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Folder 4 of 4

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2

Political Brief

1. Pakistan's 33 years history has been marked by political instability fed by military coups and civilian unrest; unsolved tensions between regions, first between East and West Pakistan, and after the breakaway of East Pakistan, between the most populous province of the Punjab and the rest of the country, a historical feeling of insecurity vis-a-vis its neighbours --especially India--; and the persistant dilemma of building either a theocratic or a secular type of society. The first ten years of independence did little to balance regional, economic and cultural interests. In 1958, two years after the promulgation of the long awaited first constitution, political rivalries and deteriorating economic conditions triggered riots. On the grounds, that the existing political system had failed the nation, Army Commander-in-Chief General Ayub Khan declared the first Martial Law Regime and became President. In 1962, the Martial Law was abrogated and a second constitution promulgated. After surviving a war with India in 1965 the Ayub Khan regime collapsed in 1969. General Yahya Khan became Chief Martial Law Administrator under a second martial law regime. In December 1970, Sheikh Mujib's electoral victory in East Pakistan cristalized the political confrontation between Pakistan's two wings that flared in 1971 into a civil war which after the intervention of the Indian army ended with the independence of Bangladesh.

2. Humiliated by its defeat, the Pakistan Army returned power to the civilians. The demoralized nation was galvanized by the Pakistan Peoples Party which had gained the majority in West Pakistan in the 1970 election by promising a new political and social order. Zulfiqar Ali Bhutto, PPP's charismatic leader assumed the Presidency in December 1971. During his regime, further land reform legislation which gave tenure rights to small peasants and landless tenants was implemented. Most of the large industries were nationalized together with domestic banks and life insurance companies. The Government embarked on a high investment strategy which strained both public and external resources without markedly increasing output. The investment push took place primarily in the public sector which in 1977 accounted for three-quarters of total industrial investment, up from one quarter at the turn of the decade. Bhutto's government tenure was marked by a gradual decline in the quality of the federal, provincial and local administration and public institutions particularly in agriculture. The charge of massive vote rigging during the 1977 elections created a new political crisis, triggered riots, and ultimately brought down the government. General Zia as Chief of the Army Staff, claiming that the crisis could no longer be resolved through democratic process dismissed the government, suspended the third Constitution promulgated in 1972 and imposed martial law for a third time. Bhutto was placed under arrest, later charged with murder, sentenced to death and hanged in April 1979.

3. A period of uncertainty marked the beginning of the new military government's tenure. At his coming into power, General Zia appeared to favor elections. His government had inherited an exhausted economy, a high rate of inflation, depleted public and foreign reserves and a demoralized administration. Hardly enjoying popular support, it was rapidly blamed for these ills and yet its precarious situation limited its freedom of action, particularly in the economic field, and undermined the effectiveness of policy implementation. In addition, General Zia showed reluctance to decide upon fundamental options in a period during which he considered his government as a caretaker one.

4. Meanwhile, the Pakistan People's Party (PPP) under the leadership of Bhutto's widow Begum Nusrat, and his daughter Benazir, continued to muster some popular support. At the local elections held in September 1979, by President Zia against the opposition of most political parties, candidates associated with the PPP were favored by a majority of voters, although the elections were held on a non-party basis and candidates did not formally represent the political parties. The results of these local elections induced President Zia to cancel national elections indefinitely, which he stated would now take place only after his Government, --within the framework of Islamic principles--, has ameliorated the law and order situation, strengthened the national economy and eliminated corruption. The cancellation of elections was accompanied by a tightening of the martial law: political parties were banned, strikes and lockouts declared illegal and censorship imposed on the press.

5. The tension between Iran and the U.S. after the fall of the Shah provoked an ambivalent reaction in Pakistan. After all, Pakistan had maintained very cordial relations with Iran during the Shah's reign. Pakistan condemned the holding of hostages, yet maintained a sympathetic attitude towards Iran's Islamic Government. On November 21, after rumors started implicating the U.S. in the takeover of the Grand Mosque in Mecca, a crowd of mostly PPP supporters and students sacked and burned the U.S. Embassy in Islamabad killing two American and two Pakistani employees.

6. After this incident, the US-Pakistan relations, already strained by Pakistan's refusal to curtail its nuclear program, reached their lowest point. However, geopolitical developments in Afghanistan brought a new dimension to the relations of Pakistan with the Western Powers, including the U.S. Following the Soviet invasion of Afghanistan in late December 1979, Afghan refugees streamed into Pakistan, creating new demands on Pakistan's scarce resources and testing its neutrality in the face of some border violations by the Soviet army. More than 1,300,000 refugees had been registered in Pakistan upto the end of December 1980, while the total number of Afghans fled to Pakistan is likely to be much higher. The Government's open sympathy for the Afghan

rebels, the "mujahideen", tolerated supply of arms from Pakistan's tribal areas through a porous border and the ever present threat of Baluchi and Pathan secessionist movements, which could be exploited by the USSR, have created a delicate situation for Pakistan. An American offer of $400 million in military and economic aid was rejected by President Zia on the grounds that this relatively small amount did not represent a sufficiently strong American commitment to Pakistan's security, and did not compensate for obvious Russian antagonism nor for the possible loss of support from the Non-Aligned Group or from the rich Gulf States. With the latter Pakistan has carefully fostered its political, economic, social and religious ties. It also maintains its long standing close military alliance with the People's Republic of China.

7. Since under Martial Law political activities are banned, it is difficult to assess the strength of the political opposition to the Military Government. President Zia appears to be in control of the Army and the Government, as evidenced by his willingness and ability to adopt and carry out hard decisions. He has successfully enhanced his international stature as Head of the Conference of Islamic States. The survival of his regime hinges partly on the absence of a strong and widely respected civilian leadership capable of challenging the military by presenting a viable alternative. Some of his actions and statements can be interpreted as an attempt to move towards a more civilian type of government but basic issues such as the role of the political parties including the PPP, the role of the Armed Forces in the Government and the depth and scope of islamization have yet to be resolved. President Zia repeatedly stressed that the unsettled domestic environment does not yet permit national elections. But he promised a broadening of his Cabinet to include civilians and representatives from local institutions. Meanwhile, the local bodies that emerged from the September 1979 election are taking roots in urban and rural areas. They have, at this stage a limited role but are expected to contribute eventually at the grass-root level to economic planning and development. Together with Federal grants, some provincial and municipal resources are now diverted towards their budgets. Their chairmen and vice chairmen participate in the newly established Provincial Advisory Councils.

8. The decision to cancel the November 1979 national election has enhanced the government's capability to take decisions, including unpopular ones in the economic field. Bureaucrats now freed from the uncertainty of the electoral process show greater decisiveness in implementing economic policy measures.

9. The Government's main objectives are to stabilize the economy and accelerate growth. Being without a strong political base, the government hopes to gain wider acceptance through improving economic and social conditions. The imperatives of a growth strategy are thus mitigated by a concern for the living condition of the urban and rural masses, which is reflected in a public subsidy bill representing about 11 percent of total budgetary revenue mostly on food, and agricultural inputs. More than his advisers, General Zia appears concerned by social issues related to basic needs, that he proclaims could best be alleviated within the framework of an islamic society. A staunch Muslim himself, he sees Islam as a national rallying point and a preferred alternative to a secular political system. Addressing the nation on radio and television on November 10 to mark the beginning of the 15th Muslim Century, President Zia espoused four priorities for his government: acceleration of Islamization in general, Islamization of the judicial process to provide the common man rapid and inexpensive access to the judicial system, extension of education in particular for adults and women, and eradication of poverty.

10. First steps have been taken towards some of these aims: an Islamic Ideology Council appointed by the government and recently enlarged is reviewing the laws of the country to assess their compatibility with Islamic principles. Early last year, Islamic courts, called Shariat benches, were introduced in parallel with the traditional British inspired legal system. These courts can challenge existing laws as non-Islamic and can use speedier procedures for civil cases. Urdu, the vernacular language, is given greater emphasis in schools, and textbooks are rewritten with a stronger Islamic commitment. As of January 1, Pakistan has introduced interest-free banking. According to official interpretation, interest falls within the definition of usury and is forbidden by Islam. Instead of earning fixed interest, deposits and savings will be risk-capital invested by banks in industry and trade. Through loans, banks will take an equity holding and share profits or losses with depositors. The system is still to be tested, and the government is moving with caution towards its implementation.

11. In June 1980, Zakat, a 2½ percent Islamic wealth tax was levied compulsorily on savings for the first time. Zakat proceeds were redistributed throughout the country to needy persons and so far 600,000 have reportedly benefitted from it. But the compulsory introduction of Zakat caused the first serious crisis in Islamization. While this was compatible with the teachings of the Sunni sect which represents about 70 percent of the Muslim population it contradicted traditions of the minority Shia sect for which Zakat is a voluntary alm. Furious, the Shia demonstrated in force in Islamabad on July 5, the third anniversary of Bhutto's ousting. President Zia had to give ground by conceding, that Shia traditions should in future be respected in the enactment of Zakat and other measures. He called a convention of ulema

(Islamic scholars) to define a common basis between Sunnis and Shias for the promotion of Islamic order. By giving the ulema a role, Zia has made them bear some of the burden of Islamization and face some of the criticisms too. The incident clearly challenged Zia's assumption that there is unity of belief among Muslims and instead suggested that religion may turn out to be a more divisive than unifying factor.

12. Pakistan calls itself an Islamic Republic. The proclamation of the martial law on July 5, 1977 formally suspended the 1973 Constitution and dissolved the National Assembly, the Senate, the Provincial Assemblies and the elected Government. General Zia was sworn in as the sixth President of Pakistan on September 16, 1978 when the previous President, Fazle Elahi Chaudhry resigned, who had remained in office after Bhutto's ousting. Under the martial law regime the President is assisted by a four-member Military Council comprising the Chairman of the Joint Chiefs of Staff Committee and the Chiefs of Staff of the Army, Navy and Air Force. As Chief Martial Law Administrator he heads the Federal Executive Branch, while the four Provincial Governors as Provincial Martial Law Administrators head the provincial administration. The Chief Justice of the High Court in every province is Acting Provincial Governor while Provincial Secretaries remain in charge of the Provincial Departments.

13. The scope of Federal and Provincial legislative authorities determined by the 1972 Constitution is still in force. While the Federal Government has sole power to legislate in matters of national interest like foreign policy, defense, domestic and external finance and national planning, the Provinces are responsible for social sectors like education, health and welfare, in which the Federal Government limits itself to funding and coordination. A third tier of government, the locally elected bodies, was resuscitated in September 1979, and are to permit grassroot participation in decision making. As stated earlier, their effectiveness remains yet to be demonstrated.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. W. David Hopper, Vice President, South Asia Region DATE: December 3, 1980

FROM: S.M.P. Suriyaarachchi, ASADA SMS

SUBJECT: PAKISTAN - EFF Arrangement

As requested by you yesterday, a summary of the main elements of the EFF arrangement between GOP and the IMF is enclosed.

Enclosure

cc: Messrs. Wiehen, Rowe, Holsen, Clements, Elek

PSuriyaarachchi/lr

Main Elements of the EFF Arrangement

1. General Objectives

The Three-Year Program seeks to attain the following macroeconomic objectives:

(a) Annual average growth rate in real GDP of 5-6%;

(b) Raise the Investment/GNP ratio from 16.5% in FY80 to about 17.3% by FY83;

(c) Increase the National Savings/GNP ratio from 12% in FY80 to 14% in FY83;

(d) Limit domestic inflation to an average annual rate of about 10%;

(e) Reduce the ratio of the current account deficit to GNP from 5.0% in FY79-80 to below 4.0% by FY83.

2. To achieve these objectives, the EFF Program includes the following fiscal monetary, external sector and "supply side" measures:

(a) Fiscal Policy

(i) The primary fiscal objective is to limit the overall budget deficit and recourse to bank financing; net bank credit to government for both budgetary support and commodity operations set at 2.2% of GDP for FY81, and at about 2% on an annual average basis for the three-year period FY81-FY83.

(ii) In order to improve revenues, strengthen tax administration, reform the tax system especially with regard to indirect taxes to improve its elasticity; and set prices and financial charges for services rendered by the Government at levels sufficient to at least cover their costs.

(iii) Limit expenditure growth, especially by reducing subsidies; and re-order expenditure priorities to ensure adequate funding of recurrent outlays on essential economic and social services and to support productive investments. Subsidies on consumer goods and inputs will be limited to Rs 5.9 billion or 9.2% of total expenditures in FY81 compared with 12.6% in FY80. Over the program period subsidies will be maintained at this level or progressively reduced in nominal terms.

(b) Monetary Policy

(i) Restrict annual average growth rate of domestic liquidity to 14-15% over program period, or below the expected rate of increase in nominal GDP, at market prices.

(ii) The limit on bank borrowing by the Government will be a sub-ceiling within the overall liquidity ceiling.

(c) External Policies

(i) To encourage exports, maintain and/or re-establish financial incentives by extending rebates of customs duties, excise and sales taxes and compensatory rebates, where necessary, on a temporary basis.

(ii) Import Liberalization - Main objective is to gradually liberalize the import regime by making all items freely importable except those which will remain explicitly prohibited; and by shifting from present system of import bans and quantitative restrictions to tariff protection.

- In the first year, remove licensing ceilings on currently permitted goods other than consumer goods and synthetic yarn;

- In the second year, by January 1, 1982, allow 50% of presently banned raw materials, intermediate and capital goods (other than those which will remain banned for various reasons) to be freely imported;

- In the third year, by January 1, 1983, add the remaining 50% of presently banned raw materials, intermediate and capital goods to the free list.

- Gradually open up items which are now reserved for the Trading Corporation of Pakistan (TCP) for import by the private sector, and reduce the scope and extent of the Tied List.

At the start of FY84, the Government will continue to maintain import bans on:

(a) imports prohibited for religious or security reasons, and of luxury consumer goods banned for socio-economic reasons; and

(b) a second list of specified consumer and capital goods banned temporarily for protective reasons. In the case of capital goods, the banned items will be relatively small.

(d) <u>Supply Policies</u>

(i) Re-orient the public sector investment program away from capital-intensive long gestation projects towards more quick-yielding investments designed to improve productivity and capacity utilization; giving priority to agriculture, energy, social sectors and the development of backward areas. A first draft of a three-year public investment program covering the period FY82-FY84 will be prepared by end-March 1981; the program will provide the basis for the FY82 Annual Development Program (ADP).

(ii) Revised agricultural sector strategy to promote agricultural production and remove major constraints. This will include

- restructuring agriculture and water sector investment programs and projects;
- appropriate price adjustments designed to increase farm incomes in real terms; and reduce input subsidies;
- setting up of an Agricultural Prices Commission not later than March 31, 1981, to formulate and recommend agricultural pricing decisions in a consistent way;
- phased increases in water charges over the next few years and stepped-up maintenance of irrigation facilities.

(iii) Improve management, capacity utilization and financial performance of public enterprises by:

- further disinvestment of additional public sector units to appropriate private sector buyers;
- assure operational autonomy for individual units in production, planning, maintenance, procurement, marketing and pricing decisions;
- renovation and modernization of plants, improved availability of inputs, closer monitoring and evaluation of performance by and technical assistance through the Experts Advisory Cell of the Ministry of Production, and strengthened training programs for workers and managers;

(iv) Encourage private investment and industrial production by:

- streamlining and simplifying investment approval procedures;
- rationalizing tariff structure and commercial policy;
- monitoring performance of individual export industries and developing policies to deal with specific problems;
- drawing up a program of support for small-scale industry sector;
- setting up special authority to deal with closed or ailing textile mills;
- improving the application of labor laws in order to improve labor-management relations and efficiency.

(v) Increase domestic production and conservation of energy by:

- enhancing national energy planning capability with technical assistance from IDA;
- frequent review of the level and structure of energy prices to provide adequate incentives to producers for developing domestic energy resources;
- accelerating petroleum exploration and development effort with a view to at least doubling domestic production during the program period;
- improving domestic refinery output mix, natural gas distribution system and domestic production of LPG;
- developing experimental programs in bio-gas and other forms of renewable energy;
- conserving energy by reducing consumption of petroleum products by passing on increased import costs fully to domestic consumers.

Letter from Minister of Finance, Pakistan
to the Managing Director, International Monetary Fund

Islamabad, Pakistan

November 3, 1980

Dear Mr. de Larosiere:

1. The attached memorandum outlines Pakistan's broad economic and financial objectives and policies for the three fiscal years 1980/81-1982/83 and within this framework the measures the Government intends to implement in the first programme year (fiscal year ending June 30, 1981). For the second and third years of the programme, we intend to formulate detailed economic policies in a flexible manner in the light of the domestic and international circumstances which prevail at the time.

2. In recent years the Government has implemented a number of policies to rectify structural imbalances in production, trade, and prices. As a result, economic growth has accelerated, export performance has improved significantly, and financial imbalances have been reduced. Over the last three years, growth rates of 6 per cent per annum have been sustained, export volume has expanded by 50 per cent, and the proportion of government expenditures financed from bank borrowing has dropped from 17.1 per cent to 10.7 per cent. Nevertheless, the balance of payments situation continues to be difficult and much remains to be done in the area of structural reform. The problems being faced in this area by Pakistan and most other developing countries are primarily induced by external factors and there appears to be small likelihood of an abatement in the international economic pressures within the next several years. If Pakistan is to pursue its development goals and simultaneously manage the balance of payments and moderate inflation, stress will have to be laid on supply aspects which, of course, will have to be complemented by appropriate demand management policies. The policies and measures outlined in the attached memorandum are expected to help consolidate our recent gains and make a substantial contribution towards realizing our economic objectives. In support of these policies, Pakistan requests a three-year extended arrangement for an amount equivalent to SDR 1,268 million. In addition, the Government would like to purchase the balance of the first credit tranche which remains at present.

3. The Government believes that the policies set forth in the attached memorandum are adequate to meet the objectives of its first-year programme, but it will take any further measures that may become appropriate for this purpose and will consult with the Fund on the adoption of such measures. Because of substantial uncertainties concerning future developments during the programme period, the Pakistan authorities will initiate consultations with the Fund during April/May 1981. At that time, the Government's macroeconomic policies, including policies to strengthen the balance of payments, as well as policies to implement the import liberalization programme referred to in paragraphs 14c and 14d of the attached memorandum, will be reviewed. The Pakistan authorities will, at that time, also initiate consultations with the Fund in order to establish

suitable quantitative targets for 1981/82. Before July 1, 1982, which constitutes the beginning of the 1982/83 fiscal year, the authorities will consult with the Fund on policies for the third year of the extended arrangement. As stated above, we are confident that our policies over the next three years will go a long way towards achieving our objectives. Nevertheless, we recognize that to completely implement our programme of structural reform and fully achieve external equilibrium in the prevailing international environment will be a lengthy process and therefore we expect to continue our adjustment efforts beyond the current three-year period.

Yours sincerely,

/s/

Ghulam Ishaq Khan
Minister of Finance

Attachment

Mr. Jacques de Larosiere
Managing Director
International Monetary Fund
Washington, D.C. 20431

Memorandum of the Government of Pakistan on Its Economic and Financial Policies

1. Over the past three years, the Pakistan Government has been concerned with bringing about a reorientation of economic policies aimed at correcting the imbalances that had resulted from the policies of the early and mid-1970s. During that period far-reaching nationalization measures had eroded private sector confidence, and excessive credit expansion resulted in strong inflationary pressures. As a consequence, the growth of the commodity-producing sectors had slumped, export competitiveness suffered, and imports grew sharply. Since 1977/78 the Government has pursued the objective of accelerating the rate of economic expansion while at the same time reducing financial imbalances. To this end, the Government has striven to restore a responsible and realistic attitude toward economic and financial management and to improve efficiency in the use of resources in the productive sectors. Even though Pakistan has been confronted with adverse external developments--such as protectionism in the developed economies, a declining real flow of concessional aid, sharp increases in import prices, in particular for energy and related products, and unanticipated political developments in the region--a good beginning has been made towards realizing our objectives. The impact of the measures we have taken has already become manifest in a much improved rate of economic growth as well as in other economic indicators.

2. In the agricultural sector, which has a decisive influence on economic prosperity, the Government's approach has been to ensure an ample supply of all inputs necessary for the adoption of modern farming practices at prices which encourage their widespread use, even though this has entailed a significant subsidy cost to the budget. More recently, however, there has been a shift of policies from increasing the quantity of inputs alone in favour of more efficient utilization of resources. In addition, over the past two years substantial upward adjustments were made in government floor prices for major crops. These factors have contributed to a significant acceleration in the growth of agricultural output, which recently has increased at about double the rate of population increase. In the manufacturing sector, the thrust of the Government's policies has been essentially two-pronged: first, to assign high priority to the early completion of ongoing capital-intensive development projects in the public sector and, second, to encourage the private sector to make a larger contribution to the country's economic growth. To achieve the latter, the Government has denationalized agro-based industries, opened most major industries to private investment, streamlined the procedures for approval of investment applications, and introduced numerous incentives. In the energy sector, the Government has sought to reduce dependence on imported petroleum by accelerating the development of domestic oil, gas, and other energy resources.

3. With respect to the budget, strong fiscal measures and controls were introduced in 1979/80 in order to avert a reoccurrence of the substantial departures from budget policy and the consequent excessive reliance on bank financing which took place in 1978/79. These measures included large price increases for subsidized wheat flour and petroleum products, sharply higher excise and import duties, greatly improved tax administration, strong restraint in most categories of nondevelopment spending, and a reduction in real terms in spending on development projects. These measures yielded positive results as the ratios of the overall budget deficit and bank financing to GDP declined substantially, compared with the levels of 1978/79. However, the final budgetary outcome was not as favourable as projected, indicating several areas in which improved fiscal performance will be required.

4. A major element of our external sector policies has been to revive export growth. In this area, the Government's initiatives have included the extension of export rebates to important categories of manufactures, the enhancement of preferential interest rates on export credits, and reduced tax rates on income derived from export activities, as well as administrative improvements. As a result of these policies and generally good crops in 1979/80, Pakistan's exports more than doubled over the past three years, with half of the increase attributable to expanded volume.

5. Despite these encouraging results, serious difficulties remain. Structural imbalances continue to constrain overall economic performance; the productivity and efficiency gains in agriculture and manufacturing have been uneven; savings and investment continue to be low; and the balance of payments remains subject to strong pressures. The solution of these problems is all the more difficult as Pakistan, like most non-oil developing countries, is confronted with an unfavourable world economic situation. Prices for our import goods are projected to rise faster than those for our exports; the expansion of our exports is hampered by the poor growth prospects of the world economy; we are facing protectionist tendencies in some of our major markets; and interest rates in international markets are now much higher than they were a few years ago. These factors notwithstanding, the Government is fully cognizant that the main responsibility to cope with Pakistan's economic problems rests with the country itself. Thus, an interrelated set of effectively managed policies will continue to be required to further alleviate structural imbalances, so as to secure the sustained growth of the productive sectors in a context of internal and external financial stability and to provide enhanced basic economic and social benefits to the population. However, we want to emphasize that our policies need to be implemented flexibly, taking into account, inter alia, recent developments in the economy, changes in the international economic situation, and the effects on Pakistan of developments in the region.

The Three-Year Programme

6. During the three fiscal years ending mid-1983, we will aim for an average annual growth rate in real GDP of 5-6 per cent. Achievement of this target will require considerable efforts to boost production. We are conscious of the need to raise significantly the share of resources devoted to investment which recently has averaged about 16.5 per cent of GNP, a ratio lower than that of most developing countries in our situation; tentatively, by 1982/83, it is hoped to increase the investment/GNP ratio to about 17.3 per cent. Concomitantly, a major objective will be to increase the ratio of gross national savings to GNP from 12 per cent to about 14 per cent by 1982/83 in order to contain domestic and external financial pressures. Thus, during the programme period, domestic inflation is intended to be kept to an average annual rate of about 10 per cent, a slightly lower rate than in 1979/80. In the external sector, the current account deficit as a proportion of GNP will rise during the first year of the programme, owing largely to the impact of import liberalization measures to be introduced. However, by 1982/83 the ratio of the current account deficit to GNP should be reduced to below 4 per cent, compared with the average of 5.0 per cent in the past two years. A further reduction can be expected in subsequent years once the impact of the structural adjustment measures is fully felt. It is our objective to finance the current account deficit exclusively through long-term loans on concessional terms and direct investment inflows by the end of a five- to six-year period.

7. To achieve the above objectives, we have adopted a comprehensive economic policy programme for the three fiscal years 1980/81-1982/83. On the supply side, policies include a major review of the public investment programme, adjustments of prices so as to further reduce cost-price distortions and enhance incentives, the expansion of energy production, improvements in the operation and financial performance of the nonfinancial public enterprises, a liberalization of the import system, an expansion of the incentives for exports, and improvements in labour-management relations with the object of enhancing productivity. In the area of demand management, we intend to strengthen fiscal and monetary policies so as to ensure that the above structural measures can be implemented in an environment of domestic and external financial stability. Our policies in these areas are outlined below.

a. Supply policies

8a. The far-reaching structural adjustments to be made in the economy will necessitate the preparation of thorough studies and action plans in a number of interrelated areas. In the area of investment, the Government is presently endeavouring to improve the climate for private investment and to reorient the structure of public investment under its Annual Development Programme (ADP) away from capital-intensive, long-gestation projects towards more quick-yielding investments designed to improve productivity and capacity utilization in key sectors. Our ability to achieve this reorientation, up to now, has been hampered by the need to complete ongoing large projects and by overall financial constraints. However, with the expected improvement in external resource availability during 1980/81 and the next two years and our recent and expected future resource mobilization efforts, it should be possible to complete these ongoing projects and initiate new programmes giving priority to agriculture, energy, social sectors, and the development of backward areas. The choice of individual projects will be guided by the framework articulated in the Government's Fifth Five-Year Plan; but, due to shortfalls in resources in the first three years of the Plan, cost overruns on several projects, and unforeseen additional outlays, the Plan programmes and projects cannot be fully implemented and it is necessary to alter and recast its content and phasing.

8b. We believe that such a reordering of investment priorities should take place within the framework of a medium-term economic programme to ensure consistency among public sector investment decisions. Consequently, we intend to prepare by end-March 1981 a first draft of a three-year public investment programme for the period 1981/82-1983/84 covering the investment plans of the federal and provincial governments, as well as of the public sector enterprises, while taking into account larger assistance expected from the World Bank and other external donors. This draft programme will reflect the national objectives and policies of the Fifth Five-Year Plan. We intend to discuss the main aspect of this programme with the staff of the World Bank. The programme will form the basis for the preparation of the ADP for 1981/82. The medium-term investment programme would be reviewed again before the preparation of the 1982/83 ADP so that any needed adjustments could be made in light of changed circumstances.

8c. While we have recently taken several measures to promote agricultural production, a number of fundamental constraints continue to limit output growth. The need for a revision of agricultural strategy in order to remove these constraints has been receiving special attention in recent months. Therefore, within the context of the medium-term public investment programme, we intend to give priority to programmes and projects in the agriculture and water sectors, in particular to agricultural research; extension services; quality seed production; credit arrangements and other essential complementary activities; rehabilitation of the existing irrigation and drainage system, accompanied by improved overall management; watercourse and on-farm improvements; and necessary drainage to complement the existing surface distribution and tubewell system where inadequate drainage or salinity are the key constraints. These policies will be reinforced by moves to transfer increasing responsibility to the private sector for various operations now in the public sector's domain, such as sweet water tubewells and distribution of fertilizer and seed, in order to release public resources for other purposes. Wherever conditions permit, ground-water exploitation will be left increasingly to the private sector, supported by appropriate supervised credit schemes and the expansion of rural electrification. Furthermore, the Government is committed to a major sustained increase in maintenance outlays on the irrigation system.

8d. These changes in investment priorities and programmes in the agriculture and water sectors will be complemented by appropriate price adjustments designed to provide adequate incentives for increasing production. We intend to continue with price adjustments aimed at eliminating fertilizer subsidies by June 30, 1985, so long as this does not render Pakistan's exports uncompetitive in world markets, seriously disrupt cropping patterns, or impose socially unacceptable cost increases. We also recognize that it is essential to ensure that coordinated pricing decisions are made for agriculture inputs and crops in order to offset any adverse effects of input price adjustments on producer incentives. To this end, the Government will establish an Agricultural Prices Commission as early as possible but not later than March 1981. In establishing terms of reference and guidelines for this Commission, we plan to seek the advice of the World Bank. A major objective of the Government will be to ensure through price and other policy measures that the real net incomes of agricultural producers are increased.

8e. Aside from the programmes mentioned above aimed at increasing production, the Government has already decided to prepare and introduce by December 1981 a special programme of action for expanding cultivation of oilseeds aimed at curtailing edible oil imports and subsidies over the next few years and eliminating imports altogether by the end of the decade.

8f. The Government believes that particular attention needs to be given to improve the management and capacity utilization in the public enterprise sector in order to achieve improved financial performance. This improvement would contribute, inter alia, to greater internal financing of investment, mobilizing more revenue for the budget, and an expansion in exports. In addition, it is the aim of the Government to further rationalize the division of responsibilities between the public and private sector and to rehabilitate chronically sick units or divest them from the public sector. To achieve this goal, four units have already been closed down and two have been transferred to the private sector. The Government is now actively considering divesting an additional six or seven units to appropriate private sector buyers. For those units which are to remain in the public sector, emphasis will be placed on improving financial performance through better capacity utilization and management. Among general measures which the Government is implementing to increase capacity utilization in industrial enterprises are: extensive renovation of plants and replacement of outlived equipment; establishing of detailed preventative maintenance schedules in all factories; expansion, modernization, and balancing in existing plants; and assuring the timely availability of raw materials. The liberalization of the Government's import policy will also ease production bottlenecks in several sectors. In order to improve management, several decisions have been recently taken which will bear fruit during the programme period. Boards of directors have been established in each unit to assure operational autonomy in the areas of production planning, maintenance, procurement and purchase of raw materials, and marketing. Subject to overall government pricing policies, which are applicable to both public and private sectors, full decision-making autonomy in pricing decisions has also been given for all products. Support for management will be provided by the recently organized Experts Advisory Cell which will examine units on an individual basis, will provide technical assistance for the introduction of the latest management techniques, and will monitor and evaluate the operational results of all units by instituting a system of monthly and quarterly reporting by all units on standardized forms. The information thus obtained will allow the Government to more quickly identify poor performance by comparing actual results with norms established for each enterprise. The Government also proposes to intensify and strengthen training programmes for public sector managers and workers and has drawn up a project in collaboration with ILO, which will be approved and implemented during the first year of the programme. Furthermore, during the first year of the programme the Government, in collaboration with the World Bank, will undertake a study of the objectives and policies of the state manufacturing enterprises. A specific study of the organization and management of the main subsidiaries of the National Fertilizer Corporation will also be undertaken during 1980/81.

8g. In the case of the Water and Power Development Authority (WAPDA), the country's major utility, there has been a steady improvement in operating performance. We intend to take further steps to consolidate and build on this improvement during the next three years. In addition to a tariff increase of about 10 per cent, which will be introduced later this year, a further tariff increase of at least 10 per cent will be made by July 1, 1981. A programme to improve WAPDA's accounting and management systems and procedures in accordance with a management consultants' study concluded in 1978 is now under implementation. These measures are expected to enable WAPDA, beginning in 1982/83, to finance at least 40 per cent of average capital expenditures on electricity operations made during the preceding three fiscal years, in accordance with a covenant with the International Development Association, representing a substantial improvement over the average performance in recent years.

8h. The Government places high reliance on the private sector for the development of industrial capacity and production, and in recent years has taken a number of steps to restore confidence and encourage initiative, investment, competitiveness, productivity, and profitability in this sector. However, the process of recovery is far from complete and it is necessary to reinforce the measures taken so far. Therefore, we will further streamline and simplify the procedures for approving private sector investment projects. In this connection, we are considering a reduction in the number of levels of administration involved in the clearance process and a limitation and redefinition of the scope of examination by the principal administrative body concerned (the Central Investment Promotion and Coordination Committee). We have also initiated a study of effective protection rates in the manufacturing sector, to be conducted by the Pakistan Institute of Development Economics in collaboration with the World Bank. Another study is proposed to be conducted which will directly focus on the tariff structure and the conversion of protection from import bans to reliance on tariffs. In the light of these studies, it is proposed to bring about rationalization of the tariff structure and the commercial policy. In addition, we will monitor the performance of individual export industries and conduct studies to identify specific problems which could be solved by policy action. Given the importance of small-scale enterprises in the export sector, we intend to prepare during 1980/81 and implement by the beginning of 1981/82 a programme of support for the small-scale industrial sector. We also intend to examine the possibility of establishing large export houses to provide marketing, credit, design, and quality control support to small-scale producers on a competitive basis. In the industrial sector there are a number of closed and ailing textile mills which will either need a change in ownership or management, financial restructuring, or liquidation; during the current fiscal year we will establish a special authority to recommend suitable action in these cases. Finally, in addition to these measures, an important impetus to both production and investment in the industrial sector is expected from the liberalization of imports described in paragraph 14.

8i. The Government recognizes that poor labour-management relations, particularly in the industrial sector, have constrained productivity gains in the past. Steps will be taken to improve application of labour laws in order to improve labour-management relations and to promote efficiency.

8j. In view of the growing burden of financing oil imports, the Government attaches particular importance to increasing domestic energy production and reducing the consumption of petroleum-based energy. We intend to substantially enhance our national energy planning capability. In this connection, we will shortly be requesting an IDA credit from the World Bank to provide technical and financial assistance for national energy planning. We also recognize the importance of pricing energy products to reflect their economic cost. We will therefore continue to review frequently both the level and structure of energy prices to ensure that producer prices provide an adequate incentive for the development of indigenous energy resources, particularly in the petroleum sector, and that the prices of various energy products are adjusted to ensure an appropriate balance between supply and demand for different fuels. In addition, we will pass through to consumers all increases in the costs of petroleum and petroleum products. With regard to domestic energy production, we will accelerate our petroleum exploration and development effort with a view to at least doubling domestic production during the programme period. We will also expand natural gas production, and expect to increase connections of households to the distribution system by one half during the three years of the programme. In electricity generation and distribution, our immediate priority is to increase the generating capacity at the Tarbela Dam and to improve the efficiency of the transmission system by installing high voltage lines in the national grid and by making other related investments. We are also proceeding with the development of liquified petroleum gas (LPG) as well as an experimental programme of biogas and other alternative renewable energy sources, with a view to reducing the consumption by the household sector of both kerosene and our limited forest resources. Finally, we are changing the output mix from our refineries by adding new capacity with a view to meeting a larger share of the demand for deficit products from these sources, permitting a reduction in the requirements for product imports.

b. Fiscal policy

9. Our primary fiscal policy objective for the programme period is to improve further the structure of government revenues and expenditures and thereby move towards a more appropriate balance in order to contain the size of the overall budget deficit and recourse to domestic bank financing. On the expenditure side, while our goal is to match outlays with available resources, we shall also seek to shift expenditures away from the subsidization of both consumer and producer goods and towards productive investments, adequate funding of recurrent outlays to promote capacity utilization, and the provision of essential social and economic services. Apart from their substantial magnitude, subsidies have had a negative impact on the economy by giving rise to price distortions and have had a destabilizing influence on fiscal policy, as they have often exceeded budgeted amounts. Therefore, as stated in the Budget Speech last June, it is our intention that, except for those subsidies directly focused on ameliorating the lot of the very poor, budgetary subsidization will be substantially eliminated over the next few years. It has already been decided to eliminate the subsidy on fertilizer over a five-year period, and the subsidies on wheat and edible oils, which are oriented towards the poor and which comprise the bulk of consumer subsidies, will be held constant or reduced in nominal terms during the programme period. The recent institution of the Zakat Fund, which will provide assistance to the poor, will in any event reduce the need for broadly based consumer subsidization through the budget. In each year of the programme period, it has been decided that the level of subsidies permitted within the limit of overall budgetary resources will be specified and, if necessary, measures will be taken to prevent an increase in the aggregate subsidy bill beyond the level provided in the budget.

10. On the revenue side, significant improvements have recently been achieved in the field of tax administration and we intend to further strengthen our efforts in this area. The relative inelasticity of the tax system, particularly with respect to indirect taxes, has required frequent discretionary measures to maintain revenue growth at pace with that of expenditure. Therefore, one of our principal goals will be to restructure the revenue system in order to make it more responsive to increases in the level of economic activity. This will necessitate a comprehensive review of the tax system, with special emphasis on customs and excise duties and sales taxes, during the first year of the programme with the objective of implementing appropriately phased tax reforms in the years 1981/82 and 1982/83. It is our intention to request assistance from the IMF to carry out the necessary tax analysis. In setting fees and charges for services provided by the Government, the guiding principle will be to progressively raise them to levels that at least cover costs in order to reduce cost-price distortions and add to budgetary resources. Through these measures we believe that the Government, while increasing public sector savings and investment in real terms, will also be able to contain the gap between expenditures and revenues and hold recourse to financing from the domestic banking system to about 2 per cent of GDP on an average annual basis over the programme period.

c. Monetary policy

11. During the programme period, monetary and credit policies will be an important component of our strengthened demand management effort. To this end, the Government intends to restrict the average annual growth rate of domestic liquidity to 14-15 per cent. This monetary expansion is less than the expected increase in nominal gross domestic product (at market prices) and thus will provide for some abatement of excess demand pressures in the economy. The containment of overall budget deficits and recourse by the Government to domestic bank financing will contribute substantially to achieving these goals, while at the same time allowing scope for the banking system to meet the expanded credit requirements of the nongovernment and particularly the private sectors, which are expected to result from our policies directed at restructuring the economy.

12. Over the past two years, the Government has introduced a number of measures to move the economy towards a system in harmony with Islamic principles, of which interest-free banking is a major element. In 1979/80 we have taken several important steps in this direction, and we plan to introduce gradually additional components of an interest-free banking system in the coming years. In implementing the new system, we will make every effort to ensure that it does not adversely affect the growth of domestic savings or our investment objectives, both of which are essential to our plans for sound and sustainable economic growth.

d. External policies

13. As previously mentioned, the Government has undertaken major efforts in recent years to stimulate exports. During the programme period, the policy measures to be taken in the areas of investment and pricing structure are expected to contribute further to export growth. Particular attention is already being given to providing remedies for those manufactures which have experienced difficulties in recent years. The provision of required imported inputs will be facilitated by the intended reform and liberalization of the import system described below. In addition, the Government will maintain or re-establish, if necessary, adequate financial incentives for attracting resources to the export sector. For this purpose, the Government will extend the standardization of drawbacks of customs and excise duties and sales taxes to other commodities. As indicated in paragraph 23, compensatory rebates will also be given in 1980/81 and subsequently, as necessary, on the basis of case-by-case studies. These rebates are essentially and largely intended to offset the cost effect of the indirect taxes on the products and profitability of these industries which under a set of policies pursued in the past (and which the present Government has since phased out) have suffered serious decline in capacity utilization and productivity and therefore of cash flows precluding necessary investment in balancing and modernization. These are not intended as permanent features of the export regime and are intended to be phased out as soon as the process of restructuring and modernization which is now under way enables them to regain fuller capacity utilization and achieve reasonable levels of productivity. In line with our policy of facilitating

restructuring and modernization, import duty exemptions were extended on July 1, 1980 for the balancing, modernization, and replacement requirements of the tanning, cutlery, surgical goods, sports goods, and leather garments and leather gloves industries.

14a. In recent years the Government has sought to preserve the nation's scarce foreign exchange resources by pursuing a commercial policy which has closely regulated the number and amount of permitted imports. All items which are not explicitly listed on either the Free List or the Tied List cannot be imported, except by special authorization in certain cases; at present a large number of items are implicitly banned. In addition, since October 1979, quantitative restrictions have been placed on licensing of permitted imports. The automatic banning of all items not explicitly permitted may have impeded innovation and cost reductions in the productive sectors with a concomitant adverse effect on overall economic performance as well as export competitiveness. In particular, the granting of absolute protection to many domestic industries has led to the emergence of inefficiencies in some sectors. The Government recognizes that, in order to achieve a principal structural objective of the programme, namely, an improvement in resource allocation, steps need to be taken to remove these inefficiencies. We have therefore decided to undertake a gradual but fundamental reform of our import policy.

14b. The objectives of the reform are the following: (i) to raise the level of industrial production and exports by removing constraints on the availability of genuine needs of raw materials and intermediate and capital goods; (ii) to promote a pattern of industrial output and growth which is best suited to attaining the growth and welfare objectives of the country including the gradual lessening of dependence on foreign assistance; (iii) to introduce a policy which can be sustained for a number of years in a highly uncertain global environment and which does not need frequent revisions or reversal in subsequent years; (iv) to prevent disruptive and speculative hoarding, as experience with abrupt liberalization has demonstrated in the past; (v) to restrict the imports of such items which do not contribute to output and which lead to socially undesirable and economically unsustainable levels and forms of consumption; and (vi) to cushion the adverse impact that the change may have on the profitable operations of existing and planned industrial units. In pursuance of the above objectives, it is our intention to move towards greater equilibrium between exports and imports over the medium to long run. For this purpose, determined efforts will continue to be made to expand exports, as mentioned in paragraph 13. At the same time, considerable scope exists for efficient import substitution in many sectors (such as energy, edible oils, fertilizer, and food) for which appropriate domestic incentives and protection policies will remain necessary. It is only through these policies of export expansion and import substitution that a relative balance will be restored over time in the external accounts. In the short run, however, the basic disequilibrium between exports and imports is likely to continue--and may become wider as a programme of import liberalization is pursued. The overall size of this disequilibrium has to be managed within the external resources of the country. For this purpose, we intend to use changes in import tariffs in preference to outright bans or quantitative restrictions on imports so that the efficiency of resource allocation is improved while keeping the size of the external gap in check.

