



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

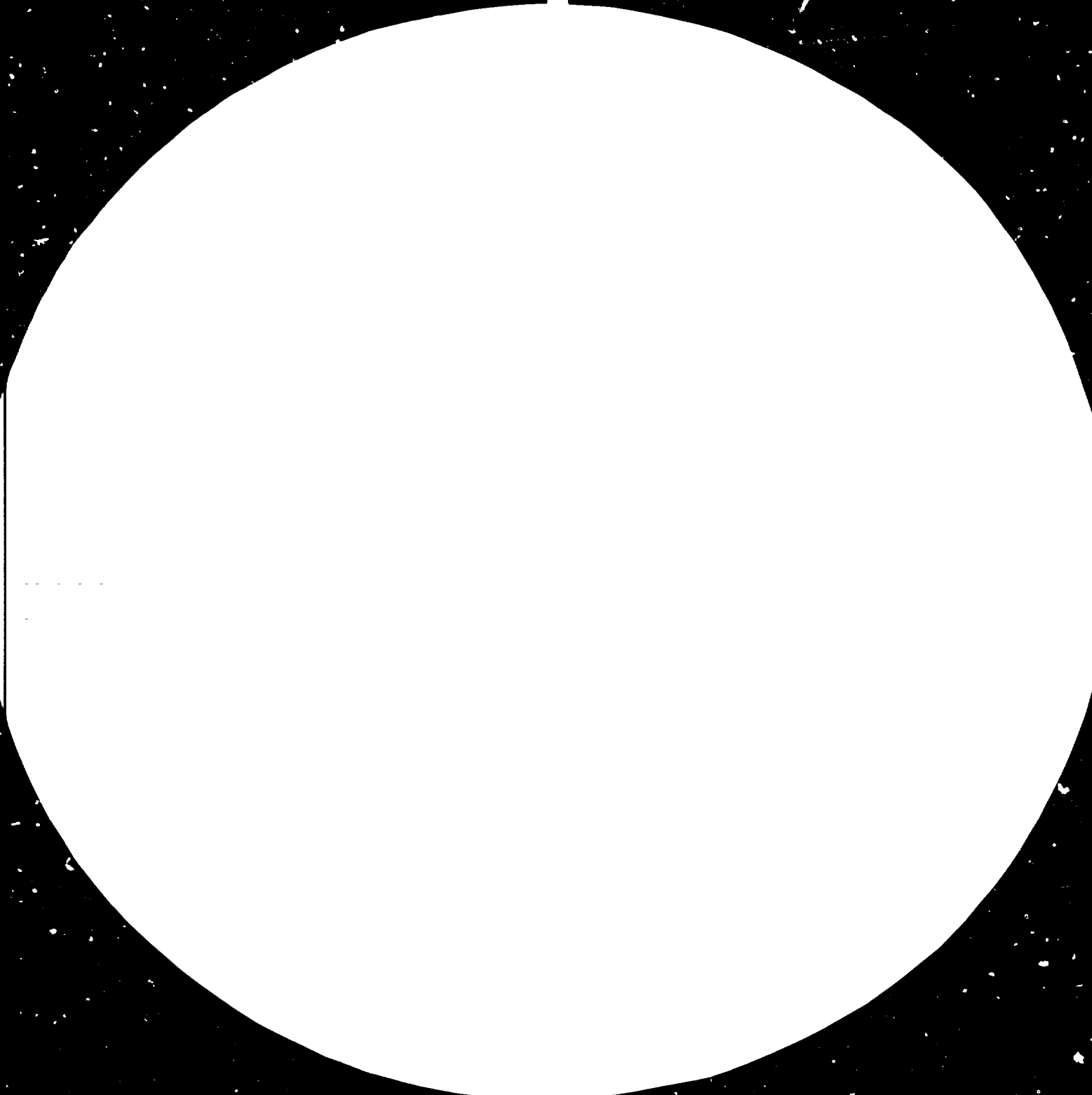
FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org





2 P 2.5





10723



Distr.
LIMITED
ID/WG.343/8
10 September 1981
ENGLISH

United Nations Industrial Development Organization

Expert Group Meeting on the Changing Role
and Function of the Public Industrial
Sector in Development

Vienna, Austria, 5 - 9 October 1981

A SURVEY OF THE
COMPARATIVE ROLES OF PRIVATE AND
PUBLIC INDUSTRIAL ENTERPRISES,
- A CASE STUDY OF PAKISTAN*

by

Abid Husain**

* The views expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO. This document has been reproduced without formal editing.

