Folder Title:	Pakistan - General - Consortium Meetings - Correspondence 17
Folder ID:	1704349
Dates:	07/01/1967 - 05/01/1968
Fonds:	Records of the South Asia Regional Vice Presidency
ISAD Reference Code:	WB IBRD/IDA SAR
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PAKISTAN

Consort. - Vol Xiv

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THIS FILE IS CLOSED AS OF ~~March~~ APRIL 30 31, 1968

FOR FURTHER CORRESPONDENCE, PLEASE SEE Vol. XV

General Files and
Communications Section

PAK-Cons.

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
ISLAMABAD

DATE: APRIL 29, 1968

CLASS OF SERVICE: IBF GOVT.

Rca.

COUNTRY: PAKISTAN

TEXT:
Cable No.: SEVENTY-EIGHT

REYOURCAB 95 SWEDEN ALREADY INVITED INFORMALLY THROUGH

EXECUTIVE DIRECTOR STOP STILL AWAITING REPLY REGARDS

MELMOTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME C.G.F.F. Melmoth

DEPT. Asia

SIGNATURE C.G.F. Melmoth

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JDR:let:egs

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

C. M. Fowler.

COMMUNICATIONS GENERAL LINES

MAR 29 9 57 PM 1968

DISPATCHED

For Use by Archives Division

Checked for Dispatch:

DISPATCHED

APR 29 6 27 PM 1968

GENERAL FILES
COMMUNICATIONS

PAK - Cons.

Files April 29, 1968

Donald D. Fowler

Pakistan Consortium Meeting

Sometime back, at the request of the Asia Department, I informed Mr. Skjerdal that Sweden was invited to join the Pakistan Consortium and that we would send through him to Sweden the documents for the Consortium Meeting in Washington on May 21 and 22. These documents have regularly gone to Skjerdal for this purpose.

Today, at the request of Mr. Melmoth, I called Skjerdal to determine whether Sweden would participate. He had not heard from the Swedish authorities but promised that he would contact them to determine whether they would participate and who their delegate to the meeting would be.

DDF

cc: Mr. Ahmad

DDF:em

PAK-Cons.

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
ISLAMABAD

DATE: APRIL 26, 1968

CLASS OF SERVICE: IBF GOVERNMENT

COUNTRY: PAKISTAN

RCH

TEXT:
Cable No.: SEVENTY-FIVE

MIDPLAN REVIEW AND SUMMARY DESCRIPTIONS PROJECTS RECEIVED YESTERDAY

PLEASE ADVISE PLANCOM REGARDS

MELMOTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Mr. C.G.F.F. Melmoth

DEPT. Asia

SIGNATURE C. Melmoth
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JDRoulet:egs

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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APR 26 3 15 PM 1968

GENERAL FILES
COMMUNICATIONS

APR 26 3 13 PM 1968

PAK Cons.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESTRICTED

PAK 68-12

FROM: The Secretary

April 26, 1968

ELEVENTH MEETING OF THE PAKISTAN CONSORTIUM

Attached are an Agenda and a statement on the Administrative Arrangements for the meeting of the Pakistan Consortium to be held in the Bank in Washington on May 21 and 22, 1968.

Distribution:

Executive Directors for:

Belgium
Canada
France
Germany
Italy
Japan
Netherlands
United Kingdom
United States

Embassy of Japan
Managing Director, IMF

Director, Asia Department

For information:

President
President's Council
Executive Vice President (IFC)
Executive Director for Pakistan
Department Heads (Other)
Resident Representative, Islamabad
European Office
Development Assistance Committee, OECD
President, Asian Development Bank

ELEVENTH MEETING OF THE PAKISTAN CONSORTIUM

May 21 & 22, 1968 - 10.00 a.m.
at World Bank, 1818 H Street, N.W., Washington, D.C.

AGENDA

1. OPENING STATEMENT BY CHAIRMAN

2. RECENT ECONOMIC PROGRESS AND FUTURE DEVELOPMENTS

Statement by the representative of the Government of Pakistan, followed by general discussion. The Summary and Conclusions of the Bank's report "Current Economic Position and Prospects of Pakistan" dated April 17, 1968, will provide the basis for discussion, particularly of the following subjects:

(a) Economic performance and objectives.
(b) Foreign trade policy.
(c) Fiscal policy.
(d) Agricultural policy.
(e) External debt position and terms of future aid.

Documents:

(1) "Memorandum for the Pakistan Consortium 1968-69" prepared by the Planning Commission, Government of Pakistan (PAK 68-9).

(2) "The Mid-Plan Review of the Third Five Year Plan (1965-70)", prepared by the Planning Commission, Government of Pakistan (PAK 68-10)

(3) Report on "Current Economic Position and Prospects of Pakistan", prepared by the Bank, dated April 17, 1968 (PAK 68-7).

3. AID REQUIREMENTS FOR 1968-69

Statement by the representative of the Government of Pakistan, followed by general discussion. It is expected that the Meeting will agree on a level of project and non-project aid which it would be appropriate for the Consortium to provide during 1968-69. Members will be asked to indicate, wherever possible, the amount and terms of aid that they expect to make available in the Pakistan fiscal year 1968-69.

Documents:

(1) "Memorandum for the Pakistan Consortium 1968-69" prepared by the Planning Commission, Government of Pakistan (PAK 68-9).

(2) "Summary Descriptions of Projects for the Pakistan Consortium 1968-69" prepared by the Planning Commission, Government of Pakistan (PAK 68-10).

(3) "Current Economic Position and Prospects of Pakistan" prepared by the Bank, dated April 17, 1968 (PAK 68-7), pages 111 - 118.

4. OTHER BUSINESS (INCLUDING ARRANGEMENTS FOR THE NEXT CONSORTIUM MEETING)

5. PRESS RELEASE

April 26, 1968

Asia Department

PAKISTAN CONSORTIUM

Tuesday & Wednesday May 21 & 22, 1968

ADMINISTRATIVE ARRANGEMENTS

LOCATION

1. The meeting will be held in the Bank in Washington D. C., commencing at 10:00 a.m. on Tuesday, May 21, 1968.

GENERAL INFORMATION

2. Information about the meeting and other arrangements may be obtained from Mr. Ahmad, Ext. 4078.

CHAIRMAN'S RECEPTION

3. A reception will be given by the Chairman in the Executive Dining Room of the Bank (12th floor) at 6:00 p.m. on Wednesday, May 22, 1968 to which all members of delegations are invited.

SIMULTANEOUS INTERPRETATION

4. Simultaneous interpretation - French/English, English/French - will be in operation during the meeting sessions. To assist the interpreters, delegates are requested to hand copies of prepared statements to the Reception Desk in advance of presentation.

DOCUMENTS

5. A limited number of copies of documents previously distributed to members and listed in the Agenda will be available at the meeting.

Secretary's Department
April 26, 1968

PAK Cons.

Form No. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

Ack'd

INCOMING CABLE

DATE AND TIME OF CABLE: APRIL 26, 1968 1055

LOG NO.: RC 11 / 26

TO: INTBAFRAD

FROM: ISLAMABAD

ROUTING

ACTION COPY: MR. MELMOTH

INFORMATION COPY: MR. CARGILL

DECODED BY:

Mr Rowlet.
? done.
EM
4/26.

TEXT:

95 FOR MELMOTH

PLANCOM WOULD MUCH APPRECIATE YOUR INVITING SWEDES AS OBSERVERS FOR CONSORTIUM MEETING IF NOT ALREADY DONE

FINSAAS

IR

Ack April 29

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

TYPED

PAK - Cons.

Mr. Jean-David Roulet

April 26, 1968

Arthur E. Tiemann

Pakistan Consortium Reports

We agree with the throught expressed in your draft of April 7, 1968, that eventually the data received from creditor countries under the Expanded Reporting System on External Lending can replace the data collected by the Bank on new commitments from Consortium members. However, as you discussed by telephone with Mrs. Paulson, it is a bit early at this time to make the change. Reports have not yet been received from all countries. Also we are at present processing only the first reports and have found many problems. We estimate that by next fall we may have sufficient data for your purpose, and we should meet at that time to discuss the method and form of transmission.

cc: Mr. Stevenson
Mrs. Paulson
Miss Hedley
Mrs. Gathonton

HWPaulson:ra

FORM No. 26
(6.65)

INDIA - Consortium
PAK - Consortium

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: APRIL 25, 1968

LOG NO.: RC 16 / 25

TO: SECRETARY INTBAFRAD

FROM: BRUXELLES

ROUTING

ACTION COPY: MR. MENDELS

INFORMATION COPY:

DECODED BY:

TEXT:

VOS COMMUNICATIONS DES 4 ET 5 AVRIL COURANT CONCERNANT REUNION A WASHI NGTON DES CONSORTIUMS PAKISTAN ET INDE. DESIGNE ADMINISTRATEUR VAN CAMPENHOUT POUR REPRESENTER BELGIQUE A CES REUNIONS.

HENRION

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

DUPLICATE

PAK Cons 23

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESTRICTED

PAK 68-10

FROM: The Secretary

April 26, 1968

ELEVENTH MEETING OF THE PAKISTAN CONSORTIUM

Consortium

Attached are two documents entitled "The Mid-Plan Review of The Third Five Year Plan (1965-70)" and "Summary Descriptions of Projects for The Pakistan Consortium 1968-69".

These documents which have been prepared by the Government of Pakistan are distributed for use at the meeting of the Pakistan Consortium to be held at the Headquarters of the World Bank in Washington, D.C., on May 21 and 22, 1968.

Distribution:

Executive Directors for:

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United Kingdom
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Managing Director, IMF

Director, Asia Department

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President
President's Council
Executive Vice President (IFC)
Executive Director for Pakistan
Department Heads (Other)
Resident Representative, Islamabad
European Office
Development Assistance Committee, OECD
President, Asian Development Bank

E 1

OFFICE MEMORANDUM

TO: Mr. R.J. Goodman

DATE: April 25, 1968

FROM: M. Georgion MGeorgion.

SUBJECT: Consortium Papers

Referring to our telephone conversation last evening, this is to request guidance on the mailing of Consortium Papers, especially Economic Reports and similar bulky hence costly postage items, on Asian countries. We normally receive the documents with an unsigned routing slip marked for the offices concerned and the number of copies to be sent. Sometimes the number of copies to be dispatched is not indicated. In all cases there is no indication who is authorizing the dispatch. Presumably the documents are sent to us from the Secretary's Department but we cannot be certain. In the past when we have contacted the Secretary's Documents Office for instructions on mailing, we are simply told that it is our responsibility to mail them. When Consortium documents are small enough to go into the pouch we mail them usually without questions for costs are not so significant, but when a document is large, particularly when attached to a grey report, a Form 48 "Request for Shipment and Mailing of Packages" needs to be filled out in order to indicate the method of dispatch, the date needed at the destination and most importantly, who is authorizing the shipment. Only in this way can responsibility be assigned if later questions come up regarding who authorized how many of which document to be sent where and when.

With reference to document No. PAK 68-7, copies were brought to us by a messanger on April 23 and placed on the top of the file cabinet in General Files without any indication of what was to be done with them. Mr. Diaz, the Records Assistant in charge of the Reports Desk, assumed that they were spare documents, as this is the manner in which spares are usually handled. Yesterday when Mr. Diaz was putting the documents into storage, he suspected that perhaps they were for distribution to Islamabad and Paris and promptly called the Secretary's Documents Office for mailing instructions. He was advised to mail 18 copies to the Islamabad Office and 3 to the European Office and that preparation of Form No. 48 authorizing shipment was our responsibility. Following our conversation, on your instructions, we mailed 2 copies to Mr. Finsaas and 1 copy to European Office by airmail last night. In order that we might be properly instructed with respect to the distribution of other copies, I am attaching a partially completed Form 48 for your execution.

In order to avoid future delays I would greatly appreciate if you could get answers for me to the following questions:

(1) Who determines distribution and number of copies?

(2) Is there a standard number of copies sent to each office or does the number vary depending on when and where the meeting is to be held?

(3) Who determines how the documents should be dispatched (Air Mail, Air Freight, etc.)?

(4) Should not we receive one copy for Operational Files?

I am sorry to burden you with this, but in the interest of economy and good administration I believe it is quite important to spell all this out. Hence I turn to you for your assistance.

For you to know the magnitude of the cost, 18 copies of PAK-68-7 would cost approximately $400 by Air Mail to Pakistan.

Attachment: 1

Talked to Mr. Georgian, End April.

We then agreed the main thing was then to get the Pakistan Consortium documents out as soon as possible. Questions of streamlining the procedure in the future would be discussed later on.

Tel. Mr. Georgian July 8, 1968.

Mr. Georgian was subsequently authorized by Adm. Dept. to sign the requests for shipment. Therefore, no need to further streamline procedure. Only point is to make sure that we (Area) get in touch with him at the Consortium documents are to be sent to Islamabad.

7/8/68.

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Pakistan - General - Consortium Meetings - Correspondence 17	1704349

Document Date	Document Type
April 24, 1968	Memorandum

Correspondents / Participants

To: Mr. J. Jaeckel, Alternate Executive Director

From: C.G. F.F. Melmoth

Subject / Title

Quarterly Reports on Aid to Pakistan

Exception(s)

Additional Comments

Declassification review of this record may be initiated upon request.

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	April 30, 2019

PAK Cons.

Form No. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

off file

INCOMING CABLE

DATE AND TIME OF CABLE: APRIL 24, 1968 1055

LOG NO.: RC 14/24

TO: INTBAFRAD

FROM: ISLAMABAD

ROUTING	
ACTION COPY:	MR. MEIMOTH
INFORMATION COPY:	MR. CARGILL
DECODED BY:	

Mr Rondet.

TEXT:

91 FOR MELMOTH

REMYCAB 88 PANAM KARACHI CONFIRMS DOCUMENTS SENT APRIL 23 BY PANAM ONE TO BEIRUT AND ONE ONE NINE BEIRUT WASHINGTON WAYBILL 026-1-512023

FINSAAS

cc. Mr Varela
224
4/24

MT

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

RESTRICTED

PAK 68-9

FROM: The Secretary

April 24, 1968

ELEVENTH MEETING OF THE PAKISTAN CONSORTIUM

1. Attached is "Memorandum for the Pakistan Consortium 1968-69", dated April, 1968, prepared by the Planning Commission of the Government of Pakistan. This document is distributed for use at the Meeting of the Pakistan Consortium to be held at the Headquarters of the Bank in Washington, D.C. on May 21 & 22, 1968.

2. Members are reminded to send the names of their delegates to the meeting to the Secretary of the Bank in Washington as soon as possible.

Distribution:

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Japan
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United Kingdom
United States

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President
President's Council
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Resident Representative, Islamabad
European Office
Development Assistance Committee, OECD
President, Asian Development Bank

FORM No. 26
(6.65)

PAK Cons.
Mr. Vasla

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

Mr Lister

INCOMING CABLE

DATE AND TIME OF CABLE: APRIL 23, 1968 1725

LOG NO.: RC 21 / 23

TO: INTBAFRAD

FROM: HOTEL INTERCONTENTAL, RAWALPINDI

ROUTING

ACTION COPY: MR. MELMOTH

INFORMATION COPY: MR. CARGILL

DECODED BY:

TEXT:

FOR GGS MELMOTH.

TWO HUNDRED AND FIFTY COPIES EACH OF THE MIDPLAN REVIEW AND SUMMARY DEZ DESCRIPTION OF PROJECTS DESPATCHED ON 23 APRIL BY PANAM KHARAZ KARACHI BEIRUT FLIGHT NUMBER ONE AND BEIRUT WASHINGTON FLIGHT NUMBER ONE HUNDRED AND NINETEEN. AIRWAY BILL NUMBER IS 026-1-512023. PLEASE TAKE DELIVERY FROM PANAM OFFICE

PLANCOM

IR -

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

TYPED

APR 23 3 11 PM 1968

GENERAL FILES
COMMUNICATIONS

Quarterly Report
Dec. 31, 1967

Reports Desk

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

F

RESTRICTED

PAK 68-8

FROM: The Secretary

April 23, 1968

PAKISTAN CONSORTIUM: QUARTERLY REPORT ON THE UTILIZATION OF AID

The eighteenth report on the utilization of Consortium financial assistance to Pakistan, covering the quarter ended December 31, 1967, is attached. The submissions of the Government of Pakistan are given in Annex A, and the reports of individual members of the Consortium are included in Annexes B, C and D.

Members receiving this report are asked to notify this office of any errors or omissions.

The distribution of this report has been delayed by the late submission of returns.

Distribution:

Executive Directors for:

Belgium
Canada
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Netherlands
United Kingdom
United States

Embassy of Japan
Managing Director, IMF

Director, Asia Department

For information:

President
President's Council
Executive Vice President (IFC)
Executive Director for Pakistan
Department Heads (Other)
Resident Representative, Islamabad
European Office
Development Assistance Committee, OECD
President, Asian Development Bank

RESTRICTED

PAKISTAN CONSORTIUM

EIGHTEENTH QUARTERLY REPORT ON THE UTILIZATION OF AID

Asia Department
April 23, 1968

LIST OF ANNEXES AND TABLES

ANNEX A

Table 1

SUMMARY OF FINANCIAL ASSISTANCE FROM CONSORTIUM MEMBERS TO PAKISTAN'S THIRD FIVE-YEAR PLAN AS OF DECEMBER 31, 1967 AS REPORTED BY GOVERNMENT OF PAKISTAN

(US $ thousands)

	Consortium Members	Undisbursed Commitments As At June 30, 1965 1/	Agreements 2/ Signed: July 1, 1965 Dec. 31, 1967 1/	Disbursements July 1, 1965 Dec. 31, 1967
1.	Belgium	517	2,516	1,117
2.	Canada	18,006	71,431	43,782
3.	France	20,491	29,028	32,116
4.	Germany	66,148	101,310	89,414
5.	Italy	2,072	39,452	21,764
6.	Japan	61,092 4/	90,000	66,495
7.	Netherlands	11,832	7,463	14,302
8.	United Kingdom	47,187	53,874	67,293
9.	United States			
	DCF/AID	287,961	271,400	333,238
	Exim Bank	2,578	20,320	13,110
10.	IBRD/IDA 5/	269,513 6/	185,950	184,309
	Total	787,397	872,744	866,940

1/ Revised
2/ Agreements for Export Credits represent full contract amounts, i.e. including down payments.
3/ $62,018,000, including the entire amount of the $21,610,700 Special Development Loan signed on December 29, 1965 as advised by Canadian Government in PAK 67-1, Annex D, and not only the annual allocations under this agreement as reported by the Government of Pakistan.
4/ $61,104,000, according to Japanese Government records.
5/ Excluding both the undisbursed balances of $81,913,521 and £32,662,053 as at June 30, 1965 and the disbursements under IBRD Loan No. 266 PAK and IDA Credit No. 60 PAK respectively, for Indus Basin Works.
6/ $244,233,000, according to IBRD/IDA records.

Table 2

AGREEMENTS SIGNED AND DISBURSEMENTS MADE
JULY 1, 1967 - DECEMBER 31, 1967
AS REPORTED BY GOVERNMENT OF PAKISTAN

(US $ thousands)

Consortium Members	Amount of Agreements Signed	Disbursements
1. Belgium	1,391	500
2. Canada		
Grants	-	1,456
Loans	10,175	4,840
3. France	1,617	19,509
4. Germany	18,750	18,060 1/
5. Italy	3,053	10,522
6. Japan	30,000	20,131
7. Netherlands	2,210	1,045
8. United Kingdom	15,360	13,267
9. United States		
DCF/AID	30,500	44,928
Exim Bank	6,769	6,814
10. IBRD/IDA 2/		
IBRD	35,000	15,915
IDA	-	36,924
Total	154,825	193,911 3/

1/ Please note that in the Seventeenth Quarterly Report, disbursements by Germany should read 4,505 instead of 2,505.

2/ Excluding any disbursements under IBRD Loan No. 266 PAK and IDA Credit No. 60 PAK for Indus Basin Works.

3/ Please note that in the Seventeenth Quarterly Report, total disbursements should read 85,971 instead of 83,971.

Table 3

LIST OF AGREEMENTS SIGNED
OCTOBER 1 - DECEMBER 31, 1967
AS REPORTED BY GOVERNMENT OF PAKISTAN

Consortium Member	Project or Program	Date of Agreement	Amount[1] (US $ thousand equivalent)
Belgium	Suppliers Credit: Non-Project		
	Textile Machinery for M/S Karachi Carpet Manufacturing Co. Ltd.	Dec. 17, 1967	315
Canada	Non-Project Loans		
	1. Fertilizers	Oct. 13, 1967	3,700
	2. Copper, Aluminum, Sulphur, Asbestos, Woodpulp	Oct. 13, 1967	6,475
	Total Canada		10,175
France	Suppliers Credit: Project		
	1. Machine Tools Factory, Karachi	Sept. 25, 1967	9
	2. M/S E.M. Oil Mills (IDBP)	Nov. 11, 1967*	81
	3. Mining Equipment for Sore Range (WPIDC)	Nov. 16, 1967*	409
	4. M/S Molid Farooq Textile Mills (IDBP)	Nov. 16, 1967*	115
	5. Machine Tools Factory, Karachi	Dec. 4, 1967*	275
	Total France		889
Germany	Project Loans		
	1. Development of Private Industry (IDBP)	Nov. 11, 1967	3,000
	2. Development of Private Industry (PICIC)	Nov. 16, 1967	2,000
	Total Germany		5,000

Table 3 (continued)

Consortium Member	Project or Program	Date of Agreement	Amount[1/] (US $ thousand equivalent)
Italy	Suppliers Credit: Project		
	1. Murree Beverage and Chemicals Co., Ltd. (IDBP)	Aug. 23, 1967	115
	2. M/S Modern Automobiles (IDBP)	Sept. 9, 1967	13
	3. Second-hand Oil Tanker for United Trading Corp., Dacca (PICIC)	Oct. 18, 1967*	367
	4. Consultants for Guddu Power Station (WP WAPDA)	Dec. 5, 1967	975
	Total Italy		1,470
Japan	Project Loans		
	1. Seventh Yen Credit: Chittagong Steel Mills (EPIDC)	Dec. 28, 1967	3,000
	2. Seventh Yen Credit: Natural Gas Fertilizer, Ghorasal (EPIDC)	Dec. 28, 1967	7,800
	3. Seventh Yen Credit: Pak-Nepal Tropospheric Scatter Microwave Link - T&T	Dec. 28, 1967	3,000
	4. Seventh Yen Credit: Development of Private Industry (IDBP)	Dec. 28, 1967	3,000
	5. Seventh Yen Credit: Development of Private Industry (PICIC)	Dec. 28, 1967	3,000
	6. Seventh Yen Credit: Unallocated Reserve	Dec. 28, 1967	1,200
	Non-Project Loans		
	1. Seventh Yen Credit: Power Tillers (CCI&E)	Dec. 28, 1967	500
	2. Seventh Yen Credit: Marine Diesel Engines (CCI&E)	Dec. 28, 1967	500

Table 3 (continued)

Consortium Member	Project or Program	Date of Agreement	Amount[1/] (US $ thousand equivalent)
Japan	3. Seventh Yen Credit: Dyes and Chemicals (CCI&E)	Dec. 28, 1967	1,400
	4. Seventh Yen Credit: Fertilizers (EPADC)	Dec. 28, 1967	4,255
	5. Seventh Yen Credit: Urea Fertilizers (WPADC)	Dec. 28, 1967	2,345
	Total Japan		30,000
Netherlands	Non-Project Loan Fourth Loan of f. 8 million	Dec. 11, 1967	2,210
United States	Project Loans 1. DLF/AID: Karnafuli 3rd Unit (EPWAPDA)	June 22, 1967x	1,500
	2. DLF/AID: Malaria Eradication, Health Division	June 26, 1967x	4,000
	Non-Project Loan DLT/AID: Fertilizers	June 26, 1967x	25,000
	Total United States		30,500

1/ Agreements represent full contract amount including down payment.
* Date of notification by EAD.
x Date of authorization.

ANNEX B

NEW AGREEMENTS SIGNED DURING THE QUARTER ENDED DECEMBER 31, 1967 AS REPORTED BY CONSORTIUM MEMBERS

Reports on new agreements signed during the period October 1 - December 31, 1967 by Belgium, Canada, France, Germany, Italy, Japan and Netherlands are reproduced in this Annex. No new agreements signed were reported by United Kingdom, and no new agreements authorized by United States.

BELGIAN AGREEMENTS SIGNED DURING THE QUARTER ENDED DECEMBER 31, 1967

(a) Textile Plant: Guaranteed Suppliers Credit

(b)	Borrower:	Dadu Textile Mills
	Lender:	Desmet
	Date:	Not reported
(c)	Amount:	BF 34.6 million
(d)	Purpose:	Purchase of textile plant
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	15 percent of the credit payable in cash and 85 percent payable in equal installments over a maximum period of ten years after delivery or assembly, provided that the total duration of the credit does not exceed twelve years.
(g)	Forecast of Disbursements:	N/A

CANADIAN AGREEMENTS SIGNED DURING THE QUARTER ENDED DECEMBER 31, 1967

1. (a) Fertilizer Loan

(b)	Borrower:	Government of Pakistan
	Lender:	Government of Canada
	Date:	October 13, 1967
(c)	Amount:	Can$ 5 million
(d)	Purpose:	Provision of fertilizers and sulphur during 1967/68
(e)	Interest Rate:	Nil
(f)	Amortization Terms:	10 years grace period, principle repayable over next 40 years by 80 semi-annual installments
(g)	Forecast of Disbursements:	N/A

2. (a) Raw Material Loan

(b)	Borrower:	Government of Pakistan
	Lender:	Government of Canada
	Date:	October 13, 1967
(c)	Amount:	Can$ 6 million
(d)	Purpose:	Provision of industrial commodities (copper, aluminum, asbestos, woodpulp and sulphur)
(e)	Interest Rate:	Nil
(f)	Amortization Terms:	10 years grace period, principle repayable over next 40 years by 80 semi-annual installments
(g)	Forecast of Disbursements:	N/A

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED DECEMBER 31, 1967

1. (a) Installation of Air Conditioning: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	Mohamad Farooq Textile Mills
	Lender:	Ste Luwa - Paris
	Date:	October 10, 1967
(c)	Amount:	FF 1,627,000
(d)	Purpose:	Installation of air conditioning for a textile plant
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

2. (a) Centrifugal Machines, Gas Compressors, etc.: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	E.M. Oil Mills & Industries Ltd.
	Lender:	Sharples S.A. France
	Date:	October 13, 1967
(c)	Amount:	FF 400,000
(d)	Purpose:	Procurement of centrifugal machines, gas compressors, refrigerating units, water softeners
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER

ENDED DECEMBER 31, 1967

3. (a) Tubes and Brass Founding: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	W.P.I.D.C.
	Lender:	Comptoir F.B.T. - Paris
	Date:	November 16, 1967
(c)	Amount:	FF 161,744.14[2/]
(d)	Purpose:	Procurement of tubes and brass founding and finishing for the W.P.I.D.C.
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

4. (a) Tip-lorries: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	W.P.I.D.C.
	Lender:	Berliet
	Date:	November 16, 1967
(c)	Amount	FF 2,021,238.49
(d)	Purpose:	15 tip-lorries for the W.P.I.D.C.
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government
2/ Amendment to the previous contract

FRENCH AGREEMENTS SIGNED DURING THE QUARTER

ENDED DECEMBER 31, 1967

5. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	W.P.I.D.C.
	Lender:	Cie Norton
	Date:	December 2, 1967
(c)	Amount:	FF 202,794
(d)	Purpose:	Procurement of machines and various materials for the machine tools plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

6. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	W.P.I.D.C.
	Lender:	La Petite Mecanique de Precision
	Date:	December 2, 1967
(c)	Amount:	FF 43,156
(d)	Purpose:	Procurement of machines and various materials for the machine tools plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER

ENDED DECEMBER 31, 1967

7. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1]

(b)	Borrower:	W.P.I.D.C.
	Lender:	Muller & Cie
	Date:	December 2, 1967
(c)	Amount:	FF 1,154,900
(d)	Purpose:	Procurement of machines and various materials for the machine tools plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

GERMAN AGREEMENTS SIGNED DURING THE QUARTER ENDED DECEMBER 31, 1967

1. (a) Loan Agreement with the Islamic Republic of Pakistan (IDBP)

(b)	Borrower:	Islamic Republic of Pakistan
	Lender:	Kreditanstalt fur Wiederaufbau Frankfurt am Main
	Date:	November 16, 1967
	Official Title:	Loan Agreement between the Kreditanstalt fur Wiederaufbau and the Islamic Republic of Pakistan for DM 12 million (IDBP)
(c)	Amount:	DM 12 million
(d)	Purpose:	Financing of investments of small and medium-sized private enterprises in the manufacturing industry
(e)	Interest Rate:	3 percent per annum
(f)	Amortization Terms:	35 semi-annual installments of DM 335,000, the first falling due on June 30, 1975 and the last on June 30, 1992; and one installment of DM 275,000 on December 31, 1992
(g)	Forecast of Disbursement:	1968: DM 2 million 1969: DM 6 million 1970: DM 4 million