14c. We intend to gradually liberalize and reform the import system so that by the start of 1983/84 all commodities not explicitly prohibited will be freely importable. In the first year of the programme, as described in paragraph 24 below, we will remove the existing licensing ceilings on all currently permitted commodities other than consumer goods and certain synthetic yarn and will also add many basic raw materials to the Free List. By January 1, 1982 we will add more than 50 per cent of all currently banned capital goods, raw materials, and intermediate goods items (other than those defined in the following subparagraph) to the importable list (Free List and Tied List) without ceiling restrictions. To the extent possible, these items will be placed on Part A of the Free List. By January 1, 1983 we will, subject to the provisions of the following subparagraph, add the remaining banned items in the above categories to the importable list. We are currently undertaking a detailed study of our tariff structure with a view to introducing suitable revisions where appropriate. However, we intend to ensure that the protective tariffs to be applied would not be so excessive as to vitiate the stated objective of reducing inefficiencies.

14d. Although bans on consumer imports, which constitute absolute protection for a large part of our domestic manufacturing sector, may have contributed to inefficiencies, balance of payments constraints as well as social values and the dictates of orderly adjustment require us to proceed with caution as regards the liberalization of imported consumer goods. Some of the above considerations also apply to a restricted number of raw materials, intermediate goods, and capital goods. Accordingly, at the start of 1983/84 we will continue to maintain certain import bans which will be enumerated in (a) a list of imports prohibited for religious or security reasons and of luxury consumer goods banned for socio-economic reasons, and (b) a second list of specified consumer and capital goods banned temporarily for protective reasons. In the case of capital goods, the economic importance of the items banned at the end of the programme period will be small relative to total domestic production of capital goods for the domestic market. It is also our intention to have achieved by the start of 1983/84 a significant liberalization of items presently banned for protective reasons. Based on the studies referred to in paragraph 24, by the start of 1981/82 we will have drawn up, in consultation with the Fund, a broad programme of action to achieve this objective. This programme of action will provide for significant progress towards this objective by adding items to the present Free List by January 1, 1982, with further additions to be made by January 1, 1983. The addition of consumer goods may be accompanied by the imposition of quotas, as well as increased protective tariffs and temporary surcharges; the combined effect of the latter, however, should not be such as to restrain unduly the actual volume of imports below the levels of the quotas. In addition, a list (c) may be maintained to ban temporarily raw materials and intermediate goods used exclusively or almost exclusively in the production of those goods in list (b) which are produced mainly for the domestic market.

14e. During the programme period we will progressively reduce the size and scope of existing Part C items, so that private importers may compete with public sector agencies in the import of items currently reserved for the latter. Also, during the transition period, we will refrain from transferring items from the Free to the Tied List and, to the extent permitted by untying of aid by donor countries, will endeavour to reduce both the scope and amount of imports under the Tied List. Furthermore, when utilization of licenses issued for new items on the Tied List appear to exhaust the available funds, the import of such items will be allowed under the Free List.

14f. By the start of 1983/84 we will convert to an import system relying on explicit bans. The import regime will consist of the lists (a), (b), and (c) of explicitly prohibited items referred to above. All other commodities will be freely importable except for Part C of the present Free List, a Tied List (to the extent necessary), and a list of consumer goods subject to quantitative ceilings.

15. The Government believes that the broad objectives of the three-year programme and the specific measures taken in the first year will provide the basis for an agreement with the Consortium on substantial debt relief. However, even with such relief, debt service payments will remain sizeable. The Government will therefore continue its policy of limiting the incurrence of external debt on nonconcessional terms so as to avoid the emergence of debt servicing difficulties. To this effect, annual ceilings and subceilings will be placed on the contracting and guaranteeing of medium-term external debt in the 1-12 year maturity range and 1-5 year maturity range, respectively. In addition, external short-term credits to the public sector will be limited to the amount projected to be outstanding on June 30, 1981.

The 1980/81 Programme

16. The economic and financial programme for 1980/81 is based on a GDP growth target (at factor cost) of 5.5 per cent and a slight reduction in the domestic inflation rate to 10 per cent. Our external objective is to limit the current account deficit to $1,607 million, equivalent to 5.5 per cent of GNP, which we trust will be largely financed by external assistance including prospective financing from the Fund, debt relief, and additional assistance from the Consortium and others; there would thus be only a moderate reduction in our gross external reserves. The measures to be taken during the first year are described below.

a. Supply policies

17. As a first step in implementing a far-reaching programme of structural reform, the Government has already taken a number of important measures in the area of pricing policies. In February 1980 fertilizer prices were raised by 50 per cent. The procurement price for wheat, our single most important agricultural commodity, was raised by 16 per cent on October 28, 1980 in addition to the increase of 3.7 per cent in April 1980. In the case of other agricultural products, increases in procurement prices of 28-30 per cent for sugarcane, 17-20 per cent for rice, and 9 per cent for cotton were announced in April 1980. In September 1980 the procurement price for cottonseed oil was raised by 25 per cent in order to encourage domestic production of edible oils. Other appropriate price adjustments will be announced in 1981 prior to the planting of the crops. In line with our overall policy of eliminating producer subsidies and the distortions they create, a decision has been taken to introduce a phased increase in water charges in order, within the next few years, to cover the costs of operating and the stepped-up maintenance of the irrigation facilities; water charges were raised on average by about 25 per cent in three provinces in the 1980/81 budget. As indicated in paragraph 8d above, the Government has decided to establish an Agricultural Prices Commission, which will commence operations as early as possible but not later than March 1981, so that its recommendations can form the basis for agricultural pricing decisions during the second year of the programme.

18. Apart from the area of agricultural input and procurement prices, a continuing need exists for frequent review and prompt action on other prices with a view to gradually eliminating subsidies. In line with this objective, a decision was announced in the Budget Speech to permit public utilities and enterprises to raise their prices as and when necessary to cover their cost increases in addition to generating some funds for financing their future growth. However, such adjustments will be made after a scientific analysis of costs so that the consumer is not burdened with increases in tariffs and prices in excess of what externally induced rising costs require. Thus, on July 1, 1980 the television license fee was raised by 33 per cent and television advertising charges by 25 per cent. Also, electricity charges will be raised by about 10 per cent by the end of 1980. As mentioned earlier, it is our intention to pass on fully to domestic users all increases in the cost of imported and domestic petroleum products during the remainder of 1980/81.

19. The 1980/81 public investment programme continues to reflect the reorientation of priorities towards the completion of on-going projects and towards quick-yielding investments in the agriculture and energy sectors. In line with our objective of providing for substantial real increases in public investment, the programme for 1980/81 represents a 9 per cent increase over 1979/80 in real terms if extraordinary purchases of commercial aircraft and ships are excluded. In the 1980/81 development programme the allocation for the fuel sector has been doubled and that for nonsubsidy agricultural programmes has been raised by 77 per cent. In the petroleum

sector we hope to increase domestic production during 1980/81 from 10,000 barrels per day to at least 15,000 barrels per day; to increase the number of households supplied by natural gas from 634,000 to 734,000; and to initiate construction of an LPG plant with a capacity of 70,000 tons to begin production by December 1981.

b. Demand management policies

20. The 1980/81 budget was formulated with the objective of further improving fiscal performance and of limiting further the amount of domestic bank financing. On the revenue side, new tax measures with a total expected yield of PRs 1.4 billion were introduced. The most important measures are increases in excise duties, particularly on cigarettes (PRs 610 million); customs duties (PRs 200 million); sales taxes (PRs 88 million) due primarily to an increase in the rate on imported motor cars; and income taxes (PRs 500 million). In addition to these tax measures, price increases for sugar, wheat, and telephone services are expected to have a positive impact on the budget of PRs 1.1 billion. Since the introduction of the budget, based on recent fiscal performance, contingency has been made for possible shortfalls in revenue and supplementary outlays particularly for defence and refugee assistance, and this will have an expected negative impact on the budget of PRs 2.5 billion. On the other hand, the import liberalization measures, described in paragraph 23 below, will lead to an increase in import duties and sales taxes estimated at about PRs 1.7 billion during the fiscal year. In order to reinforce our supply objectives, a number of tax incentives have been introduced to encourage industrial development, promote development of backward areas, and increase savings and investment. As mentioned above, during 1980/81 the Government will conduct a comprehensive review of the tax system, concentrating on customs and excise duties and sales taxes, the principal objective of which will be to design structural improvements which will make revenue yields more responsive to changes in economic activity. As a result of the above measures and a further strengthening of tax administration, total revenues for 1980/81 are projected to increase by 23 per cent. The increase in total expenditures will be limited to 17 per cent; the rise in nondevelopment expenditures for 1980/81 is to be kept to less than 15 per cent, while development expenditures are budgeted to rise by 21 per cent. In view of their distorting resource allocative effects as well as the associated financial burden on the budget, the Government has placed a ceiling on expenditures for direct subsidies by federal and provincial governments of consumer goods and producer inputs (excluding refunds on petroleum and fertilizer products and export rebates) of PRs 5.9 billion, or 9.2 per cent of total expenditure, compared with 12.6 per cent in 1979/80.

21. As a result of the above-mentioned measures, we are establishing a ceiling on the increase in net credit to Government for both budgetary support and commodity operations of PRs 6,028 million, equal to 2.2 per cent of expected GDP, compared with 3.1 per cent in 1979/80 and 4.9 per cent in 1978/79. However, if foreign cash loans or grants credited to the budget and foreign loans for commodity imports (other than normal trade

credits), which benefit budgetary and/or commodity operations, exceed PRs 5,414 million, the excess will be subtracted from the ceilings on net credit to Government and net domestic assets. No additional budgetary measures appear to be required at this time to remain within the ceiling on net credit to the Government. However, as part of our continuing programme to improve control and monitoring of government financial activities, we will conduct a comprehensive review of the budgetary position in January 1981 to assess, inter alia: the increase in import duties expected to result from liberalization; the financial position of public enterprises in order to evaluate their ability to meet debt servicing obligations to Government; the rate of drawings on expected foreign assistance including project and cash loans; and flows of nonbank domestic financing. If this review indicates that the ceiling for net credit to Government from the banking system is not likely to be achieved, sufficient corrective measures will be taken at that time.

22. The monetary and credit programme for 1980/81 is designed with the objective of containing balance of payments pressures and reducing the rate of domestic inflation, while at the same time ensuring that the legitimate credit needs of the productive sectors are adequately met. To this end, we will limit the increase in net domestic assets of the domestic banking system during 1980/81 to PRs 16,428 million in accordance with the ceilings set forth in the attached Table 1. These ceilings will be reduced by the amount of net disbursements of foreign cash loans other than those referred to in paragraph 21, received by any government-owned corporation, to the extent that such borrowings and the loans and grants referred to in paragraph 21 exceed PRs 5,414 million. Also in accordance with Table 1, the increase in net claims on Government (defined to include financing for both budgetary support and commodity operations) will be limited during the same period to PRs 6,028 million. Given the expected reduction in net foreign assets, the above expansion in credit implies an increase of slightly more than 14 per cent in domestic liquidity, which will be below the anticipated rate of growth of GDP in nominal terms but necessary to reducing the domestic inflation rate to 10 per cent.

c. <u>External policies</u>

23. Despite the impressive overall growth of exports in recent years, the performance of manufactured exports has been short of expectations. To further improve financial incentives for such exports, the Government will extend the availability of standardized rebates of customs and excise duties and sales taxes to cover almost all manufactured exports by the end of 1980/81. In addition, compensatory rebates will be introduced by January 1, 1981 at the rate of 10 per cent of the f.o.b. value of exports of cutlery, surgical goods, and sports goods. In order to streamline export procedures, we also have abolished the export price checks carried out formerly by the Export Promotion Bureau and the minimum export prices enforced formerly by the Customs Department (except in the case of woollen carpets and onyx blocks). We are currently undertaking studies of the latter two commodities with a view to also removing minimum export price requirements for these products in the near future.

24. As a first step towards a substantially liberalized import system, as described in paragraph 14 above, the Government intends, no later than January 1, 1981, to change the present import system in the following respects: (a) the ceilings on the value of licensing of items on the Free List and the Tied List, which were introduced in October 1979 and increased under the 1980/81 Import Policy Order, will be removed except for consumer goods and synthetic yarn used in the production of cloth for the domestic market; (b) the ceiling on the import of machinery for which no permission from any government agency is required will be raised from PRs 2.5 million to PRs 10.0 million, while the limit on the value of total new investment eligible for this facility will be raised from PRs 5 million to PRs 20 million; and (c) the scope of the Free List will be expanded by permitting the import of more than 120 raw material items under Part A or Part B, subject to the duty rates in the Pakistan Customs Tariff and temporary surcharges where necessary, and by allowing the private sector to import specified nonferrous metals and mercury in competition with the Trading Corporation of Pakistan (TCP). In addition, the Government is examining the possibility of allowing imports by the private sector of other items on Part C of the Free List. To prepare for the subsequent steps towards liberalization and reform of the import system, two studies will be initiated in 1980/81 and sufficiently completed by July 1, 1981 to permit the adoption of further liberalization measures. The first study will identify additional items which can be permitted subject to appropriate tariff protection. The second study will aim at deriving a comprehensive tariff structure satisfying the needs for fiscal revenues, price stability, protection of domestic production, and containment of consumption of luxury items.

25. In pursuance of the objective of avoiding debt servicing difficulties, the Government will limit its contracting or guaranteeing of external debt in the 1-12 year maturity range to $300 million during 1980/81. Since borrowing at the shorter end of this range would particularly worsen the debt servicing profile, the Government will limit the contracting or guaranteeing of loans in the 1-5 year maturity range (including deferred payments arrangements) in 1980/81 to $70 million. Exempt from these ceilings are concessional loans and refinancing loans obtained from existing creditors within the framework of bilateral or multilateral rescheduling arrangements.

Table 1. Pakistan: Ceilings on Domestic Assets (Net) of the Banking System and Claims on the Government (Net)

(In millions of Pakistan rupees)

	Stock on	Ceilings for		
	June 30, 1980	Dec. 31, 1980	March 31, 1981	June 30, 1981
Domestic assets (net) 1/	89,612	100,687	104,349	106,040
Claims on the Government (net) 1/2/	53,130	56,405	57,499	59,158

1/ The ceilings will be reduced as provided in the second sentence of paragraph 21 and the third sentence of paragraph 22 as applicable. The stock data and the ceilings exclude Zakat Fund deposits at the State Bank of Pakistan.
2/ Budgetary support and commodity financing.

1 19/82

DRAFT
Submitted to Mr. Camdessus
for clearance, February 3, 1981

FROM: The Vice President and Secretary

PAKISTAN CONSORTIUM

1. Attached is the Report of Proceedings of the Special Meeting of the Pakistan Consortium on debt, held in Paris on January 13 and 14, 1981. The following annexes are attached to the report:

Annex I	-	List of Delegates
Annex II	-	Statement by Representative of World Bank, Mr. Michael H. Wiehen
Annex III	-	Statement by Representative of International Monetary Fund, Mr. A. S. Shaalan
Annex IV	-	Statement by Representative of UNCTAD, Mr. G. D. Arsenis

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Commission of the European Communities
Chairman, DAC/OECD
Embassy of Switzerland
UNCTAD Secretariat

/2

Annex V	-	Statement by Head of Pakistan Delegation, Mr. Ejaz Ahmad Naik
Annex VI	-	Response to Creditor Countries' Proposal by Head of Pakistan Delegation, Mr. Ejaz Ahmad Naik
Annex VII	-	Memorandum of Understanding on Debt Relief for Pakistan
Annex VIII	-	News Release

2. Comments or corrections should be sent to the Vice President and Secretary of the Bank by ________________, 1981.

SPECIAL MEETING OF THE PAKISTAN CONSORTIUM

Paris, January 13 and 14, 1981

Report of Proceedings

1. A special meeting of the Pakistan Consortium was held in Paris on January 13 and 14, 1981, to consider a request by the Pakistan Government to Consortium creditor countries for rescheduling of Pakistan's external debt service obligations. The meeting was attended by representatives of the Governments of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, the United Kingdom and the United States. Representatives of the World Bank and the International Monetary Fund and observers of the Governments of Sweden and Switzerland, the Secretariat of UNCTAD and DAC/OECD also attended the meeting. The Pakistan Government delegation was led by Mr. Ejaz Ahmad Naik, Secretary, Economic Affairs Division. The meeting, convened by the World Bank in its capacity as Chairman of the Pakistan Consortium, was chaired by Mr. Michel Camdessus of the French Ministry of Economy. A list of delegates is attached as Annex I.

2. Opening the meeting, the Head of the Bank delegation described the background to Pakistan's request for debt rescheduling and concluded that (i) debt relief would be an invaluable interim measure to support Pakistan's economic reform efforts until commitments and disbursements of long-term concessional assistance by Consortium members had been increased to more adequate levels; (ii) to achieve this objective and to help provide Pakistan with the assurance of sufficient capital inflows to sustain its reform measures during the critical period ahead, debt relief should ideally be extended on a multi-year basis. In the event that creditors did not find this feasible, Pakistan should, if possible, be assured of an extension of debt relief subject to the fulfillment of clearly specified and appropriate criteria; and (iii) debt relief should be on a scale which was significant in relation to Pakistan's needs and on terms which would not simply shift the debt burden forward for a short period before the Government's structural reform program had had reasonable time to bring about major lasting improvements in the balance of payments. The aim in the Bank's judgment should be to achieve an overall grant element comparable to the 62% extended under the 1974-78 debt rescheduling agreement. If there were difficulties in providing debt relief on such soft terms, this could be taken into account in determining the amount of gross relief which Pakistan should receive. The Bank's statement is attached as Annex II.

3. The representative of the IMF and the observer of UNCTAD described recent economic developments in Pakistan, including the improvements in economic policies, the continued financial difficulties faced by the Government and the need for additional external assistance. Their statements are attached as Annexes III and IV, respectively.

4. In his formal statement to the meeting requesting debt relief from Consortium countries (Annex V), the Head of the Pakistan delegation referred to the economic reform program adopted by Pakistan in the context of its recently concluded Extended Fund Facility Agreement with the IMF and outlined the case for debt rescheduling to support the implementation of this program. He requested that, in order to take account of Pakistan's special circumstances, debt relief from Consortium countries should amount to about $280 million per year, be extended over the three-year period covered by the IMF agreement, and be provided on highly concessional terms. He confirmed that the Pakistan Government intended also to request debt rescheduling from those non-Consortium countries which had not already provided relief.

5. In response to questions about the balance of payments projections contained in the Government's recent "Memorandum on Pakistan's Debt Problem," the Head of the Pakistan delegation explained that the estimates assumed that inflows of long-term development assistance would generally increase by 10% per year, or in other words be approximately maintained in real terms. However, a gradual reduction in food aid was assumed in line with the expected increasing domestic self-sufficiency in wheat requirements. In addition, the projections did not include any bilateral assistance from the United States other than food aid, in view of the present legislative prohibitions in the US on development assistance to Pakistan.

6. On the question of assistance to Pakistan from non-Consortium donors, the Head of the Pakistan delegation explained that the Government's projections of long-term capital inflows for the next three years included about $200 million a year in long-term assistance from OPEC sources. Further special OPEC contributions such as had been made to the Zakat Fund in FY81 were not anticipated. Allowing for debt service payments, the projected net annual inflow from OPEC countries, excluding Iran, would amount to about $150 million. This figure might increase, since (as he had already stated) the Government intended to approach these countries for debt relief once an agreement was reached with Consortium creditors. Debt relief, equivalent to $93 million in FY81, had already been obtained, mainly from Iran and USSR; in addition, Pakistan hoped to negotiate a further $60 million of relief with other non-Consortium creditors.

7. Elaborating on the Government's agreement with the IMF, the Head of the Pakistan delegation stated that three major structural changes were envisaged over the next three years. These related to import liberalization; the structure of tariffs and other taxes; and the composition of the public investment program. He noted that Pakistan continued to face severe constraints which limited its ability to undertake major new projects. The Government's medium-term development plan was being reformulated in order to shift the emphasis towards quick-yielding projects and essential support services in agriculture. Increased attention would also be given to the social sectors. Dependence on imported oil was expected to be reduced through the development of domestic energy resources. Steps would be taken to alleviate the adverse impact of the Government's financial stabilization measures on the poorer sections of society.

8. Clarifying Pakistan's request for debt relief, the Head of the Pakistan delegation reiterated that his Government desired debt relief over a three-year period to cover service payments on official (concessional and non-concessional) credits as well as on creditor country guaranteed private credits in an amount of $280 million a year. He stressed that this volume of relief could only be reached if all three categories of debt mentioned above were included.

9. Following these explanations by the Pakistan delegation, representatives of the creditor countries met in private session, together with representatives of the Bank and IMF, to discuss possible arrangements for debt relief from Consortium creditors. The delegates considered whether only official concessional (ODA) loans should be covered, or whether official non-concessional and creditor-country guaranteed private credits should also be included, at least for purposes of calculating the burden sharing, leaving it to each creditor country whether it would reschedule any of those latter credits or instead would offer refinancing of equivalent amounts. They discussed the time period of debt service obligations to be covered by the relief, with positions ranging between one year and the three years requested by Pakistan. They considered whether the grant element provided in the 1974 agreement (62%) would be appropriate again, or whether, in light of changed circumstances, a grant element higher or lower than 62% would be desirable. Finally, they discussed the statement made by one creditor country representative that a small amount of debt service due to his Government on a particular ODA operation should be excluded from the rescheduling due to its original highly concessional character, and urged all representatives that if, for any statutory reasons, actual rescheduling of any amount should be precluded, equivalent assistance to offset those payments should be provided.

10. On resumption of the plenary session, the Chairman presented a proposal to the Pakistan delegation which the creditor country representatives were prepared to recommend to their authorities and outlined its principal features. These were that debt rescheduling would apply to debt service on official concessional loans (i.e., those having a grant element of 25% or more) due over the 18-month period from January 15, 1981 through July 14, 1982; that 90% of the principal and interest payments due on these loans during this period would be rescheduled or refinanced; and that the repayment terms (grace period, amortization period and interest rate) on the rescheduled debt would be structured so as to provide a grant element of 55%. In 18 months the participating countries would be willing to consider, in light of the prevailing circumstances, a request by Pakistan to meet again on the issue. The Chairman added that, in line with established practice, the two benchmarks of 90% of debt service and 55% grant element were to be interpreted as minimum levels. Creditor countries were free to reschedule more than 90% of the debt service due, and to offer terms with a grant element above 55%.

11. In response to comments by two creditor country representatives, the Chairman stated that those creditor countries which for administrative reasons would prefer to provide relief over the 18-month period January 1, 1981 to June 30, 1982, could do so in agreement with the Government of Pakistan, provided the amount of relief extended to Pakistan was not thereby reduced. Debt service payments covered by the proposed relief could be suspended pending the signing of bilateral agreements. Where such a moratorium created technical difficulties for creditors, the matter could be dealt with bilaterally between Pakistan and the countries concerned.

12. The Head of the Pakistan delegation, whose response to the creditor countries' proposal is attached as Annex VI, expressed disappointment with the proposed relief. He noted that the duration and terms of the relief fell short of the Government's request and considered that they were inadequate to meet Pakistan's needs and circumstances. While the terms of the proposed relief were better than could have been expected under Paris Club negotiations, this benefit appeared to be more than offset by a reduction in the amount of relief. He stressed the difficulties that this reduction could create for Pakistan in implementing the structural adjustments and stabilization program agreed with the IMF. Nevertheless, he accepted the creditors' proposal though with the following qualifications. Firstly, since the relief offered was confined to official concessional (ODA) debt, the Government intended to request the

Paris Club to convene a meeting as soon as possible to consider rescheduling official non-concessional and officially guaranteed private debts. Secondly, before the expiry of the 18-month period for which relief was being offered, Pakistan would request an extension of debt relief for another period of 18 months. Thirdly, Pakistan would approach countries bilaterally to provide relief in addition to that agreed at the meeting.

13. The text of a Memorandum of Understanding stipulating the proposal for debt relief agreed between creditor country representatives and the Pakistan delegation was approved by all participants. This Memorandum was subsequently signed by the Chairman of the meeting on behalf of the participating creditor countries, by the Head of the Pakistan delegation on behalf of his Government, and by the Head of the World Bank delegation on behalf of the Bank in its capacity as Chairman of the Pakistan Consortium. A copy of the Memorandum is attached as Annex VII. The news release on the meeting is attached as Annex VIII.

PAKISTAN CONSORTIUM

SPECIAL MEETING ON DEBT

Paris, January 13 and 14, 1981

LIST OF DELEGATES

	Mr. Michel Camdessus Assistant Secretary of International Relations French Treasury Ministry of Economy	Chairman
BANK	Mr. Michael H. Wiehen Director South Asia Regional Office	
	Mr. Richard L. Clements Division Chief South Asia Regional Office	
	Mr. Wolfgang Siebeck Resident Representative in Islamabad	
	Mr. S.M.P. Suriyaarachchi Senior Economist South Asia Regional Office	
BELGIUM	Mr. Jacques Baudaux Conseiller Ministère de Finance	
	Mr. Fernand Keereman Conseiller adjoint Ministère des Affaires étrangères	

CANADA	Mr. W. Bryan Wannop Director General Asia Division CIDA
	Mr. A. G. Vincent Deputy Director South and Southeast Asia Division Department of External Affairs
	Mr. Douglas Shaw Economist International Programs Division Department of Finance
FRANCE	Miss Isabelle Cheyvialle Chef de Bureau Direction du Trésor Ministère de l'Economie
	Mr. Jean-François Guthman Administrateur civil Direction du Trésor Ministère de l'Economie
	Mr. Taxil Administrateur civil Direction du Trésor Ministère de l'Economie
	Mr. Bazy Secrétaire des Affaires étrangères Ministère des Affaires étrangères
	Mr. Gérard Boivineau Secrétaire adjoint principal des Affaires étrangères
	Mr. Kreiser French Commercial Counsellor French Embassy/Islamabad
	Mr. Jolibert Chef de Service COFACE
GERMANY	Mr. Franz Klamser Ministerial Dirigent Ministry of Economic Cooperation
	Mr. Reinhard Offermann Ministerialrat Bundesminister der Finanzen

GERMANY (cont'd)	Mr. Busse Oberamtsrat Bundesminister der Finanzen
	Mr. Jürgen Oestreich Counsellor Ministry of Foreign Affairs
	Mr. Jan H. Mayer Senior Economist Kreditanstalt für Wiederaufbau (KfW)
ITALY	Mr. G. Castellani Pastoris Counsellor Ministry of Foreign Affairs
	Dr. Franca Luciani Division Chief Ministry of Treasury
	Mr. Pistorio Salvatore Ministry of Foreign Trade
	Mr. Mario Giansanti Italian Office for Foreign Exchange
	Mr. Giogio Loi Export Credit Insurance Agency (SACE)
	Mr. Rolando Murari Mediocredito Centrale
JAPAN	Mr. Takehiko Nishiyama Minister-Counsellor Embassy of Japan, Paris
	Mr. Tsuneo Jinma Minister Embassy of Japan, Paris
	Mr. Toru Irie First Economic Cooperation Division Economic Cooperation Bureau Ministry of Foreign Affairs
	Mr. Nabuhiko Kawakami Second Secretary Embassy of Japan, Paris

JAPAN (cont'd)	Mr. Sekimoto Kanji Chief Representative Ex-Im Bank of Japan	Observer
NETHERLANDS	Mr. J. Wolfs Head, West and Southwest Asia Section Financial and Economic Development Cooperation Department Ministry of Foreign Affairs	
	Mr. A. H. Copper Country Officer, South Asia Section Financial and Economic Development Cooperation Department Ministry of Foreign Affairs	
	Mrs. Posthuma Netherlands Credit Insurance Company	
	Mr. John Lintjer Financial Counsellor Permanent Delegation to OECD	
SWEDEN	Mr. Klas Fee Gierow First Secretary Embassy of Sweden, Paris	
UNITED KINGDOM	Mr. C.R.O. Jones Assistant Secretary Overseas Development Administration	
	Mr. John Gilhooly Principal Her Majesty's Treasury	
	Mr. J.R. Llewelyn Export Credit Guarantees Department	
	Mr. Alan Humphryes Assistant Adviser Bank of England	
UNITED STATES	Ambassador Charles Meissner Special Economic Negotiator Department of State	
	Ms. Carol Hoban Economist Treasury Department	

UNITED STATES (cont'd)	Mr. Kenneth Kauffmann Minister-Counsellor U.S. Representative to the DAC
INTERNATIONAL MONETARY FUND	Mr. A. S. Shaalan Director Middle Eastern Department
	Mr. Henry E. Jakubiak Advisor Middle Eastern Department
	Mr. Jean-Pierre Amselle Senior Economist IMF Paris Office
	Mr. Thomas Reichmann Senior Economist IMF, Washington D.C.

PAKISTAN	Mr. Ejaz Ahmad Naik Secretary Ministry of Planning and Economic Affairs
	H.E. Sahabzada Yaqub-Khan Ambassador Embassy of Pakistan, Paris
	Dr. Jawaid Azfar Acting Chief Economist Planning Commission Government of Pakistan
	Mr. Qazi M. Alimullah Joint Secretary (External Finance) Ministry of Finance
	Mr. S. K. Dehlavi Minister Embassy of Pakistan, Paris
	Mr. Makdhoom H. Chaudhri Deputy Secretary Ministry of Finance and Economic Affairs
	Mr. Aftab Husain Syed First Secretary Embassy of Pakistan, Paris
	Mr. Shahid A. Kamal Second Secretary Embassy of Pakistan, Paris

OBSERVERS

OECD/DAC	Mr. Pierre Labouérie Principal Administrator OECD
	Mr. I. Wilkens Administrator OECD
SWITZERLAND	Mr. Kurt Schaerer Office for Foreign Economic Affairs
	Mr. Oscar Knapp Secretary Embassy of Switzerland
UNCTAD	Mr. G. D. Arsenis Director Money, Finance and Development Division
	Mr. Iqbal Haji Senior Economist

PAKISTAN CONSORTIUM

SPECIAL MEETING ON DEBT

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Statement by Representative of World Bank,
Mr. Michael H. Wiehen

I welcome you to this Special Meeting of the Pakistan Consortium on Debt. I would like to extend a particularly warm word of welcome to Mr. Ejaz Naik who, in addition to his responsibilities as Secretary, Planning and Development, also has taken over from Mr. Aftab Ahmad Khan as Secretary, Economic Affairs of the Government of Pakistan. He heads Pakistan's delegation for the first time. I would further like to welcome Mr. Michel Camdessus, Assistant Secretary, International Relations, of the French Treasury. Mr. Camdessus was requested by the Heads of Delegation of this Consortium, when they met informally on the occasion of the Burma Aid Group meeting on December 11, to take the Chair at this meeting, and he has very kindly agreed to do so. I will ask him to assume the Chair as soon as the opening statements have been delivered by myself for the Bank, by Mr. Shaalan for the IMF, by Mr. Arsenis for UNCTAD and finally, by Mr. Naik on behalf of the Government of Pakistan.

Pakistan's request for further debt relief was first submitted by the Government to creditor countries about three years ago. In our various presentations on the subject since that time we have assessed the case for debt relief in the context of the structural problems facing the economy. The essence of our analysis has been that the scale of the country's medium-term external debt obligations is a structural problem in its own right. We have accordingly argued that action by creditor countries to alleviate the burden of debt on Pakistan's balance of payments appeared to be a necessary complement to strong efforts by the Pakistan Government itself to bring about structural adjustments in the economy. There has been no change in our judgment on the basic need for debt relief in this respect.

Deficiencies in economic management in the first half of the 1970s, together with adverse world developments, have left Pakistan with a legacy of crippling economic problems, of which the heavy external debt burden is a prime manifestation. Pakistan's total external debt amounts to about 40% of its annual gross national product, one of the highest debt ratios in the world. Rising service payments on this debt have eaten increasingly into aid flows, and net transfers of long-term economic assistance have diminished to relatively modest levels.

In FY78, the last year of debt relief provided to Pakistan under the earlier rescheduling agreement among member countries of the Pakistan Consortium, total payments of interest and principal by Pakistan on its external debt /1 amounted to $350 million. Although additional relief has been provided by some countries since that time, total debt service obligations this year are estimated at about $770 million. Next year they will rise further to an estimated $890 million; and in FY83 to about $980 million. Unless further relief is forthcoming, debt service payments this year will absorb 28% of Pakistan's expected earnings from merchandise exports. Allowing for the expected substantial but uncertain inflow of workers' remittances, the service payments would represent 15% of estimated total foreign exchange income from all sources.

There is evidence that aid levels to Pakistan are now beginning to respond to the recent improvement in the country's economic performance. At the Pakistan Consortium meeting last June, indications of assistance by Consortium members for FY81 were encouragingly higher than in the past few years. The upturn in assistance, however, will not result in significantly higher gross capital flows to Pakistan for some time, since most aid continues to be project assistance which is relatively slow disbursing. A correction of the present low level of net transfers from Consortium countries will, therefore, require debt rescheduling on a substantial scale.

Although the case for debt relief is strong, we have shared the view of major creditors that debt rescheduling would only be justified if the Government already had in place, and was implementing with determination, a broad-based program of reforms which held out the hope of significant improvements in Pakistan's external account within a reasonable period of time. Our economic reports of 1978 and 1979 noted that, while a number of encouraging reforms to economic policies had been introduced since mid-1977, major internal and external difficulties remained which would require further sustained policy changes.

Since that time, and as discussed at the Consortium meeting last June, Pakistan's efforts to deal with its economic problems have been broadened and intensified. At the June discussions members noted that some of the actions taken by the Government had required considerable political courage and that the Government had not allowed the disturbing political developments on its borders to distract its attention from the pressing needs of the economy. Nonetheless, it was the consensus of that meeting that, to ensure continued economic progress, Pakistan's reform efforts needed to be further strengthened and placed within a medium-term framework, such as would be represented by an agreement on an Extended Fund Facility with the IMF.

/1 Including interest charges on official short-term borrowing and IMF resources.

It is to the considerable credit of both the Government and the Fund that an agreement on an EFF - which creditor countries specified as a pre-requisite for debt relief - has now been concluded. We should not underestimate the difficult issues which the Government has been prepared to face in the context of its negotiations with the Fund, or the significance of the reform program on which it has now embarked. The successful implementation of this reform package will place considerable demands on the Pakistan Government and its people. They deserve full support from the donor community.

The conclusion of an agreement between the Government of Pakistan and the IMF for an EFF represents an important further step in the reform process and reinforces the structural case for debt rescheduling. The Bank has worked closely with the Fund in regard to the EFF arrangements. In addition, in the context of our own lending operations, we ourselves have been engaged over the past several months in an intensive dialogue with the Government on a number of key policy issues, particularly in relation to agriculture. These discussions culminated in agreement on a package of agricultural policy reforms which provided the basis for a program loan by the Bank to Pakistan last October. Discussions on further policy adjustments are taking place, both in relation to agriculture and other sectors, which we hope will enable us to extend further substantial program-type assistance to Pakistan in due course.

The availability of the EFF will relieve the immediate acute pressures on Pakistan's balance of payments and will provide the Government with the opportunity to pursue the reform process on a sustained basis, with somewhat less need for concern about its short-term external financial position. For all practical purposes, however, the EFF resources are likely to be largely absorbed in financing the higher import bill which will result from the liberalization of the import regime which the Government has agreed to implement. Balance of payments estimates drawn up by the Government and the IMF indicate that, because of substantially higher imports, the current account deficit will increase sharply to about \$1.6 billion this year and decrease only slowly thereafter to about \$1.4 billion by FY83. The estimates consequently show that, even with substantial assistance from the IMF, there remains at present an annual financing gap on the balance of payments in the range of \$200 million to \$400 million during the next three years. The estimates assume continued good export performance and further growth in remittances.

While these projections must (as always) be treated with caution, and while in particular the precise speed with which the liberalization measures will increase the import bill is uncertain, it is evident that Pakistan's external financial position will remain tight. Foreign exchange reserves currently amount to only about \$450 million, equivalent to just over one month's imports, and contain a substantial element of short-term deposits. The situation provides little room for maneuver or cushion against further adverse developments which could endanger the Government's adjustment efforts. Debt rescheduling therefore continues to have a central role to play in relieving the immediate pressure on resources and in assistang the reform process.

A Bank economic mission has recently returned from Pakistan after making an assessment of the current state of the economy and of Government policies. Data obtained by our mission point to a continuation of the economic recovery in Pakistan for a fourth consecutive year. Information on this year's main crops is so far generally encouraging. Both the cotton and rice crops, though apparently below last year's levels in some areas, again appear to be relatively good; and the sugar crop, which last year was disappointing, is likely to be an all-time record. The size of the wheat crop will not be known for some months, and this, as usual, will be a crucial factor. A major uncertainty about the wheat crop this year relates to the level of fertilizer usage. Although the Government has raised the support price for wheat to compensate for the reduced subsidy on fertilizer, the higher crop prices were announced relatively late in the season. The Government has increased the supply of credit to farmers and taken other measures to promote the use of fertilizer. Nonetheless, the impact of these diverse influences on the level of wheat production remains to be seen.

In the industrial sector, the willingness of private businessmen to undertake new investment has understandably continued to be restrained by the unsettled political situation in South-West Asia. Even so, there are signs that private expenditures on new plant and equipment are now beginning to respond more affirmatively to the various incentives extended by the Government to the private sector. The Government's efforts to improve production and capacity utilization of public industry also appear to be gradually producing results.

An especially encouraging aspect of recent developments in Pakistan concerns the Government's efforts in the area of population planning. The Government is now giving increased attention to the urgent need to slow down the present fast rate of population growth and a comprehensive new plan has recently been adopted by the Cabinet which attempts to address this difficult issue in its broad social context. President Zia has indicated his firm backing of this important initiative. While the formulation of the plan is itself a commendable achievement, the critical question now is the effectiveness with which it is implemented. We ourselves are evaluating the plan and shall extend all possible assistance to it.

There are several other areas in which Pakistan's endeavors to revitalize the economy and to lay firm foundations for future development remain at an early stage. The process of establishing strong agricultural extension and research organizations to serve the farmer is in this category. So, too, is the task of rehabilitating the irrigation system and of improving the management of the country's valuable water resources, especially at the farm level. The performance of both public and private industry leaves considerable room for further improvement; in addition, the exploitation of Pakistan's domestic energy potential has been slower than expected. The efficiency of resource use generally remains low, and planning and control of Government spending programs need to be strengthened. As part of the policy reform program to be undertaken in connection with the EFF agreement, GOP is currently preparing a revised three-year development program to cover all public investment for FY82 to FY84. This review is intended to promote a shift in emphasis toward more short-gestation and high-yielding projects, particularly in the agriculture, water and energy sectors.

Our economic mission has reported that, although the Government has persisted in its endeavors to contain the budget deficit, the budgetary position remains difficult and will demand close attention on both the revenue and expenditure sides. The budgetary position unfortunately is being adversely affected by factors outside the Government's control such as developments in Afghanistan. The FY81 budget contained an estimated expenditure by the Government of about $50 million on Afghan refugees this fiscal year, based on an estimated 800,000 refugees in Pakistan. The number of registered refugees was recently assessed at 1.3 million; it may have risen even further since that time. The refugee situation is presenting increasing financial as well as social and political problems for Pakistan. Although the international community is providing generous aid to Pakistan for the support of the refugees, further help appears to be clearly warranted.

The fact remains that, despite acute difficulties, the Government's achievements in the economic sphere over the past three years have been impressive, and the findings of our economic mission confirm that the general direction of policy remains sound. The reform process, however, is still at a crucial juncture. Increased assistance by the donor community through such action as debt rescheduling would make an important contribution to help sustain the momentum of Pakistan's adjustment efforts.

This meeting has been called to discuss debt relief and not regular development assistance; the next appropriate occasion to discuss the latter subject will be the meeting of the Consortium scheduled to be held next June. Nonetheless, I believe that it is important to emphasize that, whatever the outcome of the discussion this week, debt relief should not be regarded in any way as a substitute for an increase in normal aid programs. On the contrary, as a separate additional matter, there is a pressing need to continue the encouraging upturn in development assistance to Pakistan indicated at last June's Consortium meeting, in order to carry assistance to steadily higher levels over the next several years. The debt relief exercise should be seen as an interim measure to provide support while increased flows of more sustainable forms of assistance are built up.

We are in the process of making a detailed assessment of Pakistan's long-term balance of payments prospects and aid requirements. Preliminary results of our analysis indicate that, even with further growth in exports and remittances and development of domestic energy resources and other import substitution, the deficit on Pakistan's external account will remain substantial and an increasing inflow of concessionary assistance will be required on a sustained basis through much of the 1980s. The analysis shows that additional commitments of long-term aid will need to be put in place during the coming 2-3 years to provide for the necessary increase in capital flows beyond the period of the IMF agreement. We plan to circulate our assessment of Pakistan's long-term aid requirements to Consortium members and will revert to this subject at the Consortium meeting next June.

In summary, our analysis of Pakistan's financial situation and economic prospects points to the following principal conclusions:

> First, debt relief would be an invaluable interim measure to support Pakistan's reform efforts until commitments and disbursements of long-term concessional assistance by Consortium members have been increased to more adequate levels.
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> Secondly, to achieve this objective and to help provide Pakistan with the assurance of sufficient capital inflows to sustain its reform measures during the critical period ahead, debt relief should ideally be extended on a multi-year basis. In the event that creditors do not find this feasible, Pakistan should if possible be assured of an extension of debt relief subject to the fulfillment of clearly specified and appropriate criteria.
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> Thirdly, debt relief should be on a scale which is significant in relation to Pakistan's needs and on terms which would not simply shift the debt burden forward for a short period and before the Government's structural reform program has had reasonable time to bring about major lasting improvements in the balance of payments. The aim in our judgement should be to achieve an overall grant element comparable to the 62% extended under the 1974-78 debt rescheduling agreement. If there are difficulties in providing debt relief on such soft terms, this may be taken into account in determining the amount of gross relief which Pakistan should receive.