** Managing Director, Pak-Lybya Holding Co. Ltd., Karachi, Pakistan.

CONTENTS

	<u>Page</u>
1. Introduction	1
2. Historical perspective	1
3. Pragmatic approach	5
4. Experiment with nationalization	11
5. Recent Developments	18
6. Present position	20

1. Introduction

Like other developing countries, the pattern of economic development in Pakistan has been characterised by a blending of the public and private industrial sectors. The comparative roles of the private and public sectors have, however, undergone changes over time reflecting the changes in the development philosophy and strategies adopted from time to time. The public industrial sector (as defined by UNIDO) has gradually emerged in Pakistan, as in several other countries, as a major vehicle for economic development and attainment of socio-economic objectives of the country.

This paper seeks to identify the circumstances leading to the emergence of the public sector in Pakistan and the comparative roles of private and public sectors in the industrial development of the country. It also seeks to analyse the impact of various Government policies and their effect on the growth and development of these sectors.

2. Historical Perspective

At the time the country came into existence, the concepts of market economy and free enterprise had strong influence on the business and Government leadership. In its first policy pronouncement in September, 1948, covering the industrial sector, the Government announced in unambiguous terms

that, except for (a) production of arms and ammunition, (b) generation of hydro-electric power, and (c) manufacture and operation of railways, telephones, telegraphs and wireless equipment, all other industrial activity would take place in the private sector, although rights were reserved to take over or participate in any activity "vital to security and well being of the State".

The Government also reserved to itself the right to develop particular industries of national importance where private sector was lacking. However, it was soon realised that some thing more had to be done to accelerate the pace of industrial development. Consequently, it was decided to set up in 1950 a State Corporation to promote industrial projects and Pakistan Industrial Development Corporation (PIDC) was created by special legislation. The setting up of the PIDC was found necessary for the following reasons:

- * "The extreme inadequacy of the industrial facilities inherited at partition and the consequent excessive dependence on imports have forced the country to industrialise very rapidly. But the experience of Pakistani businessmen was largely concerned with land management, construction, commerce and foreign trade. Private enterprise is not attracted to some industries because of their technical complexity, high capital requirements or relatively low profitability. Some geographical areas are also unattractive for lack of facilities. This, together with the risk involved in launching new enterprises in untried fields, has forced the Government to undertake, through the PIDC, industrial projects in those areas where private business is unwilling to venture.

* Government of Pakistan, the First Five Year Plan (1955-60 December, 1957, p. 87.

It is, however, the announced policy of the Government that enterprises built by the PIDC should be transferred to private hands as soon as they have been established as going concerns and willing buyers are found."

Private sector continued to be relied upon as the major vehicle of industrial development. The rationale for reliance on private sector was spelled out in the First Five Year Plan (1955-60) in the following terms:-

- * " As an agency for economic development it (the private sector) has large advantages. It permits a high degree of decentralisation; with authority placed in close contact with the act of production. So that no long chain of intermediaries is necessary. It is extremely flexible, having a capacity to adapt its organisation and methods to the task in hand..... In the rapid progress of industrialisation that has taken place in recent years, private enterprise has demonstrated its ability to take up and accomplish new tasks with skill and vigour. We believe that in the immediate future private enterprises, if fully supported and properly guided, can perform even greater tasks. The public agencies will have large and growing responsibilities of their own and the assignment to them of tasks which can be successfully accomplished by private enterprise will restrict the pace of development. The public agencies should concentrate upon their large and varied tasks, and in the fields open to private enterprise operate only in those geographical areas or sectors of development where private action lags."

