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The Pattern of Private Industrial Investment in Pakistan During the Second Five Year Plan Period.

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THE PATTERN OF PRIVATE INDUSTRIAL INVESTMENT IN PAKISTAN DURING THE SECOND FIVE YEAR PLAN PERIOD (1960-65)

by

M. Tariq Durrani*

INTRODUCTION

Considerable expansion of industrial output has taken place in Pakistan during the past fifteen years. In fact the manufacturing sector has been the most rapidly growing sector of the economy since independence. The expansion is reflected in the structural change of Gross National Product. The manufacturing sector's share of G.N.P. increased from 5.8 per cent in 1949/50 to 11.0 per cent in 1964/65, [21, pp. 2-3]. A large part of this effort was due to the private sector, [21, p. 103].

Quantitative and qualitative studies have been carried out to analyse this expansion [5], [22], [23], [24], mostely based on data from the Census of Manufacturing Industries, and other publications of the Central Statistical Office and the Central Board of Revenue.

This paper breaks away from the past studies in that it does not rely on the above mentioned sources of data but uses instead the information supplied by the Department of Investment Promotion and Supplies (here after referred to as I.P. & S). Further, more emphasis has been put on a descriptive evaluation of private industrial investment instead of on a critical appraisal.

During the plan period, private industrial investment was uniquely guided, unheard of in countries other than with centrally planned economies. Investment in the private sector was to a large extent influenced by the Investment Schedules, [9], [11], published by the I.P.& S. to guide private industrial investment. An investor had to refer to these schedules and their periodic reviews in order to seek approval from the Government to install a new industrial unit. At the same time he had to pass through complex investment licensing procedures that are mostly a by-product of the tight administrative controls.

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The I.P.&.S. and some other organizations provide brochures about the licensing procedures which are not very analytical, [1], [13], [14], [15]. The procedures involved are much more intricate than they appear to be. For this reason Section I is devoted to a review of the licensing procedures and the government policies regarding the private industrial sector. In Section II the pattern of private industrial sanctions[1/] during the second plan period (1960-65) is examined.

Due to paucity of literature on the investment licensing procedures the study has to rely mostly on the information collected by interviewing the concerned Government and semi-Government officials, and businessmen. At times an issue was raised with two different agencies or businessmen, resulting in more than one answer. Wherever possible, corrections were made by referring the same issue either to two or more persons of the same Government agency, or to investors who had udergone the actual experience of obtaining sanctions.

The data utilized in Section II are based primarily on the figures of "Allocation[2/]" and "Sanctions" supplied by the I.P.&.S. The data on allocations are from the Industrial Investment Schedule (here after referred to as **I.I.S)** and the Revised Industrial Investment Schedule (here after referred to as R.I.I.S), [9], [11]. The data on sanctions have been collected from the Implementation Reports of the I.I.S. and R.I.I.S., [10], [12]. There were no implementation reports available for the period January 1962-February 1963. For

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1/ Sanctions refer to the amounts that the Government agencies authorise to various industrial undertakings, and should not be confused with "actual investment outlays". Sanctions are merely administrative approvals which are needed to obtain foreign exchange and these become investment outlays only when the entrepreneurs invest in fixed assets to the extent of the sanctions received.

2/ In schedules "Allocations" refer to financial targets and hence are different from the physical investment allocations.

West Pakistan this difficulty was overcome by referring to the published data of the Department of Industries regarding the industrial units sanctioned by various agencies during 1960-64, [25]. This directory contains exhaustive information about the units sanctioned and the financial investment involved. For each sanctioned unit the date on which it was sanctioned and the agency that issued the sanction was given. Unfortunately similar information was not available for East Pakistan.

Keeping in view the difficulty created by the lack of data on sanctions in East Pakistan for the period January 1962 - February 1963, the study is limited mainly to the analysis of sanctions for those periods for which data are available for both provinces.

SECTION I

The private industrial investment licensing procedure was started in 1948 when the Government announced the policy to be to persued for developing the manufacturing sector, [20]. With the exception of three industries that were to be controlled by the Government,[3/] free enterprise was to be encouraged as far as possible. The Government was to intervene in only those industries which were essential for the economy and/or where the private sector did not show any interest.

With the announcement of the "Statement of April 2, 1948", the industrial development became a "Central subject".[4/]

3/ The three industries were: a) arms and ammunitions of war, b) generation of hydroelectric power, c) manufacture of railway wagons, telephones, telegraph and wireless apparatus.

4/ Centre refers to the Central Government and a "Central Subject", therefore, refers to fields in which the Centre takes over the administrative controls; similarly for a "Provincial Subject".

This was contrary to the administrative controls prior to partition of the sub-continent when the industrial development was treated as a "Provincial Subject" under the Government of India Act of 1935. The transfer of the development of industries to the Centre was necessitated because the Government thought that in order to have "balanced regional development" the intervention of the Centre was essential, /_20, p.3_7.

The Statement of April 2, 1948 recognised the role that the private sector could play in the development of the manufacturing sector. Positive help was, therefore, ensured for the establishment and development of private industry by assisting in "... the procurement of capital and machinery and plant from abroad and in the procurement and distribution of essential raw materials which (were) in short supply". Further, the Government was "to assist the industrialists in the purchase of land for factory sites and in the provision of electric power and other services.", /_20, p.4_7.

The above quotation is the most important part of the policy announced by the Government in April 1948. By assuring control over the distribution of foreign exchange, for the procurement of capital machinery and raw materials, the Government could supervise the pattern of development of the private industrial sector. From the administrative point of view, the supervision of the private industrial sector by the Government was an easy task. Pakistan at the time of independence in 1947 had virtually no capital goods industry. This necessitated the import of nearly all the machinery.

Briefly speaking, between 1948 to 1956 the industrial development was supervised mainly by the Centre under the "Development of Industries Control Act 1949". The Central Government through the Department of Supplies and Development issued investment licenses (Sanctions) in the twenty four industries mentioned in the statement of April 1949.[5/] The remainin industries were supervised by the provincial governments. The procedures for obtaining the sanction were cumbersome except during the Korean boom when the country's foreign exchange reserves rose dramatically.[6/] The difficulties arose partly because the sanctioning authority was the Centre and investors in the interior regions found it difficult to persue their investment cases with the Department of Supplies and Development which had its office in Karachi. Apart from the administrative difficulties Pakistan had a disequilibrium in the balance of payments. This, however, was partly removed by the devaluation of the Pakistani currency in September 1956.

The Administrative and economic deterrents resulted in tightening of the investment licensing procedures. It was not surprising to find sanction letters being sold by one "investor" to another at a high premium, even though such transactions were illegal.

Except for administrative changes, the basic control over the distribution of foreign exchange has remained unaltered. The administrative controls regarding the development of industries were taken over by the Industries Department of the two provinces[7/] in 1956 from the Department of Supplies and Development. This was in confirmity with the constitution of 1956[8/], [16, 5th schedule], which aimed at providing greater autonomy to the provinces.

After 1956 the Government faced a number of problems in transferring the supervision of thedevelopment of industries

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5/ The twenty four industries supervised by the Centre practically covered all the industries. For example, textiles industry covered all types of textile manufacturing; i.e., Cotton, woollen, jute, silk and rayon [20, pp. 9-10].

6/ During this period there were practically no import restrictions. Importers were free to import any quantity of machinery and/or raw materials. See Naqvi [6].

7/ Upto October 1955 the country was divided into 6 provinces, five in West Pakistan and one in East Pakistan with Karachi designated as the "Federal Area". After 1955 all the five provinces of West Pakistan were combined into "One Unit" while Karachi was still treated as a special area. However, in 1959 Karachi became a part of West Pakistan and since then Pakistan has two provinces, East Pakistan and West Pakistan.

8/ The Constitution of 1956 was abrogated and in 1962 the new Constitution of the country came into being without modifying the provinces autonomy with respect to industries [17, 3rd schedule].

to the provinces. The two major problems were the location of industries and the disbursement of foreign exchange. The former difficulty remained unsolved till the I.I.S. was published in 1960, showing allocation for various industries separately for the two provinces. The latter problem was solved by allocating the foreign exchange resources to the Industries Departments of the two provinces, to be distributed as they thought to be best. Such disbursements of funds by the provincial governments to the private entrepreneurs were called "cash licenses" and came out of the foreign exchange earnings of the country.

The "cash licenses" were not sufficient to finance the development of the private industrial sector. Foreign loans and aid received by the Government were also to be disbursed. This responsibility was undertaken by the Pakistan Industrial Credit and Investment Corporation (PICIC) and Pakistan Industrial Finance Corporation. The latter agency was reorganized and replaced by the Industrial Development Bank of Pakistan (I.D.B.P.) in 1961. These two agencies issue loans in the form of local and foreign currencies. PICIC's minimum lending limit for any one project is Rs.1.5 million in foreign exchange and Rs.1 million in local currency. For projects involving smaller investment outlays the IDBP examines the projects. The two lending institutions have their regional offices and branch offices in both the provinces. This enables the potential investors to have closer contact with the lending institutions. Apart from the "cash licenses", PICIC and I.D.B.P. loans, and the entrepreneurial savings, the foreign investors also contribute by purchasing equity shares in foreign currency. In 1960 another source of finance in the form of imports of machinery against bonus vouchers 9/ was added.

9/ For a discussion of bonus vouchers see Bruton & Bose [2].

Even though the administrative controls and the disbursement procedures relating to foreign currency were liberalised, the Centre still shapes the general policies and the balance among the industrial sectors of the two provinces This co-ordination is done by the I.P.&.S. which replaced the Department of Supplies and Development in 1959. The I.P.&.S. after consulting various government and Semi-Government agencies 10 issues the investment schedules and their periodic reviews to determine the allocations in the private sectors of the two provinces. The crucial decision, regarding the selection of the firms to whom the sanctions 11/ are granted, is taken by the provincial government or the loan agency. But, as will be seen later, the Centre (represented by the I.P.&.S.) still plays a major role in controlling the private industrial investment.

Apart from the overall planning, coordination and the determination of the targets, the Centre at present is responsible for the development of the following industries: those concerned with defence, petroleum and oil, nuclear energy, and lastly enterprises which are wholly or partially

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10/ The concerned agencies are: Planning Commission, responsible for framing the overall National Plans, [18,21]; Provincial Planning and Development Departments which are responsible for the framing of the annual development plans for the private and public sectors within the framework of the National Plan; the two provincial Industries Departments who regulated the private industries investment; the two loan agencies PICIC and I.D.B.P.; the controller of foreign exchange of the State Bank of Pakistan who is responsible for the disbursement of foreign exchange once the "cash licenses" are issued; and finally the Ministries of Finance and Commerce. A Committee has been formed of the representative of all these agencies designated as "Central Investment Promotion and Coordination Committee" (here after referred to as PICIC) which replaced the "Central Permission Committee" in 1964, which had similar functions.

11/ From now on we shall understand by sanction: a) the permission to set up a new unit, and b) Issuance of loans, both foreign and domestic, by various loan agencies even if no permission, either from the Centre (I.P.&.S.) or the provinces (Industries Departments), is required.

owned by the Central Government or the two Provincial Industrial Development Corporations. The development of the remaining industries, therefore, is a responsibility of the two provinces.

While analysing the fields where the investment licensing is effective, it should be noted that it is very difficult to make a water-tight distinction between the spheres of effectiveness and non effectiveness of the Government agencies' measures for the development of private industrial sector.

The industrial investment licensing procedures were operative mostly in cases where the units were large enough to require imported machinery, not available in the domestic market, and/or imported raw materials. In general, the Government did not have any control on the investment decisions of enterprises which were usually small, and whose production was based on domestically produced machinery. In East Pakistan all new industrial set-ups were to seek prior government permission under the "East Pakistan Development of Industries Act 1957" but many industrial units were established without the permission. Similarly, in West Pakistan industrial units were established without the prior permission of the Government even though the Federal Control Act, 1949 was in force. As regards industries which were based on domestically produced machinery and raw materials, they were operating without the Government's prior permission, and at the maximum paid the penalty for not following the laws and regulations of the relevant Act. However, it may rightly be asked as to how did the enterprises, whose production was partly dependent upon the imported machinery and/or imported raw materials, came into existance without the prior permission of the Government which was to entitle them for the import licences regarding machinery and raw materials.

