CHAPTER VII

PRIVATE INVESTMENT

The private sector plays a vital role in the economic development of Pakistan. The importance of the private sector is not adequately measured by its share in total investment—private and public together—as the public sector is primarily concerned with the creation of infra-structure and the provision of such services as tend to increase the general productivity of the economy. Directly productive investment, building upon the infrastructural and social services provided by the public sector, is left as the primary responsibility of the private sector.

2. Rapid progress in creating the economic infra-structure and other basic pre-requisites for economic development made it increasingly attractive to the private sector to exploit the productive possibilities of the economy and to increase the country's national income. The growth of the gross national product by industrial origin indicates clearly that the greater part was generated through the efforts of private entrepreneurs in agriculture, industry, trade, construction, transportation and other sectors.

Past Performance of the Private Sector

3. In the past, investment in the private sector, relative to the investment in the public sector, followed an uneven course. In the early years, before comprehensive development started, the private sector naturally assumed a greater proportion of the total investment in the country. About 60 per cent of fixed monetized investment in 1949-50 was in the private sector; this proportion increased to 67 per cent in 1954-55, just before the First Plan was launched. However, the private sector's performance was limited by the absence of infra-structure and the basic services which only the state could provide. The First Plan, therefore, was marked by a great emphasis on public sector investment; and by 1959-60 the share of the private sector in the total fixed monetized investment had come down to 34 per cent. This decrease of the private sector's share in total investment did not result in any absolute decline of private investment; in fact private investment by the end of the First Plan was about 30 per cent over the level in 1954-55, but public investment increased very much faster. During the Second Plan period the share of the private sector increased again, and it is estimated that in 1964-65 it will be around 46 per cent of total monetized fixed investment. If non-monetized investment and changes in stocks are also included, the share of the private sector to the total investment will be considerably higher than indicated above.

Private Sector in the Third Plan

4. The Third Plan has special significance for the development in the private sector. The Plan must make adequate provisions so that the private sector can achieve what is expected of it. It should be recognized, however, that there can be no direct planning for the private sector in the same sense as planning in the public sector. Planning for the private sector can only be indirect, through the adoption of policies which can stimulate and guide both the magnitude and direction of private investment.

5. The magnitude of total investment in the private sector during the Plan period will depend on the savings efforts of the country, the extent of external aid and the magnitude of investment in the public sector. The size of the public sector programme obviously draws resources from the private sector, but the level of private savings after tax depends at least as much on the investment climate which the public sector creates through its programme and its policies. There is no guarantee that the private sector will implement a programme of a proposed size unless adequate policy measures are taken to ensure it. A private investor is largely guided by the profit motive and his decisions are governed by the opportunities of earning profits from ventures in alternative directions. Government policies related to taxation, tariffs, credit, imports, the regulation of the consumer market, and controls of physical and other nature, provide incentives or disincentives to private investors and producers.

6. The relative shares of public and private sector investment under the Third Plan is based on an assessment of past achievements and of the requirements for the future. The growth of private sector investment during the Second Plan period has been more than expected. The investment targets in the public and private sectors and the expected achievements are as follows:

Rs. Million

	Target	*Achievement*
Public Sector (including rural works programme)	16,220	14,830
Private Sector	8,380	11,500
Total:	24,600	26,330
Private Sector as percentage of total	34.1	43.7

7. It is apparent from the above figures that while the private sector was expected to make investment up to Rs. 8,380 million, which was only 34 per cent of the total Second Plan investment target; the realisation has been about Rs. 11,500 million, making a proportion of a little less than 44 per cent of the total actual investment. The rate of increase in private investment over the Second Plan

period has also been impressive. From an estimated figure of Rs. 1,457 million in 1960-61, private investment in 1964-65 is expected to rise to Rs. 3,181 million, showing an increase of 118 per cent. Liberalisation of import and investment controls, development of credit agencies, liberal supplies of basic development inputs, creation of an institutional framework, etc., have helped the private sector to make such investments. The difference in the target and the realised share of the private sector is due not only to over-fulfillment of financial targets in the private sector, but also to the short-fall in the public sector.

