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Travel Briefings: Pakistan - Travel briefs 01

-17, 1968

**DECLASSIFIED**  
WBG Archives

PAKISTAN

532/1/30

PAKISTAN

11/14-15/68  
(Rawalpindi)

President Ayub Khan  
N.M. Uquaili, Minister of Finance  
M. Raschid, Governor, State Bank  
Dr. S.A. Meenai, Executive Director, State Bank  
A. Jamil Nishtar, Executive Director, State Bank

11/14/68  
(Peshawar)

Chaudri Mohammed Ali, Vice Chancellor, Peshawar University

11/15/68  
(Lahore)

Mohammad Musa, Governor of West Pakistan

11/15/68  
(Islamabad)

M.M. Ahmed, Deputy Chairman, Planning Commission  
Ghulam Ishaq Khan, Secretary of Finance  
S.S. Jafri, Secretary for Industries and Natural Resources  
I.A. Khan, Secretary, Economic Affairs Division  
S.M. Yusuf, Secretary for Foreign Affairs  
Qamarul Islam, Secretary, Planning Division  
Dr. Mahbub ul Haq, Chief Economist  
Sartaaj Azia, Chief of International Economic Section, Planning Div.  
Shafiul Azam, Additional Chief Secretary, Planning and Development

11/16/68  
(Karachi)

Met at dinner:  
Khalid Wahid, President, Pakistan Federation of Chambers of Commerce and Industries; President, Fff oze Sons Ltd. (drugs; printing  
G.M. Adamjee, Director, Adamjee and Sons Ltd. (jute, cotton textile industry; insurance; banking  
Mian Mohammad Bashir, Chairman, Mohd. Amin Mohd Bashir Ltd. (mainly cotton exports)  
A. Jalil, Chairman, Amin Group of Companies (jute industry; jute import; oil refinery)  
Iski Ispahani, Director, M.M. Ispahani Ltd. (jute industry; tea industry)

*Mr. McNamara - to see please.*  
*MS 10/10*

## OFFICE MEMORANDUM

TO: Records

FROM: C.G.F.F. Melmoth *[Signature]*

SUBJECT: Pakistan: Annual Meeting Discussions

DATE: October 15, 1968

On October 7 Mr. N.M. Uquaili, Finance Minister of Pakistan, called on Mr. McNamara. He was accompanied by Mr. S. Osman Ali, Mr. Ghulam Ishaq Khan, Mr. Majid Ali and Mr. A.R. Bashir. Mr. Knapp, Mr. Friedman, Mr. Cargill and Mr. Melmoth attended the meeting.

Mr. Uquaili said that he intended only to make a courtesy call and would not, therefore, wish to discuss in any detail particular matters, but he wished to indicate a few matters which he was taking the opportunity to discuss in the Bank while he was in Washington. First, he was glad to know that Mr. McNamara would shortly be visiting Pakistan, and said that he would wish to make Mr. McNamara's visit as pleasant and as useful as possible. Mr. McNamara said that Pakistan's achievements in recent years had been very impressive and he was looking forward to going to Pakistan very much. His plans were not yet firm, but he hoped that in the few days he would be in Pakistan he would be exposed to a broad range of Pakistan's problems, so that he could be more helpful in considering these matters back at the Bank. The matter was left that Mr. McNamara expected to settle his plans in the course of the week, and that Mr. Cargill would meet with Mr. Osman Ali and Mr. Ghulam Ishaq Khan to settle a program.

Mr. Uquaili said the second matter he wished to refer to was his proposal that the Government should employ general consultants to provide advice as to how more use could be got out of existing assets. What he had in mind was that some of the Government corporations were not very efficient. He instanced the Power Wing of WAPDA and the Railways, and in some of the industrial sectors production efficiency was low. He had in mind that the general consultants would provide specialists in various fields to make recommendations for the upgrading of performance. He hoped that since the implementation of the proposal would involve foreign currency costs which he estimated tentatively at around \$5 - 6 million, the employment of the consultants could be financed by IDA. Mr. Knapp said that while he agreed that the proposal was a good one, similar proposals had been made by other members in the past, but the Bank did not undertake the financing of the employment of general purpose consultants, particularly those concerned with operations solely. Mr. Cargill said that he had already indicated to Mr. Uquaili that the employment of general purpose consultants would be difficult to accommodate, but he thought we could leave the idea open for further consideration as it might be possible to cover at least part of the ground in conjunction with lending operations. Mr. McNamara agreed that the question should be left for further consideration.

Mr. Uquaili said a further matter which he wished to bring to Mr. McNamara's attention was the urgent need for commodity financing assistance through IDA, so as to enable Pakistan to provide raw materials for industry to enable the existing plants to operate at full capacity. He mentioned that the low lift pump project for East Pakistan was an important one and financing the import of raw materials would enable these pumps to be manufactured locally.

Mr. Uquaili then went on to refer to the earlier understanding that Pakistan and the Bank would consult before approval to go ahead with the construction of a third fertilizer plant was given. The Government now considered a third plant was justified and arrangements had been made for a detailed review of the situation.

Mr. McNamara said that Mr. Uquaili's remarks about commodity financing raised the question of program financing as distinct from project financing. This was a matter of some difficulty which he would prefer to discuss further when he visited Pakistan. He noted that arrangements were being made to review the justification for a third fertilizer plant.

Mr. McNamara then enquired about the relations between East and West Pakistan. Mr. Uquaili said he foresaw no major problem. The breakthrough in agriculture which had been experienced in West Pakistan had not been matched in the East, and therefore more help to East Pakistan would be needed. In reply to an enquiry from Mr. McNamara, Mr. Ghulam Ishaq Khan said that the disparity in economic development between the East and the West was being reduced. Last year the rate of growth in East Pakistan had been 8.6 percent compared with 8 percent in West Pakistan. Separate statistics were not compiled for the per capita income, but he thought that the comparative figures were of the order of Rs. 380 in West Pakistan and about Rs. 340 in East Pakistan. To narrow the gap further, in the last two years public sector allocations of expenditure had been 53 percent for East Pakistan and 47 percent for West Pakistan. The Government was providing extra incentives for development in East Pakistan such as a bigger fertilizer subsidy, lower rates of import duty and taxation incentives for private industry. Mr. Ghulam Ishaq Khan went on to say that what they were attempting to do was to reconcile the sector approach and the regional approach in allocating funds, bearing in mind that measures to reduce the disparity between the regions would only be financed by resources produced from the sectors having the greatest potential room for expansion. Mr. Uquaili added that the Government had inherited a difficult situation because West Pakistan had got off to a better start, particularly because private industry was already well established in West Pakistan, whereas East Pakistan had very little in the way of facilities or private enterprise at the time of partition. East Pakistan had been substantially behind, but the Government was constantly reviewing policy with a view to narrowing the gap between East and West Pakistan. Mr. McNamara said he was glad to hear

that the Minister took such an optimistic view of the prospects of reducing the disparity between the East and the West, and was interested to learn that the disparity between per capita incomes was not so great as he had thought was the case. He was also glad to learn that attention was being given to these problems as he thought it was important to find the right solutions to them.

Mr. Ishaq Khan remarked that the Government attached importance to the review of Pakistan's debt servicing capacity. Although exports in the recent past had grown at the rate of 10 percent per annum, the burden of maintaining the pace of development was resulting in the debt service rising to about 17 - 18 percent of export earnings. With a continuing shortfall in Consortium assistance, a serious problem could soon arise. The problem was created through the bunching effect of using suppliers' credit when other assistance was inadequate, and Pakistan needed assurance of the continuance of long term aid. Mr. McNamara said that the Bank would be carrying out debt service studies in depth, but in the short run there was little that the Bank could do to meet the situation caused by the delay in replenishing IDA. The Bank had proposed that several projects which were to have been financed by IDA should be financed by Bank loans for a longer term and with a longer grace period. He had already indicated that in view of Pakistan's potential debt service situation, when IDA funds became available it would be necessary to see that a larger proportion of the assistance to Pakistan was from IDA.

Mr. Uquaili thanked Mr. McNamara for the opportunity to raise these matters with him and said that he looked forward to further discussions in the course of Mr. McNamara's forthcoming visit.

Cleared by Mr. Cargill

cc: Mr. McNamara  
Mr. Knapp  
Mr. Cargill  
Mr. Goodman  
Mr. Street

CGFFMelmoth:dp

## OFFICE MEMORANDUM

TO: Records

DATE: October 7, 1968

FROM: C.G.F.F. Melmoth *CM.*

SUBJECT: Pakistan: Courtesy Call by Governor of the State Bank

Mr. M. Raschid, Governor of the State Bank of Pakistan, paid a courtesy call on Mr. McNamara this morning.

Mr. Raschid said his purpose was simply to pay his respects to Mr. McNamara and not to raise any matters of substance. He added, however, that he had much appreciated the views which Mr. McNamara had expressed in his speech in the course of the Annual Meeting. He also expressed the hope that in the course of his forthcoming visit to Pakistan, Mr. McNamara would spare time to visit the State Bank in Karachi. Mr. McNamara said that he had been much impressed by Pakistan's achievements in development in recent years despite various difficulties, and he was looking forward to his visit to Pakistan. The timing and details of his visit had not yet been settled and he was not sure whether he would be able to call on the State Bank, but this possibility would certainly be considered.

Mr. Raschid said that he would like to have the opportunity of enlarging on the problems Pakistan faced in financing its development, and he hoped that the Bank Group would be able to provide more assistance as he believed that, although it was important to get as much aid on soft terms as possible, the quantum of aid was probably more important than the terms on which the aid was made. It would also be important to deal with the situation which would arise as the result of the decline in U.S. aid, particularly in the field of providing finance for commodity imports. Mr. McNamara said he was inclined to agree that Pakistan could probably absorb rather more Bank loans than had earlier been intended. On the question of non-project aid, or program aid, he was sympathetic towards the view that the Bank should help by providing program loans of this kind already extended mainly to India, but it was clear that there was considerable opposition to the policy of providing IDA credits to finance imports and, even more, to providing such finance on Bank terms. He hoped, however, that in the coming months the result of further consideration of the possibility might bring about some change in the present attitude.

Mr. Raschid enquired whether Mr. McNamara would visit East Pakistan in the course of his coming visit. Mr. McNamara said that although he might not be able to visit East Pakistan on this occasion, he certainly wished to use the opportunity of his visit to discuss East Pakistan's problems, because he thought the difficulties to be overcome

President has seen



in increasing the rate of economic growth were greater than in West Pakistan.

Mr. Raschid concluded by repeating that he hoped that he would have the opportunity of seeing Mr. McNamara in the near future in Karachi.

cc: Mr. McNamara  
Mr. Knapp  
Mr. Cargill  
Mr. Goodman/Mr. Street

CGFFMelmoth:dp

## OFFICE MEMORANDUM

TO: Records

DATE: May 27, 1968

FROM: I. P. M. Cargill *I. P. M. Cargill*SUBJECT: PAKISTAN: Call by Mr. Syed Amjad Ali

Mr. Amjad Ali, former Pakistan Ambassador to the U.S., called on Mr. McNamara today. In the course of the conversation, Mr. Amjad Ali referred to conversations he had had through the years with many people including Mr. Black and Mr. Woods about the possibility of stabilizing commodity prices by building up stockpiles to be financed by some international agency. He said that in his view this was a more appropriate function for the Fund than for the Bank but previously, when he had made this proposal to the Fund, the Fund had decided that its Articles would not permit it to engage in such activity. He asked Mr. McNamara to think about the problem. In reply Mr. McNamara said that the stabilization of commodity prices had been engaging the attention of many people and that currently the Fund and the Bank were doing a joint study which had been requested by the Governors at Rio. He would have to await the completion of this study but would bear in mind Mr. Amjad Ali's remarks. ✓

Mr. Amjad Ali went on to stress the importance of population control and urged that the Bank should take a lead in supporting population control programs and giving them fresh impetus. Mr. McNamara said that the Bank was taking an increasing interest in this problem, but he was not yet certain what form of action the Bank could take to stimulate these programs. He agreed that seeking a solution of the problem was of highest economic importance and assured Mr. Amjad Ali that the Bank would do whatever it could appropriately do to help.

May 17, 1968

MEMORANDUM OF CONVERSATION WITH MR. M. M. AHMAD, MINISTER OF PLANNING, PAKISTAN

Among other points, I emphasized to Ahmad that it was absolutely essential for Pakistan and India to begin to work together on preparing a plan for developing the water resources of the Ganges-Brahmaputra Basin. I stated that such a joint study could not begin unless it were started and approved by President Ayub and Madame Gandhi. I urged that he emphasize to his government the importance of initiating such a step. He reported what I already knew, that is that discussions at a low technical level were scheduled to take place this week. He will query Rawalpindi regarding the outcome of these discussions and report the information to me. He agreed that it would be necessary for Ayub to personally push this project and he will urge him to do so. I stated my willingness to work with both Heads of State to move it forward. I added that unless the two countries joined together in studying the problem and developed complementary programs which assured that the investment of one would not be destroyed by the action of the other, the Bank would not be able to participate in the financing of the East Pakistan water development projects included in the new five-year plan.

# Background Notes



## PAKISTAN

Population: 118.6 million  
Capital of the Central Government: Islamabad  
Capital of West Pakistan: Lahore  
Capital of East Pakistan: Dacca

Pakistan consists of two provinces, East Pakistan and West Pakistan, separated by the breadth of India, or a thousand miles by air and three times that distance by sea. The two provinces differ considerably from each other in economy, terrain, climate, language, ethnic groups, diet, and tradition. In its entirety, Pakistan comprises an area of 365,529 square miles—roughly equivalent to the combined areas of Texas and Colorado.

Islamabad, West Pakistan, is the capital of the central Government. However, the National Assembly meets, in alternate sessions, at Dacca, the provincial capital of East Pakistan, and the Supreme Court sits at Lahore, the provincial capital of West Pakistan.

West Pakistan comprises a total area of 310,403 square miles (85 percent of the land area) and supports approximately 54.6 million people (46 percent of the population). It has a southern coastline fronting on the Arabian Sea and is bounded by Iran on the west, Afghanistan on the north and northwest, the disputed State of Jammu and Kashmir on the northeast, and India to the east. West Pakistan has three main topographical sections—the mountain wall along the northern, northwestern, and northeastern frontiers; the arid, barren, central plain which stretches mostly as a sandy desert from the Arabian Sea northward; and the fertile, intensively cultivated Indus Valley. Since rainfall averages less than 5 inches per year, agriculture is dependent on a vast network of irrigation canals connected with the Indus and its tributary rivers—the Jhelum, Chenab, Sutlej, and Ravi.

East Pakistan faces the Bay of Bengal and, except for a small strip in the southeast adjoining Burma, is surrounded on three sides by India. The province comprises 55,126 square miles (15 percent of the land area) with a population of approximately 64 million people (54 percent of the population), making it one of the most densely populated areas in the world. East Pakistan is a fertile deltaic region formed by the many branches and tributaries of the Ganges and Brahmaputra Rivers which crisscross the province. Rainfall averages 70 to 90 inches a year and reaches 200 inches in the northeast.

The flag of Pakistan is comprised of a green field, with a white vertical stripe down the left side and a white crescent and star on the green field. The green field and star and crescent honor Islam, the predominant faith; white represents the non-Muslim minorities.

### THE PEOPLE

Pakistan is a multiethnic and multilingual state. Urdu and Bengali are designated as the official languages, but English is widely spoken and is an accepted language in government.

In West Pakistan a number of regional languages also are spoken, including Punjabi, Pushtu, Sindhi, and Baluchi. About 98 percent of the population of West Pakistan and 82 percent of that of East Pakistan are Muslim. The only large minority group is Hindu (about 14 percent of the population of East Pakistan).

Pakistan's population is increasing at an estimated annual rate of 2.8 percent.

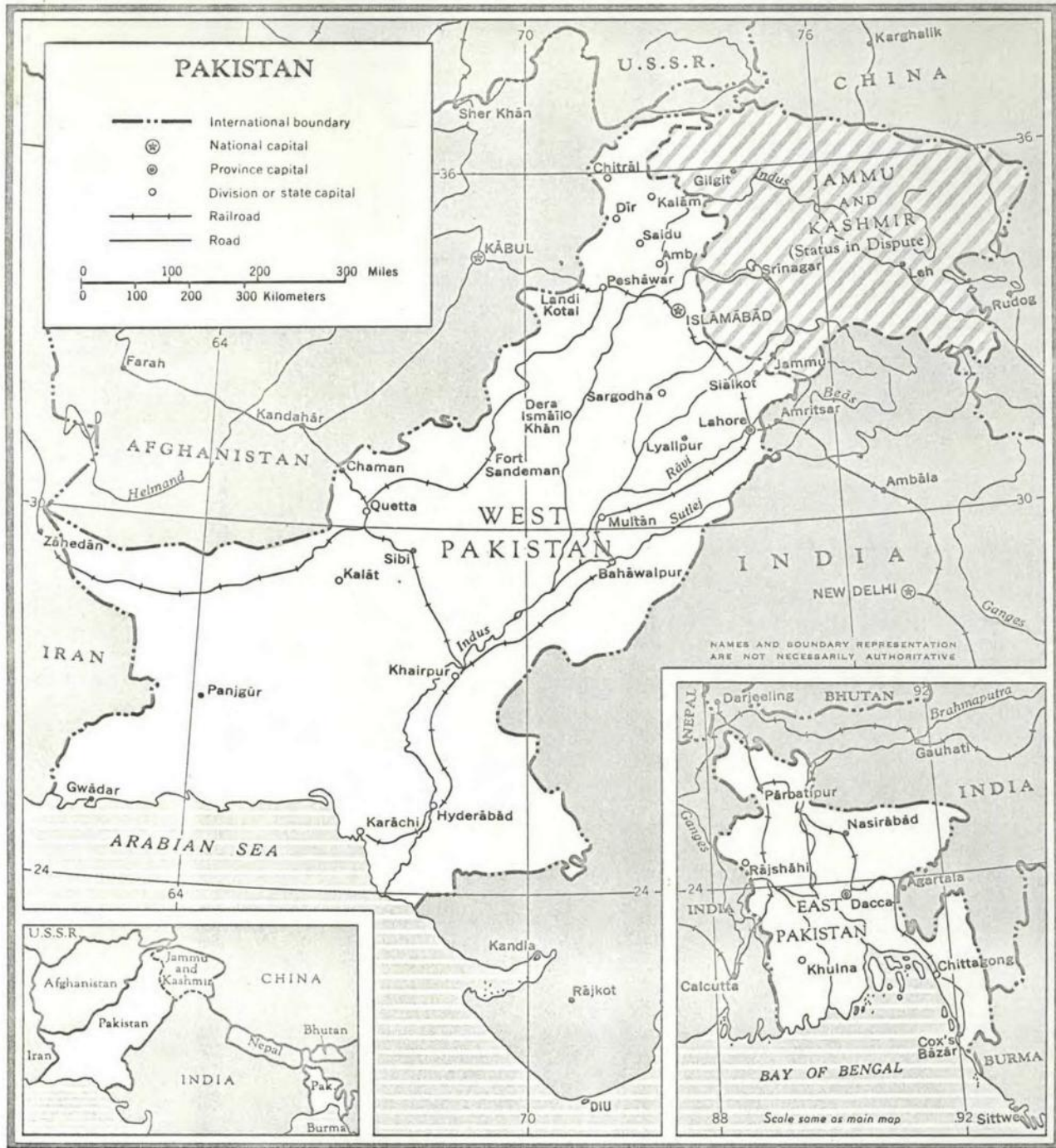
### HISTORY

The forces which generated the concept of Pakistan as an independent nation for the large Muslim population of the Indian subcontinent stem directly from developments in British India in the last half century. Indirectly, however, they go back hundreds of years.

Muslim sailors reached the coast of Sind early in the seventh century during the lifetime of the Prophet Mohammed, and Muslims made a temporary conquest of Sind early in the eighth century. Between the 11th and 18th centuries successive Afghan and Turkish invaders gradually spread their authority across most of northern India. During this long period of Muslim rule large numbers of Indians were converted to Islam. The influence of Islam reached as far east as Bengal, but never penetrated deeply into south India which remained predominantly Hindu.

By the last half of the 18th century Great Britain gradually began to assume control of India. After a century of British rule, Muslim and Hindu leaders began to agitate for an effective voice in Indian affairs. The Indian National Congress, which was organized in 1885, was the first spokesman in petitioning Great Britain for a greater degree of home rule, but it included only a few Muslims.

To present their position more effectively, a number of Muslim leaders formed the All India



Muslim League in 1906, and in 1913 formally adopted the goal already accepted by leaders of the National Congress—self-government for India within the framework of the British Empire. However, the Congress and the League were unsuccessful in reaching agreement on a formula for the protection of Muslim religious and economic rights and for Muslim representation in an independent Indian Government. Mounting tension over the question of Hindu-Muslim relationships, coupled with widespread disappointment at the limited extent of British reforms, led to a series of bitter communal disturbances which recurred in India at intervals from 1920 until the outbreak of World War II.

## Pakistan and Partition

The idea of Pakistan as a separate Muslim nation to be created by a partition of India developed in the 1930's. In 1940 the Muslim League, led by Mohammed Ali Jinnah, officially endorsed the goal of establishing Pakistan as a homeland for the Muslims of the subcontinent.

At the end of World War II Great Britain took steps to grant India independence. The National Congress and the Muslim League were unable to agree, however, either on the terms for drafting a constitution or on the method for establishing an interim government. Finally, in June 1947, the British Government declared that it would grant full dominion status to two successor states—India and Pakistan. Pakistan was to consist of the contiguous Muslim-majority areas of British India; Bengal and the Punjab were to be partitioned, and the princely states were to be free to accede to either dominion. Pakistan thus became a self-governing dominion within the Commonwealth on August 14, 1947.

## Post-Partition

The partition of India, particularly the Punjab, was accompanied by communal rioting with the loss of tens of thousands of lives. Some 6 million Muslims fled into Pakistan and a like number of Hindus and Sikhs into India.

The death of Jinnah in 1948 and the assassination in 1951 of his political successor, Prime Minister Liaquat Ali Khan, deprived Pakistan of its two most able leaders and dealt a serious blow to the nation's political development. The political instability which followed brought frequent partisan realignments and cabinet changes in the central Government as well as in the provinces. After 1954 the situation was aggravated by gradual economic deterioration in the country.

On March 23, 1956, following the adoption by the National Assembly of a new constitution, Pakistan ceased to be a dominion and became a sovereign "Islamic Republic" while remaining within the British Commonwealth.

In 1958 a group of senior military officers, who heretofore had avoided direct political involvement, considered it necessary to take control of the nation's affairs. On October 7, 1958, the then President, Iskander Mirza, supported by the Army Commander-in-Chief, General Ayub Khan, and other senior officers, proclaimed a "peaceful revolution" embodying the imposition of martial law, abrogation of the Constitution, dissolution of the central and provincial legislatures, and abolition of all political parties.