PAKISTAN CONSORTIUM

SPECIAL MEETING ON DEBT

Paris, January 13 and 14, 1981

Statement by Representative of International Monetary Fund,
Mr. A. S. Shaalan

The Pakistan authorities have recognized for a number of years that the country's overall economic performance has been impaired by structural imbalances and that the alleviation of these difficulties would further their objectives of promoting economic growth in a context of relative financial stability and improving the balance of payments position. To this end, they began in 1977/78 to introduce corrective policies, and as a result considerable progress was made toward enhancing the economy's growth, export, and fiscal performances. The authorities realize, however, that much remains to be done, and consequently they have decided to continue their reform efforts over the three years ending 1982/83 within the context of an economic and financial program supported by an extended Fund arrangement. The focus of the program is on new supply policies, an increased domestic resource mobilization effort, and a substantial strengthening of public finance and demand management policies.

The program's supply policies are directed at expanding the economy's productive capacity through improvements in resource and investment allocation, better capacity utilization, and reduced cost-price distortions. The public sector investment program is to be revised to facilitate these objectives. In agriculture, the basic strategy is to shift development spending away from the subsidization of inputs toward efficiency-inducing programs and projects, as well as to restructure domestic prices in order to bring them into line with those prevailing in world markets and to increase the real net income of farmers. A strong start was made in the area of pricing for the first year of the program: prices for major crops were raised by 9-30 per cent and fertilizer prices by about 50 per cent. In the manufacturing sector, the authorities plan to continue their ongoing evaluation of the appropriate scope of public ownership and to divest or close firms when this serves the public interest. For the enterprises retained, they plan to introduce corrective programs aimed at increasing productivity and profitability. While continuing existing incentive policies directed at reviving private sector confidence and investment in manufacturing, they expect to institute new programs to improve the competitive position of small-scale producers, particularly in the export sector, and to deal with problem textile factories. They also intend to improve the application of the labor code in order to enhance the performance of both the put and private manufacturing sectors. The authorities are committed to reducing the economy's dependence on imported petroleum through conservation and the development of domestic energy resources. To this end, they intend to implement appropriate pricing and investment policies and expect to reduce net petroleum imports on average by about 1 per cent per annum over the three-year period. In a number of the above areas, such as the investment program and public enterprise and labor reform, studies are to be undertaken or evaluated during the remainder of 1980/81 to provide the basis for new policy initiatives. Thus, in these areas the program for 1980/81 essentially carries forward the corrective policies of recent years, and the important structural changes are to be introduced in the second and third years.

Potentially the most important and far-reaching of the program's policy changes is a phased liberalization of the import system. Implementation of this reform will require the preparation of relevant studies, and consequently it is not possible at present to evaluate the precise extent to which some domestic industries will continue to receive protection in the form of bans at the end of the program period. However, the authorities have indicated their commitment to achieve by end-1982/83 a significant liberalization covering both economic inputs and consumer goods. In the first year, virtually all ceiling restrictions on currently permitted nonconsumer good imports and prohibitions on basic raw materials will be lifted. It is anticipated that the increased and timely availability of imported economic inputs resulting from these measures and the gradual addition of new items to the import list will contribute substantially to productivity gains over time by improving capacity utilization and encouraging technological innovation. Moreover, private sector investment is expected to respond positively.

The program envisages an average annual growth rate of real GDP of 5-6 per cent, but only a moderate rise in the investment ratio. Nevertheless, the latter will require a strong domestic resource mobilization effort as reliance on foreign resources in relative terms is expected to decline. Public sector savings, in particular, is expected to rise substantially; thus, the structural reforms envisaged for public finances are critical to the realization of the investment program. Although the authorities intend to gradually expand during the program period the interest-free financial system and therefore do not believe that it would be appropriate to alter the present interest rate structure, they intend to make every effort to ensure that the growth of domestic savings and their investment objectives are not adversely affected.

The fiscal policy goal of the program is to improve the structure of public finances by limiting and restructuring expenditures and carrying out tax reforms. Within the constrained level of expenditure, outlays are to be reoriented away from consumer and producer subsidies toward fast-yielding investments and increased recurrent outlays on maintenance and repair of existing capital stock as well as essential economic and social services. To support this objective, the authorities intend to specify annual targets for the total subsidy bill and to take measures to ensure that these are not exceeded. On the revenue side, the budget will benefit from import liberalization so that the new tax measures required early in the program period will be small. Significant steps have been taken in recent years to strengthen tax administration, resulting in particular in an improved income tax revenue performance. Nevertheless, tax reforms will be essential for the substantial fiscal effort envisaged in the third year of the program. Thus, a comprehensive review of the tax system is now under way with Fund assistance. Public finances are also expected to benefit from an improved financial performance by the public enterprise sector, in particular as the authorities have decided to allow these enterprises increased pricing autonomy. The Government expects to reduce its total domestic bank borrowing to 2.0 per cent of GDP on average during the program period from 3.6 per cent over the three preceding years. This tightened fiscal policy stance will contribute substantially to the strengthening of demand management and is to be supported by strict credit policies for the nongovernment sector. The authorities expect to limit the average growth rate of domestic liquidity to about 2-3 percentage points below the projected average increase in nominal GDP in order to provide for an abatement of excess demand pressures and to contain the rate of inflation to about 10 per cent.

In the external sector, the central objective is to strengthen the structure of the current account. The supply elements of the program are expected to expand considerably export availabilities and import substitution for important commodities, while financial incentives for exporters are to be enhanced with the objective of sustaining directly the good export performance of recent years. Exchange rate policy is to be kept under close review. The current account deficit despite import liberalization is projected to decline to below 4 per cent of GNP by 1982/83 from an average of 5 per cent during 1978/79-1979/80. The authorities anticipate that, taken together, the elements of the program will establish the basis for a durable improvement in the balance of payments.

The Fund believes that Pakistan has adopted a meaningful structural reform program, and the Executive Board has approved the authorities' request for the use of Fund resources equivalent to nearly SDR 1.3 billion under the extended arrangement. The authorities hope that their program will also attract expanded external assistance from sources other than the Fund.

Pakistan: Balance of Payments, 1977/78-1982/83

(In millions of U.S. dollars)

	1977/78	1978/79	Prov. Actual 1979/80	Projected 1980/81	1981/82	1982/83
Trade balance	-1,464	-2,170	-2,416	-2,936	-3,008	-3,029
Exports, f.o.b.	1,287	1,646	2,341	2,716	3,161	3,680
Imports, f.o.b.	-2,751	-3,816	-4,757	-5,652	-6,169	-6,709
Services (net), of which:	-392	-453	-555	-701	-815	-888
Interest on public debt 1/2/	-212	-254	-311	-356	-458	-511
Private transfers (net), of which:	1,226	1,496	1,846	2,030	2,249	2,490
Labor remittances	1,153	1,395	1,748	1,900	2,109	2,340
Current account balance	-630	-1,127	-1,125	-1,607	-1,574	-1,427
Long-term capital (net)	480	509	680	758	661	765
Gross disbursements	797	888	1,083	1,174	1,125	1,175
Project aid	(516)	(601)	(821)	(748)	(750)	(800)
Commodity aid	(187)	(236)	(180)	(243)	(275)	(300)
Food aid	(94)	(51)	(21)	(86)	(50)	(50)
Refugee assistance	(—)	(—)	(61)	(97)	(50)	(25)
Amortization 1/	-350	-370	-435	-504	-554	-500
Other (including private long-term capital)	33	-9	32	88	90	90
Private short-term capital and errors and omissions (net)	27	10	107	22	--	--
SDR allocation	--	39	39	39	--	--
Balance requiring official financing	-123	-569	-299	-788	-913	-662
Official assistance and debt relief	438	384	534	454	439	349
IMF Trust Fund	48	71	157	15	--	--
Debt relief	257	161	90	93	119	29
Principal	(228)	(147)	(85)	(91)	(117)	(28)
Interest	(29)	(14)	(5)	(2)	(2)	(1)
Official short-term capital (net)	122	151	31	36	--	--
Other 3/	11	1	256	310	320	320
Overall balance	315	-185	235	-334	-474	-313
Net foreign assets (increase-)	-315	185	-235	334	474	313
Net use of Fund credit	-7	-85	-83	241	394	425
Purchases	(72)	(—)	(27)	(460)	(575)	(520)
Repurchases	(-79)	(-85)	(-110)	(-219) 4/	(-181)	(-95)
Other central bank and commercial banks	-308	270	-152	93	80	-112
Memorandum items:						
Debt relief	257	161	90	93	119	29
Consortium	(136)	(38)	(13)	(9)	(9)	(11)
Other	(121)	(123)	(77)	(84)	(110)	(18)
Net capital inflows 5/	796	742	1,183	1,176	1,100	1,114
Growth rates (per cent)						
Exports, f.o.b.	13.7	27.9	42.2	16.0	16.4	16.4
Imports, f.o.b.	13.8	38.8	24.7	18.8	9.1	8.8

Sources: Pakistan authorities and staff estimates.

1/ Includes actual and rescheduled debt service payments.
2/ Includes IMF charges and interest on short-term debt.
3/ The projections include possible debt relief as well as unidentified other official financing.
4/ Includes a payment equivalent to SDR 35.6 million associated with the seventh quota review.
5/ Includes "Long-term capital (net)" and "Official assistance and debt relief," other than "Official short-term capital (net)."

PAKISTAN CONSORTIUM

SPECIAL MEETING ON DEBT

Paris, January 13 and 14, 1981

Statement by Representative of UNCTAD,
Mr. G. D. Arsenis

This is the first time that the UNCTAD secretariat participates in a Consortium meeting in pursuance of resolution 222 (XXI) of the Trade and Development Board which was adopted in September last year. According to this resolution the UNCTAD secretariat has a particular interest in the application of the features which were agreed in UNCTAD with a view to providing a basis for individual debt reorganization operations. As you all know these features place emphasis on the need to seek solutions that will enhance the development prospects of the debtor country, bearing in mind its socio-economic priorities and the internationally agreed objectives for the development of developing countries.

We in the UNCTAD secretariat are happy that our first occasion to participate in a Consortium meeting coincides with the case of Pakistan, a case which is of particular significance. In the first place, Pakistan, as many other low income developing countries, belongs to the category of Most Seriously Affected developing countries (MSAs) for which the United Nations bodies and in particular the General Assembly have repeatedly stressed the need for special measures to help them overcome the adverse effects on their economies of world recession, inflation, protectionism and stagnation in the real transfer of concessional assistance. I am sure that the outcome of the deliberations of this meeting will be of interest to the General Assembly.

Apart from the general interest that we, in the United Nations have in relation to measures in favour of the MSA countries, we are more directly concerned with the meeting on account of the resolution adopted in 1978 with regard to the debt and development problems of the "poorer" developing countries. According to that resolution (165 (S-IX)) developed donor countries are expected to seek to adopt measures to adjust the terms of past ODA loans or to take equivalent measures. Several developed donor countries, Belgium, Denmark, Japan, the Netherlands, Sweden, Switzerland and the United Kingdom have taken measures in favour of Pakistan in pursuance of that resolution. In the case of the United Kngdom a substantial amount was involved. However, several major donor countries members of the Consortium have not so far included Pakistan in their list of beneficiary countries. It is hoped that the present meeting will provide an opportunity for these countries to take such measures in favour of Pakistan in the spirit of this resolution. In this connexion we have estimated that a full implementation of the resolution by all Consortium countries would result in a decrease of the debt service payments arising from official bilateral debt to Consortium countries by 75 per cent in 1980.

Mr. Chairman,

In a note entitled "Hypothetical projections of external capital requirements 1980-1990" (UNCTAD/FIN/21) we have set forth our own reflections concerning the debt reorganization of the official debt of Pakistan. Since this note has been circulated to the members of the meeting I do not wish to cover the same ground but I should like to stress its main conclusion, namely that the debt servicing problem of Pakistan is a structural one and should be dealt with in the context of long-term measures which inter-alia would require above all a long consolidation period. The note clearly indicates that the ratio of outstanding debt to GNP or to potential exports is rather unfavourable. Thus, consolidation of debt repayments falling due in the next three years on account of public and publicly guaranteed loans, with average terms of 10 year grace period, maturity 30 years and interest rate of 2.5% will have a significant and favourable impact on the economy during the period of the stabilization programme but it cannot solve the problem. A long-run solution calls for considerably longer consolidation periods on very soft terms.

To be sure the reorganization of the debt is one of the conditions for tackling successfully the development problems of Pakistan. I should like to touch briefly upon three other development aspects, namely, prospects for exports, new capital flows and domestic policies.

With regard to export prospects, I should like to stress that the international environment has been particularly unfavourable to Pakistan. During the seventies, Pakistan's terms of trade declined by about 16 per cent and this in itself has had adverse effects on the balance of payments and on the domestic economy. Its significance may be illustrated by the fact that had Pakistan's terms of trade remained unchanged during the decade, its trade deficit in 1980 would have been smaller by about $ 400 million and perhaps the country might not have been compelled to seek debt re-organization today.

In addition to the adverse effect of relative prices, the growth of exports has been significantly and adversely affected by the resurgence of protectionism in developed countries. In particular the MFA which held considerable promise for sustained growth of textile exports has not been adhered to by developed countries either in letter or in spirit. Recent experience suggests that the possibility of a return to the original intention of the MFA is now remote. Since developed countries have effectively denied developing countries the possibility to realize their export potential, it follows that the developed countries should be prepared at the least to agree to a reorganization of the stream of repayments from developing to developed countries over the very long run.

Another aspect of the export performance of Pakistan worth emphasizing is the extreme sensitivity of export earnings to unforeseen circumstances beyond the control of the exporting country. There are indeed indications that the instability in the export earnings of developing countries has increased and this in itself points to the need for considering the inclusion of a "bisque-clause" in the official loan and refinancing agreements.

With regard to the net transfer of development assistance, our note clearly shows that even the most generous debt re-scheduling cannot solve the debt servicing problem in the long run without significant increase and improvements in the quality of financial flows to Pakistan, involving, in particular, a substantial increase in the share of ODA to the total net capital flows. For example, even if generous debt refinancing is assumed, the debt service ratio in 1990 will still be relatively high (24 per cent) as long as the composition of capital flows continues to be similar to the present one. On the other hand, if aid flows become an increasingly important component of total flows, the debt service ratio may be reduced to the tolerable - but by no means comfortable - level of 19 per cent in 1990.

These considerations serve to illustrate the need for a reversal of the relatively unfavourable treatment that Pakistan has received in external assistance. Not only has it been adversely affected by the general stagnation of aid, but it has also experienced considerable shortfall in aid flows from certain developed countries. As a result Pakistan's receipts of DAC bilateral ODA have declined in real terms by as much as 56 per cent during the last decade. Today its per capita aid receipts compare unfavourably with the average for developing countries as a whole, and are significantly below the average for the low income developing countries. Certain donors as well as the IBRD are now net recipients of funds from Pakistan. In addition to unfavourable developments with regard to the volume of assistance, the terms of aid have also shown a tendency to harden with the share of grants in total DAC ODA commitments declining from 28 per cent in 1970 to 21 per cent in 1977.

Finally, since the speakers who preceded me dwelt upon the question of domestic policies I need not go into the matter myself. We are happy to note that the various economic measures adopted by the Government of Pakistan have been well received by the creditor countries. More recently, the Government of Pakistan has agreed to conform to the stringent requirements of the IMF stabilization programme. We feel that Pakistan has thus demonstrated the willingness to undertake measures to strengthen its domestic economy. It is to be hoped that these measures would bring about an improvement in the short-term economic situation without jeopardizing growth which after all is targeted at the moderate level of 5.2 per cent in the next three years.

Pakistan

Action taken by creditor countries pursuant to resolution 165 (S-IX) on retroactive terms adjustment 1/

Creditor country	Type of action	Nominal value $ m
Belgium	Refinancing of 75 % of debt due 1979-1983 2/	About $ 12 m. including principal and interest
Denmark	Conversion of one loan to grant. Softening of another loan	Not known
Japan	To accord "amount needed to adjust terms of loans"	Not known
Netherlands	Softening terms of past loans	1.0
Sweden	Conversion of loan to grants	6.5
Switzerland	Conversion of loan to grants	4.8
United Kingdom	Conversion of loan to grants	140.2

1/ As conveyed to the UNCTAD secretariat in response to questionnaires.

2/ On following terms: 30 years, no interest, repayment in 20 equal annual instalments after a grace period of ten years.

Note: The total outstanding disbursed official debt owed to Consortium countries as at June 1979 was $ 4,402 million. Debt service due to these countries in 1979/80 was $ 229.9 million.

PAKISTAN CONSORTIUM

SPECIAL MEETING ON DEBT

Paris, January 13 and 14, 1981

Statement by Head of Pakistan Delegation,
Mr. Ejaz Ahmad Naik

Mr. Chairman, distinguished delegates,

Pakistan's debt servicing problem emanates from a sharp reduction in net aid flows during a period of harshly adverse international economic developments. A sharp increase in debt service payments began in fiscal year 1979 upon the expiry of the previous debt relief agreement. As gross aid inflows did not show any increase, at least not an appreciable and sustained one, the net aid flows from Consortium countries considerably diminished. For the Consortium group as a whole net bilateral official development assistance fell from $236 million in fiscal year 1976 to $128 million in fiscal year 1980; the level of net inflow was nominal or negative in the case of several countries.

A full measure of the repercussions of this trend must also make allowance for two other factors. First, the real decline was much more severe when adjusted for inflation; the net flows record a decline of 64 per cent between 1976 and 1980 when deflated by the export price index of developed countries. In other words, net aid flows in the last fiscal year had dropped in real terms to about a third of the level obtaining four years ago. Second, the impact of declining net aid flows was compounded by an increasing propensity to provide assistance in the form of project aid, the proportion of which rose from 36 per cent to 80 per cent of total assistance between fiscal year 1976 and fiscal year 1980. Such assistance has not only constrained flexibility in the use of resources but it has forced the Government to start new projects in order to absorb aid at a time when consolidation rather than expansion was needed.

Besides, the decline in net aid inflows took place in an international environment rendered inhospitable by inflation, recession and deteriorating terms of trade. For a while, a surge in remittances from expatriate workers suppressed Pakistan's balance-of-payments deficit to a level which could be financed by some commercial borrowings and other makeshift capital inflows. The second wave of inflation, protectionism and worsening terms of trade which commenced in 1979 was not so easy to surmount. Thus in fiscal year 1980, Pakistan faced an exceedingly difficult balance of payments situation despite the fact that export surpluses rose strongly while import demand was severely restrained. In the end, temporary and extraordinary capital inflows brought relief but not before a perilous situation earlier in the year had forced the Government to adopt harsh, ad hoc measures to stem a rapid depletion in reserves.

Foreseeing the emerging difficulties, which later ended in a crisis, the Government approached the Consortium for a rescheduling of its debt service obligations in June 1978. The request was repeated in 1979 and again in 1980. The Government maintained that the declining net aid inflows would jeopardize and disrupt an orderly transition to a new policy, one that took the deterioration in the international climate as a shock to be absorbed by internal adjustment. The response of the Consortium countries was not very positive on the first two occasions, but in the June 1980 Consortium meeting they agreed in principle to reschedule debts on condition that Pakistan reached an agreement with the IMF on a medium term stabilization programme.

To put matters in perspective while the adverse repercussions of global economic trends were not in dispute, there appeared to be a widespread concern amongst the Consortium group that misdirected domestic policies had aggravated the situation. It was alleged that inefficiencies and distortions had been built into the economic policy framework in various places; for instance, in the public-private sector mix, the pattern of public investment, the programmes and priorities pursued in different sectors, pricing policies and management practices. These developments, combined with a consumption bias in policy and tradition bound rigidities in the fiscal and commercial systems, were said to be responsible for much of the past difficulty and to form a major impediment to a financially viable path of sustained growth in future years.

Though not in full agreement with this analysis, the Government has been keen to strenghthen policies for seeking a smooth adjustment to new realities. Many corrective measures have been taken by Pakistan in the last three years to restrain, consolidate and redirect public sector presence; to encourage and revive private investment; to aim sectoral policies at increasing productivity and efficiency; to pursue pricing and fiscal policies which reduce distortions, promote investment and exports and dampen consumption and imports; to restructure and improve managment efficiency. On previous occasions and in the Memorandum we have presented this year, most salient steps taken in these spheres and I will not repeat them. It is sufficient here to mention that the accomplishments - the gains in output and productivity and in the real indicators relating to international trade and public finance - offer ample proof of progress.

Indeed, the strong and compelling evidence of the Government's determination to pursue sound economic policies has led to a marked change in the Consortium's appreciation of Pakistan's economic performance which clearly emerged in the last World Bank Report on Pakistan as well as the views expressed by various country delegates at the meeting last June. This shift in perception contributed in turn to a more accommodating stance on the issue of debt relief. Still the Consortium maintained that the rescheduling exercise be undertaken in the context of, and be made conditional upon, Pakistan formulating a medium-term stabilization programme prepared in consultation with the IMF.

Pakistan has contracted an Extended Fund Facility with the IMF which envisages, with the collaboration of the World Bank and IMF, the implementation of a comprehensive structural adjustment and stabilization programme. Production and pricing policies, the investment programme, fiscal and monetary instruments, trade regimes and organizational systems will be extensively reviewed, closely examined and significantly modified to raise savings, promote a more advantageous allocation of resources and foster greater efficiency. Success in this endeavour requires commitment from the Government to mount a large and sustained resource mobilization effort and to make major departures from the known and traditional to new forms of economic management. It requires, equally, a reversal of the declining trend in net aid flows to Pakistan and a substantial restoration of the real net transfers obtaining in the mid-seventies.

Mr. Chairman, the Extended Fund Facility agreement between the Fund and the Government of Pakistan having laid the ground for debt rescheduling, we are now gathered together to discuss and formalize the all important guidelines for the scope and terms on which the relief will be bilaterally concluded. I think that we must all agree that the scope and terms must be formulated with reference to the cause of the problem and the need that debt relief is to fulfil. I will, therefore, briefly restate two aspects of the issue.

Firstly, the problem Pakistan is faced with has arisen from a steep decline in real net aid inflows and a falling share of non-project aid in gross disbursements of foreign economic assistance. Debt rescheduling is needed to reverse this trend and to quickly enhance the levels of non-project aid. Secondly, debt rescheduling is being considered in the context of and as an important input into the medium-term stabilization and structural adjustment package. It was for this reason that a medium-term agreement with IMF was made a condition for relief. Pakistan has reached such an agreement, one that calls for major reforms and decontrols which would expose economic management in general and the balance of payments in particular to unpredictably severe pressures in the medium term.

These considerations have a bearing upon the nature of debt rescheduling. In so far as the relief constitutes a means of restoring net aid flows, its terms should bear the concessionality expected of aid flows. And if relief is linked to a medium-term stabilization effort, especially one that calls for structural adjustment and major departures from current positions and practices, it should be assured for a medium-term period. This is an opportune moment for me to refer, Mr. Chairman, to our position, one that was finally accepted by our creditors, that the forum for this meeting should be the Consortium and not the Paris Club. In our view, this change signifies a willingness to furnish relief for a medium-term period and at high concessionality.

To conclude, Mr. Chairman, Pakistan hopes that the level, period and terms of relief accorded to Pakistan will bear the special circumstances in view. In this respect I wish to make three requests to the Consortium. I may state beforehand that we expect to approach those non-Consortium countries which have not already provided relief, for similar treatment.

Firstly, we would request the Consortium countries and other creditors to provide relief of an order which would significantly cover the balance-of-payments gap that is left as a residual after a realistic forecast of future levels of normal aid flows. Balance-of-payments projections for fiscal year 1981 to 1983 have been recently worked out in association with the IMF. As pointed out in our Memorandum, a gap of roughly \$400 million each year, for the three-year period - fiscal years 1981 to 1983 - remains to be covered allowing for a modest build-up in reserves in FY 1983. Most of this will need to be filled by way of debt relief from those Consortium and non-Consortium sources as have not already given relief. We hope that the value of debt relief from Consortium countries would amount to roughly \$280 million each year.

Secondly, relief should be extended over the three-year span covered by IMF adjustment package. If Pakistan is to embark upon this programme in a firm and determined manner, it must have the secure backing of external funds necessary to sustain such a programme. Needless to say, a restrained and hesitant approach will undermine the stabilization programme while a brake in, or worse, a reversal of the direction of change will not only amount to a major setback but may well make the whole exercise counter-productive. I would, therefore, urge upon you the advisability of entering into a medium-term arrangement.

Finally, the terms of rescheduling should contain high concessionality. As I have mentioned earlier, this is merited because debt relief, being necessary to restore net aid flows, should bear the concessionality of aid commitments. Furthermore, the rescheduling terms should take into account the large claims that servicing and retirement of the IMF Extended Fund Facility will place on Pakistan for several years beyond fiscal year 1983. We have, therefore, requested a write off or IDA terms for the rescheduled debt.

Mr. Chairman, let me repeat once again that the adjustment and stabilization measures envisaged in the Extended Fund Facility arrangement depend crucially on the level, duration and terms of debt relief. If the package offered by the creditor countries does not offer hope of Pakistan being able to sustain the adjustment programme then it may become unavoidable to abandon it altogether. I would press, consequently, the Consortium countries to give our request earnest and careful consideration.

PAKISTAN CONSORTIUM

SPECIAL MEETING ON DEBT

Paris, January 13 and 14, 1981

Response to Creditor Countries' Proposal
by Head of Pakistan Delegation, Mr. Ejaz Ahmad Naik

1. I must thank you for the patience and seriousness with which you deliberated at such length our request for debt relief yesterday afternoon. However, I cannot but express serious disappointment and misgivings about the proposal conveyed to us by the Chairman on your behalf last evening. In our view the magnitude, duration and terms of the proposed relief are quite inadequate to Pakistan's needs and circumstances.

2. We had requested the Consortium for relief of $280 million each year for a three-year period, the relief to be provided at IDA terms. This would have amounted to a total relief of $840 million over three years which at IDA terms would have implied a net relief of about $740 million. We have been offered instead a total relief of $233 million over an 18-month period at a grant element of 55% which means a net relief of less than $130 million or so.

3. The magnitude of relief that is being offered seems to be considerably below what we would have received had the deliberations taken place under the Paris Club. The switch-over from the Paris Club to the forum of the Consortium was not designed to reduce in any way the extent of relief that Pakistan was to receive. While it is true that the terms of relief that have now been offered are an improvement over what we could have expected under the Paris Club negotiations, this benefit seems to have been more than offset by the sharp reduction in the amount of relief.

4. The relief we have been offered is also significantly lower than the conservative estimates we had made in agreeing upon an EFF program with the IMF. More importantly, the period for which relief is being offered is much shorter than the spread of the IMF stabilization program which suggests that the Consortium is reluctant to provide the sustained support that Pakistan expected of it in the medium-term adjustment endeavors. Clearly, Pakistan's ability to carry out import liberalization to the degree envisaged in the EFF

will be jeopardized. Similarly, the budget relief foreseen will not materialize which will undermine the Government's efforts to adhere to the deficit financing targets stipulated in our agreements with IMF, especially as this shortfall in resources has emerged too late in the fiscal year for the Government to take counter-acting measures.

5. These repercussions are serious but we are given to understand that it was not possible for the Consortium, for various reasons, to offer a better package at this stage. We, therefore, accept the proposal that has been made but with the following qualifications. Firstly, Pakistan had requested a rescheduling of non-concessional official and officially guaranteed private debt as well as concessional official debt. Since the relief being offered is confined to ODA, the GOP intends to request the Paris Club to convene as soon as possible to consider rescheduling of official and officially guaranteed non-ODA debts. Secondly, on or before the expiry of the 18-month period for which the relief is being offered, Pakistan will request a further extension of the debt relief for another period of 18-months. Thirdly, Pakistan will approach countries bilaterally to provide relief in addition to that agreed to at this meeting.

6. In conclusion, let me reiterate that unless the scope and duration of the relief is extended, Pakistan is likely to encounter serious difficulties in implementing the structural adjustments and stabilization program drawn up in consultation with the IMF and the World Bank.

PAKISTAN CONSORTIUM

SPECIAL MEETING ON DEBT

Paris, January 13 and 14, 1981

Memorandum of Understanding on Debt Relief for Pakistan

I PREAMBLE

1. Representatives of the Governments of Belgium, Canada, France, Federal Republic of Germany, Italy, Japan, the Netherlands, United Kingdom and United States of America, hereinafter referred to as "Participating Creditor Countries", met in Paris on January 13 and 14, 1981, with representatives of the Government of Pakistan in a special meeting of the Pakistan Consortium to examine the question of debt relief for Pakistan. Representatives of the World Bank and the International Monetary Fund, and observers of the Governments of Sweden and Switzerland, the Secretariat of the UNCTAD, and the Organization for Economic Cooperation and Development, also attended the meeting. The meeting, convened by the World Bank in its capacity as Chairman of the Pakistan Consortium, was chaired by Mr. Michel Camdessus of the French Ministry of the Economy.

2. The Pakistan Delegation outlined the reform program adopted by Pakistan, in the context of its recently-concluded Extended Fund Facility Agreement with the IMF, to address the structural problems of the economy and the case for debt rescheduling to support the implementation of this program. Statements by the representatives of the World Bank and IMF and by the observer of UNCTAD also drew attention to recent improvements in Pakistan's economic policies, the continued financial difficulties faced by the Government and the requirement for additional external financial assistance.

3. The representatives of the Governments of the participating creditor countries expressed their satisfaction with the economic reform program adopted by the Government of Pakistan and stressed the importance which they attach to the continuing and full implementation of the program.

II RECOMMENDATIONS

1. Mindful of the economic difficulties faced by Pakistan, the representatives of the participating creditor countries agreed to recommend to their Governments or appropriate governmental institutions that they provide, through rescheduling or refinancing, or any equivalent measures acceptable to the Government of Pakistan, debt relief for Pakistan's debt on the following terms:

Debts concerned

2. The debt service ("the debts") to which this reorganization will apply is that resulting from concessional loans - that is, loans having a grant element of 25% or more - from Governments or agencies of the participating creditor countries to the Government of Pakistan which loans had original maturities of more than one year and which were extended pursuant to an agreement concluded before July 1, 1980, excluding debt service resulting from previous consolidation agreements.

Terms of the consolidation

3.a) 90% of the principal and interest of payments originally due from January 15, 1981 through July 14, 1982 (the "reorganization period") on the debts will be rescheduled or refinanced.

b) The repayment schedule (grace period and duration) and interest rate to be paid in respect of this reorganization will be determined bilaterally between the Government of Pakistan and the Government of each participating creditor country so as to reach in each case an overall grant element of 55%.

General Terms

4.a) The Government of Pakistan will promptly approach all other creditor countries with a view to negotiating rescheduling or refinancing arrangements or equivalent measures acceptable to the Government of Pakistan on comparable obligations and will accord to each of the participating countries treatment no less favourable than that which it may accord to any other creditor country for the consolidation of such debts.

b) The participating creditor countries will deposit with the World Bank and will make available, upon the request of another participating creditor country, a copy of its bilateral agreement with the Government of Pakistan which implements this Memorandum of Understanding. The Government of Pakistan achnowledges this arrangement.

c) Each of the participating creditor countries will promptly indicate to the World Bank the date of the signature of its bilateral agreement, the interest rates and repayment terms and the amounts of debts involved, and the Bank will circulate to the participating creditor countries the information so received. The Government of Pakistan acknowledges this arrangement.

d) The Government of Pakistan accepts the arrangements for debt relief described above and,subject to that relief, will ensure continuing payments upon all debt due to the participating creditor countries.

e) In eighteen months the participating creditor countries would be willing to consider, in the light of the prevailing circumstances, a request by the Government of Pakistan to meet again on the issue.

Implementation

5. The detailed arrangements for the rescheduling or refinancing of the debts will be determined by bilateral agreements to be concluded by the Government of each participating creditor country with the Government of Pakistan on the basis of the following principles :

a) The Government of each participating creditor country will :

- reschedule the payments on the debts due under existing payment schedules during the reorganization period with the above mentioned grant element, or

- refinance the debts due under existing payment schedules during the reorganization period by placing new funds at the disposal of Pakistan at the same time and to reach the above mentioned grant element, or

- adopt equivalent measures acceptable to the Government of Pakistan.

b) All other matters involving the rescheduling or the refinancing of the debts will be set forth in the bilateral agreements.

c) The Governments of each of the participating countries and of the Government of Pakistan will initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth herein.

Done in Paris this 14th day
of January, 1981

On behalf of Participating
Creditor Countries

Mr. Michel Camdessus,
Chairman of the Special Meeting

On behalf of the Government
of Pakistan

Mr. Ejaz Ahmad Naik,
Secretary, Economic Affairs

As Chairman of the Consortium
The Representative of the World Bank

Mr. Michael H. Wiehen,
Director,
South Asia Regional Office

ANNEX VIII

PAKISTAN CONSORTIUM

SPECIAL MEETING ON DEBT

Paris, January 13 and 14, 1981

January 14, 1981 News Release

A special meeting of the Pakistan Consortium was held in Paris on January 13 and 14, 1981, to consider a request by the Pakistan Government to Consortium creditor countries for rescheduling of Pakistan's external debt service obligations. The meeting was attended by representatives of the Governments of Belgiu , Canada, France, Germany, Italy, Japan, the Netherlands, the ited Kingdom and the United States. Representatives of the World Bank and the International Monetary Fund and observers of the Governments of Sweden and Switzerland, the Secretariat of UNCTAD and the Organization for Economic Cooperation and Development al o attended the meeting.

The Pakistan Government delegation was led by Mr. Ejaz Ahmad Naik, Secretary, Economic Affairs. The meeting, convened by the World Bank in its capacity as Chairman of the Pakistan Consortium, was chaired by Mr. Michel Camdessus of the French Ministry of Economy.

The Head of the Pakistan Delegation outlined the reform program adopted by Pakistan, in the context of its recently-concluded Extended Fund Facility Agreement with the IMF, to address the structural problems of the economy and the case for debt rescheduling to support the implementation of this program. Statements by the representatives of the World Bank and IMF and by the observer of UNCTAD also drew attention to recent improvements in Pakistan's economic policies, the continued financial difficulties faced by the Government and the requirement for additional external financial assistance.

Representatives of participating creditor countries welcomed the Pakistan Government's economic reform program and underlined the importance of its successful implementation by the Government. Reaffirming their Government's support of Pakistan's structural adjustment efforts, participating country representatives agreed to recommend to their authorities a significant rescheduling of Pakistan's debt service obligations on long-term concessional official loans.

7-18/1/16

PAKISTAN: PROPOSED DEBT RELIEF

Main Issues and Alternative Approaches

Four matters arise for consideration in connection with the proposed debt rescheduling for Pakistan. These are:

(i) the amount of debt relief to be provided;

(ii) the time period of the relief;

(iii) the debts to be included in the rescheduling exercise; and

(iv) the repayment terms (interest and principal) to be charged on the rescheduled debt.

Amount of Relief

Debt service due by Pakistan to Consortium countries and Switzerland on official credits and officially (creditor) guaranteed private credits amounts to $303 million in calendar 1981, $290 million in 1982 and $286 million in 1983. In part because of these large payments, Pakistan's external financial position will remain tight, despite substantial assistance from the IMF under the EFF arrangements. The basic purpose of the proposed debt rescheduling is to help relieve the immediate pressure on Pakistan's foreign resource position, to provide an additional cushion against adverse developments, and to assist the Government to sustain its reform program. To make a meaningful contribution towards these objectives, the debt rescheduling should be as large as possible. As an indication of orders of magnitude, it may be noted that debt relief of $200 million would be equivalent to only 2.8% of Pakistan's expected import bill in FY81, and to 3.6% of its expected income from exports and services, including remittances. Gross relief much below $200 million would therefore be relatively insignificant compared to the overall dimensions of Pakistan's economic situation and needs.

Time Period of Relief

The same general considerations apply to the time period of relief as were discussed above in regard to the amount. Even on relatively favorable assumptions and without any further unforeseen setbacks, Pakistan's efforts to achieve structural reforms in the economy will take several years to produce major improvements in the balance of payments. During this period, the deficit on its external current account will remain substantial and an increasing inflow of assistance will be required on a sustained basis through much of the 1980s. The next three years will be particularly crucial in ensuring that the reform process is firmly launched and established. Additional support from the donor community will be essential during these years to avoid the possibility that the adjustment process will be undermined by constraints of foreign exchange. While commitments of long-term assistance need to be increased over the next two to three years to provide for the necessary capital inflows to Pakistan beyond the debt relief period, disbursements from such commitments will take place only gradually; thus, debt relief remains a major way of providing the required external assistance to Pakistan during this period.

Debt Coverage

Agreement was reached last June to base the debt rescheduling exercise on data supplied by creditor countries; however, the question of what type or types of debt ought to be included in the exercise remains to be resolved. Three different suggestions have been made regarding the types of debts to be considered under the proposed rescheduling exercise.

These suggestions are that consideration should (i) be confined to official concessional credits only; (ii) include official non-concessional as well as concessional credits; and (iii) include all official credits and officially creditor guaranteed private credits. The debt service due on these three types of debt over the next three years to bilateral members of the Consortium is shown in Table 1. The choice of the type of debt to be included in, or excluded from, the exercise will, as shown below, have important implications for the amount of gross and net debt relief provided to Pakistan and the terms of such relief, as well as for burden-sharing among creditors.

Terms of Debt Relief

Concerns have been expressed both by Pakistan and by some of the major donors regarding the probable terms of debt relief to Pakistan; these were a major reason for the postponement of the debt meeting scheduled for mid-December and the change from Paris Club to Consortium auspices. Typical Paris Club terms, including relatively short grace and final maturity periods and high interest rates, appear to be inappropriate for dealing with Pakistan's debt problem, since the repayments on debt rescheduled on such terms would coincide with the expiration of the EFF agreement with the IMF in FY84, when the need for sustaining net external resource inflows would again become urgent. In order to sustain net external resource inflows to support structural changes and to enable Pakistan to avoid further debt servicing problems during the present decade, relatively softer terms for the repayment of rescheduled debt, including longer grace and final maturity periods and lower interest rates, than would be available under Paris Club rules are called for. While these terms could be made to vary according to the type of debt included and the amount of gross debt relief provided, they would mainly depend on the degree of concessionality or net relief that creditors seek to provide to Pakistan (see below).

Alternative Scenarios

Possible alternative scenarios for gross debt relief, based on differing assumptions about the types of debt to be included in the exercise and the percentage relief to be provided, are presented in Table 2. Each of these scenarios is related in Table 3 to an amount of net relief (or net present value) - namely, the equivalent of $200 million gross relief with an average grant element of 62% 1/ - that appears to be desirable to meet Pakistan's needs, in order to illustrate the implications for the terms on which debt relief may be provided and for the coverage of debt. Table 4 shows the burden-sharing among creditors of these different alternative approaches.

In order to provide net relief equivalent of $200 million gross relief with a grant element of 62%, it would not be sufficient to include only official concessional debt in the exercise, even if relief was provided on 100% of such debt (see Table 3); the resulting benefits stream would fall somewhat short of the above objective. If 100% of official non-concessional debt was also included in the exercise, it would be possible to attain the required net benefits, provided that a somewhat higher grant element (of around 27%) than is typical for official non-concessional debt

1/ The 1974-1978 arrangement provided Pakistan debt relief to the extent of $650 million with an average grant element of 62%. Newly contracted official concessional debt also carry, on average, a grant element of about 62%.

was allowed. Both alternatives, however, would suffer from a major shortcoming. If the coverage was limited to official debt alone, the burden of providing debt relief would be borne almost entirely by four donors - Germany, Japan, the Netherlands and the US; other donors who would receive 28% of the debt service due by Pakistan to Consortium countries and Switzerland in 1981, would bear only 5% of the relief provided. While the US, among the countries which would be called upon to bear the brunt of such an arrangement, has indicated its willingness to limit the coverage of the exercise to official debt only, the others have not done so yet. Moreover, whether all the affected parties would agree to a 100% coverage of their official debt is also as yet unclear.

On the other hand, if the coverage was widened to include all official and creditor-guaranteed private debt, burden-sharing would become much more equitable, irrespective of the percentage of total debt consolidated. Such an arrangement implicitly recognizes that, whether or not any particular country has already written off the whole or part of the debt owed to it by Pakistan, the latter still faces a major debt problem.

However, since different types of debt carry different original terms and the composition of debt varies between countries, a different sort of burden-sharing problem would arise if all countries were required to provide relief purely on the basis of their share of overall debt service. This problem could be resolved by extending different terms on different types of debt that were to be rescheduled. For example, the proportion of official concessional debt that was to be consolidated could carry a grant element of 62%, while official non-concessional and private debt could carry less favorable terms. This would enable burden-sharing between countries to be more or less equalized according to the composition of their debt weighted by the particular terms that were chosen for each type of debt, while net relief provided to Pakistan could be protected by varying the proportion of total debt consolidated (i.e., the amount of gross relief) and the terms of non-concessional and private debt.

The illustrative scenarios in Table 3 demonstrate these alternatives. For instance, if the debt relief exercise were to cover 90% of total debt service due, as requested by Pakistan, and official concessional debt were to be rescheduled to yield an average grant element of 62% on such debt, then the non-concessional and private debt could be rescheduled on harder terms and yet provide Pakistan the net relief equivalent of $200 million gross relief carrying an average grant element of 62%. This objective could also be achieved if the coverage was 80-85% of total debt service, provided that somewhat softer terms were allowed on non-concessional and private debt. On the other hand, if the coverage were to be reduced to 70-75% of total debt (and this would reduce the amount of gross relief compared to the above variants), the same amount of net relief could be provided only if much softer terms were granted on non-concessional and private debt. The latter would create obvious difficulties since it would defeat the objective of providing substantially different terms on major types of debt.

