

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT DOT MATRIX TYPE.

IDENTIFICATION DATA					
A. Reporting AID Unit: Mission or AID/W Office (ES# <u>88-3</u>) <u>USAID/Islamabad</u>		B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Addition <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>88</u>		C. Evaluation Timing Interim <input type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input checked="" type="checkbox"/>	
D. Activity or Activities Evaluated (Use the following information for project(s) or program(s) evaluated. If not applicable, list title and date of the evaluation report.)					
Project No	Project /Program Title	First FBOAG or Equivalent (FY)	Most Recent FBOAG (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
NA	Overall Program Review of USAID in Pakistan, FY1982-1987	NA	NA	NA	NA

ACTIONS		
E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
Not Applicable		

(Attach extra sheet if necessary)

APPROVALS			
F. Date Of Mission Or AID/W Office Review Of Evaluation:	NA	(Month)	(Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:				
Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Signature	Peter Davis, Program Officer	NA	Jonathan Addleton Program Officer	Jim Norris Director
Date	4-OCT-88		4 OCT 1988	6 Oct. 1988

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

"U.S. Economic Assistance to Pakistan: Review of the Period 1982-1987" was undertaken to distill into a single document the main features of one of the largest U.S. aid programs anywhere. In keeping with the agreement between the United States and Pakistan made in 1981, \$1.62 billion was provided over six years under approximately two dozen separate projects and programs. Major sectors supported included agriculture, energy, health, population, and "area development". The evaluation was based on a review of all major program documentation (including 22 project evaluations conducted during the period) and conversations with major actors involved, both GOP and USAID.

The final documents highlights most of the major features of the program: importance of quick-disbursing commodity assistance; design and implementation issues related to implementing a large program with relatively limited staffing levels; strategic success in terms of supporting Pakistan's firm stand in the face of Soviet threats on Afghanistan; Pakistan's relatively strong economic performance during the period, despite continuing problems in the social sectors; and negotiations relating to the planned \$2.28 billion of economic assistance during the FY1988-FY1993 period. Later sections of the report outline the specific sectoral interventions initiated during the period.

Major "lessons learned" from the FY1982-FY1987 period identified by the evaluation team include: (1) a sharp program focus, tailored to U.S. staff capacities, is essential to assure program effectiveness; (2) flexibility and delegation of authority to Mission management is critical for effective program management; (3) Mission efforts should be concentrated on the most important policy and institutional reforms; (4) the security-development link in U.S. assistance must be balanced and adjusted as conditions change; (5) politically driven aid programs involve trade-offs in economic development performance; and (6) a more visible profile of U.S. economic assistance to Pakistan is needed.

COSTS

I. Evaluation Costs

1. Evaluation Team *		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Assignment			
Maurice Williams, Ludwig Rudel	Devres	PDC-0085-I-00- 6095	\$69,170	ESF
Ross Masood Hussain	Local Hire	391-0470-000- 860600	5,925	ESF
*In addition, the evaluation team was assisted by Robert Dakan (ANE/SA/P) and Anita Weiss (contracted for separately by PPC/WID)				
2. Mission/Office Professional Staff Person-Days (Estimate) <u>forty</u>		3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>ten</u>		

A.I.D. EVALUATION SUMMARY - PART II

S U M M A R Y

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: USAID/Islamabad	Date This Summary Prepared: July 5, 1988	Title And Date Of Full Evaluation Report: U.S. Economic Assistance to Pakistan: Review of the Period 1982-1987
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USAID commissioned this review to distill into a single document the main features of the \$1.62 billion program of economic aid to Pakistan during the FY1982-FY1987 period (this program was part of a broader package of U.S. military and economic aid totalling \$3.2 billion). The objective of the program was to strengthen Pakistan's stability and capacity to resist pressure related to the Soviet Union's continuing military occupation of Afghanistan. The mandate of the evaluation team was to review the main features of U.S. economic assistance during this period, assess its impact, and comment on strengths, weaknesses "lessons learned."

An important program focus throughout the period was to improve Pakistan's balance of payments situation through quick-disbursing commodity imports, which accounted for about \$900 million of the \$1.62 billion program. About a third of these commodity imports were financed by PL 480 Title I assistance. At the same time, efforts were made to design and implement a program based on four main areas: agriculture; energy, health and population; and "area development." Finally, the program was marked by the renewal of a large development support training program.

In strategic and political terms, the U.S. assistance was considered highly successful. Pakistan was strengthened and has been able to stand firm in the face of Soviet threats on Afghanistan. In early 1988, the Geneva Accords were signed, the first step in an anticipated withdrawal of Soviet forces from Afghanistan. For its part, Pakistan experienced high rates of economic growth during the 1982-1987 period, stemming in part from increased aid. Nevertheless, major problems still must be faced, including a severe domestic resource mobilization constraint.

The review also briefly highlighted the main features of the \$2.28 billion program of economic assistance planned for the FY1988-FY 1993 period. This follow-on program is on somewhat more favorable terms (aside from the PL 480 program all grant, compared with a two-thirds, one-thirds grant-loan split under the earlier program). Like the earlier program, about 40 percent of the new assistance is projected for fast disbursing imports. The focus on agriculture, energy, health and population, "area development," and training is also expected to be continued.

Although no final list of "recommendations" appears in the report, the "lessons learned" provided would be of interest to similar programs being designed under similar circumstances elsewhere. These include:

(a) A sharp program focus, tailored to U.S. staff capacities, is essential to assure program effectiveness. While pressures toward overly ambitious and defused activities are difficult to resist in large aid programs, it is important for program managers to formulate a clear concept of program capabilities and to establish and maintain a sharp program focus.

(b) Flexibility and delegation of authority to Mission management is critical for effective program management. The USAID Mission was given the means for flexible program management. The multi-year commitment made it possible for the Mission to concentrate effectively on both current and forward programming. Also helpful were

S U M M A R Y (Continued)

the substantial delegations from A.I.D.'s Asia Bureau to the Mission for project approvals and administration.

(c) Mission efforts should be concentrated on the most important policy and institutional reforms. The experience of the last six years has shown that USAID needs to be more selective in approaching policy reform. Sound analytical research and cooperation with other donors are also essential.

(d) The security-development link in U.S. assistance must be balanced and adjusted as conditions change. The level of U.S. economic aid was closely linked to the cost to Pakistan of financing U.S. military sales. A balanced and linked assessment of U.S. and Pakistan security interests will continue to be important in the future.

(e) Politically driven aid programs involve trade-offs in economic development performance. Efforts were made to maximize the possible development impact of a politically justified ESF program and a number of highly beneficial development impacts were clearly achieved. However, when USAID overstates the development results, it risks blurring the reality of the costs of short term political aid.

(f) A more visible profile of the benefits of U.S. economic assistance to Pakistan is needed. The evaluation team indicated that it had heard from many Pakistanis that the aid program should be more publicly visible. A case could be made for funding more permanent and visible infrastructure projects--both in areas of social and physical investment--and that at least one activity should be singled out which could be popularized as a clearly identified U.S. effort of wide benefit for Pakistan's people.

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ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

1. Evaluation Report ("U.S. Economic Assistance to Pakistan: Review of the Period 1982-1987")
2. Program Brochure
3. Comments from Mr. Jimmie Stone, Former Deputy Mission Director, USAID/Islamabad
4. Comments from Mr. David Mutchler, Former Pakistan Desk Officer, AID/W
5. Comments from Mr. Charles Moseley, Former Chief, Office of Energy, USAID/Islamabad

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

The Statement of Work (SOW) included as an annex in the main evaluation document succinctly describes what the Mission hoped to accomplish through this exercise. The main goal--providing a "memory document" for those interested in the USAID program in Pakistan--appears to have been met. The "overview" section serves as a good overview, describing the background and setting the main parameters within which the program has operated. The "sectoral programs" section describes in greater detail the types of activities designed and implemented during the years 1982-1987.

The section on sectoral programs relies heavily on the 22 project evaluations conducted during the period. Most of the technical offices commented on earlier drafts and their changes are reflected in the final document. In one instance--health programs--comments were received too late to be fully incorporated. These comments related mainly to the need to further emphasize the importance of the curriculum revisions achieved during the period as well as the efforts to improve the qualitative nature of health services. Technical specialists seeking more information on specific projects would be advised to also look at the appropriate project evaluations conducted during the period.

Several former USAID staff were asked to comment on the proposed scope of work for the evaluation. Two of the most detailed replies--from the former Deputy Mission Director and from the former Pakistan Desk Officer--are attached along with this evaluation summary. In addition, individuals connected with the program both in Washington and Pakistan were asked to comment on the draft document. Many of their comments are reflected in the final report.

Although not the usual USAID "evaluation," we hope this exercise will prove useful in better understanding the U.S.-Pakistan aid relationship during the 1982-1987 period. Some of the conclusions are also likely to be relevant for similar ESF-driven programs elsewhere.

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UNCLAS SECTION 01 OF 02 BRIDGETOWN 21338

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E.O: 12356:N/A

TAGS: NONE

SUBJECT: PROPOSED PAKISTAN PROGRAM EVALUATION

REF: ISLAMABAD 04689

REPTEL REQUESTED DAVID MUTCHLER'S COMMENTS AND
 PE SPECTIVES ON ORIGINS AND EARLY IMPLEMENTATION OF
 THE FY 82-87 PROGRAM.. MUTCHLER'S DIRECT EXPERIENCE
 WITH THE PAKISTAN PROGRAM DATED FROM APRIL 1983
 THROUGH APRIL 1986 AS DESK OFFICER AND ACTING
 DIRECTOR OF ASIA/PNS. STREAM OF CONSCIOUSNESS
 FOLLOWS:

DOMINANT LASTING IMPRESSION IS OF INTELLECTUAL
 LEADERSHIP EXERTED BY THE TWO MISSION DIRECTORS WHO
 SERVED DURING THAT PERIOD AND THE DEDICATION OF THE
 DEPUTY DIRECTOR AND FIELD STAFF WHO WORKED NIGHTS,
 WEEKENDS, HOLIDAYS AND FORFEITED MONTHS OF
 ACCUMULATED HOME AND ANNUAL LEAVE TO DESIGN AND
 IMPLEMENT ONE OF AID'S LARGEST AND MOST IMPORTANT
 PROGRAMS.. EXPERIENCE, INSIGHT, REFLECTION AND
 REASONED DEBATE ALWAYS SEEMED TO DRIVE THE EMOTIONAL
 EFFORT.

EVER INCREASING CONCENTRATION OF RESOURCES ON A FEW
 MAJOR PRIORITIES MAXIMIZED IMPACT, AVOIDED PROJECT
 PROLIFERATION AND YET RESULTED IN A MANAGEABLE
 PROJECT PIPELINE, WITH FLEXIBILITY TO SHIFT WHAT WAS
 MAINLY ESF FUNDING FROM ONE SECTOR TO ANOTHER AS
 REQUIRED. A SHREWD COUNTRY DEVELOPMENT STRATEGY
 COMBINED HIGH RISK, HIGH GAIN ENERGY EXPLORATION AND
 FINANCIAL REFORM WITH MORE PROSAIC STANDARD AID
 IRRIGATION, AGRICULTURE, COMMODITY AND INFRASTRUCTURE
 ASSISTANCE. EACH OF PAKISTAN'S FOUR PROVINCES GOT A
 SEPARATE STROKE. AREA DEVELOPMENT WAS KEPT CLEAN AND
 DIRECT, NOTHING FANCY: ROADS AND WATER. IT SEEMED TO
 WORK.

POLICY DIALOGUE REMAINED CALM, UNHYSTERICAL,
 REASONABLE, NEVER DOCTRINAIRE. IT PRODUCED CLEAR
 RESULTS. COORDINATION WAS CLOSE (ALMOST COLLEGIAL)
 WITH THE WORLD BANK AND OTHER DONORS. THE DIFFERENT
 APPROACHES MATCHED, MESHED, COMPLEMENTED ONE ANOTHER.

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3/11

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ACTION

Due Date: 3/9

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Date: 3/11

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HOST COUNTRY CONTACTS WERE SUPERE, WITH ACCESS AT ALL LEVELS. PAKISTANIS AND AMERICANS SHARED DATA AND READ ONE ANOTHER'S REPORTS. THERE WAS CERTAINLY A LOT TO READ.

DIFFICULT WORK IN THE TRIBAL AREAS AND IN OPIUM-PRODUCING REGIONS OF THE NWFP COULD HAVE POISONED RELATIONS, IMPEDED PROGRESS ACROSS THE BOARD. IT DIDN'T. PROBABLY BECAUSE THE MISSION TOOK HOST COUNTRY COUNTERPART RELATIONSHIPS SERIOUSLY. CONSULTATION WAS CLOSE, CONTINUAL, COURTEOUS, CAREFUL.

IT WAS ROUGH GOING IN THE SOCIAL SECTORS. POPULATION POLICY STAGNATED. BIRTH RATES BOOMED. INFANT MORTALITY REMAINED UNACCEPTABLY HIGH, WITH FEMALE LITERACY LEVELS AMONG THE LOWEST IN THE WORLD. IN THESE SECTORS, CULTURE SEEMED TO STIFLE CREATIVITY. WORK WITH PVOS WAS MINIMAL, SUPPORT FOR THE AGA KHAN FOUNDATION JUST A GLIMMER IN AID'S EYE.

BUT EVEN IN WASHINGTON, EVEN AT EMBASSY RECEPTIONS, ONE SENSED THE EXCITEMENT ABOUT WHAT THE PAKISTANIS WITH AID AND OTHER DONOR ASSISTANCE WERE DOING TO DRIVE THE COUNTRY FORWARD. DIFFICULT TO DESCRIBE NOW. HARD TO QUANTIFY ENTHUSIASM OR MEASURE ITS CONTRIBUTION TO THE ACHIEVEMENT OF US/GOP GOALS AND OBJECTIVES.

HARD TO FACTOR THE CONTRIBUTION OF EXPERIENCED LEADERSHIP, ADAPTING TO WHAT IT LEARNS AS IT DIRECTS THE DESIGN AND IMPLEMENTATION OF A PROGRAM, FIGHTING WITH HEADQUARTERS WHEN NECESSARY OVER ISSUES AND PERSONNEL, CLAIMING AND OBTAINING EVER GREATER DELEGATIONS OF AUTHORITY. (THE ASIA EXPERIMENT, AS I RECALL, BEGAN WITH PAKISTAN.) WASHINGTON ATTENTION AND SUPPORT, FROM THE HIGHEST LEVELS DOWN THROUGH THE RANKS, WAS CONSTANT. AND ECONOMIC POLICY REFORM STAYED AT THE CENTER OF U.S./GOP NEGOTIATIONS FOR THE FOLLOW ON PROGRAM. AID INSISTED ON THAT, AND PREVAILED.

INTANGIBLES SUCH AS THESE WILL PROBABLY DISSOLVE IN THE PROCESS OF ANY EVALUATION OR REVIEW. MAYBE YOU CAN FIT THEM IN UNDER QUOTE CONTEXT UNQUOTE. ANYWAY, KEEP ME ON DISTRIBUTION FOR THE FINAL

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ACTION AID INFO AMB DCM ECON AREP

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E.O. 12356 N/A
 SUBJECT: PAKISTAN PROGRAM EVALUATION

REF: ISLAMABAD 24689

MOSELEY APPRECIATES INVITATION TO COMMENT ON PROPOSED EVALUATION. SORRY AN IMMEDIATE RESPONSE WAS NOT POSSIBLE. COMMENTS THAT FOLLOW WILL BE LIMITED TO THE ENERGY PORTFOLIO WHICH WAS MOSELEY'S PRIMARY AREA OF RESPONSIBILITY:

1. THE SOW LEAVES LITTLE ROOM FOR IMPROVEMENT.
2. THE MISSION'S ENERGY SECTOR PROGRAM BEGAN WITH A MOSELEY-GEORGE MEMORANDUM (PDME-433/81) OF 3/19/81. A COPY OF THE MEMORANDUM SHOULD BE AVAILABLE FROM SAMT SAMSON OF O/E AND E.
3. DURING PROGRAM NEGOTIATION MEETINGS WITH THE GOP IN AUGUST 1981, SPECIFIC REQUESTS WERE MADE BY THE GOP FOR ASSISTANCE WITH GAS TURBINE POWER GENERATION UNITS AT GUDDU (SEE BRIEF-PID FOR THE R.E. PROJECT OF THE FALL OF 1981 FOR DETAILS) AND OIL AND GAS DRILLING RIGS. THE AID/W LEAD NEGOTIATION AGREED TO ASSIST WITH THE GAS TURBINES BUT NOT WITH THE DRILLING RIGS. WE SAW COMBINED CYCLE POWER PLANTS (GAS TURBINES WITH HEAT RECOVERY BOILERS) AS BEING MUCH MORE EFFICIENT AND APPROPRIATE AND WAS ABLE TO ACHIEVE GOP ACCEPTANCE. THIS WAS A MAJOR TECHNOLOGY TRANSFER ACHIEVEMENT.
4. THE HIGH LEVEL OF DONOR COORDINATION IN THE ENERGY SECTOR ELEMENT OF THE PROGRAM CAN BE TRACED TO AN AID VISIT TO THE ADB IN 9/82 AND ADB STAFF AGREEMENT AT THAT TIME TO SUPPORT THE GUDDU COMBINED CYCLE POWER GENERATION PROJECT. A CANDID AND CONSTRUCTIVE EXPLANATION OF THE FOUR CORNERSTONES OF AID'S DEVELOPMENT POLICY AND OF USAID'S RESPONSIBILITY AND INTENTION UNDER THE EARLY PROJECT NOTIFICATION SYSTEM TO COMMENT ON WORLD BANK AND ASIAN DEVELOPMENT BANK PROJECTS PROBABLY CONTRIBUTED SIGNIFICANTLY TO THE SUCCESS OF DONOR COORDINATION EFFORTS. USAID'S ENCOURAGEMENT OF WB AND ADB STAFF TO PARTICIPATE IN THE CONCEPTUALIZATION OF AID FUNDED ENERGY SECTOR ACTIVITIES AND THE IDENTIFICATION OF POLICY AND

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ACTION

Due Date:..... 5/12

Action Taken:.....

Date:.....

Initial:.....



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INSTITUTIONAL REFORM OBJECTIVES WAS PROBABLY A SIGNIFICANT CONTRIBUTING FACTOR. THIS LEAD TO WB AND ADB STAFF RESPONDING IN A LIKE MANNER AND USAID'S EVENTUAL DE FACTO ROLE AS DONOR COORDINATOR FOR THE ENERGY SECTOR. JIM BEVER IS WELL POSITIONED TO PROVIDE DETAILS.

5. ALL INVOLVEMENT IN THE LAKHERA PROJECT WAS REQUESTED IN OCTOBER 1981 BY M. AYRAM KHAN, WHO WAS THEN MEMBER POWER OF WAPDA. A CABLE TO AID/W IN ABOUT 10/81 AND A BLISS-MOSELEY MEMO OF UNDERSTANDING OF 3/8/82 PROVIDED DETAILS. CHARLES BLISS CAN ELABORATE. OVER THE YEARS THE LAKHERA PROJECT SERVED AS THE PLATFORM FOR MOST OF THE DIALOGUE WITH THE GOP REGARDING INDIGENOUS COAL DEVELOPMENT AND PRIVATE SECTOR POWER GENERATION. THE PRIVATE SECTOR POWER PROJECT BEING CONSIDERED AT PRESENT BY THE MISSION HAS ITS ORIGIN IN THE LAKHERA PROJECT. PROJECT DIALOGUE LED TO INDIGENOUS COAL FIRED POWER PLANTS BEING SEEN BY MANY AS ACCEPTABLE ALTERNATIVES TO THE DEVELOPMENT OF NUCLEAR POWER PLANTS BY PAKISTAN.

6. EQUIPMENT PROCUREMENT FROM THE U.S. FOR THE FIRST FOUR GAS-TURBINE GENERATOR UNITS AND TWO HEAT RECOVERY BOILER-GENERATORS AT GUDDU WOULD CLEARLY HAVE BEEN MUCH LESS IF A STRONG AMERICAN AND E FIRM HAD NOT BEEN MANAGING THE PROJECT AND USAID HAD NOT GIVEN STRONG SUPPORT TO THE FIRM'S EFFORTS TO REQUIRE ALL PARTIES TO "RESPECT" TENDER DOCUMENTS.

7. MOSELEY BELIEVES THE MOST SIGNIFICANT ERROR IN THE ENERGY SECTOR PROGRAM FROM A U.S. BALANCE OF TRADE PERSPECTIVE WAS REFUSAL OF THE MISSION TO AGREE TO WAPDA/GOP AND WB REQUESTS THAT AID FINANCE THE A AND E CONTRACTS FOR MAJOR POWER PLANTS SUCH AS JAMSHORO.

8. A LESSON LEARNED IN THE ENERGY SECTOR PORTFOLIO IS THAT THE ACHIEVEMENT OF POLICY AND INSTITUTIONAL REFORM OBJECTIVES REQUIRES A BETTER UNDERSTANDING OF THE VESTED INTEREST IN THE STATUS QUO AND GREATER WILLINGNESS AND ABILITY TO GET DOWN AND "FIGHT IN THE TRENCHES" ALONGSIDE PROPONENTS OF REFORM WHEN CRITICALLY IMPORTANT REFORMS ARE OPPOSED.

9. THE DECEMBER 1985 PRESENTATION TO THE AID

UNCLAS SECTION 02 OF 02 ABIDJAN 00309

ADMINISTRATOR BY O/E AND E SHOULD BE MADE AVAILABLE TO
THE EVALUATORS. MUKHTAR HAG AND/OR JIM BEVEP SHOULD BE
ABLE TO LOCATE A COPY.KUX

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#9309

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15-



AGENCY FOR INTERNATIONAL DEVELOPMENT
BANJUL, THE GAMBIA.

UNITED STATES ADDRESS
BANJUL (I.D.)
DEPARTMENT OF STATE
WASHINGTON D.C. 20520

INTERNATIONAL ADDRESS
U.S.A.I.D.
C/O AMERICAN EMBASSY
PMB NO. 19
BANJUL, THE GAMBIA.

March 16, 1988

Mr. Maurice Williams
USAID/Islamabad
Pakistan

Dear Mr. Williams:

I dictated the attached with the requesting cable in hand and found when I finish that I had only bounced over the surface but had nevertheless produced an embarrassing amount of material - - too much to cable back.

I hope it is of some use. If I can answer any specific questions you may have, please let me know. Good luck in your evaluation.

Sincerely,



Jimmie M. Stone
AID Representative

-12-

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AID 03/15/88

AMB:HEHCROWITZ

DAR:JMSTONE/FBC

AIDREP:JMSTONE

AID-4 AMB

AMEMBASSY BANJUL

AMEMBASSY ISLAMABAD

AIDAC

E.O. 12356 N/A

SUBJECT: PROPOSED PAKISTAN PROGRAM EVALUATION

REF: ISLAMABAD 04689

1. I AM PLEASED TO HAVE AN OPPORTUNITY TO CONTRIBUTE TO THE SUBJECT EVALUATION, EVEN THOUGH I HAVE NO DOCUMENTS AT HAND TO BOLSTER MY MEMORY OF SOME RATHER HECTIC DAYS. THE FOLLOWING RESPONSES ARE KEYED TO THE LETTERS A THROUGH H AS REQUESTED REFTEL.

A. BACKGROUND AND NATURE OF U.S. ASSISTANCE TO PAKISTAN PRIOR TO 1982: EVEN THOUGH PAKISTAN RANKED

VERY HIGH ON THE LIST OF LONG-TERM AID RECIPIENTS AS OF 1982 WHEN I ARRIVED IN THE COUNTRY, THERE WERE CONSPICUOUSLY HIGH LOW POINTS IN THE HISTORY OF OUR ASSISTANCE RELATIONSHIP. GENERALLY SPEAKING, THE HIGH POINTS COINCIDED WITH PAKISTAN'S POSITIVE RESPONSES TO U.S. DEFENSE NEEDS AND THE LOW POINTS COINCIDED WITH THE ROUGH SPOTS IN INDO-PAKISTANI RELATIONSHIPS AND OTHER DRAMATIC EVENTS SUCH AS THE SYMINGTON AMENDMENT AND THE BURNING OF THE EMBASSY. IT IS WORTH NOTING HOWEVER, THAT BETWEEN ABOUT 1954 AND 1982 PAKISTAN RECEIVED SOME KIND OF ASSISTANCE FROM THE U.S. EVERY YEAR. FOR EXAMPLE, IN 1984 OR 1985 WE CELEBRATED THE 30TH ANNIVERSARY OF PL-480 PROGRAM AND NOTED THAT IN THREE DECADES THERE HAD NEVER BEEN A YEAR IN WHICH PL-480 HAD NOT OPERATED IN PAKISTAN. THE RECORD WOULD PROBABLY SHOW THAT DURING THAT TIME OTHER DEVELOPMENT PROGRAMS DISBURSED FINANCIAL RESOURCES TO THE GOVERNMENT OF PAKISTAN EVERY YEAR AS WELL, DESPITE SO-CALLED CUT-OFFS.

NEVERTHELESS, AS I UNDERSTAND IT, BY 1980 THE MISSION WAS WELL ON ITS WAY TO BEING CLOSED. AT THE TIME OF THE BURNING OF THE EMBASSY IN AUGUST OF 1979 THE MISSION WAS DOWN TO JUST A HANDFUL OF ESSENTIAL STAFF

AND IN FACT THE A.I.D. BUILDING WAS PARTIALLY OCCUPIED BY UNDP PERSONNEL (WHICH PROBABLY SAVE IT FROM THE SAME FATE AS THE EMBASSY).

B. ORIGINS OF THE FY 1982 - 1987 PROGRAM: I THINK IT IS FAIRLY WELL ACCEPTED THAT THE 1982 TO 1987 PROGRAM FOR PAKISTAN WOULD NOT HAVE COME INTO BEING WITHOUT THE SOVIET INVASION OF AFGHANISTAN. FROM THE TIME OF THE FAMOUS QUOTE PEANUTS UNQUOTE RESPONSE FROM PRESIDENT ZIA TO THE CARTER ADMINISTRATION IN 1979 THROUGH THE OPENING OF THE SUCCESSFUL NEGOTIATIONS IN 1981, I SPECULATE THAT THE TWO SIDES MOVED CLOSER TOGETHER BY FORCE OF THE IMPACT OF THE INVASION. THAT IS, THE PAKISTANIS WERE SUFFERING SIGNIFICANT FINANCIAL AND SOCIAL HARDSHIP FROM THE PRESENCE OF INCREASING NUMBERS OF REFUGEES AND FACED AN INCREASING LEVEL OF THREAT TO ITS INTERNAL SECURITY FROM THE PRESENCE OF THE REFUGEES AND THE VIRTUAL IMPOSSIBILITY OF SEPARATING FRIENDLY FROM UNFRIENDLY AFGHANS INSIDE PAKISTAN'S BOARDER. THE SERIOUSNESS OF THE SOVIET MILITARY PRESENCE IN AFGHANISTAN ALSO HAD SUNK MORE DEEPLY INTO THE CONSCIOUSNESS OF PAKISTANI POLICY MAKERS BY 1981. IT SEEMS TO ME THAT PROBABLY THE SERIOUSNESS OF THE SOVIET PRESENCE IN AFGHANISTAN WAS ALSO MORE APPARENT ON THE U.S. SIDE BY THE TIME OF THE 1981 NEGOTIATIONS. THE

RESULT WAS THAT EVEN THOUGH THE ANNUAL AMOUNTS OFFERED BY THE REAGAN ADMINISTRATION, AMOUNTS NOT MUCH HIGHER THAN THE ONE (PRESUMABLY ANNUAL) AMOUNT OFFERED BY THE CARTER ADMINISTRATION, BOTH SIDES WERE MORE AWARE OF THE NEED TO GET ON WITH STIFFENING RESISTANCE INSIDE PAKISTAN AND NEGOTIATIONS BORE FRUIT. IT MAY ALSO BE TRUE THAT THE PACKAGING OF 3.2 BILLION DOLLARS OVER SIX YEARS WAS THE DECISIVE FACTOR. BUT I SPECULATE THAT HAD THE PAKISTANIS SO CHOSEN, THEY COULD HAVE ARRIVED AT SOMETHING LIKE THAT THROUGH NEGOTIATIONS IN 1979. IN THIS CONNECTION, IT IS USEFUL TO REMEMBER THAT BASICALLY PAKISTAN HAS ALWAYS SOUGHT, AS A CENTRAL FEATURE OF ITS FOREIGN POLICY, A CLOSE RELATIONSHIP WITH THE U.S., REFLECTED IN RELATIVELY HIGH LEVELS OF MILITARY AND ECONOMIC ASSISTANCE. IT IS FAIRLY CLEAR FROM THE VERY BEGINNING OF THE COUNTRY IN 1947 AND 1948 THAT THE PAKISTANIS SOUGHT A RELATIONSHIP WITH THE U.S. TO COUNTER-BALANCE THE WEIGHT OF INDIA ON THE SUB CONTINENT. AS TIME WENT ON, PAKISTAN SAW ITS RELATIONSHIP WITH THE U.S. BALANCING INDIA'S RELATIONSHIP WITH THE SOVIETS AS WELL. THE U.S. GOVERNMENT ATTITUDE TOWARDS THE RELATIONSHIP WITH PAKISTAN HAS RUN HOT AND COLD DEPENDING UPON PAKISTAN'S BEHAVIOR TOWARDS INDIA AND OUR PERCEPTIONS OF THE GEO-POLITICAL SITUATION IN THE SUB CONTINENT, THE FAR

EAST AND THE GULF. SEEN IN THIS CONTEXT IT WAS PROBABLY WITH SOME RELIEF THAT PAKISTAN SAW A RE-AWAKENING OF OUR WILLINGNESS TO PROVIDE ASSISTANCE FOR A SIGNIFICANT PERIOD. AND WE WERE HAPPY TO FIND A WAY TO PACKAGE OUR OFFER OF ASSISTANCE OFFER ACCEPTABLY. SINCE I WAS NOT PRIVY TO ANY OF THIS, ALL OF THE FOREGOING IS SPECULATION. A STRAIGHT-FORWARD RESPONSE TO THE INFORMATION REQUESTED IN THIS PARAGRAPH IS THAT ASSISTANCE PROVIDED DURING THE 1978 TO 1982 PERIOD WAS DE MINIMUS, A HOLDING ACTION.

IT IS PROBABLY TRUE ALSO THAT THE U.S.-INDIA RELATIONSHIP WAS TAKEN INTO ACCOUNT AS THE ASSISTANCE PROGRAM WAS STRUCTURED IN THE NEGOTIATIONS. AT LEAST IT IS TRUE THAT CONCERN FOR THAT RELATIONSHIP WAS MENTIONED FROM TIME TO TIME AS THE PROGRAM UNFOLDED, EVEN THOUGH IT HAD VERY LITTLE INFLUENCE ON THE EXECUTION OF THE PROGRAM OR, FOR THAT MATTER, THE SIZE AND COMPOSITION OF THE PROGRAM, WHICH I ALWAYS ASSUME WERE FUNCTIONS OF HOW MUCH THE U.S. COULD AFFORD AND WHAT IT COULD OBTAIN WITH THE RESOURCES AVAILABLE.

THE SUBSEQUENT USAID PROGRAMS GROWING OUT OF THE NEGOTIATIONS WERE DESCRIBED IN A HALF PAGE DOUBLE SPACED DRAFT WITH PEN CORRECTIONS, WHICH WAS NEVER PUT

IN FINAL NOR INITIALED NOR SIGNED. AN ATTACHMENT TO THIS INFORMAL NOTE LISTED A NUMBER OF PROJECTS AND PROGRAMS AND NATIONAL FIGURES FOR EACH YEAR OF THE PROGRAM FROM 1980 THROUGH TO 1987. IN MY OPINION, THE OVERALL PROGRAM RELATED VERY CLOSELY TO THE PAKISTANI FIVE-YEAR PLAN, BUT THEN ALMOST ANY PROGRAM COULD HAVE. THERE WAS SOMETHING IN THE PLAN FOR EVERYONE AND, AS OUR PROGRAM WAS NEGOTIATED OUT, IT SEEMED TO ME THAT THE GOP ATTEMPTED TO GIVE A PIECE OF THE ACTION TO AS MANY MINISTRIES AS POSSIBLE. THE ORIGINAL INTENTION, AS STATED IN THE INFORMAL DRAFT PAPER, WAS TO HAVE PROJECTS IN RURAL ELECTRIFICATION, RURAL ROADS, HEALTH, POPULATION, HUMAN RESOURCE DEVELOPMENT, ETC., IF MY MEMORY SERVES ME CORRECTLY, AREA DEVELOPMENT IN BULUCHISTAN AND THE NWFP WERE ALSO ON THE LIST. THERE WERE ALSO PL-480 AND A CIP FOR BALANCE OF PAYMENTS SUPPORT. OTHER MAJOR DONOR PROGRAMS GENERALLY SUPPORTED THESE SAME AREAS. THE WORLD BANK WAS ENGAGED WITH US IN IRRIGATION PROGRAMS. THE ASIAN DEVELOPMENT BANK WAS WITH US IN THE ENERGY PROGRAM THANKS TO CHARLEY MOSLEY. SO WERE THE JAPANESE. THE WORLD BANK WAS INVOLVED IN THE DEVELOPMENT OF AGRICULTURAL RESEARCH PROGRAMS AND IN THE TRAINING AND VISITATION PROGRAM, EXCLUSIVELY THEIR OWN. THE JAPANESE EQUIPMENT DROPS WERE HELPFUL IN

BULUCHISTAN, ALTHOUGH WE WERE NEVER ABLE TO GET THE JAPANESE TO REALLY COOPERATE WITH US ON THE PESHAWAR UNIVERSITY PROJECT. THE ASIAN DEVELOPMENT BANK PROGRAMS IN RURAL ROADS TENDED TO GET IN THE WAY OF OURS BECAUSE THE BANK DID NOT SEEK ANY INSTITUTIONAL OR POLICY CHANGES. I THINK THE MOST IMPORTANT THING ABOUT OTHER DONOR ACTIVITY WAS THAT IN FINANCIAL TERMS, IT ROSE TO THE CHALLENGE AND TENDED TO SUPPORT THE U.S. INITIATIVE BY PROVIDING LARGE AMOUNTS OF FINANCIAL SUPPORT TO PAKISTAN, THEREBY HELPING IT TO BEAR THE BURDEN OF OPPOSITION TO THE SOVIET PRESENCE IN AFGHANISTAN. I WOULD UNDERSCORE HERE THAT I THINK THE SIXTH FIVE-YEAR PLAN, WHILE SERVING AS A SOURCE OF CONVENIENT REFERENCES IN PROJECT PAPERS AND OTHER PROGRAM DOCUMENTS WAS ALMOST TOTALLY IRRELEVANT TO THE SITUATION IN PAKISTAN AT THE TIME. IN FACT NO PAKISTANI FIVE-YEAR PLAN I KNOW OF EVER MET ITS TARGET. IN MY VIEW THE GOP WOULD BE SERVED BETTER BY MAKING THE PLAN A STRAIGHT-FORWARD STATEMENT OF POLICY RATHER THAN A DETAILED, UNFEASIBLE PLAN.

C. DESIGN, IMPLEMENTATION AND IMPACT OF ACTIVITIES UNDERTAKEN: ONE OF THE MOST STRIKING FEATURES OF THE 1982 TO 1987 PROGRAM AS SOME OF US SAW IT WAS THE PAKISTANI WILLINGNESS TO ACCEPT A.I.D. DEVELOPMENT

PROCESSES AND PHILOSOPHIES AS PART OF THE ORDINARY WAY OF DOING BUSINESS. AT A VERY HIGH WORKING LEVEL IN THE GOP, OFFICIALS WERE AWARE OF THE KIND OF ENABLING AND DISABLING LEGISLATION A.I.D. HAS TO WORK WITH AND THEY REALIZED THAT THE GENTLEMEN'S AGREEMENT THAT CAME OUT OF THE NEGOTIATIONS CONDITIONED BY AID'S LEGISLATION AND BUREAUCRACY. AS A RESULT, THEY ACCEPTED SLOW DISBURSING DEVELOPMENT PROJECTS, MANY OF WHICH COULD HAVE MET ALL THE CRITERIA OF DEVELOPMENT ASSISTANCE PROJECTS, IN MY VIEW A NOT ALTOGETHER HEALTHY SITUATION BECAUSE OF THE SLOW DISBURSING, LOW-IMPACT NATURE OF MANY SUCH PROJECTS.

1. AGRICULTURE AND RURAL DEVELOPMENT: ACTIVITIES IN THIS AREA WERE BASICALLY IN THE AREAS OF RESEARCH SYSTEMS DEVELOPMENT, IRRIGATIONS SYSTEMS MANAGEMENT AND THE DEVELOPMENT OF THE AGRICULTURAL UNIVERSITY AT PESHAWAR. MUCH OF THE CIP EQUIPMENT WENT TO THE IRRIGATION SYSTEMS AND I BELIEVE MOST OF THE PROJECT FUNDING WENT TO THE IRRIGATION SYSTEMS AS WELL. THE PROJECT PAPERS RELATED TO IRRIGATION, SPOKE OF INSTITUTION BUILDING, TECHNOLOGY TRANSFER, AND POLICY DIALOGUE, BUT NOT VERY MUCH ABOUT PRIVATE SECTOR MOBILIZATION, GIVEN THE NATURE OF THE UNDERTAKINGS AND THE IMPLEMENTING INSTITUTIONS. THESE PROGRAMS DEALT

WITH PAKISTAN'S MOST VITAL ECONOMIC ASSET, ITS GIGANTIC IRRIGATION SYSTEMS. THE PROGRAMS WERE PERHAPS MOST SUCCESSFUL IN TECHNOLOGY TRANSFER AND PERHAPS ALSO TO SOME EXTENT IN INSTITUTION BUILDING. THE PROVISION OF NEW EQUIPMENT CERTAINLY STRENGTHENED THE IRRIGATION DEPARTMENTS OF THE VARIOUS PROVINCES. TRAINING IN THE USE OF THIS EQUIPMENT AND TRAINING ABROAD IN GENERAL ALSO HELPED DEVELOP CAPACITY TO DEAL WITH THE EMERGING TECHNICAL PROBLEMS IN IRRIGATION IN PAKISTAN. HOWEVER, THE PROJECTS FUNCTIONED WITHIN THE CONTEXT OF THE PROVINCIAL GOVERNMENT CONTROL OF THE IRRIGATION SYSTEMS AND THE PAROCHIAL APPROACH TO PROVISION OF SERVICES RELATED TO IRRIGATION WHICH, SINCE THE CONSTRUCTION OF THE SYSTEMS IN THE 19TH CENTURY, HAVE BEEN PROVIDED FREE OF CHARGE BY THE IRRIGATION DEPARTMENTS. AS I RECALL, THE MAJOR POLICY ISSUE WAS THE IMPOSITION OF WATER USER CHARGES IN ORDER TO TRY TO RATIONALIZE WATER DISTRIBUTION AND TO MAKE THE IRRIGATION DEPARTMENTS THEMSELVES SOMEWHAT MORE SELF-SUSTAINING. CERTAINLY WE AND THE WORLD BANK HAD A RIGHT TO PUT THESE MEASURES FORWARD. EACH OF US BY 1984 HAD INVESTED ABOUT DOLS 1 BILLION IN THE IRRIGATION SYSTEMS IN PAKISTAN AND, AT THAT TIME, IT SEEMED AS IF OUR ACTIVITIES AT THE END OF THE DAY WOULD PROVIDE JUST ANOTHER DOLLOP OF EQUIPMENT AND TECHNICAL ASSISTANCE WITHOUT DEALING WITH

THE CORE OF THE PROBLEM. INEVITABLY, OF COURSE, THE STRONGEST RESISTANCE CAME FROM IN THE PUNJAB WHERE THE SYSTEM IS BIGGEST AND MOST IMPORTANT. THERE WERE SIGNIFICANT PROBLEMS WITH THE WORLD BANK WHICH WAS CO-FINANCING OR PARALLEL FINANCING ACTIVITIES SIMILAR TO OURS. RIGHTLY OR WRONGLY, WE FELT THAT THE BANK WAS NOT BEING DEMANDING ENOUGH IN TERMS OF TRYING TO EFFECT INSTITUTIONAL CHANGE AND WITH RESPECT TO INSPECTION OF WORKS.

AS I SAID EARLIER, PROJECTS RELATED TO IRRIGATION WERE AT THE HEART OF PAKISTAN'S ECONOMY AND WERE VITAL TO ITS SECURITY. REGARDLESS OF WHO PAID THE BILL, I THINK IT IS FAIRLY CLEAR THAT INVESTMENTS IN IRRIGATION WORKS FED BY THE INDUS RIVER ARE ECONOMICALLY VIABLE. BY THE TIME I LEFT PAKISTAN IN 1986, WE HAD NOT BEEN VERY SUCCESSFUL IN GETTING THE GOVERNMENTS OF THE PROVINCES TO DEAL WITH THE RECURRENT COST ISSUES IN AN EFFECTIVE WAY. WE WERE STILL STRUGGLING TO FIND THE FORMULA TO DEAL WITH THE IRRIGATION DEPARTMENT OF THE PUNJAB PARTICULARLY. AND OF COURSE THE RECURRENT COST ISSUE IS VERY CLOSELY RELATED TO THE EQUITY ISSUE. BASICALLY, ALTHOUGH PROBABLY TOO GENERALLY, THE PROBLEM WAS THAT THE RICHER FARMERS AT THE HEAD WATERS USED TOO MUCH WHILE THE POORER FARMERS AT THE TAIL GOT NOT

ENOUGH. THE PHYSICAL WORKS WHICH PROVIDED FOR BETTER FLOWS THROUGH THE CANALS, REDUCING THE LOSS OF WATER THROUGH PERCOLATION AND GENERALLY ENHANCING THE EFFICIENCY OF DELIVERY SYSTEMS CERTAINLY BENEFITED POOR FARMERS TO A RELATIVELY GREATER EXTENT THAN RICHER FARMERS. WHETHER THESE BENEFITS ARE SUSTAINABLE OVER TIME, WOULD DEPEND ON WHETHER REAL INSTITUTIONAL CHANGES COULD BE EFFECTED AND WHETHER RECURRENT COSTS COULD BE RECOVERED OR AT LEAST PARTIALLY RECOVERED FROM USERS. THESE WERE QUESTIONS THAT WERE NOT ANSWERED BY THE TIME I LEFT PAKISTAN. I LEFT WITH THE FEELING, AND THIS IS ONLY A FEELING, THAT PROGRESS IN THOSE AREAS WOULD BE MINIMAL IN THE NEAR TO MEDIUM TERM. PERHAPS I WAS TOO CYNICAL AS I LEFT, BUT I HAD CONCLUDED BY THAT TIME THAT UNLESS THE MAJOR DONORS STOPPED TRYING TO HELP THE IRRIGATION DEPARTMENTS, PARTICULARLY IN THE PUNJAB. THEY WOULD NEVER REALLY HAVE AN INCENTIVE TO CHANGE.

ANOTHER PARTICULARLY DIFFICULT TASK THAT WAS UNDERTAKEN DURING THE 1982 TO 1987 PROGRAM WAS THE RATIONALIZATION OF THE AGRICULTURAL RESEARCH SYSTEM. WE WERE QUITE VISIBLY AND REMARKABLY SUCCESSFUL, I THINK, IN DEVELOPING THE NATIONAL AGRICULTURAL RESEARCH CENTER AND THE RESEARCH COUNCIL UNDER STRONG LEADERSHIP. BUT

AMIR MOHAMMED FACED A DIFFICULT PROBLEM IN GETTING CONTROL OVER THE PROVINCIAL RESEARCH RESOURCES. THAT WAS THE KEY TO INSTITUTIONAL CHANGE AND TO CHANGING THE BEHAVIOR OF PROVINCIAL AGRICULTURAL RESEARCH SYSTEMS. THE MOST EXCITING AND MOST PROMISING PROJECT IN THIS AREA SEEMED TO ME TO BE THE PESHAWAR UNIVERSITY PROJECT. INCIDENTALLY, IT WAS THE PROJECT WE HAD MOST DIFFICULTY SELLING TO WASHINGTON BECAUSE IT DEALT WITH LONG-TERM DEVELOPMENT OF AN AGRICULTURAL UNIVERSITY AND THE AMALGAMATION OF THE UNIVERSITY WITH THE RESEARCH SYSTEM. IT PROVIDED A MODEL THAT WAS OF SOME INTEREST TO THE UNIVERSITIES AND RESEARCH SYSTEMS IN OTHER PROVINCES. PESHAWAR WAS THE HOME OF THE PROJECT BECAUSE THE NWFP GOVERNMENT WAS MORE WILLING TO GO FURTHER TOWARD INSTITUTIONAL REFORM THAN ANY OTHER PROVINCIAL GOVERNMENT. UP UNTIL THE TIME I LEFT PAKISTAN, IT SEEM TO ME THAT THE GOVERNMENT OF THE NWFP WAS ABIDING BY THE COMMITMENTS IT HAD MADE IN THE DEVELOPMENT OF THE PROJECT AND THAT THE CHANGES AT THE UNIVERSITY AND IN THE RESEARCH SYSTEM WOULD BE REAL AND ABIDING IF WE COULD SUSTAIN OUR EFFORT. IT SEEMED TO ME THAT IF THE UNIVERSITY AT PESHAWAR COULD SUSTAIN PRODUCTION OF QUALITY CANDIDATES FOR THE RESEARCH AND EXTENSION SYSTEM AS WELL AS BETTER EDUCATED FARMERS, THAT THERE WOULD BE GENERALIZED BENEFITS FOR ALL OF THE

POPULATION, INCLUDING LOW INCOME GROUPS.

AS I RECALL, NEITHER THE NATIONAL NOR PROVINCIAL GOVERNMENTS MADE VERY MUCH PROGRESS TOWARD MEETING THEIR COMMITMENTS UNDER THE FORESTRY PROGRAM WHILE I WAS IN PAKISTAN. SIMPLY AND PROBABLY INACCURATELY STATED, THE FORESTRY PROJECT ATTEMPTED TO BUILD UP AGRO FORESTRY COMPONENTS WITHIN THE PROVINCIAL FORESTRY SERVICES. I THINK IN A TECHNICAL AND ECONOMIC SENSE THE PROJECT WAS THEORETICALLY FEASIBLE. IT COULD HAVE BENEFITED PARTICULARLY LOW INCOME GROUPS. BUT IMPLEMENTATION WAS SLOW BECAUSE THERE IS NOT MUCH MONEY IN SOCIAL OR AGRO FORESTRY, WHEREAS CONVENTIONAL FORESTRY IS LUCRATIVE FOR THE FORESTERS. NOT MANY OF THE CP'S WERE MET ON TIME AND VERY LITTLE PROGRESS WAS MADE BEYOND THE FIELDING OF A TECHNICAL ASSISTANCE TEAM BY THE TIME I LEFT PAKISTAN. IT SEEMED TO ME THAT WE WERE UP AGAINST A THOROUGHLY VENAL AND INDIFFERENT FORESTRY SERVICE AND I DID NOT HOLD OUT MUCH HOPE FOR THE SUCCESS OF THE PROJECT. I HOPE I WAS WRONG.

2. HEALTH AND POPULATION: IN THE 1982 TO 1987 PERIOD WE WERE IN HEALTH AND POPULATION PROBABLY BECAUSE WE HAVE ALWAYS BEEN IN HEALTH AND POPULATION IN PAKISTAN. THE PROGRAMS RESEMBLE OUR STANDARD DEVELOPMENT

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ASSISTANCE POPULATION AND HEALTH PROGRAMS WORLD-WIDE. I REMEMBER VISITING HEALTH CLINICS IN THE FIELD IN PAKISTAN THAT HAVE BEEN BUILT BY ICA IN 1961. TWENTY-FIVE YEARS LATER WE ARE STILL TRAINING PEOPLE TO MAN AND MANAGE THESE INSTALLATIONS. IN 1978, WE DEVELOPED A CURRICULUM FOR PUBLIC HEALTH WORKERS. IN 1985 WE WERE BUSY REWRITING THE HEALTH CURRICULUM FOR PUBLIC HEALTH WORKERS. MOREOVER, WE WERE SQUABLING WITH OURSELVES AND WITH THE PAKISTANIS ABOUT IT. I HELD THE MINORITY OPINION THAT SUCH PROGRAMS PROBABLY DID NOT BELONG IN OUR PORTFOLIO. WE PRESSED ON MAINLY FOR THE REASON THAT WE HAD MADE A COMMITMENT IN THIS AREA IN 1981 AND WE WOULD TRY TO MEET OUR COMMITMENTS. AT THE MANAGEMENT LEVEL WE DID HAVE SOME EXCITING CONVERSATIONS WITH MABUB UL HAQ ABOUT POSSIBLE PRIVATIZATION STEPS IN THE HEALTH AREA. WE HAD GOOD INDICATIONS THAT HEALTH STAFF IN THE CLINICS MIGHT BE WILLING TO BUY AND MANAGE THESE INSTALLATIONS AS FOR-PROFIT HEALTH PROVIDERS, WHICH WOULD PROBABLY HAVE FORMALIZED THE DE FACTO SITUATION. IT WAS COMMONLY BELIEVED AND PROBABLY TRUE THAT THEY WORKED HARDER AFTER THE CLINICS CLOSED THAN WHILE THEY WERE OPEN. BUT I THINK PROBABLY TO THIS DAY THE GOVERNMENT BASED HEALTH ESTABLISHMENT IS STRONG ENOUGH TO RESIST SUCH

APPROACHES. HEALTH IN PAKISTAN IS ANOTHER FIELD THAT WOULD BENEFIT FROM THE ABSENCE OF DONOR INTEREST.

I WAS REALLY PLEASED WITH THE PROGRESS MADE IN SOCIAL MARKETING OF CONTRACEPTIVES, ALTHOUGH THE SYSTEM WE PUT IN PLACE WAS NOT REALLY FUNCTIONING BY THE TIME I LEFT. I HAD THE FEELING THAT REAL PROGRESS WAS BEING MADE AND THAT SUCCESS WAS POSSIBLE, OR EVEN LIKELY. DR. MABUB UL HAQ WAS VERY HELPFUL IN BRINGING THIS SUCCESS ABOUT EVEN THOUGH IT TOOK A LOT LONGER THAN WE HAD HOPED.

3. ENERGY AND ENVIRONMENT: I THINK WE DID OUR BEST WORK IN THE ENERGY SECTOR BECAUSE OUR ENERGY OFFICE AND ITS STATELITE CONTRACTORS LITERALLY BECAME PART OF THE ENERGY ESTABLISHMENT IN PAKISTAN. WE DELIVERED MUCH-NEEDED HIGH QUALITY GOODS AND SERVICES, DESIGNS, EQUIPMENT AND POLICY ADVICE. I THINK THIS COMBINATION BEGAN AN INSTITUTIONAL TRANSFORMATION OF WAPDA. AND IT CERTAINLY BEGAN A TECHNOLOGY TRANSFER THAT WILL IMPROVE WAPDA OPERATIONS FOR YEARS TO COME. MOST IMPORTANTLY, IT BEGAN SERIOUS THINKING ABOUT PRIVATIZATION AND PRIVATE SECTOR MOBILIZATION IN THE ENERGY GENERATION AND DISTRIBUTION AREA. BY THE TIME I LEFT PAKISTAN IN AUGUST OF 1986, WAPDA WAS SERIOUSLY CONSIDERING AND HAD

ACCEPTED THE IDEA OF PRIVATE SECTOR GENERATION OF ENERGY AND I BELIEVE WAS WELL ON THE WAY TO SEGMENTING THE DISTRIBUTION SYSTEM SO AS TO ACCOMMODATE THE PRIVATE SECTOR IN THAT AREA AS WELL. WHATEVER IS THE FUTURE OF ORGANIZATION AND OWNERSHIP, MUCH PROGRESS WAS BEING MADE TOWARDS INCREASING THE SUSTAINABILITY OF THE SYSTEM BY REDUCING LOSSES AND BEGINNING AN ORDERLY COLLECTION EFFORT. IN MY VIEW, ALTHOUGH SOMEONE PAYING HIS ELECTRIC BILL TO WAPDA MIGHT DISAGREE WITH ME, THE BENEFITS OF THIS EFFORT HIT BROAD SEGMENT OF PAKISTAN SOCIETY - URBAN AND RURAL.

THE NOW FAMOUS LAKHRA PROJECT, WAS THE FIRST PROJECT I HEARD ABOUT IN PAKISTAN. I CAN REMEMBER DISCUSSING THE PROS AND CONS OF COAL FIRED POWER PLANTS USING INDIGENOUS GOAL IN ROCKY STAPLES' OFFICE IN WASHINGTON IN DECEMBER OF 1982. IT SEEMS LIKE A GOOD IDEA AT THE TIME, BUT I DON'T THINK ANY OF US REALIZED HOW LITTLE INFORMATION WE REALLY HAD ON THE COAL FIELD DESPITE DECADES OF STUDY AND MORE THAN A CENTURY OF COAL MINING IN THAT REGION. NOR DID ANY OF US REALIZE HOW MANY VIEWS OF REALITY THERE COULD BE ON A GIVEN SUBJECT. THE HIDING HAND WAS AT WORK AS WELL PREVENTING OUR SEEING HOW WAPDA'S OPERATING PHILOSOPHY MIGHT CHANGE TO ENABLE DIFFERENT OWNERSHIP AND MANAGEMENT APPROACHES TO

THE PROJECT. LOOKING BACK ON OUR EAGERNESS TO GET ON WITH THE JOB AT THE MISSION, IT SEEMS TO ME WE SPENT A LOT OF MONEY DOING WORK THAT MIGHT WELL HAVE BEEN DONE BY PROSPECTIVE OWNERS AND OPERATORS OF PLANTS IN THE LAKHRA AREA. I HAVE NOT BEEN APPRAISED OF HOW THE LAKHRA IS GOING OR WHETHER IT EVEN EXISTS IN THE FACE OF UNFORESEEN LOW WORLD OIL PRICES AND CONTINUING DISCOVERIES OF OIL IN PAKISTAN. NEVERTHELESS, I THINK THE PROGRAM DID A GREAT DEAL TO ADVANCE THE POLICY DIALOGUE, PARTICULARLY WITH RESPECT TO PRIVATIZATION OF POWER GENERATION FACILITIES IN PAKISTAN.

4. AREA DEVELOPMENT WAS THE MOST PROBLEMATIC OF ALL OF THE MISSION'S PROGRAMS BECAUSE, WITH HINDSIGHT, IT SEEMS THAT THE AREA DEVELOPMENT PROJECTS UNDERTOOK TO DO A LOT OF THINGS THAT JUST COULDN'T BE DONE. THEY WERE DESIGNED TO OPERATE IN AREAS THAT WERE DISTINCTLY LESS THAN SUSCEPTIBLE TO DEVELOPMENT INTERVENTIONS. ENVIRONMENT, WEATHER, GEOGRAPHY, POLITICS AND CULTURE, ALL MILITATED AGAINST THE RATE OF PROGRESS THAT MOST OF US WOULD FIND ACCEPTABLE. ALL OF THE AREA DEVELOPMENT PROJECTS WERE ANOMALOUS BECAUSE OF THE THEIR GEO POLITICAL MOTIVATIONS TO WHICH THE AID BUREAUCRACY TURNS A BLIND EYE. CUMBERSOME PROCEDURES ARE APPLIED TO THESE PROJECTS AND THEY ARE DOUBLY HARMFUL BECAUSE

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THE AREAS IN WHICH THEY OPERATE ARE UNUSUALLY DIFFICULT. A CHALLENGE IN THE DESIGN OF THE BALUCHISTAN PROJECT WAS TO IDENTIFY PROJECT ELEMENTS ONE COULD SAY WITH CONFIDENCE WOULD BENEFIT ANYONE AT ALL IN THE MAKRAN DIVISION OF BULUCHISTAN, WITHOUT DUPLICATING ONGOING EFFORTS. THE DESIGN FINALLY SETTLED ON ROADS AND WATER AS ESSENTIAL IN A DESERT SETTING. THE SKETCHY REPORTS THAT I AM GETTING FROM THE PROJECT INDICATE THAT THESE WERE THE RIGHT CHOICES. THE INSTITUTIONAL DEVELOPMENT ASPECTS OF THE DESIGN FOCUSSED ON HOW TO MAKE THE PUBLIC WORKS AND IRRIGATION DEPARTMENTS FUNCTION AND HOW TO FOCUS GOVERNMENT OF BULUCHISTAN ATTENTION ON USER FEES TO COVER THE COST OF ROAD MAINTENANCE. THE DESIGNERS RESISTED THE PRESSURES TO FINANCE MULTI-MILLION DOLLARS DAMS, BUT MAYBE THEY SHOULD NOT HAVE. BALAD PROJECT IMPLEMENTATION WAS FRUSTRATED BY A.I.D.' AND FEDERAL ACQUISITION REGULATIONS WHICH AT THE OUTSET DILUTED OR EVEN NEGATED THE POLITICAL PURPOSES OF THE DEVELOPMENT PROJECT. BECAUSE OF THE FAR AND AID/W'S INABILITY TO PROVIDE US A STRONG CONTRACT STAFF EARLY ON, WE WERE EXCRUCIATINGLY SLOW IN FIELDING A TECHNICAL ASSISTANCE TEAM. UNFORTUNATELY THE BEST TEAM WE COULD FIELD WAS THIRD RATE. WE WERE EQUALLY SLOW IN CONTRACTING FOR DESIGN WORK ON THE BELA-ARAWAN ROAD AND ONLY SLIGHTLY

MORE AGILE IN CONTRACTING FOR THE OFFICE AND HOUSING COMPLEX AT TURBAT. AFTER I LEFT PAKISTAN THERE WAS A CONTRACTOR DEFAULT ON THE BELA ARAWAN ROAD WHICH PUTS MATTERS BEHIND SCHEDULE TO AN EMBARRASSING DEGREE. I AM TOLD THAT EXCELLENT WORK HAS BEEN DONE WITHIN THE WATER ELEMENT OF THE PROJECT AND THAT THE WORK ON THE BRIDGE TURBAT IS STARTING. SINCE THE BRIDGE WAS AN AFTER-THOUGHT, THAT IS QUITE SURPRISING. LOOKING BACK, I THINK WE WERE UNWISE TO TRY A DA STYLE PROJECT IN BALUCHISTAN. WE WOULD HAVE MADE BETTER POLITICAL MILEAGE AND HAD MORE DEVELOPMENT IMPACT IF WE HAD TAKEN ON A FEW HIGHLY VISIBLE INFRASTRUCTURE PROJECTS.

THE TRIBAL AREA DEVELOPMENT PROJECT (TADP) WAS EVEN MORE CRIPPLED BECAUSE OF THE EVEN MORE HIGHLY CHARGED AND RESTRICTIVE POLITICAL SITUATION WHICH HAMPERED THE MOVEMENTS OF PROJECT DESIGNERS AND IMPLEMENTERS INTO THE WILD AND WOOLY TRIBAL AREAS. ONE OF THE GREAT DIFFICULTIES WITH BOTH TADP AND BALAD WAS IN FINDING U.S. DIRECT HIRE PROJECT MANAGERS WILLING TO LIVE IN NON POSTS, I.E., PESHAWAR AND QUETTA, POSTS THAT ARE NOT HEALTHY OR CAREER ENHANCING. WE FINALLY GOT SOME HEROS WHO CARRIED IT OFF HANDILY BUT WE HAD TO WEED OUT A LOT OF LOOSERS AND AID/W HAD NO CONSCIENCE IN PUTTING THEM IN OUR HANDS.

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THE GADOON AREA DEVELOPMENT PROJECT WAS ANAMOLOUS IN THE CONTEXT OF THE 1982 TO 1987 PROGRAM SINCE IT WAS NOT INCLUDED IN THE ORIGINAL LIST OF AGREED PROJECTS AND WAS TOTALLY DEDICATED TO THE ERADICATION OF OPIUM POPPIES IN A SPECIFIC AREA NEAR TARBELLA. AT THE TIME THE PROJECT WAS DESIGNED, IT WAS BELIEVED THAT THE GADOON AREA PRODUCED ABOUT HALF OF THE OPIUM POPPIES PRODUCED WITHIN THE BORDERS OF PAKISTAN. HOWEVER, THE DATA WAS NEVER CONSISTENT OR ACCURATE. THE PROJECT CONTAINED FAIRLY SPECIFIC OUTPUT LEVEL OBJECTIVES AND WAS ACCOMPANIED BY AN AGREEMENT ON THE PART OF THE GOVERNMENT OF THE NWFP TO ERADICATE OPIUM POPPIES ON A SET SCHEDULE OVER THREE YEARS. EVERYTHING ABOUT THE PROJECT WAS RUSHED, INCLUDING THE DESIGN AND THE CONTRACTING AND IT PLACED A SIGNIFICANT MANAGEMENT BURDEN ON THE USAID MISSION, GIVING IT A CENTRAL ROLE IN NARCOTICS SUPPRESSION, EXCLUSIVE OF LAW ENFORCEMENT, OF COURSE. ADDING TO THE BURDEN WAS THE FACT THAT THE PROJECT FACED SIGNIFICANT POLITICAL OPPOSITION AMONG THE BENEFICIARIES THEMSELVES. THIS HAMPERED BOTH DESIGN AND IMPLEMENTATION EFFORTS. NEVERTHELESS, IN THE FIRST YEAR, THE GOVERNMENT WAS SUCCESSFUL IN ITS TARGETED ERADICATION OF POPPIES AND VISIBLE PROGRESS WAS MADE ON THE THE DEVELOPMENT SIDE, THANKS TO A FIRST-RATE CONTRACT TEAM AND PROJECT MANAGER. THEN IN

THE SPRING OF 1986 THERE WAS A SHOWDOWN BETWEEN THE CONSTABULARY AND THE POPULATION IN WHICH THE OPIUM TRADERS LITERALLY SACRIFICED A FEW PEASANTS, SOME PROBABLY FROM OUTSIDE OF THE AREA, TO THE BULLETS OF THE CONSTABULARY, HAVING LURED THE CONSTABULARY INTO ACTION BY BEATING TO DEATH ONE OF THEIR MEMBERS. THE EVENTS FOLLOWING, INCLUDING A ROWE IN THE NATIONAL ASSEMBLY, ARE A MATTER OF RECORD. A CRITICAL POINT LATER WAS A DECISION TO ACTUALLY ADD MORE MONEY TO THE PROJECT INSTEAD OF DEOBLIGATING THE PROJECT IN THE FACE OF THE APPARENT FAILURE TO COMPLY WITH THE ENFORCEMENT AGREEMENT. IN A NUT SHELL, THE DECISION TO ADD MONEY WAS MADE BECAUSE IT WOULD HAVE BEEN ADMITTING DEFEAT AT THE FIRST SET-BACK TO HAVE DEOBLIGATED THE PROJECT AND WALKED AWAY, LEAVING THE OPIUM TRAFFICKERS IN CONTROL OF THIS MAJOR PRODUCTION AREA. ADDING MONEY INCREASED THE STAKES, MAKING THE NWFP LESS WILLING TO SUFFER THE LOSS OF RESURCES AND MORE DETERMINED TO SEE THE PROJECT THROUGH TO A SUCCESSFUL CONCLUSION. I WAS TOLD RECENTLY THAT IN FACT THE NWFP HAD MADE GOOD ON ITS ENFORCEMENT COMMITMENTS. I HOPE SOME OF THE DEVELOPMENT WORK SUCH AS THE ROADS AND SCHOOLS ARE OF LASTING BENEFIT. HOWEVER, THAT IS CLEARLY OF SECONDARY IMPORTANCE.

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IN SOME WAYS, THE AREA DEVELOPMENT PROJECTS SHOULD BE CONSIDERED NATION BUILDING PROJECTS BECAUSE THEY SYMBOLIZE THE BENEFITS OF BELONGING TO A LARGER NATIONAL ENTITY EXPRESSED IN CIVIL WORKS AND OTHER TANGIBLES. IN THE PAKISTANI CONTEXT, GIVEN THE POLITICAL NATURE OF THE PROGRAM AS A WHOLE, I BELIEVE THAT WE MIGHT HAVE GAINED MUCH GREATER MILEAGE BY DOING SOME SIGNIFICANT WORK ON INFRASTRUCTURE SUCH AS DAMS, BRIDGES, AND TUNNELS OF SUFFICIENT SIZE AND IMPORTANCE TO BE VERY IMPRESSIVE TO THE LOCAL POPULATION. (WE ARE STILL GETTING KUDOS FOR OUR CONTRIBUTIONS TO TARBELLA AND MANGLA DAMS.) LIKEWISE, I THINK IN THESE KINDS OF SITUATIONS, WE NEED TO BE MORE AGILE IN OUR CONTRACTING AND OUR APPROACHES TO SECURING SERVICES. THE SMALLER WORKS MIGHT BE MORE IMPRESSIVE IF WE COULD DO THEM QUICKLY. BUT IT SEEMS TO ME THAT OUR HANDS ARE TIED TO A GREAT EXTENT BY THE FAR.

