Country Development Strategy Statement

FY 1986

PAKISTAN

January 1984

Agency for International Development
Washington, D.C. 20523

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TABLE OF CONTENTS

LIST OF TABLES

EMBASSY OF THE
UNITED STATES OF AMERICA
Islamabad, Pakistan
Office of the Ambassador

January 30, 1984

Mr. Charles W. Greenleaf, Jr.
Assistant Administrator
Bureau for Asia
Agency for International
Development
Room 6212, N.S.
Washington, DC 20523

Dear Mr. Greenleaf:

It is a pleasure to commend to you the CDSS prepared by USAID/Pakistan. In my opinion, it is analytically strong, both politically and economically; at the macro level and at the sector level. It reflects a clear understanding of our interests and goals in our overall relations with Pakistan.

United States interests in Pakistan derive primarily from geo-political considerations. AID and the entire country team have carefully reviewed these interests in connection with the submission of the CDSS. Our findings and the critical assumptions underlying them are set forth in Chapter IV - Strategy.

As you know, USAID's activities in Pakistan for FY 86 and FY 87 have already been programmed. This unusual situation stems from the bilateral negotiations and unique understanding our two governments reached in late 1981 regarding a six year (FY 82-FY 87) package of U.S. economic and military assistance to Pakistan.

With respect to the first two years of the new CDSS planning period (FY 86 and FY 87), I conclude that since the existing program is working well there is no reason to fix it. There is still, however, reason for preserving some flexibility, happily built into the original program to meet unforeseen contingencies.

With respect to the outyears, FY 88-FY 90, the trick is to build on what has been accomplished. It is particularly important, given past ups and downs in our relations with Pakistan, that we cultivate a perception of the United States as a reliable partner for Pakistan. As Ambassador Spiers wrote to you last year, "Pakistani confidence in the durability and credibility of our commitment is central."

It follows, I submit, that a multi-year commitment is still the model to be followed here. Moreover, a largely ESF program both permits an effective mix of assistance supportive of security and development objectives and provides the flexibility to respond quickly to changing circumstances. Finally, since Pakistan is one of the world's poorer countries with formidable external debt servicing requirements, our program should be predominately grant.

Frankly, this CDSS is more responsive to our real interests than is AID/Washington guidance concerning Approved Assistance Planning Levels for FY 88, FY 89, and FY 90. Those levels, in my opinion, need to be re-examined.

The Planning Levels (including PL 480) are respectively, $250, $200, and $200 million for these three years. The planned level in FY 87, the last year of the current program, is $325 million. Thus, a cut is suggested in nominal assistance in the first year following the present program by almost 25 percent. By the second year the reduction would come to almost 40 percent. In real terms, these cuts would be even larger. Cuts of this magnitude would transmit the wrong political message to Pakistan (and others). It would undermine, once again, our credibility as a reliable collaborative partner. It would be inconsistent with our expectation that Pakistan's security and stability will continue to be central to our goals and interests in Afghanistan, in South and Southwest Asia, and in the Persian Gulf.

There are two aspects of the CDSS which cause me some concern. One is the discussion of staffing constraints, which envisages increases in direct hire positions. The other is the discussion of prospective opportunities for new program initiatives, e.g., primary education, health, and community management.

Let me be clear. AID/Pakistan must be staffed to do its job. At present I recognize that it is understaffed. Director Donor Lion and his entire staff have done a tremendous job. They deserve full credit for their extraordinary effort and they deserve staff help; but we must all bear in mind that state-supported terrorism and political fanaticism are close at hand. Consequently, our programs must be carried out with minimum commitment of American personnel.

Thus, while I support a direct hire staff of 44, I expect AID to limit resort to contract and TDY personnel to a strict minimum. Moreover, on this ground as well as because I would be concerned about a likely diminution of our effectiveness if projects proliferate, I do not view with favor extension of AID projects into the fields of education and community management.

This is not to say that education is not basic to Pakistan's developmental future. It is. Clearly, sustained economic and social progress in Pakistan requires that more than a quarter of Pakistan's children attend primary school and that the abysmally low levels of female literacy (probably below ten percent) be corrected. But I am of the view that the U.S. cannot do everything. To try to provide meaningful assistance in the educational sector would probably require personnel increases beyond what I am prepared to approve. Moreover, the history of past assistance efforts to this sector suggests that the better part of wisdom would be to encourage the IBRD and the ADB to help here.

Nevertheless, I have reluctantly agreed to Donor's proposal of subsectoral review of the possibilities of improvements in primary education. If a strong case for AID's involvement can be made, I would still not be prepared to proceed unless the GOP were to indicate already agreed projects they were ready to drop to make room for an education project and AID/Pakistan demonstrated that the project switch could be made without further staff increases. To sum up my view, we must both limit the presence of Americans in Pakistan and concentrate our resources in a well-focused assistance program to complete what we have so well begun.

Let us also continue to look for ways to use our resources to influence Pakistani macro-economic policy in the direction of increased fiscal responsibility and greater use of private market mechanisms for development purposes.

This CDSS outlines an ambitious program; it is already far-reaching; but it is still well-focused on achievable objectives. Let's keep it that way.

Sincerely,

Deane R. Hinton

BACKGROUND

This strategy statement has been prepared as USAID/Pakistan moves towards the midpoint of the third fiscal year of a six-year program of economic assistance to Pakistan negotiated in 1981 and spanning the fiscal years from 1982 through 1987. While the Agency's planning cycles require that this document treat the five outyears from FY 1986 through FY 1990, the nature of the six year bilateral understanding necessarily impinges upon the shape of AID's planning horizons in Pakistan. The first two years of the CDSS period are the final two years of the mutually developed and jointly programmed assistance package. The final three years of the CDSS period lie outside of the scope of the six year agreement, yet are linked to the programming decisions taken in the context of that agreement.

A. The Origins of the Program

US economic assistance to Pakistan was suspended in 1979. This hiatus in our thirty year bilateral economic assistance relationship, however, was shortlived. Events on the regional and global scene in the period immediately following suspension of aid underscored the long term strategic and political interests which have importantly shaped our bilateral relationship since the 1950's. The Iranian Revolution and the Soviet invasion of Afghanistan were primary factors leading to the re-establishment of our relationship with Pakistan. The objective was and remains to strengthen Pakistan's ability to defend itself against the threat arising from the Soviet invasion of Afghanistan. Even before the September 1981 agreement, Pakistan had taken the lead at the Islamic Conference and the United Nations in calling for the restoration of an independent and non-aligned Afghanistan. It was also recognized that the US had an important interest in supporting Pakistan's massive humanitarian efforts in providing sanctuary to what has grown to more than two million temporary refugees from the Soviet occupation of Afghanistan.

US initiatives to identify and define an appropriate assistance relationship began in the winter of 1980. Working level exploratory talks were held on both economic and military assistance. It was recognized from the outset that mutual strategic interests between the two countries depend upon Pakistan's maintaining a strong and modern defence capability buttressed by a strong and growing national economy. Agreement on a mutually acceptable package of economic and military assistance was reached in September of 1981. On the military side, the package spanned five years and had a total value of $1.575 billion (largely in FMS credits on near-commercial terms). The economic assistance package totalled $1.625 billion over a six year period. The combined economic and military package reflected the understanding of both parties that the equipment modernization programs on the military side would have short term balance-of-payments (BOP) impacts which could be significantly offset by an economic assistance program with an appropriate mix of fast disbursing investments.

Under Secretary of State Buckley led an initial negotiation team which defined the broad parameters of a bilateral relationship with

Pakistan to be supported by both military and economic cooperation. AID Administrator M. Peter McPherson, led the US team which negotiated with the Government of Pakistan a framework for programming $1.625 billion of economic assistance from FY 1982 through FY 1987. The framework included understandings on the sectoral composition of assistance, the broad outlines of some 20 investment packages which would be financed by the program and a number of technical issues relating to the mode of assistance. Explicit understandings included the principal that the bulk of resources would come from the Economic Support Fund (ESF) of the Agency for International Development, and that these ESF funds would be provided in the proportion of one third loan assistance (on AID's standard, highly concessional loan terms) and two thirds grant-assistance. It was also explicitly agreed that quick disbursing modes such as local cost financing (wherein the US assistance dollars buy rupees from the GOP to meet domestic project costs) would be an important part of the program and that mutual agreement on all investment decisions would be required before funds could be committed. The negotiations took place in the context of the regional political circumstances discussed above. The presentation to Congress by the Executive Branch requesting authorization for the resumption of military and economic assistance to Pakistan also highlighted these developments.

B. The Six Year Program at Mid Term

The years since Administrator McPherson negotiated the $1.625 understanding with the GOP have witnessed the rapid development of an effective, professional and cordial economic cooperation relationship between the USG and the GOP. The letter and the spirit of the understanding have been honored fully by both sides and AID is now implementing or completing design on a total of 23 projects concentrated heavily in two sectors: (1) Energy and (2) Agriculture and Irrigation. Pakistan has launched a new Five Year Plan spanning the 1983-1988 period which reflects and strengthens the development priorities identified and agreed upon in 1981. The unique character of the six year agreement has provided both sides with unusual and valuable flexibility to adjust AID's financial programming decisions to changes in the implementation requirements of Pakistan's development agencies. Where opportunities to move funds faster and more efficiently in one sector have necessitated short-term reallocations from other sectors, the six year program frame has permitted AID to be responsive without raising fears that downstream funding of later programs was being jeopardized. As the sectoral analyses in this CDSS make clear, the strategic rationales for AID's initial sectoral concentration have been borne out by Pakistan's performance since 1981. AID has been an active party to a rigorous but collegial policy dialogue aimed at assisting Pakistan to move away from the over-regulation of the economy which characterized much of the 1970's. The dialogue has been fruitful and the policy sections of this CDSS identify both past achievement and future goals in this ongoing policy dialogue. In short, 1984 finds the second largest AID program worldwide well along in implementing the six year program identified in 1981. The major features of our cooperative investment program for the period through FY 1987 are clear and well understood by both sides. Shifts and refinements will occur, but we are very much in the mature design phase of this program. The strategic concerns which AID and the USG must face, and which are the real focus of this CDSS, are those which

bear upon the years after 1987. Most of the geopolitical concerns which gave rise to the six year program will be still significant in 1987 and beyond, even if there is a political settlement in Afghanistan. Most of our sectoral and policy involvements with the GOP will continue to be relevant beyond 1987. The bilateral framework for assistance, however, will require redefinition for the post 1987 period. The thrust of this CDSS document is to lay out an economic development strategy for the balance of the decade (through FY 1990) which builds upon the substantial foundations laid by the six year, $1.625 billion program.

It is the basic conclusion of the CDSS that many of the short term objectives of the six year assistance program will have been met by FY 1987 and that continued sectoral performance progress and macro-level performance will insure that Pakistan has a broader domestic base upon which to finance balanced growth post-1987 than was the case in 1982 when the program began. The six year program is currently meeting its targets of alleviating balance-of-payments pressures on the government and creating financial headroom for the structural adjustments which are necessary for Pakistan's longer term economic development. Similarly, many of USAID's policy initiatives are eliciting the responsiveness from the GOP necessary for improved resource management and resource allocation. At the same time, the CDSS concludes that many of the more fundamental development problems - rapid population growth, crippling illiteracy, external resource shortfalls and a dearth of top level management talent - will be almost as much a part of the scene in 1987 as they were in 1982. These are the features of development which do not turn around in half a decade, but they are issues against which some meaningful progress should begin to be evident in the late 1980's. This CDSS also concludes, however, that the external resource gap will still be large in absolute terms and the important investments in both economic infrastructure (especially energy) and the commodity producing sectors (especially agriculture) will be legitimate claimants of external resources. This CDSS looks to an economic performance in the post-1987 period which will mobilize considerable new private domestic resources and some new private international capital from the commercial banking system, but which will still warrant substantial levels of targeted bilateral US assistance in key sectors.

The political, military and economic assumptions about the post-1987 situation in Pakistan are presented in the Strategy section on pages 78-81. It is here that the CDSS makes the case for careful consideration of a post-FY 87 renewed multi-year assistance agreement, built upon ESF (largely grant) funding and at an annual dollar level considerably higher than the planning levels provided to Pakistan in the CDSS guidance this past November.

CHAPTER I: MACROECONOMIC REVIEW

A. Overall Growth Performance

The Pakistan economy has been growing at a steady pace since the advent of the current regime in 1977. The Zia government shifted towards a course of greater fiscal restraint, introduced more cautious economic policies and made modest moves towards economic liberalization. Real annual growth rates in GDP since 1977 have averaged more than 6 percent. The growth reflects a number of positive factors including policies that have improved price incentives, restrained budgetary expenditures, reduced deficits, emphasized completion of public sector industrial projects, adjusted exchange rates, improved the climate for private enterprise, and increased labor peace. These policies and circumstances have reduced inflation and increased foreign exchange resources. A five year period of generally favorable weather and a rising level of remittances has also contributed to sustained economic growth. Nevertheless, the economy is still fragile. Key areas of weakness include: (1) low savings and investment rates, (2) sluggish growth in agricultural yields, (3) an unresponsive public revenue system, (4) energy shortages, (5) a less than vibrant private sector, (6) vulnerability in terms of possible declines in remittances, and (7) weak public sector performance in key sectors such as irrigation and industry.

Table 1 on the following page sets out the growth rate by sector for selected periods and years since 1969. The acceleration since 1977 is pronounced and underscores the fact of economic mismanagement in the pre-1977 period.

The rapid growth represents economic recovery and consolidation as much as it does a genuine broadening of the productive base of the economy. There are no significant trends that can be detected from the aggregate growth figures other than a continuation of current rates.

Agriculture represents about 30 percent of GDP at factor cost and employs more than 50 percent of the economically active population. Small percentage increases in output have resulted in large absolute increases in income, consumption, input requirements, exports and savings on imports. Good weather, improvements in incentive prices, and increased availability of agricultural inputs have all contributed to these increases. Much of this gain has come from increased acreage and crop intensity, especially in sugar and cotton. Yield increases have been important only in wheat.

Growth rates in industry have been considerably higher than in agriculture, averaging about 9 percent p.a. since 1977. This growth has been concentrated at the extreme ends of the scale: in the large scale public sector and in small scale private sector activities. Domestic production of sugar, cement, fertilizer, vegetable ghee, steel and textiles has grown rapidly. The public sector continues to dominate these industries, although less so in the case of fertilizer and textiles. The private steel re-rolling mills and cottage sector textile mills have contributed to rapid industrial growth as well as a variety of small firms producing for export. Much of the growth in cement, sugar and fertilizer reflects public investment during the Bhutto era aimed at

TABLE 1

GDP GROWTH BY SECTORS, 1969/70-1982/83
(Annual growth rates in constant 1959/60 prices)

	1969/70-1973/74	1973/74-1976/77	1976/77 1979/80	1980/81	1981/82/a	1982/83/b
Agriculture	1.5	1.6	4.2	4.0	3.3	4.8
Industry/c	4.1	1.0	8.0	10.0	11.7	8.2
Construction, electricity & gas	6.4	8.0	9.1	6.7	3.1	5.5
Trade & Transport	5.1	1.6	7.9	7.2	7.3	8.3
Public Administration & Defense	9.4	11.5	8.0	6.4	1.6	0.2
Other services	5.6	5.2	5.6	3.9	5.6	5.6
GDP at Factor cost	4.1	3.3	6.5	6.1	5.6	5.8
Indirect Taxes less subsidies	- 4.3	11.3	11.9	11.7	-11.3	16.1
GDP at market prices	3.4	3.8	7.0	6.6	3.8	6.8

/a Revised
/b Provisional
/c Includes manufacturing, mining and quarrying

Source: Planning and Development Division/IBRD

import substitution. The growth in refined sugar production reflects a doubling of sugarcane production brought about by very high incentive prices. The other industrial sectors expanded in line with overall trends.

B. Consumption, Investment and Savings

Pakistan is characterized by savings and investment rates which are relatively low for a country at its level of development. However, gross national savings did rise last year to 14 percent of GDP from the 11-12 percent average of the last five years (see Table 2). Private savings accounted for almost all the gain, rising from 7.8 percent to 12.5 percent; public savings are still only 1.6 percent. The jump in the private savings rate was due to special savings schemes that provided

TABLE 2

EXPENDITURE AND SAVINGS RATIOS, 1969/70-1982/83
(Percent of GNP at market prices)

	1969/70	1973/74	1976/77	1979/80	1980/81	1981/82	1982/83/c
Consumption	91.0	92.9	89.0	88.1	87.8	88.3	85.9
Private	80.9	83.1	78.8	79.4	78.7	79.3	76.1
Public	10.1	9.8	10.2	8.8	9.1	9.0	9.8
Investment /a	15.8	13.3	17.7	16.4	15.4	16.2	15.5
Gross Fixed Invest.	14.3	12.1	17.0	15.6	13.9	14.2	13.3
Private	7.3	4.4	5.0	5.1	4.9	4.8	4.9
Public	7.0	7.7	12.0	10.5	9.0	9.4	8.5
External Balance	-6.8	-6.9	-10.1	-10.8	-9.6	-11.0	- 9.6
Exports,goods & nfs	7.8	13.6	9.0	11.6	12.1	9.5	11.1
Imports,goods & nfs	14.6	20.5	19.1	22.4	21.6	20.5	20.7
Savings							
Gross Domestic Savings /b	9.0	6.4	7.7	5.6	5.9	5.3	6.4
Gross National Savings	9.0	7.1	11.0	11.9	12.3	11.7	14.1

/a Including stock changes
/b As percent of GNP at market prices
/c Provisional

Note: Individual figures may not add to total due to rounding
Sources : Planning and Development Division, Ministry of Planning and Development/IBRD

over 15 percent compound rates of return, tax free, for medium and long-term deposits. Private savings are more than double private investment with the obvious implication that newly mobilized private savings are used to pay for public investment needs. Private consumption declined last year as a percentage of GNP. Public consumption rose while gross fixed investment declined.

Investment rates also are low in Pakistan, particularly in the private sector. These rates have not recovered to the levels recorded in the 1960's despite the overall growth in the economy for the last six years. The loss of confidence has not been restored and is compounded by infrastructure constraints and continuing bureaucratic controls.

C. Public Finance/Monetary Aggregates

The cornerstones of the economic program of the GOP and of the recently-completed three-year IMF Extended Fund Facility arrangement have been first, control of government expenditures and, second, control of the money supply. Fiscal and monetary restraint are intended to reduce inflation and promote the growth of the private sector. The program has been effective at reducing total expenditures as a percentage of GDP. Unfortunately, the restraint has occurred mainly in development expenditures. Development expenditures only rose by 34 percent from 1970/80 to 1983/84, thereby falling from 9.2 percent of GDP in the former year to 7.0 percent in the latter (see Table 3). Current expenditures increased by 101 percent during the same period, with the share of GDP rising from 14.2 percent to 16.2 percent over the same time period.

Revenues have succeeded in holding a steady share of GDP, and this has translated into an overall deficit averaging over 5 percent of GDP. The percentage financed by inflationary bank borrowing has dropped below 1.7 percent. However, the GOP in the last two years has been able to do this by financing a growing share of the deficit from savings schemes, i.e., from private savings. This has been necessary because tax revenues have been growing at about the same rate as GDP due to the tax system's heavy reliance on customs duties on imports; import growth has slowed since mid-1981.

Domestic credit expansion during the last 3-4 years has fallen to half the average rate of the mid-1970's. This factor plus the slowdown in government expenditures and decline in the budget deficit have helped to bring about a reduction in inflation rates. The GNP deflator fell from 16 percent in 1973-77 to 9.8 percent in 1981-82; preliminary figures suggest a current figure of 6-8 percent. There may be an upturn in the near future, however, due to supply shortages of various food items and cotton and the major increase in foreign assets associated with the favorable balance of payments results in PFY 83.

TABLE 3

SUMMARY OF CONSOLIDATED PUBLIC FINANCES, 1978/79-1982/83
(Million current rupees)

	1978/79	1979/80	1980/81	1981/82 Revised	1982/83 Rev.Est	1983/84
Revenue	31,427	39,350	47,002	51,930	58,928	71,478
Tax	25,093	32,507	38,846	43,003	48,776	60,123
Non-Tax	6,334	6,843	8,156	8,927	10,152	11,355
Contribution of autonomous bodies	975	1,464	2,019	1,909	2,286	2,327
Expenditure	49,717	55,477	63,639	71,013	86,774	96,825
Current	29,232	33,672	37,839	46,370	59,718	67,561
Development	20,485	21,805	25,800	24,643	27,056	29,264
Overall balance	-17,315	-14,663	-14,618	-17,174	-25,560	-23,020
Financing:						
External resources (net)	6,711	6,951	7,741	5,345	5,068	8,286
External resources(gross)	9,216	12,555	11,374	11,263	14,340	16,775
Project aid	(3,994)	(3,884)	(3,602)	(3,686)	(4,883)	(7,101)
Non-project aid	(5,222)	(8,671)	(7,772)	(7,577)	(9,551)	(9,674)
Debt repayments(external)	2,505	5,604	3,633	5,918	9,272	8,489
Domestic non-bank (net)/a	2,102	1,407	4,522	6,313	14,368	12,391
Domestic bank borrowing (net)	8,502	6,305	2,355	5,516	6,124	2,343
	% of GDP					
Revenue	16.0	16.6	16.8	16.1	16.0	17.1
Tax	(12.8)	(13.7)	(13.6)	(13.3)	(13.3)	(14.4)
Non-Tax	(3.2)	(2.9)	(2.9)	(2.8)	(2.8)	(2.7
Expenditure	25.4	23.4	22.8	22.0	23.6	23.2
Current	(14.9)	(14.2)	(13.5)	(14.3)	(16.2)	(16.2)
Development	(10.5	(9.2)	(9.3)	(7.6)	(7.4)	(7.0)
Overall deficit	8.8	6.2	5.2	5.3	6.9	5.5
Domestic bank financing for budgetary support	4.3	2.7	0.8	1.7	1.7	0.6

/a Includes national savings schemes

Source: Ministry of Finance, Planning and Economic Affairs;
Embassy/AID/IBRD/IMF estimates

D. International Trade and Balance of Payments

The trade account in Pakistan has been severely out of balance since the oil shock of 1973. In 1972/73, exports were 86 percent of imports. By 1982/83, this ratio had fallen below 50 percent (see Table 4). The deficit in the trade balance in the former year was less than 2 percent of GNP compared with 10 percent in the latter years. The large deficit obviously reflects the failure of exports to grow as rapidly as imports. Although higher petroleum volumes and prices were responsible for the large increases in imports in the 1973-75 and the 1978/80 periods, this does not explain the entire deficit. For example, net oil and oil products in 1981/82 were 27.4 percent of total imports and the figure has fallen slightly since then; petroleum imports were equal to about 49 percent of the deficit. In 1972/73, net oil products were 6.1 percent of total imports but were equal to 43 percent of a much smaller deficit. Non-oil imports rose by 420 percent during the period while total exports increased by 202 percent, a clear failure of exports to keep up with imports.

The last few years have been characterized by a flattening out of import growth. Exports, however, dropped sharply in 1981/82 and then partially recovered in 1982/83. Rice and cotton, the two largest exports, fell sharply due to price and volume reductions. Other exports also declined because of the world recession and the overvaluation of the rupee prior to January 1982. The delinking of the rupee from the dollar in that month and subsequent depreciation provided a stimulus to exports later in the year. Unfortunately, the increase in manufactured goods was offset by decreases in raw cotton and petroleum product exports (Pakistan exports surplus fuel oil).

The deficit in the current account has been much smaller than the trade deficit because of the large net surplus on invisibles. Workers' remittances account for virtually all of this category. Remittances in 1982/83 were $2,886 million which is more than total exports and much larger than interest payments of $424 million. Remittances have helped to keep the current account balance within manageable proportions. The current account deficit declined very little until 1982/83 when it fell sharply, largely because of remittances and stagnant imports. Both of these factors are unstable, however, and can change rapidly. The rise in edible oil prices and the failure of the cotton crop will cause edible oil imports to nearly double. Raw cotton exports have been curtailed for 1983/84 and yarn and cloth exports could also be lower. Remittances could be affected by the declining surpluses of the Gulf states and GOP planning estimates anticipate lowered growth rates of total remittances.

The current account deficit has been financed from three major sources: (1) long term capital inflows (mainly foreign assistance), (2) IMF credits, and (3) drawdowns of foreign exchange reserves. Debt rescheduling in 1980-82 and commercial borrowing also were significant factors in the current account balance. The IMF credits were critical to maintaining reserves in the 1980/82 period and contributed to the large increase in 1982/83. The cessation of the EFF and a growing debt repayment schedule could combine with the trade effects to reduce the reserves almost as quickly as they increased.

TABLE 4

TRADE AND BALANCE OF PAYMENTS, 1978/79-1982/83
(Million current US Dollars)

	1978/79	1979/80	1980/81	1981/82/a	1982/83/b
Exports (f.o.b)	1,644	2,341	2,798	2,318	2,628
Imports (f.o.b)	3,816	4,854	5,563	5,691	5,532
Trade balance	-2,172	-2,513	-2,765	-3,373	-3,096
Workers' remittances	1,395	1,748	2,097	2,225	2,886
Current account balance	-1,110	-1,140	- 991	-1,530	- 433
As % of GNP:					
Trade balance	- 10.3	- 9.9	- 9.2	10.3	- 10.2
Current account balance	- 5.3	- 4.5	- 3.3	- 4.7	- 1.4
Long term capital (net)	635	837	581	730	1,145
Gross disbursements (official)	888	1,054	956	1,102	1,124
Amortization	- 235	- 305	- 516	- 492	- 407
Other (incl. private)	- 18	88	141	120	328
Other capital	414	272	410	818	435
IMF (net)	- 14	78	315	358	424
Other	- 71	290	336	274	11
Net reserve change	- 308	362	291	- 198	1,147

/a Provisional
/b Revised government estimate

Source: Ministry of Finance, Planning and Economic Affairs/IBRD

E. Macroeconomic Prospects

The Sixth Five Year Plan (FYP) has set ambitious growth targets. Sixth Plan projections are presented in Table 5 below:

TABLE 5

GDP GROWTH RATES
(Percent)

	FIFTH PLAN Actual	SIXTH PLAN Proposed
AGRICULTURE	4.4	4.9
Major Crops	(4.8)	(3.6)
Minor Crops	(3.1)	(7.0)
Other	(4.3)	(6.0)
MANUFACTURING	9.0	9.3
Large Scale	(9.7)	(10.0)
Small Scale	(7.3)	(7.3)
OTHER SECTORS	6.0	6.4
GDP (factor cost)	6.0	6.5
GDP (market prices)	6.2	6.5
GNP (market prices)	6.3	6.4

Source: Sixth Five Year Plan/Pakistan Economic Survey 1982/83

GDP is expected to grow more rapidly than GNP because of a projected slowdown in real remittances to a 4.3 percent rate of increase per year. The Plan calls for substantial changes in the amount and composition of investments and savings. The absolute amount of real investment is planned to be more than twice as large in the last year of the Plan as in PFY 1983 (see Table 6). Investment as a share of GNP is supposed to increase by one-fourth. The rate of growth of private investment is planned to grow 25 percent p.a. overall during the Plan period, with investment in large scale industry growing at 34 percent p.a., agriculture at 27 percent and transport and communications at 33 percent.

TABLE 6

SAVINGS AND INVESTMENT
(Billion current rupees)

	PFY 1983	PFY 1988	Total 6th Plan
INVESTMENT	62.1	144.0	527.0
Public	34.1	70.5	269.4
Private	19.5	59.6	200.0
Stocks	8.5	13.9	57.6
FINANCED BY:			
National Savings	50.6	124.7	446.0
Foreign Savings	11.5	19.3	81.0
AS PERCENTAGE OF GNP:			
Gross Investment	15.5	19.2	17.8
Fixed Investment	13.4	17.4	15.9
National Savings	12.6	16.6	15.1
Foreign Savings (Net)	2.9	2.6	2.7

Source: Sixth Five Year Plan

Increased national savings are expected to finance most of this investment. The share of savings in GNP is supposed to rise from 12.6 percent to 16.6 percent during the Plan period. (11.0 to 13.1 percent for private savings). The consumption share, of course, will decline. Overall consumption is projected to rise at 5.4 percent annually compared to 6.4 percent for GNP. Private consumption will rise by 5.1 percent while public consumption will go up 7.5 percent annually. The combination of rapid private investment and savings will be difficult to achieve based on the experience of the last ten years. In PFY 1970, however, private investment was 7.3 percent of GNP which is close to the 8.0 percent called for in PFY 1988.

The Sixth Plan calls for a continuation of the budget deficits at about the same level, about 1.5 percent of GNP. Out of Rs 215 billion in the annual development plans, domestic bank borrowing will account for Rs 43 billion or about 20 percent of the total. Gross external resources are put at Rs 80 billion or about 37 percent. In 1982/83 gross external resources were expected to be half of development expenditures. The projected greater reliance on national resources will be a challenging target to achieve.

Aside from the difficulties associated with meeting saving and investment projections, the other major macroeconomic constraint is likely to be the balance of payments. The current account deficit could grow from 4 percent in PFY 84 to 5 percent in FY 88 and 6 percent in PFY 92 if exports and imports of goods and non-factor services grow at the same rate. The unfinanced gap quickly grows from Rs 175 million in 1984 to $1,400 in FY 88 and $4,400 in FY 92 based on trends.

CHAPTER II: SECTORAL POLICY OVERVIEW

While macro analysis helps to define the setting for AID assistance programs, and is particularly important in ESF programs which incorporate macro objectives such as BOP support, it is at the sectoral and subsectoral level that a project financing agency such as AID looks for strategic objectives and seeks funding opportunities which service those objectives. USAID/Pakistan has adopted a sectoral framework which is consistent with the framework GOP planners and budgeteers use to organize their own resource strategies. The essence of the sectoral frame is threefold: Economic infrastructure, commodity producing sectors and social infrastructure. Non-economic sectors such as defense expenditures and public administrative overheads are consciously ommitted in order to highlight the elements of the economy and of the investment agenda which bear directly upon social and economic development. Table 7 sets the stage for an overview of sectoral performance and prospects. It shows GOP investment plans and the Sixth Plan's intended shift in priorities.