The entrepreneurs purchased the imported machinery from open market, imported by the commercial importers who were themselves not the final consumers, and who sold the machinery in open market at high premium. Due to the fact that the market was largely a sellers' market, some industries, for example, the textile-weaving, could realise a high scarcity premium for their products. Despite the fact that the domestically produced machinery was of inferior quality and also more expensive than imported machinery, it was still possible to make profits by using domestic machinery. Therefore, many entrepreneurs chose to forego the cumbersome procedures involving innumerable difficulties and long period for obtaining government sanctions for the procurement of imported machinery. This fact has also been observed in a study by Lewis and Soligo [5, pp.98-99] although only briefly touched upon. There are no reasonable estimates available to determine the extent of such "unauthorised" industries in the country. Their requirement of the imported raw materials was catered by an open market where the owners of the sanctioned units illegally sold their raw materials at high premium. This phenomenon was particularly found in the art-silk cloth manufacturing industry. The imported yarn would often fetch 300 per cent to 400 per cent premium in the open market.12/

As pointed out earlier, the investment licensing during the Second Plan period was guided by the industrial Investment Schedules, [9], [11]. The idea that an industrial schedule be constructed to serve as a guide for private industrial investment within the framework of the Second Five Year Plan targets was decided by the Cabinet and a reference to this effect was also made in the Plan [18, pp. 226-27]. The schedule was made public in November, 1960

12/ At c.i.f. price. The situation is now changed as art silk yarn can now only be imported against bonus vouchers.

by the Investment Promotion Bureau.[13/] It was developed by the Ministry of Industries, Central Government. The financial targets of the investment in the private sector as given in the schedule were in one way within the framework of the plan. The plan has set forth tentative output targets for the various industries which were to be achieved by the end of the plan period, [18, pp.232-253]. On this basis investment targets were determined to achieve these outputs [18, pp.260-264]. On the other hand, the Schedule had set forth allocations for the industries that were to be sanctioned during the second plan period. There is, however, a time lag involved for an administrative sanction to materialise into actual investment. The time lag depends upon: the period for the construction of factory, the opening of the letter of credit, transportation of the machinery from abroad, and finally the period during which the machinery is installed. The I.I.S. failed to take into account this important fact. Even through the allocations of the schedule were, as will be seen later, to a marked extent within the framework of the allocations of the plan for the private industrial sector, the schedule had underestimated the allocations.

The I.I.S. was a detailed guide for the investors who either wanted to set up new units or expand existing ones. The schedule covered 107 industries for both provinces. Further, for each industry, allocations were determined in terms of domestic and foreign exchange component. The Schedule was to cover the entire plan period but a Revised Industrial

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13/ This department was later on changed into Department of Investment Promotion and Supplies. It was established in 1959 to act as a liaison between the Centre and the Provinces on the one hand, and on the other, "... to disseminate information on investment opportunities and conditions in Pakistan and offer advice and guidance to investors, and to help private investors in obtaining import licenses, land, building materials, technical help or advice, and any facility for which the approval or assistance of the Central or Provincial Governments or statutory bodies is necessary", [18, p.226].

Investment Schedule (R.I.I.S) was made public by the I.P.&.S. in February 1963. The new schedule was necessary because the allocation of the I.I.S. for the entire five year period of the plan were exhausted for most of the industrial groups by December 1961. The excessive sanctions in these groups resulted in oversanctioning of the overall allocations for the private industrial sector, and are discussed in Section II.

From July 1960 to February 1963, prior to the issuance of the R.I.I.S., the investment licensing procedures were as following[14/]

No permission of any sort was required for the establishment of a new unit, provided the unit was based on domestically produced machinery and raw materials, or where the machinery was to be imported against bonus vouchers.

As regards all other industries, where imported machinery and/or raw materials were required, the investor had to refer to the periodic reviews of the I.I.S. If the latest review showed that there still existed unutilised allocation in the industry in which the investor was interested, he could apply to either of the two loan agencies, depending upon the investment outlays involved. An investor could apply to the Provincial Industries Department as well. The Department usually issued sanctions for investments involving small outlays. These sanctions were against the "Cash Allocations".

The I.P.& S. granted sanction where a) foreign investment was involved,[15/] or b) the investor was interested in an industry not covered by the I.I.S, and c) the current "Review" indicated that the allocations had been exhausted. The sanction was issued on approval by the Central Permission Committee[16/]. Once the sanction was issued the applicant

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14/ The investment licensing procedures during this period are only briefly discussed. These shall be examined in a greater detail in the next few pages, while refering to the period covered by the R.I.I.S.

15/ Foreign investment covers all such investments where repatriations in any form are involved.

16/ See footnote on p. 7.

received the necessary foreign exchange, and the rupee loan, if needed, from I.D.B.P. or PICIC.

As the I.I.S. was the first experience in a planned form of private industrial investment, many difficulties were faced. The extent of sanctions/loans issued by each agency was not known to the I.P.&.S. immediately, who had taken up the responsibility for the collection of data. These sanctioning agencies were working quite independently of each other, resulting in the issuance of sanctions and loans which when brought together exceeded what was allocated for each industry. Further, the import of machinery against bonus vouchers did not require any formal permission nor was it necessary for the importer to inform the I.P.&.S. about the value of such imports. The Government could not, therefore, harness the pattern of private industrial investment against bonus vouchers. It was only later, when the I.P. & S. received the figures of import of machinery against bonus vouchers from the State Bank of Pakistan, that the periodic reviews were revised.

These administrative difficulties consequently necessitated the streamlining of the then existing Committees which decided the issuance of the sanctions. The Central Permission Committee started having regular meetings. The sanctioning/loan agencies were asked to furnish the value of sanction/loan immediately to the I.P.&.S. A separate department of Evaluation and Statistics was established within the I.P.& S. to provide information about the allocations in various industries still not exhausted in the schedule. The importers of machinery against bonus vouchers were to seek clearance certificates from the I.P.& S. before any import was to be undertaken.

In February, 1963 the I.P.& S. published the R.I.I.S. keeping in view the experience gained during the period July 1960-January 1963. The new schedule covered 114 industries and was constructed on the pattern of the earlier one. A few industries were deleted while some new were added. This schedule included:

i) Industries for which the I.P.& S. was able to estimate allocation targets for the remaining period of the Plan period, and hence monetary provision were provided for in the Schedule.

ii) Industries for which no monetary provisions were indicated in the Schedule. Almost all such industries were captioned as "Specific". The R.I.I.S. points out, "for certain major industries no specific provision (was) made as the investment required (was to be) determined only after detailed study and investigations", [11, p.1].

As the administrative controls tightened up during the period covered by the R.I.I.S.,the licensing procedures became more rigid than during the earlier period when the I.I.S. was operative. Further, the Centre (I.P.& S) assumed greater control over investment sanctions. Virtually all the cases were referred to the C.I.P.C.C., where of the eleven member only two represent the provinces. During the period March 1963 March 1965, the I.P. & S. has sanctioned investments worth Rs.30.3 million and 957.9 million for East and West Pakistan respectively against category ii) mentioned above.[17/] On the other hand, all other agencies (including the I.P.&. S)[18/] sanctioned investments worth Rs. 542.4 million and 671.8 million for East and West Pakistan respectively against category i).

We shall now be refering to the investment licensing procedures for the period covered by the R.I.I.S.

17/ These figures have been calculated from the Review of the implementation of RIIS, [12]. For detail see Table C-I in the appendix.

18/ Covers sanctions given by the I.P. & S. involving foreign investment, industries for which provisions were exhausted in the R.I.I.S., "Pay-as-you-earn" schemes, clearance regarding the import machinery against bonus vouchers.

Industrial units can be divided into two broad categories: a) those which do not require any foreign exchange for the import of machinery and raw materials, and b) those for which foreign exchange is required for the import of machinery and/or raw materials. As regards the former category, no formal permission is required by the investors. It is only in the latter case that the sanctioning procedures have to be followed. This has been necessitated by the scarcity of foreign exchange which is met from the following sources:-

i) PICIC and I.D.B.P.
ii) foreign nationals and agencies
iii) foreign investment
iv) defered payments on "Pay-as-you-earn" Scheme 19/
v) Bonus vouchers
vi) Government's own foreign exchange resources.

The Central Government controls the sanctions where; loans are to be negotiated with foreign financial institutions, foreign investment takes place in the form of joint ventures, or where the machinery is to be imported against bonus vouchers or under "pay-as-you-earn" scheme. The two provinces control and regulate the industries which are set up against government's own foreign exchange resources allocated to the Provinces. Therefore, only those investments which fall under category vi) are under the administrative controls of the provinces, while the remaining categories are a responsibility of Centre. Since most of the sanctions are generally issued under categories i) to v), the sanctions issued by the provincial Governments under category vi) are relatively less significant. This is in spite of the fact that the Industrial Control has been made a provincial subject.

19/ Briefly this scheme covers investments where the investors purchase their machinery on credit from abroad and pay for the same from their export earnings.

The sanctioning procedures during the period covered by the R.I.I.S. can be breadly classified into three categories for which the sphere of operation of various sanctioning agencie is as following:-

I) <u>Industries for which monetary provisions were made in the Schedule which were not exhausted at the time of applying.</u>

a) As regards foreign investment in the form of joint ventures or technical collaboration, direct loans given by foreign institutions and "pay-as-you-earn" schemes, the applicants have to apply to the I.P.& S. for the sanctions. I.P. &. S. refers the cases to the C.I.P.C.C. and on its approval issues the sanction. Once the permission has been granted by the I.P. & S, the Pakistani partner manages the rupee component from his own sources, or applies to I.D.B.P. or PICIC for additional rupee loan.

b) Pakistani investors who do not enter into partnership with foreign investors apply to PICIC or the I.D.B.P., as pointed out earlier. The cases are scrutinised by these loan agencies and forwarded to the C.I.P.C.C., and on approval the loans are granted.

Apart from the two loan agencies, an investor can apply to the provincial Industries Department for the issuance of sanction out of the "cash allocations" put at their disposal by the Central Government on annual basis. These "cash allocations are meant to take care of the applicants with relatively small investment outlays. However, the limit below which the cases are to be referred to the Industries Department has not been specified. In fact there have been instances when sanctions involving large domestic and foreign outlays were issued from the cash allocations.

An investor can import machinery against bonus vouchers. In this case no formals permission is required. However, a clearance certificate is required from the I.P & S. This has become necessary because in the past, when the I.I.S. was exchange component is involved, both in fixed investment as well as in raw materials. Industrial units which can utilize domestic raw materials and partly substitute domestically produced capital machinery are preferred to others. It often happens that the sanctioning agency makes it obligatory for the investor, at the time of issuing the sanction, to utilize a certain minimum proportion of domestically produced components within a specified period of time. The extent to which the substitution is to take place depends upon the industry and the merits of the applications.

Secondly, the sanctioning agencies also examine the applications on the basis of the extent to which they will either be import substituting or export promoting. This criterion is mostly applied to those industries which are not covered by the Schedule.

The locational problem is also taken into consideration. In spite of the fact that liberal tax relief is given, the industrialists hesitate in setting up enterprises in the less developed regions and prefer places like Karachi, Lahore, Hyderabad and Chittagong primarily because they are already developed. Skilled labour is available in these industrial cities and demands greater wages if shifted outside. The allied industries supplying the raw materials and the spare parts also tend to congregate in the industrial areas near the factory site. The tax holidays do not apparently compensate for the additional costs for locating the industries in the less developed areas, and adminstrative controls have to supplement the fiscal measures in order to encourage the industrialization of the less developed regions. Therefore as a part of the industrial policy the government prefers those applicants who are prepared to install the units in the less developed regions.