The burden-sharing impact of alternative scenarios is indicated in Table 4. All creditors would share the relief burden if the exercise were to include all types of debt, and this clearly would be more equitable than if the exercise was confined to official concessional debt only. If, however, the terms were varied according to type of debt, as some creditors may insist, creditors having proportionately higher shares of non-concessional and private debt would bear a smaller share of the relief burden than if the burden were distributed strictly in proportion to each creditor's share in the overall debt service due.

Conclusion

It is evident that there are clear trade-offs between the various approaches to debt relief discussed above. If debt rescheduling were to be limited to official debt only, the amount of net (and gross) relief provided would be lower, while burden-sharing would be unequally divided. If private debt was also included in the exercise, burden-sharing becomes more equitable; but unless the coverage was extended to 80-90% of total debt, repayment terms could not be differentiated according to the types of debt being rescheduled, and to reflect the composition of debt service due to each creditor, while at the same time providing net relief of a desirable amount. If, for example, coverage was limited to 75% of total debt, and the official non-concessional and private debt was rescheduled on typical Paris Club terms (e.g., 7% interest, 3 years' grace and 7 years' repayment), net relief provided would be less than \$100 million. Clearly, the coverage of debt, terms of repayment and gross and net relief provided are closely related; and the choice of a particular set of arrangements with regard to debt coverage and terms must take into account the cumulative impact on the amount of relief provided to Pakistan, as well as the burden-sharing impact on different creditors.

It may not be necessary to strictly aim at providing net relief of the equivalent of $200 million gross relief with a grant element of 62%. However, while it is important to provide substantial gross relief in order to make a meaningful impact on the short-term balance of payments situation, it is also important to ensure generally favorable terms for rescheduling, so that repayment of rescheduled debt would not begin during the next 5-6 years. Finally, it may be noted that once agreement is reached to provide total relief corresponding to an agreed percentage of total debt, it is not necessary to require that every creditor reschedules each of its consolidated debts by that percentage. The US, for example, could provide the relief equivalent of 80-90% total debt simply by rescheduling up to 100% of its official concessional debt.

December 18, 1980.

Table 1: AGGREGATE DATA ON DEBT SERVICE DUE FROM PAKISTAN TO CONSORTIUM COUNTRIES AND SWITZERLAND ON OFFICIAL AND OFFICIALLY INSURED LONG-TERM LOANS

(US$ million)

	1981		1982		1983	
	Jan-June	July-Dec	Jan-June	July-Dec	Jan-June	July-Dec
BELGIUM - TOTAL	0.7	0.9	0.7	0.9	0.7	1.0
Official Long-Term Loans	-	0.2	-	0.2	-	0.3
Concessional	-	0.2	-	0.2	-	0.3
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	0.7	0.7	0.7	0.7	0.7	0.7
CANADA - TOTAL	2.5	2.4	2.4	2.4	2.4	2.6
Official Long-Term Loans	2.5	2.4	2.4	2.4	2.4	2.6
Concessional	1.0	1.0	1.0	1.0	1.0	1.2
Non-Concessional	1.5	1.4	1.4	1.4	1.4	1.4
Private Long-Term Loans	-	-	-	-	-	-
FRANCE - TOTAL	29.6	27.8	23.9	23.4	23.4	22.9
Official Long-Term Loans	2.9	3.0	3.0	3.0	3.0	3.0
Concessional	2.9	3.0	3.0	3.0	3.0	3.0
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	26.7	24.8	20.9	20.4	20.4	19.9
GERMANY - TOTAL	29.5	29.4	29.3	28.8	25.8	24.9
Official Long-Term Loans	24.1	24.2	24.3	23.9	21.3	20.5
Concessional	24.1	24.2	24.3	23.9	21.3	20.5
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	5.4	5.2	5.0	4.9	4.5	4.4
ITALY - TOTAL	4.2	6.9	7.2	6.7	6.5	3.8
Official Long-Term Loans	-	-	-	-	-	-
Concessional	-	-	-	-	-	-
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	4.2	6.9	7.2	6.7	6.5	3.8
JAPAN - TOTAL	23.6	26.5	22.8	25.6	22.4	25.4
Official Long-Term Loans	20.1	23.1	19.5	22.4	19.5	22.6
Concessional	20.1	23.1	19.5	22.4	19.5	22.6
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	3.5	3.4	3.3	3.2	2.9	2.8
NETHERLANDS - TOTAL	4.0	2.8	4.0	2.4	4.1	3.1
Official Long-Term Loans	3.5	2.4	3.9	2.4	4.1	3.1
Concessional	3.5	2.4	3.9	2.4	4.1	3.1
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	0.5	0.4	0.1	-	-	-

Table 1: AGGREGATE DATA ON DEBT SERVICE DUE FROM PAKISTAN TO CONSORTIUM COUNTRIES AND SWITZERLAND ON OFFICIAL AND OFFICIALLY INSURED LONG-TERM LOANS

(US$ million)

	1981		1982		1983	
	Jan-June	July-Dec	Jan-June	July-Dec	Jan-Dec	July-Dec
SWITZERLAND - TOTAL	1.1	2.8	1.5	2.7	1.3	2.6
Official Long-Term Loans	0.0	0.7	0.0	0.7	0.0	0.7
Concessional	0.0	0.7	0.0	0.7	0.0	0.7
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	1.1	2.1	1.5	2.0	1.3	1.9
UNITED KINGDOM - TOTAL	1.2	3.7	3.2	3.0	2.9	2.9
Official Long-Term Loans	-	-	-	-	-	-
Concessional	-	-	-	-	-	-
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	1.2	3.7	3.2	3.0	2.9	2.9
UNITFD STATES - TOTAL	46.5	56.4	43.6	55.6	47.8	59.7
Official Long-Term Loans	46.5	56.4	43.6	55.6	47.8	59.7
Concessional	37.4	47.4	37.4	49.5	40.4	52.1
Non-Concessional	9.1	9.0	6.2	6.1	7.4	7.6
Private Long-Term Loans	-	-	-	-	-	-
ALL COUNTRIES - TOTAL	142.9	159.6	138.6	151.5	137.3	148.9
Official Long-Term Loans	99.6	112.4	96.7	110.6	98.1	112.5
Concessional	89.0	102.0	89.1	103.1	89.3	103.5
Non-Concessional	10.6	10.4	7.6	7.5	8.8	9.0
Private Long-Term Loans	43.3	47.2	41.9	40.9	39.2	36.4

Notes

The data in this table were furnished to the World Bank by the Consortium Countries and Switzerland (see accompanying individual country tables). They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of market exchange rates for the last business day of October 1980 (the latest available), as reported by the respective central banks to the IMF and published in International Financial Statistics, December 1980. The rates used in units of creditor currency per US dollar are:

Belgium	30.6025
Canada	1.1756
France	4.3510
Germany	1.9092
Italy	902.50
Japan	211.50
Netherlands	2.0625
United Kingdom	0.410122
Switzerland	1.7208

In the table the following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long-term" means having an original final maturity of more than one year.

December 16, 1980

Table 2: DEBT RELIEF - GROSS RELIEF PROVIDED UNDER DIFFERENT ASSUMPTIONS

(million US dollars)

		Debt Service	Debt Relief	Percent Relief	Belgium	Canada	France	Germany	Italy	Japan	Netherlands	Switzerland	UK	USA
1981	Total Debt Service	302.5			1.6	4.9	57.4	58.9	11.1	50.1	6.8	3.9	4.9	102.9
	Official Concessional	191.0	191.0	100.0	0.2	2.0	5.9	48.3	-	43.2	5.9	0.7	-	84.8
	Official Concessional and Non-Concessional	212.0	212.0	100.0	0.2	4.9	5.9	48.3	-	43.2	5.9	0.7	-	102.9
	70% of Total Official and Private	302.5	211.8	70.0	1.1	3.4	40.2	41.2	7.8	35.1	4.8	2.7	3.4	72.0
	75% of Total Official and Private	302.5	226.9	75.0	1.2	3.7	43.1	44.2	8.3	37.6	5.1	2.9	3.7	77.2
	80% of Total Official and Private	302.5	242.0	80.0	1.3	3.9	45.9	47.1	8.9	40.1	5.4	3.1	3.9	82.3
	85% of Total Official and Private	302.5	257.1	85.0	1.4	4.2	48.8	50.1	9.4	42.6	5.8	3.3	4.2	87.5
	90% of Total Official and Private	302.5	272.3	90.0	1.4	4.4	51.7	53.0	10.0	45.1	6.1	3.5	4.4	92.6

December 18, 1980

Table 3: DEBT RELIEF - ALTERNATIVE SCENARIOS SHOWING COVERAGE OF DEBT, GROSS RELIEF AND REPAYMENT TERMS REQUIRED TO PROVIDE A GIVEN AMOUNT OF NET RELIEF, 1981

Type of Debt	Percent Relief	Gross Relief $ Million	Grant Element-% (Discounted Benefit)	Net Relief (Discounted Benefit) $ Million	Repayment Terms: Interest Rate-Percent	Repayment Terms: Grace Period-Years	+	Repayment Terms: Repayment Period-Years
Desired Relief		200.0	62.0	124.0	2-1/2	10	+	20
Official Concessional Debt	100.0	191.0	62.0	118.4	2-1/2	10	+	20
Official Only	100.0	212.0	58.5	124.0				
Concessional	100.0	191.0	62.0	118.4	2-1/2	10	+	20
Non-Concessional	100.0	21.0	26.7	5.6	(4	4	+	6
					(5	4	+	8
					(5	6	+	4
Total Debt (70% Coverage)	70.0	211.8	58.5	124.0				
Official Concessional	70.0	133.7	62.0	82.9	2-1/2	10	+	20
Non-Concessional + Private	70.0	78.1	52.7	41.1	(2-1/2	10	+	5
					(3	10	+	10
Total Debt (75% Coverage)	75.0	226.9	54.6	124.0				
Official Concessional	75.0	143.3	62.0	88.8	2-1/2	10	+	20
Non-Concessional + Private	75.0	83.6	42.1	35.2	(3	6	+	8
					(3	5	+	10
					(4	10	+	6
Total Debt (80% Coverage)	80.0	242.0	51.2	124.0				
Official Concessional	80.0	152.8	62.0	94.7	2-1/2	10	+	20
Non-Concessional + Private	80.0	89.2	32.8	29.3	(4	4	+	9
					(4	5	+	7
					(5	6	+	11
Total Debt (85% Coverage)	85.0	257.1	48.2	124.0				
Official Concessional	85.0	162.3	62.0	100.7	2-1/2	10	+	20
Non-Concessional + Private	85.0	94.8	24.6	23.3	(5	3	+	7
					(5	4	+	6
					(5	5	+	5
					(6	7	+	7
Total Debt (90% Coverage)	90.0	272.3	45.5	124.0				
Official Concessional	90.0	171.9	62.0	106.6	2-1/2	10	+	20
Non-Concessional + Private	90.0	100.4	17.3	17.4	(6	3	+	6
					(6-1/2	5	+	5
					(6-1/2	4	+	7

December 18, 1980

Table 4: DEBT RELIEF - NET RELIEF PROVIDED BY DIFFERENT CREDITORS UNDER ALTERNATIVE ASSUMPTIONS

Type of Debt	Percent Relief	Gross Relief ($ Million)	Grant Element Percent	Net Relief ($ Million)	Belgium	Canada	France	Germany	Italy	Japan	Netherlands	Switzerland	UK	USA
Total Debt Service /a		302.5			1.6	4.9	57.4	58.9	11.1	50.1	6.8	3.9	4.9	102.9
Share of Debt Service - %					0.5	1.6	19.0	19.5	3.7	16.6	2.2	1.3	1.6	34.0
Official Concessional	100.0	191.0	62.0	118.4	0.1	1.2	3.7	29.9	-	26.8	3.7	0.4	-	52.6
Share of Net Relief - %					0.1	1.1	3.1	25.3	-	22.6	3.1	0.3	-	44.4
Total Official	100.0	212.0	58.5	124.0	0.1	2.0	3.7	29.9	-	26.8	3.7	0.4	-	57.4
Concessional	100.0	191.0	62.0	118.4	0.1	1.2	3.7	29.9	-	26.8	3.7	0.4	-	52.6
Non-Concessional	100.0	21.0	26.7	5.6	-	0.8	-	-	-	-	-	-	-	4.8
Share of Net Relief - %					0.1	1.6	3.0	24.1	-	21.6	3.0	0.3	-	46.3
70% of Total Debt	70.0	211.8	58.5	124.0	0.6	2.0	21.6	24.9	4.1	21.2	2.9	1.5	1.8	43.5
Concessional	70.0	133.7	62.0	82.9	0.1	0.9	2.6	21.0	-	18.7	2.6	0.3	-	36.7
Other	70.0	78.1	52.7	41.1	0.5	1.1	19.0	3.9	4.1	2.5	0.3	1.2	1.8	6.7
Share of Net Relief - %					0.5	1.6	17.4	20.1	3.3	17.1	2.3	1.2	1.5	35.1
75% of Total Debt	75.0	226.9	54.6	124.0	0.5	1.8	19.0	25.8	3.5	22.3	3.0	1.3	1.5	45.1
Concessional	75.0	143.3	62.0	88.8	0.1	0.9	2.7	22.5	-	20.1	2.7	0.3	-	39.4
Other	75.0	83.6	42.1	35.2	0.4	0.9	16.3	3.3	3.5	2.2	0.3	1.0	1.5	5.7
Share of Net Relief - %					0.4	1.5	15.3	20.8	2.8	18.0	2.4	1.0	1.2	36.4
80% of Total Debt	80.0	242.0	51.2	124.0	0.5	1.8	16.4	26.8	2.9	23.2	3.1	1.1	1.3	46.8
Concessional	80.0	152.8	62.0	94.7	0.1	1.0	2.9	24.0	-	21.4	2.9	0.3	-	42.1
Other	80.0	89.2	32.8	29.3	0.4	0.8	13.5	2.8	2.9	1.8	0.2	0.8	1.3	4.7
Share of Net Relief - %					0.4	1.5	13.2	21.6	2.3	18.7	2.5	0.9	1.0	37.7
85% of Total Debt	85.0	257.1	48.2	124.0	0.4	1.7	13.9	27.7	2.3	24.2	3.3	1.1	1.0	48.5
Concessional	85.0	162.3	62.0	100.7	0.1	1.1	3.1	25.5	-	22.8	3.1	0.4	-	44.7
Other	85.0	94.8	24.6	23.3	0.3	0.6	10.8	2.2	2.3	1.4	0.2	0.7	1.0	3.8
Share of Net Relief - %					0.3	1.4	11.2	22.3	1.9	19.5	2.7	0.9	0.8	39.1
90% of Total Debt	90.0	272.3	45.5	124.0	0.3	1.6	11.3	28.7	1.7	25.2	3.4	0.9	0.8	50.1
Concessional	90.0	171.9	62.0	106.6	0.1	1.1	3.3	27.0	-	24.1	3.3	0.4	-	47.3
Other	90.0	100.4	17.3	17.4	0.2	0.5	8.0	1.7	1.7	1.1	0.1	0.5	0.8	2.8
Share of Net Relief - %					0.2	1.3	9.1	23.1	1.4	20.3	2.7	0.7	0.6	40.4

/a Debt Service due to each country and total Debt Service in million US dollars.

December 18, 1980

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Heads of Delegations, Pakistan Consortium:

Special Meeting on Debt

I wish to confirm that a special meeting of the Pakistan Consortium on debt will be held in Paris on Tuesday and Wednesday, January 13 and 14, 1981. The meeting will take place in the Bank's Paris Office and will begin on January 13 at 9:30 a.m.

The attached background material for the meeting provides data on debt service payments due by Pakistan to bilateral members of the Consortium and Switzerland during 1981-1983. The basis for the data, and the definitions and exchange rates used, are indicated in the footnotes to the tables.

A memorandum by the Pakistan Government on its request for debt rescheduling is being distributed separately.

per Michael H. Wiehen

Attachment

Table 1: AGGREGATE DATA ON DEBT SERVICE DUE FROM PAKISTAN TO CONSORTIUM COUNTRIES AND SWITZERLAND ON OFFICIAL AND OFFICIALLY INSURED LONG-TERM LOANS

(US$ million)

	1981		1982		1983	
	Jan-June	July-Dec	Jan-June	July-Dec	Jan-June	July-Dec
BELGIUM - TOTAL	0.7	0.9	0.7	0.9	0.7	1.0
Official Long-Term Loans	-	0.2	-	0.2	-	0.3
Concessional	-	0.2	-	0.2	-	0.3
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	0.7	0.7	0.7	0.7	0.7	0.7
CANADA - TOTAL	2.5	2.4	2.4	2.4	2.4	2.6
Official Long-Term Loans	2.5	2.4	2.4	2.4	2.4	2.6
Concessional	1.0	1.0	1.0	1.0	1.0	1.2
Non-Concessional	1.5	1.4	1.4	1.4	1.4	1.4
Private Long-Term Loans	-	-	-	-	-	-
FRANCE - TOTAL	29.6	27.8	23.9	23.4	23.4	22.9
Official Long-Term Loans	2.9	3.0	3.0	3.0	3.0	3.0
Concessional	2.9	3.0	3.0	3.0	3.0	3.0
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	26.7	24.8	20.9	20.4	20.4	19.9
GERMANY - TOTAL	29.5	29.4	29.3	28.8	25.8	24.9
Official Long-Term Loans	24.1	24.2	24.3	23.9	21.3	20.5
Concessional	24.1	24.2	24.3	23.9	21.3	20.5
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	5.4	5.2	5.0	4.9	4.5	4.4
ITALY - TOTAL	4.2	6.9	7.2	6.7	6.5	3.8
Official Long-Term Loans	-	-	-	-	-	-
Concessional	-	-	-	-	-	-
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	4.2	6.9	7.2	6.7	6.5	3.8
JAPAN - TOTAL	23.6	26.5	22.8	25.6	22.4	25.4
Official Long-Term Loans	20.1	23.1	19.5	22.4	19.5	22.6
Concessional	20.1	23.1	19.5	22.4	19.5	22.6
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	3.5	3.4	3.3	3.2	2.9	2.8
NETHERLANDS - TOTAL	4.0	2.8	4.0	2.4	4.1	3.1
Official Long-Term Loans	3.5	2.4	3.9	2.4	4.1	3.1
Concessional	3.5	2.4	3.9	2.4	4.1	3.1
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	0.5	0.4	0.1	-	-	-

Table 1: AGGREGATE DATA ON DEBT SERVICE DUE FROM PAKISTAN TO CONSORTIUM COUNTRIES AND SWITZERLAND ON OFFICIAL AND OFFICIALLY INSURED LONG-TERM LOANS

(US$ million)

	1981		1982		1983	
	Jan-June	July-Dec	Jan-June	July-Dec	Jan-Dec	July-Dec
SWITZERLAND - TOTAL	1.1	2.8	1.5	2.7	1.3	2.6
Official Long-Term Loans	0.0	0.7	0.0	0.7	0.0	0.7
Concessional	0.0	0.7	0.0	0.7	0.0	0.7
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	1.1	2.1	1.5	2.0	1.3	1.9
UNITED KINGDOM - TOTAL	1.2	3.7	3.2	3.0	2.9	2.9
Official Long-Term Loans	-	-	-	-	-	-
Concessional	-	-	-	-	-	-
Non-Concessional	-	-	-	-	-	-
Private Long-Term Loans	1.2	3.7	3.2	3.0	2.9	2.9
UNITED STATES - TOTAL	46.5	56.4	43.6	55.6	47.8	59.7
Official Long-Term Loans	46.5	56.4	43.6	55.6	47.8	59.7
Concessional	37.4	47.4	37.4	49.5	40.4	52.1
Non-Concessional	9.1	9.0	6.2	6.1	7.4	7.6
Private Long-Term Loans	-	-	-	-	-	-
ALL COUNTRIES - TOTAL	142.9	159.6	138.6	151.5	137.3	148.9
Official Long-Term Loans	99.6	112.4	96.7	110.6	98.1	112.5
Concessional	89.0	102.0	89.1	103.1	89.3	103.5
Non-Concessional	10.6	10.4	7.6	7.5	8.8	9.0
Private Long-Term Loans	43.3	47.2	41.9	40.9	39.2	36.4

Notes

The data in this table were furnished to the World Bank by the Consortium Countries and Switzerland (see accompanying individual country tables). They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of market exchange rates for the last business day of October 1980 (the latest available), as reported by the respective central banks to the IMF and published in International Financial Statistics, December 1980. The rates used in units of creditor currency per US dollar are:

Belgium	30.6025
Canada	1.1756
France	4.3510
Germany	1.9092
Italy	902.50
Japan	211.50
Netherlands	2.0625
United Kingdom	0.410122
Switzerland	1.7208

In the table the following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long-term" means having an original final maturity of more than one year.

December 16, 1980

Table 2: Aggregate Data on Debt Service Due from Pakistan to Belgium on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	-	-	-	22.7	22.7
US$	-	-	-	0.7	0.7
July-Dec 1981					
Creditor Currency	6.6	-	6.6	22.2	28.8
US$	0.2	-	0.2	0.7	0.9
Jan-June 1982					
Creditor Currency	-	-	-	21.6	21.6
US$	-	-	-	0.7	0.7
July-Dec 1982					
Creditor Currency	7.6	-	7.6	21.0	28.6
US$	0.2	-	0.2	0.7	0.9
Jan-June 1983					
Creditor Currency	-	-	-	20.5	20.5
US$	-	-	-	0.7	0.7
July-Dec 1983					
Creditor Currency	0.9	-	8.9	19.9	28.8
US$	0.3	-	0.3	0.7	1.0

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was BFrs 30.6025 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

December 16, 1980

Table 3: Aggregate Data on Debt Service Due from Pakistan to Canada on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	1.23	1.80	3.03	-	3.03
US$	1.0	1.5	2.5	-	2.5
July-Dec 1981					
Creditor Currency	1.23	1.70	2.93	-	2.93
US$	1.0	1.4	2.4	-	2.4
Jan-June 1982					
Creditor Currency	1.23	1.70	2.93	-	2.93
US$	1.0	1.4	2.4	-	2.4
July-Dec 1982					
Creditor Currency	1.23	1.70	2.93	-	2.93
US$	1.0	1.4	2.4	-	2.4
Jan-June 1983					
Creditor Currency	1.22	1.60	2.82	-	2.82
US$	1.0	1.4	2.4	-	2.4
July-Dec 1983					
Creditor Currency	1.36	1.60	2.96	-	2.96
US$	1.2	1.4	2.6	-	2.6

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was Can $1.1756 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

December 16, 1980

Table 4: Aggregate Data on Debt Service Due from Pakistan to France on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans/a	Total Debt Service
Jan-June 1981					
Creditor Currency	12.75	-	12.75	116.26	129.01
US$	2.9	-	2.9	26.7	29.6
July-Dec 1981					
Creditor Currency	12.99	-	12.99	107.97	120.96
US$	3.0	-	3.0	24.8	27.8
Jan-June 1982					
Creditor Currency	13.00	-	13.00	91.13	104.13
US$	3.0	-	3.0	20.9	23.9
July-Dec 1982					
Creditor Currency	12.95	-	12.95	88.84	101.79
US$	3.0	-	3.0	20.4	23.4
Jan-June 1983					
Creditor Currency	12.87	-	12.87	88.70	101.57
US$	3.0	-	3.0	20.4	23.4
July-Dec 1983					
Creditor Currency	13.08	-	13.08	86.41	99.49
US$	3.0	-	3.0	19.9	22.9

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was FFrs 4.3510 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

/a Private long-term debt service was reported to the World Bank on an annual basis; the semi-annual breakdown shown here represents a staff estimate.

December 16, 1980

Table 5: Aggregate Data on Debt Service Due from Pakistan to Germany on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	46.10	-	46.10	10.26	56.36
US$	24.1	-	24.1	5.4	29.5
July-Dec 1981					
Creditor Currency	46.20	-	46.20	9.87	56.07
US$	24.2	-	24.2	5.2	29.4
Jan-June 1982					
Creditor Currency	46.40	-	46.40	9.62	56.02
US$	24.3	-	24.3	5.0	29.3
July-Dec 1982					
Creditor Currency	45.70	-	45.70	9.31	55.01
US$	23.9	-	23.9	4.9	28.8
Jan-June 1983					
Creditor Currency	40.60	-	40.60	8.61	49.21
US$	21.3	-	21.3	4.5	25.8
July-Dec 1983					
Creditor Currency	39.10	-	39.10	8.39	47.49
US$	20.5	-	20.5	4.4	24.9

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was DM 1.9092 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

December 16, 1980

Table 6: Aggregate Data on Debt Service Due from Pakistan to Italy on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	-	-	-	6,804.0	6,804.0
US$	-	-	-	4.2	4.2
July-Dec 1981					
Creditor Currency	-	-	-	6,216.0	6,216.0
US$	-	-	-	6.9	6.9
Jan-June 1982					
Creditor Currency	-	-	-	6,468.0	6,468.0
US$	-	-	-	7.2	7.2
July-Dec 1982					
Creditor Currency	-	-	-	6,048.0	6,048.0
US$	-	-	-	6.7	6.7
Jan-June 1983					
Creditor Currency	-	-	-	5,880.0	5,880.0
US$	-	-	-	6.5	6.5
July-Dec 1983					
Creditor Currency	-	-	-	3,444.0	3,444.0
US$	-	-	-	3.8	3.8

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was Lit 902.50 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

December 16, 1980

Table 7: Aggregate Data on Debt Service Due from Pakistan to Japan on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	4,249.0	-	4,249.0	747.0	4,996.0
US$	20.1	-	20.1	3.5	23.6
July-Dec 1981					
Creditor Currency	4,879.0	-	4,879.0	710.0	5,589.0
US$	23.1	-	23.1	3.4	26.5
Jan-June 1982					
Creditor Currency	4,124.0	-	4,124.0	690.0	4,814.0
US$	19.5	-	19.5	3.3	22.8
July-Dec 1982					
Creditor Currency	4,733.0	-	4,733.0	670.0	5,403.0
US$	22.4	-	22.4	3.2	25.6
Jan-June 1983					
Creditor Currency	4,121.0	-	4,121.0	603.0	4,724.0
US$	19.5	-	19.5	2.9	22.4
July-Dec 1983					
Creditor Currency	4,782.0	-	4,782.0	587.0	5,369.0
US$	22.6	-	22.6	2.8	25.4

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was ¥ 211.50 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

December 16, 1980

Table 8: Aggregate Data on Debt Service Due from Pakistan to Netherlands on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	7.18	-	7.18	0.93	8.11
US$	3.5	-	3.5	0.5	4.0
July-Dec 1981					
Creditor Currency	5.05	-	5.05	0.91	5.96
US$	2.4	-	2.4	0.4	2.8
Jan-June 1982					
Creditor Currency	7.95	-	7.95	0.17	8.12
US$	3.9	-	3.9	0.1	4.0
July-Dec 1982					
Creditor Currency	4.99	-	4.99	-	4.99
US$	2.4	-	2.4	-	2.4
Jan-June 1983					
Creditor Currency	8.43	-	8.43	-	8.43
US$	4.1	-	4.1	-	4.1
July-Dec 1983					
Creditor Currency	6.35	-	6.35	-	6.35
US$	3.1	-	3.1	-	3.1

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was HFl 2.0625 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

December 16, 1980

Table 9: Aggregate Data on Debt Service Due from Pakistan to Switzerland on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	0.02	-	0.02	1.88	1.90
US$	0.01	-	0.01	1.09	1.10
July-Dec 1981					
Creditor Currency	1.12	-	1.12	3.64	4.76
US$	0.65	-	0.65	2.12	2.77
Jan-June 1982					
Creditor Currency	0.02	-	0.02	2.52	2.54
US$	0.01	-	0.01	1.46	1.47
July-Dec 1982					
Creditor Currency	1.12	-	1.12	3.49	4.61
US$	0.65	-	0.65	2.03	2.68
Jan-June 1983					
Creditor Currency	0.02	-	0.02	2.24	2.26
US$	0.01	-	0.01	1.30	1.31
July-Dec 1983					
Creditor Currency	1.12	-	1.12	3.25	4.37
US$	0.65	-	0.65	1.89	2.54

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was SFrs 1.7208 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. Long term means having an original final maturity of more than one year.

December 16, 1980

Table 10: Aggregate Data on Debt Service Due from Pakistan to United Kingdom on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	-	-	-	0.48	0.48
US$	-	-	-	1.2	1.2
July-Dec 1981					
Creditor Currency	-	-	-	1.51	1.51
US$	-	-	-	3.7	3.7
Jan-June 1982					
Creditor Currency	-	-	-	1.31	1.31
US$	-	-	-	3.2	3.2
July-Dec 1982					
Creditor Currency	-	-	-	1.24	1.24
US$	-	-	-	3.0	3.0
Jan-June 1983					
Creditor Currency	-	-	-	1.20	1.20
US$	-	-	-	2.9	2.9
July-Dec 1983					
Creditor Currency	-	-	-	1.18	1.18
US$	-	-	-	2.9	2.9

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980, and have been converted into US dollars by means of a market exchange rate for the last business day of October 1980 (the latest available), as reported by the creditor country to the IMF and published in International Financial Statistics, December 1980. The rate used was £ 0.410122 = US$1.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

December 16, 1980

Table 11: Aggregate Data on Debt Service Due from Pakistan to United States on Official and Officially Insured Long-Term Loans

(in millions)

	Concessional	Non-Concessional	Total	Private Long-Term Loans	Total Debt Service
Jan-June 1981					
Creditor Currency	37.4	9.1	46.5	-	46.5
US$	37.4	9.1	46.5	-	46.5
July-Dec 1981					
Creditor Currency	47.4	9.0	56.4	-	56.4
US$	47.4	9.0	56.4	-	56.4
Jan-June 1982					
Creditor Currency	37.4	6.2	43.6	-	43.6
US$	37.4	6.2	43.6	-	43.6
July-Dec 1982					
Creditor Currency	49.5	6.1	55.6	-	55.6
US$	49.5	6.1	55.6	-	55.6
Jan-June 1983					
Creditor Currency	40.4	7.4	47.8	-	47.8
US$	40.4	7.4	47.8	-	47.8
July-Dec 1983					
Creditor Currency	52.1	7.6	59.7	-	59.7
US$	52.1	7.6	59.7	-	59.7

The data in this table were furnished to the World Bank by the creditor country. They refer to loans contracted before June 1, 1980.

The following definitions apply: "Concessional" means having a grant element of 25% or more. "Non-Concessional" means having a grant element of less than 25%. "Private Long-Term Loans" means credits from private sources officially insured in the creditor country. "Long term" means having an original final maturity of more than one year.

December 16, 1980

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FIELD VISIT BRIEFING MATERIAL

BEING PREPARED BY

RESIDENT MISSION

AND WILL BE MADE AVAILABLE

IN ISLAMABAD

7 18/1/13

BIOGRAPHICAL DATA

Lt. Gen. Rahim-ud-Din Khan, Governor of Baluchistan.

He was born in 1926. He graduated from the National Muslim University, Delhi and was commissioned in 1948. He attended the Staff College, Quetta, in 1957 and the Command and General Staff College, Fort Leavenworth, U.S.A. in 1964-65. Besides regimental appointments, he was instructor and later Chief Instructor in the School of Infantry and Tactics and later commanded a Baluch Battalion. As a Brigade Commander he served as Chief Instructor, War Wing in the National Defence College for three years. He was promoted to Lieutenant General in June 1978, and appointed Governor of Baluchistan in September 1976.

Mr. Ata Mohammad Jafar, Secretary, Planning and Development Department, Government of Baluchistan.

He is in charge of the preparation and implementation of Public Sector Development Programs. He obtained an M.S. Hydrology and Water Resources from the Colorado State University.

Dr. Abdul Khaliq Khan, Secretary to Government of Baluchistan, Health and Social Welfare Department.

He was born in 1927. He is a specialist in Tuberculosis and Chest Diseases. He has attended several International Courses and Seminars in Denmark, Switzerland, China, Iran and USSR. He is Vice-President of the Pakistan Family Planning Association, Baluchistan.

Mr. Salim Abbas Jilani, Additional Chief Secretary (Development), Planning and Development Department, Government of Baluchistan.

He is responsible for the preparation of the Provincial Development Program and the development budget. Another area of responsibility is formulation of strategy to encourage private investment. He has a Masters Degree in Public Administration, (Development Economics), University of Harvard and a Diploma in Public Administration Cambridge University, U.K.; a Certificate-Economic Institute, Boulder, University of Colorado, and a Diploma from Institute of Business Administration, Boston.

Mr. Afzal Ahmed Naseem, Chairman, Baluchistan Development Authority, Quetta.

Mr. Naseem was born in Gurgaon, Haryana, in 1934. He obtained a B.A. from the Pakistan Air Force Academy in 1953 and an M.A. in Political Science from the University of Baluchistan, in 1980. He has had several courses in management in the United States, Japan and Pakistan. After a few years in the Air Force and Navy, he joined the Civil Service in 1960. From 1973 to 1974 he served as Chairman of the Lahore Improvement Trust. In 1976 he was appointed Secretary, Home and Tribal Affairs in Baluchistan. He has held his present position since 1977.

Mr. Shakeel Ahmad, Secretary of Finance, Government of Baluchistan, Quetta.

He was born in 1941. He has an M.A. in English from the University of Indiana and a Masters Degree in Business Administration from the same University. He served briefly in East Pakistan (1968-1969); Secretary, Agricultural Development Corporation (1970-1973); Director of Industries, Government of Baluchistan (1973-1974); Additional Secretary, Planning and Development, Government of Baluchistan (1974-1979) and Secretary of Finance since 1979.

Mr. S.R. Poonegar, Secretary of Industries, Government of Baluchistan, Quetta.

Mr. Poonegar was born in 1934. He is a Zaroastrian. He is an Accountant by training. He joined the Civil Service in 1963, working mainly in Budget matters. He was Secretary of Finance of the Baluchistan Province from 1970 to 1977. He has held his present position since 1977.

Brigadier Mohammad Usman Hassan, Secretary Agriculture and Cooperatives, Government of Baluchistan, Quetta.

He was born in Agra in 1929. He has a B.Sc. from the Alighar University and a B.A. from the Pakistan Military Academy. He was commissioned in 1950. In the 1971 war with India he was a Brigadier in the Shakargar Sector. He was appointed to his present position in 1978.

718/1/12

BALUCHISTAN

A special Development Plan for Baluchistan was prepared by GOP and submitted to the Bank and other potential donors in late 1980. An analysis of the Plan by Bank staff was circulated to members of the Pakistan Consortium in December. Their reaction is not yet known.

The Bank itself has initiated preparation of an Agricultural Development Project in Baluchistan which may be ready for financing in FY83. Other ongoing and new projects (such as Small Industries Project) also include components in Baluchistan. We intend to give special consideration to Baluchistan in our prospective operations.

A major proposal for development of the Saindak copper deposit in Baluchistan is under discussion among private interests in Canada, France and Yugoslavia. The Bank and IFC have also been involved in these discussions, which are at an early stage. Many technical and other questions, however, remain to be resolved.

719/1/11

PAKISTAN

SPECIAL DEVELOPMENT PLAN FOR BALUCHISTAN

1. This paper provides a brief assessment of the Special Development Plan for Baluchistan prepared recently by the Pakistan Government and circulated to donors for their consideration. The paper indicates the projects and programs in Baluchistan which, on the basis of the Bank's present knowledge of the region, appear to be most promising.

General

2. The Special Development Plan for Baluchistan is an expression of the Pakistan Government's concern to accelerate development in this extremely poor region of the country, and the preparation of the document is a welcome initiative. The Plan underlines the daunting development problems which exist in Baluchistan. It is evident that, even under the best of circumstances, progress will be difficult and will require a sustained major effort by the Government.

3. The Government's ongoing development effort in Baluchistan is severely constrained by lack of resources, and the principal purpose of the Special Plan is to endeavor to obtain increased foreign assistance for the region. The projects in the Plan are either additional to the current development program for Baluchistan, or are projects in the current program which the Government wishes to accelerate.

4. The Government is aware that a number of projects in the Plan (including some of the largest) require substantial further study to establish their feasibility. Linkages between some projects in the Plan - for example, between the major industrial/mineral projects and some of the transport and energy projects - also require further extensive analysis. The Government would welcome external assistance for such feasibility studies.

5. It is evident that improvements in basic infrastructure will be required in Baluchistan to stimulate development over the longer term. The immediate benefits of such investments, however, may be small and careful planning around identified growth points is essential before embarking on major expenditures of this kind.

6. Projects and programs in Baluchistan which appear to offer most immediate promise, and which are discussed in more detail below, include small-scale irrigation and coastal fisheries; small-scale industry; coal mining; power generation and rural electrification; selected transport projects and highway maintenance; telecommunications; health services, primary education and domestic water supply.

Agriculture

7. Baluchistan is an arid area. Most of its land is hilly and barren. Out of a total area of 34.7 million ha, only 1.4 million ha are cultivated; of this, only 0.50 million ha have some irrigation. The average land use intensity is about 60%; the average cropping intensity is about 70%. Around 27% of the farm land is operated by tenants, mostly (94% of the tenant operated land) through sharecropping arrangements. Seventy-seven percent of the farms are under 10 ha (about twice the national average) and command 38% of the cultivated land. Average yields are low--about 60% of the national average for the staple crops of wheat and rice. The principal crops grown are wheat, sorghum, rice, vegetables and fruits. There is a substantial livestock population.

8. The irrigation facilities in Baluchistan are rudimentary--non-perennial canal supplies, and some minor irrigation. The canal irrigated (non-perennial) area is about 74% of the total irrigated area; Karezes (underground channels for irrigation) account for 16%, and the balance of 10% is attributable to tubewells and open wells. The principal portion (77%) of the canal irrigated area is in the Sibi division (Nasirabad district); 50% of the tubewell and 60% of the Karez irrigated area is in the Quetta division (Quetta district). Fertilizer use is negligible.

9. Provision of additional and conservation of existing water supplies constitute the principal instruments for promoting agricultural development in the province. Expansion of fertilizer use, streamlining marketing channels, and agricultural extension to promote better cultural practices (especially water conservation techniques) would be crucial complements to expanded water supplies.

10. Of the agricultural projects listed in the Plan, small-scale irrigation schemes seem to be of most immediate promise and the Bank is following up a potential project in this area. The project would comprise four sub-project categories: water spreading/harvesting, groundwater development, range development using windmills for extracting water, and sailaba (flood) agriculture. A similar but possibly larger follow-up project might also be feasible. The rehabilitation of Bolan Dam is another project which appears to warrant external support.

11. Substantial potential exists for developing fisheries, though background information on the area and the sector suggests that execution will be difficult. The Fisheries Project in the Plan is based on a 1978 UK project identification report involving three harbors: Somniami, Ormara and Pasni. Sonmiani is being reviewed for financing under an Asian Development Bank project. In addition, Japanese bilateral assistance is presently financing construction of a harbor in Gwadar. The proposed project seems interesting; development of the middle section of the Baluchistan coast has been limited and fish resources are reported to have potential to yield catches well in excess of current landings.

12. In addition to the above projects in the Plan for agricultural/fisheries development, rural electrification also appears promising as it would help to promote private groundwater development. GOP has entrusted WAPDA with the task of preparing a regional basin development plan for Baluchistan. This activity could be supported through technical assistance.

Industry

13. Although a small number of industrial projects have been implemented in Baluchistan over the past decade, the Province remains backward in industry, as recognized in the Plan document. A few small-scale industrial estates have been established which are not functioning properly for lack of adequate infrastructure facilities. Two textile mills have also been started which are partially in production. An automatic brick-making plant was recently inaugurated, financed by suppliers credits from Germany, and a few small onyx extraction projects are in operation in quarries south of Quetta. In the minerals field, the main projects are still in the initial planning stages.

14. Since Baluchistan is richly endowed in minerals, the planned development of mineral-based industry seems a logical strategy. It appears, however, that, even if the deposits are of sufficient quality to warrant development (which apparently has yet to be established), the feasibility of these projects in the context of Baluchistan will depend heavily on the development of infrastructure. The question of transport costs will be of particular importance as the products of all three projects will be largely for export (see below). The Government is seeking private capital for the main project in the minerals field, the Saindak Integrated Mineral Project. A UNDP-financed feasibility study for this project prepared some years ago requires updating.

15. The Plan document does not have any programs for small/medium-scale industry; and while it has some discussion on potentials of agro-industry, it lists no particular projects. This is an area where the Bank hopes to be of assistance. The Bank is currently processing a small-scale industry (SSI) project that has a component for the development of SSIs in Baluchistan. The development finance companies supported by the Bank (PICIC, IDBP and NDFC) also have part of their portfolios in Baluchistan.

16. The Plan points to the need to increase the level of private investment in Baluchistan. A review of the special incentives given to the private sector to invest in the region would be desirable in this context. Most of the private development in Baluchistan so far has been on the border about 10-30 miles from Karachi; a number of plants have been located in this area to take advantage of the special incentives given to all Baluchistan projects.

Energy

17. A carefully-planned and systematic improvement of energy supplies in Baluchistan will be critical for accelerating development in the region. Although the Special Plan places some emphasis on improved supplies of natural gas-based energy for Baluchistan (e.g., through the construction of the Quetta natural gas pipeline), the possibility of developing the coal industry appears to warrant greater attention.

18. Coal mining is already a major industry in Baluchistan and about 40 companies, of varying size, are actively engaged in it, including the Pakistan Mineral Development Corporation. Output of coal in Baluchistan has averaged 700,000 to 1 million tons during the last five years and is more than 50% of the country's total production. Coal reserves in Baluchistan have been conservatively estimated at about 300 million tons, sufficient even at twice the present output for the next 150 years.