GERMAN AGREEMENTS SIGNED DURING THE QUARTER

ENDED DECEMBER 31, 1967

2. (a) Loan Agreement with the Islamic Republic of Pakistan (PICIC)

(b)	Borrower:	Islamic Republic of Pakistan
	Lender:	Kreditanstalt fur Wiederaufbau, Frankfurt am Main
	Date:	November 16, 1967
	Official Title:	Loan Agreement between the Kreditanstalt fur Wiederaufbau and the Islamic Republic of Pakistan for DM 8 million (PICIC)
(c)	Amount:	DM 8 million
(d)	Purpose:	Financing of investments of small and medium-sized private enterprises in the manufacturing industry
(e)	Interest Rate:	3 percent per annum
(f)	Amortization Terms:	35 semi-annual installments of DM 225,000, the first falling due on June 30, 1975, and the last on June 30, 1992; and one installment of DM 125,000 on December 31, 1992.
(g)	Forecast of Disbursement:	1968: DM 1 million 1969: DM 3 million 1970: DM 4 million

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER ENDED DECEMBER 31, 1967

1. (a) Oerlikon Italiana: Export Credit

(b)	Borrower:	West Pakistan Industrial Development Corporation, Karachi
	Lender:	Oerlikon Italiana
	Date:	October 25, 1967
	Official Title:	Oerlikon Italiana. V/552592
(c)	Amount:	$202,124[a] $181,911[b]
(d)	Purpose:	Supply of machine tools
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

2. (a) A. Bertuzzi: Export Credit

(b)	Borrower:	Murree Beverage Co., Rawalpindi
	Lender:	A. Bertuzzi
	Date:	October 27, 1967
	Official Title:	A. Bertuzzi V/552694
(c)	Amount:	$112,600[a] $101,340[b]
(d)	Purpose:	Supply of a fruit processing plant
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER

ENDED DECEMBER 31, 1967

3. (a) G. Mazzoni: Export Credit

(b)	Borrower:	Kohinoor Chemical Co., Dacca
	Lender:	G. Mazzoni
	Date:	October 10, 1967
	Official Title:	G. Mazzoni V/552693
(c)	Amount:	$43,168a/ $38,851b/
(d)	Purpose:	Supply of soap making equipment
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

4. (a) Ligure di Navigazione: Export Credit

(b)	Borrower:	Not reported
	Lender:	Ligure di Navigazione
	Date:	November 8, 1967
	Official Title:	Ligure di Navigazione V/565111
(c)	Amount:	$422,800a/ $388,976b/
(d)	Purpose:	Supply of second-hand vessel
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER

ENDED DECEMBER 31, 1967

5. (a) Daldi e Matteucci: Export Credit

(b)	Borrower:	West Pakistan Industrial Development Corporation, Karachi
	Lender:	Daldi e Matteucci
	Date:	November 13, 1967
	Official Title:	Daldi e Matteucci V/552777
(c)	Amount:	$259,341[a] $233,407[b]
(d)	Purpose:	Supply of machine tools and automobile parts
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

6. (a) Carle e Montanari: Export Credit

(b)	Borrower:	F & I Industries, Islamabad
	Lender:	Carle e Montanari
	Date:	November 21, 1967
	Official Title:	Carle e Montanari V/552837
(c)	Amount:	$55,209[a] $49,688[b]
(d)	Purpose:	Supply of candy making equipment
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER

ENDED DECEMBER 31, 1967

7. (a) Oerlikon Italiana: Export Credit

(b)	Borrower:	West Pakistan Industrial Development Corporation, Karachi
	Lender:	Oerlikon Italiana
	Date:	November 29, 1967
	Official Title:	Oerlikon Italiana V/552795
(c)	Amount:	$265,594a/ $239,035b/
(d)	Purpose:	Supply of machine tools
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

8. (a) Franco Feui: Export Credit

(b)	Borrower:	Not reported
	Lender:	Franco Feui
	Date:	December 13, 1967
	Official Title:	Franco Feui V/552963
(c)	Amount:	$115,360a/ $103,824b/
(d)	Purpose:	Supply of juice bottling plant
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

---

a/ Full contract amount
b/ Credit amount (excluding down payment)

JAPANESE AGREEMENTS SIGNED DURING THE QUARTER ENDED DECEMBER 31, 1967

1. (a) Seventh Yen Credit to Pakistan

(b)	Borrower:	Government of Pakistan
	Lender:	The Export-Import Bank of Japan together with 13 private banks
	Date:	December 28, 1967
(c)	Amount:	¥ 10,800 million
(d)	Purpose:	Assistance for the implementation of the Pakistan Third Five Year Plan
(e)	Interest Rate:	5.5 percent
(f)	Amortization Terms:	18 years including a five-year grace period
(g)	Forecast of Disbursements:	N/A

THE NETHERLANDS AGREEMENTS SIGNED DURING THE QUARTER ENDED DECEMBER 31, 1967

(a) Loan to Finance Imports in 1967/68

(b)	Borrower:	Government of Pakistan
	Lender:	Netherlands Government through the Nederlandse Investeringsbank voor Ontwikkelingslanden N.V.
	Date:	December 11, 1967
(c)	Amount:	f. 8 million
(d)	Purpose:	To finance imports in connection with Pakistan's Five Year Plan
(e)	Interest Rate:	3 percent
(f)	Amortization Terms:	19 yearly installments beginning July 1, 1975
(g)	Forecast of Disbursements:	Up to end of 1969

ANNEX C

ADDITIONAL PROJECTS OR PROGRAMS UNDER ACTIVE CONSIDERATION

AS REPORTED BY CONSORTIUM MEMBERS

Consortium members were asked to indicate any additional projects or programs for which assistance is under active consideration but for which no agreement has yet been signed. The answers received are summarized below:

Consortium Member	Project or Program	Tentative Amount (US $ thousand equivalent)
Belgium		1,052
	(These items are the so-called "promises", i.e. the authorities in Belgium have promised to guarantee the suppliers' credit subject to the transactions taking place within the period of validity of the promise. The period of validity is limited to a few months but may be extended. Credit transactions for some of the items eventually may not take place.)	
Germany	(1) Karachi Congressional Hall	1,500
United States	(1) Tarbela Dam	up to 50,000
	(2) Hotels	1,500
	(3) Earth Satellite Stations	9,000
	(4) Micro-Wave Transmission	8,600
	(5) Malaria Eradication	3,700
	(6) Public Health Engineering	1,000
	(7) Seed Potato Storage	800
	(8) Program Loan	115,000

ANNEX C (continued)

Consortium Member	Project or Program	Tentative Amount (US $ thousand equivalent)
IBRD/IDA	(1) Dawood/Hercules Fertilizer Project	30,000
	(2) Adamjee/Cyanamid Fertilizer Project	28,000
	(3) Sui Northern Gas Pipeline	10,000
	(4) Agricultural Development Bank	10,000
	(5) Tarbela Dam	up to 25,000
	(6) Highways Pakistan	up to 40,000
	(7) General Consultants (EPWAPDA)	4,000

ANNEX D

NEW AGREEMENTS SIGNED DURING

THE QUARTER ENDED SEPTEMBER 30, 1967

AS REPORTED BY CONSORTIUM MEMBERS:

SUPPLEMENTARY REPORTS

Supplementary reports received from France and Italy for the period July 1 - September 30, 1967.

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED SEPTEMBER 30, 1967

1. (a) Installation of Air Conditioning: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	P.W.S.R.F. Foundji Foundation
	Lender:	Ste Ameliorair
	Date:	September 9, 1967
(c)	Amount:	FF 660,000
(d)	Purpose:	Installation of air conditioning for a textile plant
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

2. (a) Equipment and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	W.P.I.D.C.
	Lender:	Cifeco - Paris
	Date:	September 29, 1967
(c)	Amount:	FF 1,627,000
(d)	Purpose:	Procurement of equipment and various materials for the chemical plant of Daudkhel
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER

SEPTEMBER 30, 1967

1. (a) Fiat: Export Credit

(b)	Borrower:	West Pakistan Road Transport Corporation
	Lender:	Fiat
	Date:	July 17, 1967
	Official Title:	Fiat V/551887
(c)	Amount:	$995,778[a] $896,200[b]
(d)	Purpose:	Supply of truck chassis
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

2. (a) Cornerio Ercole: Export Credit

(b)	Borrower:	Ahmed Enterprises Ltd.
	Lender:	Cornerio Ercole
	Date:	August 21, 1967
	Official Title:	Cornerio Ercole V/552227
(c)	Amount:	$188,720[a] $169,848[b]
(d)	Purpose:	Supply of textile machines
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER

ENDED SEPTEMBER 30, 1967

3. (a) OCRIM: Export Credit

(b)	Borrower:	Bannu Flour Mills, Peshawar
	Lender:	OCRIM
	Date:	August 22, 1967
	Official Title:	OCRIM V/552228
(c)	Amount:	$113,072a/ $101,765b/
(d)	Purpose:	Supply of milling machines and equipment
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

4. (a) Orenzio de Nora: Export Credit

(b)	Borrower:	Kohinoor Industries
	Lender:	Oronzio de Nora
	Date:	September 26, 1967
	Official Title:	Oronzio de Nora V/552394
(c)	Amount:	$982,536a/ $903,933b/
(d)	Purpose:	Supply of equipment for chlorine and soda plant
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

---

a/ Full contract amount
b/ Credit (excluding down payment)

Mr. Anwar Ahmad

April 23, 1968

J. R. Crowley

India and Pakistan Consortia Meetings

Referring to your memorandum of April 19, 1968 addressed to Mr. Twining, this is to advise that arrangements have been made for the use of the Executive Dining Room on May 22 at 6 p.m. for a reception for the delegates to the India and Pakistan Consortia Meetings.

cc: Mr. Nott, w/incoming
Mr. Both

JRC:hm

PAK-Cons.

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
ISLAMABAD

DATE: APRIL 23, 1968

CLASS OF SERVICE: IBF GOVT.

Rec

COUNTRY: PAKISTAN

TEXT:
Cable No.: SEVENTYTWO

MEMORANDUM FOR PAKISTAN CONSORTIUM RECEIVED STOP ~~XXXXXXX~~ PLEASE ADVISE PLANCOM

REGARDS
MELMOTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME C.G.F.F. Melmoth

DEPT. Asia

SIGNATURE C.F. Melmoth

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JDRoulet:ff

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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APR 23 6 03 PM 1968

MEMORANDUM FOR PAKISTAN CONSORTIUM RECEIVED STOCKHOLM PLEASE ADVISE

FROM: MCNAMARA
REFERS:

CABLE NO.:
TEXT: SEVENTEEN

COUNTRY: PAKISTAN

SERVICE: THE GOAL
CLASS OF:

FROM: INTERNAND
TO: INTERNAND

DATE: APRIL 23, 1968

OUTGOING WIRE

ASSOCIATION INTERNATIONAL DEVELOPMENT	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE

FORM No. 26
(6-65)

Mr Robert, PAK cons

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

cc. M. Hauenstein. Hutzel.

DATE AND TIME OF CABLE: APRIL 22, 1968 1020

LOG NO.: ITT 22/22

TO: INTBAFRAD

FROM: ISLAMABAD

ROUTING

Op. Files

ACTION COPY: MR. MELMOTH

INFORMATION COPY: MR. CARGILL

DECODED BY:

TEXT:

88 FOR MELMOTH

REURCAB 69 PLANCOM AIRFREIGHTED YOU MEMORANDUM FROM KARACHI APRIL 16 BY PANAM ONE TO BEIRUT AND PANAM NINE BEIRUT WASHINGTON WAYBILL 026-1-512421. PANAM KARACHI CONFIRMS ABOVE DISPATCH AND IS TRACING ONWARD DETAILS. MIDPLAN REVIEW AND SUMMARY DESCRIPTION PROJECTS EXPECTED OFF PRESS TODAY AND SHIPPED FROM KARACHI SAME FLIGHTS APRIL 23 WHICH CHECKING AND CONFIRMING WEDNESDAY REGARDS

FINSAAS

MT

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

PAK - Cons.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESTRICTED

F

PAK 68-7

FROM: The Secretary

April 22, 1968

ELEVENTH MEETING OF THE PAKISTAN CONSORTIUM

Attached is a Bank report entitled: "Current Economic Position and Prospects of Pakistan" (AS-136a) dated April 17, 1968, in two volumes, as follows:

Volume I - The Main Report

Volume II - Statistical Appendix

This report is distributed for use at the meeting of the Pakistan Consortium to be held at the Headquarters of the World Bank in Washington, D.C. on May 21 & 22, 1968.

Distribution:

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European Office
Development Assistance Committee, OECD
President, Asian Development Bank

PAK Cons.

FORM NO. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

M

DATE AND TIME OF CABLE: APRIL 22, 1968 1800

LOG NO.: RC 39 / 22

TO: INTBAFRAD

FROM: RAWALPINDI

ROUTING

ACTION COPY: MR. MELMOTH

INFORMATION COPY: MR. CARGILL

DECODED BY:

TEXT:

MELMOTH FROM SARTAJ AZIZ.

OUR CABLE 19TH APRIL. CONSORTIUM DOCUMENTS LEFT KARACHI BY PANAM FLIGHT PA 1 ON 16TH APRIL WAY BILL NO 026-1512-421. MIDPLAN REVIEW AND SUMMARY DESCRIPTION PROJECTS WILL BE READY MONDAY 22ND AND SHOULD LEAVE BY EARLY MORNING PANAM FLIGHT ON TUESDAY 23RD.

PLANCOM

Supposed to have arrived Saturday at National Airport through National Airlines.
I will cable receipt when they are in the Bank.

4/22.

IR

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

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APR 22 3 32 PM 1968

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PAK-Cons.

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
ISLAMABAD

DATE: APRIL 19, 1968

CLASS OF SERVICE: IBF GOVT.

RCH

COUNTRY: PAKISTAN

TEXT:
Cable No.: SIXTY-NINE

CABLED SARTAJ AZIZ TODAY AS FOLLOWS QUOTE RE YOURCAB APRIL 16 MEMORANDUM FOR PAKISTAN CONSORTIUM DESPATCHED APRIL 16 NOT YET RECEIVED STOP PLEASE TRACE URGENTLY STOP PLEASE ALSO ADVISE DATES DISPATCH MIDPLAN REVIEW AND SUMMARY DESCRIPTION PROJECTS UNQUOTE PLEASE TRY EXPEDITE REGARDS

MELMOTH
~~INTBAFRAD~~

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Mr. C.G.F.F. Melmoth

DEPT. Asia

SIGNATURE C. Melmoth
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JDRoulet:egs

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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cc: Mr. Hablutzel
Miss Varela

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APR 19 4 12 PM 1968

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COMMUNICATIONS

APR 19 4 32 PM 1968

METCALF

INFORMED

INCLOSE PLEASE TRY EXPEDITE RECORDS

DATES DISPATCH MIDDLEMAN REALIEM AND SUMMARY DESCRIPTION PROTECTS

RECEIVED STOP PLEASE ADVISE INCENTIVE STOP PLEASE ALSO ADVISE

MEMORANDUM FOR PAKISTAN CONSORTIUM DESPATCHED VERIT 19 NOW ATT

CABLED SUMMARY VETS TODAY AS FOLLOWS STOPE RECONSIDER VERIT 19

CAPP NO: SIXTY-NINE
TEXT:

COUNTRY: PAKISTAN

SERVICE: IBP COMT
CLASS OF

DATE: VERIT 19, 1968

TO: ISLAMABAD
INTERPAKAD

ONTGOING WIRE

ASSOCIATION INTERNATIONAL DEVELOPMENT	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE

PAK Cons.

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: PLANCOM
RAWALPINDI

DATE: APRIL 19, 1968

CLASS OF SERVICE: ~~LT~~
IBF GOVT.

RCdH

COUNTRY: PAKISTAN

TEXT:
Cable No.:

FOR SARTAJ AZIZ

RE YOURCAB APRIL 16 MEMORANDUM FOR PAKISTAN CONSORTIUM DESPATCHED APRIL 16 NOT YET RECEIVED STOP PLEASE TRACE URGENTLY STOP PLEASE ALSO ADVISE DATES DISPATCH MIDPLAN REVIEW AND SUMMARY DESCRIPTION PROJECTS REGARDS

MELMOTH
INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Mr. C.G.F.F. Melmoth

DEPT. Asia

SIGNATURE C. Melmoth
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

JDRoulet:egs

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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cc: Mr. Hablutzel
Miss Varela

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APR 19 4 12 PM 1968

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APR 19 4 32 PM 1968

NOT TO BE TRANSMITTED

HYDERABAD
MELBOURNE

PROJECTS REGARDS

ALSO VDAISE DATES DISPATCH MIDLAND REALTEM AND SUMMARY DESCRIPTION

VARIF IS NOT YET RECEIVED STOP PLEASE TRACE UNCERTLY STOP PLEASE

RE:CONFIRMA VARIF IS MEMORANDUM FOR PAKISTAN CONSORTIUM DESPATCHED

FOR SARTAJ AZIZ

COMPANY PAKISTAN

SENDER: IBE GOMT
CLASS OF PS

DATE APRIL 19, 1968

TO: FINANCON
FAMATIMDI

OUTGOING WIRE

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P.O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 20280 · Cable Address - INTBAFRAD ISLAMABAD

Mr. Cargill
cc Pak Cons.
Mr. Goodman

Letter No. 149
Registered

April 18, 1968

Mr. C.G. Melmoth
IBRD
Washington D.C.

(PAK-gen regs)

Dear Christopher:

Many thanks for your letter No. 60 of April 9, 1968 which I much appreciated.

The information you gave on our prospective lending program for the balance of the current fiscal year and for 1968-69 was most helpful and interesting, and I hope to discuss these matters with Ismail either tomorrow or Saturday. Presently Mr. Kosygin is in town, accompanied by a big economic delegation. Most people in the Government have a hectic time in this connection, and I have therefore a tentative appointment with Mahbubul Haq and Sartaj Aziz on Monday, April 22. I shall of course write to you again as soon as I have had an opportunity to discuss these matters. Tomorrow or Saturday I also hope to talk to Jafri again regarding the outstanding issues for the Sui Gas Companies.

On second thought I hope to be present at and around the May Consortium Meeting - even though this may complicate the justification for my visit to Washington later this summer. Although there is no particular contribution I can make, I found it extremely helpful for my work here to be present at last year's meeting since this gave me a much better understanding of an insight into the many issues which are discussed. Similar to last year M.M. Ahmad and few other people here have again indicated they expect I will be present at this meeting.

Lately our receipt of mail from Washington has been somewhat erratic - I presume as a result of the upheavals and riots you had in Washington. I do not know which secretary is presently handling these arrangements in your Division. However, I have much appreciated the regular, prompt and complete service we have had which is most helpful for our work here. Our preference is of course to receive these things as frequently as possible. In any

case, perhaps you will be kind enough to tell the lady in charge that we are most grateful for the excellent services we have had on this account.

Yours sincerely,

Torgeir

Torgeir Finsaas
Resident Representative

FORM No. 26
(6.65)

orig. INDIA Consortium
cc. PAK Consortium
cc. ASIAN Development Bank

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: APRIL 16, 1968

LOG NO.: ITT TELEX/16

TO: SECRETARY INTBAFRAD

FROM: MANILA

ROUTING

ACTION COPY: MR. MENDELS

INFORMATION COPY:

DECODED BY:

TEXT:

MEETING OF INDIA CONSORTIUM 11TH MEETING OF PAKISTAN CONSORTIUM REGRET UNABLE TO SEND OBSERVER ON THIS OCCASION TO ABOVE MEETING BUT WOULD APPRECIATE YOUR FORWARDING DOCUMENTS ARISING OUT OF THE MEETINGS IN DUE COURSE KIND REGARDS

HOWARD FARRELLY
DIRECTOR OPERATIONS
ASIANBANK MANILA

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

DUPLICATE

FORM NO. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

cc Constantin

INCOMING CABLE

DATE AND TIME OF CABLE: APRIL 11, 1968 1525

LOG NO.: RC 22/11

TO: INTBAFRAD

FROM: RAWALPINDI

ROUTING	
ACTION COPY:	MR. HABLUTZEL
INFORMATION COPY:	MR. CARGILL
DECODED BY:	

TEXT:

FOR MR RUDOLF HABLUTZEL FROM DR MAHBUBUL HAQ

THANKS FOR SENDING ADVANCE COPIES OF YOUR DRAFT REPORT. OUR OWN PRESENTATION IS IN LINE WITH BROD FRAME WORK OF YOUR REPORT WHICH INCIDENTALLY READS MUCH BETTER THAN I SAW IT LAST IN WASHINGTON. YOU MAY HOWEVER LIKE TO RECONSIDER FOLLOWING POINTS IN YOUR SUMMARY AND CONCLUSIONS (A) DEBIT SERVICE RATIO IN 1967/68 WILL BE 15 TO 16 PERCENT AND NOT 18 PERCENT (PARA XXXV) (B) YOUR ESTIMATE OF ONLY 5 PERCENT GROWTH IN EXPORTS DURING 1967/68 TOO LOW. OUR LATEST ESTIMATE 7.5 PERCENT. YOU MAY LIKE TO MAKE THE PRESENTATION OF THIS POINT MORE FLEXIBLE IN PARA XXIX (C) YOUR REFERENCE TO A VERY DRASTIC ADDITIONAL TAX PROGRAMME FOR BALANCE OF PLAN PERIOD IN PARA XIV NOT CLEAR, PARTICULARLY ESTIMATE OF 1.5 PERCENT OF GDP (D) IN EMPHASIZING NEED FOR CAUTIOUS CENTRAL BANK BORROWING IN PARA XI YOU DO NOT MENTION CONSIDERABLE REQUIREMENT OF GOVERNMENT BORROWING FOR PRICE SUPPORT OPERATIONS (E) TWO PRINCIPAL BONUS CATEGORIES OF 20 PERCENT AND 40 PERCENT MENTIONED IN PARA XVII ARE ACTUALLY 30 PERCENT, AND 40 PERCENT NOW AFTER INTRODUCTION OF HIGHER BONUS ON JUTE MANUFACTURERS (F) OUR OWN REQUEST FOR 1968/69 STANDS AT $550 MILLION WITH $300 MILLION FOR COMMODITIES AND $250 MILLION FOR PROJECTS BUT A STRONG POINT IS MADE THAT MORE PROJECT ASSISTANCE CAN BE ABSORBED EVEN IF SUFFICIENT NON-PROJECT ASSISTANCE NOT AVAILABLE. THIS STRESS NECESSARY TO SAFEGUARD OVERALL REQUEST OF $550 MILLION SINCE COMMODITY ASSISTANCE

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

DUPLICATE

FORM No. 20
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: APRIL 11, 1968 1525

LOG NO.: RS 22/11

TO: INTBAFRAD

FROM: RAWALPINDI

ROUTING	
ACTION COPY:	MR. HADLUTZEL
INFORMATION COPY:	MR. CARGILL
DECODED BY:	

TEXT:

PAGE TWO

OF $300 MILLION NOT IN SIGHT. ALSO TOTAL PROJECT PLEDGES IN 1967/68 FROM CONSORTIUM (INCLUDING $20 MILLION OF PROJECT FROM AID AND $40 MILLION) CONTRIBUTION FROM IDA ALREADY $304 MILLION. OUR CONSORTIUM DOCUMENTS AND MIDPL REVIEW EXPECTED FROM PRESS TOMORROW AND WILL BE DESPATCHED TO YOU AND CONSORTIUM MEMBERS IMMEDIATELY GKML BEST REGARDS

PLANCOM

____AS RECEIVED

MT

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

DUPLICATE

(yellow) PAK-general
PAK-Dam
PAK-Sub
✓ Consort

April 9, 1968

Letter No. 60

Mr. Torgeir Finsaas
Resident Representative, IBRD
P.O. Box 1025
Islamabad, Pakistan

(retained by Mr. Millsith) personal + confidential

Dear Torgeir:

Thank you for your letter No. 109. We have been unusually busy here and this has been reflected in the frequent telegrams to you. Your quick and thorough reporting has helped us greatly. Thanks a lot. I hope your cold has cleared up and that the spate of telegrams and memoranda has not worn you down too much. There are one or two matters raised in your letter which I think it may be helpful to comment on.

First, Tarbela. I imagine that by now you will have received a copy of the Memorandum to the Parties and of the President's Report. You will see that so far as the Italian and French supplementary contributions are concerned, we are simply putting on record, in terms which were cleared by France and Italy, their willingness to make additional contributions should the need arise. We do not think it necessary, therefore, for Pakistan to argue with France about the condition regarding inflationary price increases. The United States is not happy at the outcome and the present mood of the moment is that we should continue to press Germany to follow through on its July promise and to join the Club after the Agreement has been signed.

At the moment the main discussion going on is an internal one arising from a feeling by some in the Projects Department that we should have loan conditions and a letter of intent to ensure that the recommendations in the Lieftinck report are carried out. We hope to straighten this out in time to discuss loan conditions with the Pakistan delegation at the time of the Consortium meeting.

We still have not fixed a date for Board consideration of the Draft Agreement, but it is almost certain to be April 18, and April 22 is the preferred date now for an agreement signing ceremony, complete with television crews and so on.

You mentioned in your letter concern about the amount of IDA funds available. This is a subject which it has been difficult to keep you up to

date about because the position has changed frequently. Currently there is some pessimism about the prospects of early implementation of IDA replenishment, but we are still pushing ahead with the preparation of outstanding projects, e.g. the new highway project, with a view to Board presentation as soon as they are ready. It is still by no means certain whether between now and June 1969 we shall be able to commit two years' quotas of IDA credits, but we are proceeding on the assumption that this will be possible. This means that so far as new projects go, we think it would be wise to assume that the maximum that can be committed by the Bank and IDA between now and June 1969 for new projects, i.e. excluding $10 million for ADB, the two fertiliser projects and one natural gas project, is a Bank loan of $25 million and IDA credits, including the highway project, totalling $80 million.

I enclose for your information a copy of a memorandum regarding a discussion which Mahbubul Haq had with Peter just before he left. It would be helpful if you would find out what the outcome has been of the discussions which Mahbubul Haq was to have on his return. In the discussions on this which you will have, you should represent the following as our views of what would seem to be in the circumstances the most suitable way to commit the funds likely to be available. For the Bank loan of $25 million, we assume that this would be another PICIC project. The appraisal report for the proposed highway project has not yet been completed, but on the basis of the preliminary views of the mission we believe that a very strong case can be made out for a project which would justify a credit of about $35 million. This project would consist of the elements entered under the heading "Minimum Cost" in the attached schedule. We believe that it would be wise to include this in the program because it would be difficult to replace this project, or part of it, by something else without causing delay in disbursement. As engineering of the project roads is virtually complete, disbursement would be earlier and quicker than is usually the case for highway projects, and as the project would include engineering work on further roads it would serve the important purpose of filling the pipeline with further projects of a kind which, in our opinion, will continue to warrant high priority in the allocation of resources. We doubt that a suitable railway project would be ready until about the spring of 1969.

If we have a highway project committing $35 million, this would leave us with about $55 million to allocate over the remaining possibilities. This could easily be absorbed by a third ADB project, a lowlift pump project in East Pakistan and the credit for general consultants for EPWAPDA. A telecommunications project or a West Pakistan railways project could only be included by reducing the amount available for the other projects. We are doubtful, therefore, whether we should proceed with the arrangements for appraising a telecommunications project. As this would be our first project in this sector, it might take some time to negotiate and it would be

uncertain when disbursements from a credit for the project would begin to be substantial. Similarly we are doubtful whether we should spend time at this stage on considering another small industries project. Some doubts have been expressed about the viability of these small industries, and I am rather doubtful whether a favorable outcome of a review could be expected quickly. Would you therefore mention the trend of our thinking here to your contacts in the Planning and Economic Affairs Departments and let us know the reactions you get.

You raised the question as to whether you should come here for the Consortium meeting. I have spoken to Ray Goodman who intends to find out from Peter what his view is on his return on April 16, but in view of the number of things going on at the present time, he thinks it would be desirable for you to be here at the time of the Consortium meeting. We should be able to consider then whether it would be necessary for you to come again later in the year. I will cable you as soon as we have had a chance to consult Peter.

On the fertilizer front there is considerable activity. We expect to take the Dawood-Hercules project to the stage of Loan Committee consideration next week. Also next week, we plan to have discussions with Cyanamid to get a clearer appreciation of how firm their intentions are. Meanwhile we have just had word from AID that the visiting West Pakistan Minister of Agriculture has told them that the Government is going to ask the Bank to agree to three fertilizer plants going ahead at the same time. There also seem to be conflicting rumours as to the firmness of the arrangements that both American-Cyanamid and Hyesons-Kaiser have made. Whether there are to be one or two plants located near Lahore, the progress we have made in appraising the Dawood-Hercules plant means that there will be increasingly urgent pressure on the Government to find a solution to the problems concerning SNG and SGTC which still have to be resolved. We understand that the Government has not yet approved the SNG project revised to allow for the bigger deliveries to Adamjee-Cyanamid. IFC have raised the question whether commitments to WAPDA could not be reduced further (and Kazi is reported as agreeing that they could) so as to obviate the need to revise the SNG project. We should be grateful if you would keep us up to date with any information on these problems that you are able to get.