D. THE PL-480 PROGRAM IN PAKISTAN FUNCTIONED FAIRLY SMOOTHLY AND WAS HIGHLY APPRECIATED BY THE PAKISTANIS. AS I RECALL, THE PROGRAM PROVIDED ALMOST TWELVE PERCENT OF THE TOTAL EDIBLE OIL CONSUMPTION OF THE COUNTRY AND SERVED AS A SOLID POLICY DIALOGUE PLATFORM FOCUSING ON THE EDIBLE OIL INDUSTRY LIBERALIZATION AND PRIVATIZATION. THE EDIBLE OIL INDUSTRY STUDIES

CONDUCTED IN SUPPORT OF THE PROGRAM WERE EFFECTIVE IN CONVINCING MANY INFLUENTIAL OFFICIALS THAT REFORM WAS NEEDED. SOME SIGNIFICANT STEPS WERE TAKEN BUT THE PROCESS WAS NOT COMPLETED DURING MY TENURE. WE WERE CAREFUL NEVER TO ENTER INTO AN OIL SEEDS PRODUCTION PROMOTION PROJECT BECAUSE OF THE CERTAINTY THAT THE OIL SEED INDUSTRY IN THE UNITED STATES WOULD PROTEST VERY STRONGLY AND THE NEAR CERTAINTY THAT SUCH A PROJECT WOULD FAIL ANYWAY. NEVERTHELESS, WE WERE CERTAIN FROM THE DATA THAT THE U.S. COULD LOOK FORWARD TO INCREASED EXPORTS OF EDIBLE OIL TO PAKISTAN WITHIN AND SOMETIMES OUTSIDE OF THE PL-480, EVEN WHILE IT INCREASED IT OWN PRODUCTION OF EDIBLE OIL. THE FACT AS I RECALL WAS THAT THE CONSUMPTION WAS INCREASING RAPIDLY AHEAD OF POPULATION INCREASES AND THAT EVENTUALLY PAKISTAN WOULD BE SPENDING AN UNACCEPTABLY HIGH PERCENTAGE OF ITS FOREIGN EARNINGS ON EDIBLE OIL IMPORTS. AGAINST STRONG RESISTANCE, THE PL-480 PROGRAM HELPED ACHIEVE THE FIRST LIBERALIZATION MEASURES - BREAKING THE GOVERNMENT MONOPOLY ON EDIBLE OIL IMPORTS AND CUTTING BACK ON NEW INVESTMENTS IN GOVERNMENT PLANTS. BUT THERE WAS A LONG WAY TO GO BEFORE THE REFORM WOULD BE COMPLETE.

E. CROSS SECTORAL INITIATIVES: I THINK THE MISSION OPERATED ON THE ASSUMPTION THAT THE POLITICAL OBJECTIVES OF THE ASSISTANCE PROGRAM WERE ACCOMPLISHED THROUGH THE 1981 NEGOTIATIONS AND THAT AS LONG AS THE ASSISTANCE PROGRAM PERFORMED ACCEPTABLY, THE POLITICAL ARRANGEMENTS WOULD BE RELIABLE. AS COULD HAVE BEEN EXPECTED, BECAUSE OF THE POLITICAL BASIS OF THE ASSISTANCE ARRANGEMENTS, IT WAS MORE DIFFICULT TO USE THE ASSISTANCE PROGRAM AS LEVERAGE FOR POLICY MOVEMENT. WE WERE, AFTER ALL, COMMITTED TO DELIVER SPECIFIC AMOUNTS OF MONEY ON A DEFINITE SCHEDULE. THE TOTAL PROGRAM CERTAINLY DID NOT LEVERAGE POLICY CHANGE BUT, IRONICALLY, INDIVIDUAL PROGRAMS ON THEIR OWN SEEMED TO GENERATE A POLICY DIALOGUE WHICH ACHIEVED SOME DESIRABLE CHANGES IN THE STRUCTURE OF THE ECONOMY. THE EXTENT TO WHICH THE EDIBLE OIL INDUSTRY IS LIBERALIZED AND PRIVATIZED TODAY, IS ATTRIBUTABLE TO THE PL-480 PROGRAM. LIKEWISE, CHANGES IN THE ENERGY SECTOR ARE LINKED TO THE RURAL ELECTRIFICATION PROGRAM AND THE LAHKRA PROJECT.

THE DIALOGUE ON NARCOTICS WAS REMARKABLY EFFECTIVE, GIVEN THE CONDITIONS AT THE OUTSET OF THE PROGRAM. AT THAT TIME PAKISTAN DID NOT HAVE A HIGH LEVEL OF ADDICTION, NARCOTICS CONCERNS WERE NOT RAISED IN THE

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1981 NEGOTIATIONS. BUT AS THE PROGRAM BEGAN IT BECAME CLEAR THAT PAKISTAN WAS A MAJOR HEROIN CONDUIT AND THAT CONGRESSIONAL CONCERNS ABOUT THE SITUATION COULD SCUTTLE THE PROGRAM UNLESS THE GOP DID ITS BEST TO COOPERATE IN THE EFFORT TO CHOK OFF PRODUCTION AND TRADE IN NARCOTICS. DONOR LION FIRST PROPOSED THE AREA DEVELOPMENT APPROACH IN MID 1982 AS A WAY AID COULD CONTRIBUTE TO THE EFFORT. INITIALLY THE IDEA WAS IGNORED OR RESISTED (I DON'T KNOW WHICH) BY INM. BUT THE END RESULT OF HIS INITIAL SUGGESTION WAS THE GADDOON PROJECT. THAT PROJECT BECAME THE NWFP AREA DEVELOPMENT PROJECT WHICH INVOLVED SUPPORT FOR UNFDAC. THE DIFFICULTY WAS NOT SO MUCH IN THE IMPLEMENTATION OF SPECIFIC AREA DEVELOPMENT PROJECTS OR EVEN IN THEIR DESIGN, BUT IT WAS IN TRYING TO SHAPE AN ADMINISTRATIVE AND MANAGEMENT STRUCTURE THAT WOULD PUT UNFDAC IN THE DRIVER'S SEAT WITH MULTIPLE DONOR FUNDING RATHER THAN HAVING USAID SEEN AS THE DRIVING FORCE BEHIND ALL OF THESE PROGRAMS. WE KNEW THE PROJECTS WOULD BE ACCOMPANIED BY FORCIBLE ERADICATION OF OPIUM POPPIES IN MANY AREAS AND ACCUSATIONS OF UNDUE USG INFLUENCE WOULD BE RAISED. I STILL HAD HOPES OF ACHIEVING UNFDAC LEADERSHIP OF THE DEVELOPMENT AND NARCOTICS EFFORT WHEN I LEFT, BUT I DO NOT KNOW WHAT ACTUALLY HAPPENED.

MISSION RESPONSIVENESS TO THE FOUR PILLARS WAS BUILT INTO THE PROGRAM THROUGH THE PROJECT DESIGN PROCESS AND WAS INTEGRATED INTO THE ENTIRE OPERATION. WE HAD OUR GREATEST DIFFICULTY IN TRYING TO GENERATE IDEAS ON HOW TO STRUCTURE AN ACTUAL PRIVATE SECTOR PROJECT. IN MY THREE AND A HALF YEARS IN PAKISTAN, WE NEVER SUCCEEDED IN DOING THIS. THE CLOSEST WE CAME TO SUCCESS WAS STUDYING THE CAPITAL MARKETS IN KARACHI AND CONCOCTING A SCHEME TO MOBILIZE PRIVATE SECTOR CAPITAL AND ATTRACT CAPITAL FROM THE PARALLEL MARKETS AND CURB MARKETS BY CREATING A SECONDARY BOND MARKET AND TRADING SYSTEM BETWEEN THE COMMERCIAL BANKS. WHEN WE FINISHED THE FEASIBILITY STUDIES, IT WAS APPARENT THAT THERE WAS A GREAT DEAL OF INTEREST ON THE PART OF THE PRIVATE SECTOR AND THAT WE WOULD NOT NEED TO INVEST OUR OWN MONEY IN THE VENTURE. THAT WAS SHORTLY BEFORE JOHN BLACKTON LEFT FOR THE PHILLIPINES AND ABOUT A YEAR BEFORE I LEFT FOR WASHINGTON. I AM NOT SURE WHAT LESSONS WERE LEARNED BEYOND RECONFIRMATION THAT IF A PARTICULAR VENTURE IS POTENTIALLY PROFITABLE, THEN IT DOES NOT NEED GOVERNMENT HELP. HOWEVER, EVEN THOUGH IT MAY NOT BE FEASIBLE TO MOUNT A REALLY GOOD PRIVATE SECTOR PROJECT IN MOST DEVELOPING COUNTRIES, AID CAN STIMULATE THINKING ABOUT PRIVATE SECTOR POLICIES AND ACTIVITIES THAT WILL HAVE A LONG RANGE BENEFIT.

AS MENTIONED ABOVE, TECHNOLOGY TRANSFER WAS INCLUDED IN ALMOST EVERY PROJECT BUT WAS MOST PROMINENT IN ENERGY AND IRRIGATION. THERE WERE STRONG INSTITUTION BUILDING ELEMENTS IN THESE SECTORS AS WELL, BUT VERY LITTLE INSTITUTIONAL DEVELOPMENT WAS ATTEMPTED OR COULD HAVE BEEN ACCOMPLISHED IN HEALTH, POPULATION AND AREA DEVELOPMENT.

F. MANAGEMENT AND STAFFING REQUIREMENTS: IN MY OPINION, TOO LITTLE ATTENTION WAS PAID TO THESE CONSIDERATIONS AT THE OUTSET. IT SEEMED TO ME THAT NO ONE HAD GIVEN ANY THOUGHT TO THE NUMBER, TYPES, AND QUALITY OF STAFF THAT WOULD BE REQUIRED TO RUN A PROGRAM OF THE MAGNITUDE AND COMPLEXITY COMTEMPLATED DURING THE NEGOTIATIONS. MOVEROVER, NO PRIORITY WAS GIVEN TO PAKISTAN IN TERMS EITHER OF NUMBERS OR OF QUALITY OF STAFF. I CAN THINK OF ONLY FOUR INSTANCES IN WHICH TOP QUALITY PEOPLE WERE HAND-PICKED TO BE ASSIGNED TO PAKISTAN . THE PROGRAM STRUGGLED THROUGH AT LEAST ITS FIRST FOUR YEARS WITHOUT A REALLY EXPERIENCED CONTRACTING AND PROCUREMENT STAFF. WE HAD TO BEG, BORROW AND STEAL IN ORDER TO MEET OUR CONTRACTING NEEDS AND OUR INCAPACITY IN THIS AREA GENERATED MANY OPERATIONAL PROBLEMS. NEXT TO DESIGN

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WORK, CONTRACTING WAS THE MOST STAFF INTENSIVE ACTIVITY IN THE MISSION FOR MOST OF THE TIME I WAS THERE. THIS BOTTLENECK WAS ONE OF THE MAJOR CAUSES OF THE PIPELINE BUILD-UP THAT WAS BECOMING QUITE LARGE BY THE TIME I LEFT.

PERHAPS THE DIE WAS CAST BY THE NEGOTIATIONS THAT INDICATED THE PROGRAM WOULD CONSIST MAINLY OF TRADITIONAL PROJECTS AND LEFT BOTH SIDES WITH THE ASSUMPTION THAT CONVENTIONAL AID PRACTICES WOULD BE USED IN THE DESIGN AND IMPLEMENTATION OF THESE PROJECTS. THAT ASSUMPTION MADE IT MORE OR LESS CLEAR WHAT THE DESIGN AND IMPLEMENTATION LOAD WOULD BE BUT NO CONCLUSIONS WERE DRAWN ABOUT WHAT THE SIZE AND COMPOSITION OF THE STAFF WOULD BE. THE RESULT WAS A NIGHTMARE OF ENDLESS WORK. WORK WENT ON THROUGH NIGHTS HOLIDAYS AND WEEKENDS FOR MOST OF THE STAFF MOST OF THE TIME, LEAVING LITERALLY NO TIME TO THINK ABOUT THE BIGGER PICTURE OF HOW WE MIGHT BE DO THINGS DIFFERENTLY. BY THE TIME WE CAME UP FOR AIR AND HAD A LITTLE TIME TO THINK ABOUT HOW WE MIGHT DO THINGS DIFFERENTLY, WE WERE COMMITTED TO A COURSE OF ACTION AND A SET OF PROJECTS THAT WOULD CARRY US INTO THE NEXT DECADE. IT IS SAD TO RELATE THAT WITH THE IMAGE OF EGYPT BEFORE OUR EYES, WE SEEMED COMPELLED TO REPEAT

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THE MISTAKE. THE FIRST PART OF THE MISTAKE WAS OF COURSE IN THE NEGOTIATIONS' DESIGNATION OF PROJECTS AS THE MODE OF DELIVERY OF THE EXPECTED ASSISTANCE. THE SECOND WAS PROBABLY IN ASSUMING WE HAD TO ADHERE TO SOMETHING RESEMBLING THAT LIST. IN TRUTH, IT WAS THE TOTAL ANNUAL OBLIGATION THAT MATTERED. I THINK ALSO MANY PEOPLE ASSUMED THAT THE CONGRESS WOULD EXPECT A DEVELOPMENT ASSISTANCE TYPE OF APPROACH TO THE PROBLEM EVEN THOUGH ESF FUNDS WERE INVOLVED. THAT CERTAINLY SEEMS TO HAVE BEEN THE WORKING ASSUMPTION WHEN I ARRIVED IN DECEMBER OF 1982. IT REMAINED SO FOR THE NEXT THREE AND A HALF YEARS.

WITH SOME TIME TO REFLECT, THE 1982 TO 1987 PROGRAM MIGHT HAVE BEEN STRUCTURED ENTIRELY DIFFERENTLY TO DELIVER ECONOMIC ASSISTANCE RAPIDLY AND MORE IMPRESSIVELY SO AS TO DERIVE FROM THE PROGRAM THE POLITICAL MILEAGE ESF PROGRAMS ARE INTENDED TO DELIVER. A PROGRAM STRUCTURED TO MINIMIZE STAFF REQUIREMENTS WOULD ALSO HAVE BEEN MORE APPROPRIATE FOR A SHRINKING AGENCY FOR INTERNATIONAL DEVELOPMENT. WE COULD HAVE HAD, FOR EXAMPLE, AN EXPANDED CIP THAT WOULD HAVE COVERED SEVERAL ELIGIBLE SECTORS AND BEEN RELATED TO POLICY PERFORMANCE OF THOSE SECTORS. THAT IS, THE CIP COMMODITIES IMPORTED UNDER THE PROGRAM WOULD FLOW

TO THE SECTORS SHOWING MOST POLICY REFORM PROGRESS. WE MIGHT HAVE HAD A MULTI-SECTOR TECHNICAL ASSISTANCE PROGRAM PROVIDING THE USAID AND THE GOP A BROAD RANGE OF TECHNICAL SERVICES CUTTING ACROSS SECTORS AND GENERALLY SUPPORTING TECHNOLOGY TRANSFER, PRIVATE SECTOR PROMOTION AND POLICY DIALOGUE. SUCH A TECHNICAL ASSISTANCE PROJECT OR PROGRAM COULD HAVE UNDERTAKEN POLICY STUDIES, FEASIBILITY STUDIES, ENGINEERING DESIGN WORK AND PROCUREMENT IN AN EXTREMELY FLEXIBLE WAY THAT WOULD NOT HAVE TIED THE MISSION IN KNOTS. THE PROGRAM MIGHT HAVE INCLUDED AN INFRASTRUCTURE PROJECT TO UNDERTAKE ECONOMICALLY FEASIBLE AND HIGHLY VISIBLE WORKS SUCH AS POWER PLANTS, DAMS, TUNNELS AND HIGHWAYS MUTUALLY AGREED UPON BY THE TWO GOVERNMENTS AND PERHAPS EVEN RELATED TO POLICY CHANGES SUCH AS THE IMPOSITION OF USER FEES AND WATER CHARGES. A LARGE TRAINING COMPONENT WOULD HAVE ROUNDED OUT MY IDEAL PROGRAM PROVIDING TENS OF MILLIONS OF DOLLARS FOR EDUCATION IN THE UNITED STATES AND FOR RESTRUCTURING OF UNIVERSITIES IN PAKISTAN. SUCH AN APPROACH WOULD HAVE REDUCED THE DESIGN WORKLOAD FROM TWENTY PROJECTS DOWN TO FOUR AND BUILT BLANKET PROJECTS THAT WOULD HAVE MET ALL OF THE IMPORTANT PURPOSES OF THE 1982 TO 1987 PROGRAM, WITH A DIRECT-HIRE STAFF OF 20-25 PEOPLE AND FAR FEWER FSN'S THAN WE HAD. I THINK IT WAS A MISTAKE TO DENY

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OURSELVES THE FLEXIBILITY OF ESF WHEN WE HAD EVERY OPPORTUNITY TO USE OUR IMAGINATION AND STRUCTURE A HIGHLY FLEXIBLE, HIGH-IMPACT PROGRAM.

G. PLANNING FOR THE POST-1987 PROGRAM: WAS HAMPERED TO SOME EXTENT BY THE RECORD LAID DOWN BY THE 1982 TO 1987 PROGRAM, INSOFAR AS WE HAD MORTGAGES TO PAY OFF AND PROGRAMS THAT WERE INTENDED TO RUN BEYOND 1987, COMMITMENTS IN BULUCHISTAN AND THE NWFP NOT TO MENTION LAKHRA. ALTHOUGH I LEFT BEFORE THE PROCESS WAS COMPLETE, I THINK WE WERE ABLE TO TAKE A MORE ORDERLY LOOK AT PROGRAMMING SOME OF US WERE ADVOCATING THE FUNDING OF LARGE TICKET ITEM INFRASTRUCTURE SUCH AS THE LOWARI TUNNEL AND THE MARANI DAM AS WELL AS AN EXPANDED CIP. I THOUGHT WE COULD ALWAYS RESERVE THE OPTION OF RETURNING TO SLOW-DISBURSING PROJECT ASSISTANCE IF POLICY PERFORMANCE WAS NOT ADEQUATE. OF COURSE SUCH AN APPROACH OBVIOUSLY SMACKS OF THE "THIS HURTS ME MORE THAN IT HURTS YOU" SYNDROME BECAUSE PROJECTS SIMPLY REQUIRE MORE AID AND CONTRACT STAFF AND IT IS OFTEN THE CASE THAT AID'S IMAGE SUFFERS MORE FROM A LARGE PIPELINE THAN THE RECEIPT GOVERNMENT'S IMAGE DOES.

EVEN IF AFTER 1992 IF THE PAKISTAN PROGRAM IS DRAWN DOWN TO A MUCH MORE MANAGEABLE LEVEL OF SAY DOLS 50 OR

MILLION OR EVEN DOLS 30 OR 40 MILLION, IT WOULD BE USEFUL TO THINK IN TERMS OF LUMPING ASSISTANCE TO PAKISTAN UNDER GENERIC CATEGORIES OF TECHNICAL ASSISTANCE, INFRASTRUCTURE, CIP, AND TRAINING. RESOURCES CAN BE USED EFFECTIVELY IN SUCH A PROGRAM AND DIRECT-HIRE STAFF REQUIREMENTS WOULD BE CONSIDERABLY REDUCED. ~~HOOPER~~

KD-AAy-457-A

58504

U.S. ECONOMIC ASSISTANCE TO PAKISTAN:
REVIEW OF THE PERIOD 1982-1987

FINAL REPORT

Submitted to: Jonathan Addleton
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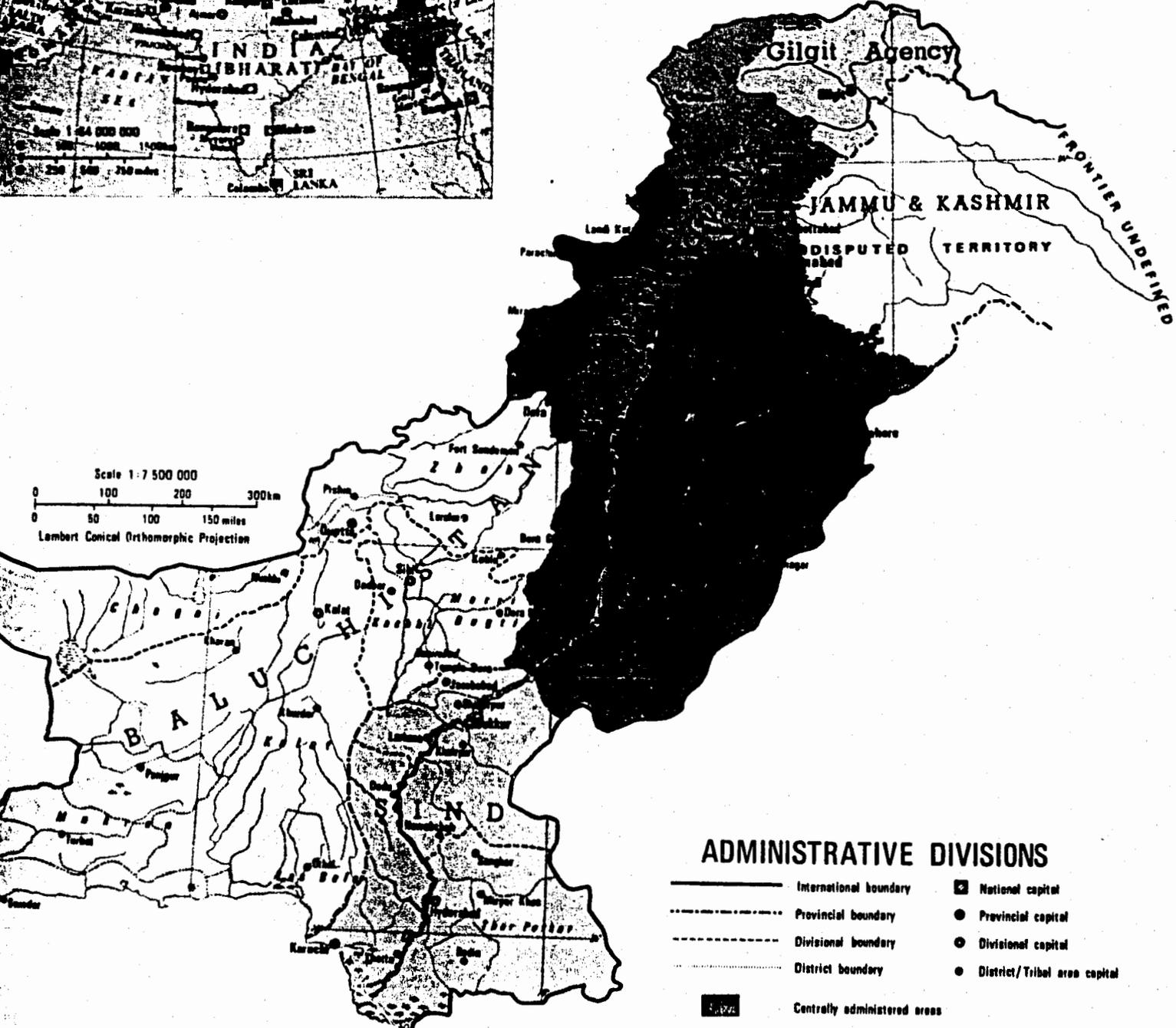
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45

PAKISTAN IN SOUTH ASIA



Scale 1 : 7 500 000
 0 100 200 300 km
 0 50 100 150 miles
 Lambert Conical Orthomorphic Projection

ADMINISTRATIVE DIVISIONS

- International boundary
- - - Provincial boundary
- - - - Divisional boundary
- · · · · District boundary
- Centrally administered areas
- ⊠ National capital
- Provincial capital
- Divisional capital
- District/Tribal area capital

The state of Jammu and Kashmir is in dispute; its accession to India or Pakistan has not been decided, through plebiscite under the United Nations.

ACRONYMS AND ABBREVIATIONS

A&E	Architectural and Engineering
ACE	Agriculture Commodities and Equipment Program
ADB	Asian Development Bank
ADC	Agricultural Data Collection
AED	Academy for Educational Development
AID	Agency for International Development
ARD	Office of Agriculture and Rural Development
ASSP	Agriculture Sector Support Program
AZRI	Arid Zone Research Institute
BALAD	Baluchistan Area Development Project
BHS	Basic Health Services
BHU	Basic Health Unit
CDSS	Country Development Strategy Statement
CIDA	Canadian International Development Agency
CIELS	Center of Intensive English Language Study
CIMMYT	International Wheat and Maize Improvement Centre
CIP	Commodity Import Program
CMS	Continuous Motivation System
COAL REAP	Coal Resource Exploration and Assessment Program
DA	Development Assistance
DSTP	Development Support Training Program
DTI	Power Distribution Training Institute
EAD	Economic Affairs Division (USAID's primary liaison agency within the GOP)
EAN-DAP	Economic Analysis Network - Directorate of Agricultural Policy
ECE	Energy Commodities and Equipment Program
ELR	Energy Loss Reduction Program
ENERCON	National Energy Conservation Center
EP&D	Energy Planning and Development Project
EPA	Economic Policy Analysis
EPI	Expanded Program of Immunization
ESF	Economic Support Funds
FAA	Foreign Assistance Act
FATA	Federally Administered Tribal Areas
FMS	Foreign Military Sales Program
FPAP	Family Planning Association of Pakistan
FPD	Forestry Planning and Development Project
FSM	Food Security Management Project

PHM	Post Harvest Management
PID	Project Identification Document
PIR	Project Implementation Review
PLL	Precision Land Leveling
PNCB	Pakistan Narcotics Control Board
PP	Project Paper
PSSP	Private Sector Scholarship Program
PSTP	Private Sector Training Program
PVO	Private Voluntary Organizations
PWP	Population Welfare Planning Project
RE	Rural Electrification Project
RRM	Roads Resources Management Project
SAI	Sheladia Associates Incorporated
SDU	Special Development Unit
SDEP	Special Development and Enforcement Plan
SG	Sector Grant
SGW	Saline Groundwater
SMC	Social Marketing of Contraceptives Project
TA	Technical Assistance
TADP	Tribal Areas Development Project
TAT	Technical Assistance Team
TIPAN	Transformation and Integration of the Provincial Agricultural Network Project
TOEFL	Test of English as a Foreign Language
USAID	United States Agency for International Development
USGS	US Geologic Service
WAPDA	Water and Power Development Authority
WHO	World Health Organization
WID	Women in Development

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PREFACE

Scope and Nature of the Review

The Agency for International Development (AID) commissioned this review of US economic assistance to Pakistan during 1982-1987. The review was undertaken by Devres during March-April 1988. Maurice Williams and Lou Rudel prepared this report with contributions from Dr. Anita Weiss and Mr. Masood Husain, who had been separately retained by USAID Pakistan. Mr. Robert Dakan, Pakistan Desk Officer, AID/Washington, also provided some input during the early stages of the evaluation. Devres assumes responsibility for the content of this report while acknowledging the helpful assistance of other contributors. The review could not have been possible without the cooperation of the US AID Mission to Pakistan (USAID).

The economic assistance program during 1982-1987 is unique in several respects. First, a very large level of economic aid, \$1.625 billion, was committed for the six year period, in advance of discussion or agreement on the content of the program. Second, the large-scale assistance at that time represented a sharp reversal of US assistance policy toward Pakistan. For several preceding years, the United States had been scaling down its AID Mission in Pakistan and the level of assistance, so that, in 1981, AID's in-country capability for program design and implementation was extremely limited. Third, while the rationale for the mounting of a large program in Pakistan was primarily political and strategic, the program which AID launched in 1982 was, in large measure, directed toward longer term economic reform and development objectives.

These unique features may provide special interest for a review of the period, although six years is a relatively short time span to assess the true development impact of the program. The recent experience of aid to Pakistan also may provide grist for the current US Congressional interest in the uses and effectiveness of American assistance programs and how they can be better directed in the decade ahead.

The commitment of \$1.625 billion of US assistance to Pakistan in 1981 was part of a broader package of military and economic assistance totalling \$3.2 billion, which aimed at strengthening Pakistan at a critical time when Soviet military forces were on its border in Afghanistan. The pressures on Pakistan from this Soviet military intervention were extreme in terms of seeking to undermine Pakistan's basic support for the continuing struggle of the Afghan people and in terms of the almost three million Afghan refugees which were sheltered within the borders of Pakistan. Consequently, the US assistance package was of high strategic importance and called for expediency in implementation and maximum political and economic impact.

The scope of this evaluation is to review the main features of the 1982-1987 program of economic assistance and to document the strengths and weaknesses of the approaches undertaken, in both design and implementation, and the lessons gained from the experience. These may provide insights and guidance for the future. It is relevant that a follow-on agreement between the United States and Pakistan, reached in March 1986, continues the program's commitment of high levels of economic assistance to Pakistan for another six years, to 1993.

In a broad sense, this review is but one chapter in the close association between Pakistan and the United States over the last four decades since Pakistan's independence. The association has been one in which the interests of the United States and Pakistan have usually converged--although not always and not on every issue--for Pakistan is a proud and sovereign State with its own special regional interests. However, for most of the past years there has been significant and sustained support by the United States for Pakistan's drive to achieve self-reliant economic and political development.

EXECUTIVE SUMMARY

Scope of Review and Rationale for the US Assistance Program

AID commissioned this review of US economic assistance to Pakistan for the period 1982-1987. The commitment of \$1.625 billion economic aid during this six year period was part of a broader package of US military and economic aid totalling \$3.2 billion. The objective was to strengthen Pakistan's stability and capacity to resist pressure at a critical time when Soviet military forces in Afghanistan sought to undermine Pakistan's support for the Afghan refugees and for the continuing struggle of the Afghan people against Soviet aggression. The scope of the evaluation is to review the main features of US economic assistance, and to assess its impact, strengths and weaknesses and lessons gained.

While the US had significantly contributed to Pakistan's past economic development, US aid had been suspended in 1979 by Congressional action because of Pakistan's apparent pursuit of a nuclear weapon capability. However, this restriction was waived in 1981 by President Reagan on grounds of overriding US political and strategic interests.

Despite the overriding political rationale that US economic assistance was mainly to facilitate the purchase by Pakistan of US military equipment, the US economic assistance program also was directed toward longer-term economic development needs. To the maximum extent possible this was to be a regular AID development-oriented program, which emphasized institutional and policy reforms as well as technology transfer and an enhanced role for private sector development.

Features of the Program

The essential focus of US economic assistance was to enhance Pakistan's foreign exchange payments position through financing quick disbursing commodity imports, which accounted for \$900 million of the US assistance. These included primarily the import of agricultural and energy commodities and equipment, as well as dollar purchases of local currency. About a third of the commodity imports were financed by PL-480 Title I assistance.

The USAID Mission obligated \$356.4 million during 1982-1987 for a variety of activities in the energy sector including a major power generation plant and extensive plans for other investments and institutional reforms. Only 35 per cent of the funds obligated were expended as of September 30, 1987.

The program sought to address priorities in social and human resources sectors with obligations during 1982-1987 of \$196 million for health, malaria control, population planning, training and related programs in human resources development, including the role of women.

USAID obligated \$186 million for a range of agricultural projects, including the management of irrigation and water resources, forestry, food security, and agricultural research.

In the politically important area development and narcotics control projects, USAID obligated \$98 million during the period under review, but disbursements totalled only \$19.8 million. The US aid program is performing a development function as part of the Pakistan-US cooperative effort to reduce the flow of narcotics from opium poppies grown in the tribal areas of the Northwest Frontier. At the GOP's request it also took on projects in "lagging areas" such as Baluchistan and the Federally Administered Tribal Areas to foster national integration.

Design and Implementation Issues

Aside from the commodity and equipment program, the assistance proved to be highly technician intensive in project design and implementation, due to ambitious efforts by USAID to achieve policy and institutional reforms at the project level. The program was constrained, however, because the political situation in the country called for the smallest possible resident US aid staff--which ranged from about 20 to 40 during the period.

As a result USAID looked to a large number of temporary duty and consultant staff to carry out the aid projects, an approach which created many difficulties. Neither the contract personnel nor the Pakistani officials with whom they were expected to work were properly prepared for the tasks of working together. After 1985, these start-up difficulties were overcome and most of the approximately 20 projects had reached a "mature" stage, with many activities in training and construction--such as roads, buildings and a power plant--beginning to show results.

Impact of US Economic Assistance

In strategic and political terms, the US assistance was highly successful. It had provided the economic sinew which made possible the strengthening of Pakistan's defense capabilities. As a result Pakistan had been able to stand firm in the face of Soviet threats and to refuse to acquiesce in Soviet efforts to subjugate the Afghan people.

Pakistan's growth rate during the 1982-1987 period continued at high levels, resulting, in part, from increased consortium aid, in part from fortuitous circumstances such as large worker remittances. But major problems now loom on Pakistan's economic horizon, the most pressing of which is the mobilization of internal resources, as evidenced by increased GOP budget deficits which are being financed by the nationalized banking system.

The strengthened military posture of Pakistan placed a continuing heavy economic burden on its economy both in foreign exchange and budgetary terms. By 1986, it became clear that continuing large economic assistance from the US would be required well beyond the initial 1982-1987 period.

Nature of the 1988-1993 Assistance Program

The new US assistance package to Pakistan for 1988-1993 was confirmed by a letter from President Reagan in March 1986. The new commitment was for \$4.02 billion, with military sales of \$1.750 billion matched by economic aid of \$2.280 billion. The follow-on assistance was somewhat more favorable economically for Pakistan than the earlier aid package, responding in part to the country's more serious problem of military sales repayments to the US

Like the earlier program, about 40 percent of the new economic assistance was projected for fast disbursing imports and on the four sectors of agriculture, energy, training, health and population, as well as a continuing priority on narcotics control and investments in the economically lagging areas.

Outstanding Lessons from the 1982-1987 Assistance Experience

- A sharp program focus, tailored to US staff capacities, is essential to assure program effectiveness. While pressures toward overly ambitious and defused activities are difficult to resist in large aid programs, it is important for program managers to formulate a clear concept of program capabilities and to establish and maintain a sharp program focus.
- Flexibility and delegation of authority to Mission Management, is critical for effective program management. The USAID Mission was given the means for flexible management of the program. The multi-year commitment made it possible for the Mission to concentrate effectively on both the current and forward programming. Also helpful were the substantial delegations from AID's Asia Bureau to the Mission for project approvals and administration.

- Mission efforts should be concentrated on the most important policy and institutional reforms. The experience of the last six years has shown that USAID needs to be more selective in using its influence for reforms by the Government of Pakistan. When USAID concentrated its reform efforts in well prepared studies of Pakistan's problems and options for change--and concerted its efforts with the World Bank--USAID recommendations carried greater weight and in a number of instances were successful. For example, important USAID encouraged reforms have been adopted by Pakistan to improve its management in areas of electric power, agriculture and water development.

- The security-development link in US assistance must be balanced and adjusted as conditions change. The level of US economic aid has been closely linked to the cost to Pakistan of financing US military sales. In a real sense, economic aid has been the hand maiden of Pakistan's defense requirements. A balance and linked assessment of US and Pakistan security interests will continue to be important in the future. Pakistan's military build-up has placed in jeopardy its ability to meet pressing economic and social investments.

In the period following the withdrawal of Soviet forces from Afghanistan, it may be possible to envision that Pakistan's broader security interests would be best served by shifting the balance of US assistance for the 1988-1993 period more in favor of economic objectives, and by the Government of Pakistan restraining further increases in its defense budget.

- Politically driven aid programs involve trade-offs in economic development performance. The AID Mission is to be commended for its sustained efforts to maximize the possible development impact of the politically justified ESF (economic support fund) program. A number of highly beneficial development effects were clearly achieved. However, when USAID overstates the development results, it risks blurring the reality of the costs of short term political aid and the resulting weaker performance by the Pakistan economy than might otherwise have been possible. Such distortion tends to hide the adverse effects on Pakistan's economic and political stability over the mid- to longer-term.

When the criteria of performance between ESF and development assistance programs are diluted, the overall standards of economic performance tend to be weakened.

-- A more visible profile of the benefits of US economic assistance to Pakistan is needed. Of concern for this evaluation have been repeated comments by Pakistanis that the US aid program should be more publicly visible. While acknowledging the usefulness of commodity assistance, they point out that much of it does not have lasting economic effects. It is probably true that the popular impression in Pakistan is that US aid is very large, but that--in the words of one man in the street--"it is mostly eaten by the rich".

USAID has given much attention to better publicity in Pakistan of the benefits of American assistance. The lesson for the future, however, may be to make program adjustments that would narrow the range of overly complex and lagging activities in the program, and to fund more permanent and visible infrastructure projects--both in areas of social and physical overhead investment--and that at least one activity should be singled out which could be popularized as a clearly identified US effort of wide benefit for Pakistan's people.

A program perceived to be more visible in Pakistan would better serve US political objectives.

I. OVERVIEW AND RESULTS OF USAID ASSISTANCE
TO PAKISTAN 1982-1987

A. Background of the 1982-1987 Economic Program

1. US economic assistance to Pakistan prior to 1982

From a modest beginning in 1951, U.S. bilateral assistance to Pakistan grew to annual commitments approaching \$400 million in the early 1960's and cumulative commitments of approximately \$5.1 billion through 1982. Additionally, the US made significant contributions to Pakistan's development through its financial support of the World Bank, Asian Development Bank and United Nations.

The early program (1951-1958) of US assistance for the newly independent nation focused on helping Pakistan overcome the economic consequences of the 1947 partition of British India. Pakistan had in its favor an extensive irrigation system in the Indus valley and a fairly well developed road and railroad network. Otherwise infrastructure was limited and large investments needed to be made in communications, water and power development. To make matters more difficult, a relative lack of skilled professionals and the large immigration of unskilled labor left Pakistan with a weak base for development and a difficult refugee problem.

Much of the early US assistance effort was focused on emergency relief, infrastructure rehabilitation and expansion, and technical assistance, including programs to modernize the public service. Fertilizer imports increased agricultural output. At the same time, PL-480 concessional sales generated local currency for public investment and made it easier for Pakistan to finance industrial enterprises by keeping agriculture prices low and thereby extracting an investable surplus from agriculture. Thus in the 1950s, US assistance helped with the investments which laid the foundation for future agricultural and industrial growth.

During the 1960s Pakistan's economy entered what some have called its "golden years" of development progress. The nation produced its first systematic development plan. President Ayub Khan provided political leadership in encouraging new policies to stimulate agricultural growth and private sector development. As a result of these policies the US and other donors supported the large scale investments which secured and harnessed the waters of the Indus Basin for development. US economic assistance reached its height during the first half of the 1960s. The US committed just under \$3 billion within the second plan period (1960-1965) which provided 35 percent of Pakistan's development budget and financed 45 percent of its total imports.

An unfortunate turn of political events in 1965 lessened the pace of economic development and of assistance to Pakistan. US concerns over the Indo-Pakistan war led to a suspension of new aid commitments. Although these were quickly resumed after the war ended, they never regained pre-war levels. Sharply critical political attacks within Pakistan on its economic policies challenged the status quo, alleging that the benefits of economic growth were not being widely shared, either between East and West Pakistan or within various regions. This discontent undoubtedly contributed to political unrest which led to the 1971 civil war, the separation of Pakistan into two nations and the emergence of Z. A. Bhutto as head of the government.

In the 1970s the US resumed its assistance with renewed emphasis on agriculture and the social sectors. The US lost interest in private sector industrial development with Pakistan's nationalization of firms in ten basic industries. U.S aid focused on water management and fertilizer, while its investments in the social sectors included support for family planning, malaria control and rural health.

The results in the agricultural sector have been positive. An important lead was taken by US efforts to reduce irrigation water losses. US financial support for a Pakistan fertilizer strategy was also important and helped focus donor support for a larger assistance effort. Fertilizer consumption grew rapidly and contributed to substantial productivity increases, particularly for wheat after 1974.

The results of US assistance for social sector investments have been less positive. Despite substantial support from US and other donors, population growth rates have remained high. AID provided major funding to help establish health units in the rural areas and US support for malaria control also helped achieve results, although on a more modest scale than had been anticipated. Generally, Pakistan's commitments to the social sector, and associated U.S aid, have not done well--especially in comparison with similar programs in other countries. As a result there is a growing backlog of neglect.

President Zia came into power in 1977 and realized that Bhutto's failing, in part, was due to neglect of pressing economic problems. Thus the Zia government undertook a number of corrective measures, such as increased incentives to farmers, dismantling public control of industrial enterprises, and other policies to revitalize the economy.

At the same time, the Government of Pakistan publicly announced its intention to procure nuclear reprocessing technology and equipment in an effort to achieve parity in this field with India. Given the long standing US policy to discourage nuclear proliferation, a policy review was initiated in regard to this issue with Pakistan. During the course of this review new obligations of development assistance to Pakistan were suspended by US Congressional action as a result of the Symington Amendment. However, implementation was continued on the substantial portfolio of ongoing US funded projects, including Basic Health Services, On-farm Water Management, Dryland Agriculture, Malaria

Control, Village Level Food Processing, Fauji Fertilizer Plant, and others.

During the period 1978 through 1981, the new assistance commitments made to Pakistan was for PL 480 grain and vegetable oil at annual levels ranging from \$30 to \$50 million. Otherwise the pipeline of disbursements from previously initiated assistance rapidly declined and was virtually exhausted after 1979. Following an attack that year on the US Embassy in Islamabad, the American staff of the AID Mission in Pakistan was greatly reduced, to an American staff of 13, and the aid program was placed in a holding pattern.

In summary, it can be seen that US economic assistance to Pakistan in the period 1952 to 1980 has been substantial and that the association of the United States with Pakistan's development progress and problems has been close. It must be said that both the pace of Pakistan's development, and of associated US assistance, has been uneven. There had been several pauses in the aid relationship for assessment and sorting out of differing perspectives on fundamental political interests--which, however, has not diminished the deep and abiding interest of the United States in Pakistan's progress toward self-reliant economic development.

The following illustrative list of activities supported through US economic assistance programs prior to 1982 suggest the legacy of US contributions in many areas of the Pakistan economy:

- Largest contributor to construction of Mangla and Tarbela Dams;
- Introduction of high-yielding food grain varieties;
- Early support for introduction of commercial fertilizer use on a widespread base;
- Early support for Pakistan's Salinity Control and Reclamation Program (SCARP), including installation of nearly 4,000 tubewells;
- Development of On-Farm Water Management concept, subsequently adopted throughout Pakistan and by other countries and other donors;
- Early support for extensive construction or rehabilitation of power lines, highways, railways, airports, and telecommunications throughout Pakistan;
- Construction of thermal power plants at Quetta and Faisalabad;

- Early support to reduce Pakistan's malaria rate by 99 percent and to help Pakistan develop rural health care and family planning initiatives; and
- Early support for the Agricultural University at Faisalabad, Institute of Public and Business Administration at University of Karachi, National Institutes of Public Administration in Karachi and Lahore, Pakistan Institute of Development Economics in Islamabad, National Institute of Cardio-Vascular Diseases in Karachi and other leading institutions throughout Pakistan.

2. Origin of the 1981 agreement for renewed assistance

In the early 1980s the United States and Pakistan found a renewed convergence of political and security interests following the Soviet invasion of Afghanistan. The firmness of the Government of Pakistan in espousing an independent and neutral Afghanistan and sheltering some 3 million Afghan refugees gained American respect and support.

Also, after the internal political turbulence of the 1970s, Pakistan found renewed political stability and a return to policies favoring a more solid basis for longer-term economic development. The new Pakistan government reestablished development planning as a central feature of economic policy formulation. It signalled a pro-market and private sector orientation by declaring its intention to denationalize a number of industrial and service enterprises and to introduce incentives for private investment, including guarantees against further nationalization. In line with this new policy orientation, revised agricultural prices and improved services were adopted to provide better production incentives and there was a general effort to rationalize the extensive subsidies and other government interventions in the economy. In these policy and structural reforms, the Government of Pakistan was cooperating closely with the International Monetary Fund and the World Bank.

Although the United States had suspended new development aid to Pakistan--due to Congressional concerns about the direction of Pakistan's nuclear weapons research--the deteriorating situation in Persian Gulf and Central Asia prompted the US Government to reassess the importance of Pakistan as a force for stability in the region. Pakistan was playing a pivotal role with the moderate Islamic nations. It was working diligently with them and with the international community for the restoration of an independent and non-aligned Afghanistan, and in the process was host to Afghan leaders and refugees actively working for these objectives.

Further, Pakistan's own security was endangered by the potential threats on its borders from Soviet forces in Afghanistan. The convergence of the strategic national interests of both the United States and Pakistan favored continuation of a strong and stable Pakistan. This would require strengthening and modernizing Pakistan's defense capabilities buttressed by a growing economy which could both sustain the defense burden and, at the same time, meet the social and economic needs of its poor and rapidly growing population.

In support of these objectives, agreement was reached between the governments of the United States and Pakistan on a level of US economic assistance totalling \$1.625 billion for the six year period FY 1982-FY 1987. A principle objective was to strengthen Pakistan's balance of payments so that it could better service its foreign debts and make important purchases of defense equipment from the United States under its foreign military sales program (FMS). The FMS component of the agreement totalled \$1.575 for military equipment, for a total proposed package of US assistance of \$3.2 billion. Payment for the FMS was scheduled over 12 years on commercial terms (as requested by the Government of Pakistan) and would put pressure on Pakistan's foreign exchange reserves. (See Annex C).

3. Political nature of the assistance

The primary justification of the US assistance was geopolitical and strategic and the economic aid was to be managed in support of the agreed strategic interests of the two countries. This required that the economic assistance should be in the nature of a mix of fast disbursing obligations to offset the balance of payments impact of the military modernization program.

The political nature of the assistance was further underlined by the request of the Pakistan officials that the program should include an emphasis on US assistance to the strategic and economically "lagging areas" of Baluchistan which borders on Iran and of the Northwest Frontier Province which borders on Afghanistan.

After the program was initiated, a further political objective was added by the United States, to support efforts to reduce and, if possible, eradicate opium and heroin production in Pakistan's northern areas. USAID was to provide assistance for small farm producers of opium to grow alternative crops. The Pakistan Government, for its part, undertook to move forcefully against opium production and trade.

4. Economic development content of the program

Within the framework of political and security objectives, US economic assistance was to focus on the development needs of the Pakistan economy.

An advance team from AID Washington during mid-1981 discussed these needs with senior Pakistan officials. Their priorities, in addition to fast disbursing commodity imports of fertilizer and edible oil to save foreign exchange, were very much in the areas which had been addressed by the earlier AID program in Pakistan, namely support for agriculture, water management, and public health. Additionally, Pakistan officials requested US help in power generation and distribution, which was an urgent need for the economy and one of the main targets of the projected Sixth Five Year Plan initiated in 1983. There was agreement that USAID should again work with Pakistan in the area of family planning.

Thus, despite the high strategic importance of the renewed aid package being discussed, there was a common objective by both Pakistan and the United States to reestablish the former long-term economic assistance relationship, not surprisingly along the lines of the US program which had been underway in the mid 1970s.

In August 1981, the Administrator of AID, accompanied by a strong team from the Agency, confirmed agreement with Pakistan officials in Islamabad on indicative elements of the \$1.625 billion economic program as shown in Table 1. In this the US team was concerned to direct US aid efforts in areas which met Pakistan's important development needs and for which the United States had a comparative advantage, both in terms of its ability to transfer US technology and in terms of past experience in Pakistan. These criteria indicated an essentially project-oriented approach by AID in the areas of agriculture and rural development, health, fertility reduction, energy, human resource development and related technical assistance for training and institutional development.

The essential economic focus of the US assistance, in addition to enhancing Pakistan's foreign exchange assets, was to address key economic sectors and problems which would enable Pakistan to achieve self-sustaining economic growth and, thereby, be better able to manage increased military expenditures, while also better meeting the social and economic needs of the Pakistan people. The level of the economic assistance was large, but its goals were even more ambitious.

The indicative agreement envisioned a large element of commodity assistance to ensure rapid response to Pakistan's urgent problems of external payments, but at the same time AID emphasized that all of the fast disbursing assistance would be "tied directly and meaningfully to our sectoral objectives". And the program was to be cast in AID's project mode of design and implementation.

TABLE 1

Proposed Planning Levels
US - Pakistan Economic Assistance
FY 1982 - FY 1987
(Millions of US Dollars)

<u>Activity</u>	<u>FY 82</u>	<u>FY 82-FY 87</u>
1. Agricultural Inputs	60	300
Fertilizer	(50)	(250)
Agricultural Equipment	(10)	(50)
2. Agricultural production distribution and storage	-0-	100
3. Farm to market roads	-0-	
4. Energy development	5	200
5. Water management	15	100
On Farm Water/Planning	(7)	(10)
Canal Rehabilitation, Anti Water-logging and Salinity Programs	(8)	(90)
6. Agricultural education, research and extension	-0-	50
7. Population and health	10	75
Population/Health	(6)	(-)
Malaria	(4)	(-)
8. Private sector mobilization fund	-0-	50
9. Baluchistan project fund	-0-	30
10. Tribal areas project fund	5	15
11. General training	1	5
12. Project design fund	4	10
13. Project Reserve	-0-	340
14. PL 480	<u>50</u>	<u>300</u>
TOTAL	<u>150</u>	<u>1,625</u>

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It was clear that, to the extent possible, this was to be a regular AID development-oriented program. To underline this point the AID Administrator followed up his August 1981 discussions in Islamabad with specific instructions to the Pakistan AID Mission that its formulation of the program should fully incorporate AID's four major themes, or "pillars of development". These were policy dialogue, an enhanced role for the private sector, institutional strengthening and technology transfer. There also should be a close integration of PL 480 food assistance with other elements of the program.

B. Design and Implementation Issues

The economic program agreed with Pakistan would prove to be highly labor intensive in terms of design and implementation requirements by the AID Mission. About \$1 billion was for projects which were not only expected to meet AID's project development criteria but to embody and achieve policy and institutional reforms as well.

A small number of activities such as Agricultural Research and On-Farm Water Management were a continuation of already established programs. Nine new projects would have to be designed in the first year of the program, and an additional nine in the second year. The total of projects would number 23 for the six year program.

Of necessity, commodity and equipment imports for the agriculture and energy sectors would prove to be a large part of the program, even larger than initially agreed. But the commodity assistance, including PL-480 commodities, also was expected to carry the freight of carefully calculated policy and institutional reforms. This would require a sorting out of pricing and distribution policies, review of government subsidies on agricultural inputs, specification for agricultural equipment, as well as studies of the production, processing and marketing of fertilizer and edible oils to reduce import dependency and increase efficiency. For example, the edible oil study initiated by the Mission in 1982 called for 28 consultant specialists for temporary duty in Pakistan totalling the equivalent of 76 months of technical assistance. This, and other sector studies, were to be carried out as part of the new Project Design Fund (later changed to the Project Design and Implementation Fund).

Most of activities projected for U.S assistance were not only technically intensive but their effective implementation would require careful knowledge of Pakistan, its policies, institutions, operational methods and local circumstances.

While the AID Mission was to claim that the focus on rural development provided for program and target group concentration, the resulting activities would prove to be spread extensively over the four provinces of Pakistan. Also, in all of its activities the Mission was expected to incorporate a development thrust for policy and institutional reforms in the upgrading of human resource skills.

1. Project preparation and start-up

The AID Mission in Pakistan, as constituted in 1981, was not equipped to handle the task thrust upon it. As observed earlier, the Mission was at the time winding-down with an American staff of 13, primarily engaged in routine administration and without experience in program analysis and project design. Clearly, if the projects were to be prepared for Congressional approval, funding and implementation,

there would have to be a reversal in both the size and composition of the Mission. This was recognized by the new Mission Director who was himself well grounded in project experience.

At the same time, there were strong political reasons for holding down the size of the full-time American staff in Pakistan. The American Embassy had been attacked and seriously damaged only two years earlier. It could be argued, as indeed it was, that political fanatics remained close at hand and that terrorists, supported by other states in the region were not far away. The circumstances called for priority implementation of the program with the lowest possible American staff profile.

In these circumstances, the Mission held its American staff to a very small size, considering the scope and complexity of the program, and increasingly engaged Pakistan and non-Mission US personnel for programming and operations. The Mission direct-hire U.S staff was increased to 22 during the first year of the program, doubled to about 43 during the fourth year, FY 1985, and remained at that level through FY 1987.

In part, the low intensity of American staffing was made possible by the excellence of the Pakistani staff which over the years had provided invaluable support to the Mission's administration and operations. The Mission also engaged Pakistani engineers, contractors and consultants, particularly for the implementation of infrastructure projects. On the whole, the record of their performance has been satisfactory, although Pakistan's most experienced contractors have been heavily engaged with international construction projects in the Persian Gulf and Middle Eastern states. AID financed construction in Baluchistan, for example, is far behind schedule.

Several phases in the Mission's approach to its staffing problems can be identified. In the first two years of start-up preparation, the Mission called to Pakistan an almost continual stream from Washington of temporary duty missions and personnel for each of the projects under preparation. This was for essential design work, preparation of program and implementation documents, study missions and other general support required by the Mission.

AID Washington itself was not well prepared to carry this additional responsibility. There was no ready reserve of programmers who were not already engaged in other assignments, and some of them--such as Central American and some African programs--also carried a very high priority for engagement of the Agency's most experienced staff resources. It may well be that the Agency was not itself appropriately staffed for the contingency which the new priority program in Pakistan required. In any case, during the first two years of the Pakistan program, a very heavy burden was carried by a few talented individuals in AID Washington and in the field mission. Launching the program in Pakistan owes much to their hard work and dedication.

In the second two years, FY 1984-85, the Mission called forward large numbers of American contract personnel for study and project implementation. Contract personnel in Pakistan were in the order of 200 to 300, of which half were on a long term basis. These included two large contract teams working in the fields of power with the Pakistan Water and Power Development Authority (WAPDA) and in the various provincial irrigation departments. Thus, while the official AID staff profile was low, the American contract staff profile was relatively high, numbering about 100 long-term contractors in September, 1987.

Although the American contract personnel were technically qualified and much good work was done--some even outstanding--it cannot be said that the Mission's massive contract approach to project study and implementation was a complete success. Neither the contract personnel, nor the Pakistani officials with whom they were expected to work, were properly prepared for the nature of the tasks before them.

It is one thing to be technically competent, and quite another to relate that competence to the cultural, institutional and administrative circumstances of another country. At least in relation to the large contract teams, the Mission had overloaded the institutional circuit without adequate advance preparation. This created many operational problems, particularly since all of AID's projects, as we have seen earlier, were heavily freighted with policy and institutional reform objectives. In these circumstances some "load shedding" was inevitable.

In the final two years of the six year program, FY 1986-1987, the Mission staff had gained increased capacity, both in terms of staff turnover and more seasoned experience with Pakistan. This was fortunate since it coincided with the weight of implementation of many of the activities underway, and made possible a sorting out of which projects were well launched and making progress, and which required course correction because of a faulty start or inadequate preparation.

Of course, this threefold division of the six year program period is somewhat arbitrary, since there was overlapping among them in the use of staff instruments. Nevertheless, it is believed the account

does convey accurately the dynamics of the Mission's staffing problems in relation to the progress made in moving from the initial start-up and design to the mature implementation of the program.

2. Staffing and operational modalities

The severe staffing constraints, and the measures adopted to deal with them, had a pervasive effect on the way the AID Mission conducted its business. The Mission was given a very large mandate by AID Washington to pursue institutional and policy reforms. AID staff and contract advisors took this mandate seriously.

It might even be said that every AID advisor carried the baton of reform in his brief case, for each of the activities and projects in the Mission's portfolio embodied proposals to remedy institutional deficiencies. This led to a number of disputes at the project level, many of which were not easily resolved. In some cases the disputes only convinced the AID advisors that they were on the "right" track--after all, no one believed that reforms would be easy.

The problem was not that the principles of the AID reform doctrine were wrong. They were very much right since improvement in technology, economic policy, human skills and institutional reforms are critical elements of development and modernization. Pakistan's requirements for changes in these areas are great. Rather, problems arose because the Mission's approach may have been too widely applied across the whole range of projects instead of being sharply selective and in many cases was pressed at too low a level--the project level--within the Pakistani establishment. At least initially the AID mission staff generally, with its heavy infusion of temporary duty and contract personnel, was not sufficiently knowledgeable of the specific possibilities and interactions related to reform in the unique circumstances of Pakistan society and culture. The principles of development may well be universal--although there are some who doubt it--but certainly their application must necessarily be qualified by the culture and historical experience of individual societies.

During 1986, with the bulk of the project design work completed, in the course of negotiations of the US aid package for the next 6 year period (1988-1993), the AID Mission reached agreement to formalize the process of its reform dialogue to the senior officials level on a more formal, regularly scheduled basis. This eased many of the strains affecting project implementation and raised project-related reform issues closer to senior decision levels where, in most cases, they more appropriately belonged.

However, it must be said in fairness that the Mission's initial approach for across-the-board reform at the project level not only "played well" in Washington, but that many of the reform proposals dealt with important issues bearing on the effectiveness of the projects concerned. The early experience helped set the future reform agenda of the US Mission. The topic, institutional reform, is of such

importance for development assistance to Pakistan that it may be well to consider its need in the broader context of Pakistan's historic political and administrative experience.

3. Institutional factors affecting Pakistan's development

Pakistan is generally recognized as one of the most sophisticated of developing countries in terms of its economic policy planning capacity. This capability was largely ignored during most of the 1970s, but the current Pakistan Government has reaffirmed its support for improved planning of such matters as fiscal policy, exchange rate policy, privatization and pricing policy incentives. As a result the last few years have been great improvements in these areas of macro-policy reform.

While the capacity for economic policy planning is strong, the means for its implementation is highly centralized in the senior Pakistan civil service. Consequently, at the other end of the spectrum, at the level of project and provincial administration, institutional weaknesses in Pakistan are endemic.

The problem arises in large measure because both the civil and military services in Pakistan are dominant institutions and concomitantly development of political institutions has lagged far behind at almost every level of the society. As a result the prospects for political checks and balances on the civil and military services have been almost non-existent. Efforts to correct this political deficiency are now being encouraged from the top and the new and somewhat more broadly based political institutions may take root over time.

Further, the highly centralized civil administration was specifically established for central regulation and control. Consequently, very little is delegated either at the center--federal level--or between the center and the provinces, or from the provincial administration to the district councils, and so forth. The legacy of the administrative system is that nothing is done which would either upset the established order and conformity, according to a mass of rules and regulations, or would weaken central control by delegation of individual initiative and judgement at lower levels of the system.

A small group of senior civil servants manage to guide the administration, and on many occasions, have shown flexibility in adapting the rules to changing circumstances. This makes certain kinds of economic progress possible, but on the whole, the administrative system in Pakistan is not well suited to many of the requirements of a modern developing economy.

Among the institutional reforms required are those which would focus budgetary allocations on a program--rather than organizational basis, and restructure provincial and local administration to better implement development projects and services. This would almost

certainly mean decentralizing financial and program decision-making to provincial and local governments, and further development of local political institutions to facilitate their participation in the design, implementation and maintenance of development programs and projects.

As experience in the federal system in other countries has demonstrated, macro-level direction of the administration is not incompatible with delegation of economic program authority along with better distribution of available resources for its implementation. Consideration is only now being given to future actions which would divest the center of some of its over-concentration of control and resources in order to speed the process of economic and political development during the Seventh Five Year Plan period (1988-93). Progress will depend on high level decisions to sustain a process of effective delegation and decentralization of development implementation to both the private sector and local levels of government. The central civil and military services fear such a devolution of the administration would endanger the political unity of the country.

Yet almost certainly, over the medium term, further development of provincial and local government institutions and engagement of private energies in a more decentralized system will be essential to reinforce the federal system and with it the unity of Pakistan.

C. Program Overview

1. Balance of payments support

In order to preserve its non-aligned status the Pakistan Government chose to acquire the military equipment contained in the US assistance package on commercial terms (12 year credits at up to 13 percent interest). The economic assistance program was designed, among other things, to offset the foreign exchange impact of these military purchases on Pakistan's balance of payments.

The FY-82 Congressional Presentation describes the foreign exchange position prevailing at that time in this way:

"The Pakistan Government's decision in the mid-1970s to increase investment while maintaining consumption levels at a time when exports remained constant, has led to substantial strains on the balance of payments. Substantial aid flows from Western donors, Japan and OPEC countries, and a rapidly rising inflow of remittances from Pakistanis working overseas, have enabled Pakistan to meet its obligations, but the outlook is for continued balance of payments pressures. External debt servicing is scheduled to remain heavy for at least the next 7-8 years. Pakistan recently concluded a \$1.7 billion Extended Funding Facility Agreement with the IMF and also rescheduled its external debt."

A large segment of the \$1.625 million economic aid package was programmed to finance a commodity imports program to meet urgent foreign exchange needs and to provide a basis for consideration of policy issues in key economic sectors (agriculture, energy, etc.). All AID dollar expenditures provide either foreign goods or services to Pakistan's economy. But those expenditures that directly accrue foreign exchange to Pakistan's reserves (i.e, purchases of rupees for local costs of AID projects), or otherwise pay for predetermined import needs (i.e, edible oil, fertilizer) have a direct and rapid impact on the balance of payments, and serve to accommodate a primary objective of the program.

Certain Mission activities had the direct result of providing rapid balance of payments support. These were:

391-0468	Agricultural Commodities and Equipment	\$448 million
391-0486	Energy Commodities and Equipment	100 million
	The PL-480 Program	309 million
	Local Currency purchases for project support	<u>44 million</u>
	Total.....	<u>901 million</u>

a. The Commodity Import Program

The Agricultural Commodities and Equipment project (391-0468), called for \$60 million (\$50 million for fertilizer imports and \$10 million for agricultural equipment) to be funded in FY-82 under a Commodity Import Program (CIP). The total amount obligated under this project during the six year commitment came to \$448 million.

While the project description emphasizes the objective, "...to increase the availability of yield increasing fertilizer and agricultural equipment with emphasis on strengthening private sector service activities for increased agricultural production...", the description recognized the balance of payments impact of the CIP. It states that the project "...will help alleviate balance of payments problems and enhance Pakistan's economic base by supporting imports critical to eliminating constraints to agricultural and rural development."

Obligations and expenditures during the six year implementation period for this project were as follows:

<u>FY</u>	<u>Obligation:</u>	(US\$ Million) <u>Expenditure:</u>
FY-82	60	-
FY-83	60	34.0
FY-84	70	69.4
FY-85	145	45.7
FY-86	55	122.5
FY-87	58	28.8
Total:	<u>448</u>	<u>300.4</u>

The local currency generated by the CIP, together with local currencies generated under the PL-480 program, was to be "...devoted to supporting development activities assisted by AID and other donors". In fact, however, the rupees generated under these programs were normally attributed to GOP development expenditures contained in its budget.

In FY-84 the Energy Commodities and Equipment project (391-0486) was approved at a level of \$100 million to provide "...fast disbursing foreign exchange resources for the importation of equipment and commodities into Pakistan that will contribute to energy production from indigenous resources or energy conservation in direct support of the GOP Sixth Five-Year Energy plan."

The intent was to "...mitigate balance of payments problems, ...facilitate transfer of energy related technologies for use in the private sector, ... and provide an additional basis for constructive policy discussions with the GOP....". An important innovation of the project was to provide a "private sector window" for Pakistani importers to obtain foreign exchange to purchase US equipment in the energy sector.

Loan funds were used to finance those purchases that were to have been made under the CIP that would generate local currency in the course of their importation, while grant funds were to be used to finance GOP public sector imports, and therefore were not subject to local currency deposits since the GOP did not "sell" the commodities to its own Government departments and agencies. Thus the dollar expenditures under the CIP at once covered the foreign exchange and the GOP budget item for the commodity being imported.

The private sector window, established in June 1985 in the amount of \$20 million for the Energy Commodities and Equipment project (ECE), and \$50 million for the Agricultural Commodities project (ACE), was intended to make Foreign Exchange available to private importers for purchases of US commodities and equipment. A loan facility, associated with the import license, should have made it very attractive to the private import community. However, the funds were not drawn down as expeditiously as was originally contemplated, largely because the import community places a discount on USAID funds in relation to free

exchange (reflecting the added costs to them of the various AID requirements, such as 50/50 shipping). A report by Coopers and Lybrand indicates that 19 months later, only one letter of credit, in the amount of \$58,754 had been opened. By March 1988, 33 months after the private sector window was opened, barely \$8 million had been utilized. (4 Million under ACE, and \$4 Million under ECE).

Obligations and expenditures each year for the Energy Commodities and Equipment project were:

<u>FY</u>	<u>Obligations:</u>	(US\$ Million)
		<u>Expenditures:</u>
FY 1984	22.0	0
FY 1985	39.0	0
FY 1986	39.0	1.4
FY 1987	0	15.9
Total:	<u>100.-</u>	<u>17.3</u>

b. The PL-480 Program

The PL-480 program has, during the relevant period of this review, exclusively financed the importation of edible oil into Pakistan. The consumption of edible oil in Pakistan has increased at the rate of 10 percent per year for the past 15 years, while domestic production has stagnated. The result has been an increase in Pakistan's imports from 46,000 metric tons in 1971, to 815,000 metric tons in 1985, (a rate of increase of almost 18 percent per year).

During the six year period of this review, edible oil imports accounted for about 7 percent of Pakistan's import bill. The US commitment package of 1981 included \$300 million in PL-480 imports of edible oil during the six years 1982-1987 (\$50 million per year). In fact, a total of \$309 million was funded under the program. This constituted direct balance of payments support for Pakistan in that it paid for imports that Pakistan would have had to purchase in any event.

Throughout the period that US aid to Pakistan was suspended (1978-1981), new PL-480 program commitments continued to be made because the Symington Amendment to the Foreign Assistance Act did not apply to the PL-480 legislation. For example, on March 25, 1980 a new agreement was signed, authorizing \$40 million for imports of 62,000 metric tons of edible oil. On June 4, 1981, another agreement authorized \$50 million of edible oil imports. Neither of these agreements counted towards the US commitment package of \$1.62 billion signed in the summer of 1981.

