation will be necessary. When the export prices are higher, the Government will make a gain, but when the prices are lower, they will suffer a loss. As the maximum internal prices have to be fixed on a conservative basis to eliminate the risk of a loss, consistently with the need for maintaining internal prices at a reasonably high level, there should be a very few occasions on which the Government will have to face a loss. The possibility of passing on a small share in the profits or loss to the exporter should be considered in order to preserve his incentive to make the best possible bargain with foreign buyers. The difference between the maximum internal price and the price obtained from the foreign buyer may be shared, between the Government and the exporter, say, in the proportion of 80 : 20 when it is a gain or of 90 : 10 when it is a loss. Should it be necessary for the Government to export cotton on its own account in fulfillment of its obligations, it would be open to it to purchase stocks compulsorily at the maximum internal prices. There would be no difficulty in ascertaining the world market prices for purpose of determining the amount to be appropriated or paid by the Government. The Government should institute a Cotton Equalisation Fund to which amounts received will be credited and amounts paid will be debited. A maximum level should be fixed for the fund so that the amount in excess thereof should be appropriated to the General Revenues. Similarly, if the fund should, at any time be inadequate for meeting its liabilities it should receive aid from General Revenues

uch occasion should be rare. In case the Government wish to impose a duty for nue purposes they may appropriate a part of the annual receipts of the Equalisation s.

4. The above scheme would have many advantages :—

(a) The handling of cotton trade would remain in private hands.

(b) There would be greater incentive for the trade to dispose of cotton as early as possible because the price which the exporter can obtain for himself will be more or less fixed while storage and other charges would continue to be incurred as long as the cotton is held. The surplus above the fixed price falling to the share of the exporter will be relatively small.

(c) There would be a large degree of stability in the domestic cotton market at the maximum internal prices which would determine the payments to be made to the grower and the various participants in the trade.

(d) It would remove to a large extent the element of speculation in the country's cotton trade. A large measure of protection will be afforded to the ginner and cloth manufacture.

Difficulties:

5. Difficulties will arise in introducing this scheme in the present uncertain conditions of the world cotton market and we must wait till some degree of stability is restored. Time, can, however, be usefully spent in working out the details of the scheme and making preparations for enforcing it at the right moment.

Avoidance of violent fluctuations:

6. If the scheme outlined in the preceding paragraphs for stabilising internal cotton prices is put into force, much of the violent fluctuations which have been the features of cotton trading will largely cease. Otherwise steps to organise such market will be necessary. Its absence has been responsible for a large degree of instability in the cotton market with consequent injury to genuine manufacturer, grower and exporter. The consequences of such injuries have to be borne in the last analysis by the grower.

Stabilisation in the case of jute:

7. Before determining our policy in respect of the prices and exports of jute the country must be clear regarding its relative value to our economy. It is frequently said that in view of our virtual monopoly of raw jute, we should have no difficulties in selling it at economic prices as we are in a position to control and regulate the volume of its production. This way of thinking overlooks the effects of a reduced volume of production on the income of the country and its prosperity, and on the general economy. Either jute production is a superior economic preposition for the country or it is not. This can be decided by comparing (1) the incomes which the country would earn by substituting rice for jute if not entirely at least in a large way; and (2) the incomes derived from jute by using an equivalent area. If our conclusion is that jute does not yield a higher income there would be an irresistible case for abandoning its cultivation except to meet our own requirements and for export to difficult currency areas. There would be full justification in going as far as to say that if the income derived from jute is not materially higher than that obtainable from rice there is no reason why our people should slave for the world on a crop which is a source of constant uncertainties and instabilities in our economy. Rice on the contrary has an assured and stable market and can even earn dollars.

8. We must assume for the present that such an inquiry will lead to the conclusion that taking an overall view jute production is profitable and should be continued. Having arrived at this conclusion our next step would be to determine the area which should be allocated to jute. This should depend in a large measure upon our estimate of the quantity which we can sell on a reasonably stable basis at a price distinctly remunerative to the country relatively to rice. Keeping our prices stable and remunerative we must exert our utmost to retain and expand our existing markets, to create new markets and to promote the use of jute with one main objective, namely, to secure the largest possible income for our country. To base our policy on our ability to reduce the volume of production and to rely on the case and convenience with which this can be done is no policy and must cause serious fluctuations in the income of the country.

