

## 7. Behind the Veil of Growth: The State of Pakistan's Economy

**AKMAL HUSSAIN**

### INTRODUCTION

In examining the state of Pakistan's economy there is always the danger of being gripped by appearances. The texts of most official documents paint a rosy picture, and well they might. For after all, the growth rate of GNP is high, as is the growth rate of industry, agricultural and exports. One is well advised, however, to take heed from the famous adage, 'If the appearance of things coincided with their essence, there would be no need for scientific enquiry.' As soon as one goes behind the veil of aggregate growth figures a very different picture emerges. This paper is an attempt at examining the viability of the high growth rate of in terms of the strategic variables that sustain growth over time, and in terms of the structure of the economy. The latter determines the ability of growth to provide the minimum conditions of economic existence to the poorer strata of the population and backward legions of the country. In Section I We give aim overview of the trends over time in the strategic variables such as growth rates of investment, savings, and exports. We also indicate the structural weaknesses in the economy in Section ii and iii, the available evidence on poverty is evaluated, and an attempt is wade at formulating the mechanisms that underlie endemic poverty in Pakistan. Section IV presents the findings of available unpublished research on Regional Economic Disparity, and attempts to formulate an alternative policy perspective for achieving regionally equitable growth. Finally, iii Section V, we examine the balance of payments situation, and analyze the dependence on foreign aid, and I lie scenarios for the future.

### TRENDS AND STRUCTURE OF ECONOMIC GROWTH

The aggregate growth rate of the economy since 1977 has been impressive (over 6 percent per annum) and the Government has consistently measured its performance in these terms. Yet when we go behind the veil of aggregate growth, a less healthy picture of the economy emerges. We discover that the strategic variables and sectors through which growth is sustained over time.

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seem to show a declining trend: For example, the growth rate of fixed investment, the domestic savings rate, the growth rate in the value of exports, and finally the weight of the commodity producing sectors in the economy. Other features that cast grim shadows on the bright growth performance, are an economic structure that is both fragile as well as incapable of accommodating the minimum requirements of food, housing and health of at least 40 percent of the country's population. In this section we will examine briefly each of these structural features underlying the high growth rate of GN1 since 1977.

### **The Strategic Variables**

A high growth rate of GDP merely tells us that the value of goods and Services in the economy is increasing rapidly. It does not tell us what kinds of goods and services are being produced, nor does the GDP growth figure indicate whether the factors which generate this growth are being strengthened or weakened over time. To diagnose the nature and sustainability of aggregate growth, we must examine the sectoral composition of GDP over time, the performance of savings and investment which are the engine of growth, and finally the performance of exports which affects both aggregate growth as well as the long-term ability to finance foreign exchange require- merits of the domestic economy.

To get an idea of trends in investment, what needs to be examined is the real growth rate of investment (including stock changes) and also the ratio of fixed investment to GNP. We observe that real growth rate in gross domestic investment (including stock changes) followed a declining trend from 5.8 percent in 1976—77 to 3.4 percent in 1983—84. (Between 1976 to 1983, however, the figure was above 9 percent, but then in 1980—81 it was 3.2 percent). 'the reason for the declining growth rate of fixed investment was that while public sector gross investment rates have declined steadily from 9.69 percent in 1976—77 to 3.8 percent in 1983—84 (in accordance with World Bank and U O P policy of de-emphasizing the public sector), the private sector on which considerable hopes were pinned, has failed to come up to expectations in the eighties. Gross fixed investment as a percentage of GN1 declined from 17.6 percent in 1976-77 to 13.9 percent in 1983—84. This ratio increased to 16.5 percent in 1985—86, although it was still lower than what it was in 1976—77. While public sector investment as a percentage of GNP declined steadily from 12 percent in 1976-77 to 8.6 percent in 1983—84, private sector investment failed to compensate for this decline, and fluctuated around an average of 5 percent over the period 1976—77 to 1983—84 (See Table 1).

The savings picture was equally bleak, with the gross domestic savings rate declining from 8.5 percent in 1976—77 to 5.2 percent in 1983—84 (See Table 1). Gross national savings fluctuated around an average of 12.1 Percent over the same period.

*Pakistan Economic Survey 1985-86. Government of Pakistan, Finance Division, Economic Advisors Wing, Islamabad, pp. 25—27.*

An examination of the composition of GDP shows that while the while of the commodity producing sectors in GDP declined from 50.7 percent to 49.6 percent, the weight of wholesale trade and services increased from 40.9 percent to 42.4 percent (See Table 2). The reason why this fact can be a cause for concern is that the volume of trade by its very nature is subject to fluctuations since it has a speculative element, and is also not rooted in (h process of value added as is the case with commodity production.

### **The Fragility of the Economy**

The fragility of the economy is manifested in terms of three tendencies:

1. Agricultural growth and the food supply situation is based not on an institutionalized process of technical change but on good hat vests. Thus after seven good harvests when the Government was claiming self—sufficiency and even an export capacity in wheat, one bad hat vest in 1981—84 threw agriculture into a crisis: horn an average annual growth rate of 3.9 percent during 1977—82 agriculture growth fell to 6. 14 percent in 1983—84. There was a shortfall of about I .5 million tones in wheat output thereby obliging the Government to import wheat.
2. The foreign exchange earnings of the country are based not on a sustainable export of manufactured goods but on the uncertain remittances from Pakistani workers in the Middle East and the equally uncertain prices of agricultural exports. Thus workers' remittances which had been growing rapidly in the late seventies fell by 5 percent in I 983—84. As a result of reduction in the growth of export earnings and an increase in import expenditures, the country's gold and foreign exchange reserves declined by 10.6 percent during 1983—84.

The fragility of tile country's economy can be judged front the tact that in one year when a bad harvest and reduced remittances occurred simultaneously, the economy nosedived from a position of hoot it into such a severe crisis that \$300 million worth of State Bank reserves had to be liquidated.

3. The third tendency that manifests the fragility of the economy is the growing dependence on foreign loans on the one hand and the growing difficulty in paying back the loans on the other. The total level of annual loans has increased seventeen—Fold from \$0. 15 billion in the 1950s to \$2.2 billion today. The degree of dependence on foreign loans can be judged from the fact that about 20 percent of gross domestic investment is financed by foreign loans. The growing debt

2 *Pakistan Economic Survey 1983-84 Op. cit*

3 *Ibid*

4 *Ibid*

5 *Pakistan Economic Survey 1985-86 op. cit, p. 147*

servicing burden is indicated by the fact that in 1977 as much as 44 percent of gross disbursements were returned in the form of debt servicing of old loans. By 1984 this figure had increased to 87 percent (See Table 16).

### **Poverty and Declining Employment Generation Capability of the Economy**

When we examine the basket of goods underlying aggregate economic growth, we find that both the level and range of Consumption goods of the elite are rising rapidly (for example , air conditioners are increasing at the rate of 40,000 a year) while the poor continue to be deprived of basic necessities. According to conservative estimates made by the II A) at least 45 percent of the households in Pakistan are unable to afford 2300) calories per day per person, which is the minimum calorific requirement for a healthy life. The Ministry of Finance, Government of Pakistan estimates that 62 percent of the population does not have piped drinking water; 84 percent of the population does not have sewage facilities; finally the housing conditions are so inadequate that 81 percent of the housing units have on average 1.5 rooms inhabited on average by seven persons.<sup>7</sup>

While a large proportion of the population experiences economic deprivation the nature of economic growth since 1977 has been such that it has involved rapid automation in industry and labor—displacing mechanization in agriculture. The result is that the employment generation capability of the economy has been declining rapidly. The number of jobs generated per unit of investment in industry has been declining at the rate of 11 percent per annum since 1977.<sup>8</sup>

In the case of agriculture there is a similar tendency of declining employment generation capability as labor—displacing mechanization proceeds faster than output growth. My estimates for the National Human Settlements Policy study show that labor—absorptive capacity in agriculture can be expected to decline by 6.9 million households by the year 2002.