8. This lesson of the Second Plan has dominated the allocation of investment to the public and private sectors under the Third Plan. The share of the private sector in the total investment target of Rs. 52,000 million has been fixed at Rs. 22,000 million, which is over 42 per cent. Thus the share of the private sector as a proportion of the total has remained nearly the same. It is expected that private investment will maintain a steady growth during the Third Plan period. The projections indicate that it will increase from Rs. 3,181 million in 1964-65 to Rs. 5,200 million in 1969-70, showing a growth of 63 per cent.

Difference in Emphasis on the Private Sector in East and West Pakistan

9. There will, however, be a difference in the rôle of the private sector under the Third Plan in East and West Pakistan. The experience of the Second Plan shows that the private sector is relatively less active in East Pakistan. There is no firm estimate of private investment for East and West Pakistan separately, but available information indicates that only about one-third of the total private investment during the Second Plan period will have been made in East Pakistan. This forms only 35 per cent of total investment in that wing. The remaining two-thirds of the total private investment will have been made in West Pakistan, which forms 48.5 per cent of the total investment in that province. Thus, it is obvious that while in West Pakistan the private sector dominated the growth of the economy, in East Pakistan the level of performance has been lagging.

10. It is planned, therefore, to foster a rapid growth of the private sector in East Pakistan. The Third Plan envisages a target of Rs. 11,000 million investment in the private sector in that wing. This forms 50 per cent of total private sector investment in the country, as compared to about one third realised during the Second Plan. This is definitely a high target, and calls for determined efforts on the part of the Government and the people to achieve this. It involves a sizeable transfer of private investment funds from West to East Pakistan, and calls for a set of policy measures specially designed to foster this regional reorientation of the private sector.

11. One of the causes for the relatively unfavourable record of the private sector in East Pakistan is the absence of infra-structure and of social overheads

required to promote and support private enterprise. Although considerable progress has been made in this respect during the Second Plan and conditions for profitable private investment are much more favourable now than at the end of the First Plan, there is still considerable leeway to be made up during the Third Plan.

12. This calls for a substantial investment for the creation of infra-structure and institutional framework in East Pakistan in the absence of which private enterprise cannot play its role. The implication is that there must be sufficient investment in the public sector to provide this need. This complimentarity between public and private investments must be realized. Public investment is a pre-requisite to private investment, at least in the early phase of development. Until enough has been done to train the rivers and to regulate and distribute water for irrigation, the private farmers are severely hampered. The subsidy on fertilizer is a necessary aid to the farmer to make investment. Investment in land are urgently necessary in order to provide the basis on which to build industrial centres and to create housing facilities for the workers. Construction and improvement of roads, railways, waterways, ports, etc., are indispensable for private enterprise to transport and market their output. Public investments on education and health are required for improving the quality and quantity of manpower needed in the private sector.

13. Recognition of the need for the creation of infra-structure and basic developments has led to the emphasis on the public sector in East Pakistan, but not at the expense of the private sector. Instead, it is intended for the promotion of it. The allocation of Rs. 11,000 million in the private sector may not be fully used in a productive manner unless the Government ensures it through definite policy measures.

14. In West Pakistan, the allocation for the private sector is Rs. 11,000 million, out of the total of Rs. 25,000 million. In terms of the proportion of the total it is 44 per cent, as compared to 48.5 per cent realised in the Second Plan. The increased domination of the public sector is due to the need for completing a large number of on-going projects, the high requirements of the water-logging and salinity programme, and the emphasis on heavy industries. The dynamic private sector in West Pakistan can easily meet the investment targets for this wing, and should nevertheless be able to transfer sizeable investment resources to East Pakistan to foster economic growth in that wing, which is essential for the balanced growth of the national economy.

Allocation in the Private Sector

15. Investment allocations in the private sector to the various fields have to be based on an assessment of demand, the supply of inputs, the presence or absence of complementary factors, the psychology of the private investors, and above all, the government policies aimed at directing private investments. The Third Plan envisages the following distribution of private investment:

(Rs. million)

	East Pakistan	*West Pakistan*	*Pakistan*
Agriculture	2,100	1,900	4,000
Water	70	300	370
Power	30	250	280
Industry	3,800	4,500	8,300
Fuel and Minerals	300	450	750
Transport & Communication	2,100	1,800	3,900
Housing	2,350	1,650	4,000
Education	200	100	300
Health	20	20	40
Social Welfare	20	20	40
Manpower	10	10	20
	11,000	11,000	22,000

The rationale of the investment allocation to each sector is discussed below.