9. Our policy should aim, first, at maintaining a reasonable measure of stability in prices, and selling the largest possible quantity by means, where possible of international agreements. I will revert later to this aspect of our policy in respect of marketing. I wish first to deal with the question of stability of price which must be the foundation structure of our policy in jute as in cotton. Price determination:

10. Assuming, that it is decided that the country would continue to produce and supply raw jute to world markets it would be necessary for the sake of stable levels of production, employment, incomes and generally of economic activity to determine a level of prices which would on the one hand yield a reasonable return to the grower and on the other ensure the sale of the entire production. In determining the prices the following factors shall have to be taken into account :—

(a) The price about which it is known that it is considered reasonable by the grower.

(b) The price which will arrest the growth of substitute and perhaps even assist as far as possible and necessary in regaining the markets which jute has conceded to substitutes in the past.

(c) The price which will maintain a reasonable relationship with the prices of commodities in which jute materials are required for sacking or other purposes.

There is no doubt that the proper assessment of these factors will present difficulties. As experience shows (a) is a highly variable factor. The ideas of growers, landlords and their representatives are liable to change violently according to changes in prevailing economic conditions. Even so it is not impossible to form an approximate idea of the price which would be sufficient to persuade the grower to maintain his volume of production. It seems that (b) even though liable to fluctuations would not be so difficult to assess. 'Cotton' and paper are the main substitutes (though efforts are being made to develop others also) and it should be possible to make fairly reliable comparisons with their price levels. By these means it should be practicable to arrive at prices which could be declared to be maximum internal prices for jute. It may even be possible to build up an index taking into consideration the various factors and giving them due weightage, with the prices of substitutes being the most important factor. Having fixed the maximum internal prices, the system to be followed would be more or less the same as that outlined for cotton.

11. The difference between jute and cotton should, however, be borne in mind, so that the system of operation, which would be the same in main outline, should in the case of Jute, be kept in close relationship with its individual and special requirements. In the case of cotton our exportable surplus is a small proportion of the total world supplies and we are not therefore in a position to influence the prices in the world market. This is not so in jute. Being the only supplier in the world market outside India we are in a strong position to vary the prices. The factors controlling our action do not emanate so much from the conditions of the world market as from our subjective reactions to those conditions. Prices shoot up when inquiries pour in, they fall sometimes precipitately when inquiries are scarce even though the conditions giving rise to a spurt of inquiries or otherwise may be of a fleeting character. Our external prices should be varied only to meet relatively long term changes in the conditions the most important of which would be changes in the prices of substitutes. No one will accuse us of unfair practice if we refuse to increase the prices in spite of increasing demand or of rising levels of world prices in general. Therefore it would be necessary to exercise control on the difference between the maximum internal prices and the export prices to be recovered from the foreign buyers, whether that difference represents an excess or a short fall on the maximum internal price. In this important respect therefore jute differs from cotton. Difference in the case of jute and cotton:

12. Once the maximum internal prices have been fixed in the beginning of the season they should remain fixed for the whole season. It seems necessary to emphasise again that such prices should be fixed conservatively and with the utmost care with reference to two main considerations, sufficient return to the grower to preserve his incentive to maintain production at the desired level balanced against our ability to sell the crop. Short run fluctuations in external prices in the course of the year will arise due to fluctuations in the levels of prices of substitutes, or in the general levels of Need for caution:

international prices or due to temporary change in the conditions of demand. A board should be constituted with the duty of keeping the situation constantly under review and to authorise increases over or decreases under the maximum internal prices from time to time for purposes of foreign sales. The problem would lend itself to statistical treatment mainly with reference to the prices of substitutes. The Government will have power to buy the stocks compulsorily at maximum internal prices to satisfy foreign requirements whenever they find their intervention necessary for any reasons. It is recognised that the establishment of prices both internal and external would be more difficult in the case of jute than for cotton but the problem should not be considered to be altogether beyond solution.

Timing of the operations:

13. It would be difficult in the case of jute as it would be in the case of cotton to introduce any such scheme in the present condition of the market. We should therefore wait till a reasonable degree of stability is restored but we should begin making a detailed study of the scheme and make preparations to introduce it when favourable conditions return.

APPENDIX No. 31

Note by Mr. Zahid Hussain on savings and investment.