The sanctioning agencies prefer investors who are not already involved in multi-industry enterprises. Thus applicants who already own many industries are discouraged in favour of new entrepreneures.

operative, machinery could be imported against bonus vouchers but the Import figures could only be collected later on and it was found that allocations for many industries as given in the I.I.S. were exhausted. In order to prevent such a situation for the future, prior clearance from the I.P. & S. has been made obligatory for the investors.

II. Industries for which "specific" permission of the government is necessary. In this case, Scrutiny by the C.I.P.C.C is necessary before any loan and/or sanction is granted by the I.D.B.P., PICCIC, Industries Department, or the I.P.& S. as the case may be. This has become necessary because generally all the industries falling under this category do not have any allocations mentioned in the R.I.I.S. and therefore a strict supervision by the Government is thought to be essential. All such industries where the C.I.P.C.C. permission is essential are called "specific" [20] industries.

III. Industries not covered by the Schedule or where the allocations in the Schedule are exhausted. For all such industries which are not listed in the schedule, the sanctioning agencies issue sanctions after the applications have been scrutinised by the C.I. P.C.C. However, in case of schemes involving over Rs. 2.5 million the cases are referred to the National Economic Council's [21] executive committee as well, before the final approval is to be granted.

Refering now to the criteria [22] on which the various sanctioning agencies consider the applications, we find that the most important consideration is the extent to which the foreign

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20/ Specific refers to industries which the Government thought to be important enough for the Centre's (I.P.& S) supervision. There were 37 such industries for East and/or West Pakistan. Some important specific industries are: oil refineries, fertilizers, petrochemicals, radios, wires and cable, boilers and compressors, machine tools. For details see /11/.

21/ This is the supreme body in the country concerned with all matters pertaining to economic development both in the public and the private sectors.

22/ Based on discussions with the I.D.B.P. officials.

Even though the Government/publications points out that the investment licensing has been liberalised,/[15, p.22] on the average it takes about two years from the date on which application for the sanction is placed before the authorities to the date on which sanction is granted.23/ The delay is caused by the complex and time consuming procedures involved. As an example we cite the procedures for the Industries Department. The application for the sanction is sent to the Directorate of Industries of the region 24/ in which the proposed unit is to be set up. The case is scrutinised by one of the Assistant Directors who forwards it with his comments to the Deputy Director of the Region. Once the case is approved at the regional level it is sent to the office of the Secretary of Industries of the Province where it is dealt with by one of the Section Officers. There again, it is a routine procedure till the file finally reaches the Secretary of the Industries for his final approval. On issuance of the sanction, the Department of Industries informs the I.P.& S. of the same and asks the Chief Controller of Imports and Exports to issue import license for the machinery. Only on receipt of the import license is the investor able to open the letter of credit for the import of machinery.

An industrial undertaking that has received sanction from the I.P.& S. and other agencies has to file quarterly progress report from the day the sanction is issued. Within twelve months of the issuance of the sanction, letter of credit has to be opened. The maximum period, which is relaxable in certain cases, is eighteen months by which time the factory must go into production. The periodic progress report enable the I.P. & S. and the Industries Department to see whether the party is genuine or not. The periodic report also indicates the difficulties faced by the investor regarding the procurement of scarce inputs, if any, like iron and steel, cement, electric power, etc. The

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23/ Based on interviews with businessmen.

24/ There are seven regional directorates in West Pakistan.

I.P. & S. in such situations acts as a liaison between the investors and the Government agencies who may from time to time be controlling the supply of the scarce inputs. If the periodic reprts are not submitted and/or the letter of credit not opened, the sanction is liable to be cancelled.

Having narrated the sanctioning procedures during the past eighteen years, we shall briefly appraise them.

The bureaucratic controls are a natural consequence of the tremendous task before the Government where; a) there is a general clamour for setting up new industrial units, and the available foreign exchange is limited, b) the policy makers deem it necessary to have a balanced regional development, [18, p. 6], which ought to be within the framework of the Five Year Plans, c) the country is faced with the emergence of a few big industrialists and industrial towns, leaving the masses to live at a near subsistance level.

It is undeniable that the strict administrative controls can be considerably relaxed to avoid frustration and to promote industrial development. Whether the Centre or the provinces manage the industrial development, should be decided on the criterion of better administrative efficiency. The present system of sanctioning procedures leaves much scope for improvement.

The various committees and agencies, N.E.C., C.I.P.C.C., I.P. & S, Industries Department, can to a marked extent be limited in their operations. These agencies can frame the policies within the scope of the Five Year Plan and let the loan agencies, PICIC and the IDBP, expand their operations by increasing their operational branches. These agencies equiped with financial, technical and economic experts, and branch offices throughout the country, can be better approached than the present Industries Departments.

The Federation of Chambers of Commerce and Industry, suggests that the I.P. & S. should decide the sanction cases on 'first come first served' basis.[25] This was suggested in order to eliminate all sorts of personal considerations and check the influence of a few big industrialists who, through their personal influence, may obtain the sanctions. On the basis of the criterion pointed out by them, all applicants will then be at par. Prima facie this seems to be a reasonable argument. We should, however, note that this does not guarantee that the applicants on 'first come first served' basis will be genuine. They may still be selling the sanction letters at high premiums. Further, some applicants may not at all be conversant with the industry in which they intend investing. The dillema can be overcome by the two loan agencies. If properly staffed with economists, financial experts and engineers, they can minutely scrutinise the feasibility reports of the projects applied for. Instead of framing non practicable Acts and Regulations, which Government agencies find difficult to implement, it will be wiser to leave room for a general flexibility. The approach towards the issuance should be pragmatic, determined by the wide powers bestowed upon the personnel of the two lending agencies through Acts and Regulations, if necessary.

The Industries Department issues sanctions against "cash allocations". On the other hand, IDB.P takes care of the investment projects with a maximum credit limit of Rs.2.5 million. The upper credit limits of the produces departments have not been clearly specified beyond which an investor has to apply to the I.D.B.P. Further, it has been observed that there are instances when the Industries Department issued sanction against "cash allocations" that were by no means small. This duplication can easily be avoided by a pre-specified credit limit of the Industries Department to cater for the smaller investors. Or, it may totally be made a responsibility

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25/ Based on interviews with the officials of I.P. & S.

of the I.D.B.P. to look after the needs of all the big and small investment projects with the maximum ceiling of Rs. 2.5 million.

It has been earlier stated that in spite of the fiscal concessions, the Industrialists prefer establishing units in big industrial towns. If a "balanced regional development" is desired and administrative controls exist as suppliments to the fiscal measures, and at the same time the applicants for sanction exceed the available foreign exchange, it is suggested that the fiscal concessions be withdrawn. The purpose for which these concession are given is not achieved and administrative controls are more efficient. Under the present climate for investment, the credit agencies are in a position to dictate their terms and issue sanctions and loans only to those investors who are prepared to install their factories in the less developed region.

SECTION II

The objective of this section is to study the pattern of the actual course of sanctions and their deviations from the targets set by the I.P. & S.

The Second Five Year Plan stated the physical targets of output for various industries, [18, pp. 229-253], and the criteria for industrial development were clearly outlined. However, the order of criteria presentation did not represent the order of the plan priorities, leaving the implementation authorities in the dark regarding the line of action to be undertaken in case of criteria conflicts.

Keeping in view the output targets, the Plan allocated Rs.2,220 million for the private industrial sector. This amount was subsiquently revised to Rs. 2,732 million. This revision was "necessitated almost entirely by the rising prices of imported machinery", [19, pp. 13, 35]. Unfortunately, the Revised Estimates of the Second Plan, [19] contain no details of the industries for which the prices of inputs had increased. Keeping in view this limitation, the study depends entirely upon the original plan allocations which are given in Table A-1.

Of the total allocations for the industrial sector, Rs. 1401 million were for West Pakistan and Rs. 819 million for East Pakistan 26/. In East Pakistan, textiles (including Jute) accounted for 47.1 per cent of the total plan allocations with the food manufacturing industry following with 20.0 per cent. The Plan, therefore, anticipated an investment on the part of private businessmen amounting to Rs.550 million in these two industries along in East Pakistan during the plan period.

26/ These allocations do not cover investments in small scale industries. Further the plan allocations do not have any provision for the "hotel" and the "mineral and power development industries"in the private sector. The I.I.S. and R.I.I.S. had included provisions for both of these groups. While discussing the schedules, we shall, therefore delete these groups in order to make the two classifications comparable. Deletion of these groups will leave us with 98 (and not 107) for the I.I.S. and 104, instead of 114 industries for the R.I.I.S.

In West Pakistan the textile industry also received the largest allocation, but accounted for only 17.3 per cent of the total allocations. This was followed by the allocations for petro chemicals, non-metalic minerals, food manufacturing industry and chemicals respectively. These five industrial groups [27/] accounted for 69.3 per cent of the anticipated total investment. The investment allocations were more diversified in West Pakistan than in East Pakistan as can be seen from Table I.

TABLE - I

PLAN ALLOCATIONS (1960-65) FOR THE PRIVATE INDUSTRIAL SECTOR

(in million rupees)

Industrial Group	East Pakistan	(2) as cumulative per cent of Total	West Pakistan	(4) as cumulative per cent of Total
(1)	(2)	(3)	(4)	(5)
1. Textiles	386.0	47.1	242.0	17.3
2. Food Manufacturing	164.0	67.1	151.0	28.1
3. Basic Metals	50.5	73.3	128.5	37.3
4. Chemicals	37.0	77.8	144.0	47.6
5. Non-Metalic Minerals	23.5	80.7	215.5	63.0
6. Petro chemicals	-	80.7	218.0	78.6
7. All other Industries	158.0	100.0	302.0	100.0
Total :	819.0		1401.0	

Source: Table A-I

The difference in the allocations for the private industrial sectors of the two provinces was a natural consequence of the different phases of industrial development these regions were experiencing at the beginning of the Plan period. In this context, Colin Clark's data on the "Contribution by Different Industries to Total 'Value Added' in Manufacture", [3, pp. 341-42 with respect to the U.S.A., Sweden, Britain and Japan, serve as empirical evidence. These data show that generally an increase in G.N.P. is accompanied by a less than proportional increase

27/ The classification of industries within major industrial groups is given in the Plan, [18, pp. 260-64].

of the contribution of consumer goods industries to G.N.P. If this is true, we have little to criticise the structural allocations for the two provinces as given in Table I. East Pakistan was lagging far behind West Pakistan in the Industrial development, as is evident from Table 2.

TABLE - 2

DISTRIBUTION OF GROSS VALUE OF PRODUCT FOR EAST PAKISTAN AS PROPORTION OF ALL PAKISTAN (1959-60)

(in million rupees)

Industrial Group	Value of Product		(3) as per cent of (2)
	All Pakistan	East Pakistan	
(1)	(2)	(3)	(4)
1. Textiles	1627.5	478.2	29.4%
2. Food Manufacturing	801.1	251.6	31.4
3. Basic metals	105.9	14.2	13.4
4. Chemicals	289.5	69.5	24.0
5. Non Metalic Minerals	160.6	14.7	9.2
6. Petro Chemicals	Not Available	NIL	NIL
7. All other industries	1854.9	428.5	23.1

Source: [8]

During the 1950's West Pakistan witnessed a spectacular growth in the consumer goods industries, mostly as a result of the protection these industries enjoyed. Much less growth occured in East Pakistan despite the heavy protection, and the Province depended mostly on the import of consumer goods from West Pakistan, [4]. The pace of industrial development in West Pakistan is reflected in the expansion of the textile industry. In 1951-52 the import of yarn and cloth into Pakistan amounted to Rs. 625 million, [18, p. 236], whereas in 1959-60 exports of yarn and cloth from West Pakistan was to the tune of Rs. 220 million, [7].

