

SUMMARY REPORT
OF
A REVIEW OF UNITED STATES
DEVELOPMENT ASSISTANCE TO PAKISTAN
1952-1980

BEST AVAILABLE

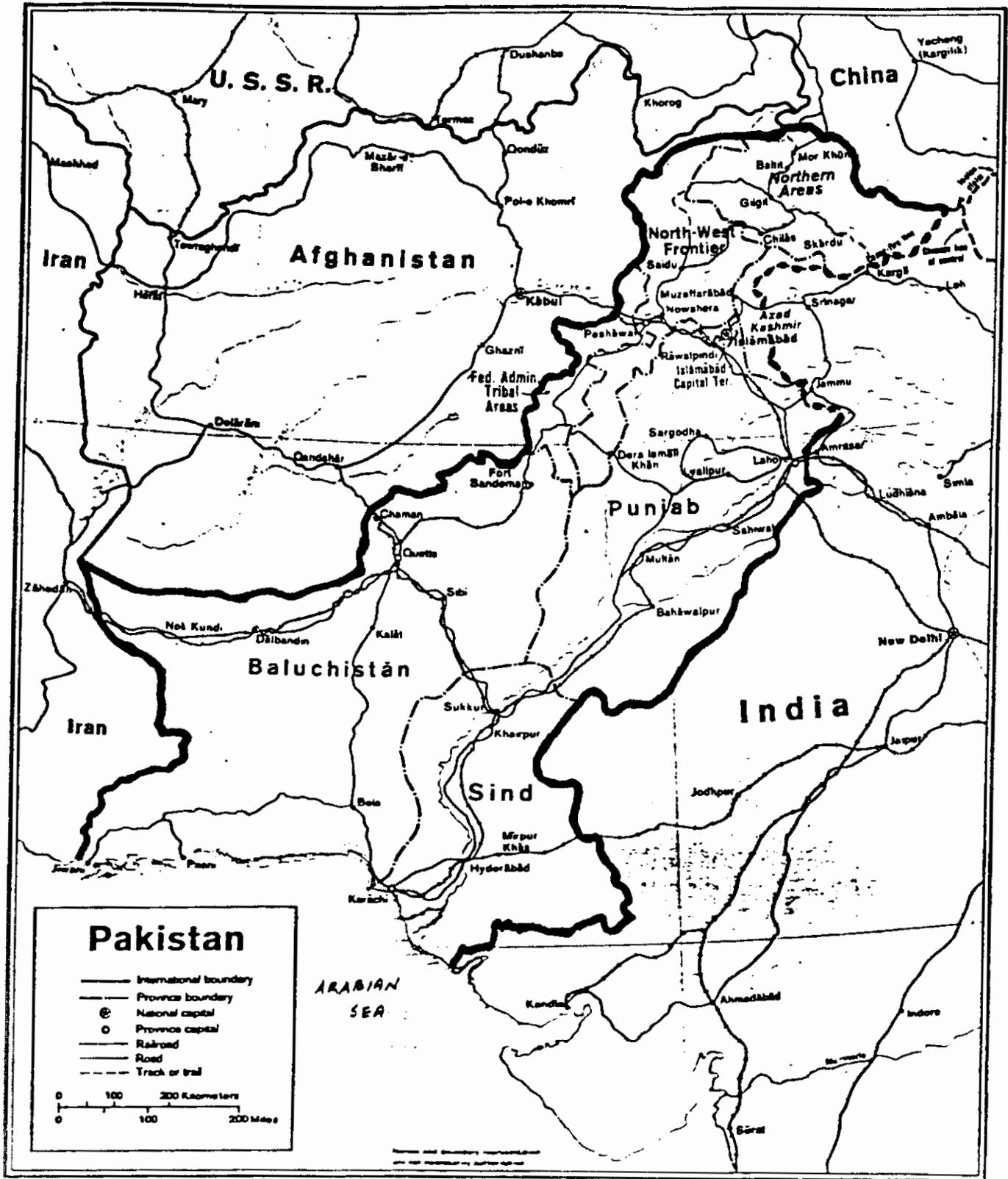
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for
THE AGENCY FOR INTERNATIONAL DEVELOPMENT

FOREWORD

Pakistan is an Islamic Republic with a population of approximately 82 million people. As indicated on the map that follows it has four provinces, the Punjab, Sind, North-West Frontier and Baluchistan.

It is currently governed by President and Chief Martial Law Administrator General Zia-ul-Haq who assumed control of Government in 1977. Under martial law some of the articles of the 1973 constitution and the bicameral legislature have been suspended. The military rulers of Pakistan have promised elections as soon as the country is stable.

Pakistan's vital data are provided in the table that follows. It provides the reader with a comparison of data for low and middle income groups in Asia and the Pacific Regions. The data, which come from the World Bank, may differ somewhat from data originating in other sources.



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VITAL COUNTRY DATA

	<u>Pakistan</u>	<u>Low Income Asia & Pacific</u>	<u>Middle Income Asia & Pacific</u>
Land Area (Thousand Sq.Km.)			
Total	803.9		
Agricultural	253.0		
Population (Millions--mid-1980)	81.3		
Urban Population (%)	27.4	20.8	39.1
Population Density (Sq. Km.)	96.0	193.2	376.1
Annual Growth Rate (%)	3.1	2.2	2.4
Annual Urban Growth Rate (%)	4.4	3.9	4.1
Crude Birth Rate (Per Thousand)	45.0	37.4	28.7
Crude Death Rate (Per Thousand)	15.0	14.6	7.9
Life Expectancy at Birth (Years)	52.0	50.8	63.0
Access Safe Water (% Population)	29.0	30.2	42.4
Access Excreta Disposal (% Population)	6.0	17.7	52.8
Population Per Physician	3,780.0	6,322.7	4,120.1
Adult Literacy Rate (% Population)	21.0	40.9	85.8
Per Capita GNP (Dollars--1978)	270.0	212.4	1,114.7
Total Labor Force (Thousands)	21,270.0		
Female (%)	10.0	29.4	36.8
Agriculture (%)	58.0	70.5	51.9
Industry (%)	19.0	11.6	21.9
Absolute Poverty Income Level (Dollars Per Capita)			
Urban	176.0	107.8	
Rural	122.0	86.5	192.1
Population Below Absolute Poverty Income Level (%)			
Urban	32.0	46.2	
Rural	29.0	51.7	33.2

Source: The World Bank International Development Association, February, 1981.

SUMMARY REPORT

Background of the Study

The Asia Bureau of the Agency for International Development (AID) commissioned a review of United States development assistance to Pakistan from 1952 to 1980. The study, A Review of United States Development Assistance to Pakistan: 1952 to 1980, has as its genesis the understanding by U.S. officials that, with the scheduled phasing out of most current Pakistan aid programs, it is important to extract from the experience of past programs relevant lessons for the future. Such a review was urgently recommended by the U.S. Ambassador to Pakistan and the Acting Director, USAID Pakistan.

