

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON DC 20523

February 12, 1986

TO: See Distribution

FROM: Patricia S. Matheson, ANE/PD/SA

SUBJECT: Project Committee Reviews, Cable Amendments to
Pakistan's ACE and ECE CIP Programs

The attached cables request amendment to the Agricultural Commodities and Equipment (ACE) and Energy Commodities and Equipment (ECE) commodity import programs. No substantive PAAD document amendments are planned (other than the necessary face sheets.)

You are invited to a Project Committee review on Wednesday, February 19, 2-5 pm in Rm. 4440A N.S. Since the issues in the two activities are very similar, we will review them together.

FYI, the ANPAC is scheduled for February 24, 2-4 pm in Rm. 4440A N.S. Attendance at the ANPAC will be in accordance with standard Bureau procedures.

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TELEGRAM

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ACTION AID-00

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ACTION OFFICE ANPD-05
INFO FPA-02 ANCP-01 GCAM-01 GC-01 GCFL-01 C-02 ANTR-06 CPP-01
CP-02 STAG-02 EAST-01 AGRI-01 STFA-01 RELO-01 TELE-01
CNEA-03 ANCA-02 /037 44 814

-
- DOLS 30/A SECTOR PRIORITY
- PRIVATE SECTOR
- DOLS 10 IMPORTS
- RESERVE FOR
- CONTINGENCIES

INFO LOR-03 COPY-01 CIAP-00 EB-01 DOME-00 NEA-07 L-03
/019 W

/A. A GREATER SHARE MAY BE ALLOCATED TO THE PRIVATE
SECTOR WINDOW DEPENDING ON PROGRESS IN LIBERALIZING
PRIVATE SECTOR IMPORTS FOR AGRICULTURAL COMMODITIES.

-----063215 140549Z /11

O 140627Z FEB 86
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC IMMEDIATE 3517

3. DISCUSSION OF AMENDMENT

UNCLAS SECTION 01 OF 07 ISLAMABAD 03503

AIDAC

E.O. 12356 N/A
SUBJECT: AGRICULTURAL COMMODITIES & EQUIPMENT (ACE)
(391-2463) - AMENDMENT

- A. POLICY PERFORMANCE

REF: (A) STATE 038757 (B) STATE 034105

- (1) THE ACE PROGRAM STRONGLY SUPPLEMENTS
SEVERAL AID FINANCED PROGRAMS AND PROJECTS IN PAKISTAN
IN CARRYING FORWARD MAJOR POLICY INITIATIVES IN THE
AGRICULTURAL SECTOR, WHICH WE BELIEVE NOW IS THE TIME TO
SIGNAL STRONG AND CONTINUING SUPPORT FOR THESE
INITIATIVES. EXAMPLES OF POLICY DIALOGUE INCLUDE: THE
PL-480 TITLE I PROGRAM WHICH IS THE MISSION'S
PRINCIPAL VEHICLE FOR ASSISTING IN PRIVATIZATION AND
DEREGULATION OF THE EDIBLE OIL SUB-SECTOR; THE ISM
PROJECT, FOCUSING ON INCREASED WATER RATES TO RECOVER
IRRIGATION SYSTEMS COSTS; THE TIPAI PROJECT
INTEGRATING AND STRENGTHENING THE AGRICULTURAL
EDUCATION AND RESEARCH SYSTEM IN NWFP; THE FSN PROJECT
WHICH CONDUCTS ECONOMIC STUDIES AND POLICY ANALYSES TO
IMPROVE THE MANAGEMENT OF THE NATIONAL FOOD SECURITY
SYSTEM; AND THE PROPOSED ROAD RESOURCES MANAGEMENT
PROJECT WHICH WILL EMPHASIZE ESTABLISHMENT OF
RECURRENT COST FINANCING POLICIES FOR RURAL ROADS
MAINTENANCE. ADDING A MAJOR INCREMENT TO THE LCP NOW,
FOR OBLIGATION IN THE POST-87 PERIOD, WILL PROVIDE A
CREDIBLE AND SIGNIFICANT BRIDGE BETWEEN THE EXISTING
PROGRAM AND POST-87, AND SIGNAL THAT EXISTING POLICY

1. SUMMARY: THIS CABLE TRANSMITS A DISCUSSION OF
USAID/PAKISTAN'S REQUEST TO INCREASE THE
LIFE-OF-PROGRAM (LOP) AMOUNT FOR THE AGRICULTURE
COMMODITIES AND EQUIPMENT PROGRAM FROM DOLS 275
MILLION TO DOLS 475 MILLION. PER REF (A) MISSION
LOOKS FORWARD TO ANPAC ON 2/25 TO REVIEW OUR REQUEST.
D RECTOR STAPLES AND PROGRAM OFFICER DAVIS WILL ATTEND
ANPAC. MISSION REPRESENTATION AT PROJECT COMMITTEE
REVIEW ON 2/13 NOT PLANNED. END SUMMARY.

2. BACKGROUND:

- A. THE ACE PROGRAM AUTHORIZED IN MARCH 1982 WAS
AMENDED IN JUNE 1983, JULY 1984 AND MAY 1985. IT HAS
A CURRENT LIFE-OF-PROGRAM (LOP) AUTHORIZATION OF DOLS
375 MILLION INCLUDING DOLS 40 MILLION DEVELOPMENT
ASSISTANCE LOAN. APPROXIMATELY 51 PERCENT OF THE
TOTAL IS LOAN AND 49 PERCENT IS GRANT. THE MISSION
MAY WISH TO EXAMINE THIS SPLIT AT A LATER DATE.
CUMULATIVE OBLIGATIONS TOTAL DOLS 335 MILLION; PLANNED
FY 86 OBLIGATION IS DOLS 39 MILLION, A REDUCTION OF
DOLS 1 MILLION IN DA LOAN FUNDS DUE TO
GRAMM-RUDMAN-HOLLINGS LEGISLATION. THERE ARE NO FY 87
OBLIGATIONS PLANNED.

- B. THE PROGRAM SUPPORTS BALANCE OF PAYMENTS
OBJECTIVES, IS RAPID DISBURSING, AND PROMOTES AND
REINFORCES DEVELOPMENT POLICY DIALOGUE. IT FINANCES
COMMODITIES CRITICAL TO AGRICULTURAL PRODUCTION, SUCH
AS FARM INPUTS AND EQUIPMENT AND INCLUDES A PRIVATE
SECTOR WINDOW. THE PROGRAM HAS PROVEN TO BE AN
EXTREMELY USEFUL INSTRUMENT FOR MEETING EMERGENCIES,
SUCH AS THE DROUGHT-RELATED COTTON PRODUCTION
SHORT-FALL IN 1984 AND THE EMERGENCY WHEAT PROCUREMENT
IN 1985. IT ALSO HAS THE FLEXIBILITY TO BE RESPONSIVE
TO CHANGES IN THE GOVERNMENT OF PAKISTAN'S (LOP)
PRIORITIES. ADDITIONAL FUNDS WILL BE USED ACCORDING
TO THE ILLUSTRATIVE ALLOCATION BELOW:

- AMOUNT (DOLS MILLIONS)	USE
- DOLS 30	AGRICULTURAL COMMODITIES INCLUDING FERTILIZER
- DOLS 10	EQUIPMENT (WATER



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CTION OFFICE WHPD-05
NFO EPA-02 ANDP-03 GCAN-02 GC-01 GCFL-01 C-02 ANTR-06 CPP-01
CPS-02 STAG-02 EAST-01 AGRI-01 STFA-01 RELO-01 TELE-01
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NOBAC SECTION 02 OF 07 ISLAMABAD 03503

UJAC

U. 12355 N/A

SUBJECT: AGRICULTURAL COMMODITIES & EQUIPMENT (ACE)
CONCERNS WILL CONTINUE TO BE OF MAJOR IMPORTANCE.

(2) THE ACE PROGRAM IS USAID'S PRIMARY INSTRUMENT FOR ENCOURAGING THE PRIVATIZATION AND DEREGULATION OF THE DOMESTIC FERTILIZER INDUSTRY. MISSION POLICY OBJECTIVES AND DIALOGUE CONCERNING THIS CRITICAL SECTOR EVOLVED FROM THREE MAIN THEMES: (1) INCREASED PRIVATIZATION OF PRODUCTION AND DISTRIBUTION; (2) ELIMINATION OF SUBSIDIES; AND (3) RESERVE STOCK POLICY. TO DATE, GOP POLICY PERFORMANCE IN THIS AREA HAS BEEN MIXED BUT ON THE WHOLE POSITIVE. PROGRESS HAS BEEN MADE IN MEETING MILESTONES FOR INCREASING PRIVATIZATION OF FERTILIZER DISTRIBUTION, FOR CONTINUING TO REDUCE RESERVE STOCKS TO MORE PRACTICAL LEVELS, AND FOR CENTRALIZING AND STREAMLINING THE GOP'S FERTILIZER POLICY MAKING PROCESS. ONLY LIMITED PROGRESS HAS BEEN ACHIEVED ON REDUCING FERTILIZER SUBSIDIES AND IN PRIVATIZING FERTILIZER PRODUCTION IN SUPPORT OF WORLD BANK AND IMF INITIATIVES. NEW FUNDS AUTHORIZED FOR ACE WOULD PROVIDE ADDITIONAL LEVERAGE ON THESE CRITICAL POINTS.