### **POVERTY AND INEQUALITY**

The income distribution studies on Pakistan during the sixties were based

6 *M Irfan and R Amjad. Poverty in Rural Pakistan, (Bangkok: ILO/ARTEP, June 1983) (mimeo).*

7 *Pakistan Economic Survey 1983-84 op. cit.*

8 *Irfan and Ahmed, Changes in Output, Employment, Costs and Productivity, 1985 (Mimeo).*

9 *Akmal Hussain. Report on Rural Population Estimates. Study for the National Human Settlement Policy, Government of Pakistan. Environment an Urban Affairs Division, March 1983.*

mainly on household expenditure survey data (Haq,<sup>10</sup> Bergan,<sup>11</sup> Azfar,<sup>12</sup> Khandker,<sup>13</sup> Suleman<sup>14</sup>). They suffered from the problems of serious under estimation of the income of higher income groups, apart from inherent conceptual problems in such measures of inequality as the Gini-Lorenz ratios which were used in these studies.<sup>15</sup> More recently attempts have been made to establish the nutritional standard of the population and first, estimate the percentage of the population below certain minimum levels of income or expenditure or 'poverty lines'.

### Malnutrition

The nutrition status is a complex issue, and a rigorous analysis would require disaggregation by type of nutrient, and characteristics of the individual such as age, sex and level of activity. 'the available aggregative analyses are limited to estimating the per capita calorie and protein availabilities. On this basis it appears that the calorie requirements of the population are being met adequately. Yet such an impression is quite misleading. When the calorie and protein consumption of different sections of the population are examined a different picture emerges. Table 4 summarizes the incidence of calorie and protein deficiency in terms of the percentage of the rural and urban population for 1975—76. The table shows that in the rural areas as much as 33 percent of the population is calorie deficient and 11 percent is protein deficient. In the urban areas the incidence of nutritional deficiency is even greater with 46 percent of the population suffering from calorie deficiency and 17 percent from protein deficiency.

<sup>10</sup>K Haq, 'A Measurement of Inequality in Urban Personal Income Distribution in Pakistan, *Pakistan Development Review*, Vol. IV, No. 3, 1964.

<sup>11</sup>A Bergan, 'Personal Income Distribution and Personal Savings in Pakistan, *Pakistan Development Review*, Vol. VII, No. 2, 1967.

<sup>12</sup>Javed Azfar "Distribution of Income in Pakistan 1966—67," *Pakistan Economic and Social Review*. Vol. XIV, No. I, Spring 1973.

<sup>13</sup>RH Khandker, 'Distribution of Income and Wealth in Pakistan,' *Pakistan Economic and Social Review*, Vol XIV. No. I, Spring 1973.

<sup>14</sup>R M U Suleman, 'Income Distribution Employment and Social Justice in Pakistan Paper presented at the XVI Pakistan Economic Conference 1973.

<sup>15</sup>The first study on income distribution in Pakistan was done by Mrs. Khadija Haq, but it was limited to income tax payers in the urban areas. Subsequently, Assbjorn Bergan conducted his famous study on income distribution in Pakistan (1967), based on family expenditure survey data. Since the Bergan study, three more studies on income distribution by Azfar Khandker and Suleman were published using household survey data.

The major weakness of income distribution studies based on household survey is that the latter seriously underestimate the incomes of the high income groups. Azfar's work, attempted to overcome this drawback to some extent by splicing household survey data with income tax statistics (which are relatively more representative of higher income groups). Nevertheless, the problem of underestimation of upper income groups remained because income tax statistics do not cover agricultural incomes and also do not take account of tax evasion.

Apart from this the 1976 Micronutrient Survey indicated that 60 percent of the children in the rural population suffered from some degree of mal-nutrition.

### Poverty

The first major poverty study was conducted by Naseem for the years 1963—64 to 1969—70. More recent data have been provided to the author by the Planning and Development Division for the years 1970—71 to 1979. We shall present the evidence from each of these sources in this section.

A poverty line is specified in terms of an income level which can afford minimum calorific intake. Poverty is then measured by estimating the number of 1 below the poverty line income.

Naseem's study shows that if the poverty line in the urban sector is specified as less than Rs 375 per year (at constant 1959—60 prices), the percentage of Pakistan's urban population below the poverty line declined from 54.8 percent in 1963—64 to 25 percent in 1969—70. In absolute numbers, the urban poor were around, 6.8 million in 1963—64 and 4.25 million in 1969—70. However, if the poverty line were specified at Rs 375 p year (at constant 1959—6(1 prices), the extent of urban poverty becomes much higher: 70 percent of the urban population would be categorized as poor in 1963, it would be 59 percent by the late sixties and would increase again by 1969—70.

Evidence on rural poverty suggests that the number of people below the poverty line did not decrease (luring the sixties. Some studies (Naseem,<sup>17</sup> Talat<sup>18</sup> show that the percentage of rural population below the poverty line remained constant. Other studies Hussain,<sup>19</sup> Mujahid<sup>20</sup> suggest that this percentage increased.

Evidence on rural poverty during the seventies is based on two Sources: The Nutritional Survey of the Planning Commission, and the household Income and Expenditure Survey (HIES). The Nutritional Survey indicated that around 33 percent of the population in rural areas suffered front under nourishment (i.e., they consumed less than 2550 calories). The I LIES data showed that more than 20 percent of the households failed to meet their caloric requirements.

Earlier studies examining rural poverty in the sixties on the basis of per

<sup>16</sup> S M Naseem, 'Mass Poverty in Pakistan. Some Preliminary Findings,' *Pakistan development Review*, Winter 1973.

<sup>17</sup> *Ibid.*

<sup>18</sup> Talat Allauddin. 'Mass Poverty in Pakistan, a further study, *Pakistan Development Review* Winter 1975.

<sup>19</sup> Akmal Hussain. 'Technical Change and Social Polarization in Rural Punjab.' Chapter 12 in K. Au (ed).. *The Political Economy of Rural Development Lahore: Vanguard* 1982).

<sup>20</sup> G B S Mujahid. 'A Note on the measurement of Poverty and Income Inequalities in Pakistan, Some observations on Methodology.' *Pakistan Development Review*, Autumn 1978.

capita income of different income classes and subsequent studies for the seventies based on the Nutritional Survey are not strictly comparable due to differences in methodology. However, a more recent study (Irfan and Amjad<sup>21</sup> has made an important contribution to poverty studies by developing a consistent time series on rural poverty based on HIES data. Its results show that during the period 1963—64 and 1969 the level of rural poverty underwent a significant increase: The percentage of poor households in total rural households increased from 40.5 percent in 1963 to 51.5 percent in 1969-70. The rural poverty figure for the year 1979 compared to 1969 however shows a significant decline: from 51.5 percent to 37.5 percent. To some extent the decline in the percentage of poor households is only an apparent decline, due partly to underestimation in 1979 data which does not cover some of the poorer regions of the country and partly due to the fact that the increased landlessness during this period involved migration of the poorest sections of the rural population into urban areas. (This partly explains the fact that the data quoted earlier shows that the level of rural poverty is higher than rural poverty.) Nevertheless some real decline in the percentage of poor households did occur between 1969 and 1979, primarily because of the effect on rural wages and remittances of labor migration to the Middle East. Clearly such a decline in rural poverty arose not from the development of the economy but precisely its underdevelopment, since it failed to provide adequate employment opportunities to the population.

In the next section we will consider the mechanism underlying the continued high level of poverty and the phenomenon of growing poverty during the decade of the sixties when overall output and income in agriculture was growing rapidly.