The Study proceeds from several general assumptions. First, that it is in the broad interest of the United States to foster and encourage Pakistan's economic development. Second, that the fundamental purpose of U.S. assistance to Pakistan has been to help it to develop and make more efficient use of its resources and to improve the living conditions of its people. Third, that Pakistan, like any other nation, exists and functions in the context of its unique set of historical, social, economic, and political circumstances.

Scope of the Study

For almost thirty years, beginning in 1952, the United States has provided bilateral economic and developmental aid to Pakistan. The Study is an assessment of the AID experience in Pakistan and focuses on the general areas of macro-economics, agriculture, population, health and nutrition, and public administration. It is aimed not at an evaluation of specific programs, but at discovering and analyzing those factors in the

AID experience which could be useful for the formulation of future U.S. aid policies in Pakistan. In doing so, the Study examines the course of Pakistan's development and the impact of AID's development assistance and interventions on that course, and discusses the current and future goals, objectives, and priorities of the Government of Pakistan (GOP).

Study Team

The team conducting the study consisted of the following five members, each of whom pursued specific areas of investigation and produced the chapters indicated:

Ambassador Charles A. James: Team Leader and Coordinator
Dr. Michael Rock: Chapter II - Macro Economic Perspectives
Dr. Richard Newberg: Chapter III - Agricultural Development
Dr. Milledge Walker: Chapter IV - Development Administration and Institution Building
Dr. Frederick Shaw: Chapter V - Population, Health, Nutrition

It should be noted that AID contracted separately with Drs. Newberg, Walker and Rock to write specific reports outlined above. Subsequent to these contracts, AID entered into a contract with JJ&A for the services of Dr. Shaw and Ambassador James, and to provide facilities for final preparation and production of the study. Thus, in keeping with the individual contracts of the team members, their works have been presented as distinct chapters of the report.

The Asia Bureau Assistant Program Officer for Pakistan traveled with the team and was an invaluable source of assistance as well as a full participant in the team's meetings and deliberations in Pakistan.

Study Approach

The Study was conducted in several distinct phases designed to (a) take advantage of the knowledge, documentary and personal, accumulated during the years of AID assistance to Pakistan; (b) assess Pakistan's economic and developmental progress, particularly as it relates to or is influenced by AID and other donor assistance; (c) analyze, in historical perspective, the factors that determined the degree to which foreign assistance programs contributed to or inhibited Pakistan's progress; and (d) extract from the foregoing some general theses or lessons that would serve as a foundation for future U.S. aid to Pakistan.

Phase I involved the collection of data available in Washington and the preparation of interview guides and other material for use in Pakistan.

Phase II consisted of the team's field trip to Pakistan to gather on-site information and impressions.

Phase III consisted of the writing of the draft report, discussions of the draft among the members of the team and between the team and AID representatives, acquisition and integration of additional needed information, and completion of the final report.

Limitations of the Study

The long period covered by the Study and its broad scope compelled some adjustments in approach. Many records and documents for earlier years were not available and some persons involved in past projects and programs could not be located. Research indicated that there have been in excess of 300 U.S. AID projects to Pakistan during the period of the Study.

The Study was greatly aided by the excellent cooperation it received from the officials of the GOP, members of international organizations, the memories of longtime Pakistani

employees of USAID/Pakistan, and the current staff of the U.S. Embassy and AID Mission in Pakistan.

Special thanks are due to Ambassador Hummel, Acting USAID Director George, and the officers and staff of the Asia Bureau of AID for their unstinting support and understanding.

Pakistan at Partition

Pakistan was created in 1947 as a self-governing Muslim nation, attendant on the withdrawal of British rule and the partition of India. It originally consisted of two wings, East and West, separated by more than 1,000 miles. In 1971 East Pakistan became independent Bangladesh. This Study and (unless otherwise specified) all statistical and other data cited herein deal only with the former West Pakistan, i.e., the country known today as Pakistan.

The Physical Environment

With an area of some 310,000 square miles, Pakistan stretches northward 1,000 miles from the Arabian Sea to the foothills of the Himalayas. It has two distinct geographical regions: the mountain ranges all along its western borders, and the plains area, through which the Indus River and its tributaries flow, running from the foot of the northern mountains south and east. The climate is of the dry continental type with a general paucity of rainfall. The mean temperatures in the plains area range from 40°F to 57°F in January and from 79°F to 87°F in July. Over a large part of the country, temperatures of 112°F in the hot months and 50°F in cold months are common. Average annual rainfall is less than 20 inches; melting snow from the mountains is an important contributor to irrigation water supply. Humidity in the plains is generally low, except for a narrow coastal strip around Karachi. The most common type of soil is alluvial, because of the great

river system spread out over most of the plains area. This soil is extremely fertile and rich in minerals. In addition to extensive natural gas and limited petroleum resources, Pakistan has salt, gypsum, coal, iron ore, sulphur, chromite and antimony deposits.

The People

The 1951 census figures showed Pakistan's population to be 33.7 million, up from 28 million in 1941 and from 16.6 million in 1901. Even before the partition-stimulated exchange of populations between Pakistan and India, the people of Pakistan were predominantly Muslim (today, 97 percent). Less than a sixth (or five million) met the most rudimentary literacy test, and 60 percent of these had no formal education. Female literacy was abysmally low. Only 14,000 people had BA/BS equivalent or better degrees. By current standards less than five percent of the entire population could be considered literate, and most of this number were concentrated in the towns and cities. The same urban concentration characterized the availability of medical facilities. There was only one medical doctor per 30,000 people, and doctors and hospitals were virtually non-existent in rural areas. There were no trained nurses, infant and child mortality was high, and malaria was widespread.

Industry

At partition, Pakistan had little industry, even for processing its own indigenous agricultural products. For example, in 1948, it was able to process only about 40,000 bales (15 million pounds) of its one million bale cotton crop (400 million pounds) and 25 percent of that ended up as "surplus cotton yarn" (not processed into cloth). Thirty-five million yards of cloth were produced, one yard per person. Paper and

paper-board production capability was virtually non-existent. Only one factory processed vegetable products, and only two sugar. There was no production and virtually no use of commercial fertilizer. Other production consisted of modest amounts of cement (287,000 M.T.), (beer 226,-000 imperial gallons), and sea salt (125,000 M.T.). In 1949, 13,000 tires and 238,000 gross boxes of matches (about one match per person per week) were produced. Other than this, processing and manufacturing were confined to traditional village level activities, e.g., wheat and oilseed crushing mills, village carpenters, blacksmiths, etc. Mineral production was limited to small quantities of limestone, salt, gypsum, fireclay and chromite.

Infrastructure

Productive infrastructure, other than industry, was in considerably better shape. Railroad track mileage in 1948 totaled 6,500 miles, (only 300 miles less than the level achieved in 1970-71), but the system as it stood was designed to serve the Pakistan-India linkage and considerable trunk line replacement was needed. Nevertheless, freight carried in 1948-49, the first full year of Pakistan's independence, totaled 6.4 million tons. Road mileage in 1947-48 totaled 13,821 miles, and concrete and asphalt surfaced roads 5,053 miles. However, offsetting this apparently substantial road network, Pakistan in 1947-48, had only 912 trucks (832 registered), or one truck for each 20 miles of improved road.

