

SUCCESS OF THE SECOND FIVE YEAR PLAN OF PAKISTAN (1960 – 1965)

Syed Muhammad*

Dr.farooq Aziz**

Dr.memoonasaeedlodhi***

Zahoor Ahmed*

Abstract

Critical review of the economic growth of Pakistan, especially during the second five year plan apparently shows that considerable economic growth had took place and at that time Pakistan was considered to be one of the few counties which would sooner achieve the status of develop country. Still there is a need to unveiled the success story of the plan to have some lesson and clues from the past development strategies.

* Assistant Professor, Govt.Degree Boys CollegeMoosa colony, Karachi Pakistan.

** Assistant Professor, Federal Govt.urdu University, Karachi Pakistan.

*** Assistant Professor, Deputy Director & Head of social sciences Department Hamdarduniversity Karachi, Pakistan.

Introduction

The second five year plan (1960-1965) was marked by an outstanding success and record of economic growth with stability. Price increase had remained very modest, even when inflationary pressures were brought under control by adequate monetary and fiscal measures. In the five(5) years of the second plan, the consumer's price index rose by less than 9% in Karachi and by less than 6% in Decca and Lahore. The second five year plan was actually launched in far better conditions. The revolutionary regime, which took over in October 1958, had restored political stability in the country for lack of which the first five year plan had failed to command wide political and public support. The administrative structure was fine tuned, institutional arrangements improved and the system of planning built with the whole fabric of society, Pakistan economic survey (1964-65) p.iii

The actual size of the plan was Rs. 19 billion but in April 1961, it was revised and extended to Rs. 23 billion. The strategy of the plan was growth oriented and emphasis was to complete those projects which were in stage of completion and expected to yield good results. In addition to this huge local and foreign investment was encouraged in water and irrigation, agriculture, small and large scale industries and other labour intensive industries.

The brief account of objectives and achievements of the plan is given below for a bird eye view:-

OBJECTIVES	ACHIEVEMENTS
Increase in GNP – 24 %	Increase in GNP – 30 %
Increase in per capita – 12 %	Increase in per capita – 15 %
Increase in growth rate – 4.7 %	Increase in growth rate – 5.5 %
Increase in large scale industrial production – 60 %	Increase in large scale industrial production – 61 %
Increase in food grain production – 21 %	Increase in food grain production – 27 %
Increase in foreign exchange earnings – 15 %	Increase in foreign exchange earnings – 18 %

Increase in average saving rate – 10 %	Increase in average saving rate – 10.5 %
Creation of new employment opportunities 3 million	Creation of new employment opportunities 3.6 million
Improved irrigation to 7.11 million acres land	Improved irrigation to 8.5 million acres land
Increase in Installed power capacity 508 MW increases	Installed power capacity 554 MW increases
1300 new post offices	1546 new post offices
45700 new telephone connections	53300 new telephone connections
Education rapid increase in literacy rate	Massive Increase in literacy rate due to increase n the allocation for education from Rs: 50 Corer to 195 Cores
Health: Increase in the provision of better health services like prevention and curative	Health:Resonable Increase in health facilities due to increase in the allocation for health services i.e. Rs: 42 Cores.

Sources: Pakistan Economic survey, 1964-1965

Economy of Pakistan, 1948-1968

The success story of the second five year plan can be summarized through the following.

Sectors of the Economy of Pakistan, Pakistan Economic survey (1964-65) pp.xvii-xxvi

1. National income

The economy of Pakistan had achieved a higher growth rate. The average rate of growth of GNP was around 5.2%per year which was almost twice the rate of incargae in population. The per capita income at constant prices with 1959-60 as base increased from Rs.318in 1959-60to Rs.359 in 1964-65.

2.FOOD AND AGRICULTURE:

The food situation during 1964-65 was very satisfactory. The price of rice particularly in East Pakistan remained on the low side because of successive good crop during the plan period. According to early estimates for 1964-65, record crops had been forecasted for

wheat, sugarcane, tea, bajra, jowar, maize, crops etc. There was considerable expansion in the activities of the agricultural development corporation of both the provinces. Progress was also observed in the development of forestry, fishery and animal husbandry.