## **THE MECHANISM UNDERLYING RURAL POVERTY**

### **The New Technology and Polarization in Agrarian Structure**

Much of the literature on the so-called Green Revolution suggests that this new technology is 'scale neutral'. This may be so at a purely technological level. The actual effect which the new technology has on the size distribution of farms in any particular society depends on the prevailing pattern of land ownership and the social organization of agricultural production. In Pakistan the agrarian structure is characterized by a highly skewed distribution of land ownership and a pattern of extensive renting out of land to tenants. 0.5 percent of landowners own 30 percent of total cultivated area. In such a situation where the high yielding varieties (HYV) technology became available and made owner cultivation highly profitable there emerged a tendency for a structural change in favor of the large farmers: The availability of the HYV technology along with subsidized tractors, induced large landowners to resume their formerly rented-out land for

*21M Irfan and R Amjad: Poverty in Rural Pakistan, op. cit.*

owner cultivation on large tractorized farms. The resultant change in the size distribution of farms and changes in the production relations generated a powerful process: Growing affluence of the big farmers simultaneously with the pauperization of the poor peasantry. In this section I will report very briefly, changes in flue size distribution of farms and the process underlying the phenomenon. 'In the next section we will examine the changes that occurred at the level of production relations. It is these changes that constitute the basis of the process of growing rural poverty. (For a more detailed study see my doctoral thesis.)<sup>22</sup>

When the 1960 Agriculture Census (adjusted for biases inherent in its methodology) is compared with the 1972 Agriculture Census a picture of polarization in the size distribution of farms emerges, i.e., the percentage share of small farms in total farm area and that of large farms has increased while the percentage share of medium—sized farms has declined. Underlying this comparative static picture was a more complex dynamic process. This consisted of the following elements:

1. The larger landowners were resuming their rented land not only from small farmers but also from medium—sized farmers.
2. The loss of land following resumption hit medium—sized farmers to a much greater extent than small farmers.
3. Some medium-sized farmers following the loss of some (hut not all) of their rented—in area were converted into small farmers over the period.

The consequence of (2) and (3) above, was that the percentage share of total farm area (and the number of farms) in small—sized farms category increased over the inter—censal period while that of medium—sized farms declined. Thus the increase in the percentage share of small farms in the total farm area occurred not because small farms were becoming more viable but because of the relatively greater impact of the loss of rented-in land compared to small farms.

This differential impact of the resumption of rented land is understandable given the much greater proportion of total rented land under medium-sized farms in Pakistan. The fact that many small farms were disintegrating under the impact of tenant eviction is indicated by the rapid increase in landless— ness over the period: Landless laborers increased by 0.7 million during the inter—censal period, and of these almost half had had been proletarianized as the result of tenant eviction.<sup>23</sup>

### **Capitalist Farmers arid the Nature of Production Relations**

In this section I will report very briefly sonic of the findings of my study on

<sup>22</sup> Akmal Hussain, *Agricultural Growth and Changes in the Agrarian Structure of Pakistan*, D. Phil Thesis, Sussex 1980.

<sup>23</sup> Akmal Hussain, *Technical Change and Social Polarization in Rural Punjab*, 'op. cit.



agrarian structure. This suggests that production relations between poor peasants and large farmers, underlie the squeeze on the real income of the poor Peasants. I have defined poor peasants as those who are using pre dominant by family labor on their farms (i.e. the ratio of total net labor hired-in to family, labor is less than one). Poor peasants are subject to a triple squeeze:

1. *Money costs have increased.* This is because of two main factors:
  - (a) Inputs which were formerly nonmonetized (e.g., seed, animal manure), or inputs which the poor peasant did not use it all (e.g., tractor ploughings, pesticides), he now has to buy in the market. The poor Peasant has to buy chemical fertilizer (rather than use his own animal manure) and hire tractor ploughings, because of his reduced ability to keep farm animals, having no longer any access to the fodder area of the landlord who now tends to use mechanized techniques.
  - (b) The second factor in the rise in money costs is the shift from share cropping to money rents which are rising sharply,
2. *Stagnant yields per acre.* While there has been an increase in cash rents payable by the poor peasant and thus in his real rental burden, his yield per acre has not increased significantly. This is because he does not have the financial and political power to: (a) acquire all the required inputs (seed, fertilizer, tube-well pesticides) and (b) he does not have control over the timing of their application.
3. *Selling grain cheap and buying dear.* The third pressure on the real income of the poor peasant is that in a situation of rising cash requirements and indebtedness he is forced to sell a part of his subsistence requirements of grain at harvest time. These harvest sales are at low prices since grain is cheap at this time. However, at the end of the year when his stores run out, he has to buy grain in the market at a time when prices are high.

My study shows that with the development of capitalist farming, the nature of the interaction between poor peasant farms and the growth of large mechanized farms has become such that while the real income of the large farmers has increased dramatically, that of the poor peasants has declined. The latter fact is reflected in the data on changes in the quantity and quality of diet of the poor peasants. This shows that for a substantial proportion of the poor peasants both the quality and quantity of diet has deteriorated. (See Table 6).

## **REGIONAL ECONOMIC DISPARITY**

In Pakistan, historically, regional economic disparity has been an important political issue. During the sixties the economic disparity between East and

West Pakistan fueled the movement for provincial autonomy in East Pakistan and subsequently the movement for national independence in what became Bangladesh in 1971. During the late seventies and eighties the issue of regional disparity between the provinces of what remains of Pakistan has acquired an explosive political character. However, this is an issue that has been charged more by emotion than serious analysis and policy formulation. In this section we will briefly summarize some of the available evidence and attempt to formulate a policy framework within which more regionally equitable economic growth can be achieved.

### **The Mechanism and Nature of Regional Economic Disparity in Pakistan**

The early studies on regional disparities focused on economic inequality between East and West Pakistan. The first major study on regional disparity within (West) Pakistan was conducted by Naved Hamid and Akmal Hussain. They estimated district—level value added in large—scale manufacturing and agriculture, and also District—level economic and social infrastructure, for the period 1959—60 to 1969—70. For example, see Tables 7 to 10. The study showed that not only interprovincial inequality increased over time, but also the degree of inequality within provinces. The regional disparity was correlated with the level of growth i.e., the rank ordering of intra—provincial inequality was congruent with the rank ordering of provincial growth rates. The study indicated that when growth occurs within the framework of the market mechanism there is a cumulative tendency for the relatively developed regions to grow faster than the relatively less developed regions. The developed regions enjoy internal and external economies, lowering costs of production relative to other regions which make the initiating region cumulatively more advantageous for further investment. The specific factors underlying cumulative divergence in the attractiveness of regions for further investment and hence increased disparity in regional growth rates are:

Concentration of communications, banking facilities, public utilities, technical know—how, trained manpower, and maintenance facilities. Conversely, as growth is concentrated in the developed region, it pulls capital and skilled labor from the backward region, thereby adversely affecting the age composition, skill and capital endowment of the backward areas.

### **Levels of Economic Development by Region**

Table 11 shows the comparative ranking of districts on the basis of four major studies on regional development in Pakistan. It is seen that all four studies report similar results with respect to infrastructure endowment of districts. Both the top—ranking and the bottom—ranking districts are consistent for all four studies, except for variations that are explicable on the basis

<sup>24</sup>Naveed Hamid and Akmal Hussain, 'Regional Inequalities and Capitalist Development, The case of Pakistan, *Pakistan Economic and Social Review, Special Issue, Winter 1976*.

of development diffusion. (For example, Sheikhpura has substantially improved its development ranking over time as the result of a substantial increase in infrastructure facilities.)