PL-480 agreements attributed to the six year commitment package were \$50 million annually (\$59 million in 1985) for a total of \$309 million during the period.

TABLE 2

PAKISTAN'S EDIBLE OIL MARKET, 1971-1985

YEAR	Production -----000 mt-----	Demand	Imports	Value of Imports (\$ mil.)	Edible Oil as % of Total Import Bill
1971	234	250	46	9	n/a
1972	238	284	65	23	n/a
1973	221	333	175	83	n/a
1974	209	356	197	137	6.5%
1975	174	373	268	106	5.1%
1976	162	438	285	149	6.4%
1977	198	473	310	157	5.6%
1978	160	531	392	299	8.1%
1979	213	580	416	232	4.9%
1980	211	617	467	265	4.9%
1981	216	770	624	264	5.8%
1982	229	848	657	271	5.4%
1983	162	863	721	465	8.5%
1984	n/a	n/a	652	448	7.7%
1985	n/a	n/a	815	373	7.6%
Annual Growth Rate (%)	-1.1%	10.4%	17.7%	16.8%	
				(1972-1985)	

The major accomplishment of the PL-480 program, in addition to the direct transfer of resources to Pakistan resulting in foreign exchange savings, was the adoption of policy changes by the GOP intended to free up the market conditions that would lead to increases in local production of edible oils, thereby reducing future drain on Pakistan's scarce foreign exchange. It is an interesting story because it demonstrates a certain schizophrenia in US policy.

US commercial interests, represented by the Department of Agriculture, are to secure markets for US products, particularly those, such as vegetable oil, that are surplus on the world markets. US political interests, specifically our relations with Pakistan, are served when Pakistan's economic development efforts are allowed to succeed, thereby contributing to stability and improved living conditions for its people.

During the period 1954 through 1985, in spite of this dichotomy of interest, each PL-480 agreement contained provisions calling on the GOP to undertake self help measures designed to free up market forces to provide adequate incentives for farmers to grow rapeseed and

mustardseed. The problem is highly complex because most vegetable oil in Pakistan is derived from cottonseed, a byproduct that would not respond directly to the oilseeds incentive structure. Furthermore, increases in oilseed production would result mostly from a shift of land use out of other crops or possibly yield increases, not by bringing additional land under cultivation.

USAID undertook several studies to examine the problem, including a massive effort involving 28 technical experts, to provide the GOP with the information needed to evaluate its options. The study concluded that certain policy reforms were essential before any progress toward increasing oil seeds production could be achieved.

In April 1986, the Government announced a deregulation package for the edible oils sector, the main elements of which were: (a) decontrol of prices; (b) freedom to import edible oils in bulk by the private sector; (c) a variable rate tariff which would be adjusted periodically to smooth out price fluctuations; and (d) authorization for the sanctioning of additional private sector capacity. These measures together with a decision that the public sector Ghee Corporation of Pakistan would retain its viable mills and close or divest the remainder, constitute a major opening up of the sector to market forces.

As a result, edible oil can now be imported directly by the private sector rather than by a government parastatal. This represents 35 percent (375,000 metric tons) of Pakistan's annual edible oil imports with a value ranging between \$101 million to \$355 million. With the removal of the monopsony power of the same parastatal, private sector processors can now procure domestically produced cottonseed oil (255,000 metric tons in 1986 with a minimum value of \$150 million. And sanctioned capacity is no longer the limitation on imports of vegetable oil. GOP controls on wholesale and retail prices for edible oils have also been removed.

The most recent oil seeds production and import data do not, as yet, reflect any significant impact from these policy reforms. The retail price of vegetable ghee and wholesale price of vegetable oil have risen sharply in the past six months. This should provide incentives to domestic production, given the now free markets, if Pakistan enjoys any comparative advantage in producing such non-traditional oil seeds as sunflower.

As a footnote, we might add that Pakistan is now the largest market for US soybean oil.

A detailed exposition of the PL 480 Program is included as Annex E.

c. Local currency generation and uses

Purchase of local currencies needed under the various AID project activities to meet rupee costs generated a significant amount of balance of payments support. A blanket waiver of section 612(b) of the FAA was granted to permit such purchases under the 6 year commitment. A total of \$44 million was converted for these purposes during the period 1982 through 1987.

Local currencies generated under the Commodity Import Program (CIP) and the PL-480 import program were attributed to development items contained in the GOP budget and therefore resulted in the reduction of the budget deficits that prevailed during each of the six fiscal years of the program.

Nevertheless, the six year period 1982-1987 shows a serious deterioration of Pakistan's public finance position. The international donor community now has grave concerns about the size of the chronic deficits which the GOP as been running. With the benefit of hindsight, we now believe the USAID may have contributed to the problem by permitting CIP and PL-480 generated local currencies to pick up a portion of the GOP budget deficit, thereby reducing the pressures for needed policy reform.

2. Agriculture

Excluding the Agricultural Commodities Equipment project, the Mission obligated \$186.6 million for agricultural project activities during the six year period 1982-1987. Two projects that had been part of the Mission's earlier program were completed, (Agricultural Research and On-Farm Water Management), utilizing additional funding in the amount of \$12.5 million.

Six new projects were drawn up with the GOP and approved for funding. The Irrigation Systems Management project built in part on to the successful experience of the On-Farm Water Management project. Two projects (Management of Agricultural Research and NWFP Agricultural Network, referred to as TIPAN), were for the most part, a follow-on of the previous assistance in agricultural research, with the added dimension of reaching into the provinces. Food Security Management is a multiprong effort to improve the planning, analytical and operational capabilities of the GOP agencies responsible for agriculture. The Forestry Planning and Development project addressed a critical resource that was rapidly being depleted. Finally, the Agricultural Sector Support project was added in 1987 to provide continued balance of payments support and to facilitate adoption of policy changes flowing from the policy dialogue.

Essentially the Mission identified problem areas in Agriculture, drew on AID's past experiences and capabilities, and focused its resources in areas where these two criteria intersect. The clear successes lie in the irrigation subsector (to improve water utilization

and to maintain and rehabilitate the vast irrigation systems), and to a certain extent, the policy dialogue dealing with freeing market forces and increasing the private sector's role in fertilizer, wheat, and vegetable oils.

Activities showing promise include Food Security Management, in which the GOP agencies seem to show favorable interest. The remaining projects in the agriculture program would seem to fit in the category "yet to be proven". There are serious questions whether the agricultural research efforts can succeed without the active efforts of the GOP to introduce major institutional reforms. The TIPAN project will also require full cooperation at the provincial level. The same can be said of the Forestry Planning and Development project. Unless institutional reform is achieved, these projects will not be self sustaining by the project completion dates.

It is too early to draw any conclusions with respect to the effectiveness of the Agricultural Sector Support project. However, given the need for rapid disbursement for balance of payments support, some question whether the Mission will find it possible to leverage policy reform with that activity. The program is intended to support and encourage Pakistan's ongoing reform program in agriculture and agribusiness and to stimulate the process with new analytical work.

3. Energy

The Mission obligated \$356.4 million during 1982-1987 for a variety of activities in the energy sector. As is the case with agriculture, no formal energy sector strategy has been developed, although attempts to clarify the Missions focus have been made. Less than 35 percent of the obligated funds were expended as of September 30, 1987.

We believe the sector shows promise of turning into a major success story. The Mission has identified activities that complement and reinforce those of other aid donors. It is prepared to take the high risks and perform the unglamorous tasks that are associated with exploration and testing to ascertain the feasibility of uncertain investments which may then be financed by private investors. It is gradually achieving institutional reform in those GOP agencies that concern themselves with the energy sector.

We have here a confluence of interests. The GOP recognizes that it is unable to obtain the resources to meet the investment needs of power generation from public sector availabilities. Thus private sector funding offers the only available source. The needed policy changes are being made to secure these resources.

4. Social and human resources development

The Mission has followed the GOP's priorities and has had less activity in the social sector than seems to be warranted. Obligations during 1982-1987 came to \$196 million for health, malaria control, population planning, human resource development (training), and women in development programs. The Mission had no program in education but is now designing a project in primary education for the 1988-1993 period, along with a proposed "Institutional Excellence" training project.

Perhaps the most innovative activity was the support of the Social Marketing of Contraceptives Project. Notwithstanding the constraints imposed on public communications in the area of family planning, an effective large scale distribution effort, utilizing private sector marketing channels has been established, that offers contraceptives at prices within the reach of even the poorest population segment.

In light of Pakistan's population growth rate (in excess of 3 percent), it is to be hoped that GOP policies and institutional support for a major population program will be forthcoming. With the exception of the Social Marketing of Contraceptives Project, the population program, as presently implemented, operates under too many constraints to be more than marginally useful.

The Malaria Control project has been successful in again reducing the incidence of malaria but the project's sustainability is dependent only on the willingness of the GOP to allocate its own resources for insecticide imports. The project cannot become self sustaining until that happens.

The Mission's assistance in primary health during 1982-1987 (\$30 million), was directed at improving the coverage and quality of health care for the rural population. In essence it was a continuation of the Basic Health Service project which USAID funded during 1977-1981, to establish a network of basic health units and integrated rural health complexes. During the 1982-1985 period the project concentrated on building up comprehensive rural health care delivery systems. Subsequently USAID began focusing on reducing child morbidity and mortality through oral rehydration therapy (ORT) and protection against neonatal tetanus.

Although some successes were achieved, particularly through ORT, the program suffers from inadequate GOP financial support, and, at least initially, was spread too thin to have any perceptible impact on Pakistan's health system.

The Mission's training programs received considerable attention during the 1982-1987 period and probably represent one of its important success stories. The Development Support Training Project (DSTP), plus the training components of other sectors, totaled \$68

million and financed short and long-term training courses for almost 2800 Pakistanis. Centers for intensive English language study were established to make it possible to broaden the participant selection base, and to enhance the effectiveness of the training. Participants were selected from the private sector as well as the public sector and included a special program aimed at women. The Mission managed the program with a maximum of flexibility to achieve its development objectives. Utilization of returned participants appears high. In addition to managing the Mission's participant training, DSTP was used to strengthen a number of Pakistani educational, research and training institutions.

5. Women in Development

The Women in Development (WID) effort received relatively little Mission attention during the early part of the six year period under review. Recognizing the political urgency of establishing the overall assistance program and gearing up to a satisfactory operating level, and considering the GOP priorities and the cultural patterns in Pakistan, this is not surprising.

In the later years, once the program had been designed and was running, the Mission examined ways to more directly address the WID issue. Seeking more effective means to address the problems of women in Pakistan's development, the Mission sought to approach the problem through Pakistan's network of Non-Governmental Organizations. There is some indication that the GOP has now come around to the Mission's proposed approach. If GOP agreement is forthcoming, the Mission will initiate another innovative experiment to facilitate the integration of women into the national development process.

6. Area Development and Narcotics Control

The basis for USAID involvement in this sector is in large part political. \$98 million was obligated during 1982-1987 but disbursements totaled only \$19.8 million, reflecting severe implementation difficulties.

USAID is performing a development function as part of the Pakistan-US cooperative effort to reduce the flow of narcotics from opium poppies grown in the Gadoon-Amazai area under the Northwest Frontier Areas Development Project (NWFADP). The GOP is responsible for enforcement while the Mission's program builds community infrastructure sub-projects to sweeten the bitter pill of enforcement. The evidence shows a sharp decrease in poppy cultivation in the area being served, although there is some indication that new plantings may be leap-frogging to other areas.

The BALAD and Tribal Areas projects, intended to support GOP efforts at national integration of lagging areas, experienced serious difficulties during their earlier phase, are operating in an inhospitable environment and seem to have exposed the Mission to risks

of failure and worse, that go well beyond those of the normal economic development project.

One might expect the GOP to take the lead in these projects with the Mission providing the support. Instead, it is the Mission that is in front. GOP support is not as high as might be expected, given the GOP's interest in the problem and its requests that USAID take on this challenging task. These two area development projects seem to fall into the category, "Yet to be proven".

Recent changes (to require that the beneficiaries of the Tribal Areas Development Project activities request the assistance) have helped reduce the risks associated with that effort. The shift in focus to construction of physical facilities, (and away from institutional reform) reflects a realistic assessment of prevailing conditions, but it puts into question the sustainability of the projects.

D. Impact of the US Economic Assistance Program

1. Strategic and political impact

In strategic and political terms, the US economic assistance program, begun in 1982 has been successful. It has done its job of providing the economic sinew which made possible up-grading of Pakistan's defense capabilities at a critical juncture in Central Asia. It has helped offset Pakistan's expanded defense expenditures and mushrooming refugee burdens. As a result, Pakistan has been enabled to stand firm in the face of Soviet threats and to refuse to acquiesce in Soviet efforts to subjugate the Afghan people. The economic and military assistance combined has contributed in a crucial way to building Pakistan's confidence in the renewed partnership with the United States.

The reinvigorated security and political relationship with Pakistan is a cornerstone of American policy in the region and toward Afghanistan. The United States continues to share with Pakistan the major objective of a withdrawal of Soviet troops from Afghanistan and of political developments there which would permit the refugees to return and the Afghans to again exercise their sovereign independence. Substantial progress has been made toward the achievement of these objectives. However, even with the prospective withdrawal of Soviet troops and winding down of the fighting in Afghanistan, the geopolitical and security situation in the region is likely to remain sensitive and unstable for some time and, therefore, a cause of continuing concern for Pakistan and the United States. The convergence of US and Pakistan security and political interests in the region remains close. The renewal of US economic assistance in support of Pakistan's economy and development program has gone a long way in solidifying the relationship on a long-term basis. In these terms the economic assistance program has proven its value as an instrument of foreign policy.

In fostering the promise of continuing US support for economic and social development, the assistance program also can be said to have contributed to a measure of political stability in Pakistan. Political frustrations and radicalism in most of the country appear to have been dampened down. There has been an evolution since 1985 from authoritarian military rule toward civilian government and the promise of elections in 1990. But the consensus for a more orderly democratic process of governance is still fragile and vulnerable to political extremism. Widening economic disparities and population pressures aggravated by a plethora of ideological, ethnic, sectarian and regional rivalries remain sources of political instability. A downturn in the economy would bring many of these tensions to the fore.

Longer-term political stability and security for Pakistan is crucially dependent on sustained economic growth in a framework of broadening and more democratic participation in the fruits of social and economic development.

In this regard, it is necessary to recognize that the strengthened military and defense posture of Pakistan--which US assistance has facilitated--imposes a continuing heavy economic burden for Pakistan both in foreign exchange and budgetary terms. By 1986, it was clear that continuing follow-on economic assistance beyond the 1982-1987 period would be required, and would continue to be a central feature of US relations with Pakistan.

2. Economic impact and problems ahead

US economic assistance has supported and been associated with impressive economic growth in the Pakistan economy. Annual growth in the period 1983-87 has been 6.3 per cent, just below the Sixth Plan target of 6.5 per cent. Per capita income growth has been somewhat over 3 percent, given a population now estimated to be growing at 3.1 percent. Inflation has been moderated, averaging less than 5 percent in the past three years. Pakistan's leaders and planners take pride in the high growth performance of the economy which, in fact, has exceeded 6 percent for the past nine years.

However, the high growth performance has been based on several factors which have contributed importantly in the past but do not appear to be sustainable in the future--at least not to the same extent. These include large remittances from migrants; the use of resources gained from deferral of essential maintenance and expansion of physical and social infrastructure needs; and the large economic activity in the informal sector of the economy.

Migrant remittances, largely from the Middle East, which have covered 65-80 percent of the trade gap, have been a fortuitous windfall for Pakistan. However, remittances have been declining from their peak of \$3 billion in 1983 to 2.3 billion in 1986, and appear likely to plateau at perhaps \$1.5 billion in the 1990s. As the numbers of

migrant workers has fallen, open unemployment is becoming a more serious problem.

Essential investments in social and physical infrastructure can no longer be delayed without damage to the prospects for future economic growth. These include further large public investments in power, irrigation, transportation, industrial skills and facilities, and upgrading basic education and social services. The beginnings in this direction by the Sixth Plan must be followed-up and enhanced during the Seventh Plan period.

Also, continued high economic growth without a better distribution of its benefits, is politically dangerous for Pakistan as the high-growth experience of the 1960s demonstrated. Again in the current period, Pakistan is postponing meeting the large backlog of social and economic needs of most of its large and rapidly expanding population. The literacy level in rural areas where three quarters of the population live is 20 percent (8 percent for females); less than 30 percent have clean drinking water and health facilities. Despite national self-sufficiency in food, the incidence of malnutrition remains high. In the absence of safe drinking water and sanitation, even the food that is available cannot be converted into nutrition. And conditions in Pakistan's growing cities are little better than in the rural areas for those with low incomes.

Much of the buoyancy of the Pakistan economy in the period under review has been due to the large inflow of resources relating to the war in Afghanistan, cross-border smuggling and trafficking in drugs. It is estimated that this informal, or black market, sector were equal to between 30 and 50 percent of Pakistan's officially recorded GNP of \$33.5 billion in 1984/85.

Another unsustainable aspect of Pakistan's recent economic performance is the high domestic borrowing, which covers about 40 percent of the government's budget and currently amounts to almost 9 percent of the GNP. The Pakistan government has not found it possible to translate the high growth of the economy into budgetary strength. As expressed by the draft document for the Seventh Five Year Plan (1988-93):

"Currently we are financing not only our entire development budgetary outlay by borrowing but are borrowing also large amounts to meet our currently expenditures. Debt servicing is rising rapidly which is further increasing revenue deficit leading to yet more borrowing to cover it."

Yet, as the Seventh Plan document further points out, "There is widespread reluctance to pay more taxes, partly due to the perception of colossal waste in public spending, and partly due to a perceived inequity in the burden of taxation, made worse by rampant corruption of tax administration machinery."

These structural imbalances in the economy and fiscal system of Pakistan constitute serious obstacles to continued economic growth and development.

In particular, the high government borrowing, and the expedients adopted to finance it, has now reached proportions which distort the credit and banking system of the country and undermine private sector development.

High public and private consumption has resulted in low savings and investment, from domestic resources. Pakistan's rate of gross investment averaging less than 16 percent during the 1982-87 period, was one of the lowest in the developing world. External aid carries 80 percent of the development expenditure of Pakistan and domestic borrowing the remainder.

To this daunting list of deferred investments, fortuitous windfalls, and short term fiscal expedients must be added the burden of an increasingly high defense budget which accounts for some 40 percent of government expenditures. The defense expenditures, together with the cost of domestic borrowing, account for over two-thirds of the government annual budget.

The last few years in the region have seen the fueling of a spiraling arms race between India and Pakistan which, without broader regional understanding and cooperation, appears impossible to bring under reasonable budgetary control in either country.

TABLE 3

PAKISTAN: Selected Economic Indicators

	<u>84/85</u>	<u>85/86</u>	<u>86/87</u>	
	(% of GNP)			
<u>BUDGET</u>				
TOTAL REVENUES	16.2	16.6	16.4	
(of which: tax revenues)	(12.8)	(13.3)	(12.9)	
TOTAL EXPENDITURE	23.9	24.9	25.2	
OVERALL DEFICIT	7.7	7.7	8.8	
GROSS DOMESTIC INVESTMENT	15.7	15.7	16.4	
GROSS DOMESTIC SAVINGS	4.4	6.1	8.9	
<u>EXTERNAL SECTOR</u>				
Current Acct. Deficit	5.0	3.5	2.5	
External Debt	38.1	41.4	41.2	
Debt Service Ratio <u>a/</u>	20.9	25.7	28.3	
Interest payments <u>a/</u>	8.7	8.8	9.5	
CROSS OFFICIAL RESERVES (Weeks of imports)	5.3	7.5	6.6	
<u>1985/86 Economic Data</u>				
	<u>US Dollars</u>		<u>Pak Rupees</u>	
	Total	Per Capita <u>d/</u>	Total	Per Capita <u>d/</u>
Gross Nat. Product	34.9 bil	357 <u>b/</u>	563.3 bil	5,766
Total Gov. Budget <u>c/</u>	9.9 "	101	159.8 "	1,636
Current Expenditure	6.8 "	70	110.1 "	1,127
Capital Expenditure	3.1 "	31	49.7 "	509

a/ In percent of current account receipts.

b/ 1984 was estimated to be \$380.

c/ Federal and Provincial.

d/ Dec. 31, 1985 population estimated at 97.7 million.

3. Impact of program structure and financial management

At the conclusion of the six year economic assistance period covered by the initial US commitment (September 30, 1987), the full \$1.62 billion economic assistance package had been obligated for specific development activities. Of this amount, \$927 million had been expended during that period (the full amount of \$309 million programmed for PL 480 edible oil sales plus \$618 million in project and non-project assistance). The impact of both the military and the economic assistance programs on Pakistan's balance of payments was as follows:

<u>USECONOMIC AID EXPENDITURES</u> (\$ million)	<u>PL-480</u>	<u>MILITARY LOAN REPAYMENTS</u> (\$ million)
1982	1.9	50
1983	48.7	50
1984	90.6	50
1985	128.7	59
1986	202.9	50
1987	144.7	50
<u>Subtotal</u>	<u>(617.5)</u>	<u>(233)</u>
1988	200 (Est)	223
1989	175 (Est)	239
1990	150 (Est)	232
1991	94 (Est)	219
1992		242
1993		231
1994		216

It should be noted that the foregoing figures show expenditures and repayment obligations derived only from the initial assistance package to which the US committed itself in 1981. The second assistance package, for the six year period 1988 to 1993, approved in 1986 in the amount of \$2.28 billion for the economic side, and the repayments for the complementary military sales package, are not reflected in the above figures and will be additive.

For example, repayments for US military equipment purchases made under the first and second package combined, will increase to \$530 million by 1993.

The Mission recognizes that project and CIP expenditure rates cannot be increased sufficiently to accommodate these repayment levels during FY 1988-1993. It has, therefore, been proposed to shift a large segment of its program for the next six years to sector grants under the \$300 million Agricultural Sector Support Project. These sector grants will be subject to satisfactory progress in the policy dialogue arena.

The impact of US assistance on Pakistan's economy cannot be entirely separated from that of other donors. In 1982 the World Bank-led Consortium pledged \$ 1 billion for Pakistan. Paralleling increased US assistance, total Consortium aid commitments jumped to \$1.7 billion in 1983 and \$2.2 billion in 1984. The US economic assistance constituted between 15 to 20 percent of total consortium aid committed to aid to Pakistan.

However, the US has been the largest of the bilateral donors and its assistance efforts have been closely coordinated with the programs of the World Bank and the Asian Development Bank, which together constitute the three largest of donors of aid to Pakistan.

American aid is highly valued by the Pakistan government as the largest of any of the bilateral donors, the most flexible in providing large-scale balance of payments support, and the most favorable, as to terms.

Approximately 55 percent of the \$1.62 billion provided under the FY 1982-FY 1987 program (including the PL-480 Title I program) was pure grant and the remainder consisted of very concessional loans. The loan terms call for a two percent interest rate during a ten-year grace period and a three percent rate during the thirty-year repayment period. Approximately 70 percent of the value of these loans was effectively a grant. Given the highly concessional nature of these loans, the overall grant element of the entire program during the period is calculated at approximately 85 percent.

A substantial part of the US economic assistance committed over the six year period was for direct balance of payment support. For example, the PL-480 program and the Agricultural Commodity and Equipment activity together amounted to about 45 percent. Most of these commodities result in rupee revenues for the Government of Pakistan to finance development expenditure in the budget. In general, these commodities such as edible oil, phosphatic fertilizer and wheat were imports that Pakistan would have purchased with its own foreign exchange resources in the absence of the economic assistance program.

USAID devoted \$44 million of its assistance to cover local costs, particularly construction in the irrigation, university education, power and transportation areas. These dollar expenditures directly supported the balance of payments, relieved pressure on the GOP budget and created employment and demand for local materials.

This composition of the aid was highly satisfactory to Pakistan. "Occasionally", according to Pakistan officials, the American aid delivered highly relevant technical knowledge to Pakistan's development needs.

TABLE 5

US BILATERAL ECONOMIC ASSISTANCE PROGRAM FOR PAKISTAN
UNITED STATES FISCAL YEARS 1982 TO 1987

	<u>(US\$ Million)</u>	<u>Percent</u>
I. PROJECT/PROGRAM ASSISTANCE	1,312	
Grant	.891	68
Loan *	421	<u>32</u>
		100
<u>Sector Breakdown</u>		
Health, Population, Education, and Training	196	15
Energy and Environment	356	27
Agriculture and Rural Development	635	48
Area Development	105	8
Other Projects	20	<u>2</u>
		100
II. <u>PL-480 TITLE PROGRAM*</u>	309	
III. <u>GRAND TOTAL, US ECONOMIC ASSISTANCE PROGRAM TO PAKISTAN, FY1982-1987**</u>	1,621	
<u>Breakdown by Type of Expenditure</u>		
Commodities and Equipment		71
Technical Assistance		11
Training		3
Other Costs (includes construction)		<u>15</u>
		100

Loan terms are at two percent interest during 10 year grace period, three percent during 30 year repayment period for a grant element throughout the period of approximately 70 percent.

** Does not include limited additional funding providing directly from A. I. D. for NGOs or regional and other centrally-funded projects.

The financial management of the program appears to have been satisfactory. Annual obligations rose from \$150 million in FY-1982 to almost \$325 million in FYs 1986 and 1987. Actual annual expenditures rose steadily from \$50 million in FY 1982 to the \$250 million range in the later years of the six year program. The pipeline of undisbursed funds at the end of the 1987 was on the order of \$695 million.

During the period 1982 through 1987 Pakistan's foreign exchange reserves hovered at around four to six weeks worth of imports, a low level but not a critical level. To a large extent, it was the sustained high level of worker's remittances that avoided any crises. But targets for increased export earnings fell short and some export prices fell. Debt service as a percent of exports rose to 24.5 percent in 1986/87 and is projected to go higher.

Expenditures of the US economic assistance program represent about 10 percent of total external aid flows to Pakistan, about 10 percent of annual worker's remittances and less than 3 percent of imports. The program was not intended to take full responsibility for balance of payments support for the Pakistan economy. Its limited objective, to compensate for the balance of payments effect of the military support package, was achieved. Additionally, the program generated resources needed to finance the jointly approved development projects.

Thus it can be seen that both the composition and management of the economic assistance program has been efficient, helpful to Pakistan and has provided balance of payments assistance which more than offset the foreign exchange costs to Pakistan of the US military sales.

However, as discussed earlier in this paper, Pakistan's balance of payments and budget deficits remain critically serious in the period ahead. Heroic measures will be required to bring both the external and domestic financial gaps within proportions which will not undermine Pakistan's further development and stability. A recent briefing paper, prepared by the Mission, provides a picture of the current balance of payments situation. Excerpts from this paper are included as Annex D.

4. Policy and institutional reforms

In 1980 the Government of Pakistan was embarked on a gradual program of reforms to begin removing major structural imbalances in Pakistan's economy and to reverse the Bhutto regime's direction of nationalizing the industrial sector. Strong encouragement was provided by the World Bank and International Monetary Fund.

Examples of reforms taken in various sectors prior to the 1982-87 period include:

Agriculture:

- During 1980 and 1981, crop procurement prices rose significantly: IRI-6 rice by 31 percent; sugarcane 28.6 percent, basmati rice 27.2 percent; wheat 16 percent; and cotton 14 percent.
- Fertilizer prices were raised 50 percent in 1980, and in March 1982, additional price increases averaging 9 percent were made. (The IMF believed much more of an increase is needed but the GOP did reaffirm their commitment to eliminate fertilizer subsidies by 1985).

Fiscal/Monetary/Trade

- January 8, 1982 the government depegged the rupee to the dollar and announced a managed floating rate. Between January 8 and April 3, 1982, the rupee was adjusted 21 times. The exchange rate as of April 3, 1982 was 11.58 rupces to \$1.

Energy

- Crude oil produced from new wells in existing fields to be priced at a discount of 70 percent from international prices. This is a doubling of previously existing producer prices.
- The well-head price of associated gases in the Patwan region had been increased from PR 0.75/per mcf to PR 2.00/per mcf.
- Agreements for additional gas sources are to be negotiated with private sector operators of the Mari and Khandkot fields on the basis of a new pricing formula.
- On January 1, 1982, the GOP announced an increase of about 20 percent on the consumer price of gas, leaving user prices at about 1/3 of international energy equivalent levels.

Generally, the Mission's contribution to the policy dialogue during the period 1982-87 has been concentrated in the sectors of its major assistance, particularly in energy and agriculture. Its major themes have been:

- o Increased privatization through deregulation and liberalization;
- o Movement toward market prices of inputs and outputs;
- o Economically and financially sound recurring cost policies; and
- o Institutional improvements.

In the early years of US accelerated aid (1982-87), policy reform was not an essential feature of the program. For example the USAID Country Development Strategy Statement (CDSS) for 1985 stated that "since most of the GOP announced policy changes are sound and provide a solid basis for economic and social development, USAID efforts are focused on encouraging rapid and effective implementation of these policies, rather than simply identifying policy areas that need attention" (P.16).

The AID Mission, however, did concentrate on institutional reforms as an integral part of its initial project design and implementation planning. Most of this initial work was done by temporary duty staffs from Washington and, later, by larger contract staffs. The general lack of knowledge of Pakistan put the AID Mission at an extreme disadvantage for meaningful work on institutional reform. Many of the early projects had a strong Washington orientation which was not always well adapted to conditions in Pakistan. In fact, the project provisions for institutional change were somewhat naive.

Nor were the contract staffs which undertook project implementation well able to adapt the project designs for meaningful institutional reforms. Such changes are extremely difficult to generate from the project level. Also, the larger the contract teams, the more difficult it was for them to work with their Pakistani counterparts. This problem was especially acute in the USAID projects with the Water and Power Development Agency (WAPDA). The fire of institutional reform went out in most of the early USAID projects. Pakistan's development institutions associated with these projects remain highly centralized in administration, quite bureaucratic and reluctant to quickly adopt changes.

USAID's effort at sectoral policy reform has been more successful than its effort toward institutional change. Important liberalization measures have been adopted by Pakistan in favor of the private sector. These have been the result of careful research and policy studies sponsored by the Mission. When studies proceeded project design the results were usually positive. Some of the main areas in which the Mission has claimed significant contributions toward sectoral policy reforms are as follows:

a. Agricultural sector:

(1) Edible oils:

- o The monopsony control of the Ghee Corporation of Pakistan (GCP) to buy cottonseed oil has been removed. Approximately 78 percent of the total 1985-86 cottonseed oil supply of 253,000 MT was procured by the private sector, at an estimated value of \$197 million.

- o Restrictions on private sector edible oil imports were abolished. Import taxes levied on edible oil traders and brokers were also suspended leading to a substantial increase in the private sector share of total edible oil imports.
- o Ghee, edible oil and oilseed prices were decontrolled at the retail, wholesale and farmgate levels. Prices in the domestic edible oil industry were subsequently linked to long-run price trends in the international market.
- o No additional public sector investment will be made in edible oil refining capacity to meet domestic consumption requirements. The estimated cumulative investment cost of \$183 million over ten years will be financed and managed by the private sector.

(2) Fertilizer:

- o The private sector share of imported fertilizer distribution has increased to 60 percent. In 1982, the private sector share was only 30 percent.
- o Production and distribution of nitrogenous fertilizer was deregulated.
- o The subsidy and development surcharge system for domestic manufacturers of nitrogenous fertilizer was eliminated.
- o The prices of DAP and SSP were increased by 10 percent and 25 percent, respectively. This reduced the financial subsidy for fertilizer by another Rs.200 million (\$12 million). But the GOP promise to the IMF to eliminate the fertilizer subsidy has not yet been implemented.
- o Incidentals allowed for marketing imported fertilizer have been made uniform for both private and public sector distributors. Previously, private sector agents were at a disadvantage.
- o Private sector distributors now pick up imported fertilizer at dockside rather than through public agencies in the provinces. This change benefits the private sector and makes distribution more efficient.
- o Sweepings and old stocks are now distributed equally among private and public distributors.

Previously, private sector distributors complained that they received a disproportionate share of these inferior stocks.

(3) Irrigation:

- o The GOP has agreed in principle progressively to increase water rates until O&M costs for the irrigation system are completely covered.
- o Provincial expenditures for O&M for the most part have exceeded targets recommended by the IBRD.
- o Revenues as a percentage of O&M allocations have declined from 53 percent in FY 1983 to 38 percent in FY 1987 (due to the even larger increases in funding for O&M, another policy goal), despite a 5 percent annual increase in water user charge revenues over the past five years. With the potential decreased in O&M costs resulting from the privatization of public tubewells and increased revenues resulting from the adoption of improved water user charges assessment and collection practices, the revenues are expected to cover 100 percent of the costs of the irrigation system by 1993 (the Punjab recovers almost 100 percent of its O&M costs if public tubewells are excluded from its O&M expenditures).

b. Energy sector:

(1) Domestic resource mobilization

- o The GOP announced a policy in late 1985 to promote private sector investment in large-scale power generation plants. The Karachi Electric Supply Company (KESC) has advertized to buy power from the private sector at a fixed price in the hope that investors will build a power plant to do this. The Ministry of Water and Power is seeking proposals from the private sector to develop large scale power generation plants.
- o The GOP asked the Mission to help attract private sector investment on a risk-sharing basis in the Dhodak oil fields.
- o Consumer gas prices have been raised five times since January 1982, including a 20 percent price hike in June 1984. Prices for commercial and industrial users were raised by an average of 50

- percent in July 1985. The increases are part of an agreement to move consumer natural gas rates to two-thirds of the border price of fuel oil by 1988. This target has essentially been met, due in part to recent lower world oil prices.
- o Distortions in the producer price of natural gas have been reduced to increase incentives for the exploration and development of new gas fields. Producers of new non-associated gas receive 66 percent of the international price of fuel oil at main consumption centers, adjusted for the transport cost of gas, less a discount to be negotiated. This new formula came into effect in September 1985.
 - o Customer electricity rates were raised 10 percent in June 1985, the first such increase since 1982 and again in 1987. The increases were in response to an agreed upon self-financing formula which states that at least 40 percent of WAPDA's investment financing requirements (averaged over a rolling three-year period) will be met by user charges.
 - o WAPDA, with USAID assistance, has completed the design and initiated the implementation of programs to reduce its expenses and increase its income and rate of return on its investment by reducing both thermal and administrative (theft) energy losses in its power distribution system. Both the World Bank and ADB have agreed informally to help co-finance the thermal energy loss reduction program.
 - o WAPDA, with USAID assistance, has completed the design of a project to reduce its expenses and increase its income and rate of return on investment by improving the operational and thermal efficiency of its thermal power plants.
- (2) Energy efficiency and conservation
- o The GOP has embarked on a national energy conservation program, with all elements being designed in close coordination with USAID.
- (3) Institutional reform and modernization
- o WAPDA with the assistance of USAID funded established and staffed a new consolidated and potentially detachable Power Distribution Wing.

- o A large private sector utility in the United States (American Electric Power) has been approved by WAPDA's Authority as a general model for the reorganization of WAPDA's power wing and improvement of the planning, engineering, customer service, financial and most key functions of its new Power Distribution Wing.
- o The national energy planning function has been relocated from the Ministry of Petroleum and Natural Resources to the Ministry of Planning and Development under the responsibility of a new Energy Wing.

c. Narcotics:

- o With Mission support, the GOP developed a Special Development and Enforcement Plan (SDEP) to attract multilateral and bilateral support for a comprehensive development and enforcement program in Pakistan's opium producing areas. A Special Development Unit (SDU) to plan and coordinate all projects having opium eradication objectives was also established. A development project for Dir has been approved and a similar project design is planned for the Bajaur and other poppy growing areas. Enforcement is expected to follow closely behind initiation of these projects.
- o Narcotics Awareness Program was initiated through the PNCB in August of 1986 and was followed by two more campaigns. These campaigns helped bring the problem to the attention of local politicians and making it clear that with an estimated 600,000 addicts in Pakistan, narcotic is also a Pakistani problem. Longer term assistance in setting up an information unit within PNCB has also been initiated.

These sectoral policy changes are important but they are mostly on the margin of the more fundamental economic reforms required. By 1987 it was increasingly clear that worsening prospects for the economy were due, in part, to delays in instituting more fundamental policy reforms which would liberalize the economy, deregulate the private sector, reduce subsidies, and mobilize domestic resources. The AID Mission's agenda for fundamental policy reforms remains a large and important one.

At the time of the negotiation for the second six year US aid package for the period 1988-1993 USAID obtained GOP agreement to conduct a formal Economic Policy Review, on an annual basis, attended by the most senior GOP civil servants, to discuss the development policy framework. When these meetings are held in Islamabad, as many as

20 of the top GOP Civil Service leaders, most of them at the Secretary level, met in formal session with the Mission leadership.

The first of these reviews was held in August, 1986 and covered the wide range of policy issues which the Mission had raised with the GOP in connection with the next assistance period. A second Policy Review was held in February 1987, and was followed by an interim review in September 1987.

A copy of a policy dialogue matrix, prepared by the Mission, groups the Mission's concerns by its CDSS program goals for the 1988-1993 period. (See Annex F). The comprehensive list of major policy concerns, contrasts sharply in scope and vitality, with the list of policy reform actions taken by the GOP, and described above. For example, the Mission is pressing for major actions to mobilize domestic resources by establishing private sector investment institutions, shifting public sector institutions (i.e., WAPDA) off-budget with responsibility to raise their own capital and increasing user fees to eliminate the need for subsidies, and instituting tax reforms. These are profound and fundamental reform measures, desperately needed, but unmatched by any actions which, so far, have flowed from the policy dialogue.

Concurrent with these discussions, the GOP was also engaged in its annual Pakistan Aid Consortium meetings. As described in greater detail, under the "Donor Coordination" section of this review, the recurrent themes during these annual Consortium meetings during the period 1982-1987 were:

- o Increased domestic resource mobilization to reduce the deficit in Government account;
- o Trade reform through liberalization;
- o Comprehensive tariff reform;
- o Improved pricing policies; and
- o Expanded development of human resources and the social sectors.

Unquestionably the Consortium discussions were on the same themes as those of USAID's formal policy review. In neither instance can it be said that the pace of reform was satisfactory to the donors. During the period 1982-1987 there were signs of increasing concern with deteriorating conditions and the need for more basic actions, particularly with respect to deficit reduction in the Government's budget.

d. Private sector development

The economic assistance program, drawn up in 1981 at the time the US multi-year aid commitment was negotiated, included a \$50 million project allocation for a private sector development fund. At some point during the first three years of the program, the Mission decided not to establish a separate activity, but rather to incorporate its private sector concerns into its portfolio of sectoral project activities. One person in the Program office was asked to look after private sector concerns in addition to his other duties.

A strong focus is evident in the Mission's sectoral activities to bring the resources of the private sector to bear on the development process. As a result, the population project contains a component to utilize the private sector in the distribution of contraceptives. The energy program now has a strong focus on bringing private investors into the power generation business. The agriculture program has secured a greater role for the private sector in fertilizer distribution, oilseeds extraction, import and distribution. The training project has included persons from the private sector for overseas training.

The policy dialogue was used to raise issues that acted to constrain the private sector's contribution to the development process. The GOP independently established a National Deregulation Commission and a Disinvestment Committee in June, 1985 to oversee a "liberalization" of the economy. The wide-ranging terms of reference for the commission reflect a series of major Mission concerns, including removal of cost-plus pricing policies, dismantling of wheat and flour rationing, private sector participation in the cotton trade, decontrol in the production of edible oils and fertilizer, and further reductions in restrictions on establishing new industries. To help the work of the Commission USAID funded important studies of the edible oil and fertilizer sub-sectors. Based on the Commission's closely held report the GOP has taken rather decisive steps in rationalizing the edible oil, fertilizer and rice sub-sectors as reported previously in the agriculture section.

On the other hand, GOP rhetoric has been better than its implementation. Certainly, the Mission did not find itself "pushing on an open door", as it attempted to encourage policy actions to free-up market forces.

Whether the Mission would have been more successful, had it attempted to program specific activities to catalyze private sector growth with the \$50 million originally earmarked for a private sector development fund, cannot now be determined.

The Private Sector Window established as a facility to finance US imports has not worked. It is unfortunate that AID has found itself unable to allow the utilization of its funds by the private sector of Pakistan to import products from the US, while at the same time it has expended large amounts of its resources to encourage trade and

investment, private sector growth and similar activities. The fact that Pakistani importers are utilizing non-AID foreign exchange to purchase goods from the US would suggest that the basic economics of Pakistan-US trade are not flawed. There continue to be requests from Pakistani importers to utilize these funds, but these transactions fail in part because of lack of timely and favorable responses from AID Washington to special requests to waive procurement and shipping requirements.

It is difficult to believe that the problem is as intractable as it would appear, although part of the solution would seem to lie at the Washington end. Perhaps it might be possible for AID Washington to delegate authority to the field to approve requests for waivers of relevant US procurement and shipping regulations on a case by case basis.

e. Conclusions on policy and institutional reforms

Both the annual Consortium meetings, and the GOP-Mission policy reviews demonstrate a willingness on the part of all participants to give serious and professional consideration to the issues which impinge on the success of the Pakistan development effort. When the representations for policy change are well documented, and the objectives are consistent with the priorities of the GOP, these discussions often have lead to improved conditions for economic growth. The more significant policy changes which were taken during 1982-1987 are cited in the text above.

Since 1982 the Government, for the most part, has worked on the edges of fundamental change. Initial progress has been made in reducing administrative controls, deregulating the private sector and adopting more liberal foreign exchange and trade policies. However, there has been no true deregulation; some rules have been changed, particularly in the energy sector, but key government controls over the economy have been preserved.

The successes in encouraging such changes have been greater at the sector level than on the macroeconomic policy level. The deteriorating GOP budget deficits have been a subject of continuing discussion during the past six years without effect. The banking system is still nationalized. The industries, nationalized during the Bhutto administration, have not been divested. A major reduction in GOP control over Pakistan's market forces has not occurred. And, most important, action to reduce the deficit in the government account has not been taken.

Success in stimulating more rapid institutional reform, particularly among the institutions receiving technical assistance through USAID's program, is not apparent. A number of these institutions cannot fully absorb the technical assistance being provided, without major adjustments in budgets, staffing, procedures, establishment of linkages with other GOP institutions etc.

The policy dialogue is a forum for discussion. USAID's leverage is limited since the six year US commitment is not contingent on performance. Even if it were, it is questionable whether the pace of policy reform would be any different. Certainly, the World Bank lending levels are not preset; yet the GOP has not shown greater responsiveness to their representations than to USAID.

In the final analysis, the government of Pakistan must make the political judgments concerning the policy framework in which the economy should operate, and the pace at which that framework should be modified. As described in the earlier analysis, Pakistan has some very serious problems looming on its horizon, in magnitudes that could jeopardize recent gains and diminish the economic impact of the flow of external assistance. It can only be hoped that the pace of policy change will be quickened to assure continuation of its recent growth path. USAID has worked diligently and skillfully to utilize the policy dialogue to call the attention of senior GOP officials to important policy areas that require change.

E. Donor Coordination

The Aid-Pakistan/Consortium, with the World Bank in the chair, constitutes the earliest form of donor coordination that has been going on for a quarter of a century. The Consortium provides an annual forum for coherent reporting on and discussion of the performance of the Pakistan economy, for estimating aggregate aid needs and assembling responses in the aggregate, and for some highly selective policy dialogues. A perusal of the summaries of proceedings of the annual Consortium meetings for 1983 through 1986 also indicates that the basic posture of Consortium members is to define a macro policy agenda for meeting Pakistan's economic difficulties. (See Annex G for a summary of the 1985 consortium meeting). 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. In specific terms, Consortium members have coordinated their concerns in calling for trade reform through import liberalization, comprehensive tariff reform, increased resource mobilization, improved pricing, increased efficiency of public industry and agriculture productivity, expanded development of human resources, and structural reforms.

In Pakistan, USAID is one of the three largest donors; the others are the World Bank and the Asian Development Bank. Japan is emerging as an increasingly important bilateral donor and may actually provide more assistance than the US in 1989. For a number of years, USAID/Pakistan has encouraged inter-donor and donor-recipient coordination of development assistance and other official flows.

Through formal and informal contacts and consultations, USAID has promoted improved inter-donor coordination by commenting on proposed World Bank and Asian Development Bank projects; by parallel financing in the irrigation and energy sectors; by coordination meetings with other donors on energy, health and irrigation and by funding major studies in the energy area that have led to project financing by other donors.

From policy and operational issues in particular sectors or programs, to questions of institutional development and project proliferation, as well as specific project planning and implementation problems, USAID has appreciated the potential advantages of reinforcement and the analytical convergences it has enjoyed with the World Bank and the Asian Development Bank (despite the latter's weak policy conditionality). Indeed, the Mission's role in inter-donor coordination contributed in no small measure to increasing the overall impact of its own FY 1982-87 economic assistance program.

The rationale for coordination has always been obvious, but traditionally recipient governments have been suspicious (fearing a ganging up effect), and donor agencies in turn have been reluctant to sacrifice autonomy. However, the importance and potentialities of the efficiency gains that can be had from effective coordination of the various inputs from a multiplicity of donors has come to be appreciated by Pakistan's leaders. In addition to other coordination meetings, a GOP-Donor Joint Task Force on Implementation was established on September 18, 1984 (with the Office of the Resident Representative of the World Bank serving as the Secretariat) to address problems in donor-financed activities and improve GOP-Donor coordination. Some progress was made in analyzing the problems, with USAID pressing for correction of weaknesses in five specific areas of foreign assistance management: planning, scheduling, timely decision making, accurate tracking and monitoring, and accountability for performance of projects.

At the same time, USAID established rapport with concerned federal and provincial officials for coordinating USAID project expenditures with the federal and provincial budget systems, and made concerted efforts (particularly during 1984-87) to improve USAID-GOP budgetary coordination with a view of realizing quick disbursement of funds for approved and planned activities contained in the \$ 1.625 billion mutually agreed economic assistance program. The magnitude of the program gave it a genuine macro-level significance in the Pakistan context which provided a powerful impetus to donor coordination in the development of a broad and sustained series of policy discussions and initiatives.

USAID joined the major multilateral financiers and GOP in a multi-year approach to structural reforms and sector policy reorientation. Each of the parties (12 bilateral members of the AID-Pakistan Consortium, two multilateral development banks along with the IMF, several agencies from the UN family including UNDP and a number of

private aid agencies) had special areas of concern and at times distinctive policy predispositions, but they all shared some common long-term goals. While the IMF and the IBRD brought a keen sense of the necessity for fiscal restraint and monetary reforms with a particular concern for the resource side of public finance to the dialogue, USAID brought 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. In time, all of these became shared concerns, for the goals of more investment, more efficient resource mobilization/allocation/utilization, a larger role for the private sector and (most importantly) sustained high growth rates were themes common to all parties in the dialogue. GOP economic planners also came to recognize the importance of the wise use of resources and the need to bring about structural and sectoral reforms. Donor coordination thus helped place policy reform on the central GOP agenda and although progress has been slow (mainly because of GOP sensitivities to the domestic political environment), donor coordination brought a thorough professionalism and a long-term perspective to the process of development assistance.

USAID posture on macro policy was to define a role in relationship to the initiatives of the major multilaterals. Table 6 outlines the basic priorities for USAID policy and investment strategy, noting the sectors where other donors play the leading role.

The best opportunities for USAID-encouraged reforms, facilitated by donor coordination, have been in specific sectors rather than at the macroeconomic level. In the energy sector, for example, USAID in collaboration with the World Bank participated in a continuous and extensive dialogue with the Bank on energy pricing and all other major energy sector issues. There is considerable complementarity in the portfolios of both which underpins this joint approach. USAID's ability to finance institutional studies in energy give it the lead in many organizational and management questions in this sector, while the Bank's superior price and tariff expertise position it for the lead role on these issues. The dialogue built upon this complementarity.

TABLE 6

AID STRATEGIC PRIORITIES: POLICY AND INVESTMENT TO FY 1990

	<u>Policy</u>	<u>Investment</u>	<u>Donor Leadership</u>
<u>I. Economic Infrastructure</u>			
Energy	MAX	MAX	AID/IBRD/ADB/Bilat
Water	HI	HI	IBRD/AID
Transportation & Communications	MED/LO	MED/LO	IBRD
<u>II. Commodity Producing Sector</u>			
Agriculture	MAX	MAX	AID/IBRD/FAO
Industry	LO	LO/NIL	IBRD
Minerals (excluding fossil fuel)	LO/NIL	NIL	IBRD
<u>III. Social Infrastructure</u>			
Education & Manpower	?	?	IBRD/UNDP
Urban Development	LO/NIL	NIL	IBRD
Health	MED	MED/LO	WHO/IBRD/AID
Population	MAX	HI	AID/IBRD/UNFPA
<u>IV. Other</u>			
Narcotics	MAX	MAX	AID/UNFDAC/INM/DEA
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 and policy priority higher than lower ranked sectors.

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

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

USAID has also been coordinating closely with the World Bank and the Asian Development Bank on areas of energy planning, conservation, power generation and coal resource development. It has co-financed with the Asian Development Bank a 450 MW combined cycle unit at Guddu. USAID had an important input into the World Bank's Energy Sector Loan of July, 1985, and tied the release of Energy, Commodities and Assistance project funds to GOP approval of the Loan and progress in implementation of key issues. The World Bank and the Asian Development Bank have expressed interest in funding of the Lakhra Coal Mine and Power project, and USAID has actively sought their input in the project feasibility studies. This approach provided a basis for a powerful and concerted effort by key energy donors to work on a broad agenda of sector reforms in energy. It has been the persistence and determination of the USAID Mission, combined with a very considerable responsiveness from other donors, which has permitted the conduct and expansion of such inter-donor coordination at sectoral levels (for USAID Post-1987 Policy Initiatives, see Annex G).

F. Negotiating the Follow-on Program 1988-1993

1. Background

During the Fall of 1984 the Governments of Pakistan and the United States began to consider the scale and content of continuing assistance beyond 1987 when the initial six year agreement would have ended. USAID had completed the start-up efforts of the initial program and the Government of Pakistan was looking ahead to the requirements of its Seventh Five Year Plan for the period 1988-1993. President Reagan had verbally assured President Zia that there would be continuing US assistance after 1987.

The congruent strategic and foreign policy interests between the two governments which had led to the initial agreement were likely to remain just as relevant in the post-1987 period as they had been in 1982. For Pakistan to sustain its foreign policy position with respect to Afghanistan and to meet both its defense and development requirements would require substantial continuing US assistance. Specifically, the Government of Pakistan requested a further six year commitment of assistance at a level which would maintain the real value of US 1987 annual assistance with an enhanced fast-disbursing payments component and the continuing sectoral emphases of US assistance already underway. Pakistan also sought to maintain the link between military and economic assistance.

The post-1987 economic assistance level was heavily influenced by the earlier military sales component and the repayment obligations which it generated. For example, it was estimated that repayments by Pakistan on US military sales--both the 1982-1987 and projected 1988-1993 packages--would rise from \$250 million in 1988 to \$520 million in 1993, totalling some \$2 billion in repayments for the period. Even at more concessional terms than the initial arms package agreement (12 year repayment at half the US Treasury rate, with a

floor of 5 percent) the Pakistan repayment burden to the US is considerable. As an offset, the economic assistance was to be on fully grant terms, with the exception of the PL-480 component. These terms made it more attractive for the Government of Pakistan to shift the balance of military and economic assistance somewhat in favor of the economic.

It was agreed at the request of USAID that policy reform dialogue would be an integral feature of the new assistance package. In this regard, Pakistani officials agreed to an annual high level economic policy review with US officials. The judgement as to the nature and timing of reform, if any, was to be entirely that of Pakistan, and without effect on the on-going committed level of US economic assistance.

During the course of the negotiations for the post-1987 assistance package the AID Mission, however, was able to share its reform concerns with high level Pakistan officials. As the Mission saw it, there was an overriding necessity to accelerate the pace of policy reform in order to deal more effectively with the cumulatively difficult economic problems which Pakistan was facing, particularly in the areas of trade promotion and external payments and internal resource mobilization. Additionally the Mission was able to present a plethora of policy issues in areas of its program concerns. This list included the following:

Agriculture:

- privatize fertilizer production, import and distribution
- privatize tubewell development
- decontrol prices of edible oil, wheat, fertilizer
- increase water rate charges to recover operating and capital costs
- develop linkages between agricultural research, training and extension
- facilitate private sector delivery of agricultural technology
- facilitate private sector role in food storage, distribution and processing
- establish a private sector commodity exchange

Energy

- allow competitive pricing of oil, gas and coal

- allow and encourage private sector participation in energy development and operation
- increase self financing of investment
- raise user charges
- increase efficiency
- increase conservation
- rationalize private and public sector roles

Social Sector

- increase contraceptive availability
- recover costs in public hospitals
- focus on female education and adult literacy
- focus on primary education by budgeting increased public resources

Additionally, in this policy dialogue, which accompanied the negotiation of a new economic assistance package for 1988-1993, USAID raised a number of broader macro-economic issues, including the elimination of public subsidies, a greater role for provincial governments in development, increased savings incentives, elimination of government price controls, reducing barriers to private investment, speeding the process of divestiture of nationally owned enterprises, import tariff reform, and other issues of concern for more effective program implementation. Thus it was that USAID was able to raise the level of its policy dialogue with the Government of Pakistan, and to vent the cumulative list of its concerns about reform. To date two full annual policy reviews have been held with senior Pakistan officials in 1986 and 1987, and the Mission regards this as good progress.

2. Nature of the 1988-1993 Program

The final negotiations for the new US assistance package to Pakistan for 1988-1993 were concluded in Islamabad during March 1986. The basic understanding on the US commitment was contained in a letter from President Reagan to the Prime Minister of Pakistan, dated March 18, 1986. The total level of the commitment came to \$4.02 billion, with military sales representing \$1.740 billion and economic aid \$2.280 billion--of which economic grant aid was \$1.8 billion and PL 480 sales \$480 million. As can be seen, the follow-on assistance was more favorable to Pakistan than the earlier aid package, responding in part to the countries more serious economic and military sales repayment problems.

Like the earlier program, about 40 percent economic assistance projected for 1988-1993 will concentrate on fast-disbursing activities to support the balance of payments and on the four sectors of agriculture, energy, health and population, and training, as well as continuing to address the special problems of narcotics control and economically lagging geographic areas of the country. In these areas, USAID's comparative advantage is based on its continuing involvement and experience which in many cases is based on detailed analyses of the importance and possible modes of reform for more effective implementation.

The large energy program will reduce the shortage of electricity and utilize indigenous energy resources and will continue to seek improvements through tariff reforms, conservation, managerial innovations and increased private sector participation. The agricultural program will continue efforts to raise the productivity by improved irrigation efficiency, and research, teaching and management institutions and by efforts to increase the role of the private sector.

Major new innovations include the mounting of a large scale child survival effort as part of the health program, (additional to continuing efforts in population and malaria control) and specifically seeking to further health and other social objectives through commercial channels in the private sector. In education the Mission is considering a major new project in primary education, additional to continuing and expanding the already large training program to supply high quality personnel for strengthening key institutions.

The program also contains several new activities to assist women's development in Pakistan. A proposed \$30 million Special Development Fund primarily for expansion of Pakistani non-governmental organizations and other decentralized entities would increase substantially assistance for women's related programs. In the primary education program which is under consideration, one objective would be to raise enrollment rates for girls, especially in rural areas. And the child survival program will greatly improve female health.

The new program for the six years following 1987 not only builds on a sound basis of Mission experience and launches new innovative activities, but it was negotiated early enough, March 1986, to allow adequate lead time for revision of on-going projects and development of new project designs. In this the Mission has taken advantage of one of the lessons of the earlier 1982 program. Consequently the Mission is in a much stronger position than it was previously to move forward on its program implementation and reform agenda.

See Annex H for a comparison of US assistance to Pakistan, 1982-1987 with the proposed program for 1988-1993.

G. Strengths and Weaknesses of the 1982-1987 Economic Assistance Program

The rationale of the 1982-1987 economic assistance program to Pakistan was largely political in its conception and central objectives. Within this high priority foreign policy frame of reference, the program was formulated, managed and staffed according to development criteria laid down by the Agency for International Development in Washington. Consequently, our review of strengths and weaknesses considers these interrelated political and developmental aspects of the program.

1. Overview: Political strengths and weaknesses

As we have observed, the major rationale of the economic assistance was in meeting political and geo-strategic objectives. The program provided resources which facilitated the purchase by Pakistan of defense equipment, including F-16 aircraft, essential to strengthening its defenses in the face of Soviet pressures and air incursions on Pakistan's northern frontier with Afghanistan. As part of the process of strengthening Pakistan militarily and diplomatically, US economic assistance was important in revitalizing the political partnership between the two countries on a longer-term basis. Pakistan, in particular, sought to reestablish the earlier development assistance relationship with the United States which had proven so valuable to it in the past. These constitute the program's major strengths.

The revitalized political partnership between Pakistan and the United States, and the waiver of the Symington Amendment (Section 669 of the US Foreign Assistance Act prohibiting aid to countries which appear to be seeking a nuclear arms capability) may lead to a better appreciation and possible accommodation between the two countries on this important and sensitive issue.

Renewed American respect for Pakistan's firmness in the face of Soviet aggression in Afghanistan, and the apparent determination of the Government of Pakistan to bring narcotics production and trafficking under control within its territory, have been important factors strengthening the political partnership between them.

On the other side of the ledger, a possible political weakness is that the overall US aid package to Pakistan (economic and military), may have contributed to setting back incipient efforts for improved regional cooperation between India and Pakistan and to have worsened relations between them. These earlier efforts, although fragile, appeared to be making progress in a number of areas of mutual concern. Over the next few years Pakistan and India will need to seek a renewed basis for improved regional understanding, particularly to limit the recently spiraling arms race which is undermining economic and social development efforts in both India and Pakistan.

2. Management and staffing of the program

An important strength of the program, in terms of political and financial management, was the multi-year commitment of a pre-agreed level of assistance. This provided flexibility in program management to ensure a relatively rapid commitment of resources to meet Pakistan's clear need for early balance of payments assistance.

A concomitant weakness, however, was that the pre-agreed level of assistance and the need for rapid obligations of assistance diminished the AID Mission's possibilities to relate the economic aid to firmer development performance criteria, in terms of performance in the preparation and execution of projects by both by the AID Mission and by Government of Pakistan agencies. There was a tendency to be over-hasty in project formulation and implementation to meet obligation and expenditure target levels in response to the overriding political nature of the assistance. This was an understandable trade-off, given the political nature of the program, which led to some lessening of development effectiveness of the assistance. On the whole, however, Mission managers are to be commended for herculean efforts to square the circle of politically-driven assistance criteria with development objectives.

For example, one of the political strengths of the program was the low American staff profile maintained by the AID Mission, in terms of the small number of permanent direct hire staff relative to the size of the economic assistance. The initial staffing problems of the Mission, which led to a seemingly continuous stream of temporary duty personnel from Washington, must be considered one of the major weaknesses of the program in its first three years of operation. This gave the initial program formulation an overly Washington flavor and orientation which, in many cases, could not take sufficient account of country-specific circumstances and problems. The Mission staff, and the large contingent of American contract personnel engaged to carry out program implementation, generally has been weak in prior knowledge and experience of Pakistan. The political pressure for an early and viable obligation of funds, along with this lack of prior knowledge, has not been without cost in terms of somewhat lessened development effectiveness than might otherwise have been possible.

In many respects the problem was compounded by the AID Washington imperative and orientation which correlated development with early achievement of across-the-board institutional reforms in all of the program's activities. No development activity requires more intensive technical assistance and country-specific knowledge, along with the closest working relations with host country counterparts, than institutional reform. The pressure for getting the program underway, the large American contract teams imbued with a "gung-ho" spirit of reform, and the earlier weak contacts with Pakistan officials at the operational level, all contributed to a generally weak Mission performance in the area of institutional change. This weakness has been pervasive in the Mission's program during the period under review,

and remains especially true for those projects where successful implementation is critically dependent on institutional changes.

AID Mission management shifted its reform agenda after 1985 away from the heavy institution reform orientation and repaired much of the damage in project relationships, while continuing to advocate more gradual institutional reform. Institutional weakness is endemic in Pakistan and limits the country's development effectiveness in number of critical areas. The difficulty was that the Mission was not well positioned, by its staffing and by the political context of its objectives, to undertake such a broad scale attack on the problem.

One of the strengths of the AID Mission has been its ability to introduce a number of meaningful policy reforms in the agricultural and power sectors where its main program efforts have been concentrated. This has been based on carefully formulated staff studies by the Mission, either directly or by special contract assignments. The studies have been widely appreciated and commended by Pakistan officials as guiding their efforts to develop a more meaningful program in the power sector, one that contemplates a major opening for private sector investment in electric power generation. Also the Mission is making good progress in encouraging a more effective program for the distribution of power and its extension to rural areas.

Similarly the Mission has done good work in helping Pakistan agencies to shift the balance of incentives for fertilizer production and distribution more in terms of private market efficiency.

3. Program formulation

As has been previously mentioned, the strength of the economic assistance has been the large and flexibly administered commodity import program which was fully responsive to the requirement for a rapid disbursement of resources. Also the Mission has a good record in the integration of PL 480 commodity assistance, mainly edible oil, within the framework of agricultural productivity and policy objectives.

Additionally, the program concentration in the important sectors of agriculture and irrigation and energy has been a source of strength in both economic and political terms. The On-farm Water project is widely acknowledged in official Pakistani circles as highly successful. In this area the Mission was able to build on extensive studies and sector strategies which had been completed by the earlier AID Mission staff in the mid-1970s. The Mission's follow-on work in water and irrigation, and related equipment and commodity import financing, have continued to build on this experience.

A major component of the Mission's work in agriculture is in the field of agricultural research where the central focus is on institution building, in terms of assistance for equipping and professionally staffing an agricultural research center and a training

institution in Islamabad and for a high quality agricultural university in the Northwest Frontier Province. However, rivalries between the federal authorities and the provinces, on the one hand, and between agricultural and educational agencies, on the other, have for some time frustrated donor efforts to institutionalize a competent and effective agricultural research and extension service for Pakistan. There is no indication that the Mission has found a formula for helping the Government of Pakistan breakout of these crippling constraints in the period ahead.

Similar problems affect the Mission's work in forestry planning and development, where an improved national forestry and wood energy policy with strong research and extension components depends critically on a clear delineation of responsibilities between the concerned federal and provincial authorities.

A further program weakness is the Mission's engagement in the social sectors of rural public health and population control. Here as well, program results are unlikely, largely because Pakistan priorities have not supported the appropriate engagement of skills and resources to ensure good progress. As a result, Mission efforts are largely working on the margin of what are truly serious problems. The social needs are admittedly great but does that justify US engagement in areas where the public perception in Pakistan is of essentially ineffectual programs: The political objectives of the US assistance would argue for our association in social areas, and on a scale, where the prospects of publicly perceived success are more likely to be favorable.

It could be argued that the Mission's breakthrough during the past year in favor of private sector marketing of contraceptives is a significant success. It is an innovative and potentially important approach. However, the initial scale of the effort is very small and, without appropriate Pakistani leadership to encourage broader understanding and participation, the effects of the social marketing of contraceptives are not likely to prove significant. As former President Ayub Khan use to say, "the family planning problem is one that has to be worked on by day and by night". There is too little daytime attention to the population problem. For example, Pakistan's public health authorities--despite repeated statements to the contrary--continue to oppose the appropriate use of the country's health clinics, staff and other facilities to assist people who wish to limit family size.

Malaria control is a health field where the direct engagement of US resources has again succeeded in bringing the incidence of malaria in the country sharply down. However, the longer-term sustainability of the program by Pakistan is in doubt without continued foreign assistance, given the severe budgetary crunch and the historically low priority which rural public health services have been accorded by the Pakistan authorities.

In the field of human resources development, the Mission's training efforts are generally seen as one of the strengths of the program. Training components have been built into all of the projects and a central training project has been imaginatively used by the Mission to extend training opportunities to professional women and to concentrate, in the future program, on raising the professional capabilities of the staffs of selected institutions. Careful selection of trainees is of course the key element of any training program. The Mission appears to be aware of the need for vigilance and on the need to tighten criteria for selection.

The attempt of the Mission to involve women in development activities--one of AID's and the Mission's priorities--could be seen as marginal given the almost overwhelming cultural problems relating to the status of women in Pakistan. Relative to the nature of the problem and the means at its disposal, the Mission should be commended for its searching and innovative efforts in this area over the last few years. It has extended its training and social programs to expand opportunities for women and has pioneered in a proposed non-governmental funding facility for \$30 million which would have as its major focus the more effective engagement of women in development. Only by the persistence and dedication of the Mission's leadership does it now appear that initial resistance to this activity has been overcome.

4. The Mission's program in relation to AID's development criteria

As stated above, the over-riding political nature of the economic assistance commitment, and the need for relatively rapid obligation of funds to support Pakistan's external payments balance, has diminished to some extent the careful preparation and analysis which would have yielded better development assistance performance by the AID Mission. When studies precede project obligations, rather than the other way around, the development results are greatly improved. Gradually the Mission has been able to overcome these early start-up difficulties in its program.

However, even with some program course correction, the pace and continuing pressure to process project and other documentation and move the obligation of funds, is a continuous priority concern of the Mission. Time and adequate staff for reflection and analysis in the AID Mission is all too often limited. Mission personnel tend to believe that their performance is judged primarily on the basis of the obligation rate for commitment of funds. When development performance is somewhat lacking in a Mission sponsored activity, it tends to be excused as natural for a politically-driven program which is largely financed by high levels of Economic Support Funds (ESF).