19. A special Government committee set up to review the Baluchistan coal mining industry identified transportation as a key bottleneck and recommended that improvements in Pakistan Railways' carrying capacity and services as well as other measures, including studies to increase the supply of domestic coal to the Pakistan Steel Mills, be implemented. The Committee also recommended further investigations on the utilization of coal within Baluchistan and its conversion into thermal power or gas; and assistance to privately-owned mines for their development by the financial institutions (PICIC, IDBP and Bankers' Equity).

20. Of the energy projects in the Plan, the Duki thermal power station is likely to cost substantially more than the Plan estimate of Rs 150 million. Nonetheless, this project, which would be based on local coal deposits, could be suitable for external financing once necessary feasibility studies have been completed.

21. The rural electrification project seems to follow the pattern of earlier distribution/sub-transmission projects and, from a technical point of view, should not be difficult to implement. As noted above (paragraph 12), the project may benefit agricultural development.

Transportation

22. Undoubtedly, lack of adequate communications is one of the main factors hampering the development of Baluchistan and contributing to the general backwardness of its population. Given the topographical and climatic conditions of the region, however, the provision of transport facilities is both costly and difficult, and construction is bound to take several years given the limited capacity and experience of the country's construction industry. Since Baluchistan Province is a large, sparsely populated area, and traffic volumes on its main highways are likely to be light (most of the Province's roads are probably below 200 motor vehicles per day), it is

probable that major transport improvements--with a few exceptions--would not be economically justified and only modest and rudimentary transport facilitites should be generally considered. It is improbable that, apart from the amenities and social services facilitated by transportation facilities, a massive transportation investment in the region would substantially improve the living conditions of its inhabitants.

23. On the other hand, the general improvement of existing road transport infrastructure coupled with a number of transport investments aimed at removing serious bottlenecks along the main inter-provincial and regional networks or at supporting specific, economically justified investment projects in the productive sectors should have a positive, lasting effect on the region. Projects falling into these categories (i.e., projects justified on road user cost savings or which are part of productive investments) should be identified. Additionally, a road maintenance program should be started as soon as possible and an adequate plan for air-taxi communications developed. The combination of general road maintenance and improvement with the provision of air transport services would benefit the existing population in a shorter time than that required for the planning, design and construction of the ambitious road and rail scheme tentatively proposed in the Plan.

24. Road Maintenance. Without adequate highway maintenance, any investment in new or improved roads in Baluchistan is likely to yield low benefits. The main thrust of an effort to improve transport links within Baluchistan and with the rest of the country should concentrate on maintaining and gradually improving the Province's road network.

25. The workshops and stores at Quetta, the headquarters for the Province's maintenance system, are inadequate. A carefully thought-out plan should contemplate the purchase of a sufficient supply of equipment and spare parts, as well as the provision of workshops and stores, including the activation of the Province's materials laboratory which has been equipped for about nine years but has never functioned. The Plan should also include a training program for the Province's road maintenance personnel. It should additionally incorporate an analysis of the level and frequency of maintenance efforts in the entire road network, as well as a detailed assessment of the needs in terms of staff, equipment, materials and other resources. The ongoing Third IDA Highway Project will make a start towards improving the Province's maintenance workshops and stores, but the suggested Plan should provide the basis for a comprehensive improvement of the Province's road network.

26. Railway Construction and Improvement. The Special Plan contemplates the construction of a new 160 km railway line between Karachi and Bela (parallel to an existing road), the conversion of 120 km from narrow to broad gauge, and a general rehabilitation and improvement of the 370 kms between Bulan - Quetta - Taftan. No rationale is given for the construction of the new line and, although Bela is visualized as a future industrial growth center, there is no clear justification for it. The other improvements (Rs 878 million or about US$89.6 million equivalent) are advocated on the possible future movement of copper and iron ore. Since the Plan also envisages the development of these deposits, such rail

improvements should be evaluated in connection with the mining projects. The evaluation should also contemplate the possibility of alternative transport solutions such as rail/shipping for the mineral ore, particularly in the case of copper which is located towards the western side of Baluchistan. An overall mining-cum-transport economic and financial evaluation, including the rolling stock and motive power required for the transport of minerals, would then establish the advisability of this program. Improvements to Pakistan Railways to assist coal mining development also appear to be necessary (paragraph 19 above).

27. Civil Aviation. The civil aviation component includes repair and strengthening of the airport at Sibi, and the provision of airport facilities for Fokker aircraft at Zhob and Khuzdar. Because Sibi is not far from Quetta, which already has an existing adequate airport, and since Sibi's investment is apparently needed for military reasons (to accommodate F-27 and C-130 types of aircraft), this project would probably be better excluded from the Plan. The proposed investments for Zhob and Khuzdar seem, prima facie, to make sense. In fact, it is sometimes more economical to improve communications to a mountainous, inaccessible region with very low population density, such as Baluchistan, with local air transport services rather than by building roads. Accordingly, it might be possible to consider the provision of air taxi infrastructure and services to small communities, providing a feeder network to the main regional airport.

28. Ports and Shipping. The Special Plan contains a proposal to build fishing jetties at Sonmiani, Ormara and Pasni; a total of Rs 150 million (US$15.3 million equivalent) has been assigned for this purpose within the proposed agricultural/fisheries component of the Plan (see also paragraph 11). An alternative to the development of a Coastal Road, particularly attractive if mineral ore may be produced by the Province in the future, would be the provision of simple port facilities geared to coastal shipping, in conjunction with the provision of fishing jetties. This point merits further study. The provision of modest port facilities in conjunction with the development of fishing ports along the Arabian Sea coast would help develop the local communities and may provide an outlet for the gradual opening of the Province's interior. This rudimentary port development would attain a larger dimension should the least-cost transport solution for the possible development of mineral ore include ports and coastal shipping.

Telecommunications

29. The two proposed new microwave systems included in the Baluchistan Plan are also in the Telegraph and Telephone Department (T&T) draft development proposals for the period 1980 to 1984 for which an application has been made for IDA financing. The T&T proposal also includes under one bulk item, an additional system linking Quetta to Peshawar through DI Khan. Total cost of this item as estimated by T&T has been given as Rs 178 million with a foreign exchange component of $11.4 million. The three systems as a whole appear to be fully justified. However, T&T's total development program is presently estimated to cost about Rs 2,500 million with a foreign exchange component of

US$125 million, and it appears likely at this stage that available foreign exchange will fall short of this figure. The costs and priorities of the entire program are being reviewed by GOP and the Bank.

Social Sectors

30. Health. The information presented in the Plan document would seem to indicate that Baluchistan is in a relatively favorable position in terms of health resources, as compared to other parts of Pakistan. Indeed, health indicators compare favorably even with some other countries of Asia (e.g., one doctor per 5,500 population; one basic health unit or dispensary per 5,500 population). As indicated in the proposed Plan, the problems confronted by the sector are mainly caused by uneven distribution of resources and the fact that the population (numbering about 3 million) is dispersed in thousands of small, isolated villages.

31. The proposal for strengthening the health sector consists of training community health workers (so that each village would have one such worker) and providing them with medicines. However, further analysis and refinement would be needed to produce a feasible health program for the region. Training of 2,300 additional community health workers and replenishment of medicines would not ensure provision of reasonably effective health services without the support of appropriate supervision-cum-retraining of such workers. It would be necessary to plan for the establishment and/or relocation, in strategic points, of intermediate health facilities for referral of patients and supervision of village health workers. Communications and transportation are bound to be problems in making this system operational.

32. Costing of a supervisory system has not been included in the proposal, although it would be the backbone of the system. Another essential aspect that should be carefully developed is a realistic calculation of the increase in recurrent costs per year, itemizing capital expenditures including medical equipment and transportation, and recurrent expenditures for training, services (including personnel and drugs) and, most importantly, supervision, support and referral. The idea of providing better health services to the people of Baluchistan using the "primary health care" approach appears, in principle, commendable. However, this approach still has to prove itself effective for application on a large scale, even under more favorable circumstances than those existing in Baluchistan.

33. Nonetheless, while viable detailed plans have yet to be developed, the scope to improve health services in the region remains substantial. Donors could help in this area, possibly in conjunction with support for the Government's new population planning program which includes a health component.

34. Education. In the education sector, the Plan proposes a new engineering college for Baluchistan and a special program for developing general education, with emphasis on the primary level. Engineering education in Pakistan seems to be quantitatively adequate but in need of considerable improvement in terms of quality. Creating additional capacity should therefore have less priority than qualitative improvements. The program to

support the development of general, particularly primary education, is sound in terms of provincial needs. Data indicate that Baluchistan lags well behind the other provinces in the provision of all levels of schooling and the gap is greatest at the primary level. Thus the proposed program for expanding general education is amply justified in terms of improving equity in the availability of schooling.

35. Water Supply. There is an urgent need to improve the supply of water for domestic use. UNICEF already has an active program in rural areas in Baluchistan, and its work deserves full support. The preparation of projects to serve Quetta and other urban centers is also required, although financial viability and tariffs may be a problem.

36. Physical Planning and Housing. There is little emphasis on urban sector development in the Plan, probably rightly so considering the small urban population and priorities in other sectors. The main exception is the proposed project to construct office-cum-residential accommodation at a cost amounting to 4% of the overall Plan. This may meet the Government's objective of providing amenities for staff in the province but is unlikely to involve any significant amount of low cost housing for the urban poor. Donors may wish to assist in the latter area.

World Bank
November 25, 1980

بسم اللہ الرحمن الرحیم

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

SPECIAL DEVELOPMENT PLAN

FOR

BALUCHISTAN

August, 1980

PREFACE

The development of backward regions has always been one of the aims of government policy. The pursuit of this objective has acquired added significance in so far as the two western and comparatively backward provinces of Pakistan *i.e.* Baluchistan and the NWFP, are concerned in the wake of recent events in Afghanistan.

2. The Fifth Five Year Plan provides for programmes and policies to advance the development of these regions. While the implementation of these programmes would receive priority, at the same time it now appears necessary to reinforce them by formulating a Special Development Plan, which will include schemes making an immediate, visible and direct impact on living conditions throughout the provinces of Baluchistan and the Tribal Areas of NWFP. Given the special need for such a plan and the special financing arrangements ; it is necessary to implement its project portfolio in addition to the projects included in the Fifth Five Year Plan for these regions.

3. As outlined in the following pages, the strategy of the Special Plan is to execute a blend of projects which will go to confer quick economic and social benefits on the inhabitants of these regions and at the same time to construct such physical infrastructure facilities as are found to be essential for the development of the natural resources of these areas with a view to bringing their socio-economic development to a level comparable with the more developed parts of the country in as short a time as possible. The construction of some of these facilities will also serve the incidental purpose of strengthening the defence of the western border of Pakistan.

GHULAM ISHAQ KHAN,
Deputy Chairman.
Planning Commission.

Islamabad,
August 27. 1980.

CONTENTS

PAGE

CHAPTER I

1. Demographic and Physical Environment .. 1
2. Historical Background .. 2
3. Socio-economic development since 1970 .. 3
   (*a*) Agriculture and Water .. 4
   (*b*) Industry .. 5
   (*c*) Minerals .. 5
   (*d*) Power .. 6
   (*e*) Transport and Communications .. 6
   (*f*) Physical Planning and Housing .. 7
   (*g*) Social Sectors .. 7
   (*h*) Private Investment .. 8
4. Present Economic Conditions .. 8
5. The Future Potential .. 9
   (*a*) Agriculture .. 10
   (*b*) Fisheries .. 11
   (*c*) Livestock .. 11
   (*d*) Mineral Resources .. 11
   (*e*) Agro and Mineral based Industries .. 12

CHAPTER II

1. Special Development Plan .. 14
2. Objectives, Targets and Dimensions .. 16
3. Growth and Investment Strategy .. 17
4. Size of the Plan .. 18
5. A Summing up .. 19
   (*a*) Estimated Capital Cost of Selected Development Projects located in Baluchistan—Summary .. 20
   (*b*) Summary Description of Projects—By Sectors .. 23

A. **Agriculture**
   (*i*) Establishment of Fishing Jetties at Sonmiani, Ormara and Pasni .. 25

B. **Water Resources**
   (*i*) Mirani Dam .. 26
   (*ii*) Rehabilitation of Bolan Dam .. 27
   (*iii*) Small Irrigation Schemes .. 28
   (*iv*) Widening of Pat Feeder Canal .. 29

PAGE

C. Energy

(i) Quetta National Gas Pipeline Project 30

(ii) Second 25 MW Gas Turbine for Quetta Power Station 31

(iii) Rural Electrification in Baluchistan 32

(iv) Thermal Power Station, Duki 33

D. Industry and Minerals

(i) Darwaza Cement Plant 34

(ii) Saindak Integrated Mineral Projects 35

(iii) Iron Ore Project, District Chagai 36

E. Transport and Communications

(i) Construction of Wana Muslim Bagh Road 37

(ii) Construction of Dalbandin-Mirjawa Section of the RCD Highway 38

(iii) Construction of Wadh-Kannar Section of the RCD Highway 39

(iv) Construction of Khuzdar-Shahdadkot-Sukkur Road. 40

(v) Contruction of Bela-Mand Road 41

(vi) Construction of Coastal Road (Liari-Ormara Section). 42

(vii) Construction of Bartakzai-Taftan Road 43

(viii) Construction of Zhob-Dhanasar Road 44

(ix) Road Building Equipment 45

(x) Construction of Khuzdar-Kharan Road 46

(xi) Construction of Sibi-Khajjak-Harnai-Gambaz-Kohlu-Rakhni Road 47

(xii) Construction of Road from Loralai to Khanazai .. 48

(xiii) Improvement of Roads/tracks 49

(xiv) Installation of Microwave Radio Relay System between Karachi-Uthal-Ormara-Pasni-Gawadar-Jiwani-Turbat.. 50

(xv) Installation of Microwave Radio Relay System between Karachi-Uthal-Bela-Khuzdar-Kalat-Quetta 51

(xvi) Improved Signalling on Sibi-Quetta Section .. 52

(xvii) Provision of Aerodrome facilities at Sibi, Zhob and Khuzdar 53

(xviii) Construction/Improvement of Railways in Baluchistan. 54

F. Physical Planning and Housing

(i) Construction of Office-*cum*-Residential Accommodation in Baluchistan 55

(ii) Drinking Water Supply Facilities in Quetta, Belpat and Gadani 56

PAGE

G. **Mass Media**

(*i*) Television Coverage in Baluchistan 58

(*ii*) Radio Coverage in Baluchistan 59

H. **Education**

(*i*) Engineering College Khuzdar, Baluchistan .. 60

(*ii*) Development of general education in Baluchistan .. 61

I. **Health**

(*i*) Development of Primary Health Care in Baluchistan. 64

Glossory 67

Map — 69

CHAPTER I

1. DEMOGRAPHIC AND PHYSICAL ENVIRONMENT

Baluchistan is the largest province of Pakistan in terms of area and the smallest population-wise. It spreads, virtually as a plateau, over 347,188 sq. kms about 44 per cent of the total area of the country. By contrast, the population of the province, currently estimated at 3 million, forms only 3.7 per cent of the total population of the country. The resulting density of population is very low, around 9 persons per sq. km. Besides, the population is spread out in scattered pockets. Since the province provides meagre means of economic support, more than 25 per cent of its population is concentrated in urban areas mainly Quetta, the capital of the province and the only urban centre worth the name. The remaining 75 per cent are dispersed all over the province, divided into numerous small towns and villages separated by long and difficult to travrese distances.

2. The Province has an extremely arid climate and the area is mostly hilly and barren. According to geo-physical characteristics, it can be divided into upper highlands, lower highlands, plains and deserts.There is very little rain in the province, the annual average rainfall varying from 5 to 20 cms. This average is too little to support profitable cultivation of agricultural crops. There is hardly any perennial river to attract cultivation and permanent settlement except, of course, for occasional oasis and sporadic fertile valleys watered by mountain springs and underground channels called Karez.

3. The province is situated at the eastern flank of middle east and is strategically located close to the sea lanes leading into the Persian Gulf.* The province has a very long border in the north with Afghanistan and in the west with Iran and to the south a sea-coast of more than 644 kms. While settlements of fishermen inhabit a part of the sea coast, the areas on the land borders with Iran and Afghanistan are particularly sparsely populated for want of road and rail infrastructure as well as the harsh environment.

4. The peculiar geo-political situation of the province makes it extremely vulnerable to external pressures. The recent developments in the region has enhanced the strategic importance of the area. Economic neglect of the province provides a ready cause for exploitation of the population by vested interests within and without.

2. HISTORICAL BACKGROUND

5. The province of Baluchistan was ruled by the British through a highly centralized but small administration. The defence orientation of the administration precluded developmental and educational outlays. Thus, the province remained deprived of educational, political, social and economic development. However, some strategically important railway lines and roads were constructed. These included a railway line and a road branching off from Sukkur in the adjacent province of Sind and passing through Quetta to Nokkundi on the Iranian border. There was another road and rail link between Quetta and Chaman, a small town on the Afghanistan border. These links had been developed primarily to facilitate the movement of troops in times of emergency. Other transport and communication requirements needed for the socio-economic development of the province had been totally ignored. The road and rail link between Quetta and Nokkundi was also designed for a very low density of traffic. The rail link was designed for one weekly train from Quetta to Nokkundi and the road, more or less, as a desert track.

6. Outside the area, directly administered by the British, the rest of the province consisted of a large number of princely States ruled in a traditional manner and the State having no interest in

*See map, at page 68

development. This area was at one time called the Baluchistan States Union. In this Union, there were a number of tribes who for lack of communications had little intercourse with each other.

7. The administration of the province was also designed by the British with a political angle. All efforts were made to keep alive the tribal system. This aim was achieved by giving stipends, previleges, pensions and grants to tribal chiefs and making them directly responsible for the maintenance of law and order in their respective areas of influence.

8. This was the state of affairs in Baluchistan when Pakistan came into being in 1947. The administrative structure remained the same upto 1955 when the region was merged into one integrated province, the former Province of West Pakistan. No significant development took place between the period 1955—70 for a variety of reasons, inspite of the fact that the region had received special attention in both the Second and the Third Five Year Development Plans. The lack of infra-structure and institutional arrangements hindered the development effort. The size of development outlay increased from Rs. 22 million in 1960-61 to Rs. 66 million in 1964-65 and around Rs. 80 million in 1969-70. In the absence, however, of any private investment, these outlays were too meagre to generate any growth momentum.

3. SOCIO-ECONOMIC DEVELOPMENT SINCE 1970

9. Baluchistan was given the status of a full-fledged province after the dissolution of the single integrated province of West Pakistan (the one unit, as it was then called) in 1970 and has since been receiving special attention. The initial period of 2-3 years was devoted to the establishment of proper administrative machinery in the Province. Since 1973-74, the Province has witnessed some fundamental changes, the spectrum ranging from improving drinkable water availability to the abolition of the Sardari (Tribal) system. The objective has been to bring the people of Baluchistan in the socio-economic mainstream of the country.

10. The size of provincial development outlays during this period increased from Rs. 140 million in 1971-72 to Rs. 360 million in 1979-80. Similarly federal development expenditure in Baluchistan also increased substantially. Several projects which basically

lie in the provincial sphere have been taken up by the Federal Government for financing to accelerate the pace of development in the province. Besides, the federal government helped the Provincial Government in meeting the deficit in its non-developmental budget which has gone up from Rs. 194 million to Rs. 857 million during 1979-80. The incremental expenditure arose, not only out of the expanding administrative machinery, but also due to the setting up of health and education facilities.

11. The following paragraphs summarise the sectoral performance in seventies, both in physical and financial terms.

Agriculture and Water

12. A number of schemes in agriculture sector have been initiated and allocations in this respect increased from Rs. 9 million in 1970-71 to Rs. 57 million in 1979-80. There was a substantial rise in the use of fertilizer and the area under aerial spray for the plant protection was doubled in a ten years period to around 38,980 spray hectares in 1979-80.

13. Similarly efforts were intensified in the water resources sector where development outlays increased seven-fold in a period of ten years. Eight small dams were constructed and around 200 tubewells were installed. A substantial expenditure was also incurred on extension, re-modelling and enlargement of canals. As a result of land development and irrigation programmes, the cultivated area increased from 1.17 million hectares in 1970-71 to 1.38 million hectares in 1977-78.

14. A general improvement in agricultural production was experienced. Wheat production rose from about 77 thousand tonnes in 1970-71 to about 234 thousand tonnes in 1979-80 and rice production increased from 28 thousand tonnes to 101 thousand tonnes over this period. In order to ensure regular supplies of foodgrains to the population, (the province still being deficient in foodgrains, particularly wheat) the storage capacity was increased from 5.6 thousand tonnes in 1970-71 to about 62 thousand tonnes in June, 1980.

15. Special efforts were made to develop fruit and vegetable production in the province. A number of projects for vegetable and potato seeds production were launched. The Provincial Government also initiated programmes on the distribution of seedlings of improved varieties of fruits. Consequently, the production of

vegetables has increased from 59 thousand tonnes in 1970-71 to about 108 thousand tonnes in 1977-78. Production of fruits has increased from 191 thousand tonnes in 1970-71 to about 255 thousand tonnes in 1977-78.

16. To encourage the production of fish, work has been started on the construction of a fish harbour at Gawadar and one at Sonmiani. Landing jetties are being constructed along the Mekran coast. This has resulted in increasing the production of fish from 40 thousand tonnes in 1971 to about 70 thousand tonnes in 1978.

Industry

17. During seventies, attention was also given to the industrial development of Baluchistan. The Federal Government has so far invested Rs. 973 million in Lasbella Textile Mill, Bolan Textile Mill, Harnai Woollen Mill and Darwaza Cement Plant. The Lasbella and Bolan Textile Mills are partially in production and Harnai Woollen Mill has been completed. As regards Darwaza Cement Project, sub-soil investigations have been completed.

18. The Provincial Government is also implementing a number of promotional, research and training schemes. The Baluchistan Development Authority, a semi-autonomous Government agency, has completed a vegetable ghee factory in Quetta and an automatic brick-making plant. The Provincial Government is also implementing the installation of a ferro-chrome manufacturing plant and engaged in the setting up of industrial estates at Uthal, Hub and Sariab Road, Quetta.

Minerals

19. The province is endowed with a large variety of minerals, many of them occuring in commercial quantities. For want of relevant infrastructure facilities, however, only a fraction of this potential is being exploited at present. The 1970s saw the intensification of the Geological Survey of Pakistan to evaluate the known minerals, such as, iron ore in Nokkundi area, copper in Saindak, barytes lead and zinc in Khuzdar and antimoney and mercury in Pishin. The Pakistan Industrial Development Corporation (PIDC) also made plans for development of the Degari coal mines and increasing the coal production. Recognising the important role which mineral development can play in the economic development of the province

the government set up Mineral Development Corporations both at the Federal and Provincial levels to accelerate mineral exploration and development along systematic and scientific lines. Yet another organization namely the Resource Development Corporation was constituted for the sole purpose of exploring and developing the Saindak copper deposits.

20. Though most of the measures taken were for laying down the institutional and administrative facilities for development of minerals, some physical progress in this respect was also achieved. Coal production increased from 1345 thousand tonnes in 1970-71 to around 1890 thousand tonnes in 1979-80, marble from 24 thousand to 143 thousand tonnes and gypsum from 170 thousand tonnes to 425 thousand tonnes during the same period. Substantial increases also occured in the case of limestone and soapstone.

Power

21. Development of power which is now a federal responsibility was accorded a high priority. The installed capacity of Quetta Thermal Power Station the only major source of power before federalisation has been raised from 15 MW to 48 MW. Both the number of consumers and electricity sold more than doubled during this period. Projects for setting up of diesel stations in 46 towns were initiated. The major portion of work has been completed. Baluchistan has also since been linked with the national grid running from North to South, by 220|132 KV Guddu|Sibi|Quetta transmission line. A project for supply of natural gas to Quetta has also been approved and is in the early stages of implementation. Most of the major gas fields of the country lie in Baluchistan along its eastern border with the provinces of Punjab and Sind.

Transport and Communications

22. In the communications sector, more than Rs. 500 million were spent by the federal and provincial governments in the last ten years for the development of transport system in the province. Around 2,400 kms of roads were constructed or improved. These include 575 kms of road built by the Army in Mari-Bugti area in less than 18 months. Some roads were also built for oil exploration in Baluchistan. In the civil aviation sphere, basic aerodrome facilities and improvement of existing runway was made for Quetta airport

to provide temporary facilities for the handling of modern commercial jet aircrafts. Likewise some progress has also been made with the development of telecommunication, postal, broadcasting and television services.

Physical Planning & Housing

23. Since 1970-71, for the last ten years, the actual expenditure incurred in Baluchistan in the Physical Planning and Housing sector was Rs. 234 million. During 1970-75, the progress was slow for several reasons but primarily due to absence of proper implementation machinery. However, during 1975—80, an investment of about Rs. 160 million was made in the Physical Planning and Housing sector and 6,449 urban residential plots were developed, mainly in Quetta. During the same period of five years, 0.230 million additional population was covered with urban water supply in Quetta and Sibi and 1.130 million additional population was supplied with potable water in rural areas. Besides, about 330 housing units have been completed for the government employees and 280 thousand sq. ft. of office space has been constructed throughout the province.

Social Sectors

24. Education is another sector which has received a very high priority. A sum of Rs. 936 million has been spent on educational programmes in the province in the last ten years of which Rs. 286 million was that of developmental nature. Around 750 primary schools, 110 secondary schools and 21 intermediate and degree colleges were established in the province. The polytechnic institute set up in the Second Five Year Plan was brought to a working level during this period. To bring the province at par with other provinces, work was initiated on the setting up of a Medical College in Quetta and an Engineering College at Khuzdar. While the medical college is now operational but only preliminary work has been done at the Engineering College. A project for the setting up of a Cadet College at Mastung is also in the final stages of preparation.

25. Health facilities also improved in the province. Development expenditure on health facilities increased at a rapid pace from Rs. 3 million only in 1970-71 to Rs. 118 million in 1978-79. The main reason for this abnormal increase was due to expenditure on the Bolan Medical College being funded by the Federal Government.

Even other-wise, the increase in provincial development expenditure was tenfold. The recurring expenditure increased between 1970—80 from Rs. 8 million to Rs. 48 million. As a result of these measures, health facilities have considerably improved in the Province. Baluchistan, at present, has around 600 health institutions with 2,500 hospital beds. However, the hospital beds are mostly in Quetta city and rural coverage in this respect is very poor. The population within 3 kms distance of health institutions is 28.5 per cent only.

Private Investment

26. While in the seventies the public sector played a significant role in the socio-economic development of the Province, the performance of private sector was dismal. No firm estimates of provincial private investment are available. However, it would be safe to assume that such investment would be at best Rs. 250 million annually, mostly in agriculture, housing and some in service sectors. No large-scale industrial investment took place in the province. In the mineral sector, where 90 per cent of coal mines are owned by the private sector, negligible investment is reported to have been made. In order to encourage investment in the province, it enjoys special tax and other fiscal concessions which are available to no other province and in the face of these special concessions and incentives the poor performance of the private sector in the investment field particularly in industry and minerals can be attributed only to the lack of transport, communications and other infrastructure facilities in the province.

4. PRESENT ECONOMIC CONDITIONS

27. Inspite of the accelerated development effort made for the province in the seventies as described in the preceding section the present conditions are still unsatisfactory. The transport and other infrastructure network is still deficient and there is very little economic activity outside the agriculture sector which itself is backward. Though firm regional data is not available, some estimates suggest that *per capita* income in the province is still between one-half to two-thirds of the national average.

28. The agriculture sector has made some progress in the recent past. As described earlier, foodgrain production during 1979-80 is estimated at over 335 thousand tonnes, vegetables at 122 thousand

tonnes and fruits at 254 thousand tonnes. The province is well placed in fisheries and livestock also but only recently work has been initiated to develop these sub-sectors.

29. In the industrial field, the province is extremely backward. A few small-scale industrial estates have been established which are not functioning properly for lack of adequate infrastructure facilities. The number of large-scale industrial units is still less than 20, employing about two thousand worker and the value added by these units is reported to be less than Rs. 30 million. In seventies, a few industrial projects (2 Textile Mills) were started in the province which are partially in production. In the minerals field, some progress has been made but the main mineral-based industrial projects namely, Mini Steel Mills, Saindak Copper and a Cement Plant are still in the initial stages.

30. In the social sector, some progress has been made but the province continues to be far behind the rest of the country in several respects. The number of children in primary education as a percentage of the relevant age group is 25.9 as against a national average of over 50. In higher education, this percentage is only 1.7 as against a national average of 4.1. Similar deficiencies also exist in water supply and health sectors.

31. Infrastructure deficiencies are more pronounced in the province due to the large size of its area. *Per capita* electricity consumption is 23.8 Kwh per head as against a national average of 115.3 Kwh per head. Population-wise the province may be considered relatively well-placed in all-weather roads, but the vast physical expanse renders the fact inconsequential.

32. The only airfield in this vast area of about 347,188 sq. kms. is at Quetta. Telecommunication facilities to even important towns and cities are not available.

5. THE FUTURE POTENTIAL

33. The resource potential of Baluchistan is known to be enormous but has remained unexploited for several reasons. Firstly, as stated earlier the province remained a neglected region before independence and even in early years after the establishment of Pakistan, sufficient attention was not devoted to the development of

this area. Secondly, due to vastness of its area, the prohibitively heavy requirement of investment in infrastructure deterred accelerated development. Thirdly, lack of physical, financial and social infrastructure acted as a disincentive for the private sector, the primum mobile of development strategy followed in the country in the fifties and the sixties.

34. The unexploited economic potential of the province lies both in the development of agriculture including livestock and fisheries and in minerals and natural resources such as coal, oil, gas, copper, iron ore and related industries. The pissibilities of the development of these sectors are discussed in the following paragraphs.

Agriculture

35. With the structure of production and employment being too heavily agricultural, medium term development plans for the province must lay stress on this sector. Such an account is important because it would bridge the gap between food requirements and availability in not easily accessible areas, increase employment and income for the population and help the nomadic groups settle down.

36. At present, only 7 per cent of the cultivable area (3% of the total area) is under cultivation. There is a scarcity of surface water in the region which has resulted in the practice of primitive irrigation methods. The region, on the other hand, has immense resource of fertile land. The estimated cultivable area is around 193 lakh hectares. Development of water resources by providing dependable and adequate irrigation is, therefore, of paramount importance for utilization of land and for improving the standard of living of the inhabitants.

37. Recently, some expenditure has been made on investigation of water resources of the region. The unexploited potential can be harnessed by an all-out development of groundwater, rehawilitation and extension of irrigation through Karezes (subterranean channels), construetion of dams at Mirani on river Dasht and at Bolan on river Bolan, improvement and expansion of existing flood irrigation system, harmonizing of streams for small irrigation schemes and remodelling of Pat Feeder which is the only major canal in the province fed by the Indus river system.

Fisheries

38. There is a considerable potential of good quality off-shore fishing in Baluchistan. Studies carried out by various foreign consultants including the Japanese indicate that 406 thousand tonnes of good quality fish is available for catch on the coast of Baluchistan. Out of this, a very small quantity is being harvested. The reason is lack of infrastructure in the shape of fish harbours, proper fish trawlers and shore facilities such as cold storage, canning and refrigerated ships. Development schemes for these facilities have been drawn up. A fish harbour at Gawadar is already under construction. Depending upon the availability of funds, it is programmed to construct another harbour at Sonmiani and to provide landing jetties at Pasni. Facilities for the on-shore processing of fishing will also need to be developed as and when the increase in the size of catch justifies the same.

Livestock

39. The sole occupation of a substantial portion of the population living in the province is cattle-breeding. However, the livestock, sheep and goats are maintained in Baluchistan on natural vegetation. The quality of breed, food intake, the rearing technique and processing of skins offer much scope for improvements. Since the livestock situation in the country as a whole presents a dismal picture, the development of livestock sector in Baluchistan on modern industrial lines will benefit not only Baluchistan, but the entire country. The large market will also permit realization of economies of scale. At present, a pilot project for livestock development in the districts of Loralai and Zhob has been prepared. If the experiment is successful, the scope of the project could be expanded on a larger scale.

Mineral Resources

40. Baluchistan is rich in mineral resources. However, with the exception of coal, chromite, natural gas, gypsum, sulphur, marble and onyx, no other minerals have been commercially exploited so far. Recent geological surveys carried out by using latest techniques have substantially added to the knowledge of occurrence of more valuable metallic mineral deposits such as copper, iron, zinc, lead, and precious metals. Further surveys and studies are being carried out to explore the possibilities of commercial exploitation of these minerals.

41. The major mineral deposits which should receive attention for development and commercial exploitation in the short-run are copper, iron ore, barytes, marble, florite, chromite, sulphur and gypsum.

42. The projects formulated to exploit these minerals have a quick pay back period even in the case of the few that are capital intensive. Skilled manpower is available within the country. These projects, if implemented, would provide job opportunities, accelerate the industrial development of the province and, after meeting the domestic demand, yield an exportable surplus.

43. Some of the projects are already in a preliminary stage of implementation under the current Five Year Plan. However, in view of the resource constraint, sufficient funds have not been provided for their exploitation. It would, therefore, be appropriate that funds required to expedite the implementation of these projects are kept in the Special Development Plan.

44. The large capital outlays that these projects require are mostly in foreign exchange. The largest of such projects is the Saindak Copper Integrated Mineral Project, Chagai. The project is estimated to cost Rs. 3000 million with a more than 75 per cent foreign exchange component. Reserves of 412 million tonnes of copper and other associated minerals have been proved at Saindak the value of ascertained metals being $ 8 billion. Obviously such a project can only be financed through special arrangements.

45. Other projects which come in the same category are those pertaining to the development of iron ore at Nokkundi and coal including coal washing plant at Sharigh.

Agro and Mineral-based Industries

46. The industrialization of Baluchistan would have to be centred around mineral-based projects and food, fruits and livestock processing and preservation projects. Very little has been done in this respect in the past. While small-scale projects in this regard would be implemented from own resource, large projects like Darwaza Cement Plant could only be implemented through special arrangements.

47. Industrial development in Baluchistan is not necessarily rooted in the development of the primary resources-mineral as well as non-mineral. Food and fruits projects could be immediately started to reap quick and visible results. Livestock investment should be next, as it takes some time to mature and yield benefits. In case of minerals, the project selection should attempt a rational mix of quick-yielding and long-maturing projects Such an approach is essential to maintain a meaningful tempo of growth together with appropriate levels of longer term investments.

CHAPTER II

1. SPECIAL DEVELOPMENT PLAN

48. A Plan of action that attempts to bring economic development in the Province of Baluchistan into reasonable balance with other parts of the country would require an effort of considerable magnitude. Both the large area of the Province and the degree of its relative backwardness add to the difficulty of instilling and sustaining a rapid momentum of economic and social development. In order to accomplish this task speedily, the efforts being made by the Government of Pakistan will need to be supplemented by substantial support from the international community.

49. The Fifth Five Year Plan has set accelerated development of Baluchistan as an objective and programmes and projects are being implemented towards meeting this goal. Each year, a special allocation over and above that warranted by the relative size of the population is provided to the Province. As a result, the provincial development programme which is wholly financed through federal grants and loans is projected to increase at an annual rate of 16 per cent as against the national average of 12.6 per cent. In addition, the federal development programme provides for meeting some of the more essential requirements in the sectors of irrigation, energy, industries and transport.

50. However, the poor resources at the command of the Government and its other commitments restrict its ability to bring about sufficiently rapid economic and social development. Of the total public sector outlays in the country, roughly Rs. 1 billion which is about 3 per cent of the national total, could be ascribed to projects located in Baluchistan. It is estimated that the level of public investment will have to be raised from Rs. 1 billion per annum to Rs. 3 billion per annum if the objective of closing the imbalance with the other areas is to be achieved at a moderately fast pace.

51. The Government is not in a position to provide the additional resources that are required to bridge the gap between this requirement and the existing allocations to Baluchistan. The Provincial Government can draw upon a small resource base and for some time to come is capable of only marginal additional contributions. The Federal Government is constrained from earmarking

larger funds because of the pre-emptive claims of a number of other ongoing public sector projects. Consequently, there is a need to launch a special development programme, the funds allocated to which are not exposed to competing claims of Federal and Provincial Governments. It is clear that the financial contribution that the Government can make to this special development programme is not very large. The bulk of the financing, rupee as well as foreign exchange, will have to come from international donors.

52. A portfolio of the projects and programmes under the Special Development Plan has been identified and attached at the end with brief description in each case. This set of projects aims at conferring quick economic and social benefits and at constructing minimum physical infrastructural facilities considered necessary for the long term socio-economic development of the province with a view to bringing it to a level comparable with the developed parts of the country in as short a time as possible. Some of the infrastructural projects will also help to strengthen the defence capacity of the country along its western borders.

53. As stated before, the poor infrastructure base, backward economy and low-income population is dispersed over a large area in the Province of Baluchistan. These features dictate a development strategy in the Province which must lay primary emphasis on development of infrastructure. Although it would be possible to increase output and income in the short-run within the present infra-structure, the extent to which this can be sustained is quite limited. Removing this bottle-neck would, therefore, constitute a pre-requisite of any development programme that aims at bringing income and production in this Province at par with the more developed regions of Pakistan The construction and improvement of roads and other transport facilities will require highest priority in order to strengthen links between major settlements within the Province and between these settlements and their potential trading centres in other Provinces. It is quite clear that unless the pre-requisite of building a transport system which integrates hitherto inaccessible or not easily accessible areas with the rest of the Province and other regions is completed, it would not be possible to attract private investment in the Province nor to set up profitable public sector units.

In fact, even provision of education and health facilities will be rendered difficult and the strategic goal of furthering social mobility hampered.

54. The projects in the field of agriculture and water development will confer quick benefits. The irrigation programmes included in the Special Plan will bring additional area of over 307 thousand hectares under cultivation which supplemented by normal development plans would make Baluchistan nearly self-sufficient in food-grains.

55. The additional energy programme will greatly reduce the present abnormal disparily in energy consumption between Baluchistan and the rest of the country. The special rural electrification programme will lead to the economic uplift of the rural population by encouraging installation of small-scale industries and making water available through tubewells for drinking and irrigation purposes.

56. The programmes in the education sector, designed to bring Baluchistan at par with other provinces, will not only supply needed skills, but also have a generally favourable impact on the evolution of a climate conducive to economic growth.

57. The programme includes three major projects in industry and mineral sectors which are highly capital and foreign exchange intensive. The total cost for Saindak Integrated Mineral Project, Iron Ore Project and Darwaza Cement Factory is Rs. 5,550 million and the foreign exchange component of around 50 per cent. Obviously these projects would only be initiated if firm foreign collaboration is available to meet the external cost. In view of the large outlays inpolved for Saindak Project, such assistance has not been possible to secure so far inspite of the established commercial viability of the project. It has accordingly been included in the Special Plan.

2. OBJECTIVES, TARGETS AND DIMENSIONS

58. Summarising, the objectives of the Special Development Plan for Baluchistan will be as follows :—

(a) Removal of the sense of economic deprivation in Baluchistan resulting from past neglect ;

(b) Laying down of an infrastructural base for sustained growth ;

(c) Bringing the people of Baluchistan in the mainstream of socio-economic life of the country ; and

(d) Setting up of viable institutions for creating an impulse for economic modernization and cultural transformation.

3. GROWTH AND INVESTMENT STRATEGY

59. The above stated objectives will be achieved through a growth and investment strategy outlined in the succeeding paragraphs.

60. The review given in the preceding pages indicate that efforts have been made in the past, particularly in 1970's, to accelerate the development of Baluchistan province. The result probably has been to arrest the widening of relative disparity with other provinces. If these disparities are to be removed, or at least narrowed down, a significantly higher growth will have to be attempted for the province against the country's average growth of around 6 per cent per annum in the recent past. This would require heavy investment both in infrastructure and productive sectors.

61. Though precise regional data is not available, the level of public investment in Baluchistan is currently around Rs. 1,000 million per annum. Private investment in the province due to lack of infrastructure and other related facilities has been much lower as compared to the other provinces. Insignificant private investment has been undertaken both in agriculture and industry. Even in the mineral sector, where potential for private investment is considerably high, hardly any investment has taken place except in coal. If the objective of a higher growth has to be achieved, special public investment outlays will have to be made both for infrastructure and productive sectors.

62. It may be emphasised that the implementation of the Speccial Development Plan which would increase the level of investment in the province would no doubt accelerate the pace of development and improve growth prospects. Nevertheless, the target of a high growth will not be easy to achieve unless the level of private investment simultaneously increases.

63. The high public sector investment in certain sectors such as agriculture and minerals and improved social and physical infrastructure would be a positive incentive for attracting private investment in the province. This investment would have to be backed up by other measures such as adequate financial infrastructure, special incentives and other facilities.

64. Due to its sheer territorial size, development in Baluchistan cannot, at least in the beginning, follow a balanced strategy. Locational criteria will have to be such as to exercise a selective choice. Five or six growth points would have to be selected keeping in view rational geographical dispersal. Major investment facilities would then be planned to be developed in these centres. Once these centres achieve a reasonable growth level, they will be interlinked by appropriate infrastructure to facilitate radiation of growth to the intervening areas. It will thus be possible, in a longer term perspective, to achieve a balance out of a strategy which would essentially start by creating imbalances within province in the form of leading growth centres. Fortunately, the population pressure in Baluchistan is such that the initial imbalances are unlikely to assume the undesirable proportions experienced elsewhere in the country.