The three major sectors in which the AID program is concentrated are described in detail in the Sectoral Analysis section of the CDSS (Chapter III). Outlined below are summary sectoral perspectives on all the sectors which bear directly upon the development prospects of Pakistan during the FY 86-FY 90 period.

A. Economic Infrastructure

The economic infrastructure sectors dominate Pakistan's public investment agenda. The country's size and its large and growing population (which will exceed 100 million by the close of this CDSS period) pose impressive challenges in the selection of optimal investment paths from the competing claims of energy, transport, irrigation and communications. Although all are vital, AID shares the GOP view that energy should be first on the investment agenda. It is there that this overview begins.

1. Energy Policy Overview

The energy sector of the Pakistan economy is growing rapidly. It is critical to continued development. Per capita consumption of commercial forms of energy is only half of the average for low income countries. The traditional energy resources such as firewood, charcoal, animal and agricultural wastes meet about 40 percent of energy demand. Even though the share of energy in GDP is modest, it has become a binding constraint to growth in the rest of the economy. Tight gas supplies and a shortfall in electricity have caused substantial load shedding. This in turn has led to factory stoppages, and reduced irrigation. Load shedding has almost certainly lowered industrial investment, particularly in large scale manufacturing, because of the inability to obtain utility connections. Petroleum imports now equal about three-fourths of merchandise exports. Consumption expenditures are shifting toward energy intensity. The growth in energy consumption has been forty percent above the real output growth of the economy. This energy/output elasticity highlights the real cost of energy shortfalls in Pakistan, and

TABLE 7

SECTORAL PRIORITIES FOR PUBLIC INVESTMENT
1978-83 Actuals and 1983-88 Planned
(current Rs billions)

	1983-1988 Planned		1978-1983 Actual	
	Amount	%of total	Amount	% of total
I. ECONOMIC INFRASTRUCTURE				
Energy	116.50	38.2	38.83	25.4
Water	32.10	10.5	15.77	10.3
Water excl Tarbela	(29.41)	(9.6)	(10.22)	(6.7)
Tarbela	(2.69)	(0.9)	(5.55)	(3.6)
Transport & Communications	57.52	18.9	35.21	23.0
II. COMMODITY PRODUCING SECTORS				
Agriculture	15.35	5.0	14.86	9.7
Less fertilizer subsidy	(12.35)	(4.0)	(6.06)	(4.0)
Fertilizer subsidy	(3.00)	(1.0)	(8.80)	(5.7)
Industry	20.50	6.7	25.40	16.6
Minerals	5.75	1.9	0.40	0.3
III. SOCIAL INFRASTRUCTURE				
Education and Manpower	19.85	6.5	5.64	3.7
Urban Development	15.50	5.1	9.00	5.9
Health	13.00	4.3	4.58	3.0
Population	2.30	0.7	0.60	0.4
IV. OTHER	6.63	2.2	2.52	1.7
TOTALS	305.00	100.00	152.81	100.00

underscores the need for management and engineering improvements in the system. The energy sector has moved to the top spot on the agenda of GOP planners and the large economic assistance programs in Pakistan.

Over the period 1972 to 1982, the supply of commercial energy grew at 7.5% p.a. During that period, the shares of total energy supplied by natural gas and hydroelectric power increased while those supplied by petroleum and coal fell. Despite this performance, consumption growth in recent years has outstripped supply, leading to growing petroleum imports. Despite substantial government and donor assistance, the energy gap will most likely widen over the 1986-1990 CDSS period.

Pakistan will, therefore, remain heavily dependent on oil imports to meet its internal requirements for commercial energy. Although oil has been produced in Pakistan for over 70 years, oil reserves appear modest. Until recently, Pakistan has been successful in developing its domestic natural gas resources in step with demand. However, demand has overtaken supply, and, despite some switching of thermal power generation to fuel oil, substantial load shedding was necessary during the 1981 and 1982 winters. The total fully proven coal reserves of Pakistan are some 640 million metric tons, (estimated reserves are greater than 1 billion MT) from which 1982 reported domestic production was 1.7 tons, a 4.5 percent increase over the previous year. The production of coal has expanded much less rapidly than other energy forms and currently supplies a lower proportion of total domestic energy requirements than it did two decades ago. Since large capital outlays and long lead times are involved in expanding energy supplies from coal, hydroelectric and nuclear resources, GOP's medium-term response to the prospects of continuing energy supply gaps is focused upon the accelerated development of Pakistan's proven oil and gas potential.

For the 1986-1990 period of this CDSS, however, it is these longer lead time activities in coal-based and hydro-based energy which commend themselves to external financiers in the sector. The World Bank, the Asian Development Bank, the European bilateral donors and AID are all currently appraising potential capital investments in these areas. Resource planning by the GOP for the second half of the 1980's requires a reasonably firm picture of external resources for new energy investments. The energy sector analysis in this CDSS and the energy section of the strategy narrative explains USAID's current involvement in gas and coal-based electric power generation and even more importantly, in the institutional and policy areas of the sector.

2. Water Sector Policy Overview

Irrigation is the backbone of Pakistan's agriculture. Improved agriculture sector performance has been directly related to improved levels of farmgate water delivery over the past five years. During this period efforts have focused on physical improvements to the irrigation distribution channels at the farm level in order to decrease water losses and provide a more equitable share to farmers at the tail end of channels. Despite these improvements, a major factor preventing higher agricultural production in Pakistan has been the lack of integrated management of water, as well as other inputs, by farmers, government agencies and others. Due to inadequate management, it is estimated that

more than half of the water diverted into the system for surface supplies is lost. These losses, together with unpredictable variations in water supplies, cause considerable uncertainty at the farm level as to whether water will be available at periods critical to crop development. The situation largely reflects the poor condition of watercourses and the lack of arrangements effectively to ensure each farmer an appropriate share of available water. In response to this situation, substantial private investment has been made in groundwater exploitation and about 160,000 private tubewells have been installed. Nonetheless, the inability of the surface irrigation system to deliver an adequate and assured supply of water is responsible in large measure for the low crop yields currently achieved in Pakistan. Pakistan's agriculture is based on an extensive system of farming. Available water and other inputs are spread as widely as possible. Farmers find this preferable to intensive cultivation, which depends upon timely supplies of water and other inputs. Achieving management improvements will be a major undertaking involving the need to mobilize farmer participation through some 80,000 wateruser associations, re-orient the objectives and procedures of provincial irrigation departments, improve the effectiveness of extension, and improve management of the macro-level water delivery and storage system. Programs to increase the efficiency of water use are of the highest priority and ways are being explored to introduce them as widely and as quickly as possible.

The Sixth Five Year Plan lays out the GOP's threefold water strategy for the 1980's:

a. protection of fertile land and infrastructure from waterlogging, salinity and floods by completing repair work on Tarbela and the Indus Basin Program, giving priority to severely waterlogged areas having saline groundwater and replacing deteriorated tubewells;

b. improvement of existing irrigation and drainage facilities by canal remodeling, rehabilitation of the irrigation system, command water management, on farm water management and reorganization of the institutional framework; and,

c. extension of irrigation and drainage through new irrigation schemes, medium sized reservoirs, public tubewells in underdeveloped areas, and new schemes in Baluchistan and the Federally Administered Tribal Areas.

AID and the other major donors share the view that this approach is commendable but insufficient. It does not make explicit the necessity for bringing private sector resources and management into the water sector and neglects the crucial cost efficiency questions associated with the sector:

d. how to insure that the farmer has an economic incentive to use water efficiently;

e. how to insure that system managers in irrigation have incentives to allocate and deliver water efficiently;

f. how to insure that the system rewards maintenance and sound stewardship of public irrigation assets; and,

g. how to insure a sustained flow of revenues for irrigation O&M.

It is against this added agenda that donor resources will be increasingly targeted over the CDSS period, although the GOP also is continuing to seek direct capital contributions to major irrigation and drainage projects.

3. Communications and Transportation Policy Overview

Independence left Pakistan with a vast physical territory and limited transport and communications capacity. Colonial investment in these areas was largely limited to the needs of military, and law and order agencies, with little consideration given to resource development. The past thirty years has witnessed slow and costly progress towards redressing this deficiency but Pakistan still lacks the road or rail base commensurate with its economic demand for transport. Limitations on the telephone, telegraph and microwave communications system are not only a hinderance to civil administration, but a significant constraint on economic activity - particularly industrial and commercial activity in the private sector.

Pakistan has set an ambitious agenda in roads, rail and telecommunication for the 1980's. Traditionally rail has taken the lion's share of new development resources, and rail and road have both been severely underfunded on the O&M side. Deteriorating rail service, decaying highways and rising commercial transport costs all reflect the cumulative effects of underbudgetted maintenance in this sector. Telecommunications have traditionally done less well in securing new investment resources, but have benefitted from relatively better maintenance and more adequate O&M funding.

In telecommunications, the GOP has set several targets for completion during the CDSS period:

a. bringing all larger towns in every province into the automated dialing network;

b. meeting at least half of the unmet backlog demand for telephone installations over the next five years;

c. developing increased local manufacturing capacity for telecommunications equipment; and

d. improving financial management in the telecommunications sector.

The total cost of these programs is estimated by the GOP to be on the order of $200 million (in 1983 Rupees). This figure probably greatly understates the real costs of a program which involves a total new installed capacity greater than the entire installed plant now operating in Pakistan.

In the road and rail sector, GOP plans are similarly ambitious. Donor interest has however waned in these sectors because of consistent

failure to address the recurring cost requirements of both existing capital stock and planned new investments. The IBRD is spearheading a move to sharpen government attention to these policy issues. USAID is beginning a dialogue on management and recurring cost issues relating to rural roads.

The GOP is attempting to reverse the trend from rail to road, especially in the area of long-haul freight. Capacity expansion would stress optimal intermodal allocations based on relative transport costs and improved utilization of the existing system through better rehabilitation and maintenance, management and operational techniques. GOP policy makers indicate a desire for reducing O&M constraints through improved cost recovery, greater self-financing by public corporations, and inducements to the private sector to fund investments in roads, air freight and civil aviation.

Projects for new roads are to be limited to the opening up of isolated areas. The investment program will assign priority rankings based on actual traffic needs and projected economic returns. A major will would be for the proposed Second Carriageway for National Highway N-5 from Karachi to Peshawar, to the construction of which the private sector is expected to contribute about Rs 5 billion which is to be reimbursed from tolls. While the Plan rightly stresses the importance of maintaining and rehabilitating the existing road system, only about one-fifth of planned expenditures on national highways is for rehabilitation, the remainder being mainly for the Second Carriageway. A number of factors suggest that a reordering of priorities would be desirable: (a) available evidence suggests that rehabilitation expenditures have a higher benefit-cost ratio; (b) only a small proportion of the total length of the N-5 has a traffic density sufficient to justify construction of a second carriageway; and (c) Pakistan's construction industry and relevant government agencies do not have the capacity to carry out major programs of rehabilitation and construction simultaneously. To improve the efficiency of the highway system, the Government should undertake programs to strengthen and rehabilitate the existing system and to reduce truck overloading. It is in this area as well as in the area of maintenance and financial management of road assets, that foreign technical skills and donors resources are potentially most important.

B. The Commodity Producing Sectors

1. Agriculture Policy Overview

Agriculture dominates the economy of Pakistan. Accounting for some thirty percent of GDP and more than half of all employment in the country, it remains the cornerstone of any feasible development strategy over the next decade. At the same time, USAID fully recognizes that economic growth is invariably accompanied by a declining share of agriculture in total output, total income and total employment.

Pakistan is still a decade or more away from the time when there will be an absolute decline in the share of the total labor force in agriculture. This process comes about classically from the interaction of two forces:

a. a decline in the domestic demand for non-food agricultural output which dampens production increases

b. the growth of demand which is limited by the decline in the proportion of household income devoted to food. This occurs as median incomes rise and discretionary consumption becomes more diverse

Neither of these forces is yet significant in Pakistan. Thus, near to medium term planning can operate on assumptions of strong domestic demand.

Despite the recent improvements in agricultural output, the last decade has been characterized by stagnating yields, with the exception of wheat. The disturbing fact is that, even for new varieties, yields have remained well below those achieved under comparable conditions in other countries. Much of the output growth in the last decade has been made possible by continued acreage expansion, especially in rice and wheat, as a result of extensive investments in the Tarbela Dam and in public and private tubewells to augment water availability. The response, however, to improved water availability, in terms of increases in cropped areas and cropping intensities has been inadequate. Overall production has been well below the potential implied by the inputs and technologies available. Given resource limitations, substantial increases in water availability and cultivated acreage are unlikely to take place. Increases in agricultural production, therefore, must be achieved principally through increasing per-acre yields. Technology and net capital investment will drive growth in the agriculture sector over the CDSS period.

The potential for increased agricultural production in Pakistan, notably through the more efficient exploitation of available resources and technology, is considerable. Recent studies in Pakistan conclusively demonstrate that increased inputs, especially fertilizer, combined with better timing of water releases and simple improvements in farm practices such as regular weeding and increasing plant densities, can substantially increase production in the short to medium term. However, longer-term growth requires a broadening of agricultural strategies to complement the provision of key inputs and ensure their efficient use. This will involve major efforts to strengthen the institutional framework for research, extension, water management and other programs and necessitates a reappraisal of priorities within the agriculture and water sectors. The need for these fundamental shifts in policies is recognized by the Government.

Despite a strong concensus among donors and the GOP on the critical role of technology (generation, application and extension of new technology), the institutional environment is weak. The in-depth agriculture sector analysis of the CDSS explores the institutional and policy setting for agricultural technology in considerable detail. AID is the lead donor in the agricultural technology area, although the UN agencies and the multilateral development banks are looking to increase their financing in this sector over the balance of the 1980's.

2. Industry Policy Overview

The industrial sector of Pakistan has not been a significant part of the AID investment program either in the pre-1979 relationship nor in the 1982-1987 package of economic assistance. This reluctance is not because the sector is inconsequential. Indeed, large and small scale manufacturing employ more than three and one half million Pakistanis and accounts for some 17 percent of GDP. Textiles, food processing and other agribusiness dominate private sector manufacturing while government investment has been particularly concentrated in capital intensive areas such as steel, fertilizer, cement and metallurgical and chemical industries. As AID direct investment in the industrial area is currently nil and will probably be limited for the foreseeable future to financial support to the private sector, the CDSS sectoral overview will necessarily be confined to the policy setting for industrial development. Through AID involvement in such areas as fertilizer procurement, power generation, oil and gas exploration, and private sector industrial finance, we have, however, opened a substantial policy dialogue with the GOP on matters of direct relevance to the industry sector.

The GOP has formally reversed previous industrial sector policies by assigning to the private sector the leading role in industrial development. To encourage the private sector, the Government: denationalized most agricultural processing as well as a few industrial units, introduced limited safeguards against nationalization, widened areas open to the private sector, restricted public sector industrial investment to the completion of ongoing projects, adopted a more liberal trade policy, and introduced a number of industrial incentives.

The Sixth Plan's industrial strategy places even greater emphasis on the role of the private sector. The major elements of the Plan strategy are: a leading role for the private sector in industrial development; a large increase in foreign investment; greater attention to export promotion than in the past; and, emphasis on the development of agro-industries, engineering goods and small-scale industries. While more than half of new industrial investment in the past decade was undertaken by the public sector, the Sixth Plan anticipates that only about 25 percent of industrial investment will be made by the public sector, with the remainder coming from private sources.

For the meaningful growth of the industrial sector, substantial policy and institutional reforms are essential. Aside from infrastructure deficiencies, which are discussed below and represent one of the major constraints to industrial development, improvements are needed in policies regarding incentives, regulations, finance and pricing. The Sixth Plan addresses the infrastructure constraint by increasing outlays for energy and water. Nonetheless energy shortages will continue throughout the Plan period. To minimize the adverse effects on the industrial sector, the Government will need to improve load shedding management as well as institute measures to encourage increased energy efficiency and conservation. To encourage efficient industrial development and to maximize the impact of increased private participation, tariffs, domestic indirect taxes and other incentives need to be rationalized to provide a generally lower, more uniform degree of effective protection to improve Pakistan's competitiveness in international markets. As part of this process, the liberalization of

imports needs to be continued. Rapid industrial growth led by the private sector will require the removal of unnecessary Government regulations and a clear commitment by the Government to rely on market mechanisms for the allocation of resources. Deregulation is perhaps the most important element of GOP industrial strategy. A committee on deregulation has been formed and a number of important measures were announced in the 1984 budget. Much action on deregulation is still needed however to streamline the investment sanctioning process, and to set guidelines for foreign borrowing and contracts for the transfer of technology and employment. Deregulation in the financial sector is also a pressing need.

Pricing formulae in a number of key industries covering most public enterprises and part of the private sector (e.g., cement, fertilizers, petroleum products, vegetable ghee) involve a modified form of "cost plus" incentives. These incentives are inadequate to minimize operating costs, allocate resources efficiently, or encourage optimal location decisions. This approach attempts to regulate the producer's rate of return within a range of 15-20 percent (net of taxes) on net assets employed (or on equity or shareholder's assets) for a given rated capacity utilization. In order to arrive at the price to be allowed a specific producer, the desired rate of return is applied to total fixed costs divided by a fixed rated capacity, plus unit variable costs. In addition to setting the price, the Govenment may utilize subsidies, tariffs, indirect taxes and a "development surcharge" to obtain the target rate of return for individual producers. Both USAID and the Embassy have suggested alternative, market-oriented approaches to price policy. We have underlined that the "cost plus" approach to pricing and the regulation of profits has costly drawbacks for Pakistan's development: the system provides insufficient incentive for efficiency, requires frequent reviews and negotiations in times of inflation, and eliminates the signaling function of the pricing mechanism. Although these formulae often create incentives to produce at a level above rated capacity, there is no incentive to do so efficiently since variable costs are automatically covered. Despite the shift towards a larger private sector in industry the vast "sunk costs" in Pakistan's industrial public sector makes its performance a matter of concern. The efficiency of public manufacturing enterprises is also of critical importance for the balance of the 1980's because of their central role in key products (e.g., fertilizers, cement), effects on downstream industries (e.g., steel) and their heavy demands for credit. The credit issue with particular attention to potential "crowding out" is discussed in the financial policy section of this CDSS. Public sector industries remain burdened by overcentralized decision-making, non-competitive managerial salary structure, weak financial structures, lack of incentives for improved performance and government price controls. The Government has recently announced the adoption of performance criteria designed to reward managers in relationship to performance achieved. While this bonus system does not address many structural problems facing the public enterprises (e.g., poor location, inappropriate technology), it will strengthen management's case for increased autonomy and decentralization as well as contribute to placing these enterprises on a more sound commercial basis.

Over recent years, the lack of infrastructure in areas including water, gas, electricity, roads and telecommunications, has been a serious constraint to industrial expansion. This lack is particularly acute

because of GOP interest in promoting investment in "lagging areas" such as Baluchistan where, in many areas, these facilities do not exist and/or the supplying agencies do not find it economic to service individual project sites. Power failures are imposing substantial costs on industrial production and efficiency and will continue to do so in the coming years. New private investment sought in the Sixth Plan may be severely constrained by lack of on-site power.

AID and the Embassy are engaged in a low key but sustained dialogue with GOP on a number of industrial sector policy issues identified in this CDSS. Expanding the role of private sector participation in fruit and vegetable marketing has been a consistent theme as has been increasing the role of private sector fertilizer distributors. In vegetable oil processing, AID has been encouraging deregulation of the sector with progressive denationalization of oil processing plants and institution of a broad range of liberalization measures in oilseed production and processing. AID is actively working with the GOP to develop alternative sources of private capital mobilization for both debt and equity financing of private sector manufacturing. The infrastructure element of the current AID package, however, will probably be our largest tool for stimulating long term industrial growth. Relieving power constraints and improving power sector policies which permit energy supplies and industry to grow in tandem are central goals of the current AID program and will probably be major features of the program throughout the CDSS period.

C. Social Infrastructure

1. General Policy Review

The social sectors present more perplexing problems to development planners than any other area of the socio-economic scene in Pakistan. While most of the sectors described thus far in the CDSS have been presented in terms of moderate to strong performance with even greater potential if policies are better aligned, it is simply impossible to cast Pakistan's social sector performance in other than disappointing terms.

Despite a rhetorical tradition in all the five previous five year plans and a succession of policy pronouncements expressing the need to provide a basic safety net of social infrastructure for all of Pakistan's population, social sector allocations have been grossly inadequate even to approach that goal. Repeated sector analyses by the multilateral donors have found that primary schooling, basic health services, clean drinking water, basic sewerage, and special maternal/child health programs reach very few among the poorest 40 percent of Pakistan's population. While the expansion of "free" or "nearly free" health and educational services has been emphasized as a means to reduce the social service gap between the poorest 40 percent and the wealthiest 20 percent, these "free" services have only succeeded in transferring even larger shares of public welfare to the better off. The poor simply have not had effective access to these programs. Infant mortality levels and literacy levels closer to those of Nepal than to Pakistan's economic peers reflect continued poor performance in the social sectors.

Over the past decade the largest share of the budget for health has gone to the training of doctors and to hospital facilities, neither of which effectively serve the poor. The largest portion of the education

budget has maintained the university system, to which only children from medium to high socio-economic households have reasonable access. This approach to providing social services has done little to reduce the gap between the rich and the poor. Because the status of the lower socio-economic groups has not improved, Government policies have also made more difficult the creation of an environment receptive to lower fertility. In the final analysis, the main reason that the poor have not been reached through past programs has relatively little to do with a failure of policy makers to understand the problems or with their inability to propose solutions but, rather, reflects a lack of firm commitment on the part of past administrations to implement proposed plans and an unwillingness to confront pressure groups who oppose implementation.

Against this bleak record, the Sixth Five Year Plan sets out very ambitious objectives in health, education and population planning. It promises a change in priorities and an increase in the proportion of the budget benefiting the poor through provision of social services. More importantly, it proposes innovative and low cost solutions, abandoning past top-down orientations and accepting the possibility of equally effective but less sophisticated solutions to the problems.

An even more basic departure in social sector policy reflected in the Sixth Plan is an emphasis on community management and local resource mobilization for social programs. The innovative role proposed for PVOs in family planning is a case in point. Local participation is proposed not just to help finance capital and recurrent expenditures but more importantly, to make programs more responsive to local needs. The Social Sector policy framework in the Sixth Plan offers communities at least some degree of participation in policy formulation and programming, as well as in the direction and control of programs. Experiments in other countries indicate that, when the communities are given responsibility for their own programs, those programs tend to be more effective and responsive to the needs of the community. Pakistan, however, is turning towards a more community oriented approach to social investment at a time when the local institutional base is very weak. Accordingly, the challenges to successful innovation are great.

Providing social services for the poor is not an easy task. It demands strong commitment and direction on the part of the Government, more coordination between central and local governments, and participation of the population. Improved quality of life is necessary not only for the material wellbeing of the existing population but also as the basis for attitudinal changes toward fertility which can lead to lower levels of population growth which, in turn will eventually make Pakistan's long range development objectives more achievable.

The Sixth Five Year Plan reflects a new recognition in Pakistan that basic social improvements are necessary not simply for the sake of Pakistan's poor, but because they are a basic prerequisite for national development. Pakistan cannot continue to develop with a largely uneducated workforce, weakened by endemic disease and largely uninvolved in the planning of its own social development.

The goals of the Sixth Plan to double literacy and to nearly halve infant mortality are laudable. If achieved, they would bring Pakistan's social performance more nearly in line with its economic performance.

The rhetoric is promising. The focus on community management and local resource mobilization is appealing. The reviews of the policy issues in education and in health which follow suggest, however that progress may not come easily. The population section of the CDSS also describes other difficult policy hurdles.

2. Education Sector Policy Overview

Perhaps in no other sector of the Pakistan economy is there such a divergence among (1) public rhetoric, (2) public policy, (3) sectoral performance, and (4) political realities than in the education sector. Like most developing countries, Pakistan embarked upon independence with an education system designed by colonial authorities to train sufficient numbers of clerks and middle level civil servants to keep the recurring cost of colonial administration manageable. The system was also intended to train a small indigenous elite to play a broader, but essentially conservative, role in the social and political evolution of the colony. Unlike the experience of many other LDCs, however, political forces in Pakistan have tended to perpetuate these colonial orientations of the system. The results of thirty five years of independent management of the education system in Pakistan are a literacy level under 25 percent and primary school participation rates under 50 percent. These results have not passed unnoticed by Pakistan's education sector planners and policy makers. The National Education Policy published by the Government of Pakistan in 1972 after a lengthy sectoral assessment concluded that economic growth had been stunted by Pakistan's imbalanced educational investments and laid out a bold policy framework for education over the coming decade (1972-82):

a. the goals of the education sector were to improve income distribution and to contribute to national economic growth objectives

b. to achieve this end, development expenditures on education were to increase by 33% annually over the decade. Recurring cost expenditures were to increase by 15% annually over the decade

c. universal primary education would be achieved by the end of the 1972-82 period

d. the structure and content of the education system would be tailored to the economic and manpower requirements of the nation, moving away from the colonial foci of the past

Nine years after this ambitious National Education Policy of 1972 had been promulgated, the IBRD reported in the country assessment materials prepared for the 1981 Paris Consortium meetings that:

> Over the past 25 years, several themes have run through the successive five-year development plans: (a) universal primary education as soon as possible; (b) the development of the technical and vocational training to meet requirements for

middle level skilled manpower; (c) improving the of curricula in secondary and higher education to employment needs through greater emphasis on science, math and technology; and, (d) a more balanced development of the education system at all levels by reducing the dominance of higher education in resource allocation. These themes remain the broad objectives of the Fifth Five-Year Plan (1978-83) and the National Education Policy statement.

No more succint assessment of Pakistan's performance in education need be cited than the text which introduces the education component of Pakistan's Sixth Five-Year Plan (published in October of 1983). The Planning Ministry writes of sectoral performance since independence:

a. Thirty-five years after independence, Pakistan has a literacy rate below 25 percent and less than half the primary school going age children are in schools. These indices place Pakistan amongst the least developed nations, far below its rank acording to other criteria, including the aggregate measure of per capita income. This status must be changed for several reasons. Literacy enriches life and enhances the learning capability of workers. Access to primary education is the key to equality of opportunities. The quality of university students visibly immproves as result of wide choice provided by primary education. At the scale at which it persists, illiteracy is a blot on our social image and the chief impediment to our long-term economic and technological advance.

b. Except for the Second Plan, the performance of education sector in the planned and non-plan period ending 1977-78 remained utterly deficient. The Second Plan largely achieved its physical and financial targets. Overall, the participation rate of primary school age population improved from 17 percent to 48 percent during the first thirty five years of our independence.

c. During the last year of the Fifth Plan, the position did improve a little as a result of the implementation of the Priority Sector Special Development Programme of Primary Education in the last year of the Plan. The mosque schools opened during this year of the Plan alone constituted 45 percent of the total primary schools opened during the entire Plan period. Despite higher investment and realization of 80 percent of the target of opening new schools (excluding mosque schools), the enrollment increased only marginally. Worse, the participation rate actually declined from 54 percent in 1977-78 to 48 percent in 1982-83 and the female participation rate remained far less than the average. The problem partly emanated from inadequate allocation of funds but more from the absence of a suitable machinery for planning, implementation and supervision of schools. The share of government expenditure on education as a proportion of the GNP also declined from 1.8 percent in 1977-78 to 1.5 percent in 1982-83.

d. Moreover, while the base of the pyramid did not expand satisfactorily, its top was raised further by the opening of new colleges and universities. Four new universities were established against none provided in the Fifth Plan. Nothing could portray the upside-down state of our education priorities better than the Fifth Plan experience - the co-existence of the quantitative expansion of the consumptive higher education and the falling participation rates of primary education. The key note of the Sixth Plan strategy is to reverse this trend.

The policy changes envisioned in the Sixth Plan outlined below are appealing and exciting, but the sectoral record demonstrates that there is a powerful and conservative technocratic lobby within the educational establishment and a powerful political lobby both within and without government endeavoring to maintain the status quo. While there is a strong and able cadre of development planners who have an interest in designing, supporting and financing educational reforms, they have not yet built effective lines of communication to and influence with the reform-oriented constituency within the educational establishment. The aims and policy shifts envisioned by the Sixth Five Year Plan must find responsive chords within the education system itself to succeed. The second prerequisite for success is to identify and validate alternative models for implementing educational changes. The most exciting aspect of the Sixth Plan's approach to the dual problems of winning political support for reform and validating feasible models of educational system reform lies in the dramatically new (for Pakistan) emphasis on Community Management in education. The 1983-1988 education plan recognizes that neither the full financial costs nor the full management burden of primary schooling can be effectively carried by the Federal and Provincial governments and that both financial and managerial responsibility must be shared with local communities and with the organs of elected local government. It is proposed that responsibility for primary schools be transferred to local communities although it is not clear precisely how the support and financial resources of the local community will be mobilized. Sensitizing communities to the need for basic education will call for new talents and new operating skills on the part of school administrators, teachers and local leaders. The process is likely to be a long and difficult one but the potential benefits are great, not merely in terms of financial support but because of the improved quality of education that can be expected when communities have direct responsibility for establishing and maintaining local schools.

Community management of primary education, as presented in the Sixth Plan, will be reinforced by a policy of levying more realistic fees, especially for higher education. To the extent that enrollment in higher education comes disproportionately from wealthier groups, higher fees have the virtue of taxing the beneficiaries who can most afford to pay. In the interest of equity, this policy will be combined with expanded scholarships for underprivileged students. The move to allow re-establishment of private schools during the Sixth Plan again has the virtue of passing more of the burden of education on to those who can best afford to pay. The specifics of the Sixth Five-Year Plan, with the exception of the emphasis on community management and local control, are not unlike the goals of preceeding plans and preceeding Education Sector

Policies in Pakistan. The seven major sector objectives in the new plan are:

(1) universal compulsory education with all boys of the relevant age group being placed in Class 1 by the middle years of the Plan and all girls by the terminal year; at first a minimum of five years of schooling will be obligatory, gradually raising over time;

(2) the use of special programs, such as mosque schools or mobile schools staffed with teachers of lower qualifications, to obtain improved coverage for scattered rural settlements;

(3) the continued expansion of secondary schools with increased emphasis on rural areas and the enrollment of women;

(4) a mass literacy program aimed at covering 15 million persons aged 10 to 19 years, using a variety of teaching methods and utilizing interested individuals, non-government organizations (especially women's groups), and local governments;

(5) a modified system of teacher training to meet shortages. Untrained matriculates are to be sent for training after recruitment, trained at periodic intervals over the first two years of service and paid the salaries of fully trained teachers;

(6) continued expansion of the training of engineers, technicians and skilled workers; and,

(7) consolidation of existing universities, with emphasis on improvement in quality, especially in the fields of science and technology.