One of the causes of the failure of the First Five Year Plan (1955-60) was the lack of coordination between the planning authorities and the government agencies who were to implement the Plan targets, [18, p. 3].

Learning from their past mistakes the planners were more careful in framing the Second Plan. Close relations were established among various government agencies that were directly responsible for making efforts to implement the Second Plan. The I.P. & S. published the I.I.S. "within the framework of the Second Five Yea Plan", /9, p.1_7.

In Table A-II the I.I.S. has been condensed into twenty industrial groups which correspond to the Plan classification. The I.I.S. allocations intended to cover the Second Plan period, totalled to Rs. 2160.5 million of which Rs. 752.6 million were fo East Pakistan and Rs. 1407.9 million for West Pakistan.

To avoid confusion, it should be noted that the schedule allocations and the plan targets definitions differ. The plan targets refer to investments which were to have taken place by th end of the plan period. The schedule targets are merely sanction for investments. There is a time lag between the moment the sanct is given and the moment the investment is realised, which should taken into account. Therefore, the schedule targets and the plan targets need not be the same. Since the Schedule points out that the allocation are within the framework of the plan, we have (despite the definitional differences) compared the two sets of allocations in Table A-III.

In terms of over-all outlays, the total allocations for East Pakistan were reduced from Rs. 819 million to 752.6 million, a decrease of 8.2 per cent, while in West Pakistan there was virtually no change in the total allocations.

For West Pakistan, despite of the consistancy of the over all targets of the Schedule and the Plan, there was a considerabl revision in the distribution of allocations in a number of indust groups; this did not happen in the case of East Pakistan. The maj revisions were in chemicals, food manufacturing and petro chemica industrial groups. Allocations in food and petro chemical industr groups were reduced by Rs. 57 million and 20.5 million respective whereas in the chemicals group the allocations were increased by Rs. 98.6 million. The reduction of total allocations in East Pakistan was mostly due to a cut back of Rs. 83 million and 17.5 million in food and textiles groups respectively. This was slightly compensated for by an increase of Rs. 9.5 million in the machinery group.28/

If we forego the definitional discrepancies, there was a satisfactory amount of coordination between the Plan and the I.I.S. However, if these discrepancies are to be taken into account, the Schedule allocations had been biased upwards. The Third Five Year Plan, [21], takes cognizance of these definitional differences and makes a clear distinction between "Sanctions" and "Utilizations". The latter, refers to those approvals (Sanctions) which have materialised into actual investments. This is a useful distinction as there is normally a time lag between the Sanctioning and Utilization. From the data at its disposal, [21, p.104], the Planning Commission calculated the ratio of utilizations to sanctions which was .77 for East Pakistan and .50 for West Pakistan during the Second Plan period. Unfortunately this ratio does not throw any light on the Utilization/Sanction ratio for any particular industrial group. Further, it is not possible to say whether this ratio is constant for all levels of total investments or not, (had the total sanctions been different, would the utilizations differ as well in the same proportion?). If we assume this ratio to be constant, the schedule allocations had an "upward bias" by 49.8 per cent in West Pakistan and 29.2 per cent in East Pakistan.29/

28/ In the plan allocations the furniture group was allocated Rs. 2 million. However furniture, as an industry, was not classified any where in the I.I.S. We shall, therefore, in our later analysis refer to only nineteen industrial group and not twenty.

29/ Plan allocation refer to investment targets and the I.I.S. allocations refer to administrative targets only,. To make the two compareable we "deflate" the Schedule allocations by multiplying it with/the utilizations/ Sanctions ratio, thus eliminating the lag. For West Pakistan the I.I.S. allocated Rs. 1407 million and the Plan target was Rs. 1401 million. The "upward bias" for West Pakistan was, therefore: $\left(1 - \frac{1407 \times .50}{1401}\right) \times 100 = 49.8$ per cent.

(Cont'd)

The I.P. & S. had undertaken the responsibility for publishi[n]g frequent progress reports of the implementation of the I.I.S. "..... in order to provide information to the public regarding the industrial capacity that is still available for investment", [9,p.1], in which "industrial capacity" here refers to the allocations, not yet fully exhausted in the form of sanctions.

The last published report reviewing the implementation of I.I.S. is for the period July 1960 to December 1961, [10]. The results can certainly be termed spectacular. In West Pakistan the total amount of sanctions during these eighteen months exceeded the schedule allocations which were meant for a period of five years. Of the 107 industries listed in the schedule, 39 industries received sanctions that exceeded the allocations for "new" investments and/or "balancing and modernization".30/ There still existed "industrial capacity" in the remaining industries. However, sanctions in these 39 industries were greater to such an extent that total sanctions exceeded total schedule allocations for the private industrial sector of West Pakistan. In East Pakistan it was true of 19 industries, [10, pp. 17-20]. However in this case total sanctions did not exceed total allocations. Table A - IV Summarises the Implementation of the Industrial Investment Schedule (here after referred to as I.I.I.S.) were reclassified according to the Plan classification, [10, pp.260-64] and condensed into nineteen major industrial groups.

In East Pakistan, against an allocation of Rs. 752.6 million for the entire Plan period, the sanctions issued by various agencies amounted to Rs. 669.5 million during the first

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Similarly in East Pakistan the Schedule allocation was Rs.752.6 million as compared with the Plan target of Rs.819 million. The 'upward bias' is therefore: $\left(1 - \frac{752.6 \times .77}{819}\right) \times 100 = 29.24$ per cent.

30/ The Schedule provided both for "new" investments, and "balancing and modernization" of the existing units.

eighteen months of the Plan period. In West Pakistan for the same period the sanctions issued against the allocation of Rs. 1407.9 million amounted to Rs. 1925.3 million.

Table 3 depicts the major industrial groups where the concentration of sanctions occurred, for East and West Pakistan.

TABLE - 3

SANCTIONS AGAINST INDUSTRIAL INVESTMENT SCHEDULE ALLOCATIONS: (SANCTIONS JULY 1960 - DECEMBER 1961: ALLOCATIONS JULY [illegible]

(in million rupees)

Industrial Group	East Pakistan I.I.S. allo-cation (1)	East Pakistan I.I.S. Sanc-tions (2)	East Pakistan (2) as per cent of (1) (3)	West Pakistan I.I.S. alloca-tions. (4)	West Pakistan I.I.S. Sanc-tions (5)	West Pakistan (5) as per cent of (4) (6)
1. Textiles	368.5	346.1	93.9	238.0	290.9	122.2
2. Food Manu facturing	81.0	60.4	74.6	94.0	121.0	128.7
3. Basic Metals	51.5	124.8	242.3	127.5	653.3	512.4
4. Chemicals	37.1	39.8	107.3	242.6	303.9	125.3
5. Petro Chemicals	-	-	-	197.5	123.8	62.7
6. Machinery	44.5	12.8	28.8	48.5	22.8	47.0
7. Non Met. Minerals	25.0	10.6	42.4	216.0	153.3	71.0
8. All other Industries	145.0	75.0	51.7	343.8	256.3	74.5
Total	756.6	669.5	88.5	1407.9	1925.3	136.8

Source: Tables A-II & A-IV.

In order to check how far the pattern of sanctions was in confimity with that of the allocations, rank correlation coefficients for East and West Pakistan were calculated. The coefficient for East Pakistan's Allocations/Sanctions is 0.85, and for West Pakistan's it is 0.87.

From the analysis of Allocations/Sanctions during the first eighteen months of the Plan period it can be concluded that the allocations were grossly underestimated. The allocations were intuitively calculated, and/or the entrepreneurs were able to "influence" the implementing authorities resulting in the excessi sanctions. This, as pointed out in Section I, was made possible due to the import of machinery against bonus vouchers for which no permission from the government was necessary; another reason was the lack of coordination among the Sanctioning/Loan agencies.

So far we have analysed the pattern of allocations and sanctions without any reference to the domestic and the external components involved in financing the projects. The domestic component covers the cost of purchasing land, construction of factories, installation charges, and the purchase of domestically produced machinery. The external component refers to the foreign exchange part of the investment for the imported machinery. The major allocations of foreign exchange for East and West Pakistan are summarised in Table 4.

TABLE - 4

FOREIGN EXCHANGE ALLOCATIONS AND SANCTION FOR EAST AND WEST PAKISTAN: ALLOCATIONS 1960-65, SANCTIONS JULY 1960-DECEMBER 1961

(in million rupees)

Industrial Group	East Pakistan				West Pakistan			
	Allocations		Sanctions		Allocations		Sanctions	
	1	2 (Percent)	3	4 (Percent)	5	6 (Percent)	7	8 (Percent)
Chemicals	23.6	5.39	23.2	5.92	169.7	19.71	198.7	16.76
Textiles	235.2	53.63	212.4	54.30	140.2	16.29	150.1	12.66
Petro Chemicals	-	-	-	-	140.2	16.26	74.4	6.28
Non Metalic Minerals	12.4	2.83	5.3	1.35	124.5	14.46	79.5	6.70
Basic Metals	30.3	6.91	80.1	20.48	73.9	8.59	457.0	38.55
Food Manufacturing	35.4	8.08	28.7	7.33	47.7	5.54	57.9	4.89
All other Industries a/	101.3	23.16	41.5	10.62	164.8	19.15	167.8	14.16
Total:	438.2	100.00	391.2	100.00	860.8	100.00	1185.4	100.00

a/ Covers thirteen other groups.

Source: Tables A-II, A-IV

In East Pakistan the major concentration was in textiles, basic metals, and food manufacturing industries, utilizing 82.1 per cent of the foreign exchange sanctions to all the industries. On the other hand, in West Pakistan there were six groups that absorbed 85.8 per cent of the total foreign exchange sanctions.

It is evident from Table 4 that the sanctions were just as divergent as the allocations between the two provinces.

If we compare the foreign exchange component as a proportion of allocations and sanctions, we again realise that the break-down of allocations into domestic and foreign exchange component were intuitively calculated.

TABLE - 5

COMPARISON OF TOTAL FOREIGN EXCHANGE COMPONEMENT AS PERCENT OF A) TOTAL ALLOCATIONS B) SANCTIONS.

(in per cent)

	East Pakistan		West Pakistan.	
	Overall a/	Excluding textiles and basic metals	Overall	Excluding chemicals and basic metals
Allocations	58.2	51.9	61.1	59.5
Sanctions	58.4	49.7	61.6	54.8

a/ Covers all the nineteen industrial groups

Source: Table A II & A-IV

Prima facie, the above table suggests that the planners had estimated the foreign exchange component reasonably well. However, to view the overall proportions of allocation (Sanctions) is being naive. In fact every industrial group should be taken into account. The overall situation may reflect compensatory effects of the overestimations and under-estimations in each industry. This has in fact happened. By comparing columns (8) and (12) of Table A-II with (8) and (12) of Table A-IV we find that generally the proportions fluctuated considerably. Some of the more pronounce cases are shown in Table 6.

TABLE - 6

COMPARISON OF FOREIGN EXCHANGE PROPORTIONS FOR ALLOCATIONS AND SANCTIONS.

(in per cent)

Industrial Group.	East Pakistan Allocation (1)	East Pakistan Sanctions (2)	West Pakistan Allocation (3)	West Pakistan Sanction (4)
1) Machinery	57.1	45.7	53.6	58.7
2) Electrical Machinery	59.0	43.0	55.8	70.9
3) Food Mfg.	43.7	47.5	50.7	47.9
4) Basic Metals	58.8	64.2	58.0	70.0
5) Textiles	63.8	61.4	60.7	51.6
6) Printing and Publishing	70.0	60.2	67.4	48.3
7) Petro Chemicals	-	-	70.9	60.1

Source: Tables A-II & A-IV

One could argue that the under-/overestimation of the foreign exchange proportions might have been due to the regrouping of the 98 industries of the I.I.S. into 19 major industrial groups. We, however, calculated the foreign exchange proportions both of allocations and sanctions for all the 98 industries. The fluctuations between the foreign exchange proportions for allocations and sanctions were found to be even more pronounced. The only conclusion we are left with is that the planners had intuitively calculated the proportions.