4. SIZE OF THE PLAN

65. The Special Development Programme for Baluchistan envisages an outlay of Rs. 19,392.26 million with a foreign exchange component of Rs. 4,657.86 milllon. The sector-wise allocations for the programme is summarised below :—

(Million Rupees)

Sector	Total Capital Cost	Foreign Exchange Component
1	2	3
Agriculture	150.00	—
Water	1,590.12	178.00
Energy	1,209.23	492.01
Industry and Minerals	5,550.00	2,630.00
Transport and Communications	9,634.77	1,294.70
Physical Planning and Housing	383.00	20.00
Mass Media	35.00	—
Education	326.90	43.15
Health	13.24	—
Total ..	19,392.26	4,657.86

5. A SUMMING UP

66. The Special Depelopment Plan outlined above will involve, on a rough basis, an aggregate outlay of Rs. 19,400 million. It is planned to implement this programme in a phased manner over the next four years or so. Needless to say, the size as well as the time-table has to be kept flexible to incorporate adjustments, revisions and re-ordering should these become necessary in the process of implementation.

6. ESTIMATED CAPITAL COST OF SELECTED DEVELOPMENT PROJECTS LOCATED IN BALUCHISTAN

SUMMARY

(Million Rupees)

Sector/Name of the Project	Total Estimated Cost	Foreign Exchange Component
1	2	3
A. Agriculture		
(*i*) Fishing Jetties at Sonmiani, Ormara and Pasni	150.00	—
Sub-Total ..	150.00	—
B. Water Resources		
(*i*) Mirani Dam	541.12	34.00
(*ii*) Rehabilitation of Bolan Dam	30.00	—
(*iii*) Small Irrigation Schemes	265.00	79.00
(*iv*) Widening of Pat Feeder Canal	754.00	65.00
Sub-Total ..	1,590.12	178.00
C. Energy		
(*i*) Quetta Natural Gas Pipeline Project	661.23	338.46
(*ii*) Second 25 MW Gas Turbine for Quetta Power Station	118.00	69.55
(*iii*) Rural Electrification in Baluchistan	280.00	84.00
(*iv*) Thermal Power Station, Duki	150.00	Not yet known
Sub-Total ..	1,209.23	492.01
D. Industry and Minerals		
(*i*) Darwaza Cement Factory	550.00	130.00
(*ii*) Saindak Integrated Mineral Project ..	3,000.00	2,500.00
(*iii*) Iron Ore Project, District Chagai	2,000.00	Not yet known
Sub-Total ..	5,550.00	2,630.00

1	2	3
E. Transport and Communications		
(*i*) Construction of Wana-Muslim Bagh Road ..	1,120.00	112.00
(*ii*) Construction of Dalbandin-Mirjawa Section of the RCD Highway	800.00	80.00
(*iii*) Construction of Wadh-Kannar Section of the RCD Highway	300.00	Not yet known
(*iv*) Construction of Khuzdar—Shahdadkot—Sukkur Road	900.00	90.00
(*v*) Construction of Bela-Mand Road	1,550.00	155.00
(*vi*) Construction of Coastal Road (Liari-Ormara Section)	700.00	70.00
(*vii*) Construction of Bartakzai—Taftan Section of the RCD Highway	318.68	Not yet known
(*viii*) Construction of Zhob—Dhanasar Road ..	96.00	Not yet known
(*ix*) Road Building Equipment	50.00	50.00
(*x*) Construction of Khuzdar-Kharan Road ..	180.00	Not yet known
(*xi*) Construction of Sibi—Khajjak—Harnai—Gambaz—Kohlu—Rakhni Road	1,000.00	148.00
(*xii*) Construction of Loralai-Khanazai Road ..	650.00	65.00
(*xiii*) Improvement of Roads/Tracks	100.00	10.00
(*xiv*) Installation of Micro-wave Radio Relay System between Karachi-Uthal-Ormara-Pasni-Gawadar-Jiwani-Turbat	140.00	56.00
(*xv*) Installation of Micro-wave Radio Relay System between Karachi-Uthal-Bela-Khuzdar-Kalat-Quetta	114.59	45.20
(*xvi*) Improved Signalling on Sibi-Quetta Section ..	60.00	46.50
(*xvii*) Civil Aviation facilities at Sibi, Zhob and Khuzdar	77.50	10.00
(*xviii*) Construction/Improvement of Railways in Baluchistan	1,478.00	357.00
Sub-Total ..	9,634.77	1,294.70
F. Physical Planning and Housing		
(*i*) Construction of Office-*cum*-Residential Accomodation in Baluchistan	783.00	—
(*ii*) Drinking Water Supply facilities in Quetta, Belpal and Gadani	100.00	20.00
Sub-Total ..	883.00	20.00

1	2	3
G. **Mass Media**		
(*i*) Television Coverage in Baluchistan.. ..	20.00	Not yet known
(*ii*) Radio Coverage in Baluchistan	15.00	Not yet known
Sub-Total ..	35.00	Not yet known
H. **Education**		
(*i*) Engineering College, Khuzdar	126.90	43.15
(*ii*) Development of general education in Baluchistan	200.00	—
Sub-Total ..	326.90	43.15
I. **Health**		
(*i*) Development of Primary Health Care in Baluchistan	13.24	—
Sub-Total ..	13.24	—
Grand Total ..	19,392.26	4,657.36

6. SUMMARY DESCRIPTION OF PROJECTS BY SECTORS

A. AGRICULTURE

Name of the Project	..	Establishment of Fishing Jetties at Sonmiani, Ormara and Pasni.
Total Capital Cost	..	Rs. 150.00 Million.
Foreign Exchange Component	..	—

Brief Description :

The coastal areas of Baluchistan are spread along 2/3rd of the entire Pakistan coast line. Unfortunately, adequate facilities do not exist for exploiting the vast resources available in marine fishing. In order to provide the infrastructural requirements for this important sector it is proposed to establish Fishing Jetties at Sonmiani, Ormara and Pasni. These jetties will provide facilities for an Ice Plant, Cold Storages, Marketing, Workshops for the mechanized fleet and other ancillary works. These facilities will will assist in increasing the catch of the fishermen and will result in better economic conditions for the residents of the Coastal belt.

B. WATER RESOURCES

Name of the Project	..	Mirani Dam.
Total Capital Cost	..	Rs. 541.12 million.
Foreign Exchange Component ..	..	Rs. 34.00 million.

Brief Description :

The proposed earthfill dam, 35 meters ft. high, would be located across Dasht River about 48 kms from Turbat in Mekran District of Baluchistan.

The dam would irrigate nearly 12,545 hectares through a lined main canal and two branch canals. It would make immediate contribution to the development of irrigated agriculture in the coastal regions of Baluchistan province. 'Under without project' conditions, the agricultural productivity is extremely low and hardly provides subsistance to the farm population where crops are harvested only once in two to three years.

The total production ' with project ' will increase to 23,350 tonnets against the ' without project ' production of 2,725 tonnes.

In addition to irrigation facility the project envisages to supply drinking and commercial water supplies to adjoining coastal towns. The assured water supplies will be a great boon for the future growth of these areas and will provide a firm base for its future development.

Name of the Project .. Rehabilitation of Bolan Dam.

Total Capital Cost .. Rs. 30.00 million.

Foreign Exchange Component .. .. *Nil.*

Brief Description :

Bolan earthfill dam, 18.9 meters high, was constructed during 1953—56 across Bolan River to store 91,000 AF of water for irrigating nearly 12,760 hectares of land in Kachhi district of Baluchistan. The major objective of the dam was to create economic prosperity for the unsettled population of the project area by delivering assured water supply for ittigation and human consumption.

The design of the dam was based on insufficient hydrological data and, therefore, most of the design parameters were assumed. No spillway was constructed, as the computations on flood routing based on 50 years' frequency did not support the necessity of providing a spillway.

But during the unprecedented floods of 1976, the dam was overtopped from the centre and it collapsed. This unfortunate failure caused a great hardship to the population of the project area which was totally dependent on the stored water.

The proposed project ; namely, Rehabilitation of Bolan Dam, would restore the facilities damaged by floods. The live storage of the dam would be increased to 52,500 AF and it would deliver irrigation water to an area of 13,760 hectares at 50 per cent cropping intensity. The project would provide incremental net benefits valued at Rs. 12.23 million per annum. The incremental benefits include production of 7,615 tonnes of foodgrains and 14,780 tonnes of other crops. In an environment characterised by relative under-development of the province, these economic objectives would also serve socio-economic aims associated with the provision of increased income levels and employment opportunities.

Name of the Project	..	Small Irrigation Schemes.
Total Capital Cost	..	Rs. 265.00 million.
Foreign Exchange Component ..	..	Rs. 79.00 million.

Brief Description :

Baluchistan has extremely arid climate. The mean annual rainfall varies from 5 to 20 cms. The average precipitation is too little to support large-scale cultivation. Owing to scarcity of water small-scale agricultural activity including rearing of animals is practised in isolated places. Most of the rural population lives a nomadic life constantly migrating from one place to another in search of water and green pastures. In spite of these conditions agriculture remains the dominant livelihood of the region.

Under the proposed programme a number of small irrigation schemes for exploiting surface and ground water would be carried out through out Baluchistan. These small schemes having low gestation period would benefit the population quickly. Nearly 29,950 hectares would be delivered assured water supplies with the implementation of proposed small irrigation schemes programme. The programme would improve the standard of living of the rural population of Baluchistan and bring it to the level of other regions of Pakistan.

Name of the Project	..	Widening of Pat Feeder Canal.
Total Capital Cost	..	Rs. 754.00 Million.
Foreign Exchange Component ..	..	Rs. 65.00 Million.

Brief Description

This project stipulates the widening of the Pat Feeder Canal to take a designed discharge of 67,000 cusecs which will irrigate an area of approximately 0.25 million hectares. The feasibility study of this project has already been completed. The PC-I has been prepared by WAPDA in consultation with the Provincial Irrigation and Power Department. The project will also provide drinking water to a population of 0.275 million persons inhabiting the Pat Feeder area.

C. ENERGY

Name of the Project .. Quetta Natural Gas Pipeline.

Total Capital Cost .. Rs. 661.23 million.

Foreign Exchange Component .. .. Rs. 338.46 million.

Brief Description :

The project envisages construction of 30 cms. diameter, 349 kilometers long high pressure natural gas pipeline. The pipeline will start from the existing 45 cms. Sui-Karachi Pipeline on the Right Bank of Indus at a point located 70 kilometers down stream. The pipeline will pass through Jacobabad, Jhat-Pat, Dera Murad Jamali (Temple Dera), Bel-pat, Sibi, Dhadar, Machh, Kolpur, Darwaza, Sariab and terminate at Quetta. The gas will be supplied to Quetta and towns/cities on route mentioned above.

The capacity of the pipeline will be 45 MMCFD which can be increased to 75 MMCFD by installation of compressors at a later stage. The project will improve socio-economic condition of the area by meeting the demand for power generation, cement manufacture, general industries, commercial consumers and domestic consumers. The target date for the completion of the project is November, 1982.

Foreign exchange component is required for 349 kilometers 30 cms. diameter pipe line, coat and wrap material, valves, instruments, cathodic protection and tele-communication equipment, construction machinery, vehicles etc.

Name of the Project	..	Second 25 MW Gas Turbine for Quetta Power Station.
Total Capital Cost	..	Rs. 118.00 million.
Foreign Exchange Component ..	..	Rs. 69.55 million.

Brief Description :

The project envisages installation of 25 MW Gas turbine alongwith necessary 132 KV sub-station facilities at Quetta. The proposed 25 MW gas turbine together with existing 48 MW installed capacity at Quetta and power supply through Guddu—Sibi—Quetta transmission line will meet the power requirements of industrial, agricultural, commercial and domestic sectors. Moreover, it will provide reliability to the existing supply system. The project is expected to be commissioned in September, 1981.

Foreign exchange is required mainly for 25 MW Gas Turbine, step up unit transformer, 132 KV circuit breaker, control panel, 132 KV steel structure and earthing equipments etc.

Name of the Project .. · Rural Electrification in Baluchistan.

Total Capital Cost .. Rs. 280.00 million.

Foreign Exchange Component .. .. Rs. 84.00 million.

Brief description :

The project envisages electrification of 180 villages and energisation of 500 tubewells in rural areas of Baluchistan mainly in Mekran, Pishin, Chamau, Zhob, Loralai, Bagh, Lehri, Sharigh and Noshki. This will entail construction of 33 KV, 11 KV and 400 KV transmission/distribution lines and installation of 33/0.4 and 11.04 KV distribution transformers of different ratings such as 100 KV A, 50 KVA and 25 KVA.

The electricity available from 48 MW Quetta Power Station and supply of power through Guddu—Sibbi-- Quetta transmission line will be transmitted over secondary transmission lines network for distribution to the rural areas. The project covers a period of 3 years commencing from July, 1980.

Baluchistan is highly under-developed because of lack of infea-structure including electricity. Only 156 villages have been electrified upto 1978-79. There are areas in Baluchistan where even potable water is not readily available. This project will help in the upliftment of the economic condition of the villages which will receive electricity as it will encourage installation of small-scale industries, make water available through tube-wells for drinking and irrigation purposes.

Foreign exchange component is required for purchasing aluminium/copper/steel billets, ingots transfor ier materials and some 33/0.4 KV transformers of 100 KVA and 50 KVA.

Name of the Project	..	Thermal Power Station, Duki.
Total Capital Cost	..	Rs. 150.00 Million.
Foreign Exchange Component	..	Not yet known.

Brief Description :

This project aims at generation of electricity through establishment of a 50 MW Thermal Power Station based on coal deposits of the region. The project will augment generation capacity of the country and will also be utilizing an important natural resource in the region. A study will, however, be required to be undertaken by the WAPDA in order to establish the viability of this project. The availability of adequate water supply and coal deposits are confirmed.

D. INDUSTRY AND MINERALS

Name of the Project ..	Darwaza Cement Plant.
Capacity ..	.. 0.3 million tonnes.
Total Capital Cost	.. US. $ 55.00 million.
Foreign Exchange Component	.. U.S. $ 13.00 million.
Annual Revenues	.. U.S. $ 15.00 million.

This is a project to establish a cement factory at Darwaza, 32 Kms from Quetta, with an annual capacity of 0.3 million tonnes based on dry process. Mining rights for the mining of lime-stone and shale rest with the sponsors of the project (State Cement Corporation) while gypsum is also available abundantly around the project area.

The capital cost of the project is US $ 55 million with foreign exchange component of US $ 13 million. About 15 per cent of production would be consumed within Pakistan, while the surplus would be available for exports.

Based on the prevailing prices of cement, the project is expected to earn annual revenues of US $ 15 million.

Name of the Project ..	Saindak Integrated Mineral Project.
Reserves	412 million tonnes of copper ore.
Total Capital Cost. ..	US $ 300.00 million.
Foreign Exchange Component ..	U.S. $ 250.00 million.
Annual Revenues ..	U.S. $ 90-120 million.

Pakistan have proved reserves of 412 million tonnes of copper ore and other associated metallic minerals at Saindak, about 320 kms. to the west of Quetta. The dollor value of contained metals is estimated at over $ 8 Billion.

The present project envisages mining and milling of 27 per cent of the proved ore deposits, containing an average copper content of 0.426 per cent @ 12,500 tonnes per day for 17 years. The project would take four years to complete and would start commercial production from the fifth year. The annual production of the manufactured products would be as under :

(*i*) Blister copper	16,500 tonnes
(*ii*) Sulphuric Acid	220,000 tonnes
(*iii*) Steel billets	100,000 tonnes
(*iv*) Molybdenum concentrates	338 tonnes
(*v*) Gold	40,000 Ounces
(*vi*) Silver	100,000 Ounces.

Capital cost of the project is US $ 300 million, with foreign exchange component of US $ 250 million, which is required for the import of mining, milling and metallurgical machinery.

The project would generate annual revenues of US $ 90-120 million including foreign exchange receipts of U.S. $ 60—65 million on account of export of blister copper, etc.

Name of the Project	..	Iron Ore Project, Distric Chagai.
Total Capital Cost	..	Rs. 2,000.00 Million.
Foreign Exchange Component	..	Not yet known.

Brief Description

The exploration work already done by Pakistan Industrial Development Corporation has revealed proven reserves of over 13 million tonnes averaging 45% iron content. The magnetite and hematite percentage is calculated at 82.2 and 1.00 respectively. According to geological reports, deposits to the extent of 100 million tonnes are available in this region. The ore has the properties which would make it possible to be combined with other metallurgical units to produce practically any type of steel.

E. TRANSPORT AND COMMUNICATIONS

Name of the Project	..	Construction of Wana—Muslim Bagh Road.
Total Capital Cost	..	Rs. 1,120.00 million.
Foreign Exchange Component	..	Rs. 112.00 million.
Period of completion	..	4 years.

Brief Description :

The project proposes to connect Wana, the capital of South Waziristan Agency to Muslim Bagh in the Baluchistan Province. The total length of the road will be 360 kms. The road, apart from opening up this backward area, will also provide a direct means of communication between the Provinces of Baluchistan and the N.W.F.P.

Name of the Project	..	Construction of Dalbandin—Mirjawa Section of the RCD Highway.
Total Capital Cost	...	Rs. 800.00 million
Foreign Exchange Component	..	Rs. 80.00 million.
Period of Execution	..	4 years.

Brief Description :

The Dalbandin—Mirjawa road forms part of the RCD Highway connecting Pakistan and Iran. 160 miles (258 KM) of the RCD Highway between Dalbandin and Mirjawa are still incomplete. It is essential to complete this road in order to complete the RCD Highway. The road will also open up the area for socio-economic development and better exploitation of the mineral resources specially copper deposits at Saindak.

Name of the Project	..	Construction of Wadh—Kannar Section of the RCD Highway.
Total Capital Cost	..	Rs. 300.00 million.
Foreign Exchange Component	..	Not yet known.
Period of Execution	..	4 years.

Brief Description :

The project envisages the construction of 64 miles (103 K.Ms) long Wadh—Kannar Section of the RCD Highway. With the construction of this road the distance from Karachi to Quetta will be reduced by 195 kms., i.e. from 920 kms., to 725 kms. The remaining portion of the road upto Quetta is already black topped and this is the only section which has not yet been black topped.

The road is being constructed for a design speed of 95 KMPH with a formation width of 10 meters and a pavement width of 4 meters. This road will open up areas in Central Baluchistan which have so far been almost inaccessible.

Name of the Project	..	Construction of Khuzdar—Shahdadkot —Sukkur Road.
Total Capital Cost	..	Rs. 900.00 million.
Foreign Exchange Component		Rs. 90.00 million.
Period of Execution	..	4 years.

Brief Description :

The Khuzdar area of Baluchistan is one of the most backward and isolated areas of the country. Communication facilities in this rough and arid region are very poor and the standard of living of the people is very low. At present, there is no direct and adequate link between Khuzdar and Sukkur, through which the main arterial road connecting the northern and southern areas of the country passes. The black top road via Quetta is the only adequate route and is as such primarily used for traffic between Khuzdar and Sukkur. This route, however, entails a distance of about 415 miles (668 K.M.) It is, therefore, proposed to construct a direct 180 miles (290 K.M.) long black top road between Khuzdar and Sukkur via Shahdadkot. This road, on completion, will shorten the distance between these two places by 235 mile (378 K.M.) as compared to the existing route via Quetta. The road will also open up the area for socio-economic development.

Name of the Project	..	Construction of Bela—Mand Road.
Total Capital Cost	..	Rs. 1,550.00 million.
Foreign Exchange Component	..	Rs. 155.00 million.
Period of Execution	..	4 years.

Brief Description :

The project envisages construction of a 500 kms. long road from Bela to Mand near the Pakistan—Iran Border. The road will open up this backward area and will form an important component of the future transportation system for the coastal region of Mekran. It will be connected by laterals to the coastal towns and will boost the fisheries and trade from this area thereby helping in the general socio-economic development of the people of the area. It will also form an important international route to Iran and the Middle East.

Name of the Project	..	Construction of Coastal Road (Liari—Ormara Section).
Total Capital Cost	..	Rs. 700.00 million.
Foreign Exchange Component ..	..	Rs. 70.00 million.
Period of Execution	..	3 years.

Brief Description :

The scheme envisages construction of a 227 K.Ms. long road from Liari (Karachi) to Ormara. A gravel road presently links Gawadar with Pasni and Ormara along the coast line. However, there is no link between Ormara and Liari which is located on the Karachi—Bela Highway. By constructing this road, the entire coastal area of Baluchistan will be linked with Karachi. This road will provide a means of facilitating trade and assist in the economic development of this area. Work on cutting and alignment has already been initiated by the Provincial Government and a jeepable track is being constructed. However, major portion of the work i.e. the construction of an all-weather road has to be completed.

Name of the Project	..	Construction of Bartakzai-Taftan Road.
Total Capital Cost	..	Rs. 318.68 Million.
Foreign Excange Component	..	Not yet known.

Brief Description:

A stretch of 130 kms. connecting Bartakzai and Taftan lying on the R.C.D. Highway still remains incomplete. The importance of this National Highway linking Iran and Pakistan needs no emphasis. The road still remains a Provincial responsibility and the heavy expenditure involved for its completion places a big strain on provincial resources. Allocations are, therefore, inadequate for completing this road, the importance of which demands proper funding.

Name of the Project	..	Construction of Zhob—Dhanasar Road.
Total Capital Cost	..	Rs. 96.00 Million.
Foreign Exchange Component	..	Not yet known.

Brief Description :

This important road links the northern part of Baluchistan with the N.W.F.P. Its importance in facilitiaing trade and commerce as well as military requirements justifies its high priority. This road is a part of the National Highways but funding provided for its development has been inadequate.

Name of the Project	...	Road Building Equipment
Total Capital Cost	...	Rs. 50.00 Million.
Foreign Exchange Component	..	Rs. 50.00 Million.

Brief Description :

Most roads in the Province are katcha and require regular grading and bulldozing. Furthermore, there is a conntinous requirement for repair of flood damages to these roads and this necessitates maintenance of a large fleet of road construction/ repair equipment. The existing fleet of graders and bulldozers is inadequate to cope with the heavy task and it is proposed to strengthen the existing fleet by adding 20 graders and bulldozers each alongwith 4 transporters.

Name of the Project	.. Construction of Khuzdar—Kharan Road.
Total Capital Cost	.. Rs. 180.00 Million.
Foreign Exchange Component	.. Not yet known.

Brief Description

A shingle track exists between Khuzdar and Kharan via Basima but the track is not suitable for movement of heavy vehicles. Kharan which is the district headquarter is thus at present connected with Khuzdar via Quetta and the journey involves distance of about 610 kms. In order to connect Kharan with the divisional headquarter through a direct link, it is absolutely essential to construct a black topped road which will not only facilitate traffic on the route but it will be of considerable strategic importance as ultimately Kharan is going to be connected with RCD Highway section between Quetta and Taftan. The distance involved is 240 kms. The expenditure involved would be of the order of Rs. 180 million.

Name of the Project	..	Construction of Sibi—Khajjak—Harnai—Gambaz—Kohlu—Rakhni Road.
Total Capital Cost	..	Rs. 1,000.00 million.
Foreign Exchange Component ..	..	Rs. 148.00 million.
Period of Execution	..	3 years.

Brief Description :

Mari-Bugti area is one of the most backward areas of the Provinces. The area has a very rough and arid terrain with scant vegetation. The communication facilities are extremely poor. As a consequence the people of the area are living in isolation and their socio-economic condition is quite below the average. It is, therefore, proposed to provide an access to this area by the improvement/construction of Sibi—Khajjak—Harnai—Gambaz—Kohlu—Rakhni road and also to provide a link with the inter-provincial Loralai—D. G. Khan Road, and thus provide an access to the Province of Punjab. The existing road is mostly shingle road, good for fair weather use only. The total length of the road is about 200 miles (322 K.M.) It is proposed to construct a black top road with a design speed of 80 KMPH in the plain areas, 65 KMPH in the rolling terrain and 55 KMPH in the mountaneous ter rain, with appropriate geometric design standards, for all weather operation.

Name of the Project	..	Construction of Loralai to Khanazai Road
Total Capital Cost	..	Rs. 650.00 million.
Foreign Exchange Component	..	Rs. 65.00 million.
Period of Execution	..	3 years.

Brief Description :

The project envisages the construction of a 210 kms long all-weather road from Loralai to Khanazai in the Baluchistan Province. The road will provide a direct link between these two towns and also provide an all-weather access to the people of the area to Quetta. The road will help in the general uplift of the area and improve the socio-economic conditions of the people of this backward area.

Name of the Project	..	Improvement of Roads/tracks.
Total Capital Cost	..	Rs. 100.00 million.
Foreign Exchange Component	..	Rs. 10.00 million
Period of Execution	..	3 years.

Brief Description :

There are many isolated and backward areas in Baluchistan where there are only tracks and fair weather roads which connect them to civilization. It is important to provide better communication facilities for people of these areas in order to improve the socio-economic conditions of the people of these backward areas of the country.

Name of the Project	..	Installation of Micro-wave Radio Relay System between Karachi—Uthal—Ormara—Pasni—Gawader—Jiwani—Turbat.
Total Capital Cost	..	Rs. 140.00 million.
Foreign Exchange Component	..	Rs. 56.00 million.
Period of Execution	..	3 years.

Brief Description

It is envisaged to provide reliable tele-communication facilities in the shape of a radio relay system for the remote areas along the coastal part of Pakistan covering towns of Uthal, Ormara, Pasni, Gawadar, Jiwani and Turbat, etc. At the momemt, these towns lack in all types of communication facilities. There is neither any railway route nor all weather highways and existing tele-communication facilities are also inadequate and unreliable. It is, therefore, proposed to instal a microwave system between Karachi—Uthal—Ormara—Pasni—Gawadar of capicity 3-RF channels namely :

(*i*) Telephone channel for 960 telephones.

(*ii*) T.V. Channel for colour T.V. relay with associated sound channel.

(*iii*) Stand by channel for (i) and (ii) above.

Another micro-wave link of radio relay system with the capacity of 2-RF channels will be installed also from Pasni to Turbat and Gawadar to Jiwani as follows :

(*i*) Telephone channel for 960 telephone

(*ii*) Stand-by channel for (i) above.

Equipment relating to Radio, Mast, Aerial, Power Plant, Testing instrument including spares for two years will be required. The cost of buildings required for the project has also been included in the total cost.

Name of the Project	..	Installation of Micro-wave Radio Relay System between Karachi—Uthal—Bela—Khuzdar—Kalat—Quetta
Total Capital Cost	..	Rs. 114.59 million.
Foreign Exchange Component ..	..	Rs. 45.2 million.
Period of Execution	..	3 years.

Brief Description

At present, there is no reliable high capacity cross country micro-wave link in the western part of the country. Khuzdar has been connected to NWD on over head line and Bela, though approved, is yet to be connected on NWD. It is necessary to provide a high capacity micro-wave link between Karachi—Uthal—Bela—Khuzdar—Kalat—Quetta. It will have capacity of 3-RF channels namely :

(*i*) Telephone channel for 1,800 telephones.

(*ii*) T.V. channel for colour T.V. relay with associated sound channel.

(*iii*) Stand-by channel for (i) and (ii) above.

Equipment relating to Radio, Mast, Aerial, Power Plant, Testing instrument including spares for two years will be required. The cost of buildings required for the project has also been included in the total cost.

Name of the Project ..	Improved Signalling on Sibi-Quetta Section.
Total Capital Cost ..	Rs. 60.00 million
Foreign Exchange Component	Rs. 46.50 million.
Period of Execution ..	2 years.

Brief Description

The present signalling system on the Sibi-Quetta Section is obsolete and cannot perform its function efficiently. Besides placement, it requires better technological specification to handle increasing traffic efficiently and economically by reducing waiting time at stations, thereby increasing the sectional capacity. Modern signalling is also one of the important element in affording maximum safety to train oprations.

It is, therefore considered necessary to provide modern signalling with all relay inter-locking on Sibi-Quetta Section. The system will be acquired from suitable foreign manufacturers and installed by Pakistani Engineers and is expected to be completed in two years.

Name of the Project ..	Civil Aviation Facilities at Sibi, Zhob and Khuzdar
Total Capital Cost ..	Rs. 77.50 million.
Foreign Exchange Component ..	Rs. 10.00 million
Period of Execution ..	3 years.

Brief Description

Sibi, due to its location, has a significant place in the province of Baluchistan, which is relatively a less developed Province of Pakistan. The existing communication facilities to connect it with the provincial headquarters and other district headquarters are not adequate. Even the existing aerodrome at Sibi is not fit for operations of F-27 and C-130 type of aircrafts. It is, therefore, proposed to undertake :

(*a*) Repair and strengthening of the existing runway and its extension ;

(*b*) Construction of Taxi-way and Apron operation ;

(*c*) Construction of Terminal Building ;

(*d*) Construction of Transmitting Station, Fire Station, M.T. Station and Metreological Observatory ; and

(*e*) Other services.

It is also essential to open up the inaccessible areas of Baluchistan by providing immediate air-service to Zhob and Khuzdar. The PIA have the capacity to commence air-service to these towns but can not do so because of lack of essential infra-structure. It is proposed to provide basic aero-drome facilities, fit for operation of Fokker aircraft, at these towns also.

On completion, the proposed facilitis would not only make air travel and quick communications/transport facilities available to the local people, there would also contribute to the socio-econo mic development of the area.

Name of the Project .. Construction/Improvement of Railways in Baluchistan.

Total Capital Cost .. Rs. 1,478.00 million.

Foreign Exchange Component .. Rs. 357.00 Million.

Brief Description :

It is proposed that a new Railway line be laid between Karachi and Bela. It is also proposed that Bostan to Nasai Section be improved and widened to broad gauge. The Bolan Section and the Taftan—Quetta Section also require improvement in order to meet the requirements of the existing traffic load and the expected increase resulting from the development of copper and iron/steel industries in this region.

The Section-wise details of cost estimates are as follows :—

(Million Rupees)

Name of Section	Length kms.	Cost/km.	Total Capital Cost	Foreign Exchange Component
1	2	3	4	5
1. Karachi-Bela New line construction ..	160	3.75	600.00	120.00
2. Bostan to Nasai conversion from Narrow gauge to Broad-gauge	120	1.57	188.00	37.00
3. Bolan-Quetta-Taftan Section	370	1.86	690.00	200.00
	Total	..	1,478.00	357.00

F. PHYSICAL PLANNING AND HOUSING

Name of the Project	..	Construction of Office-*cum*-Residential Accommodation in Baluchistan.
Total Capital Cost	..	Rs. 783.00 Million.
Foreign Exchange Component	..	—

Brief Description :

At the time of creation of Baluchistan Province in 1970, the housing infrastructure was negligible. With the creation of new administrative units and establishment of new offices of Provincial and Federal Agencies, shortage of residential-*cum*-office accommodation has become very acute. In recent past, a survey was conducted to assess the requirements in this respect through Provincial Communication and Works Department. According to the report prepared by the asid Department a total covered area of 65,21,481 square feet will have to be constructed to meet the housing gap in the province. Needless to point out that unless basic amenities in the form of housing-*cum*-office accommodation are provided the efficiency of the staff required to serve in the far-flung areas of the province will continue to suffer to the disadvantage of Government as well as public.

Name of the Project	..	Drinking Water Supply Facilities in Quetta, Belpat and Gadani.
Total Capital Cost	..	Rs. 100.00 million.
Foreign Exchange Component	..	Rs. 20.00 million.

Brief Description :

The overall population coverage of water supply in Baluchistan by 1980 is about 26 per cent, including a coverage of only about 13 per cent in the rural areas of Baluchistan against the national average of 31 per cent on an overall basis and 17 per cent for the rural areas. The problem of drinking water supply in the province of Baluchistan is more acute than in the other provinces of Pakistan as the province is located in an arid zone.

The Provincial Government has been undertaking the improvement and establishment of drinking water supply schemes throughout the province. The programmes in Quetta, Belpat and Gadani, however, deserve priority and have been proposed in this project.

The project aims at increasing the water supply coverage in Quetta from the existing 50 per cent to about 75 per cent and to provide full coverage in Belpat and Gadani areas. The breakup of the cost for Quetta, Belpat and Gadani is as follows :—

Location	Population to be covered (thousands)	Cost *per capita* (Rs.)	Total cost (Rs. in million)
Quetta	134	500	67
Belpat	30	600	18
Gadani	15	1000	15
		Total :	100

The cost estimates are rather tentative and will have to be firmed up on the basis of detailed projects. Foreign exchange will be required for pumping machinery and treatment plants.

The three components of the project are described below :

(*a*) *Quetta*.—It is estimated that at present about 50 per cent of the total population of about 230,000 is served by water supply facilities. A survey has been conducted and there are indications that sufficient ground water does exist in the Quetta valley which can meet the existing and future damands of the city. The project entails the boring of several batteries of tubewells on the periphery of the valley along the base of the mountains which will be connected by pipes to a central supply system. The project will cover a population of 134,000 including improvement of services of an existing population of about 60,000.

(*b*) *Belpat*.—The Pat Feeder area of Sibi Division has no potable water other than small quantities of stored rain water and infrequent supplies provided by the Railways. A fairly large population of 25,000 spread over 15 villages is affected. With the construction of the Pat Feeder canal it is now possible to provide a permanent source of water supply for this neglected and backward area of the province. It is proposed to lay a pipeline with the usual filtration system necessary for providing potable water for the villages in this area whose population is estimated to be about 30,000.

(*c*) *Gadani*.—This township has a fairly large population due to the thriving shipbreaking industry establishment in the area. Tourism Division is also contemplating the establishment of a resort in the area. The present population of labourers exceeds 10,000 and their only means of water supply is through tankers which transport water from Hub Chowki located at the distance of 19 kms. It is proposed to lay a pipeline under the project from Hub canal in order to provide an assured supply of water for a population of about 15,000.

G. MASS MEDIA

Name of the Project	..	Television Coverage in Baluchistan.
Total Capital Cost	..	Rs. 20.00 million.
Foreign Exchange Component	..	Not yet known.

Brief Description :

At present Quetta and its surrounding areas are covered by the Television Station already functioning. Due to vastness of the Province and mountainous terrain, television service is not available to parts of Quetta and Sibi Divisions. The Civil Divisions of Kalat and Mekran are out of range altogether. In order that national and provincial programmes could be televised for the benefit of this large segment of population it has been proposed to instal a TV Booster near Sibi in the first phase to be followed by yet another Booster at Khojak (Chaman) subsequently.

Name of the Project	..	Radio Coverage in Baluchistan.
Total Capital Cost	..	Rs. 15.00 million.
Foreign Exchange Component	..	Not yet known.

Brief Description :

The present Broadcasting Station at Quetta covers only a part of the Province and areas such as Mekran Division and parts of Kalat Division are completely out to its range. In order that the remaining population is enabled to listen to the national and regional programmes, it is absolutely essential to set up an independent Broadcasting Station at Turbat—Mekran Division and strengthen the station now being installed at Khuzdar, the headquarter of Kalat Division.

H. EDUCATION

Name of the Project .. Engineering College, Khuzdar.

Total Capital Cost .. Rs. 126.90 million.

Foreign Exchange Component .. .. Rs. 43.15 million.

Brief Description

The College shall provide instruction leading to the Bachelor of Engineering degree in Civil, Mechanical, Electrical and Mining engineering to 480 students. The college is being established on a 40 hectares land at Khuzdar in Baluchistan. The project includes construction programme covering a total built-up area of 0.423 million sq. ft. which includes academic and administrative buildings, hostel accommodation for students, residential facilities for teachers and other staff and miscellaneous facilities such as gymnasium, staff club, guest house, mosque, utility store, etc. On completion, the college shall have both educational as well as recreational facilities comparable to other engineering colleges in the country.

The major cost components of the project are :—

(Million Rupees)

Item	Amount
(*i*) Cost of land and site development including internal roads, water supply etc. ..	9.500
(*ii*) Civil works :	49.854
(*a*) College building	16.721
(*b*) Hostel for 480 students	7.680
(*c*) 234 staff residences	22.880
(*d*) Communal facilities including gymnasium, guest house, staff club, etc. ..	2.573
(*iii*) Laboratory equipment	46.790
(*iv*) Library books and journals	2.000
(*v*) Furniture and transport	3.500
(*vi*) Foreign training of staff	3.710
(*vii*) Consultants fee	5.500
(*viii*) Contingencies	6.043

Name of the Project	..	Development of General Education in Baluchistan.
Total Capital Cost	..	Rs. 200.00 million.
Foreign Exchange Component ..	..	Nil.

Brief Description

As a result of slow rate of progress, Baluchistan is behind other Provinces in respect of educational development. Position of Baluchistan compared to other Provinces at different levels of education can be seen below :—

	Baluchistan	Punjab	Sind	N.W.F.P.
% of (5—9) years population enrolled in classes I—V ..	32	56	59	52
% of (10—12) years population enrolled in classes VI—VIII.	10	21	24	21
% of (13—19) years population enrolled in classes IX-X ..	8	15	16	12

The above figures indicate that at the primary level only three children receive education in Baluchistan against six both in Punjab and Sind and five in N.W.F.P. The position of enrolment at the middle and high stages of education is also poor but it is the logical conclusion of lack of adquate growth at the primary level. To bring Baluchistan at par with other Provinces it is necessary that special efforts are made to develop the entire school education at primary, middle and high stages at an accelerated pace. Since primary education constitutes the base of the entire education system, achievement of accelerated progress at all subsequent stages of education is dependent on adequate progress of primary education. In Baluchistan, there are 2,073 boys and 484 girls primary schools to cover a province of a vast area covering 347,188 Sq. Kms. with 7,388 villages. Since some of the schools are located in urban areas it is estimated that one out of every four villages has facilities of primary education for boys and 6 out of every

100 villages have facilities of girls primary education. It is extremely important that special measures are adopted to immediately provide schools in as many villages as possible. Hence highest priority should be assigned to the development of primary education both of boys and girls followed by provision of facilities of middle and high stages of education to accommodate larger flow from primary schools. To ensure timely supply of trained teachers for expanding the school system existing programmes of training of primary and secondary schools teachers will also need to be expanded. New and existing programmes of secondary education (classes VI-X) should emphasise teaching of mathematics science and vocational subjects so that those passing the matriculation can join pre-medical and pre-engineering F.Sc. courses and the polytechnics. Those not proceeding for further education can become self-employed or can join technical or commercial training institutes or get absorbed in apprenticeship training programme.

Based on these considerations, a development programme of school education has been drawn up which is given in the attached annexure.

Annexure

SPECIAL PROGRAMME OF DEVELOPMENT OF GENERAL SCHOOL EDUCATION IN BALUCHISTAN

(Million Rupees)

Programmes	Estimated Cost
1. Opening of 1,00 onew primary schools (including 250 mosque) schools.	80.00
2. Consolidation of existing primary schools to ensure that they can accommodate five classes (I—V).	10.00
3. Adding classes (VI, VII and VIII) in 100 primary schools. ..	35.00
4. Adding classes (IX and X) in existing 40 middle schools. ..	25.00
5. Improvement of Teaching Science in 50 high schools. ..	5.00
6. Strengthening of Teaching of Vocational/Commerce courses in 50 high schools	5.00
7. Strengthening and expansion of training programmes of primary and secondary schools teachers.	15.00
8. Provision of residences for primary and secondary school teachers.	25.00
Total ..	200.00

I. HEALTH

Name of the Project .. Development of Primary Health Care in Baluchistan.

Total Capital Cost ... Rs. 13.24 million.

Foreign Exchange Component .. .. Nil.

Brief Description

The present position of health facilities in Baluchistan may be seen below :—

Facility	Existing Number
Basic Health Units/Dispensaries..	507
Rural Health Centres	22
Hospital beds	2,216
Doctors	252
Auxiliaries including Nurses	2,048

Position of Baluchistan compared to other provinces of various categories of health services is given below :—

Facility	Population per Facility			
	Baluchistan	N.W.F.P.	Sind	Punjab
Basic Health Units/ Dispensaries ..	5,532	11,552	12,198	16,546
Hospital Beds ..	1,266	1,675	1,328	1,916
Doctors	5,530	10,454	2,732	6,611
Auxiliaries including Nurses. (per doctor)	8.1	2.5	1.5	1.9

The above figures indicate that there is no specific deciency of any service in Baluchistan as compared to other provinces. However, there are some spatial distributional problems wherein facilities are concentrated in few big places. Due to large scatter of population in the province, most of the people in rural areas are not getting appropriate health cover. The problems relating to health in Baluchistan are given below :—

1. Absence of Front line workers e.g., dai/community health workers.
2. Mid-level workers in Baluchistan mostly belong to other provinces. There is a need for training institutions at places other than Quetta for candidates belonging to the province.

Due to vast area and population scatter, it is proposed that each village/concentration of population should have atleast one front line worker i.e. dai/community health worker who should provide MCH services and treatment for common ailments. Training of 2,300 workers of such category has been proposed. The total cost of training and replenishment of medicines for one year is estimated at Rs. 5.865 million. The replenishment can be done through district health offices or through the offices of the local government institution.

It is also proposed to set up two new schools for training of mid level health workers. The places may be Fort Sandeman and Kalat. The capacity of each institution may be about 30 students. The cost of each school is estimated at Rs. 3.69 million. Detail cost estimates are given in the Annexure.

Annexure

(I) Estimated Cost of Training of 2,300 Dais/Community Health Workers.

(Million Rupees).

Item	Amount
(*i*) Stipends for trainees for three months @ Rs. 250 per month and out of pocket expenses @ Rs. 100	1.955
(*ii*) Kits 2,300	1.150
(*iii*) Replenishment of Medicines @ Rs. 1,200 per worker per annum	2.760
Total ..	5.865

(II) Training School for mid level worker
capacity of School = 30 trainees
building for school area 6000 sft :

Residence for doctor 2 @ 2500 sft 5600 sft — 300 sft for servant.