To implement this strategy and to achieve these goals, the Plan proposes dramatically higher outlays for all levels of education, with the greatest increases at the primary level. Table 8 on the following page compares planned outlays for the sector over the 1983-88 period with actual expenditures in the preceeding five years.

Less clearly articulated in the Plan is the way in which these resources will be managed to insure that there is:

a. an increase in the efficiency with which education investment resources are used (more output per Rupee)

b. an increase in the quality of product from the system (higher educational valued-added per Rupee of investment)

c. an increase in "rated capacity" of the system to achieve the targets (e.g., adequate numbers of staffed, equipped and financially sound primary schools to achieve the doubling of output proposed for the next five years)

TABLE 8

FINANCIAL ALLOCATIONS FOR EDUCATION

	Fifth Plan Expenditure	Sixth Plan Allocation (in 1983 Rs billion)	Percentage Increase	Percent Shares /a Fifth Plan	Sixth Plan
Total-education & manpower	5.6	19.9	252	4.6	9.5
Primary, secondary and other basic education programs	3.0	11.4	280	2.4	5.4
Technical and vocational education programs	0.6	2.3	283	0.5	1.1
Higher and miscellaneous education programs	2.1	6.2	195	1.7	3.0

/a As percentages of total ADP

Source: Sixth Plan, October 1983

USAID was not asked by GOP to make commitments to education sector investments in the 1981 negotiations of the six year program of US economic assistance to Pakistan. We likewise, did not propose programs in the sector because of the weak policy environment, the poor track record and the inevitably long lead times involved in mounting a meaningful sectoral intervention. The Sixth Five Year plan raises possibilities for a reappraisal of that initial sectoral choice. The Strategy section of the CDSS and the Workplan indicate our early thinking about what would be the next steps necessary to frame a thoughtful decision process about AID involvement in the sector. The planned shift of GOP resources to the education sector invites us to reconsider AID investment priorities. In any reconsideration, account should be taken of the fact of low absorptive capacity in the very sub-sectors which are most important -- primary and middle schooling. This situation may make significant resource transfers arduous and frustrating undertakings if not infeasible. At the same time, AID recognizes that an educated population, a literate work force, and a cadre of technically skilled professionals are all pre-requisites to social and economic development in Pakistan.

3. Health Sector Policy Overview

Pakistan in 1984 faces essentially the same health risks which prevailed at the time of independence in 1947. These include widespread, but preventable, communicable diseases; mild to moderate malnutrition, particularly among growing children and women of reproductive age; lack of, or inadequate, facilities for waste disposal and clean water supply; and high health risk for mothers and their offspring. The dominant disease patterns are amenable to simple treatment, both curative and preventive. Existing medical services, however fall short of fulfilling this purpose, especially for the rural poor, few of whom now have meaningful access to health care. Moreover, the existing facilities are frequently understaffed and poorly equipped; these factors contribute to their low utilization by the target population. The leading causes of death in Pakistan are common respiratory infections, diarrheal diseases, birth traumas, tuberculosis and malnutrition. The appropriate focus for health programs is not death prevention, but rather maintenance of productive life. The quality of morbidity data in Pakistan is poor; however, it is widely agreed that the major contributors to morbidity are gastro-intestinal, parasitic and respiratory diseases.

Health services in Pakistan date back to very early times, as evidenced by the still popular hakims and vedic practitioners. Western medicine introduced under British rule did not supplant this indigenous system but was limited principally to caring for government servants and their dependents in the major cities. Over time the British did provide some health services to the general population by means of hospitals and dispensaries established through local governments. As a result, the tradition was established of local government responsibility for medical care to the people. This pattern is seen today where a "fee for service" approach to public sector medicine is still unusual in Pakistan, although the (fee-charging) private sector accounts for at least four times (valued at cost) the total publically provided health services in Pakistan.

In viewing the total system of health services in Pakistan, practitioners tend to divide the health sector along technological lines: Western practitioners, traditional practitioners and Western and traditional dispensers of pharmaceuticals. Planners and resource allocators tend to divide the health sector along economic lines, distinguishing between public and private sector elements of the health service system.

The private health sector encompasses both Western and traditional medicine and is by far the larger part of the national health system. Besides some six thousand medical doctors in private practice there are an estimated 40,000 private sector indigenous health workers in Pakistan. Some four thousand of these are physicians or Hakims trained in the Graeco-Persian Unani medical system. Indigenous midwives, Dais, still preside over the majority of births in Pakistan.

About 500 physicians (Western system) join the ranks of the private sector medical practitioners each year, a number which would probably be larger but for the costs associated with initiating private practice and the lack of financial institutions (other than friends and family) to whom to turn for capital to launch a medical practice. Local

manufacture, distribution and sale of pharmaceuticals is a thriving component of the private sector medical system, accounting for perhaps $200 million in turnover annually. As with private medical practice, private pharmaceutical sales are biased towards urban and peri-urban settings where consumers have higher incomes to support medical costs.

Health services in the public sector are provided through a network of about 600 teaching, district, and tehsil hospitals, about 1000 Rural Health Centers and sub-centers, some 2000 Basic Health Units, and numerous rural dispensaries and Maternal Child Health centers. Teaching hospitals are attached to medical colleges. There are an inadequate number of specialized tuberculosis, leprosy, and mental hospitals to meet the demand for curative and preventive services. About 95 percent of the hospital beds are in urban or peri-urban areas with all teaching hospitals, medical schools and post-graduate institutions situated in towns or large cities. New post-graduate medical institutions are being developed at Hazara and Multan, existing centers strengthened at Lahore and Karachi and a major new tertiary hospital is being built in Islamabad. There is, in addition, a new privately financed Aga Khan teaching hospital and medical school being completed in Karachi. These new medical schools come on stream at a time when more than one thousand doctors are unemployed in Pakistan, and the present medical education system is graduating more than 4,000 doctors per year.

For rural areas and towns, the GOP has begun (since 1977) to implement a health structure, called the Basic Health System (BHS). The aim of the BHS is to provide a systematic link between village communities and hospitals of the modern health system, with services planned to be provided as follows:

LEVEL	CLIENT POPULATION	PUBLIC FACILITIES
Village level	1,000 population	2 community health workers
Basic health units	10,000 population	1 doctor, 2-3 health auxiliaries
Rural health centers	100,000 population	3 doctors, 8 auxiliaries, 10/20 beds
Tehsil hospitals	380,000 population	2 doctors, surgical, medical lab and x-ray facilities
District hospitals	1,160,000 population	Main specialities
Teaching hospitals	Province	All modern facilities

4. Health Sector Finance

Three economic policy issues dominate the agenda for Pakistan's health sector over the period covered by the CDSS:

a. cost recovery to insure that growth in health services is not forever doomed to move in line with increasing but grossly inadequate resource availabilities from Pakistan's public finances

b. managerial efficiency and O&M financing to insure that both the massive sunk costs in capital plant and new capital investments in the health sector are efficiently and prudently operated to maximize returns and to extend the useful life of capital assets

c. broadening the role of the private sector in both medical services delivery and pharmaceutical supply to provide a wider spectrum of quality to a wider clientele than currently serviced by the private sector

The Government has announced its intention to increase cost recovery in health services. Fees for outpatient consultations in urban areas will be raised to Rs 5 per treatment by the end of the Sixth Plan period, and in rural areas the fees will be half as much as in the urban areas. For inpatients there will be Rs 10 admission charge, and a further Rs 10 charge per inpatient day (half of which will go toward the costs of diets). There will also be charges for x-ray and laboratory services. However, indigents will have their fees paid through Zakat funds, while no fees will be charged for preventive services.

The Government estimates that the revenues from these measures by the last year of the Sixth Plan period would be equivalent to over one-fourth of operating and maintenance expenditures, although there is no mechanism to feed these revenues back to the O&M budget of specific facilities. From the present situation where fees cover only 2 percent of O&M costs, this would clearly be a major increase. Other policy changes must still be made to ensure that service delivery is efficient and cost-effective. Optimal use must be made of both financial and human resources, especially in hospitals which consume the bulk of operating and maintenance budgets. USAID has financed a preliminary examination of policy options for improved cost recovery in the health sector. This analysis points to a number of options beyond simply adding a fee-for-service to conventional public health operations. USAID's approach to programming decisions about future technical assistance in health sector cost recovery is discussed in the Strategy section of the CDSS and in the Workplan.

In the area of improved O&M budgeting (which is, of course closely linked to the question of cost recovery) the Sixth Five Year Plan points to some important policy shifts over the 1980's. The Plan projects a growth in O&M expenditures to about forty percent of total health sector recurring cost expenditures by 1988. USAID and the major multilateral donors estimate that this may still be insufficient O&M financing, but recognize that it marks major progress from a low base. A recently completed IBRD health sector assessment reached several conclusions about health sector finance policy in Pakistan:

(1) The development of the health sector should be planned around the certainty of limited operating and maintenance funds. This implies an investment strategy involving considerably less investment in new infrastructure and more attention to the development of appropriate training, organizational arrangements and logistics;

(2) there is scope for innovative financing schemes in the private health sector;

(3) the health services in Pakistan are certainly under-financed, but not as much as is sometimes argued (about 3.2 percent of GNP goes to health, but of this a large amount is spent in the private sector);

(4) there are significant operational and allocative inefficiencies with respect to both capital and recurrent expenditures;

(5) there are inequities in that about six times as much per person is spent by the Government on health services in urban as in rural areas;

(6) the proposed health investment program in the Sixth Plan is a substantial increase over previous capital expenditures in the health sector; but even the indicative allocation of Rs 14,000 million would be insufficient for the proposed projects as these have been costed in 1983 prices apparently without allowances for anticipated inflation (unlike the macro economic framework in the Sixth Plan); and,

(7) a more detailed analysis is needed of projected operating and maintenance budgets. Attention should be given to the feasibility of the planned 20 percent p.a. real growth rate in O&M budgets, and to how new financial resources will be linked to provincial operating and maintenance responsibilities.

D. Sectors of Special AID Interest

1. Narcotics Policy Overview

Pakistan is a signatory of the Single Convention on Narcotic Drugs and the 1971 Accord. In conformity with the Convention, Pakistan promulgated a Prohibition Ordinance which is strengthened by a ban on poppy production dating from 1979. A 1983 amendment to the Dangerous Drugs Act provides for a maximum punishment of life improvement and a miminum punishment of 2 years in prison and fines for trafficking in opium, coca leaf and their derivatives.

The reduction of opium production from 800 tons produced in 1978 to some 60 in 1982-1983 demonstrates Pakistan's increasingly firm policy against opium production. In this success, significant enforcement efforts were assisted by unfavorable weather conditions and low prices with the result that opium poppies were eliminated from all major irrigated areas. Production is increasingly limited to small pockets in remote and isolated areas of NWFP where marginal lands offer few economic alternatives and enforcement is extremely difficult.

To press the elimination of poppy production in these difficult areas, the GOP has adopted a policy of enforcement combined with

development. This policy recognizes the limited economic alternatives available to the inhabitants of these areas and the consequent need to deliver development benefits while enforcing the ban on opium production. At the December 1983 Paris Consortium meeting, in pursuit of this policy, the GOP unveiled its Special Development and Enforcement Plan for the Opium Producing Areas of Pakistan (SDEP) which is intended to focus GOP efforts, with donor assistance, on the eradication of the remaining centers of poppy cultivation.

Implicit in the SDEP is a GOP policy that seeks international support for a comprehensive attack on opium production. Both USAID and the Embassy recognize and support multi-lateralization of the effort as a means of marshalling the substantial resources needed for a comprehensive effort and as a way to demonstrate that it is not only the U.S., but also other Western nations and Pakistan itself, that suffers from Pakistan's production, processing, and trafficking in opium and heroin. AID's strategy in the narcotics sector is in the concluding section of Chapter IV.

2. Finance for the Private Sector: A Policy Overview

The Sixth Five Year Plan places great emphasis on the private sector in mobilizing new investment resources and in taking the lead role in most areas of industrial activity over the balance of the decade. The private sector emphasis of the plan has been hailed in the international donor community, but experience with the government-dominated financial machinery of Pakistan has given rise to serious questions about the capacity of that system to service the private sector mandate of the Plan. There are significant policy problems in three key areas: (1) domestic financing for private sector activity; (2) equity financing for private sector ventures; and, (3) foreign exchange term financing for private sector projects. There are some interesting potential solutions to these financing constraints in the emerging Islamic Financial Sector which are mentioned briefly below, but which have yet to provide a sufficient track record to permit any meaningful assessment of their implications for Pakistan's private sector.

The growth and distribution of domestic credit in Pakistan is regulated by direct and selective controls. Although the State Bank can employ indirect instruments (liquidity ratios, reserve requirements and rediscount rate), it relies almost entirely on credit ceilings, combined with detailed suballocations. The chief instrument used to direct credit is the Annual Credit Plan which incorporates subtargets for public and private sectors, by economic sector, by large and small businesses, by priority sector financing schemes, by source among commercial and specialized banks and non-bank financial institutions. Within these overall targets, financial institutions can choose the firms and purposes for which they lend. Although efforts are made to monitor progress and improve coordination, this system of credit allocation suffers from a number of difficulties: (a) it limits the allocative functions performed by the financial system; (b) it is slow to respond to changing economic circumstances; and, (c) it can discriminate

against the private sector groups when the needs of the public sectors are too large relative to total allowable credit.

In the area of foreign exchange financing for private investors, the constraints are quite serious. The two public sector institutions which have provided most long-term foreign exchange financing, PICIC and IDBP, have been constrained in the amounts of foreign exchange resources they can raise from international commercial sources by a history of internal financial problems. Both survive on concessional resources from the multilateral donors, and both institutions have substantial arrears on outstanding loans. The foreign and domestic commercial banks have not been provided with an interest rate setting which makes them a significant factor in overall term financing in foreign exchange. As a result, the majority of private sector foreign exchange term financing is actually undertaken on a short term commercial basis with an unwritten commitment from the bankers to continually roll over the commercial notes as long as the borrower's credit standing remains strong. Needless to say, this is not a structure conducive to private sector undertakings with longer payout periods or substantial negative cash flows in the early years.

Equity financing in Pakistan is also an area where the policy setting is poor. Few local private investors are able to provide full local equity from their own resources. Investors argue that equity financing is at a disadvantage relative to other saving and investment instruments available in the country. The returns on government bonds, debentures and various public schemes are relatively high and, in addition, are free from tax up to a certain limit. Furthermore, given the high taxation on corporate savings, the potential for internal financing is limited. Foreign equity, on the other hand, is usually subscribed in the form of machinery and equipment and, much in the same way as suppliers' credits, imposes restrictions on project design and the choice of technology.

Some flexibility is being introduced into the financial system recently through GOP's process of Islamization. Financial institutions will be allowed to negotiate the terms and conditions for leasing and hire purchase and for a number of new financial instruments, such as Participation Term Certificates (PTC) and Musharika which are consistent with Islamic principles. PTCs have replaced debentures and enable the issuing company to raise capital for a specified period not exceeding 10 years excluding the grace period and entitle the holder to a share in the profits of the issuing company. Musharika is an arrangement by which banks provide working capital on the basis of profit and loss sharing rather than on a formal interest basis. Experience with Islamic financial instruments in some Middle Eastern countries suggest that they have the potential to reasonably and accurately reflect market conditions and the real opportunity cost of capital. This evidence, however, comes from settings where the traditional Western banking systems are strong and where governments have been traditionally positive towards the private sector. It remains to be seen whether the same market orientation will emerge in Pakistan's Islamic financial system, given the legacy of centralized government regulation and control of financial markets and the substantial bureaucratic forces opposed to a broadened role for the private sector.

Both USAID and the Embassy have been actively engaged in discussions of financial sector policy issues with the Government of Pakistan. AID's emphasis has centered around the deregulation of financial institutions, and has used our proposed financing of a private sector financial intermediary as the basis for policy discussions with senior GOP officials. The Embassy has led a continuing dialogue on the vexing issues related to creating reasonable and fair competitive conditions among the foreign commercial banks, the domestic commercial banks and the public sector specialized financial institutions. Progress on both the AID and Embassy policy dialogues has been painfully slow, but we are satisfied that we have succeeded in sharpening the GOP's appreciation of the issues and in strengthening the hands of those elements in the GOP most favorable to financial deregulation and liberalization.

Despite this limited progress, a potentially extensive policy agenda faces the US Mission in the coming years. We remain concerned that Pakistan's financial sector, as currently structured, will simply prove incapable of responding to the private sector financial requirements of the Sixth Five Year Plan. Issues which remain include:

a. centralized allocation of credit, which largely preempts the intermediating and allocative functions of the financial system;

b. crossing interest rates (deposit rates rise while lending rates fall with maturity), which has created a short-term bias within the banking community;

c. a plethora of institutions with overlapping responsibilities, resulting in unbalanced and fragmented financial, managerial and technical capacity;

d. regulations which discriminate against foreign banks in favor of nationalized Pakistani banks despite the fact that the former banks' performance by any yardstick has been demonstrably superior to that of the nationalized banks;

e. an uncertain capital market characterized by limited trading, concentration on speculative share transactions, limited volume of new issues, and lack of a secondary market for corporate long-term financing through debentures;

f. several government-sponsored savings schemes which offer extremely attractive, tax-free rates of return, to the extent that commercial banks and the stock market are unable to compete, with the result that massive amounts of private savings are being diverted into financing the public budget deficit;

g. lack of programs to channel remittances from overseas Pakistanis (now totalling $3 billion per year) into investment, with the result that the vast majority of these resources is used for consumption;

h. an enormous parallel or "black" market of untapped (or at least unregulated) resources in the form of financial assets which are not declared to the authorities; and,

i. a need for a sounder technical base for financial "Islamization", and a better definition of its place in the overall system.

Since the Government owns all the major financial institutions, controls the rationing system used to allocate credit, sets interest rates and operates several attractive savings schemes, it enjoys a virtual monopoly in savings mobilization and allocation of financial resources. Although the availability of credit to the private sector has improved considerably as a result of the Government's improved fiscal performance of recent years, the dominance of the public sector in resource allocation nevertheless results in a residual allocation to the private sector. Moreover, the financial system as currently constituted encourages private sector activities characterized by risk aversion and short-term, quick-turnover transactions. Without some adjustments, any rapid resurgence of private investment such as the Sixth Plan envisages could be seriously threatened by inadequate financial support.

An important change which the GOP could make without great financial cost would be to begin moving away from direct credit controls towards an interest rate structure which reflects the cost of resources for long-term investment. This will be difficult to accomplish politically, given the impetus toward interest-free operations which Islamization has introduced, but it is essential if the GOP is to realize its Sixth Plan strategy of reinvigorating the private sector. By restoring some element of market pricing for financial resources, the need for mandatory credit ceilings would gradually be reduced. To channel credit toward priority private sector investments the Government could offer some type of refinancing formula for certain types of loans (small industry, agriculture, etc.) which would encourage the banks to seek borrowers and put any subsidy burden on the Government itself.

Short of wholesale interest rate liberalization, there are numerous adjustments in the structure of the financial system which would provide more incentive for banks to look beyond the short-term. There is also a need to review the roles of the specialized financial institutions and redefine their responsibilities. As it stands today, however, Pakistan's financial system may be unable to respond to the private sector mandate of the Sixth Plan. USAID progress on developing our proposed private sector financial intermediary will provide an early litmus test of the prospects for policy change in this vital sector.

CHAPTER III: SECTOR ANALYSES FOR USAID'S THREE MAJOR SECTORS

A. Energy in the Economy

The energy sector of the Pakistan economy is critical to continued development. It is small but growing rapidly. The electricity, gas and water sector was 2.1 percent of GDP in 1982/83 compared with 1.4 percent ten years ago. Per capita consumption of commercial forms of energy is only half of the average for low income countries. The traditional energy resources such as firewood, charcoal, animal and agricultural wastes meet about 40 percent of energy demand. Even though the share of energy in GDP is small, energy scarcity has become a bottleneck to the rest of the economy. Inadequate supplies of natural gas and electricity have required substantial load shedding. This has led to an annual pattern of factory stoppages and reduced supplies of tubewell water for irrigation. It is very likely that uncertainty about commercial energy has led to a lower level of private sector industrial investment, particularly in large scale manufacturing. Petroleum imports now are growing rapidly, amounting to roughly three-fourths of merchandise exports. Consumption expenditures are shifting toward energy intensive patterns such as automobiles, air conditioners and other electric consumer goods. Energy consumption has been growing about forty percent above the real output growth of the economy, which suggests wastage given the real cost of energy in Pakistan.

1. Energy Consumption and Production

a. Overview

The supply of commercial energy by source from 1971 to 1982 is set out in Table 9. Over the 11 year period, the supply of commercial energy grew at 7.5 percent annually while the shares changed substantially. Natural gas and hydroelectricity grew rapidly because of low prices, lowering the share of coal and petroleum. The absolute quantities of petroleum continued to grow and the rate has accelerated recently due to gas shortages. Oil has become the source of fuel for new increments of thermal generating capacity, which in turn will provide most of the new electricity capacity over the next five years. Cement plants are being required to convert from gas to oil and many new industries must use oil because of gas shortages. The share of oil will rise in the future.

Final consumption of energy shows that industry uses nearly half of all the commercial energy in the country, transportation more than one-fifth and households about thirteen percent. If thermal power generation is considered as a use, then it accounted for about 20 percent of the energy sources listed in Table 9.

The commercial energy sources listed in Table 9 are all domestic except for petroleum, 90 percent of which is imported. The traditional sources of energy, of course, are all domestic, but a substantial part of the firewood, charcoal and dung cakes now moves through commercial channels. The term commercial, however, generally is used to describe the modern sector energy resources. Energy imports will increase during the Sixth Year Plan period as a share of the total because there will be relatively small additions to domestic natural gas, oil and hydro-electricity supplies.

TABLE 9

COMMERCIAL ENERGY SUPPLY BY SOURCE, 1971/72-1982/83

	Share of Total Energy (percent) 1971/72	1982/83	Annual growth rate (percent) 1971/72-1982/83	Annual Growth Rate (percent) 1981/82-1982/83
Petroleum products	42.9	35.7	5.5	7.2
Natural gas	35.6	42.1	9.3	0.0
Coal	8.3	5.4	2.9	0.9
Hydroelectricity	12.8	16.2	10.0	26.5
LPG	0.1	0.4	27.1	59.1
Nuclear	0.3	0.2	-	-
Total	100.0	100.0	7.5	7.1

Sources: Ministry of Petroleum and Natural Resources & Planning & Development Division

b. Trends in Energy Usage

In the six years from 1974-75 to 1980-81, commercial energy consumption grew at slightly under 7 percent p.a. Consumption of oil products and natural gas grew at 4.6 and 7.8 percent p.a. respectively, while electricity usage expanded at almost 8.4 percent p.a. Consumption growth accelerated to 12.3 percent from 1980-81 to 1982-83 but is now constrained by generating capacity. Reported coal production during this period held at levels of about 1.7 mm tons p.a., with unreported production estimated at 0.6 mm tons p.a.

During this time, indigenous oil production increased at almost 8 percent p.a. Although this represents a growth rate faster than that of oil product demand, the overall gap between domestic demand and supply continued to grow in absolute terms, requiring progressively larger volumes of imports during the period. During the last ten years, import volumes of crude have increased by 3 percent p.a., while those of refined products have done so by almost 16 percent p.a.

Although the consumption of oil and electricity grew at relatively stable rates (5 percent and 9 percent p.a. respectively), that for natural gas rose sharply by almost 11 percent p.a. from 1978 to 1981 and then fell to 0 percent in 1982-83. Petroleum consumption grew by 7.2 percent in this last year, substituting for gas in industrial and power

generation uses. This pattern is cause for concern as gas productive capacity is projected to peak in the latter part of this decade unless deliveries from existing reservoirs can be maintained and new reserves added.

During the past five years, hydel power production grew faster than the overall consumption of electricity, almost 12 percent annually, but thermal generation expanded by only about 5.5 percent p.a. This pattern has necessitated load shedding during periods of low water supplies. There probably is a suppressed electricity demand of some 20-30 percent. Demand grew faster in the WAPDA system than in the KESC (Karachi) system.

During the seven years from 1974-75 to 1981-82, average consumption per capita of total energy rose by 25 percent from 226 to 282 Kg. of oil equivalent (KGOE). The corresponding rise in per capita consumption of commercial energy was 33 percent, from 129 to 172 Kg.

c. Commercial Energy

Commercial energy satisfies about three-fifths of total energy consumption. Current patterns of supply and consumption of commercial energy in the main economic sectors are summarized below:

(1) Industry

Natural gas continues to be the dominant source of energy for process heating and steam-raising in all industries except sugar refining, which uses bagasse in addition to gas, and brick manufacture, which uses virtually all the nation's coal production. Electricity provides over three-fourths of industry's mechanical power needs. Among the most intensive consumers of commercial energy are the brick, fertilizer (gas as feed stock), cement, food-processing, textile, and iron and steel-making industries.

(2) Power Generation

Hydel accounts for about 60 percent of all power generation. Natural gas currently is the fuel for almost all thermal generation from steam plants and combustion turbines, but because of shortages, diesel fuel is being substituted for use in gas turbines and furnace (residual) oil in steam plants.

(3) Household

Rural households rely on fuelwood and on animal and biomass wastes for 85 percent of their cooking, space-heating and water-heating needs. They also consume almost 90 percent of the nation's kerosene for cooking and lighting. There is an important distinction between the ambitious rural electrification programs of the GOP and these rather bleak rural household energy data. The GOP has electrified more than one third of all Pakistan's villages and has plausible plans to cover another third in the next few years. Only 15 percent of possible connections in already electrified villages have been made, however, so the macro achievements mask severe micro level shortfalls. USAID's rural electrification project involves a major emphasis on policy improvements which would

emphasize infilling in electrified areas and better planning for household users in lieu of an almost exclusive past focus on area coverage.

Urban households also consume large quantities of fuelwood and charcoal, which meet about one-half their cooking, space and water heating needs. Natural gas, LPG and kerosene provide the balance of these end-uses. Electricity use is growing much more rapidly (25 percent annually) in households than in other sectors. Air conditioning represents a growing end-use in urban households; it accounts for over 10 percent of their electricity consumption, while lighting, refrigeration and other appliances account for the balance.

(4) Commercial/Institutional

Natural gas is the primary fuel for cooking, space and water-heating. Air-conditioning is the main end-use of electricity. Kerosene and coal together account for only about 15 percent of the sector's commercial consumption, while fuelwood and charcoal provide slightly over 20 percent of total energy consumption.

(5) Transport

Aviation fuels, gasoline, and furnace oil for bunkering, each comprise roughly one-fifth of the sector's consumption, the remaining two-fifths are high-speed diesel. Passenger vehicles account for virtually all gasoline. Railways consume almost 60 percent of bunker fuel and slightly over one-fourth of high-speed diesel supply. The remaining high-speed diesel usage is split among trucks, buses and agricultural uses.

(6) Agriculture

Electricity and light diesel oil are used for irrigation pumping and high-speed diesel oil drives tractors, threshers and various other mechanized farm implements.

Canals provide the bulk of crop irrigation, but when tubewells are used, diesel pumps move almost 60 percent of total irrigation water even though they are only one-third as efficient as their electric counterparts. Tubewells are being converted rapidly from diesel to electric motors as rural electrification spreads. In fact, tubewells account for 80 percent of electricity consumption in rural areas and almost 25 percent of the national consumption.

d. Non-commercial Energy

Non-commercial fuels consist of fuelwood, charcoal, animal wastes and biomass products (such as bagasse, agricultural wastes, and other combustible vegetation). These fuels satisfy about 40 percent of Pakistan's energy needs, with fuelwood meeting about 55 percent of the non-commercial fuel supply, biomass products 33 percent, and animal wastes about 10 percent.

Households use 80-85 percent of all non-commercial fuel for almost all their cooking, water-heating and space heating needs. Industry

consumes the remainder of non-commercial fuels, the vast bulk of which is bagasse used for process heat and steam production in sugar refineries.

e. Trends in Energy Supply

Within the commercial sectors, natural gas is the dominant fuel with 52 percent of the total and petroleum almost 35 percent. Only 11 percent of this petroleum is produced domestically. Over the last 5 years, the annual growth in petroleum consumption has averaged only about 5 percent. The growth in natural gas production, however has averaged 10 percent with annual increases in excess of 20 percent occurring in 1979-80. This very rapid growth rate reflects, in large part, the low price for natural gas (less than 30 percent that of petroleum) which has accelerated its use in industry and power generation. The role of coal in the supply mix is currently very modest, providing only 5 percent of the commercial energy used. This low usage of coal reflects, in part, the recent availability of cheap gas which resulted in the conversion of many industrial systems from coal (or oil) to gas. Coal reserves are, however, large (probably in excess of 1 billion tons) compared to those of other domestic resources, and they are expected to be put to increased use in the future.

(1) Petroleum

Proven reserves of oil in Pakistan are very modest in size and expensive to develop. The Oil and Gas Development Corporation estimates reserves to be between 80 and 95 million barrels, with present annual production of about 3 million barrels. Total petroleum consumption is about 30 million barrels annually so that these reserves are equal to only about 3 years' use at present use rates. The demand for fuel oil had been decreasing over the last 10 years, primarily due to replacement by lower cost natural gas, but that trend has reversed during the last two years. The demand for distillates has been increasing rapidly.

(2) Natural Gas

Total proven reserves of natural gas are about 13 trillion cubic feet (TCF) with 45 percent of this at the large Sui gas field. The rapid increase in the consumption of natural gas has resulted in both distribution system and field reservoir limitations which make it difficult to increase significantly supplies of natural gas in some areas, particularly during the winter months. The proven reserves of natural gas are only sufficient for 20-25 years, assuming gas consumption increases by 7-8 percent per annum over the next 10 years. In early 1984 USAID will assess the policy, institutional and other aspects of the oil and gas sector as it prepares to respond to a GOP request that USAID fund a substantial Energy Commodity and Equipment Import program.