The port of Karachi had been the focus of major development and by 1947-48 had evolved from a 19th century village to a port handling 2.2 million tons of imports and 1.3 million tons of exports.

Agriculture

In 1947, agriculture was carried on with age-old traditional methods, employing animal power and a simple wooden plow to prepare the seed bed. The land was fertilized with animal manure, if at all, and seed of traditional (desi) types was broadcast by hand. When the crop was mature it was harvested by hand, and grain was threshed on an earthen floor by hand or with animals. Wheat was ground, oilseed crushed, cotton ginned and other products processed in small traditional village mills; considerable hand cotton cloth also was produced.

The village produced practically all of its own food, housing, clothing, tools, and fuel, but sold little of its product. The major national export crop was raw cotton, there being practically no large scale processing facilities. Modernization of agriculture, to the extent it existed at all, was limited largely to a highly-developed canal irrigation system covering some 20 million acres. Yet, a substantial level of output was being achieved--enough to meet food needs of the population at a level of about 2,000 calories daily per capita, and to export considerable amounts of cotton and some food.

The irrigation system had originated in the mid 19th Century, and at partition was shared with India. Both countries recognized the concept of co-riparian rights, and ultimately worked out the distribution of waters in negotiations begun in 1947 and concluded by the signing of the Indus Treaty in 1960. In 1947, however, Pakistan was concerned about two threats to the system, one immediate and one long-range. The immediate perceived threat was that India might divert the waters of three eastern rivers eventually allocated to it before Pakistan could make compensating arrangements, thus imperiling a large part of Pakistan's most fruitful agricultural lands. The long-term threat, which still exists, was posed by problems of

waterlogging and salinity. In 1947, these problems were by some estimates, affecting an additional 50,000 to 100,000 acres annually.

Development and U.S. Assistance

From a modest beginning in 1951, the U.S. bilateral assistance program to Pakistan grew to annual commitments approaching \$400 million in the early 1960s and a cumulative commitment of approximately \$5 billion through 1980.* The early program focused on technical assistance and disaster relief, but increasingly shifted to capital assistance, particularly after 1958. Of total U.S. bilateral aid commitments, 19 percent was project aid, 37 percent was program aid, and the remainder, over \$2 billion, consisted of PL 480 concessional sales whose macro impact was similar to that of program aid. Of the project aid, 38 percent was allocated to agriculture, 34 percent to infrastructure with the bulk of the remainder in health and sanitation (11 percent), public administration (4 percent), and education (2 percent). Except for some fertilizer and other agricultural input financing, the vast majority of the program aid was used to import raw materials, spare parts, and capital to run the industrial sector.

Although in this summary the US/Pakistan aid relationship is broken into several chronologically discrete periods, marked by identifiable changes in the nature of problems and policies, development and U.S. assistance overlapped considerably from one period to the next.

Early Program

The early program (1951-1958) focused on assisting the new Muslim nation of Pakistan to overcome the economic consequences

*Sources for statistics and other material appearing in this summary are extensively footnoted in the main body of the report.

of the 1947 partition of British India. Except for a rather well developed irrigation system in the Indus valley and a considerable railroad network, Pakistan possessed a meager infrastructure and almost no industrial base. Much of the irrigation infrastructure was threatened by cut-offs of water from eastern rivers. The road and rails were oriented to former greater India trade and not to the trade needs of the new nation. To make matters worse, the emigration of Hindu professionals and the immigration of unskilled Muslims deprived Pakistan of a skilled labor force on which to found development while leaving it with a difficult refugee problem. Thus, it is not surprising that much of the early U.S. assistance effort focused on disaster relief, infrastructure rehabilitation and expansion, and technical assistance, including programs to modernize the public service. Following a foreign exchange crisis in 1952 and the breakdown of trade with India, the new government undertook a massive effort at rapid industrialization through import substitution. U.S. support for this effort consisted of expanded capital assistance for infrastructure development, increased technical aid to ease the "skills-shortage", and PL 480 concessional sales, which generated local currency for public investment and made it easier for Pakistan to finance industrialization by keeping agricultural prices low and thereby extracting an investable surplus from agriculture.

The results of these efforts were predictable, but in degree surprising. The industrial sector, dominated by textiles and large-scale industry, grew at annual rates approaching 24 percent while agriculture stagnated, barely keeping pace with population growth. It may be argued that U.S. assistance played an important role in these developments, but it would be a mistake to attribute too much to U.S. efforts, as a variety of circumstances worked to minimize the immediate impact

of U.S. aid on development. The size of the program, its administrative instability, the paucity of U.S. knowledge about Pakistan and about the role of foreign aid in development, the equivocating and uncertain commitment within the U. S. to foreign aid program, in combination with political instability and the lack of an orderly approach to development within Pakistan, all worked to minimize the effectiveness of aid utilization. Furthermore, except for disaster relief, food aid and the financing of fertilizer imports designed to bring about quick increase in agricultural output, U.S. assistance was aimed at creating the conditions for future agricultural and industrial growth. The experience gained during this period made it possible for future AID Missions to design a more effective assistance program in the next decade.

The Bilateral Program and Pakistan's "Take-off" Years

By 1959 the Pakistan economy appeared to be emerging from a rehabilitative stage and entering a "take-off". Prior investments, particularly in human resource development, began to pay off. A Ford Foundation project to train Pakistanis for planning development led to the publication of the nation's first systematic development plan. In addition, earlier investments in physical infrastructure--roads, railways, power, and communication--began to come on stream to provide needed inputs for further industrial and agricultural development. But most importantly, the 1958 military coup by Ayub Khan provided the country with a needed degree of stability and a commitment to development. In 1958 Ayub upgraded the Planning Commission to the status of Advisory Committee to the President, and charged the newly trained planners and their foreign advisors to focus attention on the country's pressing economic problems. In quick order attention focused on two issues: the stimulation of agricultural growth and reform of the newly

created industrial system. With respect to the former, the government abandoned compulsory procurement of grain at low fixed prices, lowered export taxes on raw cotton and jute, and increased agriculture's share in public development expenditures. In industry, the government established an export subsidy scheme, liberalized import licensing, and gradually replaced import quotas with tariffs. By adopting modernizing policies that the U.S. and the rest of the donor community advocated, the Pakistanis gained donor community financial support. Thus, it is not surprising that the U.S. bilateral program reached a zenith during this decade. The U.S. committed just under \$3 billion, nearly 60 percent of its total commitments to Pakistan. Within the Second Five-Year Plan period (1960-1965) the U.S. provided 55 percent of all aid received by Pakistan, covering 35 percent of the government's development budget, and 45 percent of its import bill.