Be that as it may, this politically justified program yields a higher level of economic funding than would otherwise be the case on grounds of solely development criteria, and it is contributing

importantly to integral elements of Pakistan's development. There is an important flow of technology transfer from the United States in the form of equipment, training and managerial and technical assistance. In areas of Pakistan's priorities, such as agriculture, water and energy development, the practical absorption of this technical flow is high and is clearly one of the strengths of the assistance program.

In addition to the accomplishments in on-farm water management, electric power planning and generation, training, narcotics and malaria control, and the import flow of commodities and equipment, the Mission is doing politically viable and useful work in the lagging areas of development. Also it has encouraged a number of useful sectoral policy reforms and has consistently kept in the fore, in its project design and discussions with Pakistan officials, the utility for Pakistan of providing incentives to private sector development. With this foundation the Mission is now much better positioned to concentrate its efforts, and the high level of committed assistance resources to 1993, on one or two well defined and systemically important policy reforms. These are by no means negligible development assistance achievements in the short span of the 1982-1987 period.

One of the weaknesses in the Mission's approach to policy reform to date may be that it has cast such a wide agenda of reform suggestions over a broad range of macro-economic and sectoral issues. Such exploration for possible targets of opportunity may be occasionally useful, but it may well be more useful in the future for the Mission to concentrate its resources and energies on a narrow range of potential reform issues.

In terms of AID Washington's development criteria for assuring Pakistan's support and the future sustainability of USAID sponsored activities and projects, future Government of Pakistan interest and follow-through is assured in areas of the government's prime interest. These historically have been and continue to be those sectors which are production oriented. The sustainability and eventual success of most institutional reform and socially oriented activities is open to question. The Mission's activities and projects in these areas are encountering difficulties and will require close follow-up attention. Whether the Mission is able to concentrate sufficient high level attention and resources, both technical and financial, to the range of project activities it has undertaken in these areas is open to question.

The US assistance program to Pakistan is a government-to-government program which is both a strength and weakness, a strength when the objective is to influence government policy and a weakness when the objective is to reach low income beneficiaries. The Government of Pakistan has the best of declared intention to improve the living conditions of the poor, particularly in the rural areas where its main political support lies. However, the distance between Official Plan declarations and actual delivery of the fruits of development to low income groups is very large. The Government's

underlying priorities in the allocation of its limited resources mean that this is likely to continue to be the case. Development for the poor of Pakistan--and almost half of the people in rural areas are landless--is of the trickle-down variety.

However, this is beginning to change with the Government of Pakistan shifting sectoral investment priorities since 1985 to step-up the pace of building social and physical infrastructure in rural areas. Progress is being made in extending electricity to rural villages, opening primary schools, establishing health centers and providing clean drinking water and sanitation per low income people. This rural transformation program should be approved in the Pakistan's Seventh Plan. (See Annex I, Quality of Life Indicators 1982-1993).

Several AID Mission projects open up the prospects of improved incomes and social services to low income groups in malaria control, primary health care, population welfare planning, rural electrification, food security management, tribal and lagging areas development. It is also a fact that USAID's large contributions to energy and irrigation water development helps to raise incomes and generate employment effecting the whole economy of the country.

H. Lessons Learned from the 1982-1987 USAID Experience

The following are among the outstanding lessons which can be drawn from the experience of the AID program in Pakistan during the period 1982-1987:

1. A sharp program focus, tailored to US staff capabilities is essential to assure program effectiveness.

In a country program where the size of the advance commitment of economic aid is very large--such as the \$1.625 billion of US assistance committed to Pakistan in 1981--there is a natural tendency toward overly ambitious and defused activities. The needs for assistance are large and there are diverse special interests seeking to influence funding allocations, both in Washington and in Pakistan. While the pressures are difficult to resist entirely, it is of great importance for the program managers to formulate a clear concept of program capabilities and to establish a sharp program focus.

A sharp program focus is of particular importance for the AID Mission in Pakistan, given the political limitation on the size of the USAID direct hire American staff in country. This has been a very real constraint, one which could not entirely be offset by the fairly extensive use of US contract personnel for project implementation. For contract teams also require supervision and the larger the contract teams, the more difficult they have been for USAID to supervise effectively.

In part, the staffing constraint was taken into account by the AID program concentration on the key sectors of agriculture, water and power. However, even in these sectors and several social sectors as well, the Mission's project portfolio included a very high proportion of staff-intensive technical assistance activities, which it was ill-positioned to carry out effectively. As a result, the Mission has had to cut back--or at least extend over time--its initially ambitious technical assistance activities directed to institution building and institutional reform.

At the same time, the Mission has done well in gradually building up and in the training of Pakistan's own staff capabilities for more effective implementation of USAID assisted project. This training objective should continue to be pursued even more systematically in the future. Generally, the Mission should sharpen further its program concentration and focus on those activities where it can most effectively deliver.

2. Flexibility and delegation of authority to Mission management is critical for effective program management.

Most importantly the USAID Mission was given the means for flexible management of the country program. This was provided in two ways. The multi-year commitment of US assistance made it possible for the Mission to concentrate its efforts on both the current year and forward programming. Also the "experiment" of AID's Asia Bureau in extending substantial delegations of authority to the Pakistan Mission for project approvals and administration was helpful in terms of assuring more effective program and financial management. The Mission was enabled to switch funds from slow to more rapidly disbursing projects and commodity imports.

The program's financial flexibility made it possible to respond to unforeseen contingencies regarding Pakistan's urgent import requirements. For example, several years ago with the partial failure of Pakistan's cotton crop, USAID by its ready financing of US cotton imports was able to help in containing what otherwise would have been a difficult and inflationary shortfall in supplies. Similarly, this year the US commodity import program has been able to finance US wheat imports to rebuild Pakistan's strategic grain reserves.

Increasingly, as its foreign exchange reserves have been drawn down, Pakistan has looked to the US aid commitment and its flexible management as a kind of second line foreign exchange reserve. In this way the management of US assistance has been effective in providing the balance of payments support which Pakistan required to facilitate the acquisition of US military equipment and thereby strengthen its defense posture at a critical juncture in relation to the problems of Soviet aggression in Afghanistan.

3. Mission efforts should be concentrated on the more important policy and institutional reforms.

The experience of the last six years has shown that the USAID Mission needs to be more selective in the application of its influence for encouraging policy and institutional reforms by the Government of Pakistan.

USAID's initial approach was to seek reforms over a very wide range of project and sectoral issues, in many cases without adequate prior study and preparation. When USAID concentrated its efforts in well prepared studies of Pakistan's problems and options--and concerted its efforts with the World Bank--USAID'S recommendations carried greater weight and in a number of cases proved successful. For example, as this report documents, important USAID encouraged reforms have been adopted by Pakistan which have improved its planning and management in the areas of electric power, agriculture water and development. This is an important less in the use of USAID's influence in areas of its program and sectoral concentration.

More recently, with the further US commitment of \$2.280 billion in economic assistance for the period 1988 to 1993, USAID has been able to institutionalize its policy dialogue with senior Pakistan officials on a regular basis and has again placed on the agenda a number of reform issues covering a wide range of important macro-economic and sectoral policies. In the Mission's view the cumulatively more difficult problems which the Pakistani economy faces in the period ahead means that the difficult economic problems is more likely to limit the flexibility of the Pakistan Government to undertake comprehensive reforms without very careful advance study and preparation.

Again the USAID Mission needs to concentrate its efforts on salient reforms which would truly make an important difference and for which more adequate preparation can be undertaken.

4. The security-development link in US assistance to Pakistan must be balanced and adjusted as conditions change.

US economic assistance in the period under review was closely linked to the cost to Pakistan of financing a US military assistance package of \$1.575 billion, mostly in foreign military sales at near concessional terms. In a real sense the economic assistance of \$1.625 billion has been the hand-maiden of Pakistan's defense requirements.

The linkage was again important in the US-Pakistan negotiations for a second six year period, 1988-1993, of US economic assistance. It was then clear that the rising level of Pakistan's repayments to the US for military equipment indicated the need for a higher level of economic assistance to \$2.280 billion, accompanying somewhat reduced military sales of \$1.750 billion.

A balanced and linked assessment of US and Pakistan security interests relative to its economic capacity and needs will continue to be important in the future. Pakistan's military build-up has clearly placed its economy under strain and put in some jeopardy its ability to meet essential economic investments and social needs in the period ahead. This situation appears almost certain to have adverse effects on its political and security stability.

In the period following Soviet withdrawal from Afghanistan, it may be possible to envision that Pakistan's broader security interests would be best served by a further shifting of the balance of US assistance for the 1988-1993 period more in favor of economic objectives, and that the Government of Pakistan would restrain further increases in its military budget. This would be comparable to the action taken by former President Ayub Khan in the 1960s when he froze the military budget during the period of the Second Five Year Plan, and made possible very rapid advances in Pakistan's economic development.

The established security-economic development link holds open the possibility of such an adjustment in the near future.

5. An essentially politically-driven aid program involves trade-offs in economic performance.

The AID Mission is to be commended for its sustained efforts to maximize the possible development impact of the politically justified Economic Support Fund (ESF) program. It is fair to conclude that the Mission had achieved a large measure of development performance. The program has clearly had a number of highly beneficial development effects, but the case should not be overstated.

By a tendency to overstate the development effects of the ESF program, USAID risks blurring the reality of the costs to Pakistan of the military build-up and the resulting weaker performance than that which might otherwise have been possible for the Pakistani economy.

There is an additional risk for the Agency for International Development in that when the criteria of performance between ESF and Development Assistance (DA) programs are diluted, the overall standards of development performance tend to be weakened within the agency as a whole. AID needs to keep well to the fore a clear concept of the separate and distinct objectives of ESF and DA funded programs and the criteria and performance expectations which should govern each of them.

6. A more visible profile of the benefits of US economic aid to Pakistan is needed.

US economic assistance to Pakistan is very large and the Government of Pakistan is understandably concerned that it should be as beneficial to their needs as possible. In fact, the government of Pakistan has shared with USAID its assessment of the American program.

While Pakistan's assessment was not available for our evaluation, certain conclusions emerged from discussions with Pakistan officials. The USAID program is greatly appreciated for its flexibility in providing large-scale commodity imports which support Pakistan's balance of payments. Pakistan officials also regard USAID's on-farm water management project as highly successful, and they appreciate some of the studies carried out by USAID which have made possible decisions on useful sectoral reforms.

Pakistan officials also group in the category of useful USAID activities, its work on electric power planning and generation, malaria and narcotics control, training, and the construction projects in the economically lagging areas of Pakistan.

At the same time, Pakistan officials place a large number of USAID-assisted activities in the category of "yet to be proven". These include activities in agricultural research, forestry, rural electrification, primary health care, social marketing of contraceptives, population welfare planning. These are all areas which involve a large measure of technical assistance and related institutional reforms, where performance is closely linked to better progress on the part of Pakistan implementing agencies. However, this fact does not prevent Pakistani officials from seeing these areas as lagging in terms of USAID'S effectiveness.

There is a real question whether USAID should cut back its activities in these "lagging" areas pending a clearer lead on the part of Pakistan agencies responsible for their more effective implementation.

Pakistan also has criticized the USAID program for the high cost of its large consultant contracts, and has stated that no more than ten per cent of US economic assistance should be allocated for technical assistance activities. This compares to a level of about 11 per cent during the 1982-1987 period. These would appear to be helpful comments. Certainly the large consultant contracts in the earlier program did not prove to be cost-effective.

Perhaps of greater concern has been the persistent Pakistani comment that the USAID program should be more popularly visible. While acknowledging the usefulness of commodity assistance, they point out that it does not have lasting economic effects. It is probably true that the popular impression of US aid is that it is very large, but that--in the words of one man in the street--"it is mostly eaten by the rich".

USAID has given a large measure of attention to better publicity in Pakistan of American assistance. The lesson, however, may be to make program adjustments by narrowing range of overly complex and lagging activities, by funding more visible infrastructure projects, and by selecting at least one activity in the social sector which could be popularized as an all-out US effort of wide benefit for Pakistan's people. A program perceived to be more visible in Pakistan would better serve US political objectives.

II. THE SECTORAL PROGRAMS

A. Introduction

Part II of this report provides a more detailed elaboration of the analysis contained in Part I. Specifically, it discusses projects and activities funded during 1982-1987, grouped by sector, as background and support for the overall program assessments contained in Part I. In examining the following material, the reader should keep in mind the following caveats:

- o Time did not allow for the authors of this report to undertake a first hand, detailed evaluation of each of the 23 projects, funded during the six year period 1982-1987 by the \$1.62 billion ESF allocation to Pakistan. Instead, the team drew heavily from external project evaluation reports that had already been completed. We have quoted extensively from these reports to accommodate the Mission's wishes to pull together, for historical purposes, in one document, a record of the Mission's experiences as it geared up to implement a new economic aid program in 1981 for Pakistan.
- o Much, indeed most, of the project activity, was just beginning to reach full scale implementation at the time this report was prepared. Less than 30% of funds obligated for projects (excluding the commodity import program and PL-480 imports) had been expended as of September 30, 1987, the end of the period under review. Many of the project evaluations drawn on by the team were interim project evaluations since these projects are not scheduled to be completed until the 1990s.
- o While every project evaluation contained the evaluators' best assessment of "lessons learned", the team found many of these "lessons" to be of questionable general applicability and, in any event, not suitable for enumeration in this very broad program assessment. The more significant findings have been incorporated in the "Conclusions" sections, at the end of each sector description of this report. They may also be found in Part I, C, "Program Overview".

B. The Agriculture Sector

1. Background

The program composition of the US assistance package negotiated in the summer of 1982, placed important emphasis on agriculture, the dominant productive sector of the Pakistan economy. Of the 12 project areas listed in the FY-1982 planning document

discussed with the GOP during the summer of 1981, five were in the agriculture sector. These were:

Agricultural Fertilizer & Equipment	\$300 million
Agricultural Production, Distrib. & Storage	100 million
Farm to Market Roads	50 million
Water Management	100 million
Agricultural Education, Research & Extension	<u>50 million</u>
<u>Total</u>	<u>\$600 million</u>

Three "abbreviated" Project Identification Documents (PIDs) for agricultural activities accompanied the submission to AID Washington: the amendment to the On-Farm Water Management project (391-0413), the Irrigation System Rehabilitation project (391-0467), and the Agricultural Commodities and Equipment project (391-0468). It was possible to obligate funds and begin operations for all three activities during FY-1982.

AID had extensive experience with the agricultural sector in Pakistan prior to suspension of the program in 1978. In light of the need to restart the program quickly, the Mission looked for opportunities in those sectors which were most familiar to it. The On-farm Water Management project, one of the most successful USAID activities of the 1970s, was reactivated. The Agricultural Commodities and Equipment project (391-0468) was utilized to import fertilizer, thereby permitting rapid disbursements for balance of payments support. The Irrigation System Management project (391-0467), was initiated because water was a critical concern in Pakistan which has the largest contiguous irrigation system in the world. It also provided an opportunity to apply the "lessons learned" from the On-Farm Water Management project.

Agricultural Research (391-0296) was also revived to provide \$3.2 million additional funding to complete activities begun earlier and to provide a transition to a follow-on project (Management of Agricultural Research and Technology 391-0489).

Over the course of the six year period (1982-1987), the USAID agriculture program took the following shape:

	<u>Obligations</u> (\$ Million)	<u>Expenditures</u> (\$ Million)
Agricultural Research	3.2	3.1
On-Farm Water Management	9.5	9.4
Irrigation Systems Management	67.0	37.1
Agricultural Commodities & Equipment	448.0	300.4
NWFP Agricultural Network (TIPAN)	33.0	6.2
Management of Agricultural Research	20.0	6.4
Food Security Management	27.0	7.9
Agricultural Sector Support	8.9	0
Forestry Planning & Development	<u>18.0</u>	<u>3.6</u>
Total:	<u>634.6</u>	<u>374.1</u>

In addition, substantial rupee obligations were made for several projects, including Agricultural Research (143 million rupees) and On-Farm Water Management (28.4 million rupees).

If we exclude the Agricultural Commodity and Equipment Project from this listing (since its primary purpose was balance of payments support), we see that, as of September 30, 1987, the end of the six year program, the "Agricultural Research" and "On-Farm Water Management Projects" were completed, and the "Irrigation Systems Management" project was well under way. The remaining projects were new starts and therefore were not far enough along to show tangible results.

Before we examine each of these projects separately, we might consider how the Mission perceived the agricultural problems to which the program was being addressed. Pakistan's agricultural growth rate of about 3 percent was relatively modest considering the large areas under irrigation. Most of the gains in production have occurred as a result of increased acreage and crop intensity. Despite the significantly increased use of fertilizer, pesticides and production credit, productivity per unit of land has not improved proportionately.

On the other hand, Pakistan's agriculture had experienced considerable production increases during the 1970s and was generally meeting its domestic demand for food during normal crop years. At 3 percent annual growth of food production, Pakistan was just keeping pace with its population growth.

The Mission's Country Development Assistance Strategy, prepared in January 1984, states:

"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 8 1/2 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.

The Sixth Plan objective for the agriculture sector was to achieve the transition from self-sufficiency in major food crops to export orientation through high output growth, with the impetus coming particularly from high-value mainly non-food crops. Major elements in the government's strategy include:

- o Improved availability and use of modern inputs (fertilizer, pesticides, improved seed) and water supply;
- o Upgraded services, especially extension and institutional credit;
- o Spread of farm mechanization through imports of small-tractors and machinery to facilitate more intensive cultivation of small and medium sized farms; and
- o Extension of the price support system to new, high-value crops.

USAID's agricultural assistance program had two foci: a) to build the technological foundations for yield and productivity gains; and b) to facilitate policy and institutional reforms to permit structural modernization of the sector, maximize efficiency of resource use, and reduce distortions in the market place. Improvements in the policy framework, management of irrigation systems, institutional capacity, and approach to applied research were central elements of USAID's program.

2. Program components

a. Agricultural Research (391-0296)

This project, begun in 1969 to strengthen the Pakistan Agricultural Research System, was reactivated in 1982, to extend the life of the project for three years and to provide funding to complete construction of the National Agricultural Research Center (NARC) in Islamabad. The project evaluation, performed in October 1983, indicates that physical construction of the facilities has been completed. The training and conference center was complete and in operation. The Farm Service Center has been remodeled and improved. A total of 197 research scientists and research administrators were trained abroad, a number of nationally coordinated research programs were conducted with results disseminated to farmers and networks linking Pakistan Agriculture and Research Council (PARC) with international research centers abroad were established. In short, the 1982 amendment provided the additional support to assure a successful conclusion of the project.

b. On-Farm Water Management (391-0413)

This project has been recognized as one of the most successful economic assistance projects undertaken by USAID. For background we look to a description of the problem, offered by Joseph C. Wheeler, former Director of the USAID Mission in Pakistan during the 1970s:

"Research in the sixties revealed the cause of groundwater buildup at rates much faster than had been projected. It turned out that the original assumptions about water loss were drastically wrong. Huge losses resulted from seepage into the ground either on the farmer's field or in the water course leading to it. This research was so surprising that it became necessary to repeat the research over and over again even as remedial measures were developed. Again, officials sought an articulation of the problem and its solutions clear enough to capture the imagination of the political leadership and the donors. Additionally, millions of farmers who had to participate in the solution had to be convinced it was worthwhile to invest their own funds. The solutions came in the form of a sub-sector strategy involving new organizational concepts (watercourse associations); new technology (precision land leveling with tractor-drawn, small-scale, locally-manufactured equipment and the so-called "pucka nukas" or concrete outlets from water courses); and new credit mechanisms. The package required the participation of different government institutions than had been involved in earlier programs. But the objectives were clear and the technical package was proven. While adjustments have been made on the basis of experience, this sub-sector package has been carried through with a very large measure of success and the experience has been used by a number of other countries".¹

The On-Farm Water Management (OFWM) project was designed as a five-year pilot project to demonstrate the feasibility of increasing food production and rural incomes by reducing irrigation water losses in village watercourses, improving the use of water through the precision leveling of fields, and training of farmers, through agricultural extension, in improved farming practices. The project was initiated in FY 1976 with a \$7.5 million loan to the Government of Pakistan. A second tranche of \$15 million, planned for FY 1978, did not occur due to the temporary cessation of US assistance program to Pakistan in 1979. This activity was picked up by other donors, including the World Bank, the UN International Fund for Agricultural Development (IFAD), and the Asian Development Bank.

¹Joseph C. Wheeler, Chairman, OECD Development Assistance Committee, "Organizing to Reduce Poverty", unpublished paper, 1988.

As a result of the two-thirds cutback in the US contribution, implementation of the OFWM project did not reach its planned level. However, Pakistani participation in the watercourse improvement component exceeded expectations with the result that 1,300 of a planned 1,500 watercourses had been improved as of June 1981. Conversely, only 14 percent of a planned 425,000 acres of farmland were precision leveled and the extension element was not implemented to any appreciable degree. About two-thirds of the project implementation occurred in the Punjab and most of the rest in Sind; there was some limited implementation in the North West Frontier Province and in Baluchistan.

A report prepared by Lawton P. Bourn describes the 1982-1987 period of the project as follows:²

"The Government of Pakistan and the provincial governments were encouraged by the enthusiasm of the farmers and the accomplishments of the Pilot Project to seek assistance from the World Bank (IDA/IFAD) and the Asian Development Bank (ADB) as well as further assistance from USAID.

"USAID's participation was now in software assistance. To support the increased pace of construction, efforts were made to step-up the development of training facilities in all four provinces. This included providing technical advisors, both local and foreign, local and overseas training of project staff, training institute materials, equipment, and vehicles for key personnel.

"The World Bank operations covered a wide area in all provinces for the development of watercourses. The ADB had a small area in the NWFP and a larger one in the Punjab under one project. With a different project design, they were committed to develop practically every watercourse. There were other allied projects, such as those covered by SCARP, South Rohri Fresh Groundwater, Drainage IV (Faisalabad) and Left Bank Outfall Drain which came directly under the provincial governments.

"With loans and technical assistance from the two banks, the provincial governments bought the hardware or materials necessary for the watercourse improvement phase of the program, plus the heavy field equipment required for precision land leveling. Disbursements were made through the Federal Water Management Cell. The farmers repaid 25 percent of the cost of materials for watercourse improvement after a grace period of two years. Although the Government subsidy to farmers to precision level

²Lawton P. Bourn, Editor, Sheladia Associates, Riverdale, MD 20737, "The on Farm Water Management Program", Nisar Art Press (Pvt) Ltd. Lahore, Pakistan.

their land was withdrawn, the OFWM directorates charged a very modest fee for precision land leveling in the hope of encouraging farmers to rent tractors and the heavy equipment necessary to do a good job.

"Commencing in 1981, a three-year period was designated as the length of the World Bank (IDA/IFAD) assisted project and the USAID project, with a four-year period for the ADB project. All the necessary equipment was obtained during the first year. Plans were made to increase the total number of OFWM field teams from 55 to 92 during the first two years and work began almost immediately. It was hoped that a construction pace would be developed which would result in the renovation of all 90,000 watercourses in Pakistan within 10 to 15 years.

"USAID and the GOP decided to extend and expand USAID support by one additional year to June 30, 1987. In 1984, USAID contracted with a United States consulting firm, Sheladia Associates, Incorporated to oversee and provide expert technical assistance to resolve some of the problems facing the On Farm Water Management program and to advise Pakistani officials on developing current projects.

"The emphasis of the program now shifted from civil construction and actual watercourse improvements to that of trained and more qualified field teams and extension workers.

"The training institute at Lahore was now so well established that it became the trainer for other institutes still struggling to get started. The institutes for Sind and Baluchistan were set up in temporary quarters in Hyderabad and Quetta respectively, but the one for NWFP was still only a proposal.

"Another objective of this final phase of the USAID Project was that of improving the internal control network of the OFWM monitoring and reporting system. This objective has been partially achieved by installing a computerized system which is designed to improve planning, management and monitoring of OFWM operations. USAID sponsored the Management Information System (MIS) installation with the expectation that it would result in improved decision making at each managerial and operational level.

"One of the primary functions of MIS is to '...provide Project management with an early warning signal regarding current and/or potential implementation problems...' by being able to process the information collected in the field in a fast and useful manner.

"Figures generated by the monitoring and evaluation programs of WAPDA and the Punjab Economic Research Institute (PERI) indicate the following benefits from watercourse improvement:

- A nearly 27 percent increase in water delivery efficiency;
- about a 53 percent saving in water losses;
- a 37 percent increase in cropped areas;
- a 20 percent increase in cropping intensities; and
- a 24 percent increase in crop yield.

"Precision land leveling (PLL) is a component that is vitally important in improving agricultural productivity. However, it has been slow to develop, principally because the government was committed to supporting watercourse improvements and has not been able to provide financial assistance for precision land leveling.

"Despite the problems in gaining farmer acceptance of the PLL program, the studies by WAPDA and PERI have again itemized the benefits derived from the program. These include:

- about a 42 percent reduction of saline areas;
- about a 2 to 3 percent increase in cultivable land in Punjab and Sind provinces;
- an achieved increase in cropping intensity of 37 to 40 percent.
- a change in cropping patterns from low to high value crops such as sugarcane, cotton and rice; and
- achieving a yield per acre increase of 15 percent for wheat, 61 percent for rice, 66 percent for cotton, and 42 percent for sugarcane."

"In the last ten years it is estimated that 149,000 acres of farm land have been leveled under the USAID Pilot Project, World Bank Phases I and II and Asian Development Bank Phase I".

c. Irrigation Systems Management (391-0467)

The Irrigation Systems Management (ISM) activity has its antecedents in the earlier USAID program, As was the case with the On-Farm Water Management project. A project to rehabilitate 14,000 km of canals and 3,500 km of surface drains of the existing Pakistan irrigation system was prepared by the GOP and the World Bank in 1981, based largely on work performed under the USAID's work in irrigation during the 1970s. The Project was in process of being appraised for financing in June 1981 when USAID agreed to cofinance it. Funds in the amount of \$67 million were obligated during the six year period 1982-1987.

The USAID's ISM project was formulated in July and August of 1982, based on the findings of a project design mission and negotiations involving the GOP. The reformulated project placed greater emphasis on technical assistance and training to strengthen the capability of the

Provincial Irrigation Departments to rehabilitate, operate and maintain the irrigation and drainage system.

The USAID and World Bank's projects were intended to be highly complementary. The Bank's project emphasized the financing of civil works construction and provided local supervisory consultants, while the USAID project focused primarily on the provision of equipment and workshop rehabilitation, technical assistance, and training. Both projects rely on the federal and provincial coordinating cells utilizing the same scope and approach to the civil works component. Both promote the same policy changes.

However, on a more substantive level, ISM shifted the focus of the project from rehabilitation and improved management, to rehabilitation and system redesign in the belief that new design criteria were necessary to solve canal siltation problems.

The ISM project consists of four discrete but interrelated components: (1) rehabilitation works; (2) institutional strengthening; (3) research and policy implementation; and (4) command water management. The \$25 million command water management component of ISM is a direct follow-on to the On-Farm Water Management project and focuses on lining water courses, organization of farmers into water users associations and similar rural development efforts in seven pilot project areas in all four provinces of Pakistan.

The Project was initiated in FY-1983 and will be completed in FY-1991. Virtually all funds for the first two project components will have been disbursed or committed by mid 1988. The third component, research, began in 1985, and the command water management component did not become fully operational until late 1986.

The purpose of the project is to rehabilitate the system and establish appropriate funding levels, funding mechanisms, and operations and maintenance procedures and practices to keep the system in its improved state. Institutional and physical improvements are essential both to restore the system and maintain it; thus, the project invests in both areas.

The project evaluation, completed in February 1988 concludes:³

"Not surprisingly, physical improvements have been easier to undertake than institutional improvements. The (Project paper) PP emphasized a "system" approach to rehabilitation, which would concentrate efforts. However, a "band-aid" approach was actually adopted, to patch up the most vulnerable parts of the system. The

³W.A. Garvey and others, Evaluation of the Rehabilitation and Institutional Strengthening Components of Irrigation System Management Project (391-0467), prepared for USAID, Islamabad by ISPAN, February 1988.

areas most prone to over-topping or most likely to breach, were rehabilitated, without reference to other parts of the system. This implementation approach was justified, and the effort has been successful; no known major breaches have occurred since completion of these emergency works.

"Meanwhile, efforts have been undertaken to develop "Yardsticks" to obtain adequate funding; to prepare O&M manuals; to establish and/or improve workshops; to introduce equipment for rehabilitation and maintenance; and to identify and respond to various management problems. Some of the results of these efforts have been more or less visible. Nonetheless, their overall impact has been to set the stage for future initiatives, rather than to set in place viable mechanisms which are able to sustain physical and institutional improvements.

"Given the uneven quality of the TA, and given AID's initial limited understanding of the PIDs as institutions, the outcome has been surprisingly positive. After over four years of the project, an observer gets a sense of arriving at the aftermath of an encounter between strangers who have struggled to establish a common ground, while each retains prerogatives. A common ground has been established, and quite firmly, but it has yet to be exploited to any degree.

"It is unrealistic to expect the promises of ISM-I to have been fulfilled at this stage, as they were exaggerated and overstated and did not necessarily present a common agenda. However, it is reasonable to expect clearer directions to have emerged, and more concrete results to have been obtained. Nonetheless, some movement is evident, and the overall results are consistent with objectives. Most importantly, the experience has confirmed the basic wisdom of project objectives, and the appropriateness of AID's decision to pursue them.

"As Phase-I comes to an end, disappointments should not obscure the clarity of a sound strategy, nor should optimism obscure the fact that the overall process of physical rehabilitation and institutional development requires a commitment of at least fifteen years. AID should be prepared to signal such a commitment, and develop a timetable with the IBRD and GOP which fits the time and resources available, and clearly identifies reciprocal responsibilities and commitments, so that future phases can proceed more efficiently."

d. Agricultural Commodities and Equipment (391-0468)

This project was discussed above as part of the discussion on Balance of Payments support (Section I C.a), because its primary rationale was to finance imports to offset the claims on Pakistan's limited foreign exchange reserves. The project also contributed importantly to the Mission's agriculture program by

financing needed agricultural inputs, such as fertilizer, machinery and equipment. Moreover, it provided a basis for discussion of policy issues and led to the adoption of such measures as increasing the role of the private sector in the distribution of fertilizer and the derationing of wheat. Of the \$448 million obligated by the Mission during the six year period 1982-1987, \$300 million had been expended as of September 30, 1987.

e. Transformation and Integration of the Northwest Frontier Agricultural Network (TIPAN) (391-0488)

The purpose of the TIPAN Project is to integrate agricultural research in the NWFP with agricultural education at the University level, improve the quality of education offered and research undertaken by the University, and strengthen linkage with agricultural extension through a problem solving, farmer-oriented outreach program at the University.

The TIPAN Project was launched by an agreement among the Government of Pakistan (GOP), the Government of Northwest Frontier Province (GONWFP), Northwest Frontier Province Agricultural University (NWFP-AU), and USAID. The agreement, reached in 1984, provides for expenditures of \$ 35.5 million by USAID and of \$ 29 million by Pakistan over the three phases, or 11 years (1984-1995) projected as the project life. The Project has technical assistance, training, commodities and a construction program as components.

The TIPAN Project is a long-term, complex, and comprehensive program of institutional changes and improvements in the curriculum, teaching, research and outreach activities that will completely revise the mission, organizational structure and activities of NWFP-AU. Institutional improvements will be complemented by a program to increase and upgrade the physical facilities and plant of the University.

The objective of the TIPAN project is to create at NWFP-AU a dynamic, outward-looking, problem-solving, farmer-oriented university where teaching, research and outreach are linked together to increase agricultural yields, and to improve agricultural production, farm income and rural employment in NWFP to the benefit of rural people and of Pakistan. The design provides for periodic reviews of the institutional reform aspects, the results of which may lead to some adjustments in the 11 year project as it proceeds.

By the end of FY-1987 the Mission had obligated \$33 million, out of which \$6.2 million had been expended. An external evaluation of the project was conducted in September 1987 by Devres, Inc. Their report dated November 20, 1987 assessed the progress made under the project as being just barely satisfactory, and described various shortcomings that are typical of institutional improvement projects (slowness of actions

by the GOP and the institutional staff, etc). The evaluators concluded that:⁴

1. TIPAN is successfully launched and should be continued into Phase II.
2. Given the complexity of TIPAN, the performance of the implementation of TIPAN has been satisfactory and the current contractor should be maintained as the contractor for Phase II.
3. TIPAN implementation has and will entail an intense and systematic effort to achieve fundamental changes in the attitudes, standards, capabilities and goals of NWFP-AU.
4. The reductions in the Long-Term Technical Assistance team below the number foreseen in the Project Paper are having an adverse effect and thus the long-term TAT should be raised to the seven members originally planned.

During the first phase of the project the Mission provided farm equipment, scientific equipment, computers and other materials to the Agricultural University, enrolled 33 professionals in long term advanced degree programs and provided short term training to 89 others.

This project is an effort by the Mission to upgrade the performance of an institution in one of Pakistan's lagging provinces. The difficulties encountered in bringing about institutional reform, though typical of such projects, are an example of a major problem that the Mission must resolve with the GOP and the provincial government.

f. Management of Agricultural Research and Technology
(391-0489)

This project, begun in 1984, is a follow on to 391-0296 described above and provides continued assistance to the Pakistan Agricultural Research Council (PARC) and various provincial research institutions. The Mission lists the following accomplishments for the 1982-1987 period:

- Providing \$4 million in research equipment to provincial research institutes;
- Establishing and equipping audio visual studio at National Agricultural Research Centre (NARC) in Islamabad;

⁴Fred Tom, Ered Bentley and Elmer Kiehl, Interim Evaluation of Transformation and Integration of the Provincial Agricultural Network Project (391-0488), prepared for USAID, Islamabad by Devres, Inc. under Contract No. PDC-0085-I-6095-00, November 1987.

- Establishing new training institute at NARC;
- Established farming systems research program at Pakistan's agricultural universities and provincial research institutes;
- Strengthened Arid Zone Research Institute (AZRI) in Quetta, including provision of computers, vehicles, and laboratory and field equipment;
- Initiated research program at AZRI, including farmer-oriented research in eight communities and support for improved range management in Baluchistan;
- Supported collaborative research program between International Wheat and Maize Improvement Centre (CIMMYT) and PARC, resulting in provision of new germplasm to enable Pakistani scientists to research high yielding disease resistance plant varieties as well as various other activities; and
- Provided short-term overseas training for 80 people and developed plans for providing long-term overseas training for 90 others.

The project is scheduled to be completed by September 1990, but it is likely that continuing assistance to the agricultural research efforts of Pakistan will be required for some time to come.

g. Food Security Management (FSM) (391-0491)

This project has, as its goal, improving the analytical and policy formulation network, the managerial capabilities, and the physical capability of GOP agencies to manage the national food security system. The project was initiated in August 1984 and has been recently evaluated. The report of the evaluation team describes the various project components as follows:⁵

"The Food Security Management Project (FSMP) is comprised of three components: Economic Policy Analysis (EPA), which will assist the Government of Pakistan (GOP) to establish and institutionalize an Economic Analysis Network (EAN) composed of public and private institutions that produce or utilize agricultural analysis: Agricultural Data Collection (ADC), which will provide an improved agricultural data collection system based on area sampling frame methodology; and Post Harvest Management (PHM), which will assist the GOP in improving the management of the Public grain storage network.

⁵Harris Jafri, Norman Biler and Dan Tucker, Interim Evaluation of Food Security Management Project (391-0491), prepared for USAID Islamabad by Robert R. Nathan Associates, February 1988.

"The EPA component consists of the sub-components, EAN and Special studies. The Special Studies on wheat pricing and rationing policies, conducted by International Food Policy Research Institute (IFPRI), have been completed. Under the EAN sub-component, several analytical and policy studies have been completed and other studies are in progress. Several well-attended workshops and seminars have been conducted, which have proved useful for training as well as policy analysis. These studies and policy seminars have been among the factors that have influenced policy reform in the direction of deregulation and liberalization, such as the recent GOP decisions on wheat derationing, the deregulation of wheat movement within the country, partial deregulation of oilseeds trade, removal of price controls on edible oils and liberalized distribution of imported fertilizer.

"The de facto installation of Economic Analysis Network/ Directorate of Agricultural Policy (EAN/DAP) organization within the GOP institutional structure, though short of formal institutionalization, is a major accomplishment. The Project Director, EPA (the head of the EAN/DAP organization) reports directly to Additional Secretary, Ministry of Food, Agriculture and Cooperatives (MINFA), who is the Project Coordinator for FSMP. The expatriate and local professional staff are working closely together and the local professional staff of economists is receiving valuable training. A high level Advisory Committee on Policy Analysis in Agriculture has been set up to provide policy guidelines to EAN/DAP.

"As a rather novel feature for Pakistan, EAN/DAP has awarded contracts to several private consulting firms to undertake policy research studies. EAN/DAP has also completed (or almost completed) several commissioned studies, undertaken at the request of ECC or MINFA. In order to bring recognition to Pakistani agricultural economists, EAN has actively sought members (individuals or institutions), has published a Directory of EAN members and produces a fortnightly newsletter.

"The ADC component is expected to provide a more timely and reliable data system than the existing one based on Area Sampling Frame methodology to support improved economic analysis, planning and decision making for the benefit of Pakistan food security and for the whole economy. Additionally, reliable objective yield and production forecasts will be available a month or more prior to harvest for several major crops. ADC is also making a positive technology transfer of training and experience and commodities in microcomputer use in overall data processing, editing, summarization and time efficiency using consistent standards to maintain integrity of survey data and results. The ADC component has completed the area sample frame and conducted surveys in 2 districts, one in the Punjab and one in Sind.

"The PHM component consists of 3 sub-components: Storage Rehabilitation; Storage Technology Development and Transfer; and Vertebrate Pest Control. Progress in these sub-components, with the exception of Vertebrate Pest Control, has been much less than anticipated. The primary reason for slow progress has been the GOP's administrative difficulty in responding to conditions precedent in a timely fashion. A study of recurrent storage costs was completed in the Storage Rehabilitation sub-component. The Storage Technology Transfer and Development sub-component has obtained laboratory equipment, conducted a review of bulk storage studies, and developed a proposal for a bulk storage pilot. The Vertebrate Pest Control sub-component has surveyed most of the public storage sector. They found losses due to vertebrate pests were minimal and to a large extent can be controlled with proper maintenance of storage structures. Project emphasis is currently divided equally between post-harvest and pre-harvest losses."

The project is scheduled to be completed by June 1990. As of September 30, 1987, expenditures totaled \$7.9 million out of \$27 million obligated.

h. Agricultural Sector Support Project (391-0492)

This project, approved in FY-1987 with a planned life of project funding level of \$300 million through 1993, is described in the AID Congressional Presentation for FY 1989 as "...the centerpiece of AID support for policy reform and complementary financing, training, technical assistance and other support in agriculture throughout the FY 1988-1993 period. Only \$8.9 million was obligated in August 1987 and no funds were expended prior to September 30, 1987.

The project is described in the approved Program Assistance Document as follows:⁶

"The Agricultural Sector Support Program (ASSP) will provide needed balance of payments support to the GOP and will lay the groundwork for sustained development by encouraging the adoption of difficult but necessary policy reforms in the agricultural sector.

"ASSP builds on the successful experience of the Food Security Management (FSM) Project and the Agricultural Commodities and Equipment (ACE) Program, under which detailed policy analysis conducted under the FSM Economic Analysis Network component served as a catalyst for significant policy reforms, while the resource transfers being provided under ACE and PL-480 were leveraged to

⁶Agricultural Sector Support Program (391-0492); Date Authorized: Sept. 24, 1987; Amount Authorized: \$300 million.

encourage their adoption and implementation. ASSP will combine these two elements into a single program. It will finance detailed studies in the agricultural sector that not only identify key policy constraints, but also spell out the costs, benefits, and means of implementing corrective reforms and will then provide the financial support necessary to speed GOP agreement and implementation. The analytical studies are the first element in a policy dialogue followed by meetings and seminars with public and private sector participants to mobilize support for needed reforms.

"The policy dialogue and program support element of the ASSP will follow an annual cycle. The cycle will begin with negotiation of a set of reform actions to be implemented in the coming year together with a level of program support divided between CIP and Sector Grant (SG) funds (Sector Grants are performance disbursements). The cycle will continue through a mid-year assessment of progress to a final assessment toward the end of the year, which will then serve as the basis for the next year's negotiations and funding. \$45 million of CIP and \$45 million of SG will be programmed in the first full activity year (FY-1988) against a set of reforms currently under negotiation with the GOP. Thereafter, the level of funds and the distribution between CIP and SG will be determined on the basis of program performance in the preceding year and the scope of actions included in the next year's action plan. While the annual program level is expected to average approximately \$90 million and to be divided between CIP and SG, the actual level programmed in any year may vary from these figures to reflect performance, balance of payments or other needs, and mission programming considerations. Local currencies generated by the sale of CIP commodities and by private sector CIP will be jointly programmed in support of the overall goals of the ASSP.

"ASSP will operate in the context of an economy in which structural weaknesses threaten the nation's balance of payments situation, the GOP budget finance, and the ability to sustain the 1977-86 GNP growth rate of 6.5 percent. The external sector is characterized by a narrow export base and restrictive trade policies. Measures to increase and broaden government revenue are urgently needed, while government's role in areas more efficiently performed by the private sector must be decreased. ASSP is designed to help overcome these major constraints to economic development.

The policy agenda for the ASSP has three aims:

- o to bring prices more into line with international levels;
- o to reduce GOP competition with and regulation of private sector activities; and

- o to reduce budgetary subsidies to the agricultural sector.

"ASSP's emphasis on policy reform, economic efficiency, reduced subsidization of agriculture and growth in the agricultural and agribusiness sectors is essential in realizing the mission's two-part goal in agriculture: to help provide food security for Pakistan's growing population and increase agriculture's contribution to overall economic growth by improving its efficiency and productivity.

"Specific reforms will cover a broad spectrum of sectoral concerns, including the pricing and distribution of inputs, processing and marketing of crop and livestock products for the domestic market, and public sector support to the agricultural sector. The agenda for the first year focuses on removal of fertilizer subsidies and marketing controls, reduction of the GOP's role in tubewell irrigation, continued progress in privatizing the wheat market and reducing consumer subsidies, and removal of restrictions on private import of feed."

Implementation of the project was just beginning at the end of the six year period 1982-1987. The move toward sector grants is intended to foster greater policy movement and alleviate the problem of pipeline build-up. As the Mission's capacity to expend funds via the CIP and projects is limited, sector grants will help generate sufficient expenditures to offset the rapidly increasing repayment schedule for US military sales.

i. Forestry Planning and Development (391-0481)

This project, approved in FY-1983, had obligations totaling \$18 million and expenditures of \$3.6 million as of September 30, 1987.

The Project is designed to strengthen the capability of federal, provincial and local institutions to design, implement and evaluate policies and programs for increasing the production of fuelwood and timber in Pakistan. The project includes the provision of technical assistance, training and commodities to strengthen the capability of the GOP to: undertake effective integrated and provincial analyses of forest and fuelwood development programs which encourage farm and energy forestry; and develop and conduct a program of research and training in support of on-farm tree crop management strategies.

A key concept of the original project design is the need for a phased, coordinated approach to developing and building an effective farm forestry outreach program. Key components of this development effort include: data collection, systematic analysis and planning; detailed technical, economic and social designs of field implementation models and strategies; a companion program of forestry and socio-

cultural research; human resources development; and, policy dialogue and changes necessary to foster a national farm forestry program.

This project has had rough sledding during its implementation phase. It was evaluated in September 1987. The major conclusions of the evaluators are listed below:⁷

"The evaluation team is firmly convinced that the Forestry Planning and Development project and its original design concept (enhancing the capability of the GOP forestry institutions to carry out farm forestry extension and demonstration) continues to be extremely relevant to development needs and opportunities in Pakistan. Promoting and facilitating the farmers capacity to respond to the emerging income earning opportunities connected with tree-planting is considered to be the best investment strategy for the sector, offering high returns for the farmers and the nation.

"Despite its evident potential, project goals and activities, the need for complementarity, continuity and a phased approach to implementation, as well as the roles, responsibilities and implementation procedures and arrangements within the project are still poorly understood by project staff, including the GOP and the technical assistance team (TAT).

"The evaluation team strongly believes that resolving the range of issues currently troubling the project is as or more important than additional physical accomplishments on the ground. The evaluation team is concerned that the announced revision of the PC-1, although most welcome and appropriate, not become a substitute for making meaningful decisions about major issues in project implementation required (and possible) at the earliest date. Bearing in mind that revision and approval of a revised PC-1 will take time, these issues including those related to goals/objectives, roles and responsibilities, budgets and funding processes, and implementation procedures can and should be systematically addressed as soon as possible.

"The FPD project has been effectively hamstrung in several areas (field operations, training and construction) by the lack of timely adequate GOP budget allocations. Although it is difficult to calculate exact amounts of planned GOP contributions, it appears that these are presently less than 20 percent of what was originally anticipated. Interim steps will have to be taken immediately for corrective action on the GOP fiscal year (FY) 1987-88 allocation and funds release, to buy time for the overall

⁷Thomas Catterson and other, Mid-Term Evaluation of the Forestry Planning and Development Project (391-0481), prepared for USAID, Islamabad by Associates in Rural Development, Inc. under contract No. PDC-0000-I-13-4104-00, September 1987.

budget readjustment which will result from the major revision of the PC-1.

"The evaluation team believes that the Winrock technical assistance team has a continuing need for internal team building in order to improve both its engagement with and impact on the FPD project. It is vital that the TAT understand that its fundamental role is that of assisting in building and strengthening the institutional capability of its GOP partner forestry institutions involved in this project.

"The Provincial Forestry Department (PFD) staff assigned to the project are the frontline troops in the effort to expand tree-planting among the farmers and on the farmlands of Pakistan. There is a receptive audience if they can organize themselves to reach out and service it. Doing so will be the greatest challenge of the project so far; delaying affirmative action will only make it harder. An interim solution to the PC-1 targets dilemma is urgently needed and cannot be postponed."

This project is an excellent example of a well designed and adequately funded activity, dealing with an important development problem, that cannot be successfully concluded without the will, discipline, and commitment of the GOP to make the difficult institutional changes necessary to apply the technical assistance. There are true limits to the effectiveness of the external change agent unless there is an understanding, on the part of the responsible implementing agency, of how to fully exploit that change agent, and a willingness to depart from past practices.

3. Mission agricultural strategy for 1987-1993

Wide ranging discussions among the GOP, the Mission and AID Washington have been held during the past year on the shape of the Mission's agricultural sector strategy for the next five years, and the most effective approach Pakistan may take to manage its agricultural sector as it enters the 21st century. While consensus has not emerged, it is clear that the focus will continue to be on policy reform to rely more on market forces in the allocation of resources, and the continued upgrading of GOP institutions that serve the Agricultural sector.

4. Conclusions

a. The Mission's approach to structuring the agriculture program in 1981 was without a well defined strategy; rather it drew upon the Mission's past knowledge and experience in the agricultural sector, and selected activities that were clearly useful, were covered by the GOP development plan, and gave some hope for rapid implementation. Urged on by the need to meet obligational targets, the Mission added other agriculture projects (many of which are umbrella projects containing numerous loosely linked subactivities) to the program that had promise of contributing to increased yields.

b. Efforts to reach consensus on a comprehensive Mission agricultural strategy are still continuing. The difficulties encountered in articulating such a strategy probably derive from recognition that a major breakthrough on the production side of Pakistani agriculture in the near future is unlikely. Further dramatic production increases, such as those achieved during the 1960s (the Green Revolution), are unlikely to be achieved without the slow and painstaking process of institutional reform.

c. The policy dialogue in agriculture has had several successes, particularly with respect to increasing the private sector's role (fertilizer distribution, derationing wheat, oilseeds, etc), and allowing market forces greater play. It is not clear to what extent some of these policy actions would have been fully implemented by the GOP in any event. But we see a large degree of professionalism in this dialogue, with both sides recognizing the limitations to the leverage available to the Mission, yet understanding the value of the supporting studies offered by the Mission on the issues under discussion.

d. The Mission's efforts to bring about institutional reform in the GOP agencies supporting the agriculture sector have been far less successful than its efforts to achieve several policy reforms. Yet, given the de-facto Mission agriculture strategy of technology related productivity increases, institutional reform is imperative if the required support services are not to be allowed to deteriorate.

e. The effectiveness of USAID support for agricultural research is constrained by the rigidities of Pakistan's bureaucracy, the relations of applicable federal institutions with those of the provinces, and inadequate linkages between research, training and extension. Continued Mission support will be required for some considerable time unless these structural and institutional problems find a solution.

f. With the exception of the CIP and the Irrigation Systems Management project, very little of the Agriculture program resulted in actual implementation (expenditure of funds) prior to the end of the six year period ending September 30, 1987. This reflects, at least in part, delays due to slow adoption of institutional reform measures and the Mission's reluctance to authorize expenditures until such actions are taken.

g. The program focus, to shore up the support system for the agricultural producers by reducing the rate of deterioration of the existing irrigation system, developing new varieties of seed at the rate that existing varieties become inoperative, training mid-level personnel to take on the functions and operations of the system, etc.-- in order to maintain the 3 percent per year growth rate of the agricultural sector, is an important role for the Mission. It seeks

to improve the agricultural support system and "to avoid backsliding in the performance of these GOP institutions".

h. The Mission's focus on upgrading the capabilities of the provincial organizations is important. The seventh Five Year Plan seeks to increase the responsibilities of the provinces for implementation of economic development programs. The upcoming elections in 1990, and the increased assertiveness of the provincial governments for a larger role in their own affairs, suggests that the locus of implementation is likely to shift towards the provinces in the years to come.

i. Some effort is being made to examine the possibilities for assistance in the agricultural credit area. Perhaps these explorations will suggest new imaginative interventions for the Mission. Further explorations to identify constraints to agricultural yield increases, and possible interventions would seem to be warranted.

j. The recently approved Agricultural Sector Support Project (ASSP) will be employing Sector Grants (performance disbursements) in conjunction with policy changes that may be adopted by the GOP. Adoption of the Sector Grant procedure recognizes that disbursements on the current program will not be likely via normal CIP and project disbursement procedures at an adequate level to meet certain projected balance of payments needs. Whether these conditions will lead to adoption of policy changes by the GOP that it would not otherwise intend to take on its own, remains to be seen.

C. Energy Sector Program

1. Background

The energy sector was not new to AID when the new assistance package for the six year period 1982-1987 was negotiated. In earlier years, a considerable portion of the \$5 billion in US economic aid to Pakistan had been programmed for power generation and distribution projects. Moreover, the Mission had prepared a project paper (PP) in 1978 for a major Rural Electrification project. The project had been approved by AID Washington in the amount of \$127 million immediately prior to the cessation of new commitments to Pakistan. The project agreement was never signed.

Interest in the energy sector by aid donors was stimulated by the energy crisis of the mid-1970s. Pakistan's import bill for oil increased from \$63 million in FY-1973 to \$1,419 million, (25 percent of total imports) in FY 1984. Shortages of electric power resulted in increasingly prolonged blackouts and brownouts in major cities and rural areas. Other aid donors, such as the World Bank and the ADB, also began to focus their attention on the energy sector. In 1980, after the cessation of US aid, the ADB picked up a \$35 million segment of the previously planned AID Rural Electrification project to electrify 200 villages.

During the 1981 discussions with the GOP on the military-economic aid package, \$200 million was tentatively earmarked for projects in the energy sector. Actually, a total of \$356.4 million was obligated by end FY-1987 as follows:

		<u>OBLIGATION</u>	<u>EXPENDED 9/30/87</u>
391-0473	Rural Electrification	\$204.7	80.2
391-0478	Energy Planning & Develop	51.7	23.7
391-0486	Energy Commodities & Equip	<u>100.0</u>	<u>17.4</u>
	Total:	<u>356.4</u>	<u>121.3</u>

Under the GOP Sixth Five Year Plan (1983-1988), almost 40 percent of the development budget was programed for energy development to correct the supply-demand imbalance and to meet the expectations of the rural population for electrification, a politically sensitive issue. Other problems include inefficient production, delivery and collection systems, high losses due to theft, growing dependence on imported oil while there is low use of indigenous gas and coal, increasing evidence of corruption, a tariff inadequate to recover costs and an overly centralized management of the systems.

The stated goal of the Mission in the energy sector is to achieve "...an economically rational and socially equitable balance of energy supply and demand, and to minimize capital demands and recurrent costs." These goals are shared by the other key aid donors who are engaged in this sector. Donor coordination in Pakistan's energy sector runs very high.

2. Program components

a. Rural electrification (391-0473)

This project, authorized in September 1982, has five separate and distinct components with a total life of project authorization of \$340 million, of which \$204.7 million was obligated during the six year program ending September 30, 1987. As of September 30, 1987 funding expenditures totaled \$80 million.

Most activities are directed at the power distribution functions of Pakistan's Water and Power Development Authority (WAPDA). WAPDA has 135,000 employees, serves over 5 million customers through more than 1000 field offices and has annual revenues in excess of 10 billion rupees. It has been said that actual collections would run to 30 billion rupees if all electricity that is stolen were paid for, and if all legitimate billings were collected.

(1) Component 1 calls for assistance to bring about institutional improvement of WAPDA to carry out an accelerated rural electrification program.

Funds were provided for technical assistance, training, commodities, and the design of model warehouses and rural customer service centers.

At the time project implementation began, WAPDA in general, and its power distribution operation in particular, had a number of weaknesses including: an ineffective organizational structure, a shortage of trained staff, lack of coordination of functional organizational units, poor communications, inadequate management reporting, inadequate definition of the major duties and responsibilities of organization units and inadequate delegation of authority.

There have been three major accomplishments by this USAID funded technical assistance: (1) general institutional improvement, (2) creation of the Power Distribution Wing, and (3) preparation and anticipated GOP approval of the National Rural Electrification Master Plan.

A preliminary Institutional Improvement Plan was presented to WAPDA in January 1985. This Plan was designed to provide a blueprint for the evolution of WAPDA Distribution into a more efficient and well-managed organization. It analyzed WAPDA's institutional problems clearly and concisely and documented the need for reorganization.

A second major output was the separation of distribution functions from general administration, and the consolidation of these functions into a separate Power Distribution Wing in WAPDA. This major organizational change was recommended in the Institutional Improvement Plan. Although WAPDA approved the creation of the Wing in April 1985, final GOP approval of the Wing and the requisite senior level management positions did not occur until January 1987.

A third aspect of this component was the preparation of a National Rural Electrification Master Plan. However, on May 26, 1985, the Prime Minister of Pakistan announced that he had directed WAPDA to electrify 90 percent of Pakistan's villages by 1990 and that there would be an end to load shedding by 1990. This would require power extension to 23,000 villages in 4 years, a fivefold increase over WAPDA's previous efforts. It would also require the addition of more than 4000 MW of generating capacity. These announcements had a considerable impact on the Master Plan then in preparation and based on very different assumptions.

In August 1986, the Ministry of Water and Power informed USAID of its conditional approval of the Master Plan submitted by WAPDA. However, the Rural Electrification section of the plan did not reflect the accelerated village electrification. The present challenge facing the GOP is to reconcile the two timetables and provide a more rational approach for rural expansion.

While this problem remains to be solved, the National Rural Electrification Master Plan was successful in mobilizing resources from outside lenders. The Plan showed a general level of consensus within WAPDA on direction and levels of resources required. As a direct result of this plan, substantial funding has been offered from the World Bank for load research management activities and from the Asian Development Bank for initial energy loss reduction activities. In addition, the World Bank has expressed interest in rural expansion, provided it is undertaken in an economically rational manner.

(2) Component 2 calls for training of WAPDAs 80,000 distribution employees and technological upgrading. The main inputs under this component include training, technical assistance and the construction and equipping of a central Power Distribution Training Institute (DTI).

Project funded technical assistance was used to develop a comprehensive Distribution Training Plan, based on a detailed census of distribution function employees. It was completed on schedule and accepted by USAID in November 1985. The Plan is designed to meet Distribution's current training requirements while addressing the organization's long-term manpower development goals. It consolidates all WAPDA Distribution training activities into a centrally controlled operation. It provides a management tool that ensures that as new procedures are introduced into WAPDA's institutional improvement, the training required will be available. This will ensure the creation of a work force with the knowledge, skills and proper attitudes needed to make the system work properly and efficiently.

Technical assistance also expedited the establishment and staffing of an organizational unit to manage all power distribution training activities, including 34 field training centers. A joint WAPDA/technical assistance team curriculum committee has developed new or revised curriculum for over 50 percent of the courses. Finally, facilities, staffing and equipment requirements and deficiencies have been identified for eight Area Electricity Board training centers and 26 circle training centers.

(3) Component 3 calls for rehabilitation of overloaded distribution lines and other measures to reduce energy losses. ADB has authorized a \$55 million loan as additional funding.

A goal of the program is to reduce technical and administrative losses in the WAPDA distribution system by 3 percent, from 19.6 percent to 16.6 percent (excluding transmission losses). This would be equivalent to adding 100-200 MW of new generating capacity.

The planned output of this component was the design and initial implementation of a comprehensive Energy Loss Reduction (ELR) program. The program was designed as the distribution system rehabilitation element of an eight-year Master Plan for the Power Distribution System

Rehabilitation and Expansion. This program was approved by WAPDA and the GOP.

A mapping system was also developed to provide the basic data on the WAPDA distribution system which are needed for planning, engineering, operations and property records.

The work order system, the administrative vehicle used to implement this ELR program, was developed. This system encompasses the formalized procedures for planning, costing, executing, accounting and managing power distribution activities.

In late 1986, based on the successful renovation of 44 feeders under this component, the ADB authorized \$55,000,000 as their contribution to the ELR program under its \$150,000,000 Power Sector loan to Pakistan.

(4) Component 4 was designed to assist WAPDA reduce the demand-supply gap for power through the funding of the first phase of a natural gas-fueled Guddu Combined Cycle Power Generation Project. The project was originally split into two phases due to an urgent need to add thermal generating capacity and the uncertainty of total funding for the power plant construction. Phase I included the installation of a 40 kilometer gas pipeline, four gas turbines, four power generators, transformers and other accessories required to connect the generators to WAPDA's transmission system. Phase II included the installation of boilers to recover the heat from the gas turbine exhaust, steam turbines, and more power generators, transformers and other accessories.

USAID funding for the architect/engineering services and for two of the four gas turbines for Phase I, was contingent on the availability of the additional funds required to complete Phase I of the project. Other donor funds were to be used for the other two gas turbines, the balance-of-plant equipment for Phase I and all the hardware for Phase II. USAID provided the A/E services for Phase II. The Project has been accomplished at substantially less cost than originally planned. The four gas turbines are in operation; the waste heat unit was commissioned in December 1987; the total cost of the plant, including units 1 through 4 and their heat recovery units, will be \$265,614,000, i.e., \$87,235,000 less than originally planned.

(5) Component 5 calls for financing of the rural system expansion. In support of the GOP commitment to rural electrification, the Project budgeted \$51,875,000 (excluding inflation and contingency) in AID funds for rural distribution system expansion. All activities under this component were to be carried out in accordance with a National Rural Electrification Master Plan developed under Component 1; and with Components 1 through 4 having achieved the prerequisite institution building and system strengthening.

As noted earlier, a National Rural Electrification Master Plan was developed as part of a more comprehensive eight-year plan for Power Distribution System Rehabilitation and Expansion. The GOP approval of the rural electrification element of this comprehensive plan was conditional, as it was not in harmony with a subsequent mandate to accelerate rural electrification to achieve 90 percent village electrification by 1990. Furthermore, it is the assessment of both USAID and the technical assistance team that components 1 through 4 have not yet received the required strength to support a rational expansion program. Therefore all project funded activities under this component have been held in abeyance at the end of FY 1987 until a revised Rural Electrification Master Plan could be agreed upon between the GOP and USAID.

The mid-1986 project evaluation identified typical implementation problems of such projects that contemplate changes in established local institutions, (resistance to change by agencies being assisted, slow decision making, tendencies of technical advisers to take on operational roles rather than train others, changes in parameters, etc). But the project was found to be performing sufficiently well to be amended (July 1987) to increase the life of project funding total to \$340 million and to continue it into the second six year commitment period (1987-1993).

As noted earlier, donor coordination is well organized for the power sector. The Asian Development Bank contributed \$111,926,000 into Phase I and Phase II of the Guddu Power Generation Plant. From the ADB's 10th Power Sector Loan of \$150,000,000, \$55,000,000 was used to fund energy loss reduction. The ADB is also presently involved in supplying power equipment for Tarbela Dam. Over the 7th Five Year Plan, the ADB is considering investing an estimated \$ 1 billion in Pakistan's energy sector.

The World Bank is financing two WAPDA transmission projects for approximately \$100,000,000 each. From the World Bank's \$178,000,000 Energy Sector Loan, some funding is provided to WAPDA for spare parts. The World Bank is considering a Second Energy Sector Loan, which would include oil, gas, coal and power, and which would exceed \$100,000,000. It is also considering funding oil fired power generation units at Jamshoro, which would provide an additional 1050 MW for which USAID conducted the feasibility study. This project is estimated to cost \$700,000,000.

CIDA is financing an expansion of generating units at Tarbela Dam. They are also involved in participant training as it relates to transmission. The German Agency of Technical Corporation (GTZ), in association with Italian aid, are financing a 600 MW combined cycle power plant at Kot Addu. The Soviet Union has been involved in discussions over the past 5 years for a possible 640 MW power plant at Multan. The unresolved issue of fuel supply makes this undertaking complicated and economically questionable.

b. Energy planning and development (391-0478)

This project assists the GOP in formulating and implementing plans and programs to assess, develop and use Pakistan's indigenous energy resources and increase the efficiency of energy use. The project paper was approved July 1983, GOP funding was approved in June 1984. The project has three components:

(1) Assistance and training in energy analysis and strategy assessment for policy and development planning;

Pakistan's Seventh Five Year Plan, covering the years 1988 to 1993, contains targets, planned allocation of resources and direction of private and public sector investment strategies for national energy development. This project activity was intended to facilitate institutional upgrading of the various organizations that have a role to play in preparation of this plan. The new office of what is now the Energy Wing started operations late 1984. Its function is to collect and analyze relevant energy sector data and integrate the analysis with the country's long-term plans and policy formulation. Energy Wing is guided by an inter-ministerial Energy Policy Board. Funds were provided to MATHTECH to assist the Energy Wing of the Planning Commission and other planning entities in the preparation of the Seventh Five Year Plan, to purchase equipment and to provide training. Funds were also provided to finance special energy studies, to develop information needed in the planning process, to develop a National Energy Data Base, to perform a manpower needs assessment and to strengthen local training institutes to provide training in energy planning related disciplines.

Funds are also being provided through this project activity to finance a revision of the Rural Electrification Master Plan developed for WAPDA after the GOP found it could not accept and approve the Master Plan as prepared by Ebasco in light of the GOP's changed targets.

Contractor selection and contract execution did not take place until July 1986. Thus implementation of this activity did not begin until 15 months prior to the end of the six year period covered by this review. The first project evaluation is scheduled for May 1988.

The contractor is also assisting in preparation of a long term (20 year) plan for the energy sector.

(2) Assistance with coal resource assessment, mining and utilization;

There is considerable evidence that Pakistan has substantial quantities of coal reserves, mostly of poor quality but usable for power generation. This component of the project is designed to locate these reserves, evaluate their exploitability and undertake

preliminary feasibility studies needed to structure investment projects.

The US Geologic Survey (USGS) has been retained, under a four year contract to assist the Geologic Survey of Pakistan (GSP) with its coal resource exploration and assessment program (Coal REAP). It is now in its third year of operation. A major find already has been made southeast of Hyderabad of a coal seam ranging from 8 to 20 feet thick. Further test drilling suggests that the seam is lens shaped with potential reserves of up to 200 million tons. Drilling equipment has been supplied to the GSP under the Energy Commodity and Equipment Project (ECE) while other drilling on a contract basis, using Pakistani contractors (Indus Valley Construction Co of Lahore), has been commissioned by USAID, under USGS and GSP supervision. Other Coal REAP activities began branching out to the Punjab in the fall of 1987.

The Lakhra coal field, a known field of very poor quality coal that largely does not lend itself to surface mining, is thought to be utilizable for power generation, employing a newly developed fluidized bed combustion technology. Under this project, the Mission has funded supplementary drilling and power plant design studies to amass sufficient data to interest private investors in the coal recovery operation and/or the power generation component. As of September 30, 1987 more than \$14 million have been spent on this activity to provide the needed data base. To date, no firm investment commitment has been made. But a very considerable interest has now been shown in this project by private investors, foreign and domestic, as well as other aid donors, and the Mission has agreed to make available up to \$125 million, out of future AID funding availabilities, if a private investment can be arranged. It is also possible that WAPDA may proceed with a demonstration plant on its own if private investors are not willing to move ahead. The potential power generation from the Lakhra coal field is in excess of 500MW.

A small market assessment and applied R&D activity, to develop a cost-effective smokeless coal brickette that would be competitive with kerosene and wood fuels, is also funded under this segment of the project. Approximately \$350,000 have been expended on this activity to date, which has been used to conduct consumer tests of sample briquette.

