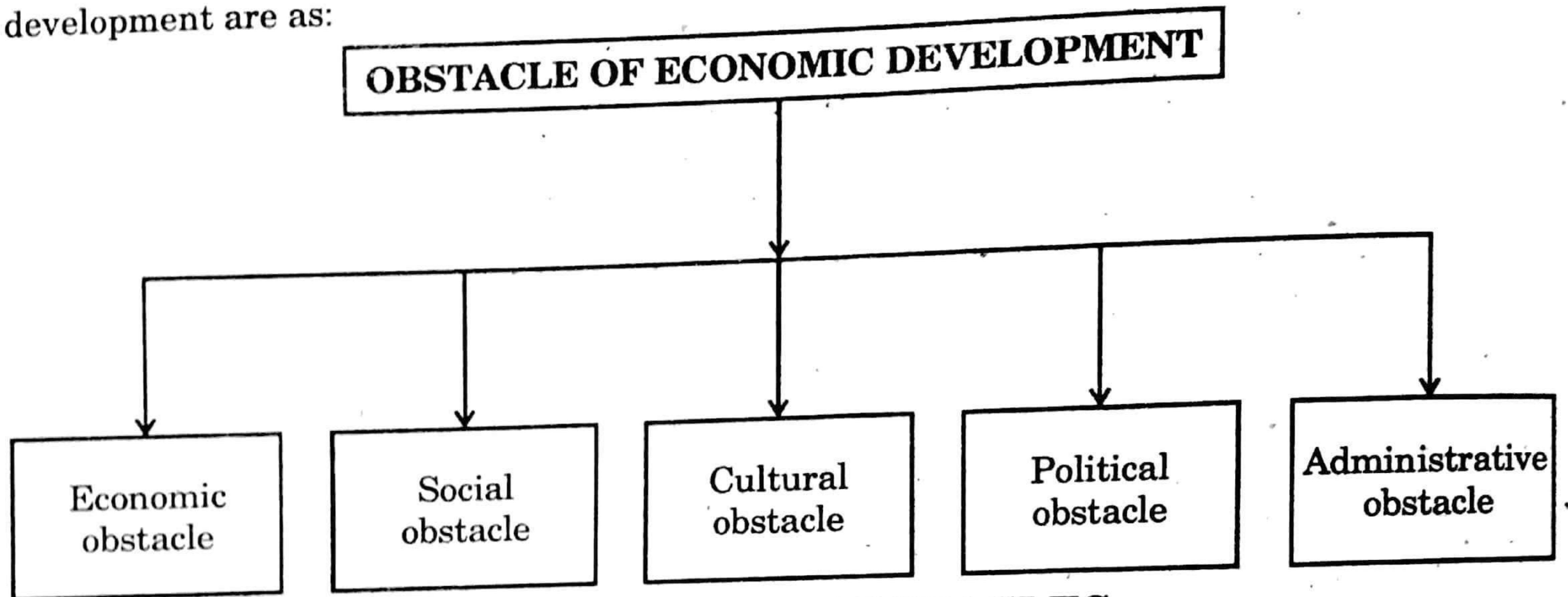


QUESTION NO. 1

The process of economic development is always subject to fluctuation. There are various types of obstacles to economic development of the UDC's such obstacles have slowed down the rate of economic development.

OBSTACLES OF ECONOMIC DEVELOPMENT IN PAKISTAN

Since 1947, Pakistan is struggling to build up infrastructure and productive potential through the process of development planning. The overall results of economic development are not very encouraging in Pakistan. The main obstacles in the way of economic development are as:



(A) ECONOMIC OBSTACLES

Pakistan is less developed country. Pakistan's National income as well as per capita income is very low as compared to developed countries. People are hardly meeting their basic needs. This is not because of deficiency of resources but due to inefficient use of factor of production. The obstacles, which cause the economic development to slow down, are:

(1) Alien Rule:

Pakistan and India remained under the British rule for over 200 years. The British invested only in primary industries such as mining, tea, coffee, rubber etc. British rule therefore, proving a great hindrance in the economic development of these countries.

(2) Agricultural Constraints:

The majority of developing countries are agriculture. Agriculture sector contributes a major share to their GDP the low production of agriculture output and rapid population growth adversely.

Agricultural Contribution

		2007-08	2008-09
(1)	G.D.P Gross Domestic Product	21.9%	21.8%
(2)	Employment	44%	44.7%
(3)	Foreign Exchange	66%	66%
(4)	Growth Rate	1.1%	4.7%
(5)	Contribution to Employment	44%	44.7%

Source: Economic Survey 2008-09

(3) Banking and Financial Sector in Crises:

The poor performance of financial sector has adversely affected development in various sectors of economy. National savings have remained low at about 14.3% of GDP. Which should have been at least 25% of GDP as it is in other developing countries of the world, so expected national savings = 25% of GDP actual national saving = 14.3% of GDP.

(4) Burden of Debts:

Pakistan being the developing nation has great burden of debts since from the previous three decades. It has to spent a large amount of foreign exchange for the repayment as well as its interest.

Outstanding Debt of Pakistan

	2007-08	2008-09
External Debt	\$ 46.3 billion (March 2008)	\$ 50.1 (billion) (March 2009)
Debt Service Payments	Rs. 1.65 billion	Rs. 1.2 (billion)

Source: Economic Survey 2008-09

(5) Deficit Budgeting:

Another serious problem to economic development is the higher level of budgetary deficits:

Year	2007-08	2008-09
Budgetary deficit (%)	7.6	4.3

Source: Economic Survey 2008-09

However, the above data shows that efforts are being made to narrow down the fiscal deficits. Yet the weakness and difficulties exist in expanding the resources base and curtailing the expenditure.

(6) Dualistic Economy:

Dualism is an important hurdle to economic development in Pakistan. Society is divided into two classes i.e., rich and poor. The rich class enjoys all the facilities of life while poor class suffers poverty and hunger.

(7) Financing the Budgetary Gap:

One of the serious factor disturbing the fiscal system and obviously economic growth is the huge amount of borrowing to financing the budgetary gap.