In addition to the GOP's adoption of policies which made it easier for the U.S. to increase assistance, an understanding of Pakistan's economic problems and of how foreign aid could be used to ameliorate them led the U.S. to assist in implementing a series of strategies for dealing with flagging industrial and agricultural growth and for assisting a large-scale effort aimed at infrastructure development. By 1962, planned AID investments were embodied in a series of "goal plans".

AID's Goal Plans for Pakistan during "Take-off"

In industry, the USAID "goal plan" was to enhance productivity by alleviating Pakistan's structural balance of payment problem. In addition to financing imported capital goods, raws materials, and spare parts to increase capacity utilization rates, the U.S. funded a series of projects designed to increase the managerial and technical capacity of Pakistan's industrial firms. In agriculture, the AID "goal plan" was to

increase low yields by concentrating resources on the development of a series of one million acre areas in the Indus Plain. By arguing that low productivity was the result of a multitude of problems, "...any one of which if left unattended could frustrate in large measure activities taken in others," AID came to support an intensive rather than an extensive agricultural strategy. The USAID Mission, recognizing that growth in industry and agriculture was dependent on rehabilitation and expansion of Pakistan's water, power, transportation, and communications networks, now provided additional support to these areas.

The results of these policy changes and increased resource availability were highly rewarding. GNP at constant prices grew annually at a little over five percent while major crop output was growing at 4.1 percent and industry at 6.3 percent. Both the domestic savings rate and the gross investment rate jumped while income per capita was growing at an annual rate of 2.3 percent.

Both the size of the U.S. aid program and the increased sophistication of USAID programmers suggest that U.S. assistance generally played an important role in the healthy performance of the economy during this period. In industry, available evidence suggests that the U.S.-supported commodity assistance program was generating significant returns. Surveys demonstrated that the largely U.S.-financed industrial imports were bringing about higher capacity utilization rates. Furthermore, there is some evidence that the program was fostering higher growth rates in capital goods and intermediate goods industries. But an unfortunate turn in political events brought a rather abrupt halt to the import liberalization program, thus at least partially unravelling these positive developments. U.S. concern over the 1965 Indo-Pakistan war led to a cessation of new commitments and to the cancellation of the sixth

and seventh meetings of the Pakistan Aid Consortium. Although U.S. bilateral aid was quickly resumed, it never reached pre-war levels. The rapid reduction in foreign aid in combination with a growth in defense expenditures made it difficult for the GOP to finance the imports associated with the liberalization program. Not surprisingly, Pakistan resurrected elements of its old trade regime and with predictable consequences. By the GOP denying the industrial sector the inputs to run plants at full capacity and resorting to import quotas, capacity utilization rates fell while the inefficiencies associated with the old protective system reappeared. Furthermore, the reduction in capacity utilization rates undoubtedly led to increases in unit costs, thus depriving the industrial sector of increased profits. Given the high reinvestment rates out of profits, this must have had a negative effect on both savings and investment rates.

The Revelle Report--A Strategy Unfulfilled

To make matters worse, there was never full agreement between Pakistan and the U.S. on the area development strategy for agriculture, formalized as a joint White House, Department of Interior study (more commonly known as the Revelle Report) of waterlogging and salinity in West Pakistan. The study was the outgrowth of high level discussions between Presidents Kennedy and Ayub. The high political visibility given the Revelle Committee appears to have made it difficult for lower level functionaries on either side to modify or reject its findings. Despite this difficulty, officials in the Pakistan Government took issue with the report's conceptual structure, technical analysis, and organizational logic. While subsequent research suggests that the critique was overdrawn, it is also clear that the Revelle Committee's recommendations ran into heavy political and bureaucratic opposition. First, the Pakistanis felt that it was politically impossible to divert scarce

inputs, most particularly fertilizer, to small project areas within the scope, as the plan was visualized. Second, the report proposed a reorganization of the Pakistan Government along area as opposed to functional lines, a proposal which found little favor with the generalist-oriented senior bureaucrats. Given the opposition in Pakistan on both counts, it is not surprising that after financing three area development projects (known as SCARPs), AID obligated and then de-obligated the fourth in 1968. The SCARP projects did however help to mobilize the government to deal more effectively with lagging agricultural productivity, and they continue today, though at reduced levels.

GOP Policies, U.S. Assistance--Second Plan

On a more positive note, U.S. assistance efforts seem to have produced encouraging results in three areas. First, the timing of increased PL 480 wheat sales and of Pakistan's increased support prices for its agricultural products in 1959 suggests that those sales may have encouraged the GOP to adopt more favorable price policies. There is a sound argument to be made that favorable price policies played a highly important role in the breakthrough in agriculture which occurred during the Second Plan period. Second, a number of AID supported technical assistance projects, including assistance to the Pakistan Industrial Credit and Investment Corporation (PICIC), the Industrial Advisory Centre (IAC), the West Pakistan Water and Power Development Authority (WAPDA), and the Agricultural University at Faisalabad, appear to have produced lasting effects, as each of these institutions has attained a degree of self-sustaining prominence in Pakistan. GOP officials praised AID's training programs, which by all accounts were successful. (The vast majority of AID trainees have remained in Pakistan, but many highly qualified professional

technicians were unable to find a meaningful role in the generalist-dominated public service and have quit Pakistan for opportunities abroad). Third, U.S. investments in infrastructure rehabilitation and expansion, especially in air, water, power, and rail development continue to generate positive benefits. One cannot travel in Pakistan today without being aware of the extensive nature of infrastructure development. Further study is needed to analyze the full impact of these developments.

Political Unrest

The 1965 war with India was followed by the emergence of sharply critical attacks on the decade's economic accomplishments. Some argued that West Pakistan was "exploiting" East Pakistan by diverting foreign exchange earned in the East to finance industrial development in the West, while others argued that the benefits of growth even in West Pakistan had fallen to a select few. These attacks seemed to shake the confidence of those responsible for managing development, and provided an additional political weapon with which to challenge the status quo, including the fragile East-West linkage. Economic disillusionment, following the euphoria at the first half of the decade, undoubtedly contributed to the political unrest which ultimately led to the break-up of Pakistan into two separate nations and the rise of power of Z.A. Bhutto. His efforts to broaden, rapidly and drastically, the base of social, political and economic participation in development, in what remained of Pakistan, foundered on the shoals of his excessive zeal. In retrospect, it seems clear that the lack of concern or, at least, the lack of attention by Pakistani leaders to the growing social, political, and economic inequities was a key factor in the political disintegration which took place from 1965 to 1972. Some studies seem to indicate

that the rapid growth of the 1960s did result in a major improvement in levels of real income of laborers and other low income groups. However, the extent of awareness among such groups and their subsequent disillusionment, which occurred in the latter part of the decade, is not known and probably cannot be assessed at this time.