(3) Promotion of energy conservation and use of renewable energy technologies;

With regard to renewable energy, \$2.6 million allocated for this activity has not yet been drawn down due to unresolved technical and institutional differences with the GOP.

With regard to Programs for Energy conservation, in 1985, the then Mission Director, Donor Lion, made a presentation to senior officials of the GOP, recommending that the energy conservation function should be placed within a Ministry that is neither a producer of energy nor a

major consumer. He urged that an independent organization be established to perform the functions envisaged for it. The GOP accepted the recommendation and established the National Energy Conservation Center (ENERCON), under the direction of a special Council chaired by the Minister of Planning (Mahbub ul Haq) and reporting directly to the Prime Minister. ENERCON is administered by a Council of senior representatives from concerned ministries. The Council is to be guided by an Advisory Committee, consisting of representatives from GOP, provincial governments, WAPDA, and the Federation of Chamber of Commerce and Industries. ENERCON is currently focussing on the preparation of proposed legislation on energy conservation to be approved by GOP. The Center was to have been established and staffed by January 1986, at which time the technical assistance contractor, Hagler Bailey & Co, was to begin work. Unfortunately there were unexpected delays in establishing the Center but the Center is now operating and approximately 70 percent staffed. A full time Managing Director is yet to be appointed by the Prime Minister.

The Center has initially focussed on increasing the efficiency of boilers and industrial furnaces. There are about 3000 boilers in Pakistan, most of which are operating below optimum thermal efficiency. Utilizing local contractors, with expatriate technical advisers to work with them and train them, ENERCON is offering free service to adjust these boilers and furnaces, with the energy cost savings accruing to the private owners. It is believed that 500 - 600 such demonstrations will be sufficient to induce the program to be continued with the trained contractors providing the service for a fee. The project is covering a wide variety of activities in all sectors of the economy. There is a major emphasis on hands-on skill training.

Another activity under this project was a design study, to improve the efficiency of existing thermal power plants. The study revealed that there is a potential for increasing the power generation from existing plants by 425 MW if certain rehabilitation and retrofitting actions were taken. WAPDA which has responsibility for most of these plants, has engaged in a program to optimize its plant output under joint World Bank, USAID and British funding. It is less clear whether those plants operated by the Karachi Electric Supply Company (KESC), are receiving the same attention, but it is reported that KESC is implementing these measures, using its in-house facilities, together with spare parts purchased under USAID's Commodity Import Program.

A total life of project funding level of \$104 million is authorized, of which \$51.7 million was obligated within the 1982-1987 commitment level. As of September 30, 1987, expenditures totaled \$23.7 million.

c. Energy Commodities and Equipment (391-0486)

This project was designed to assist the GOP meet its foreign exchange needs for imports in the energy sector. It is

discussed in greater detail in Part I, Section C, Balance of Payments Support, above.

This project also contributed to the effectiveness of the policy dialogue between the USAID and the GOP on such energy policy concerns as rationalized gas and electricity pricing, gas/oil resource development with the private sector, and energy conservation.

3. Mission self-assessment of 1982-1987 energy sector programs

USAID's Energy Sector Strategy Statement for FY-1988-1993 (Prepared May 1987) had this to say about its own assistance efforts during 1981-1987:

"In support of Pakistan's Sixth Five Year Plan objectives, USAID energy portfolio began with the WAPDA power distribution program and Guddu combined cycle power program in 1983, followed by start up of the feasibility studies for the Lakhra coal fired power generation in early 1984, the commencement of the Energy Commodities and Equipment CIP in late 1984, coal resource assessment start-up in mid 1985, and energy planning and conservation start-up in early 1986. Major USAID accomplishments in the policy reform arena have included power tariff increases (through close coordination with and conditionality support for the World Bank), initiation of a major new GOP initiative to attract the private sector into power generation, agreement by the GOP to rehabilitate its aging power distribution and thermal power generation systems, agreement by the GOP to treat coal mining on the same favorable investment terms as industry, and agreement to initiate national integrated energy planning and a national energy conservation program.

"In the area of technology transfer, USAID's most outstandingly visible achievement has been the progress made towards completing the USAID-ADB co-financed, Guddu Combined Cycle Generation Project, which will provide Pakistan with over 600 MW of additional thermal power capacity to balance its hydro-thermal system (of which over 400 MW are already on stream) and to relieve load shedding. Other important technology transfer has included computerization of WAPDA and of energy planning functions; introduction of energy line loss reduction and energy conservation techniques; provision of oil and gas seismic and geophysical equipment; and provision of coal geophysical, rotary drilling, and analytical equipment.

"On the institutional side, USAID's major accomplishment has been the decision by WAPDA to separate its Distribution Wing as a potentially detachable entity. Other institutional achievements in which USAID has played an important role include the creation of ENERCON and the Energy Wing in the Ministry of Planning and the reorganization plan for Geological Survey of Pakistan. USAID's outstanding private sector achievements feature the initiation of

the GOP's private sector power generation policy and agreement with the GOP to proceed with a majority private coal supply strategy for the Lakhra power project. Other USAID private sector achievements include GOP's energy conservation focus in the private sector, private sector's lead in coal briquetting, coal resource assessment to benefit private lease holders, and efforts to promote the Dhodak natural gas condensate field to the private sector."

"As the following observations on Sixth Plan progress indicate however, the difficulties encountered during this period underline the need to continue to focus on these objectives and opportunities over the Seventh Plan:

- Power projects are seriously behind schedule, for political as well as economic and technical reasons;
- The GOP faces a serious shortage of local currency that is delaying public sector energy projects but is spurring an emphasis on mobilizing private investments in power generation and distribution;
- Under donor pressure, the GOP has slowly increased electricity tariffs to generate resources for capital expansion and rehabilitation, but serious distortions in tariffs still exist, e.g. large subsidies to tubewells;
- Oil and gas production and drilling have exceeded the Plan target but more needs to be done to reduce dependence on the public budget and to encourage more private investment in exploration and development;
- The GOP has placed policy emphasis on energy conservation but actual implementation has been slow to start up--especially in the public sector; and
- The fuelwood situation is getting worse and the on-farm energy forestry program supported by AID has been slow in getting off the ground institutionally with the GOP and provincial governments.

"In 1983 the GOP approved major private sector investments in power generation as an important objective of the Sixth Five Year Energy Plan. In August 1985, upon USAID's recommendation the GOP approved a policy statement regarding the involvement of the private sector in power generation. Later that year a call for proposals from the private sector for investments in power generation was developed with USAID assistance and published in the local press."

Since the policy was announced, 14 proposals for a total of more than 3000 MW in new power generation have been received. The latest

proposal is one received in February 1988 from a Saudi-UK joint venture to install a 1200 MW thermal power station. USAID has assisted with the evaluation of the most advanced of these proposals.

4. Mission energy strategy 1988-1993

The Mission recognizes that additional assistance will be required and plans to continue along similar lines during 1988 to 1993. Its Strategy Statement concludes:

"...The Mission will continue the close coordination with the World Bank, ADB and other donors that has characterized the last CDSS period, seeking to contribute to the resolution of the multitude of policy and institutional reform issues that face the government and its parastatals.

"The policy dialogue will focus on rationalizing tariff rates, moving parastatals off budget, developing a least-cost system expansion program to guide GOP energy investments and improving the investment climate and other conditions inhibiting the private development of indigenous energy resources. Technical assistance and training will be provided to strengthen key institutions in power generation and distribution and energy planning and conservation in order to improve services and increase efficiencies. The strategy includes the provision of new technologies in energy conservation, renewable resources and power generation, such as fluidized-bed combustion. Technical assistance will be provided to smooth the transfer of technologies. Privatization will be promoted not only by energetic policy, and private power projects and other efforts, but also by conditionality in the financing of power projects".

The Mission is now designing a private sector power generation project, which envisages funding levels of \$160 million in US dollars, for technical assistance, institution building, training and provision of capital for private sector power projects. A "Private Sector Window" will be established, with contributions from other donors (i.e. World Bank, ADB, ODA, etc) totalling more than \$650 million. This facility will make loans for up to 30 percent of new private sector power project costs. It is hoped that the private sector window will serve as a catalyst to produce more than \$2 billion in new power generation investments by the private sector.

5. Conclusions

a. Full implementation of the Energy Sector program has only just begun. Of the \$356 million obligated during the 1982-1987 period, less than 35 percent was expended by September 30, 1987. Achievements cannot be evaluated fully at this time.

b. The Mission's strategy of involvement in this sector seems quite sensible. It draws on the Missions knowledge from past

activities in power generation and distribution in Pakistan, and the strengths of the US private power industry. It has identified activities that complement and reinforce those of other aid donors. And, perhaps most significantly, it is prepared to take the high risks and perform the unglamorous tasks that are associated with exploration and testing the feasibility of uncertain investments. The Mission is a major player in a high stakes game that addresses one of the more significant constraints to Pakistan's economic development.

c. Implementation has been slower than originally anticipated. But that is characteristic of all development projects that attempt to introduce change in existing institutions. Some ground rules have been changed by political statements, but these may actually facilitate the proposed implementation plan by galvanizing the host country institution to move faster than it might otherwise have moved.

d. The policy dialogue on energy problems seems to be carried out at a professional level in a constructive manner. While certain GOP actions may seem long overdue, one recognizes that speed of implementing politically sensitive actions, such as increases in electricity user charges, require political judgments. In this connection, donor coordination works well in providing guidance and encouragement to the GOP to take the necessary actions.

D. Social Sector Programs

1. Background

On the whole, Pakistan's achievements in social sector development lag behind those of other fields. This is a matter of growing concern to the GOP, USAID, other donor agencies, as well as to many of the people of Pakistan. Many explanations have been given for this. Whatever the explanation, there has been a consistent pattern of deferring investments for social needs in favor of what Pakistan officials regard as more productive sectors: economic and political.

The World Bank has noted that while Pakistan is on the threshold of becoming a middle-income country, its social sector performance lags further behind many far-more-impooverished countries. In its review of the World Bank's relationship with Pakistan, it noted that:

"No Asian country with nearly as strong a growth record as Pakistan has had as weak a record in the development of the social sectors--in education including literacy, in health and population programs, and in the participation of women in the modernization process. The building of a variety of development promoting institutions, especially in the social sectors, has been spotty."⁸

⁸IBRD - "World Bank in Pakistan: Review of relationship - 1960-1984". Volumes I and II, January 1986.

There is, therefore, a two-fold explanation behind USAID's accomplishments--or lack of such--in social sector projects in the 1982-87 program. The first is intrinsically related to activities and priorities of the Mission, while the second must include the larger issue of social sector malaise in Pakistan, which is beyond the scope of this report. It is important to remember that USAID was responding to GOP priorities which emerged through policy dialogue in its social sector programming; as such, the following will concentrate on the concerns of USAID in contributing to social sector development, with a view to understanding what was attempted, what was achieved, and what lessons can be learned from the experience to make USAID programs more dynamic, responsive and effective in the future, given the constraints imbedded in the framework of Pakistan's current situation.

Fifteen percent (\$196 million) of the total assistance package was allocated to social sector programs. The Mission concentrated their efforts in three areas: health, population, and human resource development. In addition, selected cross-cutting social initiatives [included in the following section of this report] such as Women in Development (WID) and training have been incorporated into most of USAID programs with the aim of having an impact upon social issues in the process of achieving other development objectives.

In brief, highlights of AID/Pakistan's social sector achievements during this period include:

- o Construction of eight health technician training schools throughout Pakistan;
- o Provision of \$5.2 million in equipment and commodities in support of Pakistan's Expanded Program in Immunization (EPI);
- o Supported establishment of new National Institute of Population Studies (NIPS) in Islamabad;
- o Supported initiation of nation-wide population related social marketing of contraceptives program;
- o Provided \$33 million for anti-malarial spraying operations covering about 80 percent of Pakistan's "at risk" population which contributed to avoidance of an estimated 21 million malaria cases, containing what would otherwise have been a major health problem in the country;
- o Supported the involvement of NGOs in population programs; and
- o Initiated several hundred small-scale rural development and infrastructure schemes, including schools, health facilities, irrigation schemes and water supply systems in areas which had been used for poppy cultivation, and have succeeded in eliminating poppy cultivation in a number of localities.

In addition, highlights of cross-cutting training achievements include:

- o Provision of overseas training for more than 3,500 Pakistani professionals, including about 800 in long-term degree courses;
- o Established WAPDA Distribution Training Institute in temporary facilities in Lahore, and initiated plans for constructing permanent facility in Islamabad;
- o Supported strengthening of NWFP Agricultural University in Peshawar, including overseas training for nearly 70 professionals, establishment of computer lab, and completion of construction plans for new campus facilities; and
- o Provided more than \$4.5 million in research equipment to various provincial agricultural research institutes and to the Arid Zone Research Institute in Quetta.

2. Program components

a. Public Health

In this area, USAID had two substantial projects, which will be addressed separately: Primary Health Care, and Malaria Control.

(1) Primary Health Care

This project was initiated at a funding level of \$30 million with the objective of improving the coverage and quality of the health care for the rural population, and was essentially a continuation of the Basic Health Services Project which USAID supported during 1977-1981. The earlier project had focused on the establishment of network of facilities, Integrated Rural Health Complexes (IRHCs), which were to be staffed by physicians and mid-level health auxiliaries called Medical Technicians (MTs) and other paramedics, as well as curriculum development for the MTs. The first phase of the project (1982-85) emphasized the building up of comprehensive rural health-care delivery systems; the second phase moved to focussing attention on reducing morbidity and mortality rates amongst children under age 5 due to the major public health problems in Pakistan.

Health is a province-based responsibility in Pakistan. In response to the GOP's creation of the Basic Health Services cell within the Health Ministry, whose aim was to manage the government's Basic Health Services project, USAID found itself able to assist the GOP's

coordination efforts. It should be recalled that by this time in Pakistan, due to efforts undertaken under Z.A. Bhutto's government, large numbers of doctors were being graduated, but they were not serving in the more remote areas.

In the first phase, USAID concentrated its attention on organizational inputs, such as staffing the proposed IRHCs and attached Basic Health Units (BHUs) in remote areas throughout the country, strategies for building up these networks, and details relating to their management: teaching physicians new procedures and management techniques, introducing a register system to keep track of patients, etc. USAID committed itself to building 13 permanent medical technician training schools in the country; as of this writing, their status is:

- 3 schools completed in Sind;
- 5 schools about 98 percent completed in Punjab;
- 3 schools about 70 percent completed in NWFP; and
- 1 school in Quetta just had its foundation laid, while construction on a second school in Baluchistan (in Khuzdar) has just begun.

People interviewed at the Mission feel that these schools are the most interesting and wisest thing initiated by USAID's health program in this period. For one, they are out in the periphery, in areas which badly needed such resources. Second, each school has hostels attached to it, which will facilitate enrolling women from the respective regions to participate in the training programs.

Another important contribution by USAID in this phase was its strong emphasis on medical technician training and with which it became closely identified--perhaps too closely identified. In many respects, the training program was perhaps too ambitious, as MTs were being trained to do many of the tasks of physicians. Problems which resulted from the overly-ambitious training programs came to be closely associated with USAID. However, on the positive side, a curriculum for training paramedics was developed, with a strong emphasis on developing community health skills. During the second phase of the program, this was expanded to include hands-on training and field assignments.

Other inputs in the first phase include assistance in a communications program for control of diarrheal diseases and initial participation in vaccine production.

The program faced a number of problems: resources were concentrated in a few centers, GOP health supervision systems were inadequate, service delivery problems were frequent, there was no monitoring system to evaluate whether benchmarks and targets which had been set with the GOP were being met. In a larger sense, the program

didn't address the existing systemic problems which constrained its success. The actual training components of the program had initially been conceived with little dialogue with the GOP. There was a question of program design as well, for the basic strategy of outreach required more provision for travel than had been included. The very nature of the primary health program became problematic and frustrating, to the point where the Mission considered shutting it down in 1984 and again in late 1985. A large part of the frustration had to do with the internally-asked question: was the Mission really accomplishing anything? In hindsight, we can see that the program was too spread out, with limited staffing resources to make such efforts truly effective.

Building on an important lesson learned in the first phase, the second phase of the program was initiated with a great deal of feedback from the GOP. While some of the programs were continued, the emphasis shifted to having an impact on disease in the country. The prime focus came to be on the six life-threatening diseases in Pakistan: malaria, TB, respiratory infections, poor nutrition, pre-natal (anti-natal) risk factors in pregnancy, and, of most importance, diarrheal prevention and treatment. In 1986, AID/Pakistan--in conformity with GOP policy and other donor activity--actively began to participate in the effort to control diarrheal disease and reduce mortality due to dehydration through a strategy aimed at training provincial health officers for case management of containing diarrhea. PRITECH began to organize all aspects of USAID's assistance in Oral Rehydration Therapy (ORT) program planning: production, distribution and supply of ORT, as well as evaluation and research. USAID spent substantial funds, particularly in 1987, on communicating ORT in the country: 2 million pictorial leaflets were distributed; television spots were used; and 3 messages on ORT were broadcast throughout the country over a one-year period. According to a WHO sponsored external review, public awareness about ORT has reached a level of 75 percent as of March 1988. USAID participated in policy dialogue with the GOP in its attempts to standardize ORT treatment. The problem is that while ORT can be effective in preventing dehydration, it can only be so when used properly, and there are indications that it often is not. Therefore, USAID has encouraged the standardization of (a) ORT packet size and mixing instructions, (b) messages to mothers concerning proper feeding and treatment when children have diarrhea, and (c) hygiene and sanitation guidance.

In addition, AID/Pakistan spent a total of \$5.2 million in commodity support for the GOP's Expanded Program in Immunization (EPI). Though EPI was the GOP's strategy, AID/Pakistan can take some credit for the fact that EPI coverage went from 5 percent in the country in 1982 to 80 percent in 1988: AID/Pakistan supplied vehicles and much of the injection equipment for the program, including some cold chain equipment. A second area in which USAID has been very active is in vaccine production equipment for tetanus typhoid, and particularly in promoting tetanus immunization for fertile age women. The latter focus stemmed from a visit by Stan Foster, an epidemiologist

from the Atlanta Center for Disease Control in November 1986. From his evaluations of disease control and hospital records, he argued that while EPI was having substantial effect on preventing disease among the 43 million children who are under age 15 in Pakistan, there was a great need to protect newborns from neonatal tetanus.

There was a strategy shift in the training component as well. The GOP asked for help to supplement basic medical education of mid-level (peripheral) medical officers; in effect, the training program shifted from training medical officers in-charge to emphasizing an integrated training program for the entire health care system, from the level of District Health Officer and below. In addition, USAID assisted the GOP in experimenting with a Management Information System (MIS) which could become a both a supervisory and a reporting tool, basing the system on facility service statistics (e.g., utilization rates, drug supplies, case management).

A new curriculum emphasizing community health skills was finally published in March 1988. This was developed entirely through a participatory process, using advisory groups in all provinces and seeking input from people throughout the health structure. While it took two years to write, it appears to have much effective potential.

Other inputs in the second phase include institutional support of the training program by providing \$2 million in equipment and furniture for the schools, and enrolling many more women. At present, 22 percent of technicians in service are women; however, 40 percent of currently enrolled trainees are women.

A final area in which USAID is actively engaged in policy dialogue with the GOP is in its attempts to have community medicine in general, and community pediatrics in particular, emphasized in government programs. The important issues confronting the Primary Health Care program can be summed up as follows:

- o It is critical that the GOP make substantial inputs into the direction of the program. The political will which was evidenced on the part of the GOP which contributed to the success of EPI needs to be harnessed to make other health programs successful as well. Though this may be a time-consuming process, the GOP's participation is, obviously, essential;
- o A program can't do everything at once--train doctors, train MTs, build schools, devise training curriculums, and hope to have an impact on disease control--with a high level of quality. Given its limited resources, USAID must make the internal decision: to provide selected highly visible, high impact assistance in a narrow area, or broad-based support to strengthen the overall system; and

- o It is important that realistic targets be set and then attempts at achieving them be monitored.

In effect, these issues have been addressed and are being incorporated into USAID's planning for its 1988-1993 health program, which will stress Child Survival Strategies. USAID's consistency over the years in stressing the increased participation of women as health providers has also been incorporated into the new program.

(2) Malaria control

A second health-related area in which AID/Pakistan has been active has been malaria control. USAID assistance to Pakistan's Malaria control efforts dates back to 1963. During the period 1963-1970, USAID provided \$28 million to support Pakistan's malaria control efforts. By 1970 the incidence of malaria dropped from an estimated 7 million cases in 1961 to only 9,500 reported cases in 1967 and the USAID project was phased out.

Regrettably, there was a resurgence of malaria following termination of the project. By 1974, following severe flooding throughout the country, it reached epidemic proportions at a level of 10 million cases. This led to a resumption of the USAID program and, between 1975 and 1980 USAID provided an additional \$24 million. Reported cases dropped to 12,304 in 1979 and USAID's program was again terminated in 1980. Deterioration again followed in 1981, possibly exacerbated by the sudden influx of Afghan refugees.

The current project was approved in May 1982 with a planned completion date of September 1987. \$41 million were allocated along with Rs. 21 million mostly in the provision of 13.650 metric tons of insecticide for anti-malaria spraying operations covering 16.2 million households. In addition, the Mission supported the establishment of the National Institute of Malaria Research and Training (NIMRT) in Lahore for malaria operational research; the establishment of malaria case detection centers at health facilities in various urban municipal corporations; and trained 272 doctors and 7,356 MTs in malaria control techniques and strategies.

Eleven short term two-week study-cum-observational visits to Thailand and Malaysia and one 4-week training program in the US were implemented. A total of 57 health officials participated in these foreign training programs, out of which 41 were medical doctors and the remaining non-doctors. Services of a long term Malaria Advisor for the life of the project were provided to the GOP for technical assistance and effective implementation of the project.

For effective house spraying operations of insecticide, 5000 hand compression spray pumps and 20,000 nozzle tips were procured each in 1984 and 1987, totalling to 10,000 spray pumps and 40,000 nozzle tips during the project. To enable the GOP to establish effective and reliable blood slide examination of fever cases for detecting of

malaria parasite in the laboratory, 500 laboratory microscopes are under procurement. For effective control of malaria in the urban areas, after meeting certain conditions of the project, urban malaria equipment worth \$600,000 consisting of heavy ULV/fogging machines, vehicles, spray pumps etc, for five major municipal corporations of Pakistan is also under procurement process.

Through the project, 24 different in-country training programs were held. To create awareness amongst the rural population for prevention of malaria, a health education campaign through radio, posters and booklets was launched. Health education spots on malaria were relayed through 14 different radio stations in Pakistan in 1986-87. The project also has been very instrumental in establishing a research institute for malaria research and training at Lahore. Though still not fully functional, it is anticipated this institute will play a vital role in the future malaria control strategy and research activity in Pakistan.

The tendency to focus all malaria efforts in the Directorate resulted in the rest of the Health Ministry ignoring those vital activities that go along with spraying (education, diagnosis, reporting etc). The project attempted to encourage integration of the malaria control effort into the overall programs of the Health Ministry. Management improvements to facilitate institutional development included the establishment of the National Institute for Malaria Research and Training in Lahore. The institute was established in 1985 with a professional staff of 10. The Directorate has also expanded its network for passive case detection and has established a Vigilance Organization for malaria in the urban areas. Mission personnel state that there has been a perceptible improvement in the operations of the Directorate since 1982.

A new project, in the amount of \$25 million, is now proposed to continue the USAID assistance effort until 1992. Its thrust will be building institutional capacity for passive case detection and treatment (of malaria cases) at all the general health facilities. A small amount of technical assistance and sufficient training is contemplated but the bulk of the funds will be used for pesticides and equipment. An effort is being made to shift the purchase of pesticides to the Health Ministry budget so that, at the end of the project, pesticides requirements and the expenditure on Malaria Centre activities will be routinely met with GOP resources.

b. Population planning

It is a commonly accepted perception that if a country is unable to contain its population growth rate, all other development endeavors may well be jeopardized. Pakistan has one of the highest population growth rates in the world: while Planning Minister Dr. Mahbub-ul Haq estimates the rate in 1988 to be 3 percent, others informally feel that it may well be even higher. At the present rate of growth, Pakistan's population of 100 million will double in about 25

years. Strengthening of the population planning program is vital. Unfortunately there have been many disruptions in the program, each related to political upheavals. Despite 30 years of public sector efforts, contraceptive usage rates have not reached beyond 10 percent. In sum, the 3 percent population growth rate does not bode well for the country's future economic nor social development prospects, and the resultant inability to provide basic amenities to such a fast-growing population may contribute to future political unrest as well.

(1) Background to the 1982-87 program

Efforts to contain population growth rates began in 1952 in Pakistan as a purely NGO activity by the Family Planning Association of Pakistan (FPAP). Shortly afterwards, this developed into a government-funded NGO program (between 1955-60). The government then included public sector efforts to contain population growth through health outlets (hospitals and clinics). Therefore, by the early 1960s, there was a two-pronged program: the FPAP-NGO program, and a public sector program. At this time, the population was about 43 million.

A new program was begun in the mid-1960s, based on IUDs, Dais (traditional birth attendants), and incentive payments, run by the GOP health department. AID/Pakistan's involvement at this time was to provide budgetary support for contraceptives and some vehicles to assist the program. While the program initially was popular, it quickly lost support as the targets were over-ambitious and there was much fictitious reporting by doctors and clinics to claim incentive payments.

With the fall of Ayub Khan's government in 1969, the population planning program was suspended and efforts in this regard were substantively reorganized. The country's population was now estimated at 65.3 million. The program forwarded during the Bhutto government was the Continuous Motivation System (CMS). In 1975, Inundation was added to the program. This involved the sale of condoms and pills through shopkeepers throughout the country, on the premise that increased availability would increase usage. The failure of the CMS portion of the program has been attributed to the employment of young, unmarried, urban girls as motivators; political appointees; and lack of the necessary supervision of field activities required in such an effort; and, later, the bifurcation of male and female staff. Inundation was virtually also a lost cause because while contraceptives were supplied to large numbers of shops, they were often kept in the back (i.e., out of sight, hidden) and potential clients just didn't know they were there.

AID/Pakistan was involved in extensive policy dialogue with the GOP at this time, providing local currency funding and other institutional help (e.g., books, audio-visual equipment, etc.) and, most importantly, supplying the contraceptives. The Mission's involvement was at its height as it was the inventor of the Inundation

idea, codesigner of the CMS strategy, and the major donor: in effect, this was said to be AID/Pakistan's program. The program floundered; it was not effective; and a very important lesson was learned by AID/Pakistan: because it virtually designed the program, AID/Pakistan was, at least in people's minds, blamed for its failure. This experience is instructive: contribute to the ongoing programs of the GOP, but don't create them. To this day, many people still associate AID/Pakistan with this problematic program.

At about the same time, AID/Pakistan entered into policy dialogue with the GOP to explore ways in which the private sector could be engaged in population activities, and provided consultants for this purpose to the GOP in 1976. AID/Pakistan had agreed to supply condoms to private sector enterprises provided they were marketed as a wholeheartedly commercial enterprise. All agreements with the GOP were in place, but before the contraceptives had even left the warehouse, the 1977 coup d'etat occurred, the entire program was called into question by the GOP, and was subsequently cancelled. However, it is important to note that as far back as the mid-1970s, the GOP had agreed to the concept of the social marketing of contraceptives in that the government's resources were insufficient to make them available on the necessary scale.

The failure of CMS and Inundation caused general disillusionment among the international donor community, and all but UNFPA gradually withdrew support from the GOP's program after 1977. AID/Pakistan continued to play only a marginal role, mainly because its contraceptives were still in the country and had to be monitored, but this was all. A feeling of uncertainty prevailed among program staff for several years.

The GOP strategy was once again reorganized during the 1980-82 program development period, which saw Dr. Attiya Inayatullah play a major role in its formulation. Plan Formulation Groups were organized, funded by the UNFPA. AID/Pakistan was not consulted, but neither did it have the manpower to assist had it been consulted nor was it in a position legally to apply any funding at this time. The country's population had now reached 84.3 million.

(2) The 1982-87 program period

By 1982, Dr. Inayatullah had presented her multi-faceted community-oriented, clinic-based "cafeteria" approach to the international donor community, The Population Welfare Division's program was based on a three-pronged core activity approach:

- o Family Welfare Centres (FWCs, essentially clinics);
- o Reproductive Health Centers (RHCs, mostly sterilizations in hospitals); and
- o Training.

In addition, the GOP included the social marketing of family planning in the Sixth Five-Year Plan. The GOP approached AID/Pakistan for assistance in this area, and policy dialogue was engaged in at the ministerial level to work out the project design.

Concerning the larger population planning program of the Population Welfare Division, a shopping list was essentially presented to the donor community, and the World Bank, UNFPA, ODA (U.K.) and CIDA (Canada) began to fund the core programs. The entire strategy was to be based on community participation, with the primary objective being contraceptive usage going from a prevalence of 9.5 percent in 1982-83 to 18.6 percent by 1988, and continuous practice increasing from 6.8 percent to 13 percent in the same period. Demographic objectives (from 1983 to 1988) were:

- a. Reduce CBR from 40.3 to 36.2 per 1000;
- b. Prevent 2 million births in period;
- c. Reduce PGR from 2.8 percent to 2.6 percent; and
- d. Reduce TFR from 5.9 to 5.4 per woman.

Delivery services were to be provided through: Family Welfare Centers (FWCs), Reproductive Health Centers (RHCs--surgical contraceptive service facilities), Local Hakims, Provincial Line Department Outlets (PLDOs), large employers, Non-Governmental Organizations (NGOs), District Distribution Points (DDPs--sale agents), and Target Group Institutions (TGIs).

It was hoped that the following method wise usage of contraceptives would be achieved:

Condoms..... 46.37 percent;
IUDs..... 19.76;
Contraceptive Surgery..... 20.46;
Oral pills..... 12.50; and
Injectables..... 0.91.

AID/Pakistan began to develop its own projects quickly in the new start-up period, the last five months of 1981 and early 1982. By then, other donors had already offered assistance for most of the core items, so that AID/Pakistan assistance had to be confined to support activities, namely:

- o Of greatest importance: AID/Pakistan supplied the contraceptives for the program;
- o Provided Rs. 21 million for construction in Karachi of a central warehouse for the Population Division and facilities

for the National Research Institute for Fertility Control (NRIFC); and

- o Supported research: operational and demographic; the buildup of the National Institute of Population Studies (NIPS); improved condom testing capability and other NRIFC activities;

In response to GOP encouragement for the international donors to coordinate their activities, the UNFPA held the first such meeting in 1983. Since then, informal meetings have been held periodically. In addition, the GOP began to involve NGOs in their population planning program on a larger scale in 1985, and began to fund some of their activities. The NGO Coordinating Council was formed as a somewhat independent entity of the government (semi-autonomous contract organization) to expand and coordinate NGO involvement in the population program; it now consists of 90 registered NGOs including the Family Planning Association of Pakistan (FPAP). This was done at the same time when the responsibility for the program was being transferred from Dr. Inayatullah to Minister Mahbub-ul Haq. The country's estimated population was now 96 million.

At the same time, which was midway in AID/Pakistan's program period, there was an external evaluation of the AID population project. Based on recommendations made in this evaluation, the program was:

- Expanded to cover new areas;
- Project completion date was extended from 1987 to 1989;
- Provision was made for increased contraceptive supplies; and
- Overall program funding, which had earlier been increased from \$25.6 to \$40 million, was now raised to \$74 million.

The majority of the expanded activities continued to remain in support areas of the GOP's program: support for the National Research Institute of Reproductive Physiology (NRIRP) was added; small sums of money were budgeted for monitoring and statistics (essentially to strengthen the GOP's existing MIS system) and for improving the project's communications (e.g., mass media, including TV, radio, newspapers; audience research; production of films--although no monies have yet been disbursed in this regard); and began minimal involvement in reproductive health activities by lending support to the surgical contraceptive program. In the latter, funds were provided for institutional reimbursements (costs of operations) and technical assistance to ensure that the procedures were of high quality, voluntary, and were a result of informed choices by clients.

Another important initiative involved bilateral funding for NGOs in the population area. Although such funding was not provided until June 1986, the Mission had been involved with the Population Division's

NGO project from its earliest stages. USAID, along with UNFPA and CIDA, were active participants and resource persons at the March 1984 pre-project workshop for GOP and NGO personnel. This workshop established the conceptual framework and guidelines for the NGO Coordinating Council and the NGO project which resulted in the preparation of the PC-1. Despite the fact that there were no bilateral funds available to financially support the NGO Coordinating Council for a period of at least 18 months after its establishment in January 1985, USAID was considered its most active proponent and potential supporter.

As mentioned earlier, AID/Pakistan has been exploring ways in which the private sector could be engaged in the social marketing of population planning since the mid-1970s. In addition to its support of the GOP's larger population program, the Mission has also supported the GOP's Social Marketing of Contraceptives Program. The idea was that through the use of standard advertising techniques and existing retail networks, the social goal (i.e., the benefits of family planning) would be marketed to the population. Two design teams were engaged by AID/Pakistan. After a prolonged project design exercise a Project Agreement was finally signed with the GOP in March 1984. W. Woodward Pakistan (Pvt.) Ltd. (distributors of the popular gripe water in Pakistan) were selected as the implementing firm and signed a contract with the GOP in December 1985. AID/Pakistan contracted with the US firm, Population Services International (PSI), to be their resident advisor as they had extensive experience with a similar (successful) program in Bangladesh, while the GOP contracted with the NDFC as their advisors. Woodward then proceeded to hire advertising and market research firms on sub-contract basis. The condom, called "Sathi," was test-marketed between October--December 1986 in Sargodha (Punjab) and Tharparker (Sind), and then launched nationally in January 1987. By March 1987, the national launch was completed.

The program works as follows: AID/W provides the condoms (through their standard central procurement procedure) with AID/Pakistan's funds; they are bulk-shipped to Karachi, where they are cleared and stored in a rented government warehouse (the one being built by AID/Pakistan is still under construction). Of the \$20 million budget for the SMC Project, 60 percent (\$12 million) is budgeted for contraceptives, which are given to Woodward free of charge. Thirty percent (\$6 million) is for Woodward to cover its costs for marketing, packaging, advertising, etc. Woodward packages the condoms, sells them to their distributors, who sell them to wholesalers and/or shopkeepers, who then market them to the public for Rs. 1 for a packet of 4 condoms. Woodward is paid a commission according to how much product they move. A small part (.04 percent) of the sales is deposited into a special account of the GOP's Population Welfare Division (not into the GOP treasury), and has been reserved to be utilized for operating the SMC project in the future as mutually agreed by the GOP and AID/Pakistan.

In its relatively brief life, the social marketing network now covers 40,000 retail outlets throughout the country, mostly in urban areas, thereby providing large numbers of a safe, high-quality, low-

cost product to a wide spectrum of consumers in Pakistan. The program has been handicapped so far because the GOP has not yet agreed to allow the product to be advertised in the mass media. Despite this, people involved in the program at the Mission feel that Woodward has been creative--and successful--in getting the message out thus far. An impressive 30-second promotional film is being shown in cinema halls, in which a father is featured nurturing his child. Pictures from the film have been used in calendars and other promotional materials. As a part of its public sector activities, the GOP has allowed commercials promoting family spacing to be aired on television as of early 1988, and SMC hopes it will soon be able to follow suit.

It is anticipated that oral pills will be introduced into the SMC program by early 1989, though many more procedures (e.g., clearing them through the Drugs Act) will have to be followed before this is possible.

AID/Pakistan can take credit for certain successes of the GOP's population efforts in the 1982-87 period:

- It supplied the necessary contraceptives, which virtually enabled the program's existence;
- It enabled the establishment of NIPS;
- It facilitated the expansion and improvement of the NGO Coordinating Council's operations, and the increased NGO involvement in the program; and
- It supported Pakistan's pioneering Social Marketing of Contraceptives effort.

When the two buildings under construction (the central warehouse and the NRIFC) are completed, there will be a visible reminder of its contributions as well.

The major problem encountered during this period was that the GOP institutions were not sufficiently built up to absorb the assistance AID was prepared to give, and their establishment took longer than people expected. For example, construction of the NRIFC building, for which AID/Pakistan ended up providing additional funding, was only recently commenced. In addition, AID/Pakistan was hampered by a low response from US research institutions to provide long-term technical assistance. There are few major accomplishments in the training component as well, which can be attributed to one particular problem: unlike other government departments, the GOP's Population Division (within the Ministry of Planning and Development) has been divided into nearly thirty separate projects, each needing a separate PC-1, including separate budgets. Therefore, they are allowed little flexibility and become bogged down bureaucratically. AID/Pakistan has consequently been frustrated in its attempts to implement a comprehensive training program due to strict adherence to PC-1

documents. At one point in 1986, the PWD attempted to get a separate exemption from the PC-1 coverage, but the Planning Division within the Ministry did not give permission for this.

It is too early to say what lessons can be learned from the SMC program, as it has only been in place a year. One point that should be made is that it may become a prototype for other ventures which would be run by private sector companies. The concept of allowing the private firm to make operational decisions "sounds right" thus far as it appears to give the program a needed flexibility. In addition, instead of creating a new company to market the condoms (as was done in Bangladesh), the private company is one which was already established in Pakistan, and was seeking to expand its product line. Finally, the GOP seems to have made the wise decision to go ahead with integrating the program into people's daily activities--buying the condoms at a local shop--rather than having to go to a clinic for them.

The current GOP program is showing mixed results. Planned federal and provincial population councils, to be chaired by the Prime Minister and Provincial Chief Ministers, have not yet convened. AID/Pakistan has let its opinions be known that although official population policies appear appropriate, such vigorous and visible political leadership are essential. A sustained and organized communications campaign is also badly needed. In addition, although the GOP has been saying that the Health Department will soon participate in the delivery of population planning services--a move which AID/Pakistan supports--this has still not occurred. Positive developments include the involvement of NGOs and the private sector, particularly the USAID-supported Social Marketing of Contraceptives program initiative.

The current growth rate is officially recognized to be about 3 percent and the population in 1988 is estimated to be over 100 million. If the current growth rate remains constant, the population will be over 148 million by the year 2000. However, if the growth rate declines gradually to about 2.46 percent by then, the present goal--which looks problematic at this time--the population in the year 2000 may be only 139.4 million instead.

c. Human resources development

In addition to its social sector projects, the 1982-87 program addressed social development issues through two major cross-cutting initiatives:

- Training: to train individuals involved in the various bilateral projects in a variety of in-country, U.S.A., and third-country programs on short-term and long-term basis; and
- Women in development (WID): to foster the incorporation of women into the larger development process in the country as both agents and beneficiaries of change.

Every project in the basic country program was to take each of the issues into consideration, whenever possible, in its design and implementation. On the whole, these initiatives have been fairly successful, and are being actively incorporated into the 1988-1993 country program.

(1) Training

The Training Program, coordinated by the Human Resources Development (HRD) office, is responsible for nearly all forms of training which takes place in USAID's program. A training component is included in all activity areas of the program; there are virtually no long-term benefits to putting in new irrigation lines, introducing new varieties of seeds for crops, or building roads into new areas if the people responsible for these developments are unable to design better ones and maintain those that exist. In addition, the Development Support Training Project (DSTP) was used to support a number of other initiatives such as institutional strengthening and support for the Lahore University of Management Sciences, the Government of Punjab's Social Welfare Training Institute, and the new National Assembly Library in Islamabad.

While DSTP was conceived as a new project, training had been part of USAID activities in Pakistan since 1952. Also AID had supported the establishment of local public and private sector training institutions. DSTP was established to meet the need to improve Pakistan's ability to identify, design, manage and implement development projects. DSTP's purpose is to support improvements in public and private sector management, administration and finance in addition to facilitating the technical training which results from other project activities. It was to provide the necessary resources needed to lay the groundwork for timely and effective implementation of the entire country assistance program.

(a) DSTP

Although it did not start this way, DSTP has become an umbrella type project for the management of training for the entire USAID program. DSTP directly supports other USAID projects by:

- o Providing management training and technical training for field and middle level officers responsible for the planning, design and implementation of development projects;
- o Providing training opportunities for high level officials who make decisions regarding the authorization and funding of development projects;
- o Providing placement and support services for participants sent to the US and third countries;

- o Strengthening the in-country English language instruction program;
- o Strengthening existing management training institutions; and
- o Institutionalizing a system whereby management training is undertaken in response to identified needs and the nomination/selection process is streamlined.

The original DSTP proposal had provisions for four contractors, as AID/Pakistan recognized that the scope of DSTP was so large that they would be unable to do all the various tasks with direct-hire personnel. The following were selected:

- o The prime contractor: The Academy for Educational Development (AED) is responsible overseeing the three sub-contractors, as well as the bulk of in-country management training, including training of public service officials in the Punjab Small Industries Corporation.
- o The sub-contractors:
 - Experiment in International Living: Originally joined with AED, and were involved in English language training and placements. When participant training became paramount, so did their placement tasks.
 - Arthur D. Little (Cambridge): Involved in private sector development by providing technical assistance for training institutes and in-country training programs.
 - Institute of Public Administration at Pennsylvania State University: they also provided technical assistance for private sector institutions, and certain areas within the public sector. This subcontractor was dropped in 1986 because it was no longer needed.

Originally, only \$10 million and Rs. 66 million was envisioned to be budgeted to DSTP for 5 years. The project was focused on in-country training, with only a small amount of overseas training for the public and private sectors. However, nearly each project in USAID's program includes a large training element. Based on an extensive needs analysis survey, DSTP was modified with a new budget set at \$40 million for the entire 1982-87 program period. (The new 1988-93 program has allocated DSTP \$100 million, of which \$25 million is projected for 1988.) HRD was given responsibility to manage DSTP in the Spring of 1982.

DSTP essentially consists of three component parts: management training; overseas participant training (and related services); and in-country English-language training. The three component parts of DSTP require separate attention:

(i) Management training:

DSTP funded, along with other donors, nine institutions--which had earlier been established with US assistance--to facilitate the GOP's own civil service training:

- o National Institutes for Public Administration (NIPAs, one in each province);
- o Pakistan Institute of Management (one each in Karachi and Lahore);
- o Lahore Staff College
- o Pakistan Academy for Rural Development (in Peshawar; linked to USC); and
- o National Centre for Rural Development: established outside of Establishment Division's arena (the Establishment Division, which is not housed in any Ministry of the GOP, is responsible for all the training institutions).

The DSTP management training group works with the institutions on a long-term basis to introduce new courses, upgrade materials, and to provide consultants to oversee teachers' efforts within the institutions. Outside of the institutions, the management training group conducts programs to train trainers. For example, they run programs to train women within women's programs, in association with women's organizations. They train managers and technicians who work in line agencies throughout the country, focusing on younger people and middle-level managers. In 1987, DSTP ran about 30 programs, which increased to 54 in 1988. About 2,500 persons have benefitted from formal in-country management training in both the public and private sector in the 1982-87 program period.

(ii) Participant training

This cuts across all the projects of the Mission. DSTP is responsible for all placements into short and long term training and education programs abroad. It is the most expensive component in the project and is driven by an expansive annual participant training plan, negotiated with the GOP, and based on training elements within each of the Mission-funded training elements. This includes 700 training slots each year in management and administration for both training public and private sector participants. There are two types of courses:

(a) Technical courses: usually 6-9 months non-degree, short-term courses; which may or may not award a certificate.

Most are held in the summer months. Half of the short-term courses are in agriculture.

(b) Academic courses: for one year or longer. These generally lead to a degree and are long-term.

In 1986, DSTP established the Private Sector Training Program (PSTP). DSTP set up an advertisement process in the five major English language dailies to promote the program to interested persons, focusing especially on the development of entrepreneurs in family-owned businesses. One factor which prompted the establishment of the PSTP within DSTP was that the existing public sector program was not nominating women: the covenant between USAID and the GOP called for ten percent of the trainees to be women, but the GOP said there weren't enough qualified women candidates. This program (discussed in the WID section of this report) facilitated the incorporation of women for training abroad. The PSTP is now the most rapidly growing portion of the portfolio.

The potential for the participant training program to have a substantial effect on the social fabric of the country can be seen in a component part of the Baluchistan Area Development Project. This has established a training program for young, poor Baluchis from Makran. About 50 men are just finishing the language training portion and are about to enter scientific training in various American universities. The Government of Baluchistan has requested USAID to expand this participant program; USAID intends to offer training for 100-150 Baluchis in the US over the next three to four years.

The following chart shows the total number of people who have been processed for participant training in all projects during the 1982-1987 period:

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
Total	47	123	403	733	1469	2775
Short-term	9	96	312	555	1194	2166
Long-term	38	27	91	178	275	609

The following chart shows the total number of participants processed for study abroad in projects other than DSTP:

Participants Processed for Study Abroad (Excluding DSTP)
1983-87

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>Total</u>
On Farm Water Management: (391-0413)	--	14	49	30	16	109
Irrigation System Management (391-0467)	--	6	20	60	229	315
Population Welfare Planning (391-0469)	--	2	1	4	10	17
Tribal Areas Development (391-0471)	--	1	2	--	11	14
Malaria Control II (391-0472)	2	--	10	16	33	61
Rural Electrification (391-0473)	2	--	40	110	81	133
Primary Health Care (391-0475)	--	7	3	1	10	21
Energy Planning & Development (391-0478)	--	--	7	32	27	66
Baluchistan Area Development (391-0479)	--	--	--	--	3	3
Forestry Planning & Development (391-0481)	--	--	--	18	25	43
TIPAN (391-0488)	--	--	26	23	34	83
Management of Agricultural Research & Technology (391-0489)	--	--	27	14	146	187
Food Security Management (391-0491)	--	--	13	14	90	117
TOTAL	<u>4</u>	<u>30</u>	<u>198</u>	<u>322</u>	<u>715</u>	<u>1,169</u>

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Figure 1, "Participant Training, 1983-1987" depicts the relative weight given to short-term and long-term training within the overall country program.

(iii) English Language Training

The English language training component prepares candidates for overseas training to be able to effectively study abroad at the university level in English. A sense of where the language need was--and to pinpoint that need--evolved out of the experimental programs.

The Academy for Educational Development (AFD) began to teach English language classes through pilot programs in NWFP and Baluchistan. An English course was also set up at the National Agricultural Center in Islamabad.

By 1985, international donors were meeting periodically to discuss the possibility of establishing an English language center. USAID officials had met with the University Grants Commission and informally offered to fund the center. However, by the end of the year, HRD decided to start its own English language center, which opened in January 1986 as the Center for Intensive English Language Study (CIELS).

It should be noted that the English Language Training Programs were established at a time when the GOP had actively begun to promote its "Urdu Language Policy".

Participants at the Center are chosen by the various project managers within USAID. Through their own networks, they identify candidates for study abroad. Once a candidate is identified, AED gets a reading of the candidate's level of English proficiency. Candidates who score over 500 and intend to study for a Master's degree, are urged to study English on their own. If the score is below that, they are nominated to study English at CIELS. CIELS runs year-round 8-week modules, with usually 60 students per module.

(b) Successes:

The DSTP participant training program has been a success, overall. Participants are able to get necessary management and technical skills studying in the American environment. Because recruitment of women had been low, DSTP established a private sector-oriented program to rectify the low figures for female participants. Complementing the participant training program, the progress made thus far by CIELS is commendable.

The successes with in-country management training cannot be as obvious or as measurable as English Language Training, as it deals with trying to change human behavior and learning methodology, both of

PARTICIPANT TRAINING, 1983-1987

NUMBER

1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
200
100
0

 Short Term
 Long Term

1983

1984

1985

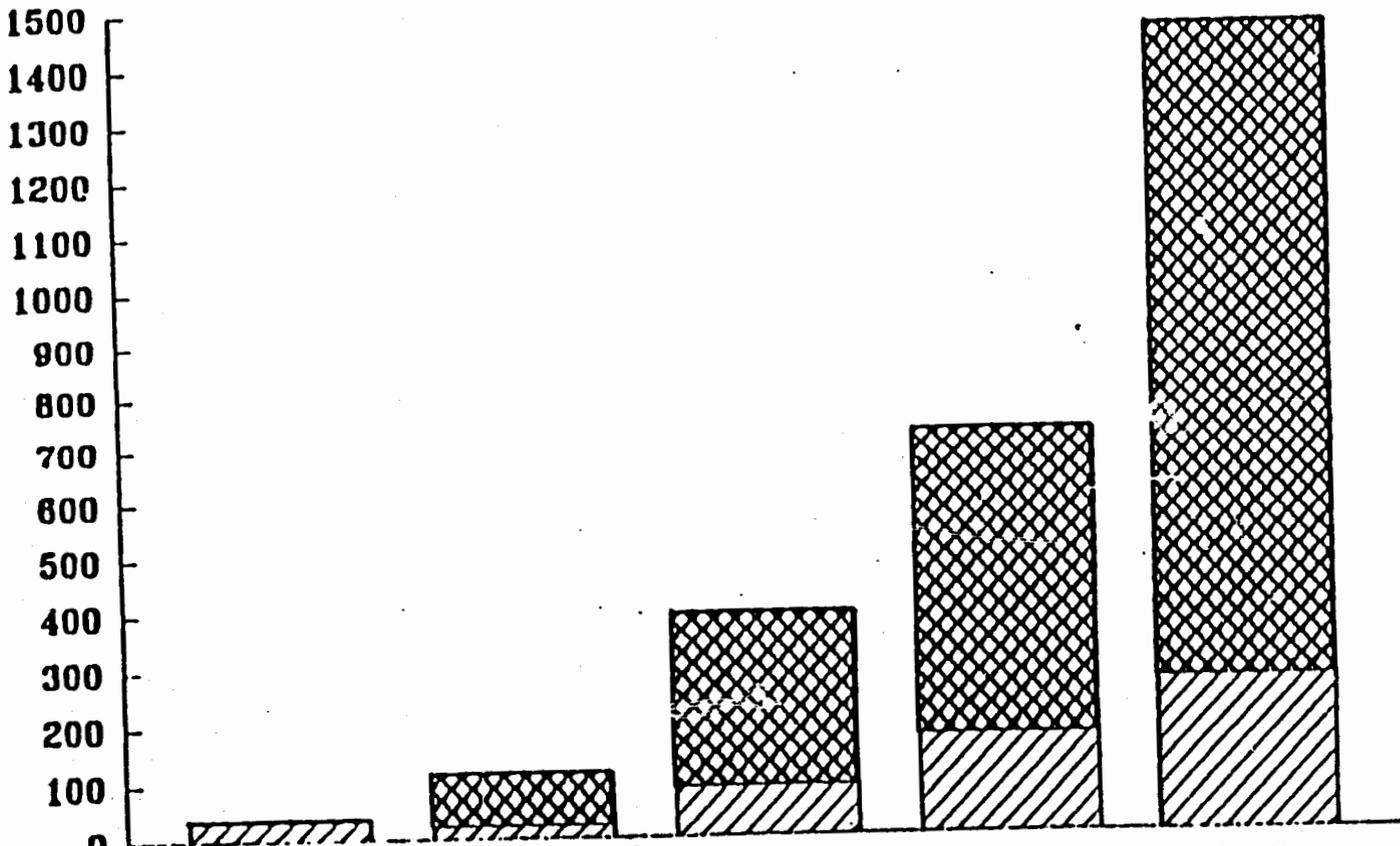
1986

1987

YEAR

122

177



which are very difficult to do. However, the program is expanding and receiving positive feedback. AED feels it is now more aware of the problems and understands the local situation better. It sees the fifth year of the program as especially encouraging since there are 54 different programs in operation, and ideas for more in the future.

(c) Problem Areas:

An important problem in the participant training program lies in the fact that, up to this point, it is really a process, not a project. People are processed through a system which finally sends them abroad to study or become trained. While it is difficult to get good people who meet realistic qualifications chosen at the field level, an even greater task is to get them through the entire selection process, over which DSTP has little control. This issue has been a subject of policy dialogue with the GOP's Economic Affairs Division, to get them to facilitate the latter part of the process. The GOP misses a large number of USAID-funded training opportunities because of its complex and lengthy processing procedures. Another reason is that the GOP has been hesitant about developing a training needs analysis for top officials, despite many meetings at USAID at which this topic has been discussed. In some instances, at the provincial level, nearly 50 clearances are required before the necessary papers reach HRD.

Another problem stems from the fact that this is now a very large participant training program within USAID, with an enormous scope. The volume of potential candidates coming out of the pipeline has increased incrementally: it is going from a few hundred per year to a few thousand per year from 1990 onwards. The volume is in short-term training, which is 3/5 of the program. It becomes difficult to administer such a rapidly expanding program given existing personnel resources.

(d) Conclusions:

USAID has come very far in its thinking about management training. While ample opportunities remain for qualified candidates to study abroad, there is more emphasis on short-term in-country training. An area into which DSTP is attempting to expand, is support of PVOs and other private organizations. They are bringing in outside professionals to run, at least thus far, 3-day or week-long training seminars for managers.

In the English-language training program, DSTP may have tried to do too much too soon with dispersed resources in the first half of the project period. The initial attempt was not well-focussed and poorly timed. The more limited CIELS program now seems to be serving the Mission's goals well.

The HRD Program for 1982-1987 may have served to encourage both USAID and the GOP to focus more of its own attention and resources of

Pakistan's Educational needs. The Mission and the GOP are now designing an education project for 1988-1993, recognizing that the ultimate benefit of a development assistance program could only be derived from a better educated populace. In the new program, HRD consists of DSTP as well as two new projects: Primary Education, and the higher education Institutional Excellence. With the latter new projects, the Mission will expand its training emphasis into the very needed areas of education.

(2) Women in Development - A cross-cutting issue

(a) Background and Congressional Mandate

The incorporation of women into the development process enabling them to become both agents and beneficiaries of change is a challenge confronting developing states throughout the world, and particularly in Asia. The United Nations, in declaring 1975-1985 as the Decade for Women, underscored the necessity of incorporating women into development planning and the futility of development efforts which do not do so.

Section 113 of the US Foreign Assistance Act (Percy Amendment) of 1973 requires that traditional US bilateral development assistance programs, specifically those based in Sections 103-107, "be administered so as to give particular attention to those programs, projects and activities which tend to integrate women into the national economies of foreign countries, thus improving their status and assisting the total development effort." Subsequent AID policy declarations further reinforced this mandate.

However, the program in Pakistan is not a traditional one; rather, it is a security assistance program--to promote economic and/or political stability--which is derived from Section 531. Only "to the maximum extent feasible" will assistance be provided "consistent with the policy directions, purposes and programs of part I of this Act." In effect, the policy directive mandating the incorporation of women into larger country strategies did not necessarily apply to the new Economic Support Fund (ESF) program introduced in Pakistan in 1982.

Prior to the 1980s, little attention had been paid in Pakistan to the issue of incorporating women into the larger development process. Within the country (i.e., separate from USAID activities), attempts at alleviating the marginalization of women in the larger socioeconomic infrastructure in Pakistan were in the sphere of social welfare which, while contributions in and of themselves, did not move beyond treating the symptoms of the problem, rather than addressing the social causes. Of significance in 1979, partially in response to the United Nations' Decade for Women and also to other internal factors, the GOP established the Women's Division, at the level of the Cabinet Secretariat, to be responsible for focusing attention on the unique situation and needs of Pakistan's women.

The USAID Asia Bureau formally outlined its WID strategy on 13 April 1984 (STATE 108939). In brief, it encouraged more attention to the role of women in project design, implementation and evaluation; proposed a target percentage of 25 percent of participants on trainee programs to be women; suggested a pattern for Mission WID representation to consist of a trained local national as more or less a full time WID officer, and a USDH officer to devote some of his or her activities to WID; and offered some assistance to Missions. Training was seen as meriting particular attention, not only because of the ease of identifying the immediate beneficiaries, but also because few programs offer a speedier means of moving women into leadership positions. At 17 percent, the Asia Bureau lagged behind all other areas in percentage of female trainees in 1983; at 8 percent.

Pakistan's average was the second lowest in Asia, after Nepal. The following chart has been included for historical and comparative perspective, particularly to show where Pakistan stood in relation to training women vis a vis other USAID Missions at more or less the start of the 1982-1987 AID program:

	FY 1980	FY 1981	FY 1982	FY 1983
Worldwide total	16	16	18	21
Africa total	15	16	18	20
NE total	13	12	15	18
LAC total	21	22	23	29
Asia total	15	15	15	17
Bangladesh	8	11	14	15
Burma	38	27	27	13
India	4	2	11	12
Indonesia	8	10	10	18
Nepal	8	8	7	5
Pakistan	5	2	5	8
Philippines	35	37	37	34
Sri Lanka	20	13	15	15
Thailand	16	25	25	21

USAID Missions in Asia were urged to maximize the use of in-country and/or private sector training in countries where there is resistance to letting women go abroad for training (such as appears to be the case in Pakistan), and advised that appropriate lodging facilities for women be available wherever in-country training is given.

In sum, the Asia Bureau felt the most rewarding strategic approach was to maximize and document the targeting of women in project design and approval. The basic thrust involved integrating women into

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the mainstream of mission and bureau programming--the "big ticket" items.

Small-scale, peripheral, discrete "women's projects," with PVOs or otherwise, were not discouraged, but the Bureau noted that "it should be clear that such activities do not constitute a sufficient response to WID policy, the major emphasis of which is on the basic, regular portfolio" and that to ignore the subject substantively was not an appropriate response. The reflection of WID concerns in project design "is as much a question of will and analysis as anything else."

At the same time, AID/W recognized that cultural and political environments would vary among countries, affecting to varying degrees implementation of announced policy goals. In the case of Pakistan the late 1970s and early 1980s were marked by official support for the "Islamization" process, which in turn gave impetus to a growing "Women's movement". (see Khawar Mumtaz and Farida Shaheed, Women of Pakistan, Lahore: Vanguard, 1987 and Anita Weiss (Ed.) Islamic Reassertion in Pakistan: The Application of Islamic Laws in a Modern State, Syracuse University Press, 1986.) In any case, the socio-economic position of Pakistan women lagged far behind that of many of their Asian neighbors (see Nasra M. Shah, ed., Pakistan Women: A Socio-economic and Demographic Profile, Pakistan Institute of Development Economics, Islamabad, 1986).

The resumption of USAID assistance in 1982 did not, however, lead to an immediate incorporation of women into the original design of the various new projects. The GOP/AID agreement for the resumed assistance package did not address WID or NGO assistance in the areas which were identified for cooperation; other concerns were given higher priority, reflecting pressures to put an ESF program in place and deal directly with balance of payments pressure. The initial Mission position was indicated in USAID Notice No. PAK-1580, dated 26 April 1984, which stated that considerations of management, staffing, funding availability and "responsiveness to the priorities of the GOP" virtually precluded the inclusion of specific WID projects or grants within the program. In addition, the Mission itself needed to make a close analysis of what could be effective: was it realistic to assume that women's concerns could be mainstreamed into the larger country programs; could greater gains be made by focussing on particular WID activities, or was this, first and foremost, a policy issue to be addressed with the GOP? Following the Asia Bureau's WID strategy of taking women into account in the basic country portfolio, three areas within the six year ESF program where particular WID emphasis would be appropriate were at least identified: participant training, population, and evaluation.

(b) Mission response - 1981-1984

Tangible activities were undertaken in the Population Welfare Planning Project and under the Development Support Training Project. The Mission assessment was that emphasizing

"peripheral areas" (e.g., WID, NGOs, HIG, PRE), considered slow-disbursing, would tax staff and other resources at a critical time when the program was in its early stages of design and implementation. Again, the Mission was in Pakistan under a political imperative and senior officials felt it could not initially address the interests of what they perceived as a special constituency.

The Mission did have suggestions for WID-related activities in which it could become involved. For example, an early centrally-funded study on the impact of watercourse improvements on women was conducted by Asma Khalid in 1981. It encouraged setting up projects for rural women along the lines of the FAO's poultry development project, as well as building up ties with the GOP's newly established Women's Division. Four years later, a similar centrally-funded study was conducted by Samina Khan and Carolyn Ater in the Punjab. However, these studies did not figure directly into the Mission's programs in irrigation or agriculture.

In 1983, the Mission commissioned Barbara Metcalf to conduct a study entitled "An Assessment of Programs and Needs in the Field of Women in Development, Especially in Regard to Education and Training," which looked at possibilities for starting up a female-oriented education program and the probable reaction within Pakistan. It argued that there is an "enormous controversy over what is prescriptive or normative in Islam in regards to women in Pakistan today," and there are many contradictory views on what women do and what potential exists for their greater participation as agents of change. In particular, Dr. Metcalf emphasized that "the education of girls and women in this country is the most pressing Islamic duty towards which this government should direct itself...an excellent case can and should be made that in female education the demands of Islam and development converge."

The Metcalf study recommended two areas for further exploration with a view toward possible projects:

(i) Post-literacy skill training

Directed towards neo-literates and other literate women, it would reinforce literacy and create income generating skills. It was noted that while most training programs in place in the country emphasized traditional skills such as sewing, there were some efforts underway to teach other skills, such as under agriculture, in which there was a successful project in training female field assistants in livestock in the Punjab, and forestry, where sericulture projects were being introduced in several areas.

The ILO, on a very small scale, was becoming involved in such a project in Pakistan, and USAID considered cooperating in this effort which was already supported by Swedish and Dutch WID programs that target rural women. AID/Pakistan, through the Special Development Fund (SDF) may ultimately have a vehicle to assist in NGO-based undertakings of this kind.

(ii) Primary Education for Girls

As only one-fourth of primary aged girls in Pakistan enroll in school, and the proportion of these who drop out before effective literacy is overwhelmingly high, there are important contributions to be made in Pakistan's overall social sector development by emphasizing this area. This is an area which has been given serious consideration by the Mission, and is being incorporated into the new six year program (1988-1993).

Dr. Metcalf, in her final statement, urged AID/Pakistan to consult with the Program Section of the GOP's Women's Division as it operates to produce programs, channel money, and evaluate and monitor all issues related to women throughout the society.

Mission personnel did engage in extensive consultations with officials at the Women's Division in this and other contexts. The decision was made that given the Women's Division potential funding sources from other international donors as well as its limited political/bureaucratic base and absorptive capacity, AID/Pakistan would explore other mechanisms to support WID initiatives. The need for an alternative approach later took form as the policy-driven SDF which would be oriented towards NGO--and hence WID--activities.

The larger priorities of the Mission in Pakistan--namely fast disbursing commodity assistance for balance of payments purposes, agriculture and energy--were viewed by most officials (AID/W and USAID) in the first half of the program as being of such overwhelming importance that time and resources would just not warrant division of attention to areas such as WID. Accordingly, there was no mention of WID issues in the FY 1986 Country Development Strategy Statement written in January 1984. This general perspective was shared by the many GOP officials with whom the Mission was in contact. It must be recalled that "women's issues" were channeled into the new Women's Division, and were not incorporated into the Finance Ministry, Planning Ministry, etc. This is a situation which has plagued the incorporation of women into development the world over: seeing their needs and contributions as separate from those of the larger society.

(c) The Mission Response - 1985-1987

A major shift in Mission orientation occurred in mid-1985. WID project and policy concerns became a more significant issue within the Mission and in the Mission's policy dialogues with the GOP. A WID committee within the Mission was formed so as to create an advocacy center for WID concerns. In addition, a senior staff member was designated project officer for NGO activities with an inherent WID focus. The Mission Director issued a memorandum to all project officers and personnel on 25 March 1986--which was reissued one year later--urging they explore WID initiatives in projects as the Mission "is fully committed to examine and pursue opportunities for improving

the situation of and prospects for women in Pakistan." From now on, Senior staff meetings as well as Project Implementation Reviews (PIRs) were to address WID issues. While this orientation shift could have little impact on project components already on the ground, it did have an effect on transforming the perspective within the Mission for future project portfolio actions and policy directions.

Five WID-related activities were undertaken in 1986 to identify the kinds of things Mission personnel should be thinking about at both design and implementation stages as well as in policy discussions with the GOP. In brief, they were:

- o ICRW Report, March 1986: This was the first undertaking supported by the Mission in its attempt to seriously address the WID issue. A centrally-funded team from the International Center for Research on Women conducted a broad portfolio review in which it sought opportunities available for improving women's productivity, economic opportunities and contributions to project success in the three major areas of agriculture, energy and training. It specified (a) data collection activities, (b) the emphasis on women as training candidates, and (c) inclusion of community level components or sub-projects as areas in which opportunities for reaching women through on-going AID projects could be availed. The effort helped further sensitize the Mission to WID concerns and indirectly stimulated thinking on the need for an NGO WID project--ultimately SDF.

- o Suzanne Staples Report, May 1986: From visiting projects in rural areas and "katchi abadis" (urban squatter slums) in Karachi and Lahore which were aimed mainly at training women for income generation, the study identifies projects that AID might want to support. The general focus was on the Government of Punjab's Women's Department of the Ministry of Social Welfare, in which six potential projects were identified (upgrading the Social Welfare Institute in Lahore; upgrading district industrial homes; building up women's crafts emporia along the lines of the Indian handicrafts business; marketing and sales promotion; a monitoring cell for women's projects; and establishment of 100 rural community development projects at the union council level). The study also recommended AID become involved in private projects for women as well (e.g., computer programming training, family welfare cooperatives, etc.). The report has contributed to a probable donor-donee brokerage effort to replicate selected initiative of the Government of Punjab's program.