General Ayub, who was appointed Chief Martial Law Administrator and Supreme Commander of the Armed Forces, assumed the Presidency with the resignation of Mirza on October 27, 1958. He was confirmed in office in an indirect election during the winter of 1959-60 and was sworn in on February 17, 1960, for a 5-year term.

Martial law was withdrawn on June 8, 1962, and the new National Assembly convened in accordance with a new Constitution promulgated by President Ayub on March 23, 1962, the date now celebrated as Pakistan's National Day.

The first Presidential election under the new Constitution took place in January 1965, with President Ayub being reelected for another 5-year term.

## GOVERNMENT

The present Government is federal and presidential in form. The President, who has wide executive powers under the Constitution, selects his Cabinet and is Supreme Commander of the military forces. The National Assembly has 156 members (six women), divided equally between the two provinces. The central Government has exclusive power to make laws on certain subjects which are listed in the Constitution—such as defense and foreign affairs, trade and commerce, banking, insurance, and telecommunications.

The two provincial governments are headed by a Governor who is chosen by the President. The Provincial Governor, with the concurrence of the President, appoints a provincial cabinet. Each provincial assembly has 155 members; five seats are reserved for women. The provincial governments have jurisdiction over all residual matters.

The day-to-day administration is handled by the extensive civil services which reach down to the village level. The civil services are divided into the all-Pakistan services, such as the Pakistan Civil Service and the Pakistan Police Service, and the provincial services, which are organized on functional lines. The principal subcabinet positions in the central Government, as well as many key jobs in the provincial hierarchies, are held by the all-Pakistan services.

In 1960 President Ayub instituted the system of "Basic Democracies." The purpose of this

system was to provide a uniform local government structure throughout the country and to provide grassroots experience in self-government. The Basic Democracies are organized in successive tiers, starting at the village. The Basic Democrats at the lowest level (approximately 80,000) are elected by universal franchise and form Union councils, which have power to carry out local development schemes. The higher councils are composed of (1) Basic Democrats elected by the immediately preceding level, and (2) nominated Government officials. Each of the higher councils has an advisory role in local matters.

The Basic Democrats also serve as the electoral college for the elections to the national and provincial assemblies and for the election of the President of Pakistan.

## POLITICAL CONDITIONS

Political activity and political parties were banned during the period of martial law. Since June 1962, when the ban was lifted, several parties have been formed—all with roots in the pre-martial law period—and other political groups are active. President Ayub leads the Pakistan Muslim League, which has substantial majorities in the central and two provincial assemblies. Other parties or political groups are: the Awami (People's) League, the National Awami Party, the coalition National Democratic Front, the Council Muslim League, the Jamaat-i-Islami, and the Nizam-i-Islam.

## ECONOMY

At the time Pakistan was created, its economy was almost exclusively agricultural. For all practical purposes there were no industries, no indigenous banks, few merchants, and practically no trained technicians, professional people, or even skilled laborers.

In the years since partition Pakistan has made considerable progress in developing its economy. Banks and businesses have been established. A substantial amount of industrialization has taken place. Considerable technical and professional talent as well as industrial skills have been developed.

In spite of the development which has taken place, the standard of living in Pakistan is still very low; per capita income is about \$95 annually. There is considerable unemployment as well as underemployment.

## Agriculture

Agriculture accounts for almost 50 percent of Pakistan's national income. The agricultural sector provides employment for three-quarters

of the population and contributes more than two-thirds of the country's exports. Agricultural production has increased at an annual rate of about 5 percent, which is particularly impressive and points to achieving self-sufficiency in food grains by 1970-71. Gains in agriculture have come from increased productivity per acre rather than from an increase in acreage. More than 40 percent of the country's resources are being allocated for direct and indirect investment in agriculture.

## Natural Resources

Mineral resources include limited amounts of coal, petroleum, iron ore, chromite and gypsum, and large reserves of natural gas. Coal production is less than half of Pakistan's annual requirement although the recent discovery of large deposits of high-grade coal in East Pakistan may alleviate the coal shortage. The exploitation of natural gas at Sui and Mari in West Pakistan and Sylhet in East Pakistan has also changed the fuel and power situation. Capacity for electric power production in 1965 was estimated at 1,400 megawatts, of which more than three-quarters was hydroelectric. By 1970 the country's installed capacity of electric power is expected to double.

## Industry

At the time of independence there was little organized industry in Pakistan. In recent years the industrial sector has grown at a rapid rate, and overall total industrial output increased at an average annual rate of about 15 percent. With a relatively favorable investment climate encouraging private enterprise, important new manufacturing capacity has been established, ranging from the traditional textiles and jute to pharmaceuticals, sporting goods, and steel. Industrial output is now almost 15 percent of the gross national product (GNP) and is increasing.

## Development Plans and Progress

Pakistan's economic development efforts are being carried out under a series of 5-year development plans. The decade of the fifties, which included the First Plan period (1955-60) was a period of rapid expansion and industrialization followed by a period of stagnation. This situation was aggravated by political instability and inflationary pressure. Given these conditions, the growth in GNP barely exceeded the growth in population during the First Plan period.

However, there is general agreement that performance during the Second Plan period, which

ended June 30, 1965, was outstanding. About midway through the plan, economic indices began to move sharply upward and to exceed the expectations of the plan itself. The actual increase in national income over the Second Plan period is estimated at 30 percent as compared with a plan target of 24 percent.

Growth of the economy was shared by all major sectors of the economy, with agriculture contributing a major portion of growth for the first time. Agriculture showed an increase of 3.5 percent annually as compared with an agricultural growth rate of 1.3 percent during the First Plan—and, for the first time offset the annual population growth rate, which is now estimated at about 2.8 percent.

The increases in growth rates during the period of the Second Plan were made possible by: (1) a sharp increase in development expenditures, and (2) economic policy decisions which (a) placed increased reliance upon market forces and private enterprise, and (b) worked to redress previously heavy discrimination against the agricultural sector.

The Third Five-Year Plan (1965-70) envisages an overall development outlay of some \$10.9 billion, or twice as much as in the Second Plan. Of the total required, \$3.4 billion (32 percent) is expected to come from external official aid and private foreign investment. Prime targets will be to raise national income by 37 percent, increase food output by 5 percent and industrial output by 10 percent yearly. A shift in emphasis in the industrial sector to achieve an agri-industrial base is also under way.

## Transport and Communications

In its development program Pakistan has recognized the importance of internal transportation facilities. It has, with extensive foreign assistance, expanded, improved, and modernized its railroad system and also has taken steps to improve its highway and internal waterway facilities. The country's national civil air carrier, Pakistan International Airlines, operates domestic and international jet services. In the communications field, projects to improve and expand both telephone and radio communications are in progress, including inter-wing connections via satellite.

## Foreign Trade

Pakistan's imports have consisted mainly of foodgrains, capital goods for its development program, industrial raw materials, and a limited amount of consumer items. Between 1960 and 1965 imports rose by about 12 percent per annum to an alltime high of \$1,043 million in 1965. Because of the outbreak of hostilities with India in September 1965 there was a temporary suspension in foreign assistance and imports were

restricted, falling to \$900 million in 1966. With the subsequent resumption of foreign economic assistance and continued export performance, imports will probably reach the \$1 billion level in 1967. Government policy is to limit the import of nonessential consumer goods.

Jute and cotton, raw and manufactured, are the principal exports and together account for over 70 percent of Pakistan's foreign exchange earnings. Other important exports are certain types of high quality rice, fish, wool, leather and footwear, and hides and skins.

Pakistan's imports from the United States increased from \$159 million in 1961 (24.8 percent of total) to \$415 million in 1964 (41.6 percent of total), but declined to \$262 million in 1966 (29 percent of total). The 1966 low is primarily the result of a temporary suspension of Agency for International Development (AID) and Public Law 480 shipments, but also represents an effort on the part of the Government of Pakistan to restrict all imports in the wake of the war with India in 1965. (An estimated 65 percent of Pakistan's imports from the United States are AID-financed.) Pakistan's exports to the United States amounted to \$69 million in 1966, approximately double the amount for 1964. In 1966 the United States reached parity with the United Kingdom, traditionally the largest customer for Pakistan's exports.

A significant development in the pattern of Pakistan's foreign trade during recent years is the growth of commercial traffic with Eastern European countries and Communist China. In 1963 this trade accounted for less than 4 percent of total trade, whereas currently Pakistan's exports to these countries account for about 15 percent of total exports and imports from them amount to 10.5 percent of Pakistan's import trade.

## Finance and Foreign Exchange

As a result of the difficulties encountered in 1965-66, the Government had to resort to bank financing to cover that year's fiscal deficit of some \$294 million. This deficit exceeded the entire deficit in the previous Second Five-Year Plan and led to substantial price increases.

While Pakistan's foreign exchange reserves rose by \$60 million to reach \$283 million in the fiscal year ended June 30, 1966, they declined by \$107 million to \$176 million in the year ended June 30, 1967.

## Foreign Economic Assistance

Pakistan is dependent on foreign assistance for its development program. Economic aid has been provided by the United States, Great Britain, Australia, New Zealand, Canada, Japan, Germany, Sweden, and France. Since Pakistan became independent in 1947, these and other countries,



together with the World Bank, and the United Nations and its specialized agencies, have contributed in grants, loans, or agricultural commodities a total of approximately \$4 billion. Of this, the United States has contributed some \$3.2 billion, including more than \$1 billion in the form of surplus agricultural commodities under Public Law 480 or emergency relief aid.

In order to meet the foreign aid requirements of the Second Five-Year Plan, a consortium of governments and institutions interested in development assistance to Pakistan was organized in 1961 under the auspices of the World Bank. From 1962 through 1966 the 10-member consortium pledged \$2,070.1 million of which the U.S. share was \$975 million (47.1 percent of total). During the Third Five-Year Plan (total resources, \$10.9 billion) Pakistan hopes for new foreign aid commitments totaling \$3.4 billion.

With the development of closer relations with the Soviet Union and Communist China in the period following 1962, Pakistan began to receive increased economic assistance from Communist countries. Soviet aid in 1965-66 was some \$134 million in credits, which amount was more than three times the total Soviet aid to Pakistan prior to 1965. Poland and Czechoslovakia have also extended credits of the equivalent of \$84 million to Pakistan. Chinese Communist assistance, which began in 1965, has taken the form of a \$30 million interest-free loan for projects and \$36.9 million in credits for commodity imports.

## The Indus Basin

The Indus Basin, lying mostly in Pakistan and partly in India, is the largest canal-irrigated area in the world. The waters of the Indus system were divided by the partition of the subcontinent in 1947, which gave India control of the upstream reaches of the rivers. Following a long dispute between Pakistan and India over the Indus waters, a settlement was negotiated under the auspices of the World Bank. This settlement was incorporated in the Indus Waters Treaty of 1960 between Pakistan and India, which allocated the waters of the three western rivers of the Indus Basin to Pakistan and the waters of the basin's three eastern rivers to India. Under the terms of the settlement, Pakistan is to construct a system of works (dams, link canals, and barrages) to replace the irrigation water lost to India by the treaty.

These projects, which are to be completed over a 10-year period, are being financed under the Indus Basin Development Fund Agreement by contributions from the World Bank and several friendly governments (the United States, Australia, Canada, Germany, New Zealand, and the United Kingdom), as well as from Pakistan and India (whose contribution is provided for by the Indus Waters Treaty). The total amount pledged by all the IBDF contributors was or-

iginally fixed in the agreement at about \$895 million; the contributors (except for Pakistan and India) agreed in late 1963 to additional contributions of \$315 million. The U.S. contribution as specified in the agreement includes a grant of \$177 million, a loan of \$70 million, and grants or loans of U.S.-held Pakistani rupees equivalent to \$235 million. The proportionate U.S. share of the newly pledged total of \$315 million is about \$170 million.

Construction of several of the works is under way. Several U.S. firms are participating in these projects under contract to the West Pakistan Water and Power Development Authority. The large Mangla Dam was completed in the spring of 1967 and shortly thereafter financing for the even larger Tarbela Dam, which is not a project under the Indus Basin Fund, was confirmed. Construction of Tarbela, on the Indus River, is expected to begin in mid-1968.

## FOREIGN RELATIONS

### Relations with India

Relations between India and Pakistan reflect a centuries-old Hindu-Muslim rivalry and a mutual suspicion which led in 1947 to the creation of the two states. Many issues divide India and Pakistan but the most sensitive issue is that of the status of the former princely state of Jammu and Kashmir.

At the end of World War II this state had a population which was 77 percent Muslim but was ruled by a Hindu maharajah. When the maharajah hesitated to accede to either of the new dominions in 1947, some of his Muslim subjects revolted against his rule and were supported by armed tribesmen from Pakistani territory. The Hindu maharajah thereupon offered to accede to India in return for military assistance to repel the invaders. India accepted the accession on the condition that Kashmir's ultimate status would depend upon the expressed will of the people. In the fighting that followed, Indian troops were able to gain control of the eastern part of Kashmir including the Valley of Kashmir and the capital city of Srinagar.

India took its dispute with Pakistan over Kashmir to the United Nations on January 1, 1948, and a year later the United Nations succeeded in arranging a cease-fire along a line roughly dividing the state in half but leaving a majority of the population under Indian control. The following years saw a series of minor skirmishes and fire fights along the cease-fire line. The Kashmir dispute led to full-scale hostilities between India and Pakistan in September 1965. The conflict was brought to an end after 3 weeks through the efforts of the United Nations Security Council. Subsequently, in the Tashkent Declaration of January 1966, both countries agreed to a specific troop withdrawal

timetable and to further action to restore conditions of peace on the subcontinent. However, continued efforts have failed to produce any progress toward a final settlement of the Kashmir problem.

Other important issues between India and Pakistan have included (a) border disputes arising from inadequately defined or demarcated borders between the two countries, (b) the division of water from rivers flowing into Pakistan from Indian-controlled territory, (c) economic and financial problems arising from the 1947 partition, and (d) the problem of the settlement of refugees who continue to move from one country to the other.

Some progress has been made in settling these disputes, the most notable of which was the Indus Basin agreement of 1960. Several disputed sections of the Indo-Pakistan border also have been demarcated and the problem arising over the Rann of Kutch area has been placed before an arbitration tribunal in Geneva.

### Relations with Afghanistan

Relations in the past have been complicated by the longstanding controversy over the "Push-tunistan" issue. The basis for this controversy was laid with the establishment of the "Durand Line" (1893) following the second Anglo-Afghan war. In effect, the line divided the territory inhabited by the Pushtun tribes: part went to Afghanistan and part to India. The partition of India and transfer of political authority over the Pushtuns along the frontier to the successor Government of Pakistan precipitated the issue. The Afghans vigorously protested the inclusion of Pushtun areas within the borders of Pakistan without giving the Pushtuns the opportunity to opt for either self-determination or inclusion in Afghanistan. Pakistan regards the Durand Line as an established international border confirmed by successive Afghan rulers and takes the position that Afghan claims to an interest in the status of the people in the area constitute interference in its internal affairs. Although this issue resulted in the closure of the Pakistan-Afghanistan border from 1963-1965, relations between the two countries are now good.

### Relations with the Soviet Union

Pakistan's relations with the U.S.S.R. have traditionally been correct, but Pakistan's membership in the Central Treaty Organization (CENTO) and the Southeast Asia Treaty Organization (SEATO) and the support given by the Soviet Union to Afghanistan on the Pushtunistan issue and to India on the Kashmir dispute have inhibited the development of close relations. Soviet sponsorship of the Tashkent meeting after the September 1965, Indo-Pakistan hostilities was seen by many Pakistanis as a sign that the U.S.S.R. wishes to develop closer relations with Pakistan. Since Tashkent, Pakistan has made

a conscious effort to strengthen Pakistan-U.S.S.R. ties through the exchange of various cultural and trade groups and high-level delegations. Trade between the two countries has increased during the past 5 years and Russia has continued to provide economic aid to Pakistan. President Ayub's visit to Russia in the fall of 1967, the third visit in 2 years, helped to confirm the good relations existing between Pakistan and the U.S.S.R.

### Pakistan-Communist China Relations

Pakistan recognized Communist China in 1950, following the example of other Commonwealth nations, and diplomatic relations were established the next year. Relations have in general been cordial.

Relations have grown much closer since the Sino-Indian hostilities of 1962. A boundary agreement was signed in Peking on March 2, 1963. Trade, economic, cultural, and civil air agreements have also been concluded. President Ayub visited Peking in 1965 and there have been numerous other visits by high-ranking officials of both Governments. Because of the military and diplomatic support extended to Pakistan by the Communist Chinese, Pakistan considers good relations with Red China as an essential element of its current foreign policy.

### Pakistan and the United States

Diplomatic relations between the United States and Pakistan were established upon the independence of the latter in 1947. With the extension of United States military and economic aid to Pakistan in 1954 and its subsequent participation in both CENTO and SEATO, relations between the two countries became increasingly close. In 1962, when the United States provided some military aid to India following the Chinese Communist attack on India, Pakistani public opinion, fearing the use of these arms by India against Pakistan, became increasingly critical of Pakistan's close relationship with the United States. Simultaneously the Government of Pakistan began to develop a closer relationship with Communist China. Criticism of the United States increased with the suspension of U.S. economic and military assistance to both Pakistan and India following the outbreak of hostilities between India and Pakistan in September 1965.

However, the visit of President Ayub to the United States in December 1965 and the resumption of U.S. economic assistance to Pakistan in February 1966 did much to restore a feeling of confidence between the two countries. In April 1967 the U.S. announced a new limited military supply policy for Pakistan and India which does not include grant aid. This policy is based on the interest of the United States in the reduction of defense expenditures on the

subcontinent and in progress toward a peaceful resolution of Indo-Pak differences.

## U. S. POLICY

Peace, freedom, and development for all of the countries of South Asia are the primary objectives of United States policy. In Pakistan, the United States has provided large-scale technical and economic assistance, including programs designed to provide the foreign exchange necessary for implementation of the country's excellent development plans. The importance of increased agricultural production and a dynamic population control program have been stressed with good results. We have also encouraged the settlement of differences between Pakistan and its neighbors and are now strongly emphasizing the need for restraint in defense spending by both Pakistan and India.

## PRINCIPAL GOVERNMENT OFFICIALS

President—Field Marshal Mohammed Ayub Khan

### Cabinet

Information and Broadcasting—Khawaja Shahabuddin  
Transport and Communications—Abdus Sabur Khan  
Industries and Natural Resources—Altaf Hussain  
Law and Parliamentary Affairs—Syed Mohammed Zafar  
Education, Health, Labor and Social Welfare—Kazi Anwarul Haque  
Agriculture and Works—A. H. M. Shams-ud-Doha  
Foreign Affairs—Sharifuddin Pirzada  
Finance—N. M. Uquaili  
Defense—Adm. Afzal Rahman Khan  
Commerce—Abdul Ghafoor, Khan of Hoti  
Home and Kashmir Affairs—(Adm. Afzal Rahman Khan, Acting)

National Assembly—Abdul Jabbar Khan, Speaker  
Provincial Officials—Abdul Monem Khan, Governor of East Pakistan and General Mohammad Musa, Governor of West Pakistan  
Ambassador to the United States—Agha Hilaly  
Pakistan maintains an Embassy in the United States at 2315 Massachusetts Avenue, N.W., Washington, D.C. 20008.

## PRINCIPAL U. S. OFFICIALS

Ambassador—Benjamin H. Oehlert, Jr.  
Minister—David T. Schneider  
Defense Attaché—Brig. Gen. Leo P. Geary  
Director, U.S. AID Mission—C. William Kontos  
Public Affairs Officer—Leslie A. Squires  
Counselor for Political Affairs—Lee T. Stull  
Counselor for Economic Affairs—J. T. Rogers  
Counselor for Administration—Virgil L. Moore  
Consul General, Dacca—Lee E. Metcalf  
Consul General, Lahore—J. Wesley Adams, Jr.  
Consul General, Karachi—Henry C. Ramsey  
Consul, Peshawar—Stephen Winship

The United States maintains an Embassy in Rawalpindi at 57-A Satellite Town; Consulates General in Karachi at Victoria Road and Frere Garden, in Dacca at Adamjee Court Bldg., Montijheel Area, and in Lahore at Mall View Bldg., Bank Square 2921-2925; and a Consulate at Peshawar at the New Municipal Bldg.

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532/1128

MR. McNAMARA'S VISIT TO PAKISTAN  
(Thursday, November 14 - Sunday, November 17, 1968)

I. ITINERARY

II. GUIDELINES FOR DISCUSSIONS

- (a) Meeting with Mr. N.M. Uquaili, Minister of Finance (Friday, November 15, 0830-0900).
- (b) Meeting with Mr. M.M. Ahmad, Deputy Chairman, Planning Commission, and various Government Secretaries (Friday, November 15, 0900-1130).
- (c) Call on Mr. M. Musa, Governor of West Pakistan, followed by dinner, (Friday, November 15, 1900).
- (d) Call on Field Marshal Mohammad Ayub Khan, President of Pakistan, followed by lunch (Saturday, November 16, about noon).
- (e) Meeting with Mr. Khalid Waheed, President, Federation of Chambers of Commerce and Industry, followed by dinner with two or three industrialists and/or bankers (Saturday, November 16, evening).
- (f) Breakfast with Mr. M. Raschid, Governor, State Bank of Pakistan, heads of finance corporations and other bankers (Sunday, November 17, 0800).

III. OUTLINE OF PROJECTS TO BE VISITED

- (a) Peshawar University.
- (b) Indus Basin and Tarbela Dam Projects (while flying in Islamabad/Lyallpur/Lahore area).
- (c) Lyallpur Agricultural University.
- (d) Salinity Control and Reclamation Project (SCARP I).

IV. BACKGROUND DOCUMENTATION

- (a) Political Situation.
- (b) Economic situation (Memorandum dated June 17, 1968 on Development Problems and Five-Year Outlook)
- (c) Excerpt of the Economic Report dated April 17, 1968 on Agriculture, together with updating note.

- (d) Facts on Membership, IBRD, IDA, IFC, SID.
- (e) Status of Bank loans and IDA credits as of September 30, 1968.
- (f) IFC operations.
- (g) Family Planning.
- (h) Eastern Rivers Dispute.
- (i) Map of West Pakistan.

532/1/29

November 8, 1968

meet with US amb.  
FRG " ?

PROPOSED ITINERARY FOR

MR. ROBERT S. McNAMARA'S VISIT TO PAKISTAN

Thursday, November 14 - Sunday, November 17, 1968

Thursday, November 14

- 1300 Arrive at Torkham from Kabul by road.
- 1330-1430 Lunch at the Khyber Rifles Mess.
- 1430 Leave for Peshawar.
- 1530 Arrive Peshawar University.
- 1530-1630 Visit Peshawar University.
- 1630 Leave Peshawar University.
- 1645 Leave Peshawar for Rawalpindi by special plane.
- 1715 Arrive Rawalpindi.

Stay at the President's Guest House.