Private sector was thus expected to play the leading and primary role in the industrial development of Pakistan with public sector playing a supporting role

*Government of Pakistan, The First Five Year Plan (1955-60)
Lahore, 1957, p. 35.

and restricting itself to areas where private enterprise was unwilling or unable to venture out. This philosophy dominated the development strategy during the Second Five Year Plan(1960-65) as well. This period came to be known as the hey day of the private sector which received maximum encouragement and support from the Government in the form of liberal incentives and concessions including tariff protection, preferential exchange rates, liberal depreciation allowances, tax benefits etc. etc. It was perhaps the inescapable consequence of the accelerated pace of development under the policies and strategies followed during the fifties and sixties that alarming inequalities in distribution of income, wealth and economic power caused serious strains in the social and economic milieu. This was taken note of by the planners who while formulating the Third Five Year Plan (1965-70) came to the following conclusion:-

- * "The conflict between social justice and economic growth necessitates that..... there should be dispersal of ownership of industrial capital outside the immediate framework of the big industrial families.... and.....a broad-based ownership of new industrial ventures should be encouraged by bringing-in new comers in every possible manner."

This marked a significant change in the philosophy of development and, among other things, led to a basic change in the role of PIDC which at that time constituted the public industrial sector. The new role assigned to the PIDC prescribed that "it should no longer take up projects for eventual dis-investment but only such projects as it intends to keep and operate permanently on behalf of the Government."

* Government of Pakistan, The Third Five Year Plan(1965-70),
Mar. 1965, p. 42.

At the same time, another major shift in the strategy for industrial development occurred when the public sector was assigned the leading role to establish a base of heavy industry in the country. The justification for this was spelled out in the Plan as follows:-

* "Despite the existing policy of maximum reliance on private enterprise, the role of the public sector will expand during the Third Plan period in several key sectors, especially in the field of heavy industry. This is principally attributable to the size of the market in this country for products of the principal heavy industries. At present this market is so limited that there is little justification for more than one or two optimum scale plants. There is a dilemma here. If plants in such industries are restricted to economically optimum number of one or two and are located in the private sector, it would be impossible to avoid a monopolistic or a duopolistic situation, which is fraught with grave political and social implications. If, on the contrary, for considerations of economic egalitarianism and in disregard of economic criteria, a proliferation of industrial units is permitted, a situation can develop where the industrial complex becomes overcapitalized, inefficient and incapable of building up any export capability. This would also needlessly increase the country's maintenance bill, by denying the exploitation of economies of scale. A number of industries in Pakistan are suffering from this malaise. The situation can only be remedied by setting up economically optimum plants in the public sector."

3. Pragmatic approach

Clearly, the concept of "mixed economy" with both private and public sectors playing their respective roles in the process of development was taking roots in the country's philosophy of development. One cannot, however fail to notice that the concept

* Government of Pakistan, The Third Five Year Plan(1965-70)
May 1965, p.119

grew in response to the requirements of the situation, rather than on account of any ideological or doctrinaire change. Pragmatism was the order of the day and dogma had very little to do with the kind of industrial land-scape which came into existence by the late sixties. Let us stop to think as to what this industrial landscape actually was and what roles and functions were allocated, assumed or actually discharged by the two complementary vehicles of industrial development viz. the private and public sector.

Taking the private sector first, an impressive number of small and medium industrial enterprises sprang up in response to the wonderful opportunities provided by the industrial vacuum inherited at the time of independence and the liberal concessions and encouragement provided by successive regimes to the private entrepreneur. It will, however, be noticed that very few, if at all, industrial units involving sophisticated technology or high capital requirement were established in the private sector which concentrated mostly on industries producing consumer goods and generating quick returns and high profits.