1. The scope, efficiency and adequacy of the ways, means and machinery for the collection and canalisation of savings is very important from the point of view of capital formation. There seems to be much room for improvement here. In addition to efforts aimed at improving the existing savings facilities and institutions, certain new experiments should also be tried out—experiments that have proved successful elsewhere—to see whether the desired results can be obtained. The task of stimulating savings and investment in an under-developed country like Pakistan can never be easy, and this is all the more reason why concerted efforts should be made to achieve the object through a variety of devices. Apart from existing savings institutions, it is urgently necessary to examine the scope and usefulness of such institutions as Savings Banks, Building Societies and Investment Trusts, in the context of Pakistan conditions. The potentiality of such institutions for making a contribution towards the difficult problems of savings needs to be tested by actual experiments to be conducted with care. Capital formation:

2. A departmental committee known as the Postal Savings Promotion Committee which went into a detailed consideration of this aspect and submitted its report in August 1952, has made some suggestions designed to increase the efficiency of post offices in the collection of savings. The main suggestions of the Committee deserving attention relate to the reorganisation of the present administrative machinery concerned with the savings side of the work, training and specialisation of post office personnel, increase in the number of post offices doing savings work, introduction of an incentives scheme for postal employees and arrangements for the acceptance of fixed deposits. These recommendations should receive the early consideration of Government. Postal Savings:

3. Savings Bank is another institution which can be tried out in Pakistan. The main objective of a savings bank is to encourage and facilitate the investment of savings by collecting small savings and investing them in government, municipal and semi-government securities. Savings banks in some countries lend out substantial amounts on mortgages of immovable property. They have well been compared to a reservoir into which pour little streams of small savings for the purpose of combining into a larger stream for mutual investment purposes. The primary consideration is the provision of safe custody for small and scattered funds and in accordance with this emphasis, the funds are customarily placed in what are regarded as conservative types of investment. Savings Banks are performing useful service in a number of countries. The system is well organised in Germany. Australia has a widely organised savings bank system and utilises the agency services of the post offices, store keepers, private agents and all manner of business people who are able to satisfy the Bank that they are reliable and capable of carrying out the clerical work involved. In some of the South and South East Asian countries like the Philippines and Thailand, funds collected by the savings banks are extensively used, apart from being invested in government securities, for real estate improvement and construction of buildings. The United States has an interesting system of savings banks known as the system of 'Mutual Banks' which are owned by the depositors. These banks have no capital stock, and the funds for their operations are obtained solely from individual deposits. The earnings from investments are distributed to depositors. Mutual banks are designed primarily to encourage thrift among persons belonging to the lower income group. Savings Banks:

4. Building societies have played a significant role in the sphere of savings and investment in a number of English speaking countries like U. K., Australia, U. S. A. and Canada, where they are recognised as principal home financing institutions. They may be described as *quasi*-co-operative institutions engaged in financing the building and purchase houses through mortgage loans. On the one hand, these societies promote thrift by holding out the attraction of possessing a house of one's own and on the other hand, perform a great social service by effectively meeting the growing housing shortage. Their great merit lies in inculcating the habit of thrift and sustaining it through payment of regular instalments spread over a sufficiently long period. The principal ways in which savings are attracted are the share capital of the members and the deposits. A fixed rate of interest is paid on the latter which is usually higher than that allowed by ordinary savings banks. Building societies in England, arising out of humble beginnings, have now grown into important financial institutions. In the inter-war Building Societies:

period they helped the construction of as many as two million new houses including 3,00,000 for working class people. Besides enjoying benevolent supervision by the Government, these societies have also been granted some tax concessions. Other countries where building societies or their variants have registered notable progress are Australia, Canada and South Africa.

Investment Trusts:

5. Investment trusts can also be tried as a device for collecting small amounts of risk capital. Most of the savings institutions regard the safety of funds as their primary concern and cannot invest except in well established and assured enterprises. The investment in stocks and shares holds attraction for many people but they are deterred by their ignorance of share market conditions, confusing variety of securities available for purchase, the technical character of modern investment markets and the lack of reliable expert guidance in the field. Investment trusts make the task of such men easy. An investment trust is a financial institution which issues its own securities and with the proceeds buys the securities of operating companies. In other words, the investment trust pools the funds of many savers and places them under the administration of investment specialist. They are thus designed to assemble a large aggregate investment fund from a multitude of individual contributors so as to provide for the fund a calibre of management and a degree of diversification ordinarily beyond the reach of any of the individuals concerned. The diversification confers a large measure of security, which is a great attraction to people of small means.