(3) Coal

Pakistan currently produces around 2 million tons of coal per year. Over 80 percent of this production is from about 2,000 small, private

sector mines. The remaining coal is produced by 3 mines operated by the Pakistan Mineral Development Corporation. Coal production has been relatively constant for the past 5 years with over 90 percent of production used by brick kilns. A comprehensive coal assessment program is about to get underway under USAID's Energy Planning and Development Project which will provide firm quantity and quality of coal reserve information on which long term coal development plans can be established. Under the same project USAID is assisting the GOP finalize the design of the country's first open pit coal mines and large-scale coal fired power generation facility. Most of the coal is poor quality lignite or sub-bituminous coal with limited coking potential. USAID's Energy Planning and Development Project, however, is funding technical work on low cost approaches to upgrading domestic coal for household use. These technologies involve boiling off volatile gases in the coal to produce a cleaner burning and safer household product.

f. Power Sector

Of the 4,809 MW of effective installed capacity, more than half is hydro-electric and the remainder is thermal. Because Pakistan's rivers are largely fed by glacier melt, the hydel capacity in the winter months diminishes to only one-third of its rated capacity when the limited water in the reservoirs is conserved for later irrigation use. Roughly 28 percent of rated thermal capacity is by gas turbine, 67 percent by steam plants, less than 1 percent by a single coal-fired (15 MW) plant in Quetta, and 5 percent by a 125 MW nuclear plant in Karachi. Total output of electricity was about 16 billion kilowatt-hours in 1981 and is growing at about 8.5 percent per year.

GOP plans call for the further expansion of capacity to over 15,000 MW by the mid-1990's and to over 25,000 MW by the year 2000. These plans include a nuclear power plant (900 MW) at Chashma by 1990 (and 2 more by the year 2000) and the use of coal at Lakhra (600 MW by 1989) to be expanded rapidly thereafter. Except for plants already under construction, all capacity being added to the year 1990 (3200 MW) will be fueled by imported fuel oil. USAID's planned Lakhra Coal Fired Generation project is designed as a first step in substituting domestic fossil fuel resources for imported ones. The project's import lies in two domains. Firstly, volatility in world markets for fossil fuels gives Pakistan a strong incentive to expand the use of its domestic fuel resources for power generation in ways which will permit smoother cost planning in the sector. Secondly, the Balance of Payments implications of ever rising oil imports suggest that Pakistan simply cannot rely on this source so heavily in the future. (The BOP impacts of fuel imports are treated in the macro economic section of the CDSS) Domestic coal development can help Pakistan to moderate the BOP impacts of oil imports considerably. USAID's interests in the Lakhra project span the full range of AID's development agenda: technology transfer, policy reform, long term balance of payments impacts and (through private sector mining interventions) the development of a major private sector role in the commercial power sector.

g. Traditional Fuels

Traditional fuels still satisfy about 40 percent of the fuel needs of the country and are the major energy sources for cooking in rural areas. Firewood accounts for about 50 percent of biomass fuel use and consumption is estimated at over 10 million tons annually, roughly equivalent to 22 million barrels of oil. Total commercial energy consumption is about 15 MTOE with about 1.6 MTOE of gas used as a feedstock. The increasing use of firewood is contributing to severe deforestation in some areas, leading to soil erosion and siltation of rivers which could limit the life of costly hydro-electric facilities. The use of dung as a fuel is depriving the soil of needed enrichment which could have a long-term negative impact on agricultural productivity.

Studies indicate that the supplies of traditional fuels will be difficult to maintain, let alone to increase, in order to handle the effects of a 3 percent population growth and an increase in per capita income. This could place even greater demands on commercial fuels. Under the Forestry Planning and Development Project, USAID will assist the GOP to prepare for and implement its first fuel wood plantation activity.

h. Solar and Wind

Currently, neither solar nor wind energy resources are used to any significant extent anywhere in the world including Pakistan. The availability of solar energy is very high, especially in such areas as Baluchistan, and there is a great deal of interest in using solar energy to provide power in rural areas. To this end, Pakistan has already installed a 5 KW demonstration solar village, and as many as 100 additional field tests with power outputs in the 5-50 KW range are in the planning stage. The potential for wind energy is limited to a few areas on the coast and in the mountains.

2. Energy Outlook

Pakistan has entered a period of electricity and gas shortages, rapidly growing petroleum imports, and rising firewood prices. The situation will deteriorate further before it improves. Table 10 sets out the projections of energy consumption. The annual growth rate during the Sixth Five Year Plan is projected at 9.6 percent. The rapid increase of oil imports (11 percent p.a.) is a partial measure of excess demand. Electricity balance analysis shows the deficit in generating capacity in May, generally the lowest month for hydel generation, increasing through 1985 before it begins to swing into balance. Natural gas supplies are projected to grow more slowly than overall energy consumption. A supply-demand analysis shows the shortage slightly improved at the end of the Five Year Plan period, but these projections assumes shifts (full or partial) from gas to oil for cement plants and power stations, and no new industrial connections until more gas is developed. Coal will not help to relieve overall energy shortages until about 1989 when it will begin to be used on a large scale for power generation in the Lakhra Project plant that AID is scheduled to help fund. In sum, the energy situation over the next five years will be characterized by tight supplies and a need to carry out planned activities on time and on budget.

TABLE 10

PRIMARY ENERGY CONSUMPTION

	1983-84		1987-88		
	Energy Consumption MTOE	% Share	Energy Consumption MTOE	% Share	Annual Growth Rate
1. Oil (excluding bunkers & non energy use)	5.85	39.0	10.01	42.2	11.3
Of which Domestic	(0.65)	(4.3)	(1.04)	(4.4)	(9.9)
2. Gas (excluding feedstock)	5.81	38.7	8.32	35.0	7.4
3. Coal	0.76	5.1	1.16	4.9*	8.8
4. Hydro	2.49	16.6	4.01	16.9	10.0
5. LPG	0.07	0.5	0.22	0.9	25.7
6. Nuclear	0.02	0.1	0.02	0.1	-
Total	15.00	100	23.74	100	9.6

* The share will increase significantly in later years as a result of investment made in the Sixth Plan.

3. Energy Prices

a. Consumer Prices

The general policy relative to the pricing of petroleum products is overall cost recovery. There is, however, a significant amount of cross subsidization between petroleum product prices which are influenced by social and economic factors. For example, gasoline subsidizes the price of kerosene and diesel fuel. The costs of all petroleum products have risen dramatically over the last two years (50-100 percent) as a result of government policies to adjust petroleum product prices to reflect, on the average, the actual cost of importing and refining crude oil.

Natural gas consumer prices have been maintained at artificially low levels to encourage the substitution of gas for imported oil and to help alleviate other inflationary pressures. Despite a substantial increase in prices in January 1982, the weighted average price level for all consumers was about 24 percent of the energy equivalent fuel oil export

price as of June 1982. Consumer prices for natural gas were again raised in January 1983 by 23 percent, bringing the weighted average to about 30 percent of the fuel oil equivalent price. The GOP plans to increase consumer prices gradually to two-thirds of the fuel oil equivalent export by FY 88. These large increases in natural gas prices will provide additional incentives for implementing energy conservation measures in all sectors and for increased participation of the private sector in exploration programs.

No direct subsidies are provided to the electric sector as a whole. There is a wide range in electricity prices both among consuming classes and within a given class. A residential rate schedule was implemented in 1981 to discourage large increases in residential demand. Very low rural rates are intended to improve living standards and the productivity of rural populations. The rates in the KESC service area typically are twice as high, on the average as in the WAPDA service area. This is due to the fact that relatively inexpensive hydro power constitutes about 60 pecent of the WAPDA supply while KESC depends exclusively on thermal generation.

The cost of coal is not significantly below that of oil but is significantly higher than that of natural gas. This explains, in large part, the declining use of coal in Pakistan since the introduction of natural gas. The relatively high cost of coal to some extent is due to the low demand and resultant small size of existing mines. Coal mines using modern practices on a large scale should result in prices competitive with oil and with gas once the gas pricing structure is modified.

Wood is commonly sold as a commercial fuel in urban areas to small commercial establishments (such as restaurants) and for tobacco drying. In some areas of Baluchistan and the NWFP, it must be trucked in, due to local scarcities. The cost of wood has been increasing rapidly in recent years and now approximates that of kerosene in some areas. In most areas, the cost of wood is considerably higher than that of coal. This is one reason why coal briquettes are being considered as a means of supplementing wood use in household and small commercial applications.

b. Producer Prices

The GOP's traditional system for domestic producer pricing of "old gas" (i.e., present production and incremental production accruing from development of existing gas fields) was based on a cost-plus approach. This led to frequent negotiations between GOP and the producers for compensating price increases as production margins were squeezed. Producers did not have the incentive or the ability (due to adverse cash flow) to initiate and implement adequate exploration and development programs.

To induce investments for increasing gas production from known fields beyond currently contracted amounts, the GOP adopted a new approach. For each proposed development program, a "base price" will be negotiated with the producer to give an agreed internal rate of return on project costs; this price will be indexed to world oil prices. In fixing the base price, the rates of return to be negotiated will take into

account the different risk levels foreseen for various development projects. Due to uncertainties at the time of negotiations, the base price will be reviewed at pre-determined points in the development schedule when the scope of the investment program is more clearly defined.

The GOP decided to discontinue the cost-plus system in the case of "old oil", realizing that incremental (as against existing) oil production involves higher marginal costs. The Government's new system involves the fixing of a higher negotiated price which is indexed to maintain a constant proportion to world crude prices. For "new oil" joint venture agreements between GOP and private oil companies provide for the pricing of oil to be linked to international prices.

4. Plans and Problems

The Sixth Five Year Plan (SFYP) has allocated Rs 116.5 billion of the public sector development program to the energy sector, of which Rs 86.5 billion will be implemented through the Annual Development Program. These figures represent about 38 percent of the SFYP amd ADP totals. By contrast, agriculture and water together are 15.5 percent, and health and population together are 5.0 percent, and education is 6.5 percent. The energy sector will receive half of the increase in public sector investment over the level of the Fifth Five Year Plan and 70 percent of the proposed increase in the Annual Development Plan.

The breakout of the energy program in the 6th Plan is:

(Billion Rs)

Category	Annual Development Plan	Public Corporations	Total
Power	68.9	18.5	87.4
Oil and Gas Development Co.	15.0		15.0
Other Oil & Gas	1.0	11.5	12.5
Energy Planning, Research, Conservation and Renewables	1.6		1.6
Total	86.5	30.0	116.5

The power sector will receive about three-fourths of total funds and the oil and gas sector most of the remainder. Coal development costs are included under the minerals sector. The overwhelming bulk of the money is for hardware and its installation. The exploration program also will have a substantial hardware component. Even though the physical capital orientation simplifies the analysis, substantial issues remain. The major donors in the power sector in Pakistan share an agenda of sectoral issues which they seek to address over the the next decade. GOP support for improvements in some of these areas is quite strong (more economically determined planning of rural electrification investments, for example). GOP interests are divided on some issues (the producers and sellers of power favor rate and tarrif increases while the more politically sensitive elements of the GOP are more cautious about price hikes). In some areas, such as the need to get public sector corporations out of direct operating roles in the sector (e.g., moving the OGDC into an oversight role with private sector firms doing the actual exploration and exploitation of oil and gas), the donors have not yet exhibited strong positive responses from any quarter in the GOP. USAID's ongoing Energy Planning and Development Project is targeted at policy improvements in almost all of these areas. The planned Energy Commodities and Equipment Project will seek to use AID resources as a tool to heighten GOP interest in the policy dialogue and to relate assistance to policy reform. A case in point is the role of OGDC in the oil and gas sector where AID financing for drilling equipment would be conditioned on appropriate institutional reforms to bring the private sector into a more active position in exploration and exploitation.

Some of the major sectoral issues are listed below. The order is not necessarily one of priority, as the sector is too complex to tackle on a piecemeal basis. All of the issues below are important to USAID, although our resource allocations reflect the areas of our strongest involvement.

a. Insufficiently progressive electricity rates for households;

b. Unbalanced electricity supplies because of seasonal changes in hydel capacity;

c. Electricity rates not set at marginal costs;

d. Natural gas prices are not sufficiently attractive to stimulate private sector exploration;

e. Gas prices to industry and other commercial users are set so low as to promote wastage;

f. Petroleum imports are rising more rapidly than the exports to pay for them;

g. Providing 110,000 new household gas connections annually while providing no connections for new industries;

h. Inadequate attention to renewable forms of energy;

i. Excessive dependence on the public Oil and Gas Development Corporation, which is too weak to be effective;

j. Excessive reliance on public agencies and companies;

k. Excessive distribution losses;

l. Inadequate attention to demand management and conservation;

m. Too much emphasis on increasing the number of villages served and not enough on increasing connections in already electrified areas.

B. Agriculture in the Economy

Agriculture is still the dominant sector of the Pakistan economy, accounting for about 30 percent of GNP and employing about 55 percent of the labor force. Directly and indirectly, the sector accounts for about two-thirds of Pakistan's export earnings, principally from cotton and rice. In recognition of the dominant role agriculture plays and will play in Pakistan's economy during the CDSS period, over 50 percent of USAID's currently planned obligations are programmed for agriculture and rural development activities.

Growth in the agricultural sector since 1970 has been lower than in the economy as a whole. The average growth in agricultural value added was 1.7 percent p.a. from 1970 to 1976, but then increased to 3.8 percent p.a. between 1976 and 1982 and is projected by the GOP to grow at about 5 percent over the next five years. Gains of such magnitude appear too ambitious and can only be achieved with favorable weather as well as continued improvements in the availability and utilization of inputs and price incentives.

1. Agricultural Production

a. Crop Production and Yields

Wheat, rice, cotton and sugarcane are the major crops grown in Pakistan. Wheat grows in the rabi season in both irrigated and barani areas. Rice and cotton are grown in the kharif season. Sugarcane is mainly planted or ratooned in the spring and harvested 10 to 12 months later. About 75 percent of the wheat and sugarcane production, 60 percent of cotton and 50 percent of rice come from Punjab. In 1982, wheat yields rose by 3.4 percent (roughly in line with the 3.5 percent increase achieved between 1976 and 1981) while rice and cotton yields rose by 1.5 percent and 2.8 percent, respectively (compared to 0.9 percent and 8.7 percent respectively in the five previous years). The increase in sugarcane production, the result of highly favorable domestic procurement prices, was achieved almost entirely by acreage expansion.

Crop yield levels in Pakistan are poor. Based on 1977 surveys it is estimated that crop yields for wheat of 1.38, rice 1.50, cotton 0.28, and sugarcane 28.0 ton/ac should be obtainable through improved delivery of irrigation water, water management, extension

services, seeds, fertilizers, and pesticides. These represent increases ranging from 84 percent to 115 percent above current yields. In most cases, crop yields are not affected exclusively by any one factor, but rather by a combination of these factors. Improvements in the policy framework, management of irrigation systems, institutional capacity, and approach to applied research are central elements of USAID's program.

b. Cropping Intensities

Cropping intensity and cropping pattern vary with climate, soils and particularly the availability of water. The highest reported annual average cropping intensity in the irrigated areas is 141 percent in the NWFP's mixed cropping zone. The lowest is in the Sind rice-wheat zone at 65 percent, reflecting the soil salinity and flooding constraints common in that region. The average annual cropping intensity in the Indus Plain as a whole is about 100 percent. If water supplies could be increased from better management of the irrigation system and groundwater resources to supplement surface water, intensity could be raised to more than 150 percent.

c. Livestock

This sub-sector in Pakistan is characterized by two production modes: (1) production under semi-nomadic conditions in the north and west of sheep, goats and camels; (2) sedentary production on mixed farms in the agricultural areas. In the sedentary areas both buffalos and cattle are kept, the buffalos normally as milk animals, and the cattle for breeding draft oxen. The poultry industry has both modern style battery units and also traditional free range birds in the villages. Livestock production increases are not keeping pace with the increase in demand. Prices for most meat and milk products have increased in real terms since imports of livestock products are minor. Over the past six years, livestock value added is estimated to have grown at 3.6 percent p.a. overall, with the poultry sub-sector having the greatest growth, and milk and beef the least.

2. Agricultural Pricing

To encourage higher agricultural yields, the GOP is following a policy of raising output prices and increasing services at the farm level. Controlled prices, however, have distorted the ability of the market place to contain demand and to encourage increased production and productivity. The GOP also has reduced input subsidies to release public resources for other, higher-priority uses.

In implementing agricultural price policies, the GOP has also sought to bring crop prices more closely into line with international prices. Procurement prices for seed cotton and rice were raised in 1982 and in 1983. Between 1980 and 1983, procurement prices for seed cotton rose by 18.3 percent and for IRRI-6 and Basmati rice by 41.3 percent and 29.8 percent, respectively. With

these changes (and the downward movement in world commodity prices in the past few years), Pakistan's domestic procurement prices for rice and cotton have moved more closely into line with international prices. At 1983 prices, exchange rates, production and distribution costs, the exports of cotton and IRRI-6 rice are marginally profitable and exports of Basmati rice highly profitable. Sugar prices have not been raised since the 57 percent increase in the procurement price for sugar between 1979 and 1981. Given the sharp drop in world sugar prices, this is appropriate (in fact, sugar prices may be too high). Pakistan now produces a substantial surplus of sugar at prices substantially above international levels. Procurement prices for edible oil seeds have risen very little, and retail price for edible oil products have risen only about 20 percent although world prices have almost doubled in the past year.

Until the 1983 Agreement, wholesale and retail wheat prices were a major subject of the policy dialogue carried out in conjunction with the PL 480 Title I program. Since that time the policy dialogue has shifted to the edible oil area in view of the achievement of self-sufficiency in wheat and the increasing drain on foreign exchange edible oils imports represent,.$250 million in PFY 1982/83. Two years after the last change in 1981, the Government announced a 10.3 percent increase in the wheat procurement price for the 1983 rabi crop. While a somewhat larger increase might have been indicated by reference to production cost increases over the past two years, wheat prices in recent years have provided sufficient incentive for Pakistan to reach self-sufficiency and the 1983 increase (combined with low international wheat prices) brought the domestic producer price up to export parity (i.e., the Pakistani farmer and the Kansas farmer are getting comparable prices). Given the prospects for continued improvements in domestic wheat yields and for a recovery in international wheat prices from currently depressed levels, significant wheat exports are a future possibility. Before beginning a major push for wheat exports, however, the cost of upgrading domestic wheat quality to international standards and the relative merits of using irrigated land for wheat exports or for the export of other high-valued crops need to be carefully considered.

With respect to fertilizer inputs, the Government has announced that it intends to progressively reduce subsidies leading to their complete elimination by the end of 1985. To meet the 1983 target as well as to anticipate the increases in international fertilizer prices being projected for the next 2-3 years, a substantial fertilizer price increase for the 1983 rabi crop was approved. USAID financed a major study of the fertilizer distribution system and continues to use policy discussions related to the PL 480 Title I and Agricultural Commodities and Equipment programs to encourage implementation of the GOP's stated policy of expanding the private sector's role in the economy. Specifically, agreement was reached that private and public sector fertilizer firms will be accorded equal treatment and at least 50 percent of imported fertilizer will be made available for distribution by the private sector. USAID will strive to negotiate an increase in that percentage for future years.

To provide a firmer analytical underpinning for pricing decisions, an Agricultural Prices Commission (APC) was established in 1981 to develop consistent and timely recommendations on input and output prices based on an analysis of their effects on farm incomes and productivity, consumer prices and Pakistan's competitiveness in world markets. The APC has provided analysis for the recent fertilizer price changes as well as the producer pricing decisions taken for the 1983 kharif and rabi crops. The APC's initial work program includes developing a system for the collection of on-farm data, collecting statistics on international prices and production for all of Pakistan's important crops and devising a methodology for measuring the impact of agricultural product prices on farmers' and consumers' real incomes. Timely collection and accurate analyses of agricultural data is an important component of USAID's on-going and planned Agricultural Research, On-Farm Water Management, Irrigation Systems Management, Agricultural University, Management of Agricultural Research and Technology, and Food Security Management projects. USAID also sponsored a major edible oil study which set forth the implications of the continued importation of several hundred million dollars worth of vegetable oil annually. This study and the dialogue related to it helped to encourage the GOP to declare a 20 percent increase in hydrogenated vegetable cooking oil. USAID has scheduled a buffer stock study, a self-help measure under the 1983 PL 480 Title I Agreement, to help the GOP consider the advisability of this approach for encouraging increased domestic production of edible oils.

3. Public Resource Mobilization in Agriculture

The Government of Pakistan attempts to raise resources in agriculture through a system of taxes and charges. At the same time, it provides resources for agriculture through subsidies and rebates. During the past decade, taxes on agriculture have consisted of export duties on rice (now abolished) and cotton, the profits of the Rice Export Corporation and Cotton Export Corporation, and the Land Revenue Tax. On the other hand, the Government has provided budget subsidies for fertilizers, insecticides, plant protection, tubewells, and wheat seed, and is providing irrigation water at subsidized rates. During consultations on various projects, USAID and the World Bank have engaged the GOP in policy discussions to adjust water user rates to more accurately reflect actual costs. The direct taxation of agriculture is virtually non-existent. Agricultural income is subject to Ushr (an Islamic social tax) and is exempt from the income tax. Agricultural property is subject to the wealth tax only if the owner is subject to income tax on non-agricultural income and if his net wealth (excluding agricultural property) is subject to the wealth tax.

Despite the large contribution of the agricultural sector to GDP (about 30 percent), public resource mobilization from agriculture has been negligible. Since 1974, there has been a distinct downward trend in the amount of tax revenues (including the profits of the trading companies) obtained from the agricultural sector owing to stagnation in land revenues coupled with declining

export duties and declining export corporation profits. These revenues now constitute less than 1 percent of total value added in agriculture. Moreover, since 1977 tax revenues from agriculture have been less than subsidies, resulting in a net transfer of resources (net subsidy) from other sectors to agriculture. Starting from a position with taxes greater than subsidies during 1974-76, net subsidies grew, owing mainly to fertilizers but also to irrigation subsidies, reaching a peak of Rs 2.4 billion in 1980 and declining thereafter to Rs 1.3 billion projected for 1983. The decline in net subsidies since 1980 has been due mainly to reduced fertilizer subsidies, although declines in the pesticide and irrigation subsidies and some improvement in tax revenues also contributed to slowing the net transfer of resources to agriculture.

The reductions in subsidies are important steps toward improving public resource mobilization from the agricultural sector. However, except for the possibility of further subsidy reductions, and until a complete reorganization of the agricultural tax aparatus which encompass introducing new user charges, the near term potential for raising additional resources from agriculture do not appear great. The major immediate opportunity for improvement lies in the reduction of subsidies. Despite the reductions of recent years, fertilizer and irrigation subsidies remain large, the equivalent of 5.1 percent and 2.3 percent of 1983 budgeted development expenditures, respectively. As indicated above, the GOP intends to continue a phased reduction in fertilizer subsidies leading to their elimination by the end of 1985 and is also committed to periodic increases in water charges to achieve full cost recovery in all provinces by the late 1980's or early 1990's. The decline in net government revenues from exports has been partly a product of falling international commodity prices and partly of the GOP's decision to raise the government's procurement price for some crops as an incentive to increase production. Over the longer term, a fully revised agricultural tax system and a well designed system of user-charges for publically provided inputs is absolutely essential.

4. Supply of Agricultural Inputs and Services

In certain areas the supply of agricultural inputs has shown improvement recently. This has helped to offset the effects of adverse weather conditions on agricultural output. Continuing this rapid upward trend observable since the late 1970's, agricultural credit grew by 18.8 percent in 1982, and is targeted to increase another 29 percent by the end of this fiscal year. The bulk of this expansion has been provided by the Agricultural Development Bank of Pakistan (ADBP), which lends mainly for development purposes, and by nationalized commercial banks and provincial cooperatives which emphasize seasonal loans. The spread of high-yielding varieties of seed, especially in cereals and cotton, is being encouraged through seed improvement projects involving research, variety release, seed multiplication, processing and certification. Seed production techniques have been improving, contributing to the steady rise of improved varieties since the mid-1970's, most particularly in wheat and cotton. In the past year, seed distribution increased by 33.4

percent for wheat, 20.4 percent for cotton and 37.5 percent for rice. In the interest of conserving public sector resources for other uses, government subsidies on ground spraying have been eliminated in Punjab and Sind, and the procurement and distribution of pesticides have been transferred to the private sector. The remaining subsidies for spraying, in NWFP and Baluchistan, are scheduled to be eliminated in the current crop year.

Increased use of fertilizer, encouraged by previous AID projects and as self-help measures under PL 480 Title I programs, continues. However, during 1980-82, increases in the rate of fertilizer offtake stagnated. While exceptionally dry weather during the 1982 rabi season may have been a factor, the 50 percent fertilizer price increase in February 1980 (followed by a 10 percent increase in March 1982) had a dampening effect on the growth of demand. Nonetheless, benefit-cost studies have shown that fertilizer use remained profitable following these price increases and fertilizer will continue to be a major component of the Agricultural Commodities and Equipment Project. In addition, the fact that agricultural production and yields have continued to rise despite stagnation in the rate of increase in offtake suggests that there has been a considerable increase in the efficiency of fertilizer use. This year fertilizer offtake has again resumed its upward trend, increasing by 22 percent as compared with the same period in 1982.

Despite some improvements in the supply of agricultural services and inputs, major weaknesses remain. Much of the expansion of agricultural credit has been in seasonal loans and loans to larger farmers; medium and long-term lending to small farmers has expanded, but at a relatively moderate rate. While there are limits on the rate at which small farmer term lending can be effectively expanded, increased efforts are needed. The increased availability of imported fuel efficient high-speed engines (for minor irrigation) and low horsepower diesel tractors, made available by a reduction of import restrictions and increased foreign assistance specifically for such imports, should improve the possibilities for more rapid expansion. The record of loan recoveries of the various agricultural credit institutions continue to be mixed although the World Bank, and to a lesser extent the Asian Development Bank, have been providing technical and capital assistance in this area. Recovery rates for lending by cooperatives and commercial banks remain unacceptably low.

Despite the expansion of improved seed supplies, the percentage of farmers using government provided seed remains relatively low. The bulk of farmers use their own seed or seed purchased locally. Such seed has questionable germination properties and often contains impurities, pests and disease. The distribution of improved seeds has been affected by delays in completing processing plants for providing clean seed and shortages of working capital which have restrained procurement and trading in seed; recently the Government has introduced measures to correct these problems.

While substantial past investments in irrigation infrastructure have given Pakistan the capacity to manage water supplies better to

meet crop requirements and increase yields, the capacity and efficiency of the overall system is still low. Owing to the deterioration of canals and watercourse commands, one-half of the gross inflow of water into the irrigation system is being lost, primarily through seepage and percolation. These losses have reduced crop production and contributed to a serious drainage problem; in nearly 60 percent of the Indus Basin the watertable is within ten feet of the land surface. Investments in watercourse improvements, management improvements, better maintenance systems, and canal rehabilitation promise high returns not only from increased crop yields but also, eventually, from a reduced need for drainage investments. The GOP has recognized these problems and its 3-year Public Sector Development Program for 1982-84 provided for a shift of public expenditures toward: (a) the rehabilitation and improved operation and maintenance (O&M) of the irrigation system; (b) improved water conservation at the farm level through renovated watercourses and better on-farm water management practices; and (c) necessary drainage and priority to waterlogged and saline areas. USAID's Irrigation Systems Management Project, including an amendment to incorporate a major command water management component, is a major source of support for the GOP in the first two areas mentioned. The 1983-85 Public Sector Development Program continues these trends; between 1981 and 1985, the proportion of total development expenditures devoted to the water sector (excluding Tarbela) would rise from about 8 percent to 12 percent.

Public sector tubewells in Salinity Control and Reclamation Program (SCARP) areas, supported by the World Bank, were intended to lower the watertable to alleviate Pakistan's waterlogging problem and improve soil drainability. In useable groundwater areas, pumped water is used to supplement surface supplies in order to better meet crop requirements during periods of crop stress. These objectives have been achieved in some areas, but due to scarcity of funds for O&M and technical managerial constraints, some tubewells did not perform as well as originally planned. USAID has a continuing concern that private sector investment in tubewells not be "crowded out" by public programs.

The GOP is beginning to recognize the need for additional spending on the O&M of the canal system and public tubewells to prevent further deterioration of existing facilities and reduce the extent of waterlogging. USAID will continue to underscore to GOP policy makers the benefits of turning tubewells over to the private sector and user groups. In view of the constraints facing the Provincial Governments, special allocations were made in the 1982 and 1983 federal budget for canal maintenance. In all, O&M expenditures in the water sector have expanded by 35 percent between 1981 and 1983. In the coming years, the GOP intends to increase such allocations substantially in real terms to meet the requirements for operating and maintaining the irrigation system by 1985. But the shortfalls in O&M are still massive.

At present, despite very small O&M budgets, only about half of provincial O&M expenditures on water are recovered through water charges. To help finance the enhanced O&M expenditures for irrigation, water charges and/or other levies on irrigation and

drainage services need to be increased. Since, however, such expenditures would have to be virtually doubled to reach satisfactory maintenance standards, the rise in user charges to cover all O&M expenditures would necessarily have to be phased. During the past five years, water charges have been nearly doubled. The GOP intends to raise water charges further at intervals not exceeding two years so as to achieve full cost recovery of O&M expenditures in all provinces by the late of 1980's and early 1990's, a development which is being encouraged both by USAID and the World Bank.

C. Population in the Economy

1. Population Overview

The population of Pakistan was estimated at 81.5 million in mid-1980, a five-fold increase since the beginning of this century, making Pakistan the ninth most populous country in the world. Moreover, the annual average population growth rate (APGR) has accelerated from 1.7 percent in the first half of the century to approximately 3 percent. The size of the population is now doubling approximately every 23 years. This explosive rate of increase is clearly unsustainable both from an economic and a social point of view.

Current estimates indicate a crude birth rate (CBR) of 41 per 1,000 population and a crude death rate (CDR) of 12 per 1,000. Although there is evidence of a decline in fertility from an average of 7.1 children per woman in 1960-70 to 6.3 in 1970-75, several factors interact to maintain a high CBR and, consequently, a high rate of population growth. These factors include a young age structure resulting in a growing number of women of reproductive age; a low mean age of marriage of about 17 years and a concomittant long exposure to childbearing. The other determinant of population growth -- the rate of mortality -- still has considerable scope for declining further, given the high infant mortality (above 100 per 1,000 live births) and the prevalence of infectious diseases that can be controlled with better sanitation and other preventive interventions such as immunizations. This situation emphasizes the critical importance of increasing programs which will encourage lower fertility.