The industries set up in the private sector included cotton and wollen textiles, tobacco manufacturing, food manufacturing, footwear and wearing apparel, leather and leather products, rubber and rubber products, chemicals and chemical products, paper and paper board, jute goods, printing and publishing and allied products. Apart from being the recipients of general incentives by the Government the large scale manufacturing sector of Pakistan since 1952, has also been experiencing a continued system of protection which was adopted in the wake of a severe balance of payments crisis.

The manufacturing sector was heavily protected not only by the tariff structure but also by a system of quantitative import restrictions.

As a result of deliberate policy, Pakistan's large scale manufacturing sector grew at a spectacular rate during the fifties and sixties. Table 1, illustrates the various rates of growth during the fifties and sixties and its impact on the composition of GDP.

TABLE I
Growth Rates in Manufacturing (Percent)

	1950-55	1955-60	1960-65	1965-70
Manufacturing	10.3	5.2	11.7	8.0
Large-Scale	23.5	7.6	16.8	9.9
Small Scale	2.3	2.3	2.9	2.9
G.D.P.	3.1	3.0	6.8	6.7

Sources: (1) Pakistan Economic Survey 1976-77 (Government of Pakistan, Economic Adviser's Wing).

(2) Statistical Bulletins, Statistics Division, Government of Pakistan.

It would be seen that the large scale manufacturing sector showed an impressive rate of growth of 23.5 percent during 1950-55, 7.6 percent during 1955-60 and 16.8 percent in 1960-65. Although the impact of this high rate of growth was limited by a small industrial base but the continued industrial expansion was an important factor in changing the overall pattern of GDP which more than doubled during the period under review.

The pattern of investment during this period also reflected a trend towards increased private industrial activity. This trend will be apparent from table 2 which also shows the percentage of total private investment as compared to the percentage of total public investment.

TABLE 2

Private Investment versus Public Investment
(in current prices)

(Rs. in million)

Years	Total Industrial Investment	Private Investment	Percentage of total Investment	Public Investment	Percentage of total Investment
1964-65	1456.2	1323.5	90.90	132.7	9.10
1965-66	1363.5	1230.0	90.21	133.5	9.79
1966-67	1319.2	1185.1	89.83	134.1	10.17
1967-68	1366.4	1217.9	89.13	148.5	10.87
1968-69	1271.0	1177.3	92.63	93.7	7.37
1969-70	1575.1	1395.9	88.62	179.2	11.38
1970-71	1493.9	1425.7	95.43	68.2	4.57

Source: Various Economic Surveys.

According to Table 2, the major portion of industrial investment was directed towards the private sector while, on an average, less than 10 percent of the total was invested in the public sector. Significantly, however, the enormous proportion of industrial investment allocated private sector coupled with generous fiscal and other incentives, could not divert the trend of private investment activity from mainly consumption oriented industrial growth towards intermediate and capital goods industries which are obviously more vital for self - sustaining industrial development.

It should also be noted that the rapid growth of the manufacturing sector during the fifties and sixties was achieved behind high tariff walls and at a substantial cost to the economy, reflected through over capitalization and distortions in the relative prices of inputs and outputs leading to inefficiencies in resource allocation. Another disturbing factor was the inability of the private enterprises to come out of the infancy stage and become mature enough to compete in the international market. Instead of improving their efficiency, under the Infant-Industry Argument the private entrepreneurs devoted their entire energy in reaping excessive profits. The cost reducing efforts were minimal because a monopolistic domestic market permitted entrepreneurs to maximize profits at sub-optimal output levels. The policy of encouraging reinvestment out of undistributed profits led to over capitalisation and considerable excess capacity. The private sector, however, fostered a climate of industrial development and gave the country valuable experience in the setting up and management of industrial units - an experience which was almost completely lacking at the dawn of independence.