Although the May trip may be inconvenient for you, we shall look forward to seeing you here, and I hope the pace slackens a bit so that you enjoy a breather.

All the best,

Yours ever,

C.G.F.F. Helmoth
Asia Department

Attachments

Cleared with Mr. Goodman

CGFFHelmoth:dp

FORM No. 61-EC
(7-65)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

PAK-Cons.

CONFIDENTIAL

ECONOMIC COMMITTEE

EC/O/68 - 34

April 5, 1968

Pakistan: Economic Policy Memorandum

1. The attached Economic Policy Memorandum on Pakistan from the Asia Department (EC/O/68-34/1, dated April 5, 1968) will be discussed at the Economic Committee meeting which will be held on Tuesday, April 9, 1968.

C. F. Owen
Secretary

Attachment

Secretary's Department

D I S T R I B U T I O N

Messrs. Friedman	Adler	Orcutt
Kamarck	Collier	Sadove
Cargill	King (B.B.)	Thompson
Avramovic	Larsen	van der Mel
Bell	Lipkowitz	Weiner
Krishnaswamy	McDiarmid	Wright
Rist		
Stevenson		

Also: Mr. McNamara and Mr. Knapp

CONFIDENTIAL

EC/O/68 - 34/1

April 5, 1968

ECONOMIC COMMITTEE

Economic Policy Memorandum from
Asia Department

PAKISTAN

I. Introduction.

1. A meeting of the Pakistan Consortium is scheduled for late May, 1968, to consider the economic position, policies and aid requirements of Pakistan for 1968/69. The summary and conclusions of a draft economic report prepared by the Asia Department, "Current Economic Position and Prospects of Pakistan (AS-136 of April 1, 1968) attached.

2. The last meeting of the Economic Committee on Pakistan was held on April 18, 1967. The committee concluded that while Pakistan's economic performance during 1965/66 had been mixed, particularly with the public savings performance being disappointing, on balance it could be considered satisfactory enough to warrant a continuation of Bank/IDA operations of at least $90 to $100 million a year. Pending replenishment of IDA's resources, a larger portion than normal could be on Bank terms, but in the longer run, Pakistan should continue to be regarded as a very soft blend country. The committee also considered the economic policies suggested in the 1967 Economic Report as appropriate to the country's economic conditions and problems. The main economic policy suggestions of the 1967 mission are attached.

3. The World Bank Group has had operations in practically every sector of Pakistan's economy. Total outstanding loans and credits to Pakistan amount to $708 million ($377 million Bank and $331 million IDA), of which $503 million has been disbursed. There are four additional operations under consideration between now and June 30, totaling $113 million and all Bank loans except $10 million from existing IDA funds to the Agricultural Development Bank (ADB). These loans are for (1) two fertilizer plants; (2) expansion of the Gas Pipeline that is to provide the feedstock for these plants; (4) the ADB credit. Negotiations have been completed for the last project, and the Tarbela Dam loan will be presented to the Board shortly. Subject to IDA replenishment, additional credits are under consideration for West Pakistan roads, Telecommunications, East Pakistan WAPDA (consultants' services), and another credit to ADB.

For next year, possibilities are for a Bank loan to PICIC and an IDA credit to West Pakistan Railways. All projects for IDA financing that would be ready within the next nine months add up to about $100 million, which is in excess of funds likely to be available in any circumstances, so that a selection will have to be made.

II. Issues.

4. The issues before the Economic Committee are:

(a) Does the economic performance of Pakistan and her needs for foreign assistance in 1968/69 justify a rate of Bank/ IDA lending about the same as in recent years?

(b) Are the economic policies suggested in the Economic Report appropriate to the conditions and economic problems of Pakistan?

(c) While remaining a soft blend country, can Pakistan incur some additional net debt on conventional terms assuming that sufficient funds will not be available on very soft terms to sustain the economic development program at a level commensurate with her needs and absorptive capacity?

III. Discussion of the Issues.

5. Performance of the Economy. After a disappointing start in the first two years of the Third Plan which was due to the war with India, two years of drought, and a decline in foreign assistance, the economy is recovering its strength in 1967/68. GNP had grown 4.7% p.a. in the first two years (with agriculture growing only 1.4% p.a.) but is now showing a growth rate of 7%, with prospects for the remaining two years of the Plan to achieve or exceed the target rate of growth of 6.5% a year. Savings and investment have again reached the average levels achieved during the Second Plan (10% and 15% of GDP respectively) but for the Plan period as a whole will fall short of the target.

6. Exports increased twice as fast ag GDP in the first two years but will be growing only about 5% this year, mainly because of large declines in prices for jute and jute products. Prospects are now for a five-year rate of growth by about 8% a year, which, although short of the target, is a reasonable performance. Imports of industrial materials have been compressed mainly because Pakistan had to divert exchange earnings to the import of food and fertilizer, but also because of a shortfall in nonproject assistance.

7. Record crops are expected in 1967/68 in wheat, rice and maize, and cash crops show moderate advances. In industry, growth is accelerating from 5% to 9% and 11.5% in the first three years.

8. Economic Policy. Changes in exchange rate policy during

the past twelve months followed closely the suggestions of last year's Bank mission. The "free list" import policy was substantially restored and existing restrictions largely removed. The tight foreign exchange position did not permit liberalizing in the July-December 1967 period, but in January 1968, over three quarters of private industrial imports were freed from the licensing requirement. At the same time, the effective exchange rate for these goods was raised considerably through import surcharges (in addition to the 10% additional duties imposed two months before) and by broadening the scope of the export bonus scheme, with a resulting effective rate 80% above par. About 15% of private imports now require 50% bonus vouchers. The cost of imported machinery was enhanced by the additional duty imposed in November, 1967.

9. In industrial policies the government also acted along the lines of the Bank's suggestion by transferring several large projects to the private sector and by postponing the public sector steel mill.

10. The suggestion to curtail overall credit expansion was effectively followed with the result that in the nine months ending September 1967, total money supply shrank by 10%; inflationery pressures were thus brought under control and credit restrictions could be relaxed in January 1968.

11. The extension of income tax to agricultural income was considered but, on grounds that appear temporarily justified, the government decided not to take action at this time; as an alternative, and to mop up more effectively some of the expected increase in rural incomes,removal of exemptions from certain indirect taxes and later on, reduction in subsidies on farm requisites, are under active consideration.

12. The present Economic Report considers Pakistan's economic posicies as generally adequate with respect to the mobilization and allocation of resources. Defense expenditures have been further reduced and now take about the same share of total revenue receipts as during the Second Plan. Revenue receipts have grown to over 12% of GDP. The changes in the exchange rate system imply considerable simplification and are making it possible to revive the import liberalization program. Government machinery was set up for annual economic planning, expanding the Annual Development Program to encompass the private sector and permit better coordination of fiscal, monetary, and trade policy. Another recent development is the decision by government to coordinate (and if necessary curtail) future external borrowing in such a way as to avoid an excessive future debt burden.

13. The high priority program announced last year to telescope food grain self sufficiency into the remaining years of the Third Plan has been launched with considerable success. Another change in

priorities, equally motivated by balance of payments consideration, has been the postponing of new capital and import intensive industires and the emphasis on better utilization of existing capacities. Steps have been taken in support of this policy in the recent revision of the Industrial Investment Schedule.

14. Suggestions made in the Economic Report for further improvements in economic policy are briefly summarized below.

(a) International Trade. Steps to be taken for improvement in productivity of export crops, and sanctioning procedures to be simplified for expansion of export industries.

(b) The effective rates for imports of machinery and equipment to be further adjusted through import surcharges or other means.

(c) Government to be selective (as already intended) in accepting export credit offers.

(d) Agriculture. Transfer of fertilizer distribution to the private sector to be continued and steps to be taken for similar transfer in pesticides; more emphasis to be placed on phosphate in supply of fertilizer.

(e) Fiscal Policy. A cautious approach to government borrowing from Central Bank to be taken, to permit much needed expansion of credit to the private sector.

(f) Exemptions from indirect taxes in the agricultural sector to be removed and additional means of increasing revenues from agriculture to be considered.

15. Aid to Pakistan in the past had been furnished on quite favorable terms but these terms have considerably hardened in the last two years, so that the foreign debt servicing problem now looks more difficult than it did previously. If gross capital inflow were to continue at about the present level, and if present terms are not changed, the service ratio, at present 18%, would exceed 25% after 1975. Pakistan has sufficient capacity, however, to use foreign assistance productively to justify the conclusion that a small part of her net capital requirements can continue to be serviced on conventional terms. However, the very soft blend of 20% conventional and 80% concessionary terms which has in the past been recommended by the Bank, continues to be the most appropriate blend.

16. Previous Bank missions had proposed that Pakistan would need about $550 million of new commitments from the consortium in 1966/67 and in 1967/68. Actual new commitments are estimated to

to be short of this level by about $210 million in these two years, but larger commitments from non-consortium sources have made up part of the shortfall. Bank/IDA/IFC commitments in 1967/68 are estimated to be about $120 million (not including Tarbela). This is somewhat more than the level originally suggested, as against 1966/67 commitments of $62 million which was less. Only $10 million out of commitments expected in 1967/68 is from IDA, and the large Bank program is justified on the grounds that pending IDA replenishment Pakistan still has a sufficient margin of creditworthiness to permit a harder Bank/IDA blend for this one year. The major part of it is for fertilizer plants which, when completed, will produce substantial foreign exchange savings for Pakistan.

IV. Recommendations.

I recommend that:

(a) The economic performance of Pakistan be considered satisfactory enough to warrant a continuation of the level of Bank/IDA operations of recent years (about $100 million a year).

(b) Since Pakistan's creditworthiness permits a small portion of her net capital inflow to be provided on conventional terms, a portion of Bank/IDA operations in 1968/69 can be on Bank terms but this should not exceed about $25 million. In the longer run, Pakistan should continue to be regarded as a very soft blend country.

(e) The economic policies suggested by the Mission be approved as a basis for discussion in the consortium.

R. J. Goodman
Deputy Director, Asia Department

Attachments: Main Economic Policy Suggestions of 1967 Bank Economic Mission (from EC/M/67-12, dated April 25, 1967).

Summary and Conclusions of the draft economic report, "Current Economic Position and Prospects of Pakistan", AS-136, dated April 1, 1968.

Main Economic Policy Suggestions of Last Year's Bank Mission

I. International Trade

1. A step-by-step approach should be followed in the restoration of import liberalization.

2. Introduction of a modest but genuinely "Free-List" import policy, together with increases in import charges on the free list and some licensable items which are imported at par.

3. Broadening the scope of the Export Bonus Scheme along with an upward adjustment in the tariffs on the import of capital goods, especially machinery; strengthening of the Tariff Commission.

II. Industry

4. Further reduction in the public sector industrial program, and the savings transferred to such fields as education and rural development.

III. Agriculture

5. Removal of the tax exemption on agricultural income.

IV. Credit

6. Curtailment in the rate of expansion of bank credit so as to ensure greater price stability.

V. Economic Cooperation with India

7. Communications, trade, and water development are some of the several fields where the reestablishment of economic relations with India would benefit Pakistan's economic progress.

Economic Committee Secretariat
Secretary's Department
April 25, 1967

SUMMARY AND CONCLUSIONS
(from draft economic report "Current Economic Position and Prospects of Pakistan")

i. General: Pakistan is in the third year of the Third Five Year Plan, which suffered an initial setback in 1965 due to armed hostilities with India, a pause in foreign assistance, and a drought which lasted through 1965/66 and 1966/67. In consequence, government expenditures for non-development purposes increased, the private sector economy suffered from high food prices, import restrictions, and lack of confidence, and total domestic savings and investment declined from the levels reached at the end of the Second Plan.

ii. Government faced these difficulties with commendable flexibility and realism. A substantial additional tax program was launched, defense expenditures were reduced significantly in the second year, inflationary pressures were brought under control during the second and third year, and the Plan itself was adjusted to the change in the overall resource outlook. At the same time, a revision took place in investment strategy, with a new high priority program to achieve foodgrain self-sufficiency by the end of the Third Plan, and a change in emphasis in industrial policy in favor of less capital and import intensive industries, and of industries serving the agricultural sector. Finally, in the current year a significant adjustment was made in Pakistan's exchange rate system to adjust the effective prices of imports to a level that will again permit the gradual removal of administrative controls.

iii. Prospects are for a general recovery of the economy during the current year and in 1968/69. The major factor is the outlook for record levels of major crop production in the current season. Other factors are the recent acceleration in industrial output, monetary stabilization, a step-up in public savings and investments, and favorable export performance. This general recovery should reflect in a 7% growth of GDP in 1967/68, compared with 4.7% p.a. in the last two years, and good possibilities exist for the last two years of the Plan to achieve a continued rate of growth in excess of the average target rate of 6.5%. Thus it appears that in spite of a reduction in Plan resources and expenditures by probably about 25% in real terms, performance in production will be much closer to original targets.

iv. These extremely favorable results have to be weighed against future problems which are in part associated with the underlying policy of subordinating other considerations to the immediate aim of physical production. One problem will be that education, which has been cut back in this process, will be less advanced and provide a lesser manpower basis for economic development in the Fourth Plan period. Similarly, heavy industry which was postponed will therefore provide for the expected import substitution only with a corresponding delay. Further, there will be a higher debt service burden in future as a result of the government's accepting harder term loans to partly compensate for the decline in foreign assistance from customary sources. Finally, for future exports there is the possibility of constraints

in the supply of traditional export crops, mainly jute and cotton, which has not attracted as much attention and effort as has been devoted to the production of cereals. However, to the extent that these drawbacks are capable of being remedied, the government has already initiated action to formulate and present solutions.

v. Growth, Investment and Savings. Economic growth in the first two years of the Third Plan decelerated from the 5.5% annual rate attained in the Second Plan to 4.7% a year. This was a disappointing result but should be seen in the light of stagnation in major agricultural crops and a very slow growth of agriculture as a whole of 1.4% p.a., mainly caused by unfavorable weather. In the view of the mission, this slow growth of agricultural output does not reflect on the performance of the agricultural sector which has continued to make significant advances in the use of inputs and techniques. Non-agricultural sectors in this period expanded by about 8% p.a. and thus exceeded Plan targets in spite of unfavorable circumstances. In part, however, this is a result of acceleration in the service sectors, particularly in government, and industrial growth was only 5% in 1965/66 and 8.2% in 1966/67 compared with a target rate of 10%.

vi. In 1967/68 all indications are for a renewed rapid expansion of the economy, originating mainly in agriculture where the wheat crop is estimated at 5.4 million tons or 20% higher than past records, and the rice crop in East Pakistan at 10.8 million tons, about 4.5% in excess of past records. Output by manufacturing industry also is estimated to expand considerably, by 15% in large scale units and by 11.5% for the sector as a whole. These advances should result in a growth of GDP in 1967/68 by about 7%.

vii. Gross domestic investment which had exceeded 18% of GDP in 1964/65 came down to 12.4% in 1965/66 and improved only slightly in 1966/67 to 13.6%. This was a combined result of less foreign resources which had been 6.8% of GDP in 1964/65 and was 4.8% in 1965/66, and of a decline in domestic savings which were reduced from 11.9% to 7.6% mainly because public savings became negative in 1965/66. With the substantial tax effort showing results, public savings are expected this year not only to recover to but exceed the 1964/65 level of 1.2% of GDP, and total domestic savings may reach about 10.3%. Foreign resources, however, will still be only 5.1%. Gross domestic investment will thus still be below the 1964/65 level and over one fifth less than the 1969/70 target of 20%. However, the change in the composition of investment, the emphasis on agriculture, and the shift to less capital intensive industries, implies a more favorable capital/output relationship and for the remainder of the Plan period the expansion of the Domestic Product can be expected to be far better than what the shortfall in investment would suggest. This change in the investment pattern is of course implied in the revision of the Plan strategy, which is more pronounced in fields where more can be achieved with changes in organizational and administrative efforts that are not reflected in expenditure levels.

viii. Fiscal and Monetary Performance. The substantial setback in public domestic resources in 1965/66 was caused by an increase in non-development expenditures by nearly 50% compared with a planned rate of about 7% a year. At the same time, revenue collections at existing rates failed to keep pace with GDP growth mainly because of lower imports. Consequently, government resorted to substantial bank borrowing to carry out a reduced development program of Rs. 3.1 billion in that year. At the same time a major new tax program was initiated which added 10% in 1965/66 and 20% in 1966/67 to revenues. If further taxes presently under consideration are imposed, the additional tax program will produce Rs. 7.5 billion or 2 1/2 times as much as was provided in the Plan to come from new taxes. The mission believes that this program has been a factor in the shortfall of the private savings contribution to domestic investment.

ix. Revenue receipts are expected in 1967/68 to go up by 12.5% from the preceding year, increasing their share in GDP from 11.3% in 1964/65 to 12.4%. Three quarters of the 1967/68 increase is intended to go towards financing a further sizeable increase in development expenditures from Rs. 4.2 billion in 1966/67 to nearly Rs. 5.0 billion, and thus bring the domestic contribution for the program to 55% as against 52% last year. For the Plan period as a whole, the prospect is for the domestic contribution to reach or exceed the 55% target which compares with a Second Plan achievement of 51%.

x. Defense expenditures were further reduced in the 1967/68 budget and are presently down to 3.5% of GNP from the high 5.7% in 1965/66. Other non-development expenditures continue to be compressed.

xi. In the first 1 1/2 years of the Third Plan, monetary stability had second priority after the fighting of the war and the maintaining of some of the impetus in development expenditures. The large public deficit in 1965/66 was followed, however, by a near-balanced budget in 1966/67 to permit expansion of private credit, which in the first half of the fiscal year expanded so fast that restrictive measures had to be taken from early 1967. These measures, combined with a further curb in government expenditures at the beginning of fiscal year 1967/68, brought a 10% reduction in money supply in the nine months ending last September, and at the end of December it was still 2.2% below the level twelve months earlier. Prices, which had advanced significantly in the first two years of the Plan, came down, and further declines are currently expected. The mission concluded that inflationary pressures have been brought under control, and recent relaxations in the Central Bank's credit policy are justified. For the future, substantial credit expansion will be needed by the private sector, and government should continue to take a cautious approach to Central Bank borrowing.

xii. Resource Allocation. A revision of the government financed 5-year program was made in late 1966 with an overall reduction in the size of the program by 10% to about Rs. 27 billion. No change was made in the private sector investment target of Rs. 22 billion. Public sector allocations were

more than proportionately reduced for education and health (other than family planning), by 13% and 16% respectively, for industry (20%), housing (18%) and the Rural Works Program (27%). In the case of industry, this implied a transfer of investment allocations from the public to the private sector and was therefore not expected to result in a decline in total industrial investment. By contrast, the allocation was increased in absolute amounts in the case of power and of transport and communications.

xiii. In late 1967 a new appraisal of resources resulted in a further reduction of the public sector program to about Rs. 25 million, without an attempt however to explicitly further revise sector allocations. It will be for a new interministerial committee in charge of annual planning to make appropriate changes in the sector breakdown of annual allocations within the available margins. The mission suggests that room may exist for reductions in transport which would permit some strengthening of the education program.

xiv. Tax Policy. Additional taxation proposed in the original Plan was to yield Rs. 3 billion over the period. New taxes already imposed and presently contemplated would yield about Rs. 7.5 billion. This is a very drastic tax program, equivalent to nearly 1.5% of GDP. The yield from existing taxes is expected to fall short of targets by 9%, mainly because of a lower level of imports carrying duties. Virtually all new taxes are indirect taxes. The possibility of an agricultural income tax was studied by government but was found inopportune at this stage in view of the great reliance placed on private farm investment for the expanded agricultural program. Instead, removal of exemptions from present taxes in rural areas, and adjustments in subsidies, are under active consideration to mop up some of the expected increase in rural incomes that might deflect exportable consumer goods to the home market. The mission is in agreement with this approach. Consideration is suggested to be given also to adjustments in the price of irrigation water, and in other services such as electricity. Generation of revenue by WAPDA's and the railways could be improved.

xv. Foodgrain Self-sufficiency by 1970 is now proposed to be achieved by major reliance on new varieties of seed (Mexican wheat and IRRI rice) and a vigorous program to promote the appropriate package of inputs - fertilizer, pesticides and irrigation. The new 1969/70 production targets are 13.4 million tons of rice in East Pakistan (original target 12.7 million tons) and 7.0 million tons of wheat in West Pakistan (original target 5.4 million tons). 5.4 million tons of wheat is likely to be achieved or exceeded already in 1967/68, and the program has shown promising results so far. Attainment of targets will depend on considerable improvements, e.g. in the pump irrigation program in East Pakistan, or a more balanced fertilizer supply in West Pakistan (with more attention to phosphate) and on the successful maintenance of support prices which were recently announced. Transfer of fertilizer distribution to the private sector should be further pursued and action taken to do the same with plant protection. On the whole the mission takes a favorable view of the foodgrain program but studies should be initiated as soon as possible to evaluate the consequences of the dramatic changes in cereal yields on the whole pattern of production incentives for other crops, particularly fiber crops which are still the mainstay of Pakistan's exports.

xvi. Industrial policy. With a view to ameliorate the balance of payments position, the government is postponing heavy capital intensive industries, e.g. the West Pakistan steel mill project. At the same time heavy cuts have been made in the Industrial Investment Schedule (which governs private investment) to eliminate industries with a high import requirement, while on the other hand enlarging allocations for export oriented industries. Measures have also been taken to increase the cost of imported machinery but further steps in this direction are desirable to reduce the still existing bias of price incentives in favor of imported equipment while the domestic capital goods industry operates below capacity.

xvii. Exchange Rate Policy. Pakistan has a system of multiple effective exchange rates basically as a result of the Export Bonus Scheme. This scheme was adjusted in November 1967 in response to sterling devaluation and other factors. At the same time it was simplified and now has only two principal bonus categories providing for 20% and 40% of export earnings. Furthermore, imports (including machinery) were subjected to a 10% ad val. duty surcharge. A major new development was the adjustment of effective import rates in the January-July 1968 import policy, much along the lines recommended in last year's Bank report. More than three quarters of private industrial imports are now priced into the economy at an effective rate at least 80% above par. This should again permit removal of administrative controls for which the first steps have been taken. Some of the remaining private imports still effected at par should be considered for similar treatment and, as noted, the present system still favors imports of capital goods.

xviii. Export Policy. The export bonus scheme continues to provide adequate incentives for exports of manufactured goods. However, more serious attention should be given to encouraging the increased production of agricultural commodities for export, principally jute, cotton and superior rice, but also tobacco, tea and certain types of fish. Yields of cotton and jute are below target, and expectations for future exports are unlikely to be met unless a similar promotional effort as now goes to cereal production is made towards these crops. Production capacity may also become a limiting factor for some export industries, where there is room for simplifying the sanctioning procedures for their expansion, as well as for improving credit facilities.

xix. Planning. In late 1967 a high-powered Balance of Payments Committee was established with the task of formulating a consistent overall strategy for imports, exports, domestic resource mobilization and external debt management. One of its results is the January-June 1968 import policy. Another, which is still under preparation, is a new approach to external borrowing. (See para.xxxvi). Under preparation also is a study which will recommend action to promote a faster growth of future exports. Another notable innovation is the proposal to widen the compass of the Annual Development Program by inclusion of the private sector in an annual economic plan. This is in response to the suggestion that in past years there has been some lack of coordination between public sector activities and those policies affecting private credit, private savings, investment and imports. Much can be gained if the new Committee in charge of Annual Plan Coordination becomes an effective instrument for the reconciliation of private and public activities within the framework of the Five-Year Plan.

xx. Plan Execution. Much of the new agricultural strategy to telescope foodgrain self-sufficiency into the remaining years of the Plan finds its expression in non-financial terms. The revised Plan allocation to agriculture does not imply a greater share in the total, but this conceals some economies that are achieved by a reduction in fertilizer subsidies. The East Pakistan rice program relies heavily on pump irrigation for which an ambitious scheme (the Thana Irrigation Program) has been launched, to be carried out by the Basic Democracies. The West Pakistan program for 7 million tons of wheat in 1969/70 focuses on Mexican type seed, with a target area of 4 million acres of which 2 million acres were achieved this year; irrigation also is an important feature. In both provinces a major advance in fertilizer use is implied, bringing total consumption from this year's 286,000 nutrient tons to 728,000 tons in 1969/70. Major efforts are required to achieve this. Pesticides will also have to play a more important part for the new varieties. The mission thinks that the private sector should be given all opportunities to distribute these farm requisites; fertilizer in West Pakistan has already been turned over to private distributors.

xxi. The target for additional irrigation water in the Plan period was 5.7 million acres of new land and improvements on 20.3 million acres. Only about 21% has been achieved in two years and it looks as if a 30% shortfall could occur over the Plan period. Careful selection of priority areas may still make it possible to avoid a major constraint from water to affect production, but a substantial effort is called for to reduce such a shortfall to the extent possible. Careful attention and support should be given to private tubewell development.

xxii. Investment in industry is likely to be at least 30% short of the target for the Plan. The major shortfall so far has been in the private sector, particularly in East Pakistan. Public sector investments in financial terms may reach 90% of the target but in physical terms it will be much less because major cost increases have occurred. Nevertheless, industrial production targets may be reached in many cases; the capital/output ratio will be more favorable than assumed in the Plan; part of this is because major emphasis is now placed on better utilization of existing capacity.

xxiii. In power, July 1967 marked the end of West Pakistan's power crisis which had caused in the summer of 1966 only 77% of peak demand being met. New power stations at Lyallpur and at Mangla dam were completed and no further difficulties are foreseen. Capacity is expected to reach 1353 MW by mid-1970, more than double that existing five years earlier. The West Pakistan transmission program has been proceeding well but much remains to be done.

xxiv. In East Pakistan only 36 MW have so far been added to the 1964/65 capacity of 203 MW, but new utilities under construction should bring capacity to 730 MW by 1970. There is some question whether demand will grow that fast in the light of disappointing progress by private industry. Transmission and distribution has been a bottleneck and will need a considerable step-up in expansion.

xxv. Progress in Transport and Communications has been mixed; in financial terms about 26% of the allocation was spent in two years but the rate was generally less in East Pakistan. The railways in both provinces but particularly in the West, moved ahead faster than the road construction programs. Besides financial constraints, organizational delays and difficulties in land acquisition were also slowing down the rate of progress. While this has led to occasional transport bottlenecks, the overall consequences were mitigated because of slower than anticipated growth in demand. Railway traffic, e.g. did not increase during the first two years of the Plan.

xxvi. Traffic at Karachi and Chittagong ports continued to increase. Large foodgrain shipments had to be handled. The design capacity of Karachi port has been reached. A second port for West Pakistan is under study. In East Pakistan a permanent port is planned at the present anchorage of Chalna. Pakistan International Airlines (PIA) achieved rapid expansion and will probably exceed investment targets.

xxvii. The education sector has suffered a drastic reduction in financial allocations, and only 16% of the revised allocation was spent in the first two years, bringing its share further down to 5% of the total Plan expenditures against a planned share of 7.5%. Furthermore, non-development expenditures for education fell far short of original intentions and even further of requirements. Prospects are that significant improvements in Pakistan's education system, particularly at the primary level, will have to be deferred to the Fourth Plan.

xxviii. The health program also was cut down in the revision of the Plan but family planning allocations were increased, reflecting the high priority attached to this program. In numerical terms the achievements so far are impressive, and government is confident to reach the target of reducing the birth rate over the Plan period from 50 to 40 per thousand, thus lowering the annual population growth rate by one half of one percent.

xxix. Balance of Payments. Exports have grown by 9% a year during the first two years of the Plan, or nearly twice as fast as GDP. In the third year the outlook is for a lesser growth rate mainly because of a substantial decline in prices of jute and jute goods, which is only partly made up by an opposite price movement for raw cotton. The mission thinks that a 5% increase can be expected in 1967/68. Export projections by the mission for 1969/70 suggest that total foreign exchange earnings would reach Rs. 4.4 billion ($920 million), implying a 5-year compound growth rate of 7.8% p.a. but less than the largest rate of 9.5% p.a. The main shortfalls are expected in jute and jute manufactures, where the targets were too ambitious, and in other primary commodities where too little progress is being made.

xxx. The two principal constraints in the balance of payments during the first two years, in spite of fast growing exports, arose from additional exchange expenditures for food and defense, and a 27% shortfall in availability of project and non-project aid, particularly the latter, plus a substantial decline in PL 480.

xxxi. Imports particularly of industrial raw materials were severely compressed as a result of this, and also because higher priority was given to larger imports of fertilizers. Inventories of imported industrial raw materials went down in three years to a level not higher than before the 1964 liberalization program, which is quite inadequate. Assuming the same rate of growth (11.5%) in industrial output in 1968/69 as in 1967/68, such imports would have to increase by 25% in 1968/69 over the current Rs. 1.64 billion ($344 million) which is the same level as in 1966/67 and still below that attained in 1964/65. Assuming a decline in consumer goods imports but an increase for capital goods by 15%, total foreign exchange expenditures in 1968/69 would reach Rs. 7.2 billion ($1.5 billion), an increase by 10% compared with a projected increase in exports by 5.5%.

xxxii. Foreign Aid. Disbursements of total project aid in support of an investment program in both the private and public sectors in 1968/69 of Rs. 9,250 million should be in the order of Rs. 1,645 million ($345 million). This is 10% higher than in 1967/68 but the increase in investment assumed is 15%. Partly the difference will be covered by a greater share of domestic investment goods, an increase in private foreign investment, and imports of capital goods not amenable to project aid financing. Of a project aid pipeline of about $888 million, $300 million should disburse in 1968/69 and the balance to be generated by new commitments of $450 million of which $80 million is assumed from non-consortium sources. Taking account of uncommitted pledges from the Consortium, there remains an amount of $250 million or more to be provided as fresh assistance in this form for 1968/69. Commitments for the Tarbela Dam project would be additional to this requirement.

xxxiii. To cover disbursement requirements of non-project aid of Rs. 1,405 million ($295 million) about $160 million is assumed to be available from the pipeline. No uncommitted pledges are available so that fresh commitment requirements are estimated at $300 million, assuming only a small amount from non-consortium sources. This will permit the end-of-the-year pipeline in July 1969 to be at least at the present level of about $200 million.

xxxiv. The total amount of $550 million of aid requirements from the Consortium for 1968/69 is about the same as that requested last year. However, the development program will be about 10% larger. The proportion of project/non-project aid of 250/300 will be capable of modification, depending on the type and disbursement patterns of individual projects which in part can serve the same objective as non-project aid through inclusion of semi-finished unassembled, or intermediary products and maintenance supplies.

xxxv. External Debt Position and Terms of Future Aid. Total reported external debt now amounts to $2,871 million of which $1,470 is disbursed. The service on this debt is about $110 million or 14% of foreign exchange earnings. If new debt for which the terms are not yet reported is included, the present debt service ratio is 18%.

xxxvi. The terms at which Pakistan has received assistance have hardened in recent years, partly because of lack of IDA funds and partly because the lower level of consortium assistance has prompted the government to tap alternative sources from which assistance was available however with shorter average maturities. If Pakistan were to continue to borrow at present average terms at about the present gross level (but resulting in a gradual reduction in net capital inflow) her debt service ratio would grow from the present 18% to 25% within the next seven years, and exceed that ratio significantly after 1975. The government is acutely aware of this and is formulating a new external debt management policy to keep the service burden within an acceptable ceiling, even if this should imply a lower total level of additional borrowing, and thus of domestic investment. It is approaching bilateral creditors in an attempt to obtain more favorable terms, and in this endeavour is holding over credit offers that have already been made. The mission has made calculations which confirm that a blend of 20% hard loans and 80% on concessional terms, which had been recommended in the past by the Bank, would continue to be appropriate for future assistance in the light of the new evidence.