Ayub Qutub<sup>25</sup> in a pioneering study showed the relationship between production per capita and infrastructure intensity (See graph). A logistic curve relationship emerges between infrastructure (independent variable) and productivity per capita (development variable) According to Qutub, for very backward districts initially marginal improvements in infrastructure do not induce a significant increase in production per Capita, Once the basic infrastructure has been created (at a level of ha If the national average) a sharp increase in production per capita takes place. However, beyond a maximum limit (1 .7 times the national average), the kinds of infrastructure traditionally provided in Pakistan do not seem to substantially stimulate industrial or agricultural production.

### **Changes in Spatial Concentration of Industry**

Table 12 presents an interesting differentiation of economic regions on the basis of industrial growth over time. The table has been obtained from Qutub's seminal work on regional planning.

The evidence shows that in 1959 as much as 39 percent of the value added in industry was accounted for by Karachi. This was followed by Lahore and Faisalabad. These three districts together account for 60 percent of the value added in industry. The rest of the industry was fairly evenly distributed across the local cores and the inner periphery. Over time the local cores, inner periphery and outer periphery all gained at the expense of the national core, although at the end of the period. Karachi still accounted for 35 percent of value added in industry and the Central Punjab districts constituted 19 percent.

In Central Punjab the most rapidly industrializing district is Sheikhpura, in northern Punjab it is Jhelum, and in Sind the most dynamic district in terms of industrial growth is Dadu.

### **Towards an Alternative Planning Perspective for Regional Growth**

The achievement of regionally equitable growth means changing the whole conception of planning. At the moment economic planning essentially involves allocating Government resources amongst various 'sectors' of the economy such as agriculture, industry, energy, irrigation etc. the current planning exercise involves achieving consistency between sectoral growth targets and external and internal financial resources. Space is assumed out of the planning exercise except for SOPS like Special Development programs, which consider investment in backward areas as marginal to the

<sup>25</sup>*Ayub Qutub, Spatial Impact of Macro Economic and Sectoral Policies, NHS Policy Study, Government of Pakistan, Environment and Urban Affairs Division (n.d.)*

overall plan. Regionally equitable development requires placing the regional dimension into the heart of the planning exercise. Each investment package must be evaluated in terms of its impact on regional growth.

Pakistan's experience has shown that the development of backward regions cannot be stimulated simply by giving tax incentives to entrepreneurs for investment in backward areas. The attractiveness of infrastructure and markets in the developed regions far outweighs the attractiveness of tax incentives for the entrepreneur. In rare cases where the entrepreneur does invest in the area designated 'backward' (e.g., Hub Chowki), he indulges in 'border hopping' i.e., he locates the unit just across the border between the developed and backward region. The industrial unit draws its inputs from and sells its output in the developed region, and therefore generates secondary multiplier effects in the developed rather than the backward region. If investment is to go deep into the backward regions to generate self-sustained growth, the development of infrastructure in these regions is essential. The question then arises, where in the vast 'backward' region to set up the infrastructure and how much? A Regional Planning Exercise would involve mapping the economic and social infrastructure, geographic location of markets by size and source of raw materials. On the basis of such a 'map', potential growth nodes could be specified in the backward region. These would be locations which on the basis of some existing infrastructure, closeness to a local market, or raw material deposit, qualify for supplementary infrastructural investment by the Government. The first step towards specifying such growth nodes has already been taken with the EPRU study on the Industrialization Potential of Selected districts. This study has proposed growth nodes in the following districts: Khairpur, Nawabshah and Sanghar in Sind; D.G. Khan, Muzaffargarh and Bhakkar in the Punjab. A similar exercise could be conducted for all the backward regions of the country. The nodes could be specified in such a way that as growth begins to occur, they begin to interact in terms of factor markets, thereby generating self-sustained growth diffusion in the backward areas.

## **BALANCE OF PAYMENTS AND FOREIGN AID**

### **Balance of Payments**

#### ***Current Account***

Over the period 1979-80 to 1984-85 Pakistan's current account balance deteriorated. There was an improvement in the financial year 1983, but subsequently a sharp deterioration in the financial year 1984. The overall current account balance declined from US \$1 140 million in financial year 1980 to US \$1593 million in financial year 1985 (See Table 13).

<sup>26</sup> *A Qutub, I Hamid, A Hussain, Study on Industrialization Potential of Selected Districts. Report submitted to NDFC by EPRU.*

The growth of export earnings has been much slower than the growth import expenditures resulting in a marked deterioration in the trade balance from US \$2,513 million in financial year 1980 to US \$3,563 million in financial year 1985 (See Table 13). Over the decade 1975—76, while imports have grown at an annual compound rate of 6.6 percent at constant prices, exports have increased at 4.5 percent over the same period. The major factor in the slow growth of exports is the steady decline in the barter terms of trade from an index of 126.1 in 1977—78 to 88.9 in 1985—86 (See Table 18). Workers' remittances which had increased from US \$1,748 million in financial year 1980 to US \$2,886 million in financial year 1983 declined subsequently (Table 13).

### **Capital Account**

The decline in remittances along with a deterioration in the balance of trade resulted in a doubling of the current account deficit from US \$554 million in 1983 to US \$1,028 million in 1984. Net long-term capital inflows declined from US \$1,276 million in financial year 1983 to US \$882 million in financial year 1984 (a decline of 31 percent). Disbursements of project and non project aid declined by 4 percent and 15 percent respectively while amortization payments rose by 40 percent accounting for the lower net inflow. Furthermore, with the termination of the extended Fund Facility (EFF) net resources from the IMF recorded an outflow of US \$46 million in the financial year 1984 as compared to an inflow of US \$413 million in financial year 1983. Gross official foreign exchange and gold reserves decreased by US \$113 million over the financial year 1983—84 period, and at the end of financial year 1984 stood at US \$2.5 billion, the equivalent of 3.8 months of import of goods and services (See Table 17).

It may be pointed out that the foreign exchange reserves during the period 1978—1985 have been much higher than in the period 1973—1977 (See Table 17). However, the foreign exchange reserves have declined after 1983.

### **Foreign Aid and Debt**

Table 15 has been constructed to provide a profile of Pakistan's growing aid dependence and the acceleration in debt service requirements indicates the rising debt burden and the percentage of gross aid that is actually available after debt service requirements on past aid have been fulfilled.

As Table 15 shows, gross aid (i.e. grants plus loans) have increased rapidly from US \$215 million per year during the First Five Year plan period (1956—60) to US \$1,809 million per year during the Sixth Plan. Associated with growing gross aid inflows has been a changing composition of foreign aid, with a shift away from grants to loans. While during the period 1956-60, only 46.2 percent of total aid came in the form of loans,

During the Bhutto regime as much as 89 percent of total aid consisted of loans. The grant component, of total aid has increased somewhat during the Zia regime, but loans as a percentage of total aid during the eighties (being 73 percent) are still much higher than during the fifties and early sixties.

The consequence of rising gross aid inflows on the one hand and increasing weight of loans in total aid on the other, has been a rising debt servicing burden. This has increased from US\$ 6.4 million per year during the First Plan period to US \$586.3 million during the Sixth Plan period. Debt service payments as a percentage of export receipts from 4.9 percent in the First Plan period to 27.2 percent during the Sixth Plan period (Table 15).

In spite of rising debt service payments the total outstanding debt has been rising rapidly. This has been so even during the period 1978-86 when grants as a percentage of total aid increased substantially compared to the period 1971—77. As Table 16 shows, total debt outstanding increased from US \$7,189 million to US \$9,732 million.

While, total debt outstanding has increased, the percentage of foreign aid left over after debt service payments has declined. Net transfer as a percentage of gross disbursement declined from 56 percent in 1978 to 27 percent in 1986. The year 1986 however was a substantial improvement compared to the year 1984 and 1985, when the figure was as low as 13 percent (See Table 16).