IN FERTILIZER PRIVATIZATION, THE PUBLIC SECTOR SHARE IN THE DISTRIBUTION OF IMPORTED PHOSPHATE FERTILIZER HAS BEEN REDUCED FROM 76 PERCENT TO 50 PERCENT. THE GOP IS EXPECTED TO CONTINUE THIS POSITIVE TREND BY FURTHER INCREASING THE PRIVATE SECTOR SHARE FROM 50 PERCENT TO 60 PERCENT BY JUNE 30, 1986. MARKETING INCENTIVES FOR PRIVATE SECTOR DISTRIBUTORS HAVE BEEN INCREASED TO THE SAME LEVEL AS THAT RECEIVED BY PUBLIC SECTOR DISTRIBUTORS AND PRIVATE SECTOR FIRMS ARE NOW ALLOWED TO PICK UP THEIR IMPORTED FERTILIZER ALLOCATIONS AT DOCKSIDE INSTEAD OF AT THE PROVINCIAL GOVERNMENT DISTRIBUTION CENTERS. SWEEPINGS AND OLD STOCKS ARE NOW DISTRIBUTED EQUALLY AMONG PRIVATE AND PUBLIC SECTOR DISTRIBUTION AND LASTLY, THE GOP HAS ANNOUNCED ITS INTENTION TO PARTIALLY DISINVEST A PUBLICLY OWNED UREA PLANT.

(3) A DECLINING TREND HAS CHARACTERIZED GOP POLICY ON RESERVE STOCKS FOR NITROGEN AND PHOSPHATE OVER THE LAST TWO TO THREE YEARS. RESERVE STOCKS FOR BOTH ARE BASED ON STRATEGIC RESERVE CONSIDERATIONS AND ON ESTIMATES OF ANNUAL OFFTAKE. FOR NITROGEN, RESERVE REQUIREMENTS WERE REDUCED FROM 25 PERCENT OF ANNUAL OFFTAKE TO 15 PERCENT DURING THIS PERIOD. PHOSPHATIC RESERVE REQUIREMENTS WERE REDUCED FROM 50 PERCENT TO THE CURRENT 40 PERCENT OF EXPECTED ANNUAL DEMAND.

(4) IN COMPARISON, PROGRESS IN PRICE

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DECONTROL AND SUBSIDY REMOVAL HAS BEEN LIMITED. SINCE THE 48 PERCENT PRICE INCREASE IN JUNE 1983, THERE HAVE BEEN NO FURTHER REDUCTIONS IN FERTILIZER SUBSIDIES. ANTICIPATED PRICE INCREASES FOR FERTILIZERS IN 1985 DID NOT MATERIALIZE DUE TO A SIGNIFICANT DROP IN DEMAND BROUGHT ON BY TWO CONSECUTIVE YEARS OF ADVERSE WEATHER CONDITIONS. BECAUSE OF THE FAILURE TO REDUCE THE SUBSIDY, THE WORLD BANK DID NOT PROCEED THIS YEAR WITH ITS AGRICULTURAL SECTOR LOAN (DOLS 150.0 MILLION) TO PAKISTAN, A MOVE THE MISSION FULLY SUPPORTS. THE ADDITIONAL FUNDS sought FOR ACE WILL BE SUBJECT TO CONDITIONS PARALLELING THOSE OF THE BANK. AUTHORIZING THEM NOW, BUT NOT OBLIGATING UNTIL FY 83, PROVIDES AMPLE TIME FOR DISCUSSION.

(5) A MAJOR MISSION STUDY ON FERTILIZER POLICY WAS COMPLETED IN 1985 AND ITS RECOMMENDATIONS WERE PRESENTED TO HIGH LEVEL GOP OFFICIALS. THE GOP'S FERTILIZER POLICY COMMITTEE AND THE NATIONAL DEREGULATION COMMISSION SUBSEQUENTLY REVIEWED THE STUDY IN DEPTH AND HAVE SUBMITTED A REPORT AND ITS RECOMMENDATIONS TO THE FEDERAL CABINET FOR FINAL CONSIDERATION AND ACTION. THERE ARE INDICATIONS THAT THE GOP IS ALREADY PLANNING TO IMPLEMENT THE REPORT'S RECOMMENDATION TO STREAMLINE THE FERTILIZER POLICY MAKING PROCESS BY INSTITUTIONALIZING FERTILIZER STANDARDS AND NATIONAL FERTILIZER PLANNING AND DEVELOPMENT WITHIN THE MINISTRY OF FOOD AND AGRICULTURE.

(6) BASED ON THE STUDY'S RECOMMENDATIONS, THE MISSION WILL CONTINUE TO PESS FOR CHANGES IN ALL THREE AREAS OF FERTILIZER POLICY STARTING WITH THE FY 86 TRANCHE OF DOLS 39.0 MILLION AND CONTINUING WITH ADDITIONAL OBLIGATIONS. IN ADDITION TO THIS FORUM FOR PURSUING POLICY CHANGES IN THE FERTILIZER SECTOR, THE MISSION PLANS TO USE THE PL-460 PROGRAM AND ITS ANNUAL

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ACTION AID-08

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TRANSFER STORAGE AND MARKETING COSTS TO THE PRIVATE
SECTOR.

ACTION OFFICE ANPD-05
INFO FPA-02 ANDP-03 GCAN-02 GC-01 GCFL-01 C-02 ANTR-06 CPP-01
CPS-02 STAG-02 SAST-01 AJRI-01 STFA-01 RELO-01 TELE-01
CNEA-03 ANSA-02 /01Z AA 314

-- ADOPT A POLICY THAT SUPPORTS RESERVE STOCKING
OF UREA ON A CONTINGENCY RATHER THAN A STRATEGIC BASIS
AND REDUCES PHOSPHATE RESERVES FOR 40 PERCENT OF
ANNUAL OFFTAKE TO 40 PERCENT OF SEASONAL OFFTAKE TO
SUBSTANTIALLY REDUCE STORAGE COSTS AND LOSSES.

INFO LOG-00 CQPY-01 CIAE-00 EB-06 DODE-00 NEA-07 L-03
/019 W

-- A PHASED REDUCTION OF THE WHEAT FLOUR SUBSIDY AND
ITS EVENTUAL REMOVAL.

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O 140627Z FEB 86
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC IMMEDIATE 6519

- B. BALANCE OF PAYMENTS

UNCLAS SECTION 03 OF 07 ISLAMABAD 03503

- (1) THE CHRONICALLY WEAK BALANCE OF PAYMENTS
IS ONE OF THE MAJOR REASONS FOR THE ECONOMIC SUPPORT
PROGRAM IN PAKISTAN, AND A COMPELLING REASON TO
CONTINUE AND EXPAND THE ACE PROGRAM. IN PFY 1984/85,
EXPORTS WERE 42 PERCENT OF IMPORTS, DOWN FROM 47
PERCENT IN PFY 1982/83. PROJECTIONS FOR PFY 1985/86
SHOW A SMALL IMPROVEMENT TO 48 PERCENT. THE ROLE OF
INVISIBLES IS VERY IMPORTANT, AS REMITTANCES FROM
OVERSEAS WORKERS ARE ALMOST AS LARGE AS EXPORTS, AND
ACTUALLY EXCEEDED THEM FROM 1962 TO 1984. THE CURRENT
ACCOUNT BALANCE, WHICH INCLUDES REMITTANCES, INTEREST
PAYMENTS, FACTOR PAYMENTS, ETC. IS CHRONICALLY IN
DEFICIT; THE LEVEL AS A PERCENTAGE OF GROSS DOMESTIC
PRODUCT HAS FLUCTUATED FROM 1.8 PERCENT TO 4.9 PERCENT
IN THE RECENT PAST. THE BASIC BALANCE ALSO IS
VOLATILE, DEPENDING PRIMARILY ON THE SIZE OF THE
CURRENT ACCOUNT DEFICIT AND DISBURSEMENTS OF FOREIGN
ASSISTANCE. THE BASIC BALANCE STRONGLY DETERMINES THE
CHANGE IN FOREIGN EXCHANGE RESERVES, THE OTHER FACTORS
BEING SHORT-TERM BORROWING (REPAYMENTS) AND IMF
TRANSACTIONS. FOR EXAMPLE, THE PROJECTED NEGATIVE
BASIC BALANCE OF DOLS 111 MILLION IN 1985/86 WILL BE
EXACERBATED BY IMF REPAYMENTS OF DOLS 225 MILLION.

AIDAC

E.O. 12356 N/A
SUBJECT: AGRICULTURAL COMMODITIES & EQUIPMENT (ACE)

NEGOTIATIONS AS ANOTHER MEANS TO SUPPLEMENT ITS
EFFORTS TO CONTRIBUTE TO FERTILIZER POLICY REFORM.
UNDER THE PROPOSED AMENDMENT, THE MISSION WILL ALSO
PURSUE OPPORTUNITIES FOR POLICY CHANGE IN THE FOOD
GRAIN SECTOR SUCH AS THE REMOVAL OF THE WHEAT FLOUR
PRICE SUBSIDY. BASED ON THE RESULTS OF POLICY STUDIES
PROPOSED OR UNDERWAY UNDER THE FOOD SECURITY
MANAGEMENT PROJECT (FSM), THE MISSION EXPECTS TO
ESTABLISH AN ADDITIONAL SET OF BENCHMARKS. THESE WILL
BE RELATED TO INCREASING THE PRIVATE SECTOR ROLE IN
CEREAL GRAIN STORAGE, PROCESSING, DISTRIBUTION AND
MARKETING.