(8) Human Resources Constraints:

The people in fewer developing countries are mostly unskilled. The shortages of skill, sluggish attitudes towards work obviously affect income and so reduce the standard of living of people.

(9) International Forces:

As most of the developing countries are agrarian and they export the raw material to developed countries and import the finished goods. Therefore, the strategy of international forces is the same to import the raw material and export the finished products.

(10) Imbalance Growth:

Over the years, Pakistan has progressed in the agricultural sector but it remains behind in industrial sector and financial sector.

(11) Lack of Capital:

Capital is considered a necessity for the completion of developing projects. In Pakistan, the rate of savings is low due to low per capita income. Therefore, industrials and agricultural sector cannot be fully developed at a fast rate to scarcity of capital.

(12) Lack of Foreign Exchange:

Pakistan like other developing countries is primary trade oriented. It is concentrating mainly on the export of primary raw products and agriculture products. The rates and prices of these commodities are very low in the international markets. Therefore, we receive a little foreign exchange.

(13) Lack of Entrepreneurs:

In UDC's like Pakistan, there is shortage of experienced and efficient entrepreneurship. An entrepreneur makes the production process possible by combining different factors of production.

(14) Market Imperfection:

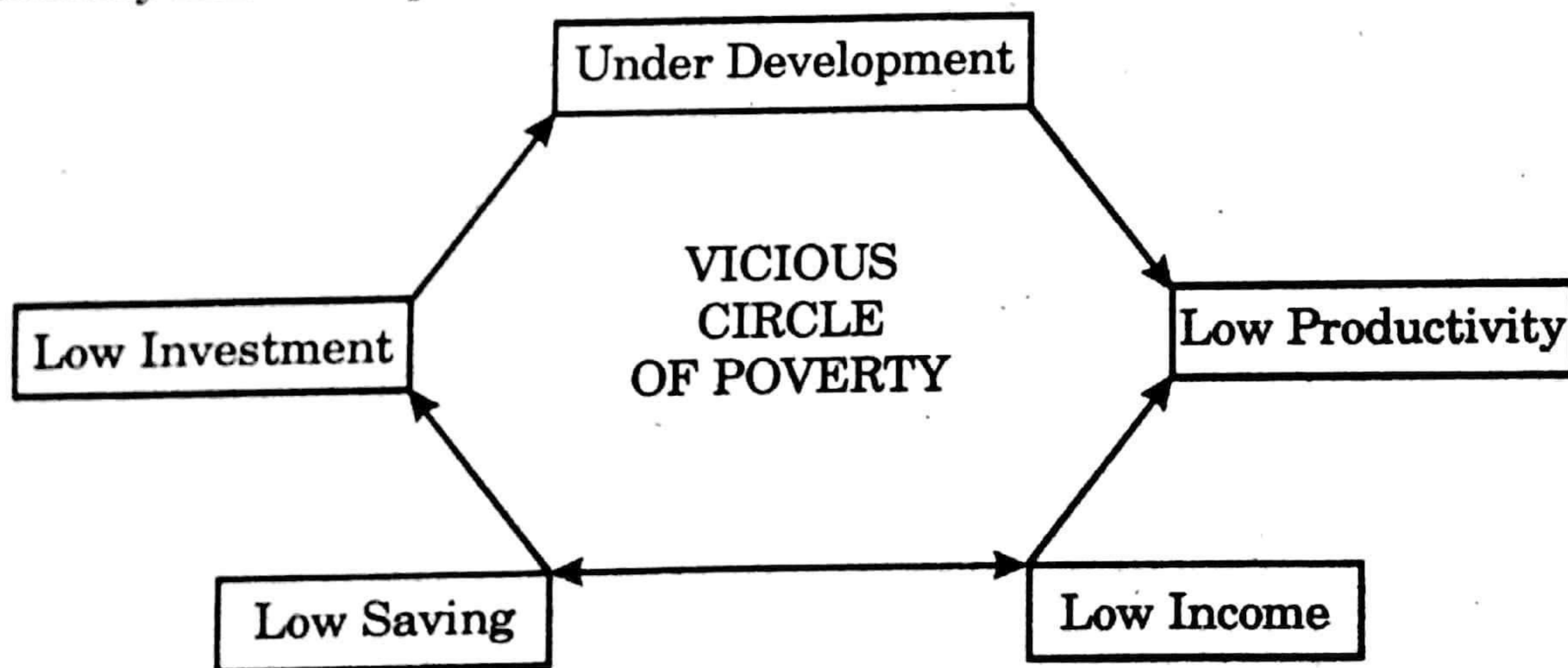
Market imperfection is another obstacle to the economic development of less developed countries. Market imperfections act resources in the low-income countries.

(15) Underdeveloped Natural Resources:

In Pakistan, the natural resources are underdeveloped. There is shortage of forest, due to this, there is shortage of minerals, so this is also the obstacle in the way of economic development.

(16) Vicious Circle of Poverty:

The less developed countries are trapped in their own poverty and Pakistan in no exception to it. The vicious circle is caused by low productivity, which is due to deficiency of capital, deficiency market imperfection, economic backwardness and underdevelopment.

**(B) SOCIAL OBSTACLES**

The behaviour of people of Pakistan is also a considerable hurdle in the way of economic development.

Following are the important social hurdles in the way of economic development:

(1) Cast System:

The cast system has shut down the door of development people are proud of their cast, superior class (as they think) does not work hard. Therefore, this is the main obstacle in the way of economic development.

(2) **Illiteracy:**

The literacy rate is very low in UDC's. It reduces the rate of economic growth. In Pakistan the literacy rate is about 54% people are ignorant. Due to this reason, our farmers are unable to adopt the modern methods of production. So our per capita income is low.

(3) **Consumption Oriented Society:**

Our society is infecting a consumption-oriented society. The people earn less and spent more resulting into low level of savings. They have the thinking eat, drink and be merry tomorrow you have to die.