- 1830-1930 Meeting with representative of Ford Foundation.  
(Timing to be confirmed).

meet with members of PK fertilizer mission?  
Dinner and evening free.

Friday, November 15

- 0830-0900 *Returned* Meeting with the Finance Minister.
- 0900-1130 Discussion with Deputy Chairman, Planning Commission, Secretary Finance, Secretary Natural Resources, Secretary Education, Secretary Agriculture, and Secretary Family Planning will join this meeting at 0930.
- 1130-12:15 *arrange* Leave Islamabad - visit a family planning clinic.
- 1300-1400 *small lunch* Small working lunch with Finance Minister.  
(Timing to be confirmed).
- 1430 Leave for Lyallpur by special plane.  
(Timing to be confirmed).
- 1515 Arrive Lyallpur.  
(Timing to be confirmed).

*about 11:00*

Friday, November 15 (continued)

*what is the airport  
situation is*

1530-1630

Visit Lyallpur Agricultural University.  
(Timing to be confirmed).

1700

Leave Lyallpur for Lahore by special plane.

1730

Arrive Lahore.

Stay at Governor's House.

*country call 10 min*

1900

Call on Governor, West Pakistan

2000

Dinner by Governor, West Pakistan

Saturday, November 16

*Chris check details  
of time*

0800-1100

Visit SCARP I (Salinity Control and Reclamation Project) by car.

1100

Leave Lahore for Rawalpindi.  
(Timing to be confirmed).

1200-1400

*12:00 - 12:30 M. and J. Peter with minutes etc*

Call on President Ayub, followed by lunch with President Ayub.  
(Lunch has been confirmed but timing thereof and of subsequent schedule still to be firmed up).

*Chris will check*

1500

Late Afternoon

Leave for Karachi by air.

Early Evening

Arrive Karachi.

Stay at the State Guest House.

2000

Dinner (possibly with the Chairman of the Federation of Chambers of Commerce and Industry and two or three industrialists and/or bankers).

*Peter will try to change*

Sunday, November 17

0800

Breakfast and informal discussions with Mr. Raschid, Governor, State Bank, heads of finance corporations and other bankers.

1200

Leave for Delhi by air.

Lunch on plane

Friday, November 15 (continued)

- 1900 Call on Governor, West Pakistan
- 2000 Dinner by Governor, West Pakistan

Saturday, November 16

0800-1100 Visit SCARP I (Salinity Control and Reclamation Project) by car.

1100 Leave Lahore for Rawalpindi

1200-1400 Call on President Ayub, followed by lunch with President Ayub.  
1430 (Lunch has been confirmed but timing thereof and of subsequent schedule still to be firmed up.)

1500-1545 10 Journalists  
Late EP) ..  
Afternoon Leave for Karachi by air.

1645-1655 talk to Pater; also business  
Early 1950 )  
Evening Arrive Karachi

Stay at the State Guest House

2000 Dinner (possibly with the Chairman of the Federation of Chambers of Commerce and Industry and two or three industrialists and/or bankers)

Sunday, November 17

0800-0900 Breakfast and informal discussions with Mr. Raschid, Governor, State Bank, heads of finance corporations and other bankers.

0900-1000 Agri Dev BR + 3 Mems + Nat Dev Trust  
11:30 for 1200 Leave for Delhi by air. Trident shattered from PIA  
Lunch on board (as Fokker)

1000-1030 Church: Manjira Com.

1030-1100 U.S. Amb

1130-1230 William in BBC



The following persons have been invited to the dinner to be given by the Pakistan Federation of Chambers of Commerce and Industries in honour of the President, I.B.R.D. on the 16th November, 1968, at Karachi.

Business

- |    |  |  |
|----|--|--|
| 1. | Mr. Khalid Wahid,<br>President,<br>Pakistan Federation<br>of Chambers of Commerce<br>and Industries, Karachi,<br>President, Fitoze Sons Ltd. | Drugs and Pharmaceutical<br>Industry, Printing<br>Industry.      |
| 2. | Mr. G.M. Adamjee,<br>Director,<br>M/s Adamjee and Sons Ltd.<br>Dacca, East Pakistan.   | Jute Industry,<br>Cotton Textile Industry<br>Insurance, Banking. |
| 3. | Mian Mohammad Bashir,<br>Chairman,<br>M/s Mohd. Amin Mohd Bashir Ltd.<br>Karachi.  | Mainly Cotton exports.   |
| 4. | Mr. A. Jalil,<br>Chairman,<br>M/s Amin Group of Companies,<br>Chittagong, East Pakistan.   | Jute Industry,<br>Jute exports,<br>Oil Refinery                  |
| 5. | Mr. Iski Ispahani,<br>Director,<br>M/s M.M. Ispahani Ltd.,<br>Dacca, East Pakistan,  | Jute Industry,<br>Tea Industry.                                  |

*Bank of fertilizer*  
*Drugs, J. Brown, transport, com*  
*Need for H. for insurance*  
*3) Kumbon sector to attract private capital*  
*4) Jute industry investment*  
*5) International trade*

532 / 1/27

M A P

MAP OF WEST PAKISTAN

Please see Overleaf

1. Our decisions are:

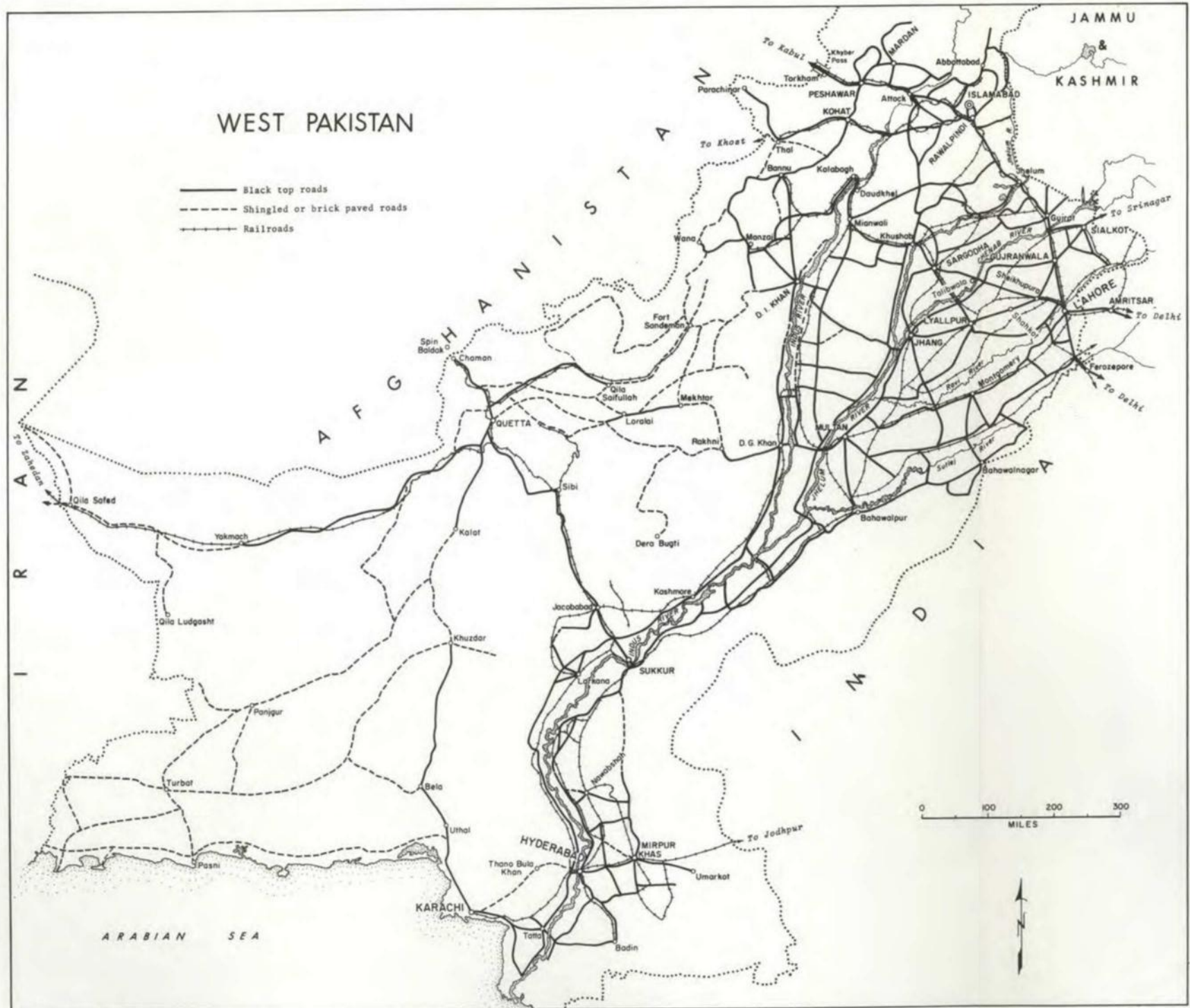
- a) financing of consultants for efficiency study
- b) program loans for commodity exports
- c) financing of 3rd fert. plant

2. Possible "Reville" water study for E. Pak only

3. Meet with our agric. mission & outlook + reqs for Pak financing, partic- ularly for Agric Pak -

4. What <sup>Pak</sup> assistance reqd for Family Planning

1) Fertilizer mission in Pak: meet at what are its tentative orders -



# WEST PAKISTAN

- Black top roads
- - - Shingled or brick paved roads
- +— Railroads

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&  
KASHMIR

ARABIAN SEA

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MILES



MR. McNAMARA'S VISIT TO PAKISTAN

(Thursday, November 14 - Sunday, November 17, 1968)

GUIDELINES FOR DISCUSSIONS

Introductory Note

The details of Mr. McNamara's visit to Pakistan were discussed on Tuesday, November 5, between representatives of the Government and Messrs. Cargill and Melmoth in Islamabad. The schedule of appointments may therefore require adjustment in the light of these discussions. Additional items to be raised may also emerge as a result of these preparatory discussions.

Biographical information on some of the persons Mr. McNamara will meet is still being collected. Some of these notes are being prepared in Pakistan and will be made available upon arrival in Islamabad.

Asia Department  
November 6, 1968

532/1/26

Meeting with Mr. N.M. Uquaili, Minister of Finance

(Friday, November 15, 0830 - 0900)

Biographical Note

Mr. Uquaili, who was born in 1913, has had over thirty years of experience in the banking field. His activities covered agricultural banking, commercial banking, central banking, exchange control and industrial and investment banking. From 1951 to 1958, he was Controller of Foreign Exchange, State Bank of Pakistan. He was then appointed Managing Director of the Pakistan Industrial Credit and Investment Corporation (PICIC), a post which he held until 1966 when he was appointed Finance Minister to succeed Mr. Shoaib. As General Manager of PICIC, Mr. Uquaili inspired confidence in both domestic and foreign investors. He is a strong supporter of free enterprise and the price mechanism. Mr. Uquaili is Pakistan's Governor for the Bank.

Items likely to be raised by Mr. Uquaili

The main item which the Minister of Finance is likely to raise is the question of fertilizer projects in West Pakistan. This matter was already discussed during the Annual Meeting. The Minister then recalled that in 1967 the Government had agreed to defer approval of a third urea fertilizer plant for 12 months. This period having elapsed, the Government now wished to approve for immediate implementation the Hyesons-Kaiser project and the Adamjee-Cyanamid project, in addition to the Dawood Hercules project which had already been approved and for which agreements for a Bank loan and an IFC investment were signed last July 10. The Minister was advised that, as agreed earlier, a Bank mission would go to Pakistan early in November to reassess the fertilizer market, and it was hoped that by the middle of December the Bank would be in a position to form a view as to the timing of the third

Mr. Uquaili

*meeting*

plant. (This mission arrived in Pakistan on November 5). The Minister was also reminded that the Bank's position had always been that it was for Pakistan to determine whether the Hyesons-Kaiser or the Adamjee-Cyanamid plant should be selected as the second plant, and he was assured that although negotiations with Adamjee-Cyanamid had by then been completed, the Government should feel free to choose Hyesons-Kaiser as the second plant if they wished to do so.

*which do they prefer?*

Since the Annual Meeting the Government has informed the Bank that it wishes to have the benefit of the Bank's advice before deciding whether one or two additional fertilizer plants should be approved and, if only one plant is to be built, whether preference should be given to Adamjee-Cyanamid or Hyesons-Kaiser.

Should the Adamjee-Cyanamid project be deferred, the proposed Sui Northern Gas Pipeline project will have to be modified. An alternative project is presently being prepared in order to avoid delay in presenting an amended project should this become necessary. This alternative project will be examined on the occasion of a supervision mission presently scheduled to visit West Pakistan early in December.

*Shut alter. project*

Points for Mr. McNamara to raise

None suggested.

532/1/25

Meeting with Mr. M.M. Ahmad, Deputy Chairman, Planning Commission

(Friday, November 15, 0900 - 1130)

Biographical Note

Mr. M.M. Ahmad has served as Deputy Chairman of Pakistan's Planning Commission since 1966. Prior to that appointment he held various positions in the Government of West Pakistan as well as in the Central Government, including that of Secretary to the Government of Pakistan, Ministry of Finance.

As Deputy Chairman of the Planning Commission, Mr. M.M. Ahmad is directly responsible to President Ayub for the shaping and implementation of Pakistan's development plan, and has travelled widely negotiating foreign assistance. Mr. Ahmad participated in the EDI's general course in 1957/58.

Participants

The Government Secretaries for Finance (Mr. Ghulam Ishaq Khan), Industries and Natural Resources (Mr. Syed Saeed Jafri), Education (Mr. Q. Shahab), Agriculture (Mr. S.A.M. Khan), and Family Planning (Mr. Enver Adil), are expected to join the meeting around 0930. Most of the outstanding points in Pakistan are likely to be discussed at this meeting.

Points likely to be raised by Mr.M.M. Ahmad

- (a) Bank/IDA Lending Program: The lending program for the current year was briefly discussed with the delegation to the Annual Meeting.

This program presently looks as follows:

<u>Bank</u>	<u>\$ Million</u>	
Tarbela	25.0 <sup>1/</sup>	Signed July 10
Dawood-Hercules Fertilizer	32.0	Signed July 10
West Pakistan Highways II	36.0	Scheduled for November 1968
PICIC VIII	35.0	Scheduled for January 1969
Adamjee-Cyanamid Fertilizer	28.0 )	Scheduled for <u>January 1969</u> <i>will this be met</i>
Sui Northern Gas Pipeline	12.0 )	
Telecommunications	16.0	Scheduled for January 1969
Low-Lift Pumps	10.0	Scheduled for May 1969
	<u>189.0</u>	

1/ Tarbela loan constitutes residual financing

Mr. M.M. Ahmad

IDA

\$ Million

EPWAPDA General Consultants	2.0	Being negotiated
West Pakistan Railways	14.0 )	
Agricultural Bank III	15.0 )	Subject to replenishment
Unspecified	16.02/ )	

*bank of fertilizer projects delayed -*

- 2/ Balance could be used by increasing credits for West Pakistan Railways and Agricultural Bank.

In view of the heavier emphasis on Bank lending (resulting from the unavailability of IDA funds) and although the Bank loans switched from IDA would be on liberal terms, it will be desirable when IDA is replenished, to restore the soft blend of the Group's operations in Pakistan. In addition it will be necessary to reassess Pakistan's creditworthiness for future Bank loans. This may lead to a recommendation that future Bank loans should be made on softer terms than warranted on the basis of project considerations alone. (The Status of Bank Loans and IDA Credits as of September 30, 1968 is enclosed in the Background Documentation).

- (b) Fertilizer Projects: Mr. M.M. Ahmad may wish to touch briefly on the question of fertilizer projects in West Pakistan. (Please refer to the note on the meeting with the Minister of Finance).
- (c) Lending for Maintenance of Imports: This question was also raised during the Annual Meeting. As a result of the expected cut in U.S. assistance, Pakistan will probably submit a request for the Bank Group to finance maintenance of imports in an amount of about \$50 million. The delegation was advised that, subject to the Executive Directors agreeing on the principle of program versus project lending -



discussion then scheduled for the last week in October but now fixed for December 3 - Pakistan's request would be considered on its own merits. The delegation was reminded that in the past our opinion was that under-utilization of existing capacity seemed to result from lack of demand more than from lack of raw materials and components. We understand that a case is being prepared by the Government for Bank/IDA consideration.

*what  
at their  
views  
now*

- (d) Terms of Aid: One of the documents submitted by Pakistan for consideration by the Consortium last May contained a number of specific proposals aimed at improving the terms of aid - particularly of short term suppliers' credits - for Pakistan. In his opening statement at the Consortium meeting, Mr. M.M. Ahmad called attention to these proposals. Following discussions during the meeting as well as informally with heads of delegations, the consensus was that Pakistan's proposals were interesting but that progress was most likely to be made through bilateral negotiations between the various Governments concerned and Pakistan.

Nonetheless the discussion led to the Bank agreeing to carry out a "fact-finding survey". In subsequent discussions Mr. M.M. Ahmad made it clear that he appreciated that early results would not be expected, but he hoped that the Pakistan proposals had provided a starting point for consideration of ways and means by which the terms of future aid to Pakistan might be softened.

Shortly before the Annual Meeting, we received from Mr. M.M. Ahmad on a strictly confidential basis a copy of a report prepared by a Working Group on Debt Burden.

At the present time we are attempting to update our information on Pakistan's external debt, on the particulars of the outstanding offers of aid of various kinds from each of the countries concerned as well as on the status of negotiations with these countries of further aid.

Issues to be raised by Mr. McNamara

None suggested.

532/1/24

Discussions with Government Secretaries expected  
to join the meeting with Mr. M.M. Ahmad

(a) Mr. Ghulam Ishaq Khan, Secretary to Ministry of Finance

Biographical Note

Mr. Ishaq Khan, who was born in 1916, has had a distinguished career in the Civil Service. Among his more recent assignments, he assumed, from 1956 to 1958, the post of Secretary for Development and Irrigation, Government of West Pakistan. In 1958, he was appointed a member of the West Pakistan Water and Power Development Authority (WAPDA), of which he became Chairman in 1961. He was thus in charge during the critical years of the Indus Works construction, supervised by WAPDA. In 1966, he was appointed Secretary to the Government of Pakistan, Ministry of Finance. In this capacity, he headed the Pakistan Delegation during the negotiations of the Tarbela Development Fund Agreement in the Spring of this year. Mr. Ishaq Khan is Pakistan's Alternate Governor for the Bank.

Mr. Ishaq Khan is not expected to raise any major issue in addition to the points discussed with the Minister of Finance or with Mr. M.M. Ahmad.

Mr. Ishaq Khan

532/1/23

(b) Mr. Syed Saeed Jafri, Secretary to Ministry of Industries and Natural Resources

Biographical Note

Mr. Jafri was appointed to his present post in early 1967. He had previously served (from 1964) as Vice Chairman of his Ministry's Investment and Promotion Bureau and ex-officio Director General of Supplies with the rank of Secretary. A career civil servant, he has long held positions associated with Pakistan's economic and industrial development programs.

The son of a well-known literary figure in pre-Partition India, Syed Jafri was born November 7, 1916 in Allahabad, India. He was largely educated on the subcontinent. He entered the Indian Civil Service in 1939 after a year at Cambridge in England. He was posted to Lahore as Additional Deputy Commissioner at the time of Partition, and in 1951 became Development Secretary to the Punjab Provincial Government. He joined the Central Government in 1954 and held a variety of positions until 1962, when he became Economic Minister and Financial Advisor to the Pakistan High Commission in London. He returned to the Ministry of Industries and Natural Resources in 1964.

As Mr. Jafri headed the Pakistan delegation which visited New Delhi last May in connection with the Eastern Waters dispute, he may wish to provide the latest information available on the status of this question. (Please refer to the documentation on this question in the Background Information).

what  
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outlook

Mr. Jafri

532/1/22

(c) Mr. S.A.M. Khan, Secretary to Ministry of Food and Agriculture

[Biographical Note to be inserted]

review basic statistics  
re potential are in  
yield + cotton yield  
fertilizers, seed, etc.  
tube wells, etc +  
some other

A note on Agriculture is included in the Background Documentation. Unless Mr. M.M. Ahmad has already done so, Mr. Khan may wish to present the latest data on recent achievements in Pakistan's agricultural sector. Regarding West Pakistan, a mission is expected to arrive about November 15 for about four weeks to review the progress achieved with respect to agricultural, water use and power development within the context of the recommendations contained in the Bank's Study of the Water and Power Resources of West Pakistan (Lieftinck Study).

Mr. S.A.M. Khan

532/1/21

(d) Mr. Qadratullah Shahab, Secretary to Ministry of Education

Biographical Note

Mr. Q. Shahab has held his present position since October 4, 1966. He was born February 26, 1917 in Gilgit, Kashmir, and has an M.A. in English literature. He joined the Indian Civil Service in 1941 and has risen steadily through the ranks with many of his assignments concerned in part with foreign affairs. From 1958 until 1962 he served as Principal Secretary to President Ayub, acting as his main speech writer and as an adviser in both domestic and foreign affairs. In 1963, he was appointed Ambassador to the Netherlands, where he served until assuming his present position.

Mr. Shahab is generally referred to as one of the intellectuals among higher ranking government officials. He has written books, satire and short stories in both English and Urdu.

Mr. Shahab may wish to enquire about the prospects of further Bank Group assistance for education in Pakistan. Up to now three IDA credits were made, of which two were in East Pakistan (Credit 49-PAK of 1964 in the amount of \$4.5 million, and Credit 87-PAK of 1966 in the amount of \$13 million), and one in West Pakistan (Credit 50-PAK of 1964 in the amount of \$8.5 million). The purpose of all these credits is to finance the expanding and improving of agricultural and technical education facilities. Please also refer to the note on the Agricultural University at Lyallpur which was financed under Credit 50-PAK.

Preparation of an additional project for two engineering colleges in West Pakistan had reached an advanced stage, but further consideration was deferred by Pakistan as a result of the hostilities with India. The Government may wish to include this project for early consideration. On various occasions, the Government has also mentioned the possibility of providing financial assistance for 6 additional polytechnic institutes in West Pakistan. We have some reservations with regard to this proposal which if maintained will have to be checked carefully.

Mr. Shahab

532/1/20

(e) Mr. Enver Adil, Secretary, Family Planning Division

Biographical Note

Mr. Adil became Commissioner of Family Planning and ex-officio Joint Secretary in the Ministry of Health, Labor and Social Welfare in September 1964. His position recently has been raised to Secretary rank. Prior to this appointment he served as West Pakistan Secretary of Education (1961-62) and Commissioner of Quetta Division (1962-1964). Adil was born on February 21, 1924 in India and received his education there and in the U.K. He entered the Pakistan Civil Service in 1949.

Mr. Adil has travelled widely in connection with his family planning responsibilities, including visits in April 1967 to the U.S. and Chile, where he attended the International Planned Parenthood Federation meeting.