What is especially interesting about these developments is that USAID program analysts were keenly aware of the potentially explosive nature of Pakistani society as early as 1962, but made little adjustment in program focus to cope with this problem. Between 1965 and 1968, the USAID Mission continued to support the macro growth strategy developed in 1962-63. After 1968, the Mission attempted to redress the imbalance in aid allocation between East and West by establishing a larger effort in East Pakistan, and it prepared a series of papers aimed at reforming the industrial system to bring about greater participation. The latter effort never got off the ground and the Mission subsequently let the aid program in West Pakistan wind down. The outbreak of civil war in 1971 finally led to a sharp curtailment of new aid, as non PL 480 commitments dropped to \$7 million. In light of this pattern, it is difficult to argue that AID played a productive role in assisting Pakistan during this transition period. Compared to the large U.S. aid flows of the early 1960s, which averaged \$375 million annually, average annual commitments fell to a low \$150 million. Considering that foreign aid fell from 6.6 percent of the GNP in 1965-1966 to less than one percent in 1971-1972, and that at the same time Pakistan increased its defense expenditures, it is little wonder that the rate of growth declined.

The Bhutto Period

In December, 1971, the new Bhutto government turned its attention to restructuring a fractured economy and to fulfilling its promise to curb the excesses of the previous pattern

of development. To meet the latter, the government committed itself to revising the health care system, expanding educational opportunities, enhancing the productivity of small farmers, and using the power of the state to establish greater control over private sector activities to restrain the amassing of wealth by a few. One aspect of the program was reform of the administrative structure, which Bhutto sought to achieve by weakening the position of the influential elite leadership of the civil service. Initially, the government's efforts were constrained by severe resource shortfalls. A world recession, the consequences of OPEC's oil price policies, and low foreign aid commitments made it difficult for the new regime to meet its goals. Pressed by the need to satisfy his constituency and by resource scarcity, Bhutto adopted a series of policies toward industry and agriculture which only encouraged capital flight, depressed the savings rate, and reduced incentive prices for farmers. Not surprisingly, the gross domestic product at constant factor cost barely kept pace with a three percent population growth rate. After 1973-74, the government recognized the importance of increasing incentive prices in agriculture, and it adopted policies which improved the benefit cost ratios associated with increased fertilizer use and increased growth rates of major crops.

Beginning in 1971 the USAID Mission prepared a series of sector papers which formed the basis for a resumption of the bilateral program in FY 1973. Uncertainties surrounding the new government's priorities led the Mission to support the GOP's 1973 requests for debt relief, commodity loans, and an expanded PL 480 program, but the Mission viewed this program in "transitional" terms. In the interim, pressed by the passage of the Foreign Assistance Act of 1973 which stressed the pursuit of growth with equity to meet basic human needs, the Mission set about devising a new assistance strategy. Lack of

interest in AID/Washington in the industrial sector, in combination with Bhutto's nationalization of 31 firms in ten basic industries, including the vegetable ghee industry, and his support for the publicly owned Russian-assisted steel mill in Karachi, led the Mission to drop discussion of the industrial sector in its FY 1974 statement.

Agricultural Emphasis Renewed

Instead, the Mission seized on the new government's concern for the small farmer and for the poor to propose a series of investments in agriculture and the social sector. In agriculture, the Mission focused on water and fertilizer, while its investments in the social sector included support for family planning, nutrition research, malaria control, and rural health. With respect to the former, AID funded a research project on water management and a follow-on demonstration project, and sought to get the GOP to develop a fertilizer strategy. In support of that strategy, AID agreed to finance research to identify the constraints to increased fertilizer use, provide foreign exchange to cover fertilizer imports, and assist the GOP to increase domestic fertilizer production capabilities.

The efforts in agriculture have been on a much greater scale than those in the social sector. The research project on water management demonstrated, much to the surprise of everyone involved, that as much as 40 percent of Pakistan's irrigation water was being lost in her water courses. As a result, the Mission funded a demonstration project to improve the water courses and, although that effort has proved to be too costly to replicate nationally it has galvanized both the GOP and the donor community to search for more effective ways to reduce water losses. USAID financial support for the GOP's fertilizer strategy has focused attention in this direction

and played an important role in gaining donor community support for a larger effort. As a result, fertilizer consumption has grown rapidly and has been the single most important cause of the recent rapid growth in agriculture production and particularly wheat production after 1974.

Social Sector Development

On the other hand, the GOP has shown ambivalence toward social sector investments. Three major social programs, population and family planning, health, and nutrition have been examined by the review team. Between 1952 and 1980, AID expenditures in Pakistan for these programs amounted to \$78,152,000, with the breakdown as follows: population and family planning--\$25,806,000, health promotion--\$52,070,000, (over 80 percent devoted to malaria control), and nutrition promotion--\$276,000.

Population and Family Planning assistance accounts for .5 percent of total U.S. assistance to Pakistan and over 70 percent of this was expended in the period 1973-78. There has been no assistance since April, 1979. The GOP population programs began in the mid-1950s on a modest scale and increased in size and momentum through the 1960s, reaching a zenith in the 1970s. Much foreign support, principally from USAID, UNFPA, Germany, and Sweden, bolstered the government's efforts until the late 1970s. Currently the program receives limited foreign assistance, only from UNFPA. The principal reason for the withdrawal of support was the absence of positive results in use of contraceptive methods and in the spread of knowledge about these methods. More important, total fertility rates had not dropped. The effort seems to have failed because of: internal organizational problems; the necessity of training large numbers of people when the program did not have the capability; problems in distribution logistics; inadequate research and evaluation efforts; different program expectations

of AID officials and Pakistanis; and program interruptions caused by changes in the priorities of both governments. Although the statistical base is inadequate, recent estimates indicate a 1980 population of 82 million and an annual growth rate of three percent. At the current rate, Pakistan, already the 9th most populous country, will come close to doubling in population by 2,000 A.D. GOP officials express alarm at the population growth rate but until recently few have seemed to appreciate the dimensions of the problem and/or accord it a high priority.

Health promotion assistance by the U.S. accounts for only about one percent of total U.S. aid, but it has had positive results. Pakistan's problems in this area are enormous, and despite the GOP's increasingly effective efforts to expand the health care system, health services are by and large inadequate, except in the larger urban communities. U.S. assistance to various anti-malaria projects has helped achieve results, but on a more modest scale than anticipated. AID is also providing major funding for a pilot Basic Health Services Project, intended to establish basic health units in the rural areas.

On nutrition, available records indicate that GOP activities have been largely limited to working with international relief agencies. For the most part, these agencies are less than satisfied with the Government of Pakistan's participation and support. AID's contribution was totally expended on a Nutrition Planning and Research Project which ran from 1974 to 1977 and for which records could not be located. Other projects were considered, scheduled and eventually dropped. The AID-funded rural health project is beset by difficulties, among them the opposition of physicians to having trained paramedics diagnose and treat minor health problems, and inability to attract enough physicians and trained women paramedics to staff the basic health units in rural areas, where social customs prohibit treatment of women by men.