- (7) BELOW IS A LIST OF OBJECTIVES THE MISSION
INTENDS TO NEGOTIATE WITH THE GOP STARTING WITH THE
FY86 TRANCHE AND WITH SUBSEQUENT OBLIGATIONS. TARGET
DATES FOR ACHIEVING THE FIRST TWO OBJECTIVES ARE ALSO
PROVIDED. THE MISSION IS RELUCTANT TO SET TARGETS FOR
OTHER OBJECTIVES AT THIS POINT UNTIL THE VIEWS OF THE
NEW CABINET ARE BETTER KNOWN. THE MISSION WILL
CONTINUE TO UPDATE WASHINGTON ON GOP POLICY
PERFORMANCE TO ENSURE THAT ANNUAL NEGOTIATIONS ON THE
ACE PROGRAM PROVIDE AMPLE OPPORTUNITIES TO ASSESS
PROGRESS TOWARDS THE OBJECTIVES STATED BELOW:

-- FURTHER INCREASE IN THE PRIVATE SECTOR SHARE
OF FERTILIZER DISTRIBUTION: AT LEAST 65 PERCENT BY
JUNE 30, 1987 AND 70 PERCENT BY FY 87/88.

-- DIVEST ONE OR MORE EXISTING PUBLIC SECTOR
UREA PRODUCING PLANTS. AT LEAST ONE WILL BE PARTIALLY
DENATIONALIZED BY JUNE 1985.

-- DECONTINUE UREA PRICES TO ENCOURAGE PRIVATE
SECTOR INVESTMENT IN FERTILIZER PRODUCTION. THIS
WILL HAVE LITTLE OR NO IMMEDIATE EFFECT ON DOMESTIC
PRICES, OFFTAKE OR THE GOP BUDGETARY BURDEN.

-- ABOLISH THE DEVELOPMENT SURCHARGE SYSTEM,
WHERE EFFICIENT FERTILIZER PRODUCERS SUBSIDIZE THE
OPERATIONS OF THE LESS EFFICIENT PLANTS, TO ENCOURAGE
ADDITIONAL PRIVATE SECTOR INVESTMENT IN NEEDED
PRODUCTION CAPACITY

-- ELIMINATE QUOTAS FOR DISTRIBUTION OF
FERTILIZERS TO PROVINCES.

-- THE PHASED DEREGULATION OF PHOSPHATIC
FERTILIZER PRICES AND PRIVATIZATION OF FERTILIZER
IMPORTS TO ELIMINATE THE REMAINING SUBSIDY AND

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CNEA-03 ANGA-02 /027 A4 614

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TO SECSTATE WASHDC IMMEDIATE 8520

UNCLAS SECTION 04 OF 07 ISLAMABAD 03503

AIDAC

E.O. 12356 N/A
SUBJECT: AGRICULTURAL COMMODITIES & EQUIPMENT (ACE)

(2) THE TABLE BELOW PRESENTS DATA SINCE 1981 WITH PROJECTIONS THROUGH 1989. THE BUILD-UP IN RESERVES THREE YEARS AGO AND THE DECLINE SINCE THEN CAN BE ATTRIBUTED IN LARGE PART TO THE BEHAVIOR OF REMITTANCES. THE CURRENT BEHAVIOUR OF REMITTANCES IS ERRATIC AND THE ONLY CERTAINTY IS THAT SIGNIFICANT GROWTH WILL NOT OCCUR. AS A RESULT, EXPORTS AND FOREIGN ASSISTANCE DISBURSEMENTS MUST SUPPLY THE FUNDS NEEDED TO PAY FOR IMPORTS AND CONTINUED ECONOMIC GROWTH. THE FIGURES IN THE TABLE ASSUME 7.4 PERCENT ANNUAL REAL GROWTH IN EXPORTS, 4.2 PERCENT IN IMPORTS, 5.3 PERCENT IN GDP, 5.1 PERCENT IN GNP, 3.5 PERCENT IN AGRICULTURE AND 3.0 PERCENT IN INDUSTRY. THE CRITICAL ELEMENT IS EXPORT GROWTH, WHICH IS HIGHER THAN THAT EXPERIENCED IN THE 1977-85 PERIOD ALTHOUGH LOWER THAN THE 1977-83 PERIOD. SUSTAINING EXPORTS BEYOND THE RECOVERY FROM THE 1983-85 TROUGH WILL BE DIFFICULT AS PAKISTAN FACES SEVERAL CHALLENGES: DECLINING PRICES AND MARKETS FOR ITS TWO LARGEST EXPORT COMMODITIES (COTTON AND RICE); A WEAK DEMAND IN THE MIDDLE EAST MARKET DUE TO FALLING OIL PRICES; AND QUOTAS AND OTHER RESTRICTIONS ON YARN, TEXTILES, MADE-UPS AND GARMENTS WHICH HAVE BEEN SET BY INDUSTRIAL COUNTRIES. ADDITIONALLY, PAKISTAN'S MANUFACTURED PRODUCTS FACE PROBLEMS BECAUSE OF THEIR HIGH COST AND RELATIVELY LOW QUALITY, ATTRIBUTABLE TO THE OVERPROTECTED DOMESTIC MARKET. CONTRIBUTING TO THE PROBLEM OF EXPORT GROWTH IS AN OVERVALUED EXCHANGE RATE.

(3) EXPORT ESTIMATES FOR 1985/86, MADE AFTER 5 MONTHS OF THE FISCAL YEAR HAD ELAPSED, SHOWS A 19 PERCENT INCREASE OVER THE PREVIOUS YEAR, BUT ARE ONLY 12 PERCENT MORE THAN THE EXPORT LEVEL OF THREE YEARS AGO. HENCE, IN THE SHORT RUN, PAKISTAN IS LIKELY TO EXPERIENCE BALANCE OF PAYMENTS CONSTRAINTS GIVEN THE ECONOMIC ENVIRONMENT DESCRIBED ABOVE.

(4) IN LIGHT OF THIS SITUATION, IMPORT PROJECTIONS ARE RELATIVELY LOW AT 4.3 PERCENT COMPARED WITH THE 6.0 PERCENT RATE EXPERIENCED FOR 1977-85. THIS GROWTH IS THE MINIMUM NECESSARY TO PERMIT ADDITIONAL INDUSTRIAL GROWTH WHILE MAINTAINING CURRENT LOW LEVELS OF CONSUMPTION. IN FACT THE PROJECTIONS ASSUME SOME MINOR DECLINE IN PETROLEUM IMPORTS AS DOMESTIC PRODUCTION INCREASES. CEMENT IMPORTS SOON WILL CEASE, LEAVING EDIBLE OIL AS THE ONLY MAJOR IMPORT FOR WHICH SIGNIFICANT IMPORT SUBSTITUTION IS POSSIBLE.

(5) THE TABLE SHOWS THE BASIC BALANCE AS POSITIVE STARTING IN 1984/87. THE BUILDUP IN RESERVES WILL NOT BE AS LARGE BECAUSE OF REPAYMENTS TO THE IMF AND MILITARY PURCHASES. THE TABLE ASSUMES A LARGE INCREASE IN DISBURSEMENTS OF FOREIGN ASSISTANCE THAT HAS NOT YET BEGUN (FEB, 1986). THE IMPROVING PICTURE FOR THE FOLLOWING YEARS BUILD ON A CONTINUATION OF THE TREND. THE PROJECTIONS SHOW A MODEST INCREASE IN RESERVES AS MEASURED BY MONTHS OF IMPORT COVERAGE AND A DECREASE IN THE RATIO OF THE CURRENT ACCOUNT DEFICIT TO GDP. THE FORMER IMPROVEMENT DEPENDS BOTH ON EXPORT GROWTH AND AID DISBURSEMENTS. THESE DISBURSEMENTS INCLUDE THOSE PROJECTED FOR U.S. ASSISTANCE. ANY SHORTFALL WILL BE REFLECTED IN LOWER AGGREGATE LEVELS. FURTHERMORE, A FALL IN DISBURSEMENTS AND RESERVES IS LIKELY TO RESULT IN LOWER IMPORTS THAT MAY VERY WELL LOWER EXPORTS, AGGRAVATING THE CURRENT ACCOUNT DEFICIT EVEN MORE. BASED ON THE DISCUSSION ABOVE, USAID/PAKISTAN CONCLUDES THAT THE BALANCE OF PAYMENTS IN PAKISTAN WILL BE PRECARIOUS AT BEST OVER THE NEXT FEW YEARS. AN ADDITIONAL \$0.5 BILLION WILL CLEARLY NOT SOLVE THE PROBLEM, BUT IT WOULD BE OF SUFFICIENT MAGNITUDE TO PROVIDE SIGNIFICANT BOP RELIEF.