(4) **Joint Family System:**

In many countries like Pakistan, this system is still available. All the member of the family live together. Few of them work hard while the other does nothing, except quarrelling with one another. So due to this reason national product reduces.

(5) **Lack of Determination:**

The society has been divided into two classes; one is rich and other is poor. Rich class does not work for economic development and poor class is efficient.

(6) **Lack of Confidence and Initiative:**

In UDC's like Pakistan, people are lacking confidence. Most of them do not have resources for rainy seasons. So due to this do not take initiative for any bold step and ultimately.

(7) **Need of Effective Population:**

Economic development depends on share of effective population. In Pakistan, population growth rate is high but there are 51% women in total population and out of 51%, only 2% are taking part in economic activity while 49% are only confined to four walls of the house. The rate of effective population is 32.8% while it should be more than 50%.

(8) **Population Pressure:**

There is a pressure of population and population growth rate in 1.9%, which is burden on productive resources. The increase in national income disappears due to high growth rate.

Per Capita Income in Pakistan

	2007-08	2008-09
Per Capita Income in Pakistan	\$ 1,042	\$ 1,046

Source: Economic Survey 2008-09

(9) **Unfavourable Environment:**

The environment conditions in Pakistan are not favourable. Majority of the people are not provided with residential accommodation. Due to low level of income, labours cannot maintain equitable standard of living, which decreases the efficiency of the labour, and therefore, production level remains low.

(C) CULTURAL OBSTACLES:

In the developing countries of the world, the cultural factors have considerably contributed to the fall in living standard.

These cultural hurdles are as follows:

(1) Custom and Tradition:

In developing countries, people spend more money on custom and traditions such as on death, birth and marriage. Therefore, rate of saving is low.

(2) Suits:

In developing countries like Pakistan, people spend their money on law suits. Due to this reason the rate of saving becomes low.

(3) Beliefs:

The people are conservative. Their wrong beliefs are a big hindrance in the way of economic development. People forget here that God has also said:

“Your duty is do and then put the result in the hand of God”.

(D) POLITICAL OBSTACLE:

According to Prof. Lewis:

“The behaviour of govt. plays an important role in stimulating or discouraging economic activities”.

The following are the some important hurdles:

(1) Political Instability:

Due to political instability, the rate of economic growth is also low. Due to this reason, investors feel hesitation to invest their money.

Literacy Rate in Pakistan

	2007-08	2008-09
Total Literacy Rate	55%	56.2%
Male Literacy Rate	69%	69%
Female Literacy Rate	44%	44%

Source: Economic Survey 2008-09

(2) Insincere Leaders:

Insincerity of leaders is also the obstacle on the way of economic development. They misuse the funds for their personal benefits instead of economic development.

(3) Political History of Pakistan:**(a) Ayab Government:**

In Ayab govt., 1965-68 there was political stability to some extent but the war with India in 1965 destroyed the economic fruits.

After this in 1971 again war with India and separation of East Pakistan obstructed economic progress again.

Bhutto Government:

(b) During the Bhutto's govt. the devaluation of currency and nationalization of private industries caused a great disturbance for put investment. The investment behaviour of the people changed towards small industrial units, which shock the whole of economy.

Marshall Law Government:

(c) Martial law govt. had created an environment of fear among people. The rich and wealthy were feeling abroad for peaceful life.

Benazir's Government:

(d) Clean sweep of Army's govt. after the death of General Zia and replacement by Benazir's elected govt. has still scarce people, so investment level cannot improve until there is peaceful and stable political govt.

ADMINISTRATIVE OBSTACLE:

The administrative hurdles are discussed as follows:

(1) Corruption:

The worst problem is corruption. Most of our officers and other staff are indulged in this curse. There is need of competent and honest administration.

(2) Centralization of Power:

In our country, there is centralization of powers, which cause delay in planning, decisions and executions. Therefore, this is also obstacle in the way of economic development.

(3) Inefficient Administration

In UDC's like Pakistan, most of the officers are inefficient. They have no technical training but they are appointed as head of department.

(4) Red Tapisom:

It means to make a legal process lengthy for nothing. Our ministerial staff is very much adept in this practice.

(5) Bribery and Nepotism:

There are the two evils of society, which now have become like the tradition and it is responsible for low economic development.

QUESTION NO. 2**ROLE OF EDUCATION IN ECONOMIC DEVELOPMENT**

The development economists upto 1960's attached great importance to material capital such as machines, new factories, new buildings etc., in the development process of the country. The manpower was not regarded an important variable for increasing productivity and income. Since 60's, the emphasis is gradually shifting to manpower as an important factor of development.

Education is considered as the cornerstone of broad based economic growth and the poverty reduction. Education is a key to change and progress. The consensus is that Pakistan economic growth can be achieved with higher emphasis on the quality of its manpower.

Manpower consists of all segments of a society which are engaged in one form of the other in development activities. If a country has a trained manpower, it makes economic activities highly productive both in quantitative and qualitative aspects. If the manpower is

illiterate, unskilled, under-nourished and of poor health, the output per man is low. This eventually leads to low income, low investment and the country remains trapped in vicious circle of poverty.

The government of Pakistan is trying its best to improve human capital so that it should serve as a leading factor for the socio-economic development of the country. The literacy rate is estimated at **57.7%** in the year **2009-10**.

There is no doubt that in the last over three decades, the literacy ratio has increased to **57.7%** and the quality of education has improved, yet the progress on the whole is not satisfactory. The mass failure of students in the examinations, the misdirected education is resulting in the waste of precious resources of the country. It is, therefore, suggested that to meet the present and future requirements of manpower in different sectors of the economy, it should be developed on the following levels:

- (1) Manpower Oriented to the Industrial Requirements
- (2) Manpower Oriented to Agricultural Requirements
- (3) Manpower to Cater Services Requirements

(1) Manpower Oriented to Industrial Requirements:

The present day plants are becoming highly complex. There are rapid changes in the production patterns. In order to meet the changing requirements of the industrial sector the education and training has to be carried on the following lines:

- (i) Handling new production lines, innovations.
- (ii) Handling of new sophisticated equipments.
- (iii) Technological assistance in maintaining the plant and the machinery.
- (iv) Expansion in plant facilities.
- (v) On job facilities for improving performance.
- (vi) Training for managerial performance.