AID Impact From 1973

While it is too early to assess the ultimate impact of AID's investments on development after 1973, several aspects deserve mention. First, the size of the U.S. program between 1973 and 1977 was small by historical standards. Annual commitments averaged only \$8 million more than investments made between 1969 and 1973. Furthermore, U.S. assistance remained relatively small in comparison to standard macro-economic indicators (i.e., GNP, per capita income, etc.), and Pakistan's growing development needs. Despite this, the efforts in fertilizer and water seem to be producing results out of proportion to the size of the financial flow. By contrast, efforts in the social sector are producing meager results. Although a variety of factors probably contribute to the differences in the results from these two sectors, the most significant factor could be the degree of difference in GOP commitment to them. For example, AID's extensive strategy for increasing the supply of agricultural inputs is consistent with the GOP's conception of the most effective way to increase agricultural productivity. At least since the early 1960s, GOP officials have been arguing that low productivity is due to the lack of and/or inadequate supply of inputs. The inputs strategy has the further advantage of directly increasing the growth rate, which is consistent with the expressed sentiment that the quickest way to improve the basic human needs of the poor is through the "trickle-down" effects of rapid growth. On the other hand, there is ample evidence to support the conclusion that Government (by and large) has lacked interest in social sector investments. AID's assessment of Pakistan's commitment and performance in the social sector demonstrates that Pakistan fares poorly in comparison with other countries at a similar stage of development. Similarly, at least one analyst has argued that policy-makers have not yet

"...been convinced that a healthy nation is one of the most valuable capital assets a country can have".

Finally, a number of GOP officials interviewed during October and November, 1980 were quite frank in expressing their disenchantment with the pressure they were receiving from the donor community to increase resource allocations to what they referred to as non-income producing social investments.

This emphasis on macro-growth at the expense of a commitment to greater equity has been heightened since the overthrow of the Bhutto government in 1977. The new government of President Zia was quick to realize that Bhutto's downfall was largely a result of his inability to deal effectively with pressing economic problems. Thus, the Zia government undertook a number of corrective measures, such as offering increased incentives to farmers, dismantling public control of the industrial sector, and restoring the position of the elitist leadership of the bureaucracy, designed to revitalize the economy and to rebuild confidence.

These changes seem to have produced encouraging results, but difficult problems remain. Productivity in agriculture and industry continues to be low despite the policy changes and the balance of payments remains in a precarious position. Foreign exchange needs are acute, burdened by heavy debt-service obligations. A large part of these needs (60 percent of Pakistan's import bill and eight percent of its GNP) today is met by worker remittances, mainly from the Middle East, but remittance growth rates are leveling off. Furthermore, the continuing debate over denationalization and the pace of Islamization seems to reflect a tension between those who espouse a return to macro-growth and those who argue for broadening the base of participation in social, political and economic life. Some officials see this debate as a search for national identity, and several commented that Islamization could be the vehicle by which Pakistan finally integrates growth with equity.

Since 1978, assistance has been limited to drawdowns on existing projects, PL 480 sales and support for debt rescheduling.

Pakistan's disappointment with this curtailment of aid reflects concern not only over the need for assistance, but also over the disturbing implications for the US/Pakistan relationship as a whole.

Recently the GOP signed a three-year EFF agreement with the International Monetary Fund (IMF). In recognition of Pakistan's precarious balance of payments position, the IMF has extended credit up to \$1.7 billion over the three years in conjunction with the adoption by the GOP of a series of macro policy changes designed to increase the growth rate. While the Western donor agencies have not, as yet, offered additional financial support, the IMF package is based on the assumption that the major donors will come forth with some combination of structural adjustment, lending and debt relief. Although it is apparent that the IMF is concerned about international financial stability and that Pakistan is strongly motivated to increase its aggregate growth rates, the framework of the current dialogue is likely to continue to detract attention from pressing needs in the social sector. AID's current emphasis on growth with equity places it in a potential position of leadership and influence within the donor community. The continued delay in resumption of the bilateral program may be depriving both Pakistan and the donor community of a much needed opportunity to provide a better balance between growth emphasized in the IMF agreement, and increased equity which is an important end in itself. This may be critical in avoiding a repeat of the political disturbance of the late 1960s and early 1970s.

Lessons Learned

A number of important lessons about the relationship between aid and development can be gleaned from the United States/Pakistan bilateral assistance experience.

The Cost of Aid Interruptions

The bilateral program was interrupted for political reasons at least three times during the period 1965 to 1978. Furthermore, the rapid growth in assistance between 1960 and 1965 was followed by an equally rapid decline after 1965. In each instance, this lack of stability in U.S. aid commitments worked to wholly or partially negate the developmental impact of the resource transfer. The cessation of new commodity commitments following the 1965 War and the breakdown of the Pakistan Consortium made it difficult for Pakistan to continue the import liberalization program that donors and recipient had worked so hard to establish. While subsequent internal political developments may have made it impossible for Pakistan to carry out the program, there is little doubt that the rapid reduction in aid commitments hastened the resurrection of elements of the old trade regime, thus largely negating the positive impact of the commodity assistance program on capacity utilization rates and industrial structure. Similarly, the cessation of new commitments in 1978 can be expected to severely limit the impact of the resource transfers associated with the U.S. program between 1973 and 1978. The current curtailment is less likely to affect the productivity of investments in water programs, which have proven their value, than to affect investments in fertilizer and the social sector. Severe resource shortages will make it more difficult for the government to maintain the disciplined scheduling of required level of imports for the fertilizer programs, and the GOP may be compelled to terminate the social sector programs in the absence of significant U.S. or other foreign assistance.

The Importance of Stable Commitments

Additionally, erratic fluctuations in aid commitments make it difficult for the managers of development to plan successfully. The reductions in aid which followed difficult

political times, especially between 1969 and 1973, exacerbated the economic decline, making it more difficult for the government to resolve tensions in a productive way. To the observer it seems that ways could have been found to alleviate the tensions within Pakistan other than those ultimately adopted by the Bhutto government. There was warning as early as 1968 that pressures for nationalization would grow unless mechanisms were created for broadening the base of participation in the industrial system. In addition, AID personnel had developed a series of proposals for alleviating those tensions. The U.S. not only did not support those measures, it systematically reduced new commitments to Pakistan (the former West Pakistan) between 1969 and 1973, depriving it of both the strategy and the resources needed to resolve its difficulties in the most productive manner possible.