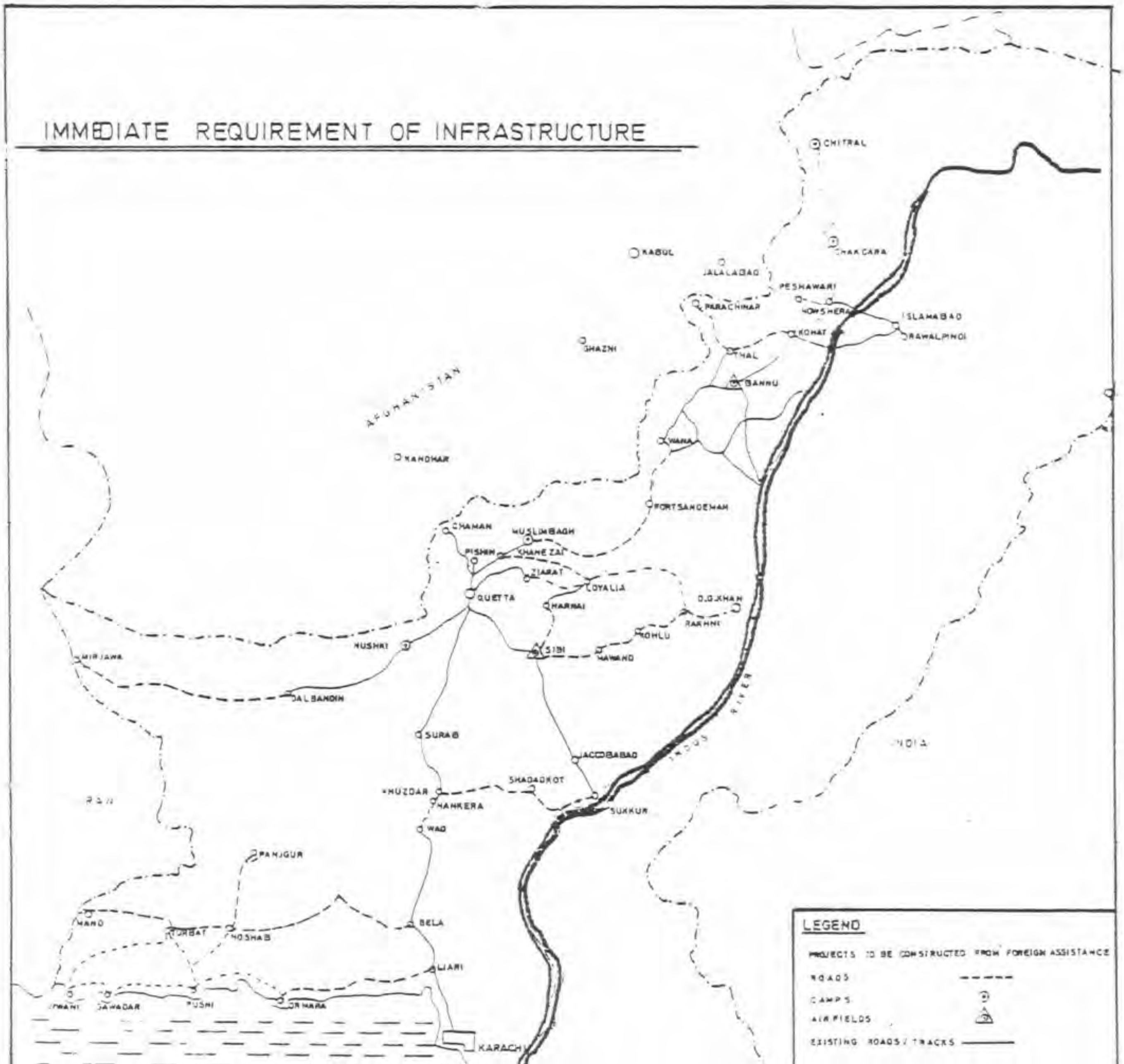
3 for others @ 1000 sft = 3000 sft
hostel .. .. 10,000 sft

	Costs in million Rupees
Main Building	0.90
Residences	1.29
Hostel	1.50
Total ..	3.69
Cost for one school	3.69
cost for two Schools	7.38
Recurring cost	1.00

GLOSSORY

1 Metre	=	1.09961	Yds.
1 Kilometre	=	0.62137	Mile.
1 Yard	=	0.9144	Metre
1 Mile	—	1.609344	Kilometres
1 Litre	=	1.75980	Pints
1 Litre	=	0.87990	Quart
1 Litre	=	0.219976	Gallon (Imp)
1 Pint	=	0.56824	Litre
1 Quart	=	1.13649	Litres
1 Gallon (Imp)	=	4.54596	Litres
1 Gallon (U.S.)	=	0.83268	Gallons (Imp)
	=	3.78533	Litres
1 Kilogram	=	2.20462	Pounds
	=	1.07169	Seers
1 Metric Tonne	=	0.98421	Ton
		26.7922	Maund
1 Ton	=	1.01605	Metric Tonnes
1 Sq. Metre	=	1.19599	Sq. Yds.
1 Hectare	=	2.47105	Acres
1 Sq. Kilometre	=	0.386101	Sq. Mile.
1 Sq. Ft.	=	929.03	Sq. Centi Metres
1 Sq. Yd.	=	0.83613	Sq. Metre
1 Acre	=	0.404686	Hectare.
1 Sq. Mile	=	2.58999	Square Kilometres

PCPPI—1080/Planning.—30-8-80.—250.


IMMEDIATE REQUIREMENT OF INFRASTRUCTURE
CHITRAL
KABUL
JALALABAD
PESHAWAR
NOWSHERA
ISLAMABAD
RAWALPINDI
PARACHINAR
KOHAT
GHAZNI
THAL
BANNU
AFGHANISTAN
WANA
KANDHAR
FORT SANDEMAN
CHAMAN
MUSLIMBAGH
PISHIN
SHANEZAI
ZIARAT
LORALAI
QUETTA
HARNAI
D.G.KHAN
RAKHNI
KOHLU
NUSHKI
SIBI
MAWAND
DALBANDIN
SURAB
JACOBABAD
SHADADKOT
KHUZDAR
WAD
SUKKUR
INDUS RIVER
INDIA
PANJGUR
BELA
TURBAT
HOSHAB
LIARI
JIWANI
GWADAR
PASNI
ORMARA
KARACHI
ARABIAN SEA
LEGEND
PROJECTS TO BE CONSTRUCTED FROM FOREIGN ASSISTANCE
ROADS
CAMPS
AIR FIELDS
EXISTING ROADS / TRACKS

718/1/9

NOTE ON

BALUCHISTAN VALLEY DEVELOPMENT PROJECT

INTRODUCTION

1. A World Bank mission comprising Messrs. Seager (Agriculturist-Leader), Lesueur, (Economist), Anderson (Groundwater Specialist) and Moore (Soil Conservation Engineer) visited Quetta between August 29 and September 14, 1980. At the end of its stay, the mission held discussions with the Additional Chief Secretary (Mr. Jilani), Government of Baluchistan (GOB) and proposed the possibility of developing a VALLEY DEVELOPMENT PROJECT (in Baluchistan) with the following six components:

A. Water spreading for groundwater recharge and improvement of rangelands;

B. Soil and water conservation (through contour bunding and harnessing of small streams) for sailaba (flood) agriculture;

C. Tubewells (1 cusec or less) for irrigation (including command area development);

D. Minor diversion schemes for irrigation (including command area development);

E. Livestock water points using windmills; and

F. Technical Assistance.

Notes on engineering aspects of the above components are given in Annex I and may be helpful to the Project Preparation mission.

2. These proposals of the mission have now been reviewed and it is agreed that an acceptable project can be built around these components. It is recommended that GOB consider having a project prepared (perhaps on a subcontract basis) as soon as possible. The Bank would be willing to give technical assistance by providing (at our cost) a hydrogeologist, a range management specialist and a soil conservation/irrigation engineer to assist in project preparation. It is proposed that a Pakistani Project Preparation

team begins work as soon as possible, to be joined by the three specialists mentioned above around mid January 1981. It is estimated that a GOP/GOB Project Preparation Report can be ready by end of March 1981 for submission to and appraisal by the Bank.

3. This note summarizes the project as we presently see it. New facts, surfacing during project preparation, may (and should) modify the project concept. The cost structure of the project would be:

Project Component	Number of Units (sub-Projects)	Approximate Cost (US $ Million
A. Water Spreading	10	1.0
B. Sailaba Agriculture	10	1.0
C. Tubewells[1/] for irrigation	50	4.5
D. Minor Diversion Schemes	15	1.5
E. Livestock Water Points	75	1.5
F. Technical Assistance	-	0.5
Sub-total	150	10.0
Contingencies		2.5
Total Cost		12.5

We are presently envisaging a US$ 12.5 Million project; the fisheries component discussed with the Seager mission could form the basis for a separate project.

Proposed Project Concept

4. The Project would comprise a number (about 150) of units or sub-projects in the agreed component categories, and these sub-projects are likely to be scattered across the province. In defining projects of this nature (many

/1 In the following river basins only-
(1) Qila Saifullah (Zhob river basin) (20 tubewells (TW))
(2) Gumbaz (Nari River basin) (20 TW)
(3) Nal and Greshak (Hingol river basin) (5 TW)
(4) Panjgur Area (Pakistan river basin) (5 TW)

...

components, large number of sub-projects) the Bank generally uses a local intermediary organization to carry out sub-project preparation and appraisal in accordance with agreed "technical" and "economic" criteria. Technical assistance to and training for the personnel of the intermediary organization is often provided under the project.

5. The intermediary organization(s), could be (1) the Baluchistan Development Authority and/or (2) the Planning and Development Department and/or (3) the Irrigation Department, and/or (4) the Agriculture Department and/or (5) WAPDA. It would be the task of the Preparation Team to define and justify (1) the intermediary organization(s) (2) the technical assistance and training needed (3) the technical, economic and locational criteria for the various project components, and (4) the institutional and policy underpinnings for effective implementation of the proposed project. Annex II gives a draft Table of Contents for the proposed Project Draft Report. The Table of Contents is provided for guidance only; coverage of the suggested topics would, however, be desirable in case some alternative reporting format is adopted.

Issues Forseen

6. In its project lending, the Bank has increasingly emphasized (1) distribution of benefits and (2) operation and maintenance (O&M) of completed works as crucial issues. The Seager mission has already sought GOP/GOB help in developing satisfactory solutions to the benefit distribution and O&M issues that are expected to arise in the irrigation (tubewell, minor diversion) and the livestock water points (windmill) components. These issues are briefly discussed below.

Benefit Distribution from Water Development

7. The present land holdings in Baluchistan are large by Asian standards; their historical evolution in an arid land is understandable. The difficulty arises when unirrigated land is converted through tubewell or surface water development into irrigated land at public expense. The benefits accrue to a few landowners. The recommendation of the Seager mission was that the benefits of water development (a tubewell or a minor diversion), accrue to at least 20 farm families. It is important, therefore, that the Project Preparation Team describe carefully the patterns of (1) land holdings (2) land tenure

(Including cost and benefit-sharing arrangements) and (3) farm incomes (level composition, farm and off-farm) in the respective project areas and to present specific (financial and/or physical) solutions for spreading the benefits of water development to, at least, 20 families.

Benefit Distribution from Windmill-operated Pumps

8. The Seager mission has advised that difficulties may be encountered in ensuring that water from a windmill-driven pump would be available, as a matter of course and established right, to all who by custom may graze their stock on the ranges. The mission was advised that benefits from previous attempts to provide stock waterting facilities were inequitably distributed because access to the water was barred to all but a few. The Project Preparation Team should, therefore, develop concrete institutional proposals for ensuring free access to the water pumped by the windmills.

Maintenance of Windmills

9. Even though windmills require minimal routine maintenance, they have to be inspected daily and, if necessary, shut down until a mechanic arrives to effect the necessary repairs. This inspection is best carried out by a responsible local resident, who has the means to contact the maintenance mechanic if the need arises. The Project Preparation Team should propose the structure for organizing such inspection and the number of mobile teams (the mechanic, his crew, vehicle and equipment) required for the periodic inspection and repairs of the 75 windmills proposed under the project.

10. Other issues may arise in the course of further discussions and during project preparation.

11. Arrangements for initiating the work of the Project Preparation Team should be finalized in the near future. Important aspects of these arrangements are:

- Nomination of a Pakistani Project leader and the identification of team members;
- Agreement on the skills for which Bank technical assistance would be required; and
- Agreement on the schedule for activities up to preparation of the project document for submission to the World Bank.

November 12, 1980

BALUCHISTAN VALLEY DEVELOPMENT PROJECT

1. This annex presents some engineering notes for Valley Development in Baluchistan. The project report should display adequate engineering data for:

a) Soil and water conservation through contour bunding and harnessing overland flow and small flash run-off streams for sailaba irrigation.

b) Water spreading for ground water recharge.

c) Development of command area for existing and new tubewells.

d) Minor diversion schemes for irrigation, including related command area development.

e) Livestock water points through windmills.

A. Contour Bunding for Water Spreading for Sailaba Agriculture

2. The Method of Construction. The method of construction proposed for the demonstration schemes is controlled diversion of runoff in nullahs and the installation of master bunds and intermediate bunds with adequate overflow devices. The amount of water application would be the approximate depth of the water that the soil will absorb. The soils in the demonstration scheme areas have only fair infiltration rates; therefore, diversion of flow should be limited to 1-1/2 acre-feet per acre.

3. Land slopes average about 1.5 to 2 percent. Using a master bund of 4 to 5 feet on a 600-700 foot interval with specific overflow points (pitched spillways) will reduce the number of nullah gabions required. Intermediate bunds of 2 feet in height spaced about 100 feet apart on the contour will permit adequate ponding. The master bund and intermediate bunds should have a free-board of not less than 0.5 feet.

4. The soils are about 30 inches deep underlain by gravel and rock. The first 12 inches are a silty clay with a plow pan at 3 to 4 inches. At a depth of 12 - 14 inches there is a hard caliche layer, the remaining depth is hard silty clay. To permit better water intake, subsoiling on 2-foot spacing to the depths of 12 - 14 inches is recommended.

5. An example of design would be a master bund to supply water to approximately 20 ac (1,320 feet wide by 660 feet long); to supply 1-1/2 ac ft of water per ac in a 6-hour period for a total of 30 ac ft/6 hrs, flow rate will need to be about 60 cfs. Four outlets through the master bund at 330 foot intervals (165 feet from each end) with the 2 center ones having 20 cfs capacity and the 2 end ones having 10 cfs capacity would give fair distribution into the first secondary bund. The secondary bund should accommodate flow around each end for the above distribution out of the main bund. Considering trapezoidal or rectangular pitched spillways out of the main bund with 1 foot head, the center outlets would need to be about 7 feet wide and the end outlets about 3 feet wide.

6. The construction method proposed is summarized as follows:

a) A wheel tractor (equipped with a contour leveler) draws a bund trace on the contour line with a disc ridger.

b) A 150 HP motor grader with front dozer blade will then construct the bunds by pushing earth from below onto the line of the trace. The master and intermediate bunds are completed to the designed height. Stone pitched outlets are located along the master bund for controlled water release to the intermediate bunds.

c) The inter-bund area is roughly leveled by the grader patrol.

d) Subsoiling would be a 12-14 inch depth with chisel shanks spaced at two foot intervals on a tool bar attached to a 100 HP dual wheeled tractor.

e) The gabion for diversion to the master bund should be made of rock bound with coated mesh wire.

(i) The position and height of the gabion should be to divert only the desired flow into the master bund.

(ii) The master bund would be lain out on a level line to the mid-point of the adjacent nullah, except that the inlet end will be constructed to the gabion diversion point and the outlet end would be elevated 1/2 foot above the contour. Pitched stone spillways will be spaced at intervals of about 300 feet.

f) The intermediate bunds would be laid out on a level line, except that both ends would be elevated 1/2 foot above the contour. Water would be trapped to a depth of 18 inches for two-foot high bund. Space between the bunds would be determined by vertical intervals and not by horizontal measurement. Each bund would be set up so the ridge height would be to the elevation of the upstream bund toe.

B. Water Spreading for Ground Water Recharge

7. Existing recharge to the alluvial aquifers could be improved by water spreading of short-duration flood flows as they cross the gravely upper slopes of the alluvial fans. Water spreading has potential because the upper slopes of the alluvial fans have a rapid intake rate and overland flow of water across these fans would not create an erosion problem. Various methods of water spreading for ground water recharge have been used in Europe and the U.S.A. Check dams have been used to create small reservoirs. However, with the high volume of flows in the nullahs of Baluchistan, this method would appear to be expensive. Basin method invloving retaining dike have been used, but this method of construction would again be too expensive because of the shale material in the fans. A common practice of spreading through ditches appears the most practical. However, care must be taken in spreading uncontrolled flood water at peak flow for this purpose. With no experience in this method of recharge in Baluchistan, trials of demonstration schemes with adequate monitoring should be undertaken.

8. On selected sites, water spreading demonstration schemes involving the following design may be implemented:

> Diversion of nullah flow on 1,000 foot intervals by constructing a two-foot notch into the nullah bank and contouring a two-foot depth channel, eight feet wide across the alluvial fan to midway to the adjacent nullah.

The construction method proposed is as follows:

a) Construct a wire basket rock fill gabion in the nullah.
b) Stake out a one percent gradient for the conveyance channel.
c) Use a 125 HP wheeled bulldozer to construct the channel.

C. Development of Command Areas for Existing and New Tubewells

9. In Baluchistan tubewells do not have adequate command area development. Given the limited amount of water in Baluchistan, it is important that full utilization of pumped ground water be made. It seems proper that with the energizing of existing and new tubewells an active program of command area management should be initiated.

10. A typical model for irrigation ditch conveyance and on-farm irrigation systems for the Zhob Valley may be:

a) With a valley gradient from east to west of 10 feet per mile, a tubewell of one cusec would serve a command area of 60-80 acres. Local topography would determine the layout of the command area in each case. However, as an example, the command area could be located around the tubewell with a main watercourse of 1320 feet to the east and 1320 feet to the west. The direction of irrigation would be north and south of the main watercourse.

b) The irrigation system should be designed to provide consumptive use requirements for apples, grain, and forage crops. Grain crops will be grown in summer and winter seasons.

c) The above crops, soil, and climate suggest border method of irrigation for the farm irrigation system. Caution, however, must be taken to prevent damage to crops by temporary inundation.

- The general range of available moisture holding capacity of the soil is 1.75 to 2.5 inches per foot; therefore, the average design value of 2.2 inches per foot could be used for fine textured soils. The readily available moisture for a fine textured soil with a crop root zone depth of 3 feet is: (3 feet) (2.2 inches) = 6.6 inches gross

- Soil moisture depletion should be limited to 50 percent of capacity. With a 50 percent moisture depletion, the net available water would be: (6.6 inches)(50%) = 3.3 inches net

- Frequency of irrigation could be: $\frac{\text{(3.3 inches net)}}{\text{(0.30 inch consumptive use/day)}}$ = 11 days

It is noted that the design for this model, which includes a 50 percent depletion of moisture, would only provide consumptive needs for 40 acres. However, with winter and summer cropping, the development of 60-80 acre command area would appear realistic.

D. Minor Diversion Schemes

11. There is potential for harnessing small perennial streams and springs. Five minor schemes have been identified in the Muslim Bagh and Qila Saifullah sub-basins. The engineering aspects for command area development would be similar to those in paragraph 10 above.

E. Livestock Water Points

12. One possible plan could be: assuming that a tubewell can be developed to produce a 5 gpm of relatively pure water, a supply of 7,200 gallons per day would be available. Based on a use of 1.0 gallon per day for goats or sheep, a well would provide water for a herd of 7,200 animals. To maintain proper utilization for any rangeland improvement, the carrying capacity should be limited to 25 acres per animal. Using a limit of one mile access to each site of a water point, one well could serve seven water point stations. With livestock distribution, a water point would serve 685 head of stock. Daily tank capacity at water points required at 1.0 gallon per head is 685 gallons. Since tubewells will be powered by windmill, a three day storage is recommended for capacity of 3,000 gallons. A typical design concept for the above consumption is as follows:

(1)

Tank dimensions	-	20 ft x 16 ft x 1.5 ft
Volume concrete	-	9 cu yards
Cost per tank	-	Rs. 5,800

(2) Pipe-using a valley gradient of 10 feet per mile or slope of 0.002, a pipe diameter (polyethylene) of 1-1/2 inches will be required.

ONGOING PROJECTS IN BALUCHISTAN

Several ongoing projects in Pakistan have components in Baluchistan, as described below:

Third Education Project (Credit No. 678-PAK)

The main objectives of the project are:

(a) the improvement and expansion of primary and middle-level education by increasing the supply of qualified teachers, particularly in rural areas and female teachers; and

(b) supply trained personnel for agricultural and rural development.

The Credit is helping to finance: (a) construction/rehabilitation of 17 Teacher Training Institutes with a total enrollment of about 5,000; (b) improvement and expansion of 5 existing Agricultural Training Institutes which provide pre-service and in-service training to agricultural and livestock field assistants and training to farmer leaders (total enrollment capacity about 1,600); and (c) improvement and expansion of the Sind Agricultural University at Tandojam (enrollment capacity about 1,300). The Credit also provides finance for a pilot adult literacy program and studies on training needs for irrigated agriculture and water management. Two of the Teacher Training Institutes under the project are in Baluchistan (Pishun - for females; Mastung - for males). There is also one Agricultural Training Institute in Baluchistan (Quetta).

Third Highway Project (Credit No. 974-PAK)

The project is designed to prevent deterioration of vital sections of Pakistan's road system and consists of the following main components: (a) rehabilitation and improvement of about 280 km of national and provincial roads; (b) maintenance of national and provincial roads; and (c) assistance to domestic construction industry.

At the provincial level, project emphasis is concentrated on improving periodic maintenance in order to arrest further deterioration. In Baluchistan, the project is providing equipment to improve the efficiency of the present overlay program being carried out in main routes. Technical assistance is provided to help operate the soils and materials laboratories and improve planning and design and for workshop operation in Baluchistan.

Seed Project (Credit No. 620-PAK)

This project represents the first phase in the development of a modern seed industry in Pakistan, involving research, variety release, seed multiplication, processing, certification, storage and marketing. Project activities are decentralized on a provincial basis. Public-sector Seed Corporations are being equipped under the project in Punjab and Sind. These Corporations would select and register seed growers and would provide services to them as well as take full responsibility for processing, packaging and storage of seed. A National Seed Council, with representatives of each of the Provinces as well as from all public and private parties concerned with the seed industry was established to formulate national seed policy. In addition to initiating commercial-scale production of cereal and cotton seed in Punjab and Sind, the project is financing a pilot project for vegetable and potato seed production in Baluchistan, NWFP and Punjab.

Primary Education Project (Credit No. 892-PAK)

The project is an experimental project which will be the first phase of a long-term effort to address major problems in primary education. The main objectives are:

(a) To provide increased access to primary schools, especially for girls and for rural poverty groups, by providing school facilities and materials, more female teachers and enhanced supervision to improve school-public relations and overcome parental indifference to enrollment;

(b) To reduce wastage, principally by reducing dropout and repetition, through improved facilities, materials and instruction and improved staff supervision;

(c) To obtain higher and more lasting pupil achievement through recurrent in-service teacher training; and

(d) To reduce costs by introducing lower cost teachers and larger class and school sizes.

The Credit of $10 million is helping to finance:

(a) Strengthening of the teacher service by the introduction of about 340 assistant teachers (about half of which will be females), about 50 supervisors (about one-third females) and about 470 learning coordinators (about one-third females);

(b) Training (including technical assistance) of about 11,000 teachers and other staff related to the project;

(c) Provision of books, instruction materials and equipment for about 4,100 schools and 10 in-service training centers and vehicles for supervisors, learning coordinators and project unit staff;

(d) Construction of about 1,000 classrooms, residences for about 675 female teachers, and 10 in-service training centers, and provision of furniture for about 700 classrooms and the in-service training centers;

(e) Experimentation and evaluation (including technical assistance) of various inputs in achieving the project objectives; and

(f) Future project preparation.

The project covers about 650 schools (480 boys' and 170 girls') in Baluchistan, with about 35,000 pupils and 1,200 teachers or about 16% of the schools included in the project.

12/10/80

2

I 18/1/7

FIELD VISIT BRIEFING MATERIAL

BEING PREPARED BY

RESIDENT MISSION

AND WILL BE MADE AVAILABLE

IN ISLAMABAD

BIOGRAPHICAL DATA

Lt. Gen. Fazle Haq, Governor, NWFP.

He was born in 1928 in Mardan, NWFP. He was commissioned in the Armoured Corp in November 1948. He commanded an Armoured Brigade in 1969-72; an Infantry Brigade in 1973-74; an Armoured Division in 1974-76; and an Infantry Division in 1976-77. He was promoted to Corps Commander in January 1978. He attended the National Defence Course in 1972 and the Armoured Course in 1956, Fort Knox, U.S.A. He was appointed Governor, NWFP in October 1978.

ONGOING PROJECTS IN NORTH WEST FRONTIER PROVINCE

Several ongoing projects in Pakistan have components in NWFP, as described below:

Third Education Project (Credit No. 678-PAK)

The main objectives of the project are:

(a) the improvement and expansion of primary and middle-level education by increasing the supply of qualified teachers, particularly in rural areas and female teachers; and

(b) supply trained personnel for agricultural and rural development.

The Credit of $15 million is helping to finance: (a) construction/rehabilitation of 17 Teacher Training Institutes with a total enrollment of about 5,000; (b) improvement and expansion of five existing Agricultural Training Institutes which provide pre-service and in-service training to agricultural and livestock field assistants and training to farmer leaders (total entollment capacity about 1,600); and (c) improvement and expansion of the Sind Agricultural University at Tandojam (enrollment capacity about 1,300). The Credit also provides finance for a pilot adult literacy program and studies on training needs for irrigated agriculture and water management. Four of the Teacher Training Institutes under the project are in NWFP (two in D.I. Khan, one for females and one for males; Jamrud - for males; Peshawar - for females). There is also one Agricultural Training Institute in NWFP (Peshawar).

Third Highways Project (Credit No. 974-PAK)

The project is designed to prevent deterioration of vital sections of Pakistan's road system and consists of the following main components: (a) rehabilitation and improvement of about 280 km of national and provincial roads; (b) maintenance of national and provincial roads; and (c) assistance to domestic construction industry.

Within the first of these components, the road sections selected for rehabilitation include those which are in most serious danger of failure on or near the main truck road from Karachi to Peshawar. There are two road sections in the NWFP: (a) 28 kilometers of the Peshawar-Charsadda road; and (b) 29 kilometers of the Khairabad-Nowshera road. The rehabilitation work consists mainly of raising the existing roads in low areas, widening and pavement strengthening and resurfacing. Within the maintenance component, the project emphasis is concentrated on periodic maintenance at the provincial level. The project includes a maintenance unit in NWFP. Technical assistance is being provided to help operate the soils and materials laboratories and improve planning and design in NWFP.

Seed Project (Credit No. 620-PAK)

This project represents the first phase in the development of a modern seed industry in Pakistan, involving research, variety release, seed multiplication, processing, certification, storage and marketing. Project activities are decentralized on a provincial basis. Public-sector Seed Corporations are being equipped under the project in Punjab and Sind. These Corporations would select and register seed growers and would provide services to them as well as take full responsibility for processing, packaging and storage of seed. A National Seed Council, with representatives of each of the Provinces as well as for all public and private parties concerned with the seed industry was established to formulate national seed policy. In addition to initiating commercial-scale production of cereal and cotton seed in Punjab and Sind, the project is financing a pilot project for vegetable and potato seed production in NWFP, Baluchistan and Punjab.

Hazara Forestry Pre-Investment Project (Credit No. 755-PAK)

The main objective of the project is to assist the Government to formulate an integrated program for the development of forest resources of the Hazara region of the North West Frontier Province (NWFP). The Credit is helping to finance the development of improved technologies in reforestation, the reinforcement of the Forest Department of the NWFP and other agencies and the preparation of follow-up projects for large-scale reforestation and a possible integrated pulp and paper industry. Under the project, suitable areas for large-scale reforestation are being selected by systematic site assessment; the inventory of existing forests is being updated and pilot plantations with back-up research trials and a genetic improvement program are being developed. Moreover, the project includes a training program; a socio-economic study to embrace private small-scale forest owners in future development; pulping tests and a feasibility study to define the type, configuration and timing of pulp and paper industrial development.

Salinity Control and Reclamation (SCARP Mardan Project) (Credit No. 877-PAK)

The project was originally designed to increase agricultural production by providing additional irrigation water and irrigation improvements for the entire Lower Swat Canal and additional water for part of the Upper Swat Canal area in the NWFP. The project included remodeling of surface drains to carry out storm water and tile drainage flows; increase the Upper Swat Canal discharge capacity; remodeling of the Lower Swat Canal system to provide increased capacity and improve canal operational efficiencies; reclaiming abandoned or marginally productive saline-alkaline land; improving the rural market road network;

improving agricultural extension services; monitoring irrigation deliveries, drainage flows, water table depths and agricultural production; providing equipment and vehicles for construction, O&M, agricultural extension, seed production, project support and monitoring programs. The project design is being reviewed by IDA and the Government in order to reduce the project scope in view of local currency constraints.

Primary Education Project (Credit No. 892-PAK)

The project is an experimental project which will be the first phase of a long-term effort to address major problems in primary education. The main objectives are:

(a) to provide increased access to primary schools, especially for girls and for rural poverty groups, by providing school facilities and materials, more female teachers and enhanced supervision to improve school-public relations and overcome parental indifference to enrollment;

(b) to reduce wastage, principally by reducing drop-out and repetition, through improved facilities, materials and instruction and improved staff supervision;

(c) to obtain higher and more lasting pupil achievement through recurrent in-service teacher training; and

(d) to reduce costs by introducing lower cost teachers and larger class and school sizes.

The Credit of $10 million is helping to finance:

(i) strengthening of the teacher service by the introduction of about 340 assistant teachers (about half of which will be females), about 50 supervisors (about one-third females) and about 470 learning coordinators (about one-third females);

(ii) training (including technical assistance) of about 11,000 teachers and other staff related to the project;

(iii) provision of books, instruction materials and equipment for about 4,100 schools and 10 in-service training centers and vehicles for supervisors, learning coordinators and project unit staff;

(iv) construction of about 1,000 classrooms, residences for about 675 female teachers, and 10 in-service training centers, and provision of furniture for about 700 classrooms and the in-service training centers;

(v) experimentation and evaluation (including technical assistance) of various inputs in achieving the project objectives; and

(vi) future project preparation.

The project covers about 650 schools (480 boys' and 170 girls') in NWFP, with about 125,000 pupils and 3,000 teachers, or about 30% of the schools included in the project.

December 10, 1980

7-19/1/5

ANNUAL DEVELOPMENT PROGRAM FOR 1980/81
OF NORTH WEST FRONTIER PROVINCE

Table 1 is a summary of the consolidated national Annual Development Program for 1980/81. It shows separately the ADP for NWFP and its foreign exchange component.

Abstract I and II give further sectoral and other detail for NWFP alone.

<u>Table 1</u>

CONSOLIDATED ANNUAL DEVELOPMENT PROGRAMME 1980-81
(SUMMARY)

(Million Rs)

Sl. No.	Sector	Total 1980-81		Federal		Total Provincial		Punjab		Sind		N.W.F.P.		Baluchistan	
		ADP	FEC	ADP	FEC	ADP	FEC	ADP	FEC	ADP	FEC	ADP	FEC	ADP	FEC
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1.	Agriculture	3877.630	254.080	3,156.560	118.766	721.070	135.314	454.262	75.612	108.818	14.307	93.270	21.002	64.720	24.393
2.	Water	3152.530	792.160	2,605.000	760.908	547.530	31.252	316.550	19.800	97.500	—	62.210	6.638	71.270	4.814
3.	Power	4,019.836	1355.990	4,015.836	1355.990	4.000	—	—	—	—	—	4.000	—	—	—
4.	Fuels	1500.300	985.512	1,500.000	985.512	0.300	—	—	—	—	—	0.300	—	—	—
5.	Industry	4,074.406	1447.934	3,967.231	1428.242	107.175	19.692	53.542	—	12.837	1.973	18.796	16.986	22.000	0.733
6.	Minerals	95.986	36.204	83.669	13.340	12.317	22.864	1.500	—	—	—	10.317	22.864	0.500	—
7	Transport & Communications.	4867.858	1271.737	4,147.527	1248.737	720.331	23.000	258.200	—	219.000	23.000	158.331	—	84.800	—
8.	Physical Planning & Housing.	1831.296	115.992	561.086	33.269	1270.210	82.723	684.074	77.773*	379.930*	4.950	144.293	—	61.913	—
9.	Mass Media	112.068	30.925	111.458	30.925	0.610	—	0.610	—	—	—	—	—	—	—
10.	Education	1291.580	237.727	693.975	203.535	597.605	34.192	271.956	12.373	128.000	9.210	159.190	5.672	38.459	6.937
11.	Health	942.458	164.182	413.655	148.782	528.803	15.400	320.750	—	70.415	—	117.500	4.000	20.138	11.400
12.	Population Planning ..	160.000	65.474	160.000	65.474	—	—	—	—	—	—	—	—	—	
13.	Social Welfare	38.334	—	7.796	—	30.538	—	21.666	—	1.500	—	5.000	—	2.372	—
14.	Manpower and Employment.	44.800	7.994	13.100	7.450	31.700	0.544	23.700	—	1.000	0.137	3.793	—	3.207	0.407
15.	Rural Development ..	507.082	4.461	58.994	—	448.088	4.461	355.088	1.491	30.000	—	41.000	—	22.000	2.970
16.	Earthquake Reconstruction Programme	72.000	2.181	72.000	2.181	—	—	—	—	—	—	—	—	—	—
17.	Block Provision/Miscellaneous.	74.318	—	—	—	74.318	—	44.652	—	13.000	—	—	—	16.666	—
	Total—(Gross)	26,662.482	6,772.553	21,567.887	6403.111	5094.595	369.442	2806.550	187.049	1062.000	53.577	818.000	77.162	408.045	51.654
	Less (Shortfall)	(—) 198.045	—	—	—	(—)198.045	—	(—)198.000	—	—	—	—	—	(—)0.045	—
	Total—(ADP) ..	26,464.437	6,772.553	21,567.887	6403.111	4896.550	369.442	2608.550	187.049	1062.000	53.577	818.000	77.162	408.000	51.654

*Includes Rs. 90 million as special grant by Federal Government for Hub Dam Water Supply Scheme.

ABSTRACT I

ANNUAL DEVELOPMENT PROGRAMME, 1980-81

SECTORAL BREAK-UP, PROVINCIAL AND DISTRICT-WISE PROGRAMMES.

(Rupees in Millions)

Sector/Sub-Sector	Provincial Programme	LOCAL PROGRAMME												Total Local Programmes	Grand Total Local and Provincial Programmes
		Peshawar	Mardan	Kohat	Abbottabad	Mansehra	Kohistan	Bannu	D. I. Khan	Chitral	Dir	Swat	Malakand Agency		
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
AGRICULTURE —															
(i) Agriculture Extension	22.499	..	0.240	..	..	1.000	..	..	1.221	..	..	1.800	..	4.261	26.7605
(ii) Agriculture Mechanisation	10.330	..	..	..	..	1.000	..	..	..	..	1.000	..	..	2.000	12.330
(iii) Agriculture Research	16.181	..	..	..	..	..	..	..	..	..	..	..	..	..	16.181
(iv) Seed and Fertilizer.	2.009	..	..	..	..	..	..	..	..	..	..	..	..	..	2.009
(v) Forestry.	21.124	..	0.708	0.265	..	..	0.300	..	..	..	0.400	..	0.300	1.973	23.097
(vi) Animal Husbandry.	12.948	..	..	..	..	1.167	..	..	..	..	..	..	..	1.167	14.1145
(vii) Fisheries.	2.420	..	..	..	..	..	..	..	..	..	..	..	..	..	2.420
(viii) Co-operatives.	2.371	..	..	..	..	..	..	..	..	..	..	..	..	..	2.371
(ix) Food.	..	..	..	..	..	..	..	..	..	0.708	1.132	1.390	0.187	3.417	3.417
Total ..	89.882	..	0.948	0.265	..	3.167	0.300	..	1.221	0.708	2.532	3.190	0.487	12.818	102.700

ABSTRACT—I *contd*

ANNUAL DEVELOPMENT PROGRAMME, 1980-81.

SECTORAL BREAK-UP, PROVINCIAL AND DISTRICT-WISE PROGRAMMES.

(RUPEES IN MILLIONS).

Serial No.	Sector/Sub-sector	Provincial Programme	LOCAL PROGRAMME												Total Local Programmes	Grand Total Local and Provincial Programmes
			Peshawar	Mardan	Kohat	Abbottabad	Mansehra	Kohistan	Bannu	D. I. Khan	Chitral	Dir	Swat	Malakand Agency		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
II.	**RURAL DEVELOPMENT.—**															
	Number of Union Councils ..	..	79	71	29	59	46	14	33	30	11	17	30	17		
	(i) Rural Roads ..	..	2.981	2.4173	1.7504	2.149	2.145	2.346	1.7353	1.635	1.2981	1.6939	2.0821	1.3269	23.560	23.560
	(ii) Minor schemes of 436 Union Councils of N.-W. F. P., allocated on equal share basis.	..	3.160	2.840	1.160	2.360	1.840	0.560	1.320	1.200	0.440	0.680	1.200	0.680	17.440	17.440
	Total ..	..	6.141	5.2573	2.9104	4.509	3.985	2.906	3.0553	2.835	1.7381	2.3739	3.2821	2.0069	41.000	41.000
III.	**WATER AND POWER.—**															
	WATER															
	(i) **WAPDA (Provincial)** ..	9.8555	..	12.000	..	..	..	..	..	3.005	..	..	..	..	15.005	24,860
	(ii) Irrigation ..	4.700	8.180	1.320	1.900	0.410	1.290	..	0.270	2.600	1.810	1.700	3.250	0.790	23.520	28,220
	POWER															
	(i) Energy Hydro Electric ..	..	..	..	..	..	0.500	..	..	..	0.500	..	3,000	..	4.000	4.000
	Total ..	14,555	8.180	13.320	1.900	0.410	1.790	..	0,270	5.605	2.310	1.700	6.250	0.790	42.525	57.080
IV.	**INDUSTRIES.—**															
	(i) Printing and Stationery ..	6.365	..	..	..	..	..	..	..	..	..	..	..	..	..	6.365
	(ii) Small Industries .	5.231	..	..	..	..	..	..	..	..	..	..	..	..	..	5.231
	(iii) Sarhad Development Authority	7.200	..	..	..	..	..	..	..	..	..	..	..	..	..	7.200
	Total ..	18.796	..	..	..	..	..	..	..	..	..	..	..	..	..	18,796

ABSTRACT I—*contd*

ANNUAL DEVELOPMENT PROGRAMME, 1980-81.

SECTORAL BREAK-UP, PROVINCIAL AND DISTRICT-WISE PROGRAMMES. (RUPEES IN MILLIONS).

Serial No.	Sector/Sub-Sector	Provincial Programme	LOCAL PROGRAMME												Total Local Programmes	Grand Total Local and Provincial Programmes
			Peshawar	Mardan	Kohat	Abbottabad	Mansehra	Kohistan	Bannu	D. I. Khan	Chitral	Dir	Swat	Malakand Agency		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
V.	MINERALS.—															
	Sarhad Development Authority	10.317	..		..	..	.	..	..	..	..	..	..	..	..	10.317
	Total ..	10.317	..	..	..	..	..	..	..	..	..	..	..	..	..	10,317
VI.	TRANSPORT AND COMMUNICATION.															
	(i) Communication ..	6.000	29.918	14.179	20.200	13.550	13.710	..	10.600	7.500	12.250	8.224	12.200	5.000	147.331	153.331
	(ii) Transport ..	5.000	..	..	..	..	..	..	..	..	..	..	..	..	..	5.000
	Total ..	11.000	29.918	14.179	20.200	13.550	13.710	..	10.600	7.500	12.250	8.224	12.200	5.000	147.331	158.331
VII.	PHYSICAL PLANNING AND HOUSING.															
	(i) Public Health Engineering	2.900	14.752	9.088	8.398	6.138	4.242	..	9.522	9.001	1.460	2.569	4.513	1.400	71.083	73.983
	(ii) Building and Housing ..	33.755	5.400	2.187	0.900	3.372	1.620	1.000	2.550	0.196	1.576	5.325	2.429	0.200	28.755	62.510
	(iii) Urban Development ..	7.800	..	..	..	..	..	..	..	..	..	..	..	..	..	7.800
	Total ..	44.455	20.152	11.275	9.298	11.510	5.862	1.000	12.072	9.197	3.036	7.894	6.942	1.600	99.838	144.293

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ABSTRACT I—*Contd*

ANNUAL DEVELOPMENT PROGRAMME, 1980-81.

SECTORAL BREAK-UP, PROVINCIAL AND DISTRICT-WISE PROGRAMMES. (RUPEES IN MILLIONS).