(2) Manpower Oriented to Agricultural Activities:

Our economy is basically agricultural, employing about **63%** of the total population. We can hardly boast of an existence of an effective manpower in this sector. In order to increase effective manpower for the sector. It is suggested that development should be made on the following lines.

- (i) Establishment of new rural academies and strengthening of the existing ones for imparting agricultural know-how at the levels of primary secondary and higher education.
- (ii) Compulsory enrollment of young people to these academies.
- (iii) Development of experimental farms attached to academies for practical education and demonstration.
- (iv) Establishment of rural based industries side by side and providing technical training.

(3) Manpower to Cater Various Services Requirements:

Service sector's requirements are of a very wide range. The areas wherein manpower specially requires to be developed include skilled masons, technicians, electricians and electrical services qualified workshop operators, steel reactors machines plumbers, foremen /

supervisors and computer literates etc. The development of this intermediary manpower would be greatly rewarding to the entire society, as the performance in the various sectors will be greatly improved. Secondly, the exportable manpower will be much more qualified to secure better jobs and earn more in and outside the country.

QUESTION NO. 3

FACTORS FOR AGRICULTURAL BACKWARDNESS

(1) **Traditional Methods of Farming:**

Our old and traditional method of farming is inefficient. The use of wooden plough driven by cattles, hardly scratches the soil. Indifferently selected seeds, inadequate fertilizers, lack of scientific cultivation practices etc., are still existing in the vast areas of cultivation.

(2) **Lack of Know-How:**

Mostly the farmers are illiterate they do not know the modern ways of cultivation. They rely on their traditional knowledge are do not follow the modern ways of farming. Moreover they have not been informed the modern research based techniques of farming result only output level remains low.

(3) **Less Use of Modern Pesticides and Fertilizers:**

There are two aspects of this problem one is regarding the high price of these products and second is the lack of information regarding the use of these things. Third could be the insufficient support of government in this regard therefore the result is low yield per acre.

(4) **Non-economic Holdings:**

The problem is the subdivision and fragmentation of land into small pieces due to law of inheritance. On small pieces of land cultivation cannot be done appropriately. 30% of our farmers hold less than $12\frac{1}{2}$ acres of land, 30% hold between $12\frac{1}{2}$ acres and 25 acres and rest of the form hold up to 150 acres or more. This state of affair shows that maturity of farmers cannot get the benefits of scale and cannot apply the modern ways of farming onto their small holdings.

(5) **Inadequate Irrigational Facilities:**

Our main source of irrigation are canals, water tanks, wells and tube-wells, insufficient store of water is the main cause in this regard. Although we hold the best canal system but cannot use our water property for cultivation. Corruption in this regard increases the nature of problem sometimes the water availability is limited to head reaches and tail endue of the water course cannot find water. Some farmers have to postpone the cultivation due to lack of water. Silt and junk in the way of water courses is another problem.

(6) **Soil Diseases:**

Water logging and salinity are the main soil problems of Pakistan. Soil diseases are increasing day by day due to which yield per acre is decreasing. Nearly 15 lack areas of land has wasted due to water logging and salinity in Pakistan.

(7) **Defective Land Tenure System:**

Its refers to the right of ownership and use of land. Land tenure system of Pakistan has some defects like the absentee landlords and poor state of tenants. Feudal lords exploit the tenants. Tenants do not work whole heartily.

(8) Natural Calamities:

Natural disasters like dust storm, heavy rains, floods etc., badly influence agriculture productivity.

(9) Plant Diseases:

Nearly 15% of agri-produce every year destroys due to various plant diseases. Attack of locust swarm, virus and other diseases spoil the plants. To save these plants we have inadequate facilities and services.

(10) Illiteracy:

Farmers are not literate so they cannot understand the modern ways of cultivation.

(11) Litigation:

People of our rural areas are emotional. They have many disputes among themselves. They quarrel over the distribution of water, land and property. These conflicts take them to courts where they waste their money and time. In this way they cannot concentrate on their work.

(12) Debts:

Ancestral debts are another social hurdle. Villages in Pakistan lavishly spend on marriages, funeral ceremonies, festivals etc. This convention of lurish spending push them under the burden of loans.

(13) Instable Politics:

Present political scenario is instable. This uncertainty causes the problem of discontinuity in the policies. The changes in the policies badly hamper the performance of agriculture.

SOURCES OF AGRICULTURAL CREDIT IN PAKISTAN

Sources of agricultural Finance in Pakistan may be classified as non-institutional and institutional. Non-institutional channels are identified as, friends, relatives, village shopkeepers, private money lenders, commission agents, traders and landlords, Institutional sources include the provincial Governments, Co-operative Banks, Cooperative 'Credit Societies, Commercial Banks and Zarai Taraqiati Bank Limited.

(a) NON-INSTITUTIONAL SOURCES:

(1) Village Money-Lender:

After independence, the professional Hindu money lenders disappeared from Pakistan. However, there is still a class of money-lenders consisting of village shopkeepers, commission agents and other market middlemen who provide loan to farmers. They charge high rate of interest and have little interest in the well-being of the farmers.

(2) Friends, Relatives and Landlords:

Friends and relatives give loans, generally, only to relieve distress and to prevent disaster. Landlords also give loans, but they usually take advantage of their position and impose extortionate terms to hold the cultivators in their thrall.

It is important to note here two points:

(i) The major portion of credit provided by the above mentioned sources is used for unproductive purposes.

(ii) No official statistics are available to show that what percentage of total rural credit is provided by these sources. It may, however, be safely assumed that about 25% of the needs of farmers are met from them.

Government:

(1) At present, the Government channelises agriculture through Co-operatives and ZTBL. Previously, Taccavi loans through Revenue, Department were being disbursed but these have now become insignificant. In fact, the practice of Taccavi loans has been discontinued.