From Table 6 we also find that the foreign exchange proportions of the sanctions were considerably different for the two provinces. We can not say why these differences were so prominent unless we have more information about: a) the relative prices of similar domestic inputs for the two provinces, that is, land for factory site, building material, etc., b) The choice of the technique indicating the extent to which imported inputs are combined with the domestic inputs.

The performance of the private industrial sector during the period July 1960 - December 1961, when the I.I.S. was operative can be summarised as following:

i) The entrepreneurs showed a keen interest in the development of the industrial sector. The interest was relatively more pronounced in West Pakistan.

ii) The planners failed to estimate the response of the entrepreneurs resulting in the exhaustion of the I.I.S. allocations for the Second Plan period (1960-65).

iii) The planner had intuitively calculated the foreign exchange component for the I.I.S. allocations for the various industrial groups. The actual course of sanctions shows a considerable divergence of the foreign exchange component from that of the allocations.

The I.P & S had taken up the responsibility of publishing regular reports "..... in order to provide information to the public regarding the industrial capacity that is still available for investment", [10, p.4]. Uptil December 1961 the agency had published four reports. After this period no further progress reports were published to cover the remaining three and half year period of the plan. However, a new schedule, the "Revised Industrial Investment Schedule", [11], was issued in February 1963 "with a view to further stimulating industrial growth in the country" [11, p.1]. The period in between January 62-March 1963 was unreviewed even though the period was covered by the Industrial Investment Schedule. As long as the new schedule was not published, the old schedule, [9] was effective and therefore, all sanctions during this period are against the allocations given in I.I.S. The gap in our information due to the paucity of data on sanctions makes it necessary to take a different course in analysing the pattern of private industrial investment during the Second Plan period. Further more, the R.I.I.S. and its implementation report [12] have been differently presented. Keeping in view the above limitations it was more appropriate to analyse the issue into two periods:

a) July 1960 - December 1961, covered by Industrial Investment Schedule,[9] and the published reviews of the same,[10].

b) March 1963-March 1965, based on the Revised Schedule,[11] and its implementation reports,[12].

The R.I.I.S. while reviewing the pace of industrialization during the period July 1960-February 1963 points out, "The response from private entrepreneurs has been very encouraging. Sanctions already issued aggregate to Rs. 407 crores against 284 crores provided in the Schedule and provisions for as many as 67 items has been exhausted" [11, p.1.]. The I.P.&S., as we noted above, issued the R.I.I.S. to further stimulate industrialization. This, no doubt, was one of the reasons. However, the more important cause was the exhaustion of the provisions, (allocated in the I.I.S. for a period of five years) in a period of eighteen months. The various agencies implementing the private industrial development policy of the government, as set forth in the Schedule, were receiving applications for sanctions where as the I.I.S. targets had been exhausted. This necessitated the issuance of a new schedule to serve as a guide both for the investors and the sanctioning agencies.

The new schedule, therefore, was a product of the urgency to cope with the entrepreneurial demand for new sanctions. Due to immediate requirement of a new schedule in the shortest possible time, the I.P.&S could not calculate the targets for various industries.[31] The R.I.I.S. points out, "for certain major industries no specific provision is being made as the investment requirement could be determined only after detailed study and investigations",[11, p.1].

The new Schedule provided for a expenditure of Rs. 1380.7 million from March 1963 to June 1965 of which the foreign exchange component was 835.5 million and the domestic Rs. 545.2 million. These allocations were meant for only those industries for which estimates were available. It is due to this handicap that the allocations covered by R.I.I.S. can not be compared with those of I.I.S. period, nor is it possible to add the two to determine the total allocations for the plan period and compare them with the total sanctions.

31/ The number of such industries was: 67 for West Pakistan and 35 for East Pakistan.

The industries for which allocations were made were groupe together in a classification similar to the one used earlier.

Total allocations and sanctions for the remaining three and half years in terms of domestic and foreign exchange compone by province are summarised in Table 7.

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TABLE - 7

ALLOCATIONS AND SANCTIONS FOR EAST AND WEST PAKISTAN (ALLOCATIONS MARCH 1963-JUNE 1965. SANCTIONS[a] MARCH 1963 - MARCH 1965.)

(in million rupees)

Industrial Group	Allocations: Pakistan (1)		East Pakistan (2)		West Pakistan (3)		Sanctions: Pakistan (4)		East Pakistan (5)		West Pakistan (6)		(4) as % of (1) (7)	(5) as % of (2) (8)	(6) as % of (3) (9)
1. Textiles	568.9	41.2%	316.4	37.1%	252.5	47.9%	548.7	45.2%	266.5	49.1%	282.2	42.0%	96.4	84.2	111.8
2. Petro Chemicals	80.0	5.8	80.0	9.4	-	-	-	-	-	-	-	-	-	-	-
3. Chemicals	115.6	8.4	63.4	7.4	52.2	9.9	74.6	6.1	18.7	3.9	55.9	8.3	64.5	29.5	107.1
4. Food Manufacturing	104.5	7.6	58.1	6.8	46.4	8.8	102.8	8.5	29.1	5.4	73.7	11.0	98.4	50.1	158.8
5. Pulp & Paper	54.0	3.95	46.5	5.5	7.5	1.4	50.0	4.1	1.9	0.4	48.1	7.1	92.6	4.1	641.3
6. Non Metalic Minerals	85.6	6.2	43.4	5.1	42.2	8.0	19.0	5.7	30.4	5.6	38.6	5.8	80.6	70.0	91.5
7. All Other Industries	372.1	26.9	246.0	28.7	126.1	24.0	369.4	30.4	196.0	35.6	173.4	25.8	99.3	79.7	137.5
Total	1380.7	100.0	853.8	100.0	526.9	100.0	1214.5	100.0	542.6	100.0	671.9	100.0	88.0	63.6	127.5

Source : Table B - I & B - II

a/ Does not cover sanctions for projects that were designated as "Specific".

We should be cautious in analysing the data on sanctions during the period covered by the R.I.I.S. The sanctions which are compared with the allocations refer only to those industries for which provision was made in the Revised Schedule. There were also sanctions in industries for which no provision were made.

The pattern of allocations for the period covered by the revised schedule was changed over the earlier schedule. Petro chemicals were for the first time included in the new schedule for East Pakistan and excluded for West Pakistan presumably because the I.I.S. had allocations reserved for this group in West Pakistan but not in East Pakistan. During the period July 1960 to December 1961, the textile group in East Pakistan had received sanctions worth Rs. 346.1 million or 51.7 per cent of the total sanctions. However, in the revised schedule this groups was allocated Rs. 316 million or 37.1 per cent of the total allocations. This shift to a lesser emphasis on textiles was mainly due to inclusion of the petro chemical group. For West Pakistan the revised schedule had a provision for the textile group amounting to Rs. 252.5 million or 47.9 percent of the total allocation. During the period July 1960 to December 1961 the sanctions in West Pakistan against this group amounted to Rs. 290.9 million, but this formed only 15.1 per cent of the total sanctions worth Rs. 1925.2 million. In other words, the textiles group in the revised schedule period was being given roughly the same allocation as in the old schedule in absolute terms but received proportionately a much greater share. Since in West Pakistan total allocations were less than those for East Pakistan, and the allocations for textiles were not reduced, the I.P.&S reduced the allocations of other industries. Allocations in petro chemicals were totally deleted. Chemicals which formed 17.3 per cent of the allocations in the old scheduled now formed only 9.9 per cent in the new schedule. In Table B-III we compare the allocations and sanctions (against these allocations) for the period covered by the R.I.I.S.

During the period covered by the R.I.I.S. sanctions fell short of the allocation in sixteen groups for East Pakistan.32/ The petro chemicals group was the most affected with no sanctions being shown against the allocations. This was followed by chemicals, pulp and paper, and food manufacturing groups. The three industrial groups where the sanctions exceeded the allocations were tobacco, footwear, and printing and publishing. In West Pakistan, during the same period, as many as fourteen groups received sanctions greater than what was intended. In the textiles industry for instance sanctions amounted to 111.7 per cent of the allocations, the amount of over sanctioning being Rs. 29.7 million. The groups in which allocations still remained unexhausted were: non-metalic minerals, leather and leather goods, beverages, and rubber products.

32/ However, there were still three months period left before the period covered by the R.I.I.S. expired

Thus in spite of the fact that the I.P.&S. tried to bring about a change in East Pakistan's industrialization in the private sector, by providing a larger allocation in East Pakistan than in West Pakistan, as well as in placing greater emphasis on the non consumer goods industries, the actual course of sanctions was in favour of the private industrial sector of West Pakistan. The most significant "over achievement" of targets in East Pakistan was witnessed in the tobacco group, and followed by footwear. The situation in West Pakistan was just the opposite. Generally in all the non consumer goods industries for West Pakistan the targets were over achieved, whereas in East Pakistan not even a single non consumer industrial group managed to do so. This is in spite of the fact that in East Pakistan considerable scope was given to industries such as petro-chemicals, basic metals; and machinery.

Before we proceed with the causes of this failure it would be of interest to see the correlation coefficients during the period covered by the R.I.I.S. As we saw earlier, for the period July 1960 - December 1961 the coefficients depicting the degree of correlation between allocations and sanctions were 0.85 for East Pakistan and 0.88 for West Pakistan. During the period when the R.I.I.S. was operative, the rank correlation between the allocations and the corresponding sanctions declined considerably for East Pakistan and improved for West Pakistan. The coefficients were 0.51 and 0.91 respectively for East and West Pakistan.

The major reason for this decline in East Pakistan could be the inclusion of such inlustries in the private sector of East Pakistan where sanctions fell short of allocations. This seems to have been the case with industries like petro chemicals, basic metal, machinery, and chemicals.

The sehedule should be a compromise between the planners and the private investors attitudes regarding the role of private sector in the industrialization of the country. It ought to represent targets for various industries which are most beneficial for the growth of the industrial sector as a whole, <u>and</u> at the same time attainable. It is evident from the I.I.I.S. that in East Pakistan the industries favoured by the private entrepreneurs are mostly those industries which are relatively easy to develop. More emphasis on such industries might have been given in the Revised Schedule as well. Since planning does not mean predicting the most likely achievement of the various sectors in the development process, but intends to show <u>and</u> realise the most beneficial pattern of growth, the planners could have made the East Pakistan Industrial Development Corporation responsible for the development complex industries which were beneficial from the point of view of the economy but lacked response from the private sector.

Even if there were potential investors prepared to invest in such industries, they might have been hesitant due to the lack of social-over-head facilities of skilled labour. Both of these essential pre-requisites are relatively easier to obtain in West Pakistan. More over there may have been a lack of "effective demand" for the products of such industries. Generally such industries require large investment outlays due to the existence of indivisibilities. Therefore, there is also the problem of availability of investment funds in a sufficient amount for undertaking such projects in the private sector.

We shall now briefly discuss the foreign exchange component estimates for the R.I.I.S. period.

The foreign exchange component as a proportion of the allocations in each industrial group is shown in columns (8) and (12) of Table B-I for East and West Pakistan respectively. It varies from 77.6 per cent in the pulp and paper group to 50 per cent in the non-metalic mineral group for East Pakistan. The over all proportion is 60.0 per cent. In West Pakistan it varies from 77.6 per cent in the pulp and paper industries to 50.2 per cent for the non metalic mineral group. The over all proportion of foreign exchange as per cent of total sanctions in West Pakistan was 55.1 per cent. Comparisons of columns (8) and (12) of Table B-I with the corresponding columns of Table B-II indicate that in seventeen groups for East Pakistan and sixteen groups for West Pa kistan, the foreign exchange component expressed as a proportion of sanctions was less than what had been allocated in the R.I.I.S.