Serial No.	Sector/Sub-Sector	Provincial Programme	LOCAL PROGRAMME												Total Local Programme	Grand Total Local and Provincial Programmes
			Peshawar	Mardan	Kohat	Abbottabad	Mansehra	Kohistan	Bannu	D. I. Khan	Chitral	Dir	Swat	Malakand Agency		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
VIII.	EDUCATION AND TRAINING															
	(i) Primary Education ..	6.172	10.366	7.512	5.140	10.091	6.583	0.708	5.378	4.356	2.365	5.820	5.952	1.030	65.301	71.473
	(ii) Secondary Education ..	..	4.228	3.228	3.228	5.524	4.968	..	2.628	2.728	2.111	2.475	2.474	1.041	34.633	34.633
	(iii) College Education ..	4.099	1.000	0.750	2.100	6.094	..	..	1.400	1.300	1.000	2.000	..	1.461	17.105	21.204
	(iv) Teacher's Education ..	9.500	..	..	..	..	..	..	..	..	..	..	..	..	..	9.500
	(v) Miscellaneous ..	4.026	..	..	..	..	..	..	..	..	..	..	..	..	..	4.026
	(vi) Scholarships ..	5.500	..	..	..	..	..	..	..	..	...	..	..	..	..	5.500
	(vii) Technical Education ..	..	2.858	1.000	0.226	0.800	1.000	..	1.200	0.800	0.900	..	2.380	..	11.164	11.164
	Total ..	29.297	18.452	12.490	10.694	22.509	12.551	0.708	10.606	9.184	6.376	10.295	10.806	3.532	128.203	157.500
IX.	HEALTH –															
	(i) Rural Health Services ..	4.899	4.861	3.759	3.621	7.387	6.715	0.750	4.231	4.091	2.234	6.925	3.763	0.985	49.322	54.221
	(ii) General Hospitals ..	3.000	0.605	4.727	2.157	2.055	3.536	..	2.000	0.331	2.000	2.500	1.080	2.000	22.991	25.991
	(iii) Medical Education ..	4.267	0.786	..	..	..	..	..	..	..	..	..	2.000	..	2.786	7.053
	(iv) Lady Reading Hospital ..	11.968	..	..	..	..	..	..	..	..	..	..	..	..	..	11.968
	(v) Khyber Teaching Hospital ..	9.000	..	..	..	..	..	..	..	..	..	..	..	..	..	9.000
	(vi) Scholarships and Stipends.	4.921	..	..	..	..	..	..	..	..	..	..	..	..	..	4.921
	(vii) Miscellaneous .	4.346	..	..	..	..	..		..	..	..	..	..	..	..	4.346
	Total ..	42.401	6.252	8.486	5.778	9.442	10.251	0.750	6.231	4.422	4.234	9.425	6.843	2.985	75.099	117.500

ABSTRACT I.—*contd.*

ANNUAL DEVELOPMENT PROGRAMME, 1980-81.

SECTORAL BREAK-UP, PROVINCIAL AND DISTRICT-WISE PROGRAMMES. (RUPEES IN MILLIONS).

Serial No.	Sector/Sub-Sector	Provincial Programme	LOCAL PROGRAMME.												Total Local Programmes	Grand Total Local and Provincial Programmes
			Peshawar	Mardan	Kohat	Abbottabad	Mansehra	Kohistan	Bannu	D. I. Khan	Chitral	Dir	Swat	Malakand Agency		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
X.	SOCIAL WELFARE.—															
	(I) Social Welfare ..	5.000	..	..	..	..	..	..	..	..	..	..	..	..	..	5.000
	Total ..	5.000	..	..	..	..	..	..	..	..	..	..	..	..	..	5.000
XI.	MANPOWER AND TRAINING.															
	(i) Labour Policy ..	0.184	..	..	..	..	..	..	..	..	..	..	..	..	..	0.184
	(ii) Training ..	3.609	..	..	..	..	..	..	..	..	..	..	..	..	..	3.609
	Total ..	3.793	..	..	..	..	..	..	..	..	..	..	..	..	..	3.793
XII.	PLANNING AND DEVELOPMENT.—															
	(I) Library and Research ..	0.700	..	..	..	..	..	..	..	..	..	..	..	..	..	0.700
	(ii) Regional Development Project	0.777	..	..	..	..	..	..	..	..	..	..	..	..	..	0.777
	(iii) Bureau of Statistics. ..	0.213	..	..	..	..	..	..	..	..	..	..	..	..	..	0.213
	Total ..	1.690	..	..	..	..	..	..	..	..	..	..	..	..	..	1.690
	Grand Total ..	271.186	89.095	65.9553	51.0454	61.930	51.316	5.664	42.8343	39.964	30.652	42.4439	49.513	16.4011	546.814	818.000

APPENDIX-II

ANNUAL DEVELOPMENT PROGRAMME, 1980-81

ONGOING AND NEW SCHEMES.

(RUPEES IN MILLIONS)

Serial No.	Sector/Sub-Sector	No. of On-going schemes	Allocation	No. of New schemes	Allocation	Total No. of schemes	Total Allocation	Percentage Allocation 1980-81	Percentage Allocation 1979-80
1	2	3	4	5	6	7	8	9	10
I	**AGRICULTURE.—**								
	(i) Agriculture Extension ..	13	25.275	4	1.4855	17	26.7605		..
	(ii) Agriculture Mechanisation ..	3	7.630	4	4.700	7	12.330	..	—
	(iii) Agriculture Research ..	9	10.261	2	5.920	11	16.181	..	..
	(iv) Seeds and Fertilizer ..	..	..	1	2.009	1	2.009	..	—
	(v) Forestry ..	15	22.297	2	0.800	17	23.097	..	—
	(vi) Animal Husbandry ..	9	13.472	4	0.6425	13	14.1145	..	—
	(vii) Fisheries ..	1	0.281	1	2.139	2	2.420	..	..
	(viii) Co-operatives ..	3	0.561	6	1.810	9	2.371	..	..
	(ix) Food ..	3	1.817	2	1.600	5	3.417	..	..
	Total ..	56	81.594	26	21.106	82	102.700	12.5%	14%
II	**RURAL DEVELOPMENT.—**								
	(i) Rural Roads ..	..	..	12	23.560	12	23.560	..	..
	(ii) Minor schemes of 436 Union Councils of N.W.F.P. allocated on equal share basis.	..	..	12	17.440	12	17.440	..	..
	Total ..	..	..	24	41.000	24	41.000	5%	3%
III	**WATER AND POWER.—**								
	WATER								
	(i) WAPDA (Provincial) ..	4	24.860	..	..	4	24.860	..	..
	(ii) Irrigation ..	25	9.720	25	18.500	50	28.220	..	..
	POWER								
	(i) Energy Hydro Electric ..	..	..	3	4.000	3	4.000	..	..
	Total ..	29	34.580	28	22.500	57	57.080	7%	7.4%

ABSTRACT II—*contd.*

ANNUAL DEVELOPMENT PROGRAMME 1980-81.

ONGOING AND NEW SCHEMES. (RUPEES IN MILLIONS)

Serial No.	Sector/Sub-Sector	No. of On-going schemes	Allocation	No. of New schemes	Allocation	Total No. of schemes	Total Allocation	Percentage Allocation 1980-81	Percentage Allocation 1979-80
1	2	3	4	5	6	7	8	9	10
IV	INDUSTRIES.—								
	(i) Printing and Stationary ..	2	6.165	1	0.200	3	6.365	..	..
	(ii) Small Industries ..	5	4.231	7	1.000	12	5.231	..	..
	(iii) Sarhad Development Authority ..	8	6.200	1	1.000	9	7.200	..	..
	Total ..	15	16.596	9	2.200	24	18.796	2.3%	3.7%
V	MINERALS.—								
	(i) Sarhad Development Authority ..	5	9.917	1	0.400	6	10.317	..	..
	Total ..	5	9.917	1	0.400	6	10.317	1.3%	1.8%
VI	TRANSPORT AND COMMUNICATIONS.—								
	(i) Communications ..	48	119.231	24	34.100	72	153.331	..	..
	(ii) Transport ..	..	..	1	5.000	1	5.000	..	..
	Total ..	48	119.231	25	39.100	73	158.331	19.4%	17.1%
VII	PHYSICAL PLANNING AND HOUSING.—								
	(i) Public Health Engineering ..	117	56.214	79	17.769	196	73.983	..	..
	(ii) Building and Housing ..	22	40.833	30	21.677	52	62.510	..	..
	(iii) Urban Development ..	2	2.300	2	5.500	4	7.800	..	..
	Total ..	141	99.347	111	44.946	252	144.293	17.6%	19.1%

ABSTRACT II.—*contd.*

ANNUAL DEVELOPMENT PROGRAMME, 1980-81.

ONGOING AND NEW SCHEMES

(RUPEES IN MILLIONS.)

Serial No.	Sector/Sub-Sector	No. of On-going schemes	Allocation	No. of New schemes	Allocation	Total No. of schemes	Total Allocation	Percentage Allocation 1980-81	Percentage Allocation 1972-80
	2	3	4	5	6	7	8	9	10
VIII	EDUCATION AND TRAINING—								
	(i) Primary Education. ..	18	11.722	46	59.751	64	71.473		
	(ii) Secondary Education. ..	27	12.222	25	22.411	52	34.633	..	..
	(iii) College Education. ..	20	16.105	4	5.099	24	21.204	..	..
	(iv) Teachers Education. ..	3	7.500	1	2.000	4	9.500	..	..
	(v) Miscellaneous. ..	4	1.714	5	2.312	9	4.026	..	..
	(vi) Scholarships. ..	..	..	1	5.500	1	5.500	..	..
	(vii) Technical Education. ..	10	9.964	1	1.200	11	11.164	..	..
	Total ..	82	59.227	83	98.273	165	157.500	19.2%	18.9%
IX	HEALTH.—								
	(i) Rural Health Services. ..	26	33.748	21	20.473	47	54.221		
	(ii) General Hospitals. ..	25	22.991	1	3.000	26	25.991	..	..
	(iii) Lady Reading Hospital. ..	8	11.968	..	..	8	11.968	..	..
	(iv) Khyber Teaching Hospital. ..	1	9.000	..	..	1	9.000	..	..
	(v) Medical Education and Training ..	4	6.943	1	0.110	5	7.053	..	..
	(vi) Scholarships and Stipends. ..	8	4.420	3	0.501	11	4.921	..	..
	(vii) Miscellaneous. ..	4	3.346	4	1.000	8	4.346	..	..
	Total ..	76	92.416	30	25.084	106	117.500	14.4%	13.4%

ABSTRACT II—*concld*

ANNUAL DEVELOPMENT PROGRAMME, 1980-81.

ONGOING AND NEW SCHEMES.

(Rupees in Millions)

Serial No.	Sector/Sub-Sector	No. of Ongoing Schemes.	Allocation	No. of New Schemes	Allocation	Total No. of Schemes	Total Allocation	Percentage Allocation 1980-81.	Percentage Allocation 1979-80
1	2	3	4	5	6	7	8	9	10
X	SOCIAL WELFARE.—								
	(i) Social Welfare ..	4	1.726	3	3.274	7	5.000	..	..
	Total ..	4	1.726	3	3.274	7	5.000	0.6%	0.5%
XI	MANPOWER AND TRAINING—								
	(i) Labour Policy ..	1	0.184	..	..	1	0.184	..	..
	(ii) Training ..	4	3.509	1	0.100	5	3.609	..	..
	Total ..	5	3.693	1	0.100	6	3.793	0.5%	0.9%
XII	PLANNING AND DEVELOPMENT—								
	(i) Library and Research ..	2	0.700	..	..	2	0.700	..	..
	(ii) Regional Planning ..	1	0.777	..	..	1	0.777	..	..
	(iii) Bureau of Statistics ..	1	0.213	..	..	1	0.213	..	..
	Total ..	4	1.690	..	..	4	1.690	0.2%	0.2%
	Grand Total ..	465	520.017	341	297.983	806	818.000	100%	100%

THE PAKISTAN TIMES

June 26, 1980

Recovery of taxes to wipe out small deficit

Development-oriented Budget for NWFP

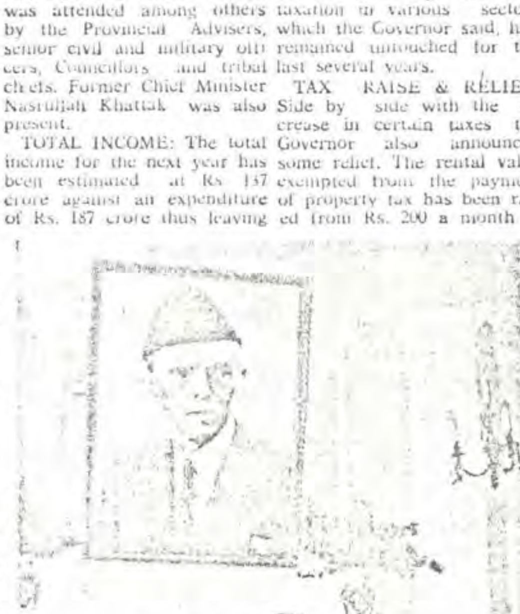
From Our Peshawar Bureau

JUNE 25: The NWFP Governor and Martial Law Administrator, Lt. Gen. Fazle Haq, announced here today the Provincial Budget for the fiscal year 1980-81, showing an overall deficit of Rs. 4 crore which he said, would be brought down through further improving the recovery of taxes.

Expecting full public cooperation in the task, he added that efforts would also continue to reduce the Government expenditure.

The Budget announcement ceremony, held in the Darbar Hall of the Governor's House, was attended among others by the Provincial Advisers, senior civil and military officers, Councillors and tribal chiefs. Former Chief Minister Nasrullah Khattak was also present.

TOTAL INCOME: The total income for the next year has been estimated at Rs. 137 crore against an expenditure of Rs. 187 crore thus leaving



Lt.Gen. Fazle Haq, Governor of NWFP announcing the Provincial Budget for the financial year 1980-81.

a gap of Rs. 50 crore. The bulk of the gap amounting to Rs. 44.50 crore, would be removed through the committed Federal grant-in aid while another Rs. 1.50 crore would be raised through enhanced taxation in various sectors which the Governor said, had remained untouched for the last several years.

TAX RAISE & RELIEF: Side by side with the increase in certain taxes the Governor also announced some relief. The rental value exempted from the payment of property tax has been raised from Rs. 200 a month to Rs. 400 a month the concession in the lump sum payment of vehicle tax has been increased from 10 to 15 per cent, stamp duty on the industrial and commercial loan documents has been reduced from three per cent to two per cent, the entire amount of the urban property tax would in future be given to the Municipal and Town Committees concerned against the present percentage of 85. The surcharge on buses and trucks has also been abolished.

RECORD ADP: Governor Fazle Haq also announced a record Annual Development

Continued on back Page Col. 3

Highlights

Following are the highlights of the NWFP Budget:

A record outlay of Rs. [illegible]56 crore has been provided in the NWFP Budget for [illegible]-81 with Rs. 187 crore revenue expenditure and Rs. [illegible] crore as Annual Development Programme.

The Federal Government [illegible] provide Rs. 45 crore to [illegible]uce the Rs. 50 crore deficit to Rs. 5 crore.

—The entire ADP will be financed by the Federal Government.

—The provincial receipts increased to Rs. 119 crore, during current financial year, as against estimates of Rs. [illegible]4 crore.

—The current year's estimated deficit of Rs. 4 crore reduced to Rs. 1 crore, due to various economy measures and increased revenue receipts.

—Three hundred official telephones closed down, as

Continued on Page 5 Col. 6

Budget at a glance

FIGURES IN MILLIONS

Revenue Receipts	Budget Estimates 1980-81	Budget Revised 1979-80	Budget Estimates 1979-80
1. Provincial receipts	377.434	332.971	264.108
2. Federal tax assignments	1363.515	1174.643	931.695
3. Net capital receipts	12.294	14.796	11.219
4. Gross deficit	501.840	485.377	451.678
5. Federal grants-in-aid	445.830	475.025	566.858
6. Uncovered deficit	56.010	10.352	47.335
TOTAL:	1877.649	1674.816	1557.107

Revenue Expenditure

1. Administrative expenditure	1219.351	1079.342	1035.766
2. Wheat subsidy	197.107	185.805	143.830
3. Debt services	406.191	408.669	376.471
4. Capital expenditure	1.000	1.000	1.000
TOTAL:	1877.649	1674.816	1557.107

Development Budget

[illegible]al assistance	792.364	629.776	725.367
[illegible]eign loans grants	25.636	28.223	41.633
Total resources	881.000	702.850	767.000
Development expenditure	881.00	730.627	820.000

... ending any prospect of another generation of Nehru family rule in India.—Reuter

People's weal our goal—Fazle Haq

Continued from Page 1 Col. 3

Programme for the province for which the Federal Government he said had raised the allocation from current year's Rs. 69 crore to Rs. 81.80 crore.

He said that the major portion of the development allocation would be claimed by transport and communications, education and training, physical planning and housing, health and agriculture.

ONGOING SCHEMES: The Governor said that the current year's policy to lay emphasis on consolidating the on going schemes, which had worked well, would continue.

The Government he said was determined to ensure maximum benefits to greater number of people at the earliest. He pointed out that the resources provided by the Federal Government were a record and it was now up to the Provincial Government and the local councils to utilise these resources judiciously.

Governor Fazle Haq said that in the beginning of the current year the country's economy was in some difficulties which had since been overcome with the annual growth rate estimated to have exceeded the target of 6.5

The production of wheat and cotton had increased, exports had also gone up by 41 per cent while the public and private savings had registered a rise to help curb the rising trend in prices. That he observed would also help private investment.

Rs. 818m. Annual Plan

PESHAWAR June 25: NWFP Governor Fazle Haq today announced Rs. 818 million Annual Development Programme for NWFP for the next fiscal year 1980-81.

In his budget sp ch delivered in Darbar hall at Governor House here this morning, the Provincial Governor expressed his gratitude to the Federal Government for having enhanced the money for the NWFP. ADP as compared to the last year which amounted to Rs. 699 million.

He said the Provincial Government has decided that the Local Councils should play significant role in chalking out and implementation of development programmes. Therefore, he added, Local Councils would look after the schemes in primary education, basic health, irrigation, water and roads and communication in rural areas. He said a total of Rs. 228 million had been earmarked for these sectors. Out of which Rs. 17.4 million would be spent under the supervision of Local Councils and Rs. 23.5 million under the District Council for road construction in rural areas.

The Governor said like Federal Government it would be the endeavour of the Provincial Government to expand the basic resources of development and residential facilities to the rural areas.

Giving the salient features of the ADP, the provincial Governor said 153 million had been earmarked for communication sector which, he pointed out, had received an amount of Rs. 30.9 million lakh more than the previous year. He said 24 new schemes would be implemented under the next ADP in the province. These include, improvement and widening of Charsadda-Mardan road, Kaqsood Hora, Ghora Galli Road, a Kaghan Valley Road, Haripur-Khanpur-Taxila Road, Kohat-Thall Road, Kohat-Bannu-D.I. Khan Road, D.I. Khan-Tank Road, Alam Jab Road, Darra Malakand Road and Chakdara Road. The Governor said priority would be given to primary education while facilities for higher education be improved during the ADP.

"Out of a total of Rs.157.5 million earmarked for education next year. The primary education will have its share amounting to Rs. 71.5 million.

In this connection, he added, that 377 new buildings would be provided for primary schools, 281 new primary schools to be opened, additional facilities be provided to 198 primary schools, 106 residential houses be constructed for primary teachers, 55 schools be upgraded to middle level and 25 middle schools to high level.

The Governor said Rs. 22.6 million had been earmarked for industrial sector and added that SDA would start work on bricks and tile factory in D.I. Khan during the next fiscal year.

Similarly, the Governor said SDA would be given Rs. 10.3 million for its mineral development schemes. In this connection, the Governor disclosed that the British Government had restored its aid for the phosphate exploitation scheme in Hazara.

The Governor said agriculture would receive Rs. 102.7 million next year. More attention would be paid on agriculture facilities, and farming, animal husbandry programmes besides the water shed management projects in Dir and Swat.

Referring to water sector the Governor said Rs. 28.2 million lakh and Rs. 24.9 million have been respectively earmarked for the projects of Irrigation Department and WAPDA.

He said the Provincial Govern-

See Back Page

THE MUSLIM

June 26, 1980

Annual Plan

From Page 1

ment had started implementation on exploitation of underground water resources in Dir with the collaboration of Holland.

The Governor said Rs. four million had been set aside for the construction of small power houses.

The Governor said Rs. 117.5 million have been earmarked for health sector. In this connection, he added, work would start on 50 new Basic Health Units while Lady Reading Hospital and Khyber Hospital in Peshawar will receive Rs. 12 million and 9 million respectively.

Lt. Gen Fazal Haq said irrigation sector would continue to give importance to AFD hence the grant for Public Health Engineering had been increased from Rs. 15.9 million 59 lakh to Rs. 74 million. He added that in this sector Kohat, Bannu and D.I. Khan would receive Rs. 8.4 million, Rs. 9.6 million and Rs. 9 million respectively.

The Governor said Rs. 62.5 million would be spent on construction of government buildings.

The Provincial Government has earmarked Rs. 6.1 million for the construction of more residential houses in Gulshan Rehman Colony for low paid government employees.–PPI

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UNDP ACTIVITIES RELATED TO IBRD/IDA

INTRODUCTION

1. Four UNDP-financed, Bank-executed projects are in progress in Pakistan. They include a "Water Supply, Sewage & Drainage Project" in Lahore, the "Strengthening of an Agricultural Planning & Monitoring Cell in Sind," "Agricultural Extension Assistance in Punjab" and a "Road Construction Adviser." The total UNDP allocation for these four projects is $3,146,300. Three projects are currently supporting IDA-assisted projects with credits amounting to $89.1 million.

2. Three proposed UNDP-financed, Bank-executed projects are at various stages:

a) There has been further delay in the effective date of the IDA-assisted Agricultural Extension Project in Sind and a delay in signing the project document for the UNDP-financed project that would help support that project.

b) The Government has expressed interest in UNDP financing of an "Umbrella" project in Pakistan similar to those in Sri Lanka and Burma. This project is at an early stage.

c) The Bank has agreed to be Executing Agency for the UNDP-financed ($7.5 million) project to prepare the Kalabagh Dam Project. The project document is to be signed in January or February, 1981.

3. A brief summary of each of the four ongoing and three proposed projects follows:

In Progress

PAK/72/015 - "Water Supply, Sewage & Drainage in Lahore"

Approved June, 1974 for $1,886,600 scheduled for completion February, 1982. The UNDP project is supporting consultants in the IDA-assisted investment project, "Second Lahore Water Supply," Cr. 630 approved May, 1976, for $26.6m, to assist in preparation of detailed designs and bid documents evaluation of bids and supervision of construction.

PAK/77/007 - "Strengthening of the Agricultural Planning & Monitoring Cell, Sind"

Approved July, 1979 for $416,000, scheduled for completion March, 1982. The major objective is to identify technically sound projects related to agriculture to be prepared for investment financing.

PAK/78/044 - Technical Assistance to "Agricultural Extension in Punjab"

Approved December, 1978 for $698,700 and scheduled for completion early 1981. The project is supporting the IDA-assisted project, "Punjab Extension and Agricultural Development," Cr. 813 approved May, 1978 for $12.5 million. UNDP technical assistance is financing an Agricultural Extension and Training Specialist and a Farm Management and Planning Specialist who are helping implement the training and visit system developed by World Bank staff.

PAK/79/003 - "Road Construction Adviser"

Approved April, 1979 for $145,000 scheduled for completion March, 1981. The project supports the "Third Highway," Cr. 974 approved January, 1980 for $50.0 million, by financing a road construction adviser to assist in the development of the local road construction industry.

Proposed

PAK/79/001 - "Agricultural Extension in Sind"

Would support the IDA-assisted project "Sind Agricultural Extension," Cr. 922 approved May, 1979 for $9.0 million but not scheduled to be effective until June, 1981. The UNDP project would provide assistance to develop the agricultural training and visit system in Sind.

"Pakistan Umbrella Project"

The Government of Pakistan has expressed some interest in UNDP funding of an umbrella project to be executed by the Bank. The term "Umbrella" is used to describe a project composed of subprojects. This "Umbrella" format permits a quick and flexible means of initiating a variety of preinvestment projects. The discussion about this project is at an early stage but it is thought that the funds would be used primarily for agriculture and that five to eight million dollars might be the overall allocation.

PAK/80/01 - "Assistance to the Kalabagh Dam Project" ($7.5 million)

Would provide direct support to both stages of the lengthy project preparation for the proposed investment project. UNDP technical assistance would fund experts to give advise on project design and execution during Stage I preparation (detailed investigation and project planning and Stage II preparation (final design, detailed cost estimates and tender documents for civil works). The project document is expected to be signed January or February, 1981.

RNPanfil/LTrask:dj
January 9, 1981

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This news item appeared on page 7 of the October 1980 issue of:

DAWN

DAWN

Saturday, October 4, 1980

Cable Dawn, Karachi: Tel 516761 65; 516751-55; Telex: 23623 PHPL

Mc Namara's plea

WHAT may well be Mr Robert McNamara's valedictory speech was no different from those he has been making since taking over as President of the World Bank. The gloom and near-despondency which has characterised his speeches was also very evident in this one to the joint annual meeting of the World Bank and the International Monetary Fund, and this may be his last speech to the world's financial elite since he intends to retire from his post at the end of the present term. One can possibly say that Mr McNamara as World Bank President has almost spanned an era brief though it may have been: those years of the seventies when there was an awakening to the economic injustices of the world and hope was running high in the Third World that a 'new economic order' may be an attainable target after all. While these years were not entirely fruitless — there were residual benefits — the hope has been dampened and the World Bank President's speech in Washington is an indicator of how little can be expected by developing countries in this century.

Apart from the general warning that oil-importing developing countries are going to have a very difficult time in the years immediately ahead, several specific points were raised in the speech. Among these were the Western countries' failure to meet official development assistance targets set by the United Nations, restrictive and protectionist trade policies and the critical state in which the economies of most developing countries have been plunged. This deterioration has been very marked in the last year, partially due to another increase in oil prices. The net result of the economic patterns of the last few years for oil-importing developing countries will be a further drop in the average annual growth of per capita incomes: to 1.8 per cent during the next five years. A large number of people, particularly in Africa, will face negative growth, while over a billion of the world's poorest people will see only nominal growth. These are disturbing facts, and show that practically no dent has been made in Third World poverty despite the existence of so many international agencies meant for this purpose. One major reason has been the persistent failure of industrialised countries in meeting the aid target of 0.7 per cent of GNP. The actual performance of OECD countries came to about half of this, according to latest figures. Even more significant is the fact that the richer among these countries, like the United States, Japan and West Germany, for instance, have made a poor showing compared to others. Estimates are that the United States official development assistance during the current year will be 0.18 per cent of GNP, whereas that of Japan will be 0.27 per cent.

In this connection, it is also pertinent to mention the role that OPEC can and should play in helping out the less fortunate developing countries. OPEC as a whole has, of course, been fairly generous with economic assistance, but taking into account the surpluses that it generates, it can do much better. In fact, OPEC aid has fallen of considerably in recent years, both in the total amount and as a percentage of GNP. In 1979, for instance, OPEC aid was well over a billion dollars less than in 1977. As a percentage of GNP, aid in 1979 was less than half that in 1975—a fall from 2.71 per cent to 1.28 per cent. A number of OPEC members have given more than ten per cent of their GNP as official development assistance in the past: Kuwait, Qatar and the UAE have exceeded this at least in one year. The fall in the UAE assistance has really been dramatic — from 14.12 per cent of GNP in 1975 to 1.58 per cent in 1979, the actual amount being a fifth of the over a billion dollars it gave in 1975. OPEC must be aware of the difficulties which other developing countries face, part of which is due to increasing oil import bills, and it must be made to feel greater responsibility towards the rest of the Third World.

Apart from simple economic assistance, there is also the possibility of investing in ventures in Third World countries. Most of the surpluses generated by OPEC are invested in the Western countries, with banks, industry or in real estate. This is another field in which developing countries can be helped by OPEC, with the added attraction that, besides the profit, they will also have an assured source of supply of their essential needs. Pakistan, for instance, is setting up several projects in the agricultural and industrial sectors in cooperation with a number of OPEC nations. So far, however, the number of projects is very low, especially when one considers the potential in terms of a market and an industrial base which this country offers. In fact, several neighbouring countries together make up a large market for goods or agricultural products which might be produced. This is another aspect which should be considered by OPEC in investing surplus revenue: not only will it bring profit to investors, it will also be extremely helpful to the oil-importing developing countries.

This news item appeared on page of the 5 Oct. 1980 issue of:

MORNING NEWS (PAKISTAN)

MORNING NEWS
(Pakistan)

ZIQA'AD 24, 1400 SUNDAY, OCTOBER 5, 1980

GLOOMY OUTLOOK

THE World Bank President, Mr Robert McNamara has once again highlighted the gloomy outlook of the world economy, making particular reference to the despondency that grips the economies of the non-oil producing developing countries. Addressing the joint annual meeting of the World Bank and the International Monetary Fund, he has reiterated his appeal for special efforts to relieve and end the stagnation of the poorest countries where about one billion people live. In his usual style, he has expressed his grave concern over the sad plight of the poorest countries, which are faced with extreme poverty and have a perceptibly low growth rate preventing them from making any headway on the road to economic progress.

Mr McNamara took over as the World Bank chief at a time when there was a growing awareness of the economic injustices leading to the launching of a struggle by the Third World countries for the establishment of an equitable international economic system. Although these efforts have not yet fully succeeded, some residual benefits have certainly accrued from them. Anyway, due to continued intransigence of the developed countries and lack of the necessary political will to concede the legitimate demands of the Third World countries, the stalemate in the North-South dialogue has not yet ended so much so that the ice could not be broken even at the special session of the UN General Assembly. Thus the prospects of the Third World economies remain as bleak at a time when Mr. McNamara is making his bow as it was when he joined the World Bank as its President. No wonder then that speech ends on a pessimistic note with regard to the outlook of the developing countries' economy in this century.

The difficulties of the oil-importing developing countries emanate from the Western countries' failure to meet the UN Development Decade assistance target, restrictive and protectionist trade policies, fallout of global inflation generated by the oil price [illegible] increase in the prices of good[s] [illegible] and international [illegible]. And thus two-thirds of humanity is faced with a very grim situation. And there is little hope of any immediate relief in view of the complete deadlock in the North-South dialogue and the tied nature of bilateral aid.

There has been a marked deterioration in the situation obtaining in the non-oil producing developing countries in the last year owing to further increase in oil price. As a result, the average annual growth in their per capita incomes is likely to decline further to 1.8 per cent. in the next five years. A large number of people, particularly in Africa, will experience negative growth, while over a billion of the poorest nations will see only nominal growth. This clearly underscores the need for a development strategy that could both accelerate economic growth and channel more of the benefits of that growth towards meeting the needs of absolute poor. Happily, the World Bank, in pursuance of this policy, has already directed its focus towards rural development programmes, including agriculture, which received the largest share of its loans. Yet a dent has not been made by the developing countries because their need for capital far exceeds the aid available to them.

Obviously, the poor countries cannot make any headway because of the crushing burden of debt liabilities, the inequitous world trade system and gross inadequacy of capital and technical know-how. The situation can be retrieved only when there is policy shift towards much greater trade in goods manufactured in developing countries. In fact, this should be generally accepted as the mode of repayment of foreign loans, otherwise the developing countries will continue to sink deeper and deeper into the marsh of economic insolvency. The poorest countries cannot reach the take-off stage without increased amounts of concessional aid. But its prospects are very dim. If the developed nations really believe in inter-dependence of nations and indivisibility of the economic destiny of mankind, they must promote the World Bank's role and also help restructure the international economic order. Otherwise, the poor countries will only be drifting towards greater poverty and stagnations.

It is indeed a pity that the industrialised countries miserably failed to give 0.7 per cent. of their GNY in aid. In fact, the OECD's economic assistance came to only half of this. Worse still, the richer nations like the United States, Japan and West Germany, contributed much less than the others. The figures for the US and Japan's official assistance this year are worked out at 0.18 per cent. and 0.27 per cent. respectively. Such a poor showing is hardly conducive to any distinct improvement in the living standards of the world's poorest people in the foreseeable future.

.../

The role of OPEC in pulling the developing countries out of the economic quagmire also needs no stress. It has a special part to play in this connection. Happily, the OPEC States are already making a major contribution towards helping the oil-importing developing countries and now a plan is on the anvil to increase this aid substantially. The matter is to come up for discussion at the Baghdad summit. The OPEC countries should not only extend official economic assistance to tide over the balance of payment difficulties arising from oil price hike but also promote joint ventures in the Third World countries. The risks their investments in the Western countries are exposed to can hardly be overemphasised. By diverting these funds to the developing countries, they will not only be making a solid contribution towards accelerated growth of the retarded economies but will also be ensuring safety of their capital. After all, it is through collective self-reliance that the Third World countries can free themselves from the stranglehold of the West.

This news item appeared on page 2 of the Oct 5, 1980 issue of:

Business Recorder

BUSINESS RECORDER

SUNDAY OCTOBER 5 1980 ZI-QA-AD 24 1400

A test case for Third World

Once again, it is established that the Western developed nations will not allow the developing nations their rightful place in any international decision making organisations. The question of granting the Palestine Liberation Organisation an observer status at the International Monetary Fund and the World Bank is the latest example [illegible]is series. The issue was [illegible] at the Belgrade meeting last year but no positive decision was taken and the Muldoon committee which was entrusted with it dragged on without reaching an agreement till the Belgrade meeting came to an end.

Sensing the mood of the developing countries, Sam Cross, the U.S. Executive Director, backed by West Germany and Britain, proposed to the board that observers to this year's meeting be confined to those invited to Belgrade. The motion was endorsed by the Board which was sent to the Bank's Governors for ratification. The issue is highly volatile with both the parties being pulled in opposite directions. Both Saudi Arabia and Kuwait [illegible] informed the World [illegible] and the IMF that [illegible] cannot consider any new contributions until the PLO is invited. Kuwait has rebuffed World Bank approach to help underwrite a new 86 billion dollars bond issue and Saudi Arabia has stalled on its 402 million dollar loan offer.

On the other hand, Carter Administration fears antagonising Jewish voters and campaign contributors as well as Congressional opposition to replenishment of International Development Association as pledged by USA. The Congress has also stalled in approving doubling the World Bank's overall lending capital from \$ 40 billion to \$ 80 billion. Knowing that at the plenary session the developed nations would be outvoted this question was passed on to a newly created 9-man commission for study to avoid the obvious. Efforts were also being made to put this question as the last item on the agenda. It appears that this kind of manoeuvering by the rich countries could not succeed and hence the delaying tactics were adopted to save the situation.

The grant of observer status is only an honour because those given this status cannot vote or participate. This is the factual position, yet a mountain is being made out of a molehill. The reason is that today when the membership of the two organisations has increased manifold from what it was originally, the voting power is still in the hands of western industrialised nations and the demand is being pressed by the developing countries to change the pattern of voting by giving them greater representation. The developed nations fear that they would be outvoted in decision making instruments and they would not be able to maintain their hegemony both in economic and political fields. Moreover, they also feel that once they concede some ground, the developing countries would be emboldened to further consolidate their position.

The argument that in the past, observer status has been granted only to financial entities or groups representing financial entities does not hold water. Firstly, it is to be noted that the Arab League which is a political organisation has been admitted on the ground that it has a substantial development role and as such is entitled to be represented on these organisations. The PLO contends it would be representing its Palestinian National Fund which is based in Syria. But the plea is not acceptable to USA obviously on political grounds that is why it wants to keep PLO out of the World Bank and IMF fearing that if it agrees to the proposal the Zionist lobby in USA as well as on international plane would create troubles for Carter Administration and may result in his defeat at the forthcoming elections in November. Secondly, USA has been influencing World Bank and IMF to serve its political interests as it did in the case of Vietnam and Nicaragua or brought pressure on IMF to soften its attempts to discipline Jamaica's economy.

This is a challenge to the developing world. The creation of the commission is to get time to manoeuvre some of the Third World countries to side with USA. They must realise that if they stay together, they may well have the strength not only to bring in PLO but also to have a greater say in IMF and World Bank. Would they do it?

PAK

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This news item appeared on page 5 of the OCTOBER 29, 1980 issue of:

DAWN (PAKISTAN)

Power rates

A SENIOR WAPDA official has announced that yet another power tariff increase is in the offing. This will be the second instalment of the increase since last year when the power rates were raised by 25 per cent. According to the WAPDA sources, the World Bank had suggested a 40 per cent rise last year, but the WAPDA had contented itself with a 25 per cent hike. While the exact ground on which the World Bank based the case for a steep rise in electricity charges is not known, the suggestion is not surprising since the international financing institutions generally discourage direct or hidden subsidies for utilities as for other enterprises, which are expected to run on the basis of commercial viability, which includes a capacity for generating surpluses for expansion. But these objectives are supposed to be achieved by enforcing financial discipline and operational efficiency, the two departments in which WAPDA, like most other public sector organisations, is unfortunately very weak. However, it will be interesting to know the World Bank arguments in this connection and whether it is possible to avoid recourse to repeated increases in power rates. It should be remembered that power is an important cost element in production and the rise in power charges produces a general across-the-board increase in the cost of production of goods, commodities and even services. This was the effect of the last raise of 25 per cent. A second dose of even 10 per cent tariff increase may prove counter-productive in a way. Costlier goods and commodities not only cause hardships to domestic consumers but make them less competitive edge in the international market. It is, therefore, necessary to keep in view the negative effect of such a step at this moment on our exports which are showing a progressive trend.

The World Bank advice may have been conceived in the spirit of helping WAPDA increase its revenues in order to be in a position to meet expenditures on expansion. But, WAPDA will be well advised to find other avenues for raising its income. Public utilities and public sector industrial enterprises tend to hide their inefficiency, wastage and low productivity through various devices of hidden subsidies and frequent resort to price hikes to the detriment of the consumers and the economy. As such, instead of a tariff raise, WAPDA may attempt to increase its income through improvements in revenue collection, capacity utilisation, transmission and distribution. Pilferage, leakage and wastage are common in all these departments. By employing better collection procedures and vigilance, WAPDA claimed to have raised its revenues by a margin of 40 per cent last year (1979-80), according to its own claim. This indicates the scope that exists for improvement in other departments also.

2

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NEWS MEDIA IN PAKISTAN

The Press

The often embattled Pakistani press is going through a particularly difficult period. With official controls having become the norm under previous governments, the media in Pakistan now find themselves further constrained by a martial law regime. Although the government of General Zia ul-Haq endorsed the principle of a free press after it took over power in 1977, a number of journalists critical of martial-law conditions were subsequently jailed and the Karachi and Lahore editors of the Bhutto family-owned Musawat were banned. Government control of the news agencies and major newspapers under the National Press Trust continues. In February 1978, newspapers were forbidden to publish any news of a political nature, while formal censorship was imposed during the last quarter of that year and reimposed in October 1979. The information portfolio is with the President. The Secretary of the Ministry of Information is a Major-General from the Army.

Pakistani journalists writing in English have gained prominence outside the country. Among them is Altaf Gauhar, former editor of Dawn of Karachi and now editor in London of the Guardian's Third World Review, the Third World Quarterly and the new "South" magazine. Others have been involved in editing English newspapers in the Gulf.

Some 90 newspapers are published in Pakistan, 70 in Urdu and 22 in English. Several leading papers publish simultaneous editions in two or more cities and in two languages. Karachi, Lahore, Hyderabad, Lyallpur, Peshawar, Rawalpindi, Islamabad have at least five papers each. There are about 500 periodicals, the majority appearing monthly.

The newspapers are mainly urban-based and -oriented. The coverage of news is limited by legal government controls and a shortage of newsprint. Most newspapers rely heavily on official advertising for a major part of their revenues. Official figures estimate that there are 1.8 newspapers for every 100 persons in Pakistan.

The leading newspapers in the country include:

Newspaper	Circulation	Published in	Editor
(In English)			
Dawn	90,000	Karachi	Ahmad Ali Khan
Pakistan Times	50,000	Lahore & Rawalpindi	Z.A. Suleri
Business Recorder		Karachi	M.A. Zuberi
Pakistan Economist	12,000	Karachi (weekly)	Ibnul Hasan
Morning News	31,200	Karachi	S.R. Ghawri
Daily News	30,000	Karachi	W. Shamsul Hasan

Newspaper	Circulation	Published in	Editor
(In Urdu)			
Jang	307,600	Karachi, Quetta, Rawalpindi	Mir Khalil-Ur-Rahman
Mashriq	175,000	Karachi, Lahore, Peshawar, Quetta	M.A. Kaleem
Nawa-i-Waqt	150,000	Lahore, Multan, Rawalpindi	Majeed Nizami
Imroze	40,000	Lahore, Multan	Haroon Saad

News Agencies

There are three domestic news agencies: Associated Press of Pakistan, Pakistan Press International, and United Press of Pakistan. The Pakistan Press International has a correspondent stationed in Washington, D.C. A financial correspondent of the Associated Press of Pakistan, M. Aftab, attended the 1980 Annual Meeting. He is the leading financial correspondent in Pakistan. Asociated Press has a correspondent, Chaudbry AliKhan Ali, stationed at the United Nations in New York.

Radio

A government-owned organization, Pakistan Broadcasting Corporation, supplies news, commentaries, government announcements, and entertainment to the radio listener in Pakistan. The corporation was set-up in 1972 as a successor to Radio Pakistan - a government department. The broadcasts are transmitted on medium and short waves and covered 62 percent of the country (88 percent of the population) in 1979. The corporation operates three services: regional, national, and international in various local and foreign languages. In 1978-79, 58 percent of the original programs broadcast were in Urdu, while 42 percent were in regional languages. Additional service is provided by the Azad Kashmir Radio. Over 1.5 million radio licenses were issued in the fiscal year 1978-79. Official figures take into account unlicensed receivers as well to give an estimate of 2.8 receivers for every 100 persons in the country.

Television

Pakistan has had television service since 1964. Pakistan Television Corporation Limited, a government-owned company, with headquarters in Rawalpindi, operates the television service in Pakistan. Television stations serve all the provinces from studios at Lahore, Karachi, Peshawar, Quetta and Rawalpindi.

These stations are linked by microwave into a national network. The transmission is in color. Some 547,000 television sets were reported in 1979, that is almost 0.7 sets for every 100 persons in the country. Most sets are estimated to be in the major urban centers, although the television broadcast signal now covers about 50 percent of the area and 74 percent of the population of Pakistan, through a network of 14 transmitting stations throughout the country.

Most programs are produced locally and about 60 percent of them are in Urdu. Regional stations produce about 20 percent of their programs in local languages - Pushtu, Punjabi, Sindhi and Baluchi. Roughly 20 percent of the programming is in English, mainly in the form of imported entertainment shows from the U.S. and U.K.

KHtun/Fatoyinbo
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