Co-operative Credit Institution:

(2) The co-operative societies are supported by other co-operative Banking institutions like Provincial Cooperative banks and Federal Bank of Cooperatives. The provincial Cooperative Banks are located at district level and supervise the activities of cooperative societies of their respective areas. The banks do not provide loans directly to the members of the societies. These banks advanced loans to societies only and the societies disburse loans to members out of this fund.

Commercial Banks:

(3) Currently 27 commercial, Islamic and microfinance banks with around 3,900 agriculture designated branches are facilitating farmers by extending agriculture credit throughout the country. These include 19 commercial banks, 2 specialized banks, one Islamic bank and 5 microfinance banks. These banks provide production and development loans to farming community for agricultural activities including crops production, livestock, poultry, fisheries, orchards, forestry, nurseries, apiculture, sericulture, etc.

Zarai Tariquati Bank Limited (Z.T.B.L):

(4) The ZTBL was established as a result of the merger of two institutions in 1961. The Bank advances loans for short, medium and long terms to the farmers for a very broad range of farm activities and to agro-based and farm related processing industrial units. The Bank advances are of long term duration. The largest amount is advanced for tractors, power tillers and attachments. The Bank advances are far in excess of its paid-up capital and deposits. Its lending operations depend upon heavy borrowing from State Bank of Pakistan from IDA, SIDA and ADB.

In 1979, the ZTBL introduced supervised credit system. In 1979, ZTBL initiated the supervised credit programme in six project areas.

Co-operative Banks:

(5) Co-operatives are the oldest Source of agricultural finance in Pakistan. At present, Federal Bank for Co-operatives (set up in 1976), with Provincial Co-operative banks having a network of 340 branches and 34,000 Co-operative Credit Societies are functioning in the country.

State Bank:

(6) State Bank of Pakistan, keeping in view the increasing demand of credit has provisionally set an indicative agriculture credit disbursement target of Rs 315.0 billion during 2012-13 as against Rs. 285.0 billion fixed last year. Out of which Rs. 220.2 billion is allocated to Commercial Banks, Rs. 72.0 billion to Zarai Taraqiati Bank Limited (ZTBL), Rs. 13.8 billion to Microfinance Banks (MFBs), and Rs. 9.0 billion to Punjab Provincial Cooperative Bank Limited (PPCBL).

QUESTION NO. 4

ECONOMIC PLANNING:

- (i) "Collective control or supersession of private activities of production and exchange".
- (ii) "Economic planning consists in the extension of the function of public authorities to organization and utilization of economic resources".

OBJECTIVES OF ECONOMIC PLANNING IN PAKISTAN:

Following are the main objectives of development planning:

(1) Increase National Income and P.C.I:

LDCs are facing problems of low national income and P.C.I. Low per-capita income generates number of other economic and social problems. Thus the most important objective of sound economic planning is to raise national income and per-capita income in LDCs. In Pak P.C.I is \$1372 p.a. (2011-12) which is very low as compared to other developed nations of the world. Therefore each development plan aimed to raise N.I. The targets to raise P.C.I in 1st five year plan was 15%, for 2nd was 24% and for 3rd five year plan it was 37%.

(2) Employment Level:

Maintaining the full employment level without creating inflation or deflation in the country is the most important objective of development planning in DCs. But in LDCs development planning to achieve full employment level without inflation and deflation is quite difficult due to number of factors. Therefore the aim of planning in case of Pakistan is to expand employment opportunities. Targets to create new jobs of 20, 30, 55 lac in 1st, 2nd and 3rd five year plans respectively.

(3) Self Sufficiency in Food:

Most of the developing economies are facing the problems of food shortage. To meet the food requirement government have to spend foreign exchange on the imports of food products. To overcome this problem by increasing the efficiency and productivity of agriculture sector is one of the primary objectives of development planning.

(4) Reducing Regional and Economic Disparities:

Gap between the rich and the poor on the basis of power resources or economic position is one of the main characteristics of LDCs. This gap creates a heart burning among the people of backward areas. These disparities also create hurdles in the way of growth and development process. Thus planning authorities should keep in mind this main objective to remove these disparities with the consultation of representatives of respective areas while formulating the economic plan.

(5) To Overcome BOP Difficulties:

LDCs mostly depend on agriculture sector, accordingly major share in exports also depends upon primary goods which is not highly demanded in world market. Low demand for these primary goods reduces prices in the world market. Again to meet the domestic requirements, they have to depend on imports for capital goods and manufacture goods etc.

Heavy payments have to make against such imports, Which creates the problems of adverse BOP is LDCs. To overcome such problems of BOP, economic planning is strictly advocated.

(6) Increase is Saving:

People in LDCs are not well aware about the role of saving in economic growth and development. They mostly spend their savings consumption expenditures such as, fairs, marriages, festivals etc. On the other hand due to low per-capita income saving capacity is also very low in LDCs.

Due to all these factors volume of the saving in LDCs remains very low which leads to low capital formation and poor living standards of the people in the country. So planning authorities should focus on this objective while formulating economic plans. In 2nd 5year, plan it was thought to raise foreign exchange earning by 15%.

(7) Long Term Economic Growth:

Long-term economic growth is also an important objective of the economic planning. Planning authorities should play their due role to mobilize the resources for the better utilization to get the long run benefits.

Discovery of natural resources, human development programs, encouragement of savings and investment should be the targets of planning authorities. Mass media should play their role for achieving these goals.

(8) Redressing Balancing in the Economy:

The aim of economic plan is to have a balanced growth of all sectors. In the case if some sectors of economy become developed while other remains backward it will create disparities and unbalance in the country. Hence only a sound plan can reduce disproportions in the economy.

(9) Provisions of Social Services:

Provisions of social services considered as an important objective of planning in LDCs. Provision of social services such as schooling, health and facilities of clean water in rural areas and like drainage, housing and transport in urban areas.

