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Perspectives on Development

Foreign aid and industrial development in Pakistan

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FOREIGN AID AND INDUSTRIAL DEVELOPMENT IN PAKISTAN

by **Irving Brecher**

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TO OUR WIVES

FOR PATIENCE, SUPPORT AND ENCOURAGEMENT
WELL BEYOND THE CALL OF DUTY

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Preface

This study was conceived early in 1966, and the basic writing was completed in the summer of 1969. Coverage of the closing phase of the 1960s is relatively brief.

In the broadest sense, the past three years have been the most crucial in Pakistan's history. They have been years of deep social stress and bitter political strife – culminating in the outbreak of an East Pakistan rebellion which threatens to bring national disintegration. This is a real testing time for nation-building in Pakistan.

But the present study has been designed in a narrower setting. Its prime focus is on Pakistan's foreign aid experience from the early 1950s to the end of the Second Five-Year Plan in 1965. And it is chiefly from this perspective that the analysis should be viewed. It will be for others to update the detailed 'foreign aid' story, and to assess the full range of complex interrelations between foreign assistance and Pakistan's national development.

Needless to say, we have not achieved all of our research goals. We are, however, in great debt to those who have helped to make the effort worthwhile – in particular, Dr Moin Baqai, Joint Secretary of the Pakistan Economic Co-ordination and External Assistance Division (and formerly Joint Chief Economist in the Planning Commission), for many important suggestions adopted throughout the work; Professor Edward S. Mason of Harvard University, and Dr Ernest Stern of the United States Agency for International Development, who read and commented critically on the entire manuscript; and Professor Martha F. Loutfi of McGill University, for close collaboration in revising and improving the study. We are also grateful to Drs Hans W. Singer and Meir Merhav, formerly of the United Nations, for sound advice and comments during the planning phase of the research; and to Harold A. Crooks and Claude Lemelin, McGill graduate students, and K. Zaheer Ahmad and Zahoor Alam, M.A. graduates of the Punjab University (Lahore), for valuable research assistance at various stages of the work.

In addition, we are indebted to a host of officials in Pakistan and in the aid-giving countries and agencies, whose co-operation has made it possible to penetrate well beyond the generalities that usually surround foreign aid discussion; and to the United Nations Industrial Development Organization and the McGill University Centre for Developing-Area Studies, which have provided both the financial support and the encouragement essential to the performance of our task. A final word of thanks goes to Miss Rosalind E. Boyd and Miss Grace Goldman for an editorial job well done; to Syed M. Naseer, Mrs Evelyn M. Jones and Miss Christine Ausman for generous assistance on all biblio-

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graphic matters; and to Mrs R. G. Barnard and Miss Elinor Fleck for efficiently typing and collating the manuscript.

It remains only to emphasize that responsibility for the analysis and findings presented here lies with the authors; and that this responsibility is not shared by the institutions in which we are or have been employed.

Montreal and Geneva
March 1971

IRVING BRECHER
S. A. ABBAS

Abbreviations

ADBP	Agricultural Development Bank of Pakistan
ADP	Annual Development Programme (Pakistan)
BAW	Federal Office for Manufacturing Industry (West Germany)
CCIE	Chief Controller of Imports and Exports (Pakistan)
CDC	Commonwealth Development Corporation (Great Britain)
CDFC	Commonwealth Development Finance Company Ltd (Great Britain)
CIDA	Canadian International Development Agency
c.i.f.	cost, insurance, freight
CIPCC	Central Investment Promotion and Co-ordination Committee (Pakistan)
CSO	Central Statistical Office (Pakistan)
DAC	Development Assistance Committee of the OECD
DLF	Development Loan Fund (United States)
ECCC	Economic Co-ordination Committee of the Cabinet (Pakistan)
ECNEC	Executive Committee of the National Economic Council (Pakistan)
EPFIDC	East Pakistan Forest Industries Development Corporation
EPIDC	East Pakistan Industrial Development Corporation
EPSIC	East Pakistan Small Industries Corporation
EPWAPDA	East Pakistan Water and Power Development Authority
Eximbank	Export-Import Bank of Washington
FEC	Foreign Exchange Committee (Pakistan)
GAWI	Corporation for the Promotion of the Interests of Developing Countries (West Germany)
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association
IDBP	Industrial Development Bank of Pakistan
IFC	International Finance Corporation
KFW	Reconstruction Loan Corporation (West Germany)
NEC	National Economic Council (Pakistan)
ODM	Ministry of Overseas Development (Great Britain)
OECD	Organization for Economic Co-operation and Development
OGL	Open General Licence Scheme (Pakistan)
PC 1	Planning Commission Form no. 1 (Pakistan)
PICIC	Pakistan Industrial Credit and Investment Corporation
PIDC	Pakistan Industrial Development Corporation
PIFCO	Pakistan Industrial Finance Corporation
PL 480	US Public Law 480
TAC	Technical Advisory Committee of the IDBP
UNCTAD	United Nations Conference on Trade and Development

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UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
US AID	United States Agency for International Development
WPIDC	West Pakistan Industrial Development Corporation
WPSIC	West Pakistan Small Industries Corporation
WPWAPDA	West Pakistan Water and Power Development Authority