INDUSTRIES

16. The most important field in which the private sector is expected to play the vital role, is manufacturing industries. In view of this, the largest share of the total provision for private investment under the Third Plan has gone to this Sector. An allocation of Rs. 8,300 million has been provided which comprise 38 per cent of the total private sector allocation. Of this, the provision for East and West Pakistan are Rs. 3,800 million and Rs. 4,500 million, respectively.

17. During the First Plan period, an investment of Rs. 1,268 million had been made in private manufacturing industries against the Plan provision of Rs. 1,735 million. There was, therefore, a 27 per cent short-fall in the realisation of the private sector investment target of the First Plan. However, the record during the Second Plan period has been more encouraging. The Second Plan envisaged an investment in fixed assets of Rs. 2,732 million in the private sector, Rs. 1,005 million in East Pakistan and Rs. 1,727 million in West Pakistan. These sums do not include the investment in the Karachi Oil Refinery amounting to Rs. 120 million, which was sanctioned before July, 1960 and the investment in the Karachi Steel Mill amounting to Rs. 650 million, which was originally proposed to be established in the public sector, but was later transferred to the private sector. Including these two projects the Second Plan target fixed investment comes to Rs. 3,502 million. In addition, there was a provision of Rs. 928 million for investment in working capital, of which Rs. 344 million was for East Pakistan and Rs. 584 million for West Pakistan.

18. Actual sanctions against Second Plan allocation are expected to amount to Rs. 5,825 million, and utilization to Rs. 3,376 million. For the provinces the sanctions and utilization are respectively Rs. 1,652 million and Rs. 1,279 million in East Pakistan; and Rs. 4,173 million and Rs. 2,097 million in West Pakistan. The position with regard to Second Plan allocation, sanction and actual utilization is presented below.

(Rs. million)

	East Pakistan	*West Pakistan*	*Pakistan*
Allocation	1,005	2,497	3,502
Sanction	1,652	4,173	5,825
Utilization	1,279	2,097	3,376
Utilization as percentage of			
Allocation	127	82	96
Sanction	77	50	58

19. The above figures are inclusive of investments in the Karachi Oil Refinery and the Karachi Steel Mill which were not included in the Second Plan provision, but exclude working capital. If it is assumed that the investment targets in working capital have been fully realized, and if we exclude the Karachi Refinery and Steel Mill the comparative position of Second Plan provisions and achievements stand as follows:—

(Rs. million)

	East Pakistan	*West Pakistan*	*Pakistan*
Fixed Investment			
Allocation	1,005	1,727	2,732
Sanction	1,652	3,404	5,055
Utilization	1,279	1,927	3,206
Utilization as percentage of			
Allocation	127	112	117
Sanction	77	57	63
Working Capital			
Allocation / Utilized	344	584	928

20. Analysis of the performance of the private sector in industries leads to the following conclusions:

(*a*) In East Pakistan utilization will exceed Plan provision;

(*b*) In West Pakistan utilization will exceed Plan provision, if the Karachi Oil Refinery and Steel Mill are not included for comparison; including these two projects the realized investment would fall short of the total provision;

(c) For Pakistan as a whole, the achievement for private investment will be in excess of Plan target except that the slow progress of the Karachi Refinery and Steel Mill makes the picture worse.

(d) The ratio of sanction to Plan allocation is higher for West Pakistan as compared to East Pakistan; but in the utilization of sanctions, East Pakistan's record is more favourable.

21. The major lesson which can be drawn from the performance during the Second Plan is that the private sector in Pakistan is very dynamic and can be relied upon to achieve the targets set for the Third Plan. The recent performance in East Pakistan has been particularly encouraging. These lessons have guided the private sector allocations under the Third Plan. The allocations are Rs. 3,800 million for East Pakistan, which is 134 per cent higher than the realized investment in fixed and working capital during the Second Plan; and Rs. 4,500 million, for West Pakistan, which is 79 per cent higher than the realized investment during the Second Plan. The higher acceleration for East Pakistan is necessary in order to achieve the higher rate of growth in that wing, and special measure will be introduced to permit the achievement of this growth.

Policy requirements for private investment in industry

22. It must be fully realized that the targets for private investment in industry under the Third Plan are very ambitious, with regard to size as well as to structure. In the Industries chapter the investments are specified in broad categories of industries, and some guidelines have been indicated with respect to ownership in order to prevent the growing concentration of economic wealth in the hands of a few families. To achieve all these goals, utmost efforts have to be made by the Government and the private sector. Definite policy measures are necessary to implement the industrial investment programmes in the private sector and special measures are required to meet the high investment target for East Pakistan. Some important measures are discussed briefly below.