BALANCE OF PAYMENTS, 1981/82-1986/89

	(US DOLLARS MILLION)			
	1981/82	1982/83	1983/84	1984/85
TRADE BALANCE	-3,373	-2,939	-3,324	-3,462
- EXPORTS (F.O.B.)	2,318	2,627	2,659	2,475
- IMPORTS (F.O.B.)	-5,691	-5,616	-5,933	-5,937
INVISIBLES (NET)	1,343	2,431	2,233	1,311
- WORKERS' REMITTANCES	2,225	2,385	2,737	2,446

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/C PROJECTIONS
/D FOREIGN EXCHANGE RESERVES AS MONTHS OF NEXT YEAR'S
IMPORTS OF GOODS AND ALL SERVICES

INFO LOG-00 COPY-01 CIAE-00 EB-06 DODE-03 NEA-07 L-03
/019 W

SOURCE: WORLD BANK: COUNTRY ECONOMIC MEMORANDUM
(DRAFT), DECEMBER 2, 1985, BASED ON GOP DATA.
- C. PRIVATE SECTOR COMMODITY IMPORT PROGRAM

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O 140527Z FEB 86
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC IMMEDIATE 8521

UNCLAS SECTION 05 OF 07 ISLAMABAD 03503

AIDAC

E.O. 12356 N/A

SUBJECT: AGRICULTURAL COMMODITIES & EQUIPMENT (ACE)

- INTEREST PAYMENTS -453 -425 -471 -462
- OTHER INVISIBLES (NET) 71 -30 27 -173

CURRENT ACCOUNT BALANCE -1,530 -558 -1,031 -1,651

LONG-TERM CAPITAL (NET) 720 1,242 1,323 510

- GROSS DISBURSEMENTS

- (OFFICIAL) 1,102 1,301 1,176 1,229

- AMORTIZATION -492 -420 -520 -537

- OTHER 120 361 157 -92

BASIC BALANCE -800 684 -208 -1,041

CHANGE IN RESERVES -192 1,111 132 -1,887

RESERVES AS MONTHS OF

IMPORTS /D 1.4 3.0 3.8 N.A

CURRENT BALANCE/GDP PERCENT -4.7 -1.3 -3.1 -4.9

- 1985/86 1986/87 1987/88 1988/89

- /8 /C /C /C

TRADE BALANCE -3,201 -2,895 -2,837 -2,885

- EXPORTS (F.O.B.) 2,945 3,335 3,904 4,336

- IMPORTS (F.O.B.) -6,146 -6,231 -6,791 -7,471

INVISIBLES (NET) 1,794 1,303 1,316 1,739

- WORKERS' REMITTANCES 2,400 2,400 2,400 2,400

- INTEREST PAYMENTS -429 540 -541 -502

- OTHER INVISIBLES (NET) -177 -52 -43 -59

CURRENT ACCOUNT BALANCE -1,407 -1,088 -1,071 -1,146

LONG-TERM CAPITAL (NET) 1,296 1,268 1,347 1,622

- GROSS DISBURSEMENTS

- (OFFICIAL) 1,800 1,837 1,941 2,263

- AMORTIZATION -582 -767 -735 -931

- OTHER 78 188 191 190

BASIC BALANCE -111 180 276 476

CHANGE IN RESERVES -130 N.A 100 369

RESERVES AS MONTHS OF

IMPORTS /D N.A 1.1 1.4 1.5

CURRENT BALANCE/GDP PERCENT N.A -1.2 -2.7 -2.5

/A PROVISIONAL ACTUALS.

/B REVISED GOVERNMENT ESTIMATES.

- PROGRESS ON THIS COMPONENT HAS FALLEN FAR
SHORT OF MISSION EXPECTATIONS. THE MISSION'S OWN
PROMOTIONAL CAMPAIGN GOT OFF TO A LATE START IN JULY
1985 WITH THE PUBLICATION OF A PAMPHLET EXPLAINING THE
PROGRAM'S CONTENT, ITS OBJECTIVES AND PROCEDURES TO
FOLLOW. SEMINARS AIMED AT THE PAKISTANI BUSINESS AND
BANKING COMMUNITIES WERE CONDUCTED IN SEPTEMBER TO
AUDIENCES IN SIX MAJOR URBAN CENTERS. FROM THESE
EFFORTS INTEREST IN THE PROGRAM AMONG PRIVATE SECTOR
FIRMS WAS STIMULATED, BUT A NUMBER OF UNFORSEEN
CONSTRAINTS AROSE TO PRIVATE SECTOR ACCESS TO AID
FUNDS. CONSTRAINTS SUCH AS THE SHORT PAYBACK PERIOD
(PREVIOUSLY THREE YEARS, NOW FIVE) FOR CAPITAL GOODS
AND THE LOW CEILING (ORIGINALLY DOLS 1 MILLION, NOW
DOLS 10 MILLION) ON THE AMOUNT OF ANY INDIVIDUAL LOAN
TRANSACTION WERE QUICKLY REMOVED. DESPITE THESE
MEASURES, A NUMBER OF PROBLEMS REMAIN. THESE ARE: (1)
A LIMITED NUMBER (ONLY TWO) OF BANKS PARTICIPATING IN
THE PROGRAM; (2) THE LACK OF A CLEAR SET OF GOP RULES
AND PROCEDURES FOR PAKISTANI IMPORTERS TO FOLLOW UNDER
THE AID CIP PROGRAM; (3) THE APPARENT LIMITATIONS ON
BANKS ON THE AMOUNT OF FOREIGN EXCHANGE THEY CAN LEND
AND A CEILING ON IMPORTERS ON THE AMOUNT OF FOREIGN
EXCHANGE THEY CAN BORROW; (4) THE ABSENCE OF
WIDESPREAD KNOWLEDGE AMONG THE GOP PARTICIPATING BANKS
AND VARIOUS LEVELS OF THE BUREAUCRACY CONCERNING
PROGRAM SPECIFICS; AND (5) SEVERAL OTHER COMPETING
SOURCES OF FOREIGN EXCHANGE AVAILABLE IN THE MARKET

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UNCLAS SECTION 06 OF 07 ISLAMABAD 03503

AIDAC

E.O. 12356 N.A
SUBJECT: AGRICULTURAL COMMODITIES & EQUIPMENT (ACE)

FROM PENITANCES AND OTHER DONOR RESOURCES WHICH ARE CHANNELLED MOSTLY THROUGH DEVELOPMENT FINANCE INSTITUTIONS. THE MISSION HAS DISCUSSED THESE CONSTRAINTS AT HIGH LEVELS IN THE GOP AND IS ACTIVELY SEEKING THEIR RESOLUTION. AS THERE CONTINUES TO BE CONSIDERABLE PRIVATE SECTOR INTEREST ON THE PART OF PAKISTANI IMPORTERS AND U.S. SUPPLIERS' INTEREST IN DOING BUSINESS WITH THEM, THE MISSION HAS CONVEYED THE OBJECTIVES BELOW TO VERY SENIOR GOP OFFICIALS ALONG WITH OUR VIEW THAT THEIR EARLY ACHIEVEMENT IS CRITICAL TO PROGRESS ON THE PRIVATE SECTOR CIP. IN THIS CONTEXT THE MISSION WILL NOT GO FORWARD WITH ANY PLANNED PUBLIC SECTOR PROCUREMENT OF IRRIGATION EQUIPMENT CURRENTLY ESTIMATED AT DOLC 1.2 MILLION. THE OBJECTIVES ARE:

-- A CLEAR SET OF UNRESTRICTIVE GUIDELINES TO BE PUBLISHED BY THE CHIEF CONTROLLER OF IMPORTS AND EXPORTS SO THAT IMPORTERS ARE INFORMED OF WHAT IS EXPECTED OF THEM AND SO THAT IMPORTS CAN BE PROCESSED ON A TIMELY BASIS.

-- A CLARIFICATION THAT: THERE IS NO CEILING ON AVAILABLE BANK CREDIT; NO LIMITATION ON FOREIGN EXCHANGE AVAILABLE TO APPLICANT BANKS FOR LOANS TO IMPORTERS; AND NO LIMITATION ON THE AMOUNT OF FOREIGN EXCHANGE AN IMPORTER MAY BORROW.

-- WIDESPREAD DISSEMINATION OF PROGRAM CONTENT AND ITS OBJECTIVES THROUGH PROMOTIONAL AND PUBLICITY CAMPAIGNS TO ELIMINATE CONFUSION AMONG POTENTIAL BORROWERS, GOP OFFICIALS AND MEMBERS OF THE PARTICIPATING BANKING COMMUNITY ON THE PURPOSES AND FEATURES OF THE PROGRAM.

-- AN INCREASE IN THE NUMBER OF PARTICIPATING BANKS (INCLUDING U.S. BANKS) IN A COMPETITIVE SETTING WHEREBY BANKS WOULD RECEIVE ADDITIONAL FINANCING IN EQUAL OR LARGER AMOUNTS OF FUNDS DEPENDING ON HOW WELL THEY SUCCEEDED IN LENDING FUNDS TO IMPORTERS. AS INDICATED IN TABLE FOLLOWING PARA 18 ABOVE, WE PLAN TO RESERVE AT LEAST DOLC 50 MILLION FOR PRIVATE SECTOR IMPORTERS. THIS INCREASES THE ANTE SIGNIFICANTLY AND PROVIDES AMPLE LEVERAGE TO GET THE PRIVATE SECTOR WINDOW WORKING. WE WOULD EXPECT, OF COURSE, THAT THE PROBLEMS WILL HAVE BEEN LONG SINCE RESOLVED BEFORE ANY OF THE NEW INCREMENT IS OBLIGATED SIGNALING OUR INTENTIONS NOW WILL PAVE THE WAY FOR SOLUTIONS.