The Limits of Leverage

Aid practitioners as well as critics have been enamored of the concept of policy leverage. Those who favor macro approaches to aid allocations are fond of arguing that nothing is more important than the adoption of correct macroeconomic policies, while the critics contend that the donor "conditioning system" represents an unwarranted intrusion in the domestic decision-making processes. There is little doubt that policy changes, particularly those adopted prior to and during the Second Plan period, played an important role in Pakistan's "take-off" during the Second Plan period. The results of changes in support prices for agriculture and in liberalization of the import system offer powerful support for those who favor this approach to aid giving. But the Pakistan experience suggests that much of the argument has been overdrawn on both sides. For one thing, the success of the efforts in the 1960s as well as the increasing fertilizer activity is attributable

more to donors' acquiescence and support for policy changes that Pakistan wished to make, than to donor "conditioning" of Pakistan. Those who favor leverage give too much credit to donor agencies' capacity to influence governments to adopt the "right" policies. Second, in the case of the large-scale commodity assistance programs, foreign aid broadens the base of participation in the import system, thereby helping to reduce the potential political costs of a program designed to enhance efficiency. This does not fit the picture of "unacceptable interference in domestic politics" that critics portray in discussion of the "conditioning system". Third, in those instances when the U.S. has tried to leverage the GOP in the manner portrayed by critics, the attempt has not been successful. The governmental reorganization proposed in the Revelle Report was never fully implemented and the lack of support within the GOP for an integrated area development strategy played a large role in the failure of the SCARP program. Also, the changes advocated by the U.S. in the structure and operational style of the public service never took, partly because of traditional attitudes, partly because of an overly aggressive promotion of change.

Finally, the lack of interest within the GOP in social sector investments helps to explain the poor performance of recently funded AID projects in health. These examples demonstrate all too clearly how difficult it is to get governments to do something with which they do not agree.

What Form of Aid

Leverage discussions are often debates over the most productive form of aid giving. Those who are most appreciative of the importance of macro policy decisions tend to favor a form of aid variously referred to as commodity aid, program aid, or aid for budget support. This mode of aid is not project oriented but acts as a plug to fill a resource gap. While

it is difficult to argue with the theoretical basis of the preference for generalized aid over project aid, the Pakistan experience suggests that the more generalized aid is subject to a number of important problems. First, generalized aid forms tend to be both quick-disbursing and less tied to specific activities, so that they are subject to greater manipulation by both donor and recipient. On the donor side, the quick disbursement nature of this aid form is a convenient instrument for those who would like to use aid as a tool of foreign policy. Thus it is not surprising that the U.S. aid cutbacks in 1965 and 1978 focused on reductions in commodity aid rather than project aid. On the recipient side, the dynamics of domestic political processes make it all too easy for government officials to argue that they are unable to implement the policy changes attached to commodity aid flows. By failing to carry out agreed-upon changes, recipients place donors in a difficult position. If the donor threatens to reduce or withhold committed money to enforce the agreement, resentment seems inevitable. In all probability the recipient will argue that the donor is not responsive to the pressures faced by the recipient government. If the donor accedes to recipient non-compliance, much of the developmental impact of the assistance may be lost, but the donor may consider this preferable to straining relations with the recipient. Furthermore, by agreeing to non-compliance, the donor signals the recipient that the aid can be gotten without meeting the donor's conditions. This may have the effect of getting the recipient country to agree to conditions it has no intention of meeting, just to gain additional budgetary support. Unfortunately, this scenario seems to have characterized U.S./GOP relationships with respect to PL 480 agreements for imports of vegetable oil. Second, commodity aid offered in support of policy changes seems to generate less lasting impacts than

project aid. As mentioned earlier, reductions in U.S. support for the import liberalization program before it had achieved its objectives led to a rapid unraveling of its positive benefits, leaving Pakistan with little more than a larger debt. Since the benefits associated with this form of aid are contingent upon maintenance of the "right" policies, deviations from ideal policies are likely to reduce expected benefits significantly.

On the other hand, U.S. aid for infrastructure development and institution building seemingly produced effects that continued long after assistance ended. The extensive infrastructure system in the Punjab is ample testimony to the lasting effects of infrastructure aid, while the self-sustaining viability of a wide range of institutions, from PICIC, IAC, WAPDA, to the research station at Mona and the Agricultural University at Faisalabad (even though the University's image has suffered from its lack of practical focus on Pakistan's development problems), attests to the lasting significance of that aid. But these differences should not be surprising. By definition, commodity aid is offered in support for the "right" policies, but those policies are often subject to intense political debate within recipient governments. Unless they are based on a broad, stable consensus or are supported by a strong authoritarian regime, pressures are likely to develop which make it difficult for any government to maintain them over the long run. Even with stability, intense resource shortages and the seeming inevitability of exogenous shocks--from floods, droughts, world recessions, oil price hikes to population booms and migrations--weaken the ability of governments to maintain correct policies, and when they don't the benefits associated with commodity aid disappear.

On the other hand, project aid offers a number of advantages. First, not only has it produced more lasting results

in the Pakistani context, but whenever the U.S. terminated aid to Pakistan it tended to complete projects already under way, thus minimizing at least the immediate economic impact of resource reductions. Second, a donor can maintain support to micro projects where progress can be achieved despite a bleak macro picture. A good example is represented by U.S. support for Pakistan agriculture after 1973.

Problems with Project Aid

The recent planning and administration of project aid in Pakistan has not been without problems. In a series of interviews relevant GOP officials contended that:

1. Not only has project aid been slow disbursing, but projects have tended to require a greater share of local currency funding from Pakistan's development budget. Donors have been unwilling to finance local currency costs. The slower disbursement rates seem related to the lower capital intensity of recently funded projects as well as to the high costs of project administration. With respect to those costs, GOP officials complained that administrative requirements have become more complex and that each donor has its own special set of requirements. With respect to local currency financing, officials argued that by financing projects with lower foreign exchange costs, the donor community was increasing the resource strain on local development budgets.
2. The shift in donor preference from commodity aid to project aid has created a certain fragmentation in donor assistance and development planning. GOP officials complain that each donor seems to have its own objectives and its own set of "pet" projects that it wants to finance. Unfortunately, this creates pressures to make a set of investment decisions which are neither integrated into a well articulated development plan nor reflective of GOP priorities.
3. Donor technical requirements for projects often exceed GOP capabilities and significantly increase project costs, thus reducing the benefit cost ratios of donor-funded projects. Although there was general agreement that the AID-funded project in water management was one of the best projects financed by the

donor community, GOP officials argued that the capital intensity of the project made it impossible for the GOP to replicate it on a national scale.

While it was not possible to fully corroborate these statements, they are consistent with the burgeoning literature on project administration as well as with information about the growth of project pipelines within AID. For these reasons it is suggested that AID consider funding a study of these problems within the Pakistani context with a view toward assessing the seriousness of the problem and investigating ways to increase the efficiency of resource use.