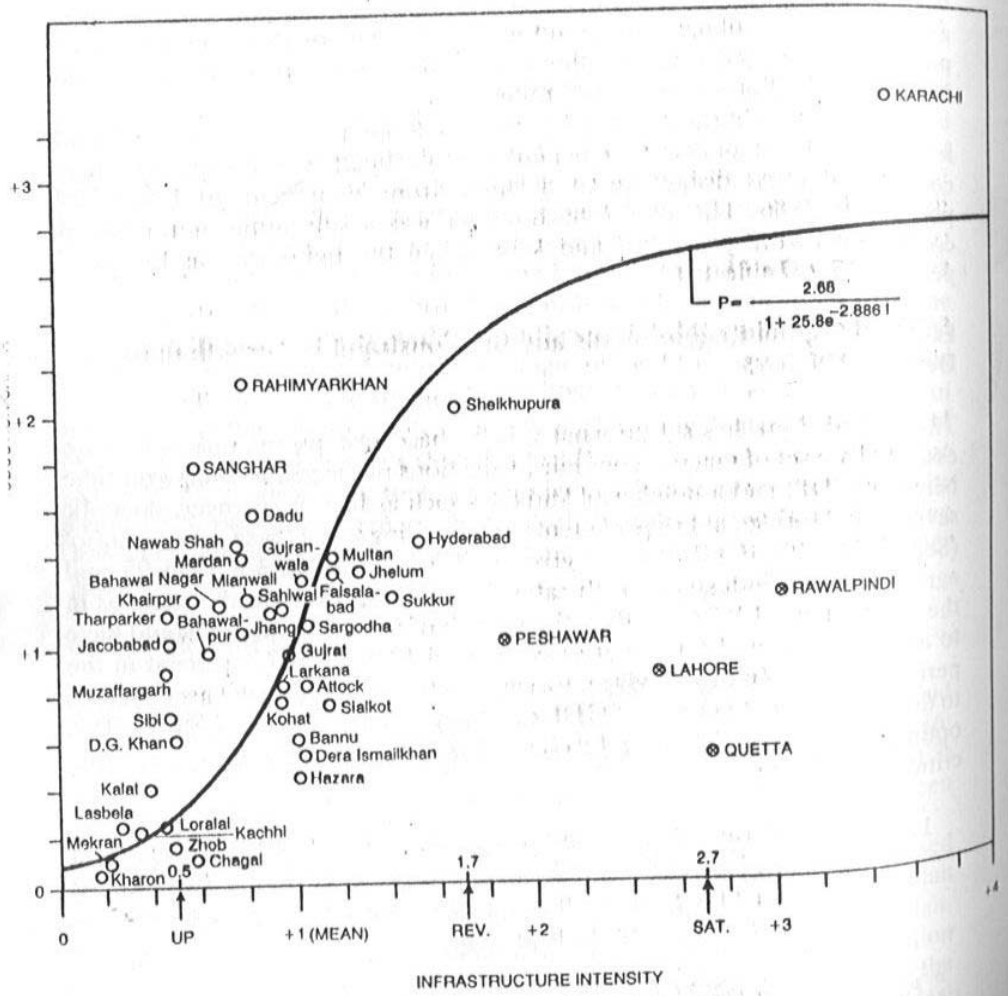
### **External Capital Requirements and the Constraint to Growth during the Decade 1985—95**

The World Bank has setup what it calls ‘base case projections’ which are essentially a set of macro—economic projections of the relationship over time between GDP, and a number of variables such as fixed investment, domestic savings and foreign aid requirements.” According to the ‘base case scenario’ (See Table 19) if GDP is to grow at 6.1 percent during 1986—95 and agriculture and industry growth rates during the period are the same as in the earlier period 1978—85, then the growth of fixed investment would have to accelerate from 4.6 percent in the period 1978—85 to 7.8 percent in the period 1986—95. In this scenario, foreign aid (loans plus grants) are expected to decline from 8.3 percent of GDP currently to 3.5 percent in 1994—95. This Optimistic scenario regarding foreign aid requirements is sensitive to three critical assumptions:

1. The growth rate of merchandise imports will decline from 7.3 percent in the period 1978—84 to 4.4 percent in the next period 1986-95. At the same time the projection scenario assumes that export growth will remain above 8 percent as at present.

<sup>27</sup>*Pakistan: Recent Economic Developments and Structural Adjustment, World Bank, Report No. 5347 Pak, , South Asia Region March 20, 1985.*

Figure 3.1  
 Relationship Between Infrastructure  
 Intensity and Productivity



2. Gross domestic savings as a percentage of GDP will increase dramatically from 6 percent in the current period to 13.8 percent in 1986
3. Gross domestic investment will increase substantially from 14.3 per cent of GNP currently to 17.3 percent of GNP in 1994—95.

Considering the observable trends since the mid-seventies, each of these assumptions appears unrealistic:

1. The growth of merchandise imports, which the World Bank assumes will decline drastically over the next period 1986-95, has in fact been increasing since 1973. At the same time the growth of merchandise exports is expected by the Bank to remain stable during the next decade, at the present 8 percent. This again appears unlikely, given the sharp fluctuations in the past decade. Such fluctuations are of course to be expected in an export sector where almost half the exports are agriculture or agriculture related. For example, the growth rate of rice and cotton exports has fluctuated from + 40 percent in 1979—80 to 1980—81, to —40 percent in 1980—81 to 1981—82, and again —6.2 percent in 1982-83 to 1983-84 and then + 4.7 percent in 1981-84 to 1984-85.
2. The Bank 'base case Projection' assumes that the domestic savings rate would increase from 6 percent of GDP as at present to 13.8 percent in 1994—95. This appears to be a heroic assumption in view of past performance. (In fact the domestic savings rate has declined from 7.2 percent of GDI during 1973—78, to 6 percent during 1978—85.) In any case such a dramatic increase in the domestic savings rate would require drastic changes in taxation, income distribution, patterns of consumption, social attitudes, and in the underlying institutional framework of Pakistani society.
3. The third critical assumption that fixed investment as a percentage of GNP will increase substantially from 14.3 percent at present to 17.3 percent in 1994—95 appears unlikely, in view of the fact that the figure has declined steadily since 1977. The major factor in the decline in fixed investment has been the uncertainty and fragility of Pakistan's political structure. This has induced many entrepreneurs to prefer quick return investments in trade, to the long gestation investments in manufacturing. This tendency is manifested in the declining weight of the commodity-producing sector in GDP, and the rising weight of the trade and services sector as discussed in Section 1. Given the present internal and external political forces at play, the next decade is expected to be characterized by acute political turmoil. Under these conditions entrepreneurs should be expected to be even more shy of fixed investment than before. For the World Bank to expect that past trends will be reversed and the growth rate of fixed investment will accelerate dramatically (from 4.6 percent to 7.8 percent) in the future is perhaps overly optimistic for a base case scenario.



If, as seems more probable, the export growth is lower than that projected in the base case, sustaining a growth rate of GDP of 6.1 percent per annum would require a much higher level of foreign borrowings than that implied in the base case. Debt service payments as a percentage of total foreign exchange earnings would rise to about 27 percent by 1994-95, and as a percentage of commodity export earnings, over 62 percent. The alternative to this intolerably high debt servicing burden would be a much slower growth of GDP over the next decade. If current levels of debt servicing are to be maintained during the next decade, lower imports (about 3.3 percent) lower investment growth (about 5.3 percent) and hence a growth of GDP only about 3.6 percent could be sustained with a population growth rate of about 3.3 percent per annum, this means that the per capita income over the next decade may remain virtually unchanged. Thus realistically, the options for Pakistan's economy over the next decade on the basis of its present structure, appear to be either an intolerably high debt servicing burden or alternatively slow growth of GDP.