So far we have discussed industrial sanctions for which allocations were made available in the R.I.I.S. As pointed out earlier, there were certain industries for which no allocations were made, in the R.I.I.S. We shall now analyse such sanctions.

The total sanctions in East Pakistan in such industries amounted to Rs. 30.0 million wereas in West Pakistan these amounted to Rs. 957.9 million. The break-down of these sanctions is shown in Table C-I. Of the total sanctions in East Pakistan under this head, non metalic minerals received the largest amount, Rs. 17.3 million, followed by the electrical machinery and the food manufacturing groups with Rs. 6 million and 2.3 millions respectively. Together these three group received 84.6 per cent of the total unspecified sanctions issued in the seven industrial groups.

In West Pakistan in thirteen industrial groups sanctions were issued for projects for which no provisions were made. The major recipients of these sanctions were pulp, paper and products, food manufacturing, and non-metalic minerals industries. These three groups together received sanctions worth Rs. 711.5 million or 74.3 per cent of the total unspecified sanctions. The over all situation for both provinces has been summarised in Table 8

TABLE 8

SANCTIONS DURING THE R.I.I.S. PERIOD FOR WHICH NO ALLOCATION WERE MADE AVAILABLE

(in million rupees)

Province / Component	Pakistan (1)		East Pakistan (2)		West Pakistan (3)	
Foreign	524.57	53.1%	12.74	42.1%	511.83	53.4
Domestic	463.56	46.9	17.53	57.9	446.03	46.6
Total	988.13	100.0	30.27	100.0	957.86	100.0

Source: Table C-1

The analysis of private industrial investment has so far been divided into three parts, i.e., periods covered by (a) I.I.S. (b) R.I.I.S. for which allocations were made (c) R.I.I.S. sanction for which no allocations were made. We shal now appraise the private industrial sector seperately for East and West Pakistan. The data for East Pakistan will refer to the period July 1960 to March 1965 with a gap of fourteen months for the period January 1961 to February 1963. Regarding the data for West Pakistan the situation is more satisfactory. The data are available for the entire Second Five Year Plan Period with the exception of the last three months.

Table D-I is an aggregate picture for the two provinces. The total sanctions in East Pakistan in the three and half years amount to Rs.1242.2 million of which 687.9 million were in foreign exchange and the rest in rupee form. Roughly half of these Sanctions were absorbed by the textile group. At the other extreme was the rubber products group with Rs. 3.7 million. A brief summary of the aggregate Sanctions is given in Table 9.

TABLE 9

SANCTIONS FOR EAST PAKISTAN (JULY 1960-DECEMBER 1961 PLUS MARCH 1963- MARCH 1965

(in million rupees)

Industrial Group	Total	(1) as per cent of G Total	External	(3) as per cent of (1)
	1	2	3	4
Textiles	614.3	49.46	373.5	60.80
Basic Metals	142.7	11.48	86.8	60.86
Food	91.8	7.39	41.7	45.39
Chemicals	58.4	4.70	33.2	56.88
All other Industries	333.5	26.84	152.7	45.79
Grand Total	1242.2	100.00	687.9	55.38

Source: Table D-I

Shifting now to the more complete data for the Pakistan we find that the sanctions were relatively more diversified. Total sanctions during this period amounted to Rs. 4442.9 million of which, Rs. 2609.3 million were in foreign exchange. In Table 10 the distribution of Sanctions per major industrial group is shown.

TABLE 10

SANCTIONS FOR WEST PAKISTAN (JULY 1960-MARCH 1965)

(in million rupees)

Industrial group	Total	(1) as per cent of G. Total	External	(3) as percent of (1)
(1)	(2)	(3)	(4)	(5)
Chemicals	837.2	18.84	568.5	67.90
Textiles	800.6	18.02	430.6	53.78
Basic Metals	658.8	14.83	460.1	69.84
Food Manufacturing	556.1	12.52	286.4	51.50
Pulp and Paper Product	408.0	9.18	244.6	59.95
Non Metalic Minerals	332.2	7.48	169.3	50.95
All other industries	850.0	19.13	449.8	52.91
G. Total	4442.9	100.00	2609.3	58.73

Source: Table D - I

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TABLE A-I

PLAN ALLOCATIONS (1960-65) FOR PRIVATE INDUSTRIAL SECTOR BY TWENTY INDUSTRIAL GROUPS.

(in million rupees)

S.No. Industrial Group	Pakistan	(1) as per cent of G. Total	East Pakistan	(3) as per cent of G. Total	West Pakistan	(5) as per cent of G. Total
	(1)	(2)	(3)	(4)	(5)	(6)
1. Food Manufacturing	315.0	14.19	164.0	20.02	161.0	10.78
2. Beverages	4.0	0.18	2.0	0.24	2.0	0.14
3. Tobacco	20.0	0.90	5.0	0.61	15.0	1.08
4. Textiles	628.0	28.29	386.0	47.13	242.0	17.27
a. Jute	160.0	7.21	160.0	19.54	-	-
b. Other than Jute.	468.0	21.08	226.0	27.59	242.0	17.27
5. Footwear	10.0	0.45	4.0	0.49	6.0	0.43
6. Manufacturing of Wood and Cork	8.0	0.36	5.0	0.61	3.0	0.21
7. Furniture	2.0	0.09	-	-	2.0	0.14
8. Pulp, Paper and Products	22.0	0.99	17.0	2.08	5.0	0.36
9. Printing & Publishing	25.0	1.13	6.0	0.73	19.0	1.36
10. Leather & Leather Goods	25.0	1.13	15.0	1.83	10.0	0.71
11. Rubber Products	12.0	0.54	1.0	0.12	11.0	0.71
12. Chemical Products	181.0	7.15	37.0	4.52	144.0	10.28
13. Petro Chemicals	218.0	9.82	-	-	218.0	15.56
14. Non-metalic Minerals	239.0	10.77	23.5	2.87	215.5	15.38
15. Basic Metals	179.0	8.06	50.5	6.17	128.5	9.17
16. Metal Products	48.0	2.12	16.0	1.95	32.0	2.28
17. Machinery	89.0	4.01	35.0	4.27	54.0	3.85
18. Electrical Machinery	62.0	2.79	17.0	2.08	45.0	3.21
19. Transport Equipment	51.0	2.30	22.0	2.69	29.0	2.07
20. Miscellaneous	82.0	3.69	13.0	1.59	69.0	4.93
Grand Total:	2220.0	100.00	819.0	100.00	1401.0	100.00

Source: [18, p.231]

TABLE A-II

INDUSTRIAL INVESTMENT SCHEDULE ALLOCATIONS (1960-65) BY TWENTY GROUPS .

(in million rupees)

S.No.	Industrial Group	Pakistan: Total	Pakistan: (1) as per cent of G. Total	Pakistan: External	Pakistan: (3) as per cent of (1)	East Pakistan: Total	East Pakistan: (5) as per cent of G. Total	East Pakistan: External	East Pakistan: (7) as per cent of (5)	West Pakistan: Total	West Pakistan: (9) as per cent of G. Total	West Pakistan: External	West Pakistan: (11) as per cent of (9)
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Food Manufacturing	175.0	8.13	83.1	47.48	81.0	10.76	35.4	43.70	94.0	6.68	47.7	50.74
2.	Beverages	4.0	0.19	2.0	50.00	2.0	0.27	1.0	50.00	2.0	0.14	1.0	50.00
3.	Tobacco	20.0	0.93	12.0	60.00	5.0	0.66	2.7	54.00	15.0	1.07	9.3	62.00
4.	Textiles	606.5	27.80	375.4	61.90	368.5	48.96	235.2	63.83	238.0	16.90	140.2	60.74
a.	Jute	160.0	7.43	110.0	68.75	160.0	21.26	110.0	68.75	-	-	-	-
b.	Other than jute	446.5	20.37	265.4	59.44	208.5	27.70	125.2	60.05	238.0	16.90	140.2	60.74
5.	Footwear	7.0	0.33	2.8	40.00	5.0	0.66	2.0	40.00	2.0	0.14	0.8	40.00
6.	Manufacturing of Wood and Cork	11.5	0.53	4.8	41.74	8.0	1.06	3.4	42.50	3.5	0.25	1.4	40.00
7.	Furniture	-	-	-	-	-	-	-	-	-	-	-	-
8.	Pulp, Paper & Products	22.0	1.02	12.0	54.55	17.0	2.26	9.2	54.12	5.0	0.36	2.8	56.60
9.	Printing and Publishing	25.0	1.16	17.0	68.00	6.0	0.80	4.2	70.00	19.0	1.35	12.8	67.37
10.	Leather and Leather goods	20.0	0.93	8.5	42.50	13.0	1.73	5.6	43.08	7.0	0.50	2.9	41.43
11.	Rubber Products	18.5	0.86	12.6	68.11	3.5	0.47	2.2	62.86	15.0	1.07	10.4	69.33
12.	Chemical Products	279.7	13.00	193.3	69.11	37.1	4.93	23.6	63.61	242.6	17.23	169.7	69.95
13.	Petro Chemicals	197.5	9.18	140.0	70.89	-	-	-	-	197.5	14.03	140.0	70.89

(Cont'd...p...)

TABLE A-II (Contd.)

(in million rupees)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
14. Non-metalic Minerals	241.0	11.20	136.9	56.80	25.0	3.32	12.4	49.60	216.0	15.34	124.5	57.64
15. Basic Metals	179.0	9.32	104.2	58.21	51.5	6.84	30.3	58.83	127.5	9.06	73.9	57.96
16. Metal Products	44.8	2.08	24.4	54.46	17.5	2.33	9.0	51.43	27.3	1.94	15.4	56.41
17. Machinery	93.0	4.32	51.4	55.27	44.5	5.91	25.4	57.08	48.5	3.44	26.0	53.61
18. Electrical Machinery	67.0	3.11	38.0	56.72	19.0	2.52	11.2	58.95	48.0	3.41	26.8	55.83
19. Transport Equipment	51.0	2.37	32.0	12.75	23.0	3.06	14.6	63.48	28.0	1.99	17.4	62.14
20. Miscellaneous	98.0	4.55	48.6	49.59	26.0	3.45	10.8	41.54	72.0	5.11	37.8	52.50
Grand Total:	2160.5	100.00	1299.0	60.12	752.6	100.00	438.2	58.22	1407.9	100.00	860.8	61.14

Source: [9]

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TABLE A-III

COMPARISON OF THE PLAN ALLOCATIONS WITH THE I.I.S. ALLOCATIONS

(in million rupees)

Industrial Group	Pakistan		East Pakistan		West Pakistan	
	Column (1) Table A-I minus Column (1), Table A-II	Per cent increase/decrease over Plan allocation	Column (3), Table A-I minus Column (5), Table A-II	Per cent increase/ decrease over Plan allocation	Calumn (5), Table A-I minus Column (9), Table A-II	Per cent increase/ decrease over Plan allocation
	(1)	(2)	(3)	(4)	(5)	(6)
1. Food Manufacturing	140.0	-44.44	83.0	-50.61	57.0	37.75
2. Beverages	0.0	0.00	0.0	0.00	0.0	0.00
3. Tobacco	0.0	0.00	0.0	0.00	0.0	0.00
4. Textiles	21.5	- 3.42	17.5	- 4.53	4.0	-1.65
a. Jute	0.0	0.00	0.0	0.00	0.0	0.00
b. Other than Jute	21.5	- 3.42	17.5	- 7.74	4.0	- 1.65
5. Footwear	3.0	-30.00	- 1.0	25.00	4.0	-66.67
6. Manufacturing of Wood & Cork	- 3.5	43.75	- 3.0	60.00	- 0.5	16.67
7. Furniture	2.0	-100.00	0.0	0.00	2.0	-100.00
8. Pulp, Paper & Products	0.0	0.00	0.0	0.00	0.0	0.00
9. Printing & Publishing	0.0	0.00	0.0	0.00	0.0	0.00
10. Leather and Leather Goods	5.0	-20.00	2.0	-13.33	3.0	-30.00
11. Rubber Products	- 6.5	54.17	- 2.5	250.00	- 4.0	36.36

Cont'd page/

Table A-III (Cont'd.)