Based upon projections prepared by the Futures Group for their Rapid presentation on Pakistan, if the APGR remains constant, i.e., 3%, the population would grow to about 145 million by the year 2000, 200 million by 2010 and over 390 million by 2030. If, however, the APGR would drop to 1.6 percent by the year 2000 and 1.4 percent by 2010, the population would still grow to 125 million by 2000, 145 million by 2010 and over 170 million by 2030. The above assumptions assume that the net number of workers and dependents going abroad declines to 50,000 by 2000 and to zero by 2020.

The stress on the country's social and economic systems by rapid population growth is evident from the projected number of persons who in the next two decades will require basic needs in schooling, health care, water, electricity, housing and jobs.

Currently less than one half of the 13 million children aged 5-9 years attend primary school. The objective of the Government of universal education will become increasingly more difficult to achieve as the numbers in this age group grow to 15-17 million 15 years from now. Requirements for new jobs at current levels of population growth would be 1.5 million in the year 2000 and 2.2 million in 2010. Even with a drop in the APGR to 1.6 percent by 2000, 1.0 million new jobs still would be required in that year and 0.9 million in 2010.

Pakistan was one of the first developing countries to recognize the problem of rapid population growth and to initiate a program intended to lower fertility rates. The program has operated in an environment in which most of the factors generally associated with high fertility rates have coexisted and reinforced one another, e.g., high illiteracy, poverty, isolation and few opportunities for women's personal growth, and prestige associated with a large number of sons. In addition to the antipathetic environment, the program over the past 20 years has been fraught with difficulties and controversy. Most problems have had their roots in frequent, sometimes ill-advised and sudden changes in program thrust and direction.

Evaluations of past program activities by the Government have concluded that the impact of the program on birth rates has been minimal. The small decline in fertility witnessed in the last 20 years may be attributed only marginally to program effects; other factors such as some increase in the age at marriage, the rural-urban migration, and some employment opportunities for women may have been equally influential in lowering fertility. The major program shortcomings identified included a dilution of efforts because of: thinly spread resources; weak management; faulty selection of staff; inadequate and unplanned communication efforts; inadequate training and supervision of field staff; and, a narrow family planning approach in an environment where behavioral changes must precede acceptance of methods and family planning practices.

2. Current Situation

The Government has recognized that, for development to succeed, it is essential that it is accompanied by changes in demographic behavior. Drawing upon past experience, a new Population Welfare Plan has been formulated and was approved by the Cabinet in November 1980. The new Plan is a comprehensive program which is focused on behavioral changes and aims to establish a "small family" norm within an acceptable socio-cultural framework.

Underlying the Plan is the premise that the GOP's population program should not be confined to single purpose birth control activities. Accordingly, the Plan's approach is multisectoral; it calls for the active participation of other government departments, autonomous agencies, and non-governmental (NGO) agencies each of which will be made responsible for implementing programs to inform and change attitudes towards family planning among the individuals that constitute their respective audiences or clientele.

The strategy also involves community involvement through local leadership to make the program more responsive to local needs and to enhance its acceptability. Effectiveness of the national population program will depend in large measure on improvements in such areas as education and maternal and child health care, and in programs geared to improving conditions of women. The Plan therefore aims to promote the support of these activities as part of broader government development policies.

The Population Plan emphasizes the need to inform and educate the public on population and family planning issues in order to encourage changes in attitudes toward family formation and acceptance of contraception as a means of planning families. Information, education and communication will be central to most of the activities of the population program.

3. USAID Perspective on Population

Upon resumption of U.S. assistance to Pakistan in FY 1982, USAID developed bilateral assistance projects in such areas as agriculture, energy, water management, rural electrification, primary health care and family planning. While the ultimate goal of each of these projects is to improve the country's economy and indeed the living conditions of the people of Pakistan, USAID believes that the prevailing high population growth rate, unless checked, will erode whatever economic development can be achieved as a result of the AID development portfolio. Therefore, U.S. assistance for population activities is of critical importance and commands the highest priority in the entire Mission project portfolio.

USAID is in broad accord with GOP strategies as adopted in the Population Welfare Plan, and has developed both short and long term approaches based on the most current scientific knowledge of the processes of fertility change. AID's short term approach is aimed at assisting the GOP in improving delivery of family planning services to clients through public sector programs as well as through Social Marketing of Contraceptives (SMC) in the private sector. However, to realize an effective and lasting fertility decline, USAID's long term strategy is based on a recognition that availability of effective family planning services is but one of the determinants of fertility patterns. In Pakistan, as elsewhere, the broader socio-economic factors which affect fertility are as important as providing family planning services. Changes must occur in such socio-economic variables as infant mortality, age at marriage, social and job status of women, household income levels, and increased education especially among females. Consequently, USAID views its entire project portfolio as a means of bringing about changes in some of these broader fertility-related variables.

4. Current AID Population Program

The current 5-Year Population Welfare Planning (PWP) Project, signed in August 1982, provides $25.6 million ESF Grant and Mondale

Rupees equivalent to $2 million. The PWP project will partially fund those components of the GOP Plan that fall largely in the "Support Activities" category of the Plan. While the Mondale Rupees will be used for construction of warehouses and research buildings, the ESF grant will be used for technical assistance, training, contraceptives, evaluation and local staff support for demographic surveys and other research proposals. As success of any population program largely depends upon continued availability of contraceptive supplies and services, $20.6 million or 80 percent of the ESF grant will be used for procurement of contraceptives. Technical assistance will largely be for research and demographic analysis.

Our strategy recognizes that active involvement of the private sector is indispensable to an effective program to deliver family planning commodities. Therefore, USAID is also encouraging the GOP to initiate another population project in the private sector for the Social Marketing of Contraceptives (SMC). This is likely to come on stream in early 1984. The SMC project will draw upon the strengths of a well-established commercial system of retail outlets for promoting and distributing brand-name contraceptives through the private sector. USAID plans to provide $20 million grant assistance for the SMC activity through FY 87. If this initiative is successful, additional funds will be provided in later years.

The AID project will directly and indirectly benefit millions of couples, mostly in low income groups in the urban as well as rural population. The AID-financed contraceptives, in order to be accessible to the poorer segments of Pakistan, will be distributed at highly subsidized prices.

CHAPTER IV: STRATEGY

There are at least four dimensions along which the USAID strategic thinking for the CDSS period can be presented. The presentation is necessarily made more complex by the overlap of the six year package with the CDSS planning horizons (FY 82-87 in the first case; FY 86-90 in the second). The four dimensions of the strategy considered in the CDSS are:

1. Sectoral investment strategy for the remaining years of the package through FY 87.

2. Sectoral investment strategy for the "Outyears" after FY 87 (FY 88, 89 and 90).

3. Sectoral policy strategy for the balance of the 1980's.

4. Pakistan in the context of the Asia Bureau Strategy.

This CDSS gives greater emphasis to items #2 and #3 on this list, although all four are dealt with. The reasons for the choice of emphasis are several:

a. The political/strategic/military/economic stability considerations which underlie the six year ESF agreement in Pakistan are expressly part of our resource and policy strategy matrix through 1987 and the Country Team is agreed that there is every reason to assume that these underlying foreign policy considerations will be salient and important to our assistance relationship after 1987.

b. The magnitude of the AID resource in Pakistan has given our agency an unusually broad range of policy dialogue opportunities. As a Balance of Payments factor, for example, we have a modest but not inconsequential role in broad monetary and fiscal policy discussions in Pakistan (although we are still in a distinctly supporting stance to the IMF and IBRD). We have an active role in broad pricing and regulatory policy discussions in energy and agriculture which range beyond the usual bounds of AID concerns in DA programs.

c. Our current strategy of sectoral concentration of investment resources has given this USAID a greater degree of resource policy leverage than is usual in DA programs.

d. The broad allocative decisions for the six year assistance program were set in the 1981 negotiations and in the first two years of the FY 82-87 program. While there is still programmatic flexibility, the strategic choices have been made by the Administrator, the Bureau and the GOP. The largest strategic issue for the pre-1987 period is the necessity for extremely careful analysis and review of strategic performance by sector and objective to assess the degree to which the six year program strategy has been validated. The nature, degree and quality of that validation has important consequences for our FY 88, 89 and 90 program.

e. The Asia Bureau strategy is fundamentally a Development Assistance strategy which seeks to relate a diminishing AID investment resource effectively against policy and sectoral objectives where limited resources can have optimum impact. The average annual Pakistan AID levels of $270 million permit a somewhat different strategic approach than the one which predominates in Asia Bureau countries.

f. The issues which USAID has joined with the GOP are long term in nature. Some are structural and others, while more conventional public policy issues, require careful and incremental solutions. The USAID, therefore, does not see great virtue in distinguishing a threefold timeframe for the policy dialogue: (1) current years through FY 86, (2) FY 86-87 and (3) FY 88-90. Rather, we propose an evolutionary approach to policy dialogue for the balance of the 1980's in which long term strategic objectives for policy reform are set and USAID financial, analytic and negotiating resources are applied systematically over the coming years to sustain forward progress on the policy areas in which we are engaged.

Before laying out the two dominant elements of the CDSS strategy: policy strategy for the 1980's and sectoral investment strategy for FY 87 and beyond, it is useful to briefly review the Mission's current strategic framework for the balance of the six year package.

A. Strategic Foundations of the Six Year Program FY 82-87

The Governments of the United States and Pakistan are cooperating in a mutually developed and agreed upon program of economic assistance totaling $1.625 billion over a six year period from FY 82-87. The timing could probably not be more fortuitous from a strategic standpoint. Very substantial US investment resources, US policy skills and US technology are being made available to Pakistan at the outset of a period of economic liberalization and during the incipient stages of basic economic structural change.

The strategic objective of the FY 82-87 program is to build a broad foundation for Pakistan's economic growth and ensure that foreign exchange resources are adequate to help meet the nation's needs for investment resources at a time when important defense investments will also be substantial.

The composition of the six year program reflects shared GOP/USG strategic assumptions on investment priorities for Pakistan. On the productive side, these center on the agriculture and energy sectors, while on the social investment side the focus is on family planning and on public health interventions which bear directly upon the fertility/infant mortality nexus. Agriculture is the largest commodity producing sector in Pakistan's economy. Long term economic growth will depend upon structural transformation of this sector to permit movement towards substantially higher yield levels and a significantly higher value overall cropping mix. AID's FY 82-87 strategy in the agricultural sector is twofold: firstly, to build the technological foundations for yield and productivity gains and secondly, to facilitate the policy and

institutional shifts which will permit structural modernization of the sector in ways which maximize sectoral efficiency in resource use, reduce or eliminate distortions in the economic signals which flow from the market place to the farmer and permit the agricultural sector to complement and support growth in the industrial, agro-industrial and service sectors of the domestic economy.

Pakistan's energy sector is the largest claimant of foreign exchange in the economy despite the fact that aggregate energy use rates in Pakistan are only about half those in other countries at a comparable per capita income level. The energy sector assessment in this CDSS revealed that seasonal energy shortfalls are recurring with ever greater magnitude. Macroeconomic analysis suggests that total energy availabilities are a major and binding constraint on growth in all the productive sectors of the economy: agriculture, industry and services. USAID's 1982-87 strategy in energy is again twofold. Firstly, we are working on a very wide spectrum of sectoral policy and management issues with the GOP designed to improve overall sector performance. These encompass classic rate and tariff policies, distribution and transmission management policies, optimization of the energy mix and improved investment and planning capacity for the sector. The second thrust relates directly to the foreign exchange aspects of the energy sector, where AID has a long term strategic objective of assisting Pakistan to optimize domestic energy sources in its overall energy mix, freeing scarce foreign exchange resources from consumption use (imported oil) to an investment use (capital goods).

While the resources for the pursuit of this strategy are ESF funds, the Government of Pakistan (and the Congress) has urged that the objectives of the Economic Assistance Program be similar to those of a development assistance program: investments which build toward the institutional and structural basis for sustained, self-supporting and equitable economic growth. While ESF funding permits greater flexibility in our choice of assistance, including faster disbursement commodity assistance modes, it has been mutually agreed that AID will use this flexibility in pursuit of development goals, consistent with our balance of payments support objectives. The CDSS tables reflect sizeable levels of fast disbursing assistance over the program life, which will have substantial BOP impact. All the fast disbursing assistance, however, is tied directly and meaningfully to our sectoral development objectives. For example, PL 480 resources are being used to frame an important policy shift towards a liberalized private oilseeds sector which will move Pakistan away from crippling high levels of edible oil imports. Agricultural and Energy Commodity assistance programs are tied directly to our structural change objectives in those sectors and serve as the vehicles for serious, sustained policy dialogue at both the financial and technical levels of the host country government.

B. Key Elements of the FY 82-87 Strategy

1. Balance of Payments Support

Pakistan has a substantial deficit in its balance of trade and a continued weakness on the current account side. The FY 82-87 ESF program was designed to ease these constraints. This strategic objective has gained in importance with the failure to renew the Extended Fund Facility in 1983. Balance of payments support is achieved with: (1) dollar funded commodity imports; and (2) dollar financing of local costs. The PL 480 Title I and the Agricultural Commodities and Equipment programs, to be joined by the Energy Commodities and Equipment program are USAID's principal vehicles for the commodity element of GOP support. A significant number of other projects in the portfolio, e.g., Rural Electrification, Malaria Control, and Population Welfare have significant commodity components. AID shares with the multilaterals a strategy of financing of local costs with dollars. This provides untied foreign exchange resources to the GOP.

2. A Strategic Concern for US Comparative Advantage

A key strategic concern which shapes the FY 82-87 program is the desire to build around the special competencies of AID and the U.S. to respond to particular needs. A careful effort was and is being made to emphasize sectors where the U.S. has a comparative advantage in technology or experience or where USAID can build on past experience in Pakistan. This is an important factor in the program's central emphasis on energy technology and agricultural technology. Similarly, AID experience in fertility reduction, institutional development, training, and technical assistance have directed project design efforts in those directions. The six year portfolio is strategically phased to emphasize early and sustained balance of payments support while laying the groundwork for longer term technical assistance and institutional development.

3. Strategic Emphasis on Lagging Areas

The FY 82-87 strategy places special emphasis on two "lagging areas" of Pakistan. After 35 years of independence Pakistan is still in many ways an only partially integrated federation of regions and ethnic groups. The Government of Pakistan has made national integration a paramount objective and this objective is reflected in many ways. Developmentally this has given rise to a special public budgetary approach to the lagging regions of Baluchistan and the Northwest Frontier in the form of off-budget revenues which are designed to accelerate development investments in these two areas. Stability and development in Baluchistan are particularly important given the fact that it borders on Soviet occupied Afghanistan and revolutionary Iran. The FY 82-87 package reflects strategic agreement in the 1981 program negotiations on the need for special emphasis to the provinces of Baluchistan and the Northwest Frontier. This concern acknowledged that the two areas had received disproportionately low public investment in the past. The growth of narcotics production and trafficking in NWFP, also is of importance to both the USG and the GOP. AID's strategic concerns are reflected in the current and planned financing within the six year FY 82-87 program which

consciously weights AID investments in favor of the two provinces. With 15.5 percent and 5 percent respectively of Pakistan's total population, NWFP and Baluchistan are programmed to receive at least 21 percent and 8.5 percent of AID's total resources through FY 87.

4. Technology Transfer, Research and Human Resource Development

Pakistan's development agenda is strategically centered around problems of technological change and the evolution of an increased domestic capacity to generate appropriate technology locally. The six year AID program strategy mirrors this technological focus. The two major sectors of AID financing, Energy and Agriculture, define the core of our technology transfer objectives. In the energy sector, AID's program seeks to transfer a wide range of critical US technology in electric power generation, energy conservation, energy management, forestry and biomass systems and energy planning. No place is the technology transfer element of our energy program more evident that in the proposed Lakhra Coal Fired Generation Project. This program involves moving proven state-of-the-art US technology for exploiting sulphurous sub-bituminous coal in large scale power generation. The project promises to permit Pakistan to unlock a major domestic energy resource which has remained dormant for want of an appropriate technology. The Lakhra project also involves major elements of technical transfer in coal mining technology and in the financial and institutional organization of coal based utilities -- all areas of US technical pre-eminence.

The centerpiece of USAID's technology transfer strategy in agriculture is the planned Northwest Frontier Agricultural University project which seeks to build a world class agricultural technology system capable of generating, teaching, extending and applying international quality technology to the agriculture sector of the NWFP and to significant parts of the rest of the nation. Technology transfer and research, of course, are essential ingredients of USAID's agriculture program. The emphasis of these activities is to transfer existing knowledge and to support applied research rather than to establish a greater theoretical research and development capability.

The balance of the portfolio equally reflects a technological strategic focus. For example, operations research and the development of improved methods of mosquito control are essential elements of the Malaria Control II Project; proper combinations of distribution equipment will be important elements of the Rural Electrification Project and introduction of new equipment and management techniques will be key elements of the Irrigations Systems Management Project. Although Pakistan has a large number of highly trained people in absolute terms, the number of skilled managers and administrators is small relative both to the population and to Pakistan's requirements. USAID's strategy is to provide training where it is necessary to implement our projects and where it is required to enhance the capacity of Pakistanis to design and implement development activities in the future. Most training financed under the $1.625 billion program is financed through the individual projects. However, the Development Support Training Project is devoted entirely to training, with a focus on management in the public and private sectors.

5. Program Sustainability

Washington directed the Mission (STATE 322808) specifically to address "the GOP's ability to provide financial aid and TA support to projects once AID assistance is terminated". There are two issues embedded in this directive:

a. recurrent cost financing: does the GOP have the systems and resources to meet the recurring costs necessary to sustain activities initiated in USAID financed projects and activities?

b. technology transfer and manpower development: does the GOP have the human resource capacity to absorb, sustain and build upon the technical assistance inputs in USAID financed projects?

Recurrent cost considerations are a central element of the design of every project in the Pakistan program. USAID recognizes that many of the projects we are undertaking here are, in fact, necessitated by past GOP failures to address recurring cost issues. Unstaffed rural health facilities, deteriorated rural roads, depreciated irrigation capital stock and mountains of unrepaired insecticide sprayers all stand witness to the centrality of the recurrent cost problem in Pakistan. Projects such as Irrigation Systems Management and Energy Planning and Development are designed in direct response to these failures. USAID has made it un-equivocally clear to the GOP that we will not simply replace badly managed and maintained capital stock which has expired before its planned design life. Our programs begin with a review of maintenance and recurring cost procedures. In the case of our health sector investments, we are considering a shift to a predominate focus upon recurrent cost isues. No ongoing or planned project is designed without a plan for sustaining the activity beyond the formal project life. Because we are financing activities within the GOP budget and within the GOP Sixth Five Year Plan, there is less risk that we are producing potential "orphan" projects which will languish without foreign donor financing. A case in point is the proposed NWFP Agricultural Technology Network which depends for success absolutely upon improved recurrent cost budgetting. USAID has been completely frank with the relevant provincial and federal authorities about the necessity of making full budgetary provision for the GOP's recurrent cost responsibility before we move to a project paper. Because of the Mission's insistence on a full review of GOP cost issues in projects, we are confident that we have put in place programs which the GOP can financially sustain beyond the formal life of AID assistance.

In the case of the GOP's ability to absorb and continue the human aspects of technology transfer in the USAID program, the Mission is also confident. Firstly, we are programming in a setting where there is a considerable base of technically skilled manpower. Pakistan has a substantial supply of electrical engineers, plant pathologists, soil chemists and the like. In many cases, however, their basic disciplinary skills are not complemented by an up-to-date command of current international technology in their fields. As discussed in section 4 above, projects in energy, agriculture, health and population are designed to work with existing technical cadres developing and sharpening their command of appropriate technology through hands-on work with US consultants, with private sector Pakistani consultants (who are often far

more up-to-date than their GOP peers in fields such as engineering) and through short and long term participant training. Secondly, we have developed with the GOP a multi-year program of management training (the Development Support Training Project discussed in section 4), designed to make technocrats more effective as managers, enhancing their ability not only to transfer technology, but effectively and efficiently to apply the transferred technology. We are confident that the manpower development and technology transfer elements of the individual projects and of our portfolio as a whole will leave behind a human resource capacity in Pakistan adequate to the task of sustaining the principal AID program initiatives presented in this CDSS.

Sustainability, both financial and technical is a core issue in our evaluation program as well, (see Table 16). External evaluations will provide regular checks on progress towards the goal of adequate recurrent cost financing by the GOP as well as the goal of human resource development. These evaluations will provide the basis for project level or mission level management interventions to correct problems which would impede long term project sustainability.

6. Private Sector

The USAID strategy for FY 82-87 has a strong private sector bias both to support positive GOP private sector policies and to give heightened policy attention to the importance of a vital and growing private sector for Pakistan's economic growth and development. This emphasis has become even more critical as the private sector is assigned a key role in moving forward Pakistan's economic development during the period of the Sixth Five Year Plan. The Mission's approach to the Agency's private sector initiative is three-pronged: through the policy dialogue; through each of the individual projects; and through a separate "private sector" project. Agriculture, energy and population projects are designed to provide major opportunities and incentives for private sector participation and to move the GOP towards greater market orientation.

7. Institutional Development and Community Management

USAID's strategy in institutional development reflects the sometimes contradictory characteristics of the institutional environment which has been presented in the sector policy overviews and in the sector analyses. Pakistan is simultaneously institutionally rich and institutionally poor. There is certainly no dearth of organizational structure and systems. A fairly broad base of colonial institutions has been added to with enthusiasm over the past 35 years. Most sectors have too many institutions, but too few strong institutions. The portfolio strategy through FY 87 recognizes that the lack of effective and cohesive governmental, research, business, economic and instructional institutions is a major constraint facing Pakistan. Almost all of the projects in USAID's portfolio have an institutional development focus. Training and direct technical assistance are the primary mechanisms being used to strengthen existing institutions. Although USAID's assistance program stresses the role of private enterprise and non-governmental institutions rather than increasing the role of government and public enterprises,

USAID also is using training and technical assistance to improve governmental institutions essential to Pakistan's development. The earliest projects in the portfolio were perforce excluded from a direct involvement with community management approaches because the early years of the Martial Law regime had done little to energize the structures of local government, private community activism and community resource mobilization. With the promulgation of the Sixth Five Year Plan in 1983, the Mission has begun to identify strategic entry points for at least limited testing of community management opportunities. The largest of these could be in the education sector (where we are not yet active, see post-FY 87 strategy section on pages 76-81) and the health and population sectors where the Mission is already involved with the design of innovative activities using local institutions. The greater openess on the part of the GOP to local initiatives, combined with a recognition that communities can be a major financial resource - particularly for O&M costs of programs from which they benefit directly - has moved the USAID to consider community management experiments in our water, rural roads and forestry initiatives as well as in the health and population areas outlined above.

8. Integration of PL 480 into the Overall Development Strategy

The PL 480 Title I program is a strategic mainstay of the six year assistance program. It requires no artifice to demonstrate the total integration of PL 480 resources with regular ESF monetary resources in the pursuit of our sectoral objectives, our macro policy objectives and the special political/strategic/military conditions which frame the program through FY 87.

The USAID strategy uses the PL 480 program as our main tool for improving the policy environment in the edible oil sector. The programs of the past several years have encouraged increased research activities, improved processing of non-traditional oilseeds, and led to the establishment of a high level GOP Oilseed Board and an enlarged pilot project for the production of oilseeds. The GOP has given the increased production of oilseeds a high priority in the Sixth Five Year Plan. Our PL 480 strategy for the remainder of the six year program focuses upon the problems which still exist in the overall policy environment. For example, even though prices of non-traditional oilseeds are comparable with world market prices, the marketing situation is very weak and farmers are unlikely to receive those prices. The processing of oilseeds is at a fairly primitive level because the price structure for byproducts does not result in a high quality protein meal which could command high prices from the poultry industry. The current and planned PL 480 agreements set policy benchmarks for progress on these fronts.

The overall strategic objectives of the PL 480 programs for FY 83 and FY 84 are to liberalize price policies of the GOP and to increase the role of the private sector in the edible oil sector, thus increasing the efficiency of the edible oil industry. The Mission is confident that oilseed production and edible oil supplies will increase if a more competitive oilseed processing industry exists. This competition requires that the private sector play a larger role. Uncontrolled prices are necessary in order to provide the incentive for the private sector to make substantial investments in the production and processing of

oilseeds. The self-help measures specifically stress this strategic concern and benchmarks exist to measure progress.

One area of the Mission's PL 480 strategy has seen a significant shift since 1982. Whereas we began the six year program with an effort to use PL 480 counterpart rupees in the classic "special account" programming mode as a device for shaping GOP budget priorities, three year's experience has persuaded the Mission that this tack is unproductive. We are now reviewing an alternative format for PL 480 based budget reviews which would widen the dialogue to encompass more than the counterpart rupees, but which would move away from line item programming from a special account - a device which has yielded little result on the policy side.

9. Narcotics

AID's role in the narcotics sector takes account of the enforcement responsibilities assigned to the Drug Enforcement Agency and the international narcotics policy responsibilities assigned to the Drug Enforcement Agency and to the INM Bureau in State. Our strategy focuses on the development-enforcement linkage, seeking to moderate the micro level economic and social costs to small farm opium poppy growers who are moved back into legal agricultural undertakings by the progressive success of Pakistan's enforcement policies. The Gadoon-Amazai Area Development Project and the projected AID participation in a UN led multidonor response to Pakistan's Special Development and Enforcement (SDEP) Program for opium areas are our major tools to pursue AID's part of the overall bilateral strategy on narcotics. The $20.0 million Gadoon-Amazai Area Development Project (GAADP) authorized in 1983 would serve as the prototype of the SDEP in that it links a comprehensive area development effort to a schedule of enforcement in Pakistan's largest remaining poppy growing area, where roughly half of Pakistan's opium is produced. The project is off to a good start and enforcement has begun. GAADP and the offspring SDEP will be the elements of a two-pronged USAID/Pakistan strategy for the planning period.

In FY 1984 the Mission will seek an amended GAADP authorization to permit activities similar to those planned for the project area to be undertaken in other opium producing areas of the NWFP. This amendment would permit support for activities contemplated by the SDEP. These include financing the Special Development Unit or undertaking a particular element of a sub-project. Thus, the resource tables in this CDSS reflect an increase in the funding authorization and to extend the PACD of GAADP to accommodate the SDEP.

A major strategic objective is to multilateralize the narcotics suppression effort. AID's interest in multilateralization fully supportsthe GOP's own policy in this regard. Hence, Mission support of the SEDP will be managed so as to encourage and complement the activities of other donors.

Assuming the development enforcement linkage forged in Gadoon project proves effective, roughly half of Pakistan's remaining poppy production will have been eliminated by the beginning of planning period (1986-87). The remaining scattered pockets of opium production and the

areas of potential opium resurgence will constitute distinct sub-projects under the SDEP. Taken together these activities will require development resources on the order of $26.0 million of which AID may be expected to provide eight to ten million in combination with various other donors and the GOP.

C. Pakistan and the Asia Regional Strategic Plan

Not surprisingly, Pakistan appears most often in the Asia Bureau Plan as an exception to the general rule. This reflects our unique position as a $1.625 billion dollar six year ESF program, set in the regional context of $10-$50 million annual DA programs. The Asia Bureau Regional Strategic Plan is a carefully crafted planning document designed to relate a very modest total development resource to the vast panoply of development issues in the Asian countries where AID operates. Understandably, the plan encourages approaches which minimize resource requirements and stress the software side of technology transfer and institutional development. In the countries where programs are modest, the policy dialogue, in contrast to Pakistan, must be more limited.

The Pakistan program, because of its unique strategic setting and its unique six year resource endowments, takes on the problems of technology transfer and institutional development from a software-cum-hardware perspective. Likewise, the Pakistan program is endowed with the financial wherewithall to directly link the longer term policy dialogue with the multiyear USG/GOP resource allocation process.

It is useful to review the basic precepts of the Asia Bureau's Regional plan and the specific Plan guidance on South Asian Programs and on the three major sectors of AID involvement in Pakistan.

The Asia Bureau Plan proposes a number of important new themes for the region. In the words of the Plan:

> The Asia Bureau is modifying its programs to emphasize policy reform, the private sector, institution building, technology transfer and PL 480 integration. With some variation among countries and themes, these emphases have consistently been present. But the recent trend has been to intensify efforts along these lines.
>
> Policy reform, long the keystone of our Bangladesh program, is receiving greater attention in Pakistan, India, Thailand and Indonesia.

For the South Asian countries in which AID operates, the Plan defines some specific objectives and strategic considerations:

a. Economic Policy - Economic policies must improve over the next five years if low income South Asian countries are to achieve their full potential. This is underscored in the Economic Performance and Prospects section. These range from macro policies -- devaluation, tariffs, money supply -- to sector policies such as agricultural credit, agricultural inputs, and grain ration systems. In the lower income countries, structural

adjustments -- macro and micro -- must be made. Though the MDBs will have the major role in supporting structural adjustments, AID programs can also help -- by shoring up sectoral reforms and by relieving balance of payment constraints (e.g., the Bangladesh Rural Finance Project and the Pakistan Agricultural Inputs loan). Also as an aspect of policy reform, the Bureau will emphasize and expand its efforts to involve the private sector more closely in the development process.

b. Institutions - Generally, the low income countries are weak in their institutional development. The Bureau will continue to strengthen government institutions where appropriate (e.g., agricultural research) but increasingly search for means by which it can support private institutions such as economic research organizations, cooperatives, business groups, PVOs and community level management groups and institutions.