FORM No. 61-EC
(7-65)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

CONFIDENTIAL

ECONOMIC COMMITTEE

Received 4/11

EC/O/68 - 34

April 5, 1968

Pakistan: Economic Policy Memorandum

1. The attached Economic Policy Memorandum on Pakistan from the Asia Department (EC/O/68-34/1, dated April 5, 1968) will be discussed at the Economic Committee meeting which will be held on Tuesday, April 9, 1968.

C. F. Owen
Secretary

Attachment

Secretary's Department

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CONFIDENTIAL

EC/O/68 - 34/1

April 5, 1968

ECONOMIC COMMITTEE

Economic Policy Memorandum from
Asia Department

PAKISTAN

I. Introduction.

1. A meeting of the Pakistan Consortium is scheduled for late May, 1968, to consider the economic position, policies and aid requirements of Pakistan for 1968/69. The summary and conclusions of a draft economic report prepared by the Asia Department, "Current Economic Position and Prospects of Pakistan (AS-136 of April 1, 1968) attached.

2. The last meeting of the Economic Committee on Pakistan was held on April 18, 1967. The committee concluded that while Pakistan's economic performance during 1965/66 had been mixed, particularly with the public savings performance being disappointing, on balance it could be considered satisfactory enough to warrant a continuation of Bank?IDA operations of at least $90 to $100 million a year. Pending replenishment of IDA's resources, a larger portion than normal could be on Bank terms, but in the longer run, Pakistan should continue to be regarded as a very soft blend country. The committee also considered the economic policies suggested in the 1967 Economic Report as appropriate to the country's economic conditions and problems. The main economic policy suggestions of the 1967 mission are attached.

3. The World Bank Group has had operations in practically every sector of Pakistan's economy. Total outstanding loans and credits to Pakistan amount to $708 million ($377 million Bank and $331 million IDA), of which $503 million has been disbursed. There are four additional operations under consideration between now and June 30, totaling $113 million and all Bank loans except $10 million from existing IDA funds to the Agricultural Development Bank (ADB). These loans are for (1) two fertilizer plants; (2) expansion of the Gas Pipeline that is to provide the feedstock for these plants; (4) the ADB credit. Negotiations have been completed for the last project, and the Tarbela Dam loan will be presented to the Board shortly. Subject to IDA replenishment, additional credits are under consideration for West Pakistan roads, Telecommunications, East Pakistan WAPDA (consultants' services), and another credit to ADB.

For next year, possibilities are for a Bank loan to PICIC and an IDA credit to West Pakistan Railways. All projects for IDA financing that would be ready within the next nine months add up to about $100 million, which is in excess of funds likely to be available in any circumstances, so that a selection will have to be made.

II. Issues.

4. The issues before the Economic Committee are:

(a) Does the economic performance of Pakistan and her needs for foreign assistance in 1968/69 justify a rate of Bank/IDA lending about the same as in recent years?

(b) Are the economic policies suggested in the Economic Report appropriate to the conditions and economic problems of Pakistan?

(c) While remaining a soft blend country, can Pakistan incur some additional net debt on conventional terms assuming that sufficient funds will not be available on very soft terms to sustain the economic development program at a level commensurate with her needs and absorptive capacity?

III. Discussion of the Issues.

5. Performance of the Economy. After a disappointing start in the first two years of the Third Plan which was due to the war with India, two years of drought, and a decline in foreign assistance, the economy is recovering its strength in 1967/68. GNP had grown 4.7% p.a. in the first two years (with agriculture growing only 1.4% p.a.) but is now showing a growth rate of 7%, with prospects for the remaining two years of the Plan to achieve or exceed the target rate of growth of 6.5% a year. Savings and investment have again reached the average levels achieved during the Second Plan (10% and 15% of GDP respectively) but for the Plan period as a whole will fall short of the target.

6. Exports increased twice as fast ag GDP in the first two years but will be growing only about 5% this year, mainly because of large declines in prices for jute and jute products. Prospects are now for a five-year rate of growth by about 8% a year, which, although short of the target, is a reasonable performance. Imports of industrial materials have been compressed mainly because Pakistan had to divert exchange earnings to the import of food and fertilizer, but also because of a shortfall in nonproject assistance.

7. Record crops are expected in 1967/68 in wheat, rice and maize, and cash crops show moderate advances. In industry, growth is accelerating from 5% to 9% and 11.5% in the first three years.

8. Economic Policy. Changes in exchange rate policy during

the past twelve months followed closely the suggestions of last year's Bank mission. The "free list" import policy was substantially restored and existing restrictions largely removed. The tight foreign exchange position did not permit liberalizing in the July-December 1967 period, but in January 1968, over three quarters of private industrial imports were freed from the licensing requirement. At the same time, the effective exchange rate for these goods was raised considerably through import surcharges (in addition to the 10% additional duties imposed two months before) and by broadening the scope of the export bonus scheme, with a resulting effective rate 80% above par. About 15% of private imports now require 50% bonus vouchers. The cost of imported machinery was enhanced by the additional duty imposed in November, 1967.

9. In industrial policies the government also acted along the lines of the Bank's suggestion by transferring several large projects to the private sector and by postponing the public sector steel mill.

10. The suggestion to curtail overall credit expansion was effectively followed with the result that in the nine months ending September 1967, total money supply shrank by 10%; inflationery pressures were thus brought under control and credit restrictions could be relaxed in January 1968.

11. The extension of income tax to agricultural income was considered but, on grounds that appear temporarily justified, the government decided not to take action at this time; as an alternative, and to mop up more effectively some of the expected increase in rural incomes,removal of exemptions from certain indirect taxes and later on, reduction in subsidies on farm requisites, are under active consideration.

12. The present Economic Report considers Pakistan's economic posicies as generally adequate with respect to the mobilization and allocation of resources. Defense expenditures have been further reduced and now take about the same share of total revenue receipts as during the Second Plan. Revenue receipts have grown to over 12% of GDP. The changes in the exchange rate system imply considerable simplification and are making it possible to revive the import liberalization program. Government machinery was set up for annual economic planning, expanding the Annual Development Program to encompass the private sector and permit better coordination of fiscal, monetary, and trade policy. Another recent development is the decision by government to coordinate (and if necessary curtail) future external borrowing in such a way as to avoid an excessive future debt burden.

13. The high priority program announced last year to telescope food grain self sufficiency into the remaining years of the Third Plan has been launched with considerable success. Another change in

priorities, equally motivated by balance of payments consideration, has been the postponing of new capital and import intensive industires and the emphasis on better utilization of existing capacities. Steps have been taken in support of this policy in the recent revision of the Industrial Investment Schedule.

14. Suggestions made in the Economic Report for further improvements in economic policy are briefly summarized below.

(a) International Trade. Steps to be taken for improvement in productivity of export crops, and sanctioning procedures to be simplified for expansion of export industries.

(b) The effective rates for imports of machinery and equipment to be further adjusted through import surcharges or other means.

(c) Government to be selective (as already intended) in accepting export credit offers.

(d) Agriculture. Transfer of fertilizer distribution to the private sector to be continued and steps to be taken for similar transfer in pesticides; more emphasis to be placed on phosphate in supply of fertilizer.

(e) Fiscal Policy. A cautious approach to government borrowing from Central Bank to be taken, to permit much needed expansion of credit to the private sector.

(f) Exemptions from indirect taxes in the agricultural sector to be removed and additional means of increasing revenues from agriculture to be considered.

15. Aid to Pakistan in the past had been furnished on quite favorable terms but these terms have considerably hardened in the last two years, so that the foreign debt servicing problem now looks more difficult than it did previously. If gross capital inflow were to continue at about the present level, and if present terms are not changed, the service ratio, at present 18%, would exceed 25% after 1975. Pakistan has sufficient capacity, however, to use foreign assistance productively to justify the conclusion that a small part of her net capital requirements can continue to be serviced on conventional terms. However, the very soft blend of 20% conventional and 80% concessionary terms which has in the past been recommended by the Bank, continues to be the most appropriate blend.

16. Previous Bank missions had proposed that Pakistan would need about $550 million of new commitments from the consortium in 1966/67 and in 1967/68. Actual new commitments are estimated to

to be short of this level by about $210 million in these two years, but larger commitments from non-consortium sources have made up part of the shortfall. Bank/IDA/IFC commitments in 1967/68 are estimated to be about $120 million (not including Tarbela). This is somewhat more than the level originally suggested, as against 1966/67 commitments of $62 million which was less. Only $10 million out of commitments expected in 1967/68 is from IDA, and the large Bank program is justified on the grounds that pending IDA replenishment Pakistan still has a sufficient margin of creditworthiness to permit a harder Bank/IDA blend for this one year. The major part of it is for fertilizer plants which, when completed, will produce substantial foreign exchange savings for Pakistan.

IV. Recommendations.

I recommend that:

(a) The economic performance of Pakistan be considered satisfactory enough to warrant a continuation of the level of Bank/IDA operations of recent years (about $100 million a year).

(b) Since Pakistan's creditworthiness permits a small portion of her net capital inflow to be provided on conventional terms, a portion of Bank/IDA operations in 1968/69 can be on Bank terms but this should not exceed about $25 million. In the longer run, Pakistan should continue to be regarded as a very soft blend country.

(e) The economic policies suggested by the Mission be approved as a basis for discussion in the consortium.

R. J. Goodman
Deputy Director, Asia Department

Attachments: Main Economic Policy Suggestions of 1967 Bank Economic Mission (from EC/M/67-12, dated April 25, 1967).

Summary and Conclusions of the draft economic report, "Current Economic Position and Prospects of Pakistan", AS-136, dated April 1, 1968.

Main Economic Policy Suggestions of Last Year's Bank Mission

I. International Trade

1. A step-by-step approach should be followed in the restoration of import liberalization.

2. Introduction of a modest but genuinely "Free-List" import policy, together with increases in import charges on the free list and some licensable items which are imported at par.

3. Broadening the scope of the Export Bonus Scheme along with an upward adjustment in the tariffs on the import of capital goods, especially machinery; strengthening of the Tariff Commission.

II. Industry

4. Further reduction in the public sector industrial program, and the savings transferred to such fields as education and rural development.

III. Agriculture

5. Removal of the tax exemption on agricultural income.

IV. Credit

6. Curtailment in the rate of expansion of bank credit so as to ensure greater price stability.

V. Economic Cooperation with India

7. Communications, trade, and water development are some of the several fields where the reestablishment of economic relations with India would benefit Pakistan's economic progress.

Economic Committee Secretariat
Secretary's Department
April 25, 1967

SUMMARY AND CONCLUSIONS
(from draft economic report "Current Economic Position and Prospects of Pakistan")

i. General: Pakistan is in the third year of the Third Five Year Plan, which suffered an initial setback in 1965 due to armed hostilities with India, a pause in foreign assistance, and a drought which lasted through 1965/66 and 1966/67. In consequence, government expenditures for non-development purposes increased, the private sector economy suffered from high food prices, import restrictions, and lack of confidence, and total domestic savings and investment declined from the levels reached at the end of the Second Plan.

ii. Government faced these difficulties with commendable flexibility and realism. A substantial additional tax program was launched, defense expenditures were reduced significantly in the second year, inflationary pressures were brought under control during the second and third year, and the Plan itself was adjusted to the change in the overall resource outlook. At the same time, a revision took place in investment strategy, with a new high priority program to achieve foodgrain self-sufficiency by the end of the Third Plan, and a change in emphasis in industrial policy in favor of less capital and import intensive industries, and of industries serving the agricultural sector. Finally, in the current year a significant adjustment was made in Pakistan's exchange rate system to adjust the effective prices of imports to a level that will again permit the gradual removal of administrative controls.

iii. Prospects are for a general recovery of the economy during the current year and in 1968/69. The major factor is the outlook for record levels of major crop production in the current season. Other factors are the recent acceleration in industrial output, monetary stabilization, a step-up in public savings and investments, and favorable export performance. This general recovery should reflect in a 7% growth of GDP in 1967/68, compared with 4.7% p.a. in the last two years, and good possibilities exist for the last two years of the Plan to achieve a continued rate of growth in excess of the average target rate of 6.5%. Thus it appears that in spite of a reduction in Plan resources and expenditures by probably about 25% in real terms, performance in production will be much closer to original targets.

iv. These extremely favorable results have to be weighed against future problems which are in part associated with the underlying policy of subordinating other considerations to the immediate aim of physical production. One problem will be that education, which has been cut back in this process, will be less advanced and provide a lesser manpower basis for economic development in the Fourth Plan period. Similarly, heavy industry which was postponed will therefore provide for the expected import substitution only with a corresponding delay. Further, there will be a higher debt service burden in future as a result of the government's accepting harder term loans to partly compensate for the decline in foreign assistance from customary sources. Finally, for future exports there is the possibility of constraints

in the supply of traditional export crops, mainly jute and cotton, which has not attracted as much attention and effort as has been devoted to the production of cereals. However, to the extent that these drawbacks are capable of being remedied, the government has already initiated action to formulate and present solutions.

v. Growth, Investment and Savings. Economic growth in the first two years of the Third Plan decelerated from the 5.5% annual rate attained in the Second Plan to 4.7% a year. This was a disappointing result but should be seen in the light of stagnation in major agricultural crops and a very slow growth of agriculture as a whole of 1.4% p.a., mainly caused by unfavorable weather. In the view of the mission, this slow growth of agricultural output does not reflect on the performance of the agricultural sector which has continued to make significant advances in the use of inputs and techniques. Non-agricultural sectors in this period expanded by about 8% p.a. and thus exceeded Plan targets in spite of unfavorable circumstances. In part, however, this is a result of acceleration in the service sectors, particularly in government, and industrial growth was only 5% in 1965/66 and 8.2% in 1966/67 compared with a target rate of 10%.

vi. In 1967/68 all indications are for a renewed rapid expansion of the economy, originating mainly in agriculture where the wheat crop is estimated at 5.4 million tons or 20% higher than past records, and the rice crop in East Pakistan at 10.8 million tons, about 4.5% in excess of past records. Output by manufacturing industry also is estimated to expand considerably, by 15% in large scale units and by 11.5% for the sector as a whole. These advances should result in a growth of GDP in 1967/68 by about 7%.

vii. Gross domestic investment which had exceeded 18% of GDP in 1964/65 came down to 12.4% in 1965/66 and improved only slightly in 1966/67 to 13.6%. This was a combined result of less foreign resources which had been 6.8% of GDP in 1964/65 and was 4.8% in 1965/66, and of a decline in domestic savings which were reduced from 11.9% to 7.6% mainly because public savings became negative in 1965/66. With the substantial tax effort showing results, public savings are expected this year not only to recover to but exceed the 1964/65 level of 1.2% of GDP, and total domestic savings may reach about 10.3%. Foreign resources, however, will still be only 5.1%. Gross domestic investment will thus still be below the 1964/65 level and over one fifth less than the 1969/70 target of 20%. However, the change in the composition of investment, the emphasis on agriculture, and the shift to less capital intensive industries, implies a more favorable capital/output relationship and for the remainder of the Plan period the expansion of the Domestic Product can be expected to be far better than what the shortfall in investment would suggest. This change in the investment pattern is of course implied in the revision of the Plan strategy, which is more pronounced in fields where more can be achieved with changes in organizational and administrative efforts that are not reflected in expenditure levels.

viii. Fiscal and Monetary Performance. The substantial setback in public domestic resources in 1965/66 was caused by an increase in non-development expenditures by nearly 50% compared with a planned rate of about 7% a year. At the same time, revenue collections at existing rates failed to keep pace with GDP growth mainly because of lower imports. Consequently, government resorted to substantial bank borrowing to carry out a reduced development program of Rs. 3.1 billion in that year. At the same time a major new tax program was initiated which added 10% in 1965/66 and 20% in 1966/67 to revenues. If further taxes presently under consideration are imposed, the additional tax program will produce Rs. 7.5 billion or 2 1/2 times as much as was provided in the Plan to come from new taxes. The mission believes that this program has been a factor in the shortfall of the private savings contribution to domestic investment.

ix. Revenue receipts are expected in 1967/68 to go up by 12.5% from the preceding year, increasing their share in GDP from 11.3% in 1964/65 to 12.4%. Three quarters of the 1967/68 increase is intended to go towards financing a further sizeable increase in development expenditures from Rs. 4.2 billion in 1966/67 to nearly Rs. 5.0 billion, and thus bring the domestic contribution for the program to 55% as against 52% last year. For the Plan period as a whole, the prospect is for the domestic contribution to reach or exceed the 55% target which compares with a Second Plan achievement of 51%.

x. Defense expenditures were further reduced in the 1967/68 budget and are presently down to 3.5% of GNP from the high 5.7% in 1965/66. Other non-development expenditures continue to be compressed.

xi. In the first 1 1/2 years of the Third Plan, monetary stability had second priority after the fighting of the war and the maintaining of some of the impetus in development expenditures. The large public deficit in 1965/66 was followed, however, by a near-balanced budget in 1966/67 to permit expansion of private credit, which in the first half of the fiscal year expanded so fast that restrictive measures had to be taken from early 1967. These measures, combined with a further curb in government expenditures at the beginning of fiscal year 1967/68, brought a 10% reduction in money supply in the nine months ending last September, and at the end of December it was still 2.2% below the level twelve months earlier. Prices, which had advanced significantly in the first two years of the Plan, came down, and further declines are currently expected. The mission concluded that inflationary pressures have been brought under control, and recent relaxations in the Central Bank's credit policy are justified. For the future, substantial credit expansion will be needed by the private sector, and government should continue to take a cautious approach to Central Bank borrowing.

xii. Resource Allocation. A revision of the government financed 5-year program was made in late 1966 with an overall reduction in the size of the program by 10% to about Rs. 27 billion. No change was made in the private sector investment target of Rs. 22 billion. Public sector allocations were

more than proportionately reduced for education and health (other than family planning), by 13% and 16% respectively, for industry (20%), housing (18%) and the Rural Works Program (27%). In the case of industry, this implied a transfer of investment allocations from the public to the private sector and was therefore not expected to result in a decline in total industrial investment. By contrast, the allocation was increased in absolute amounts in the case of power and of transport and communications.

xiii. In late 1967 a new appraisal of resources resulted in a further reduction of the public sector program to about Rs. 25 million, without an attempt however to explicitly further revise sector allocations. It will be for a new interministerial committee in charge of annual planning to make appropriate changes in the sector breakdown of annual allocations within the available margins. The mission suggests that room may exist for reductions in transport which would permit some strengthening of the education program.

xiv. Tax Policy. Additional taxation proposed in the original Plan was to yield Rs. 3 billion over the period. New taxes already imposed and presently contemplated would yield about Rs. 7.5 billion. This is a very drastic tax program, equivalent to nearly 1.5% of GDP. The yield from existing taxes is expected to fall short of targets by 9%, mainly because of a lower level of imports carrying duties. Virtually all new taxes are indirect taxes. The possibility of an agricultural income tax was studied by government but was found inopportune at this stage in view of the great reliance placed on private farm investment for the expanded agricultural program. Instead, removal of exemptions from present taxes in rural areas, and adjustments in subsidies, are under active consideration to mop up some of the expected increase in rural incomes that might deflect exportable consumer goods to the home market. The mission is in agreement with this approach. Consideration is suggested to be given also to adjustments in the price of irrigation water, and in other services such as electricity. Generation of revenue by WAPDA's and the railways could be improved.

xv. Foodgrain Self-sufficiency by 1970 is now proposed to be achieved by major reliance on new varieties of seed (Mexican wheat and IRRI rice) and a vigorous program to promote the appropriate package of inputs - fertilizer, pesticides and irrigation. The new 1969/70 production targets are 13.4 million tons of rice in East Pakistan (original target 12.7 million tons) and 7.0 million tons of wheat in West Pakistan (original target 5.4 million tons). 5.4 million tons of wheat is likely to be achieved or exceeded already in 1967/68, and the program has shown promising results so far. Attainment of targets will depend on considerable improvements, e.g. in the pump irrigation program in East Pakistan, or a more balanced fertilizer supply in West Pakistan (with more attention to phosphate) and on the successful maintenance of support prices which were recently announced. Transfer of fertilizer distribution to the private sector should be further pursued and action taken to do the same with plant protection. On the whole the mission takes a favorable view of the foodgrain program but studies should be initiated as soon as possible to evaluate the consequences of the dramatic changes in cereal yields on the whole pattern of production incentives for other crops, particularly fiber crops which are still the mainstay of Pakistan's exports.

xvi. Industrial policy. With a view to ameliorate the balance of payments position, the government is postponing heavy capital intensive industries, e.g. the West Pakistan steel mill project. At the same time heavy cuts have been made in the Industrial Investment Schedule (which governs private investment) to eliminate industries with a high import requirement, while on the other hand enlarging allocations for export oriented industries. Measures have also been taken to increase the cost of imported machinery but further steps in this direction are desirable to reduce the still existing bias of price incentives in favor of imported equipment while the domestic capital goods industry operates below capacity.

xvii. Exchange Rate Policy. Pakistan has a system of multiple effective exchange rates basically as a result of the Export Bonus Scheme. This scheme was adjusted in November 1967 in response to sterling devaluation and other factors. At the same time it was simplified and now has only two principal bonus categories providing for 20% and 40% of export earnings. Furthermore, imports (including machinery) were subjected to a 10% ad val. duty surcharge. A major new development was the adjustment of effective import rates in the January-July 1968 import policy, much along the lines recommended in last year's Bank report. More than three quarters of private industrial imports are now priced into the economy at an effective rate at least 80% above par. This should again permit removal of administrative controls for which the first steps have been taken. Some of the remaining private imports still effected at par should be considered for similar treatment and, as noted, the present system still favors imports of capital goods.

xviii. Export Policy. The export bonus scheme continues to provide adequate incentives for exports of manufactured goods. However, more serious attention should be given to encouraging the increased production of agricultural commodities for export, principally jute, cotton and superior rice, but also tobacco, tea and certain types of fish. Yields of cotton and jute are below target, and expectations for future exports are unlikely to be met unless a similar promotional effort as now goes to cereal production is made towards these crops. Production capacity may also become a limiting factor for some export industries, where there is room for simplifying the sanctioning procedures for their expansion, as well as for improving credit facilities.

xix. Planning. In late 1967 a high-powered Balance of Payments Committee was established with the task of formulating a consistent overall strategy for imports, exports, domestic resource mobilization and external debt management. One of its results is the January-June 1968 import policy. Another, which is still under preparation, is a new approach to external borrowing. (See para.xxxvi). Under preparation also is a study which will recommend action to promote a faster growth of future exports. Another notable innovation is the proposal to widen the compass of the Annual Development Program by inclusion of the private sector in an annual economic plan. This is in response to the suggestion that in past years there has been some lack of coordination between public sector activities and those policies affecting private credit, private savings, investment and imports. Much can be gained if the new Committee in charge of Annual Plan Coordination becomes an effective instrument for the reconciliation of private and public activities within the framework of the Five-Year Plan.

xx. Plan Execution. Much of the new agricultural strategy to telescope foodgrain self-sufficiency into the remaining years of the Plan finds its expression in non-financial terms. The revised Plan allocation to agriculture does not imply a greater share in the total, but this conceals some economies that are achieved by a reduction in fertilizer subsidies. The East Pakistan rice program relies heavily on pump irrigation for which an ambitious scheme (the Thana Irrigation Program) has been launched, to be carried out by the Basic Democracies. The West Pakistan program for 7 million tons of wheat in 1969/70 focuses on Mexican type seed, with a target area of 4 million acres of which 2 million acres were achieved this year; irrigation also is an important feature. In both provinces a major advance in fertilizer use is implied, bringing total consumption from this year's 286,000 nutrient tons to 728,000 tons in 1969/70. Major efforts are required to achieve this. Pesticides will also have to play a more important part for the new varieties. The mission thinks that the private sector should be given all opportunities to distribute these farm requisites; fertilizer in West Pakistan has already been turned over to private distributors.

xxi. The target for additional irrigation water in the Plan period was 5.7 million acres of new land and improvements on 20.3 million acres. Only about 21% has been achieved in two years and it looks as if a 30% shortfall could occur over the Plan period. Careful selection of priority areas may still make it possible to avoid a major constraint from water to affect production, but a substantial effort is called for to reduce such a shortfall to the extent possible. Careful attention and support should be given to private tubewell development.

xxii. Investment in industry is likely to be at least 30% short of the target for the Plan. The major shortfall so far has been in the private sector, particularly in East Pakistan. Public sector investments in financial terms may reach 90% of the target but in physical terms it will be much less because major cost increases have occurred. Nevertheless, industrial production targets may be reached in many cases; the capital/output ratio will be more favorable than assumed in the Plan; part of this is because major emphasis is now placed on better utilization of existing capacity.

xxiii. In power, July 1967 marked the end of West Pakistan's power crisis which had caused in the summer of 1966 only 77% of peak demand being met. New power stations at Lyallpur and at Mangla dam were completed and no further difficulties are foreseen. Capacity is expected to reach 1353 MW by mid-1970, more than double that existing five years earlier. The West Pakistan transmission program has been proceeding well but much remains to be done.

xxiv. In East Pakistan only 36 MW have so far been added to the 1964/65 capacity of 203 MW, but new utilities under construction should bring capacity to 730 MW by 1970. There is some question whether demand will grow that fast in the light of disappointing progress by private industry. Transmission and distribution has been a bottleneck and will need a considerable step-up in expansion.

xxv. Progress in Transport and Communications has been mixed; in financial terms about 26% of the allocation was spent in two years but the rate was generally less in East Pakistan. The railways in both provinces but particularly in the West, moved ahead faster than the road construction programs. Besides financial constraints, organizational delays and difficulties in land acquisition were also slowing down the rate of progress. While this has led to occasional transport bottlenecks, the overall consequences were mitigated because of slower than anticipated growth in demand. Railway traffic, e.g. did not increase during the first two years of the Plan.

xxvi. Traffic at Karachi and Chittagong ports continued to increase. Large foodgrain shipments had to be handled. The design capacity of Karachi port has been reached. A second port for West Pakistan is under study. In East Pakistan a permanent port is planned at the present anchorage of Chalna. Pakistan International Airlines (PIA) achieved rapid expansion and will probably exceed investment targets.