3.INDUSTRY AND MINNING:

The fast pace of increase in industrial output, which has characterized this sector for the last several years was maintained by the end of this plan too. The index of industrial output (base year 1959-60 = 100) which had recorded an increase of 13.2 % in 1962-63, rose by 13.6 % to 153.2 in 1963-64 and stood at 161 by the end of this plan. The liberal import policy, particularly the placing of as many as 51 items of industrial interest on free import list, largely contributed to this growth. Besides the facilities and incentives allowed to industry earlier were not only continued but also strengthened by setting up more industrial estates, common facilities centers and the provision of loans and credits on an extended scale. As a result of the improvement in the investment climate in the country, over 350 industrial joint ventures, involving foreign private investment of Rs. 380 crores were sanctioned against the initial provision of about Rs. 150 crores during the plan period. The establishment of a machine tool factory, heavy mechanical complex and heavy electrical complex, steel mill parts- chemical industries are the outcome of this most successful economic plan.

4.COMMERCIAL POLICIES:

The import and export policies continued to be directed towards increasing the availabilities of goods at reasonable prices through either increased internal production or imports and to earning enough foreign exchange to pay for these and other import required to support the development of other sectors. On the import side, the industrial sector was assured of adequate supplies of new materials and other items required by it so that more goods could be produced for internal requirements as well as for exports. A significant step in this direction was the placing of as many as 51 items on the import list. The export bonus scheme, which had played an important role in increasing exports, was nationalized by reducing the rates of bonus from 7 to 2%. As a result of the scheme, exports concerned by it were risen from Rs. 55 crores in the 1959 to Rs. 100 crores in 1965.

5. PRICES AND COST OF LIVING:

A remarkable stability in whole scale prices and cost of living had been witnessed during the second plan period. The increase in whole sale price index was less than 2% per year.

6. TRANSPORT AND COMMUNICATION:

The progress made in the transport and communication sector had been most encouraging. Most of the physical targets of the plan in this sector had not only fulfilled but also exceeded in many cases. Against the plan allocation of Rs. 272 crores, the total expenditures on this sector enhanced to Rs. 307crores. Progress of railways rehabilitation and development programs continued satisfactorily and notable increase had been recorded in both passenger and freight revenues. The National shipping corporation established in 1963 had also made steady progress. Telecommunications and postal services continued to extend to provide facilities in urban area but extend them to the rural areas by the end of second five year plan. The year 1964 – 1965 also saw the inauguration of two television stations at Dacca and Lahore. to modernized the country through television services.

7.MONEY AND BANKING:

The monetary and credit situation during plan was characterized by unusual faster increase in both money supply and bank credit. The second plan estimated the annual average expansion in money supply and bank credit at Rs. 43 crores and Rs. 40 crores respectively. By the end of the plan the actual increase in money supply averaged above Rs. 64 crores and in credit supplies Rs. 97crores. To discourage speculative imports, the SBP immediately after the announcement of the import policy in 1964 imposed 40% margin restrictions on bank advances against stocks of goods placed on the free list. Similar step was also taken in 1965. The quota system was made applicable to all types of loan and advances from the SBP except borrowings of the Agricultural Bank of Pakistan and Industrial Development Bank of Pakistan.

8.FOREIGN ECONOMIC ASSISTANCE:

From July 1960 to March 31, 1965 Pakistan received total assistance of US \$ 2103 million excluding the assistance for Indus Basin replacement works. This foreign economic assistance helped a lot in developing the physical infra structure of the Country.

CONCLUSION:

The main factors which led to the success of the second five year plan were:-

a- Political Stability:

There was no change over of Govt from 1958-1968. The Martial Law Govt. led by Ayub Khan formulated and implemented the plan in a coordinated manner. The political peace at home created investment Climate in the country and paved the way for rapid economic growth.

b- Incentives for Investors:

The Govt gave liberal concession to investors in the import of machinery and export of Commodities. There was a high growth of industries all over the country. The strategy Of functional inequality quickened the tempo of development in the country. At that time, the strategy was regarded a blessing rather then and not a sin .

c- Flow of foreign assistance:

Foreign economic assistance was considered inevitable for breaking the various circle of poverty in the country as the domestic savings were not sufficient to finance the projects. Due to political stability a sum of Rs: 1095 crores foreign aid was provided as phased out in the plan.

d- Weather condition:

The timely rains, suitable climate improvement in the technique of cultivation, provision of better seeds and fertilize considerably increased the rate of growth of agricultural production.

e- Coordination between execution agencies:

In the second five year plan, there was complete co-ordination between the executing agencies. The timely and proper phasing and executing of the plan targets created confidence in the people of the country. The result was that Pakistan was presented as a model country to other developing countries of the world.

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