(10) Price Stability:

LDCs face problem of price instabilities due to rapid increase in demand and artificial shortage by producers to raise their profits. As a result, the prices start rising very sharply. Therefore it becomes the basic responsibility of government to take effective steps to overcome these problems by formulating sound economic planning.

EIGHT FIVE YEAR PLAN:**Duration 1993 - 1998:****Size:**

Total development expenditure	=	Rs. 1701 Billion
Public sector expenditure	=	Rs. 752 Billion
Private sector expenditure	=	Rs. 949 Billion

Objectives and Targets:

- ◆ Growth of GDP by 7%.
- ◆ Equality in income distribution.
- ◆ Increasing employment through private sector.
- ◆ Reduction of poverty.

- ◆ Movement towards self-reliance.
- ◆ Environmental protection.
- ◆ Achieving economic stability.
- ◆ Raising GDP by 40%.
- ◆ Increasing per capita income by 22%.
- ◆ Improving savings from 15.8% to 19.9%.
- ◆ Reduction in the fiscal deficit, taking it to less than 4% at the end of plan.
- ◆ Growth in Agriculture by 4.9%.
- ◆ Creating 6.2 million jobs.
- ◆ Reducing population growth from 2.9% to 2.7%.
- ◆ Increasing literacy rate to 48% from 35%.
- ◆ Sewerage facilities for 80% urban and 31.5% rural population.
- ◆ Improvement in health care.

Allocation Details:

Rural development	= Rs. 3.12 Billion
Agriculture	= Rs. 5.67 Billion
Water and Power Industry	= Rs. 55.57 Billion
Industry	= Rs. 1.86 Billion
Transport and communication	= Rs. 130.57 Billion
Housing	= Rs. 6.81 Billion
Education and training	= Rs. 6.95 Billion
Health	= Rs. 5.15 Billion
Fuel and minerals	= Rs. 96.1 Billion
Power	= Rs. 212.65 Billion
Others	= Rs. 65.50 Billion

Post Plan Analysis:

- ◆ The plan approval was one year late.
- ◆ Growth was 4% in first year of plan.
- ◆ Heavy damage to cotton crop.
- ◆ Decrease in wheat production.
- ◆ Political instability proved to be a hurdle in implementation.
- ◆ Steps like privatization, reduction in debt, control of monetary expansion and open foreign environment were helpful for achieving plan targets.
- ◆ Most of the targets were not achieved due to the problems mentioned above.

PERSPECTIVE PLAN:**Duration 2001 - 2011:**

The plan was approved by national economic council on June 7th, 2001.

Size:

Total expenditure = Rs. 2540 Billion

The plan is divided into two sub-programmes i.e.,

Three year development programme. (2001 - 2004) it has been allocated Rs. 460 billion.

Seven year programme of PSDP spending. It has been allocated Rs. 2080 billion.

Strategy:

During this plan government will be providing prime importance to the following

areas:

Water Resources.

Energy.

Transport and communication.

Agriculture.

Information technology.

Social sector.

Housing and physical planning.

QUESTION NO. 5**MAJOR IMPORTS OF PAKISTAN**

The imports of Pakistan can be classified into three groups as given in the following:

- (a) Consumer goods
- (b) Raw material for consumer and capital goods
- (c) Capital goods

During the last 30 years, fundamental changes have taken place in the composition of imports in Pakistan. Once the share of consumer goods in imports was 21%, raw material 44% and capital goods 35%. The composition of imports has changed. Now the share of consumer goods is 13%, raw material 59% and capital goods 28%. The major imports are briefly introduced in the following:

(1) Petroleum and Products:

Petroleum and products are main imports of Pakistan. To meet the day to day increasing demand of petrol and its products, a huge quantity of this item is imported every year. During 2009-10, the value of petroleum and products imported was \$ 8118.6 million.

(2) Edible Oil:

Due to decrease in the production of desi ghee, the use of edible oil is increasing and its large quantity is imported every year. During 2009-10 the value of its import was \$ 1055.2 million.

(3) Tea:

Before the separation of East Pakistan, Pakistan was an exporter of tea, but after 1971, our country has to import this item to meet the domestic needs. During 2009-10, we spent \$ 227.8 million on the import of tea.

(4) Sugar (Refined):

Sugar is produced in the country but we are not self sufficient in its production. Every year a large quantity of sugar is imported from abroad. During 2009-10, total value of imports of this item was \$ 191.2 million.

(5) Chemicals:

The chemicals are mostly imported from abroad because the production of chemicals within the country is very low. During 2009-10, the value of imported chemicals was \$ 2303.5 million.

(6) Fertilizer Manufactured:

During the last 20 years, the use of chemical fertilizers has increased very fast, therefore, it is imported in a large quantity to meet the requirement. During 2009-10, the total value of import remained \$ 691.1 million.

(7) Electrical Goods:

Our country is very backward in the production of electrical goods. During the last 10 years, electrical goods industry has expanded fast, but latest and modern electrical goods are still imported from abroad. During 2009-10, its import value was \$ 553.3 million.

(8) Machinery:

The production of goods require machinery and industrial raw material. Heavy machinery and equipment are not produced within the country according to demand. Every year, a large amount of foreign exchange is spent on the import of machinery. During 2009-10, \$ 3895.4 million were spent on its import.

(9) Iron and Steel:

The production of iron and steel within the country has increased but still we import it from abroad to meet our needs. During 2009-10, we spent \$ 1018.1 million on the import of iron and steel.

(10) Other Imports:

Along with the above described imports, a large number of other goods are also imported by Pakistan. The main items imported in large quantities are dyes and colours, paper board and stationary, art-silk yarn, non-ferrous metals, pulses, books, medical equipment and cloth. The total value of these imports goes in millions of dollar every year.

QUESTION NO. 6

Economic growth depends upon a number of factors such as, natural resources, capital, human resources, technology, social attitude of the people and political conditions of a country. Let us discuss something about technology.

MEANING OF TECHNOLOGY:

Technology means the body of knowledge, which can be used to produce goods and services from economic resources.