Transfer of technology goes hand-in-hand with institutional development. In agriculture, emphasis will be on research dealing with seed improvement, appropriate water management systems, rainfed agriculture, and the development of alternative energy resources. In health, the Bureau will continue to work on rural primary care but will also fund research on medical problems of the rural poor.

c. PL 480 Integration - To the extent that assistance to the low income countries in the agriculture, population and health sectors is successful, PL 480 Title I should decline gradually. PL 480 objectives will be more firmly integrated into DA program objectives and where possible Title I will be tied closely into agriculture sector policy reforms. The Pakistan Title I support for agriculture development efforts in oilseeds production is a recent example of such integration.

d. Training and Education - Greater emphasis will be placed on training and managerial and technical jobs in the private sector. Firm educational foundations must be established that will permit low income countries to replace U.S. technical assistance with their own cadres of trained people. The local private sector must be assured that it can obtain the managerial and technical expertise to expand production and/or move into new productive activities. These training porograms should be included in the various sector programs. In addition, we will look for ways to improve the quantity and quality of female education.

e. Employment - Since the overwhelming majority of the people in the low-income countries live in rural areas and depend on agriculture for a living, the Bureau's program will continue to emphasize this sector as the basic source of jobs. However, agriculture alone cannot alleviate the serious and growing employment problems of these countries. Thus, in addition to the agriculture focus we will seek increasingly to stimulate off-farm employment. This can include agriculturally related industries of varying size, from small village business to medium-scale enterprises having strong employment effects.

f. PVOs - Asia programs will support PVO activities. Perhaps the most active sector of activity in the South Asian countries will be population.

The review of AID's strategy over the pre FY 82-87 six year package makes clear our thematic consistency with the Asia Bureau's major emphasis. To review the bidding in summary form:

Economic Policy	Pakistan strategy is built around an agenda of policy reform. Major economic policy thrusts of the program include: rationalized energy pricing, oilseeds privatization and liberalization, finance sector - deregulation and privatization, irrigation sector cost recovery, rural roads, O&M finance policy.
Institutional Development	Pakistan strategy emphasizes public-cum-private sector institutional development in agriculture (with multi-year effort to build a world class Agricultural University at the centerpiece). In other sectors we stress private sector, non-governmental or community management approaches. Rural roads programming, water management programming and health service programming all seek to validate non-governmental solutions to institutional needs in these sectors.
PL 480 Integration	The oilseeds liberalization focus of the PL 480 Title I program in Pakistan speaks directly to the agricultural sector policy agenda of the mission, with its emphasis on deregulation and a broadened role for private sector agribusiness in the processing, marketing and distribution of edible oil products in Pakistan.
Training and Education	Managerial training tops the priority list in our training strategy. Much of this training is necessarily for public sector staff who still dominate major economic sectors in Pakistan. The emphasis is on training investments with a resource management and efficiency-improving focus. Private sector training is an agreed element of our new Development Support Training Project.
Employment	The agricultural productivity and energy foci of the total 6 year program are strategic correlates of an employment objective. The Mission strategy views employment as the object of sound sectoral investments and sound macro policy. We are not programming AID resources against jobs, but against the prerequisites for growth in the sectors where jobs can be created: agriculture, energy and private enterprise.

PVOs

While the PVO scene is limited in Pakistan, the innovative approach to using PVOs for population programs proposed in the current five year plan has found a strategic response from USAID. We will seek to target local PVOs to carry major responsibilities in our population projects.

The Asia Bureau Regional Plan also establishes some specific objectives in the three sectors where the Pakistan program is concentrated: energy, agriculture and population. The Asia Plan's sector targets are summarized below:

(1) Energy is a broad sector of AID interest and includes both energy development and forestry. The basic AID goal is to contribute to the development of policies and institutional capacities necessary to realize a 6 percent annual increase in commercial energy production and a 2.8 percent annual increase in traditional energy supplies.

(2) In agriculture, we will concentrate on the goal of increasing the output of basic foods to permit a substantial improvement in the diets and incomes of poor people through the two major thrusts of irrigation and agricultural research and production projects. We expect these projects to contribute significantly to a 3 to 4 percent annual increase in food grain production across the region.

(3) In the population sector, the overall goals of lowering the crude birth rate (CBR) to 25/1000 population and attaining an average population growth rate of 1.4 - 1.5 percent have been selected as reasonable and achievable targets, for the nine countries comprising the Asia region, by the year 2000. In the interim period of this strategy what is required is the expansion of family planning sevices to attain 30 percent of couples effectively protected against unwanted pregnancies.

The USAID/Pakistan strategic objectives in these three sectors, developed earlier in this chapter, are fully consistent with the Asia Plan objectives. In energy we are combining capital resources with the policy and institutional thrusts to achieve major gains in both biomass (forestry) and commercial energy outputs. In agriculture our strategic focus on vertical development through technological change and yield intensification is linked to GOP targets of 5 percent annual real growth in agricultural output. In population, we are working to increase the rate of effective protection. Because of the delicate policy environment for population programming, we are cautiously optimistic, but cannot guarantee reaching the 30 percent effective protection level. Population enjoys topmost priority within our portfolio for both financial and technical resources. The constraints on performance will not be induced by shortfalls on the AID resource side, but performance may be limited by the vigor of GOP implementation and the strength of GOP leadership on this vital development issue.

1. Conclusion

In terms of strategic emphases on policy reform, technology transfer, institutional development and community management, the Pakistan program is very much in line with the major themes of the Asia Regional Plan.

Similarly, in broad sectoral objectives, USAID/Pakistan's strategic decisions parallel the strategic foci of the Plan. It is largely in the matter of resource levels that there are differences between the Pakistan program and the Asia Plan. Pakistan's strategy accommodates our $1.625 billion resource levels by adding major capital project inputs into energy, agriculture and rural development initiatives at a time when these are a diminishing feature of the Asia wide AID program. The Mission suggests that several considerations point to the need to develop an ESF component in future Asia Bureau Regional Plan documents: (1) ESF funding within the Asia Bureau is programmed to increase above current levels, in contrast to indications that total DA allocations to the Bureau are intended to remain more or less level; (2) ESF funding will clearly represent a significant as well as rising proportion of Bureau allocations, probably exceeding 50 percent; and, (3) at least three or more programs will be substantially ESF-funded. These points argue for much more than treatment on an exceptional basis.

D. Policy Strategies for the Balance of the 1980's

1. The Policy Setting

Serious policy dialogue is an arduous and incremental process. While micro-economists can design instant policy interventions which turn on a dime, real world politicians and public servants understand that meaningful public policy analysis and decision-making requires care, caution and time. USAID joins the major multilateral financiers and the Government of Pakistan in a multi-year approach to structural reforms and sectoral policy reorientation. All these parties share some common long term goals. Each of the parties has special areas of concern and at times rather distinctive policy predispositions. More investment, more efficient resource allocation, more efficient resource utilization, a larger role for the private sector and (most importantly) sustained high growth rates are themes common to all parties in the dialogue. AID brings to the dialogue a particular appreciation of the importance of market mechanisms, the allocative efficiencies of market pricing, the resource mobilization power of the private sector and the advantages of government disengagement from many key economic processes. The IMF and the IBRD bring a keen sense of the necessity for fiscal restraint and monetary reforms with a particular concern for the resource side of public finance. The planners in the GOP quite naturally bring to the dialogue a sensitivity to the domestic political environment as well as a strong desire for setting sectoral targets and framing sectoral investment decisions. The dialogue has had its ups and downs in recent years, but all parties bring professionalism and a very long-term perspective to the process.

2. Policy Priorities

AID's policy strategy is necessarily integrated with its resource and investment strategy. While our sectoral interests range more widely than our investment portfolio, our policy emphasis quite naturally is oriented towards the areas of our greatest programmatic involvement. Table 11 on the following page suggests the basic priorities for our policy and investment strategy over the decade, noting the sectors where other donors play the leading role.

3. Macro Level Policy Strategy

As is traditional even in large ESF programs, the AID posture on macro policy is to define a role in relationship to the initiatives of the major multilaterals. For the early years of the six year program this role was defined by the fact that the IMF and the IBRD, through the mechanisms of an Extended Fund Facility (EFF) and a Structural Adjustment Program, had set out an agenda of policy reform for the Government of Pakistan.

Both the EFF and the first Structural Adjustment Loan (SAL) have run their course, and neither is currently in force, although discussions continue on both fronts. Nonetheless, the EFF and the SAL continue to frame the basic posture of the multilaterals and define the macro policy agenda for Pakistan. The core of this agenda is major movement towards economic liberalization in which public and private sectors will be increasingly focused upon their areas of comparative advantage, with the public sector concentrating on the provision of public goods and infrastructure and the private sector increasingly responsible for the production and distribution functions within the economy. These goals are to be pursued in a climate of fiscal restraint and with sufficient monetary controls that inflation remains within appropriate bounds. The USAID and the Embassy supports the overall IBRD/IMF initiatives in their policy dialogue with the GOP, but we have set our national agenda against somewhat narrower goals than the multilateral donors. USAID's macro level dialogue focuses on the key issues of improved delineation of public and private sector roles. Our portfolio is designed to sharpen public/private distinctions at the sectoral level and our macro policy dialogue will be very specifically focused on what the GOP terms "deregulation". The scope of "deregulation" is wide, encompassing trade liberalization and banking reform, as well as industrial liberalization. The elements of GOP macro policy upon which USAID and the Embassy will seek to have a sustained policy impact include:

a. policies to curb new capital spending on public sector production enterprises in sectors where the US is active

b. policies to limit capacity increases in existing public sector plants in sectors where the US is active

c. policies which move Pakistan away from the "cost-plus" approach to regulating returns to private investors, with particular reference to sectors such as fertilizer where the AID program is directly engaged

TABLE 11

AID STRATEGIC PRIORITIES: POLICY AND INVESTMENT TO FY 1990

	Policy	Investment	Donor Leadership
I. Economic Infrastructure			
Energy	MAX	MAX	AID/IBRD/ADB/Bilat
Water	HI	HI	IBRD/AID
Transportation & Communications	MED/LO	MED/LO	IBRD
II. Commodity Producing Sector			
Agriculture	MAX	MAX	AID/IBRD/FAO
Industry	LO	LO/NIL	IBRD
Minerals (excluding fossil fuel)	LO/NIL	NIL	IBRD
III. Social Infrastructure			
Education & Manpower	?	?	IBRD/UNDP
Urban Development	LO/NIL	NIL	IBRD
Health	MED	MED/LO	WHO/IBRD/AID
Population	MAX	HI	AID/IBRD/UNFPA
IV. Other			
Narcotics	MAX	MAX	AID/UNFDAC
Lagging Areas	MED	HI	AID/IBRD/ADB/UNDP
Private Sector Dev.	HI	MED	AID/International Commercial Banks

LEGEND:

MAX - Maximum possible within Mission staffing/funding resources

HI - Funding & policy priority higher than lower ranked sectors

MED - Important sector, but AID inputs subject to reduction when higher priority sectors present new invest/policy opportunities

LO - Sufficient investment/policy involvement to keep a "seat at the table" pending possible priority changes for AID/GOP

d. policies which seek to provide a fair and competitive environment, or in the words of a recent demarche to the GOP by local bankers, a "level playing field" for public, private and international financial institutions in Pakistan

e. policies to remove inequitable credit access favoring public sector enterprises over private enterprises

f. policies to properly price capital so as to reflect its opportunity costs

g. policies which remove administered prices to the maximum extent possible and remove barriers to private entry into industrial sectors

h. progressive disinvestment of inappropriate public sector assets, especially in the edible oil sector

i. equitable investment rules and tax treatment for private sector productive investments

j. equitable pricing of inputs (e.g., electric power) to private users

k. policies designed to enhance private sector resource mobilization

The entire US Mission in Pakistan will be vigorously pursuing forward movement on these issues. These same macro policy themes are reiterated at the sector and micro levels in the policy components of our project portfolio. In the case of the oilseeds industry, for example, our macro dialogue on progressive disinvestment and price deregulation will be reinforced by our PL 480 negotiations which set specific performance benchmarks for privatization in oilseeds processing and in our Food Security Project which will incorporate economic policy analysis to assist the GOP in the definition of a liberalization program in agriculture. We have deliberately chosen to concentrate our macro policy dialogue on those areas where our investment portfolio provides vehicles for sectoral and micro level reinforcement of our objectives. It is the firm belief of the Mission that this complementarity of macro and project policy goals will improve the chances of realizing our policy objectives in the CDSS period.

E. The End of the Six Year Package: Strategy after FY 1987

The $1.625 billion package comes to a close in FY 1987. USAID has been instructed to use Approved Assistance Planning Levels for the post-87 period which are considerably lower than the annual levels at the end of the six year package. Program totals for FY 87 and the next three outyears, as directed by AID/Washington are as follows:

FY 87	$325 million (incl. $50 M PL 480)
FY 88	$250 million (incl. $50 M PL 480)
FY 89	$200 million (incl. $50 M PL 480)
FY 90	$200 million (incl. $50 M PL 480)

The sharp decline in nominal levels is even greater when measured in real terms. The AAPL for FY 90 will be about half the real value of the assistance in FY 87 under very conservative assumptions about domestic and international inflation.

Against this sharply declining real assistance resource in the post 1987 period it is necessary to review assumptions about the setting of the US-Pakistan assistance relationship in the years after 1987. The Country Team is currently planning an assessment of the underpinnings of our strategic, military and economic assistance posture in Pakistan with a view to 1987. While the assessment will not be complete until the Spring of this year, there is already a consensus on the broad outlines of our long range assumptions in these areas. These can be treated under the rubrics of political assumptions, economic assumptions, military assistance assumptions and development assistance assumptions.

1. Political Assumptions

The Country Team has identified seven key political assumptions which we believe are useful in framing formal consideration of the post-1987 economic assistance relationships.

a. U.S. strategic interests in the security of South and Southwest Asia will remain of major importance in the late eighties and early nineties. The territorial integrity and independence of Pakistan and the states in the Persian Gulf, and their ability to withstand potential pressures from the Soviet Union -- whether military, political or psychological -- are essential to freedom of navigation in the Persian Gulf and to the continued flow of oil to ourselves and our European allies.

b. A strong and independent Pakistan with positive relations to the West will be an important element in the stability of South and Southwest Asia. Potential regional problems -- e.g., continuing tensions between Iran and Iraq (even if the war ends), Iran and the Gulf States, the uncertain nature of a post-Khomeini government in Iran, Soviet presence in Afghanistan, and continuation of the Indo-Soviet military relationship -- highlight the importance of further developing and maintaining our positive relationship with Pakistan.

c. The Soviet military presence in Afghanistan, either at present or perhaps reduced levels, is likely to continue. Moreover, whether or not negotiations on Soviet withdrawal are successful, Soviet goals and activities are likely to continue to constitute a complex political and strategic challenge for the West. Pakistan's role will remain central even if Soviet forces, or a major part thereof, are withdrawn. They will remain no more than 200 miles from Pakistan's borders. Soviet reintervention

in Afghanistan would remain a distinct possibility. Soviet interest and possible subversion of Gulf States will continue regardless of what happens in Afghanistan.

d. Pakistan can be expected to remain a voice of moderation in the non-aligned Islamic Conference and United Nations forum although our viewpoints on all issues -- e.g., the Arab-Israeli conflict -- will not always be the same. But Pakistan can generally be expected to play a constructive role within these multilateral frameworks.

e. Pakistan's internal political evolution will remain an important concern. The modality and the timing of a transition from Martial Law are matters for Pakistan to decide. The lifting of Martial Law, however, would enhance the GOP's ability to continue to meet the human rights requirements set down by the Congress for the provision of both ESF assistance and for FMS credits.

f. Barring a sharp rupture in U.S.-Pakistani relations, the nuclear issue should remain manageable. The U.S. will continue to encourage Indo-Pakistani normalization and will seek to use our growing bilateral relationship to try to obtain Pakistani acceptance of full-scope safeguards and adherence to the NPT. Even if they do not do so, we do not anticipate a Pakistani nuclear explosion if the basic bilateral relationship is intact.

g. Narcotics will remain a major problem area for both Pakistan and the United States in the eighties. We have laid the foundations for working cooperatively with Pakistani authorities and should continue to strengthen these efforts. We believe Pakistan should be able to demonstrate the kind of continued progress in narcotics control required by the Hawkins-Gilman amendment.

2. Economic Assumptions

Economic forecasting is notoriously difficult even in developed country settings, but the Country Team concurs in four working assumptions for the post-1987 period:

a. The GOP economic policy environment will continue to be generally favorable, although implementation in some areas (e.g., liberalization of the economy) will probably proceed more slowly than we desire.

b. Resource mobilization (domestic and external) will lag behind requirements.

c. The Pakistan economy will still be vulnerable on the balance of payments/foreign exchange side.

d. The external donors (Paris Consortium, Middle East countries) will continue to offer substantial assistance to Pakistan.

3. Military Assistance Assumptions

The original six year economic assistance package was directly linked to the five year military assistance program. $1.625 billion of economic assistance was intended, in part, to offset the financing costs associated with $1.575 billion in Foreign Military Sales. Looking ahead to the post-1987 period the Country Team is agreed that the GOP will be able to make a strong case for substantial defense procurement and that the foreign exchange cost associated with the operation, maintenance and replacement of the equipment purchased with the initial $1.575 billion in FMS credits will also be considerable. The Defense Department has not yet formally projected an FMS planning level beyond FY 1987; however, the Country Team assumptions are that FMS levels will not drop sharply from their current totals. In short, the dollar requirements associated with the combination of recurring costs on the current assistance package, the probable post FY87 FMS program levels and the non-FMS defense procurements from the United States will be considerably greater than the current AID planning levels for economic assistance in the years after 1987.

4. The Development Assistance Context

As the six year economic assistance program closes, the continuation of the major political/strategic/military considerations which gave birth to the program will have important implications for how post-FY 87 ESF resources are programmed. These non-development considerations lead to some basic conclusions about the nature of the post-87 development relationship:

a. the magnitude of our total bilateral relationship with Pakistan will warrant high total program levels. There may well be a case for levels close to those of the six year package.

b. The persistence of the major themes of the US/GOP relationship and the importance of projecting a posture of stability in our bilateral relationship argue for a renewed multi-year agreement in lieu of annual agreements on ESF levels. The scope and duration of such a multi-year agreement will need careful consideration in the coming eighteen months to permit effective transition planning for the post-87 period by both the GOP and the USG.

c. The economic assistance program should continue to be geared to a long term economic policy agenda in Pakistan, sustaining and deepening the ongoing policy thrusts in energy, private sector development, price liberalization and agriculture.

d. Pakistan's net resource position and development status will warrant a continuation of the strong grant orientation of the ESF program.

e. Balance of Payments objectives will be very much with us in FY 87 and beyond. The ESF program should continue a major commodity element, using well designed sector commodity programs to insure that fast disbursing modes can be targeted on

important policy dialogue objectives and that we can preserve a powerful development focus in the program as a whole.

f. PL 480 will be an important part of the program for both policy and balance of payments reasons.

g. Local cost financing (currently about 15 percent of the portfolio) will remain an important tool for combining development objectives with needed BOP support to Pakistan.

F. Program Composition after 1987

The resource section of the CDSS presents our allocation of the Approved Assistance Planning Levels for the first three years after the close of the current six year package. Key features of the allocations include:

a. continuation of the NWFP Technology Network program, moving this effort to build a world class agricultural university into the second phase of execution

b. continuation of our two major sectoral commodity programs in energy and agriculture, looking towards these programs as key tools in enhancing our long term sectoral policy dialogue

c. a stable nominal value of PL 480 assistance ($50 million)

d. substantial outyear resources in irrigation, permitting either an intensification of our current work in system maintenance and management, or participation in one of the major multilaterally financed capital programs in irrigation scheduled for the coming decade

e. a continued presence in Malaria control and in population, with substantial commodity commitments in both areas

f. funding to support a U.S. role in the development side of opium poppy eradication, building upon the results of the GAADP and the multilaterally supported GOP Special Development and Enforcement Program

g. modest financing for capital support to the private sector financial intermediary to be launched in FY 85. These outyear funds would meet the costs of innovations in financial services rather than picking up basic capital requirements for established credit operations and would enable us to encourage a somewhat agressive and risk-taking posture in the new institution

The current resource allocations do not expressly provide for a number of possible program options which USAID will be exploring in the coming 24 months. These options include:

a. a possible intervention in primary education. This depends upon the outcome of a planned primary education assessment, upon early GOP performance against Sixth Plan goals in education, and

upon our assessment of the relative potential of this sector versus the alternatives.

b. a possible shift in our modest health program from a focus on service delivery systems to a primary focus on health sector finance with an emphasis on private sector options and cost recovery in public health operations. This shift awaits the results of some limited field testing of financial options under our current health portfolio and would require very strong policy encouragement and support from the GOP before we would venture into a redesign activity.

c. possible further capital financing in energy. The capital agenda in electricity, oil, gas, forestry and renewables is vast. The implementation capacity of the GOP is considerable. Any downstream capital commitments would be contingent upon: (a) a detailed assessment of our two current capital initiatives in Guddu and Lakhra and (b) an energy sector assessment to be conducted in FY 86 or FY 87.

d. a discrete initiative in community management. While we see possibilities for a community management thrust in either a primary education project or a health finance project, funding and institutional constraints militate against signalling a new start in this area.

e. a major new initiative in agricultural technology. If the NWFP technology network program is proving to be a compelling model to other agricultural centers in Pakistan, the Mission may face strong demands for financing in this sector. Current resource projections make this possible but unlikely.

A. Resource Requirements

Washington guidance for this document provided Approved Assistance Planning Levels for the five year CDSS period at the following levels:

FY 86	$325 Million	(including $50M in PL-480 Title I)
FY 87	$325 Million	(" " " " " ")
	********	
FY 88	$250 Million	(including $50M in PL-480 Title I)
FY 89	$200 Million	(" " " " " ")
FY 90	$200 Million	(" " " " " ")

The Mission's allocation of these levels is presented in Table 12. The first $650 million completes the mutually agreed six year assistance package already negotiated with the GOP. The AAPLs for the three years after 1987 have been programmed against the limited range of activities identified at the close of the strategy section. Sustaining the core of our energy and agriculture programs and keeping a modest role in population and narcotics in conjunction with a substantial follow-on program in Irrigation Systems Management will stretch these levels to the limit. The strategy section presents the Country Team's concern that these resource levels will not be commensurate with the magnitude of USG interests in the region. It is also the Country Team's position that the political setting of the program and the importance of projecting a clear perception of the USG as a reliable long-term ally to Pakistan, as well as performing in that fashion, argue for a second multi-year ESF agreement to begin in FY 88.

The Mission proposes that when this CDSS is formally reviewed on an inter-agency basis in March of 1984 that a decision be made to instruct USAID/Pakistan to submit a program document in early calendar year 1986 which would present a Country Team proposal for a renewed multi-year ESF program in Pakistan. It is our judgement that a submission prior to this time would be premature in terms of assessing the economic conditions in Pakistan which would define the program, and that a later submission would make smooth transition from the first six year package to a successor program very difficult. Formal interagency guidance on this issue is requested by the Country Team.

In the interim, reflecting AID/Washington's instructions concerning the AAPL, a total of $1050 million in ESF and $250 million in PL 480 Title I resources are requested for the Pakistan program for the fiscal years 1986 through 1990.

TABLE 12

PACKAGE 82-90 FOR FY 85 CDSS 01/05/84

PROPOSED U. S. ECONOMIC ASSISTANCE FOR PAKISTAN
FY 1982 TO FY 1990
(Millions of U. S. $)

NUMBER: TITLE	G/L	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL	FY 88	FY 89	FY 90	TOTAL
391-0296 Agricultural Research	G	3.20	NA	NA	NA	NA	NA	3.20	NA	NA	NA	3.2
391-0413 On-Farm Water Management	G	7.00	3.00	NA	NA	NA	NA	10.00	NA	NA	NA	10
391-0467 Irrigation Systems Management	G	NA	30.50	22.50	7.00	11.00	19.00	90.00	55	15	15	175
391-0468 Agricultural	TOT	60.00	60.00	50.00	60.00	50.00	.00	280.00	60	60	60	460
Commodities and	L	34.00	40.00	30.00	15.00	.00	.00	119.00	60	60	60	299
Equipment	G	26.00	20.00	20.00	45.00	50.00	.00	161.00	0	0	0	161
391-0469 Population Welfare Planning	G	4.30	4.80	14.80	6.70	5.00	10.00	45.60	10	10	10	75.6
391-0470 Project Design Fund	G	7.50	2.50	.00	2.00	3.00	.00	15.00	5	0	5	25
391-0471 Tribal Areas Development	G	3.00	5.00	5.00	2.00	5.00	4.00	24.00	NA	NA	NA	24
391-0472 Malaria Control II	G	1.50	17.70	6.70	10.10	.00	8.20	44.20	10	10	10	74.2
391-0473 Rural	TOT	8.00	50.00	31.00	34.00	5.20	39.80	168.00	NA	NA	NA	168
Electrification	L	NA	27.00	25.00	28.00	.00	19.00	99.00	NA	NA	NA	99
	G	8.00	23.00	6.00	6.00	5.20	20.80	69.00	NA	NA	NA	69
391-0474 Development Support Training	G	NA	4.00	6.00	.00	5.00	10.00	25.00	0	10	10	45
391-0475 Primary Health Care	G	5.50	.00	8.00	6.50	NA	NA	20.00	NA	NA	NA	20
391-0476 Energy Planning and Devel.	G	NA	13.00	5.00	6.00	6.00	NA	30.00	NA	NA	NA	30
391-0479 Baluchistan Area Devel.	G	NA	NA	13.00	7.00	15.00	15.00	50.00	NA	NA	NA	50
391-0480 Rural Roads	G	NA	NA	NA	5.00	10.00	25.00	40.00	NA	NA	NA	40
391-0481 Forestry Planning and Devel.	G	NA	7.00	3.00	5.00	8.00	7.00	30.00	NA	NA	NA	30
391-0482 Private Sector Mobilization	G	NA	NA	.00	23.00	22.00	5.00	50.00	9	5	5	69
391-0484 Social Marketing of Contra.	G	NA	NA	5.50	5.50	5.00	4.00	20.00	5	5	5	35
391-0485 Gadoon-Amazai Area Development	G	NA	2.50	9.50	7.20	5.80	5.00	30.00	10	10	10	60
391-0486 Energy Commodities Equipment	L	NA	NA	20.00	20.00	30.00	30.00	100.00	20	20	10	150
391-0487 Lakhra Coal Power Generation	L	NA	NA	NA	20.00	62.00	43.00	125.00	NA	NA	NA	125
391-0488 NWFP Ag. Technology Network	G	NA	NA	10.00	10.00	10.00	15.00	45.00	16	5	10	76
391-0489 Management of Agricultural	G	NA	NA	5.00	5.00	5.00	5.00	20.00	NA	NA	NA	20
Research and Technology												
391-0491 Food Security Management	G	NA	NA	10.00	8.00	12.00	5.00	35.00	NA	NA	NA	35
TOTAL AMOUNT PROGRAMMED	TOT	100.00	200.00	225.00	250.00	275.00	250.00	1300.00	200	150	150	1800
	L	34.00	67.00	75.00	83.00	92.00	92.00	443.00	80	80	70	673
	G	66.00	133.00	150.00	167.00	183.00	158.00	857.00	120	70	80	1127
PROJECT RESERVE	TOT	.00	.00	.00	.00	.00	25.00	25.00	N/A	N/A	N/A	25
	L	.00	.00	.00	.00	.00	.00	.00	N/A	N/A	N/A	0
	G	.00	.00	.00	.00	.00	25.00	25.00	N/A	N/A	N/A	25
TOTAL ESF	TOT	100.00	200.00	225.00	250.00	275.00	275.00	1325.00	200	150	150	1825
	L	34.00	67.00	75.00	83.00	92.00	92.00	443.00	80	80	70	673
	G	66.00	133.00	150.00	167.00	183.00	183.00	882.00	120	70	80	1152
P. 480 TITLE I	L	50.00	50.00	50.00	50.00	50.00	50.00	300.00	50	50	50	450
GRAND TOTAL		150.00	250.00	275.00	300.00	325.00	325.00	1625.00	250	200	200	2275

B. Pipeline Analysis

The Mission has projected the pipeline through FY 1987 on Table 13. The program presented in this CDSS has been designed with a keen appreciation of the need to minimize pipeline build-up, especially in large ESF progams. It also reflects our concern about the total external assistance pipeline in Pakistan which has recently been estimated by the Planning Ministry of the GOP at 3.6 billion dollars. USAID has assumed a lead role within the donor community in seeking to identify ways in which the GOP could improve foreign assistance management to help draw down this pipeline and to improve the effective net aid position of the government. The World Bank resident mission in Pakistan and the Japanese bilateral aid staff have been cooperating in a joint approach to these issues.

In framing an action agenda with respect to pipeline management the Mission has found it useful to distinguish between two major categories of pipeline:

a. Structural pipeline: The accumulation of obligated but unexpended funds which results from planned forward commitment of funds over a multi-year period. For example, providing full funding for a three year technical services contract in the first year of the contractor's life results in structural pipelining of the second and third year expenditures. This category of pipeline does not reflect implementation failures or unanticipated delays; it merely reflects the Agency's decision to forward fund some categories of expenses.

b. Problem pipeline: The accumulation of obligated but unexpected funds at a rate greater than planned and scheduled. For example, a sum obligated to cover civil works expenditures over a twelve month period which is not fully expended for thirty six months because of unanticipated implementation delays in project execution contributes to problem pipeline. We are hopeful that changes in the GOP's complex capital budgetting systems resulting from multi-donor dialogue will relieve some of the sources of problem pipeline.

Management of structural pipeline by USAID/Islamabad begins with a basic Mission policy of minimizing forward funding. All our projects are incrementally funded, with annual replenishments in most cases. While certain categories of major contractual obligations are fully funded at the outset, funding for procurements, construction and local costs is all tranched on an annual or other appropriate basis. In AID's largest ESF progam almost 90 percent of the pipeline was structural in nature, reflecting the fact that most of the portfolio was funded for a life-of-project (LOP) at the outset. Large capital projects with a three year design gestation period and a six year implementation period produce massive structural pipeline when they are LOP funded. USAID/Islamabad has mitigated this largest single contributor to project pipeline by a firm and continuing commitment to incremental funding.