The Equity Factor

Pakistan's failure to "take-off" and the disappointing performance in the economy since 1965 seems largely due to the failure of the GOP and the donor community to pay adequate attention to the social, political and economic inequities underlying the surface stability of the Ayub government. There is no doubt that those inequities are more difficult to deal with than macro growth, nor can one underestimate the substantial economic achievements which took place in the Second and Third Plan periods. But the Pakistani experience strongly suggests that the benefits of macro growth will not necessarily trickle down to low-income groups. Consequently, those responsible for managing development should at least consider the distributional consequences of alternative investment decisions. At the present time, GOP officials seem preoccupied with revitalizing the growth process, and those who expressed views on equity considerations seem to be operating under an assumption that the growth costs of equity are prohibitive. AID's current unwillingness to finance capital intensive infrastructure investments or high-skill training only feeds GOP fears in this regard, since it is difficult for the GOP to believe that Pakistan's breakthrough in the 1960s could have occurred without

either the massive investments in water, power and transportation or those in technical training. Pakistan has not had demonstrative evidence of its capacity to meet equity goals with minimal sacrifice in growth. Therefore, Pakistanis complain that the donor community is pushing them into non-income generating activities which tend to reduce the rate of growth and ultimately the ability of poorer groups to satisfy their basic human needs on a self-sustaining basis. When combined with the recently signed International Monetary Fund agreement, which ignores the importance of investments in the social sector, the prospect looms that Pakistan may once again turn toward a focus on macro growth which ignores the need to consider the equity aspects of investment decisions. If this happens one can only hope that there will not be a repetition of the tensions played out between 1968 and 1977.

On the other hand, it must be noted that there is a revived and increasingly profound concern in Pakistan over one aspect of social sector activity--the continuing high population growth rate--and an apparent GOP determination to come to grips with a problem that, if unchecked, may well doom any hope of progress. A new and well-formulated plan has been devised, which integrates expanded health and nutrition programs with a theoretically workable population program. The success of this plan depends not only on Pakistan's organizational flexibility, but also on the availability of significant donor support.

Major Implications For The Future

This review of the AID experience in Pakistan is framed solely in the development context. Obviously there are other considerations--political and strategic--to be taken into account in determining the future course of U.S. aid to Pakistan

Such considerations are beyond the scope of this review. But if a resumption of aid is contemplated or decided upon, the following comments and observations may be pertinent:

Development Climate

Pakistan's development climate today is improving, although still uneven. Stability under a martial-law government is historically one which tends to obscure underlying tensions, industrial productivity is low, and additional uncertainties arise from the effects of the Islamization process, still in its early stages. On the other hand, the Zia government appears to have a fair measure of popular support and has shown an increasing commitment to economic growth through measures to accelerate agricultural production, promote exports and denationalize industry. It is cognizant of the dangers inherent in failing to address social and economic inequities, and has recently adopted a Population Welfare Plan which incorporates a broad-scale attack on a wide range of social sector deficiencies. And thus far, at least, Islamization has had no negative impact on the development climate.

Continuity of Economic Assistance

The disruptive effects of sudden stoppages and changes in direction of U.S. assistance have been discussed under "Lessons Learned." All that requires saying here is that any program of economic assistance offered to Pakistan should carry with it a commitment to see it through. It would be preferable to formulate such a program at very modest levels, focusing on a few selected areas, than to undertake a larger program without a long-term commitment. Commitment to continuity implies that

programs be realistic in scope and objective, reflecting not only U.S. capacity and willingness to supply aid, but also an appreciation of Pakistan's sensitivities, constraints, and administrative limitations. It should not imply continued dependence on foreign assistance as a permanent substitute for Pakistan's resource commitments.

Donor Coordination

Probably the most effective method of foreign aid infusion would be for the consortium to work with the GOP in developing long-term assistance strategies to which both Pakistan and the donor community would commit themselves. But even if this is today unattainable, closer coordination and integration of donor efforts is imperative in order to help focus the development process, eliminate duplication of planning and resources, facilitate assessment of needs and availabilities, strengthen the review process, and increase the effectiveness of the foreign assistance effort in general. Many officials have registered complaints about the now heavy burden of negotiating separately with various donors, and meeting different and complicated sets of requirements. This is not to say that Pakistan would welcome the idea of programs being worked out by the donor community. It would prefer to develop plans on its own and work out a consensus with the community as a whole.

Two-Tier Approach in Development Aid

The long-term commitment implicit in the need for continuity places limits on the quantity of assistance offered and militates against expansion of assistance even when circumstances warrant. Pakistan's current situation and its development needs present an opportunity for testing a flexible

two-tier approach to assistance. The first tier would be in the form of (1) sustained long-term assistance for carefully selected projects, such as the "On Farm Water Management" project with which the U.S. was long associated, or (2) assistance to help meet urgent requirements which bear importantly on the development process, such as the fertilizer program. The second tier would consist of additional resources made available when conditions warrant and as the need exists. For this allocation, Pakistan would vie with other foreign aid claimants for a substantial total amount to be programmed strictly on an annual basis. The distinction would need to be made very clear so that Pakistan would build long term projects and maintain an inventory of good but postponable activities, as candidates for second tier aid. This approach may offer a method to respond to short-term fluctuations in availability of funds and pressures of needs without seriously disrupting the development process.

Pakistan's Urgent Needs

Pakistan's problems are both urgent and acute. The country is weighed down by a heavy import bill and a crushing debt service burden, much of it deriving from U.S. development loans. Recent short-term borrowing from the IMF and commercial banks offers only a temporary and potentially costly solution. Moreover, foreign exchange needs will grow as the cost of petroleum imports rises and remittances from abroad, which now meet 60 percent of Pakistan's import bill, level off. Further pressures on the balance of payments are likely to result from import liberalization policies, induced by the recent agreement with the IMF, and the continuing and substantial imports of vegetable oils, for which demand is increasing by 15 percent annually. Maneuverability in allocating domestic fiscal resources is almost equally constricted. For one thing, 85

percent of Pakistan's development budget is committed to local currency financing of on-going donor-assisted projects. For another, action in the areas in which savings seem possible--reduction of food and fertilizer subsidies, closure of unprofitable and inefficient nationalized industries, cuts in defense expenditures--is likely to be minimal at best because of the political and social risks involved and the situation on Pakistan's borders. Assistance to Pakistan, if resumed, must somehow address these immediate needs.

In addition, the population problem is becoming increasingly urgent. Pakistan, conscious of past failures to cope with the population problem, and with growing alarmed, at least at the top level of government, over the implications of an unchecked population growth rate of 3 percent, has devised a new three-year plan, integrating population planning with broad social sector objectives. This depends, in part, for its successful implementation on a heavy input of foreign assistance possibly including financing of local currency costs. It is a program consistent with the current development priorities of Pakistan and the U.S. and one for which U.S. aid could be considered.

Future Assistance

On this matter, determination of a specific figure would be influenced by many factors. It seems clear, however, that if Pakistan's economic development is to be furthered, the assistance offered by the U.S. should be sufficient to encourage and generate meaningful progress toward economic development, not merely serve as "maintenance" aid. Over the longer term, the timely infusion of a "critical mass" of aid could create conditions for self-sustaining development. This, of course, depends on events now unforeseeable--among them, the degree of progress achieved and achievable. For the present,

it is important that U.S. aid, if offered, be of the type and in amounts which can be significant in helping meet Pakistan's perceived needs and priorities.

It is equally important to bear in mind that the IMF loan agreement expires in three years and that the partial relief from the debt service burden that Pakistan now enjoys will end in eighteen months. Pakistan's situation could become desperate in three years' time with a crisis far worse than exists at present unless donors make a concerted effort to assist the GOP toward solutions during this period of temporary respite and afterwards.