xxvii. The education sector has suffered a drastic reduction in financial allocations, and only 16% of the revised allocation was spent in the first two years, bringing its share further down to 5% of the total Plan expenditures against a planned share of 7.5%. Furthermore, non-development expenditures for education fell far short of original intentions and even further of requirements. Prospects are that significant improvements in Pakistan's education system, particularly at the primary level, will have to be deferred to the Fourth Plan.

xxviii. The health program also was cut down in the revision of the Plan but family planning allocations were increased, reflecting the high priority attached to this program. In numerical terms the achievements so far are impressive, and government is confident to reach the target of reducing the birth rate over the Plan period from 50 to 40 per thousand, thus lowering the annual population growth rate by one half of one percent.

xxix. Balance of Payments. Exports have grown by 9% a year during the first two years of the Plan, or nearly twice as fast as GDP. In the third year the outlook is for a lesser growth rate mainly because of a substantial decline in prices of jute and jute goods, which is only partly made up by an opposite price movement for raw cotton. The mission thinks that a 5% increase can be expected in 1967/68. Export projections by the mission for 1969/70 suggest that total foreign exchange earnings would reach Rs. 4.4 billion ($920 million), implying a 5-year compound growth rate of 7.8% p.a. but less than the largest rate of 9.5% p.a. The main shortfalls are expected in jute and jute manufactures, where the targets were too ambitious, and in other primary commodities where too little progress is being made.

xxx. The two principal constraints in the balance of payments during the first two years, in spite of fast growing exports, arose from additional exchange expenditures for food and defense, and a 27% shortfall in availability of project and non-project aid, particularly the latter, plus a substantial decline in PL 480.

xxxi. Imports particularly of industrial raw materials were severely compressed as a result of this, and also because higher priority was given to larger imports of fertilizers. Inventories of imported industrial raw materials went down in three years to a level not higher than before the 1964 liberalization program, which is quite inadequate. Assuming the same rate of growth (11.5%) in industrial output in 1968/69 as in 1967/68, such imports would have to increase by 25% in 1968/69 over the current Rs. 1.64 billion ($344 million) which is the same level as in 1966/67 and still below that attained in 1964/65. Assuming a decline in consumer goods imports but an increase for capital goods by 15%, total foreign exchange expenditures in 1968/69 would reach Rs. 7.2 billion ($1.5 billion), an increase by 10% compared with a projected increase in exports by 5.5%.

xxxii. Foreign Aid. Disbursements of total project aid in support of an investment program in both the private and public sectors in 1968/69 of Rs. 9,250 million should be in the order of Rs. 1,645 million ($345 million). This is 10% higher than in 1967/68 but the increase in investment assumed is 15%. Partly the difference will be covered by a greater share of domestic investment goods, an increase in private foreign investment, and imports of capital goods not amenable to project aid financing. Of a project aid pipeline of about $888 million, $300 million should disburse in 1968/69 and the balance to be generated by new commitments of $450 million of which $80 million is assumed from non-consortium sources. Taking account of uncommitted pledges from the Consortium, there remains an amount of $250 million or more to be provided as fresh assistance in this form for 1968/69. Commitments for the Tarbela Dam project would be additional to this requirement.

xxxiii. To cover disbursement requirements of non-project aid of Rs. 1,405 million ($295 million) about $160 million is assumed to be available from the pipeline. No uncommitted pledges are available so that fresh commitment requirements are estimated at $300 million, assuming only a small amount from non-consortium sources. This will permit the end-of-the-year pipeline in July 1969 to be at least at the present level of about $200 million.

xxxiv. The total amount of $550 million of aid requirements from the Consortium for 1968/69 is about the same as that requested last year. However, the development program will be about 10% larger. The proportion of project/non-project aid of 250/300 will be capable of modification, depending on the type and disbursement patterns of individual projects which in part can serve the same objective as non-project aid through inclusion of semi-finished unassembled, or intermediary products and maintenance supplies.

xxxv. External Debt Position and Terms of Future Aid. Total reported external debt now amounts to $2,871 million of which $1,470 is disbursed. The service on this debt is about $110 million or 14% of foreign exchange earnings. If new debt for which the terms are not yet reported is included, the present debt service ratio is 18%.

xxxvi. The terms at which Pakistan has received assistance have hardened in recent years, partly because of lack of IDA funds and partly because the lower level of consortium assistance has prompted the government to tap alternative sources from which assistance was available however with shorter average maturities. If Pakistan were to continue to borrow at present average terms at about the present gross level (but resulting in a gradual reduction in net capital inflow) her debt service ratio would grow from the present 18% to 25% within the next seven years, and exceed that ratio significantly after 1975. The government is acutely aware of this and is formulating a new external debt management policy to keep the service burden within an acceptable ceiling, even if this should imply a lower total level of additional borrowing, and thus of domestic investment. It is approaching bilateral creditors in an attempt to obtain more favorable terms, and in this endeavour is holding over credit offers that have already been made. The mission has made calculations which confirm that a blend of 20% hard loans and 80% on concessional terms, which had been recommended in the past by the Bank, would continue to be appropriate for future assistance in the light of the new evidence.

FORM No. 60-EC
(2-68)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. Clark
Mr. Sanborn
PAK - Cons

CONFIDENTIAL

ECONOMIC COMMITTEE

Files

EC/A/68 - 10

April 5, 1968

NOTICE OF MEETING

A meeting of the Economic Committee will be held on Tuesday, April 9, 1968 at 2:30 p.m. in Room 1038.

AGENDA

1. The Economic Policy Memorandum on Pakistan from the Asia Department (EC/O/68 - 34/1, dated April 5, 1968).

(The Committee will also have before it the draft of the economic report to be distributed for the Consortium Meeting on May 21-22, 1968.)

C. F. Owen
Secretary

Secretary's Department

DISTRIBUTION

Committee:
The Economic Adviser to the President, Chairman
Director, Economics Department
Director, Special Economic Studies
Director, EDI
Special Adviser to the President (Mr. Rist)
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PAK-Consortium

F

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESTRICTED

PAK 68-6

FROM: The Secretary

April 4, 1968

ELEVENTH MEETING OF THE PAKISTAN CONSORTIUM

1. The Eleventh Meeting of the Pakistan Consortium will convene at 10:00 a.m. on Tuesday, May 21, 1968, at the World Bank, 1818 H Street, N.W., Washington, D. C. If necessary, the discussions will be continued on May 22. An Agenda will be distributed in the near future.

2. The purpose of the meeting will be to review the progress of economic development in Pakistan and to consider the Government of Pakistan's request for aid for the Pakistan fiscal year beginning July 1, 1968. It is hoped that Heads of Delegations, wherever possible, will also indicate the amounts and terms of aid members expect to make available in the Pakistan fiscal year 1968-69.

3. The documents for the meeting will consist of a Memorandum for the Pakistan Consortium 1968-69, a Mid-Plan Review of the Third Five-Year Plan (1965-1970), and a Summary Description of Projects for the Pakistan Consortium 1968-69, prepared by the Government of Pakistan; and a Bank report entitled "Current Economic position and prospects of Pakistan". These documents will be distributed by the middle of April.

4. Members of the Consortium are requested to send the names of delegates to the Secretary of the Bank in Washington not later than April 22.

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FORM NO. 59
(2-55)

CROSS REFERENCE SHEET

COMMUNICATION: memo

DATED: April 1, 1968

TO: Files

FROM: Rudolph Hablutzel

FILED UNDER: Pak- gen.negs.

SUMMARY: Meeting with Mr.Haq

Consortium

2. Mr.Haq reported on the position the Government will take at the Consortium meeting. Aid requirements as prescribed by Pakistan would be the sam e as those estimated by the Economic Mission, namely $550 million, of which up to $3 00 million should be in the form of non-project aid. This was about the same total level as proposed by the Bank mission last year, and also in about the same proportion of project and non-project aid. Mr.Haq said that the Government was aware of the difficulties in reaching this level of pledges; given the acute import stringency, partly caused by past foreign exchange expenditures for food imports and shortfalls and delays in commodity aid, and the low level of private inventories of imports, the Government was discussing the possibility of a stand-by agreement with the IMF to support Pakistan's program of import liberalization which had been initiated in January in conjunction with a partial exchange rate reform.

3. At the Consortium, Mr.Haq said, Pakistan would stress the need for improvement in the terms of aid, and the Government would explain its recent decision to manage its future external borrowing in such a way as to prevent the debt service ratio from exceeding a certain ceiling. This would make it difficult for Pakistan to accept loans of a suppliers' credit type which were offered by both socialist countries and some members of the Consortium.

4. He reported on his discussions with the Economic Mission on the draft report. The major policy issue that would emerge this year appeared to be the need for Pakistan to strenghthen the supply base for the future growth of exports. He then enquired about the prospect of IDA funds for Pakistan and the possibility of Bank/IDA non-project assistance.

PAK- Cons.

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

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TO: INTBAFRAD
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DATE: APRIL 1, 1968

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COUNTRY: PAKISTAN

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~~XXX~~ FOR FINSAAS

THANKS URCAB ~~XXX~~ 72 SUGGEST PLANCOM ALSO SENDS CONSORTIUM DOCUMENTS DIRECTLY TO SWEDEN EMBASSY. REGARDS

MELMOTH

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MESSAGE AUTHORIZED BY:

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DEPT. Asia

SIGNATURE C.G.F. Melmoth
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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FORM No. 26
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DATE AND TIME OF CABLE: APRIL 1, 1968 1259

LOG NO.: ITT 6 / 1

TO: INTBAFRAD

FROM: ISLAMABAD

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ACTION COPY:	MR. MEIMOTH
INFORMATION COPY:	MR. CARGILL
DECODED BY:	Mr Rolle

TEXT:

CORRECTED COPY

72 FOR MEIMOTH

REURCAB 52 TITLES AND DATES ARE MEMORANDUM FOR THE PAKISTAN CONSORTIUM 1968/69 EXPEDITED SENT YOU APRIL 10, MID PLAN REVIEW OF THE THIRD FIVE YEAR PLAN (1965-1970) AND SUMMARY DESCRIPTION OF PROJECTS FOR THE PAKISTAN CONSORTIUM 1968/69 BOTH EXPEDITED SENT YOU APRIL 15. SARTAJ AZIZ INQUIRING WHETHER LIST OF CONSORTIUM REPRESENTATIVES WHOM PLANCOM SENT CONSORTIUM DOCUMENTS DIRECT LAST YEAR STILL VALID REGARDS

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Yes. This is just a corrected copy of the letter received April 1.

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INFORMATION COPY:	MR. CARGILL
DECODED BY:	

TEXT:

72 FOR MELMOTH

REURCAB 52 TITLES AND DATES ARE MEMORANDUM FOR THE PAKISTAN CONSORTIUM 1968 69 EXPEDITED SENT YOU APRIL 10, MIDD PLAN REVIEW THE THIRD FIVE YEAR PLAN (1965-1970) AND SUMMARY DESCRIPTION OF PROJECTS FOR THE PAKISTAN CONSORTIUM 1968 69 BOTH EXPEDITED SENT YOU APRIL 15. SARTAJ AZIZ INQUIRING WHETHER LIST OF CONSORTIUM REPRESENTATIVES WHOM PLANCOM SENT CONSORTIUM DOCUMENTS DIRECT LAST YEAR STILL VALID REGARDS

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INFORMATION COPY:	MR. CARGILL
DECODED BY:	

TEXT:

71 FOR MEIMOTH

REURCAB 50 MUZAFFAR CONFIRMS MEETING WASHINGTON MAY 21 AND 22 CONVENIENT GOP.

PLEASE NOTE I WILL VISIT KARACHI APRIL 3 AND 4 REGARDS

FINSAAS

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ISLAMABAD

DATE: MARCH 28, 1968

CLASS OF SERVICE: IBF GOVERNMENT

RCC

COUNTRY: (PAKISTAN)

TEXT:
Cable No.: FIFTY

GOVERNMENT EXPRESSED PREFERENCE FOR WASHINGTON AS VENUE NEXT CONSORTIUM MEETING STOP HAVE ASCERTAINED MEETING HERE MAY TWENTYONE AND TWENTYTWO CONVENIENT TO OTHERS STOP PLEASE CONFIRM URGENTLY ALSO CONVENIENT GOVERNMENT

TARBELA STOP UNITED STATES CLEARANCE STILL AWAITED STOP EXPECTED HOURLY

REGARDS

MELMOTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME C.G.F.F. Melmoth

DEPT. Asia

SIGNATURE C.G.F. Melmoth
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CGFFMelmoth:dp

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COMMUNICATIONS

MAR 28 4 47 PM 1968

GENERAL FILES
COMMUNICATIONS

MAR 28 5 25 PM 1968

MEMORANDUM

RECEIVED

EMBASSY FROM UNITED STATES CLEARANCE SLIP MARTINEZ FROM EXPECTED HONDURAS

GOVERNMENT

CONFIDENTIAL TO OTHERS FROM PLEASE CONFIRM DECEMPTY ALSO CONFIDENTIAL

MEETING FROM HAVE ASCERTAINED MEETING HERE MAY IMMEDIATELY AND IMMEDIATELY

GOVERNMENT EXPRESSED PREFERENCE FOR WASHINGTON AS AVENUE NEXT CONSORTIUM

PAK - Consortu

Mr. Anwar Ahmad

March 26, 1968

J.-D. Roulet (Through Mr. C.G.F.F. Melmoth)

Quarterly Reports on Aid to Pakistan

1. I refer to your memorandum of February 2 to Mr. Melmoth forwarding the quarterly report on Belgian aid to Pakistan during the period October 1 - December 31, 1967. As you will note from the attached, the following information was not reported: (a) date of loan agreement, (b) lender, (c) interest rate, and (d) forecasts of disbursement.

2. I would appreciate it if we could obtain the lacking information, at least in respect of (a) through (c).

Attachment

cc: Mr. H. Meier

JDRoulet:pj

PAK- Consortium

Mr. Anwar Ahmad

March 26, 1968

J.-D. Roulet (Through Mr. C.G.F.F. Melmoth)

Quarterly Reports on Aid to Pakistan

1. I refer to your memorandum of February 16 to Mr. Melmoth forwarding the Quarterly Report on German aid to Pakistan during the period October 1 - December 31, 1967. When preparing the Bank's Report we noted that the two loans reported by Germany relate to previous quarters. Indeed, the DM 10 million loan dated April April 12, 1967 was already included in the report covering the first quarter of 1967 and the DM 15 million loan dated August 2, 1967 was reported during the third quarter.

2. As these are the only two loans reported by Dr. Donner, it would thus appear that no loans were made by Germany during the period October 1 - December 31, 1967. I would be grateful if you would inquire with Dr. Donner's office if this is correct.

3. For ease of reference the descriptions of the loans concerned are attached.

Attachment

cc: Mr. H. Meier

JDRoulet:pj

Headquarters:
Washington, D.C., U. S. A.

PAK- Cons.
x alphabet
(R)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN
P.O. BOX 1025, ISLAMABAD, PAKISTAN
Telephone 20280 · Cable Address - INTBAFRAD ISLAMABAD

Mr. Rowley.
We should have picked this up?

Letter No. 98
Registered

March 16, 1968

Op. Files

3/25

Mr. Meier.
O.K.
file

Mr. C.G.Melmoth
I.B.R.D.
Washington D.C.

Dear Mr. Melmoth:

Please find enclosed a letter of Miss Ripps from the USAID Mission to Pakistan, regarding the Seventeenth Quarterly Report on the utilization of Consortium financial assistance to Pakistan. This letter is self explanatory.

EAD confirmed that there is a typographical error in their statement on which the Bank's quarterly report is based.

Yours sincerely,

Christian Merat

Christian Merat
Asstt. Resident Representative

Encl.

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P.O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 20280 · Cable Address - INTBAFRAD ISLAMABAD

Letter No. 98
Registered

March 16, 1968

Mr. C.G.Melmoth
I.B.R.D.
Washington D.C.

Dear Mr. Melmoth:

Please find enclosed a letter of Miss Ripps from the USAID Mission to Pakistan, regarding the Seventeenth Quarterly Report on the utilization of Consortium financial assistance to Pakistan. This letter is self explanatory.

EAD confirmed that there is a typographical error in their statement on which the Bank's quarterly report is based.

Yours sincerely,

Christian Merat
Asstt. Resident Representative

Encl.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

MISSION TO PAKISTAN

Cable: USAIDPAK

Alfalah Building
The Mall, Lahore
March 13, 1968

Mr. Torgeir Finsaas
Resident Representative
IBRD
Maskan, No. 229, F-6/3
Islamabad

Dear Mr. Finsaas:

We would call your attention to an error in the Pakistan Consortium Seventeenth Quarterly Report of the Utilization of Aid, January 29, 1968. Table 2 of that report lists disbursements of aid from Germany as $2,505,000 when in fact the figure should be $4,505,000. A similar correction should be made in the total disbursements figure also.

The error in the IBRD's presentation no doubt is the result of a typographical error in EAD's quarterly disbursements statement which listed the disbursements from German project loans as $145,000 for the period July 1967 - September 1967 instead of $2,145,000. EAD's figure for total disbursements was correct, however.

We want to assure you that as regular users we would like to encourage more continuity and processing of the data series.

Sincerely yours,

E. L. Ripps
Chief, Division of
Economic Analysis

Headquarters:
Washington, D.C., U.S.A.

Dist Circ

PAK - Consort.
~~IDR~~
~~SF~~
~~WK~~
~~HBM~~
~~HQ~~

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN
P.O. BOX 1025, ISLAMABAD, PAKISTAN
Telephone 20280 - Cable Address - INTBAFRAD ISLAMABAD

Op. File
With book

Letter No. 91
Registered

March 12, 1968

Mr. C.G.Melmoth
I.B.R.D.
Washington D.C.

Dear Mr. Melmoth:

(fld. Consortium folder in cabinet)

I am enclosing a copy of a publication entitled " German-Pak Friendship " distributed here by the Embassy of the Federal Republic of Germany. We thought you might find it interesting to glance through it, especially the last chapters giving an account of West Germany's contribution to Pakistan's Growth and Development.

Yours sincerely,

Christian Merat

Christian Merat
Asstt. Resident Representative

Encl.

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P.O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 20280 - Cable Address - INTBAFRAD ISLAMABAD

Letter No. 91
Registered

March 12, 1968

Mr. C.G.Melmoth
I.B.R.D.
Washington D.C.

Dear Mr. Melmoth:

I am enclosing a copy of a publication entitled " German-Pak Friendship " distributed here by the Embassy of the Federal Republic of Germany. We thought you might find it interesting to glance through it, especially the last chapters giving an account of West Germany's contribution to Pakistan's Growth and Development.

Yours sincerely,

Christian Merat
Asstt. Resident Representative

Encl.

Headquarters:
Washington, D.C., U. S. A.

PAK-Cons.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN
P.O. BOX 1025, ISLAMABAD, PAKISTAN
Telephone 20280 · Cable Address - INTBAFRAD ISLAMABAD

Mr Rowlet.
Op. Files
Statistics
to Research Files

Letter No. 89
Registered

March 9, 1968

Mr. C.G.Melmoth
I.B.R.D.
Washington D.C.

Dear Mr. Melmoth:

to R. files

Please find enclosed 5 copies of the tables on commitment and disbursement of Economic Assistance from Consortium countries to Pakistan during the period July 1, to December 31, 1967. Mr. Ijazuddin Ahmed's covering letter dated March 8, 1968 is also enclosed.

Yours sincerely,

Christian Merat

Christian Merat
Asstt. Resident Representative

Encls.

1 copy sent Hetherington 3/14
Meier 3/14
Mr Cuscoy 3/15

Op. Files.

PAK - Corr.

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P.O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 20280 · Cable Address - INTBAFRAD ISLAMABAD

Mr. Baker.
Cp. File
Photostatic
& Research
File

Letter No. 89
Registered

March 9, 1968

Mr. C.G.Melmoth
I.B.R.D.
Washington D.C.

Dear Mr. Melmoth:

to P. file

Please find enclosed 5 copies of the tables on commitment and disbursement of Economic Assistance from Consortium countries to Pakistan during the period July 1, to December 31, 1967. Mr. Izzuddin Ahmed's covering letter dated March 8, 1968 is also enclosed.

Yours sincerely,

Christian Meret

Christian Meret
Asstt. Resident Representative

Encls.

Letter No. 89
Registered

March 9, 1968

Mr. C.G.Melmoth
I.B.R.D.
Washington D.C.

Dear Mr. Melmoth:

Please find enclosed 5 copies of the tables on commitment and disbursement of Economic Assistance from Consortium countries to Pakistan during the period July 1, to December 31, 1967. Mr. Ijazuddin Ahmed's covering letter dated March 8, 1968 is also enclosed.

Yours sincerely,

CM

Christian Merat
Asstt. Resident Representative

Encls.

CMerat:mak

Immediate

GOVERNMENT OF PAKISTAN
PRESIDENT'S SECRETARIAT
ECONOMIC AFFAIRS DIVISION

Telegrams : ECONOMIC

No. 695-EA(CRO)/68

Islamabad 7/. March 8, 1968

Dear Mr. Finsaas,

I enclose 5 copies of the statement showing disbursement of foreign economic assistance from the Consortium sources for the period ending December 31, 1967. You may kindly have it transmitted to the World Bank at Washington in the usual course.

A copy of this statement is being sent directly to Mr. Hablutzel through the diplomatic bag.

With regards.

Yours sincerely,

(Ijazuddin Ahmad)
Chief Research Officer

Mr. Torgier Finsaas,
Resident Representative,
International Bank for Reconstruction & Development,
229-F-6/3,
Islamabad.

Form No. 57 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

Collection Gen Rep XCG81-98

OFFICE MEMORANDUM

TO: Files

DATE: March 4, 1968

FROM: Christian Merat

SUBJECT: Pakistan: 1968 Economic Mission and forthcoming Consortium Meeting

1. Mr. Cargill called at Mr. M.M. Ahmad's office on February 13, 1968, and discussed outstanding issues for the next Pakistan Consortium meeting. Also present were Messrs. Qamarul Islam, Sartaj Aziz, Finsaas and Merat.

2. Mr. Ahmad explained that the 1968 Economic Mission had left Pakistan with a favorable impression of the current progress and the prospects of the economy. He added that GOP representatives would present the next Consortium meeting with a request for $600 million in pledges for 1968/69. Half of this amount would be for project assistance and the other half for non-project assistance. The decision to present a $600 million request was based on the assumption that IDA would be in a position to commit new funds before the beginning of the fiscal year 1968/69. In reply, Mr. Cargill explained the current status of the IDA replenishment exercise and said that Pakistan could not count on more than 10 percent of available IDA resources which for the fiscal year 1967/68 meant total resources of $41 million. For the future the same percentage must be regarded as the basis for planning although the total of resources might be somewhat above $400 million.

3. This year, Mr. Ahmad said, the budget is likely to be presented one week earlier than last year, that is on Saturday, June 8, 1968. He therefore requested that the Consortium meeting be held as early as possible so that some of the principal conclusions at the meeting could be reflected in the budget. He also suggested that the meeting be held in Washington, which would afford GOP officials an easy opportunity to discuss other outstanding issues with the Bank. He added that Mahboobul Haq would take advantage of his participation in a seminar in London to visit Washington to discuss the Government's Consortium documents before they are finalized for the Consortium meeting.

4. Mr. Ahmad explained that the group in charge of reviewing external debt management policy had come up with new projections of Pakistan's debt service ratio. For the last year of the Third Plan (1969/70), this ratio is now expected to reach 19 percent instead of 16 percent as originally projected in the Plan, because there has been a substitution of external credit sources during the first three years of the Plan period. This means that Pakistan will need a softer blend of aid during the last two years of the Plan period. Further he thought Pakistan might not be able to use assistance from countries such as Italy, France, Belgium and the Netherlands, as fast as it can be made available, because the terms of such assistance are too hard. The Government intended to make a statement to that effect at the Consortium meeting, and Mr. Cargill agreed that such a statement might be useful.

5. Mr. Ahmad explained that a review of IDA Credits 81-PAK and 98-PAK for Commercial Road Vehicles and Industrial Imports had just been completed. The review shows that the effects of these two credits had been very beneficial in promoting a balanced growth of the economy, and he emphasized this point with a view to future IDA operations in Pakistan.

6. In discussing the new Import Policy, Mr. Ahmad emphasized that the uncertainty regarding non-project assistance made it difficult for the Government to embark into a policy of import liberalization. The Government is obliged to impose restrictions on imports, if prospects for external resources, of which non-project assistance is a large share, are not reasonably firm. Recently Mr. Ahmad felt some countries, and he mentioned Germany, had shown a somewhat unjustified reluctance in committing their non-project pledges on time to facilitate Government decisions on import policy. The Government intended to make a statement to that effect at the Consortium meeting, and Mr. Cargill agreed that such a statement would be in line with the Bank's own thinking.

CMerat:TFinsaas:IPMCargill/dp

cc: Mr. Knapp
Mr. Cope
Mr. Cargill
Mr. Goodman
Mr. Melmoth
Mr. Hablutzel
Mr. Blobel
Mr. Finsaas

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

orig. CEYLON and Comm. Pak Comm. cc Y. Habib

OUTGOING WIRE

TO: CHATENAY
INTBAFRAD
PARIS

DATE: FEBRUARY 28, 1968

CLASS OF SERVICE: telex

COUNTRY: FRANCE

TEXT:
Cable No.:

218

EXCERPT

SECOND PAKISTAN 'S DELEGATION TO THE TARBELA MEETING AS FOLLOWS COLON GHULAM ISHAQ KHAN COMMA A.G.N. KAZI COMMA S.S.JAFRI COMMA S.S.KIRMANI STOP REGARDS

AHMAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Anwar Ahmad

DEPT. Secretary's

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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PAK- Cons. 2

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: PLANCOM

RAWALPINDI

DATE: FEBRUARY 26, 1968

CLASS OF SERVICE: ~~LT~~ 2TBF Gen T. RCH

COUNTRY: PAKISTAN

TEXT:
Cable No.:

FOR MAHBUBUL HAQ MARCH TEN TO FOURTEEN CONVENIENT STOP NOT YET RECEIVED ALPHA PAKISTAN EXTERNAL DEBT STATEMENT DECEMBER 1967 BETA MIDPLAN REVIEW REVISION OF TABLES IN CHAPTERS TWO AND FOUR AND IMPORT POLICY PAPER ANNEX FIVE AVAILABILITIES AND REQUIREMENTS BASED ON GROWTH TARGETS RATHER THAN INDUSTRIAL CAPACITY AS PROMISED BY RASUL-TIMS GAMMA EPWAPDA ANSWERS TO BLOBEL'S LETTER OF FEBRUARY FIFTH DELTA ESTIMATES INDUS-TARBELA AND PL 480 IMPORTS FOR BALANCE OF PAYMENTS THIS YEAR AND NEXT EPSILON DECEMBER SBP MAJOR COMMODITIES EXPORTS BREAKDOWN STOP BANK REPORT STATISTICAL APPENDIX TABLE ELEVEN MANSUR GAVE TOTAL ADP CURRENT YEAR 474 CRORE NOT 500 WHICH ONE IS CORRECT QUERY STOP TWO QUESTIONS ON PRIVATE IMPORTS ALPHA IMPORT PAPER TABLE FIVE SHOWS 26 OUT OF 226 CRORE CCI/E ALLOCATION LAST YEAR NOT UTILIZED COMMA WAS THIS CASH OR AID BETA IMPORT PAPER ANNEX FIVE SHOWS CURRENT YEAR AVAILABILITY FOR MERCHANDISE IMPORTS 73 CRORE HIGHER THAN LAST YEAR AND 63 CRORE HIGHER AFTER DEDUCTING CAPITAL INFLOW TO PRIVATE SECTOR STOP IS IT CORRECT CCI/E GOT 28 OUT OF 62 CRORE QUERY REGARDS

HABLUTZEL

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Rudolf Hablutzel

DEPT. Asia Department

SIGNATURE Rudolf Hablutzel
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

RHablutzel:ke

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Manager: KG

SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO AIRGRAM)

DEPT: Data Department

FEB 26 5 13 PM 1968

NAME: Robert Hartfield

MESSAGE AUTHORIZED BY:

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HARTFIELD

RECEIVED

FOR MANBOUT AND MARCH TEN TO FOURTEEN CONVENTIONAL STOCK NOT YET RECEIVED

ALPHA PAKISTAN EXTENDED DEBT STATEMENT DECEMBER 1967 BELOW MIDDLEMAN REVISION OF TARIFFS IN CHAPTER TWO AND FOUR AND IMPORT POLICY PAPER VARIES BETWEEN

AVAILABILITIES AND REQUIREMENTS BASED ON GROWTH TARGETS, RATHER THAN INDUSTRIAL

CAPACITY AS PROMISED BY MUSAU-LINE GAMMA REMARKS VISMERS TO BROBET'S TELLER

OF FEBRUARY WITH DEFLY ESTIMATES INDUS-TARGETS AND BY 1980 IMPORTS FOR BALANCE

OF PAYMENTS THIS YEAR AND NEXT EDITION DECEMBER SEE MAJOR COMMODITIES EXPORTS

BREAKDOWN STOP BANK REPORT STATISTICAL APPENDIX TABLE STEADY MANSUR GAVE TOTAL

NAD CURRENT YEAR 1/1/ CHORE NOT 200-WHICH ONE IS CORRECT QUERY STOP TWO QUESTIONS

ON PRIVATE IMPORTS ALPHA IMPORT PAPER TABLE VIAE SHOWS 52 OUT OF 552 CHORE

CCI\E ALLOCATION LAST YEAR NOT UTILIZED COMMA WAS THIS CASH OR AID RELY IMPORT

PAPER VANEX VIAE SHOWS CURRENT YEAR AVAILABILITY FOR MERCHANDISE IMPORTS

23 CHORE HIGHER THAN LAST YEAR AND 23 CHORE HIGHER VALUE DEDUCTING CAPITAL

INTOW TO PRIVATE SECTOR STOP IS IT CORRECT CCI\E GOT 58 OUT OF 25 CHORE QUERY

MESSAGE

HARTFIELD

NOT TO BE TRANSMITTED

TO: ERMOON

DATE: FEBRUARY 26, 1968

CLASS OF SERVICE: AIR

SERVICE: STAT

FROM: RAMATHADI

COUNTRY: PAKISTAN

TEXT:

CABLE NO.:

OUTGOING WIRE

INTERNATIONAL DEVELOPMENT ASSOCIATION	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE

Form No. 53 (2-61)

FORM No. 58 INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Christopher G. Melmoth

DATE: February 28, 1968

FROM: Anwar Ahmad A.A.