A note on Family Planning is included in the Background Documentation. Mr. McNamara may wish to ascertain the extent to which Bank Group assistance might be considered desirable by the Government of Pakistan. J

Mr. Adil

532/1/19

Call on Mr. Mohammad Musa, Governor of West Pakistan

(Friday, November 15 at 1900, followed by Dinner)

Biographical Notes

General Mohammad Musa assumed his present post on September 18, 1966, after serving as Commander in Chief of the Pakistan Army since November 1958.

General Musa was born to an Indian Army soldier's family on December 1908 at Quetta, Baluchistan, and received some of his earlier education at army regimental schools. He was later admitted to the Indian Military Academy from the enlisted ranks and was commissioned a Second Lieutenant in 1935. During World War II he served with distinction in the Sudan, Ethiopia and North Africa. Following the war he rose rapidly and in 1952 as a Major General, became Deputy Chief of Staff and head of the Joint Services Secretariat of the Ministry of Defense. After attending the Imperial Defense College of the UK in 1956, General Musa was appointed Chief of Staff and Deputy Commander in Chief of the Pakistan Army. He was promoted to Lieutenant General in 1957 and to full General upon his elevation to Commander in Chief in 1958.

General Musa is married and has five grown children. A Shia Muslim, he reportedly adheres strictly to Islamic Tenets; his wife, Gul Shah, observes the social seclusion and distinctive dress of Purdah. He used to be an accomplished golfer and hockey player and was President of the Pakistan Hockey Federation and the Pakistan Golf Union.

This will essentially be a courtesy call and the Governor is not expected to raise any specific issue nor is any specific item suggested for Mr. McNamara to raise.

Mr. Musa



532/1/18

Call on Field Marshal Mohammad Ayub Khan,  
President of Pakistan

(Saturday, November 16, about noon to be followed by Lunch)

Biographical Notes

President Ayub Khan was born in 1907 and was educated at the Muslim University of Aligarh and at the Royal Military College at Sandhurst. He served in World War II in Burma where he became battalion commander. Soon after the birth of Pakistan, he was promoted to the rank of Brigadier and subsequently Major-General in command in East Pakistan in 1948. In 1951 he became Commander-in-Chief of the Army, which he reorganized and re-equipped.

He assumed the post of Minister of Defense from October 1954 to August 1955 and was appointed Supreme Commander of Pakistan's armed forces and Chief Martial Law Administrator on October 7, 1958, when the Constitution was abrogated. The new Constitution promulgated by President Ayub Khan entered into force on June 8, 1962, which introduced a representative form of Government. Field Marshal Ayub Khan was re-elected as President on January 2, 1965. The next presidential elections will take place in 1969/70.

Mr. Syed Fida Hassan, Principal Secretary to the President

The fifty-nine year old Mr. Hassan was born in Lahore and educated at Government College of the University of the Punjab in Lahore, at London University, and at Oxford. Nearly all his government service until 1959 was spent in the Punjab. In that year he was named Defense Secretary, in which position he served until 1963 when he was named Secretary of the Cabinet Division of the President's Secretariat. He served two years there and then returned to Defense for another year before assuming his present position. He has Cabinet rank.

Mr. Hassan, a Shia Muslim, was married in 1934 to Begum Zeenat Fida Hassan, a member of a well-known Syed family and one of Pakistan's leading women. He is a keen golfer and is well-known for his great interest in cricket. He accompanied the Pakistan cricket team to England as manager in 1954. Mr. Hassan is widely traveled and most recently visited China, as head of the Delegation representing the Government at the celebration in Peking of the October 1 Revolution.

President Ayub Khan  
Mr. Hassan

At this meeting any of the major items previously discussed may be raised by President Ayub. However, it is expected that President Ayub will want to brief Mr. McNamara on the present position regarding the Eastern Waters dispute with India. (Please see note on Eastern Waters Dispute included in Background Documentation).

Points for Mr. McNamara to Raise

No specific points suggested at this stage except the above-mentioned Eastern Waters dispute, should President Ayub not raise the question himself.

53211/17

Meeting with Mr. Khalid Waheed, President of Federation of  
Pakistan Chambers of Commerce and Industry

(Saturday, November 16, Evening)

Biographical Note

In his early 30's, Mr. Waheed is a young, vigorous and ambitious scion of the prominent Punjabi family which owns the Ferozson group. He received a B.S. in Pharmacy from Purdue and since has been involved in various family industries (pharmaceuticals, transport, publishing, etc.,). During his one-year tenure as President of the FPCCI, he has staged a number of conferences, spoken out in defense of various public sector causes, and in general has made his organization a much more active lobby than has been the case in the past.

This meeting will be followed by a dinner with Mr. Waheed as well as two or three industrialists and/or bankers. No specific subjects are expected to be raised, but the discussions should give Mr. McNamara an opportunity of exchanging views about the present situation and prospects of industry and trade in Pakistan, as well as about the industry's capacity to absorb Bank Group lending for maintenance of imports. ✓

For the record, a study of the securities market and the stock exchange in Pakistan was made in March 1964 by Professor Louis Loss, who submitted his report to the Government later in 1964. Based on this report draft Stock Exchange Legislation for Pakistan has been prepared.

Mr. Waheed

532/1/16

Breakfast with Mr. Mahbubur Raschid, Governor,  
State Bank of Pakistan

(Sunday, November 17, 0800)

Biographical Note

Mahbubur Raschid was appointed July 20, 1967 for a five year term as Governor of the State Bank of Pakistan. Prior to this appointment he had been for six years the first Managing Director of the Industrial Development Bank. He has long been considered one of the foremost bankers in Pakistan.

Raschid was born March 1, 1918 in Rangpur, India, in what is now East Pakistan. He received a Bachelor of Commerce degree at Leeds, England. Before Partition he held executive positions in the British Civil Service and was appointed a Home Covenanted Officer by a British Bank. He was later transferred by the Bank to its branch office in then undivided India. He remained in this position after Partition and in 1956 he became the Chief Manager and local Principal Officer of the National Bank of Pakistan in Dacca.

Raschid has a variety of interests outside of banking and is broadly educated. He is a member of the Institute of Bankers (UK) and a Fellow of the British Royal Economic Society. He has traveled many times throughout Europe and the Far East.

In addition to Mr. Raschid, heads of Pakistan's Finance Corporations and Banks are expected to be present. No specific issues are expected to be raised, though Mr. Raschid may once more wish to point to the need for Pakistan to receive assistance for financing maintenance of imports. //

Regarding assistance to development finance companies, Bank group assistance has so far been made available through PICIC (Chairman, Mr. Said Ahmed) which up to now has received 7 loans amounting in the aggregate to about \$145 million. An eighth loan is presently under consideration.

Mr. Raschid

Mr. McNamara may want to touch upon the Stand-by Agreement recently concluded with the IMF. This Agreement covers \$75 million, of which \$40 million equivalent have by now been drawn by Pakistan.

532/1/15

Peshawar University

Peshawar University (Visit scheduled Thursday, November 14, 1530-1630)

Biographical Note on Mr. Chaudri Mohammed Ali, Vice Chancellor

A Pathan born in Abbottabad, Mr. Ali was educated in Lahore and later was admitted to the Bar. From 1922 to 1949, he practiced law and then became Secretary for Law and Legal Remembrances for the former Northwestern Frontier Province. He has visited the U.S. three times and became an honorary member of the District of Columbia Bar Association and the American Law Institute. In 1959 he drafted the provincial bill which created the University of Peshawar and thereafter served on the Syndicate (the governing body, similar to an American university's Board of Directors). He was appointed to the position of Vice Chancellor in 1962. He is a long-time friend of President Ayub. //

[Note on University will be made available on arrival in Pakistan]

532/1/14

Indus Basin and Tarbela Dam Projects (parts of these projects likely to be seen while flying in Rawalpindi/Lahore/Lyallpur area).

The physical works financed out of the Indus Basin Development Fund (with funds provided by Australia, Canada, Germany, India, New Zealand, Pakistan, the United Kingdom, the United States, the Bank and IDA) comprise:

1. Mangla Dam on the Jhelum.

2. Six new barrages at:

Chasma on the Indus,  
Rasul on the Jhelum,  
Marala and Qadirabad on the Chenab,  
Sidhnai on the Ravi, and  
Mailsi (Siphon) on the Sutlej.

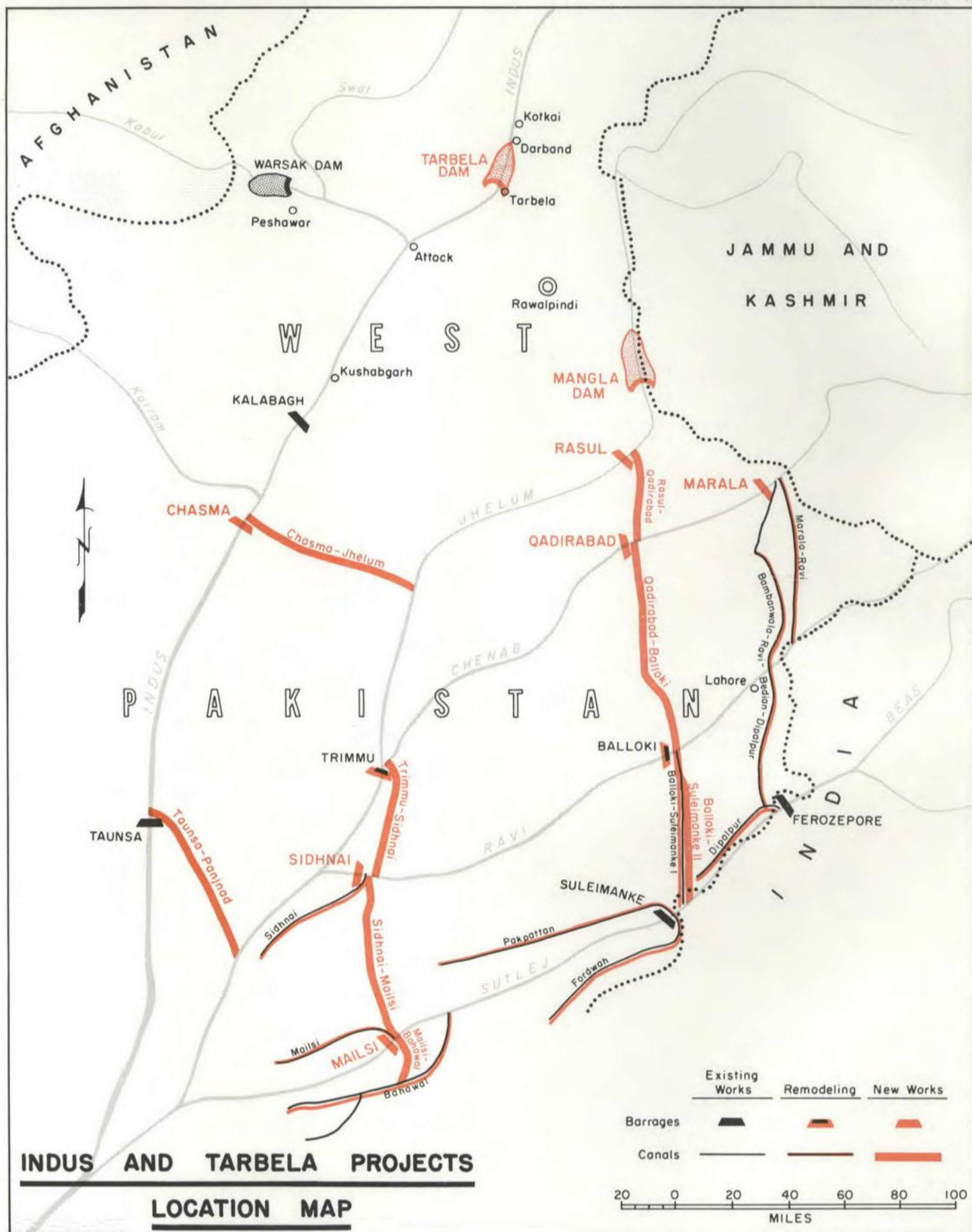
3. Inter-river link canals:

Trimmu-Sidhnai-Mailsi-Bahawal,  
Chasma-Jhelum,  
Rasul-Qadirabad-Balloki-Suleimanki and  
Taunsa-Panjnad Link.

4. Remodelling of the barrage at Balloki, of three existing link canals and of several irrigation systems.

The attached map shows the location of these various works, all of which have been practically completed except for the barrage at Chasma and the Chasma-Jhelum Link, scheduled for completion by 1971 and of the Taunsa-Panjnad Link scheduled for completion by 1969.

The Tarbela Dam on the Indus, financed out of the Tarbela Development Fund set up last May (with funds to be provided by Canada, France, Italy, the United Kingdom, the United States (Eximbank) and the Bank, in addition to the balance expected to remain available in the Indus Fund after completion of the Indus Works), is scheduled for completion by April 1, 1976.





532/1/13

West Pakistan Agricultural University (WPAU), Lyallpur (Scheduled for Visit Friday, November 15, 1400-1630)

Biographical Note on Dr. Z.A. Hashmi, Vice Chancellor

Dr. Hashmi is one of the most dynamic, articulate and well-respected scientist-educators in Pakistan. He was born in Gujrat, West Punjab in 1914 and later was educated at Michigan State (in 1946-48), receiving a M.S. and a Doctorate of Veterinary Medicine. In the 1950's he was in animal husbandry work both for the West Pakistan and Central Governments. In 1961 he was made the first Vice Chancellor at Lyallpur and engaged in pioneering work to evolve what had been an agricultural college into the full-scale university which WPAU is now. Dr. Hashmi is the author of over 60 scientific publications, is a member of a large number of Pakistani and international learned societies and has represented his country at a number of international conferences.

## Organization

1. WPAU includes 7 faculties and 37 departments. Through good administration, it has succeeded in accommodating an ever-increasing number of students through maximum utilization of space. Several courses are held outdoors, thus freeing space for research work. Buildings and equipment are generally well maintained; an ample operational budget has been secured (Rs. 100 million in 1967-68). WPAU achievements are made known in the country and outside through a well-devised public relations program; in addition to 5 newspapers and periodicals, the University Press publishes some 30 documents annually. The multiplication of departments, e.g., in agricultural engineering there are 9 departments, may result in excessive administrative weight hampering educational and research activities.

## Staff

2. The academic staff is of good professional level with 13% at Ph.D. level and 74% with M.Sc. A staff of 250 are teaching at the University and 58 are studying abroad for a Ph.D. or a Master's degree. The student-teacher ratio is 8:1, a low figure due to the large number of post-graduate courses.

3. The Washington State University advisory team has achieved commendable results, partly due to staff continuity and partly to good working relations with the University personnel. ✓

## Students

4. WPAU has at present an enrollment of 1,500 undergraduate and 500 post-graduate students. 400 students were enrolled in 1967, admission being after matriculation (end of 10th grade). In 1965, 65% of the students admitted were "first division" (i.e. receiving honors grade on matriculation). In 1966, 170 graduated at B.Sc. level, 120 at M.Sc. level, 4 at Ph.D. level.

5. According to a survey made in 1965-66, 70% of students came from urban schools, although 81% styled themselves as agriculturist, and 30% from average to low income families. However, the proportion of students from well-to-do families is said to be lower than in other West Pakistan Universities.

6. The students' activities at WPAU include participation in farm work during the first two years at undergraduate level. Students can earn some money by performing manual work: this program, though modest, is significant (10,000 Rupees in 1965-66), 50% of students received scholarship or stipend assistance covering about half of their expenses.

7. Almost all the graduates leaving WPAU have entered Universities or government agencies. A placement bureau has been organized by the University to provide liaison between employing agencies and students. It is to be noted that an increasing proportion of the B.Sc. graduates from WPAU are continuing to M.Sc.: 15% in 1963, 27% in 1964, 60% in 1965, 75% in 1966.

### Instruction

8. At the undergraduate level, the academic program is established on sound foundations. The first two years, common to the three faculties awarding undergraduate degrees (Agriculture, Veterinary Medicine and Agricultural Engineering), include 70% general education subjects and 30% agriculture and horticulture, including practical field work. During the following years, 3 in Agriculture, 4 in Veterinary Medicine and Agricultural Engineering, only professional subjects are taught. During the 5th year of the B.Sc. (Agri.) curriculum, the students take elective specialized subjects, including agricultural economics and animal husbandry.

9. Out of the students 38 weekly hours of instruction, a high figure compared to Western standards, 60% are assigned for lectures, 40% for laboratory or field work. Particularly good features of the undergraduate programs are the introduction of general economics, rural sociology and farm management as compulsory courses and the expansion of agricultural extension work over 3 years. The compulsory Plant Breeding and Genetics course in the 3rd year of the B.Sc. (Agri.) might include more practical content.

10. Commendable steps taken by the University include monthly testing of students, a students counselling program, preparation of textual materials (presently at the stage of mimeographed lectures), development of practical activities and seminars and group discussions. Further work is recommended in the preparation of textual and audio-visual materials relevant to the West Pakistan agricultural context and to the level of the students. Students should also be allowed more time for personal study and be encouraged to make more use of the library.

11. A field-training program could also usefully be included in the curriculum, students being then detailed to field-working agencies or private firms; this would enable students to link their academic training with field problems. Closer coordination with government agencies would be required to start such a program.

12. The University post-graduate programs include M.Sc. in 24 fields and Ph.D. in 19 fields. The M.Sc. curriculum requires attendance to 650 hours of instruction, representing 2/3 of the students' work, and completion of a research project leading to a thesis. Ph.D. students must attend 500 instructional hours and devote half their time to a research project. Both M.Sc. and Ph.D. are generally completed in two years. Non-resident students will shortly be able to acquire a Ph.D. degree at WPAU through a new special program including one-year courses at the University and two years research work at a recognized outside laboratory. Very few Ph.D. degrees have been awarded to date (4 in 1966) but their number is likely to increase rapidly with 112 Ph.D. students in 1967.

13. The average number of post-graduate students in each course is 5, which suggests that a reduction in the number of graduate courses would be profitable to instruction and enable a closer supervision of students. In several departments post-graduate instruction and research are not sufficiently oriented towards applied agricultural science, e.g., entomology where only 28% of the time is given to applied courses.

### Research

14. Research work has been fairly well developed at WPAU. In 1966-67, 906 research projects were under study, among which 516 were post-graduate students' projects and 390 faculty projects. An analysis of research projects shows that:

(i) research work is generally of a moderately good level and has obtained results which may influence the West Pakistan economy;

(ii) in several departments, e.g., entomology, too much emphasis is placed on "basic" research to the detriment of applied studies;

(iii) most research projects are small-scale and not related to large-scale subjects. Very few of them involve two or several departments. There is a need for a well-rounded research program, related to the present need of the country;

(iv) no efficient coordination exists with the Government research agencies, particularly with the Ayub Research Institute, located a few miles from Lyallpur. This Institute was separated from the College of Agriculture in 1961, when WPAU was started and shifted from the Ministry of Agriculture to the Ministry of Education. This situation results in duplication of work and deficiencies in both institutions, whereas they could profitably supplement each other.

15. The Chancellor of WPAU being the Governor of West Pakistan, no administrative difficulty seems to exist for the required coordination.

### Extension

16. A Directorate of Agricultural Extension, Teacher Training and short courses has been established. Its activities include:

(i) extension training in the 3rd, 4th, and 5th years for B.Sc. students, including field work;

(ii) post-graduate teacher and extension training leading to B.Ed. and Master's degrees;

(iii) 76 short courses of 1 week to 2 years duration, for the benefit of 1,500 farmers, extension workers and agricultural technicians;

(iv) experimental extension and adult education activities including the mass communication media, correspondence courses and field projects.

Subject-matter specialists from the various departments of the faculty assist the extension staff.

17. A new program, called "Farm Guides", was started one year ago to train college students, members of Union councils, ex-soldiers and teachers to be volunteer workers for agricultural extension work. Some 200,000 farm guides are claimed to have been established in West Pakistan. ||

18. These extension programs, promoted by an enthusiastic personnel and guided by the US advisory team, are conducted in liaison with WAPDA and the Cooperative Development Board and District Councils but unfortunately not with the Department of Agriculture. ✓?

Farm

19. The University farm area is 1,600 acres. Most of it is under cultivation for research and instruction purposes. A poultry farm and a live-stock farm of semi-industrial size are used for research, instruction and extension activities, including sale of breeders and artificial insemination. Steps are being taken to supplement the insufficient surface irrigation water with tubewells. The University 1975 development program is said to require 1,000 acres more land near the campus and 2,000 acres at a greater distance. Coordination with Ayub Agricultural Research Institute and its sub-stations would probably make supplementary land available.

532/1/12

Salinity Control and Reclamation Projects

(SCARP I scheduled for visit Saturday November 16, 0800 - 1100)

The Salinity Control and Reclamation Projects (SCARPs) constitute one of the largest public sector programs for irrigation and drainage in West Pakistan. These projects, which consist essentially of the sinking of tubewells and of the construction of drainage channels, are being carried out by West Pakistan's Water and Power Development Authority (WAPDA). Up to now, six areas have been identified as project areas (numbered SCARP I through VI). SCARP I, about 25 miles northwest of Lahore on the south bank of the Chenab, has been scheduled for visit Saturday, November 16. The round-trip by car should take about two hours. This project was completed in 1962 with about 2,000 wells and is in operation. SCARP II (southwest of Rasul), SCARP III (west of the proposed Taunsa-Panjnad link) and SCARP IV (north of Lahore on the right bank of the Ravi) are presently being carried out, with about 7,000 public tubewells originally planned for completion by 1970. Deferment of the bulk of SCARP V, a major project proposed by WAPDA in the entire area northwest of Lyallpur between the Chenab and the Ravi, was recommended in the Liefertinck Study as there are good prospects of strong private tubewell development continuing over most of the area. SCARP VI on the left bank of the Sutlej northwest of Mailsi siphon (area of Bahawalpur) has not yet been undertaken.

To assess the need for tubewells for irrigation and drainage purposes in the light of the additional surface water which will be made available through the Indus Works was one of the major tasks of Dr. Liefertinck's Study Group. Achievements to date and prospects will be reviewed by the follow-up mission (led by Mr. Hendry) scheduled to visit West Pakistan from November 15 for about four weeks.

*cost/benefits  
potential gov.  
potential effluent*

Salinity Control Project

532/1/11

POLITICAL SITUATION

President Ayub and his Administration remain firmly in control. Dissatisfaction with the Government's policies still finds expression, but the leading exponents of opposition views remain without strong or organized support and there is no coordination among them. The question of eventual succession brought to light by President Ayub's illness last February has now lost importance following his recovery.

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for succession

In East Pakistan, pressures for more provincial autonomy remain strong and in January 1968 an alleged conspiracy was uncovered, the purpose of which was stated to be to obtain arms and finance for the furtherance of secessionist activities. Nonetheless, there is widespread agreement in the East Wing that continued association with West Pakistan is preferable to any other alternative. The Central Government, aware of the unequal pace of economic development between both Wings, has made efforts to channel an increased volume of public resources into East Pakistan, and during the last two years Plan expenditures in East Pakistan exceeded those in West Pakistan. Nevertheless, because the private sector is far less active, the income gap continues to grow though the process is slowing down.

