APPENDIX I

NOTES ON 5 YEAR PLAN

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Chapter Headings

Objectives and Strategy

page 4 Unemployment – 550,000 unemployed out of a labour force of 4.5 mil. i.e. more than 12%.

Additional 120,000 persons seek employment each year.

pp. 8 & 9 Foreign Exchange Problem – Difference between total foreign exchange earnings and total foreign exchange payments greater than Rs. 1100 mil. Export earnings stagnant; prices rise although production increases.

Import prices rose by 33% from 1964 to 1970.

Foreign debt increased from Rs. 374 mil. in 1964 to Rs. 1551 mil. in 1970.

p. 9 FOREIGN EXCHANGE EARNINGS AND EXPENDITURE ON SELECTED ITEMS – 1970 *(Rs. Million)*

1. Total foreign exchange earnings	2,264
2. Imports –	
(a) Food	1,069
(b) Textiles	124
(c) Drugs	29
(d) Other consumer goods	72
(e) Intermediate goods	451
3. Debt servicing (capital repayments and interest on all foreign debt)	757
4. Total of items (2) to (3)	2,502

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Savings and Investment: During 1959 to 1969 domestic savings averaged about 12% of gross domestic production and investment averaged 17% of GDP.

Difference was by foreign loans.

During the plan period savings should increase to 17% and per capita income increase from Rs. 910 in 1972 to Rs. 1150 in 1976 (at 1970 prices).

Investment should increase to 20% of GDP.

GDP will increase from 11,760 mil. in 1970 to Rs. 16,822 mil. in 1976.

p. 24 FINANCING OF THE INVESTMENT PROGRAMME

(Rs. Million at current prices)

	1972	1973	1974	1975	1976
1. Gross investment Sources of Finance ..	2,565	2,742	2,955	3,161	3,394
2. Govt. savings[1] (surplus on current account) ..	112	123	197	288	383
3. Surplus of Public Corporations ..	120	145	176	214	272
4. Private savings ..	2,024	2,133	2,255	2,382	2,513
5. Nett capital inflow ..	309	341	327	277	226

[1] These estimates are based on the classification in the National Accounts.

Fundamental condition for scope of the Plan will be achievement of target for private savings viz. Rs. 11,307 million.

Expansion of non-traditional exports and the tourist industry both rely heavily on private sector investment. However, since a large part of increased incomes will be in the poorer strata of society savings must be mobilised on a national scale including rural population and urban working-class.

Foreign capital will include official Government borrowing from foreign lending institutions and Government's as well as private foreign investments and suppliers credits for plant, equipment and other goods i.e. foreign commodity aid and project aid are included.

Nett foreign borrowing should decline after 1973.

Distribution of Investment

INVESTMENT IN PUBLIC AND PRIVATE SECTORS

(Rs. million at current prices)

	1972	1973	1974	1975	1976
1. Public investment ..	1,101	1,220	1,372	1,558	1,787
2. Private investment ..	1,464	1,522	1,583	1,603	1,607
Total ..	2,565	2,742	2,955	3,161	3,394

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SECTORAL COMPOSITION OF INVESTMENT

(Rs. Million at current prices)

	Total	*Public*	*Private*
1. Agriculture ..	3,000	1,700	1,300
2. Industry (mining, quarrying and manufacturing) ..	2,240	1,240	1,000
3. Transport, Communication and Power ..	2,480	2,290	190
4. Services ..	850	550	300
5. Construction –			
Housing* ..	4,200	200	4,000
Other ..	100	60	40
6. Capital replacements ..	1,000	500	500
7. Total gross fixed investment ..	13,870	6,540	7,330
8. Additions to stocks and work in progress ..	950	500	450
9. Total gross investment ..	14,820	7,040	7,780

* i.e. new housing, extensions, improvements and repairs and related infrastructure.

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Sectoral Growth

SECTORAL CONTRIBUTION TO GROSS DOMESTIC PRODUCT
1970 and 1976

(Rs. million at 1970 prices)

	1970		1976		
Sector	*Value in Rs. mil.*	*Share of each sector*	*Value in Rs. mil.*	*Share of each sector*	*Annual rate of growth per cent*
(1) Agriculture ..	4,264	36.3	5,671	33.7	4.9
Tea (includes processing) ..	801	—	953	—	2.8
Rubber (includes processing) ..	328	—	374	—	2.2
Coconut ..	593	—	727	—	3.5
Paddy ..	951	—	1,433	—	7.1
Other ..	1,582	—	2,184	—	5.5
(2) Industry ..	1,523	13.0	2,692	16.0	10.0
(3) Construction ..	771	6.5	1,094	6.5	6.0
(4) Services ..	5,202	44.2	7,365	43.8	5.9
(5) GDP at 1970 factor cost prices ..	11,760	100.0	16,822	100.0	6.1

* These estimates are in constant prices. The investment in 1976 is not included, as output from this investment will be derived after the Plan period.

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Balance of Payment

BALANCE OF PAYMENTS FORECAST

(*Rs. million at current prices*)

	1970			1976		
Current Account	*Credit*	*Debit*	*Nett*	*Credit*	*Debit*	*Nett*
1. Merchandise ..	2,011	2,336	–325	2,710	2,893	–183
2. Profits, dividends and interest	11	153	–142	14	240	–226
3. Other ..	242	243	– 1	410	226	+144
4. Total current account ..	2,264	2,732	–468	3,134	3,399	–265

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Employment

EMPLOYMENT CREATED DURING THE PLAN PERIOD

1. Agriculture	..	.. 300,000
2. Industry	..	.. 165,000
3. Construction	..	.. 60,000
4. Services	..	.. 285,000
	Total	.. 810,000

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Plan Implementation

Implementation in 3 areas: small scale sector, public sector, private sector.

The Small Scale Sector

Small scale agriculture and industry vital.

Small scale industries expected to grow at about 15% per year, i.e. total production must double between 1972 and 1976. Small scale agriculture must provide employment opportunities.

Increases in production in paddy, cotton, subsidiary food crops, manioc, passion fruit and pineapple.

Small producers organised for collective and co-operative effort. The Co-operative as a buyer of goods, especially in rural areas.

Elimination of the middle man.

Co-ordination at district level by district development committee.

Regional Development Division of the Ministry of Planning and Employment.

Divisional Development Councils organised by DROO.

Public Sector

Large scale and heavy capital investment in public sector enterprises.

Problems of under utilisation of existing capacities, due to raw material shortages, market limitations, failure of management and workers etc.

Role of public corporations as growth agents for small industry.

"Walking on two legs" – Agriculture and industry go together.

"As agriculture and light industry develop, heavy industry, assured of its market and funds will grow faster."

Delays in construction of major projects in the public sector and consequent increase in cost and loss of production – due to lack of resources or both organisation and management?

Vital role of State Engineering Corporation, Mahaveli Development Board, River Valleys Development Board, the State Construction and Development Corporation, and the Buildings Department.

Private Sector

Significant role of the private sector in overall terms. Plantations sector output must be increased.

A new export sector for manufacture (non-traditional products) The Tourist Programme.
Housing construction.