(in million rupees)

	(1)	(2)	(3)	(4)	(5)	(6)
12. Chemical Products	-98.7	54.53	- 0.1	0.27	-98.6	68.47
13. Petro Chemicals	20.5	09.40	0.0	0.00	20.5	- 9.40
14. Non-metalic Minerals	- 2.0	0.83	- 1.5	6.38	- 0.5	0.23
15. Basic Metals	0.0	0.00	- 1.0	1.98	1.0	- 0.78
16. Metal Products	3.2	6.67	- 1.5	9.38	4.7	-14.69
17. Machinery	- 4.0	4.40	- 9.5	27.14	5.5	-10.19
18. Electrical Machinery	5.0	8.06	- 2.0	11.76	- 3.0	6.67
19. Transport Equipment	0.0	0.00	- 1.0	4.55	1.0	- 3.45
20. Miscellaneous	-16.0	19.51	-13.0	100.00	- 3.0	4.35
Grand Total :	59.5	2.68	66.4	8.11	- 6.9	- 0.49

Source: Tables A-I & A-II

TABLE A-IV

SANCTIONS DURING (JULY 1960-DECEMBER 1961)

(In million rupees)

Industrial Group	Pakistan				East Pakistan				West Pakistan			
	Total	(1) As per cent of Grand Total	External	(3) As Per cent of (1)	Total	(5) As Per cent of Grand Total	External	(7) As Per cent of (5)	Total	(9) As Per cent of Grand Total	External	(11) As Per cent of (9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Food Manufacturing a/	181.4	6.99	86.6	47.74	60.4	9.01	28.7	47.50	128.0	6.29	57.9	47.88
2. Beverages	10.2	0.39	5.3	51.00	1.1	0.16	0.5	41.89	9.1	0.47	4.8	52.86
3. Tobacco	19.8	0.76	9.2	46.46	5.5	0.83	2.8	50.81	14.3	0.74	6.4	44.41
4. Textiles	637.0	24.65	362.5	56.91	346.1	51.70	212.4	61.38	290.9	15.11	150.1	51.60
a. Jute b/	217.0	8.36	142.4	65.62	217.0	32.42	142.4	65.60	-	-	-	-
b. Other than Jute	420.0	16.19	220.1	52.40	129.1	19.29	70.0	64.27	290.9	15.11	150.1	51.60
5. Footwear	13.7	0.53	4.8	35.04	5.5	0.82	1.3	23.72	8.2	0.43	3.5	43.05
6. Manufacturing of Wood & Cork	9.8	0.38	3.6	36.73	9.3	1.39	3.4	36.56	0.5	0.03	0.2	47.17
7. Pulp, Paper and Product	16.8	0.65	9.1	54.17	10.6	1.58	6.1	57.75	6.2	0.32	3.0	47.97
8. Printing and Publishing	11.4	0.44	6.4	56.14	7.7	1.15	4.6	60.21	3.7	0.19	1.8	48.26
9. Leather and Leather Goods	8.6	0.33	4.0	34.88	3.4	0.51	1.5	43.70	5.2	0.27	2.5	47.42
10. Rubber Products	40.2	1.55	30.7	76.37	1.0	0.14	0.4	44.79	39.2	2.03	30.3	777.38

Cont'd Page/

Table A-IV (Cont'd.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
11. Chemicals Products	343.7	13.24	221.9	64.56	39.8	5.94	23.2	58.29	303.9	15.79	198.7	65.39
12. Petro Chemical	123.8	4.77	74.4	60.10	-	-	-	-	123.8	6.43	74.4	60.14
13. Non Metalic Minerals	163.9	6.32	84.8	51.74	10.6	1.58	5.3	50.09	153.3	7.96	79.5	51.83
14. Basic Metals	778.1	24.99	537.1	69.03	124.8 c/	18.64	80.1	64.20	653.3 d/	33.93	457.0	69.95
15. Metal Products	35.6	1.37	17.1	48.03	9.2	1.38	3.9	42.59	26.3	1.37	13.2	50.28
16. Machinery	35.6	1.37	19.2	53.93	19.8	1.90	5.8	45.65	22.8	1.18	13.4	58.67
17. Electrical Machinery	79.3	3.06	53.8	67.84	8.5	1.26	3.6	42.98	70.8	3.68	50.2	70.92
18. Transport Equipment	16.8	0.64	9.9	58.93	1.6	0.23	0.8	51.92	15.2	0.79	9.1	60.12
19. Miscellaneous	64.4	2.67	36.0	55.90	11.9	1.77	6.7	56.65	67.5	2.99	29.3	50.90
Grand Total:	2594.8	100.00	1576.6	60.76	669.5	100.00	391.2	58.44	1925.3	100.00	1185.4	61.57

Source: [10]

a/ Sugar Mills (large) in West Pakistan were included in the Private Sector. In East Pakistan these were put in the Public Sector. For West Pakistan the sanctions amount to Rs.52.45 million as against an allocation of Rs.50 million.

b/ Includes EPIDC investment.

c/ Included EPIDC Investment for a steel mill at Chittagong. Sanction for Steel Mill was 123.6 million against an allocation of Rs.10 million only.

d/ Includes Sanction for steel production worth Rs.650.63 million as against an allocation of Rs.110 million.

TABLE A V

COMPARISON OF I.I.S. ALLOCATIONS (JULY 1960 - JUNE 1965) AND SANCTIONS (JULY 1960 - DECEMBER 1961)

(in million rupees)

Industrial Group	Pakistan		East Pakistan		West Pakistan	
	Allocations minus Sanctions	Per cent of Allocations Sanctioned	Allocations minus Sanctions	Per cent of Allocations Sanctioned	Allocations minus Sanctions	Per cent of Allocations Sanctioned
	(1)	(2)	(3)	(4)	(5)	(6)
1. Food Manufacturing	- 6.3	103.63	20.6	74.51	-27.0	128.71
2. Beverages	- 6.1	253.43	0.9	53.00	- 7.1	453.85
3. Tobacco	0.2	99.22	-0.5	110.60	0.7	95.43
4. Textiles	- 30.5	105.03	22.4	93.92	- 52.9	122.23
a. Jute	- 57.0	135.65	-57.0	135.65	-	-
b. Other than Jute	21.5	94.06	79.4	61.91	52.9	122.23
5. Footwear	- 6.7	195.36	-0.5	109.56	- 6.2	409.85
6. Manufacturing of Wood & Cork	1.7	85.45	-1.3	116.19	3.0	15.20
7. Pulp, Paper & Products	5.3	70.12	6.4	62.22	- 1.2	123.40
8. Printing & Publishing	13.6	45.67	-1.7	128.13	15.3	19.63
9. Leather & Goods	11.4	43.20	9.6	26.23	1.8	74.71
10. Rubber Products	- 21.6	216.92	-2.5	27.43	-24,2	261.13
11. Chemical Products	- 64.0	122.87	-2.7	107.16	-61.3	125.77
12. Petro Chemicals	73.7	62.67	-	-	73,7	62.67
13. Non metallic Minerals	77.1	68.00	15.6	42.34	62.7	70.97

Table A-V (Cont'd)

	(1)	(2)	(3)	(4)	(5)	(6)
14. Basic Metals	-599.1	444.67	-73.3	242.30	-523.8	512.37
15. Metal Products	8.9	80.09	8.2	52.89	0.7	97.53
16. Machinery	59.4	36.13	31.7	28.65	27.7	42.39
17. Electrical Machinery	- 12.3	118.35	10.5	44.56	- 22.8	137.55
18. Transport Equipment	34.3	32.79	21.4	6.76	12.8	54.18
19. Miscellaneous	28.6	70.80	14.1	45.68	14.5	79.87
Grand Total	-432.4	120.10	83.9	88.96	-525.6	136.75

Source: [9]
[10]

TABLE B-I

REVISED INDUSTRIAL INVESTMENT SCHEDULE ALLOCATIONS (MARCH 1963 - JUNE 1965) (in million rupees)

	Industrial Group	Pakistan				East Pakistan				West Pakistan			
		Total	(1) As per cent G.Total	External	(3) As per cent of (1)	Total	(5) As Per cent of G.Total	External	(7) As per cent of (5)	Total	(9) As per cent of G.Total	External	(1) As per cent of (9)
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	**Food Manufacturing**	104.5	7.57	57.2	54.74	58.1	6.80	30.2	51.98	46.4	8.81	27.0	58.19
2.	Beverages	10.0	0.72	6.0	60.00	5.0	0.59	3.0	60.00	5.0	0.95	3.0	60.00
3.	Tobacco	20.5	1.48	12.0	58.54	19.0	2.22	11.0	57.89	1.5	0.28	1.0	66.67
4.	Textiles	568.9	41.20	337.1	59.25	316.4	37.06	179.8	56.82	252.5	47.92	157.3	62.37
a.	Jute	240.0	17.38	134.5	56.04	231.0	27.06	128.0	55.41	9.0	1.71	6.5	72.22
b.	Other than Jute	328.9	23.82	202.6	61.60	85.4	10.00	51.8	60.64	243.5	46.21	150.8	61.94
5.	Footwear	8.0	0.58	5.0	62.50	4.0	0.47	2.5	62.50	4.0	0.76	2.5	62.50
6.	Manufacturing of Wood & Cork	10.5	0.76	6.2	59.05	7.5	0.88	4.5	60.00	3.0	0.57	1.7	56.67
7.	Pulp, Paper & Products	54.0	3.91	38.5	71.30	46.5	5.45	33.5	72.04	7.5	1.42	5.0	66.67
8.	Printing & Publishing	31.4	0.97	10.4	77.61	6.7	0.78	5.2	77.61	6.7	1.27	5.2	77.61
9.	Leather & Leather Goods	19.0	1.38	10.9	57.37	11.0	1.29	6.0	54.55	8.0	1.52	4.9	61.25
10.	Rubber Products	14.4	1.64	9.6	66.67	10.2	1.19	6.6	64.71	4.2	0.80	3.0	71.43
11.	Chemicals Products	115.6	8.37	72.7	62.89	63.4	7.43	39.6	62.46	52.2	9.91	33.1	63.41
12.	Petro Chemicals	80.0	5.79	55.0	68.75	80.0	9.37	55.0	68.75	-	-	-	-
13.	Non Metalic Minerals	85.6	6.20	42.9	50.12	43.4	5.08	21.7	50.00	42.2	8.01	21.2	50.24
14.	Basic Metals	26.5	1.92	17.5	66.04	23.5	2.75	15.5	65.96	3.0	0.57	2.0	66.67

Table B-I (Cont'd)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
15. Metal Products	32.0	2.32	19.8	61.88	24.0	2.81	14.8	61.67	8.0	1.52	5.0	62.50
16. Machinery	60.5	4.38	40.4	66.78	41.9	4.91	25.2	60.14	18.6	3.53	15.2	70.97
17. Electrical Machinery	18.5	1.34	11.6	62.70	11.4	1.34	7.0	61.40	7.1	1.35	4.6	64.79
18. Transport Equipment	27.7	2.01	19.2	69.31	19.2	2.25	13.6	70.83	8.5	1.61	5.6	65.88
19. Miscellaneous	111.1	8.05	65.5	85.96	62.6	7.33	37.7	60.22	48.5	9.21	27.8	57.32
Grand Total	1380.7	100.0	835.1	60.51	853.8	100.0	512.4	60.01	526.9	100.00	323.1	61.33

Source : [11]

TABLE B-II

REVISE INDUSTRIAL INVESTMENT SCHEDULE SANCTIONS[a] (MARCH 1963 - MARCH 1965)

(In million rupees)