23. Industrial land is a pre-requisite for establishing industries. There is a particular problem in East Pakistan and the Third Plan industrial programme will require several thousand acres of raised industrial land at suitable locations. The government must take steps to build up industrial towns and allot plots to private parties, so that the paucity of land will not prevent the private sector from achieving its industrial targets. The Government of East Pakistan is contemplating an Urban Land Development Organisation. A similar organisation should be set up in West Pakistan. These organisations should also undertake research work on location of industry and work out long-term plans for the location of industrial centres.

24. The public sector programmes must be geared to infra-structure, like ware, power, transport and communication in the areas where the industries are supposed to be established. The industry programme in the public sector must develop industrial complexes, such as engineering and chemical industries, which create external economies that attract private industry.

25. Special efforts must be made to create facilities and competence for drawing up industrial projects. Sound projects are the pre-requisite not only for obtaining institutional financing, but also to ensure success in actual implementation. The Plan provision of Rs. 8,300 million in the private sector will require a large number of projects, probably something between 4,000 and 6,000. This is a huge task which can be performed only by competent people. The Industrial Advisory Centre can render valuable service in this direction and should establish offices at various locations, especially in East Pakistan where the experience of starting industrial undertakings is limited. Competent local consulting firms must be developed, but this can be done only when sufficient numbers of cost accountants, engineers of various categories, economists etc., are trained to man them.

26. Closely connected with the need for skill for project preparation is the need for managerial and technical skill to run the industries. Industrial development can not be sustained unless there is an adequate flow of trained managerial and technical personnel. At present, there is a scarcity of competent business executives, and the work is to a large extent done by the investor's family members. This situation can not last long, and at least not sustain the planned industrial growth. The need is greater in East Pakistan, where experience in industrial operation is so limited. Creation of a cadre of industrial managers should be considered. The Government should recruit every year a group of promising young people to form a Managerial Service who will be trained at home and abroad, for being entrusted with the management responsibility of public sector projects. The private sector should be allowed and encouraged to draw from this pool on temporary or permanent arrangements. This experiment will be particularly worthwhile for East Pakistan.

27. Within the framework of the Plan, with regard to structure, location and ownership, the private investors should be free to invest in the industries of their choice and get their machines and raw materials with the least possible interference by the Government. The discipline as to the industrial development pattern set forth in the Plan, should to the extent possible be enforced through indirect policy means rather than through direct control by the Government. The relaxation of direct controls during the Second Plan period has had a favourable impact on the performance, capacity utilization and growth of the private industries. The procedure of sanctions should be further streamlined and rationalized. Considerable delegation of sanctioning authority for specified categories of projects is required.

Such delegation calls for clear and detailed guidelines for sanctioning, to assure that the procedure will be in accordance with the norms for industrial development set out in the Plan.

28. Adequate equity capital has been, and will continue to be one of the main bottlenecks, and the more so when the ownership has to become increasingly diversified to counteract the concentration of wealth. Capital is particularly scarce in East Pakistan, and it should be possible to pool the savings of the middle class families to provide equity basis for small and medium sized industries. The EPIDC has worked out, in collaboration with the IDBP, a novel mechanism whereby entrepreneurs of limited resources are allowed to participate in the setting up of jute mills, with the prospect of ultimate ownership. This experiment can be tried in other fields also.

29. Institutional credit should be continued and extended. The operation of the PICIC and the IBDP should be made to conform to the requirements of the Plan. These institutions, particularly PICIC, are at present required to advance loans according to the conditions of the lending sources. This has primarily resulted in the advancement of loans to big industrialists in West Pakistan. The institutional frame-work for credit should be redesigned to broaden the base for economic democracy and also to meet the special requirements of private investment in East Pakistan.

30. The flow of direct foreign investments into industry in Pakistan during the Second Plan has been of the order of Rs. 450 million. It is expected to be around Rs. 700 million during the Third Plan. Foreign investment will continue to be encouraged especially in sectors involving technical know-how and managerial skill. Of course compared to the total dimension of the Plan the expectation of foreign private investment is quite small.