#### **External Capital Requirements over the Short-term 1986—88**

The World Bank base case scenario, which, as we have suggested, is based on optimistic assumptions, projected external capital requirements of US\$7.9 billion over the period 1986—88. Of this amount US \$1 .4 billion would be available from previously contracted debt and the remaining US \$6.5 billion would need to be met from new commitments. To generate this level of disbursements Pakistan would need total new commitments of US\$9.3 billion for this period, i.e. US \$3.1 billion per year. Given the composition of external capital commitments in the past two years, this means that commitments of official assistance would need to average US \$2.4 billion per year during the period 1986-88. The disbursements/commitment ratio in the past two years has been about 70 percent. This low rate of disbursements reflects not only a low percentage of quick disbursing non-project assistance, but also delays in project preparation and execution.

#### **CONCLUSION**

We have examined briefly some of the major trends and structure of the economy. The evidence suggests that with a low domestic savings rate and rapidly increasing reliance on foreign loans, Pakistan may be entering a period over the next decade when it may be faced with the grim choice of stagnation in per capita incomes or a very high debt servicing burden. The composition of exports is still heavily weighted in favor of agriculture or agriculture related goods, thereby making export growth subject to sharp fluctuations, as well as declining terms of trade. The economic structure is

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

both fragile and unable to significantly improve the economic conditions of the poorer sections of society and backward regions of the country. Finally, the process of growth seems to be characterized by rising capital / labor ratios, thereby reducing the employment generating capability of the economy.

**Table**  
**Performance of Strategic Variables**  
**Investment / GNP Ratio, Savings / GDP Ratio (Percent), Growth Rate of Exports (Average Annual)**  
**(Percentage)**

	1976-77	1979-80	1980-81	1981-82	1982-83	1983-84	1985-86
Gross Fixed							
Investment	17.6	15.6	13.5	13.8	13.6	13.9	16.5
Private	5.0	5.1	4.9	4.7	4.9	5.2	6.0
Public	12.0	10.4	8.6	9.1	8.7	8.6	8.8
Gross Domestic							
Savings Ratio	8.5	6.0	5.6	5.0	6.7	5.2	6.2
		1970-71 to 1976-77 (Av. Annual)				1970-71 to 1976-77 (Av. Annual)	
Exports Growth							
Rate		24				11	

- Notes: 1. Investment ratio is investment as a percentage of GNP at market prices.  
2. Savings ratio is the gross domestic savings as a percentage of GDP at market prices.  
3. Exports are valued at current prices.
- Sources: 1. Pakistan Economic Survey 1985-86.  
2. World Bank, Pakistan: Recent Economic Developments and Structural Adjustment, March 20, 1985, p. 8.

**Table 2**  
**Changes in the Structure of GDP**  
**(Percentage)**

	1977-78	1980-81	1983-84	1985-86
Commodity Producing Sector <sup>1</sup>	50.7	50.6	48.5	49.6
Trade and Services Sector <sup>2</sup>	40.9	40.8	42.5	42.4

- Notes: 1. Commodity producing sector includes agriculture, manufacturing (both large and small scale), and electricity and gas.  
2. Services sector includes transport, storage and communication, wholesale and retail trade, banking and insurance, public administration and defense and other services.
- Source: Pakistan Economic Survey 1985-86 (Calculations mine).

**Table 3**  
**Budget Profile**  
**(Rupees Bullion)**

	1977-78	1980-81	1983-84	1985-86
Total Government Expenditure	40.90	63.64	100.00	134.00
Development expenditure	15.35	23.32	28.05	39.40
Admission & Defense	12.03	18.20	32.76	41.33
Debt Servicing	6.34	9.26	22.21	30.99
Total Government Revenue	26348	47.00	77.29	92.54
Total Budgetary Deficit	14.42	16.64	22.71	41.46
Development expenditure as a Percentage of Total Expenditure	37.5	36.6	28.1	29.4
Administration and Defense as A Percentage of Total Expenditure	29.4	28.6	32.8	30.8
Debt Servicing as a Percentage of Total Expenditure	13.0	14.6	22.2	23.1
Administration, Defense and Debt Servicing as a Percentage Of Total revenue	69.4	58.4	71.1	78.1

- Notes: 1. The figures refer to consolidated Federal and Provincial Government revenues and expenditures, and exclude the revenues of autonomous bodies.
2. Debt Servicing Includes interest payments on domestic and foreign debt, plus repayments / amortization of domestic and foreign debt.

Source: Pakistan Economic Survey 1985-86 (Calculations mine).

**Table 4**  
**Incidence of Calorie and Protein Deficiency**  
**(Percent of Population)**  
**Year 1975-76**

	Rural			Urban		
	Calorie Deficient	Calorie Adequate	Total	Calorie Deficient	Calorie Adequate	Total
Protein Deficient	9	2	11	15	2	17
Protein Adequate	24	65	89	31	52	83
Total	33	67	100	46	54	100

Source: Government of Pakistan, Planning Commission Annual Plan 1975-76

**Table 5**  
**Poverty Profile 1970-79**  
**(Percentages)**

	Pakistan		Rural		Urban	
	1979	1970-71	1979	1970-71	1979	1970-71
Population below						
Average Income						
In current prices	67.8	61.5	64.3	59.9	71.9	65.7
In constant prices						
Of 1970-71	37.7	61.5	35.6	59.9	42.6	65.7
Population below						
Average Consumption						
In current prices	62.9	61.0	60.4	53.2	69.6	63.8
In constant prices						
Of 1970-71	36.0	61.0	33.3	53.2	41.7	63.8
Households below						
Average Income						
In current prices	75.8	71.3	73.1	70.1	78.6	74.3
In constant prices						
Of 1970-71	48.0	71.3	45.8	70.1	52.8	74.3
Households below						
Average Consumption						
In current prices	72.2	70.9	70.5	64.1	76.7	72.6
In constant prices						
Of 1970-71	46.1	70.9	43.7	64.1	51.7	72.6
Population below						
Poverty Line						
Households below	45.3	49.4	43.8	49.5	47.9	44.0
Poverty Line						

Source: Government of Pakistan, Ministry of Planning and Development.

**Table 6**  
**Change in the Quantity and Quality of the Diet of Farmers Between 1965 to 1978 by Size Class of Farm**

Size of Farm (Acres)	Quantity of Diet				Quality of Diet			
	Farmers Whose Diet has improved	Farmers Whose Diet has Deteriorated	Farmers Whose Diet has Remained unchanged	Total	Farmers Whose Diet has improved	Farmers Whose Diet has Deteriorated	Farmers Whose Diet has Remained unchanged	Total
Less than 8	11	33	56	100	0	67	33	100
8 to 25	0	25	75	100	0	69	31	100
25 to 50	0	0	100	100	0	25	75	100
50 to 150	0	0	100	100	0	0	100	100
150 and above	0	0	100	100	0	0	100	100

Note: A reduction in the quantity of diet refers to a reduction in the quantity of one or more of the following items, without an increase in any: (a) Number of Chapatis consumed during the day, (b) quantity of milk consumed during the day, (c) quantity of lassi consumed during the day, (d) number of times during the day lentils or vegetables are eaten along with chapattis. Similarly, an improvement in the quantity of diet refers to an increase in the quantity of one or more of the above items, without a reduction in any.

A reduction in the quality of diet refers to a change of one or more of the following: (a) A reduction in the quantity of milk with an increase in the quantity of lassi, (b) a reduction in the frequency of meat consumption per month by the peasant household, (c) a replacement of homemade butter and ghee with canned vegetable cooking oil purchased in the market. The latter has a much lower fat content than homemade ghee and is also often adulterated according to the respondents.

Source: Field Survey 1978. Akmal Hussain. D.Phil, Thesis, Sussex 1980.