In its supporting role, the public industrial sector - symbolised by the PIDC - attempted to concentrate on relatively high technology industries with high capital requirement, long gestation period and low profitability. Uptill June 30, 1970, PIDC had completed 58 industrial and mining projects at a capital cost of Rs. 1,178 million, eleven of which were eventually disinvested, involving a total capital cost of Rs. 45 million only. Apart from playing a useful role in accelerating the pace of transition from manufacture of consumer

goods like textiles, sugar, paper and paper board, minerals, chemicals etc., to intermediate goods like cement and fertilizers. It also took the lead in the development of heavy engineering industry in Pakistan. Its ventures included the Karachi Shipyard and Engineering Works and Pakistan Machine Tool Factory at Karachi and Heavy Mechanical Complex and Heavy Foundry and Forge at Taxila. The public sector made a contribution in fulfilling its assigned social role of setting up of projects in backward and far flung areas where no private entrepreneur was willing to go. Industries that were established by PIDC in far flung areas included a fertilizer plant at Daudkhel, a sugar mill and a woolen textile mill at Bannu (NWFP), a woolen mill at Harnai (Baluchistan) and a carpet manufacturing unit at Qaidabad, which greatly helped in achieving social objectives of balanced regional development and provision of basic infrastructural facilities in remote areas.

On an overall basis, ^{it} cannot be said that the public sector performed its role with outstanding success, but it did blaze the trail in new fields and introduced a relatively high degree of sophistication in the operation and management of difficult industrial projects. However, the role of public sector throughout this period continued to be in support of the private sector and the time had not yet come when it would be assigned the leading role in the strategy of industrial development.

4. Experiment with Nationalization

This came about with the change of regime toward the end of 1971. The political party which came to power had, during its election campaign, made an issue of distributive justice and subscribed to socialistic ideology. The first thing it did after assuming power on 17th December, 1971, was the promulgation, on the 1st January, 1972, of the Economic Reforms Order, 1972. This involved a violent change of policy and a major deviation from the philosophy and strategy of development hitherto followed by successive Governments.

The new Government assumed total responsibility for the development of ten basic industries, viz.

1. Iron and Steel
2. Basic Metals
3. Heavy Engineering
4. Heavy Electrical
5. Assembly and Manufacture of Motor Vehicles
6. Tractor Plants: Assembly and Manufacture
7. Heavy and Basic Chemicals
8. Petro-Chemical
9. Cement
10. Public Utilities, i.e. (a) electricity generation, transmission and distribution, (b) gas, and (c) oil refineries.

All the existing units (indigenously owned in the above industries were taken over for management under

State auspices and were eventually nationalised. Further development of these industries was reserved to the public sector, to the total exclusion of private enterprise. The objectives of the "take over" as enunciated in the Economic Reforms Order included the following:-

- a) broad-basing the benefits of economic development and industrialisation;
- b) equitable distribution of wealth and economic power;
- c) exploitation of national economic resources for maximum advantage of the common man;
- d) increased accountability of the owners of the means of production;
- e) safeguarding the interest of small investors.

To put it simply, the stated aim of the take over of industrial units from the private sector was the achievement of social and welfare objectives of GNP growth.

The philosophy propounded in the Economic Reforms Order, 1972 remained the basis of Government policy for industrial development of the country throughout the period that the regime was in power i.e. upto July, 1977. It will be interesting to see if the role assigned to the public sector was adequately fulfilled by it and how.

The process of state intervention which started with the take over and eventual nationalisation of ten "basic" industries was later extended to banking,

insurance, shipping and trading in major agricultural commodities viz. cotton and rice. The nationalisation process culminated with the take over by Government of cotton ginning, flour and rice husking mills. The take over of industrial units was thus a part of a major change in the political philosophy of the state and should be viewed in this context.

Such a radical departure from tradition and established norms naturally had an unsettling effect. The take over of as many as 42 industrial units, big and small and in various stages of development, was indeed a major task. The responsible state agencies hastily got down to the business of introducing order into the chaos created by the sudden and unexpected "reforms". The change over from private to state management was smoothly effected and necessary administrative machinery was put together with considerable fanfare. A Board of Industrial Management was set up under the chairmanship of the Minister incharge. A new Ministry (Ministry of Production) was created and eventually sectoral corporations as holding companies were set up for individual industries e.g. fertilizer, cement, oil refining, engineering etc. The PIDC was virtually dismembered and the units originally established under the state auspices (by PIDC) and those taken over from the private sector in the same industry were put under the control of one sectoral corporation, which was made responsible for managing the existing units, setting up new projects and future planned development of the sector.