- o Legal Report, August 1986: this was a commissioned report to AID by a prominent feminist law firm of Lahore on the legal status of women in Pakistan entitled "Dissemination of Information on Women's Legal Rights," due in August 1987. It

was supported by the Project Design and Implementation Fund (PDIF) with the expectation that a project on women's rights might result from the study. A second contract was signed with the law firm in January 1988 to follow up on this and seeks to create two outputs: a research document, available primarily for donors, documenting the history and status of women's activities in the country; and an action document to assist indigenous NGOs in developing and implementing WID-oriented packages.

- o ICRW (TADP) Report, November 1986: conducted in the Peshawar area, it made suggestions for incorporating a WID income generation component into the Tribal Areas Development Project. In addition, these two individuals from the ICRW field surveyed a number of WID-related NGOs throughout Pakistan in support of the Special Development Fund's project paper, then under preparation.
- o Gender Resource Awareness in National Development (GRAND): This centrally-funded and Mission-assisted activity aimed at elevating WID-related concerns to a more prominent position in the national planning process was initiated in 1986. The study ultimately involved four short visits and the installation of a computer and support facilities in the Women's Division. Jordan and Pakistan were selected by PPC/WID as the pilot projects for GRAND. A number of computer presentations of the model were subsequently given to leading donors and GOP officials. Despite its early promise and Mission efforts to support the exercise, GRAND was never institutionalized within the Women's Division and did not succeed in developing an effective model for Pakistan. However, an outcome was the installation of a computer in the Research Wing of the Women's Division. AID/Pakistan is funding a one-year contract with a commercial firm to provide repairs, operations, maintenance and training services; Mission personnel are concerned about the ability of the Women's Division to maintain it thereafter.

While no one project, per se, has yet resulted from the above activities, the body of knowledge which was collected contributed both to the incorporation of WID-related components in some of the Mission's projects as well as the self-standing SDF project. Many on-the-ground projects have not incorporated a WID-related activity either because of the conception of the role of women in Pakistan, other priorities or staffing limitations. There remain culturally stereotyped perceptions that certain activities are not appropriate for women, and there often are social objections to the greater incorporation of women in ongoing projects. But, as Suzanne Staples documented in her discussions with Punjabi villagers in her report, local villagers said: "We are very poor. None of us would object to improving the lives of our families. Whether more money comes through women or through the men makes no difference to us."

(d) Mission project components with a WID focus

While some projects in the country portfolio do include WID components, the Mission currently has no projects aimed exclusively at women or girls. The vast majority of these components have been in the training field, followed by health and family planning, and then specific activities in other projects. The SDF, when implemented, would go far in rectifying this omission. In addition, the proposed Primary Education Project now under design would significantly address the problem of female education, especially in rural areas.

The Development Support Training Project (DSTP) made the largest effort to include women, allocating 1/5 of its \$25 million budget to a WID component aimed at involving women in training programs that in the past have been utilized almost exclusively by men. The number of women who have participated during the 1982-87 program, both in the DSTP as well as in other AID/Pakistan-funded training programs abroad are as follows:

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
DSTP	4	9	25	67	72
Other projects	--	--	2	2	10

In 1987, the Mission selected the WID section of the Private Sector Scholarship Program (PSSP) as their "WID success story." The program requested from sustained Mission effort and dialogue with the GOP after AID/Pakistan personnel recognized the limited successes of getting women to participate in their traditional training program. Women selected for training come from a variety of fields in the private sector (e.g., banks, pharmaceuticals, marketing firms and educational institutions) as well as those who own and manage small-to-medium sized businesses (e.g., boutique owners, garment and toy manufacturers, architects) for long-term degree programs and short-term non-degree programs in the US and third countries. In-country workshops have also been initiated to reach a larger number of the target group, emphasizing women in mid-level managerial positions and entrepreneurs. The PSSP processed 72 women participants for training in the US during FY 85 and FY 86; as of 11 March 1988, selection of 72 women for FY 87 named nominees was nearing completion.

This program has clearly been a success with the targeted women who acknowledge that even short programs of 6-8 weeks have enhanced specific skills which resulted in the growth of their businesses. However (a) the numbers of participants remain modest in comparison with the total number of trainees funded by the Mission; and (b) the program only is oriented towards the better educated well-to-do segment of the population.

The Primary Health Care Project has made recruitment of females a priority. There has been a 25 percent increase in the number of female

health technicians, who now comprise over 45 percent of the 459 students being trained by early 1988; 22 percent of the graduates of the 18-month training course have been women. All of the thirteen Health Technician Training schools constructed or designed during the period include provisions for female hostels.

The Population Welfare Planning Project, needless to say, includes a WID component in all its activities. Special support has been given to promote female participation through NGO activities: 5 women from various NGOs have been trained in the US in areas of program development and management. Two hundred and thirty-eight female NGO staff, volunteers and community health workers have received training in-country in areas of project development and management, contraceptives technology, and motivation and counseling for family planning. Through USAID's assistance to the NGO Coordinating Council (NGOCC), the project has assisted women-based NGOs in developing and establishing family planning service delivery projects. In retrospect, support to the NGOCC was an important initiative which helped "pave the way" for Mission efforts to offer more support to NGOs in other areas.

Nationwide household surveys conducted under the Food Security Management Project, by including a series of women-specific questions, are providing new information about the role of women in Pakistan's economy. Other surveys and research designed to integrate women's concerns into broader nationwide project activities are being conducted through the Forestry Planning and Development Project, the aim of which is to involve women in tree farming; and the Energy Planning and Development Project, where the emphasis is on promoting inexpensive but energy-efficient nontraditional fuel sources such as coal briquettes; and the Management of Agriculture Research and Technology project, aimed at improving agricultural research throughout Pakistan. The Forestry project also includes a segment in its sociological baseline study which examines the role of women in fuel wood collection, marketing and use. The Energy project also sponsored a series of conservation seminars aimed especially at women to encourage greater fuel efficiency in the home.

Historically women in Pakistan have frequently been excluded from professional and educational opportunities for lack of adequate hostels and other facilities. In recognition of this cultural constraint, a major institution-building project at the Agricultural University in Peshawar under the Transformation and Integration of Provincial Agricultural Network Project is including special facilities for women, including a hostel. Appointment of a Dean of Women to the Agricultural University is initially funded by the project as well. A female hostel is also under consideration for the Pakistan Forestry Institute in Peshawar as a possible add-on to the Forestry project in the 1988-93 program. In addition, AID/Pakistan has presented a proposal to the GOP supporting the Female Welfare Cooperative Society of Lahore's request for a female hostel.

A "Women's Non-formal Education Component" was developed as part of the NWF Area Development Project (NWFADP). It has been in implementation about 20 months, and is slowly but steadily gaining the support and active participation of the target group. The project has established 24 training centers in the Gadoon-Amazai area which train and educate women in health, nutrition, basic literacy, and income generation skills. These low-budget training centers are usually located in two rented rooms in a central location, so that the women can easily get to them. Two women in the Gadoon Project Coordinating unit administer the centers, hire a female teacher for each one, who then hires her own female assistant. One room is used for the training center; the second is used as the teacher's living area. The project is considered of great importance to the NWFADP, for in the process of transforming the local economy away from poppy cultivation and into new areas, the integration of women into the new economy is perceived as critical to the overall project's success.

(e) Opportunities for other WID directed activities

While steps have been taken to integrate women into the larger country program, there are further opportunities for AID/Pakistan to address WID concerns. For one, the Mission should develop a WID strategy paper; this has facilitated integrating WID activities into USAID projects elsewhere. It would be useful to institutionalize WID in the longer strategic planning of the Mission.

The change in both direction and policy dialogue with the GOP which began in mid-1985 is part of an important process in which the proposed Special Development Fund became the centerpiece of AID/Pakistan's WID efforts. The Mission has recognized that neither it nor the GOP can afford to play at the edges of women's needs in Pakistan and that for a sustained and successful development process, women must be incorporated into a larger programming framework. In effect, the decision was made that the ability to fund NGOs directly leads to the increased ability to support WID initiatives. Although not formally approved by the GOP, much effort has been expended in building support for the SDF, including discussions with the President, Prime Minister, Minister of Planning and numerous Secretaries. Although the SDF could not be implemented during the 1982-87 period, it appears likely that it will become a part of the 1988-93 program. Increased support for NGOs has been included in proposals for the GOP's Seventh Five-Year Plan.

Essentially, the SDF would fund a new Pakistan-based organization (akin to a foundation approach) to support NGO activities. Each contributing donor will be able to earmark the broad parameters for which its funds will be used. The AID/Pakistan contribution of \$30 million (untied to most USAID requirements through the cash transfer mechanism) has been earmarked for strengthening NGOs and for support of NGO/WID projects. A governing board made up of no less than 2/3 private sector notables--people with proven track records for integrity and/or success in the NGO field--will have authority to make grants of up to \$600,000 without any further approval. The main policy

issues at stake have been the GOP's hesitancy to commit substantial resources to NGOs as development agents as well as to agree to the channeling of funds from international donors to non-governmental institutions, outside the standard GOP approval and budget process.

That AID/Pakistan had no vehicle outside the population area through which it could support NGOs in Pakistan during the 1982-87 program significantly affected what it could do in the WID sphere as well. This must be read in the context of an ESF assistance package premised on 100 percent government-to-government support, a sensitive socio-religious environment, a historic GOP reluctance to entrust significant development funds to the private sector and occasional NGO questions as to the appropriateness of their accepting USG funds--and thereby WID--activities. If SDF is approved by the GOP AID/Pakistan will be providing substantial support for WID initiatives through SDF. To complement these efforts it may be time for the Mission to re-evaluate its relationship with the Women's Division and consider expanding its support of their programming efforts. To strengthen the Mission's stance which it has taken with the GOP and other international donors to take WID into account, AID/Pakistan should also make a more concerted attempt to fully integrate WID into the entire country project portfolio.

(f) Conclusions and lessons learned

The Women in Development effort did not receive as much Mission attention during the early part of the six year period under review as might have been hoped. Recognizing the political urgency of establishing the program and gearing up to a satisfactory operating level, and considering the cultural patterns in Pakistan, this is not surprising.

In the later years, once the program had been designed and was running, the Mission examined the WID issue and incorporated WID components in a number of its projects, particularly in public health, family planning and training. Seeking more effective means to address the problems of women in Pakistan's development the Mission sought to approach the problem through Pakistan's network of Non-Governmental Organizations rather than through the GOP mechanism. There is some indication that the GOP will accept some variant to the Mission's proposed approach. If GOP agreement is forthcoming, the Mission will initiate another innovative experiment to facilitate the incorporation of Women into the development process.

E. Area Development Activities

1. Background

The proposed planning levels and composition of the 1982-1987 program, as negotiated in the summer of 1981, contemplated the following area development activities:

Baluchistan Area Development	\$30 million
Tribal Areas Development	\$15 million

The USAID FY 1982 program submission to Washington, prepared in September 1981, contained a general description of the Tribal Areas Development Project (391-0471), and the Mission's intention to support the efforts of the Federally Administered Tribal Areas Development Corporation (FATA-DC) to extend public services to meet basic development needs of the seven tribal areas lying between Afghanistan and the Northwest Frontier Province (NWFP).

The Staff Study of the Committee on Foreign Affairs, US House of Representatives dated November 20, 1981, in critiquing the economic aid package, stated, "Baluchistan and the NWFP, which also has received a smaller share of development benefits than has the Punjab or Sind provinces, are currently bearing a major share of the social burden and a somewhat higher economic cost of the 2.3 million Afghan refugees in the country. The US intention to provide specially targeted economic assistance for Baluchistan and NWFP thus has a sound justification. Baluchistan, in particular, which has been the base of separatist political movements, warrants additional targeting of other proposed US assistance projects such as reforestation, energy development, and water management".

Many of the Mission's projects, as described in the sector portfolio analyses of this review, include activities and serve institutions in NWFP and Baluchistan (but not the Tribal Areas). In this section we will examine only those Mission projects that focus specifically on these lagging areas. The relevant projects, which were active during the 1982-1987 period, are:

	Obligations (\$ Million)	9/30/87 Expenditures (\$ Million)
Baluchistan Area Develop (391-0479)	45	5.7
Tribal Areas Development (391-0471)	22	5.0
NWFP Area Development (391-0485)	31	9.1
	<u>\$ 98</u>	<u>\$ 19.8</u>

In addition, the Mission undertook a project, Roads Resource Management, in the last year of the 1982-1987 period to assist in improving the capability of the GOP to plan, construct and maintain its road network. This project will concentrate on the Sind Province. We will also describe that project in this section.

Roads Resource Mgt.	(391-0480)	7	0
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Underlying the Mission's efforts in area development is a recognition that serious problems are posed to Pakistan's stability and national integration efforts by "lagging areas". Pakistan has already experienced the separation of one of its lagging areas (East Pakistan,

now Bangladesh). Other separatist movements (Pukhtunistan) continue to agitate. A strong case can be made for the provision of visible evidence to inhabitants of these areas that benefits are accruing to them.

2. Program components

a. Baluchistan Area Development (BALAD)

The BALAD Project Paper indicates that the Mission intended to "...support the GOP's efforts to integrate the Makran Division of Baluchistan Province into the socio-economic mainstream of Pakistan, and to improve the quality of life for people who live there." Makran is identified as the area of Baluchistan that is most neglected in terms of development investment. It is the southernmost political unit of Baluchistan and it borders on Iran and the Arabian sea.

The Sixth Five Year Plan (1983-1988) included a special chapter on Baluchistan stating that "efforts would be made to redress past neglect and draw Baluchistan into the mainstream of the national economy." Under a formula used to allocate funding to provinces, Baluchistan and the NWFP each receive 5 percent of the total Federal Annual Development Plan (ADP) budget; the remaining 90 percent is divided among all four provinces on the basis of population. In the early 1980s, the GOP also developed Special Development Plans for Baluchistan and the NWFP. These "wish lists" were made available to foreign donors and are regarded as supplemental to the annual ADPs.

In 1982, several pre-design teams were sent to Baluchistan to undertake field investigations that would provide USAID with basic information regarding the province. As the project developed, activities were concentrated on only two of the three districts in Makran (Turbat and Panjgur), excluding the coastal area of Gwadar. These steps were taken as part of an effort to concentrate activities and make the project more manageable.

The initial Baluchistan Area Development (BALAD) Project Agreement was signed on August 30, 1984. AID life of project funding for the proposed five-year effort was placed at \$40 million with an additional imputed value contribution (from GOB) estimated at approximately \$5.8 million in rupee equivalents. The PP and the PC-1 indicated three main areas of activity: (1) road construction, upgrading, and maintenance; (2) water sector improvements; and (3) improved planning, management, and human resource development. Subsequently, the life of project was extended by one year to December 31, 1990. AID funding was also increased in August 1987 to \$45 million, primarily to finance additional road design activities.

Policy conditionality was kept to a minimum. Condition Precedents (CPs) in the original grant agreement did support important initial steps such as the formal establishment of a Project Planning and Management Unit (PPMU) in Turbat, appointment of a project director,

and provision of a site for the project headquarters. Construction of the project headquarters complex in Turbat began in December 1985 and was completed in April 1987. Temporary quarters were arranged elsewhere in Turbat at the time this construction was underway.

As BALAD matured, three additional activities were added, (1) construction of the Kech River Bridge near Turbat, (2) expansion of a portion of the planned Bela-Awaran road from a planned 55 kilometers to 101 kilometers, (3) design of Awaran-Turbat road; and (4) implementation of a Makran Vocational-Technical training program which has largely replaced the original training program described in the PP. All four activities have high visibility and have attracted substantial attention in the press and among the people of Makran. Two of three medium scale water diversion structures examined during implementation were cancelled on technical grounds with the third indefinitely postponed due to local resistance.

An interim evaluation of the BALAD project was performed in December 1987. The team described the following progress to date:⁹

"Construction contracts for the Kech River Bridge and Bela-Awaran road were signed in August 1987. The planned road maintenance activity is now underway. Under the Special Development Activities (SDA) program, 22 schools in the area have been constructed or expanded. About 23 water-related schemes are finished or nearly complete, along with phase one of the Turbat town road activity. The approximately 50 Makrani students selected for the special vocational-technical program are now finishing their intensive English language program and are being placed in various technical training programs in the United States.

"BALAD has also received direct support from three other AID activities, the Agricultural Commodities and Equipment (ACE) program, the Development Support Training Project (DSTP), and the Project Design and Implementation Fund (PDIF). Approximately \$3.0 million in ACE funds has been used to procure essential equipment such as 17 jeeps, three 300 KVA generators, and heavy machinery such as trucks and bulldozers for use by the GOB Communications and Works (C&W) Department on road activities. Some additional ACE procurements (valued at \$1.5 million) are planned. DSTP is being used to fund at least half of the cost of overseas vo-tech programs for fifty young Makranis. Finally, close to \$340,000 in PDIF funds have helped finance a number of special implementation activities including hydrological studies for three proposed dam

⁹Robert LaPorte, Ralph Hill and Jonathan Addleton, Interim Evaluation of the Baluchistan Area Development Project (391-0479), prepared for USAID, Islamabad under IQC Contract No. PDC-0085-I-00-6108-00, December 1987,

sites, the long-term PSC engineer and A&E services for the project headquarters in Turbat.

"Other donor activity in Makran Division is fairly limited. Asian Development Bank funding is being used to construct a fish harbor in Pasni and the Japanese are financing construction of a power plant in the same coastal town. The Chinese are building small power plants in Panjgur and Turbat. Finally, some remnants of the UNICEF Baluchistan Integrated Area Development (BIAD) project are evident in Makran in the form of capped tubewells, unused for lack of adequate provisions for operation and maintenance.

This project is not of the typical technical assistance variety. Because it is unique, we quote extensively from the evaluation report. It describes, in vivid detail, the problems and the gains derived from the project.

"Site accessibility was recognized as a problem from the outset. Quetta as well as Karachi are each a two-day road trip from Turbat, much of it over dirt tracks. The entire division of more than 33,000 square miles has less than 60 miles of metalled roads. A sense of isolation, restrictions on movement and temperature extremes makes long-term tours of duty in Makran difficult. The fact that much of the project activity is concentrated around Turbat or Panjgur eases to some extent accessibility problems. Nevertheless, even relatively short engineering inspections can be hard on vehicles as well as staff".

"Security concerns have also at times affected site accessibility. All project staff must be accompanied by militia levees in the field. In some instances, planned trips have to be postponed or even cancelled due to a specific security problem or the temporary unavailability of guards. Not surprisingly, project work carried out under the shadow of levee guards tends to distance project staff from the local population".

"The BALAD Project has also experienced a strike led by four Baluch engineers which disrupted project activities for a week in May 1987.

"Local cooperation is also clearly related to overall security concerns. BALAD commenced in 1984 amidst considerable suspicion and cynicism on the part of the more politically active local populace. Three years later, much of that suspicion and cynicism still persists. Construction of major physical infrastructure such as the Bela-Awaran road or Kech River Bridge has yet to begin. Not enough of the smaller construction activities such as schools or water projects have been completed to have an appreciable impact on popular perceptions. Not surprisingly, completion of the project headquarters in Turbat is not seen as making any real contribution to development in Makran.

"The issue of employment of Baluch in project activities has been a constantly recurring theme. One of the first questions asked by Baluch primary students when the evaluation team stopped in one village was, "How many Baluch work for your company?" Efforts have in fact been made to hire locals and some serve on the project staff. Nevertheless, lack of skilled Baluch willing to serve in Makran has been a problem and will constitute a continuing concern throughout the life of the project.

"Makran is generally viewed as one of the more politicized regions of Baluchistan. The most vocal part of that politicized population-- the Baluchistan Students Organization (BSO) -- opposes all BALAD activity. For example, the baseline data collection as well as the training program for Makrani students were both dismissed for their alleged connections with more sinister "intelligence gathering" activities. Outright ignorance combined with rhetoric further distorts popular perceptions about the project. For example, one recent medical graduate informed the evaluation team that the languishing Mirani Dam project (never actually included as a BALAD activity in any case) could have made far more "important" contributions to the country than Tarbela Dam!

"At an operational level, security concerns have on occasion affected implementation directly. Three project vehicles were damaged in two serious rock-throwing incidents in January 1986 and small acts of vandalism have occurred periodically throughout the life of BALAD. All such incidents appear to originate with political groups opposed to the idea of a project at all. The usual response of the actual beneficiaries following such events is to reiterate their support and request that work continue. On a project-by-project basis, according to the LBI TA Team and district administrators, local support is generally good".

Although security concerns and occasional vandalism clearly complicates implementation, they do not appear to reflect the views of most of the Makran population. On the contrary, there is evidence of high popular demand for some project activities. More than 200 students applied for the Makrani vo-technical program. Similarly, more than 400 proposed sub-projects are said to be pending in the District Commissioner's office in Panjgur alone. The impossibility of ever fulfilling this enormous demand may pose problems of a different sort as the project begins to wind down in 1989. The usual view seems to be that assistance of any kind is welcome, but should be more expansive and at a more rapid pace.

The evaluation team prefaced its conclusions with the following statement:

"It is clear from the BALAD documents and files and from data derived from interviews with the principals involved that

difficulties and delays have been a part of BALAD from its inception. It is also clear that the nature and direction of BALAD has changed significantly from what was envisioned in the PP. USAID/Islamabad was under no illusion that working in Makran would be easy. Much of what could have gone wrong did in fact occur and the management of BALAD has had to constantly adjust to events that were unplanned and could not be anticipated.

"Before presenting the conclusions and recommendations, it might be useful to briefly review the accomplishments and failures of BALAD to date. The project started on the ground in February 1985 with the arrival in Turbat of the USAID PSC engineer. Lapse time from his arrival until the evaluation team began its work was two years and eight months. During that period, the BALAD project headquarters was completed, 23 water schemes have been completed or are nearing completion, and additional classrooms provided to 22 schools. Road maintenance activities were initiated and the first phase of road improvements in Turbat town was complete. Designs were completed and construction contracts were signed for the Kech River bridge and the Bela-Awaran road, although both contractors have experienced mobilization problems. The Makran Vo-Tech Training program has sent 48 Makranis to the United States for training. The GOB P&D Department has established a Computer Cell and has assigned four individuals to work under the supervision of a local Systems Analyst supplied by the RAO/Quetta. Major commodities--including four land cruisers and four pick-ups (directly under BALAD) and 17 jeeps, three large generators, and approximately \$3 million in assorted heavy equipment (directly under ACE)--have arrived on-site. Attempts to institutionalize the Project Planning and Management Unit (PPMU) have largely come to an end. Only minimal training other than the Vo-Tech program has taken place.

"The impacts of the activities of BALAD are difficult if not impossible to measure at this time. Most water projects have yet to experience a rainy season. The evaluation team was able to secure only limited comments on BALAD activities from the local population either at project sites (few locals were around) or from local notables because of the impending local bodies election. The 48 Makrani students have not returned from training in the US. Those parts of the road (Turbat-Hoshab) that have been rehabilitated make passage easier. Although traffic does appear to have increased since the PP was drafted, there is no evidence that this increase has been as a result of USAID-assisted activities. Most of the SDA schools are utilized and room additions to only three female primary schools has meant an improvement of approximately eight percent of the female primary schools in Makran".

b. Tribal Areas Development

The seven Federally Administered Tribal Areas (FATA) of Pakistan, located, with the exception of Orakzai, along the Afghan border, have a unique political standing, stemming from their history. Located in remote and difficult to reach mountain areas, these tribes have fiercely resisted the imposition of controls from the outside world. Opium poppies are grown in some locations and their remoteness has made them attractive to the drug trade as sites for opium labs.

The project was requested by the GOP during the initial discussions of the six year US aid package in the summer of 1981. The project was approved in September 1982 and contains the following project description:

"The Tribal Areas Development Project is designed to support the GOP policy to accelerate the pace of socio-economic development in the less developed areas of the country. Although this policy has been underway in the Tribal Areas since the early 1970's, renewed emphasis was given to this effort with the publication of the GOP's Special Development Plan for the Tribal Areas early in 1982. The proposed development activities in the project are drawn from the Special Development Plan. In addition to providing support for the construction of basic infrastructure (roads, irrigation works), this project will enhance the capability of government institutions to implement development programs in the Tribal Areas".

The Project activities fall within three major areas: (1) water resources development with related agricultural assistance in land development activities; (2) road construction; and, (3) selected rural development activities. Approximately \$10 million or 42 percent of the total recommended project funding of \$24,046,000 has been earmarked for specific activities which have already been identified for implementation.

The project has had very difficult sledding, particularly during the first three years of its operation. A project evaluation, performed in November 1985, had this to say about the project:

"USAID is the first major donor to provide development assistance to the FATA. As a result, USAID has had to learn how to do development work in this extremely difficult area. The constraints of working in FATA include: encouraging the tribals to permit development work to be carried out (socio-cultural and political access); working with implementing agencies (the Federally Administered Tribal Areas Development Corporation (FATADC), the Communication and Works (C&W) Department of the North West Frontier Province (NWFP) that lack trained personnel and required equipment; working through a third party (the political agents/deputy commissioners) instead of directly with the beneficiaries (the tribals) when local disputes threaten to

disrupt implementation of subprojects; and trying to adapt USAID procedures and practices that were designed for areas where the other constraints are absent".

"TADP has the opportunity to assist in the development of an area of the world that has been relatively untouched for centuries. The tribals abide by a law of their own. They have resisted the advances of other cultures, from the Greeks (under Alexander the Great) to the British. Only in the last three decades has the geographically inaccessible area of the tribal areas been reduced from 90 percent to 30 percent. If USAID is successful in TADP, it will be a "first of its kind."

"The problem, then, is how to overcome the constraints of working in FATA while respecting the centuries-old tribal culture and established political autonomy".

"At present, TADP has no single home within the GOP or the government of the NWFP. There is no single GOP project manager. Because its subprojects are located in several tribal agencies and frontier regions and implemented by either FATA-DC or the NWFP C&W and Local Government and Rural Development (LG&RD) departments, there are several subproject managers but none who has a vested interest in ensuring that the problems these subprojects have faced (or may encounter in the future) are dealt within a systematic, expeditious fashion. Consequently, a degree of confusion characterizes the efforts of TADP in the design and implementation of the subprojects it supports".¹⁰

The team concluded:

- TADP has been ineffective in achieving its goal and purposes;
- TADP has not accommodated to the special requirements of development in tribal areas;
- TADP has not systematically planned for subproject activities; and
- TADP has not transferred technology to the implementing agencies through technical assistance activities.

As a result of the project review, the Mission made some significant changes in the project, primarily to assure that the beneficiaries of the sub-activities (the tribals) are involved in the

¹⁰ Donald Mickelwait, Robert Laporte and Louis Eldredge, Interim Evaluation of the Tribal Areas Development Project (391-0471), prepared for USAID, Islamabad by Development Alternatives, Inc. under contract No. PDC-1096-I-06-4159-00, May 1986.

decision making process. It did not wish to repeat the experience of the Bara irrigation scheme, where the tribals broke up the first watercourses built, as soon as they were completed.

Sub-project activity is only implemented when requested by the beneficiary. Work is concentrated in Waziristan Kurram and Bajaur, where receptivity is high and there is no evidence of Narcotics activity. US staff is kept to a minimum. Construction standards are obviously higher than those of the Pakistan Department of Communications and Works, which also operate in the tribal areas.

The Mission now proposes to continue this activity for an additional five years.

c. Northwest Frontier Area Development

This project, begun in 1983, was first called the Gadoon-Amazai Area Development Project; the name was later changed to North West Frontier Area Development Project. Still commonly called Gadoon-Amazai, the project area is composed of two union councils of Abbottabad District, one of Swat District, and four of Mardan District. The project is administered from a special GOP office (The Project Coordinating Unit headed by a Project Director) in Topi; the Director coordinates the work with the Special Development Unit (Planning and Development Department) of the Province, the USAID Regional Affairs Office in Peshawar, and the three district management offices, each headed by an assistant commissioner. He works directly with union councils, with village project committees, and line agencies. Pakistan is one of the cooperating nations in the narcotics eradication program.

In 1979, the Government of Pakistan promulgated a Prohibition Order (Enforcement of the Hadd), seeking to bring the country's laws into conformity with the injunctions of Islam. This included a ban on the cultivation of opium poppy. In late 1983, the Government of Pakistan developed a Special Development and Enforcement Plan (SDEP) for opium growing areas. The SDEP envisages a strategy for integrated rural development in conjunction with a phased program for development in the remaining poppy growing areas in the North West Frontier Province and the Federally Administered Tribal Areas. The targets under SDEP implementation were Dir District, Chitral District, Mansehra District, and Mohmand and Bajaur Agencies. The SDEP also provided the mechanism to coordinate activities in the narcotics related projects in Malakand, Buner, and Gadoon-Amazai areas. The GOP submitted the SDEP to the international donor community in early 1984 for consideration. As a result the Dir Project sponsored by UNFDAC was initiated and the Special Development Unit was established within the Planning and Development Department of the NWFP to oversee all "poppy" projects.

The Government of Pakistan, NWFP and its local bodies, the United States Government, United Nations, and other organizations are making a concerted effort to eradicate poppy growing in NWFP through a series of

developmental and enforcement activities. The NWFAD Project is one of these, important because of its successful enforcement, while introducing improved agriculture and the provision of social and infrastructure services.

The project was evaluated in July 1987. The evaluation team concluded:

"After a long and difficult start-up period, the North West Frontier Area Development Project has been able to demonstrate commendable energy and accomplishments during the last eighteen months. It now seems positioned to fulfill most of its objectives. About 356 infrastructure subprojects are completed, under construction, or planned. Some of these will have to be postponed to an extension project due to budgetary constraints. The quality of construction, particularly given the ruggedness and remoteness of the region, has been high. Popular appreciation of a demand for roads, schools, water supply and irrigation systems, and health units are strong.

"Among the agricultural activities, demonstration plots have had high visibility and there is considerable popular demand for them. Extension services, afforestation, orchard plantings, improved seed and fertilizer distribution, and animal husbandry efforts have had a positive impact on the farming sector and offer some alternatives to poppy growing. Off-farm employment training and placement are areas where the project has not nearly met its targets. This is largely because some anticipated training programs did not participate and the project has been obliged to rely on existing government technical training programs. These, in some cases, require higher levels of education than many residents possess. Those trained have not found it easy to obtain jobs, partially because links outside the area are not strong".

"Owing in part to government enforcement and persuasion, as well as the project's development efforts, the area has made the initial transition to a non-poppy based economy. However, at this stage, gains should not be viewed as secure. It is imperative that agricultural efforts continue over five additional years. This is necessary for the consolidation of current achievements, as well as for further improvement upon them. Orchards, for example, will not produce full harvests for at-least four more years, and the trees will need careful tending and supervision until that time. Infrastructure development has hardly begun to saturate Gadoon-Amazai, and the need for subprojects continues in all categories. Beneficiary cooperation with the project is now strong and recognition of its efforts is high. A surprising 70 percent of those beneficiaries surveyed had actually been to visit the project office in Topi. Even the one union council that had most opposed project activities began participating three months ago.

"Initiatives to provide the population with a reasonable income based on a variety of alternative sources should continue. The evaluation team, therefore, recommends the development of a Phase II project. One caveat is, however, in order. Agriculture will continue to be the mainstay of employment and income for many years, and it has a limited potential for growth. There are few legitimate crops that can compete economically with poppy. This is one reason why training and off-farm employment should be pursued more vigorously as a part of the remaining and any Phase II activities. Persuasion and/or the threat of enforcement will remain a necessary factor in preventing a return to poppy cultivation.

"The evaluation team also recommends the expansion of project activities to the Kala Dhaka in Mansehra District. It seems clear that the drug agents forced out of Gadoon-Amazai are moving their activities to neighboring Mansehra. With the easy credit they provide and the promise of substantial incomes, they are persuading farmers in the Kala Dhaka area to grow poppy. This was not a traditional poppy growing area before. If eradication efforts in Gadoon-Amazai are to have any effect on the total poppy supply, then development and enforcement efforts must be extended to this deprived area in Mansehra.

"In sum, the evaluation team believes that the NWFAD project, despite all of the difficulties, has succeeded beyond what might have been expected. A very good foundation has been laid for a Phase II extension. The staff of the NWFAD Project is to be commended for the considerable level of success achieved."¹¹

d. Roads Resources Management

This project, with a proposed life of project cost of \$43 million, was approved in 1987 and no expenditures occurred prior to the end of the six year period (1982-1987) covered by this review. The project paper describes the activities as follows:

"The project's purpose is to establish a maintainable rural roads system in Sind and identify the policy, management, and financial reforms needed to achieve a sustainable road system nationwide.

At the end of the project, three key features should be in place in participating districts:

¹¹Earl Jones, James Ginther and Dale Smith, Interim Evaluation of the NWF Area Development Project (391-0485), prepared for USAID Islamabad by Development Associates, Inc. under Contract No. PDC-1096-I00-4163-00, September 1987.

- (1) Physical system of paved roads built to a maintainable standard: each participating district should have a network of paved rural roads built to a maintainable standard, maintained by the District Engineering Office (DEO). The system will represent the district's optimum level of all-weather service consistent with the financial and other resources of the district.
- (2) Maintenance management system: each participating District will have Road Maintenance Unit (RMU) that can carry out an adequate program of routine, emergency, and periodic maintenance on the district's roads. The RMU will include trained staff, management systems, equipment, financial support, and linkages to local contractors. The RMU will be supported by facilities and staff in the Local Government Department.
- (3) Allocation of district financial resources to maintenance: each participating district should be allocated sufficient resources to maintain at least its paved network of roads. The priority given by districts to maintenance will result from i) increased recognition at the local level of the importance of maintenance in providing road service, (ii) improvements in the generation and management of resources at the local level for roads and other purposes, and (iii) adoption of policies at the local and provincial levels promoting a more efficient overall allocation of the funds available for roads.

"For the roads system as a whole, the project should leave in place a management system that is technically sound, managerially feasible, and financially sustainable. This will be the result of reforms to existing policies, organizations, and procedures needed to put such a system in place."¹²

e. Conclusions and lessons learned

1. The three area development projects must be viewed in the context of the political realities in which they are operating.
2. The NWFP project has a very specific purpose, to reduce the production of opium poppies in the Gadoon-Amazai area. The sub-activities are there to help sweeten the bitter pill of enforcement. A discussion of the problem of narcotics production and trade, and USAID's role in its reduction, may be found in Section II given below. The effort has been successful. It is an interesting experiment in rural development in the sense that the balance between enforcement and incentives seems to be working.

¹²Road Resources Management (391-0480) Data Authorized: February 12, 1987; Amount Authorized: \$43 million.

3. With regard to the BALAD and Tribal Areas projects, if the Mission was looking for a challenge, it certainly found it. It would be difficult to find a more inhospitable environment in which to operate. It is difficult enough to achieve a successful result with rural development activities under the best of circumstances. One wonders why the most remote reaches of Baluchistan, offering only limited potential for development, were selected for this experiment. In the case of the Tribal Areas, the uncertainty of receptivity by the beneficiaries for the proposed improvements gives one pause to wonder whether the US has placed itself in a too vulnerable position.

The risk to reward ratio seems very high indeed. Given the newly instituted requirement for submission of project proposals (requests) by the tribals, before USAID considers the activity, and concentration of effort in the tribal areas that are most receptive to development activities, the risks to the US have been somewhat reduced. However, at a minimum, one would expect the utmost cooperation and support from the GOP. This is an activity in which the GOP should take the lead. USAID's role should be in support. The evaluations do not indicate that this is the case.

4. The BALAD strategy seems to hinge on the impact that will result from the improved road access to the area. A 16 hour truck trip from Turbat to Karachi will be reduced to 8 hours when the road is completed. Other things are expected to flow from this. High visibility projects are also expected to improve the receptivity of the inhabitants. Small sub-activities funded under the project may also demonstrate advantages of being a part of Pakistan.

5. In the case of BALAD and Tribal Areas Development Project, the Mission has now lowered its targets. It is concentrating on accomplishment of physical improvements, having reduced its efforts to achieve institutional reform. We believe this reflects a realistic assessment of prevailing conditions and prospects. But it puts into question the sustainability of these efforts. At some point, USAID assistance will have to terminate.

F. Narcotics Control.

1. Background

AID/Pakistan has adopted a two-pronged source/demand reduction strategy for its narcotics program in Pakistan, which is part of USAID's support of narcotics control as an international effort. The 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. In addition, a "poppy clause" is included in most projects agreements with the GOP, as part of USAID's global policy to include such a clause in those areas where poppy cultivation exists. The poppy clause calls for

the removal of poppies found in any area receiving project resources. AID/Pakistan will not continue to work in a given locality if poppies are being cultivated there--everything just stops.

On the whole, efforts for opium poppy substitution have been problematic: opium yields estimated at 800 metric tons in 1979 dropped to 40-45 tons by 1985, but expanded under the new government up to 140-160 tons in 1987 and were between 130-170 tons in the 1988 harvest season.

During the 1982-87 program period, narcotics surfaced as a major issue in Pakistan on two fronts. Pakistan emerged as a front line heroin transit route, in large part as a result of the narcotics pipelines from Iran and Afghanistan being cut due to the Iranian revolution and the Soviet invasion into Afghanistan, which also caused a dramatic increase in the farmgate price of opium. Second, Pakistan came to have a significant internal addiction problem in this era, going from no known heroin addicts in 1980 to 650,000 in 1987. In response to this growing problem, AID/Pakistan's activities on this front have had two major objectives: crop substitution and demand reduction.

In the 1982-87 program, AID/Pakistan has been assisting the GOP in implementing various area development activities that are intended to reduce opium poppy cultivation in locations that have traditionally grown poppies and to prevent its spread to nontraditional areas. It has also been assisting the GOP to implement several nationwide drug awareness campaigns and to establish a drug information center. These are intended to educate the Pakistan public about the dangers of drug abuse and to build grass roots support for the GOP's demand reduction and crop substitution efforts.

Opium poppies have been grown in remote highland areas of the NWFP since the turn of this century, though their cultivation significantly increased after World War II. Poppies flourish at 500 - 2,000 meters on mountains in the NWFP (e.g., Gadoon and Malakand areas) and in high plains and northern valleys (e.g., Dir). Such remote and isolated regions have undergone minimal socioeconomic transformations, while their populations have access only to marginal non-irrigated land with limited economic alternatives. An entire village's annual yield can be transported out of the area on three donkeys, over high passes, through gorges, and by simple boats in areas which have no other transportation facilities. Therefore, with its high labor demand at harvest and its value as a profitable and easily marketed and stored crop, opium poppy has remained important in these areas, and is often the basis of local economic systems.

The GOP ratified the 1961 Single Convention on Narcotics Drugs and the 1971 Accord. In 1973, the Pakistan Narcotics Control Board (PNCB) was created under the Ministry of Interior to coordinate, supervise, and execute Federal government policy in narcotics matters. In 1979, the GOP promulgated the Prohibition Ordinance (Enforcement of Hadd)

which made the manufacture, distribution and use of intoxicants (alcohol and drugs) in the country illegal, in conformity with Islamic law. The Ordinance was strengthened by a further ban on poppy cultivation and GOP efforts to eliminate it in settled districts and in major irrigation systems. The GOP's goal became the development of alternative income opportunities in areas under poppy cultivation, and to ensure enforcement of the opium ban be carried out at reduced hardship to farmers and at reasonable cost.

The PNCB and UNFDAC jointly inaugurated the first opium-elimination project, the Buner Agricultural Pilot Project, in 1976 (renewed in 1981). The GOP began requesting assistance from other donors as well.

The second opium-elimination project was begun in the Malakand Agency in the NWFP in 1982 by the PNCB, GONWFP, and the INM of the US Department of State. During its first year, 80 hectares under poppy cultivation (of a total estimate of 240-325 hectares under cultivation) were destroyed.

AID/Pakistan entered into poppy elimination efforts in August 1983 with the initiation of the Gadoon Amazai Area Development Project, in conjunction with the PNCB and the GONWFP. The fruition of AID/Pakistan's efforts was seen in 1987, when Gadoon was finally 95 percent free of poppies for the first time. As this project remains the most important of AID/Pakistan's poppy elimination efforts, it will be addressed first, followed by a discussion of other activities.

The project was designed in 1982, and the agreement was signed with the GOP in August 1983. This is a multi-faceted, integrated development project, which includes three major component parts:

- o Training for off-farm employment: farmers have been taught various skills, including masonry, plumbing, carpentry, horticulture and animal husbandry; some farmers have become drivers and field assistants in agriculture extension; staff training at Project Coordinating Unit (PCU);
- o A network of agriculture extension agents has been developed to promote the transition to wheat as the major substitution crop. Farmers are given free seed and fertilizer after signing the poppy ban; and
- o Construction program: to transform the public infrastructure, consisting of constructing and rehabilitating roads, schools, irrigation facilities, Basic Health Units (BHUs), etc.

It is important to note that these activities precede the enforcement of the ban on opium poppy cultivation. Over four hundred of these infrastructure projects are on-going; one hundred have already been completed.

The greatest expenditures, in order of priority, are on infrastructure, particularly roads; crop substitution; and training. The training aspect hopes to teach the farmers some marketable skills. In addition, job substitution programs focused on creating a new economic base have been used as incentives for farmers to accept the poppy ban. These include the following:

- o Industrial estate: 150 acres in Gadoon, offering businesses 50 percent reduction in electricity rates, tax holiday for 10 years, duty-free importation of machinery and 20-year repayment period for the cost of land, so as to encourage established industrialists and entrepreneurs--people with proven capabilities--to invest in the area;
- o Overseas employment: visas are set aside for people from Gadoon, though due to the low level of skill, few have been used;
- o 1,000 positions offered in the paramilitary forces; only 10 percent were filled (approximately); and
- o Free distribution of wheat seed and fertilizer, which was expanded in the second part of the program.

It must be noted, however, that the training component has been the biggest disappointment in the project, though the past two years have seen greater interest and participation on the part of the local farmers completing courses in various trades and undergoing short term training at various institutions.

Initially, the project depended on the GOP Communications & Works department which was unable to fully assist the varied demands of the project. AID/Pakistan was then able to incorporate within the project the flexibility to provide all the necessary technical resources, including local engineers, surveyors and other agricultural extension assistants. People at the Mission argue that the Gadoon project was able to enjoy such flexibility precisely because it is a poppy substitution project.

The project experienced a major setback in March, 1986, when the GOP was attempting to enforce the ban on poppy cultivation. Apparently, farmers had been extensively warned the previous year against growing poppies, but had not been similarly warned in the 1985-86 poppy growing season. Rather than warning farmers at the beginning of the season, government officials went out in March, at the time of the harvest. One of seven union councils in the Project Area had been brought under the ban in the previous year; the outbreak occurred in two adjacent union councils which were supposed to come under the ban that year. Government forces engaged in armed confrontation with the resisting farmers, resulting in 10-14 deaths. No effort was made to compensate the farmers at that time; it was only

later that they received a bit of compensation for their lost "corn" crop (the summer crop which follows poppies). Thirty-five GOP platoons have recently been permanently assigned to the Gadoon area.

Many people in the country associated USAID with the shooting; legislators walked out of the assembly in protest, claiming that the government was trying to appease the Americans by shooting farmers defending their crops. A constitutional crisis was created in the new Junejo government. As a consequence, the effectiveness of AID-financed consultants was hampered due to limited access to the project area: they were not allowed in for nine months.

In the context of activities under the TADP, the GOP--through the Economic Affairs Division (EAD)--questioned the legal basis of and need for the poppy clause in project agreements. The Mission responded by providing copies of pertinent US laws in an attempt to demonstrate the basis for the clause. It was pointed out that:

- o These laws require the US president to certify that Pakistan is taking all possible legal steps to eliminate the illicit cultivation of poppy production and trafficking of narcotics;
- o Without this certification, Pakistan could not receive US assistance; and
- o The poppy clause in each Project Agreement is intended to assist the President in making the certification; therefore, removal of the poppy clause would seriously jeopardize the President's ability to make the required certification.

AID/Pakistan has encouraged GOP efforts to make the dangers of drug abuse known to the public. Following the shooting in Gadoon, USAID realized how poorly informed the Pakistani public was about drug abuse in general and about Pakistan's drug problem in particular. In response to the negative public reaction to the shooting, the PNCB initiated three drug awareness campaigns supported by the Mission. The PNCB has utilized NGOs to carry out major portions of the campaigns.

A major success of the project has been the extent to which local farmers have become involved in the various activities. They delineate what needs to be done, and initiate the infrastructure project, such as adding a room to a school, building a teacher's lodging, constructing a road, etc. They oversee the day-to-day activities, such as hiring the masons, buying the materials, etc. On their part, they donate the land; AID/Pakistan provides economic support to the projects as well as technical expertise (e.g., engineers).

People at the Mission who have been actively involved in the Gadoon-Amazai project credit its success to its flexibility. For example, while most projects have fixed budgets, the project allows budget shifts between line items so as to be optimally responsive to

the local farmers' needs. Another aspect of this flexibility is that such projects should not be "over planned" ahead of time, but again should be responsive to what the local people feel they need in terms of infrastructural supports--and thereby strengthening their commitment to achieve AID/Pakistan's final goal: the removal of poppies from the region.

After the confrontation the GOP brought back the Assistant Commissioner that had been transferred. In addition, the Project Director was given additional resources by the GOP and a freer hand to negotiate with the locals. Finally, the provincial government took action to ensure effective collaboration occurred between GOP project officials and law enforcement agencies.

2. The Poppy Clause

Most of AID/Pakistan's projects are not integrally tied in with elimination of poppy cultivation--90 percent of the projects are in areas where poppy cultivation is nonexistent--though all projects (except in humanitarian projects such as health and population) include a poppy clause. If there are poppies in an area, no project can be initiated until they are removed. If the project has already been undertaken, all work ceases until they are removed. Finally, if the project has already been completed and poppies are discovered, AID/Pakistan will first ask the GOP to clean out the area; if this is not done, then AID/Pakistan can request reimbursement for project funds expended in that area.

Needless to say, the poppy clause is not used in areas which are specifically poppy substitution projects. Its use would certainly endanger the success of the project, as farmers often want to see tangible needs met before agreeing to completely eliminate poppy cultivation.

The poppy clause has been invoked twice under the Tribal Areas Development Project (TADP) and once under Irrigation Systems Management (ISM):

- o TADP: In 1984, poppies were seen as the project was commencing; the GOP was informed and they cleared the area (total time: 2 months);
- o In 1987, tubewell construction was underway in the Bajaur tribal agency. Poppies were found, and some were cleared out which caused a tribal disturbance. The GOP political agent could not get the farmers to stop growing the poppies, so AID/Pakistan suspended the project; and
- o ISM: Poppies were found in Mohmand Agency in the Spring of 1987. They were benefitting from water flowing through an AID/Pakistan-built canal. It was late in the poppy season, when the crop was ready for harvesting. A letter was sent to

the GOP; when AID/Pakistan returned to the area, the poppies were not there. However, there is a strong suspicion that they had been quickly harvested.

AID/Pakistan has fortunately never been in the position of having to present a "bill for services rendered" to the GOP because of the poppy clause. The implications of such an act would undoubtedly result in a major issue.

3. Conclusions and lessons learned

The NWFADP poppy substitution project is considered to be going so well that activities have been expanded to the adjacent Khala Dhaka area in Hazara. Learning from the experience of the need for flexibility, the first step is to build roads into the area: "animal transportation costs" (e.g., for donkeys) is included as a line item in the budget. USAID funds are also being channeled to a crop substitution project in Dir, similar to the Gadoon-Amazai project, through the UNFDAC. In addition, the Mission has requested that AID/W grant permission to carry out three sub-project activities financed under the Tribal Areas Development Project (i.e., not ostensibly a poppy project per se) in areas where poppies are being grown without using the poppy clause. The intent is to provide some flexibility in bringing some very difficult and inaccessible areas under the poppy cultivation ban. Using leverage gained by the completion of sub-project activities rather than simply the promise of such activities in the future, the GOP could then enforce the ban in these areas of geopolitical importance along the Afghanistan border.

Building on its campaign to educate the Pakistani public about the dangers of drug abuse, AID/Pakistan will support the National Drug Abuse Prevention Resource Center, to be located in the PNCB. AID/Pakistan will contribute \$2.462 million, the US Embassy's Narcotics Affairs Unit will contribute \$500,000, with a GOP contribution of \$1.089, over a five-year period.

ANNEX A

Pakistan Program Evaluation Scope of Work

PAKISTAN PROGRAM EVALUATION
SCOPE OF WORKI. ACTIVITY TO BE EVALUATED

The mission requests a review and assessment of the overall \$1.62 billion program of United States economic assistance to Pakistan during the FY 1982-1987 period.

II. PURPOSE OF EVALUATION

The purpose of the evaluation is to distill into a single document the main features of the FY 1982-1987 program of economic assistance to Pakistan. Strengths, weaknesses, and "lessons learned" during the design and implementation of the program should be documented and analyzed. The final report should be useful not only as a key memory document for future USAID managers in Pakistan, but also for the GOP, embassy, AID/W, and others interested in better understanding the goals, purposes, and impact of the A.I.D. program in Pakistan during the FY 1982-1987 period.

III. BACKGROUND

The A.I.D. program in Pakistan for the past six years has been among the largest in the world. In keeping with the agreement between the United States and Pakistan made in 1981, \$1.62 billion was provided over six years under approximately two dozen separate projects and programs. Major sectors supported include agriculture, energy, health, population, and "area development". The time frame and relatively large amount involved has allowed A.I.D. to be closely involved in Pakistan's development over an extended period of time. The follow-on agreement signed in March, 1986 continues that commitment for another six years.

The requested review is designed to be somewhat similar to the one commissioned by AID/W in 1981 to assess the program of U.S. assistance to Pakistan from 1952 to 1980. Despite a number of limitations, that study continues to serve as an important "memory document" for USAID in Pakistan, preserving between covers a good deal of three decades of development experience in Pakistan, providing ready access to the main features of that progress and including a discussion of successes, failures, and "lessons learned". The document described herein should do the same for FY 1982-1987 period.

IV. STATEMENT OF WORK

The contractor shall review, assess, and record the negotiation, design and implementation of the FY 1982-1987 program of United States economic assistance to Pakistan. The final report shall include at a minimum a discussion and analysis of the following topics:

- A. Briefly discuss the background and nature of United States assistance to Pakistan provided to Pakistan prior to 1982, including assistance provided during FY 1980-1982 period.
- B. Describe the origins of the FY 1982-1987 program, including the 1981 negotiations and the nature of the program that emerged out of those negotiations. Discuss the political context (including U.S. foreign policy objectives) in which the negotiations took place. Review the subsequent USAID programs as it relates to the GOP development program (sixth Five Year Plan) as well as the efforts of other major donors.
- C. Analyze by sector the design, implementation, and impact of activities undertaken during the FY 1982-1987 period and relate these activities to the overall economic development of Pakistan. Sectors covered shall include agriculture and rural development, energy and environment, health and population, human resources and training, and area development. Specific issues covered within each sector shall include institution-building as well as technology transfer, policy dialogue, and private sector mobilization aspects of the program. Within each sector, include a review of sustainability issues including economic viability and recurrent cost issues and an assessment of the principal beneficiaries of key interventions, particularly low income groups.
- D. Describe and analyze operation of the PL 480 program during the FY 1982-1987 period, including policy dialogue and local currency utilization aspects of that program.

- E. Describe individual mission initiatives cutting across sectors of a non-project or non-program type, including the importance of the overall program to policy dialogue pertaining to macroeconomic policies and foreign policy objectives. Other specific areas covered within this section shall include at a minimum individual discussions of women in development, narcotics, donor coordination, and social impact aspects of the program. Briefly summarize mission responsiveness to each of the "four pillars" covered in Part II above. Also briefly discuss in this section centrally-funded activities carried out in Pakistan during the FY 1982-1987 period.
- F. Discuss management and staffing requirements of the program in light of the size and content of the portfolio. Review extent of reliance on and effectiveness of local capabilities -- including both the public and private sector -- on the design and implementation of projects and programs. Identify activities which have been especially staff intensive and assess possible alternative strategies which are less management intensive.
- G. Discuss and describe the planning process for the post 1987 program. Analyze the relationship between the FY 1982-1987 program and the planned follow-on FY 1988-1993 program.
- H. Based on the above analysis, review main features of the overall program, including an assessment of major strengths and weaknesses, successes and failures, and "lessons learned" out of the FY 1982-1987 experience. The latter issue is one of the more important elements of the entire exercise. The final list of "lessons learned" should specify those unique to larger programs such as Pakistan from those with more general applicability throughout A.I.D.

ANNEX B

Financial Tables for the AID 1982-1987 Program

1. Obligations by Project by Fiscal Year
2. Obligations by Sector
3. Obligations by Project Component
4. Expenditures by Project by Fiscal Year and Pipeline
as of 9/30/87

U. S. ECONOMIC ASSISTANCE PROGRAM FOR PAKISTAN
FY 1982 TO FY 1987
(Millions of U. S. \$)

PROJECT NUMBER	PROJECT TITLE	L:G	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL AMOUNT PROVIDED
371-0296	Agricultural Research	ESF G	2.20	NA	NA	NA	NA	NA	3.20
371-0412	On-Farm Water Management	ESF G	7.00	3.00	NA	NA	NA	-5.00	9.50
371-0457	Irrigation Systems Management	ESF G	NA	30.50	19.00	3.00	.00	14.10	67.00
371-0468	Agricultural Commodities and Equipment	TOT	64.00	69.00	70.00	143.00	57.00	50.00	448.00
		ESF L	34.00	43.00	30.00	21.20	26.50	20.00	171.70
		ESF G	26.00	20.00	40.00	86.00	26.00	30.00	236.00
		DA L	.00	.00	.00	37.80	2.50	.00	40.30
371-0469	Population Welfare Planning	TOT	4.30	4.80	14.80	16.10	17.85	5.20	65.05
		ESF G	4.30	4.80	14.80	3.90	13.35	.00	41.15
		DA G	.00	.00	.00	12.20	4.50	5.20	23.90
371-0470	Project Design & Implementation Fund	ESF G	7.50	2.50	.00	5.00	.00	5.00	20.00
371-0471	Tribal Areas Development	ESF G	3.00	5.00	5.00	.00	.00	9.00	22.00
371-0472	Malaria Control II	ESF G	1.50	17.70	6.70	3.60	5.50	NA	41.00
371-0473	Rural Electrification	TOT	8.00	59.00	31.00	9.90	31.50	75.20	204.70
		ESF L	NA	27.00	25.00	9.00	27.00	61.20	149.20
		ESF G	8.00	32.00	6.00	.00	4.50	13.90	55.40
371-0474	Development Support Training	TOT	.00	4.00	6.00	.00	8.50	21.50	40.00
		ESF G	.00	4.00	6.00	.00	8.50	21.50	40.00
		DA G	.00	.00	.00	.00	.00	.00	.00
371-0475	Primary Health Care	TOT	5.50	.00	8.00	.00	6.50	15.00	30.00
		ESF G	5.50	.00	8.00	.00	.00	NA	13.50
		DA G	.00	.00	.00	.00	6.50	15.00	16.50
371-0478	Energy Planning and Devel.	TOT	.00	13.00	5.00	1.10	10.90	21.70	51.70
		ESF L	.00	.00	.00	.00	.00	10.00	10.00
		ESF G	.00	13.00	5.00	1.10	10.90	11.70	41.70
371-0479	Baluchistan Area Devel.	ESF G	NA	NA	3.10	6.00	17.50	16.40	43.00
371-0480	Roads Resources Management	ESF G	NA	NA	NA	NA	NA	7.10	7.10
371-0481	Forestry Planning and Devel.	ESF G	NA	7.00	3.00	.00	8.00	.00	18.00
371-0484	Social Marketing of Contra.	TOT	.00	.00	5.50	3.00	7.20	4.30	20.00
		ESF G	NA	NA	5.50	3.00	7.20	.00	15.70
		DA G	NA	NA	.00	.00	.00	4.30	4.30
371-0485	North-West Frontier Area Devel.	ESF G	NA	2.50	9.50	4.20	13.00	1.00	31.00
371-0486	Energy Commodities Equipment	TOT	NA	NA	22.00	39.00	31.00	.00	100.00
		ESF L	NA	NA	20.00	15.00	15.00	NA	50.00
		ESF G	NA	NA	2.00	24.00	16.00	NA	50.00
371-0489	Transformation and Integration of the RFP Agricultural Market	TOT	.00	.00	4.00	2.00	10.00	17.00	33.00
		ESF G	NA	NA	4.00	2.00	10.00	11.50	21.50
371-0489	Management of Agricultural Research and Technology	TOT	.00	.00	5.00	3.00	10.00	.00	20.00
		ESF G	.00	.00	5.00	3.00	1.50	.00	11.50
371-0491	Food Security Management	TOT	.00	.00	.00	.00	8.50	.00	8.50
		ESF G	NA	NA	5.00	2.00	20.00	.00	27.00
371-0492	Agricultural Sector Support Project	ESF G	NA	NA	NA	NA	NA	8.90	8.90
TOTAL ESF PROGRAMMED			100.00	200.00	225.00	200.00	237.25	248.90	1213.15
LOAN			34.00	67.00	75.00	45.20	69.50	91.30	381.00
GRANT			66.00	133.00	150.00	154.80	170.75	157.60	832.15
TOTAL DA PROGRAMMED			.00	.00	.00	50.00	24.00	25.00	99.00
LOAN			.00	.00	.00	37.80	2.50	.00	40.30
GRANT			.00	.00	.00	12.20	21.50	25.00	58.70
TOTAL AMOUNT PROGRAMMED			100.00	200.00	225.00	250.00	261.25	273.90	1312.15
LOAN			34.00	67.00	75.00	83.00	71.00	91.30	421.30
GRANT			66.00	133.00	150.00	167.00	192.25	182.60	890.85
PROJECT RESERVE			TOT	.00	.00	.00	.00	.00	.00
L			.00	.00	.00	.00	.00	.00	.00
G			.00	.00	.00	.00	.00	.00	.00
TOTAL			100.00	200.00	225.00	250.00	261.25	273.90	1312.15
L			34.00	67.00	75.00	83.00	71.00	91.30	421.30
G			66.00	133.00	150.00	167.00	192.25	182.60	890.85
P.L. 490 TITLE I			L	50.00	50.00	50.00	50.00	50.00	300.00
GRAND TOTAL			150.00	250.00	275.00	307.00	313.25	323.90	1621.15

Best Available Document

Best Available Document

1:SECTORS: 9/30/87

U. S. ECONOMIC ASSISTANCE PROGRAM FOR PAKISTAN
 UNITED STATES FISCAL YEAR 1982 TO 1988
 (Millions of United States Dollars)

6:SECTOR/PROJECT TITLE & NO.	B/L	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL
VII. GRAND TOTAL	TOTAL	156.00	236.00	275.00	309.00	213.25	323.70	1621.15
11:A. SECTOR SUMMARY:								
151: I. Agriculture & Rural Development (IAD)		70.20	109.50	106.00	157.00	103.00	97.30	653.00
152: II. Energy & Environment (EE)		8.00	62.00	50.00	49.10	81.00	96.70	348.80
153: III. Health, Population & Nutrition (HPN)		11.30	22.50	33.00	28.70	37.05	19.30	152.85
154: IV. Area Development		3.00	7.50	19.00	10.20	31.30	33.30	105.10
155: V. Other Projects		7.50	6.50	6.00	5.00	8.50	26.30	60.00
156: VI. P.L. 489 TITLE I		50.00	50.00	50.00	50.00	50.00	50.00	300.00
2010: TOTAL AMOUNT OBSERVED (Excluding F.L. 489 I)	TOTAL	106.00	255.00	225.00	250.00	203.25	275.70	1315.15
2011: OF WHICH:	OF WHICH	66.00	175.00	154.00	167.00	192.25	182.60	892.85
2012: LOAN	LOAN	24.00	67.00	75.00	83.00	71.00	91.30	427.30
241C. SECTORIAL DETAIL:								
251 I. AGRICULTURE & RURAL DEVELOPMENT (IAD):								
252: TOTAL	TOTAL	70.20	109.50	106.00	157.00	103.00	97.30	634.00
253: ESF/DA-0	ESF/DA-0	26.20	64.50	75.00	98.00	78.00	77.30	429.00
254: ESF/DA-1	ESF/DA-1	34.00	45.00	30.00	59.00	25.00	20.00	212.00
a. IRRIGATION								
255: Sub-Total	Sub-Total	7.00	33.50	19.00	3.00	.00	13.00	76.50
256: On-Farm Water Management (371-0413)	ESF-0	7.00	3.00	00	00	00	-30	9.50
257: Irrigation Systems Management (371-0417)	ESF-0	00	30.50	19.00	3.00	.00	16.10	67.00
b. POLICY & PLANNING								
258: Sub-Total	Sub-Total	60.00	57.00	70.00	147.00	85.00	64.70	501.70
259: Agricultural Commodities and Equipment (371-0401)	ESF-0	26.00	29.00	13.00	80.00	26.00	30.00	234.00
260: ESF/DA-1	ESF/DA-1	24.00	40.00	30.00	59.00	29.00	20.00	212.00
261: Forestry Planning and Development (371-0401)	ESF-0	00	7.00	3.00	.00	8.00	.00	18.00
262: Food Security Management (371-0401)	ESF-0	00	00	5.00	2.00	20.00	.00	27.00
263: Agricultural Sector Support Project (371-0412)	ESF-0	00	00	00	00	00	8.70	8.70
c. RESEARCH & EDUCATION								
264: Sub-Total	Sub-Total	3.20	.00	9.00	7.00	20.00	17.00	56.20
265: Agricultural Research (371-0270)	ESF-0	3.20	00	00	00	00	00	3.20
266: Transformation and Integration of the NWFP's Provincial Agricultural Network (371-0400)	ESF/DA-0	00	20	4.00	2.00	10.00	17.00	33.00
267: Management of Agricultural Research and Technology (371-0409)	ESF/DA-0	00	00	5.00	5.00	10.00	.00	20.00
252 II. ENERGY & ENVIRONMENT (EE):								
253: TOTAL	TOTAL	8.00	62.00	50.00	49.10	81.00	96.70	356.80
254: ESF-0	ESF-0	8.00	36.00	13.00	25.10	37.00	25.60	147.10
255: ESF-1	ESF-1	.00	27.00	43.00	24.00	42.00	71.30	209.50
a. GENERATION								
256: Sub-Total	Sub-Total	8.00	59.00	31.00	9.00	31.30	73.20	204.70
257: Rural Electrification (371-0173)	ESF-0	5.00	27.00	4.00	.00	4.50	13.90	54.40
258: ESF-1	ESF-1	00	27.00	25.00	9.00	27.00	61.30	149.30
b. POLICY & PLANNING								
259: Sub-Total	Sub-Total	.00	13.00	27.00	40.10	49.70	21.70	151.70
260: Energy Planning and Development (371-0410)	ESF-0	00	13.00	5.00	1.10	10.90	11.70	41.70
261: ESF-1	ESF-1	.00	.00	.00	.00	.00	10.00	10.00
262: Energy Commodity & Equipment (371-0404)	ESF-0	00	00	2.00	24.00	24.00	.00	50.00
263: ESF-1	ESF-1	00	00	29.00	15.00	15.00	.00	59.00
253 III. HEALTH, POPULATION & NUTRITION (HPN):								
254: TOTAL-0	TOTAL-0	11.30	22.50	33.00	28.70	37.05	19.30	152.85
a. POPULATION								
255: Sub-Total	Sub-Total	4.20	4.00	29.20	17.10	27.05	9.30	85.85
256: Population Welfare Planning (371-0401)	ESF/DA-0	4.20	4.00	14.00	16.10	11.05	5.20	65.55
257: Social Marketing of Contraceptives (371-0404)	ESF/DA-0	00	00	5.00	3.00	9.20	4.30	20.00
b. HEALTH								
258: Sub-Total	Sub-Total	7.00	17.70	14.70	9.60	12.00	10.00	71.00
259: Malaria Control II (371-0472)	ESF-0	1.50	17.70	6.70	9.60	5.30	00	61.00
260: Primary Health Care (371-0473)	ESF/DA-0	5.50	.00	8.00	.00	6.70	10.00	30.00
254 IV. AREA DEVELOPMENT								
255: TOTAL-0	TOTAL-0	3.00	7.50	19.00	10.20	31.30	33.30	105.10
256: Tribal Areas Development (371-0471)	ESF-0	3.00	5.00	5.00	.00	.00	9.00	22.00
257: Balochistan Area Development (371-0470)	ESF-0	00	00	3.10	6.00	17.30	16.00	45.00
258: Roads Resources Management (371-0400)	ESF-0	00	00	00	00	00	7.10	7.10
259: North-West Frontier Area Development (371-0470)	ESF-0	00	2.50	9.50	4.20	13.00	1.00	31.00
255 V. OTHER PROJECTS								
256: TOTAL-0	TOTAL-0	7.50	6.50	6.00	5.00	8.50	26.30	60.00
257: Project Design & Implementation Fund (371-0470)	ESF-0	7.50	3.50	.00	5.00	.00	5.00	29.00
258: Development Support Training (371-0470)	ESF/DA-0	00	4.00	6.00	.00	8.50	21.30	40.00
256 VI. P.L. 489 TITLE I								
257: TOTAL	TOTAL	50.00	50.00	50.00	50.00	50.00	50.00	300.00

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PROJECT NUMBER AND TITLE	AMOUNT (\$ 000)						PERCENTAGE (%)						BALANCE OF PAYMENTS SUPPORT (Commodities & Other Costs)		CHECK	
	TOTAL ASSISTANCE	TECHNICAL TRAINING	COMMODITIES	OTHER COSTS	CONTINGENCY	TOTAL ASSISTANCE	TECHNICAL TRAINING	COMMODITIES	OTHER COSTS	CONTINGENCY	AMOUNT (\$000)	PERCENTAGE (%)				
	10:391-0296 Agricultural Research	3200	1730	119	1218	20	113	100.00	54.36	3.72	38.06	.63	3.53	1238		38.69	3200	0
12:391-0413 De-Fara Water Management	9500	2920	990	672	4915	0	100.00	30.74	10.42	7.11	51.74	.00	5590	58.84	9500	0
14:391-0457 Irrigation Systems Management	67000	28580	6725	5525	26170	0	100.00	42.66	10.34	7.95	39.06	.00	31495	47.01	67000	0
16:391-0448 Agricultural Conned. & Equip.	440000	0	0	440000	0	0	100.00	.00	.00	100.00	.00	.00	440000	100.00	440000	0
18:391-0449 Population Welfare Planning	65050	3985	2955	46106	12004	0	100.00	6.13	4.54	70.88	18.45	.00	58110	89.33	65050	0
20:391-0470 Project Design & Impl. Fund	20000	20000	0	0	0	0	100.00	100.00	.00	.00	.00	.00	0	.00	20000	0
22:391-0471 Tribal Areas Development	22000	2548	117	2503	16129	1103	100.00	11.57	.53	10.47	73.31	5.01	13432	60.79	22000	0
24:391-0472 Malaria Control II	41000	625	1658	3682	1891	146	100.00	1.52	4.04	89.47	4.81	.36	38575	94.08	41000	0
26:391-0473 Rural Electrification	204700	34080	3934	152946	13690	0	100.00	16.65	1.95	74.72	6.67	.00	166670	81.40	204700	0
28:391-0474 Development Support Training	40000	11425	24625	1750	2200	0	100.00	28.56	61.56	6.33	5.50	.00	3950	9.88	40000	0
30:391-0475 Primary Health Care	30000	2278	2853	8791	15978	100	100.00	7.59	9.51	29.50	53.26	.33	2469	82.56	30000	0
32:391-0478 Energy Planning and Devel.	51700	31819	3021	15910	200	750	100.00	61.55	5.84	30.77	.39	1.45	16110	31.16	51700	0
34:391-0479 Bluchistan Area Devel	45000	3120	860	1165	39615	300	100.00	6.93	1.78	2.59	88.03	.67	40780	90.62	45000	0
36:391-0480 Road Resources Management	7100	2300	400	3400	500	500	100.00	32.55	5.63	47.89	7.04	7.04	3900	54.93	7100	0
38:391-0481 Forestry Planning and Devel.	18000	5000	3279	1621	6913	1187	100.00	27.78	18.22	9.01	38.41	6.59	8334	47.41	18000	0
40:391-0484 Social Marketing of Contra.	23000	1610	40	12175	6175	0	100.00	6.95	.20	69.88	30.88	.00	18350	81.75	23000	0
42:391-0485 Northwest Frontier Area Devel	31000	2917	90	1900	25393	700	100.00	6.41	.29	6.15	81.91	2.25	27295	88.04	31000	0
44:391-0486 Energy Commodities Equipment	100000	0	0	100000	0	0	100.00	.00	.00	100.00	.00	.00	100000	100.00	100000	0
46:391-0488 Trans. & Integ. of Provincial Agricultural Network	33000	3180	2000	1000	26820	0	100.00	9.64	6.06	3.03	81.27	.00	27820	84.30	33000	0
48:391-0489 Management of Agricultural Research and Technology	20000	9620	5460	2770	2150	0	100.00	48.10	27.30	13.85	10.75	.00	4920	24.60	20000	0
50:391-0491 Food Security Management	27000	7897	2700	1678	13470	1255	100.00	29.25	10.00	6.21	49.89	4.65	15149	56.10	27000	0
52:391-0492 Ag. Sector Support Progra	8900	1360	6060	0	160	1180	100.00	15.85	68.99	.00	1.80	13.26	160	1.80	8900	0
PROJECT/PROGRAM TOTAL	1312150	176922	68675	845415	214393	7334	100.00	17.48	5.19	64.45	16.34	.56	1059308	80.77	1312150	0
P. L. 480 TITLE I	309000	0	0	309000	0	0	100.00	.00	.00	100.00	.00	.00	309000	100.00	309000	0
MISSION TOTAL	1621150	176922	68675	1154415	214393	7334	100.00	11.91	4.20	71.21	13.22	.45	1365608	84.45	1621150	0

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US ECONOMIC ASSISTANCE TO PAKISTAN STATEMENT OF EXPENDITURES FROM FY82 THRU FY87 (IN US DOLLARS)

PROJ. NO	TITLE	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL
391-0296	AGRICULTURAL RESEARCH	152,070	1,778,400	476,747	570,165	104,300	(37,003)	3,058,679
391-0413	ON-FARM WATER MANAGEMENT	0	2,118,706	(152,855)	2,084,119	1,317,048	4,068,812	9,435,830
391-0457	IRRIGATION SYSTEMS MANAGEMENT	0	5,000	3,845,681	6,078,001	10,974,341	16,195,611	37,098,634
391-0468	AGRICULTURAL COMMODITIES & EQUIPMENT	0	33,963,000	69,367,000	45,752,527	122,495,203	28,848,486	300,422,216
391-0469	POPULATION WELFARE PLANNING	4,780	1,673,741	3,904,987	8,709,274	5,641,015	5,248,180	25,170,977
391-0470	PROJ. DESIGN AND IMPLEMENTATION FUND	622,762	2,672,627	2,461,364	820,233	2,000,780	2,162,080	10,762,854
391-0471	TRIBAL AREAS DEVELOPMENT	0	65,799	631,201	629,777	1,939,785	1,765,737	5,032,299
391-0472	MALARIA CONTROL II	1,071,285	5,361,957	4,055,762	8,154,384	8,005,476	6,625,665	33,274,529
391-0473	RURAL ELECTRIFICATION	0	522,652	2,942,752	40,963,471	17,503,245	18,301,899	80,234,019
391-0474	DEVELOPMENT SUPPORT TRAINING	0	197,073	858,459	2,630,532	4,663,861	9,479,693	17,829,657
391-0475	PRIMARY HEALTH CARE	0	428,968	815,154	781,457	2,531,415	6,729,293	11,288,293
391-0478	ENERGY PLANNING & DEVELOPMENT	0	0	131,822	6,004,917	8,483,688	9,043,272	23,713,106
391-0479	BALUCHISTAN AREA DEVELOPMENT	0	0	0	179,812	2,145,299	3,324,448	5,649,559
391-0480	ROAD RESOURCES MANAGEMENT	0	0	0	0	0	0	0
391-0481	FORESTRY PLANNING AND DEVELOPMENT	0	0	0	532,272	1,149,805	1,823,420	3,605,497
391-0484	SOCIAL MARKETING OF CONTRACEPTIVES	0	0	1,123	1,727,846	1,301,257	919,907	3,950,143
391-0485	NORTHWEST FRONTIER AREA DEVELOPMENT	0	0	1,196,013	1,456,978	3,469,151	2,984,506	9,106,648
391-0486	ENERGY COMMODITIES AND EQUIPMENT	0	0	0	0	1,435,201	15,939,402	17,374,603
391-0488	TRANSFORMATION & INTEGRATION OF PROVINCIAL AGRICULTURAL NETWORK	0	0	0	654,292	2,728,392	2,846,133	6,228,817
391-0489	MGT. OF AGRIC. RESEARCH & TECH.	0	0	0	673,643	1,931,808	3,821,544	6,426,995
391-0491	FOOD SECURITY MANAGEMENT	0	0	0	351,601	2,960,418	4,583,620	7,895,039
391-0492	AGRICULTURAL SECTOR SUPPORT PROG.	0	0	0	0	0	0	0
	TOTAL	1,850,897	48,697,923	90,604,222	128,752,751	202,933,898	144,678,713	617,518,404

ANNEX C

Joint Statements by Governments of U.S. and Pakistan

1. U.S. Assistance to Pakistan 1982-1987,
issued June 15, 1981
2. U.S. Assistance to Pakistan 1988-1993,
issued March 24, 1986

U.S. Assistance to Pakistan

**JOINT STATEMENT,
JUNE 15, 1981¹**

James L. Buckley, Under Secretary of State for Security Assistance [Science, and Technology], and a team of U.S. officials from Washington, concluded their 5-day visit to Pakistan today and will fly back to the United States from Karachi early on the morning of June 16. During his visit, Mr. Buckley met for 2 days of talks with senior Pakistan leaders and officials including President [Mohammad] Zia-ul-Haq; Foreign Minister Agha Shahi; Finance Minister Ghulam Ishaq Khan; the Secretaries General of the Foreign and Defense Ministries, S. Shah Nawaz and Maj. Gen. (retired) M. Rahim Khan; Foreign Secretary Riaz Piracha; Lt. Gen. Ejaz Azim; Ambassador-designate to Washington, Lt. Gen. K. M. Arif; Chief of Staff to the President; and others. Mr. Buckley also visited Murree and refugee camps in the northwest frontier province and Baluchistan.