31. Special measures, in addition to those mentioned above, have to be taken to mobilize resources for East Pakistan in order to meet the Plan's requirements for private industrial investments.

32. The public sector allocation to manufacturing industries in the Third Plan is Rs. 4,580 million. This figure includes provisions for industrial estates, for schemes of research and training and for promotional programmes. Government investments in manufacturing industries through the Industrial Development Corporations and other Government sponsored Corporations is planned to be Rs. 3,762 million. These investments will be complementary rather than competitive to the private investments. Industrial investments in the public sector have primarily taken place in fields which have been of greatest importance not only for the industrial development but also for the development of other sectors, *e.g.*, agriculture; and where private investment have not come forth because of the rela-

tively greater risk and lower profit expectations. Infra-structural effects and external economies have been the dominating motive for these investments rather than direct profit expectations. That will be the case also under the Third Plan. However, the on-going industrialisation will gradually increase the profitability of many of these enterprises. As a measure to counteract the concentration of wealth and to promote economic democracy, dis-investment of Government owned or controlled industries should primarily be done by converting them into public companies with a relatively large number of shareholders.

33. Temporary excess capacities may appear in some industries because of shortage of raw materials, of skilled manpower or of demand for the products. The planned sectoral distribution of the allocations, private and public sectors taken together, aims at a balanced industrial growth, to avoid more permanent capacity excesses and bottlenecks. An equally important pre-requisite for obtaining balanced growth is a systematic flow of information about the actual industrial development, to and from the investors, the financing institutions, the Government agencies and all other parties concerned. A broad Industrial Information Service has to be organized, and, in addition, the Government's statistical service improved.

AGRICULTURE

34. Production in agriculture is done almost wholly within the private sector, with the effort of the public sector confined mainly to promoting and assisting private enterprise. The Government programme is designed, for example, to meet the cost of administration of public organisations concerned with agriculture, agricultural subsidies, irrigation works, research, extension and other related developmental activities. Only in a few instances, such as certain aspects of forestry, is the Government concerned with the production of goods and services in agriculture.

35. Given the promotional nature of government activity, large supplemental capital investments are also required by private farmers. The Second Plan, for example, envisaged an investment of Rs. 905 million. While precise data are not available, there is increasing evidence which suggests that investment in agriculture went far beyond the Plan provision. With this fact in mind, the Third Plan provides Rs. 4,000 million for private investment in agriculture. In addition, much of the water investment can be broadly defined as being "agricultural". Taking these two categories together the target for private investment in agriculture comes to Rs. 4,370 million, Rs. 2,200 million for West Pakistan, and Rs. 2,170 million for East Pakistan.

36. Before outlining the various private agricultural investments, it is necessary to clarify the definitional position. The concept of *public* investment in agriculture,

as envisaged in the Plan, does not conform to the standard of economic definition of investments. It includes many items, such as fertilizer and organisational expenses which are development expenditures, but which are not "investments" in the strict sense of the term. A question, therefore, arises whether the definition of investment in the *private* sector should be the same as in the public sector, or whether it should conform more closely to the standard definition. Though the choice is arbitrary, the standard definition has been used which, therefore, includes: private development of lands, private improvements in irrigation facilities, additions to farm buildings and implements, and increases in livestock. It should be noted, however, that since the definition of private investment does not include such items as fertilizers, which are here considered as "current inputs", there is a conceptual asymmetry between investment in the public and private sectors.

37. Unfortunately, there is inadequate information to identify precisely the various components of private investment in agriculture noted above. Work currently in progress in the Central Statistical Office (CSO) is expected to provide firm estimates; however, until such time, rough orders of magnitudes can be estimated from a number of surveys on rural Pakistan. One recent synthesis of survey material indicates that in 1964-65 approximately Rs. 750 million will have been invested in Agriculture, of which more than half in West Pakistan. Assuming a 5 per cent per annum increase, private investment in the Third Plan would come to about Rs. 4,340 million. The Third Plan provides for an allocation of Rs. 4,370 million investment in the private agriculture and water sectors. The slightly greater magnitude of private investment shown for water and agriculture in West Pakistan is consistent with the spurt of private investment in tubewells and tractors made in recent years, which more than offsets the smaller investments on the larger number of farms found in East Pakistan. Again, it must be emphasised however that these data are very rough, and are subject to modification pending results of the CSO survey.