D. PIPELINE IMPLICATIONS

CUMULATIVE OBLIGATION: TOTAL DOLC 335 MILLION. PLANNED FY 66 OBLIGATIONS FOR DOLC 39 MILLION WILL BRING THE TOTAL OBLIGATED AMOUNT TO DOLC 374 MILLION. ACTUAL EXPENDITURES HAVE KEPT PACE WITH MISSION PROJECTIONS. AN ADDITIONAL OBLIGATION OF DOLLARS 120 MILLION IN FY 66 FOR WHEAT AND THE GOP'S REQUEST TO REPROGRAM DOLC 30 MILLION FOR WHEAT INSTEAD OF FERTILIZER HAS CAUSED AN UNANTICIPATED BUT TEMPORARY INCREASE IN THE PIPELINE. TENDERING FOR THE DOLC 130 MILLION WHEAT HAS BEEN COMPLETED AND THE MISSION EXPECTS ALL EXPENDITURES FOR THIS COMMODITY TO ACCRUE BY MARCH 31, 1966. THE ENTIRE DOLC 100 MILLION WILL BE DISBURSED BY APRIL 1966. GOP PLANS FOR BUYING ADDITIONAL WHEAT FOR DOLC 30 MILLION ARE STILL TENTATIVE, LARGELY DUE TO UNCERTAINTIES CONCERNING THE SIZE OF THE COMING HARVEST. WHILE WHEAT PROCUREMENT OCCURS SMOOTHLY AND FUNDS CAN BE DISBURSED RAPIDLY, EQUIPMENT PROCUREMENT HAS TENDED TO BE SLOW LARGELY BECAUSE OF THE MANY PROCURING ENTITIES INVOLVED (OUR IRRIGATION DEPARTMENTS FOR THE ICH PROJECT, THE INSPECTOR GENERAL OF FORESTS FOR FORESTRY, FOR EXAMPLE) AND THEIR UNFAMILIARITY WITH AID PROCUREMENT REGULATIONS AND PROCEDURES. SINCE THESE AGENCIES ARE BECOMING INCREASINGLY CONSCIOUS WITH AID PROCUREMENT REQUIREMENTS, THE MISSION EXPECTS THAT FUTURE EQUIPMENT PURCHASES MAY ACCELERATE AND DISBURSEMENTS INCREASE. THE MOVEMENT OF FUNDS UNDER THE PRIVATE SECTOR WINDOW SHOULD ALSO WATCH ONCE CURRENT CONSTRAINTS ARE REMOVED. HOWEVER, THERE MIGHT BE OTHER POTENTIAL CONSTRAINTS WHICH COULD COME INTO PLAY. THESE RELATE TO THE COST OF U.S. GOODS AND A LACK OF KNOWLEDGE OF THE U.S. MARKET AND THE ECONOMIC ADVANTAGES IT OFFERS. THERE MAY ALSO BE INSTANCES WHERE A BORROWER SEEKS FINANCING FOR A COMMODITY WHICH IS PART OF A LARGER INVESTMENT PACKAGE MORE APPROPRIATE FOR PROJECT FINANCING. IN SUCH CASES

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UNCLAS SECTION 07 OF 07 ISLAMABAD 03503

AIDAC

E. O. 12355 N/A
SUBJECT: AGRICULTURAL COMMODITIES & EQUIPMENT (ACE)

BANKS MAY BE RELUCTANT TO LEND FUNDS PROVIDED BY THE AID CIP PROGRAM. ONCE THE PROGRAM GETS OFF TO A GOOD START, THE MISSION WILL HAVE A BETTER UNDERSTANDING OF WHETHER AND THE EXTENT TO WHICH THESE FACTORS POSE ADDITIONAL PROBLEMS TO DISBURSING LARGER AMOUNTS OF FUNDS FOR THE PRIVATE SECTOR WINDOW. IN LIGHT OF CURRENT AND PROJECTED TRENDS, AN ADDITIONAL DOLS 100 MILLION REQUESTED IN THIS CABLE WILL HELP REDUCE SIZE AND AGE OF THE PIPELINE AND CONTRIBUTE TO REDUCING PAKISTAN'S BALANCE OF PAYMENTS PROBLEMS.

E. OBLIGATION SCHEDULE: FOR THE AMENDMENT, THE MISSION PROPOSES AN INITIAL OBLIGATION IN FY 88 OF DOLS 50 MILLION AND THE REMAINING DOLS 50 MILLION IN FY89. THIS SCHEDULE ASSUMES THAT GOP AGENCIES WILL HAVE ACQUIRED A THOROUGH FAMILIARITY WITH AID PROCUREMENT PROCEDURES AND HENCE DISBURSEMENTS CAN OCCUR RAPIDLY WITH A MINIMUM OF PLANNING DELAYS. IT ASSUMES ALSO THAT THE GOP'S BALANCE OF PAYMENTS SITUATION WILL IMPROVE ONLY MARGINALLY BY FY 1988 AND BEYOND THIS NECESSITATING LARGE INFUSIONS OF RAPID DISBURSING AID. IN THE EVENT THERE ARE REVISIONS TO THE MISSION'S FY87 OBLIGATION SCHEDULE RESULTING IN PROGRAM/PROJECT CHANGES, THE MISSION MIGHT SEEK, WITH WASHINGTON'S CONCURRENCE, AN EARLIER OBLIGATION OF THE FIRST TRANCHE OF THE PROPOSED AMENDMENT. THE AMOUNT NECESSARY WOULD BE DETERMINED AT THAT TIME. HINTON

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CPU-02 STEY-01 SACT-01 STEH-01 DOE-01 OPIC-10 RELO-01
TELE-01 CHEA-03 ANSA-02 /246 A4 614

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TO SECSTATE WASHDC IMMEDIATE 0525

UNCLAS SECTION 01 OF 06 ISLAMABAD 03505

AIDAC

E.O. 12316 N/A
SUBJECT: ENERGY COMMODITIES & EQUIPMENT PROGRAM
(J91-0486) - AMENDMENT
REF: (A) STATE 033757 (B) STATE 034105

1. SUMMARY: THIS CABLE TRANSMITS A DISCUSSION OF USAID/PAKISTAN'S REQUEST TO INCREASE THE LIFE-OF-PROGRAM AMOUNT FOR THE ENERGY COMMODITIES AND EQUIPMENT (ECE) PROGRAM FROM DOLS 100 MILLION TO DOLS 200 MILLION IN ECONOMIC SUPPORT FUNDS (ESF). PER REF (A) MISSION LOOKS FORWARD TO ANPAC ON 2/25 TO REVIEW OUR REQUEST. DIRECTOR STABLES AND PROGRAM OFFICER DAVIS WILL ATTEND ANPAC. MISSION REPRESENTATION NOT PLANNED FOR PROJECT COMMITTEE REVIEW ON 2/19. END SUMMARY.

2. BACKGROUND: THE ECE PROGRAM WAS AUTHORIZED IN AUGUST 1984 FOR DOLS 100 MILLION IN ESF FUNDS CONSISTING OF A LOAN AND GRANT SPLIT OF DOLS 80 MILLION AND DOLS 20 MILLION RESPECTIVELY WITH A DISBURSEMENT PERIOD OF APPROXIMATELY THREE YEARS. IN 1985, WASHINGTON AUTHORIZED A CHANGE IN THE SPLIT TO DOLS 50 MILLION LOAN AND DOLS 50 MILLION GRANT. THE MISSION PROPOSES TO RETAIN THIS SPLIT UNDER THE PROPOSED AMENDMENT. THE REQUEST TO INCREASE THE LOP TO DOLS 200 MILLION IS BASED ON BALANCE OF PAYMENT CONSIDERATIONS, A STRONG DEMAND FOR ENERGY COMMODITIES, ACCEPTABLE GOP POLICY PERFORMANCE TO DATE, AND THE INTRODUCTION OF NEW POLICY MEASURES. THE PROGRAM PROVIDES FAST DISBURSING FOREIGN EXCHANGE FOR THE IMPORTATION INTO PAKISTAN OF EQUIPMENT AND COMMODITIES THAT WILL CONTRIBUTE TO ENERGY PRODUCTION FROM INDIGENOUS RESOURCES, AND TO ENERGY CONSERVATION IN SUPPORT OF THE GOVERNMENT OF PAKISTAN'S (GOP) SIXTH FIVE-YEAR ENERGY PLAN. BENEFITS OF THE PROGRAM INCLUDE: DIRECT MITIGATION OF BALANCE OF PAYMENTS PROBLEMS THROUGH FOREIGN EXCHANGE FOR THE IMPORTATION OF ENERGY SECTOR EQUIPMENT; SUPPORT OF POLICY OBJECTIVES OF THE GOP IN SUCH AREAS AS ENERGY CONSERVATION AND THE INCREASED USE OF INDIGENOUS ENERGY RESOURCES; SUPPORT FOR THE TRANSFER OF ENERGY RELATED TECHNOLOGIES TO PAKISTAN; AND THE PROVISION OF AN ADDITIONAL BASIS FOR POLICY DISCUSSIONS WITH THE GOP ON SUCH ISSUES AS ENERGY PRICING AND AN INCREASED ROLE OF THE PRIVATE SECTOR IN ENERGY DEVELOPMENT. TO REINFORCE ITS POLICY OF PROMOTING GREATER ROLE FOR PRIVATE SECTOR INVOLVEMENT, THE MISSION INTENDS TO ALLOCATE AT LEAST 50 PERCENT OF THE PROPOSED AMENDMENT TO THE PRIVATE SECTOR WINDOW.

J. DISCUSSION OF AMENDMENT

- A POLICY PERFORMANCE

(1) ARTICLE 94 OF THE FIRST AMENDATORY LCE AGREEMENT (6 JUNE 1985) REQUIRES THE GOP TO PROVIDE REPORTS ON ACTIONS TAKEN TO COMPLY WITH BENCHMARKS ESTABLISHED UNDER THE WORLD BANK'S ENERGY SECTOR LOAN. PROGRESS REPORTING AND PERFORMANCE THROUGH JANUARY 1986 HAVE BEEN SATISFACTORY. CONSUMER AND PRODUCER GAS PRICES AND ELECTRICITY TARIFFS WERE RAISED BY THE AGREED LEVELS IN MAY/JUNE 1985. DUE TO THE FALL IN OIL PRICES, GAS RATES ARE NOW TWO-THIRDS OF THE OIL IMPORT PRICE. ELECTRICITY RATES WERE INCREASED BY 10-12 PERCENT OVER PREVIOUS LEVELS IN THE BUDGET AND ARE SCHEDULED TO BE INCREASED BY THE SAME PERCENTAGE AGAIN THIS JULY. AGREEMENT WITH THE WORLD BANK ON A CORE INVESTMENT PROGRAM FOR THE POWER SECTOR WAS REACHED IN AUGUST 1985. THE MINISTRY OF PLANNING AGREED TO ESTABLISH AN ENERGY CONSERVATION CELL (ENERCON) IN DECEMBER 1985. ACHIEVEMENT OF OTHER ENERGY POLICY TARGETS SET UNDER THE WORLD BANK AGREEMENT WITH THE GOP WILL CONTINUE TO BE MONITORED CLOSELY DURING THE COMING MONTHS. THE MISSION WILL SHARE WITH AID/WASHINGTON GOP PROGRESS ON POLICY PERFORMANCE AND CONSULT WITH AID/WASHINGTON IN ASSESSING PROGRESS PRIOR TO OBLIGATING NEW FUNDS.