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much  
now

Relations with India remain strained. The appointment of Mr. Arshad Hussain, former Pakistan High Commissioner in Delhi since 1963, as new Foreign Minister last April has not so far resulted in improved relations. Practically no progress has been made in resuming trade and communications interrupted at the time of the 1965 hostilities, though contacts were initiated towards the end of last year. On the other hand, the arbitral award which divided the Rann of Kutch between India and Pakistan has been accepted without undue difficulties.

During the year, Pakistan has been successful in improving relations with the USSR and the People's Republic of China, in both cases without antagonizing the other party. Little information is available on the promise of arms delivery made by the USSR, though this is not regarded as a change in the USSR's attitude towards the sub-continent. Pakistan's notice last June not to renew agreement on the U.S. base in North Pakistan when the present term expires in 1969, came as no surprise. While this is indicative of an adjustment of Pakistan's relations with her neighbors and may be regarded as a consequence of the 1965 hostilities with India, it is not considered as a sign of drastic changes in Pakistan's attitude towards the United States.

532/1/10

PAKISTAN

PART I - Development Problems and Five-Year Outlook

General Characteristics

1. Great poverty - income per head is \$115, if converted at the official rate. Taking account of overvaluation, it is less than \$100.
2. The country consists of two parts, separated by India, which greatly differ in climate, ecology, population density, language, social structure and economic development.
3. Few non-agricultural natural resources, except natural gas.
4. Relative political stability since 1958 under President Ayub Khan. In external affairs, traditionally tense relations with India, focusing on the Kashmir issue. Earlier close relations with the U.S. recently gave way to a more neutralist position.
5. Pragmatic and relatively successful approach to economic development, favoring private enterprise despite occasional concern over "concentration of wealth" in the newly rich entrepreneurial class.
6. High rate of growth of the industrial sector since partition. Before partition what is now West and East Pakistan were the agricultural hinterlands of Bombay and Calcutta.
7. Substantial under-employment in agriculture which still accounts for 45% of GNP (Industry about 11%) and sustains three-quarters of the population. These proportions are higher in East than in West Pakistan. ✓
8. Dependence of crop production on the irregularities of the weather - drought in West Pakistan, excessive flooding, typhoons and tidal waves in East Pakistan. //

Economic Performance and Problems in the 1960's

9. The growth rate in the first half of the 'sixties, the period of the Second Five-Year Plan (1960/61-1964/65), has been 5.5% a year, which under Pakistan's conditions was a good achievement. Pakistan's Second Plan has been widely heralded as an example of a successful Plan, partly because it was so much better than its predecessors.

Economic Situation



10. Agricultural production growth for the first time was significantly in excess of population growth for a sustained period - growing by 3.4% p.a. as against 1.3% p.a. during the 'fifties. Industry advanced 10% p.a. and increased its share in GNP from 9% to 11.5%.

11. Investment over the five years increased from 10% of GNP to 17% - by over 150% in financial terms. Domestic savings showed a healthy increase from 6.5% of GNP to 10.5%.

12. Shortages of imported industrial raw materials have been a problem in varying degrees for some time. Better than expected export performance (7% p.a. increase) during the Second Plan, combined with increased availability of non-project assistance, made it possible to launch an import liberalization program. This program was explicitly endorsed and supported by the Consortium. M

13. The Export Bonus Scheme was initiated as a temporary expedient in 1959 to compensate exporters of manufactured goods for currency overvaluation caused by inflation in previous years. It became a permanent feature and resulted in a complex system of effective exchange rates. It was manipulated successfully from time to time in response to changing circumstances to maintain adequate export incentives but has produced fragmentation in the system of import rates.

14. Monetary and fiscal policy has been managed in a responsible and rational way, and price increases during the Second Plan were minimal. However, credit restrictions have been used to deal with balance of payments problems which could better have been remedied by other means (e.g. more exchange rate flexibility). This exposed the private sector to erratic changes in credit availability.

15. Industry developed in a sheltered market. Import prohibition rather than the tariffs were used. As a result, high profitability went with low efficiency. To the extent that qualitative import restrictions were maintained, excess capacity was built up for the sole purpose of obtaining larger licenses for imports of raw materials used in existing plants. Domestic competition was minimal prior to import liberalization after which a limited process of rationalization and elimination set in. ||

✓ desensitized  
with industrialists

16. The Pakistan Consortium was formed in 1960 shortly after the Indian Consortium. It has been useful to familiarize the member governments with the Bank's assessment of the Pakistan economy, and as a vehicle to solicit a somewhat greater volume of aid than would probably have been forthcoming in its absence.

### Present Position

17. The base year for the projections is 1966/67, the second year of Pakistan's Third Five-Year Plan. Economic performance in that year is affected by the consequences of the previous year's war with India, and by poor agricultural production due to bad weather.

18. Compared to 1964/65, the last year before the war with India, domestic savings were down from 11.9% to 8.2% of GNP. This was mainly due to the impingement in 1965/66 of defense outlays (2.8% and 5.7% of GNP respectively in 1964/65 and 1965/66, declining to 3.5% in 1967/68) on government savings, and to a recession in the private sector coupled with a drastic program of additional taxation, reducing profits for re-investment. Total investment was down from 18.7% of GNP to 13.6%. Net capital inflow was also down from 6.8% of GNP to 5.4%, reflecting a reduction in foreign assistance.

19. Recovery of agriculture and a return to more normal conditions made possible an increase in 1967/68 in savings and investment to about the average level of the Second Plan - 10.3% and 15.4% of GNP respectively, while net foreign assistance as a percentage of GNP further declined to 5.1%. Prospects are for a continuation of upward trends in savings and investment.

20. The inflation of the war year has given way to restoration of fiscal discipline and monetary stabilization, and prospects on this account are good.

21. The balance of payments problem has become more acute because of additional food and defense import requirements in recent years and a temporary absolute decline in foreign aid. Prospects are for continued foreign exchange stringency in spite of the outlook for a gradual elimination of the country's foodgrain deficit within the next four years.

22. Measures have been taken by the authorities to effect a partial devaluation on the import side, in order to permit further gradual removal of controls. Further steps are needed in this direction.

23. The progressive hardening in recent years of terms for foreign assistance has made the prospective debt service burden more onerous. Service on existing debt will exceed 20% of export earnings within a few years.

### Future Problems

24. The financial position of the Provincial governments continues to deteriorate, mainly because under the 1962 Constitution the tax powers of the Provinces are limited to inelastic types of taxes, while they assumed the major part of maintenance and operational responsibilities. However, as already agreed in principle by Government, agriculture is undertaxed under the present system and agricultural taxation is a

Provincial subject. The valuation basis for land revenue in particular should be overhauled in future years, and exemptions on agricultural income tax removed. In this way, considerable improvement in Provincial finances could be achieved. Gradual reductions in subsidies on agricultural imports and government services, and increases in water rates, should serve the same end.

25. Private investment in East Pakistan has been disappointing. Removal of the economic disparity between the two Provinces is a political issue and Government is already pushing public investments in East Pakistan to the point where lower standards are accepted for projects in that Province. Private investment in East Pakistan can be further encouraged, up to a point, by direct subsidies and special privileges. However, a limit exists for the acceptance of West Pakistan capital by the East.

26. Recently, efforts have been made to protect 1969/70 physical output targets against reduced resource availability by cutting long-maturing investments. In the light of Pakistan's low literacy rate, shortage of skilled personnel, and low social services, top priority should gradually be shifted from agriculture to education. ✓

27. The present foodgrain self-sufficiency program is in danger of deflecting attention away from cotton and jute, Pakistan's traditional exports. Considerable scope exists for increasing their yields.

28. The availability of imported capital goods at the overvalued official exchange rate biases investment incentives in favor of capital-intensive industries. Pakistan's complex exchange rate system is capable of periodic adjustments as the need arises, but with the widening spread between the par rate and the shadow rate, the legislative possibility of solving the problem of import pricing with the help of tariff charges and import surcharges gradually diminishes. Pakistan may well have to face up to a basic rate adjustment in the near future.

29. Pakistan's balance of payments position will continue to be tight. Exports may grow by 9% a year over the next five years. Imports which are about twice as large will require to be growing nearly as fast in the next 2-3 years. After 1970 a considerable amount of import substitution will set in, first through large projects in the equipment industry, which will be followed by large domestic fertilizer industries going on-stream. Export growth may also be relatively slower in the next two years than in the subsequent period when Pakistan hopes to become a net exporter of cereals. A consequence of this time profile of import and export trends is a bunching of non-project aid requirements in the next 2-3 years, which is further accentuated by a backlog of industrial import requirements at the present moment, very low inventory levels, and very low exchange reserves. ✓

30. Pakistan's future debt service burden will become extremely onerous if there is no improvement in the terms of aid over the present mix. In the case of consortium aid, this is about half conventional and half concessional. In the last three years the Consortium supplied about three-quarters of total project and non-project aid (considerably more if Indus and PL 480 is included). If little or no improvement is possible, Pakistan, in order to keep the debt service at tolerable levels, will have to forego investments which would otherwise be economically feasible and for which technical and administrative capacity exists.

#### Investment Priorities

31. There will be a need to increase allocations to the social sectors, particularly education. For the latter, current expenditures are as important as capital expenditures. Both have been cut back unduly during the Third Plan.

32. There is no ground for proposing major long-term changes in the sectoral balance of public investments. However, for the next few years it should be possible to apply some economies to the transport and communications sector. On the other hand, the rural works program, as well as education should be strengthened.

#### Five-Year Projections

33. Economic planning in Pakistan is on a five-year basis. The Third Plan covers the period 1965/66 to 1969/70. During the last 2 years of this period there will be considerable ad hoc annual planning. Latest resource projections indicate another shortfall in overall resources against the 1966 Plan revision which already implied a 10% cutback from the original Plan. For the Fourth Five-Year Plan (1970/71 - 1974/75) the Pakistan Government has not yet produced the outline. The attached five-year projections therefore do not reflect magnitudes contemplated by the Pakistan planning authorities. Nor do they reflect any strategy for the Fourth Plan which the Government may be contemplating.

34. The five-year projections are mostly extrapolations from past trends, adjusted for special circumstances in the past 3 years, and further adjusted for future years on account of (a) inclusion of the Tarbela Dam in the Plan, (b) a certain amount of import substitution, (c) a gradual increase in the marginal capital/output ratio.

35. The following principal assumptions were made in our projections:

- (a) GNP to grow 6.5% p.a.
- (b) Exports to grow by 9% p.a. Considerable effort will be required to achieve this.
- (c) In the projection of imports it was assumed that the cereal deficit would be eliminated in 1970/71. Capital goods imports are a fixed ratio of investment of 29%, adjusted for Tarbela equipment imports, and for import substitution to reach \$210 million equivalent in 1972/73.

- (d) Total investment to grow 15% p.a. up to 1969/70; thereafter, private investments to grow 10% p.a. while public investments are estimated on the basis of rough guesses as to implementing capacity, Tarbela Dam and other factors. This is checked against the resulting capital/output ratio and some minor adjustments made, to have this ratio increase from 1.9 in 1968/69 to 2.7 in 1971/72. The low ratio in the early years is because of a large present underutilization of industrial capacity and high response of new cereal varieties to fertilizer, water and other inputs. The ratio of 2.7 in later years is somewhat higher than the average ratio during the Second Plan which, excluding Indus replacement works, was about 2.3.
- (e) Amortization and interest payments on foreign loans are projected on the basis of existing debt plus additional capital inflow of \$855 million in 1968/69 rising to \$1,044 million in 1972/73 on the same average terms as in 1967/68.
- (f) Domestic savings are a dependent variable (investment minus current account deficit) and consumption is a residual. Public consumption is assumed to increase 5% p.a. The resulting private consumption on average increases 5.5% p.a. The marginal savings rate resulting from these projections varies from year to year between 18% and 29%, with an average of 24%. This is just about what could be assumed as a feasible rate if savings were projected independently.

#### Projection of Capital Requirements

36. Gross capital requirements are projected to grow from about \$850 million in 1968/69 to about \$1 billion in 1972/73. This includes, of course, PL 480 and Tarbela financing. It also includes private foreign investments. The latter are still quite small, amounting to less than \$30 million in 1967/68. They might, however, increase quite substantially in the next five years.

37. This result compares with a current level of gross capital inflow of about \$750 million. The prospective debt service burden is already quite onerous on existing debt - exceeding 20% of export earnings in a few years. Present prospects for softening the average terms of aid to Pakistan are not bright. Consequently, our projections of capital inflow are not realistic from a practical viewpoint. They do, however, indicate that Pakistan's absorptive capacity is larger than her capacity to service an equivalent amount of additional debt, unless soft-term credit becomes available in the world on a much larger scale. With present terms of aid and with the gross capital inflow required to reach self-sufficiency in about 1990, Pakistan's debt service ratio is likely to exceed 25% of foreign exchange earnings in less than ten years from now.

Conclusions on Pakistan relevant for Bank/IDA

38. The implementation of the Bank/IDA program will be feasible if the Pakistan Government makes further progress in the overall economic management of the country along the lines already pursued. In particular, further progress in the mobilization of domestic resources, including additional taxation on agriculture, increased revenue by autonomous government agencies, and gradual reduction in subsidies to agriculture, will be important performance tests. Another field where future improvement is important is the foreign exchange rate system, which needs to be further simplified, if not unified, at a realistic level.

39. Priorities. The two principal priority sectors for Bank/IDA activities are agriculture and transport. Another high priority field in Pakistan is general as well as technical education. Project preparation is adequate in West Pakistan in most fields, but it is desirable for the Bank to extend technical assistance to East Pakistan, especially in the field of irrigation and water management planning. As in the past, special occasions may arise for short-term technical assistance assignments, as was done (e.g. for the development of capital markets, or for the pricing of natural gas). The Bank has chaired the Pakistan Consortium for the last seven years, and it will be desirable to continue this activity.

40. Lending Terms. The present overall terms of foreign assistance to Pakistan are too hard to permit additional borrowing on the scale that would make optimum use of her growth potential and absorptive capacity as indicated in the projections. Efforts are made within the Pakistan Consortium to achieve a softer blend of assistance. A blend with 80% concessional terms has been recommended. Ideally, the Bank Group should adopt a similar ratio for its own future lending program in Pakistan. However, to achieve the implicit average terms that are postulated, the IDA/IBRD ratio could be somewhat less than 80/20, since IDA terms are highly concessional and IBRD terms have some flexibility.

Five-Year Lending Program

41. The Bank/IDA lending program (1969-73) in terms of commitments is as follows:-

		(Million \$)				
		1968/69	1969/70	1970/71	1971/72	1972/73
(A)	<u>IDA</u>					
	Agriculture/Irrigation	29	30	72	-	85
	Power	-	-	-	25	-
	Telecommunications	20	-	-	35	-
	Transport	15	35	40	65	40
	Education	-	-	13	-	-
(B)	<u>IBRD</u>					
	PICIC (Industry)	25	25	25	25	25
	Fertilizer projects	-	-	-	30	-
	Total	89	90	150	180	150
	IBRD repayments	18	21	21	22	23

42. Bank/IDA gross lending in past years has been 11.4% of the total public capital inflow. On a net basis the share was 11.4%. The five-year future projections imply that the gross lending program, while increasing from an average total of \$65.7 million p.a. to \$99.8 million p.a. in terms of disbursements, the gross share within total requirements would decline to 11.3% - and on a net basis to 9.3%. However, it seems more likely that the total requirements will not be met in practice and therefore, the Bank/IDA share in total capital inflow may well be higher. The net IBRD position would increase from \$175.6 million at the end of 1967 to \$370.1 million at the end of 1973.

43. The principal constraint on the Bank/IDA program at present is the limited availability of IDA funds. Out of the proposed Bank/IDA program, only 30% would go to East Pakistan. Project preparation and readiness being a constraint in East Pakistan, improvement on this ratio will be possible only in later years.

44. In some degree, local currency financing should be envisaged in two types of cases:-

- (a) Where the foreign exchange cost (e.g. for irrigation projects in East Pakistan) is very low, or
- (b) where local suppliers are successful in international competitive bidding.

#### Alternative Lending

45. We do not anticipate delays in project preparation to be a cause for important changes in the composition of the Bank/IDA lending program; at present, projects are available in excess of the proposed annual lending program. If total lending has to be cut (e.g. because of limited availability of IDA funds), we would at this time expect in general to concur with the Pakistan Government's choice in where the cuts should be made. Most likely it would be possible to reduce the size of loans to the transport sector in the first part of the period without very serious adverse consequences. This would be necessary also if an industrial imports loan would be considered for inclusion in the program.

46. The Bank/IDA program as presented has no provision for the financing of industrial imports. Pakistan's requirements for this type of aid will be high for the next three years at least if the expected industrial recovery materializes, in which case it might be appropriate for Bank/IDA financing.

#### Other Activities and Issues

47. Considering the size and importance of the Bank/IDA program in Pakistan, the Bank should continue the existing resident representative's office.

48. Economic cooperation between India and Pakistan is less than optimal. The Bank should use its influence with both governments to further the cause of a joint development effort in selected areas of mutual benefit, e.g. the Ganges/Brahmaputra waters, transport from Assam through East Pakistan, transport and communications through India, and trade.

49. Education might be considered for a special sector study. ✓



532/1/9

PAKISTAN - Updating Note on Agriculture

In the first half of the sixties, the growth of Pakistan's agricultural production was 3.4 percent per annum, for the first time significantly in excess of population growth. A severe setback occurred in 1964/65, as well as the following year, due to very adverse climatic conditions. This substantially increased Pakistan's dependence on food-grain imports, which were made available in most part by the U.S. under PL 480, previously for repayment in local currency, but since 1967 available against repayment in convertible currencies.

These events led the Pakistan Government to adopt a policy of accelerated efforts to reach foodgrain self-sufficiency by 1970. The revised targets in terms of production for the principal crops, rice and wheat, are shown below:

Million Tons	Trend Level <sup>1/</sup> 1964/65	Third Plan Target 1969/70	Revised Target 1969/70
Rice	11,400	14,445	15,390
Wheat	4,120	5,400	7,000

In the case of rice the implied rate of growth in output is 6.2 percent, and in the case of wheat 11.2 percent per annum.

The principal means by which the new targets are planned to be achieved in West Pakistan (where all the wheat is grown), is by sowing 4 million acres of high-yielding Mexican varieties within the present acreage of 13.2 million, supported by a 42 percent increase in the supply of irrigation water over the five years, and an increase in fertilizer use from 87,000 nutrient tons to a total of 420,000 tons, of which 190,000 specifically for wheat.

In East Pakistan the rice program is to be achieved in major part through massive increase in installation of low lift pumps from 6,000 in 1967/68 to 18,000 in 1969/70, to be supplied by the Agricultural Development Corporation and operated by local (Thana) farmer's groups. About half of the increase, however, is to come from non-irrigated areas through better strains and increased fertilizer consumption (from 45,000 nutrient tons to 308,000 tons over the five-year period). Subsidiary measures are price support programs and improved plant protection.

Due to particularly favorable weather in 1967/68 and successful use of Mexican strains, the wheat crop already reached 6.26 million tons, an increase by over 45 percent of the preceding year. Rice production was 12.4 million tons, an increase by 15 percent.

<sup>1/</sup> Production in 1964/65, adjusted on the basis of a "normal weather year". Actual production in that year was higher.

Agriculture

The Bank has in general supported the objectives and strategy of Pakistan's revised agricultural program, but doubts exist whether the targets will be reached in 1970 except under very favorable weather conditions. Weak elements in the program are the logistics of the low lift pump program in East Pakistan, and the public sector tubewell program in West Pakistan. Undue reliance on single nitrogenous fertilizer should also be avoided, considering the need for balanced nutrition, including potash and phosphate. Installation of private tubewells in West Pakistan reportedly is proceeding extremely well. A Bank mission is presently in the field to evaluate current consumption and future market prospects for fertilizer. ✓

November 5, 1968

## CHAPTER III

### PLAN EXECUTION

#### 1. The Agriculture and Water Program

127. The original Plan provision of Rs. 4,670 million to the agricultural sector has been reduced to Rs. 4,115 million in the revised Plan despite the fact that the overall production target for agriculture has been raised. This reduction in allocations is to be achieved by a reduction in subsidies on fertilizers, plant protection and mechanization and the elimination of certain schemes, relating to forestry, fisheries and animal husbandry which do not affect production targets in the short run. In fact, only some three-quarters of the allocations to agriculture were used during the first two years of the Plan. Consequently, the actual allocations to agriculture will increase during the remainder of the period if they are used as planned. Even allowing for dislocations arising from the war with India and the constraint on foreign aid, the shortfall in agricultural expenditures during the first two years of the Plan is regrettable. A considerable improvement in implementation of the agricultural plan will be required in the remainder of the Plan period if the revised financial targets are to be achieved.

#### Financial Targets and Achievements in Agriculture

	<u>Rs. million</u>
Original allocation	4,669.75
Revised allocation	4,115.27
Actual expenditure 1965/66 and 1966/67	771.83
Target expenditure 1967/68	736.35
Remainder of revised allocations	2,606.89

128. Details of allocations and expenditures to date are set out in Appendix Table 23. In what follows, the mission will review in some detail the foodgrain production program as it is planned to be carried out in each Province. Its overall objectives and policy implications have already been summarized in Chapter II. This section will conclude with some general observations on farm requisites, and a brief review of water development and agricultural credit.

#### The East Pakistan Foodgrain Program

129. Land suitable for agriculture is very limited in East Pakistan and the 23 million acres presently under cultivation already has a high cropping intensity of 118%. (See Statistical Appendix Table 5). The strategy being adopted in these circumstances has two main objectives, namely (1) to raise an additional crop (usually rice) on the same land whenever possible and thus push the cropping intensity still higher; and (2) to increase the yield per acre of existing crops. These two objectives are to be achieved mainly by irrigation, and an increase in the level of use of other farm inputs.

Paddy Acreage and Rice Production 1966/67

<u>Crop Season</u>	<u>Area</u>		<u>Production</u>		<u>Yield</u>
	'000 acres	Percent	'000 tons	Percent	Tons per Acre
Boro	1,390	6.2	831	8.8	0.596
Aus	6,965	31.1	2,674	28.4	0.380
Aman	<u>14,059</u>	<u>62.7</u>	<u>5,919</u>	<u>62.8</u>	<u>0.421</u>
Total	22,414	100.0	9,424	100.0	

130. The above table shows that about 90% of the rice is currently produced in the summer season (aus and aman) in East Pakistan. In the revised agricultural program, however, particular emphasis is being given to expanding boro (winter season) rice production during the current Plan period. The winter is a dry season in East Pakistan and boro rice can only be grown under irrigation. Nevertheless, where irrigation facilities are available, the boro crop is far more reliable than the aus and aman crops which are subject to marked vicissitudes in production arising from drought and floods.