Policy Requirements for Private Investment in Agriculture

38. There is a need for adopting clear policies to induce private producers to invest in agriculture. In this connection, perhaps the most important requirement is that the Government execute expeditiously its own projects in the fields of irrigation, flood protection, etc., to provide the overhead facilities so necessary for a large private programme. In addition, the Government, through economic policy must create a climate which helps to assure profitable investments in the rural economy.

39. Many specific policies with regard to subsidies, price support and stabilization, marketing, education, etc., have been detailed in the Agricultural and Water and Power chapters, and will not be repeated here. However, several points are

worthy of re-emphasis. In spite of the phenomenal growth that occurred in the Second Plan in such investments as tube-wells, low-lift pumps and tractors, the unavailability of certain types of equipment, including spares, tended to put an unnecessary damper on investment. A more liberal import policy is critical if investment in these items is to continue to increase at a rapid rate. Two other types of facilities are also critical. A large increase in institutional credit will be necessary for the expanded programme and in addition, a greater emphasis must be placed on service and repair facilities, especially in East Pakistan, for only by concerted action on these fronts will agriculture be able to meet the private investment targets set for the next five years.

TRANSPORT AND COMMUNICATION

40. The importance of transportation of goods and passengers in a developing country cannot be over-emphasised. The output of agriculture, industries, mines, etc., must be moved from producers to consumers within the country and abroad. Likewise, imported goods in ports must be handled and transported to destinations. For a developing economy, transportation need will grow at a considerably higher rate than the growth of the GNP, because of increased inter-dependence for supply of goods and more than proportional growth of transport intensive sectors. Except for movement by railways, the transportation operation is mainly done by the private sector. The public sector is responsible for the construction of roads, bridges, ports, etc., but actual operation of transport is left to the private entrepreneurs, except the limited operation by public road transport agencies and some parts of water transport in East Pakistan. Inland water transportation is, however, largely the responsibility of the private sector. For the Plan, the Shipping Corporation, PIA and Port Trusts are included in the private sector, but these are controlled by the Government.

41. In the Second Plan, an allocation of Rs. 1,323 million was made for the private transport and communication sector. This included investment by the semi-public bodies. While information regarding the implementation of the programme of the semi-public bodies is available, there is inadequate information on the investment by the private sector on buses, trucks, cars, boats, etc. It is expected, however, that the Second Plan investment targets in the private sector will be fully realised.

42. The Third Plan postulates an investment of Rs. 3,900 million in the private transport and communication sector; Rs. 2,100 million in East Pakistan and Rs. 1,800 million in West Pakistan. The most pressing requirements for implementing these targets are that the public sector programmes of construction of roads and bridges, development of ports, waterways, landing stations etc., are expeditiously completed and that there should be easy import of buses and trucks by the

private investors. Research for improved inland vessels should be conducted to encourage the private operators to invest in inland water transport. Easy credit would be needed to induce the private sector to make such investment.

HOUSING

43. The growth of population and the continued high rate of urbanization will create added pressures on the housing situation in the country during the Third Plan period. This will add to the sizeable back-log of unsatisfied demand for housing in urban areas, congestion and slums and the depressed living conditions in the villages. While the public sector programme in this field is directed towards making available necessary amenities, the construction of houses for low-income groups by the Government would meet only a small proportion of the need. The main construction activity is to be carried on by the private sector. In terms of investment, housing programme in the private sector ranks at par with agriculture and only next to industries. The total allocation of Rs. 4,000 million accounts for a little less than one-fifth of the total private sector programme in the Third Plan and is more than double the programme for private housing in the Second Plan.

44. Data on private sector housing is not quite satisfactory. While there is evidence that construction activity has been impressive in the last few years, it is difficult to determine how much of it was for residential housing. It has been estimated that only 50,000 houses were actually constructed in newly developed residential areas during the Second Plan period. While in financial terms the programme was probably implemented in line with the Second Plan allocations, both on account of the higher cost of construction and the larger proportion of bigger units, the private sector programme for housing was not fully implemented in physical terms.

45. In the Third Plan, it is proposed that with an allocation of Rs. 4,000 million, 212,500 dwelling units may be constructed in the private sector. Of this, 50 per cent should be for low-income groups, 40 per cent for middle-income groups and only 10 per cent for higher-income groups. Even in the limited allocation for upper-income housing, care will have to be exercised to keep the costs low and avoid the construction of luxury houses.