Mr. Buckley's visit, at the invitation of the Government of Pakistan, was part of the continuing dialogue established between the Pakistan Government and the U.S. Government during the last 4 months and aimed at finding ways for the United States to assist Pakistan in meeting the unprecedented threats it faces to its independence and sovereignty as a consequence of the developments in the region. The previous round in these talks had taken place in April when Foreign Minister Agha Shahi headed a team of senior Pakistani officials for talks with Secretaries Haig and Weinberger [Secretary of Defense Caspar W. Weinberger] in Washington, D.C.

Mr. Buckley's official talks in Islamabad, which took place on June 13 and 14, centered on U.S. proposals to provide economic assistance and to facilitate sales of military equipment to Pakistan. Detailed discussion took place on various levels of assistance and the composition of assistance required by Pakistan. The talks also provided an opportunity for discussions of urgent Pakistani military requirements which the United States has agreed to look into with a view toward determining which ones the United States might be able to satisfy through its foreign military sales program.

During the talks, the two sides discussed the serious threat to the

region posed by the presence of foreign troops in neighboring Afghanistan. Both sides agreed that a strong and independent Pakistan is in the mutual interest of the United States and Pakistan, as well as of the entire world. Mr. Buckley affirmed American determination to assist Pakistan and to support Pakistan's sovereignty and territorial integrity.

The Pakistani side explained Pakistani policies, especially Pakistan's commitment to the principles and purposes of the nonaligned movement and the Organization of the Islamic Conference. Both sides agreed that U.S. assistance as proposed is consistent with these principles and with Pakistan's nonaligned status. Mr. Buckley specifically disclaimed any American interest in military bases or in establishing any new alliances.

The United States and Pakistan discussed the dimensions of an overall framework for American efforts to assist Pakistan over the next 6 years. This includes a program of cash military sales during this year. It also includes a 5-year program of economic support funds, development assistance, and loans for foreign military sales—the total value of which is expected to be approximately \$3 billion, subject to annual approval by the U.S. Congress.

The multiyear approach is in response to the seriousness and immediacy of the threat to Pakistan's security. The United States has agreed to the sale of F-16 aircraft to Pakistan to assist Pakistan to improve its air defense capabilities; terms, timing, and numbers will be determined in a later meeting, likely to take place in Washington, between Pakistani and American military representatives. The United States agreed, also, to the early delivery of selected defense equipment urgently needed by Pakistan defense forces to meet the threats Pakistan faces.

Mr. Buckley invited the Government of Pakistan to send a team of military and defense officials to Washington to discuss military equipment needs and availabilities in detail. This visit is expected to take place before the end of June.

¹Made available to news correspondents by acting Department spokesman David Passage ■

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Department
of State
Publication

August 1981

JOINT US-GOP STATEMENT FOLLOWING TALKS IN ISLAMABAD
ON PROPOSED ASSISTANCE PROGRAM FOR FY 1988-93 (MARCH 24, 1986)

1. A US delegation led by Under Secretary of State for Security Assistance, Science and Technology Mr. William Schneider, Jr. paid a four day visit to Pakistan from March 21 to March 24, 1986. During its stay the US delegation held talks with a Pakistani delegation led by Mian Mohammad Yasin Khan Wattoo, Minister of Finance and Economic Affairs.
2. The visit of the US delegation took place in the context of the on-going discussions on the aggregate level, terms and conditions of the post-87 aid package. As a result of the discussions held, a mutually satisfactory agreement was reached, subject to U.S. Congressional approval.
3. The jointly agreed program of economic assistance and foreign military sales will support Pakistan's development priorities and defence modernization program. The programmed package of assistance amounts to 4.02 billion for six years commencing from 1987/1988. The package is at high favourable concessional rates.
4. The Government of the United States agreed to support the announced Pakistan Government program of economic policy reforms to improve domestic resource mobilization, stimulate private sector investment and increase the overall efficiency of the Pakistan economy.
5. Military assistance will be in the form of credit for military purchases. The military sales program will continue to play an important role in Pakistan's defence modernization effort.
6. It has been decided that the representatives of the two countries will meet annually at senior levels to review utilisation of the economic assistance program, progress towards economic policy objectives, and progress in Pakistan's military modernization programme.
7. The Pakistan Government stated that its acceptance of the US package does not in any way affect its commitments as a member of Islamic Conference and the Non-aligned Movement nor its position on major international issues in regard to which Pakistan's foreign policy has consistently maintained a principled stand. The US and Pakistan agreed that the further development of bilateral relations will not affect either party's relationship with any third country.

8. The US Government noted the existing US legislation relevant to nuclear non-proliferation and narcotics. The Pakistan Government reiterated the peaceful nature of its nuclear program and its established policy of dealing effectively with the narcotics problem.

9. Both sides affirmed their genuine desire to continue the existing relationship between the two countries which is based on trust, mutual respect and sovereign equality.

Economic

Annual level

Total

Terms

DA - 50

300

All grant

ESF 250

1500

All grant

PL-480 80

480

Soft loan

Sub-
Total 380

2280

Military

FMS - 290

1740

All concessional

Total 670

4020

ANNEX D

Balance of Payments excerpt from USAID/PAKISTAN
Briefing Paper prepared for AID Administrator
Wood, January 1988

ANNEX D
EXCERPT FROM USAID/PAKISTAN BRIEFING PAPER PREPARED
FOR AID ADMINISTRATOR WOOD DATED JANUARY 1988
BALANCE OF PAYMENTS

"While Pakistan's external position improved somewhat in PFY 86/87 due to a better trade balance, concerns remain regarding the sustainability of Pakistan's Balance of Payments position over the medium term.

"An analysis of the trade balance highlights the fact that recent improvement was primarily due to higher international prices for Pakistan's exports (rice, cotton, textiles) coupled with lower prices of its major imports (petroleum, fertilizer, edible oils). While the 20 percent improvement in exports for the current Pakistan fiscal year to date has received much attention, what has not been highlighted is the fact that imports for the same period have increased by 19 percent.

"The level and composition of foreign exchange reserves is another source of concern. Over the past two years, reserves have been around \$800 million providing import cover for at most, 6 weeks. The absolute level of reserves is one half of World Bank stipulated targets and we do not foresee any appreciable movement towards the achievement of those targets. If anything, the recent movement has been in the opposite direction. Moreover the transitory nature of the reserves is a further source of concern. The amount of GOP owned FX reserves ranges between one-third to one-half of the total amount. The remainder is made up by short-term foreign currency deposits of foreign commercial banks, along with deposits of foreign monetary agencies-- primarily those of Saudi Arabia and Kuwait.

"External civilian debt servicing requirements have been steadily rising in the past few years and are expected to approach \$2 billion (40 percent of exports of goods and services) for PFY 87/88 including repayments to the IMF. Total civilian external public debt is expected to be \$15.9 billion by the end of PFY 87/88--representing 41 percent of GNP. With the maintenance of the current policy stance, IMF projections indicate a gradual worsening of the balance of payments position with the current account deficit widening to 4.2 percent of GNP by PFY 92/93, external civilian debt increasing to \$23.7 billion and gross official reserves worth 0.8 weeks of imports".

"In summary, factors such as concentration of the export base, declining workers' remittances, low level of GOP owned foreign exchange reserves, declining capital inflows, and rising debt service requirements pose significant challenges to the medium term viability of Pakistan's balance of payments position."

ANNEX E

The PL 480 Title I Program in Pakistan, 1981-1988
and Future Prospects

THE PL 480 TITLE I PROGRAM IN PAKISTAN, 1981-1988 AND FUTURE PROSPECTS*

Modern History, FY 1981-82

The PL 480 Title I program in Pakistan started in 1954 and has continued without a break. The total value over the years is well over \$2 billion in current dollars and much more if it were put on a constant dollar basis. Programs in the 1960's and 1970's were dominated by wheat because of the large deficit between wheat production and consumption. Since 1980, edible oil has been the only commodity. The FY 1981 through FY 1987 programs have consisted of \$50 million annually for edible oil. The FY 1988 program was increased to \$80 million, of which \$70 million was for edible oil and \$10 million for corn. An amendment to switch the \$10 million from corn to edible oil is likely.

The FY 1981 program represented a departure from previous programs because of the emphasis on edible oil. For example, the FY 1980 program had six self-help measures of which only one concerned edible oil. The 1981 program contained nine self-help measures, of which six related to edible oil and oilseeds. The reason for the switch in emphasis was the relative self-sufficiency of Pakistan in wheat, the rapidly growing imports of edible oil and the selection of edible oil as only commodity in the PL 480 program.

The FY 1981 program is interesting for another reason as well. A six person team was brought from Washington to assist in the development of self-help measures. Three American personnel from the Mission also worked full time on this activity. The apparent reason for this emphasis was the shut down of the development assistance program in 1979, leaving the PL 480 program as the only source of new funds in the Mission. Although the Soviets had invaded Afghanistan in late 1979, the U.S. Government's first offer of assistance to Pakistan had been rebuffed as insufficient. This situation changed, however, with the signing of a 6-year program of military and economic assistance in August, 1981, with obligations to start in FY 1982. The PL 480 program at \$50 million for each of the six years, a situation unique to Pakistan, was part of the package.

* This annex was written by Paul Mulligan who served in the Title I Food for Peace Office in AID/W from June, 1980 to June, 1982. He was responsible for the Pakistan program during this time as well as for other Title I programs in Asia and five programs in Africa. He came to Pakistan in January 1981 as part of a six person team to design self-help measures for the FY 1981 PL 480 Title I Program. He also came to Pakistan on TDY in May 1982, partly in connection with the PL 480 program. He arrived in Pakistan in November, 1982 as the Program Economist of the Mission and soon became manager of the PL 480 Title I Program when the program was shifted from the Agriculture Office to the Program Office. He managed the FY 1983 through FY 1988 programs in Pakistan.

The special FY 1981 PL 480 team spent several weeks in Pakistan visiting ghee mills and agricultural research institutions. It came to the conclusion that a multi-faceted approach was necessary in order to stimulate domestic production of edible oil and oilseeds. That is: one self-help measure addressed the issue of support prices for oilseeds; a second called for additional funds to the Ghee Corporation of Pakistan for its efforts to expand oilseed production; another self-help measure established acreage benchmarks for the planting of nontraditional oilseeds and a fourth called for additional expenditures on oilseeds research. Two benchmarks were concerned with more narrow policy considerations. The first called for a review of the retail price of vegetable ghee and the necessity for raising prices in order to stimulate the production of oilseeds. The other benchmark called for a review of rules and regulations that constrained private investment in the production, processing and marketing of oilseeds.

Because the FY 1981 Agreement was signed on June 4, 1981 and there was an effort to sign the FY 1982 Agreement earlier in the year, the Mission decided to keep the same self-help measures for the second year. There had been relatively little time to make much progress on the self-help measures in the FY 1981 Agreement. The only change was a requirement for an oilseed study to assess the comparative advantage of Pakistan in expanding oilseed production. The self-help measure calling for the expansion of acreage was dropped. This Agreement represented a turning point in the strategy of the Mission. The negotiation of the Agreement was carried out at a time of relatively low world prices for edible oil. The U.S. had a surplus of edible oil and thus the U.S. Department of Agriculture was under congressional pressure to insure that the USG was not expanding oilseed production overseas. After a long exchange of cables and meetings in Washington, the Mission agreed that future PL 480 Agreements would not attempt to increase oilseed production in a direct manner. The Mission had begun a very large (\$1 million) study of edible oil and oilseeds in preparation for a project. Early results were suggesting that the policy environment was the major barrier to expanded production of oilseeds and edible oil. Even the extraction rate of oil from cottonseeds had declined over the years because of the policy situation. The Mission did not have any regrets in dropping self-help measures directly concerned with production and research because it had lost faith in their efficacy. The remaining self-help measures on prices and the processing industry formed the basis of the strategy for the next six years.

The FY 1983-88 Program

As a result of the 1982 discussions and the oilseed study, the Mission shifted its attention to the processing industry. The Mission had come to the conclusion that the real problem was the non-existence of an effective demand for oilseeds and domestic edible oil. The prices for oilseeds, and especially for domestic edible oil, were low and monopsonized by the Ghee Corporation of Pakistan. It was the only legal purchaser of cottonseed oil and nontraditional oilseeds. The poor marketing system was such that farmers had relatively little incentive to grow oilseeds because of low prices and the difficulty of getting paid. Entry into the vegetable ghee industry, which was and is the principal

purchaser of edible oil, was restricted due to the need for sanctions. The Ghee Corporation dominated production with more than 80 percent of capacity and the private companies enjoyed handsome profits with little incentive to search out domestic edible oil at prices lower than the subsidized rate at which they were importing oil.

The major study of the edible oilseeds industry was in draft form by the time the FY 1983 Agreement was signed on May 15, 1983. In fact, one self-help measure called for the USG to finance a study of a buffer stock of edible oil, which essentially was an extension of the policy studies done under the major oilseeds study. The major study, Pakistan's Edible Oilseeds Industry, was not published in final form until March, 1984. The buffer stock study entitled Pakistan Edible Oils Stock and Trade Management was published in January, 1985.

The FY 1983 Agreement had four self-help measures, of which the one dealing with buffer stock was already mentioned. The first self-help measure called for the GOP to continue the liberalized policy of prices for edible oil products. The third self-help measure called for a policy of progressive privatization of the vegetable ghee industry. The fourth self-help measure called for a consideration of import duty and credit programs to facilitate the importation of oilseed meal for the livestock and poultry industry. These three self-help measures, with small variations in wording and significant variations in benchmarks, continued in the FY 1984 through FY 1988 PL 480 Agreements. The underlying assumptions were that an increase in effective demand for domestic edible oil through policy changes would stimulate oilseed production and reform in the industrial environment would be beneficial for overall economic growth in Pakistan.

The Multiyear Strategy

As the Mission began preparations for the 1985 program in the fall of 1984 and indicated its intention to continue with similar self-help measures, AID/W suggested that we develop a multiyear strategy or framework that set out the objectives that the Mission was trying to achieve. This paper was completed in 1985 shortly before the Agreement was signed. The heart of the strategy paper was a series of policy changes that were thought necessary to deregulate the industry in such a way that there would be conditions favorable to the production of the domestic oilseeds. The strategy put these items in a timetable for the next three years. Mission thus had a basis for identifying benchmarks for future programs and some confidence that it was moving in the right direction. The framework proved very useful for the FY 1985 and FY 1986 programs. The GOP announced substantial policy reforms in late 1986 that met many of the objectives and benchmarks in this paper. The remaining items have proven to be more difficult to achieve. The FY87 program did not make significant demands on the government for additional progress because it was more in the nature of a reward for good progress. The Agreement still called for items of interest such as a review of sanctioning requirements, a review of import and credit policies for oilseeds, a study of credit policy and a professional quality study of the GOP's variable duty on edible oil imports. The benchmarks still were generally in keeping with the long term strategy framework.

The FY 1988 program was expanded to \$80 million as part of the new six year program of military and economic assistance that began October 1, 1987. Because of the larger size of the program and other considerations, the Agreement was signed March 24, 1988, three months earlier than the previous Agreement. The self-help measures and benchmarks were not particularly rigorous, although they require significant actions by the GOP. One of them set the stage for studies that might result in privatization of some units of the vegetable ghee industry. Three new self-help measures were added, dealing respectively with employment and small scale industry, nutrition, and the planting seed industry.

Most targets set out in the 1985 strategy have been met or are likely to be met in the near future. The private sector share of the processing industry has increased from roughly 20 percent to more than 50 percent and is likely to reach 70 percent in a few more years. Prices have been deregulated and have risen sharply in the past two years. Although the US Government does not approve of the variable tariff on edible oil, it has had the effect of raising the domestic price of edible oil 40 to 50 percent above world market levels and appears to be laying the foundation for a stronger marketing system. The major objective of the GOP regarding the variable duty is to raise revenues rather than stimulate domestic production so the production impact may be slow in coming. Complete deregulation of the ghee industry through the elimination of sanctions is a strong possibility. The actual change, however, will be a decision by the Government of Pakistan at a time of its own choosing. USAID has provided the technical justification and influenced sufficient people in the government who can carry out this change. The only item on which there has been no progress is the proposed edible oil commodity market for Karachi. This proposal probably was not well thought out and also is premature.

Future Directions

Although the two basic self-help measures dealing with price liberalization and privatization are still important, they have become somewhat shopworn and tired. The challenge is to come up with a new long term framework for the PL 480 program. Although the program probably will consist entirely or primarily of edible oil, it is not clear that the self-help measures need to focus on edible oil and oilseeds. We have accomplished most of what we set out to achieve and thus these self-help measure might assume a lower profile. The self-help measures dealing with the importation of oilseed meal have been a failure and probably should be retired as a valiant effort, which ultimately was unsuccessful.

The livestock industry in Pakistan might provide one focal point for future programs. Meat, milk and egg production have not kept up with the demand of a rapidly growing and richer society. The livestock industry is intimately associated with oilcake and oilmeal, and thus is a key item in any long term strategy for oilseeds. A stable demand for oilseed cake and meal is necessary if the production of oilseeds in Pakistan is to be economically attractive. The Economic Analysis Network project has done some studies on the poultry, dairy and feed industries that might be useful for the formulation of a new long term framework.

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Another point of emphasis, which is also related to oilseeds, is agro-industry. The ghee industry is the part of the industry that is most affected by Government sanctions, but other parts also are seriously constrained. For example, various regulations restrain the production of hybrid seed by the private industry in Pakistan. There also are restrictions on the production of tractors and ultra high temperature milk plants. Most serious are the myriad of federal, provincial and local regulations that affect almost every industry in Pakistan.

A third area of emphasis is the foreign trade regime affecting both the import and export of agricultural inputs and outputs. Although other international agencies have been taking the lead in this sensitive area, USAID could carve out a section to develop its expertise and area of emphasis. We have become very much aware of the problems of tariffs and import licenses in connection with our efforts to facilitate the importation of oilseed meal.

Two additional areas that offer potential are nutrition and agricultural credit. Previous self-help measures have addressed these issues and follow on studies have described these areas as ones needing attention. Self-help measures, and especially the use of local currency, might have potential for addressing one or both of these areas.

ANNEX F

USAID/Pakistan Policy Dialogue Matrix Keyed to Program Goals

FY 1988 - FY 1989

ANNEX F: POLICY DIALOGUE MATRIX

The policy dialogue agenda for the FY1988-FY1993 period is implicit in each of the ten goals established during the CDSS planning process. These goals are indicated by area below, along with a brief description of some of the major policy dialogue initiatives that will be required to achieve those goals.

<u>Goal for CDSS Period (FY1988-FY1993)</u>	<u>Major Policy Dialogue Concern</u>	<u>Current Status</u>
<u>1. Balance of Payments Pressure</u> To help sustain economic growth by strengthening the balance of payments.	Price liberalization and increased competition in edible oils through PL-480 self-help measures. Increase industrial efficiency through deregulation. (Other concerns dealt with under various sectoral goals).	GOP is allowing retail prices to rise as international prices rise, possibly stimulating domestic production and restraining demand. The GOP continues to eliminate sanctioning regulations by industry but still requires it for all foreign investment.
<u>2. Inadequate Domestic Resource Mobilization</u> To improve public sector revenues and mobilize greater financial resources for private investment.	Inauguration of private investment institutions. Movement of autonomous public sector institutions such as WAPDA and OGDC off-budget with responsibility for raising their own capital.	GOP regulations formally permit establishment of such institutions. USAID has offered technical support to turn this announced policy goal into reality. The World Bank is also pursuing this goal. The recent issuance of government-guaranteed WAPDA bonds is a positive first step.

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Mobilization of higher revenues through user fees and more efficient pricing structures in energy, irrigation and health while trying to reduce drain on budget caused by subsidies for fertilizer, wheat storage and public sector companies.

GOP follow-up on various tax reforms recommended by the 1987 National Commission on Taxation.

(Other concerns dealt with under various sectoral goals).

3. Low Agricultural Productivity

Institutional improvement and policy reform, contributing to agricultural growth in constant prices above 3.6 percent annually.

Major assessment of agribusiness sub-sector, followed by policy measures and incentives to allow agribusiness to supply farmers with needed inputs, information and markets.

Agricultural reforms as indicated in policy-oriented research in such areas as subsidy elimination, deregulation, and privatization.

Institutional and policy reform in irrigation, including movement toward increased water user fees covering 100 percent of the operations/maintenance of the irrigation system by 1993.

Some progress has been made in energy, fertilizer, irrigation, agricultural pricing. In view of continuing resource mobilization problems, further progress is needed.

In this context, we are interested to know what tax reform measures the GOP anticipates for its FY1988 budget.

USAID is financing a major review of the agribusiness sector, with concrete policy recommendations to follow.

Progress achieved in edible oils wheat and fertilizer. Under the FY1988-FY1993 program, the agenda here will be expanded to areas such as grain storage.

USAID is heavily involved in the irrigation sector, but policy reform is slow in coming. Progress on fees as well as other issues such as privatization of tubewells is needed.

4. Energy Deficit

To increase the availability of energy on an economically rational, self-sustaining basis.

GOP approval of a Rural Electrification Master Plan which includes socio-economic criteria for village selection.

Follow-up of announced policy supporting private sector power generation with implementation of pilot power projects.

Continued movement by WAPDA toward pricing policies that allow it to self-finance all operational and investment costs.

Establishment of WAPDA tariff system that introduces peak load pricing for large industrial consumers.

GOP and WAPDA are now preparing a document which would establish. If approved, the expansion component of USAID's Rural Electrification Project could be activated.

Considerable progress is being made in this area and at least two proposals have been approved. USAID has offered technical assistance and other support to support further expansion.

The World Bank is taking the lead on this issue. In recent years, 40 percent self-financing requirements have been met.

World Bank and ADB sponsored studies in these areas have been delayed. USAID will maintain continuing dialogue on this subject in conjunction with the 40 percent self-financing criteria.

5. High Population Growth Rate

To reduce Pakistan's high population growth.

Need for GOP to vigorously implement its announced population policies, with special emphasis on involving health services network and the private sector.

A long-standing commitment to add family planning to health services has still not been met. An innovative social marketing contraceptive activity launched by a private firm is underway. Recent policy pronouncements on this issue need to be followed up with visible political support for pro-

1/2

6. High Rates of Infant and Child Mortality

To reduce high rates of infant and under five mortality.

Adoption of appropriate child survival strategies and emphasis on health resource mobilization that gives highest priority to preventive health care and well-managed service delivery rather than construction of inadequately managed and underused government health centers.

USAID in coordination with other donors is developing a major Child Survival initiative which would include key policy reform measures. A proposed Children's Commission and Institute would, if established, consolidate political commitment and augment institutional capacity to implement programs, especially in the private sector.

7. Low Primary School Enrollment Rates

To increase access to and quality and efficiency of basic (primary) education.

Sustained increase in GOP budget allocations for primary education and decentralization and other policy changes (salary increases, incentives to rural teachers, etc.) that support accountability, community participation, and expansion of female education.

In recent years, GOP budgetary support for primary education has improved. As a result, USAID is developing a primary education project that will address other key policy-related concerns.

8. Quality Improvements in Key Institutions

To improve Pakistan's ability to generate and manage human and physical resources in both the public and private sector.

Support for "institutional excellence" concept, including accountability, institutional autonomy, and support for private sector initiative in this important area.

GOP has accepted a USAID-funded scholarship program for the private sector as well as USAID support for a private institution (LUMS) in Lahore.

E-4

9. Lagging Areas

To ameliorate the gap in development between the lagging areas such as NWFP, Baluchistan, interior Sind and those that have achieved greater economic progress.

Effective implementation of announced policy goals.

Under a long-standing formula, a greater proportion of the GOP development funds are allocated to Baluchistan and the NWFP.

10. Narcotics

Eradication of poppy cultivation.

Effective implementation of announced policy goals.

Early indications from Gadoon this season are encouraging. However, elimination of poppy production in areas is often followed by the introduction or expansion of poppy in other areas.

ANNEX G

Donor Coordination

1. Summary of AID to Pakistan consortium meeting, May 6-7, 1985
2. USAID Briefing Document-"USAID cooperation with other Donors"

ANNEX G

CONSORTIUM MEETING PARIS: MAY 6-7, 1985

CHAired BY MR. W.D. HOPPER, VICE PRESIDENT SOUTH ASIA REGION, IBRD.

A. IBRD

1. Bank noted that this fiscal year had been one of accomplishments for the Pakistan economy. Cotton price crops had hit record highs. Industrial output had accelerated. Overall GDP growth was likely to exceed targets. Private sector grew rapidly. Inflation was moderate.
2. Disturbing elements:
 - a) Deterioration in budget situation
 - b) Deterioration in B of P situation
 - c) Little expansion in value of exports
 - d) Stagnation in non-traditional exports
 - e) Fall in migrant worker remittances
3. Urgent attention needed to:
 - a) Reduce budgetary pressures through increasing revenues and rationalizing expenditure priorities.
 - b) Adjustments in exchange rate.
 - c) Improvements in areas of public investment and foreign trade performance.
 - d) Better performance in exports and imports substitution.
 - e) Improvement of productivity in agriculture industry and energy.
4. Also, shortfalls in first two years of Plan (particularly in the energy and social sectors) have necessitated GOP preparing a 3-year Priority Program to preserve Sixth Plan objectives. Bank has reviewed the Program and considers it to be in line with projections of available foreign and domestic resources. If foreign resource requirements are to be realized, GOP needs to improve capacity to plan and implement projects to fully utilize such aid, while donors would have to expand volume of aid. Re: domestic resources, GOP needs to:
 - a) introduce broad-based sales tax
 - b) more widely applied user charges
 - c) increase in public enterprise savings
 - d) more efficiency in public enterprise management
 - e) improve implementation of projects so that low priority expenditures do not increase.
5. In the Bank's view, if GOP is to sustain economic momentum of recent years, the structural adjustment process began in the early 1980s will have to continue, with special focus on need to raise level of public investment and increase

international competitiveness of the economy. This means an increased domestic resource mobilization effort and a reordering of sectoral priorities.

B. IMF

1. Developments in external sector and in public finance have been worrisome:
 - a) Sharp decline in migrant remittances
 - b) Competitive difficulties for exports
 - c) Reserve losses (US \$ 800m in first 9 months of 1984-85)
 - d) Shortfall in tax revenues.
 - e) Increase in overall deficit and resort to bank borrowing
2. Urgent attention required to:
 - a) More flexible exchange rate policy
 - b) Substantive tax reform
3. IMF was happy about GOP moves in the structural reform effort, including import reform, liberalization program, and price rationalization in agricultural and energy sectors. It reiterated its willingness to discuss with Pakistan a framework of policy responses to address needs of present situation.

C. ADB

1. Concern expressed over rapid deterioration in B of P situation over past 2 years.
2. Expressed need for:
 - a) Acceleration of process of structural adjustment
 - b) Improvement of savings and resource mobilization
 - c) Deregulation of present system of credit allocation and control(which could be conducive to the motivation and improvement of the mobilization of savings by the financial sector).
 - d) Mobilization of savings from rural areas (these being recipients of the major part of workers' remittances).
 - e) Increase of budgetary surpluses through progressive elimination of subsidies, higher user fees for certain public services, and restructuring of tax system.
3. Bank's primary lending commitments remain in agriculture, energy and industry, but increased attention to the social sectors (particularly education) possible, since there is recognition that a pre-requisite for sustained long-run economic growth is an enhanced development of the social sectors. ADB's lending strategy had been determined taking

into account (1) Pakistan's overall resource and sectoral needs, based on an assessment of key determinants and constraints to stable growth; (2) response of GOP to these needs and the resource gap requiring donor assistance; and (3) nature and extent of other donor participation.

4. Focus of ADB's assistance in agriculture: increase productivity and crops output; energy: increase operational efficiency and supply of alternative fuels; industry: bring about structural transformation through deregulation, tariff reforms and privatization.
5. Re: expanded role of Provinces in Sixth Plan, ADB noted the increasing reluctance of the Provinces to involve themselves with foreign-aided projects, principally on the grounds that these projects usually have to be absorbed without any additionality within the provincial annual development programs. ADB felt that the practice of COP in passing on funds to the Provinces at the same terms it has received from foreign donors--often highly concessional--needs to be seriously reexamined, especially in the light of severe constraints on the availability of such concessional funds. ADB had commended for GOP consideration an alternative mechanism, namely, the pooling of all official development assistance and the establishment of standardized relending terms to the Provinces.

D. PAKISTAN

1. Growth rate expected to be 10% in agriculture, 8.5% in industry, and GDP around 8-9%.
2. Two specific shortcomings in physical production of major sectors: (a) wheat output below target, and (b) a substantial power deficit.
3. Re: Balance of Payments, decline of foreign exchange reserves in the first half of the year (due mainly to depressed exports and slow down in remittances, had been arrested. Exchange rate fluctuations (which caused larger requirement of rupee resources for debt servicing, coupled with lower than originally anticipated estimate of receipts from small savings schemes) had affected the budgetary situation, and deficit financing had increased to about double that projected at the time of budget. Rate of monetary expansion not expected to exceed 15%. Inflation was under control with price increases for the year projected to be around 9%.
4. For 1985-1986, donors asked to consider:

- a) larger proportion of quick disbursing aid available under non-project programs (to help sustain upward trend in net aid flows and support B of P rising investment levels);
 - b) priority support for social sector projects;
 - c) placing greater emphasis on private sector support through financial intermediaries. Pakistan expected increase of some 37% in external assistance disbursement and this was largely due to continuing dialogue between GOP, donors and financing agencies re: streamlining of appraisal, approval and disbursing policies.
5. The Pakistan-Donor Aid Task Force had been constituted and progress had been made on its recommendations on project appraisal and implementation. Agreement had been reached on a number of substantive issues relating, among others, to project planning/approval, budgeting, procurement, and training programs.

E. DISCUSSION

1. Members welcomed return to representative form of government, and appreciated adoption of Three Year Priority Program as an appropriate measure to maintain strategies/policies/priorities of Plan.
2. Urgent and concerted effort for domestic resource mobilization stressed in view of drop both in worker remittances and savings role. More information and timeframe asked for measures such as tax reform, self-financing of public sector enterprises, deregulation, elimination of subsidies, and increased user charges.
3. Members called for:
 - a) basic change in trade regime as well as investment incentives to increase/diversify exports and promote efficient import substitution for meeting worsening trade balance and widening current account deficit;
 - b) full/swift utilization of available capital inflows, stimulation of export receipts, and encouragement of domestic savings;
 - c) progress in the area of strengthening human resource base as spending in social development field (especially education and health) were below Plan target levels; and

- d) acceleration of the slow rate of progress in implementation of GOP population welfare program
- e) continuing aid from international community to meet refugee burdens

and reviewed special development and Enforcement Plan for Opium Producing Areas (SDEP).

- F. The discussion was followed by commitments pledges by members of the Consortium.

USAID COOPERATION WITH OTHER DONORS
General Briefing Document: O/PRO
USAID/PAKISTAN

I. OVERVIEW

USAID is one of the three largest donors in Pakistan: the other are the World Bank and Asian Development Bank. USAID has the largest technical staff of any donor in Pakistan. The World Bank maintains an office for technical and liaison purposes. USAID cooperates with these banks in both the financing of projects and the conditionality attached to them. In addition, U.S. Directors at the World Bank and the Asian Development Bank request the USAID Mission to comment on all proposed projects at various points in the project development process, particularly regarding policies and private sector participation.

II. PAST AND PRESENT DONOR COOPERATION

A. Joint Funding

USAID is co-financing several projects with the World Bank and the Asian Development Bank, most prominently in the irrigation and energy sectors. Joint financing for rehabilitating the irrigation system through the ISM/IRM projects is working reasonably well, but progress is slower in improving policies and procedures. Still, this cooperation has contributed to greater recognition by host country officials that some attention must be given to policy issues if long term meaningful reforms are to occur in the irrigation system.

The World Bank and USAID both are financing on farm water management projects. USAID developed this concept in the 1970s. It has proved effective in reducing water losses and is popular with farmers. The two donors have worked together to increase the contribution of farmers to these improvements.

Joint USAID/World Bank efforts are applied on a sector basis as well as for individual projects. Work underway by a USAID contractor in the areas of irrigation operation and maintenance funding and cost recovery was planned with World Bank participation. It is being used by the Bank as a basis for a policy dialogue on all water sector activities. Two USAID contractors are also playing major roles in planning of the Bank's next irrigation rehabilitation project (ISRP-II).

USAID and the Asian Development Bank are jointly financing the 400 MW Guddu combined cycle electricity generating plant. Each donor is financing two gas turbines and generators; the Asian Development Bank is financing the waste heat recovery boilers and generators while USAID is financing the design and engineering costs. This project has progressed well and is a good example of co-financing in terms of

infrastructure projects. However, it does not contain significant policy conditionality.

Both the World Bank and Asian Development Bank are planning and considering additional joint financing with USAID in the energy field. The ADB is considering financing a project similar to the Power Distribution component of USAID's Rural Electrification Project, which aims to rehabilitate and raise the efficiency of the distribution system. ADB's successful experience of adding \$140 million to the USAID-designed Guddu plant probably is responsible for this serious consideration. The World Bank will add \$5 million to the ENERCON project where USAID provided initial funding, and may fund a thermal power rehabilitation project (\$100 million) which USAID consultants are designing. Both the World Bank and Asian Development Bank are following the Lakhra coal and power project very closely and may participate in the funding of it.

B. Conditionality

1. Actual Experience

The World Bank's recently implemented Energy Sector Loan and the donors' energy coordination meeting in Islamabad in September 1985 are outstanding examples of close donor collaboration and reinforcement of policy conditionality. USAID is helping the GOP to meet some of the sector requirements through its other assistance activities. For example, the reorganization of the power sector will be based in part on studies carried out by USAID-financed consultants in the Rural Electrification project. Similarly, the loan's requirement in energy conservation and planning will be met by USAID financing for ENERCON and ENERPLAN. The issue of coal imports is being looked into by a feasibility study financed by the Canadian Government.

Some conditions in the World Bank's proposed Agricultural Sector Loan have been based on conditions in USAID projects or have been developed by USAID. The loan's requirement for at least 60 percent of fertilizer distribution to be carried out by the private sector is a condition that USAID has in one of its projects. The proposed conditions for a reduction of the fertilizer subsidy and for higher water user charges build upon previous World Bank conditionality and are fully supported by USAID.

2. Potential Cooperation

USAID has followed closely the progress of the World Bank's proposed Industrial Sector Loan and the substitute Export Promotion Loan. Although USAID has no projects exclusively in the industrial sector, we have expressed our views on these subjects to a limited degree in the PL-480 Title I program and the Agricultural Equipment and Commodities project.

Tariff reform was to be a part of the proposed, and now defunct,

Industrial Sector Loan. We believe that this subject is too important to drop or delay and will urge the World Bank and Asian Development Bank to keep the pressure on the GOP. Pakistan's protected industries need to be exposed to competition so they will become more efficient and be able to compete internationally. Large industrial investments should be as useful for this purpose as a sector loan. USAID will do what it can to cooperate by grant funding, for example, studies on the subject. We may try to establish some conditionality regarding tariff reform, but it would be more limited than what the MDBs can do.

Efforts at deregulation, privatization and divestiture still are in the formative stage within the GOP and the donor community. Our thinking has evolved in several industries, particularly fertilizer and edible oil. We expect the proposed World Bank and Asian Development Bank Oil Seed projects to have strong conditions on policy reform as an example of coordination and mutual support among the donors.

Both USAID and the World Bank have been urging the GOP to eliminate various subsidies, especially for wheat, atta, fertilizer and edible oil. These subsidies need to be reduced both to improve the fiscal situation of the Government and to improve economic efficiency by pricing commodities at levels that reflect their true domestic resource cost or imported cost. We would look to conditionality being a major part of any further lending in the industrial and agriculture sectors.

The World Bank has been working with the Government of Pakistan on electricity tariffs and petroleum and natural gas pricing, both at the wellhead and to the consumer. USAID has supported these efforts and expects that the scheduled price increases will continue to occur.

III. USAID Post 87 Policy Initiatives

USAID is planning a new multi-year program of assistance to Pakistan to begin October 1, 1987. This program will be for a specific amount of dollars and is expected to be related to policy reform. We expect to hold annual meetings that will transform objectives into specific targets that can be used to make disbursements. Of course, some of the disbursements will be met through a continuation of traditional projects, but the larger share may consist of commodity imports and dollar transfers based on policy changes or other performance targets. This emphasis will require very close cooperation among USAID, the World Bank and the ADB in order to support each other's policy discussions and avoid conflicts. Any weakening of one donor's resolve in its conditionality will effect the ability of others to negotiate policy reform associated with assistance. Therefore we need to coordinate closely in setting real achievable objectives and sharing our understanding of problems.

The sectors in which USAID would like to see continuing progress are agriculture, energy, the social sectors and general macroeconomic

management. In particular, we would like policy changes to bring about increases in domestic resource mobilization, price deregulation, reduced government intervention in management decision making, and tariff reform. In the agricultural area we would like to continue distribution and price deregulation, irrigation system cost recovery through water user charges, more private food storage and distribution, and greater private sector participation in the delivery of agricultural services.

Energy sector initiatives include greater utilization of domestic energy resources, increased self financing of energy investment, institutional reform, and greater private participation in energy development and operations.

Primary social sectors objectives would be to reduce the population growth rate and to focus health care on child survival to reduce infant mortality. There may be some role for us in primary education, especially of females.

We look forward to continuing the cooperation of the past and even increasing it in the future.

ANNEX H

U.S. Economic Assistance to Pakistan, 1982-1987 (Actual)
and 1999-1993 (Planned), Compared

ANNEX H

U.S. ECONOMIC ASSISTANCE PROGRAM FOR PAKISTAN
 UNITED STATES FISCAL YEAR 1982 TO 1993
 (Millions of United States Dollars)

Sector/Project Title & No.	FY 1982 - FY 1987		FY 1988		FY 1993	
	Planned Total	Percent of Total	Mortgage	Proposed Add-on	Total Demand	Percent Total
<u>SECTOR SUMMARY:</u>						
1. Agriculture & Rural Dev.	597.00	45.50	406.70	345.50	752.20	34.6
2. Energy & Environment	343.50	26.18	201.50	435.00	636.50	29.2
3. Health, Population & Nutrition	156.05	11.99	8.95	228.05	237.00	10.9
4. Human Resource Development	25.00	1.91	.00	205.00	205.00	9.4
5. Area Development	90.60	6.90	45.40	287.00	333.40	15.3
6. Other Projects	100.00	7.62	10.00	.00	10.00	0.4
TOTAL ESF/DA PROGRAMED/PROPOSED	1312.15	100.00	573.55	1500.55	2174.10	100.0
PL 480 TITLE I	309.00			480.00	480.00	
=====						
GRANT TOTAL:	1621.15		673.55	1980.55	2654.10	
<u>SECTORAL DETAIL:</u>						
<u>Agriculture & Rural Development</u>	<u>597.00</u>	<u>45.50</u>	<u>406.70</u>	<u>345.50</u>	<u>752.20</u>	<u>34.6</u>
-On-Farm Water Management	10.00	.00	.00	.00		
-Irrigation System Management	55.90		24.10	140.00	154.10	
-Agriculture Commodities & Equip.	411.00		64.00	.00	64.00	
-Forestry Planning & Development	18.00		7.00	17.00	24.00	
-Food Security Management	27.00		8.00	.00	8.00	
-Agricultural Research	3.20		.00	.00	.00	
-Transformation & Integration of the NNFP's Provincial Ag. Network	33.00		2.50	38.50	41.00	
-Management of Agricultural Research and Technology	20.00		10.00	.00	10.00	
-Agricultural Sector Support Project	8.90		291.10	.00	291.10	
-Supporting Provincial Agricultural Production				150.00	150.00	

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<u>Energy:</u>	<u>343.50</u>	<u>26.18</u>	<u>201.50</u>	<u>435.00</u>	<u>636.50</u>
-Rural Electrification	198.50		141.50	.00	141.50
-Lakhra Coal Power Generation				125.00	125.00
-Energy Planning & Development	45.00		60.00	.00	60.00
-Energy Commodities & Equipment	100.00				
-Private Sector Power				150.00	150.00
-Large Scale Power				160.00	160.00
<u>Health, Population & Nutrition:</u>	<u>156.05</u>	<u>11.89</u>	<u>8.95</u>	<u>229.05</u>	<u>237.00</u>
-Population Welfare Planning	65.05		8.95	35.05	44.00
-Social Marketing of Contraceptives	20.00		.00	53.00	53.00
-Malaria Control-II	41.00		.00	25.00	25.00
-Primary Health Care	30.00		.00	.00	.00
-Child Survival			.00	65.00	65.00
-Commercial Humanitarian Initiatives in the Private Sector			.00	50.00	50.00
<u>Human Resource Development:</u>	<u>25.00</u>	<u>1.91</u>	<u>.00</u>	<u>205.00</u>	<u>205.00</u>
-Development Support Training	25.00		.00	45.00	45.00
-Educational Development *			.00	100.00	100.00
-Lahore University of Management Sciences			.00	10.00	10.00
-Institutional Excellence			.00	50.00	50.00
<u>Area Development:</u>	<u>90.60</u>	<u>6.90</u>	<u>46.40</u>	<u>287.00</u>	<u>333.40</u>
-Tribal Areas Development	22.00		2.00	30.00	32.00
-Baluchistan Area Development	35.60		3.40	.00	3.40
-North-West Frontier Area Development	30.00		.00	22.00	22.00
-Road Resources Management	2.00		41.00	.00	41.00
-Regional Infrastructure Improvement			.00	200.00	200.00
-NWFP Initiative			.00	35.00	35.00
<u>Other Sectors:</u>	<u>100.00</u>	<u>7.62</u>	<u>10.00</u>	<u>.00</u>	<u>10.00</u>
Project Design & Implementation	20.00		10.00	.00	10.00
Balance of Payment Support/SDF	80.00				
<u>Excess Demand:</u>					<u>-374.10</u>
<u>PL-480 Title I:</u>	<u>309.00</u>				<u>480.00</u>

* Subject to later decision: see CDSS text for details.

ANNEX I

Quality of Life Indicators, as shown in
"Highlights fo the Draft Five Year Plan (1988-1993)",
Government of Pakistan

ANNEX I

QUALITY OF LIFE INDICATORS

	1982-83	1987-88	1992-93
1. Literacy			
Number (Million)	16.1	21.3	33.8
Percentage	27.0	30.0	40.0
2. Primary Education			
Number enrolled (Million)	6.8	9.3	13.9
Boys	4.6	6.1	8.0
Girls	2.2	3.2	5.9
Percentage of primary-age Population	52.5	63.5	80.0
Boys	68.5	79.5	89.0
Girls	35.5	45.7	70.0
3. Infant Mortality (age 0-1)			
Per thousand	98.5	80.0	63.0
4. Life Expectancy:			
Number of years	58.6	61.0	63.0
5. Access to Clean Water			
% of total population	38.0	53.0	82.0
% of rural population	22.0	45.0	75.0
% of urban population	77.0	80.0	95.0
Access to Sewerage Facilities:			
% of total population	16.0	23.0	44.0
% of rural population	4.0	10.0	30.0
% of urban population	48.0	52.0	70.0
6. Availability of Electricity:			
% of total population	27.2	35.2	47.0
7. Availability of Telephones:			
(Number Million)	0.4	0.7	1.3
% of total population	4.1	6.7	13.6
Urban	3.2	5.2	10.8
Rural	0.9	1.5	2.8

ANNEX J

Project Activity Description for the 1982-1987 Program



SUMMARY FACT SHEETS
ON
USAID FUNDED
PROJECTS AND PROGRAMS,
1982 - 1987*

*Funding levels shown are total planned and do not necessarily reflect actual obligations made during FY 1982 - FY 1987 period.

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AGRICULTURAL COMMODITIES AND EQUIPMENT

FUNDING LEVEL: \$475 Million

DURATION: Started: April 1982; Planned Completion Date: January 1991

MAIN IMPLEMENTING AGENCIES: Ministry of Food and Agriculture; Cotton Export Corporation; Provincial Irrigation Departments; Other GOP Agencies

PROJECT GOAL: To increase the productivity of the agricultural sector through the provision of commodities and equipment, and to provide balance of payments support.

PLANNED OUTPUTS: Procurement of commodities and equipment worth \$475 million for both private sector and public agencies.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- Provided foreign exchange support to Pakistan throughout the FY1982-FY1987 period;
- Provided 626,000 tons of fertilizer valued at nearly \$135 million; another 250,000 tons will be provided soon at a cost of approximately \$52 million;
- Provided irrigation machinery and assorted other agriculture-related equipment valued at \$80 million;
- During an unexpected cotton shortfall in 1984, provided on short notice 56,600 bales of cotton valued at \$24 million
- During an unexpected wheat shortfall in 1985, provided on short notice 565,000 metric tons of wheat valued at \$99 million;
- Provided \$50 million for private sector imports of agriculture-related commodities and equipment.



STRENGTHENING OF AGRICULTURAL RESEARCH IN PAKISTAN

FUNDING LEVEL: \$27.8 Million

DURATION: Started: June 30, 1969; Completed: June 30, 1985

MAIN IMPLEMENTING AGENCIES: Pakistan Agricultural Research Council, Islamabad; Provincial Agricultural Research Institutes and Agricultural Universities.

PROJECT GOAL: To establish a functioning centrally coordinated program of agricultural research for major agricultural commodities; to increase agricultural production, and improve the income of small farmers.

PLANNED OUTPUTS: Organizational and implementation of National Coordinated Research Programs on important agricultural commodities; provision of technical support to researchers; establishment of a Nationally Coordinated Agricultural Research Planning System.

HIGHLIGHTS UNDER FY 82-87 PROGRAM:

- The National Agricultural Research Center - Islamabad constructed, equipped, furnished and staffed;
- 197 research scientists/administrators trained abroad;
- Agricultural research equipment worth 4.4 million supplied;
- 12 nationally Coordinated Agricultural Research Programs started;
- Research findings on wheat and maize tested on farms and disseminated to farmers;
- Networks with U.S. and international research institutes established (CIMMYT, IRRI, U.S. Universities and USDA)..



ON-FARM WATER MANAGEMENT

FUNDING LEVEL: \$18.4 Million; Rs 28.4 Million

DURATION: Started: October, 1976; Completed: June, 1987

MAIN IMPLEMENTING AGENCIES: Federal: Water Management Wing
Provincial: On-Farm Water Management Directorates

PROJECT GOAL: To increase agricultural production, improve farm income and establish public and private sector capabilities to deliver on-farm water management services including improvements of irrigation watercourses, precision land leveling, and improvement of crop and water management practice

PLANNED OUTPUTS: Improvement of 1,320 watercourses; 75,000 acres precisely leveled; improved provincial capabilities to deliver and to coordinate water management services; 50 OFWM field teams established; and 6,400 government personnel and farmers trained.

HIGHLIGHTS UNDER 1982-87 PROGRAM:

- 1,319 watercourses improved;
- 74,857 acres precisely leveled;
- Financed overseas training and study tours for 156 government employees;
- Financed incountry training courses for 8,723 government employees and farmers;
- Four training demonstration farms (one in each province) established;
- 54 OFWM field teams established;
- Four OFWM training centers (one in each province) established and capabilities developed in each center to plan, design, and conduct required training courses;
- Management capabilities of training centers, provincial directorates, and federal water management wing enhanced by the development and installation of management information systems
- A modern functioning media center also having capability to serve as a project resource center established.



IRRIGATION SYSTEMS MANAGEMENT

- FUNDING LEVEL:** \$90 Million
- DURATION:** Started: June 1983; Planned Completion Date: February 1991
- MAIN IMPLEMENTING AGENCIES:** Ministry of Water and Power; Provincial Irrigation Departments
- PROJECT GOAL:** To assist the GOP and the four provincial irrigation departments to rehabilitate deteriorated surface irrigation and drainage systems, and to improve Pakistan's institutional capacity so that reliable and equitable water supplies are available for irrigated agriculture.
- PLANNED OUTPUTS:** 4,000 kilometers of canals and drains rehabilitated; 1,000 agricultural demonstration plots established; 20,000 acres of farm land precisely levelled; 1,990 field staff and 5,000 water user association members trained; 6 provincial irrigation workshops remodelled; 1,000 water user associations established; 7 command water management sub-project offices established.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:**
- Rehabilitated approximately 4,000 kilometers of canals and drains;
 - Established 7 command water management sub-project offices in all four provinces and initiated command water management activities;
 - Financed improvements valued at \$5.7 million in more than 580 watercourses throughout Pakistan;
 - Provided \$50 million in computers, vehicles, heavy machinery and other equipment to provincial irrigation departments;
 - Upgraded and equiped six irrigation workshops (Bhalwal, Moghalpura, Multan, Jamshoro, Quetta, and Peshawar);
 - Introduced computer-aided design techniques in provincial irrigation departments;
 - Financed long-term overseas training for 30 participants and short-term overseas training for 111 others;
 - Provided in-country training for nearly 3,000 participants.



FORESTRY PLANNING AND DEVELOPMENT

- FUNDING LEVEL:** \$25 Million
- DURATION:** Started: August 1983; Planned Completion Date: August 1991
- MAIN IMPLEMENTING AGENCIES:** Inspector General of Forests; Pakistan Forest Institute; Provincial Forestry Departments.
- PROJECT GOAL:** To increase Pakistan's energy supplies and move toward energy self-sufficiency, and to reverse the deforestation process.
- PLANNED OUTPUTS:** Demonstration of tree crop management on 24,000 acres of privately-owned farm and range lands leading to the production of 50 million cubic feet of fuelwood and 2.5 million cubic feet of timber; improved management of about 2,400 acres of forest plantations and development of 400 acres more in Sind leading to production of two million cubic feet of fuelwood and one million cubic feet of timber; training for more than 400 forestry and related professionals; training for 20,000 farm families in on-farm tree crop management techniques; drafting of comprehensive federal and provincial farm and energy forestry development plans.
- HIGHLIGHTS UNDER FY 82-87 PROGRAM:**
- Provided \$3 million in machinery and heavy equipment for provincial forestry organizations;
 - Provided \$300,000 in research equipment and computers for Pakistan Forestry Institute in Peshawar and provincial forest research stations;
 - Initiated field work in all provinces, including establishment of twenty nurseries and plantations of more than 300 acres;
 - Initiated construction of student hostel at Pakistan Forestry Institute, to be completed by summer 1988;
 - Supported curriculum development at Pakistan Forestry Institute;
 - Funded participation of more than 35 Pakistanis in long-term training courses overseas and more than 50 Pakistanis in various in-country training programs.



TRANSFORMATION AND INTEGRATION OF NWFP'S PROVINCIAL AGRICULTURAL NETWORK

- FUNDING LEVEL:** \$35.5 Million
- DURATION:** Started: August 1984; Planned Completion Date: September 1992
- MAIN IMPLEMENTING AGENCIES:** NWFP Agricultural University; University Grants Commission
- PROJECT GOAL:** To help the Government of Pakistan and the provincial government in its efforts to integrate agricultural research in the NWFP with agricultural education at the university level, improve the quality of education and research at the university; and strengthen linkages with agricultural extension through a problem-solving, farmer-oriented outreach approach.
- PLANNED OUTPUTS:** Enrollment increased to 935 students; more efficient and effective applied research program implemented; Learning Resource Center established and equipped; Agricultural University staff increased; campus physical facilities expanded; outreach program established; teaching and examination system improved; administration network improved; and degree training provided for 65 staff members.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:**
- Provided farm equipment, scientific equipment and 7,000 books valued at \$2.0 million to Agricultural University;
 - Established computer lab, provided computers for provincial research stations, and trained 56 staff members in computer use;
 - Initiated research station improvement program, including provision of new equipment and facilities;
 - Conducted outreach programs involving 372 farmers;
 - Enrolled 33 professionals in long-term advanced degree programs and provided short-term overseas training for 35 teachers and researchers;
 - Completed construction plans for new library, learning resources center, auditorium, hostels, faculty housing and other campus buildings, with construction expected to begin in 1988 and be complete by 1991, valued at \$20 million.



MANAGEMENT OF AGRICULTURAL RESEARCH AND TECHNOLOGY

- FUNDING LEVEL:** \$30 Million
- DURATION:** Started: August 1984; Planned Completion Date: September 1990
- MAIN IMPLEMENTING AGENCIES:** Pakistan Agricultural Research Council (PARC); various provincial institutions.
- PROJECT GOAL:** To strengthen Pakistan's capacity to undertake research and apply technology in agriculture.
- PLANNED OUTPUTS:** 40 farming systems research studies completed; 246 professionals trained abroad and 4,705 trained in-country; multi-media center and training institute established; provincial agricultural research institutes equipped for improved research and field operations; improved coordination among federal and provincial agricultural institutions.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:**
- Providing \$4 million in research equipment to provincial research institutes;
 - Establishing and equipping audio visual studio at National Agricultural Research Center (NARC) in Islamabad;
 - Establishing new training institute at NARC;
 - Established farming systems research program at Pakistan's agricultural universities and provincial research institutes;
 - Strengthened Arid Zone Research Institute (AZRI) in Quetta, including provision of computers, vehicles, and laboratory and field equipment;
 - Initiated research program at AZRI, including farmer-oriented research in eight communities and support for improved range management in Baluchistan;
 - Supported collaborative research program between International Wheat and Maize Improvement Center (CIMMYT) and PARC, resulting in provision of new germplasm to enable Pakistani scientists to research high yielding disease resistance plant varieties as well as various other activities;
 - Provided short-term overseas training for 80 people and developed plans for providing long-term overseas training for 90 others.



FOOD SECURITY MANAGEMENT

- FUNDING LEVEL:** \$35 Million
- DURATION:** Started: August 1984; Planned Completion Date: June 1990
- MAIN IMPLEMENTING AGENCIES:** Ministry of Food and Agriculture; Statistics Division; Survey of Pakistan; Provincial Food and Agricultural Departments; Provincial Agriculture Research Institutes and Universities.
- PROJECT GOAL:** To improve the analytical and policy formulation network, the managerial capabilities, and the physical capability of GOP agencies to manage the national food security system effectively and efficiently.
- PLANNED OUTPUTS:** National area sampling frame (NASF) established; economic analysis network (EAN) institutionalized; 62 economic and policy studies completed; 2,536 personnel trained; storage facilities for 750,000 metric tons rehabilitated; 12 pest control/grain storage research studies and bulk storage study completed.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:**
- Financed policy and sub-sector studies on a wide variety of agriculture-related topics including sugar, wheat rationing, irrigation systems operation and maintenance, cooperatives, farm management, farm mechanization, grain storage rehabilitation, and pest control;
 - Provided in-country training for more than 400 people through a series of computer workshops, seminars, and applied economics courses;
 - Financing long-term overseas training for 10 participants and short-term training or observation tours for at least 45 others;
 - Completed new sampling frame methodology for improving agricultural statistics-gathering in two districts and initiated implementation activity in two others.



AGRICULTURE SECTOR SUPPORT PROGRAM

FUNDING LEVEL: \$300 Million

DURATION: Started: September 1987; Planned Completion Date: September 1993

MAIN IMPLEMENTING AGENCIES: Ministry of Food and Agriculture.

PROJECT GOAL: To provide balance of payments support while laying the groundwork for sustained agricultural growth.

PLANNED OUTPUTS:

- Sector Support Grants: Balance of payments support with equivalent 'generation' of rupees to be used for agricultural development projects.
- Commodity Import Program: Financing fertilizer and other agriculture-related commodities and equipment.
- Training and Technical Assistance: Training for private and public sector personnel as well as technical assistance in agriculture-related areas.

HIGHLIGHTS UNDER FY82-87 PROGRAM: The program was only recently initiated.



RURAL ELECTRIFICATION

- FUNDING LEVEL:** \$340 Million, Rs. 24 Million
- DURATION:** Started: September 1982; Planned Completion Date: September 1992
- MAIN IMPLEMENTING AGENCIES:** Water and Power Development Authority (WAPDA)
- PROJECT GOAL:** To strengthen the organization, staff and management capabilities of WAPDA's distribution function including commercial, financial, technical, and administrative policies, methods and procedures; and to assist the GOP to provide reliable and efficient electric service in rural areas, reduce voltage fluctuations and loadshedding.
- PLANNED OUTPUTS:** 185,000 residential, 17,000 commercial, 7,700 tubewell, 4,500 community and 1,500 industrial customers connected; 28,638 persons trained; 1 training institute constructed; 2-5 warehouses constructed; 2-5 rural customer service centers constructed; assistance provided in developing national rural electrification master plan; 900 MW combined cycle power plant constructed at Guddu.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:**
- Completed first phase of 900 MW combined cycle power plant at Guddu, adding 400 MW to national power grid;
 - Established Distribution Training Institute in temporary facilities in Lahore, initiated plans for constructing permanent facility in Islamabad;
 - Developed comprehensive distribution personnel training plan and provided in-country training for 30,000;
 - Provided \$6 million computer system and introduced computer-aided planning and design program at WAPDA;
 - Procured \$8 million in commodities for feeder rehabilitation and energy loss reduction program at WAPDA.