Role of Technology in Economic Development

Technology plays a very important role in the economic development of a country. It is the most powerful way of using all natural resources and artificial

resources in all possible ways. All the developed and developing countries are now making immense efforts for the implementation of technology in all the sectors of economy, i.e., Agriculture, Industry, Health, Education and Transportation.

PRIME FACTOR OF GROWTH:

Technology is considered as a prime factor of economic growth because capital signs is not a single factor for the economic development or growth of a country.

IMPACT OF TECHNOLOGY ON ECONOMIC DEVELOPMENT

The impact of technology on economic development can be discussed under the following headings:

- (1) **Increase in Output:**
Technology helps in getting more output from the same resources, or the same amount of output from the less resource.
- (2) **Increase in Productivity:**
With the use of technology there is increase in productivity and real income.
- (3) **Optimum Cultivation of Resources:**
Due to modern technology, it is possible to utilize all resources and factors of production to their maximum extent.
- (4) **Development of Cottage Industry:**
With the use of improved technology the standard of cottage industry's production can be improved.
- (5) **Agricultural Development:**
Due to modern technology related to agricultural sector, the condition and output of the agricultural sector can be improved.
- (6) **Supply According to Demand:**
Modern technology has reduced the period of production of goods. The supply of goods can now be increase in short period of time to meet the rise in demand.
- (7) **Industrial Development:**
The technological improvement has enabled the expansion of industry and reduction in prices.
- (8) **Improved Standard of Living:**
With the rise of factory system, urbanization has increased. It has no doubt related multiple problems yet it has also helped in increasing the standard of living of the people.
- (9) **Cost Minimizing:**
Due to optimum utilization of resources more units of output can be produced and in this way cost can be minimized.
- (10) **Expansion of International Trade:**
The technological progress has brought vast expansion in national and international trade.

(11) Development of Infrastructure:

Latest technology leads to the use of modern implements, which are used in transportation and communication sector. So, by the use of these we can improve our infrastructure.

(12) Increase in Scientific Research:

Technology, as determinant of growth has led to increase of huge investment in scientific research in various fields.

(13) Sectoral Growth:

With the technological innovation there is a rise in output. The population is getting more food, clothing, shelter, household, furnishing, health facilities, and education & recreation services.

(14) Increase in Efficiency:

According to J.M. Keynes the technological changes have increased the marginal efficiency of capital.

(15) Increase in Specialization:

Professor Galbarth is of the view that technological progress has brought increasing division of labour and specialization in all the sector of the economy.

OBSTACLES IN THE WAY OF TECHNOLOGICAL IMPROVEMENT IN UDC's LIKE PAKISTAN

(1) Monopoly of DC's:

It is obvious that the DC's are having monopoly over the modern technology. These DC's charge higher prices while transferring technology to UDC's.

(2) Spread of Dualism:

The modern technology has promoted dualism in the poor countries. The DC's transfer technologies to some sectors like US firms have provided modern technology to Middle East just for the sake of oil exploration. As a result, a few sectors develop while remaining economy will remain backward.

(3) Lack of Compatibility with Domestic Needs:

The technology which is introduced by DC's is concerned with there own circumstances having no compatibility with the needs of the poor countries.

(4) Backward Social Setup:

As economic development requires a change in mental outlook of the people. In the same way modern technology cannot be practiced without the will of the people.

(5) Limited Domestic Markets:

In the poor countries like Pakistan the markets are limited whereas the modern technologies are concerned with large scale production.

(6) Non-existence of Basic Infrastructure:

The superior technology requires the existence of basic infrastructure in the form of roads, power, water supply, electricity etc.

(7) Non-availability of Expertise:

The modern technologies require the expertise in a fairly large amount. As they are short in UDC's they will have to import then leading to a big burden on BOP.

REMEDIAL MEASURES

- Following measures can be adopted in order to remove the obstacles in the way of technical improvement.
- (1) **Basic Infrastructure Facilities:**
The basic infrastructure facilities should be provided if we want to adopt modern techniques of production.
 - (2) **Education Level must Improved:**
The education level must improve so the quantity of expertise will increase in UDC's.
 - (3) **Training Institutes:**
The training institutes should establish so that the training facilities are provided to the labour force.
 - (4) **Motivation in the Thinking of the People:**
There must be motivation in the thinking of the people in order to use the modern techniques of production.
 - (5) **Domestic Market:**
The domestic market must be expanded as modern technologies are concerned with large scale of production.
 - (6) **Government should Reduce the Unproductive Expenditures:**
Government should reduce the unproductive expenditures and spent its revenues to import technology.

QUESTION NO. 7

ECONOMIC IMPACT OF MOTORWAYS

- (1) **Promotion of Domestic and International Trade:**
Now there is increase in size of vehicles and the use of containers, freights are now packed in large containers. With help of motorway network freight can easily be transported within and outside the country.
- (2) **Quick Transportation of Goods:**
The motorways facilitate safe, quick and speedier transportation of goods and machinery to demand points.
- (3) **Reducing Traffic Pressure on Existing Network of Roads:**
The motorway help in reducing traffic pressure on existing network of roads in the country.
- (4) **Provides Integration, National Security and Sound Defense:**
The motor way network provides integration, brotherhood, national security and sound defence system for the country.
- (5) **Source of Fuel Economy:**
The motorway network is a source of fuel economy for the country. It reduces the vehicle operating cost and travel time.
- (6) **Establishment of Industrial Zones:**
The motorways provide opportunities for setting up industrial zones on important centers near the motorways.

(7) Source of Employment:

Human resources are needed for construction, maintenance and operation of motorways. Thus motorways create employment opportunities.

(8) Provide Access to New Areas:

The motorways are a source of easy and quick access to new areas, which are underdeveloped.

(9) Promote Economic Development:

Motorways are helpful to increase investment and G.D.P in an economy. Thus motorways promote economic development in an economy.