TABLE 13

86CDSPIP:Pipeline FY82-9/30/90 01/11/84

NUMBER	PROJECT TITLE	G/L	OBLIGATION DATES: INITIAL	FINAL	LIFE OF PROJECT COST (MILLIONS): AUTH	PLAN	OBLIG THRU FY82	FY 82 PIPE-LINE	ESTIMATED U.S. DOLLAR COST ($000): FY 1983 OBL	FY 1983 EXP	9/30/83 PIPE-LINE	FY 1984 OBL	FY 1984 EXP	9/30/84 PIPE-LINE	FY 1985 OBL	FY 1985 EXP	9/30/85 PIPE-LINE	FY 1986 OBL	FY 1986 EXP	9/30/86 PIPE-LINE	FY1987 OBL	FY1987 EXP	9/30/87 PIPE-LINE
391-0296	Agricultural Research	G	82	82	3.2	3.2	3200	3048	0	1738	1310	NA	700	610	NA	610	0	NA	NA	0	NA	NA	0
391-0413	On-Farm Water Management	G	82	83	10	10	7000	7000	3000	2119	7881	NA	3700	4181	NA	1197	2984	NA	1600	1384	NA	1384	0
391-0467	Irrigation Systems Management	G	83	90	65	175	NA	NA	30500	5	30495	22500	15000	37995	7000	25000	19995	11000	24000	6995	19000	24900	1095
391-0468	Agricultural Commodities and Equipment	L	82	90	74	299	34000	10728	40000	9532	41196	30000	37000	34196	15000	33000	16196	0	5000	11196	0	11196	0
391-0468	Agricultural Commodities and Equipment	G	82	86	46	161	26000	25885	20000	1376	44509	20000	30000	34509	45000	42000	37509	50000	50000	37509	0	30000	7509
391-0469	Population Welfare Planning	G	82	90	25.6	75.6	4300	4295	4800	1624	7471	14800	8250	14021	6700	5495	15226	5000	6000	14226	10000	6600	17626
391-0470	Project Design Fund	G	82	90	10	25	7500	6879	2500	2675	6704	0	2000	4704	2000	2000	4704	3000	3000	4704	0	1679	3025
391-0471	Tribal Areas Development	G	82	87	15	24	3000	3000	5000	66	7934	5000	3477	9457	2000	3424	8033	5000	5000	8033	4000	4500	7533
391-0472	Malaria Control II	G	82	90	41	74.2	1500	429	17700	5363	12766	6700	9780	9686	10100	6454	13332	0	8800	4532	8200	8600	4132
391-0473	Rural Electrification	L	83	87	112	99	NA	NA	27000	0	27000	25000	2000	50000	28000	55000	23000	0	3000	20000	19000	10000	29000
391-0473	Rural Electrification	G	82	87	43	69	8000	8000	23000	523	30477	6000	8000	28477	6000	16000	18477	5200	9000	14677	20800	7500	27977
391-0474	Development Support Training	G	83	90	10	45	NA	NA	4000	197	3803	6000	1939	7864	0	3488	4376	5000	5000	4376	10000	4000	10376
391-0475	Primary Health Care	G	82	85	20	20	5500	5500	0	429	5071	8000	3378	9693	6500	5267	10926	NA	1150	9776	NA	2100	7676
391-0478	Energy Planning and Devel.	G	83	86	30	30	NA	NA	13000	0	13000	5000	9000	9000	6000	9000	6000	6000	10000	2000	NA	2000	0
391-0479	Baluchistan Area Development	G	84	87	0	50	NA	NA	NA	NA	NA	13000	200	12800	7000	12500	7300	15000	10000	12300	15000	7000	20300
391-0480	Rural Roads	G	85	87	0	40	NA	NA	NA	NA	NA	NA	NA	NA	5000	500	4500	10000	12000	2500	25000	10000	17500
391-0481	Forestry Planning and Devel.	G	83	87	25	30	NA	NA	7000	0	7000	3000	1164	8836	5000	1687	12149	8000	6000	14149	7000	3000	18149
391-0482	Private Sector Mobilization	G	85	90	0	69	NA	NA	NA	NA	NA	NA	NA	NA	23000	1700	21300	22000	10000	33300	5000	20000	18300
391-0484	Social Marketing of Contra.	G	84	90	0	35	NA	NA	NA	NA	NA	5500	0	5500	5500	5050	5950	5000	4400	6550	4000	3900	6650
391-0485	Gadoon-Amazai Area Development	G	83	90	20	60	NA	NA	2500	0	2500	9500	3000	9000	7200	6300	9900	5800	8500	7200	5000	7200	5000
391-0486	Energy Commodities Equipment	L	84	90	0	150	NA	NA	NA	NA	NA	20000	15000	5000	20000	20000	5000	30000	15000	20000	30000	20000	30000
391-0487	Lakra Coal Power Generation	L	85	87	0	125	NA	NA	NA	NA	NA	NA	NA	NA	20000	6000	14000	62000	6000	70000	43000	13000	100000
391-0488	NWFP Ag. Technology Network	G	84	90	0	76	NA	NA	NA	NA	NA	10000	5500	4500	10000	8000	6500	10000	8000	8500	15000	8000	15500
391-0489	Management of Agricultural Research and Technology	G	84	87	0	20	NA	NA	NA	NA	NA	5000	2500	2500	5000	5000	2500	5000	5000	2500	5000	5000	2500
391-0491	Food Security Management	G	84	87	0	35	NA	NA	NA	NA	NA	10000	3300	6700	8000	6000	8700	12000	6000	14700	5000	6000	13700
	Project Reserve	L				NA	0	0	0	NA	NA	0	NA	0	0	NA	0	0	NA	0	0	NA	0
		G				NA	0	0	0	NA	NA	0	NA	0	0	NA	0	0	NA	0	25000	NA	25000
		TOT				NA	0	0	0	NA	NA	0	NA	0	0	NA	0	0	NA	0	25000	NA	25000
	TOTAL ESF	L			186	673	34000	10728	67000	9532	68196	75000	54000	89196	83000	114000	58196	92000	29000	121196	92000	54196	159000
		G			363.8	1127	66000	64036	133000	16115	180921	150000	110888	220033	167000	166672	220361	183000	193450	209911	183000	163363	229548
		TOT			549.8	1800	100000	74764	200000	25647	249117	225000	164888	309229	250000	280672	278557	275000	222450	331107	275000	217559	388548
	DEVELOPMENT ASSISTANCE																						
391-0296	Agricultural Research	L	69	79	6.2	6.2	6200	824	NA	443	381	NA	381	0	NA	NA	NA	NA	NA	NA	NA	NA	NA
391-0296	Agricultural Research	G	69	79	1.6	1.6	762	24	NA	0	24	NA	24	0	NA	NA	NA	NA	NA	NA	NA	NA	NA

Management of problem pipeline (unplanned expenditure delays on obligated funds) is a mixture of art and science. Careful project design is our first-line defense against problem pipeline. Project designs are carefully vetted with host country authorities to identify and remove bottlenecks before funds are obligated. Incremental funding, with tranches tied to project performance are our second line of defense. The CDSS budget reflects our best current judgement as to appropriate increments of funding for our projects. Performance reviews, annual monitoring reports and evaluations will permit us to modify incremental obligations where unusually good or unusually poor expenditure performance warrants funding changes. The unique six year character of our assistance agreement (through FY 87) with Pakistan permits this kind of intra-year reallocation without inter-year costs to the program as a whole. It permits us to engage the GOP as a full partner in pipeline management without putting them in the position of taking decisions which could reduce the total assistance levels for Pakistan. USAID believes that a decision to plan post-FY 87 assistance on the basis of a new multi-year agreement will be an important tool in continuing to control pipeline growth.

We have initiated a substantial internal Mission program of analyzing the points of interaction between the GOP financial cycle and our own to identify means of reducing unnecessary problem pipeline. Both the Program Office staff and the Project Development and Monitoring staff have been tasked with specific objectives in this important area of pipeline control.

While the Mission has active programs and procedures to manage structural and problem pipeline buildup, we are also aware that even under the tightest management, impasses do occur in development progams which block the timely disbursement of obligated funds. We believe that the newly authorized deob/reob provisions will prove to be an important supplement to our pipeline management program.

C. Pipeline Assumptions after FY 87

Our current pipeline analysis point to a level which peaks at the close of the six year package. So many programming issues remain undecided for the post-FY 87 period, that we have not projected pipeline figures to FY 90. If, as our program budget tables currently reflect, the program carries a very substantial commodity element in energy, agriculture, population and malaria control and continues a few mature technical assistance efforts such as the NWFP Technology Network, then we can expect a diminishing pipeline in the final years of the CDSS period. If, however, the mission decides to launch significant new ventures in the social sector (such as the possible primary education intervention) then we can assume that both structural and problem pipeline issues will be considerable and that we may not reduce the backlog as rapidly.

CHAPTER VI: WORKPLAN

A. Analytic Requirements to Support the CDSS Strategy

Our large current portfolio includes major analytic undertakings in several sectors. The upcoming food security project, for example, embodies analytic work in national agricultural policy, food management policy and agricultural trade policy. The Energy Planning Project incorporates a wide range of policy work in such areas as energy management, coal development and energy sector finance. The Rural Electrification Project incorporates a series of national level policy assessments designed to frame Pakistan's basic electrification policies for the next decade. The PL 480 program has led to a joint AID/GOP study of oilseeds bufferstock management policy with an innovative exploration of the potential for using international commodity markets and financial instruments to accommodate a part of Pakistan's massive oilseed stocking requirements.

Over and above the very large analytic element of the portfolio itself, the mission will require a range of specialized analytic undertakings to frame both our long-term policy dialogue and our downstream programming decisions - particularly the choices which we confront on investments in the post-1987 period.

The focus of these undertakings is shaped by the sectoral composition of the program: our major areas of investment - energy, irrigation and agriculture - and the most glaring sectoral omission in our portfolio: primary education.

Energy: In addition to the energy policy assessment for the sectoral PAAD and the substantial policy work in the Energy Planning Project, the mission anticipates the need for a sector assessment in the last stage of the six year program (probably in FY 86). The objective of the sector analysis will be to provide Mission, Bureau, and Agency management with a sound basis for making strategic decisions about the size and character of our Energy program in Pakistan in the years after 1987. Performance on policy reforms and performance against the targets of AID and multilateral capital projects in energy will guide strategic thinking about the appropriate mix of capital assistance, technical assistance and institutional investments for AID's energy programs in the coming years.

Irrigation: USAID has a substantial portfolio of irrigation investments underway in the current program. These are concentrated at the on-farm level and on rehabilitation, maintenance and management of Pakistan's vast irrigation infrastructure. In the years after 1987 AID will have to make important strategic decisions about the shape of our irrigation program. Do we continue an emphasis on increasing efficiency of the existing system? Do we participate in some of the major capital undertakings in irrigation and drainage which we know will be underway with IBRD and ADB

financing? We will need to undertake (in concert with the multilaterals if possible) a sectoral review in FY 86 or FY 87 to examine the economic and technical factors which define priority rankings among such investment areas as:

a. increasing total water delivery capacity of Pakistan's irrigation system

b. increasing the acreage covered by the system

c. contributing to major new national investments in drainage infrastructure (such as the Left Bank Outfall program currently under IBRD appraisal)

d. making a major institutional initiative in organization reform in irrigation

e. helping Pakistan to meet ongoing rehabilitation and O&M requirements while the multilaterals concentrate on new capital investments

Arriving at a sound answer to AID's proper place in this set of competing investment priorities will not be simple. We expect that the quality of irrigation sector assessment needed to meet this requirement will take a full year to design and contract for, and that major design and conceptual inputs will be required from the best irrigation talent accessible by the Agency (both USDH and contract staff). In all probability the design of this sector analysis will take place in FY 86 and the execution in FY 87. USAID recognizes that the very strong investment positions already staked-out by the multilaterals will place great pressure on us to cofinance within their programs. This may well be the best course, but a comprehensive review of the alternatives is called for.

Agricultural Technology

The two cornerstones of USAID's strategy in agriculture through FY 87 are investments to increase the efficiency of the irrigation system of Pakistan and investments intended to lay the base for the technological capacity which will permit Pakistan to achieve and sustain the yield increases which we know are feasible here. We are confident that the Northwest Frontier Agricultural Technology Network program will warrant our continued substantial involvement post-1987. We are less certain, however, about the optimum shape and scale of the balance of our longer term role in agricultural research and technology. We anticipate facing important strategic choices between expanding our involvement with Pakistan's other major agricultural universities or sustaining our very considerable investment in the Federal and Provincial research establishments of the GOP. Similarly, our current stance of minimal direct investment in the agricultural extension system may warrant serious reassessment if the multilateral donor investments in that system are yielding significant improvements. To make informed strategic choices, particularly if the total AID resource levels for Pakistan decline as currently

planned by AID/W, USAID will require an intensive high-quality assessment of the agricultural technology subsector. As in the case of the irrigation assessment, this will necessarily be an undertaking which will demand almost as much effort at the conceptual and design stages as in final execution. With the NWFP program slated to continue well past FY 87, it is the Mission's judgement that the Agriculture Technology assessment could be designed in FY 87 and executed in FY 88.

Primary Education

The education policy overview of the CDSS and the Strategy sections underscored the importance of primary education reform to the realization of Pakistan's long-term development goals. While Pakistan's poor track record, weak policy and weak institutional infrastructure have kept USAID out of primary education to date, we are firmly committed to a major subsectoral analysis of primary education in FY 85. We would seek to undertake that analysis in a manner such that it would serve as a valuable policy tool for the GOP whether or not it led finally to an AID investment. The subsector assessment will be focussed not on the needs for primary education reform, for these are amply documented. Nor will it focus on establishing targets and goals for enrollment and literacy, for these, too, are amply dealt with in the Sixth Five Year Plan. Rather, the assessment will explore the policy, resource, institutional, and management constraints to meeting the GOP's declared goals and identifying specific proposals to overcome those constraints. We anticipate that community management and local government roles in primary schooling will figure centrally in the areas reviewed by the assessment. Mission currently looks towards a schedule which would require conceptual definition of the assessment by the end of FY 84, a detailed analytical framework and workplan by mid FY 85 and an assessment contracted for and underway by the end of FY 85. Mission and AID/W decisions of sectoral programming would be expected in FY 86.

Health Sector Finance

The USAID has already conducted preliminary analytic work in the area of health sector financing. On the basis of this work and the substantial World Bank work in this area, we are giving serious thought to a gradual shift in emphasis in the AID health portfolio away from health services and towards financial policy in the health sector. The first steps in exploring this alternative will involve the design of several small-scale experiments in innovative financial modes which we will conduct within our existing health projects. We also plan to finance some additional economics/finance analytical work from our project design resources over the next 18 months to craft and assess these small-scale experiments. If the foregoing are positive, and if the GOP signals a genuine willingness to cooperate in a broader exploration of innovative policies for health financing, then we would initiate a major analytical effort to support the design of a new project. This analytical work would probably come in late FY 85 or early FY 86.

B. Implementation Requirements to Support the CDSS

The USAID has prepared a table of implementation requirements for the multi-year program outlined in this CDSS. The presentation includes a proposed schedule for program and project documentation (preparation and submission) and for the conduct of key items of analytical work including sector assessments, special studies and major evaluations. The evaluation plan is also provided separately in section C of this chapter to permit correlation with Asia Bureau Evaluation planning documents. The workplans are keyed to the funding plan presented in the Resource Tables of Chapter V.

A number of assumptions are built into the two tables which follow: Table 14 which schedules implementation events by project and Table 15 which schedules implementation events by fiscal year and quarter. The key planning assumptions are listed below:

a. All new projects will continue to be incrementally funded.

b. There are no definite new project starts in FY 86 and beyond.

c. Possible starts after FY86 (e.g., irrigation, narcotics) are shown as requiring a mission decision as to whether an amendment to an existing project or a new project paper is appropriate.

d. No tracking is presented for a Primary Education Project. Until the completion of the subsector assessment and subsequent decisions about entry into a new sector, we cannot accurately forecast implementation requirements.

e. No projections of funding decisions which will be tied to the decision on a second multi-year agreement (e.g., possible participation in Kalabagh or LBOD after FY 87).

f. PID/PP amendments will be required only for substantial changes in currently authorized projects.

g. Authorization amendments will be required for projects which we propose as candidates for continued funding in the FY 88-FY 90 period in the Resources Table in Chapter V. The only exception is NWFP Agricultural Technology where we will seek an initial authorization covering the post-FY 87 period.

h. All authorization amendment events (except for Project Design Fund) shall be preceeded by an evaluation. Where PP amendments are also involved, PP design teams have been programmed after the evaluation has been completed.

C. Benchmarks and Evaluation

The Pakistan assistance program presented in this CDSS is organized around several major development themes. These include:

a. Improved performance of the commercial and traditional energy sectors as measured both in output terms and resource efficiency terms.

b. Improved performance from the irrigation system in Pakistan in terms of (i) more efficient water management at the farm level, ii) better maintenance and management of capital stock in the irrigation system, (iii) the application of command area management techniques to increase total system efficiency.

c. Increased cropping intensities and increased crop yields through the application and extension of agricultural technology at the farm level. Achievement of the GOP goal of sustained five percent annual growth in the value of agricultural output achieved largely through intensification and yield increases rather than through acreage increases.

d. Increased privatization in the commodity producing sectors and increased liberalization and market orientation in economic infrastructure areas such as energy, water, and transport and communications.

e. Greater market orientation and private sector participation in the financial institutions of Pakistan.

f. Improved cost effectiveness in rural health care service delivery combined with better recurrent cost management in the public health sector.

g. Broad policy and performance improvements in the planning and delivery of family planning services on a national scale as measured by increases in contraceptive prevalence rates, effective protection rates and the like.

The projects themselves, of course, incorporate a myriad of specific progress indicators and verifiable indicators of performance. We believe the breadth and scope of our total portfolio permits us to measure performance on two levels. In the case of national level sectoral objectives such as those listed above, the mission will use Government of Pakistan national data as our basic set of benchmarks. Our Energy, Agriculture and Population programs all include elements which work directly with the GOP to support and sharpen the quality of national level data collection for these sectors. In the case of project level objectives, the project evaluation plans and the multi-year mission evaluation plan presented in Table 16 are keyed to our overall implementation and financing plans for the years through FY 1990.

D. Staffing Constraints

USAID/Pakistan is in its third year of designing and implementing AID's second largest development program. Beginning in 1981, with 17 USDH positions, the Mission has grown slowly to the present level of 36. Although the 20 projects and programs agreed upon in 1981 contain significant fast disbursing elements, the emphasis of the program is on development and is attuned to AID's major policy concerns -- technology transfer, institution building, private sector development, and policy change. Pursuing these policies and responding to Pakistan's particular development priorities, e.g., the development of lagging areas, is necessarily staff intensive. Expansion of our four Provincial Liaison Offices to support and guide the program in coordination with the Provincial Governments has been an absolute necessity for implementation and design of the program. USAID/Pakistan has four "mini Missions" three of which are headed by USDH. There is no USDH position for the Lahore Liaison Office where it is needed urgently.

In FY 1984 the Mission is designing 6 major new projects and implementing 14, all within the framework of the 1981 understanding. In 1985 three major projects will round out the design load for the 1982-87 period. By 1985 then, 23 projects, each with resources equivalent to a small-to-medium sized Mission's portfolio will be under implementation by the Mission in Islamabad and four regional offices, in coordination with four Provincial Government and the GOP.

USAID/Pakistan has relied heavily on contractors, TDYs and qualified FSN staff to carry it through the heavy design period and will continue to use these resources, to the maximum extent possible, in the implementation phase. However, the size and scope of the program (which will be at its implementation peak through the planning period) now requires, and will continue to require, a minimum of 42 full-time USDH staff. Needed immediately are six new positions:

a. A Forestry Advisor for the major new initiative in this sector.

b. An Agricultural Project Manager for the major Peshawar Agricultural University Project.

c. A Capital Development Officer to backstop design and implementation in our short-handed Project Design and Management Office.

d. A Regional Affairs Officer in Lahore, capital of the Punjab where the bulk of the AID program resources will be applied.

e. A Narcotics Project Officer to take on the narcotics related projects and programs that will be added to the GAADP effort.

f. An additional Agricultural/Irrigation Advisor to help manage the large On-Farm Water Management, Irrigation Systems Management and Command Water Management portfolio of projects.

These six positions are proposed for immediate establishment and would bring the total full time USDH staff to 42, requiring about 36-1/4 FTEPs in 1984 and just under 42 FTEPs in succeeding years through the planning period. This is the immediate requirement and will be the base requirement through the planning period.

The Mission is also planning to recruit one IDI Program Officer over the coming 12 months to strengthen the policy oversight and program management functions in this $1.625 billion dollar program. An IDI will not pose near term FTE and ceiling requirements, but will have to be accommodated within our overall country mode for US staff. There are three possible positions which we are considering as we look down the road at the implementation of the program outlined in this CDSS. One is a full time evaluation officer. Evaluation will be absolutely critical to the evolution of the program and to the transition into a second generation portfolio. The workplan lays out a massive evaluation requirement. The second possible requirement is for a commodity specialist to handle to growing commodity import element in the program. Thirdly, the construction elements of our portfolio involve a vast amount of engineering design and supervision. We may well require another project engineer.

The Mission has been also encouraged to think about an initiative in primary education, an entry into which would reaqire at least one additional position. In addition, as the $50.0 million Private Sector Project develops, an additional USDH may well be needed. Two other possible positions which may be required are (1) an additional executive officer to handle the USAID's burgeoning operating and implementation responsibilities in Islamabad and our four regional offices and (2) a highly qualified energy policy specialist who could lead the policy component of our massive energy sector program. A definite need for these positions has not yet materialized but the Mission needs the flexibility to add them, and/or others as the Program matures. In any event we do not envisage a direct hire staff larger than 45 in the planning period.

We believe that with careful attention to the sectoral composition of the staff - moving gradually towards a higher concentration of implementation staff while preserving a basic core design capability, and building additional commodity and procurement capacity to handle a program which will involve a growing proportion of commodity assistance - the staffing needs will plateau at the 45 level (plus or minus) and remain stable at this level through the balance of the CDSS planning period.

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
391-0296	Agricultural Research	Interim Evaluation Conducted	84	1st	Completed and submitted to AID/W in 12/83
		National Agricultural Research Center Inaugurated	84	2nd	The inauguration, currently scheduled for March 1984, may slip into the 3rd quarter of FY 84.
		Final Evaluation Conducted	85	3rd	PACD is 6/30/85.
391-0413	On-Farm Water Management	Long-Term Advisors Arrive	84	3rd	
		Local Government Pilot Program Launched	84	3rd	
		Interim Evaluation Conducted	85	3rd	
		Final Evaluation Conducted	87	3rd	PACD is 6/30/87.
391-0467	Irrigation Systems Management	Commodities Begin to Arrive	84	1st	Commodities financed under Agricultural Commodities and Equipment Program
		ProAg Amendment Signed	84	1st	Done
		Long-Term Advisors Arrive	84	3rd	Planning, Equipment and Engineering Teams
		Research Definition Team Arrives	84	3rd	
		ProAg Amendment Signed	84	4th	
		PP Amendment Prepared	84	4th	To include Command Water Management (CWM) Program
		PP Amendment Approved	85	1st	For CWM Program
		Authorization Amendment Signed	85	1st	To include CWM Program and increase LOP funding from $ 65 million to $ 90 million
		ProAg Amendment Signed	85	1st	
		Long-Term Advisors Arrive	85	2nd	Research Team and CWM Teams
		Interim Evaluation Conducted	85	2nd	
		ProAg Amendment Signed	86	1st	
		Civil Works Rehabilitation Program Completed	86	2nd	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	88	2nd	
		Design Team Arrives	88	3rd	To prepare PP amendment or new PP with LOP funding of $85 million

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
		PP (Amendment) Approved	88	4th	This may be a PP amendment or a new project with LOP funding of $ 85 million. If new project, a PID will be submitted to AID/W.
		Authorization (Amendment) Signed	88	4th	This may be a PP amendment or a new project with LOP funding of $ 85 million
		ProAg (Amendment) Signed	88	4th	
		ProAg Amendment Signed	89	1st	
		ProAg Amendment Signed	90	1st	PACD of original project is 4/30/90
391-0468	Agricultural Commodities and Equipment	Design Team Arrives	84	2nd	
		PAAD Amendment Signed	84	3rd	Covering FY 84 program only
		Authorization Amendment Approved	84	3rd	
		Fertilizer Policy Study Conducted	84	3rd	
		ProAg Amendment Signed	84	3rd	
		Design Team Arrives	85	2nd	
		PAAD Amendment Approved	85	3rd	Covering the period FY 85 - FY 86
		Authorization Amendment Signed	85	3rd	Covering the period FY 85 - FY 86
		ProAg Amendment Signed	85	3rd	
		ProAg Amendment Signed	86	1st	
		Evaluation Conducted	87	4th	
		Design Team Arrives	88	1st	
		PAAD Amendment Approved	88	2nd	Covering the period FY 88 - FY 90
		Authorization Amendment Signed	88	2nd	Covering the period FY 88 - FY 90
		ProAg Amendment Signed	88	2nd	
		ProAg Amendment Signed	89	1st	
		Interim Evaluation Conducted	89	4th	
		ProAg Amendment Signed	90	1st	Final program evaluation likely to be scheduled for 4th quarter FY 92
391-0469	Population Welfare Planning	ProAg Amendment Signed	84	1st	Done
		Orders for Contraceptives Placed	84	1st	Done
		ProAg Amendment Signed	84	2nd	
		Long-Term Advisor Arrives	84	4th	
		Interim Evaluation Conducted	85	1st	

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
		Authorization Amendment Signed	85	2nd	To increase LOP funding by $20 million to $ 45.6 million for contraceptives. Assumes no PID or PP amendment required
		ProAg Amendment Signed	85	2nd	
		Orders for Contraceptives Placed	85	2nd	
		ProAg Amendment Signed	86	1st	
		Construction of Warehouse and NRIFC Building Completed	86	3rd	
		ProAg Amendment Signed	87	1st	PACD is 9/30/87
		Orders for Contraceptives Placed	87	2nd	
		Interim Evaluation Conducted	87	3rd	
		Authorization Amendment Signed	88	1st	To increase LOP funding by $ 30 million to $ 75.6 million for contraceptives and extend PACD. Assumes no PID or PP Amendment required
		ProAg Amendment Signed	88	1st	
		Orders for Contraceptives Placed	88	2nd	
		ProAg Amendment Signed	89	1st	
		ProAg Amendment Signed	90	1st	Final evaluation likely to be scheduled for 3rd quarter, FY 91
		Orders for Contraceptives Placed	90	2nd	
391-0470	Project Design Fund	Authorization Amendment Signed	85	1st	To increase LOP funding by $ 5 million to $ 15 million. Assumes no PID or PP Amendment required. Mission will exercise its authority to approve
		ProAg Amendment Signed	85	1st	
		ProAg Amendment Signed	86	1st	PACD is 9/30/87. Extend by PIL for one year.
		Authorization Amendment Signed	88	1st	To increase LOP funding by $10 million to $25 million and extend PACD. Assumes no PID or PP amendment required. Mission will exercise its authority to approve
		ProAg Amendment Signed	88	1st	
		ProAg Amendment Signed	90	1st	
391-0471	Tribal Areas Development	Long-Term Advisors Arrive	84	1st	Done
		ProAg Amendment Signed	84	1st	Done
		ProAg Amendment Signed	85	1st	
		Interim Evaluation Conducted	85	3rd	

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
		Authorization Amendment Signed	86	1st	To increase LOP dollar funding (to replace Mondale rupees originally planned for) by $9 million to $24 million. Assumes no PID or PP amendment required. Mission will request redelegation of authority to approve. Original authorization was signed by AA/ASIA
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		Final Evaluation Conducted	87	4th	PACD is 9/30/87
391-0472	Malaria Control II	Interim Evaluation Conducted	84	1st	Completed and submitted to AID/W in 12/83.
		Orders for Insecticide Placed	84	1st	
		Authorization Amendment Signed	84	3rd	To increase LOP funding by $ 3.2 million to $44.2 million to cover foreign exchange and local costs of ICMRT/University of Maryland Malaria Research Program through 9/30/87. Assumes no PID or PP amendment required.
		ProAg Amendment Signed	84	3rd	
		Special Field Evaluation Conducted	84	4th	
		Orders for Insecticide Placed	85	1st	
		ProAg Amendment Signed	85	1st	
		NMTC Building Purchased and Renovated	85	2nd	
		Urban Malaria Control Program Launched	85	3rd	
		Interim Evaluation Conducted	85	4th	
		Orders for Insecticide Placed	86	1st	
		ProAg Amendment Signed	87	1st	
		Orders for Insecticide Placed	87	1st	
		Interim Evaluation Conducted	87	4th	PACD is 9/30/87. Extend by PIL for one year.
		Authorization Amendment Signed	88	1st	To increase LOP funding by $ 30 million to $74.2 million for insecticides and extend PACD. Assumes no PID or PP amendment required.
		ProAg Amendment Signed	88	1st	
		Orders for Insecticide Placed	88	1st	
		ProAg Amendment Signed	89	1st	
		Orders for Insecticide Placed	89	1st	
		Interim Evaluation Conducted	89	4th	

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
		ProAg Amendment Signed	90	1st	Final evaluation likely to be scheduled for 4th quarter, FY 91
		Orders for Insecticide Placed	90	1st	
391-0473	Rural Electrification	ProAg Amendments Signed	84	1st	Grant and Loan Agreements. Done.
		Long-Term Advisors Arrive	84	2nd	Both Guddu Advisors and Principal Technical Assistance Team
		Awards for Gas Turbines and Related Equipment for Phase I Made	84	3rd	
		ProAg Amendments Signed	85	1st	
		Comprehensive Training and Energy Loss reduction Plans Approved and Programs Launched	85	1st	
		Awards for Guddu Phase II Equipment Made	85	1st	
		Master Plan Completed	85	1st	
		Phase I Guddu Facility Inaugurated	85	1st	
		Interim Evaluation Conducted	85	2nd	
		Rural System Expansion Program Launched	85	3rd	
		ProAg Amendments Signed	86	1st	
		Phase II Guddu Facility Inaugurated	86	3rd	
		Construction of Model Warehouses and Customer Service Centers Completed	86	4th	
		Authorization Amendment Signed	87	1st	To increase LOP dollar funding (to replace Mondale rupees originally planned for) by $13 million to $168 million. Assumes no PID or PP Amendment required.
		Construction of Training Center Completed	87	2nd	
		Interim Evaluation Conducted	87	3rd	
		ProAg Amendments Signed	87	4th	
		Final Evaluation Conducted	90	3rd	Revised PACD is 9/30/89. (PACD will have to be extended by AID/W)

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
391-0474	Development Support Training	ProAg Amendments Signed	84	1st	Dollar and Mondale Rupee Agreements. Done
		Long-Term Advisors Arrive	84	2nd	
		PP Amendment Approved	86	1st	To increase LOP dollar funding by $15 million to $25 million. Mission will request redelegation of authority to approve.
		Authorization Amendment Signed	86	1st	To increase LOP dollar funding by $15 million to $25 million. Mission will request redelegation of authority to approve.
		ProAg Amendment Signed	86	1st	
		Interim Evaluation Conducted	86	2nd	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	88	2nd	PACD is 3/31/88.
		Design Team Arrives	88	4th	
		PP Amendment Approved	89	1st	To increase LOP dollar funding by $20 million to $45 million.
		Authorization Amendment Signed	89	1st	To increase LOP dollar funding by $20 million to $45 million.
		ProAg Amendment Signed	89	1st	
		ProAg Amendment Signed	90	1st	Final evaluation likely to be scheduled for 2nd quarter, FY 91.
391-0475	Primary Health Care	ProAg Amendment Signed	84	1st	Done
		Baseline Health Survey Completed	84	3rd	
		ProAg Amendment Signed	85	1st	
		Interim Evaluation Conducted	85	4th	
		Design Team Arrives	86	1st	
		PP Amendment Approved (possible)	86	2nd	If necessary,to change project purpose, inputs, outputs. No change in funding. Mission will exercise its authority to approve.
		Authorization Amendment Signed (possible)	86	2nd	If necessary, to change project purpose, inputs, outputs. No change in funding. Mission will exercise its authority to approve.
		ProAg Amendment Signed	86	2nd	Technical amendment only.
		Construction of MT Training Schools Completed	86	3rd	
		Final Evaluation Conducted	87	3rd	PACD is 9/30/87

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 FY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
391-0478	Energy Planning and Development	ProAg Amendment Signed	84	1st	
		Long-Term Advisors Arrive	84	4th	
		ProAg Amendment Signed	85	1st	
		ProAg Amendment Signed	86	1st	
		Interim Evaluation Conducted	86	4th	
		Final Evaluation Conducted	89	3rd	PACD is 7/31/88. Extend by PIL for one year.
391-0479	Baluchistan Area Development	PP Approved	84	3rd	
		Authorization Signed	84	3rd	
		ProAg Signed	84	3rd	
		ProAg Amendment Signed	85	1st	
		Long-Term Advisors Arrive	85	2nd	
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	87	2nd	
		Final Evaluation Conducted	90	3rd	
391-0480	Rural Roads	PID Approved	84	4th	
		PP Approved	85	2nd	
		Authorization Signed	85	2nd	
		ProAg Signed	85	3rd	
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	88	1st	
391-0481	Forestry Planning and Development	ProAg Amendment Signed	84	1st	Done
		Long-Term Advisors Arrive	85	1st	
		ProAg Amendment Signed	85	1st	
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	88	2nd	Final Evaluation is likely to be scheduled for 2nd quarter, FY 91. PACD is 8/30/91.