The new policy did produce an initial impact. Its positive aspect was the upgrading of the management leading to improved operational results which could not, however, be maintained beyond a few years of

state management, when inefficiencies and constraints usually associated with public management inevitably got hold in these enterprises. The most important achievements claimed for public enterprises besides improved operational results - a claim which has since been strongly disputed - were (1) improved tax revenues, (2) rise in employment levels and (3) better wages, for the labour. This would be evident from the following:

Improvement in tax revenues can be seen from table 3 which illustrates the total amount of taxes and duties paid to the Government. According to the table, tax revenues increased from Rs. 666.6 million in 1973-74 to Rs.1417.9 million in 1976-77.

TABLE - 3
Taxes and Duties

Year	Total Amount of Taxes and Duties (Rs.in Million)	Percentage Increase/ Decrease
1973-74	666.6	-
1974-75	1213.8	82.09
1975-76	1516.4	24.93
1976-77	1417.9	(- 6.50)

Source: Board of Industrial Management and Experts Advisory Cell, Annual Report (Various Years).

Employment levels in all public sector enterprises almost trippled as is evident from table 4, according to which the total number of personnel employed in public sector industrial enterprises increased

from 24,118 in 1972-73 to 64,643 in 1976-77, registering an average annual growth rate of about 32 percent.

TABLE - 4

EMPLOYMENT LEVELS

Year	Total Employment	Percentage Increase. Decrease
1972-73	24,118	-
1973-74	26,925	11.64
1974-75	54,049	100.74
1975-76	58,725	8.65
1976-77	64,643	10.08

Source: Board of Industrial Management and Experts Advisory Cell, Annual Report (Various Years).

Real and money wages also increased to a considerable extent in the public enterprises as a result of the nationalisation process. Due to paucity of relevant statistical information, the figures presented in table 5 are only for the years 1969-70, 1972-73 and 1974-75.

Table-5 on page-16

TABLE - 5

Real and Money Wages in Public Enterprises

Year	Money wages (000 Rs.)	Real wages (Rs.)	Average yearly Percentage change in Real Wages
1969-70	54,634	2,196	-
1972-73	259,100	3,366	17.7
1974-75	434,800	3,386	0.3

Source: 1. Census of Manufacturing industries, 1969-70
2. Income Statements of Public Enterprises
Units 1969-70 to 1974-75.

It would appear from table 5, that money wages in all public enterprises increased from Rs.54.63 million in 1969-70 to Rs.434.80 million in 1974-75, while real wages increased from Rs. 2,196 in 1969-70 to Rs.3,386 in 1974-75.

The negative result of the new philosophy of state intervention in industrial sector was that the private sector was almost completely driven away from large scale industry even in sectors which were not reserved for state management, e.g. textiles. The changes in the level of investment in the private and state sectors during the relevant period are given in table 6. It will be noticed that the investment in the state sector improved from Rs.177 million 1969-70 to Rs.1,165 million in 1976-77 while in the private sector investment went down from Rs.1,206 million 1969-70 to Rs.396 million in 1976-77.

TABLE - 6

Investment in Large-Scale Manufacturing Sector at
Constant Prices of 1969-70:

(Million Rupee)

Year	Private Sector	% of Total	Public Sector	% of Total	Total
1969-70	1,206	87.20	177	12.80	1,383
1970-71	1,136	97.75	63	2.25	1,199
1971-72	747	91.32	71	8.86	818
1972-73	333	87.40	48	12.60	381
1973-74	282	64.98	152	35.02	434
1974-75	606	65.44	321	34.56	926
1975-76	391	29.29	944	70.71	1,335
1976-77	396	25.37	1,165	74.63	1,561

Sources: Pakistan Economic Survey.(Various Issues).