131. As shown below, the quantitative increase planned from the boro crop is almost as great as that from the aus and aman despite the small contribution which this crop makes currently. The expansion in boro production is planned to be achieved (1) by increasing the area from 1 million acres at the 1964/65 bench-mark to 2-1/2 million acres by 1969-71, (2) by planting at least 1 million acres to IRRI-8, and (3) by increasing the use of fertilizers and pesticides on the local varieties of rice grown in the boro season.

Targets for Boro, Aus and Aman Rice Crops

(million tons)

<u>Crop</u>	<u>Bench-mark 1964/65</u>	<u>Target for 1969/70</u>	<u>Increase</u>	<u>Percent Increase</u>
Aus and Aman	9.7	11.4	1.7	17.5
Boro	<u>0.5</u>	<u>2.0</u>	<u>1.5</u>	<u>300.0</u>
Total	10.2	13.4	3.2	

132. The more modest increases set for the aus and aman crops are to be achieved mainly by increasing the use of fertilizers and pesticides and to a small extent in the case of the aus crop by supplemental irrigation with low lift pumps. (Flood control will only make a minor contribution during the current Plan period). The inputs of fertilizers, pesticides and irrigation facilities will be concentrated on the boro crop and spread more sparsely on the far greater acreage devoted to the aus and aman crops. The contribution of individual inputs to the increase in production are given in detail in Appendix Table 9. Broadly, fertilizer is the largest single contributor and is attributed 40% of the expected increment in production. Additional irrigation ranks second with 25%, followed by improved seed (10%) and plant protection (5%).

133. In practice several of these inputs are inter-dependent, however, and are not mutually exclusive in their ability to increase output. In the case of the boro crop, for example, expansion in the irrigated area is a sine qua non for the achievement of the target, since an extension in the area under boro, the planting of IRRI-8, and heavier dressings of fertilizers are only possible under controlled irrigation.

134. Irrigation. Prospects of achieving the planned targets on the boro crop depend in the first instance on the extension of irrigation facilities. Whereas several means were to be employed to extend the irrigated area, low lift-pumps supplied by the East Pakistan Agricultural Development Corporation were to account for the bulk of the expansion. The mission gathered, however

<u>Forms of Boro Irrigation</u>	<u>1964/65</u>	<u>1967/68</u>	<u>1969/70</u>
	'000 acres irrigated		Target
Private supplies:			
Indigenous methods	920.0	1,139.0	1,355.0
Low lift-pumps and tubewells	1.0	4.0	75.0
EPADC Low lift-pumps	131.0	386.0	975.5
EPWAPDA	-	39.0	94.0
Total	1,052.0	1,568.0	2,499.5

that in the current season, the EPADC was late in installing the planned number of pumps and in consequence only some 100,000-150,000 acres of IRRI-8 were planted compared with a target of 300,000 acres. <sup>1/</sup> The number of pumps to be installed at the beginning of each of the next two seasons will need to be even larger if the planned extension in irrigated acreage is to be achieved as shown in Appendix Table 10(a). Some of these pumps will also be used for the aus crop.

135. In order to instill greater drive into this sector of the program a "Thana Irrigation Programme" (T.I.P.) has recently been launched whereby the Basic Democracies will organize low life-pump groups at the village level. One or two farm members of each group will be trained by the Basic Democracies in the principles of IRRI rice cultivation, the use of fertilizers, pesticides, water and low lift-pumps. The Circle Officers of the Basic Democracies at the Thana level will be responsible for coordinating the program and ensuring that inputs and credit are available. Organizing a group frequently entails getting 70 to 90 farmers cultivating some 60 acres of paddy in contiguous blocks to cooperate in the digging of irrigation channels, sharing of water, planting, fertilizing, etc. The EPADC is responsible for supplying the low lift-pumps and for their maintenance and repairs. The task facing the Basic Democracies, who are short of training staff, in organizing new groups to irrigate an additional 700,000 acres over the next two years and to train one or two representatives in each group is formidable, and the mission questions the realism of the T.I.P. targets for 1969/70. The Program deserves commendation and encouragement, however, not only as a device

<sup>1/</sup> The pumps were installed in time to allow local varieties to be planted.

to expand rapidly the area of paddy being irrigated but also as an institution capable of serving agricultural development generally on the small and often fragmented holdings in East Pakistan.

136. The erection of coastal embankments mainly to control tidal flooding of low-lying areas is also planned to make a minor contribution to the food-grain expansion program by increasing the yield of aus and aman in these areas. Between 1964/65 and 1969/70 an additional 1.2 million acres will be enclosed. The expected increase in yield from this land is less than 4 cwt. per acre of rice or 177.5 thousand tons in total. Greater effort would appear to be called for in raising the agricultural productivity of this land more rapidly following the completion of the engineering works. The handing over more quickly of responsibility for the agricultural development of such land by WAPDA to an agricultural agency such as the Department of Agriculture or EPADC deserves consideration.

137. Fertilizer. A detailed end-use analysis of the market indicating the use of fertilizers on individual crops in East Pakistan was not available but trends in total consumption represent largely changes in use on rice, since over four-fifths of the total is probably used on this crop. Consumption of fertilizer nutrients has expanded at the target rate in 1965/66 and 1966/67 but may fall some 20% behind target in 1967/68 on the basis of current estimates (See Appendix Table 11). <sup>1/</sup>

Fertilizer Use. East Pakistan

('000 nutrient tons)

	<u>1964/65</u>	<u>1965/66</u>	<u>1966/67</u>	<u>1967/68</u>	<u>1968/69</u>	<u>1969/70</u>
Target	---	56	73	125	193	308
Actual Consumption	45	54	76	106 (est)		

138. The procurement and distribution of fertilizers since 1962 has been the responsibility of the EPADC. Since 1964/65 retail distribution from the Thana level downwards has been undertaken by retail dealers approved by the ADC. These dealers, numbering 13,300 at present, frequently run general stores at the village level which sell groceries, kerosene, etc. ADC staff undertake fertilizer extension work in the field. In the T.I.P. areas, however, the Basic Democracies will assume responsibility for distribution and extension work. The Central Government intends to make money available through a special agency to increase the supply of credit for fertilizer

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<sup>1/</sup> This in fact reflects quite rational behavior by the farmers as the required number of pumps failed to be available in time to plant the IRRI-8, which was thus substituted with indigenous rice requiring only half the fertilizer nutrients. This serves to underline the importance of the low lift-pump program.

purchase in both East and West Pakistan during the next two years. <sup>1/</sup> The new facilities being established should ensure that lack of credit will not hinder an expansion in fertilizer use.

139. It is noteworthy that East Pakistan passed through a phase when all the emphasis was placed on nitrogen, while phosphate and potash were neglected. As a result of a continued imbalance in the use of nitrogen fertilizer, bad results ensued and an "anti-fertilizer attitude" developed in the early 1960's when the offtake became static. This has been corrected in East Pakistan, however, and the need for balanced fertilizers seems to be accepted (see Appendix Table 11).

140. Pesticides. The use of pesticides is more essential on the IRRI-8 rice than on the local varieties because of its greater susceptibility to pests and diseases, and furthermore, it has a long cycle (160 days from planting to harvest) which means it is exposed for a longer period to various disease hazards. It is planned to increase the area of rice being treated from 2.7 million acres in 1967/68 to 3.9 million acres in 1969/70 thus taking into account the additional million acres to be planted under IRRI. It is also intended to spray the IRRI acreage several times during the season. The mission considers that the additional number of sprayings and costs which may be incurred to give IRRI-8 adequate protection may have been under-estimated. Again, as much of the IRRI-8 will be planted under T.I.P. schemes, failure to train representatives in some of the irrigation groups in the techniques of plant protection during the next two years could prove a limiting factor. The question of price and distribution of pesticides is discussed in paragraph 156.

141. As regards the general strategy of the program, the mission supports the short-run policy of concentrating on the boro rice crop in East Pakistan. It gained the impression, however, that IRRI-8 might not live up to its early promise and that in the longer run East Pakistan should re-double its efforts to evolve paddy varieties ecologically better suited to local conditions. In the case of the boro crop, a variety is required which has a shorter growing period than IRRI-8 and more resistance to insect attack. Since the aus and aman crops will amount to 22 million acres compared with 2-1/2 million acres of boro in 1969/70, it would appear that particular attention should be given in the longer term towards establishing improved yields for the aus and aman

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<sup>1/</sup> It is significant however that in the current year some 60% of the fertilizers have been sold on a cash basis. Fertilizers are comparatively cheap in relation to the price of farm products. This serves as an incentive for their use. Currently, fertilizers are supplied at half their landed cost at port. The Government carries all the distribution costs. The current price levels for fertilizers are to be maintained for the remainder of the Plan period.

crops. This might entail developing varieties less dependent on irrigation, increasing supplemental irrigation with fractional low lift-pumps where this is feasible and by flood control. In conclusion, the mission takes the view that owing to the difficulties which have already been enumerated, East Pakistan may reach its original rice target of 12.7 million tons by 1969/70 but it probably will not reach its revised and more ambitious one of 13.4 million tons except under extremely favorable weather conditions.

The West Pakistan Foodgrain Program

142. Out of a total cultivated area of 47 million acres in West Pakistan, around 25 million acres are irrigated, 12 million acres are in fallow each year and some 4 1/2 million acres are double cropped. (See Appendix Table 5).

143. A wide range of crops are grown but wheat predominates, accounting for over 40% of the cropped area (and a third of agricultural GDP) followed by cotton, rice, fodder crops, oil seeds and sugar cane in that order. In the revised plan, an accelerated expansion in wheat is the main feature, but significant increases are also planned for maize and rice as the following figures show (see also Appendix Table 8):

	<u>1964/65</u> million tons	Mark	<u>1969/70 Target</u> million tons	<u>Increase</u>
Wheat	4.1	+702	7.0	2.9
Maize	0.5		1.0	0.5
Rice	1.2		2.0	0.8

144. The following are the key elements in the foodgrain self-sufficiency program:

- (a) Bring four million acres under Mexican type wheat in association with adequate inputs of fertilizers and water;
- (b) Providing additional fertilizers for two million irrigated acres under indigenous wheat;
- (c) Increasing irrigated wheat area by 1.5 million acres;
- (d) Ensuring that input targets are reached through subsidies, increased credit facilities and organizational changes.

*✓ also for the bulk of the increase*

The achievement of this program depends very markedly on the successful introduction and cultivation of Mexican wheat as shown below.



Sources of Increase in Wheat Production

Increase from:	<u>million tons</u>	<u>Percent of Increase (%)</u>
Area under Mexican wheat	2.4	75.0
Increased area under indigenous varieties	0.6	18.8
Fertilizer use on indigenous wheat	0.2	6.2
Gross total increase	3.2(net 2.9) <sup>1/</sup>	100.0
Bench mark 1964/65		4.1
Net total production 1969/70		(7.0)

<sup>1/</sup> The net figure is 2.90 which allows for a reserve of 0.3 million tons due to a possible shortfall in river flows.

145. The 1967/68 area target for Mexican wheat of 2 million acres has probably been exceeded and West Pakistan can look forward with some confidence to achieving the 4 million acre target in 1969/70. However, if the Mexican type wheat is to make the contribution to production expected of it, it is essential that it is sown in association with a package of farm inputs. To achieve the response from this crop it must receive more water, fertilizers and plant protection treatment than the local varieties. In effect, it involves moving agriculture on to a new plane of production in terms of inputs as well as output.

Water

146. The program envisages raising total water requirements for wheat by 5.46 million acre feet (M.A.F.) during the plan period from 13 M.A.F. in 1964/65 to 18.46 M.A.F. in 1969/70. The planned increase in water supply, sources of water, and the water requirements of wheat by regions is shown in the following table. In order to ensure adequate water for wheat -- which is a rabi (winter crop)-- it is essential that the full increase in water supply planned is achieved. Rivers and canals are at their lowest ebb during this period of the year and other rabi crops e.g. fodder crops also compete for water at this period.

Additional Water Requirement by 1969/70  
(million acre feet)

<u>Regions</u>	<u>For Wheat Only</u>				<u>Total Planned Increase</u>		
	<u>Additional area under local wheat</u>	<u>Mexican wheat</u>	<u>Indigenous fertilized</u>	<u>Total</u>	<u>Total In Water Supply</u>	<u>Pri-vate tube-wells</u>	<u>Public tube-wells/canals</u>
SCARP areas	1.0	1.17	0.15	2.32	8.0	--	8.0
Bari Doab	0.60	0.73	0.10	1.43	4.0	3.0	1.0
Bahawalpur	0.20	0.26	0.05	0.51	1.5	0.5	1.0
Others	<u>0.70</u>	<u>0.50</u>	<u>-</u>	<u>1.20</u>	<u>3.5</u>	<u>2.5</u>	<u>1.0</u>
Total	2.50	2.66	0.30	5.46	17.0	6.0	11.0

147. Under the revised plan it is envisaged that public tubewells will supply some 8 MAF of water in the SCARP areas and that private tubewells will supply 6 MAF in other areas. The public tubewell program approximates to the Lieftinck action program and the number of wells that have been started correspond also to the Lieftinck projection (see Appendix Table 11a). Unfortunately the number of public tubewells which have been electrified and brought into full operation are seriously behind schedule. Only some 685 wells (equivalent to 0.7 MAF of water) have become operational during the first 2½ years of the current Plan period. This calls for a major improvement in the rate of electrification of these wells which WAPDA believes it can achieve but the mission seriously doubts. To increase the supply of water from private tubewells by 6 MAF over the Plan period entails the sinking and bringing into operation of some 32,000 and since 8,000 will be required for replacement this represents a gross expansion of 40,000 or 8,000 per annum over the Plan period. The mission obtained conflicting information on progress being made in private tubewells (see Table 11a). On the basis of surveys conducted by the Pakistan Institute of Development Economics, Karachi, there are grounds for believing however that the expansion in private tubewells may substantially exceed 40,000, thus yielding more than 6 MAF. This would be greater than either the expectations of the revised plan target or the projections of the Lieftinck report.

Fertilizers

148. The mission is also uncertain concerning the rate of growth of fertilizer inputs and the realism of the target which has been set for 1969/70. Fertilizer nutrient application in the current season 1967/68 falls short of the target which has been set in the self-sufficiency program by at least a third. (See Appendix Table 11). Several factors may be responsible for this situation. A major factor undoubtedly was a failure in administration which resulted in phosphate fertilizers not being available in time for wheat sowing. The target for phosphate on wheat alone in 1967/68 amounted to 34,000 tons of P<sub>2</sub>O<sub>5</sub> as shown in the following table.

Fertilizer targets for wheat and other crops  
established by the West Pakistan Government  
('000 tons nutrients)

<u>Year</u>	<u>Wheat</u>			<u>Other Crops</u>			<u>All Crops</u>		
	<u>N</u>	<u>P<sub>2</sub>O<sub>5</sub></u>	<u>Total</u>	<u>N</u>	<u>P<sub>2</sub>O<sub>5</sub></u>	<u>Total</u>	<u>N</u>	<u>P<sub>2</sub>O<sub>5</sub></u>	<u>Total</u>
1964/65 (est. actual)	n.a.	n.a.	10½	n.a.	n.a.	76½	85	2	87
1967/68 target	69	34	103	149	8	157	218	42	260
1969/70 target	132	66	198	221	1	222	353	67	420

While the mission did not have adequate time to undertake a fertilizer market survey, it considers that an increase from some 10-15 per cent of the wheat area being treated in 1965 to a target of around 50 percent of the area being treated at near optimum rates in 1969/70 to be somewhat optimistic. Even to achieve the target of 270,000 tons of N and 100,000 tons of P<sub>2</sub>O<sub>5</sub>, which is considered feasible in the Lieftinck report, calls for a stronger and more coordinated effort than has been made thus far. The mission believes that if adequate efforts were made to ensure that supplies are available the Lieftinck forecast should be capable of achievement.

149. The Mexican type wheats are capable, under proper management, of out-yielding the local varieties two to three fold. In so doing they will remove in one season two to three times as much nutrients as the older varieties and thus deplete the soil for the succeeding crop unless it is replenished. The current tendency of increasing the use of nitrogen on Mexi-pak wheat without also supplying phosphate is likely to lead in one or two seasons to reduced fertilizer response and a reaction to the use of fertilizers such as occurred in East Pakistan in the early 1960's and also in many other parts of the world where nitrogen has been increased without attempting to balance it with a supply of other nutrients.

150. Drawing on experience from other countries and the results of very recent fertilizer trials in Pakistan the mission considers that all Mexi-pak wheat should receive 30 to 40 lbs of P<sub>2</sub>O<sub>5</sub> as a basal dressing and that the overall fertilizer ratio on Mexi-pak and other fertilized wheat should be 2:1 (N:P<sub>2</sub>O<sub>5</sub>). Fertilizer trials will eventually give more precise information on the N, P<sub>2</sub>O<sub>5</sub> and K<sub>2</sub>O requirements of high-yielding wheat under Pakistan conditions, but it would be inadvisable to wait for such refinements if the economic potential of the new varieties is to be exploited in large measure. As there is no tradition of mixing fertilizers either on the farm or by merchants, fertilizer marketing organizations should be strongly encouraged to offer a mixed or complex fertilizer with a ratio approaching 1:1 (N:P<sub>2</sub>O<sub>5</sub>) for application in the seed-bed. The additional straight nitrogen could then be supplied with the first irrigation and at "earring". Informing farmers through

an extension service of the appropriate nutrient ratio proves difficult in any country and the most effective and practical way in the short run would be to offer the appropriate mixture in a bag for a specific crop for a specific operation.

151. The West Pakistan Agricultural Development Corporation and the Rural Supply Cooperative Corporation have been responsible for marketing fertilizers until recently. Fertilizer marketing is in the process of being handed over to the private sector and the full impact of this change will not become apparent until the end of the Plan period when Esso will have their indigenous supplies to sell. Local investment in fertilizer plants by the private sector coupled with the freedom to market their output should serve to stimulate fertilizer market development and consumption. Government policy should be directed not only towards offering an economic climate conducive to local investment in ammonia and straight fertilizer plants however, but should also attempt to encourage the local manufacture at an early date of complex or mixed fertilizers.

152. Pesticides will also be required on the Mexican varieties to protect them from insect depredation but this is probably not such a vital input in West Pakistan as it is in East Pakistan to attain food self-sufficiency.

153. The target set for increasing the irrigated area devoted to wheat by 1 ½ million acres to 9.3 million acres will easily be reached within the Plan period. The table below suggests that it may have already been reached this year although it is more probable that the estimate of area devoted to irrigated wheat is slightly optimistic while that devoted to dry-land wheat is underestimated. An exceptionally wet autumn facilitated a large acreage of dry land to be planted. Indeed in the current season the weather up until February 1968 was so favorable to wheat that the production target for 1967/68 could even be exceeded.

Trends in wheat acreage (West Pakistan)  
('000 acres)

<u>Year</u>	<u>Irrigated</u>	<u>Dry Land (Barani)</u>	<u>Total</u>
Bench mark (1963/64)	7,834	4,483	12,317
(1966/67)	9,151	4,054	13,205
(1967/68) (est.)	9,300	4,700	14,000

Source: Planning Dept., Government of West Pakistan.

154. The achievement of the wheat target in the current year should not be allowed to breed complacency and deflect attention from water development and the need to increase the use of fertilizers in a balanced manner. Nor should it be allowed to detract from the need to ensure that adequate supplies of good quality seed are available. Taking progress to date, good weather conditions this year, and the challenges ahead the mission considers that West Pakistan will do well in achieving the following production levels over the next two years.

Wheat production forecasts and targets

	<u>1967/8</u>	<u>1968/9</u> (million tons)	<u>1969/70</u>
Targets	5.4	6.1	7.0
Mission est.	5.4	5.8	6.2

The mission takes the view however that rice production in West Pakistan will exceed the expectations of the Lieftinck mission and might even reach the target set in the revised program owing to the success being achieved with IRRI rice in West Pakistan. (See Appendix Table 8a).

Farm Requisites

155. Pesticides. The use of plant protection measures is in its infancy in Pakistan. Statistics on the effective use of pesticides cannot be considered reliable, but it appears that greater progress has been achieved in the East. Over 15% of the cultivated area in the East wing receives some measure of plant protection whereas less than 10% of the cultivated area is treated in West Pakistan.

156. The Department of Agriculture in each wing is responsible for distribution and extension work on pesticides. In West Pakistan a charge representing 25% of the C.I.F. price is made whilst the product is delivered free in the East. In addition the central government operates a free aerial spraying service in each wing. At the village level, stores are run by government servants who are poorly paid. Some material undoubtedly goes to waste or becomes ineffective owing to long and poor storage. It is also sometimes wrongly applied. Pesticides are usually sophisticated products which require to be applied in relatively precise quantities to be effective. A well trained technical salesman is required for market development in these circumstances. The mission considers that serious thought should be given to transferring the marketing of pesticides to the private sector as soon as possible despite the many plausible reasons that can be adduced for retaining distribution in the public sector. Simultaneously some attempt should be made to raise the charges for these products so that individual farmers start to relate the costs and benefits from their use. This should result in farmers demanding better service and quality and eventually a more rapid growth in the use of pesticides.

157. In West Pakistan negotiations were in progress to encourage the transfer of marketing to the private sector but were proving protracted owing to differences of opinion on the costs of marketing. In order to gain some experience both from the Government's viewpoint and that of private enterprise, the transfer should probably be effected first in the West wing and a year or two later in the East wing. Coupled with a transfer to the private sector stricter legislation relating to the conditions of sale of pesticides, instructions on their use and relating to procedure for testing and authorizing the use of new agricultural chemicals under conditions prevailing in Pakistan would be necessary.

158. Seeds and Fertilizers. The point has already been made that Pakistan is attempting to push her agriculture on to a new plane of production. The farmer needs to appreciate that this involves a change in the quality of seeds as well as an increase in the use of fertilizers and pesticides. The advice he is given should be in a "package deal" covering all his key inputs. The Department of Agriculture Extension Service and the Thana Irrigation Program are already aware of this. The private sector should also be encouraged to take this approach and any private companies which are preparing to manufacture and market fertilizers in Pakistan should be encouraged to market improved seeds and pesticides in addition to fertilizers in order to spread their sales costs and increase the effectiveness of their sales-development staff. The mission gained the impression that at least one of the companies entering the fertilizer business would consider marketing seeds; such a development should be encouraged.

159. Farm Mechanization. There appears to be considerable unsatisfied demand for tractors which have been imported at a growing pace in recent years, partly encouraged by exemption from import surcharges as well as basic duties. Much scope however exists for increasing the productivity of labor on smaller-sized farms through a broader introduction of other farming machinery, e.g., threshers and mowers, and considerable potential would seem to exist in East Pakistan for small power tillers.

Water

160. The development of water resources is essential for the rapid progress of agriculture in Pakistan. For this reason, the targets have been raised in the Third Plan for bringing new land under irrigation, and for improving the supply of water on land already receiving some irrigation through better irrigation facilities, flood control and provision of drainage (see below).