THE MISSION PLANS TO USE THE PROPOSED AMENDMENT TO THE ECE PROGRAM TO SUSTAIN POSITIVE STEPS ALREADY UNDERWAY AND TO BRING ABOUT FURTHER IMPROVEMENTS. THE FOLLOWING MEASURES ARE CONSISTENT WITH, AND REINFORCE, WORLD BANK AND OTHER DONOR OBJECTIVES IN THE ENERGY SECTOR AND REFLECT THE MISSION'S WELL ESTABLISHED RECORD OF DONOR COORDINATION. SPECIFIC MEASURES WHICH THE MISSION WILL NEGOTIATE AS CONDITIONS TO THE OBLIGATIONS UNDER THIS AMENDMENT INCLUDE THE FOLLOWING:

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CP3-02 STEY-01 EAST-01 STEN-01 DOE-01 OPIC-10 NELO-01
TELE-01 ONEA-03 ANSA-02 /045 AA 314

WHICH AID HAS BEEN INVOLVED INCLUDE THE GOP'S PROGRESS
ON ITS PLANNED THERMAL POWER PLANT AND DISTRIBUTION
REHABILITATION PROGRAM.

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UNCLAS SECTION 02 OF 06 ISLAMABAD 03505

A10AC

E.O. 12356 N/A
SUBJECT: ENERGY COMMODITIES & EQUIPMENT PROGRAM

- POWER SECTOR REORGANIZATION: THE GOP IS CONSIDERING WAYS TO REORGANIZE THE POWER SECTOR AND IN PARTICULAR WILL REVIEW THE ROLE OF WAPDA. DISTRIBUTION OF POWER IS TO BECOME THE RESPONSIBILITY OF A SEPARATE AGENCY, LEAVING WAPDA FREE TO FOCUS ON THE GENERATION AND TRANSMISSION OF ELECTRICITY FOR THE ENTIRE COUNTRY. A REORGANIZATION SHOULD IMPROVE THE MANAGEMENT AND FINANCIAL STATUS OF BOTH THE ELECTRIC POWER GENERATION AND DISTRIBUTION SYSTEMS. IF A REALISTIC SCHEDULE FOR IMPLEMENTATION OF THESE REFORMS IS AGREED UPON, THE MISSION WILL CONSIDER FINANCING EQUIPMENT FOR WAPDA BASED ON PROGRESS ON REORGANIZING THE POWER SECTOR.

- WITHOUT IMPROVED MANAGERIAL CAPABILITY, THE OIL AND GAS DEVELOPMENT CORPORATION (OGDC) WILL REMAIN LESS THAN FULLY EFFECTIVE. THE OGDC NEEDS TO BE MADE INDEPENDENT OF CIVIL SERVICE SALARY LIMITS AND NEEDS A FREE HAND IN MAKING CAPITAL INVESTMENT DECISIONS. HENCE, THE MISSION WILL NEGOTIATE A TABLET WITH THE GOP FOR THE COMPLETION OF A CONSULTANCY REPORT ON WAYS TO IMPROVE OGDC'S BUDGETARY INDEPENDENCE AND MANAGERIAL CAPABILITY BEFORE RELEASING FUNDS TO FINANCE MCRP EQUIPMENT (SEISMIC, GEOPHYSICAL, CONSUMABLES) FOR OGDC.

- COAL DEVELOPMENT: CONSENSUS ON A POLICY AGENDA FOR COAL IS EXPECTED TO EMERGE FROM THE FIRST AID-FINANCED PAKISTAN COAL CONFERENCE SCHEDULED FOR LATE FEBRUARY 1986. ISSUES OF PROBABLE INTEREST INCLUDE AN INCREASED PRIVATE SECTOR ROLE IN PRODUCTION, TRANSPORTATION, REGULATORY REFORMS, AND PRICING. IN ADDITION, FUNDING FOR COAL-RELATED EQUIPMENT PURCHASES MAY BE MADE CONTINGENT ON GOP PERFORMANCE IN PROVIDING THE GEOLOGICAL SURVEY OF PAKISTAN WITH ADEQUATE RESOURCES TO CARRY OUT THEIR FIELD ACTIVITIES, INCLUDING THOSE RELATING TO A COUNTRY-WIDE COAL ASSESSMENT EFFORT PARTIALLY FUNDED BY A.I.D. SPECIFIC BENCHMARKS THAT EMERGE FROM THE CONFERENCE WILL BE NEGOTIATED FOR INCLUSION IN THE ECE PROGRAM.

- ENERGY EFFICIENCY: AN ENERGY CONSERVATION CELL (ENERCON) IN THE MINISTRY OF PLANNING WAS ESTABLISHED WITH A.I.D. ASSISTANCE IN DECEMBER 1985. POSSIBLE BENCHMARKS TO ENCOURAGE MORE RAPID IMPLEMENTATION OF ITS OBJECTIVES INCLUDE DRAFTING OF LEGISLATION TO PROMOTE INCREASED ENERGY CONSERVATION, AS WELL AS GRANTING ENERCON SUFFICIENT AUTHORITY TO CATALYZE AND HELP IMPLEMENT A NATIONAL ENERGY CONSERVATION PROGRAM. FURTHERMORE, OTHER IMPORTANT ENERGY EFFICIENCY OBJECTIVES IN THE POWER SECTOR IN

- PRIVATE SECTOR PARTICIPATION: THE GOP ANNOUNCED A POLICY IN FALL 1983 TO PROMOTE PRIVATE SECTOR INVESTMENT IN COAL AND OIL FIRED POWER GENERATION PLANTS. THIS POLICY NEEDS TO BE EXTENDED TO LOW QUALITY BTU GAS, HYDRO, AND OTHER SOURCES. OTHER POLICY MEASURES THAT NEED TO BE ESTABLISHED INCLUDE THE FOLLOWING: SERIOUS CONSIDERATION OF PROPOSALS FOR EFFICIENT NON-MONOPOLISTIC PRIVATE SECTOR POWER GENERATION; CLARIFICATION OF THE TERMS FOR SELLING PRIVATELY GENERATED ELECTRICITY TO THE NATIONAL GRID; AGREEMENT ON GROUND RULES FOR THE ESTABLISHMENT OF PRIVATE SECTOR ELECTRICITY DISTRIBUTION BOARDS; AND ACHIEVEMENT OF A TIME-TABLE FOR ELIMINATING EXISTING POLICY RESTRAINTS ON CO-GENERATION IN COMMERCIAL FACTORIES. OTHER POSSIBLE PRIVATE SECTOR PARTICIPATION MEASURES INCLUDE OPENING UP THE OGDAL GAS FIELD TO NEGOTIATED PRICE AND PRIVATE RISK-SHARED DEVELOPMENT AND PRIVATE SECTOR COMMERCIALIZATION OF COAL BRIQUETTING AND RENEWABLE ENERGY TECHNOLOGIES. AS WELL AS PROGRESS BY OGDG ON PROMOTING PRIVATE SECTOR JOINT VENTURE PETROLEUM AGREEMENTS UNDER THE WORLD BANK'S RECENT PETROLEUM JOINT VENTURE LOAN.

- B. BALANCE OF PAYMENTS

(1) CHRONICALLY WEAK BALANCE OF PAYMENTS IS ONE OF THE MAJOR REASONS FOR THE ECONOMIC SUPPORT PROGRAM IN PAKISTAN. DOLS 100 MILLION SOUGHT IN THIS AMENDMENT, COUPLED WITH ANOTHER 500 MILLION IN THE COMPANION ACE PROGRAM, DIRECTLY ADDRESSED AND WILL SIGNIFICANTLY HELP ALLEVIATE THIS PROBLEM.

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UNCLAS SECTION 03 OF 06 ISLAMABAD 03505

AIDAC

E. O. 12356 N/A
SUBJECT: ENERGY COMMODITIES & EQUIPMENT PROGRAM

IN PFY 1984/85, EXPORTS WERE 42 PERCENT OF IMPORTS, DOWN FROM 47 PERCENT IN PFY 1982/83. PROJECTIONS FOR PFY 1985/86 SHOW A SMALL IMPROVEMENT TO 48 PERCENT. THE ROLE OF INVISIBLES IS VERY IMPORTANT, AS REMITTANCES FROM OVERSEAS WORKERS ARE ALMOST AS LARGE AS EXPORTS, AND ACTUALLY EXCEEDED THEM FROM 1982 TO 1984. THE CURRENT ACCOUNT BALANCE, WHICH INCLUDES REMITTANCES, INTEREST PAYMENTS, FACTOR PAYMENTS, ETC. IS CHRONICALLY IN DEFICIT; THE LEVEL AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT HAS FLUCTUATED FROM 1.3 PERCENT TO 4.3 PERCENT IN THE RECENT PAST. THE BASIC BALANCE ALSO IS VOLATILE, DEPENDING PRIMARILY ON THE SIZE OF THE CURRENT ACCOUNT DEFICIT AND DISBURSEMENTS OF FOREIGN ASSISTANCE. THE BASIC BALANCE STRONGLY DETERMINES THE CHANGE IN FOREIGN EXCHANGE RESERVES, THE OTHER FACTORS BEING SHORT-TERM BORROWING (REPAYMENTS) AND IMF TRANSACTIONS. FOR EXAMPLE, THE PROJECTED NEGATIVE BASIC BALANCE OF DOLLS 111 MILLION IN 1985/86 WILL BE EXACERBATED BY IMF REPAYMENTS OF DOLLS 225 MILLION.