**Table 7**  
**Per Capita Income by Provinces at Constant 1959-60 Factor Cost**

	1959-60		1964-65		1969-70	
	Rupees	Index	Rupees	Index	Rupees	Index
West Pakistan	358.69	100	436.47	100	513.63	100
NWFP	186.57	52	222.83	51	254.20	49
Sind	506.23	141	641.66	147	758.40	148
Baluchistan	293.29	82	330.65	76	354.48	69
Punjab	365.25	102	434.51	100	509.08	99

Sources Naved Hamid and Akmal Hussain, 'Regional Inequalities and Capitalist Development,' Pakistan Economic and Social Review, Special Issue, 1976.

**Table 8**  
**Provincial Contribution to Value Added in Large Scale Manufacturing Industry**  
**(At Constant 1959-60 Factor Cost)**

	1959-60		1964-65		1969-70	
	Rupees (million)	(%)	Rupees (million)	(%)	Rupees (million)	(%)
NWFP	64.9	5.6	148.9	5.9	278.9	6.9
Punjab	532.0	45.9	1082.4	42.9	1730.0	42.8
Sind	556.3	48.0	1286.7	51.0	2021.0	50.0
Baluchistan	5.9	0.5	5.0	0.2	16.2	0.4
West Pakistan	1159.0	100.0	2523.0	100.0	4042.0	100.0

Source: Naved Hamid and Akmal Hussain, 'Regional Inequalities and Capitalist Development,' op. cit.

**Table 9**  
**Industrial Concentration – Karachi Gross Value Added in large Scale**  
**Manufacturing**  
**Rupees in Million**  
**(At Current Prices)**

	1954	1959-60	1964-65	1969-70
Karachi	211	448	1133	1820
West Pakistan	548	1159	2581	4811
Karachi as Percentage of West Pakistan	28.5	38.7	43.9	37.9

Source: Naved Hamid and Akmal Hussain, 'Regional Inequalities and Capitalist Development,' op. cit.

**Table 10**  
**Percentage Share of Large Scale Manufacturing**

	1959-60	1969-70
Karachi	38.7	37.9
First Five Districts (Excluding Karachi)	34.7	29.7
Second Five Districts	10.5	15.1
Third Five Districts	6.0	6.9
Remaining Thirty Districts	10.1	10.4
West Pakistan	100.0	100.0

Source: Naveed Hamid and Akmal Hussain, 'Regional Inequalities and Capitalist Development,' op.cit.

**Table 11**  
**Comparative Ranking of Districts**

Districts	Helbock and Naqvi Infrastructure of Social Development 1960	Hamid and Hussain and Atta Infrastructure and Production Indices Late 1960	Pasha and Hussain Infrastructure and Social Development 1970s	Qutub	
				Production Per Capita	Infrastructure
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Karachi	1	1	1	1	1
Lahore	2	2	2	28	4
Peshawar	3	13	5	28	5
Pindi/Islamabad	4	3	3	14	2
Quetta	5	30	4	36	3
Hyderabad	6	15	6	6	7
Faisalabad	7	4	7	11	10
Multan	8	5	9	9	11
Jhelum	9	7	16	10	9
Sanghar	10	15	18	4	32
Bannu	11	36	29	35	18
Rahim Yar Khan	12	10	15	2	27
Gujrat	13	8	23	26	19
Gujrat	14	9	8	12	15
Gujranwala	15	14	13	8	26
Mardan	16	16	20	21	14
Sargodha	17	6	14	18	21
Sahiwal	18	17	28	17	30
Bahawalnagar	19	18	21	16	8
Sukkar	20	19	17	22	28
Bahawalpur	21	12	12	3	6
Sheikhupura	22	24	22	7	29
Nawabshah					

**Table 11 (Contd.)**

Districts	Helbock and Naqvi Infrastructure of Social Development 1960	Hamid and Hussain and Atta Infrastructure and Production Indices Late 1960	Pasha and Hussain Infrastructure and Social Development 1970s	Qutub	
				Production Per Capita	Infrastructure
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Mianwali	23	20	34	15	25
Jacobabad	24	37	37	25	38
Dera Ghazi Khan	25	21	35	34	35
Sialkot	26	11	10	32	12
Compbellpur/Attock	27	22	33	30	13
Khair pur	28	23	26	13	33
Kohat	29	35	32	31	22
Dadu	30	31	25	5	24
Muzaffargarh	31	25	31	25	31
Larkana	32	27	27	29	20
Jhang	33	26	24	19	23
Tharparkar	34	37	19	20	40
Dera Ismail Khan	35	33	11	37	16
Hazara	36	34	36	38	17
Thatta	37	325	30	27	39
Chagai	38	38	40	44	34
Kharan	39	46	44	46	45
Sibi	40	42	41	33	37
Zhob	41	41	38	43	36
Kalat	42	44	43	39	42
Loralai	43	43	39	40	41
Mekran	44	45	42	45	44
Kachi	45	39	46	42	43
Lasbela	46	40	45	41	46

Source: EPRU: Study on Industrialization Potential of Selected Backward Districts.

**Table 12**  
**Value Added in Large Scale Manufacturing by Economic Regions**  
*(% Share of All Pakistan)*

	1. National Cores		
	1959-60	1969-70	1976-77
<b>A. Karachi</b>			
1. Karachi	38.7	37.9	35.03
	<b>38.7</b>	<b>37.9</b>	<b>35.03</b>



**Table 12 (Contd.)**

	1959-60	1969-70	1976-77
<b>B. Central Punjab</b>			
1. Faisalabad	11.0	7.2	6.32
2. Gujranwala	2.5	1.1	1.09
3. Sheikhpura	0.7	3.8	5.61
4. Lahore + Kasur	11.9	6.4	5.47
5. Sahiwal	1.9	1.5	0.87
	<b>28.0</b>	<b>20.0</b>	<b>19.36</b>
<b>Total National Cores</b>	<b>66.7</b>	<b>57.9</b>	<b>54.4</b>
<b>II. LOCAL CORES</b>			
<b>A. Greater Federal Capital Area</b>			
1. Rawalpindi	4.0	5.6	8.39
2. Islamabad	--	--	--
	<b>4.0</b>	<b>5.6</b>	<b>8.39</b>
<b>B. Peshawar Vale</b>			
1. Peshawar	3.6	3.4	2.98
2. Mardan	1.3	1.3	2.60
	<b>4.9</b>	<b>4.7</b>	<b>5.58</b>
<b>C. Multan</b>			
1. Multan + Vehari	2.5	4.7	3.2
	<b>2.5</b>	<b>4.7</b>	<b>3.2</b>
<b>Total Local Cores</b>	<b>11.4</b>	<b>15.0</b>	<b>17.2</b>
<b>III. Inner Periphery</b>			
<b>A. Punjab</b>			
1. Gujrat	0.6	1.0	0.97
2. Sargodha	0.7	1.3	1.68
3. Jhang	0.1	--	0.75
4. Sialkot	0.8	0.6	0.56
5. Muzaffargarh	0.5	0.6	1.11

**Table 12 (Contd.)**

	<b>1959-60</b>	<b>1969-70</b>	<b>1976-77</b>
6. Rahim Yar Khan	2.9	2.2	2.57
7. Attock	0.4	0.7	0.90
8. Jhelum	2.6	3.7	3.29
	<b>8.6</b>	<b>10.1</b>	<b>11.83</b>
<b>B. Sind</b>			
1. Dadu	0.1	0.6	3.04
2. Hyderabad + Badin	5.3	5.8	3.07
	<b>5.4</b>	<b>6.4</b>	<b>6.11</b>
<b>C. NWFP</b>			
NIL			
<b>D. Baluchistan</b>			
NIL			
<b>Total Inner Periphery</b>	<b>14.0</b>	<b>16.5</b>	<b>17.9</b>
<b>IV. Outer Periphery I</b>			
<b>A. Punjab</b>			
1. D.G. Khan	--	--	0.09
2. Bahawalpur	0.1	0.9	0.24
3. Bahawalnagar	0.1	0.5	--
4. Mianwali	2.0	1.8	1.35
	<b>2.2</b>	<b>3.2</b>	<b>1.68</b>
<b>B. Sind</b>			
1. Khairpur	1.4	1.3	0.04
2. Jacobabad	--	0.1	--
3. Sukkar _ Shikarpur	0.7	2.0	1.91
4. Nawabshah	0.5	0.6	1.00
5. Larkana	0.1	0.1	2.47
6. Sanghar	0.5	0.3	--
7. Tharparkar	0.8	0.8	0.50
8. Thatta	0.6	0.4	0.28
	<b>4.6</b>	<b>5.6</b>	<b>6.20</b>
<b>C. Baluchistan</b>			
1. Quetta	0.4	0.3	N.A.