ENERGY PLANNING AND DEVELOPMENT

- FUNDING LEVEL:** \$105 Million
- DURATION:** Started: July 1983; Planned Completion Date: July 1990
- MAIN IMPLEMENTING AGENCIES:** Ministries of Finance and Planning, Petroleum and Natural Resources, Water and Power, Science and Technology.
- PROJECT GOAL:** To strengthen the GOP's capability to collect and analyze data on energy resources, sectoral demand, and economic and social factors; support GOP and private sector to develop coal and other energy resources; and introduce energy conservation technologies.
- PLANNED OUTPUTS:** National energy analysis group established; 18 special energy studies and 3 coal resource assessments completed; national coal exploration plan developed; 3 coal analysis facilities improved; 150 preliminary and detailed energy audits completed; industrial and other sectoral energy demand and supply data system established; national energy conservation program established; feasibility studies for coal mining and coal fired power generation completed.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:**
- Completed feasibility study for 1,050 MW Jamshoro power plant;
 - Completed feasibility study for Lakhra coal mine and power plant;
 - Assisted in establishment of energy conservation program and center (ENERCON) in Islamabad;
 - Assisted in establishment of Energy Wing within Ministry of Planning to undertake national energy planning;
 - Completed nearly 8,000 meters of coal drilling and analyzed almost 150 coal samples;
 - Discovered Pakistan's thickest coal seam (600 feet deep, 20 feet thick in Sonda-Thatta area);
 - Established National Geodata Center with Geological Survey of Pakistan;
 - Completed nation-wide coal briquetting survey;
 - Implemented Pakistan's first national coal conference, attracting more than 500 Pakistani and international participants.



ENERGY COMMODITIES AND EQUIPMENT

FUNDING LEVEL: \$100 Million

DURATION: Started: August 1984; Planned Completion Date: February 1989

MAIN IMPLEMENTING AGENCIES: Ministry of Planning and Development; Oil and Gas Development Corporation (OGDC); Water and Power Development Authority (WAPDA), Karachi Electric Supply Corporation (KESC); Geological Survey of Pakistan (GSP); Pakistan Mineral Development Corporation (PMDC); Pakistan Council of Scientific and Industrial Research (PCSIR); Hydrocarbon Institute of Pakistan (HDIP).

PROJECT GOAL: To provide balance of payments support and to contribute to energy production from indigenous resources and energy conservation.

PLANNED OUTPUTS: Reduction in energy waste in private and public sectors; direct mitigation of balance of payment problems by increased use of indigenous coal, oil, gas, and renewable energy resources; transfer of energy related technologies.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- Provided \$11.3 million in electric power equipment to WAPDA and KESC;
- Provided \$8 million in oil and gas exploration equipment to OGDC;
- Provided \$4.5 million in scientific research and laboratory equipment to PCSIR and \$2.7 million in scientific research and laboratory equipment to Hydrocarbon Development Institute of Pakistan;
- Provided \$8.1 million in coal exploration and safety equipment to Geological Survey of Pakistan;
- Initiated procurement of additional computers, drilling consumables, and other energy-related items valued at \$19.3 million.



NORTHWEST FRONTIER AREA DEVELOPMENT

- FUNDING LEVEL:** \$31 Million
- DURATION:** Started: August 1983; Planned Completion Date: December 1983
- MAIN IMPLEMENTING AGENCIES:** NWFP Planning and Development Department; NWFP Special Development Unit; NWFP Project Coordinating Unit; United Nations Fund for Drug Abuse Control (UNFDAC).
- PROJECT GOAL:** To support GOP efforts to change the economy of Gadoon-Amazai and other major poppy producing areas of the NWFP from one based substantially on poppy cultivation to a diversified agricultural and non-agricultural system with strong ties to the national economy.
- PLANNED OUTPUTS:** Gadoon Component: 5,500 residents trained in marketable skills; 33 miles of roads built; 150 miles of paths and feeder roads built; 375 acres of land irrigated; 30 villages electrified; 27 potable water systems constructed and 28 others repaired.
UNFDAC/Dir Component: Introduction of improved crop varieties, including 270,000 fruit saplings; establishment of Natural Resource Training Center; power supply to 4,000 families; 20 mini hydel schemes initiated; 75 drinking water schemes and 20 irrigation schemes completed; 142 kilometers of roads built.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:**
- Completed construction in 18 miles of roads, construction underway on 32 additional miles;
 - Electrified six villages;
 - Constructed 12 schools, construction underway on 31 others;
 - Completed 3 potable water supply systems, construction underway on 40 others;
 - Planted more than 600,000 trees of all varieties, including nearly 80,000 fruit trees;
 - Trained more than 1,000 residents in a variety of marketable skills.
 - Initiated implementation activities in Dir, including establishment of 290 model orchards, provision of 280,000 fruit saplings, and initiation of construction of 146 drinking water supply schemes.



TRIBAL AREAS DEVELOPMENT

FUNDING LEVEL: \$24 Million

DURATION: Started: September 1982; Planned Completion
Date: September 1990

MAIN IMPLEMENTING AGENCIES: Pakistan's States and Frontier Region Division; Federally Administered Tribal Areas Development Corporation; NWFP Provincial Planning and Development, Communication and Works, Local Government and Rural Development Departments.

PROJECT GOAL: To support the continued economic development of the region by strengthening the capability of government institutions to implement development programs in the Tribal Areas and to construct basic infrastructure.

PLANNED OUTPUTS: 140 Kilometers of roads constructed; 5 watercourses improved; 20 tubewells installed; 22 irrigation schemes constructed; 20,000 acres of new agricultural land developed; at least 26 rural development projects completed; computer capability of five implementing agencies enhanced; overseas training provided for 12 persons.

**HIGHLIGHTS
UNDER FY82-87
PROGRAM:**

- Completed 25-kilometer Sadda-Marghan road;
- Completed 13 rural development schemes, including primary schools and health facilities;
- Completed Go Go Wam irrigation scheme in South Waziristan and Marghan irrigation scheme in Kurram Agency;
- Initiated construction on five other irrigation schemes as well as 35 kilometers of roads;
- Provided heavy construction equipment valued at \$750,000 to provincial Communications and Works department;
- Provided overseas training for four water engineers;
- Provided 12 computers to various implementing agencies.



BALUCHISTAN AREA DEVELOPMENT

- FUNDING LEVEL:** \$45 Million
- DURATION:** Started: August 1984; Planned Completion Date: December 1989
- MAIN IMPLEMENTING AGENCIES:** Departments of Planning and Development, Communication and Works, and Irrigation and Power, Government of Baluchistan.
- PROJECT GOAL:** To help the Government of Pakistan and the provincial government in its efforts to accelerate the integration of the Makran Division of Baluchistan into the socio-economic mainstream of Pakistan and to improve the quality of life through improving roads, water and agricultural infrastructure and strengthening provincial and divisional planning, management and human resources.
- PLANNED OUTPUTS:** 110 Kilometers of roads paved; 900 Kilometers of roads improved and properly maintained; 600 kilometers of roads rehabilitated; 95 karez wells improved; 47 small dams and one medium size dam constructed; 144 watercourses improved; 4,175 acres land levelled; 50 individuals trained overseas; 273 individuals trained in-country.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:**
- Completed design work for 101 kilometer Bela-Awaran road and signed \$17 million contract with local firm to begin construction immediately;
 - Completed design work for Ketch. River bridge and approach road to Turbat and signed \$5 million contract with local firm to begin construction immediately;
 - Constructed 20 two-room primary schools in Makran Division;
 - Completed deep well drilling for 12 karezes;
 - Providing overseas training for 50 students from Makran.



ROAD RESOURCES MANAGEMENT

- FUNDING LEVEL:** \$43 Million
- DURATION:** Started: June 1987; Planned Completion Date: December 1992
- MAIN IMPLEMENTING AGENCIES:** Federal Rural Development Engineering Cell of Ministry of Local Government and Rural Development; Sind Planning and Development Department; Sind Local Government and Rural Development Department; National Transport Research Center of the Ministry of Planning and Development; District Councils in 13 districts in Sind.
- PROJECT GOAL:** To improve road resources management and make the transportation sector more efficient in Pakistan.
- EXPECTED OUTPUTS:** Improved system of roads maintenance established in all 13 rural districts of Sind; rehabilitation of 3,300 kilometers of district roads and construction of over 650 kilometers of new roads; improved system for the management of financial resources established; training provided for more than 750 participants; establish and demonstrate effectiveness of a "maintenance first" road management policy in Sind.
- HIGHLIGHTS UNDER FY82-87 PROGRAM:** Project activities have only recently gotten underway, including:
- Contracting for long-term technical services;
 - Inventory of all district roads in Sind;
 - Establishment of project office in Karachi;
 - Procurement of project vehicles.



MALARIA CONTROL II

FUNDING LEVEL: \$41 Million, Rs. 21 Million

DURATION: Started: May 1982; Planned Completion Date: September 1988

MAIN IMPLEMENTING AGENCIES: Directorate of Malaria Control; Provincial Health Departments; National Institute of Malaria Research and Training.

PROJECT GOAL: To reduce incidence of malaria in Pakistan.

PLANNED OUTPUTS: 21 million malaria cases avoided; 669 personnel trained; one training facility purchased, equipped and staffed; 50 urban malaria control programs launched.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- Contributed to avoidance of an estimated 21 million malaria cases, containing what would otherwise have become a major health problem in Pakistan.
- Provided 13,650 metric tons of insecticide valued at \$33 million for anti-malaria spraying operations covering 16.2 million households and 80% of the "at risk" population;
- Supported establishment of National Institute of Malaria Research and Training (NIMRT) in Lahore for malaria operational research;
- Supported establishment of malaria case detection centers at health facilities in selected urban municipal corporations;
- Trained 272 doctors and 7,356 in malaria control techniques and strategies in a variety of in-country and overseas programs.

PRIMARY HEALTH CARE

FUNDING LEVEL: \$30 Million

DURATION: Started: September 1982; Planned Completion Date: March 1989

MAIN IMPLEMENTING AGENCIES: Pakistan's Federal Ministry of Health; Provincial Departments of Health; National Institute of Health

PROJECT GOAL: To improve the quality and expand the coverage of primary health care services in the rural areas of Pakistan.

PLANNED OUTPUTS: Revised health worker training curriculum; 13 health technician schools and hostels constructed and equipped; 25 percent increase in number of female health technicians; medical officers trained in management; functioning drug inventory and health information systems; oral rehydration therapy campaign undertaken; commodities and training provided to support national immunization program.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- Eight health technician training schools in Sind and Punjab nearing completion (Attock, D.G. Khan, Sialkot, Bahawalnagar, Jhang, Mirpurkhas, Hyderabad, Sukkur);
- 1,715 health technicians trained and posted, 40 percent of whom are female;
- Provided management training for 531 medical officers
- Provided orientation to 434 in-service health technicians on delivering preventive services;
- Provided \$5.2 million dollars of commodities for Pakistan's Expanded Program in Immunization (EPI);
- Distributed two million oral rehydration leaflets nation-wide;
- Initiated management information systems for basic health services program and control of diarrheal diseases program;
- Revised curriculum for teaching mid-level health workers.



POPULATION WELFARE PLANNING

FUNDING LEVEL: \$74 Million

DURATION: Started: August 1982; Planned Completion Date: September 1989

MAIN IMPLEMENTING AGENCIES: Population Welfare Division, Ministry of Planning and Development.

PROJECT GOAL: To strengthen the government's population planning, evaluation, research, motivational and logistic capabilities and performance.

PLANNED OUTPUTS: 401 staff trained; one supply logistic manual drafted; two facilities constructed and equipped; 52 workshops and seminars completed; 11 studies and surveys completed; 34,000 outlets supplied with contraceptives.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- Supported establishment of a new National Institute of Population Studies (NIPS) in Islamabad
- Initiated construction of new warehouse for Population Welfare Planning Division in Karachi;
- Initiated planning for constructing modern research facility for National Research Institute for Fertility Control (NRIFC) in Karachi;
- Assisted in providing high-quality, modern contraceptives for family planning outlets throughout the country.



SOCIAL MARKETING OF CONTRACEPTIVES

FUNDING LEVEL: \$20 Million

DURATION: Started: March 1984; Planned Completion Date: September 1989.

MAIN IMPLEMENTING AGENCIES: Population Welfare Division, Ministry of Planning and Development.

PROJECT GOAL: To increase contraceptive usage by promoting family planning and expanding the availability of contraceptives through the private sector.

PLANNED OUTPUTS: Support for establishment of an effective social marketing network; 54,000 retail sales outlets for contraceptives throughout the country.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- During relatively brief period of actual project implementation, supported development of social marketing network that now covers 40,000 retail outlets throughout the country;
- Provided large numbers of a safe, high-quality, low-cost product to a wide spectrum of consumers in Pakistan.



DEVELOPMENT SUPPORT TRAINING

FUNDING LEVEL: \$40 Million; Rs. 66.0 Million

DURATION: Started: April 1983; Planned Completion Date: March 1990

MAIN IMPLEMENTING AGENCIES: Economic Affairs Division; Establishment Division; Provincial Planning and Development Departments.

PROJECT GOAL: To strengthen management and technical expertise in the public and private sectors for those involved in the planning, development and implementation of Pakistan's social and economic development programs.

PLANNED OUTPUTS: 1,825 individuals trained in Pakistan; 154 individuals trained in third countries; 807 individuals trained in U.S.; 19 intensive English Language programs completed; and 16 training institutions strengthened.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- Provided in-country management training for 2,500 in public and private sector;
- Provided English language training for 450;
- Provided training in United States for more than 2,500 Pakistanis;
- Provided training in other countries for more than 1,000 Pakistanis;
- Strengthened training programs at 16 institutions, including Management Association of Pakistan, Pakistan Audit Department, Lahore Graduate School of Business Administration, Pakistan Institute of Management in Karachi, and National Institutes for Public Administration (NIPA) in Karachi, Lahore, Quetta, and Peshawar,



PROJECT DESIGN AND IMPLEMENTATION FUND

FUNDING LEVEL: \$30 Million, Rs. 29.7 Million

DURATION: Started: March 1982; Planned Completion Date: September 1991

MAIN IMPLEMENTING AGENCIES: Economic Affairs Division (EAD), Ministry of Finance and Economic Affairs; USAID

PROJECT GOAL: To assist in developing, designing and implementing development projects and programs to promote economic stability and self sustaining growth.

PLANNED OUTPUTS: 30-35 project papers and 35-40 development strategy studies, analyses and assessments.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- Financed design or redesign of 23 projects;
- Financed special policy-related studies in such areas as edible oils, fertilizer, poultry, and primary education;
- Provided computers to Ministry of Planning for monitoring and implementation purposes;
- Supported GOP planning and implementation activities in several areas, ranging from narcotics awareness campaigns to assistance in dealing with technical problem at Hub Chowki Power Plant.



PL-480 TITLE I PROGRAM (FY1982-FY1987)

FUNDING LEVEL: \$309 million

DURATION: Started: March, 1982; Completed: June 1987.

MAIN IMPLEMENTING AGENCIES: Ministry of Industries; Ghee Corporation of Pakistan; Trading Corporation of Pakistan; Ministry of Commerce.

PROJECT GOALS:

- To provide a needed food import consumed by the entire population;
- To help the Government of Pakistan save an equivalent amount of foreign exchange;
- To supply the Government of Pakistan with local currency equal to more than 1% of its own total revenues, helping to finance critical projects in agriculture, irrigation, population and education;

PLANNED OUTPUTS: The importation each year of edible oil equal to about 15% of Pakistan's annual edible oil imports.

HIGHLIGHTS UNDER FY82-87 PROGRAM:

- Full utilization of \$309 million provided under the program;
- Importation of approximately 643,000 metric tons of edible oil;
- Approximately Rs.4.5 billion accrued to the Government of Pakistan to help finance significant development activities in such areas as agriculture, irrigation, population, and education.

ANNEX K

AID Centrally Funded Activities--Pakistan, 1982-1987

ANNEX K

AID CENTRALLY FUNDED ACTIVITIES

Although not large in monetary terms compared with the bilateral program, centrally-funded activities out of AID/Washington were useful at various times in supplementing or supporting activities initiated by the Mission. This was especially true in the NGO sector, where centrally-funded mechanisms such as the Matching Grants Program and Child Survival Grants Program were able to support activities which ordinarily would have been difficult if not impossible to fund directly out of bilateral funds. Centrally-funded activities were also important in the population sector throughout the period. The total value of these programs appears to be on the order of \$6 million.

One Matching Grant through the Agha Khan Foundation (U.S.A) provided \$1 million to the Agha Khan Rural Support Program (AKRSP) for three years (September 1985-October 1988) to support their innovative program focused on isolated mountainous areas in Chitral, Gilgit, and Baltistan. Similarly, \$770,000 was provided through the Child Survival Grants Program through the same organization for three years (September 1987-October 1990) for Agha Khan Health Service activities, also in Chitral, Gilgit, and Baltistan.

Other beneficiaries from Child Survival Grant programs included the Salvation Army World Service Office (SAWSO), which received one grant of \$580,000 for a three-year program (September 1985-October 1988) focused on child survival activities in Karachi, Khanewal, Hyderabad, and Ghazipur, followed by another grant of \$767,000 for three years (September 1987-October 1992) to upgrade health and management skills and improve the effectiveness of child survival outreach programs Lahore, Faisalabad, Jhang, Khanewal and Hyderabad. Similarly, the Adventist Development and Relief Agency (ADRA) received \$140,000 to support their child-survival programs in the slum areas of Karachi, again over a three-year program (September 1987-October 1990).

Coordination in Development (CODEL), an American NGO, received \$345,000 through the Matching Grants program which in turn was channelled to three separate NGO projects, two sponsored by Technical Services Associates (TSA) based in Lahore and a third sponsored by the Memorial Christian Hospital in Sialkot. The TSA activities included support for Pakistan's only PVO-operated agricultural research station as well as a craft center for the blind. The Sialkot project entailed funds for an innovative community health program based out of Sialkot which was subsequently praised by the President of Pakistan as a model for others to follow.

Numerous centrally-funded grants relating to population were important throughout the FY 1982-FY 1987 period and helped strengthen activities promoted under the bilateral Population Welfare Planning Project. Such support was provided through several institutions,

including the Pathfinder Fund (\$200,000), Family Health International (\$121,000), Family Planning International Assistance (approximately \$400,000), University Research Corporation (\$18,000), Westinghouse (\$84,000), The Futures Group (\$81,000), and the Association for Voluntary Surgical Contraception (\$400,000). Activities funded through these various organizations included training, research, and the strengthening of local NGOs. Especially noteworthy was the extensive work carried out in support of population initiatives undertaken by NGOs, and in helping to institutionalize the NGO Coordinating Council. Other activities included support for Pakistan's Contraceptive Prevalency survey and funding for a series of RAPID presentations to the President and high level officials in the federal government as well as in provinces.

In a similar fashion, centrally-funded grants in health were used at different times to support activities under the Primary Health Care project. Examples here include funding through Technologies for Primary Health Care (PRITECH) and under the Applied Diarrheal Disease Research (ADDR) program for child-survival and ORS-related programs

Centrally-funded WID support provided through the International Center for Research on Women (ICRW) and under the Gender Resource Awareness in National Development (GRAND) activity have already been referred to in another section of this report. In addition, technical assistance offered under a centrally-funded program through the Harvard University Graduate School of Education played a role in the latter part of the program in establishing links with the Pakistan Academy for Educational Planning and Management, particularly in looking at policy concerns and establishing baseline information.

Finally, Pakistan successfully accessed for the first time funds from two other centrally-funded programs during the FY 1982-FY 1987 period, American Hospital and Schools Abroad (ASHA) and the Program in Science and Technology Cooperation (PSTC) through the Office of the Science Advisor. The ASHA grant entailed \$500,000 in FY 1986 for the Nancy Fulwood Memorial Hospital in Sahiwal. The PSTC grant involved \$150,000 in FY 1987 for research in pistachios based at the Pakistan Council of Science and Industrial Research (PCSIR) in Lahore. (Another PSTC grant of \$144,000 to the Grain Storage Research Laboratory in Karachi was awarded but not accessed due to the departure of the principal investigator). Pakistani research also benefitted from two Board of Science and Technology for International Development (BOSTID) grants offered through the National Academy for Sciences. One such grant went for plant research in saline environments out of the Nuclear Institute for Agriculture and Biology in Faisalabad, the other for research in respiratory infections in children out of the National Institute of Health in Islamabad.

ANNEX L

A Note on Afghan Refugees in Pakistan, 1980-1987

A NOTE ON AFGHAN REFUGEES IN PAKISTAN, 1980-1987

Throughout the FY1982-FY1987 program, Pakistan played host to the largest refugee population anywhere in the world--as many as three million Afghans, representing perhaps a fifth of the total Afghan population. About 75 percent of the Afghans found refuge in the Northwest Frontier Province (NWFP), 20 percent in Baluchistan, and 5 percent in the Punjab. Several thousand also lived in Karachi, Pakistan's largest city. Although some refugees lived independently in Pakistan's urban areas, most were placed in some 300 camps spread throughout the NWFP, Baluchistan and Sind. The costs to Pakistan of this large refugee population--in political as well as economic terms--were considerable.

The bilateral U.S. economic assistance program to Pakistan was purposefully kept separate from the considerable efforts on the part of the U.S. and other donors to provide refugee relief. The UNHCR coordinated the overall international assistance effort, monitoring program implementation by the Government of Pakistan (GOP) as well as participating internal donors and Private Voluntary Organizations (PVOs). It also initiated a series of self-help projects in cooperation with the World Bank to provide employment for Afghans while repairing some of the environmental damage caused by their presence. Working closely with the UNHCR, the World Food Program (WFP) coordinated pledges by international donors for commodity relief and monitored their delivery and distribution. Finally, more than 40 international PVOs, including many from the United States, were involved in various refugee relief programs throughout Pakistan.

The United States emerged as the major international supporter of this array of refugee relief efforts, providing well over \$500 million between FY1980 and FY1987 (including contributions through excess foreign currency accounts). Throughout the period, the U.S. provided about 30 percent of UNHCR's program budget in Pakistan. The more than \$300 million in commodities provided through PL 480 Title II programs represented about 40 percent of all commodities provided. Finally, a number of PVOs (Catholic Relief Services, Church World Service, International Rescue Committee, Salvation Army, Americas Foundation, Experiment in International Living, Mercy Fund, Pakistan Red Crescent Society) received support for their programs from the U.S.

U.S. ASSISTANCE TO
AFGHAN REFUGEE RELIEF PROGRAMS,
FY1980-FY1987*

<u>Year</u>	<u>UNHCR</u>	<u>WFP</u>	<u>ICRC</u>	<u>American PVOs</u>	<u>LICROSS/ PRCS</u>	<u>GOP</u>	<u>TOTAL</u>
<u>FY1980</u>							<u>41.980</u>
(\$)	5.000	31.880	.300	-	-	-	
(Rs.)	3.800	-	-	-	1.000	-	
<u>FY1981</u>							<u>83.964</u>
(\$)	30.000	39.271	1.000	.962	-	8.000	
(Rs.)	2.600	-	-	1.131	1.000	-	
<u>FY1982</u>							<u>100.745</u>
(\$)	24.150	70.620	.650	1.075	-	-	
(Rs.)	3.000	-	.250	-	1.000	-	
<u>FY1983</u>							<u>67.421</u>
(\$)	23.000	37.294	1.000	1.127	-	-	
(Rs.)	3.500	-	.500	-	1.000	-	
<u>FY1984</u>							<u>70.740</u>
(\$)	20.100	42.190	1.461	1.137	-	0.302	
(Rs.)	3.800	-	.750	-	1.000	-	
<u>FY1985</u>							<u>69.521</u>
(\$)	19.655	40.590	1.926	1.794	-	-	
(Rs.)	3.281	.200	.750	.524	.801	-	
<u>FY1986</u>							<u>49.244</u>
(\$)	15.113	25.525	1.007	2.008	-	-	
(Rs.)	3.544	-	.728	.670	.649	-	
<u>FY1987</u>							<u>67.777</u>
(\$)	17.428	37.503	1.000	1.970	-	-	
(Rs.)	7.108	-	1.185	.894	.689	-	
<u>TOTAL</u>							<u>551.392</u>
(\$)	154.445	324.873	8.344	10.073	-	8.302	
(Rs)	30.633	.200	4.163	3.219	7.139	-	

*Dollars or Equivalent in Millions Rounded

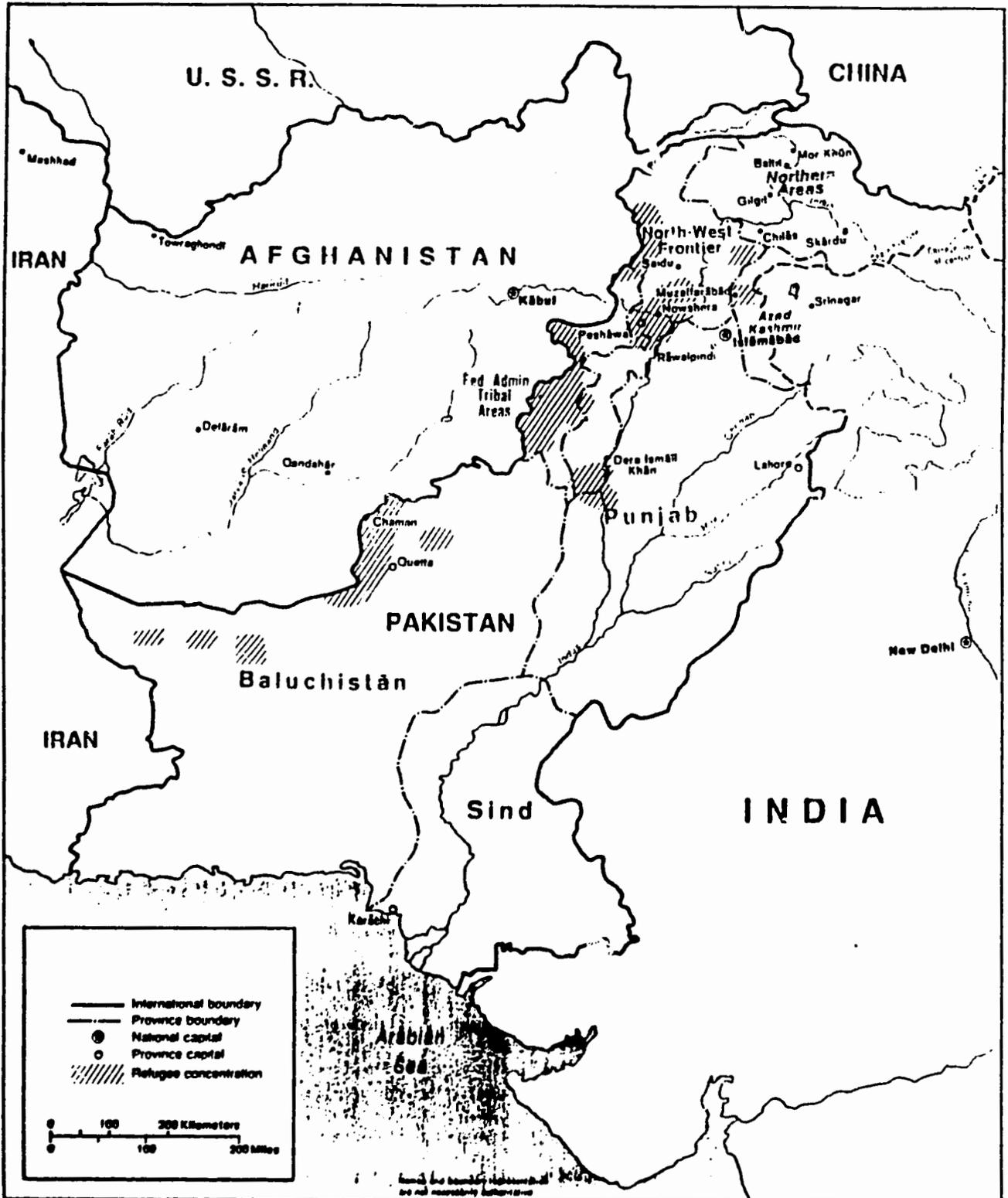
Acronyms:

UNHCR: UN High Commission for Refugees
WFP: World Food program
ICRC: International Committee of the Red Cross
LICROSS/PRCS: League of Red Cross and Red Crescent Societies/
Pakistan Red Crescent Society
GOP: Government of Pakistan

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Afghan Refugees in Pakistan



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ANNEX M

Economic Indicators and Country Data: Pakistan

COUNTRY DATA - PAKISTAN

AREA
803,943 km²

POPULATION
99.2 million (mid-1986)

DENSITY
123 per km²

POPULATION CHARACTERISTICS (1983)

Crude birth rate (per '000) 42
Crude death rate (per '000) 11
Infant mortality (per '000 live births) 119

HEALTH (1985)

Population per physician 3,460
Population per hospital bed 1,800

INCOME DISTRIBUTION (1979)

% of national income, highest quintile 44.1
lowest quintile 7.6

DISTRIBUTION OF LAND OWNERSHIP

% owned by top 10% of owners ..
% owned by smallest 10% of owners ..

ACCESS TO SAFE WATER (1983)

% of population 34.6

ACCESS TO ELECTRICITY (1973)

% of population - urban 54
- rural 5

NUTRITION (1982)

Calorie availability as % of requirements 99
Per capita protein intake 65

EDUCATION (1984)

Adult literacy rate % 24
Primary school enrollment % 49

GNP PER CAPITA IN 1984: US\$380 /a

GROSS NATIONAL PRODUCT IN 1985/86 /b**ANNUAL RATE OF GROWTH (% constant prices) /c**

	US\$ Billion	%	1969/70-1974/75	1975/76-1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
GNP at market prices	34.92	100.0	3.5	7.1	5.7	8.6	4.9	5.8	6.0
Gross domestic investment	3.82	16.7	-5.5	4.1	16.1	6.1	3.0	10.2	10.4
Gross national saving	4.59	13.2	-2.1	6.7	8.8	29.6	-6.4	-2.9	27.5
Current account balance	-1.24	-3.5							
Exports of goods, NPS/c	3.79	10.9	-3.5	7.3	-6.8	31.6	-4.3	0.2	33.0
Imports of goods, NPS/c	7.21	20.6	-7.1	5.5	-1.9	13.5	7.8	5.5	3.0

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1985/86

	Value Added		Employed Labor Force /d		V. A. Per Worker	
	\$ Million	%	Million	%	US\$	%
Agriculture	7,388	25	14.0	52	528	48
Industry /e	7,975	27	5.7	21	1,399	127
Services	14,336	48	7.3	27	1,964	174
Total/Average	29,699	100	27.0	100	1,100	100

GOVERNMENT FINANCE

	Central Government /f			Federal Government		
	(Rs billion) 1985/86 /g	% of GDP 1985/86	1981/82-1985/86	(Rs billion) 1985/86 /h	% of GDP 1985/86	1981/82-1985/86
Current receipts	89.7	17.0	16.7	72.3	13.7	13.1
Current expenditures	110.1	20.9	18.9	83.1	15.8	14.4
Current surplus	-20.4	-3.9	-2.2	-10.8	-2.1	-1.3
Capital expenditures /h	49.7	9.4	8.9	41.3	7.8	7.5
External assistance (net)	20.1	3.8	3.5	20.1	3.8	3.5

/a Based on World Bank Atlas methodology and calculated at an average of 1980-82 prices and exchange rates. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

/b Provisional.

/c From national accounts. Growth values as calculated in 1980/81 rupees.

/d Projection for 1985/86.

/e Includes manufacturing, mining, construction and electricity and gas.

/f Consolidated revenues and expenditures of Federal and Provincial Governments (excluding Federal-Provincial Government transfers).

/g Revised budget data.

/h Excluding principal repayments of foreign loans. Capital expenditures as defined in government budget include certain current expenditures also.

January 1987

COUNTRY DATA - PAKISTAN

MONEY, CREDIT AND PRICES

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
	(Rs billion)								
Money and quasi money ^{/h}	63.7	78.6	92.4	104.8	116.5	146.0	163.3	183.9	211.1
Bank credit to public sector	43.5	54.9	61.8	70.9	79.7	95.5	106.3	128.5	147.1
Bank credit to private sector	26.5	30.5	36.2	42.0	51.8	52.8	78.3	92.2	111.1
	(percentages or index numbers)								
Money and quasi money as % of GDP	35.7	39.8	38.9	37.7	36.2	40.3	39.0	39.1	39.1
Consumer price index (1975/76=100)	120.5	128.5	142.2	159.8	175.8	183.7	199.0	213.9	228.1
Annual percentage changes in:									
Consumer price index	7.9	6.7	10.7	12.4	10.0	4.5	8.3	7.5	7.5
Bank credit to public sector	18.8	26.2	12.6	14.7	12.4	19.8	11.3	20.9	17.8
Bank credit to private sector	15.2	15.1	18.7	18.2	21.0	21.2	24.7	17.8	17.8

BALANCE OF PAYMENTS

	1981/82	1982/83	1983/84	1984/85	1985/86
	(US\$ million)				
Exports of goods, NFS	3,052	3,480	3,526	3,326	3,880
Imports of goods, NFS	6,679	6,652	7,123	7,187	7,230
Resource gap (deficit = -)	-3,627	-3,175	-3,597	-3,861	-3,350
Interest payments	-453	-425	-471	-462	-478
Workers' remittances	2,224	2,886	2,737	2,446	2,596
Other factor payments (net)	321	157	300	192	-4
Net transfers	22	22	22	22	22
Balance on current account	-1,535	-557	-1,031	-1,685	-1,236
Direct foreign investment	..	..	..	..	..
Net MLT borrowing/c					
Disbursements	1,102	1,615	1,246	1,492	1,930
Amortization	-492	-417	-492	-513	-866
Sub-total	610	1,198	754	979	1,064
Transactions with IMF/d	358	426	-15	-84	-236
Other items n.e.i. /g	318	35	112	-269	662
Increase in reserves (increase--)	249	-1,102	180	-1,059	-254
Gross reserves (end year)/f	809	1,911	1,731	672	926
Petroleum imports /g	1,710	1,587	1,490	1,365	1,078
Petroleum exports /g	194	78	41	34	31

MERCHANDISE EXPORTS (AVERAGING 1982/83-1985/86)

	US\$ million
Raw cotton	306.8
Cotton yarn	251.0
Cotton cloth	315.5
Rice	318.2
All other commodities	1,482.2
Total	2,673.8

EXTERNAL DEBT, DECEMBER 1985

	US\$ million
Public debt, including guaranteed	10,000
Non-guaranteed private debt /h	10,000
Total outstanding and disbursed	10,000

DEBT SERVICE RATIO FOR 1985/86 /i

Public debt, including guaranteed	10,000
Non-guaranteed private debt	10,000
Total	10,000

RATE OF EXCHANGE

IBRD/IDA LENDING (December 1985)(US\$)

Through May 11, 1972

From May 12, 1972-Feb. 15, 1973

IBRD

US\$1 = Rs 4.7619
Rs 1 = US\$0.21US\$1 = Rs 11.00
Rs 1 = US\$0.09Outstanding and disbursed 434.5
Undisbursed 817.0
Outstanding including undisbursed 1,051.5

From Feb. 16, 1973-Jan. 7, 1982 From July 1981-June 1982 /i From July 1982-June 1983 /i From July 1983-June 1984 /i From July 1984-June 1985 /i From July 1985-June 1986

US\$ 1 = Rs 9.90
Rs 1 = US\$0.10US\$1 = Rs 10.55
Rs 1 = US\$0.095US\$1 = Rs 12.75
Rs 1 = US\$0.078US\$1 = Rs 13.40
Rs 1 = US\$0.074US\$1 = Rs 15.16
Rs 1 = US\$0.066US\$1 = Rs 16.1
Rs 1 = US\$0.062

/a Provisional.

/b Monetary statistics of Pakistan have been fully adjusted for demonetized notes, devaluation and revaluation of the rupee from June 30, 1975. Data for 1974/75 from State Bank sources are not strictly comparable with IMF estimates for earlier years.

/c Public, publicly guaranteed and private borrowing.

/d Including Trust Fund.

/e Including net short-term borrowing, errors and omissions and foreign currency deposits.

/f Including gold reserves of about 1.8 billion troy ounces.

/g Crude and derivatives.

/h Non-guaranteed private debt service is negligible.

/i Ratio of actual debt service to exports of goods, non-factor services and workers' remittances; debt service does not include short-term or IMF charges.

/j Effective January 8, 1982, the rupee is to be managed with reference to a weighted basket of currencies. The average exchange rate shown is vis-a-vis US\$ for the period shown.

.. Not available.

January 1987

PAKISTAN - ECONOMIC INDICATORS

Country Group: Pakistan
 Country name: Pakistan
 Annex: 1 of 3
 Date Prepared: September 1987

Mid-1986 Population (mln.): 99
 1986 Per Capita GNP in US\$: 390

	A. Shares of Gross Domestic Product (from current price data)						B. Growth Rates (% per annum) (from constant price data)					
	1965	1973	1980	1984	1985	1986p	1965-73	1973-80	1980-85	1985	1986p	
Gross Domestic Product c.p.	100.0	100.0	100.0	100.0	100.0	100.0	5.6	5.4	6.1	8.3	7.2	
Net Indirect Taxes	7.4	9.1	10.1	10.8	10.5	10.1	..	..	..	..	..
Agriculture	37.2	32.8	26.3	21.3	22.1	22.0	4.7	2.8	2.1	7.9	6.6	
Industry (of which Manufacturing)	18.6	19.9	23.8	25.8	25.0	25.3	6.6	6.2	8.8	7.9	7.8	
Services	13.4	14.5	15.8	18.1	17.7	15.3	6.2	5.1	10.1	8.5	6.3	
Resource Balance	36.8	38.2	39.9	42.2	42.4	42.5	5.4	6.2	6.8	8.0	7.1	
Resource Balance	-8.3	-2.8	-11.5	-11.6	-12.3	-10.2	..	..	..	..	..
Exports of GMS	9.5	13.4	12.3	11.4	10.8	12.0	4.5	4.2	5.8	-0.2	32.9	
Imports of GMS	16.8	16.2	23.8	23.0	23.1	22.2	-1.3	9.1	2.3	7.1	1.5	
Total Expenditures	108.3	102.8	111.5	111.6	112.3	110.2	4.0	6.3	5.4	9.1	3.4	
Total Consumption	86.9	89.9	93.2	94.5	95.0	92.2	5.1	6.3	5.3	8.8	2.3	
Private Consumption	76.1	78.3	83.3	82.4	83.2	81.6	5.0	6.7	4.6	8.9	1.2	
General Government	10.8	11.6	9.9	12.0	11.8	10.6	6.2	4.0	10.3	8.0	9.3	
Gross Domestic Investment	21.5	12.9	18.2	17.1	17.3	16.8	-0.1	6.0	5.8	10.7	9.5	
Fixed Investment	21.3	11.4	17.4	15.2	15.6	15.1	-1.6	6.7	4.8	12.5	..	
Changes in Stock	0.1	1.5	0.8	1.9	1.7	1.7	..	..	..	..	..
Gross Domestic Saving	13.1	10.1	6.8	5.5	5.0	7.8	2.2	-5.3	8.4	7.9	37.9	
Net Factor Income	-0.4	0.7	6.7	8.3	6.9	5.5	..	..	..	..	..
Net Current Transfers	..	2.9	9.0	10.8	9.8	10.1	..	..	..	..	..
Gross National Saving	..	13.7	22.5	24.6	21.7	23.4	11.8	8.8	7.5	-0.9	15.8	
In millions of LCU's (at constant 1980 prices)	1965	1973	1980	1984	1985	1986p						
Gross Domestic Product	105	162	238	299	324	347	5.6	5.4	6.1	8.3	7.2	
Capacity to Import	20	25	29	27	27	32	1.5	2.7	0.6	1	17.6	
Terms of Trade Adjustment	4	3	0	-11	-10	-18	..	..	..	..	..
Gross Domestic Income	110	163	238	288	313	329	5.1	5.2	5.5	8.7	5.1	
Gross National Product	104	164	254	319	341	344	5.9	6.5	6	7.1	6.7	
Gross National Income	108	167	254	308	331	346	5.3	6.3	5.5	7.5	4.6	
C. Price Indices	(1980 = 100)						Inflation Rates (% p.a.)					
	1980	1982	1983	1984	1985	1986p	1965-73	1973-80	1980-85	1985	1986p	
Consumer Prices (IFS 64)	100.0	123.3	129.2	139.9	150.4	157.6	4.7	12.9	8.2	7.5	4.8	
Wholesale Prices (IFS 63)	100.0	121.8	126.0	139.2	144.4	..	4.6	12.9	7.4	3.7	..	
Implicit GDP Deflator	100.0	120.7	127.9	140.1	147.8	154.8	4.8	12.7	8.1	5.5	4.7	
Implicit Expenditures Deflator	100.0	127.8	136.5	148.0	156.0	166.1	6.1	12.8	9.0	5.4	6.5	
D. Other Indicators	1965-73			1973-80		1980-85						
Growth Rates (% p.a.):							p = preliminary data					
Population	3.0			3.1		3.1						
Labor Force	2.3			3.5		2.3						
Gross National Income p.c.	2.2			3.1		2.4						
Private Consumption p.c.	1.9			3.5		1.5						
Import Elasticity:												
Imports (B+G) / GDP (mp)	-0.2			1.7		0.4						
Marginal Savings Rates:												
Gross National Saving	..			37.0		18.0						
Gross Domestic Saving	4.3			-1.1		-0.5						
ICDR (period averages):	3.9			3.1		2.7						
Share of Total Labor Force in:	1965	1973	1980	1985p								
Agriculture	39.9	37.8	34.6	30.6								
Industry	15.7	17.0	15.7	16.0								
Services	24.4	20.4	29.7	33.4								
Total	100.0	100.0	100.0	100.0								

	Volume Index (1980 = 100):						Value at Current Prices (billions US\$):					
	1980	1982	1983	1984	1985p	1986p	1980	1982	1983	1984	1985p	1986p
E. Merchandise Exports												
Raw cotton	100	92.2	101.6	39.1	104.8	256.6	335	264	306	131	280	51
Rice	100	87.2	83	116.1	65.9	120.7	422	391	290	422	220	34
Cotton Yarn	100	95.7	134.2	101.9	126	157.8	206	197	240	217	262	27
Cotton Cloth	100	107	110.9	121.7	126	131.5	244	279	282	360	306	31
Manufactures							1007	1206	1491	1329	1316	143
Other Exports							1335	1114	1144	1140	1144	148
Total Merchandise Exports FOB	100	109.1	124.6	121.6	121.3	131.1	2342	2320	2635	2669	2460	294
F. Merchandise Imports												
Food							359	374	352	394	325	61
POL and Other Energy	100	93.5	94.5	100.7	95.9	86.5	1080	1683	1587	1490	1365	107
Other Imports							3985	4163	4111	4356	4416	491
Other Consumer Goods												
Other Intermediate Goods												
Capital Goods												
Total Merchandise Imports CIF	100	120.5	120.3	125.8	130.1	141.7	5391	6270	6105	6518	6459	650
G. Terms of Trade (1980 = 100)	1980	1982	1983	1984	1985	1986p						
Merch. Exports Price Index	100.0	90.8	90.3	66.6	86.6	95.8						
Merch. Imports Price Index	100.0	96.5	94.1	96.1	92.1	85.1						
Merchandise Terms of Trade	100.0	94.1	95.9	90.1	94.0	112.6						

p = preliminary data

	US\$ millions (at current prices):					
	1980	1982	1983	1984	1985	1986p
H. Balance of Payments						
Exports of Goods and NFS	2935	3035	3420	3448	3248	3855
Merchandise (FOB)	2342	2320	2635	2669	2460	2972
Non-factor Services	613	735	784	779	787	883
Imports of Goods and NFS	5711	6689	6596	7054	7113	7345
Merchandise (FOB)	4856	5775	5621	5990	6016	6096
Non-factor Services	855	914	975	1060	1097	1249
Resource Balance	-2757	-3634	-3176	-3606	-3865	-3490
Net Factor Income	-280	-321	-420	-443	-586	-649
(interest per BRS)	249	254	310	318	312	358
Net Current Transfers	2162	2845	3408	3352	3091	3350
(Inward remittances)	1747	2227	2888	2739	2457	2632
Current Account Balance	-872	-1108	-186	-694	-1280	-788
Long-Term Capital Inflow	630	521	611	394	410	789
Direct Investment	72	123	29	44	78	199
Official Capital Grants	..	..	..	..	..	..
Net LT Loans (BRS data)	875	1072	225	372	244	465
Other LT inflows (Net)	-317	-673	357	-223	88	225
Total Other Items (Net)	107	463	721	171	-183	86
Net Short-term Capital	87	490	728	137	-124	98
Capital Flows N.E.I.	0	0	0	0	0	0
Errors and Omissions	21	-25	-7	34	-59	-12
Changes in Net Reserves	133	122	-1146	129	1033	-86
Net Credit from IMF	-82	399	443	-15	-85	-255
Other Reserve Changes (- indicates increase)	217	-278	-1589	144	1138	169
As share of GDP:						
Resource balance	-11.8	-21.9	-11.0	-11.6	-12.3	-10.5
Interest Payments	1.0	0.0	1.1	1.0	1.0	1.1
Current Account Balance	-3.6	-3.6	-0.6	-2.2	-4.1	-2.0
Reserve Items:						
Interest's Reserve (mil. US\$)	996	969	1973	1036	807	709
Reserve incl. Gold (mil. US\$)	1386	1789	2696	1621	1429	1430
Official I-Rate (LCU's/US\$)	9.90	10.38	12.70	13.40	15.16	16.13
Ind. - I Eff. 1-8 Base 1980	100.00	103.39	99.36	101.70	95.10	76.43
GDP (billions of current US\$)	24001	30890	28881	31075	31549	33384

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I. Budget (Cons. Federal Gov.)	Share of GDP (%)						Growth Rates (% c.a.)					
	1980	1982	1983	1984	1985p	1986a	1980 - 83	1984	1985	1986a		
Current Receipts	16.8	16.8	16.8	17.9	16.7	17.2	8.3	7.8	7.4	5.1		
Current Expenditures	15.0	14.4	16.3	17.8	18.0	18.0	6.4	13.4	-0.3	9.3		
Current Budget Balance	1.8	2.4	0.5	0.1	-1.3	-0.8	9.6	15.6	6.7	9.0		
Capital Receipts	..	..	..	..	..	..
Capital Expenditures	8.0	7.7	7.5	6.1	6.7	6.9	4.0	-13.5	14.9	5.9		
Overall Deficit	6.2	5.3	7.0	6.0	7.8	7.7	11.1	-9.1	36.1	4.8		
Official Capital Grants												
External Borrowing (net)	2.9	1.7	1.4	1.2	1.1	1.6	-16.5	-10.1	-3.7	103.0		
Domestic Non-Bank Financing	0.6	2.0	3.9	2.9	2.7	5.0	100.0	-20.7	-2.4	72.7		
Domestic Bank Financing	2.7	1.7	1.7	1.9	4.0	1.1	-8.8	19.1	121.8	-69.1		
J. External Capital Flows, Debt and Debt Burden Ratios	Net Disbursements (US\$ millions)						Debt Outstanding & Disbursed (US\$ mil.)					
	1980	1982	1983	1984	1985	1986a	1980	1982	1983	1984	1985	1986p
Public & Publicly Guaranteed LT	573	1044	230	580	245	401	8785	9699	9753	9991	10714	11728
Official Creditors	705	620	311	406	427	418	8265	8810	8964	9047	9925	10935
Multilateral	289	295	220	358	284	244	1822	2193	2387	2718	3064	3400
of which IBRD	-10	30	11	7	31	86	330	340	351	357	389	473
of which ICA	70	142	99	123	104	131	821	1051	1145	1256	1391	1560
Bilateral	415	324	91	47	142	174	6443	6618	6577	6338	6861	7335
Private Creditors	168	444	-81	174	-182	-17	520	889	789	943	789	793
Suppliers	10	-9	32	32	-7	7	180	128	154	181	179	192
Financial Markets	158	453	-112	143	-175	-24	341	761	635	762	610	601
Private Non-Guaranteed LT	2	8	-5	-7	-1	4	18	39	34	26	26	30
Total LT	875	1072	225	573	244	405	8803	9738	9787	10017	10740	11757
INF Net Credit	-3	409	279	-53	-152	-32	382	1165	1379	1261	1266	1036
Net Short-Term Capital	87	490	728	157	-124	90	737	331	487	436	722	790
Total including INF & Net ST	959	1971	1232	657	-32	471	9923	11239	11653	11694	12720	13583
Bank and IBA Ratios	1980	1982	1983	1984	1985	1986a						
Share of Total Long-Term DDB							p = preliminary data					
1. IBRD as % of Total	3.74	3.49	3.58	3.57	3.62	4.03						
2. IBA as % of Total	9.32	10.79	11.70	12.54	12.95	13.27						
3. IBRD+IBA as % of Total	13.07	14.28	15.28	16.11	16.57	17.29						
Share of Total LT Debt Services												
1. IBRD as % of Total	9.72	9.24	5.66	6.13	5.43	7.08						
2. IBA as % of Total	1.58	1.90	1.25	1.93	1.94	2.38						
3. IBRD+IBA as % of Total	11.30	11.14	6.91	8.05	7.38	9.47						
DDB-to-Exports Ratios												
1. Long-Term Debt/Exports	292.69	305.67	276.38	274.94	313.34	296.28						
2. INF Credit/Exports	12.71	36.58	30.94	14.85	37.20	26.10						
3. Short-Term Debt/Exports	24.50	18.39	13.75	11.97	21.21	19.91						
4. LT+INF+ST DDB/Exports	329.90	352.64	329.07	320.96	373.95	342.29						
DDB-to-GDP Ratios												
1. Long-Term Debt/GDP	36.68	31.83	33.98	32.23	34.04	35.30						
2. INF Credit/GDP	1.59	3.81	4.79	3.99	4.81	3.11						
3. Short-Term Debt/GDP	3.67	1.88	1.68	1.48	2.29	2.37						
4. LT+INF+ST DDB/GDP	41.94	36.72	40.46	37.63	40.34	40.79						
Debt Service/Exports												
1. Public & Guaranteed LT	19.73	17.94	29.99	25.35	31.26	26.83						
2. Private Non-Guaranteed LT	0.20	0.44	0.47	0.38	0.48	0.45						
3. Total LT Debt Service	20.00	18.38	30.46	25.74	31.74	27.28						
4. INF Repurchases + Serv Chgs.												
5. Interest Only on ST Debt												
6. Total (LT+INF+ST Int.)												

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TABLE 11.7

TOTAL LOANS AND CREDITS CONTRACTED

(... Contd.)

(US \$

Lending Country/ Agency	1974- 75	1975- 76	1976- 77	1977- 78	1978- 79	1979- 80	1980- 81	1981- 82	1982- 83	1983- 84	1984- 85	1985- 86	(July-Ma 1985-86
A. Consortium including outside consortium arrangements:													
(a) Bilateral:													
1. Belgium	4.2	4.3	4.0	4.8	5.0	5.2	-	-	0.1	7.2	7.5	-	-
2. Canada	54.4	70.5	11.6	187.8	21.3	42.3	12.6	40.1	16.3	2.5	35.5	57.8	57.1
3. France	26.1	64.6	51.5	45.7	41.3	58.5	60.2	-	26.2	22.8	25.4	56.0	-
4. Germany	22.8	39.3	35.6	27.0	108.9	92.6	35.3	20.5	52.6	104.7	64.4	60.8	5.7
5. Italy	9.3	7.7	9.6	10.6	20.0	32.8	16.6	15.0	23.4	18.9	21.5	65.0	62.1
6. Japan	23.0	54.8	78.1	74.5	171.1	43.6	107.5	121.1	76.9	178.5	137.3	29.6	28.8
7. Netherlands	11.0	31.2	17.5	-	26.7	19.4	14.9	15.8	12.8	18.7	4.6	-	-
8. Sweden	-	-	-	-	-	-	-	-	-	-	-	-	-
9. U.K.	72.6	-	10.0	18.9	21.2	53.0	31.4	23.8	71.1	34.4	92.0	27.0	-
10. U.S.A.	97.8	178.8	248.2	56.4	127.0	149.0	58.4	146.0	199.5	141.3	256.4	162.8	115.3
(a) Repayable in dollars	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Repayable in local currency	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total (U.S.A.)	97.8	178.8	248.2	56.4	127.0	149.0	58.4	146.0	199.5	141.3	256.4	162.8	115.3
11. Suppliers credits from various countries													
Sub-Total (a)	321.0	451.1	466.1	425.7	542.5	496.3	336.9	382.8	478.9	531.2	637.1	459.0	269.0
(b) Multilateral:													
1. IBRD	60.0	50.0	70.0	-	-	-	-	138.5	75.2	131.5	433.0	473.0	148.0
2. IFC	-	-	-	-	-	30.9	6.6	3.2	92.3	-	55.4	-	-
3. IDA	82.0	107.6	94.0	122.2	164.0	221.0	105.0	269.0	228.8	173.3	243.3	184.6	75.8
4. ADB	70.5	119.0	73.6	139.0	143.6	153.6	138.3	239.0	183.4	337.3	372.6	579.1	556.8
5. IFAD	-	-	-	-	-	47.5	11.3	11.7	-	24.2	8.6	-	-
6. Indus/Tarbela Insu- rance Recovery	-	-	-	-	-	-	12.1	-	-	-	-	-	-
Sub-Total (b)	212.5	276.6	237.6	261.2	307.6	453.0	273.3	661.4	579.7	666.8	1,113.6	1,236.7	780.6
(Consortium)													
Sub-Total A (a+b)	533.5	727.7	703.7	686.9	850.1	949.3	610.2	1,044.2	1,058.6	1,198.0	1,750.2	1,695.7	1049.6

TABLE 11.7

TOTAL LOANS AND CREDITS CONTRACTED

... Contd.)

(US \$ million)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	(July-March)	
	75	76	77	78	79	80	81	82	83	84	85	86	1985-86	1986-87
B. Non Consortium:														
1. Austria	-	-	1.7	0.6	-	1.2	-	-	-	-	-	-	-	-
2. Australia	-	1.3	10.3	-	-	-	-	-	-	-	-	-	-	-
3. Bulgaria	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. China	-	4.3	-	5.7	3.6	1.8	3.5	5.4	47.4	-	4.2	-	-	130.0
5. Czechoslovakia	-	-	-	-	-	-	2.6	-	-	-	-	-	-	32.3
6. Denmark	6.4	-	-	-	20.8	0.6	5.4	-	-	-	-	-	-	-
7. Germany D.R.	2.8	2.6	-	0.6	-	-	-	-	-	-	-	-	-	-
8. Kuwait Suppliers Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Hungary	-	-	-	-	1.8	-	-	-	-	-	-	-	-	-
10. Poland	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Romania	-	-	-	13.9	-	-	45.6	37.8	-	-	-	-	-	-
12. U.S.S.R.	214.5	3.5	0.1	-	105.7	-	14.5	21.4	7.4	278.4	-	0.2	-	-
13. Yugoslavia	-	-	-	-	1.4	-	-	-	-	-	-	-	-	-
14. Switzerland	-	-	1.4	4.4	5.0	2.7	-	0.1	4.4	-	-	0.2	0.2	-
15. Singapore	-	-	-	-	-	0.2	-	-	-	-	1.0	-	-	-
16. Spain	-	-	-	-	-	-	-	-	-	1.7	-	-	-	-
Sub-Total (B)	223.6	11.6	13.6	25.1	141.3	6.4	71.5	14.6	59.2	280.1	5.2	0.4	0.2	162.3
C. Islamic Countries:														
1. Abu Dhabi	100.0	-	13.0	40.0	-	-	-	25.2	-	-	-	-	-	-
2. Iraq	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Iran	-	48.6	150.0	-	-	-	-	-	-	-	-	-	-	-
4. Kuwait	-	50.9	25.0	-	28.3	-	42.7	30.3	13.7	-	-	20.6	20.6	10.4
5. Libya	50.0	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Qatar	10.0	-	-	-	-	6.8	-	-	-	-	-	-	-	-
7. Saudi Arabia	97.5	30.0	0.7	-	82.9	260.7	14.7	-	46.4	-	-	-	-	49.3
8. OPEC Fund	-	-	21.5	11.0	13.0	15.7	-	-	32.0	-	10.0	5.0	-	3.6
9. Islamic Development Bank	-	-	-	16.7	-	6.5	-	27.2	15.9	3.9	34.1	-	-	14.4
Sub-Total (C)	257.5	116.3	210.2	67.7	124.1	289.8	57.4	82.6	108.0	3.9	44.1	25.6	20.6	77.7
I.M.F. Trust Fund	-	-	-	47.8	71.2	157.4	16.1	-	-	-	-	-	-	-
Total Loans	1,014.6	855.6	927.4	827.5	1,186.7	1,402.8	755.2	1,191.4	1,225.7	1,482.0	1,799.5	1,721.7	1,070.4	1,187.7

- nil.

Source: Economic Affairs Division.

TABLE 11.6

GRANT ASSISTANCE AGREEMENTS SIGNED

Contd.)	(US \$ million)													
													(July March)	
	1974- 75	1975- 76	1976- 77	1977- 78	1978- 79	1979- 80	1980- 81	1981- 82	1982- 83	1983- 84	1984- 85	1985- 86	1985-86	1986-87
Consortium Including outside Consortium arrangements														
Canada	4.2	4.7	7.6	3.1	25.7			1.2	12.1	13.5	28.5	50.6	49.7	52.6
Germany	1.3	1.3	2.1	-	-			-	-	-	-	-	-	-
Japan	-	-	3.4	5.2	23.1	20.2	38.8	48.8	22.9	39.9	47.9	38.1	37.9	28.6
Netherlands	-	5.4	7.0	-	5.9	9.7	10.4	-	7.2	8.9	-	14.1	-	-
New Zealand	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Norway	2.5	4.1	11.2	11.4	14.8	14.8	12.7	12.3	11.9	11.0	10.1	8.2	8.2	6.7
Sweden	4.3	5.1	4.7	6.5	9.1	9.1	8.2	6.1	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	-	7.5	-	-	9.2	-	-	-
U.K.	2.6	5.7	35.1	75.3	68.5	29.0	-	8.9	15.5	28.0	32.7	22.6	-	0.6
U.S.A.	32.8	2.2	18.5	0.4	0.4	1.5	0.3	27.5	109.5	205.7	167.0	117.9	63.4	110.8
U.N. and Special ised agencies	-	-	-	-	-	-	-	1.1	11.3	20.0	-	-	-	15.0
U.N.D.P. special grant	3.0	3.0	4.7	3.0	9.2	-	19.0	14.4	13.9	13.3	15.8	14.9	14.9	13.3
Ford Foundation	0.1	0.5	0.3	-	-	-	-	-	-	-	-	-	-	-
EEC	3.0	3.0	3.0	-	-	8.7	6.5	26.4	-	7.0	7.2	-	-	1.1
U.N. Emergency Relief supplies and cash grants from various countries	16.0	-	1.0	-	-	-	-	-	-	-	-	-	-	-
World Food Programme	-	-	6.2	-	-	-	-	-	-	-	-	-	-	-
Italy	-	-	13.9	14.6	11.5	30.6	11.5	-	18.6	4.0	33.3	19.5	19.5	0.7
France	-	-	-	-	-	-	-	-	-	-	10.0	6.1	-	5.0
	-	-	-	-	-	-	-	-	-	-	1.5	-	-	-
Sub-Total (II)	81.3	56.8	139.2	141.3	185.2	140.6	122.6	160.2	222.9	351.3	361.7	293.5	193.6	234.4
Non Consortium:														
Australia	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total (III)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Islamic Countries:														
Iran	7.2	0.5	-	-	-	-	-	-	-	-	-	-	-	-
South Arabia	-	30.0	30.0	10.0	9.0	-	-	-	-	-	-	-	-	-
U.A.E.	-	-	-	2.0	53.0	1.0	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	10.0	-	-	-	-	-	-	-
Sub-Total (I+II+III)	88.4	30.5	169.2	151.3	196.2	193.6	123.6	170.2	222.9	351.3	361.7	-	-	-
Relief Assistance for Afghan Refugees	-	-	-	-	-	116.8	109.6	315.6	240.8	155.2	150.0	135.0	68.1	120.0
Indus/Tarbela Deve- lopment Fund:														
Australia	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-	-	-	-	-	-	-
India	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Zealand	-	-	-	-	-	-	-	-	-	-	-	-	-	-
U.K.	2.6	5.7	-	-	20.0	-	-	-	-	-	-	-	-	-
U.S. (a) Dollars	9.0	9.0	18.0	-	-	-	-	-	-	-	-	-	-	-
(b) Rupees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EEC	-	-	-	-	6.0	-	-	-	-	-	-	-	-	-
Sub-Total (V)	11.6	14.7	18.0	-	26.0	-	-	-	-	-	-	-	-	-
Total (Grants)	100.0	102.0	187.2	151.3	222.2	310.4	233.2	485.8	463.6	506.5	511.7	428.5	261.7	354.4

Source: Economic Affairs Division.

pl. Food Aid Convention.
 IC: European Economic Community.

re. Commitments in case of Indus/Tarbela represents actual draws from the Indus/Tarbela Development Fund.

Table 3.12: DISBURSEMENT OF FOREIGN ASSISTANCE, 1976/77-1985/86/a

(million US\$)

Item	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86 /b
<u>Consortium</u>	<u>683</u>	<u>564</u>	<u>691</u>	<u>842</u>	<u>713</u>	<u>639</u>	<u>835</u>	<u>883</u>	<u>976</u>	<u>1039</u>
Project	<u>351</u>	<u>326</u>	<u>438</u>	<u>658</u>	<u>543</u>	<u>376</u>	<u>457</u>	<u>566</u>	<u>722</u>	<u>794</u>
Indus/Tarbela	42	5	43	39	12	5	2	-	-	-
Other	309	321	395	619	531	371	455	566	722	794
Non-Project	<u>332</u>	<u>238</u>	<u>253</u>	<u>184</u>	<u>170</u>	<u>263</u>	<u>378</u>	<u>317</u>	<u>204</u>	<u>338</u>
PL-480, etc./c	91	94	50	21	66	89	80	168	78	245
Other	241	144	203	163	104	174	298	149	126	93
<u>Non-Consortium</u>	<u>278</u>	<u>292</u>	<u>257</u>	<u>567</u>	<u>152</u>	<u>170</u>	<u>288</u>	<u>138</u>	<u>131</u>	<u>261</u>
Project/d	98	190	161	150	139	160	288	129	131	261
Non-Project	180	102	96	417	16	10	-	19	-	-
<u>Total/e</u>	<u>961</u>	<u>856</u>	<u>948</u>	<u>1,409</u>	<u>868</u>	<u>809</u>	<u>1,123</u>	<u>1,021</u>	<u>1,107</u>	<u>1,393</u>

/a Excludes technical assistance.

/b Provisional.

/c Includes grants and loans.

/d 1981 data include \$9 million and \$7 million, respectively, from Kuwait Fund for Arab Economic Development and Saudi Fund for Development of Tarbela Dam Project. 1982 data include \$3 million, \$20 million and \$3 million, respectively from Kuwait (FAED), Saudi Fund for Development and UAE for Tarbela Dam repairs. 1983 data includes \$5 million, \$15 million and \$17 million, respectively, from Kuwait (FAED), Saudi Fund for Development and UAE for Tarbela Dam repairs. 1985 and 1986 data in r/o Tarbela Dam Repairs from Kuwait (FAED), Saudi Fund Development and UAE are negligible.

/e Excludes relief assistance for Afghan refugees amounting to \$61 million in 1980, \$111 million in 1981 and \$293 million in 1982, \$178 million in 1983, \$155 million in 1984, \$150 million in 1985, and \$135 million in 1986.

Source: Ministry of Finance and Economic Affairs.

ANNEX N
Bibliography

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- "Development Support Training 2nd Amendment (391-0474)"; Date Authorized: June 16, 1987; Amount Authorized: \$5 million.
- "Development Support Training 3rd Amendment (391-0474)"; Date Authorized; Sept. 20, 1987; Amount Authorized: \$10 million.
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- "Energy Planning & Development (391-0478)"; Date Authorized: Feb. 17, 1987; Amount Authorized: \$75 million.

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ANNEX O

Persons Consulted

PERSONS CONSULTED

A. Meetings with GOP and Foreign Donor Officials

Mr. Syed Nasir Ahmed
Acting Secretary
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Mr. Mohammad Akram
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Mr. Munir G.M. Akhtar
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Mr. Sartaj Aziz
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Mr. F. K. Bandial
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Miss Gulzar Bano
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Ministry of Education
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Dr. Mahbub-ul-Haq
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State Bank of Pakistan
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Mr. Aftab Ahmed Khan
Chairman
National Development Finance Corporation
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Mr. Saeed Qureshi
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B. Meetings with US Government Officials and Contract Personnel

Ms. Tahira Abdullah
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C. Former USAID Mission Personnel Providing Inputs

Mr. John Blackton
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Negotiating Team to Pakistan
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Mr. Jimmie Stone
Former Deputy Director
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D. Other Persons Consulted

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