The new investment in the public sector mostly went to large projects in metallurgy, engineering, fertilizer, cement and oil refining where implementation of major projects was taken up with considerable enthusiasm. Some of these projects were located in under-developed areas in compliance with the policy of regional development and the development of backward areas.

However, only two major projects namely Alloy and Special Steel Plant at Karachi and Heavy Foundary and Forge at Taxila and one relatively small project namely, Swat Ceramics at Nowshera (all started in the previous regime) were completed and commissioned

during the six year period of experimentation with nationalisation. All other projects slipped over to a later period. Another significant event of this period was commencement of work on Pakistan's first integrated steel mills. Other projects (new as well as expansion) in Fertilizer, Cement and Oil Refining Industries were also taken up for execution during this period.

5. Recent Developments

The experiment with socialism/nationalisation ended on 5th July, 1977, when the Government fell on the heels of political upheaval. The new regime did not lose any time in announcing the reversal of the policy of nationalisation so enthusiastically embarked upon by the previous regime. Over 2000 cotton ginning factories and rice husking and flour mills were handed back to the private owners in September, 1977. Powers were taken under "Transfer of Managed Establishments Order, 1978", to denationalise and return to their original (private) owners industrial projects taken over by the previous regime. "Basic" industries, reserved for public sector by the previous regime e.g. cement, fertilizer, engineering, etc. were thrown open to the private sector. At the same time, a major effort was launched to invigorate the private industrial sector, to attract investment from within and without the country and once again to put primary reliance on the private sector as the instrument of industrialisation and economic progress. It is outside the purview of this paper to list the measures adopted by the Government during the last four years to activate the private industrial sector, but suffice it to say that a most attractive package of incentives and concessions has been offered to the private entrepreneur.

At the same time, new investment in the public sector was almost totally stopped but a determined effort was made to complete the "on-going" projects. This policy was essentially dictated by practical considerations. On the one hand it was essential to bring into production projects started by the previous regime. If this was not done, huge capital funds already invested in these projects would have remained unproductive. On the other hand, due to the high level of expenditure on the ongoing projects which included the giant integrated Steel Plant in Karachi, no investible funds could be allocated for other projects. Investment in the public sector, therefore, continued at a high level even though practically no new projects were taken up for implementation.

The major "on-going" projects completed and commissioned during the last four years include expansion projects in oil refining and cement sectors, one new and one expansion project in fertilizer sector and, of course, the first phase of the integrated steel plant where the first blast furnace has since been commissioned and metallurgical coke and pig iron are being produced.

Certain administrative changes were also brought in by the new regime to tone up the efficiency of the public enterprises: among them (1) abolition of Board of Industrial Management, (2) merger of certain corporations (holding companies) and (3) setting up of Boards of Directors for individual enterprises and corporations. As a part of its declared policy of denationalisation, three enterprises were returned to private owners and a couple of units were closed down.

Streamlined monitoring systems were also introduced through a newly created Expert Advisory Cell.

The performance of the private sector during the last four years has, however, not matched the incentives, concessions and encouragements provided to it by the Government as would appear from Table 7 :

TABLE 7

Investment in Large-Scale Manufacturing Sector at Constant Prices of 1969-70:

(in Million Rupees)

Year	Private Sector	% of Total	Public Sector	% of Total	Total
1976-77	396	25.37	1,165	74.63	1,561
1977-78	340	20.05	1,356	79.95	1,695
1978-79	335	21.91	1,194	78.09	1,529

Source: Pakistan Economic Survey (Various Issues)

It will be noticed that incentives and concessions notwithstanding, investment in the private sector has not picked up. Furthermore, there is a big gap between "sanction" and "implementation". To quote only one example, the Minister of Production recently lamented that out of 13 cement factories sanctioned by the Government to the private sector, machinery for only one has actually been imported*

6. Present position

This then is the way the industrial sector has developed in Pakistan during the last 34 years since

*Business Recorder, 19th August 1981.