46. As a considerable acceleration is proposed in the programme for private housing construction, both fiscal incentives and credit availability would have to be considerably improved, if a short-fall of the type experienced in the Second Plan is to be avoided. The burden of taxation converging from three levels of Government on income from house property has reduced the net return from house property below economic level. This situation needs to be corrected through a carefully devised system of tax concessions and relief.

47. Credit system has so far played only a minor role in promoting building activity in the private sector. House Building Finance Corporation is the only institution active in this field, as bankers are unwilling to extend credit against immovable property. Not only is there urgent need to strengthen the Corporation with more funds placed at its disposal, but also to evolve an institutional frame-work suitable for financing house-building activity. Savings and Loan Associations have proved extremely successful in other countries. A beginning has been made in this direction through the setting up of such an association at Karachi with private initiative. More such associations should be set up at Lahore and Dacca with suitable encouragement provided by the Government.

48. The greatest factor in fostering building activity in the last few years, has been easy availability of building materials, such as cement, structural steel, bricks etc. This trend must be continued. Local manufacture and import should be planned ahead to avoid scarcity at any time. The position with regard to structural timber is still not fully satisfactory. Standardisation of doors and windows and pre-fabrication of building components may solve the problem and will also encourage local industries.

49. Heavy investment in developing residential areas should be the responsibility of the city development corporations. Plots for building private houses should be available in larger numbers. The establishment of an Urban Land Development Organisation in East Pakistan is expected to go a long way in this direction.

Other Sectors

50. Agriculture, industries, transportation and housing cover more than 90 per cent of the total private sector investment under the Third Plan. The total investment allocations for these sectors come to Rs. 20,200 million; the remaining Rs. 1,800 million investment is thinly spread over Water and Power, Fuels and Minerals, and the social sectors of Education, Health, Manpower and Social Welfare.

51. The allocatioh for private investment in Water and Power is Rs. 650 million, of which Rs. 100 million is for East Pakistan and Rs. 550 million is for West Pakistan. The allocation for West Pakistan includes an investment of Rs. 135 million by the Karachi Electric Supply Corporation which is treated as a private agency. The remaining allocation is mainly for installation of irrigation tube-wells.

52. The private investment in the field of fuels and minerals will mainly be in exploiting various fuels and minerals resources. The total investment during the Third Plan has been fixed at Rs. 750 million, Rs. 300 million in East Pakistan and Rs. 450 million in West Pakistan. Oil and Gas prospecting companies are expected

to invest about Rs. 225 million ; Rs. 120 million in East Pakistan and Rs. 105 million in West Pakistan. Transmission and distribution of gas will be another field of major investment by the private sector ; for this Rs. 75 million has been provided for East Pakistan and Rs. 160 million for West Pakistan. Coal and peat exploitation will require an investment of Rs. 165 million, almost equally divided between East and West Pakistan. Private sector in the field of fuels and minerals is also expected to make investment on training and research.

53. Among the social sectors, education is the most important field of private investment. Private investment on school and college buildings and equipments will be essential for developing educational facilities in the country. In the pre-Independence days, schools and colleges used to be established by the private philanthrophists such as landed aristocrats. This is no longer the case in Pakistan ; but the Government can induce private people to invest on education by making it a condition that Government expenditure for developing educational institutions at various areas will be dependent on local contribution. Some big industrial groups have shown interest in establishing technical institutions in the big cities. It is hoped that this trend will continue during the Third Plan and more institutions for training and research will be established by the private capitalists.

54. The scope for private investment in Health, Manpower and Social Welfare is limited at least at the present level of development of the economy. There is a provision of Rs. 40 million for the Health sector which will be invested in private clinics, laboratories and equipment and expansion of hospitals. For Manpower the allocation is Rs. 20 million to be invested in private institutions for training apprentices and other personnel. In the field of social welfare there is a scope for private participation in providing social services to children, youths and families needing help. Private agencies can also contribute to the establishment and improvement of institutions for socially, economically and physically handicapped. The total provision for private sector investment on social welfare in the Third Plan is Rs. 40 million.

55. Concluding the discussion on private investment under the Third Plan it should be stressed that at present information about investment in the private sector is limited. The figures and the proposals contained in this chapter are on the basis of data which should be continually reviewed. What is urgently needed is to organize studies on the problems, performance and the needs of the private sector in order to take decisions on policy on a firmer basis.