('000 acres)	<u>Second Plan (Achievement)</u>		<u>Third Plan Target</u>		<u>% Achieved First 2 years</u>	
	<u>Irrigated New Land</u>	<u>Improvements, Old Cultivated Land</u>	<u>New</u>	<u>Improve-ments</u>	<u>New</u>	<u>Improve-ments</u>
West Pakistan	1,826	6,298	3,982	17,608	22	20
East Pakistan	<u>220</u>	<u>2,248</u>	<u>1,758</u>	<u>2,723</u>	<u>14</u>	<u>35</u>
Total	2,046	8,546	5,740	20,331	20	22
(Second Plan Target)	(2,440)	(7,110)				

161. The possibilities and problems of water development differ widely between the two provinces. In East Pakistan, during the monsoon season (summer) up to a third of the country may be under high flood for several weeks while in the lower reaches of the large rivers, high tides result in salt water flooding with its resultant crop damage. In the dry season (winter) only a small area is sown to crops and extension of this area depends on the use of low lift pumps in the lowland areas and tubewells on some of the higher ground.

162. Owing to low rainfall, agricultural production in much of West Pakistan is dependent on irrigation. Insufficient water and under-irrigation on flat lands with poor drainage lead to the problems of salinity, alkalinity and water logging. Consequently increasing water supplies is vital to the agricultural development of substantial areas of the province.

163. Third Plan Strategy. The present limited knowledge about the hydrology of East Pakistan, and the extremely difficult nature of flood control in this province, indicated that further investigations would need to be undertaken during the Third Plan period. Consequently it was decided

to rely on extending water management in East Pakistan during the Third Plan on a few selected schemes with short gestation periods, typified by the low lift pumps and tubewells. In West Pakistan, emphasis was given to utilizing sweet ground water through an expanded public and private tubewell program and to begin work on a canal modification and enlargement scheme.

164. Official estimates of progress to date indicate that only 20% of the target for new irrigation has been reached, and 22% in the case of improvements. The Planning Commission now considers it unlikely that the 1969/70 physical targets will be met but by careful selection of priority schemes it is claimed that agricultural production targets for the Plan period will be little affected.

#### East Pakistan

165. Slow progress has been made in extending the area of irrigated land in the Ganges Kobadak Project. Tubewells in the northern part of the province also are not providing the amount of water anticipated. Reaching the planned target calls for a marked increase in the installation and use of low lift pumps over the next two years. The Thana Irrigation Program under the auspices of the Basic Democracies has been established for this purpose. In contrast to new irrigation, good progress has already been made in extending facilities on land already in cultivation. Against the target of 3,083 miles of embankment in the coastal regions 1,370 miles have already been completed to give protection to over 1 million acres from tidal inundation. It is suggested elsewhere in the report that a more rapid transfer of these areas after completion of engineering works to another agency concerned with agricultural development might be beneficial.

#### West Pakistan

166. In West Pakistan progress is being maintained in the construction of main canals and distribution networks associated with the barrage projects. WAPDA is behind schedule in bringing public tubewells into operation in the various SCARP schemes. In particular the electrification of these tubewells has lagged. Authorities in Pakistan are confident however of being able to reach the Plan target of 9,000 public tubewells by the end of the period. As noted, private tubewells have a major role to play in increasing water supplies in West Pakistan (see paragraph 147). On balance it appears that the planned target of 40,000 private tubewells has a reasonable chance of being achieved.

*What is difference between public & private tubewells*

167. Financial Allocations. The shortfall in water development during the early part of the Plan period is reflected in expenditure as follows:



(million Rs.)	<u>Estimated Expenditure (1965/66 - 1966/67)</u>	<u>Target for 1967/68</u>	<u>Revised Plan Target (1965/70)</u>
East Pakistan	500.89	390.00	1,960.00
West Pakistan	<u>551.87</u>	<u>497.64</u>	<u>2,180.97</u>
Total	1,052.76	887.64	4,140.97

168. In order to achieve the revised target the total investment in water development during the remaining two years of the Plan will need to be greater than the total for the first three years.<sup>1/</sup>

#### Agricultural Credit

169. The three important institutional sources of agricultural credit in Pakistan are the Agricultural Development Bank of Pakistan (ADBP), the agricultural credit cooperatives, and government loans ("taccavi" loans). The annual volume of loan disbursements by these three institutions showed little growth throughout the Second Plan period, and averaged a little over Rs. 200 million per annum. This compares with total agricultural credit requirement of at least Rs. 2 billion per annum. Institutional credit thus accounted for about 10% of the total, the remainder being provided by the unorganized credit market at very high cost.

170. During the first two years of the Third Plan, however, lending operations by the cooperatives and the ADBP have significantly increased, while taccavi loans have declined.

(Rs. million)	<u>Average p.a. Second Plan</u>	<u>1965/66</u>	<u>1966/67</u>
Cooperatives	108	137	150
ADBP	81	110	148
Taccavi Loans	<u>39</u>	<u>29</u>	<u>29</u>
Total	228	276	327

171. The cooperatives raised their level of disbursements on new loans by almost 40% in the two years. An even more dramatic increase took place in ADBP's lending program. The volume of new loans almost doubled between 1964/65 and 1966/67. The decline in taccavi lending was, however, in line with Plan recommendations as explained further below.

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<sup>1/</sup> See Appendix Table 9 for detailed allocations.

172. The State Bank of Pakistan played an important role in agricultural credit expansion in both the formulation and the financial support of agricultural credit policies<sup>1/</sup> by increasing the borrowing facilities offered both to the cooperative system and to ADEP. Another important source of assistance was the 1965 IDA credit to ADEP of \$27 million.

173. The Agricultural Development Bank has a particularly important role to play in agricultural development because it is the only important source of medium and long-term loans to farmers. In 1966/67 50% of its disbursements were long-term loans, and 25% were medium term. In contrast cooperative bank lending and taccavi loans are essentially short-term. The supply of short-term credit will also need to be expanded considerably since a rapid growth in the use of fertilizers, seed and pesticides is an essential part of the revised agricultural expansion program. Although there are arguments against it, the ADEP will probably continue, as in the past, to be active in this field because of the ineffectiveness of the other institutions, and in fact did supply short-term credit at a higher level in absolute terms in 1965/66 and 1966/67 than during the Second Plan period. As a result, and probably also because the bank was recently called upon to undertake non-bank activities in connection with special Government emergency relief programs to disaster areas (cyclone-harassed regions in East Pakistan, war-affected areas in West Pakistan, etc.), the record of recovery of outstanding loans has somewhat deteriorated. Arrears increased to 22 and 28% of amounts due in the years 1965/66 and 1966/67 respectively, compared with 20% in preceding years.

174. The large dependence of the ADEP upon external borrowing and short-term State Bank debt is making it desirable to expand the bank's own financial resource base by increasing the share capital, attracting deposits and generating larger reserves from the income of its operations. The Government might also consider reducing the tax burden of ADEP.

175. Present interest rate policies might also be changed; raising of long-term rates from 6% to 7% are currently under consideration, but there are economic justifications for raising this interest rate level even higher. By so doing deposit rates could also be raised and the deposit campaign could have greater chance of success.

176. The lending program of ADEP has experienced important changes in relative composition of loan categories since the previous Plan period. Power tillers, power pumps and engines, and tractors claimed less than 10% of total loan sanctions in 1964/65, but accounted for almost half of all loans in 1966/67. The largest single loan category is now tractors with 34% in the latter year. Tractors are imported at the official exchange rate and are exempted from tariffs and taxes. This appears to have stimulated a very large and unfulfilled demand for tractors. Another important capital-intensive input in farm production is the sinking of private tubewells.

<sup>1/</sup> Action Plan forwarded for each of the provinces in 1962, including the institutional reorganization of the cooperative banks, training of staff, improvement of repayment efforts, and technical assistance to strengthen management of the banks.

Estimates of total tractor and tubewell investments in the private agricultural sector in Pakistan are compared with actual ADEP disbursements for these two investments in the table below. It shows that the part financed by ADEP in the case of tractors has substantially increased while it has decreased in tubewells from 1965/66 to 1966/67. Given the importance of tubewell investments in West Pakistan, the bank should consider how it could more effectively support this type of investment.

	(1) Total Number	(2) Total Investments	(3) Supplied through ADEP	(4) Total Loans	(5) (4) as % of (2)
<u>Tractors</u>					
1965/66	1905	Rs. 36.2 m. <sup>a/</sup>	936	Rs. 17.9 m.	49%
1966/67	3013	Rs. 57.2 m. <sup>a/</sup>	2529	Rs. 48.3 m.	84%
<u>Tubewells</u>					
1965/66	8500	Rs. 102 m. <sup>b/</sup>	2100	Rs. 29.6 m.	29%
1966/67	11300	Rs. 136 m. <sup>b/</sup>	3100	Rs. 31.0 m.	23%

<sup>a/</sup> Assume average tractor cost (incl. implements): Rs. 19,000.

<sup>b/</sup> Assume average tubewell investment: Rs. 12,000.

Source: Mission estimates and ADEP Annual Reports.

177. East Pakistan's fragmented and small-sized farming units pose difficult problems of acceptable collaterals or guarantees for ADEP. Most of its lending in this province has as a result been short-term. Recent expansion of medium and long-term lending in the Province relate to progress in supply of power pumps and engines, and power tillers and attachments, in connection with the foodgrain self-sufficiency program. A large part of these loans has been through institutional intermediaries. The large power pumps are financed through loans to the Agricultural Development Corporation of East Pakistan (EPADC), which distributes these to the farmers on a rental basis. EPADC has a large backlog of arrears on these rentals, which have contained considerable subsidy elements.

178. As shown earlier, cooperative credit has also significantly increased in recent years, and in volume was equal to ADEP's loans in 1966/67. Reform of the cooperative system has been under consideration for some time, and several efforts have already been made during the Third Plan so far particularly in East Pakistan. 185 Union multipurpose societies have been reorganized, 852 agricultural societies under the Comilla Scheme, several fishermen's societies, and societies of sugar cane growers and milk producers. These measures indicate the importance attached by the authorities to the strengthening of the cooperative structure. It will take considerably more vigorous action for cooperative credit to become an effective instrument for the expanded agricultural production program.

179. The decrease in taccavi lending is in line with the Plan and with the recommendations of the 1959 Credit Enquiry Commission. The lack of an effective recovery machinery for these loans - which are advanced by revenue officials at the district level - has caused a huge backlog of arrears, and has made taccavi lending in its present form ill-suited as a channel of agricultural credit.

180. The new emphasis in agricultural policies on food self-sufficiency by the early 1970's has brought about an even more urgent need to redress the short-term credit problem. The restructure necessary in the framework for agricultural credit to adequately support the seed, fertilizer and pesticide programs over the next few years is of considerable dimension and cannot be expected in a short time. New approaches are clearly needed, and it may be worthwhile to attempt the collaboration of commercial banks. This may after a time become significant, as banks build up a more widespread branch system in rural areas. It may also be desirable to finance credit sales directly through the dealers of agricultural inputs, which is a method that could be made immediately effective, and is presently contemplated by the Government.

## 2. Industry

181. The original Plan investment target of Rs. 12770 million for the combined public and private sectors has not been officially modified. However, the Plan allocation for the public sector was reduced in 1966 with a corresponding increase in the target for private sector investment. The table below shows estimated expenditures during the first two years of the Plan as compared with Plan targets.

Estimated Industrial Investment  
(Rs. million)

	<u>1965/66- 1966/67<sup>1/</sup></u>	<u>Original Plan</u>	<u>Revised Plan</u>	<u>% Achievement of Revised Plan</u>
Public sector	718.98	4,470.0	3,513.4	20.5
Private sector	<u>1,517.80</u>	<u>8,300.0</u>	<u>9,256.6</u>	<u>16.4</u>
Total	2,236.78	12,770.0	12,770.0	17.5

182. It is clear from these figures that investment in respect of setting up new industries has suffered a setback. With the reduced availability of resources and with the tight balance of payments situation, the credit policy remained restrictive. The investment schedule, on which sanctions were to be based, did not become fully effective. An ad hoc limitation was applied against import based industries. Private sector investment in industry has thus been lagging behind. 28% of the revised

<sup>1/</sup> Source: Planning Commission for public sector and private investment financed through IDBP and PICIC. Disbursement for private investment sanctioned by the Department of Government Promotion and Supplies has been estimated on the basis of active projects for which a letter of credit has been opened during the period under review. (See Annex I)

532/1/8

PAKISTAN

FACTS ON MEMBERSHIP, IBRD, IFC, IDA, SID

IBRD

Total capital subscription	\$200 million
9 percent portion	\$ 18 million

The entire 9 percent portion is available for purchases in Pakistan. As of September 30, 1968, none of this portion was on loan though the equivalent of \$0.16 million had previously been utilized.

IDA

Total capital subscription	\$ 10.1 million
90 percent portion	\$ 9.1 million

90 percent portion not released.

IFC

Total capital subscription	\$ 1.1 million
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Holdings of Bank Bonds

\$6 million, all of the two-year maturities; \$2 million will mature in March 1969; \$2 million in September 1969 and \$2 million in March 1970. Pakistan did not purchase bonds of the latest 2-year issue.

SID

Signed on July 6, 1968; ratified September 15, 1966.

Membership

532/1/7

PAKISTAN

Status of Bank Loans and IDA Credits as of September 30, 1968

[ Please see overleaf ]

PAKISTAN: Status of Bank Loans (as of September 30, 1968)

<u>Projects</u>	<u>Loan No.</u>	<u>Year</u>	<u>Amount</u> (\$ million)	<u>Undisbursed</u>	<u>Remarks</u>
<u>Power</u>					
KESC I	120	1955	13.8	-	
II	191	1958	14.0	-	
III	234	1959	2.4	-	
IV	480	1967	<u>21.5</u>	<u>14.0</u>	No problems.
Total Power			51.7	14.0	
<u>Transportation</u>					
Railways	60	1952	27.2	-	
"	180	1957	31.0	-	
"	241	1959	12.5	-	
"	320	1962	18.25	-	
"	321	1962	4.75	-	
"	496	1967	13.5	12.6	No problems
Karachi Port	126	1955	14.8	-	
"	376	1964	<u>17.0</u>	<u>10.5</u>	Various difficulties and delays encountered. Now solved but extension of Closing Date will be required.
Total Transportation			139.0	23.1	
<u>Agriculture</u>					
Punjab Agricultural Machinery	62	1952	3.25	-	
<u>Industry</u>					
Sui Gas Pipeline	99	1954	14.0	-	
Sui Northern Pipeline	377	1964	15.0	-	
Karnaphuli Paper	125	1955	4.2	-	
Dawood/Hercules Fertilizer	549	1968	<u>32.0</u>	<u>32.0</u>	Not yet effective.
Total Industry			65.2	32.0	

<u>Projects</u>	<u>Loan No.</u>	<u>Year</u>	<u>Amount</u> (\$ million)	<u>Undisbursed</u>	<u>Remarks</u>
<u>Development Finance Cos.</u>					
PICIC I	185	1957	4.2	-	
II	236	1959	10.0	-	
III	286	1961	15.0	-	
IV	330	1963	20.0	-	
V	382	1964	30.0	0.9	) No problems.
VI	421	1965	30.0	9.4	
VII	509	1967	<u>35.0</u>	<u>31.6</u>	
Total DFC			144.2	41.9	
<u>Multipurpose</u>					
Indus	266	1960	90.0	41.6	) No problems. Disbursements pursuant to terms of Indus and Tarbela Fund Agreements.
Tarbela	548	1968	<u>25.0</u>	<u>25.0</u>	
Total Multipurpose			115.0	66.6	
Total less cancellations of which repaid			516.9 <u>111.2</u> 405.7		
Amount sold of which repaid	20.9 <u>16.8</u>		<u>4.1</u>		
Total now held by Bank			<u>401.6<sup>1/</sup></u>		
Total undisbursed				<u>177.5<sup>1/</sup></u>	

<sup>1/</sup> Including \$32.0 loan to Dawood/Hercules.



PAKISTAN: Status of IDA Credits (as of September 30, 1968)

<u>Projects</u>	<u>Credit No.</u>	<u>Year</u>	<u>Original Amount</u> (\$ million)	<u>Undisbursed</u>	<u>Remarks</u>
<u>Transportation</u>					
Inland Ports	16	1961	2.0	-	
Inland Ports	65	1964	5.25	0.6	Will close on schedule.
EP Highways	53	1964	22.5	20.6	Revised recently - slow progress.
WP Highways	54	1964	17.0	10.4	Progress satisfactory.
WP Highways (Engineering)	S-1	1966	1.0	0.3	Extension Closing Date contemplated.
EP Railways	56	1964	10.0	3.8	Extension Closing Date recently approved to accommodate disbursements under existing Letters of Credit.
WP Railways	57	1964	25.0	1.1	\$0.6 cancelled October 1. Closing Date extended for balance to accommodate disbursements under existing Letters of Credit.
Commercial Road Vehicles	81	1966	<u>25.0</u>	<u>-</u>	
Total Transportation			107.75	36.8	
<u>Agriculture</u>					
Dacca Irrigation	11	1961	1.0	-	
Khairpur Irrigation	22	1962	18.0	7.3	Project recently revised. Now on schedule.
Brahmaputra Flood	39	1963	5.0	0.3	Will close on schedule.
Chandpur Irrigation	40	1963	5.25	0.6	Revised. Now on schedule.
Agricultural Bank	75	1965	27.0	1.5	No problems.
Agricultural Bank II	117	1968	10.0 <sup>1/</sup>	10.0	No problems.
Foodgrain Storage	83	1966	19.2 <sup>1/</sup>	14.8	Some construction problems but unlikely to affect construction schedule. Financing of fifth silo under consideration (by Sweden).
Total Agriculture			<u>85.45</u>	<u>34.5</u>	

<u>Projects</u>	<u>Credit No.</u>	<u>Year</u>	<u>Original Amount</u> (\$ million)	<u>Undisbursed</u>	<u>Remarks</u>
<u>Industry</u>					
Industrial Estates	30	1962	6.5	-	
<u>Maintenance Imports</u>	98	1966	25.0	-	
<u>Education</u>					
EP Education	49	1964	4.5	1.6	) Construction on schedule. Significant increase in local costs.
WP Education	50	1964	8.5	5.4	) Govt. may request deletion of certain parts.
EP Education II	87	1966	<u>13.0</u>	<u>12.6</u>	On schedule.
Total Education			26.0	19.6	
<u>Water Supply</u>					
Dacca Water Supply	41	1963	13.2	11.7	) Projects recently revised but will remain difficult: particular problems regarding efficiency and financial status of project authorities.
Chittagong Water Supply	42	1963	7.0	5.4	
Lahore Water Supply	106	1967	<u>1.75<sup>1/</sup></u>	<u>1.4</u>	
Total Water Supply			21.95	18.5	
<u>Multipurpose (Indus)</u>	60	1964	58.5	-	
Total less cancellation			<u>331.1</u>		
Total undisbursed				<u>109.3</u>	

1/ Joint financing with Sweden.

IFC ACTIVITIES IN PAKISTAN

IFC has made a total of nine investments (eight companies) in Pakistan of which seven remain outstanding. They are:

	<u>Equity</u> (US\$ million)	<u>Loan</u>
Ismail Cement Industries	.4	5.2*
Crescent Jute	---	1.9
Packages	.84	2.3
Pakistan Paper Corporation	2.0	3.2
PICIC	.48	---
Dawood-Hercules Fertilizer	4.0	---

\*Consists of two investments

At present, IFC has completed its appraisal of a second fertilizer project (Adamjee-Cyanamid) and is awaiting the results of the current market survey in order to apprise the GOP of the IBRD/IFC assessment of the fertilizer market.

IFC is currently discussing a proposal put forward by Batala Engineering of Lahore to construct a new plant for the manufacturing of ring spinning frames.

Family Planning Program.

1. The current Pakistan Family Planning Program was introduced in July, 1965 and forms part of Pakistan's Third Five-Year Plan. The Program differs from family planning activities during the first two five-year plan periods, in that it calls for the establishment of a separate administrative structure for family planning, organized as an autonomous body.
2. The goal of the Family Planning Program is to reduce the birth rate from 50 to 40 per thousand. Assuming that, by 1970, the mortality rate has dropped to 15 per thousand population, the annual growth rate would 2.5 percent as compared to the present 3 percent. If the present growth rate were to remain unchanged, the population, now about 115 million, would double before the turn of the century.
3. About US\$60 million, including a foreign exchange component of nearly US\$16 million, have been allocated for family planning in Pakistan's Third Five-Year Plan. The goal is to reach 5 million fertile couples with conventional and clinical contraceptive services.
4. In summary, the targets of the Pakistan Family Planning Program may be described as follows:
  - a) To initiate a family planning program in 33 districts in the first year and add 3, 6, 6 and 5 districts in each of the succeeding four years. This will cover 52 districts, leaving very few areas of the country untouched by the end of the plan period.
  - b) To develop an independent organizational structure consisting of:
    - i. An Administrative cadre at the Central, Provincial and District level.
    - ii. A professional research and evaluation organization under the general leadership of the National Research Institute of Family Planning.
    - iii. A network of clinics staffed with medical personnel qualified to handle the IUD, the tubeligation and the vasectomy phases of the program.
    - iv. A cadre of local level motivational and educational personnel committed to the concept of family planning.
    - v. A sale and supply system which will make contraceptive supplies available in the remotest village.
  - c) The development of indigenous production of conventional contraceptives sufficient to meet the demands generated by the education program.

Bk  
is assigned  
right

Family Planning

5. In 1968 a joint UN/WHO mission, led by Sir Ronald Walker, visited Pakistan to evaluate its Family Planning Program. This is the most recent objective evaluation of this program. A draft of this report was made available to the Bank. The final version will be issued shortly.
  
6. On the basis of the draft report the findings of the mission were as follows. Although the Secretary of the Family Planning Program felt that if present trends continue the Family Planning Program would achieve its target of reaching 5 million couples by 1970 (and hence reducing the birth rate from 50/1000 to 40/1000 between 1965 and 1970), the mission quoted a more objective study that predicted that only about 50 percent of the required reduction would be achieved by 1970. The mission itself felt, it was highly conjectural to measure the past and prospective decline of fertility. However, it emphasized the point that "success" should not be measured only in terms of achieving the target, which was too ambitious in the sense that it had never been achieved in any country. In terms of setting the organization required to reach the rural illiterate population (a majority of which was already aware of the existence of these services), and of changing the climate of opinion through mass communication, as a result of which [Pakistan's family planning program is now openly discussed in the mass media and is no longer considered to be contrary to the Moslem religion,] the achievements were remarkable. The mission therefore concluded that "the 1965-70 scheme was a bold and imaginative response, to the critical problems posed for Pakistan's future by rapid population growth. The results to date, though they can be measured only indirectly, indicate that the large investment in human and financial resources has been justified."