(2) THE TABLE BELOW PRESENTS DATA SINCE 1981 WITH PROJECTIONS THROUGH 1989. THE BUILD-UP IN RESERVES THREE YEARS AGO AND THE DECLINE SINCE THEN CAN BE ATTRIBUTED IN LARGE PART TO THE BEHAVIOR OF REMITTANCES. CURRENT BEHAVIOR OF REMITTANCES IS ERRATIC AND THE ONLY CERTAINTY IS THAT SIGNIFICANT GROWTH WILL NOT OCCUR. AS A RESULT, EXPORTS AND FOREIGN ASSISTANCE DISBURSEMENTS MUST SUPPLY THE FUNDS NEEDED TO PAY FOR IMPORTS AND CONTINUED ECONOMIC GROWTH. THE FIGURES IN THE TABLE ASSUME 7.4 PERCENT ANNUAL REAL GROWTH IN EXPORTS, 4.3 PERCENT IN IMPORTS, 5.8 PERCENT IN GDP, 5.1 PERCENT IN GNP, 3.5 PERCENT IN AGRICULTURE AND 9.0 PERCENT IN INDUSTRY. THE CRITICAL ELEMENT IS EXPORT GROWTH, WHICH IS HIGHER THAN THAT EXPERIENCED IN THE 1977-83 PERIOD ALTHOUGH LOWER THAN THE 1977-83 PERIOD. SUSTAINING EXPORTS BEYOND THE RECOVERY FROM THE 1983-85 TROUGH WILL BE DIFFICULT AS PAKISTAN FACES SEVERAL CHALLENGES: DECLINING PRICES AND MARKETS FOR ITS TWO LARGEST EXPORT COMMODITIES (COTTON AND RICE); A WEAK DEMAND IN THE MIDDLE EAST MARKET DUE TO FALLING OIL PRICES; AND QUOTAS AND OTHER RESTRICTIONS ON YARN, TEXTILES, MADE-UPS AND GARMENTS WHICH HAVE BEEN SET BY INDUSTRIAL COUNTRIES. ADDITIONALLY, PAKISTAN'S MANUFACTURED PRODUCTS FACE PROBLEMS BECAUSE OF THEIR HIGH COST AND RELATIVELY LOW QUALITY, ATTRIBUTABLE TO THEIR OVERPROTECTED DOMESTIC MARKET. CONTRIBUTING TO THE PROBLEM OF EXPORT GROWTH IS AN OVERVALUED EXCHANGE RATE.

(3) EXPORT ESTIMATES FOR 1985/86, MADE AFTER 5 MONTHS OF THE FISCAL YEAR HAD ELAPSED, SHOW A 19 PERCENT INCREASE OVER THE PREVIOUS YEAR, BUT ARE ONLY 12 PERCENT MORE THAN THE EXPORT LEVEL OF THREE YEARS AGO. HENCE, IN THE SHORT TO MEDIUM RUN, PAKISTAN IS LIKELY TO EXPERIENCE BALANCE OF PAYMENTS CONSTRAINTS GIVEN THE ECONOMIC ENVIRONMENT DESCRIBED ABOVE.

(4) IN LIGHT OF THIS SITUATION, IMPORT PROJECTIONS ARE RELATIVELY LOW AT 4.3 PERCENT COMPARED WITH THE 6.0 PERCENT RATE EXPERIENCED FOR 1977-85. THIS GROWTH IS THE MINIMUM NECESSARY TO PERMIT ADDITIONAL INDUSTRIAL GROWTH WHILE MAINTAINING CURRENT LOW LEVELS OF CONSUMPTION. IN FACT THE PROJECTIONS ASSUME SOME MINOR DECLINE IN PETROLEUM IMPORTS AS DOMESTIC PRODUCTION INCREASES. THE BENEFIT OF DECLINING OIL PRICES PROBABLY WILL BE TEMPORARY DUE TO OFFSETTING DECLINES IN EXPORTS AND REMITTANCES. CEMENT IMPORTS SOON WILL CEASE, LEAVING EDIBLE OIL AS THE ONLY MAJOR IMPORT FOR WHICH SIGNIFICANT IMPORT SUBSTITUTION IS POSSIBLE.

(5) THE TABLE SHOWS THE BASIC BALANCE AS POSITIVE STARTING IN 1986/87. THE BUILDUP IN RESERVES WILL NOT BE AS LARGE BECAUSE OF REPAYMENTS TO THE IMF AND FOR MILITARY PURCHASES. THE TABLE ASSUMES A LARGE INCREASE IN DISBURSEMENTS OF FOREIGN ASSISTANCE THAT HAS NOT YET BEGUN FEB, 1986. THE IMPROVING PICTURE FOR THE FOLLOWING YEARS BUILDS ON A CONTINUATION OF THE TREND. THE PROJECTIONS SHOW A MODEST INCREASE IN RESERVES AS MEASURED BY MONTHS OF IMPORT COVERAGE AND A DECREASE IN THE RATIO OF THE CURRENT ACCOUNT DEFICIT TO GDP. THE FORMER IMPROVEMENT DEPENDS BOTH ON EXPORT GROWTH AND AID DISBURSEMENTS. THESE DISBURSEMENTS INCLUDE PROJECTIONS OF USAID. ANY SHORTFALL WILL BE REFLECTED IN LOWER AGGREGATE LEVELS. FURTHERMORE, A FALL IN DISBURSEMENTS AND RESERVES IS LIKELY TO RESULT

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ACTION AID-03

ISLAMA 03505 04 OF 06 140759Z 9843 001605 A107999

ACTION OFFICE ANPD-05
INFO FPA-02 ANDP-03 GCAN-02 GC-01 GSFL-01 C-02 ANTR-06 CPP-01
CPS-02 STEY-01 CAST-01 STEH-01 DOE-01 OPIC-10 RELO-01
TELE-01 CHEA-03 ANSA-02 U46 A4 314

- INTEREST PAYMENTS -429 540 -541 -602
- OTHER INVISIBLES (NET) -177 -52 -43 -59

INFO LOG-00 COPY-01 CIAS-00 ED-08 DCDE-03 NEA-07 L-03
AMAD-01 /020 W

CURRENT ACCOUNT BALANCE -1,407 -1,088 -1,071 -1,146

LONG-TERM CAPITAL (NET) 1,296 1,268 1,347 1,622
- GROSS DISBURSEMENTS

- (OFFICIAL) 1,800 1,837 1,941 2,263
- AMORTIZATION -582 -767 -705 -811
- OTHER 76 166 191 190

-----067242 140801Z /61-38

BASIC BALANCE -111 180 276 476

O 140747Z FEB 86
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC IMMEDIATE 8528

CHANGE IN RESERVES -130 N.A 100 369

UNCLAS SECTION 04 OF 06 ISLAMABAD 03505

RESERVES AS MONTHS OF

AIDAC

IMPORTS /D N.A 1.1 1.4 1.5

E.O. 12356 N/A
SUBJECT: ENERGY COMMODITIES & EQUIPMENT PROGRAM

CURRENT BALANCE/GDP PERCENT N.A -3.2 -2.7 -2.5

IN LOWER IMPORTS THAT MAY VERY WELL LOWER EXPORTS,
AGGRAVATING THE CURRENT ACCOUNT DEFICIT EVEN MORE.
BASED ON THE DISCUSSION ABOVE, USAID/PAKISTAN
CONCLUDES THAT THE BALANCE OF PAYMENTS IN PAKISTAN
WILL BE PRECARIOUS AT BEST OVER THE NEXT FEW YEARS.
AN ADDITIONAL \$100 MILLION WILL CLEARLY NOT SOLVE
THE PROBLEM, BUT IT WOULD BE OF SUFFICIENT MAGNITUDE
TO PROVIDE SIGNIFICANT BOP RELIEF

/A PROVISIONAL ACTUALS.
/B REVISED GOVERNMENT ESTIMATES.
/C PROJECTIONS
/D FOREIGN EXCHANGE RESERVES AS MONTHS OF NEXT YEAR'S
IMPORTS OF GOODS AND ALL SERVICES

- BALANCE OF PAYMENTS, 1981/82-1988/89

SOURCE: WORLD BANK: COUNTRY ECONOMIC MEMORANDUM
(DRAFT), DECEMBER 2, 1985, BASED ON GCP DATA.
- C. PRIVATE SECTOR COMMODITY IMPORT PROGRAM

(US DOLLARS MILLION)

- PROGRESS ON THIS COMPONENT HAS FALLEN FAR
SHORT OF MISSION EXPECTATIONS. THE MISSION'S OWN
PROMOTIONAL CAMPAIGN GOT OFF TO A LATE START IN JULY
1985 WITH THE PUBLICATION OF A PAMPHLET EXPLAINING THE
PROGRAM'S CONTENT, ITS OBJECTIVES AND PROCEDURES TO
FOLLOW. SEMINARS AIMED AT THE PAKISTANI BUSINESS AND
BANKING COMMUNITIES WERE CONDUCTED IN SEPTEMBER TO
AUDIENCES IN MAJOR URBAN CENTERS. FROM THESE EFFORTS

1981/82 1982/83 1983/84 1984/85

TRADE BALANCE -3,373 -2,969 -3,324 -3,462
- EXPORTS (F.O.B.) 2,316 2,627 2,669 2,475
- IMPORTS (F.O.B.) -5,651 -5,616 -5,993 -5,337

INVISIBLES (NET) 1,843 2,431 2,293 1,311
- WORKERS' REMITTANCES 2,225 2,886 2,737 2,446
- INTEREST PAYMENTS -453 -425 -471 -462
- OTHER INVISIBLES (NET) 71 -30 27 -173

CURRENT ACCOUNT BALANCE -1,530 -553 -1,031 -1,651

LONG-TERM CAPITAL (NET) 730 1,242 823 610
- GROSS DISBURSEMENTS
- (OFFICIAL) 1,182 1,301 1,176 1,229
- AMORTIZATION -492 -428 -528 -537

- OTHER 120 361 167 -82

BASIC BALANCE -800 664 -208 -1,041

CHANGE IN RESERVES -198 1,111 132 -1,087
RESERVES AS MONTHS OF
IMPORTS /D 1.4 3.0 3.8 N.A

CURRENT BALANCE/GDP PERCENT -4.7 -1.1 -3.1 -4.