its emergence as an independent state. Except for 5½ years when socialism and nationalisation dominated the thinking of the Government, reliance was placed on the private sector as the major instrument of industrial growth. The discipline of industrial schedules, taxation and pricing policies and regulation of imports and credit facilities have been relied upon to invigorate the private sector as well as to guide its development on desired lines. As shown above, however, it was realised early on that the burden of development could not be carried only by the private sector and Government intervention was necessary to fill the gaps where private sector was unable or unwilling to venture out and to create a base of heavy industry. Direct government action was also found necessary to achieve certain social objectives e.g. development of remote and backward areas. This in the main has been the assigned role of Pakistan's public enterprise sector, and State policy has all along shown a remarkable consistency in this behalf. Even during the era of nationalisation, direct government intervention in industry was initially restricted to what was described as "basic industries" and private sector was free to contribute in other areas.

The outstanding feature of the present industrial scene is the qualitative difference between the private and public sector enterprises. The private sector has confined itself to comparatively simple, small and medium size industries mostly producing consumer goods, while the majority of units in the public sector are large in size, of sophisticated technology and technical complexity, involving high capital investment and, in most cases, long gestation periods and low profit profiles. With

the coming on stream of the first phase of an integrated steel plant, the public sector as a whole, has achieved a position of pre-eminence. In relative terms and considering the total size of the industrial sector, the public sector in Pakistan has indeed secured the commanding heights of industry. It is also serving as a catalyst for the acquisition, upgrading and spread of technology and is helping create an environment conducive to growth of technology oriented industries. It has accumulated valuable experience of setting up and operation of large and complex industries and is providing excellent opportunities for development of technical and managerial skills, showing the way to self reliance and self-sustained growth.

In the above context, it would not be too wide off the mark to say that the role of the public industrial sector in Pakistan has unobtrusively - almost unintendedly - expanded beyond its original concept and has significantly changed in recent years. Due to the qualitative difference and the size and scale of their operation, the public enterprises now occupy a place in the national economy which gives them an importance out of proportion to the share of investment claimed by them. From what was essentially a supporting role, the public enterprise sector today finds itself in a leading role and seems to be steadily on its way to becoming the major vehicle of industrial development. This seems to be inherent in the situation as it has emerged over the years and is not likely to be altered in the foreseeable future. It may also be observed in passing that the public enterprise sector has achieved its present position and is emerging as a dynamic and responsive force in the industrial spectrum of Pakistan inspite of a

preponderant sentiment in favour of private enterprise. It is indeed a plus point in its favour and reflects considerable resillience.

The relationship between public and private industrial enterprises and their backward and forward linkages are of crucial importance for the achievement of balanced growth and for the success of both. To illustrate, the private sector in Pakistan is presently being vigorously encouraged to set up ancillary units to supply essential inputs for and down-stream projects to produce high value added products from the output of the country's first integrated steel plant. This is of seminal importance as without down-stream industries the full benefit of such a large enterprise will not accrue to the economy. Besides, the private sector is especially well placed to set up ancillary and down-stream industries and ^{it} simply does not make good business sense to try to develop these industries in the public sector. The role of promoting the development of ancillary and down-stream industries in the private sector appropriately devolves on the relevant public enterprises and hopefully will be vigorously taken up by them.

Looking at the total picture it would be fair to say that both private and public sectors have played their roles and despite shortcomings and failures, have significantly contributed to the remarkable progress achieved by the country in the industrial sector. Both sectors are, however, far from realizing their full potential. Both are beset by major and complex problems inhibiting progress and contribution to national economy. This is not the place to analyse their difficulties

and problems. But one observation would be permissible. It is high time that the relative position and roles of the two sectors are re-appraised and re-defined in the light of past experience and the realities of today. There is an ambivalence and uncertainty about the rules of the game which needs to be cleared up. Goals and objectives need to be re-stated not only in broad terms but as far as possible, in precise and unambiguous terms taking note of the changing circumstances and the requirements of the national policies. A clear-cut delineation of roles and precise statement of goals and objectives will infuse a renewed sense of direction and purpose and will contribute to greater progress and achievement by both public and private industrial enterprises.