SUBJECT: Quarterly Report

Attached is a report on Japanese aid to Pakistan for the quarter ending December 1967.

AA/GW

Quarterly Report on Aid to Pakistan

Reporting Country: Japan

Period: October - December, 1967

Part A

1. New Agreement signed during the quarter ended.

(a) ~~The~~ Seventh Yen Credit to Pakistan

(b) Borrower: Government of Pakistan

Lender: The Export-Import Bank of Japan together with 13 private banks

Date: December 28, 1967

(c) Amount: 10,800 million yen ~~($ 30 million)~~

(d) Purpose: Assistance for the implementation of the Pakistan Third Five Year Plan, ~~which is expected to be utilized as follows:~~

(Project) aid	(US$ million)
Natural Gas Fertilizer Factory, Ghorasal	7.8
Extension of Chittangong Steel Mill	3.0
Pak-Nepal Tropospheric Microwave Link	3.0
Reserve to be allocated by mutual agreement	1.2
~~Total:~~	~~15.0~~

(Machinery and Equipment) for PICIC-IDBP		
PICIC & IDBP	6.0	21.0
(Commodities) Commodity Aid		
Fertilizer	6.6	
Marine Diesel Engines	0.5	
Power Tillers	0.5	
Dyes & Chemicals	1.4	9.0
Total:	9.0	US$ 30.0 million (Yen 10,800 million)

(e) Interest rate: 5.5 percent

(f) Amortization Terms: 18 years including a 5-year grace period

(g) Forecast of Disbursement: N/A

2. Changes, cancellations, sub-allocations to be specific purposes and projects, or further refinements of agreements reported in previous quarters.

None.

Part B

1. The purpose and approximate amount of further commitments from existing pledges, which are currently under discussion with the Government of Pakistan.

None.

2. Project reported in previous quarters that have been dropped from consideration.

None.

Part C

Correction of the Government of Pakistan data, which were reproduced as Table 1 through Table 3, Annex A of the last "Quarterly Report on the Utilization of Aid"

None.

PAK-Cons.

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: AHMAD
DEPUTY CHAIRMAN
PLANNING COMMISSION
RAWALPINDI

DATE: FEBRUARY 26, 1968

CLASS OF SERVICE: ~~FULL RATE~~ 2BF Gov't.

RCH

COUNTRY: PAKISTAN

TEXT:
Cable No.:

INFORMATIVELY VISIT PROGRAM UNRECEIVED. AS I LEAVE FOR PARIS SATURDAY MARCH 2 FOR WEEK OF MEETINGS INCLUDING TARBELA WOULD APPRECIATE YOUR SENDING COPY TO BANK OFFICE PARIS 4 AVENUE D'IENA. MEANWHILE ASSUME MY ARRIVAL KARACHI SATURDAY SATISFACTORY TO YOU. I AM MEETING KAZI HERE THIS WEEK REGARDS

HOFFMAN

INTBAFRAD

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME MICHAEL L. HOFFMAN/pnn

DEPT. DEVELOPMENT SERVICES

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

For use by Message Division

SIGNATURE

DEPT: DEVELOPMENT SERVICES

NAME: MICHAEL L. HOFFMAN/pmp

MESSAGE AUTHORIZED BY:

CLEARANCES AND COPY DISTRIBUTION:

NOT TO BE TRANSMITTED

INTERPAD

HOFFMAN

HERE THIS WEEK REGARDS

MY VERIAT KARACHI SATURDAY SATISFACTORY TO YOU. I AM MEETING KAZI

SENDING COPY TO BANK OFFICE PARIS 1 AVENUE D'IENA. MEANWHILE ASSUME

MARCH 5 FOR WEEK OF MEETINGS INCLUDING TARBELA WOULD APPRECIATE YOUR

INFORMATIVELY VISIT PROGRAM UNPERCEIVED. AS I LEAVE FOR PARIS SATURDAY

CABLE NO.:

TEXT:

COUNTRY: PAKISTAN

TO: WAPAD
DEPUTY CHAIRMAN
PLANNING COMMISSION
RAWALPINDI

SERVICE:

CLASS OF: LEFT-BANK

DATE: FEBRUARY 25, 1969

OUTGOING WIRE

CONSORTIUM
INTERNATIONAL FINANCE

RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL BANK FOR

INTERNATIONAL DEVELOPMENT
ASSOCIATION

Consortium
✓ cc Pak Consortium

Mr. Michael L. Hoffman

February 21, 1968

Arnold Rivkin

Consortium Assistance for India and Pakistan

1. The following information is provided after consultation with both the India and Pakistan desk officers and examination of relevant documents:

a) India: Total amounts for which agreements have been signed by members of the India Consortium for India's Third Plan, i.e. for the period 1961/62 through September 30, 1967, is $4,694,500,000. (The amount pledged is larger, but because of known defaults on existing pledges the amount covered by agreements seems to be much more accurate to use.)

b) India: There apparently are no regularly available statistics on the amount of assistance made available by Consortium members prior to India's Third Plan, i.e. during the early years of the Consortium, 1958-1961. I shall continue to search for numbers for this period.

c) Pakistan: Total commitments of aid from Consortium members to Pakistan's Second Five-Year Plan, i.e. through June 30, 1965, totaled $2,173,500,000.

d) Pakistan: Total amounts for which agreements have been signed during Pakistan's Third Five-Year Plan, i.e. as of September 30, 1967 , total $789,997,000.

e) Pakistan: The totals of c) and d) make a total of $2,963,497,000 of committed aid to Pakistan by Consortium members for the period from the beginning of the Consortium through September 30, 1967.

2. All of the foregoing numbers, despite their apparent precision, should be handled with some discretion. Some of the statistics relating to the earliest dates should be qualified with respect to whether the assistance was provided within or outside the Consortium, as to the valuation of export credits, etc.

3. Pakistan: Tarbela - The foreign exchange contribution to Tarbela has been estimated at $300,000,000. There is, as you know, an agreement in principle by various Consortium members to make various amounts of tied aid available and by the World Bank and the Exim Bank to make assistance available on a residual basis; there also is an outstanding question of the surplus in the Indus Basin Development Fund. Bids are expected to be evaluated late this month, and a financing plan is to be established at that time which would result in the setting-up of the Tarbela Fund.

ARivkin/mt

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P.O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 20280 · Cable Address - INTBAFRAD ISLAMABAD

1) Mr. Hultzel, Consultant
2) Mr. Goodman
3) Dir. Cir. IBRD

Letter No. 55
Registered

February 19, 1968

OP Files

Mr. C.G. Melmoth
IBRD
Washington D.C.

(PAK-gen. neg.)

Dear Christopher:

Further to my letter No. 41, please find enclosed a copy of the minutes which Christian Merat prepared after the meeting of local Consortium representatives on February 5.

We are also sending one copy to Sartaj Aziz on a private and confidential basis, as the minutes may be useful to the Planning Commission in connection with the preparations for the next Consortium Meeting. Moreover, as agreed during the February 5 meeting, no copies will be sent to other participants in the meeting.

With best regards,

Yours sincerely,

Torgeir

Torgeir Finsaas
Resident Representative

Encl.

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P.O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 20280 - Cable Address - INTBAFRAD ISLAMABAD

Letter No. 55
Registered

February 19, 1968

Mr. C.G. Meimeth
IBRD
Washington D.C.

Dear Christopher:

Further to my letter No. 41, please find enclosed a copy of the minutes which Christian Merat prepared after the meeting of local Consortium representatives on February 5.

We are also sending one copy to Sarta; Aziz on a private and confidential basis, as the minutes may be useful to the Planning Commission in connection with the preparations for the next Consortium Meeting. Moreover, as agreed during the February 5 meeting, no copies will be sent to other participants in the meeting.

With best regards,

Yours sincerely,

Torgeir Finsaas
Resident Representative

Encl.

Form No. 57
(5-48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Files

DATE: February 17, 1968

FROM: Christian Merat

SUBJECT: Consortium Local Representatives Meeting, February 5, 1968

1. On the occasion of the 1968 Bank Economic Mission to Pakistan, a meeting of the Pakistan Consortium local representatives was held at the Bank's office in Islamabad on February 5, 1968. Present were:

Belgium,	Beyens	United States,	Ripps
Canada,	Jenkins	" "	Rogers
"	Boehm	" "	Erdkamp
France,	Lemercier	Pakistan,	Sartaj Aziz
Germany,	Thiele	"	Saeeduzzaman
"	Westerburg	Harvard Group,	Erichsen
Italy,	Fleri	Bank,	Hablutzel
Japan,	Yoshihara	"	Blobel
Netherlands,	Osten	"	Price
United Kingdom,	Errock	"	Finsaas
" "	Martin	"	Merat

2. The meeting first heard an account by Rudolph Hablutzel of the main findings of the Bank Economic Mission. Questions and answers followed. Finally, bilateral aid pledges and commitments in 1967/68 were briefly reviewed.

Bank Mission's Main Findings

3. In the first two years of the Third Plan, the Mission estimates that overall economic growth averaged about 4.5 percent annually, compared to the Plan target of 6.5 percent. The Plan growth target was not achieved, mainly because, with the excessive drought in two successive years, agricultural expansion turned out to be lower than projected, especially in East Pakistan. In West Pakistan, agricultural output probably increased by about 3 percent annually during those two years. For the current year (1967/68), the outlook is considerably brighter. Due mainly to favourable weather conditions, the wheat crop is expected to reach 5.4 million tons and the rice crop 10.5 to 11.5 million tons, so that agriculture is expected to grow by 7 to 8 percent in that year. This should generate a substantial acceleration in overall economic growth, because agriculture accounts for 45 percent of GNP, and its performance exercises a strong influence on other sectors of the economy. This upturn in economic performance has taken place, although foreign aid commitments have been smaller than projected in the Plan.

4. The execution of the Third Plan is behind schedule. By the end of 1967/68, it is estimated that only 41 percent of the Plan public development expenditures will have been executed. The Government is putting greater emphasis on high yielding projects in agriculture and industry in order to, nevertheless, achieve the Plan targets for physical production. The new emphasis is at the expense of projects with a high capital/output ratio, such as education, heavy industry and infrastructure. In respect of the latter, whereas investment in railways has been proceeding as planned, road building has been lagging significantly,perhaps because of poor organization and management.

5. The Government has been obliged to reduce planned public development expenditures, because domestic and foreign resources available for development fell substantially short of the Plan projections. The shortfall occured mainly because foreign assistance was curtailed and defence expenditures were increased sharply in the first two years of the Plan as a result of the September 1965 war with India, and the increase in defence expenditures was not fully compensated by increased revenue from additional taxation. Nevertheless the tax effort now exceeds what was contemplated in the Third Plan, inspite of a reduction of the tax base resulting from lower imports than the Plan had projected. The Mission feels, however, that the point may have been reached where taxation is mopping up too large a share of re-investable private savings.

6. Some inflationary pressures developed during the first two years of the Plan resulting in a 15 percent annual rise in prices. The main inflationary factors were a large Government deficit in the first year and a substantial rise in private credit in the second year of the Plan. In 1967/68 more stable conditions seem to prevail and the effects of previous credit expansions seem to have been absorbed in the economy so that prices now tend to level off. The danger of inflation may be discounted for the immediate future and Government appears to effectively be in control of the monetary and credit situation. Up to June 1968, it is estimated that money supply will have increased by an average rate of 8 percent annually, which is the rate deemed permissible in the Plan after taking real expansion and increased monetization of the economy activity into account.

7. The Plan targets for agriculture and industry appear more easily attainable now than they did a year ago. In agriculture, the wheat crop may well reach the revised target of 7 million tons in the last year of the Plan. The determining factor will be whether inputs will be made available to farmers on time and in the appropriate proportions to reap maximum yields from Mexipak varieties. Rice output may fall short of the original 14 million tons target in the last year of the Plan by a small quantity, and

the revised 15 million tons target appears at present out of reach. The Mission believes that actual output of jute and cotton in the last year of the Plan may turn out to be below the revised targets of 8 million and 3.5 million bales respectively by amount 0.5 million bales each. The Government is aware of this but it is probably too late now for corrective policies to take effect in time to achieve the revised Plan targets for jute and cotton. The jute crop has been traditionally difficult to influence by Government policies and the cotton crop is affected by disease.

8. Industrial statistics are not adequate for assessing industrial performance with accuracy. However, it seems that average annual large scale manufacturing growth was around 9 percent in the first two years of the Plan, compared to a target rate of 13 percent. In the future, agricultural expansion will probably help sustain a higher annual rate of industrial growth than 9 percent, but an accurate assessment is not possible. With respect to jute manufactures, the Mission thinks that output may reach 700,000 tons, and that 21,000 looms will be in operation in the last year of the Third Plan.

9. Private investment is lagging behind the Plan target at about the same rate as public investment. The Mission thinks that private investment will be about 75 percent larger in the Third Plan than in the Second Plan, instead of 100 percent as projected. This is still a satisfactory performance.

10. In conclusion, it now seems that a major part of the Plan physical targets in agriculture and industry will be fully or nearly achieved in spite of a lower level of investment and foreign aid. However, this will be at the expense of projects with a long gestation period and requiring large capital expenditures such as heavy industry, infrastructure and education projects, and these projects will have to be phased into the Fourth Plan period. The relative neglect of these sectors should not be allowed to continue much longer in the Mission's opinion, because of their importance for achieving Pakistan's long-term economic and social goals.

11. The Mission noted a distinct improvement in procedures followed to define economic policies with the establishment of interdepartmental committees in charge of reviewing present policies and making recommendations for the future. A year ago, an Agricultural Policy Committee revised the original Plan targets for agricultural production and proposed a food self sufficiency program which was adopted by the Government. In West Pakistan, the core of the program consists in the introduction of the Mexipak variety of wheat seed together with a package of inputs and the Mission thinks that the revised targets for wheat production is very likely to be achieved. In East Pakistan, a program of the same

nature is implemented for rice production but obstacles to expanded output are much more difficult to overcome than in West Pakistan. There are too many small holders on too many small plots so that more time will be required to effect the change toward better practices and higher output. The Thana Irrigation Program, which proposes to extend irrigation for a third crop by putting low lift pumps at the disposal of Union Councils, looks promising to the Mission , especially insofar as it promotes cooperation among farmers.

12. A Balance of Payments Committee has been established comprising four working groups in charge of reviewing import, export, domestic resources mobilization and external debt management policies. The groups are presently preparing their reports and the Mission found the work done so far quite encouraging. One tangible result has been the new import policy for the January-June 1968 shipping period. It is more liberal than the policy for the previous shipping period insofar as the scope for administrative controls has been reduced. The Mission was happy to note this development because, since 1964, the Bank has supported the Government's efforts to implement an import liberalization program. The Mission was also satisfied that the new import policy gives a more favourable treatment to industrial importers than to commercial importers.

Questions and Answers

13. On economic growth, Mr. Hablutzel replied to a question from Mr. Westerburg (Germany) confirming that the Mission expects GNP to grow by 7 to 8 percent in 1967/68 and that this would be above the 7 percent forecast in the Finance Minister's budget speech.

14. On agriculture, Mr. Hablutzel explained, in reply to a question from Mr.Jenkins (Canada), that the effectiveness of fertilizer distribution by the private sector had not yet been tested, since ESSO was just receiving its first shipment. In response to a question from Mr. Westerburg, he said PL 480 wheat imports were now planned to be phased down. A 5.5 million tons wheat crop in 1967/68 should normally meet Pakistan's requirements in the Mission's opinion, especially in view of the one-third rise in the Government wheat support price. However, some imports are likely to be required in 1967/68 because wheat from this year's crop will not be available on time to meet requirements.

15. In response to a question on trade by Mr. Osten (Netherlands), Mr. Hablutzel explained that the July-December 1967 trade statistics do not provide a reliable basis for estimating both exports and imports during the full 1967/68 year because trade results for the half year ended December 31, 1967 were significantly influenced by the devaluation of the pound sterling and the closure of the Suez Canal.

16. Replying to Mr. Rogers(U.S), he explained that the Mission expects export earnings to fall short of the Plan targets. Trade returns show a 9 percent average annual growth of export earnings during the first two years of the Plan, despite sluggish overall economic growth. This rate may well be maintained in 1967/68. However, the Plan target is 9.5 percent and appears out of reach on the basis of present trends. The possibility still exists, though, that the target may be fully or nearly achieved if the prices of Pakistan's export commodities rise sufficiently on international markets, because price fluctuations are a more important factor than volume in determining export earnings.

17. It was also explained, after another question from Mr. Rogers, that the Mission did not think the new import policy would be a factor in pushing up the cost of industrial products. Under the previous import policy, a scarcity premium was pocketed by commercial importers of raw materials and spares. Now that these have been put on the cash-cum-bonus list and that licences will be directly issued to industrial consumers, the premium is expected to disappear and prices to industrial consumers are not expected to change significantly.

18. In reply to a question from Mr. Errock (U.K), Mr. Hablutzel explained that the new import policy was not expected to result into any significant expansion of imports during the January-June 1968 shipping period. Should this happen, however, the machinery to stop the drain on gold and foreign exchange reserves is still in place and could be activated.

19. Two general questions were raised by Mr. Errock on the concentration of wealth and the coordination of assistance from Consortium and non-Consortium sources. To the former, Mr. Hablutzel replied that the Mission did not intend to make any recommendation. To the latter, Mr.Sartaj Aziz replied that up to recently the Government had not been preoccupied by this question and had taken ad hoc decisions. Now, however, the group set up to review external debt management policies is preparing a report and is expected to make specific recommendations in the near future.

Bilateral Assistance Pledges and Commitments

20. The meeting briefly discussed the reasons why, out of fresh pledges for 1967/68 totalling $441 million and a carry over from 1966/67 pledges amounting to $319 million, $497 million remained to be committed as of December 31, 1967 (see Table attached). The U.S. representatives said the remaining $ 115 million U.S. non-project assistance for 1967/68 was in connection with the new import policy and would be committed very shortly and that no special problems were holding up U.S. project aid committments.

The Bank and IDA expect to commit the entire amount of their 1967/68 pledge before June 1968 and preparation of projects follows its normal course. The Canadian representatives mentioned no problem were anticipated in committing Canada's pledge before June 1968. Japan and the United Kingdom have already committed the full amounts of their pledges. The German representatives explained that they were not kept fully informed on the progress of KFW project loans and other representatives did not volunteer any explanations.

Consortium Pledges and Commitments in 1967/68 as of December 31, 1967

($ thousands)

	1966/67 Carry Over	1967/68 Pledges	Available for commitment	Commitments as of December 31,1967
Belgium	9,358	500	9,858	1,076
P - ECs	9,358	-	9,358	1,076
NP - Loans	-	500	500	-
Canada	12,817	25,438	38,255	10,175
P - Grants	422	1,850	2,272	-
P - LTD loans	370	6,475	6,845	-
P - ECIC loans	12,025	6,938	18,963	-
NP- LTD loans	-	10,175	10,175	10,175
France	11,930	10,000	21,930	3,567
P - ECs	8,930	5,000	13,930	3,567
NP- ECs	3,000	5,000	8,000	-
Germany	35,385	37,500	72,885	18,750
P - loans	22,750	20,000	42,750	8,750
P - ECs	12,635	7,500	20,135	-
NP- loans	-	10,000	10,000	10,000
Italy	51,042	15,000	66,042	3,843
P - ECs	36,042	1/	36,042	3,843
NP- ECs	15,000	15,000	30,000	-
Japan	-	30,000	30,000	30,000
P - loans	-	21,000	21,000	21,000
NP- loans	-	9,000	9,000	9,000
Netherlands	4,780	4,410	9,190	2,210
P - loans	-	1/	-	-
P - ECs	4,780	2,200	6,980	-
NP- loans	-	2,210	2,210	2,210
United Kingdom	-	22,400	22,400	22,400
P - loans	-	10,360	10,360	10,360
NP- loans	-	12,040	12,040	12,040

($ thousands)

	1966/67 Carry over	1967/68 Pledges	Available for commitment	Commitments as of December 31, 1967
United States	94,170	175,000	269,170	37,269
P - AID loans	35,000	Awaited	35,000 +	5,500
P - Eximbank loans	59,170	35,000	94,170	6,769
NP- AID loans	-	140,000	140,000	25,000
P - IBRD loans	-	121,000	121,000	35,000
P - IDA credits				-
Consortium Total	219,482	441,248	660,730	164,290
P - Assistance	201,482	237,323	438,805	95,865
P - loans	129,315	220,773	350,088	87,379
P - ECs	71,745	14,700	86,445	8,486
P - grants	422	1,850	2,272	-
NP - Assistance	18,000	203,925	221,925	68,425
NP- loans	-	183,925	183,925	68,425
NP- ECs	18,000	20,000	38,000	-

Source: Research and Statistics Cell, Economic Affairs Division, Islamabad, January 17, 1968.

1/ Allocated for non-project assistance.

P means project assistance

NP means non-project assistance

ECs means export credits

FORM NO. 58 INTERNATIONAL DEVELOP ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Melmoth

DATE: February 19, 1968

FROM: M. T. Copeland MTC

SUBJECT: Reports on Aid to Pakistan

Attached is the original and a copy of the translation of the Italian report on aid to Pakistan during the period to December 31, 1967.

Record Removal Notice

The World Bank Group Archives & Records Management

File Title		Barcode No.
Pakistan - General - Consortium Meetings - Correspondence 17		1704349
Document Date	**Document Type**	
February 12, 1968	Memorandum w/attachment	

Correspondents / Participants
To: Mr. Anwar Ahamad
From: Felice Gianani

Subject / Title
Quarterly Reports on Aid to Pakistan

Exception(s)

Additional Comments
Declassification review of this record may be initiated upon request.

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	April 30, 2019

PAK - Consortium
Fol

FORM No. 337D
(12-61)

Mr
Miss Copeland
Room 1067

ITALIAN PARTICIPATION IN THE AID TO PAKISTAN CONSORTIUM

Situation at December 31, 1967

The first 16 items of this text are identical to those translated on 3.20.67 (Translation No. 417/67), except that the heading of the first column now only reads "Number", the last column, "Disbursements at December 31, 1966," is missing, item 2 bis is amended to read as follows:

2 bis FIAT-V/345661 of 7/12/66.
Electromechanical plant for WAPDA of Lahore.

and in item 15, "Satter" now reads "Latter".

The following is a translation of the remainder of the text:

Number	Supplying firm authorization no., description of supply and Pakistan recipient	Commitments: Total value of supply $	Commitments: Value of supply less currency quota $	Commitments: Quota of pledges used (net of advances) $
17	METALMECCANICA - V/356199 of 1/12/67. One set of embroidering machines for Naveena Embroidery Works, Karachi	(For figures, please see original.)		
18	OERLIKON ITALIANA - V/356198 of 1/12/67. 22 milling machines for West Pakistan Ind. Development, Karachi.			
19	COMERIO ERCOLE - V/550230 of 1/25/67. A fabric processing machine for Jaffery Silk Mills.			
20	OCRIM - V/550371 of 2/20/67. Grain mill equipment for Jawar Flour Mills, Lahore.			
21	AMF-SASIB - V/550580 of 2/28/67. Tobacco processing equipment for Myber Tobacco Ltd., Mardan.			
22	FIAT - V/550816 of 3/31/67. 480 automobile chassis for Road Transport Corp., Lahore.			

TRANSLATION SECTION E-149/68

Translated From: Italian: 2/14/68 By: JB:afs

23 METALMECCANICA SAS - V/551124 of 4/15/67. Three presses for Sunrise Industries.

24 FRICK BARBIERI - V/551364 of 5/18/67. Refrigeration equipment for Mirkadin Trading Co.

25 FRICK BARBIERI - V/551366 of 6/3/67. Air conditioning for Relax Enterprise.

26 FRICK BARBIERI - V/551365 of 6/3/67. Refrigeration equipment for Machigany Cold Storage.

27 FRANCO FERRI - V/551576 of 6/17/67. Miscellaneous equipment for Lahore Furniture Co.

28 OCRIM - V/551702 of 6/20/67. Milling equipment for Punjab Flour Mills.

TOTAL AT 6/30/67

29 FIAT - V/551887 of 7/17/67. 252 truck chassis for West Pakistan Road Transport Corp.

30 COMERIO ERCOLE - V/552227 of 8/21/67. Textile equipment for Ahmed Enterprises Ltd.

31 OCRIM - V/552228 of 8/22/67. Milling equipment and accessories for Bannu Flour Mills, Peshawar.

32 ORONZIO DE NORA - V/552394 of 9/26/67. Equipment for chlorine and soda plant for Kohinoor Industries, Lahore.

33 OERLIKON ITALIANA - V/552592 of 10/25/67. Four machine tools for West Pakistan Ind. Dev. Corp., Karachi.

34 A. BERTUZZI - V/552694 of 10/27/67. One fruit processing plant for Murree Beverage Co., Rawalpindi.

35 G. MAZZONI - V/552693 of 10/30/67.
Soap-making equipment for Kohinoor Chemical Co., Dacca.

36 LIGURE DI NAVIGAZIONE - V/565111 of 11/8/67. One second-hand vessel.

37 DALDI E MATTEUCCI - V/552777 of 11/13/67.
Machine tools and automobile parts.
West Pakistan Ind. Dev. Corp., Karachi.

38 CARLE E MONTANARI - V/552837 of 11/21/67.
Candy-making equipment for F. & I. Industries, Islamabad.

39 OERLIKON ITALIANA - V/552795 of 11/29/67.
Machine tools for West Pakistan Ind. Dev. Corp.

40 FRANCO FERRI - V/552963 of 12/13/67.
Juice bottling plant.

<u>TOTAL AT 12/31/67</u>

FORM No. 58 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Melmoth

DATE: February 14, 1968

FROM: Anwar Ahmad AA.

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is the quarterly report on U.S. aid to Pakistan during the period October 1 - December 31, 1967.

United States Assistance to Pakistan
for the Quarter Ending December 31, 1967

No loans were authorized by the Agency for International Development during the quarter October 1-December 31, 1967. Three AID loan agreements were signed during this quarter. Information on these loans follows:

A. AID

1. (a) Fertilizer Loan (Non-project loan)

(b) Borrower: President of Pakistan
Lender: USA-Agency for International Development
Date of Loan Authorization: June 28, 1967
Date of Loan Agreement: October 20, 1967

(c) Amount: $25 million

(d) Purpose: To purchase fertilizer for Pakistan's agriculture program

(e) Interest Rate: 1 percent during the grace period and 2.5 percent during the remaining 30 years

(f) Amortization Terms: 40 years including a ten-year grace period

(g) Forecast of Disbursements: Disbursements are expected to be completed by June 30, 1968

2. (a) Malaria Eradication (Project loan)

(b) Borrower: President of Pakistan
Lender: USA-Agency for International Development
Date of Loan Authorization: June 26, 1967
Date of Loan Agreement: October 20, 1967

(c) Amount: $4 million

(d) Purpose: To provide equipment and chemicals for Pakistan's malaria eradication program

(e) Interest Rate: 1 percent during the grace period and 2.5 percent during the remaining 30 years.

(f) Amortization Terms: 40 years including a ten-year grace period

(g) Forecast of Disbursements: Disbursements are expected to be completed by June 30, 1968

3. (a) Third Hydroelectric Unit-Karnafuli Dam

(b) Borrower: President of Pakistan
Lender: USA-Agency for International Development
Date of Loan Authorization: June 22, 1967
Date of Loan Agreement: December 1, 1967

(c) Amount: $1.5 million

(d) Purpose: To provide funds to supplement a 1964 loan for financing a 50 MW hydroelectric unit for Karnafuli Dam in East Pakistan

(e) Interest Rate: 1 percent during the grace period and 2.5 percent during the remaining 30 years

(f) Amortization Terms: 40 years including a ten-year grace period

(g) Forecast of Disbursements: Disbursements are expected to be completed by June 30, 1969.