Insurance:

6. Few in this country recognise the important role of insurance in the sphere of capital formation. In the advanced countries, life insurance provides a substantial proportion of savings and the funds of insurance companies are one of the largest sources of internal capital formation. In the United States insurance companies command about one third of the total national savings lodged in major financial institutions and government savings bonds, and constitute the biggest source of investment capital. Their dominance in the capital market may be gauged from the fact that, out of an increase of $23.9 billion in outstanding long-term corporate debt during the six post-war years, insurance companies contributed as much as $16.2 billion. Because of their vast resources, insurance companies in U. S. A. have fanned out extensively in commercial under-taking and social service projects. In U. K. too, insurance companies are now the most important source of long-term capital. In Germany insurance companies provide more than 50 p. c. of annual savings. Nearer home, insurance companies in India are fast becoming an important source of investment in government securities, treasury bills, real estate, land mortgages and debentures of joint stock companies. Large scope exists for the development of life insurance. The development of life insurance as one of the most important weapons for promotion of savings should receive more attention than it has so far. It seems desirable to encourage companies to specialise in life insurance. The Government should also consider the grant of subsidies, if necessary, to such companies in the initial period to encourage their growth, particularly in rural areas. A positive policy is urgently needed in this field as part of plans for economic development and we recommend that the Government should appoint an Expert Committee to consider the important question of developing life insurance as an instrument of savings.

Rural Savings:

7. The mobilisation of rural savings will prove a difficult task in view of the general ignorance, illiteracy and conservatism of the rural masses and their psychological predilections towards the hoarding of gold and investment in land assets. Useful results can, however, be expected by developing the multi-purpose type of co-operative societies and extension of postal savings drive. Another helpful measure may be to raise loans for particular projects from the people of the area itself, the idea being to capture popular imagination by connecting loan floatation with local enterprises.

Special mobilisation deptt.:

8. It is recommended that a special department should be created in the Ministry of Finance for the promotion and mobilisation of savings. It should be responsible *inter alia* for the promotion and supervision of savings banks, investment trusts etc. Continuous studies should be conducted on various aspects of savings and investment and the results of this research work should be applied in practice for the greater good of the country.

Tax concessions:

9. In the absence of a sufficient rate of voluntary savings, taxation and fiscal policies of the government assume a greater importance in the mobilisation of domestic resources. As the rate of capital formation in the private sector is unsatisfactory, the leeway should be made up, at least to a certain extent, in the public sector. In view of the vital necessity for economic development, the proceeds from taxation cannot be allowed to go down. Moreover, the present is hardly a time to contemplate any significant reduction in income or super-tax rates. High rates of direct taxes are a

deterrent to private savings but with a weak budgetary position, the government cannot afford to grant concessions to the most prosperous category of the population. Concession at this moment, in addition to causing loss of revenue are likely to be construed as a policy of making the rich richer.

Estate duty

10. The estate duty, among all direct taxes has, perhaps, the least deterrent effect on capital formation. It has less deterrent effect because it is less keenly felt by those whc build the assets. Savings are, therefore, checked less by estate duty than (say) by direct taxes as the payment of the former is remote and man is usually in the habit of discounting the future. The levy of the duty may lead to the splitting up of estates but this should be considered socially desirable. The tax is now levied in almost every democratic community and is everywhere assuming an increasing fiscal and social importance. It would not therefore be desirable to hold the duty in abeyance. From the purely revenue point of view even one important case will bring in sufficient amount to justify its levy.

Foreign Exchange Reserves:

11. In an undeveloped country one of the effective means of promoting savings would be to create surpluses of foreign exchange by a deliberate policy of restricted consumer goods imports and to utilise such surpluses for financing developmental projects. For internal savings we can work for surpluses in the Central and Provincial budgets for financing productive enterprise. In the present state of national finances surpluses are most unlikely for sometime either in the external or the internal account and I am mentioning it in view of its importance when conditions are favourable. Pressure to use surpluses on un-productive purposes should be resisted, since such a course would tend to defeat their very purpose.

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