**Table 12 (Contd.)**

	<b>1959-60</b>	<b>1969-70</b>	<b>1976-77</b>
2. Lasbela	0.5	0.4	N.A.
	<b>0.9</b>	<b>0.7</b>	<b>0.35</b>
<b>D. NWFP</b>			
1. D I Khan	--	0.1	--
2. Hazara	0.6	1.2	0.90
3. Kohat	--	0.5	0.70
4. Bannu	0.1	0.5	0.63
	<b>0.7</b>	<b>2.3</b>	<b>2.23</b>
<b>Total Outer Periphery I</b>	<b>8.4</b>	<b>11.8</b>	<b>10.5</b>
<b>V. Outer Periphery II</b>			
<b>A. Punjab</b>			
Nil			
<b>B. Sind</b>			
Nil			
<b>C. Baluchistan</b>			
1. Zhob	--	--	--
2. Sibi + Nasirabad + Kohlu	0.1	0.1	--
3. Chagia	--	--	--
4. Loralai	--	--	--
5. Kalat + Khuzdar	--	--	--
6. Kharan	--	--	--
7. Mekran	--	--	--
	<b>0.1</b>	<b>0.1</b>	<b>0</b>
<b>D. NWFP</b>			
1. Swat	--	--	--
2. DIR + Chitral	--	--	--
	<b>0</b>	<b>0</b>	<b>0</b>
<b>E. Azad Kashmir and Northern Areas</b>			
Nil			
<b>Total Outer Periphery II</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

Source: Ayub Qutub, Spatial Impact of Macro Economic and Sectoral Policies, National Human Settlements Policy Study, Government of Pakistan, Environment and Urban Affairs Division, PEPAC REPORT.

**Table 13**  
**Current Account Balance, 1979-80 – 1984-85**  
**(Million US Dollars)**

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Exports (fob)	2341	2798	2318	2627	2668	2700
Imports (fob)	4854	5563	5691	5616	6002	6263
Trade balance	-2513	-2765	-3373	-2989	-3334	-3563
Workers remittances	1748	2097	2225	2886	2737	2450
Other invisibles (net)	-375	-323	-382	-451	-431	-480
Current account balance	-1140	-991	-1530	-554	-1028	-1593
<i>As percentage of GNP</i>						
Trade balance	-9.9	-9.0	-10.3	-9.5	-10.0	-10.6
Current account balance	-4.5	-3.2	-4.7	-1.8	-3.1	-3.5

- a. Provisional Actual.  
b. Government estimates.

Sources: World Bank, *Pakistan: Recent Economic Development and Structural Adjustment, op. cit., p. 24.*

**Table 14**  
*Foreign Exchange Receipts, Expenditures and Financing*  
*(US Dollars Million)*

<b>Particulars</b>	<b>1983-84</b>	<b>1984-85</b>	<b>1985-86</b>
Expenditure	85292	8397	8592
Imports (cif)	6518	6531	6500
Debt Service	991	999	1122
Interest	471	462	473
Principal	520	537	649
Others	783	567	970
Receipts	6741	6175	6806
Exports (fob)	2669	2457	2920
Workers Remittances	2737	2446	2570
Others	1335	1272	1316
Capital	1551	2222	1786
Borrowing			
Long Term	1343	1254	1827
Short Term	89	48	29
Others (Net)	46	132	235
Change in Reserves (- = increase)	132	1099	-305
Errors and Omission	--	33	-47

Source: Pakistan Economic Survey

**Table 15**  
*Foreign Aid Profile*

<b>Period</b>	<b>Gross Aid (Av. Annual) (US\$ Million)</b>	<b>Loans as Percent of Gross Aid (%)</b>	<b>Debt Service (Av. Annual) (US \$ Million)</b>	<b>Debt Service as Percent of Export Receipts (%)</b>
1956-1960	215	46.2	6.4	4.9
1961-1965	582.2	62.0	43.8	24.3
1966-1970	587.4	76.0	122.4	39.1
1971-1977	859.3	89.0	214.9	24.4
1978-1982	1353.2	74.1	551.6	22.6
1983-1986	1809.5	72.7	586.3	27.2

- Notes: a. Aid refers to commitments of grant plus loans.  
b. Debt service includes payments of principal and interest on medium and long term loans. It does not include charges on IMF facilities and short term borrowing.  
c. Export receipts refers to receipts from commodity exports and does not include services, invisibles, etc.

Source: Pakistan Economic Survey, various years (Calculations mine).

**Table 16**  
*Net Transfer of resources and External Debt Outstanding (Outstanding)*

<b>Year</b>	<b>Gross Disbursement</b>	<b>Net Transfer</b>	<b>Net Transfer as percent of Gross Disbursement (%)</b>	<b>External Debt Outstanding (Disbursed)</b>
1978	856	482	56	7189
1981	861	186	22	8765
1982	809	177	22	8799
1983	1122	322	29	9312
1984	1021	129	13	9469
1985	1107	148	13	9732
1986	1357	367	27	n.a.

Source: Pakistan Economic Survey 1985-86.

**Table 17**  
*Gold and Gross Foreign Exchange Reserves held and controlled by State Bank of Pakistan*

<b>Year</b>	<b>Total Reserves (Cash + Gold) in June (US\$ Million)</b>
1973	463
1974	403
1975	486
1976	641
1977	431
1978	1010
1979	904
1980	2019
1981	1866
1982	1460
1983	2758
1984	2489
1985	1190

Source: State Bank of Pakistan.

**Table 18**  
*Pakistan's Terms of Trade*

**Price Index of Exports**

1975-76	100
1976-77	108.4
1977-78	105.3
1978-79	126.1
1979-80	111.1
1980-81	97.0
1981-82	89.2
1982-83	93.1
1983-84	92.0
1984-85	92.9
1985-86	88.9

Source: Federal Bureau of Statistics and Pakistan economic Survey 1985-86.

**Table 19**  
*Historical and Projected Growth Rates*  
*(World Bank Projections*  
**1972-73 – 1994-95**  
**(Percentage)**

	1972-73 – 1977-78	1977-78 – 1984-85	1985-86 – 1994-95
<b>Real Growth Rates</b>			
GNP	5.2	6.6	5.6
GDP (Factor cost)	5.0	6.5	6.1
Agriculture	2.3	3.8	4.0
Industry	3.8	10.3	10.0
Consumption	5.7	6.4	5.0
Fixed Investment	5.1	4.6	7.8
Merchandise Exports	-4.0	8.7	8.3
Merchandise Imports	7.0	7.3	4.4
Shares of GNP	1977-78	1984-85	1994-95
Fixed Investment	15.4	14.3	17.3
Financed by			
Gross Domestic			
Savings	7.2	6.0	13.8
Foreign Savings	8.2	8.3	3.5

Source: World Bank, Pakistan: Recent Economic Developments and Structural Adjustments, op. cit.,