1985/86 1986/87 1987/88 1988/89
/B /C /C /C

TRADE BALANCE -1,201 -2,896 -2,837 -2,385
- EXPORTS (F.O.B.) 1,945 3,335 3,904 4,586
- IMPORTS (F.O.B.) -5,146 -6,231 -6,731 -7,471

INVISIBLES (NET) 1,794 1,303 1,316 1,739
- WORKERS' REMITTANCES 1,400 2,400 2,400 2,400

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Department of State

INCOMING
TELEGRAM

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ACTION AID-00

ISLAMA 03505 05 OF 06 140800Z 9662 001638 #103005

ACTION OFFICE AHPD-05
INFO FPA-02 AHPD-03 GCAN-02 GC-01 GCFL-01 C-02 ANTR-06 CFP-01
CPS-02 STEY-01 SAST-01 STEN-01 HOL-01 OFIC-10 KELO-01
TELE-01 CNEA-03 ANCA-02 /046 A4 614

CAMPAIGNS TO ELIMINATE CONFUSION AMONG POTENTIAL
BORROWERS, GOP OFFICIALS AND MEMBERS OF THE
PARTICIPATING BANKING COMMUNITY ON THE PURPOSES AND
FEATURES OF THE PROGRAM.

INFO LOG-00 COPY-01 CIAE-00 EO-01 DOGE-00 NEA-07 L-03
AMAD-01 /020 W

-----057172 140800Z /61-38

O 140747Z FEB 86
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC IMMEDIATE 0529

-- AN INCREASE IN THE NUMBER OF PARTICIPATING BANKS
(INCLUDING U.S. BANKS) IN A COMPETITIVE SETTING
WHEREBY BANKS WOULD RECEIVE ADDITIONAL FINANCING, IN
EQUAL OR LARGER AMOUNTS, DEPENDING ON HOW WELL THEY
SUCCEEDED IN LENDING FUNDS TO IMPORTERS. AS INDICATED
IN PARA 2 ABOVE, THE MISSION INTENDS TO RESERVE DOLS
50 MILLION FOR PRIVATE SECTOR IMPORTERS. THIS
INCREASES THE RATE SIGNIFICANTLY AND PROVIDES AMPLE
LEVERAGE TO GET THE PRIVATE SECTOR WINDOW WORKING. WE
WOULD EXPECT THAT THE PROBLEMS WILL HAVE BEEN LONG
SINCE RESOLVED BEFORE ANY OF THE NEW INCREMENT IS
OBLIGATED. SIGNALLING OUR INTENTIONS NOW WILL HELP
PAVE THE WAY FOR SOLUTIONS.

UNCLAS SECTION 05 OF 06 ISLAMABAD 03505

AIDAC

E.O. 12356 N/A
SUBJECT: ENERGY COMMODITIES & EQUIPMENT PROGRAM

- D. PIPELINE IMPLICATIONS

INTEREST IN THE PROGRAM AMONG PRIVATE SECTOR FIRMS WAS
STIMULATED, BUT A NUMBER OF UNFORESEEN CONSTRAINTS
AROSE TO PRIVATE SECTOR ACCESS TO AID FUNDS.
CONSTRAINTS SUCH AS THE SHORT PAYBACK PERIOD
(PREVIOUSLY THREE YEARS, NOW FIVE) FOR CAPITAL GOODS
AND THE LOW CEILING (ORIGINALLY DOLS 1 MILLION, NOW
DOLS 10 MILLION) ON THE AMOUNT OF ANY INDIVIDUAL LOAN
TRANSACTION WERE REMOVED. DESPITE THESE MEASURES,
PROBLEMS REMAIN. THESE ARE: (1) A LIMITED NUMBER
(ONLY TWO) OF BANKS PARTICIPATING IN THE PROGRAM (2)
THE LACK OF A CLEAR SET OF GOP RULES AND PROCEDURES
FOR PAKISTANI IMPORTERS TO FOLLOW UNDER THE AID CIP
PROGRAM, (3) THE APPARENT LIMITATIONS ON BANKS ON THE
AMOUNT OF FOREIGN EXCHANGE THEY CAN LEND AND A CEILING
ON IMPORTERS ON THE AMOUNT OF FOREIGN EXCHANGE THEY
CAN BORROW; (4) THE ABSENCE OF WIDESPREAD KNOWLEDGE
AMONG THE GOP PARTICIPATING BANKS AND VARIOUS LEVELS
OF THE BUREAUCRACY CONCERNING PROGRAM SPECIFICS; AND
(5) SEVERAL OTHER COMPETING SOURCES OF FOREIGN
EXCHANGE AVAILAELE IN THE MARKET FROM REMITTANCES AND
OTHER DONOR RESOURCES WHICH ARE CHANNIELLED MOSTLY
THROUGH GOP DEVELOPMENT FINANCE INSTITUTIONS. THE
MISSION HAS DISCUSSED THESE CONSTRAINTS AT HIGH LEVELS
IN THE GOP AND IS PRESSING FOR THEIR RESOLUTION, AS
THERE CONTINUES TO BE CONSIDERABLE PRIVATE SECTOR
INTEREST ON THE PART OF PAKISTANI IMPORTERS AND U.S.
SUPPLIERS' INTEREST IN DOING BUSINESS WITH THEM. THE
MISSION HAS CONVEYED IN WRITING THE OBJECTIVES BELOW
TO VERY SENIOR GOP OFFICIALS ALONG WITH OUR VIEW THAT
THEIR EARLY ACHIEVEMENT IS CRITICAL TO PROGRESS ON THE
PRIVATE SECTOR CIP. IN THIS CONTEXT THE MISSION IS
PLANNING NOT TO AWARD APPROXIMATELY DOLS 16.5 MILLION
OF PENDING PUBLIC SECTOR ENERGY EQUIPMENT PURCHASES
UNTIL THE OBJECTIVES ARE ACHIEVED. THESE ARE AS
FOLLOWS:

- CUMULATIVE OBLIGATIONS (FY 84 AND FY 85)
TOTAL DOLS 61 MILLION. ANOTHER DOLS 59 MILLION OF FY
86 FUNDS WILL BE OBLIGATED IN JUNE 1986 TO BRING TOTAL
FUNDS OBLIGATED TO DOLS 100 MILLION, THE CURRENT LOP
AMOUNT. ACTUAL EXPENDITURES DID NOT KEEP PACE WITH
MISSION FY 85 PROJECTIONS, NAMELY, TO SPEND DOLS 22
MILLION BY THE END OF THE FISCAL YEAR DUE TO DELAYS IN
FINALIZING ACCEPTABLE EQUIPMENT LISTS WITH GOP
AGENCIES AND THE LEAD TIME REQUIRED TO PREPARE FOR AND
COMPLETE THE PROCUREMENT PROCESS. HOWEVER, BIDS FOR
APPROXIMATELY DOLS 17 MILLION HAVE BEEN RECEIVED AND
IF AWARDS ARE MADE CONTINGENT UPON PROGRESS ON THE
PRIVATE SECTOR CIP, DELIVERY OF THIS EQUIPMENT COULD
BE COMPLETED BY SEPTEMBER 1986. THE MISSION IS ALSO
PREPARING THE SOLICITATION DOCUMENTS FOR PURCHASING
MORE EQUIPMENT VALUED AT DOLS 34 MILLION WITH AN

-- A CLEAR SET OF UNRESTRICTIVE GUIDELINES NEEDS TO
BE PUBLISHED BY THE CHIEF CONTROLLER OF IMPORTS AND
EXPORTS SO THAT IMPORTERS ARE INFORMED OF WHAT IS
EXPECTED OF THEM AND SO THAT IMPORTS CAN BE PROCESSED
ON A TIMELY BASIS.

-- A CLARIFICATION THAT: THERE IS NO CEILING ON
AVAILABLE BANK CREDIT; NO LIMITATION ON FOREIGN
EXCHANGE AVAILAELE TO APPLICANT BANKS FOR LOANS TO
IMPORTERS; AND NO LIMITATION ON THE AMOUNT OF FOREIGN
EXCHANGE AN IMPORTER MAY BORROW.

-- WIDESPREAD DISSEMINATION OF PROGRAM CONTENT AND
ITS OBJECTIVES THROUGH PROMOTIONAL AND PUBLICITY

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