532/1/4

Eastern Rivers Dispute (Updating Information)

The talks on Farakka held in May in New Delhi were the fifth held on this subject in a series which started in June 1960, and the first since 1965. The major issues in the Eastern Rivers dispute are the construction of the Farakka barrage by India; Pakistan's Ganges-Kobadak project; and, Indian and Pakistani development plans for the Tista, Brahmaputra and Meghna river system of Tripura.

The meetings in New Delhi beginning on May 13 produced no fruitful results, with the exception of an agreement to permit technical representatives of Pakistan to visit Farakka, and technical representatives of India to visit Ganges-Kobadak.

The Pakistan delegation suggested the enlisting of the good offices of a third party, like the Bank, to arbitrate the dispute and failing agreement on that, Ministerial discussions. The Indian reaction was that technical discussions between Pakistani and Indian experts were not yet exhausted and should be resolved by technical rather than political discussions. In this regard, there were significant technical disagreements about the water requirements of Pakistan; India's position being that Farakka does not interfere with the "legitimate" water requirements of East Pakistan (the Farakka project is expected to be completed in 1970-71).

Cooperation over the use of the Eastern Rivers was agreed in the Tashkent Agreement of January 1966. In July 1968 Mr. Kosygin wrote to Mrs. Gandhi suggesting a settlement of the Eastern Rivers dispute along the lines of the Indus Treaty. In rejecting this proposal, India replied that the dispute was bilateral, and should not be internationalized as was the case with the Indus.

On September 25, GOI suggested in a note to GOP that a Secretary level meeting be held to discuss the Farakka dispute. No word has been received whether Pakistan has replied, but it is most likely that they will agree as India appears to have gone half way to meet Pakistan's insistence on political discussions of the issue.

November 5, 1968

Eastern Rivers

## OFFICE MEMORANDUM

532/1/3

TO: Mr. Robert S. McNamara

DATE: May 14, 1968

FROM: I. P. M. Cargill

SUBJECT: PAKISTAN: Eastern Waters

1. Although the program of studies which the Bank is carrying out for the development of the agriculture and water resources of East Pakistan was first discussed during meetings about the study of the Indus, there is no similarity between these two programs. In every other respect - and for our present purposes climate and geography are the most relevant - the two wings are quite different. The only things that East Pakistan and West Pakistan have in common are religion and the problem that each is the downstream riparian on rivers that run through India.

2. There is no doubt that if India were to proceed with works designed to benefit Indian territory it would do considerable damage to East Pakistan. For example, any diversion works on the Ganges could seriously affect agriculture in East Pakistan at the time of low water flow; less seriously, embankments for flood control on the Brahmaputra would increase the floods downstream. It is, therefore, very much in the interests of Pakistan to reach agreement with India about a coordinated development of the basins of all rivers they have in common. While the benefits to India that can be foreseen at present do not appear to be substantial, there is no reason to suppose that coordinated development would have adverse effects in India.

3. The studies which the Bank is now carrying out in East Pakistan differ in two important respects from the studies of the Indus Basin. First, the studies of the Indus Basin were undertaken only after agreement had been reached between the two countries on the division of the waters of the tributaries. The work could therefore be carried out on assumptions that were perfectly clear. Second, the technical solution which made an agreement between the two countries possible was one that was designed to avoid the need for continuing cooperation between them. It was probably not the most economical solution but was justified in order to eliminate the great political risks raised by the dispute over the use of river waters.

4. In East Pakistan such a solution is not possible. From an economic and technical point of view, the only proper procedure is to develop the river basins as a whole. Diversion of the waters in India is bound to deprive East Pakistan of supplies. The possibility that existed in West Pakistan of using waters which would otherwise have not been used to make good a shortfall does not exist in East Pakistan. The time has now been reached when the Bank must decide what limitations this imposes on the studies it is financing. India is at present constructing a diversion dam (Farakka) on the Ganges which will be completed by 1970-71 and which could immediately have seriously adverse effects on East Pakistan unless agreement is reached on a mutually suitable operating regime. In the future

President has seen

other diversion works and flood control programs on the Ganges and other rivers could have similar far reaching effects downstream. The Pakistan fourth Five Year Plan will begin in 1970 and in normal circumstances the Bank team would be evaluating a number of projects on the mainstream of the principal rivers which Pakistan proposes to include in the plan. We understand that Rs. 3 billion is allocated in the Plan for development of water resources including mainstream project expenditures. Major projects for which Pakistan would like to start construction during the next Plan include the Ganges/Kobadak-Jessore unit and the Teesta Project. However, in the absence of an agreement between India and Pakistan on the use and control of these river waters it is feared that building these projects might result in extremely wasteful investment.

5. For these reasons the need to reach agreement on cooperation between the two countries is now being brought into sharp focus. However, the existence of the problem has been obvious from the very start of our discussions about the program of studies. Indeed, it was the principal issue that caused difficulties in the negotiations of the so-called Chadenet Agreements which ended in a sense with an agreement to disagree on this issue. The relevant passage of the March 1, 1966 Agreed Statement reads as follows:-

"International Waters

The Province is extremely susceptible to any action taken upstream by India. The mission stated that without some international agreement or understanding the sound programming of some major projects in the Ganges and Brahmaputra basins is impossible, particularly those dependent upon the Ganges-Padma system. To make intelligent planning possible and for the benefit of both countries, an agreement should be reached to co-ordinate river basin planning between Pakistan and India.

The representatives of the Government of East Pakistan stated that this cannot in any way qualify their right to an equitable share of the waters of the Ganges and Brahmaputra river systems and that to protect their interests they must proceed with the implementation of their water development Projects."

The disinclination of the Bank to proceed further with the mainstream projects is matched by the determination of Pakistan to carry them out without delay in order to establish their prior rights to the use of the quantity of water that would be needed to justify economically the very large investments.

6. In another way, too, this problem has led to serious disagreements between Pakistan and the Bank on strategy of agricultural development in East Pakistan. One of the most striking differences between East and West Pakistan



May 14, 1968

is in the traditional mode of agriculture. The land in West Pakistan is basically arid or semi-arid desert. On the other hand, East Pakistan is in a humid zone of one of the major river deltas in the world. Over the centuries East Pakistan has had an assured monsoon crop without water control. The heavy natural rainfall and flooding from the rivers resulted in a basic cropping pattern of deep water (aman) rice; whereas agriculture in West Pakistan has over the centuries required the artificial distribution of water through irrigation. As a result of the relatively favorable conditions in East Pakistan in times past including highly fertile alluvial soils, a rural population with one of the highest densities in the world grew up. This one crop method of cultivation can no longer support the population. To improve agricultural production a second crop must be grown during the dry season and improvement in yields during the monsoon period through flood control and changes in growing methods must be introduced. These conditions differ materially from those in West Pakistan and it is quite natural that the solution differs too. It is the view of experts in the Bank that in these circumstances, it would be unwise and unfeasible to introduce initially a system of irrigation by canals (as was done on the Indus) which would involve for each farmer, a radical change in his methods of cultivation within a short time. Consequently, the Bank has been urging the view on Pakistan that a system of agriculture based on a controlled supply of water should be introduced gradually by the maximum use of low-lift pumps and the gradual elimination of flooding. The heavy investment in major irrigation dams and canals should be delayed until the farmer has become accustomed to this new method of cultivation. I could not say with assurance that this approach has yet been fully accepted by East Pakistan. There are many reasons for East Pakistan's disappointment with the Bank's approach and their reluctance to accept it; but undeniably one of the principal reasons is the postponement for many years of the mainstream projects whereby Pakistan hopes to establish rights to the waters in question vis a vis India.

7. The issue of cooperation over the use of the waters of the eastern rivers was one covered by the Tashkent Agreement of January 1966. For some time thereafter we hoped that the two countries would reach a solution to this problem in the implementation of that agreement. However, with the passage of time, it has become clear that the Tashkent Agreement has not had the desired effect with regard to the eastern rivers; neither country has been willing to make a move. In the Bank we have been casting around for some time to find some way of breaking this deadlock and in September 1967 Mr. Chadenet made a proposal that the Bank should finance a computer study which would be a beginning in the development and analysis of the information needed to reach a conclusion on the optimum use of the eastern river basins. Mr. Woods, who had been deeply interested in this problem for some time agreed that the proposal should be put to the two countries, although he was disinclined to have the Bank finance it. The cost, in any event, would not have been great and the failure of the proposal to find any ready acceptance was certainly not due to considerations of expense.

8. I took the matter up first with officials of the two governments and had a reception from both that would best be described as irrational and illustrating only the deep suspicions each side had of the other. I asked

May 14, 1968

these officials to brief their Ministers and subsequently asked Mr. Woods to speak to the Ministers. The reaction of Morarji Desai was as might be expected - pragmatic and candid. He recognized the problem that existed and the difficulties that could be caused to East Pakistan by increasing the use of the river waters on the Indian side of the border but he pointed out that these difficulties would be cause for concern by Pakistan, not India, and that therefore, if any initiative had to be taken in the matter it should be taken by Pakistan. He acknowledged that the Bank's proposal was a purely technical study which would be carried out without any commitment on India's part to accept conclusions to which these studies might point. But it seemed to him quite possible that the results of these investigations would suggest a plan of development that would be to the advantage of East Pakistan at the expense of India. Once the conclusions of the investigations became known, if India refused to accept them it would come under criticism internationally and consequently under great pressure to adopt them without any political or economic advantage commensurate with the sacrifice India might have to make. He argued that in order to facilitate an agreement on the Indus, India, to obtain the use of waters running through its own territories, had had to contribute nearly \$200 million to the Indus Fund, forego the development of the use of these waters for 10 years and had received very little help in the construction of the irrigation system necessary in India. If India now agreed to cooperate over the eastern rivers there was no reason to suppose that Pakistan would be willing to negotiate about the other difficult problems between the two countries, and any concessions India might be called upon to make as a result of such cooperation would be politically unacceptable inside the country. However, if Pakistan would take the initiative in proposing the investigations suggested by the Bank, he would take the matter up with the Prime Minister and urge her to have it considered seriously in the Cabinet.

9. Subsequently, Mr. Woods took up the subject with Uqualli and told him that India felt any initiative in this matter should come from Pakistan. Uqualli undertook to take this question up with the President on his return to Pakistan. This he did and I was told at the end of November when I visited Pakistan that the President had agreed to make an approach. Meantime, for some months, Professor Revelle of Harvard had been making a similar proposal to the one suggested by Mr. Chadenet. He had been engaged to do some demographic studies in East Pakistan and had quickly seen the importance of inducing cooperation between India and Pakistan over the eastern rivers. Despite the reported support of the President for a high level approach to India, senior Pakistani officials remained wholly opposed to the idea and seized, in my opinion, on Professor Revelle's initiative as a way to delay the action the Bank was recommending. Instead they worked out an agreement with Professor Revelle, a copy of which they promised to give us but which we have not yet received. They also left it to Professor Revelle to make the approach to India through the chairman of the Indian Atomic Energy Commission who happened to be a friend of his. Not unexpectedly, this has led to nothing. I told the senior officials involved that I found this course of action unsatisfactory. I visited India and Pakistan again in the beginning of February of this year and took the matter up with the Permanent Secretaries of the two foreign offices and other officials. In

Pakistan I pointed out again the increasing futility of continuing with the studies in East Pakistan started with the Chadenet Agreements, which were costly in terms of money and manpower, without some possibility of a sensible and meaningful discussion between the two countries on this problem.

10. Perhaps as a result of these representations contact between the two Governments was renewed. Before the hostilities of September 1965 there had been arrangements whereby technical information about the river flows through Bengal and into East Pakistan had been exchanged and these arrangements are being revived. After two postponements, officials of the two Governments were scheduled to meet on May 13 to resume the exchange of information. However, this is a far cry from the kind of comprehensive research which would be needed to carry out an exercise of the kind suggested by Mr. Chadenet and Professor Revelle.

11. In the Steering Committee we have now come to the conclusion that there is further work which can usefully be done by the Bank team whether or not the two Governments agree to the Bank proposal, but clearly the future program of work will be much more limited if we have to work on the assumption that no cooperation between the two Governments is possible. It is impossible for the Bank to advise on or consider the financing of mainstream projects in East Pakistan unless agreement is reached at least with regard to Farakka. The Pakistan Consortium meeting will start on May 21 and the Pakistan delegation headed by the Deputy Chairman of the Planning Commission will be here on May 17. I would recommend that he be informed that unless his Government is prepared to make a high level approach to India for the purpose of getting substantive discussions about the eastern river problems started, the Bank will not be prepared to do more than complete the work begun so far and this work would exclude evaluation of the mainstream projects. If they agree to make this approach we shall at least know where we stand. If India makes a positive response then the Bank should be prepared, in my opinion, to provide the technical support which will be needed and I believe that there will be advantages in having the Bank pay for, or to be responsible for, the studies to be carried out. If India rejects the Pakistan request then at least we shall know where the pressure has to be applied.

532/1/2

HABIB BANK LIMITED

*has started moderate work  
Reg + formation of several  
branches to set up a bank*

The largest private bank in the country. Founded in 1941 in Bombay. Head Office shifted to Karachi after establishment of Pakistan. Owned and managed by the Habib Family Group.

Share Capital and Reserves : Rs 100.0 million  
Deposits : Rs 3018.6 million  
Advances : Rs 1917.6 million  
Number of Branches : 540  
Overseas Subsidiary with : 11 branches.

MANAGING DIRECTOR : Rashid D. Habib

Grandson of the founder. Associated with the bank from his early youth and took over management after the death of his uncle.

NATIONAL BANK OF PAKISTAN

The premier commercial bank of the country. Set up in 1948 by Government Charter to fill the gap left by the withdrawals of Indian banks after Independence. Government hold 25% share and the rest is held by public. Managing Director appointed by the Government.

Share Capital and Reserves	Rs. 82 million
Deposits	Rs.2324 million
Advances	Rs.1743 million
Number of Branches	650 (including 7 Overseas branches)

Managing Director : Mr. Mohammad Ghouse Mohiaddin

Appointed in 1966. Originally a central banker and spent his entire career in the Reserve Bank of India and subsequently in State Bank of Pakistan from where he retired as Deputy Governor before being appointed to National Bank of Pakistan as its Managing Director.

UNITED BANK LIMITED

Founded in 1959. Majority shares held by the Saigol Group, a large industrial group of West Pakistan. Management in professional hands. Has had a rapid growth, and is now the third largest bank in the country. Has recently expanded overseas particularly in Persian Gulf.

Share Capital and Reserves	:	Rs 37.50 million
Deposits	:	Rs 1988.6 million
Advances	:	Rs 1544.8 million
Number of Branches		404 ( includes 6 overseas branches )

MANAGING DIRECTOR : Agha Hasan Abedi

Started his career with the Habib Bank where he worked mostly on the business development side. Left them in 1959 to start United Bank Ltd. and has been its Chief Executive since inception.

AGRICULTURAL DEVELOPMENT BANK  
OF PAKISTAN

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The only Agricultural Bank in the country. Was set up under an Ordinance of the Government of Pakistan in 1961. Capital entirely subscribed by the Central and Provincial Governments. Caters to both short-term and long-term credit requirements of the agricultural sector, with emphasis on long-term requirements. Resources consist mainly of borrowings from I.D.A. in foreign currency and Rupee loans from State Bank of Pakistan.

Paid up Capital and Reserves	Rs. 114.0 million
Deposits	Rs. 22.6 million
Loans and Advances	Rs. 582.5 million
Number of Branches	130

Managing Director : Mr. K.S. Islam ✓

A member of the Civil Service of Pakistan. Served in various capacities in the Provincial and Central Governments. Was the Additional Finance Secretary of the Government of Pakistan before his appointment as Managing Director of the Agricultural Development Bank in 1966.

PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION

An industrial credit and investment institution to finance large-scale industries. Was set up in October, 1957 as a Joint Stock Company under the Companies Act. 60% of the capital has been subscribed by private Pakistani investors while the remaining 40% is held by private interests in U.S.A., Canada, U.K., Japan, West Germany and International Finance Corporation. Provides long and medium term loans in foreign and local currencies. In addition, underwrites issue of share as part of its programme to assist in the development of the capital market.

Paid up capital and Reserves Rs.77.37 million

Borrowings:

(a) Foreign Currency	Rs.510.50 million
(b) Local Currency	Rs. 79.0 million
Total	Rs.589.5 million

Advances:

(a) Foreign Currency	Rs.537.7 million
(b) Local Currency	Rs. 17.5 million
Total	Rs.555.2 million

MANAGING DIRECTOR: Mr. Said Ahmed ✓

Joined Reserve Bank of India in 1935. Held various responsible positions in the Reserve Bank of India and then in the State Bank of Pakistan. Was the Deputy Governor of the State Bank of Pakistan before his appointment as Managing Director of PICIC in 1966.



Pakistan

- 1) The ratio between boys and girls attending school is 1:6 ( one girl to six boys)
- 2) The total number of teacher training colleges for training of teachers for primary school is 38, of which:  
Basic (normal) Teacher training colleges are 9  
Emergency (crash-program) Teacher Training Colleges are 29
- 3) The percentage of primary school-age children attending schools is 19.7%
- 4) The literate population is estimated 10%



GOVERNMENT OF PAKISTAN  
FAMILY PLANNING DIVISION

Pakistan Secretariat Block S  
ISLAMABAD

Telegrams : FAPLACIL  
Telephones : 25602 (Office)  
21581 (Residence)

From:  
MR. ENVER ADIL,  
S.Q.A., C.S.P.,  
Secretary,

No: 1-34/68-5FP

15.11.1968

Dear Mr. Finsaas,

As desired by Mr. McNamera, the enclosed documents are submitted for favour of being sent to him in Washington:

- noted by me*
- (1) A Note on Pakistan's Family Planning Programme;
  - (2) Proposals for Iran's Family Planning prepared by Pakistan under R.C.D;
  - (3) Charts for 1965-66, 1966-67, 1967-68, and part of 1968-69 showing by month:
    - (i) I.U.D cases;
    - (ii) Sterilisation cases;
    - (iii) Sales of conventional contraceptives.
  - (4) Chart showing changes in age structure of I.U.D acceptors in the recent one year.

With kind regards,

Yours sincerely,

*Enver Adil*  
15.11.68

(Enver Adil), S.Q.A., C.S.P.,  
Secretary to Government of Pakistan

Mr. Torgeir Finsaas,  
Representative,  
International Bank for  
Reconstruction and Development,  
229-F-6/3,  
Islamabad





GOVERNMENT OF PAKISTAN  
**FAMILY PLANNING DIVISION**

Pakistan Secretariat Block S  
 ISLAMABAD

Telegrams : FAPLACIL  
 Telephones : 25602 (Office)  
 21581 (Residence)

From:  
 MR. ENVER ADIL,  
 S.Q.A., C.S.P.,  
 Secretary,

NOTE ON PAKISTAN'S FAMILY PLANNING PROGRAMME

Family Planning Programme in Pakistan is executed in the nature of a mass movement. Bill boards, bus panels, pamphlets, posters, cinema slides, radio, television, and other available media of mass publicity legitimise this concept on a countrywide network. The local organisers undertake inter-personal motivation. They belong to the hereditary class of indigenous midwives who have traditionally enjoyed confidence of village women. 50,000 of them at the rate of 1 per 4-500 women in the reproductive age group, are deployed at grass roots, getting Rs.2½ per referral for coil (IUD) insertion, 80% proceeds from the sale of conventional contraceptives, and Rs.15.00 monthly as retainer. 5000 in the next higher level including Family Planning Officers and Assistants work wholetime to give them guidance and support with involvement of the local tiers of Basic Democracies. There is a district supervisor controlling and coordinating the activities of approximately 100 Family Planning Officers. Medical and mostly para-medical personnel aggregating to 5000 have been engaged as counter-parts of the whole-time Family Planning functionaries for clinical jobs. They are full-time and part-time in the ratio of 1:3, but as more and more Lady Family Planning Visitors come out of Training Institutes it is hoped to man the entire cadre with full timers. In addition over 50,000 retailers, grocers, pharmacists, medical houses, and other shopkeepers constitute distribution points for conventional contraceptives. Thus over 100,000 ~~full-time~~ <sup>part-time</sup> time and over 10,000 ~~part-time~~ <sup>full-time</sup> workers function this Programme in different disciplines - sociological, clinical, demographic, administrative, religious, and public relations. There is a cafeteria approach in offering all available methods of contraception, charging subsidised price for the conventional (condoms, foaming liquid, foaming tablets, jellies) and giving monetary incentives for ones clinical (I.U.D., Vasectomy, and Ligation of the Tube).

2. The Six-Monthly Averages of <sup>monthly</sup> Performance have been registering a rise as follows, and the average age of IUD acceptors/Vasectomy clients a steady decline:

Period	IUD	Sterilization	Conventional Contraceptives (in 000')
July-December 1965	9,446	194	3,284
January-June 1966	35,762	770	3,865
July-December 1966	44,818	3,989	6,206
January-June 1967	53,233	4,133	9,492
July-December 1967	59,224	21,197	12,751
January-June 1968	70,102	23,271	14,601





GOVERNMENT OF PAKISTAN  
FAMILY PLANNING DIVISION

Pakistan Secretariat Block S  
ISLAMABAD

Telegrams : FAPLACIL  
Telephones : 25602 (Office)  
21581 (Residence)

From:  
MR. ENVER ADIL,  
S.Q.A., C.S.P.,  
Secretary,

- 2 -

3. The average annual expenditure on the Programme is \$ 12 million out of which foreign assistance is roughly:

(1) U.S. A.I.D .	\$ 800,000
(2) Ford Foundation/ Population Council	\$ 200,000
(3) UNICEF	\$ 500,000
(4) Sweden	\$ 1,000,000
(5) U.K.	\$ 100,000

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TOTAL \$ 2.6 million

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Pak

## I Agriculture

Cotton dependency: 8100,000 &amp; 600 million - still

Plan food self-sufficiency '70

What are plans for: penetrating export mkt's

research to improve &amp; maintain resistance?

new varieties to pests

expanding use of fertilizers + water <sup>protection by P, S, K</sup> + Kasserincreasing no. of small farmers <sup>4327 EP</sup> less than 5 ha

## II Education

Low literacy rate: 15% - only 10% out of 125m

Only 50% of primary age children in school

High drop out rate: 80% in primary; 50% in higher educ.

Unskilled educ: only 2.2% of 125m leading in voc. + tech <sup>courses</sup>

What are plans to: expand primary enrollment

reduce drop out rate

direct educ. toward voc &amp; tech skills

### III Industry

Growth rate has been high but efficiency low  
Economic protection both internal & external

Current operations at less than capacity

What are plans to: increase competition

.. efficiency in public; private firms

What is basis of various support credit; regis. for specific industries

### IV Health Planning

Objective: birth rate 50/1000 in '65 to 40/1000 in '70

What are detailed death, birth, & total population plans to meet

### V Regional Disparity

Very great -

What are plans to reduce

### VI Misc:

What are plans to increase types (9276000 vs 5th year 715-702)

.. .. low says (152 vs 232)

.. .. reduce unemployment

.. .. rise low end of income scale: 752 under 4000 people