Industrial Group	Pakistan Total	(1) As per cent of G. Total	External	(3) as per cent of (1)	East Pakistan Total	(5) As per cent of G.Total	External	(7) As per cent of (5)	West Pakistan	(9) As per cent of G.Total	External	(11) As per cent of (9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Food Manufacturing	102.8	8.46	55.8	54.28	29.1	5.37	11.8	40.47	73.7	10.96	44.0	59.66
2. Beverages	7.0	0.58	2.6	37.40	3.1	0.58	1.2	39.62	3.9	0.59	1.4	34.86
3. Tobacco	42.5	3.50	23.3	54.82	40.7	7.50	21.9	53.71	1.8	0.27	1.4	34.86
4. Textiles	548.7	45.18	326.2	59.45	266.5	49.13	159.8	59.98	282.2	42.00	166.4	58.97
a. Jute	287.9	23.70	173.4	60.23	232.5	42.86	141.8	60.99	55.4	8.24	31.6	57.00
b. Other than Jute	260.8	21.38	152.8	58.59	34.0	6.27	18.0	53.10	226.4	33.76	134.8	59.45
5. Footwear	11.6	0.95	5.7	49.14	5.3	0.98	2.7	51.79	6.3	0.93	3.0	47.60
6. Manufacturing of Wood & Cork	6.9	0.57	3.3	47.83	3.2	0.59	1.3	40.00	3.7	0.55	2.0	55.14
7. Pulp, Paper & Product	50.0	4.12	26.4	52.80	1.9	0.35	1.3	68.09	48.1	7.17	25.1	52.12
8. Printing & Publishing	19.4	1.59	9.2	47.42	6.9	1.26	3.3	48.03	12.5	1.86	5.9	47.31
9. Leather & Leather Goods	7.8	0.64	3.9	50.00	1.9	0.34	0.9	48.13	5.9	0.87	3.0	51.62
10. Rubber Products	6.6	0.54	3.0	44.44	2.8	0.51	1.1	40.94	3.8	0.57	1.9	50.53
11. Chemical Products	74.6	6.14	32.1	56.43	18.7	3.94	10.1	53.89	55.9	8.32	32.0	59.8
12. Petro Chemicals	-	-	-	-	-	-	-	-	-	-	-	-
13. Non-metalic Minerals	69.0	5.68	30.8	44.64	30.4	5.60	13.0	42.76	37.6	5.76	17.8	46.12
14. Basic Metals	21.2	1.74	8.6	40.57	17.9	3.29	6.7	37.51	3.3	0.49	1.9	57.36
15. Metal Products	37.6	3.09	16.6	44.15	20.9	3.85	7.7	36.96	16.7	2.49	8.9	53.29
16. Machinery	44.1	3.63	19.3	43.76	17.3	3.19	7.2	41.71	26.8	3.98	12.1	45.27
17. Electrical Machinery	16.6	1.36	7.1	42.77	7.0	1.29	2.8	40.03	9.6	1.43	4.3	45.26
18. Transport Equipment	20.2	1.66	9.1	45.05	10.5	1.94	4.6	44.05	9.7	1.44	4.5	46.19
19. Miscellaneous	128.0	10.54	[illegible]	47.89	58.5	10.97	26.4	45.29	69.5	10.34	34.9	50.17
	1214.5	100.00	654.4	53.88	542.6	100.00	283.9	52.34	671.9	100.00	370.5	55.14

a/ Sanctions for projects against which provision was made in the R.I.I.S

Source : [1.7]

TABLE B-III

COMPARISON OF R.I.I.S. ALLOCATIONS (MARCH 1963 - JUNE 1965) & SANCTIONS a/ (MARCH 1963 - MARCH 1965)

(in million rupees)

	Industrial Group	Pakistan		East Pakistan		West Pakistan	
		Allocations minus Sanctions	Per cent of Allocations Sanctioned	Allocations minus Sanctions	Per cent of Allocation Sanctioned	Allocations minus Sanctions	Per cent of allocations Sanctioned
		(1)	(2)	(3)	(4)	(5)	(6)
1.	Food Manufacturing	1.7	98.35	29.0	50.14	-27.3	158.73
2.	Beverages	2.9	70.60	1.9	62.00	1.1	78.60
3.	Tobacco	22.0	207.46	-21.7	214.21	- 0.3	122.00
4.	Textiles	20.3	96.44	49.9	84.23	-29.7	111.75
a.	Jute	-47.8	-119.93	- 1.5	100.65	-46.4	615.5
b.	Other than Jute	68.1	79.30	51.4	39.81	16.7	93.15
5.	Footwear	-3.6	144.63	-1.3	132.50	-2.3	156.5
6.	Mfg. of Wood & Cork	3.6	65.71	4.3	42.67	-0.7	123.3
7.	Pulp, Paper & Products	4.0	92.63	44.6	95.91	-40.6	641.87
8.	Printing & Publishing	-5.9	144.03	-0.2	102.99	-5.8	185.82
9.	Leather & Leather Goods	11.3	40.74	9.1	17.27	2.1	73.37
10.	Rubber Products	7.8	45.56	7.4	27.45	0.4	90.48
11.	Chemical Products	41.0	64.51	44.8	29.50	-3.7	107.13
12.	Petro Chemicals	80.0	0.00	80.0	0.00	-	-
13.	Non-metalic Minerals	16.6	80.63	13.0	70.05	3.6	91.56
14.	Basic Metals	5.4	79.70	5.6	76.17	-0.3	108.61
15.	Metal Products	-5.6	117.38	3.1	87.08	-8.7	208.75
16.	Machinery	16.4	72.86	24.6	41.28	-8.2	143.92
17.	Electrical Machinery	1.9	89.51	4.4	41.29	-2.5	135.07
18.	Transport Equipment	7.5	72.96	8.7	54.69	-1.2	114.12
19.	Miscellaneous	-16.9	115.20	4.1	93.45	-21.0	143.22
	Grand Total:	166.2	87.94	311.2	63.35	-145.0	127.51

a/ Sanctions against those projects for which provisions were made in the R.I.I.S

Source : [11]
[12]

TABLE-C-I

SANCTIONS DURING THE R.T.I.S. PERIOD FOR WHICH NO ALLOCATIONS WERE MADE AVAILABLE

(in million rupees)

Industrial Group	Pakistan				East Pakistan				West Pakistan			
	Total	(1) as per cent of G.Total	External	(3) as per cent of (1)	Total	(5) as per cent of G.T.	External	(7) as per cent of (5)	Total	(9) as per cent of G. T.	External	(11) as per cent of (9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1. Food Manufacturing	307.93	31.17	158.91	51.61	2.29	7.55	1.20	52.52	305.64	31.91	157.71	51.60
2. Beverages	1.61	.16	1.20	74.53	0.02	0.04	0.01	50.00	1.59	0.17	1.19	75.05
3. Tobacco	-	-	-	-	-	-	-	-	-	-	-	-
4. Textiles	41.44	4.20	19.98	48.21	1.74	5.74	1.26	72.68	39.70	4.14	18.72	47.14
a. Jute	-	-	-	-	-	-	-	-	-	-	-	-
b. Othe then Jute	41.44	4.20	19.98	48.21	1.74	5.74	1.26	72.68	39.70	4.14	18.72	47.14
5. Footwear	-	-	-	-	-	-	-	-	-	-	-	-
6. Manufacturing of Wood & Cork	-	-	-	-	-	-	-	-	-	-	-	-
7. Pulp, Paper & Products	332.10	33.62	205.13	61.77	0.86	2.83	0.82	95.21	331.24	34.58	204.31	61.68
8. Printing & Publishing	-	-	-	-	-	-	-	-	-	-	-	-
9. Leather and Leather Goods	-	-	-	-	-	-	-	-	-	-	-	-
10. Rubber Products	0.45	0.05	0.45	100.00	-	-	-	-	0.45	0.05	0.45	100.00
11. Chemicals	38.08	3.86	18.24	47.91	-	-	-	-	38.08	3.98	18.24	47.91
12. Petro Chemicals	3.28	.38	2.05	60.69	-	-	-	-	3.28	0.34	2.05	60.69

Table - C - I (Cont'd)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
13. Non-metalic Minerals	91.86	9.30	44.93	48.91	17.26	57.03	7.08	41.01	74.60	7.79	37.85	50.74
14. Basic Metals	2.26	.23	1.27	56.20					2.26	0.24	1.27	56.20
15. Metal Products	31.65	3.20	16.08	50.81	2.09	6.89	0.93	44.49	29.56	3.08	15.15	51.27
16. Machinery	12.52	1.27	5.65	45.14	-	-	-	-	12.52	1.31	5.65	45.14
17. Electrical Machinery	40.92	4.14	15.67	38.29	6.03	19.91	1.44	23.94	34.89	3.64	14.23	40.77
18. Transport Equipment	73.04	7.39	28.99	39.49	-	-	-	-	73.04	7.66	28.99	39.49
19. Miscellaneous	10.64	1.08	6.02	56.57	-	-	-	-	10.64	1.11	6.02	56.57
G. Total	987.78	100.00	534.57	53.11	30.29	100.00	12.74	42.07	957.49	100.00	511.83	53.43

Source : [12]

TABLE - D - I

TOTAL SANCTIONS[a/]: EAST PAKISTAN JULY 1960-DECEMBER 1961 PLUS

MARCH 1963 - MARCH 1965,

WEST PAKISTAN JULY 1960 - MARCH 1965

(in million rupees)

Industrial Group	East Pakistan				West Pakistan			
	Total	(1) as per cent of G. Total	External	(3) as per cent of (1)	Total	(5) as per cent of G. Total	External	(7) as per cent of (5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Food Manufacturing	91.8	7.39	41.7	45.39	556.1	12.52	286.4	51.50
2. Beverages	4.2	0.34	1.7	40.14	18.3	0.41	8.6	47.21
3. Tobacco	46.2	3.72	24.7	53.36	22.8	0.51	11.1	48.77
4. Textiles	614.3	49.46	373.5	60.80	800.6	18.02	430.6	53.78
a. Jute	449.5	36.19	284.2	63.21	64.4	1.45	34.0	52.84
b. Other than Jute	164.8	13.27	89.3	54.22	736.2	16.57	397.6	53.86
5. Footwear	10.8	0.87	40.1	37.53	14.5	0.33	6.5	45.02
6. Manufacturing of Wood & Cork	12.5	1.00	4.7	37.74	6.9	0.15	3.2	46.14
7. Pulp, Paper & Products	13.3	1.07	8.2	61.64	408.0	9.18	244.6	59.94
8. Printing & Publishing	14.5	1.17	7.9	54.47	21.3	0.48	11.3	53.20
9. Leather & Leather Goods	5.3	0.43	2.4	54.27	11.8	0.27	5.9	50.13

Table - D - I (Cont'd)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
10. Rubber Products	3.7	0.30	1.6	41.94	43.8	0.99	32.9	75.19
11. Chemical Products	58.4	4.70	33.2	56.88	837.2	18.84	568.5	67.90
12. Petro Chemicals	-	-	-	-	127.1	2.86	76.5	60.20
13. Non-metalic Minerals	58.2	4.69	25.4	43.36	332.2	7.48	169.3	50.95
14. Basic Metals	142.7	11.48	86.8	60.86	658.8	14.83	460.1	69.84
15. Metal Products	32.2	2.59	12.6	39.07	87.6	1.86	42.2	51.14
16. Machinery	30.1	2.42	13.1	43.38	68.2	1.54	34.0	49.88
17. Electrical Machinery	21.5	1.73	7.9	36.36	132.0	2.97	76.4	57.89
18. Transport Equipment	12.1	0.97	5.4	45.07	105.3	2.37	45.4	43.10
19. Miscellanious	70.4	5.67	33.2	47.12	195.6	4.40	95.8	48.96
G. Total	1242.2	100.00	687.9	55.38	4442.9	100.00	2609.3	58.73

a/ Includes Sanctions for projects for which no provision was made in the R.I.I.S.

Sources: 1) [11]
2) [12]
3) [25]