B. Authorized Loan Agreements Not Yet Signed as of December 31, 1967

Projects	Amount
Salinity Control & Reclamation Project IV	$10.7 million
EP/WAPDA Consultants	$ 2.4 million
Pakistan Western Railways	$15.1 million
Mangla Dam Transmission Lines	$ 3.7 million

C. Additional Projects & Programs Under Active Consideration by AID

Projects	Tentative Amount
Malaria Eradication	$ 3.7 million
Public Health Engineering	$ 1.0 million
Seed potato Storage	.8 million
Program Loan	$115 million

D. Export-Import Bank Commitments & Projects Under Consideration

No loan agreements or authorizations were undertaken by the Export-Import Bank during the quarter ending December 31, 1967.

Projects under active consideration by the Export-Import Bank as of December 31, 1967, are as follows:

Projects	Tentative Amount
Hotels	$ 1.5 million
Earth Satellite Stations	$ 9.0 million
Micro-Wave Transmission	$ 8.6 million
Tarbela Dam	$50 million

FORM No. 58 INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Melmoth **DATE:** February 6, 1968

FROM: Anwar Ahmad AA

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is the quarterly report on French aid to Pakistan during the period October 1 - December 31, 1967.

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Pakistan - General - Consortium Meetings - Correspondence 17	1704349

Document Date	Document Type
February 5, 1968	Memorandum w/attachment

Correspondents / Participants
To: Mr. M.M. Mendels
From: Jean Malaplate, Alternate Executive Director for France

Subject / Title
Quarterly Report on AID to Pakistan

Exception(s)

Additional Comments
Declassification review of this record may be initiated upon request.

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	April 30, 2019

FORM NO. 58 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Melmoth

DATE: February 2, 1968

FROM: Anwar Ahmad AA

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is the quarterly report on Belgian aid to Pakistan during the period October 1 - December 31, 1967.

PAKISTAN CONSORTIUM

BELGIUM

Part B : New commitments signed during the quarter ended December 31, 1967

a - Supplier's credit :	-
b - Borrower:	Dadu Textile Mills
c - Amount:	34.6 million Belgian francs ($ 0.692 million)
d - Purpose :	Purchase of textile plant
e - Interest rate :	Not reported
f - Amortization terms:	15 percent of the credit payable in cash and 85 percent payable in equal installments over a maximum period of ten years after delivery or assembly, provided that the total duration of the credit does not exceed twelve years.

Total commitments as of September 30, 1967	$ 440,000.00
Amount during the 4th quarter of 1967	$ 692,000.00
Total commitments as of December 31, 1967	$ 1,132,000.00

ANNEX

PAKISTAN CONSORTIUM

BELGIUM

Part C : Other projects under consideration, as of December 31, 1967

(These items are the so-called "promises", i.e. the authorities in Belgium have promised to guarantee the supplier's credit subject to the transactions taking place within the period of validity of the promise. The period of validity is limited to a few months but may be extended. Credit transactions for some of the items eventually may not take place).

	Amount (Million currency units)	
Total	B.F. 52.6	$ 1.052

FORM NO. 58 | INTERNATIONAL DEVELOPMEN ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | ERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Melmoth

DATE: January 31, 1968

FROM: Anwar Ahmad

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is the quarterly report on Netherlands aid to Pakistan during the period October 1 - December 31, 1967.

The Netherlands Assistance to Pakistan

for the quarter ending December 31, 1967

A. ----

B. Commitments during the quarter:

a. ~~General loan for 1967/68~~ Loan to finance imports in 1967/68

b. Borrower : Government of Pakistan

Lender : Neth. Government through the Ned. Investeringsbank voor Ontwikkelingslanden N.V.

Date : December 11, 1967

~~Official Title~~ : Loan Agreement

c. Amount : ~~8 million Neth. guilders~~ f. 8 million

d. Purpose : To finance ~~the foreign exchange costs of~~ importing ~~goods~~ in connection with Pakistan's Five Year Plans

e. Interest rate : 3%

f. Amortisation terms : 19 yearly instalments beginning July 1, 1975

g. Forecast of disbursements : up to end of 1969

C. Utilisation at December 31, 1967:

1. Disbursements on total fl. 42 mln. of general purpose loans: fl. 28,8 mln.
2. Utilasation of total fl. 40 mln. facility for export credits: fl. 22,7 mln.

PAK-Consortium Files

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESTRICTED

PAK 68-1

FROM: The Secretary

January 30, 1968

PAKISTAN CONSORTIUM: QUARTERLY REPORT ON THE UTILIZATION OF AID

The seventeenth report on the utilization of Consortium financial assistance to Pakistan, covering the quarter ended September 30, 1967, is attached. The submissions of the Government of Pakistan are given in Annex A, and the reports of individual members of the Consortium are included in Annexes B, C and D.

Members receiving this report are asked to notify this office of any errors or omissions.

The distribution of this report has been delayed by the late submission of returns.

Distribution:

Executive Directors for:

Belgium
Canada
France
Germany
Italy
Japan
Netherlands
United Kingdom
United States

Embassy of Japan
Managing Director, IMF

Director, Asia Department

For information:

President
President's Council
Executive Vice President (IFC)
Executive Director for Pakistan
Department Heads (Other)
Resident Representative, Islamabad
European Office
Development Assistance Committee, OECD
President, Asian Development Bank

RESTRICTED

PAKISTAN CONSORTIUM

SEVENTEENTH QUARTERLY REPORT ON THE UTILIZATION OF AID

Asia Department
January 29, 1968

LIST OF ANNEXES AND TABLES

ANNEX A

Table 1

SUMMARY OF FINANCIAL ASSISTANCE FROM CONSORTIUM MEMBERS TO PAKISTAN'S THIRD FIVE-YEAR PLAN AS OF SEPTEMBER 30, 1967 AS REPORTED BY GOVERNMENT OF PAKISTAN

(US $ thousands)

	Consortium Members	Undisbursed Commitments As At June 30, 1965 1/	Agreements 2/ Signed: July 1, 1965 Sept. 30, 1967 1/	Disbursements July 1, 1965 Sept. 30, 1967
1.	Belgium	517	2,201	617
2.	Canada	18,006	61,256 3/	39,104
3.	France	20,491	29,668	28,595
4.	Germany	66,148	96,310	73,859
5.	Italy	2,072	38,474	16,952
6.	Japan	61,092 4/	60,000	54,780
7.	Netherlands	11,832	5,253	13,257
8.	United Kingdom	47,187	56,434	60,969
9.	United States			
	DCF/AID	287,961	240,900	304,207
	Exim Bank	2,578	13,551	6,498
10.	IBRD/IDA 5/	269,513 6/	185,950	158,162
	Total	787,397	789,997	757,000

1/ Revised
2/ Agreements for Export Credits represent full contract amounts, i.e. including down payments.
3/ $62,018,000, including the entire amount of the $21,610,700 Special Development Loan signed on December 29, 1965 as advised by Canadian Government in PAK 67-1, Annex D, and not only the annual allocations under this agreement as reported by the Government of Pakistan.
4/ $61,104,000, according to Japanese Government records.
5/ Excluding both the undisbursed balances of $81,913,521 and £32,662,053 as at June 30, 1965 and the disbursements under IBRD Loan No. 266 PAK and IDA Credit No. 60 PAK respectively, for Indus Basin Works.
6/ $244,233,000, according to IBRD/IDA records.

Table 2

AGREEMENTS SIGNED AND DISBURSEMENTS MADE
JULY 1, 1967 - SEPTEMBER 30, 1967
AS REPORTED BY GOVERNMENT OF PAKISTAN

(US $ thousands)

	Consortium Members	Amount of Agreements Signed	Disbursements
1.	Belgium	1,076	-
2.	Canada		
	Grants	-	725
	Loans	-	893
3.	France	2,257	15,988
4.	Germany	13,750	2,505
5.	Italy	2,075	5,710
6.	Japan	-	8,416
7.	Netherlands	-	-
8.	United Kingdom	17,920	6,943
9.	United States		
	DCF/AID	-	15,897
	Exim Bank	-	202
10.	IBRD/IDA 1/		
	IBRD	35,000	7,163
	IDA	-	19,529
	Total	72,078	83,971

1/ Excluding any disbursements under IBRD Loan No. 266 PAK and IDA Credit No. 60-PAK for Indus Basin Works.

Table 3

LIST OF AGREEMENTS SIGNED
JULY 1 - SEPTEMBER 30, 1967
AS REPORTED BY GOVERNMENT OF PAKISTAN

Consortium Member	Project or Program	Date of Agreement	Amount (US $ thousand equivalent)
Belgium	Capital Aid: Non-Project		
	1. Textile Machinery for M/S Farooq Textile Mills Karachi (IDBP)	Nov. 24, 1967 1/*	816
	2. Fazal Vegetable Oil Mills Ltd., Multan (IDBP)	Oct. 24, 1967 1/+	260
	Total Belgium		1,076
France	Supplier Credits: Project		
	1. Four Gas Turbine Generating Sets for Shahji Bazaar, Sylhet (EPWAPDA)	July 11, 1967 1/	98
	2. Machine Tools Factory Karachi (WPIDC)	July 24, 1967 1/	5
	3. Jute Mills Auxiliaries (EPIDC)	Aug. 28, 1967 1/	1,060
	4. Air Conditioning Plants for M/S Anwar Textile and Indus Dyeing and Mfg Co., (IDBP)	Aug. 28, 1967 1/	89
	5. Coastal Navigational Aids (DGP&S)	Sept. 4, 1967 1/	297
	6. Expansion of Pak-American Fertilizer Factory, Daudkhel (WPIDC)	Sept. 23, 1967 1/	70
	7. Air Conditioning Plant for Hafiz Jute Mills (IDBP)	Sept. 23, 1967 1/	309
	8. Expansion of Pak-American Fertilizer Factory, Daudkhel (WPIDC)	Sept. 29, 1967 1/	329
	Total France		2,257

Table 3 (continued)

Consortium Member	Project or Program	Date of Agreement	Amount (US $ thousand equivalent)
Germany	Capital Aid:		
	Project		
	Development of Private Industry - PICIC	Aug. 2, 1967	3,750
	Non-Project		
	Commodities	Sept. 7, 1967	10,000
	Total Germany		13,750
Italy	Suppliers Credit: Project		
	1. M/S Kohinoor Industries Ltd., (PICIC)	July 13, 1967 1/	982
	2. Flour Milling Machinery for M/S Bannu Flour Mills Ltd., (IDBP)	July 13, 1967 1/	21
	3. Ahmed Enterprise Ltd. (IDBP)	July 24, 1967 1/	189
	4. Flour Milling Machinery for M/S Bannu Flour Mills Ltd., (IDBP)	July 24, 1967 1/	113
	5. Flour Milling Machinery for M/S Awan and Co., Sargodha (IDBP)	Aug. 17, 1967 1/	145
	6. Wazir Ali Industries Ltd. (IDBP)	Aug. 17, 1967 1/	25
	7. Machine Tools Factory (WPIDC)	Aug. 30, 1967 1/	259
	8. Kohinoor Chemicals Ltd. (IDBP)	Sept. 9, 1967 1/	58
	9. Maree Beverage and Chemicals Co., Ltd.	Sept. 23, 1967 1/	228
	10. F&I Industries, Islamabad (IDBP)	Sept. 25, 1967 1/	55
	Total Italy		2,075

Table 3 (continued)

Consortium Member	Project or Program	Date of Agreement	Amount (US $ thousand equivalent)
United Kingdom	Loan: Project		
	Jute Mill Machinery (PIDC/IDBP)	July 29, 1967	5,880
	Loan: Non Project		
	1. Dyes and Chemicals (CCI&E)	July 29, 1967	3,976
	2. Drugs and Medicines (CCI&E)	July 29, 1967	1,999
	3. Tractors (CCI&E)	July 29, 1967	2,497
	4. Marine Diesel Engines (CCI&E)	July 29, 1967	299
	5. Machine for Tea Research (CCI&E)	July 29, 1967	112
	6. Packing and Raw Material for Pharmaceutical Industries (EPIDC)	July 29, 1967	112
	7. Spares for Earth-Moving Machinery (EPWAPDA)	July 29, 1967	319
	8. Spares for Earth-Moving Machinery (WPADC)	July 29, 1967	319
	9. Spares for Earth-Moving Machinery (WPC&WD)	July 29, 1967	42
	10. Machinery for Islamabad Printing Press (M/Industries)	July 29, 1967	381
	11. Fertilizer (WPADC)	July 29, 1967	10,000
	12. Pesticides (M/Agriculture)	July 29, 1967	56
	13. Wheels, Tires, Axles, Buffer Components and Carriage Wagon Undergear (PWR)	July 29, 1967	301
	14. Wheels, Tires, Axles, Buffer Components and Carriage Wagon Undergear (PER)	July 29, 1967	130
	15. Aluminum Window Frames for Carriages (PER)	July 29, 1967	151
	16. Relay, Interlocking and Electrical Signalling Spares (PER)	July 29, 1967	132

Table 3 (continued)

Consortium Member	Project or Program	Date of Agreement	Amount (US $ thousand equivalent)
United Kingdom	17. Train Lighting Equipment (PER)	July 29, 1967	132
	18. Spares and Oil Engines Pumping Plants and Air Compressors (PWR)	July 29, 1967	81
	Total United Kingdom		17,920
IBRD	Loan: Project Development of Private Induatry (PICIC)	Aug. 10, 1967	35,000

1/ Date of notification by EAD.
* Date of contract, August 29, 1967.
\+ Date of contract, August 9, 1967.

ANNEX B

NEW AGREEMENTS SIGNED DURING THE QUARTER ENDED SEPTEMBER 30, 1967 AS REPORTED BY CONSORTIUM MEMBERS

Reports on new agreements signed during the period July 1 - September 30, 1967 by France, Germany, United Kingdom and IBRD and agreements authorized by United States are reproduced in this Annex. No new agreements signed were reported by Belgium, Canada, Italy, Japan and the Netherlands.

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED SEPTEMBER 30, 1967

1. (a) Gas Generators: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	E.P.W.A.P.D.A. (DACCA)
	Lender:	Cie Electromecanique - PARIS
	Date:	July 11, 1967
(c)	Amount:	FF 481,831
(d)	Purpose:	Procurement of gas generators for the Plant of SHAHJI BAZAR (amendment to a contract signed previously)
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

2. (a) Installation of Air Conditioning: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	MIR Textile Mills & YOUSSUF
	Lender:	AMELIORAIR S.A. - PARIS
	Date:	July 20, 1967
(c)	Amount:	FF 438,000
(d)	Purpose:	Installation of air conditioning for two textile plants
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED SEPTEMBER 30, 1967

3. (a) Machine Tools Plant: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	M.G. ROUVEYRE - PARIS
	Date:	July 22, 1967
(c)	Amount:	FF 410,695
(d)	Purpose:	Furnaces for machine tools of KARACHI-LANDI (Re-adjustment of a contract notified on February 4, 1967)
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

4. (a) Installation of Air Conditioning: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	ANWAR Textile Mills Ltd. KARACHI & INDUS Dyeing & MPG - KARACHI
	Lender:	LUWA - JOINVILLE LE PONT
	Date:	August 8, 1967
(c)	Amount:	FF 511,600
(d)	Purpose:	Installation of air conditioning for two textile plants
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED SEPTEMBER 30, 1967

5. (a) Installation of Air Conditioning: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	HAFIZ Jute Mills Ltd. of CHITTAGONG
	Lender:	AMELIORAIR S.A. - PARIS
	Date:	August 15, 1967
(c)	Amount:	FF 1,525,664
(d)	Purpose:	Installation of air conditioning for a textile plant
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

6. (a) Fire-fighting Equipment: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	East Pakistan Industrial Development Corporation
	Lender:	MATHER & PLATT - PARIS
	Date:	August 23, 1967
(c)	Amount:	FF 2,890,188
(d)	Purpose:	Fire-fighting equipment for jute plants in East Pakistan
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER

ENDED SEPTEMBER 30, 1967

7. (a) Industrial Equipments: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	East Pakistan Industrial Development Corporation
	Lender:	IMPEX S.A. - PARIS
	Date:	August 23, 1967
(c)	Amount:	FF 1,196,168.40
(d)	Purpose:	Industrial equipments for jute plants in East Pakistan
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

8. (a) Industrial Equipments: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	East Pakistan Industrial Development Corporation
	Lender:	STANDARD FASEL - CERNAY
	Date:	August 23, 1967
(c)	Amount:	FF 694,980
(d)	Purpose:	Industrial equipments for East Pakistan
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED SEPTEMBER 30, 1967

9. (a) Equipment for Maritime Beaconing: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	Pakistan Government
	Lender:	BARBIER, BENARD & TURENNE
	Date:	September 4, 1967
(c)	Amount:	FF 1,465,495
(d)	Purpose:	Equipment for maritime beaconing
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

10. (a) Electric Equipment: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	UNELEC - PARIS
	Date:	September 23, 1967
(c)	Amount:	FF 347,070
(d)	Purpose:	Electric equipment for the extension of a fertilizer plant of DAUDKHEL
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

GERMAN AGREEMENTS SIGNED DURING THE QUARTER ENDED SEPTEMBER 30, 1967

1. (a) Loan Agreement with the Islamic Republic of Pakistan

(b)	Borrower:	Islamic Republic of Pakistan
	Lender:	Kreditanstalt für Wiederaufbau, Frankfurt am Main
	Date:	September 7, 1967
	Official Title:	Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM 40 million.
(c)	Amount:	DM 40 million
(d)	Purpose:	Financing of goods and services to meet Pakistan's current civil import requirements
(e)	Interest Rate:	3 percent per annum
(f)	Amortization Terms:	34 semi-annual installments of DM 1,081,000, the first falling due on December 31, 1974 and the last June 30, 1991, and 3 semi-annual installments of DM 1,082,000, falling due on December 31, 1991, June 30, 1992 and December 31, 1992.
(g)	Forecast of Disbursement:	1967: DM 5 million 1968: DM 35 million

GERMAN AGREEMENTS SIGNED DURING THE QUARTER

ENDED SEPTEMBER 30, 1967

2. (a) Loan Agreement with the Islamic Republic of Pakistan (PICIC V)

(b)	Borrower:	Islamic Republic of Pakistan
	Lender:	Kreditanstalt für Wiederaufbau, Frankfurt am Main
	Date:	August 2, 1967
	Official Title:	Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM 15,000,000 (PICIC)
(c)	Amount:	DM 15 million
(d)	Purpose:	Financing of investments of small and medium sized enterprises in the processing industry
(e)	Interest Rate:	3.5 percent per annum
(f)	Amortization Terms:	4 semi-annual installments of DM 96,000, the first falling due on December 31, 1972 and the last on June 30, 1974; and 24 semi-annual installments of DM 420,000, the first falling due on December 31, 1974 and the last on June 30, 1986; 3 semi-annual installments of DM 428,000, falling due on December 31, 1986, June 30, 1987, and December 31, 1987; 2 semi-annual installments of DM 330,000, falling due on June 30, 1988 and December 31, 1988; 8 semi-annual installments of DM 324,000, the first falling due on June 30, 1989
(g)	Forecast of Disbursement:	1968: DM 10 million 1969: DM 5 million

UNITED KINGDOM AGREEMENTS SIGNED DURING THE QUARTER ENDED SEPTEMBER 30, 1967

1. (a) Non-project Loan

(b)	Borrower:	Government of Pakistan
	Lender:	United Kingdom Government
	Date:	July 29, 1967
	Official Title:	United Kingdom/Pakistan Loan No. 2, 1967
(c)	Amount:	£4,300,000
(d)	Purpose:	To provide foreign exchange for the import of goods and services from the U.K. in support of Pakistan's development efforts
(e)	Interest Rate:	Free of interest
(f)	Amortization Terms:	Seven year grace period, principal repayable in equal half-yearly installments over the next eighteen years.
(g)	Forecast of Disbursements:	N/A

2. (a) Project Loan

(b)	Borrower:	Government of Pakistan
	Lender:	United Kingdom Government
	Date:	July 29, 1967
	Official Title:	United Kingdom/Pakistan Loan No. 3, 1967
(c)	Amount:	£2,100,000
(d)	Purpose:	Supply of jute mill machinery
(e)	Interest Rate:	Free of interest
(f)	Amortization Terms:	Seven year grace period, principal repayable in equal half-yearly installments over the next eighteen years
(g)	Forecast of Disbursements:	N/A

UNITED STATES AGREEMENTS AUTHORIZED DURING THE QUARTER ENDED SEPTEMBER 30, 1967

(a) Pakistan Western Railways - Diesel Locomotives Supplemental Loan

(b)	Borrower:	President of Pakistan
	Lender:	USA-Agency for International Development
	Date:	July 8, 1967
(c)	Amount:	$2.0 million
(d)	Purpose:	To finance the foreign exchange costs of 10 diesel locomotives for Pakistan Western Railways
(e)	Interest Rate:	1 percent during the grace period and 2.5 percent during the remaining 30 years
(f)	Amortization Terms:	40 years including a ten-year grace period
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by March 31, 1969

IBRD AGREEMENTS SIGNED DURING THE QUARTER

ENDED SEPTEMBER 30, 1967

(a) Seventh Loan to PICIC

(b)	Borrower:	The Pakistan Industrial Credit and Investment Corporation Limited (PICIC)
	Lender:	International Bank for Reconstruction and Development
	Date:	August 10, 1967
	Official Title:	Seventh Industrial Credit and Investment Project
(c)	Amount:	$35 million
(d)	Purpose:	To meet the foreign exchange costs of projects to be financed by PICIC
(e)	Interest Rate:	Each part of the Loan credited for sub-loans will be allocated its own interest rate, which will be the Bank's current rate for new loans to similar borrowers at the time that part is credited to the Loan Account
(f)	Amortization Terms:	17 years, with repayments beginning on January 15, 1970 and ending January 15, 1984. The amortization schedule will be changed from time to time so that it will conform substantially to the aggregate of the repayment schedules applicable to PICIC's loans and investments which are financed out of the proceeds of the proposed Loan. Except as otherwise agreed, these schedules shall not extend beyond fifteen years.
(g)	Forecast of Disbursements:	N/A

ANNEX C

ADDITIONAL PROJECTS OR PROGRAMS UNDER ACTIVE CONSIDERATION

AS REPORTED BY CONSORTIUM MEMBERS

Consortium members were asked to indicate any additional projects or programs for which assistance is under active consideration but for which no agreement has yet been signed. The answers received are summarized below:

Consortium Member	Project or Program	Tentative Amount (US $ thousand equivalent)
Belgium		830
	(These items are the so-called "promises", i.e. the authorities in Belgium have promised to guarantee the suppliers' credit subject to the transactions taking place within the period of validity of the promise. The period of validity is limited to a few months but may be extended. Credit transactions for some of the items eventually may not take place.)	
Germany	(1) Karachi Congressional Hall	1,500
	(2) PICIC	2,000
	(3) IDBP	3,000
Netherlands	(1) General Purpose Loan	2,200
	(2) Export Credits	2,200
United States	(1) Tarbela Dam	up to 50,000
	(2) PICIC Oil Extraction Machinery	5,000
	(3) Earth Satellite Stations	10,000
	(4) Micro-Wave Transmission	8,600

ANNEX C (continued)

Consortium Member	Project or Program	Tentative Amount (US $ thousand equivalent)
IBRD/IDA	(1) Dawood/Hercules Fertilizer Project	30,000
	(2) Adamjee/Cyanamid Fertilizer Project	28,000
	(3) Sui Northern Gas Pipeline	10,000
	(4) Agricultural Development Bank	10,000
	(5) Tarbela Dam	up to 25,000

ANNEX D

NEW AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967 AS REPORTED BY CONSORTIUM MEMBERS:

SUPPLEMENTARY REPORTS

Supplementary reports received from France and Italy for the period April 1 - June 30, 1967.

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

1. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	Ste Miniere et Metallurgique du Perigord - NANCY
	Date:	May 22, 1967
(c)	Amount:	FF 147,362
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

2. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	ALCATEL-GRAFFENSTADEN
	Date:	May 22, 1967
(c)	Amount:	FF 248,759
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER

ENDED JUNE 30, 1967

3. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	R. S. STOKVIS et Fils - PARIS
	Date:	May 22, 1967
(c)	Amount:	FF 57,200
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

4. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	RIPOCHE
	Date:	May 22, 1967
(c)	Amount:	FF 669,158.40
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

5. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	MULLER et Cie - GENTILLY
	Date:	May 22, 1967
(c)	Amount:	FF 204,680
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

6. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation : KARACHI
	Lender:	C.A.F.L. - PARIS
	Date:	May 22, 1967
(c)	Amount:	FF 104,920
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

7. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	Outillage BAVOILLOT - LYON
	Date:	May 22, 1967
(c)	Amount:	FF 215,596
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

8. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	MECANO S.A. - LA COURNEUVE
	Date:	May 22, 1967
(c)	Amount:	FF 246,507
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

9. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	AFMO - PARIS
	Date:	May 22, 1967
(c)	Amount:	FF 167,094
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

10. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	SCHLUMBERGER & Cie-GUEBWILLER
	Date:	May 22, 1967
(c)	Amount:	FF 153,708
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

11. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	Fonderies et Constructions mecaniques de CHAMBLY - PARIS
	Date:	May 22, 1967
(c)	Amount:	FF 26,964
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

12. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	LANDIS-GENDRON-VILLEURBANNE
	Date:	May 22, 1967
(c)	Amount:	FF 39,750
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

13. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	Ste de Constructions de MONTBARD - PARIS
	Date:	May 22, 1967
(c)	Amount:	FF 560,682
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

14. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	AFFIFRANCE - LA COURNEUVE
	Date:	May 22, 1967
(c)	Amount:	FF 983,400
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

15. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	DELTAL - NEUILLY-sur-Seine
	Date:	May 22, 1967
(c)	Amount:	FF 112,250
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

16. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	RINEAU Freres, Outillage AMORNANTES
	Date:	May 22, 1967
(c)	Amount:	FF 153,005
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

17. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	R. S. STOKVIS & Fils - PARIS
	Date:	May 22, 1967
(c)	Amount:	FF 124,150
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements	N/A

18. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	Alliance de Constructeurs Francais de Machines-outils
	Date:	May 22, 1967
(c)	Amount:	FF 723,223.75
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER

ENDED JUNE 30, 1967

19. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	ALFRED HERBERT S.A. - PARIS
	Date:	May 22, 1967
(c)	Amount:	FF 1,073,204
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

20. (a) Machines and Various Materials: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation: KARACHI
	Lender:	M.G. ROUVEYRE - PARIS
	Date:	May 22, 1967
(c)	Amount:	FF 56,650
(d)	Purpose:	Machines and various materials for the Plant of KARACHI-LANDI
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

1. (a) Frick Barbieri: Export Credit

(b)	Borrower:	Mirkadin Trading Company
	Lender:	Frick Barbieri
	Date:	May 18, 1967
	Official Title:	Frick Barbieri V/551364
(c)	Amount:	$30,630 a/ ($27,567) b/
(d)	Purpose:	Supply of refrigerating machines
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursement:	Not reported

2. (a) Frick Barbieri: Export Credit

(b)	Borrower:	Relx Enterprise
	Lender:	Frick Barbieri
	Date:	June 3, 1967
	Official Title	Frick Barbieri V/551366
(c)	Amount:	$22,708 a/ ($20,437) b/
(d)	Purpose:	Supply of Airconditioning system
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

3. (a) Frick Barbieri: Export Credit

(b)	Borrower:	Mushiganj Cold Storage
	Lender:	Frick Barbieri
	Date:	June 6, 1967
	Official Title:	Frick Barbieri V/551365
(c)	Amount:	$50,958 a/ ($45,862) b/
(d)	Purpose:	Supply of cold storage machines
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

4. (a) Franco Ferri: Export Credit

(b)	Borrower:	Lahore Furniture Company
	Lender:	Franco Ferri
	Date:	June 17, 1967
	Official Title:	Franco Ferri V/551576
(c)	Amount:	$108,000 a/ ($97,200) b/
(d)	Purpose:	Supply of various machines
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

ITALIAN AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

5. (a) Metalmecanica S.a.s.: Export Credit

(b)	Borrower:	Sunrise Industries
	Lender:	Metalmecanica S.a.s.
	Date:	April 15, 1967
	Official Title:	Metalmecanica S.a.s. V/551124
(c)	Amount:	$19,978 a/ ($17,980) b/
(d)	Purpose:	Supply of three presses
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

6. (a) OCRIM: Export Credit

(b)	Borrower:	Punjab Flour Mills
	Lender:	Ocrim
	Date:	June 20, 1967
	Official Title:	Ocrim V/551702
(c)	Amount:	$57,290 a/ ($51,561) b/
(d)	Purpose:	Supply of milling machines
(e)	Interest Rate:	Not reported
(f)	Amortization Terms:	Not reported
(g)	Forecast of Disbursements:	Not reported

---

a/ Full contract amount.
b/ Credit amount (excluding downpayment).