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
391-0482	Private Sector Mo[illegible]ization	Interim Report Approved	84	4th	
		PP Approved	85	3rd	
		Authorization Signed	85	3rd	
		ProAg Signed	85	3rd	
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		ProAg Amendment Signed	88	1st	
		Interim Evaluation Conducted	88	3rd	
		Design Team Arrives	89	1st	
		PP Amendment Approved	89	2nd	To increase LOP funding by $20 million to $70 million.
		Authorization Amendment Signed	89	2nd	To increase LOP funding by $20 million to $70 million.
		ProAg Amendment Signed	89	2nd	
		ProAg Amendment Signed	90	1st	
391-0484	Social Marketing [illegible] Contraceptives	PP Approved	84	2nd	By Mission
		Authorization Signed	84	2nd	By Mission
		ProAg Signed	84	2nd	
		ProAg Amendment Signed	85	1st	
		Pilot Program Launched (Condoms)	85	1st	
		Interim Evaluation Conducted	85	4th	
		ProAg Amendment Signed	86	1st	
		Program Launched Nationwide (Condoms)	86	1st	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	87	2nd	
		Interim Evaluation Conducted	88	3rd	
		Authorization Amendment Signed	88	4th	To increase LOP funding by $ 15 million to $35 million for contraceptives and to extend PACD. Assumes no PID or PP Amendment required. Mission will request ad hoc redelegation of authority to approve.
		ProAg Amendment Signed	88	4th	
		ProAg Amendment Signed	89	1st	
		ProAg Amendment Signed	90	1st	Final evaluation likely to be scheduled for 4th quarter, FY 91

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
391-0485	Gadoon-Amazai Area Development	ProAg Amendment Signed	84	1st	Done
		Design Team Arrives	84	3rd	
		ProAg Amendment Signed	84	4th	
		Phase I Evaluation Conducted	84	4th	
		Phase II Long-Term Advisors Arrive	84	4th	
		PP Amendment Approved	85	1st	To increase LOP funding by $ 10 million to $30 million to include activities in support of the GOP's Special Development Plan for Opium Poppy Growing Areas
		Authorization Amendment Approved	85	1st	
		ProAg Amendment Signed	85	1st	
		ProAg Amendment Signed	86	1st	
		Poppy Production Totally Eradicated	86	2nd	
		Interim Evaluation Conducted	87	1st	
		ProAg Amendment Signed	87	1st	
		Design Team Arrives	87	4th	PACD of original project is 12/31/88. Extend by PIL for one year.
		PP (Amendment) Approved	88	2nd	This may be a PP amendment or a new project with LOP funding of $30 million. If new project, a PID will be submitted to AID/W.
		Authorization (Amendment) Signed	88	2nd	This may be a PP amendment or a new project with LOP funding of $30 million.
		ProAg (Amendment) Signed	88	2nd	
		ProAg Amendment Signed	89	1st	
		ProAg Amendment Signed	90	1st	
391-0486	Energy Commodities & Equipment	PAIP Approved	84	2nd	
		PAAD Approved	84	4th	Covering the period FY 84 - FY 87
		Authorization Signed	84	4th	Covering the period FY 84 - FY 87
		ProAg Signed	84	4th	
		ProAg Amendment Signed	85	1st	
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	87	3rd	
		Design Team Arrives	87	4th	

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
		PAAD Amendment Approved	88	1st	Covering the period FY 88 - FY 90
		Authorization Amendment Signed	88	1st	Covering the period FY 88 - FY 90
		ProAg Amendment Signed	88	2nd	
		ProAg Amendment Signed	89	1st	
		ProAg Amendment Signed	90	1st	Final evaluation likely to be scheduled for 4th quarter, FY 91
391-0487	Lakhra Coal Mine and Power Generation				
		PID Approved	84	1st	Done
		Interim Report Approved	85	1st	
		PP Approved	85	2nd	
		Authorization Signed	85	3rd	
		ProAg Signed	85	3rd	
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	88	4th	Final evaluation likely to be scheduled for 4th quarter, FY 91
391-0488	Reform of NWFP Agricultural Technology Transfer Network				
		PP Approved	84	2nd	
		Authorization Signed	84	3rd	Covering the period FY 84 - FY 94.
		ProAg Signed	84	3rd	
		Contracts for Long-Term Advisors Amended	84	4th	
		First Phase of Curriculum Reform Initiated	85	1st	
		ProAg Amendment Signed	85	1st	
		Construction Program Launched	85	2nd	
		ProAg Amendment Signed	86	1st	
		Interim Evaluation Conducted	86	4th	
		ProAg Amendment Signed	87	1st	
		ProAg Amendment Signed	88	1st	
		Phase I Construction Program Completed	88	2nd	

TABLE 14

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY PROJECT

PROJECT NO.	PROJECT TITLE	MAJOR PROJECT EVENTS	FY	QUARTER	COMMENTS
		Evaluation of Phase I Conducted	88	4th	
		ProAg Amendment Signed	89	1st	
		Phase II Construction Program Completed	90	3rd	
		Evaluation of Phase II Conducted	91	4th	Final evaluation likely to be scheduled in 1st quarter, FY 94. (Phase III construction program is scheduled for completion by 4th quarter, FY 93.)
391-0489	Management of Agricultural Research and Technology	PP Approved	84	3rd	By Mission.
		Authorization Signed	84	3rd	By Mission.
		ProAg Signed	84	3rd	
		ProAg Amendment Signed	85	1st	
		Long-Term Advisors Arrive	85	1st	
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		Interim Evaluation Conducted	87	4th	
		Final Evaluation Conducted	90	4th	
391-0491	Food Security Management	PP Approved	84	2nd	
		Authorization Signed	84	2nd	
		ProAg Signed	84	3rd	
		ProAg Amendment Signed	85	1st	
		Long-Term Advisors Arrive	85	2nd	
		ProAg Amendment Signed	86	1st	
		ProAg Amendment Signed	87	1st	
		Storage Rehabilitation Program Launched	87	1st	
		Interim Evaluation Conducted	86	4th	
		Final Evaluation Conducted	90	4th	

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
84	1	-FY 85 Congressional Presentation	-Lakhra Coal Mine and Power Generation PID	Dollar Amendments to: Irrigation Systems Management, Population Welfare Planning, Tribal Areas Development, Rural Electrification (L&G), Development Support Training, Primary Health Care, Energy Planning and Development, Gadoon-Amazai Area Development, and Forestry Planning and Development Rupee Amendments to: Development Support Training, and Rural Electrification.	Malaria Control II (I) Agricultural Research (I)	-Lakhra Coal Mine and Power Generation -Baluchistan Area Development -Private Sector Mobilization	-Execute long-term contracts for Guddu A&E services under Rural Electrification and major T.A. contract under Development Support Training. -Initiate procurement of malathion for Malaria Control II. -Initiate procurement of contraceptives for Population Welfare Planning.
84	2	-FY 86-90 CDSS (including Multi-Year Workplan)	-Food Security Management PP and Authorization -Energy Commodities and Equipment PAIP -NWFP Ag.Technology Network PP and Authorization -Social Marketing of Contraceptives PP and Authorization	-Dollar Amendments to: -Population Welfare Planning -Malaria Control II -Social Marketing of Contraceptives		-Energy Commodities and Equipment -Baluchistan Area Development -Private Sector Mobilization -Agricultural Commodities and Equipment -Management of Ag. Research and Technology -Irrigation Systems Management (CWM)	-Inauguration of NARC under Agricultural Research. -Execute long-term contracts under Rural Electrification, On-Farm Water Management and Irrigation Systems Management (3 teams) -Execute contracts for Fertilizer Policy Study under Project Design Fund and Research Definition Team under Irrigation Systems Management.

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
84	3	-FY 86 ABS (Including Evaluation Plan) -Fertilizer Policy Study	-Baluchistan Area Development PP and Authorization -Agricultural Commodities and Equipment PAAD and Authorization Amendments -Management of Ag. Research and Technology PP and Authorization	-Food Security Management -NWFP Ag. Technology Network -Agricultural Commodities and Equipment Amend -Baluchistan Area Development -Management of Ag. Research and Technology		-Rural Roads -Private Sector Mobilization -Lakhra Coal Mine and Power Generation -Management of Ag. Research and Technology -Energy Commodities and Equipment -Gadoon-Amazai Area Development	-Make awards for gas turbines and related equipment for Phase I of Guddu under Rural Electrification -Launch Local Government Pilot Program under On-Farm Water Management. -Execute long-term Phase I contract for Lakhra team under Energy Planning & Development -Make awards for coal equipment under Energy Planning and Development -Execute contract with local firm for Social Marketing of Contraceptives.
84	4	-Environmental Assessments under Tribal Areas Development and Lakhra Coal Mine and Power Generation	-Rural Roads PID -Private Sector Mobilization Interim Report -Energy Commodities and Equipment PAAD and Authorization	-Energy Commodities & Equipment -Gadoon-Amazai Area Development Amendment -Irrigation Systems Management Amendment	-Malaria Control II (Field Evaluation) -Gadoon-Amazai Area Development (Phase I)	-Lakhra Coal Mine and Power Generation	-Initiate procurement of fertilizer for FY 85 under Agricultural Commodities & Equipment. -Execute long-term A&E contract for Baluchistan roads component. -Execute long-term contract for Planning Team under Baluchistan Area Development -Execute long-term contract under Forestry Planning & Development and for coal assessment team under Energy Planning and Development.

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
85	1	-FY 86 Congressional Presentation	-Irrigation Systems Management PP and Authorization Amendments (CWM) -Lakhra Interim Report -Gadoon PP and Authorization Amendments -Project Design Fund Authorization Amendment	-Dollar Amendments to: -Irrigation Systems Management -Tribal Areas Development -Rural Electrification (L&G) -Project Design Fund -Primary Health Care -Energy Planning & Development -Forestry Planning & Development -Gadoon-Amazai Area Development, Food Security Management, NWFP Ag. Technology Network, Baluchistan Area Development, Management of Ag. Research and Technology, Social Marketing of Contraceptives, Energy Commodities & Equipment, and Malaria Control II	-Population Welfare Planning (I)	-Lakhra Coal Mine and Power Generation -Rural Roads -Private Sector Mobilization	-Initiate procurement of commodities under Energy Commodities & Equipment and Agricultural Commodities & Equipment and malathion under Malaria Control II. -Execute long-term contract for Planning and Renewables team under Energy Planning & Development and CWM teams under Irrigation Systems Management. -Execute long-term contracts with University of Illinois and SOM under NWFP Ag. Technology Transfer Network. -Launch condom pilot program under Social Marketing of Contraceptives. -Inauguration of Phase I Guddu Facility under Rural Electrification.
85	2	-Primary Education Sub-Sector Assessment -Environmental Assessment under Baluchistan Area Development Amendment	-Rural Roads PP and Authorization -Lakhra PP and Authorization -Population Welfare Planning Authorization Amendment	-Population Welfare Planning Amendment	-Irrigation Systems Management(I) -Rural Electrification (I)	-Lakhra Coal Mine and Power Generation -Rural Roads -Private Sector Mobilization -Agricultural Commodities & Equipment	-Execute long-term contract for Turbat Team for Baluchistan Area Development -Initiate procurement of Contraceptives under Population Welfare Planning

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
85	3	-FY 87 ABS -Multi-year Workplan Update (including Evaluation Plan) Amendments	-Private Sector Mobilization PP and Authorization -Agricultural Commodities and Equipment PAAD and Authorization -Agricultural	-Rural Roads -Lakhra Coal Mine and Power Generation -Private Sector Mobilization (I) Commodities & Equipment Amendment	-Agricultural Research (F) -On-Farm Water Management (I) -Tribal Areas Development	-Private Sector Mobilization -Agricultural Commodities and Equipment	-Execute long-term contracts under Food Security Management. -Rural Systems Expansion Program launched under Rural Electrification.
85	4				-Malaria Control II (Field Evaluation) -Primary Health Care (I) -Social Marketing of Contraceptives		-Initiate procurement of fertilizer for FY 86 under Agricultural Commodities & Equipment. -Execute Phase II contract for long-term Lakhra Team under Lakhra Coal Mine and Power Generation.
86	1	-FY 87 Congressional Presentation	-Tribal Areas Development Authorization Amendment -Development Support Training PP and Authorization Amendments	Dollar Amendments to: -Irrigation Systems Management -Population Welfare Planning -Tribal Areas, Rural Electrification (L&G), Project Design Fund, Development Support Training, Energy Planning & Development, Forestry Planning & Development, Gadoon-Amazai Area Development, Food Security Management, NWFP Ag. Technology Network, Baluchistan Area Development, Management of Ag. Research & Technology, Social Marketing of Contraceptives, Energy Commodities & Equipment, Rural Roads, Lakhra Coal Mine and Power Generation, Private Sector Mobilization, and Agricultural Commodities & Equipment		-Primary Health Care Revision	-Initiate procurement of malathion under Malaria Control II. -Launch condom program nationwide under Social Marketing of Contraceptives.

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
86	2		-Primary Health Care PP and Authorization Amendments	-Primary Health Care Amendment (Technical Only)	-Development Support Training (I)		-Poppy Production Totally Eradicated under Gadoon-Amazai Area Development
86	3	-FY 88 ABS -Multi-Year Workplan Update (Including Evaluation Plan)					-Inauguration of Guddu Phase II Facility under Rural Electrification. -Storage Rehabilitation Program launched under Food Security Management.
86	4	-Energy Sector Assessment			-Energy Planning & Development (I) -NWFP Ag. Technology Transfer (I) -Food Security Management(I)		
87	1	-FY 88 Congressional Presentation	-Rural Electrification Authorization Amendment	Dollar Amendments to: -Irrigation Systems Management -Population Welfare Planning	-Energy Commodities & Equipment (I) -Gadoon-Amazai Area Development (I) -Social Marketing of Contraceptives (I) -Population Welfare Planning (I)		

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
				-Tribal Areas Development -Malaria Control II, Development Support Training, Baluchistan Area Development, Rural Roads, Forestry Planning & Development, Private Sector Mobilization, Social Marketing of Contractptives, Gadoon-Amazai Area Development, Energy Commodities & Equipment, Lakhra Coal Mine and Power Generation, NWFP Ag. Technology Network, Management of Ag. Research & Technology, and Food Security Management		
87	2	-CDSS Update (Including Multi-Year Workplan and Evaluation Plan Updates)			-Baluchistan Area Development (I)	-Gadoon-Amazai Area Development Amendment -Energy Commodities & Equipment Amendment	
87	3	-FY 89 ABS			-On-Farm Water Management(F) -Primary Health Care (F) -Rural Electrification (I)		

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
87	4	Water Sector Assessment		-Rural Electrification Amendments (L&G)	-Agricultural Commodities & Equipment (I) -Tribal Areas Development (F) -Malaria Control II (I) -Management of Ag. Research & Technology (I)		-Launch Rural System Expansion Program under Rural Electrification.
88	1	-FY 89 Congressional Presentation	-Population Welfare Planning Authorization Amendment -Project Design Fund Authorization Amendment -Malaria Control II Authorization Amendment -Energy Commodities & Equipment PAAD and Authorization Amendments	Dollar Amendments to: -Population Welfare Planning -Project Design -Fund -Malaria Control II -Private Sector Mobilization -NWFP Ag. Technology Network	-Rural Roads (I)	-Agricultural Commodities & Equipment	

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
88	2		-Agricultural Commodities & Equipment PAAD and Authorization Amendments -Gadoon-Amazai Area Development PP and Authorization Amendments	Dollar Amendments to: -Agricultural Commodities & Equipment -Gadoon-Amazai Area Development -Energy Commodities & Equipment	-Irrigation Systems Management (I) -Development Support Training (I) -Forestry Planning & Develop-		
88	3	-FY 90 ABS -Multi-Year Workplan Update (Including Evaluation Plan)			-Private Sector Mobilization(I) -Social Marketing of Contraceptives (I)	-Irrigation Systems Management	
88	4	-Agricultural Technology Sub-Sector Assessment	-Irrigation Systems Management PP and Authorization Amendments -Social Marketing of Contraceptives Authorization Amendment	-Irrigation Systems Amendment -Social Marketing of Contraceptives Amendment	-Lakhra Coal Mine and Power Generation (I) -NWFP Ag. Technology Network (Phase I) (I)	-Development Support Training	

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USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
89	1	-FY 90 Congressional Presentation	-Development Support Training PP and Authorization Amendments	Dollar Amendments to: -Irrigation Systems Management, Agricultural Commodities & Equipment, Population Welfare Planning, Malaria Control II, Development Support Training, Social Marketing of Contraceptives, Gadoon-Amazai Area Development, Energy Commodities and Equipment, and NWFP Ag. Technology Network		-Private Sector Mobilization	
89	2		-Private Sector Mobilization PP and Authorization Amendments	-Private Sector Mobilization Amendment			
89	3	-FY 91 ABS -Multi-year Workplan Update (Including Evaluation Plan)			-Energy Planning & Development (F)		
89	4				-Agricultural Commodities & Equipment (I) -Malaria Control II (I)		

TABLE 15

USAID/PAKISTAN: PROVISIONAL WORKPLAN FOR THE PERIOD FY 84 - FY 90 BY FISCAL YEAR AND QUARTER

FY	QUARTER	PROGRAMMING DOCUMENTS AND MAJOR STUDIES	PROJECT DOCUMENTS	PROJECT AGREEMENTS	EVALUATIONS (I=Interim; F=Final)	DESIGN TEAMS IN-COUNTRY	MAJOR PROJECT IMPLEMENTATION ACTIONS
90	1	-FY 91 Congressional Presentation		Dollar Amendments to: -Irrigation Systems Management, Agricultural Commodities and Equipment, Population Welfare Planning, Project Design Fund, Malaria Control II, Development Support Training, Private Sector Mobilization, Social Marketing of Contraceptives, Gadoon-Amazai Area Development, and Energy Commodities & Equipment			
90	2	-CDSS Update (Including Multi-year Workplan and Evaluation Plan Updates)					
90	3	-FY 92 ABS			-Rural Electrification (F) -Baluchistan Area Development (F)		
90	4				-Management of Ag. Research & Technology (F) -Food Security Management (F)		

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
84*	1	391-0472 Malaria Control II	Interim	-Decision Point: Evaluate field operations including adequacy of supervision, training and commodities as well as surveillance and chemotherapy, and identify policy and operational changes/benchmarks to be implemented in FY 84 and to serve as conditions for procurement of malathion for the FY 84 spraying season. (DONE)
84	1	391-0296 Agricultural Research	Interim	-Decision Point: Identify lessons learned and critical constraints for incorporation into design of 391-0489, Management of Agricultural Research and Technology.(DONE)
84*	4	391-0472 Malaria Control II	Special Field	-Decision Point: Examine program field operations and progress in meeting operational and policy benchmarks and make recommendations for FY 85 spraying season including procurement of insecticides.
84*	4	391-0485 Gadoon-Amazai Area Development	Interim	-Decision Point: Evaluate Phase I and make decision re the conduct of Phase II

* Represents change in Evaluation Plan in FY 85 Annual Budget Submission (ABS)

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
85*	1	391-0469 Population Welfare Planning	Interim	-Decision Point: Assess progress by the GOP in implementing its Population Welfare Plan in general and the A.I.D. project in particular, end use of commodities, donor coordination, performance of the contraceptive storage and logistics system, population research findings and dissemination of results, and IE and C activities, and make decision re increased funding.
85*	2	391-0467 Irrigation Systems Management	Interim	-Assess progress in implementing project, end use of commodities, civil works rehabilitation program, planning and policy formulation and translation into operational programs, progress in meeting O & M budgeting requirements, research program agenda and dissemination of results, CWM program implementation, and donor coordination.
85*	2	391-0473 Rural Electrification	Interim	-Decision Point: Assess operational efficiency of Guddu, re-examine power gap, evaluate implementation of Master Plan and decide whether to implement the Rural System Expansion Program. NOTE: AID/W review of evaluation findings is required prior to obligation of funds for the System Expansion Program.

* Represents change in Evaluation Plan in FY 85 Annual Budget Submission (ABS)

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
85*	3	391-0296 Agricultural Research	Final	-Impact evaluation to assess achievement in meeting project outputs, EOPS indicators, goal and purpose, operational impact of the NARC, dissemination of research findings, impact of training program, and impact of federal and provincial research programs
85*	3	391-0413 On-Farm Water Management	Interim	-Assess progress in implementing local government pilot program including institutional relationships, effectiveness of local councils and Water Users Associations, and identify lessons learned for implementation of the Command Water Management Program under 391-0467, Irrigation Systems Management.
85*	3	391-0471 Tribal Areas Development	Interim	-Assess institutional and financial mechanisms, influence of socio - cultural factors on implementation progress, project site accessibility and degree of local cooperation, administrtion of the Special Development Fund and need for possible changes in inputs/outputs, and revise implementation schedule accordingly.

* Represents change in Evaluation Plan in FY 85 Annual Budget Submission (ABS)

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
85*	4	391-0484 Social Marketing of Contraceptives	Interim	-Decision Point: Examine institutional arrangements and socio-political factors re implementation of the pilot program including attitudes re the use of mass media and decide if, when and how to launch the program nationwide.
85*	4	391-0472 Malaria Control II	Special Field	-Decision Point: Examine program field operations and progress in meeting policy and operational benchmarks and make recommendations for FY 86 spraying season including procurement of insecticides.
85*	4	391-0475 Primary Health Care	Interim	-Decision Point: Assess feasibility of pilot health sector financing initiatives as well as progress in meeting training and management targets and Medical Technician training school construction schedule, and identify lessons learned and suggestions for possible redesign of project.

* Represents change in Evaluation Plan in FY 85 Annual Budget Submission (ABS)

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
87	1	391-0485 Gadoon-Amazai Area Development	Interim	-Examine effectiveness of total ban on poppy production, institutional and financial mechanisms for project implementation, socio-cultural-political factors and their effect on project progress, undertake preliminary assessment of economic impact on the project area, and identify lessons learned for replication in other parts of Pakistan and for poppy eradication programs in general.
87	1	391-0486 Energy Commodities and Equipment	Interim	-Project under design
87	2	391-0479 Baluchistan Area Development	Interim	-Project under design
87	2	391-0484 Social Marketing of Contraceptives	Interim	-Assess overall progress including examination of institutional arrangements and socio-political factors and progress in relaxing restrictions on the use of the mass media
87	3	391-0469 Population Welfare Planning	Interim	-Decision Point: Examine progress to date, identify lessons learned and make decision re continued funding

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
86	2	391-0474 Development Support Training	Interim	-Assess progress in implementing overseas and in-country training programs including ESL program targets, private sector training, local institutional development activities, quality and relevance of training programs, quality of placement and support services provided to participants, extent of utilization of acquired skills and knowledge by participants and relevant sponsoring agencies, and training program planning and coordination by federal and provincial authorities.
86	4	391-0478 Energy Planning and Development	Interim	-Examine key policy issues, institutional arrangements, results and implications of major studies and assessments, feasibility of comprehensive manpower training and renewables demonstration plans, and progress in the coal sub-sector in particular.
86	4	391-0491 Food Security Management	Interim	-Project under design
86	4	391-0488 NWFP Agricultural Technology Transfer Network	Interim	-Project under design

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
87	3	391-0473 Rural Electrification	Interim	-Assess progress in implementing the Master Plan, the comprehensive training program, the energy system loss reduction program, the rural system expansion program, and the sister utilities program.
87	3	391-0413 On-Farm Water Management	Final	-Impact evaluation to assess achievement in meeting project outputs, EOPS indicators, goal, and purpose, especially as they relate to institutional development factors and lessons learned from the local government pilot program.
87	3	391-0475 Primary Health Care	Final	-Impact evaluation to assess health status, health conditions, health worker performance and health education/promotional activities, utilization of physical structures constructed under project, and to identify most feasible and viable approaches to meet recurrent costs of an expanded PHC program.
87	4	391-0468 Agricultural Commodities and Equipment	Interim	-Decision Point: Examine privatization of fertilizer, end use of commodities, and impact of policy studies and policy dialogue as reflected by changes in policies, program operations, and institutional responsibilities and relationships, and identify lessons learned and areas for continued funding including specific procurement arrangements and financial mechanisms.

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
87	4	391-0471 Tribal Areas Development	Final	-Impact evaluation to assess achievement of project outputs, EOPS indicators, goal and purpose, impact on agricultural production in the Tribal Areas, socio-political-economic impact, changes in institutional roles and relationships and capabilities, and replicability of project.
87	4	391-0472 Malaria Control II	Interim	-Decision Point: Assess progress to date with specific reference to field operations, drug treatment, passive case detection, impact of Urban Malaria Control Program, efficiency of spray operations, findings and dissemination of research results, safe-handling procedures, effectiveness of the National Malaria Training Center, federal and provincial management capabilities, identify lessons learned, and make decision re continued funding.
87	4	391-0489 Management of Agricultural Research and Technology	Interim	-Project under design
88	1	391-0480 Rural Roads	Interim	-Project under design

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
88	2	391-0467 Irrigation Systems Management	Interim	-Decision Point: Assess water sector in general and implementation of the A.I.D. project in particular, especially the CWM component, and identify lessons learned and possible areas for continued funding (including a possible new project) and make decision re continued funding.
88	2	391-0474 Development Support Training	Interim	-Decision Point: Assess overall progress, including impact of project on training needs and participant placements under other A.I.D. projects, identify lessons learned and possible areas for continued funding, and make decision re continued funding.
88	2	391-0481 Forestry Planning and Development	Interim	-Examine progress in the establishment of field facilities for farm forestry programs and the development of contacts with receptive farmers; effectiveness of federal and provincial coordinating mechanisms and the integration of government plantation and farm forestry in Forest Department planning efforts; extent of proposed federal and provincial forestry policy initiatives; and extent to which technical assistance and training programs have had impact on program

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
88	3	391-0482 Private Sector Mobilization	Interim	-Project under design
88	3	391-0484 Social Marketing of Contraceptives	Interim	-Decision Point: Assess overall progress and make decision re continued funding
88	4	391-0487 Lakhra Coal Mine and Power Generation	Interim	-Project under design
88	4	391-0488 NWFP Agricultural Technology Transfer Network	Interim	-Decision Point: Examine Phase I and make decision re funding for Phase II.
89	3	391-0478 Energy Planning and Development	Final	-Impact evaluation to assess achievement of project outputs, EOPS indicators, goal, purpose and impact in particular on policy, role of the private sector, institutional roles and relationships, and the impact of all the technology transfer activities on the decision-making process in the energy sector.
89	4	391-0468 Agricultural Commodities and Equipment	Interim	-Assess progress on policy issues, and examine end use of commodities and procurement and financial arrangements

TABLE 16

USAID/PAKISTAN: PROVISIONAL EVALUATION PLAN FOR THE PERIOD FY 84 - FY 90

FY	QUARTER	PROJECT NO./TITLE	TYPE OF EVALUATION	PURPOSE AND AREAS OF INVESTIGATION
89	4	391-0472 Malaria Control II	Interim	-Assess progress to date in meeting operational, institutional, and policy benchmarks and effect of program on malaria incidence and prevalence.
90	3	391-0473 Rural Electrification	Final	-Impact evaluation to assess achievement of project outputs, EOPS indicators, goal and purpose and impact on policy, the power gap, role of the private sector, recurrent cost issues, and institutional improvement.
90	3	391-0474 Baluchistan Area Development	Final	-Project under design
90	4	391-0489 Management of Agricultural Research and Technology	Final	-Project under design
90	4	391-0491 Food Security Management	Final	-Project under design

NOTE: No formal evaluations are planned for 391-0470 Project Design Fund