QUESTION NO. 8**(i) PAKISTAN EXTERNAL DEBT PROBLEM**

Following are the problems of Pakistan external debt:

(1) Grant Element of Aid is Declining:

Donor countries provide concessional loans to developing countries including Pakistan i.e., they keep the rate of interest low on these loans. The difference between the rate of interest in the international money market and the rate of interest being charged on these loans, is known as grant element of aid. This grant element has been gradually declining on external loans to Pakistan due to which its debt burden has enormously increased.

(2) Hard Loans:

Most of the loans that we are receiving now are hard loans i.e., these loans are taken at more than 3% rate of interest and are required to be paid within 25 years. Thus the burden of debt service has naturally increased.

(3) Declining Commitment of Concessional Loans:

Presently Foreign Governments are avoiding the commitment of aid and therefore the disbursements are declining year by year. So the government has to enter the dollar market to seek loans at high rate of interest. Naturally, the repayment of these short term loans has increased sharply.

(4) Arbitrary High Prices:

Most of the aid that Pakistan receives is tied up to sources of supply and its utilization. All project aid is tied up to the sources of supply in donor countries which charge arbitrarily high prices of the material and machinery being supplied. Sometimes their prices are more than 200% above the competitive international market prices. Thus, in real terms, we received much less than the amount disbursed in nominal terms.

(5) Depreciation of Currency:

Our currency has been depreciating fast since early 1980s. This has also led to increase the debt burden in rupee terms.

(6) Declining Net Transfers:

Due to increase in debts the debt service payments have also increased. Thus the net transfer of aid (i.e., net transfer = gross disbursement - debt service payment) has declined sharply; rather it has gone in negative figures.

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(ii) NATURAL RESOURCES IN PAKISTAN

NON-METALLIC MINERALS:

Rock salt was first mined in 1872. It occurs in white or pink seams, usually 20 - 25 meters thick. It is mainly found in salt range where it is mined at Khewra. Salt is also mined at Jatta and Bahadur-Khel. It is used in cooking and to make various sodas for boundary, textiles and tanning. Some is exported and earns foreign exchange.

Gypsum is found in the salt range and at Jatta. It is mined at Khewra, Dandot, Daud Khel and other places. It is used in making fertilizers, cement paper, paints, rubber and plaster of Paris. **Total production posted at 539 thousands tons during 2009-10.**

Baryte is found near Khuzdar in Baluchistan and Kundi, Kohala and Faqir Muhammad. It is used in Oil well drilling where it is mixed with clay to control the oil pressure in wells. It is also used in making paints, glass and insecticides. **Total production during year 2009-10 stood at 34000 tons.**

Magnesite is mined in Spin Kan, Baluchistan and is used in the manufacture of cement, paper, rayon, fertilizers, chemicals and drugs.

Soapstone a variety of talc is found in Zhob, Safed Koh and Sherwan. It is used in making soap, ceramics and face powder.

Flurite is found in Kohi-Maran near Quetta and Koh-i-Dilband. It is used in making steel and glass. It is also used to enamel utensils and in the Chemical Industry.

Sulphur is found in Koh-i-Sultan and Sanni and is used as raw material for sulphuric acid. We make explosives, paints, dyes, rayons and fertilizer with sulphur. **Total production was 18.4 thousand tons (2009-10).**

Limestone is found mainly in the salt range, the Margalla Hills, Doud Khel, Manghopir, and Murli Hills. **The production of limestone was 26 thousand tons during (2009-10).** It is raw material for cement and is also used in the production of lime Bleaching Powder, glass soap, paper and paints.

Marble is a decorative stone used for buildings. It occurs in different colours. Onyx marble is found in green, yellow, red and white shades. Craftsmen use onyx to make beautiful ornaments.

Gemstones various kinds of gemstones are found in Pakistan. Emeralds are found in Swat Valley; rubies in Hunza, aquamarine, topaz and tourmaline in Skardu; Topaz is also found in Mardan.

Clay Clay such as China Clay, fire clay, fuller's earth is used in oil drilling, foundries and steel mills.

METALLIC MINERALS:

The only metallic ore we produce on large scale is chromite. It is used to harden steel for bridges and railways carriages, and to make engineering tools and stainless steel. Chromite is mined near Quetta at Muslim Bagh.

Other metallic minerals found in Pakistan include copper, iron ore, manganese; antimony and bauxite. Some have not been mined yet, while others are mined a little. Antimony is used in Chemical Industry.

VALUE EDITION MINERALS:

Presently the value addition in the mineral sector is concentrated in three principal minerals like, coal, natural gas and crude oil. These three minerals account for four-fifth of the weight in the total value addition in the mineral sector.

Coal:

Coal is one of the principal materials produced in Pakistan. The coal is mostly of low quality and mostly used in bricking the ceramic industry ginning mills, power stations and steam locomotives. The estimated reserves of coal in the country are 185 billion tones. During the year (2009-10) PMDC (Pakistan Mineral Development Corporation) produced **2.2million thousand tons coal in Pakistan**. Presently about 90% of the coal production is used for brick burning and 9% for power generation.

With the pragmatic government policies the cement industry is in process of switching over indigenous coal from furnace oil that would save 50% foreign exchange being spent on import of coal.

There are three main coalfields around Quetta. The coal here is of better quality than the coal found in other areas of Pakistan. The coal is washed and mixed with high grade imported coal. It is used in our steel mills.

Crude Oil:

Oil is found deep below the surface of the earth. We do not produce enough oil for our needs. The search for mineral oil in Pakistan Started in 1968 and first test hole was drilled near Mianwali.

Inspite of all favourable factors the scale of petroleum discoveries to date has not been a substantial one. The reason, above all, may be that enough drilling has not been done. The geological conditions in parts of Pakistan are favourable for the formation of trapping of oil. Crude oil contribute about 44.6% to total energy supply of the country. The average crude oil production remains 19.3 million barrels during (2009-10).

Natural Gas:

The search for oil resulted in the discovery of gas in 1952, at Sui. Since then more than 72 gas fields have been found. Natural gas is the second most important source of energy that we have. Natural gas is used in our industries and for domestic purposes the gas is very good substitute of coal and petroleum. The recoverable reserves are established at **31.4 million cubic meter during (2009-10)**.