PAK - Consultation

OP Files

Headquarters:
Washington, D.C., U. S. A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

[redacted]

P. O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 5080 - Cable Address : INTBAFRAD ISLAMABAD

Letter No. 32
Registered

January 26, 1968

Mr. Christopher G. Melmoth
I.B.R.D.
Washington, D.C.

Dear Christopher:

Lately there has been some interest among local representatives of consortium missions in meeting our economic mission during their stay in Pakistan, and I discussed this with Rudolf in the course of his first visit to Rawalpindi. The attached copy of a formula letter to the local consortium representatives is self-explanatory.

Yours sincerely,

Torgeir

Torgeir Finsaas
Resident Representative

Encl.

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P.O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 3080 - Cable Address: INTBANRAD ISLAMABAD

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Yours sincerely,

Torgeir Finsaas
Resident Representative

Encl.

1968 JAN 30 PM 3:59

January 25, 1968

Baron Henri Beyens
First Secretary
The Royal Belgian Embassy
Islamabad

Dear Baron Beyens:

In connection with the visit of the IBRD annual Economic Mission, this is to invite you to a meeting of local consortium representatives on Monday, February 5, 1968 at 3:30 P.M. in my office at 229 F-6/3 in Islambad. The Chief of our Economic Mission, Mr. Rudolf Hablutzel, will present a brief resume on the prospects of the Third Plan. He would also wish to discuss the problems related to slow commitments of aid following pledges by some of the consortium countries.

Perhaps you would be kind enough to let us know whether you and/or other members of your mission will attend.

I am also inviting Mahbubul Haq and Sartaj Aziz from the Planning Commission, and Mr. Frichsen, The Director of the Harvard Advisory Group.

Yours sincerely,

TF.

Torgeir Finsaas
Resident Representative

Copies of the above letter sent to following:

Mr. M. W. Errock, British High Commission
Mr. W. J. Jenkins, Canada
Mr. Robert Lemercier, Karachi, Attn: Mr. Jacques Bourgoin, Islamabad (France)
Dr. Werner Westerburg, Germany
Dr. Rarino Fleri, Italy
Mr. T. Yoshihara, Japan
Mr. J. F. Osten, Netherlands
Mr. Jordan T. Rogers, U.S.
Mr. Frederick Sligh, AID, U.S.

PAK - Consortium

Headquarters:
Washington, D.C., U. S. A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

[redacted]

P. O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 5080 - Cable Address : INTBAFRAD ISLAMABAD

January 8, 1968

Letter No. 3
Registered

Mr. Cyril Martin
I.B.R.D.
Washington, D.C.

Dear Cyril:

(1) retained - op file

I have today sent you the following cable: "Consortium Quarterly Returns airmailed today". Four copies of the statistics for the July-September, 1967 quarter together with the covering letter of Mr. Ijazuddin Ahmed, dated January 1, 1968 and received by us on January 6, 1968, are enclosed herewith.

Yours sincerely,

Torgeir

Torgeir Finsaas
Resident Representative

Encl.

P.S. And a happy New Year to you - !

TF -

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P. O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 5080 - Cable Address : INTERAFRAD ISLAMABAD

January 8, 1968

Letter No. 3
Registered

Mr. Cyril Martin
I.B.R.D.
Washington, D.C.

Dear Cyril:

I have today sent you the following cable: "Consortium Quarterly Returns airmailed today". Four copies of the statistics for the July-September, 1967 quarter together with the covering letter of Mr. Izzuddin Ahmed, dated January 1, 1968 and received by us on January 6, 1968, are enclosed herewith.

Yours sincerely,

Torgeir Finsaas
Resident Representative

Encl.

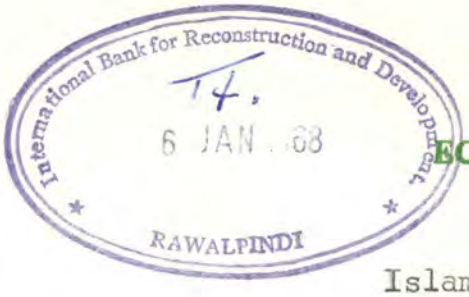
P.S. And a happy New Year to you - !

1968 JAN 12 AM 8:08

PAK-Cons.

Op Files

Telegrams : ECONOMIC



GOVERNMENT OF PAKISTAN
PRESIDENT'S SECRETARIAT
ECONOMIC AFFAIRS DIVISION

No. 22-EA(CRO)/68

Islamabad,
~~Karachi~~, the 1st January, 1968

Dear Mr. Finsaas,

(1) returned op. file see folders with this file

In accordance with the Consortium arrangements I enclose 5 sets of the statement on commitment and disbursement of economic assistance from the Consortium countries during July-September, 1967.

We regret that the statement has been some-what delayed this time due to late receipt of returns from certain agencies.

With regards and best wishes for the new year.

Yours sincerely,

Ijazuddin Ahmed

(Ijazuddin Ahmed)
Chief Research Officer

Mr. Torgeir Finsaas,
Resident Representative,
I.B.R.D. Sufalks House,
Rawalpindi.

PAK-Cons.

Form No. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: JANUARY 8, 1968 1200

LOG NO.: ITT 28 / 8

TO: INTBAFRAD

FROM: ISLAMABAD

ROUTING

ACTION COPY: MR. MARTIN

INFORMATION COPY: MR. CARGILL

DECODED BY:

TEXT:

4 FOR MARTIN

CONSORTIUM QUARTERLY RETURNS AIRMAILED TODAY

FINSAAS

IR

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: CHATENAY
INTBAFRAD
PARIS

DATE: DECEMBER 29, 1967

CLASS OF SERVICE: ~~NLT~~

COUNTRY: FRANCE

TEXT:

Cable No.: 1050

ASIA DEPARTMENT BANK PROPOSES THAT SUBJECT AGREEMENT BY PARTICIPATING GOVERNMENTS COMMA MEETINGS OF INDIA CONSORTIUM ON DEBT RELIEF COMMA PAKISTAN CONSORTIUM ON TARBELA AGREEMENT COMMA AND CEYLON AID MEETING BE TENTATIVELY SCHEDULED FOR FEBRUARY 27 THROUGH MARCH ONE IN PARIS STOP PLEASE RESERVE CONFERENCE ROOMS UNESCO ABOVE DATES AND ALSO FOR ALTERNATIVE PERIOD MARCH FOUR THROUGH MARCH EIGHT

FOWLER

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME ANWAR AHMAD

DEPT. SECRETARY'S

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CLEARANCES AND COPY DISTRIBUTION:

For Use by Archives Division

Checked for Dispatch: _____

ORIGINAL (File Copy)
(IMPORTANT: See Secretaries Guide for preparing form)

P+P — Consortia
in India
Pak-Consortia
(6) or Ceylon
Korea
Malaysia
Thailand

Mr. Donald D. Fowler

December 27, 1967

Asia Department

Provisional Arrangements for Meetings of Consortia and Consultative Groups during First Six Months of 1968

We are planning three groups of meetings, designed to minimize the amount of travel required of participating officials and Bank Staff:

	Title	Subject	Preferred Location	Tentative Dates
(1)	India Consortium	Debt Relief	Paris	February 27 through March 1, 1968
	Pakistan Consortium	Tarbela Agreement	Paris	
	Ceylon Aid Group	Regular Meeting	Paris	
(2)	Korea CG	Regular Meeting	Washington	Last week March or first week April
	Malaysia CG	Regular Meeting	Washington	
	Thailand CG	Regular Meeting	Washington	
(3)	India Consortium	Regular Meeting	Paris	Mid-May
	Pakistan Consortium	Regular Meeting	Paris	

NOTES: Accommodation in Paris for the first group of meetings should be reserved also for the week beginning March 4, 1968.

If these arrangements are generally acceptable within the Bank, the next step would be to consult participating Governments through Executive Directors as to whether the proposed dates are convenient.

Mr. Cargill will chair Groups 1 and 3. Mr. Goodman will chair Group 2.

cc: Messrs. Hoffman, Ahmad
Messrs. Gibbs, Melmoth, Votaw, Brakel, Kraske
Messrs. King, McDiarmid, Blobel, Haablutzel

(signed) Raymond J. Goodman,

RJGoodman:beh
IBRD

Mr Martin.

FORM NO. 58 | INTERNATIONAL DEVELOPME' ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | 'TERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: December 18, 1967

TO: Mr. Martin

FROM: Anwar Ahmad AA

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is a revised quarterly report on Canadian aid to Pakistan during the period July 1 - September 30, 1967.

This report should be substituted for the one forwarded to you on December 13 under cover of my memorandum addressed to Mr. Melmoth.

See attached memo

CANADIAN COMMITMENTS DURING THE

QUARTER ENDED SEPTEMBER 30, 1967

N I L

to PAKISTAN.

ADDITIONAL PROJECTS OR PROGRAMMES UNDER ACTIVE

CONSIDERATION BY CANADA - SEPTEMBER 30, 1967.

IN PAKISTAN

1. The Export Credits Insurance Corporation is not currently considering any loans to Pakistan.

PAK. Cons.

Headquarters:
Washington, D.C., U. S. A.

Mr Abadian
Mr Meier
Mr Martin

ADC's utilization performance is very good and accounts for a substantial part of the credits
CM
12/27

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

[redacted]

P. O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 5080 - Cable Address : INTBAFRAD ISLAMABAD

Letter No. 334
Registered

December 20, 1967

Mr. Christopher G. Melmoth
I.B.R.D.
Washington, D.C.

Dear Mr. Melmoth:

I am enclosing a letter to Jean Baneth regarding the utilization of Japanese non-project aid to Pakistan and a memorandum I wrote on this occasion. I thought they might be of interest to you.

In addition, we recently received Mr. Bahman Abadian's memorandum to you on the utilization of Consortium aid by Pakistan, including Japanese non-project aid. In this memorandum he explains that the disbursement of Japanese non-project aid to Pakistan has been slow "because the bulk of the items are intended for the private sector which has shown a lack of buoyancy in the first two years of the Third Plan", and he recommends that this issue be taken up with Pakistan authorities by the next Economic Mission. His explanation does not seem to be borne out by the information I just obtained from Pakistani officials. First, $3 million under the 5th Yen credit and $6.5 million under the 6th Yen credit have reportedly been allocated to Government agencies. This is more than half of the total, and it doesn't seem correct then to state that the bulk of the items were intended for the private sector. Second, Pakistani officials did not mention to me any lack of buoyancy on the part of private recipients in contracting for the items financed under Yen credits. They were more concerned over slow utilization by Government agencies.

With best regards,

Yours sincerely,

Christian Merat

Christian Merat
Asst. Resident Representative

Encl.

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P.O. BOX 1025, ISLAMABAD, PAKISTAN

Telephone 5080 - Cable Address : INTBAFRAD ISLAMABAD

Letter No. 331
Registered

December 20, 1967

Mr. Christopher G. Melmoth
I.B.R.D.
Washington, D.C.

Dear Mr. Melmoth:

I am enclosing a letter to Jean Baneth regarding the utilization of Japanese non-project aid to Pakistan and a memorandum I wrote on this occasion. I thought they might be of interest to you.

In addition, we recently received Mr. Eshman Abdian's memorandum to you on the utilization of Consortium aid by Pakistan, including Japanese non-project aid. In this memorandum he explains that the disbursement of Japanese non-project aid to Pakistan has been slow "because the bulk of the items are intended for the private sector which has shown a lack of buoyancy in the first two years of the Third Plan", and he recommends that this issue be taken up with Pakistan authorities by the next Economic Mission. His explanation does not seem to be borne out by the information I just obtained from Pakistani officials. First, $3 million under the 5th Yen credit and $6.5 million under the 6th Yen credit have reportedly been allocated to Government agencies. This is more than half of the total, and it doesn't seem correct then to state that the bulk of the items were intended for the private sector. Second, Pakistani officials did not mention to me any lack of buoyancy on the part of private recipients in contracting for the items financed under Yen credits. They were more concerned over slow utilization by Government agencies.

With best regards,

1967 DEC 26 PM 12:11

Yours sincerely,

Christian Merat
Asst. Resident Representative

Encl.

PAK. Cons.

Letter No. 333
Registered

December 20, 1967

Mr. Jean Baneth
I.B.R.D.
Washington, D.C.

Dear Jean:

In Mr. Finsaas' absence, I am replying to your letter of December 7, regarding the utilization of Japanese non-project aid to Pakistan. There are two Japanese loans to Pakistan which are being utilized at present. The 5th Yen credit of May 6, 1966 and the 6th Yen credit of February 4, 1967 respectively include 9 million dollars equivalent under the appelation of non-project aid. The items included under Japanese non-project aid, however, fall into two categories. One consists of items used by the private sector. The other category includes items used by Government agencies for their own projects and which other countries sometime classify under project aid.

This distinction is made because the rate of utilization by private recipients is reportedly different from that of Government agencies. Agencies in the public sector have been slower than private recipients in contracting for the items allocated to them.

Officials confirmed the accuracy of the utilization procedures which you describe in the first paragraph of your letter. Individual contracts for the procurement of items under the Yen credits require approval by the Exim Bank of Japan, before L.C.'s can be opened and shipments can take place. Approval by the Exim Bank of Japan normally takes three to four months; a case was even quoted to me, in which approval had taken almost six months.

Pakistani officials, however, gave me the impression that they are less concerned over the delays due to the approval of Exim Bank of Japan than over the slowness of Government agencies in contracting for the supply of items allocated to them under the Yen

credits. They, of course, would prefer that the approval of contracts by Exim Bank take a shorter time but they would not like to make an issue of this problem, in view of their good relations with Japan.

I hope the above will satisfy your query.

With best wishes, we are

Sincerely yours,

CM

Christian Merat
Asst. Resident Representative

FORM No. 57
(5-48)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

TO: Files

DATE: December 20, 1967

FROM: Christian Merat CM

SUBJECT: Pakistan - Japanese non-project aid

In discussions with EAD officials on December 19, 1967 prompted by Jean Baneth's letter of December 7, I gathered some information on the utilization of Japanese non-project aid. This information is reproduced below as it supplements and sometimes is in contradiction with data provided earlier to the Bank.

Two Yen credits to Pakistan are being disbursed at present. The status of the utilization of non-project items under these two credits is shown in the following table (figures in $ million equivalent as of end November, 1967):

Items	Recipients	Amount allocated	Amount disbursed
5th Yen credit (dated May 6, 1966) 1/			
Cables	T&T	1.2	nil
Trucks & spares	CCI&E	5.0	2.0
4-wheel vehicles & spares	CCI&E	1.0	0.1
Fertilizers	EPADC	0.8	0.8
Pesticides	EPADC	1.0	1.0
Total :		9.0	3.9
6th Yen credit (dated February 24, 1967) 2/			
Fertilizers (urea)	EPADC	6.63	4.1
Power tillers	CCI&E	0.50	nil
Dyes and chemicals	CCI&E	1.00	nil
Marine diesel engines	CCI&E	0.61	nil
Narayanganj dockyards	EPIDC	0.05	nil
Cables and cable boxes	WP.WAPDA	0.21	nil
Total:		9.00	4.1

The allocations shown above do not tally with those shown in the twelth and fifteenth quarterly reports on the utilization of Consortium financial assistance to Pakistan. Although I did not ask

1/ Closing dates for contracts is June 30, 1968 and for disbursements, September 30, 1970

2/ Closing dates for contract is May 30, 1968 and for disbursements, September 30, 1971)

the differences are probably accounted by changes made after GOP submitted information on debt to the Bank for these two reports.

EAD officials explained the procedure followed in utilizing Japanese non-project aid. Contracts between the Pakistani recipients and the Japanese suppliers require approval of the Eximbank of Japan, before LC's may be opened and shipments made. This approval takes from 3 to 4 months. In one case, it reportedly took 5½ months.

EAD officials expressed concern over the slowness of Government agencies in contracting for the items financed under the two yen credits. Private recipients (i.e. items imported through the CCI&E) would be much quicker in contracting with Japanese suppliers. I gained the impression that Pakistani officials are more concerned over the slow utilization of Japanese aid by Government agencies than over the delays resulting from approval by Eximbank of Japan. In fact, they stated that, in view of their good relations with Japanese officials, they would not like to press the issue of Eximbank approvals too strongly.

FORM No. 58 INTERNATIONAL DEVELOPME' ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | TERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Melmoth

DATE: December 13, 1967

FROM: Anwar Ahmad

SUBJECT: Quarterly Report

Attached is Quarterly Report covering commitment to Pakistan by the Government of Canada.

Attachments

Keep for 4th term regulation

CANADIAN EMBASSY  AMBASSADE DU CANADA

Washington, D. C. 20036
December 11, 1967

BY HAND

Mr. M. M. Mendels
Secretary
I.B.R.D.
Washington, D. C.

Attention: Mr. D. D. Fowler

Dear Sir:

I attach the Canadian July - September 1967 Quarterly Reports covering commitments to India and Pakistan.

Yours sincerely,

M. M. Freeman

M. M. Freeman
Financial Counsellor's Office.

ADDITIONAL PROJECTS OR PROGRAMS UNDER ACTIVE CONSIDERATION BY CANADA - 30 SEPTEMBER 1967

P A K I S T A N

1. 1967/68 NON-PROJECT LOAN - $Cdn 2 million

2. 1967/68 NON-PROJECT GRANT - $Cdn 2 million

Report 4th term

REPORT ON SPECIFIC FINANCIAL TRANSACTIONS

REPORTING COUNTRY - CANADA

REPORTING PERIOD - 1 JULY - 30 SEPTEMBER 1967

1. Receiving Country: PAKISTAN

2. Name of Donor or Official Lender: GOVERNMENT OF CANADA

3. Date of Agreement: 13 OCTOBER 1967

4. Official Title of Agreement: INDUSTRIAL COMMODITIES

5. Amount: $Cdn 6 MILLION

6. Type of Transaction: LOAN

7. Purpose:

Provision of Industrial Commodities -

Copper	$2.9 million
Aluminum	1.6
Asbestos	.6
Woodpulp	.7
Sulphur	.2

8. Interest Rate: Nil

9. Amortization Terms: 10 years grace period, principle repayable over next 40 years by 80 semi-annual installments.

10. Forecast of Disbursements:

11. Other Remarks:

Report 4th term

REPORT ON SPECIFIC FINANCIAL TRANSACTIONS

REPORTING COUNTRY - CANADA

REPORTING PERIOD - 1 JULY - 30 SEPTEMBER 1967

1. Receiving Country: PAKISTAN

2. Name of Donor or Official Lender: GOVERNMENT OF CANADA

3. Date of Agreement: 13 OCTOBER 1967

4. Official Title of Agreement: SPECIAL 1967/68 FERTILISER LOAN

5. Amount: $Cdn 5 million

6. Type of Transaction: LOAN

7. Purpose: For the provision of fertilisers and sulphur

8. Interest Rate: Nil

9. Amortization Terms: 10 years grace period, principle repayable over next 40 years by 80 semi-annual installments

10. Forecast of Disbursements:

11. Other Remarks:

PAK. Consultation

FORM No. 57 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

cc Gen Ngs ✓

OFFICE MEMORANDUM

TO: Files

DATE: November 24, 1967

FROM: Rudolf Hablutzel RH

SUBJECT: Pakistan Meeting with A.I.D. Officials

At lunch on November 22, I discussed some facts and problems with Mr. Palmer. As far as U.S. aid to Pakistan is concerned, he said that $25 million out of the $140 million pledge of commodity aid for 1967/68 had been authorized in July. I understood that this is mostly for fertilizer. This leaves $115 million to be committed during the remainder of the year. For this, A.I.D. has to await Congressional appropriation, and this is not expected before the end of the calendar year (it had been possible to commit the $25 million because this was out of last year's appropriation -- it appeared that the unutilized overall appropriation for 1966/67 had been somewhat larger than expected because of the Middle Eastern events). Mr. Palmer said that even the amount of $115 million was not now assured yet, in view of the difficulties with the U.S. A.I.D. bill.

U.S. A.I.D. had committed $35 million of project aid in June 1967 but this was under the 1966/67 authorizations. As was well known, no project aid had been pledged by the U.S. at the London meeting. Something in the order of $2 million, however, had been committed since July 1, but Mr. Palmer did not think any further commitments should be expected during 1967/68.

About three weeks ago, the supply of another 500,000 tons of wheat under PL 480 has been approved. This brings the total supply of wheat from the U.S. towards Pakistan's 1967/68 wheat gap to 1.95 million tons. The current agreement, however, is not yet finalized, apparently because the U.S. wishes to supply a substantial quantity of edible oils and Pakistan's needs for such oils have not yet been agreed upon. No serious problem however is anticipated in the shipment of the additional 500,000 tons of wheat. The GOP calculations of wheat requirements still leave a gap of about 300,000 tons to be filled in the current year, but this may turn out to be of somewhat marginal urgency. Indeed, an offer by the U.S. to supply another 125,000 tons under PL 480 was turned down because it was tied to the requirement of purchasing an equivalent amount under C.C.C. credit. It is possible that the Pakistanis will come back on this offer if they see that the U.S. position is firm on the purchasing requirement.

On policy issues, Mr. Palmer had the import and exchange rate foremost in his mind, and he took the view that any kind of step that would bring the cost of imports to a more realistic level should be considered as step in the right direction. I tended to take a somewhat stronger view in favor of substantive measures beyond new mixtures of bonus and cash rates. Mr. Palmer believed that the strong support which the U.S. had given to the GOP's new emphasis on agricultural development and

foodgrain self-sufficiency may be wearing off as the scope for drastic improvements of agricultural production turns out to find its limits. Also he thought that, in the general enthusiasm for agriculture, one had tended to give inadequate attention to industry and that next year might be a suitable occasion to give much more weight to questions of industrial policy and performance. In particular, the overall performance of Pakistan's exports seems to have been too dazzling over the short period of two years and it might well be that prospects from now on were hampered by less than optimal performance by export industries. In retrospect, he seemed quite puzzled at the fact that export performance in the first year of the Third Plan had been taken by many as a good enough indication for favorable future performance and he thought that part of the fast increase in the recent years may have been due in part to good luck in world prices. Finally, he asked me what I thought for the need of additional taxation besides agricultural income tax. I said that there was a clear need for further additional taxation but I had no view at present on where and how it should be raised. He suggested that a thorough study might be warranted on the potential yield of an agricultural income tax but I expressed some doubts as to how one could find this out except by making an assessment of the income of several hundred West Pakistani landlords, and this was probably not something we could do.

Mr. Williams, who is now in Pakistan for the Mangla Inauguration is expected to discuss important policy matters with the Government, including exchange rate and import policies. Mr. Palmer invited me to get in touch with him after Mr. William's return.

cc: Messrs. King
McDiarmid
Blobel
Martin

RHablutzel:ke

RC 3251

Pt Consult

FORM NO. 58 INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Martin

DATE: November 16, 1967

FROM: M. T. Copeland

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is the quarterly report on United Kingdom aid to Pakistan during the period July 1 - September 30, 1967.

PAKISTAN

U.K. Agreements signed during the quarter ended 30th September, 1967

1.(a) Non-project Loan

(b) Borrower: Government of Pakistan

Lender: United Kingdom Government

Date: 29th July, 1967

Official title: United Kingdom/Pakistan Loan No. 2, 1967

(c) Amount: £4,300,000

(d) Purpose: To provide foreign exchange for the import of goods and services from the U.K. in support of Pakistan's development efforts.

(e) Rate of Interest: Free of interest

(f) Amortisation terms: Seven year grace period, principal repayable in equal half-yearly instalments over the next eighteen years.

(g) Forecast of disbursements: N/A.

2.(a) Project loan

(b) Borrower: Government of Pakistan

Lender: United Kingdom Government

Date: 29th July, 1967

Official title: United Kingdom/Pakistan Loan No. 3, 1967

(c) Amount: £2,100,000

(d) Purpose: Supply of jute mill machinery

(e) Interest rate: Free of interest

(f) Amortisation terms: Seven year grace period, principal repayable in equal half yearly instalments over the next eighteen years.

(g) Forecast of Disbursements: N/A.

PAK-Consortium

Mr. Donald D. Fowler

November 1, 1967

C.J. Martin

PAKISTAN: Distribution of Consortium Documents

Sweden has expressed interest in attending meetings of the Pakistan Consortium. It is proposed that the Swedish Government receive copies of all future consortium documents. I understand that in the case of the India Consortium, Sweden will not be included on the formal distribution list at this stage: the same practice is suggested for Pakistan.

I propose we start distributing to Sweden with the Quarterly Report on Consortium Aid up to June 30, 1967, (PAK 67-20).

cc: Mr. Cargill
Mr. Votaw

CJMartin:ff

PAK- CONS.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CONFIDENTIAL

PAK 67-20

FROM: The Secretary

October 31, 1967

PAKISTAN CONSORTIUM: QUARTERLY REPORT ON THE UTILIZATION OF AID

The sixteenth report on the utilization of Consortium financial assistance to Pakistan, covering the quarter ended June 30, 1967, and prepared by the Asia Department is attached. The submissions of the Government of Pakistan are given in Annex A, and the reports of individual members of the Consortium are included in Annexes B, C and D.

Members receiving this report are asked to notify this office of any errors or omissions.

The distribution of this report has been delayed by the late submission of certain returns.

Distribution:

Executive Directors for:

Belgium
Canada
France
Germany
Italy
Japan
Netherlands
United Kingdom
United States

Embassy of Japan
Managing Director, IMF

Director, Asia Department

For information:

President
President's Council
Executive Vice President (IFC)
Executive Director for Pakistan
Department Heads (Other)
Resident Representative, Rawalpindi
European Office
Development Assistance Committee, OECD
President, Asian Development Bank

PAKISTAN CONSORTIUM

SIXTEENTH QUARTERLY REPORT ON THE UTILIZATION OF AID

Asia Department
October 27, 1967

LIST OF ANNEXES AND TABLES

ANNEX A

Table 1

SUMMARY OF FINANCIAL ASSISTANCE FROM CONSORTIUM MEMBERS TO PAKISTAN'S THIRD FIVE-YEAR PLAN AS OF JUNE 30, 1967 AS REPORTED BY GOVERNMENT OF PAKISTAN

(US $ thousand)

	Consortium Members	Undisbursed Commitments As At June 30, 1965 1/	Agreements 2/ Signed: July 1, 1965 June 30, 1967 1/	Disbursements July 1, 1965 June 30, 1967
1.	Belgium	517	1,125	617
2.	Canada	18,006	61,256 3/	37,486
3.	France	20,491	27,411	12,607
4.	Germany	66,148	82,560	71,354
5.	Italy	2,072	36,399	11,242
6.	Japan	61,092 4/	60,000	46,364
7.	Netherlands	11,832	5,253	13,257
8.	United Kingdom	47,187	38,514	54,026
9.	United States			
	DCF/AID	287,961	240,900	288,310
	Exim-Bank	2,578	13,551	6,296
10.	IBRD/IDA 5/	269,513 6/	150,950	131,470
	Total	787,397	717,919	673,029

1/ Revised

2/ Agreements for Export Credits represent full contract amounts, i.e. including down payments.

3/ $62,018,000, including the entire amount of the $21,610,700 Special Development Loan signed on December 29, 1965 as advised by Canadian Government in PAK 67-1, Annex D, and not only the annual allocations under this agreement as reported by the Government of Pakistan.

4/ $61,104,000, according to Japanese Government records.

5/ Excluding both the undisbursed balances of $81,913,521 and £32,662,053 as at June 30, 1965 and the disbursements under IBRD Loan No. 266 PAK and IDA Credit No. 60 PAK respectively, for Indus Basin Works.

6/ $244,233,000, according to IBRD/IDA records.

Table 2

AGREEMENTS SIGNED AND DISBURSEMENTS MADE
JULY 1, 1966 - JUNE 30, 1967
AS REPORTED BY GOVERNMENT OF PAKISTAN

(US $ thousands)

	Consortium Members	Amount of Agreements Signed	Disbursements
1.	Belgium	1,125	-
2.	Canada		
	Grants	8,324	12,995
	Loans	22,662 1/	4,205
3.	France	19,983 2/	7,432
4.	Germany	57,179	31,083
5.	Italy	11,169	10,065
6.	Japan	30,000	14,464
7.	Netherlands	5,253	8,214
8.	United Kingdom	27,314	30,401
9.	United States		
	DCF/AID	154,100	151,889
	Exim Bank	9,269	3,861
10.	IBRD/IDA 3/		
	IBRD	35,000	22,414
	IDA	27,750	59,872
	Total	409,128	356,895

1/ $6,938,000 excluding the 1966/67 allocation of $6,475,000 under the $21,610,700 Special Development Loan signed on December 29, 1965 as advised by the Canadian Government in PAK 67-1, Annex D.

2/ Revised, including contracts signed but not notified by EAD.

3/ Excluding any disbursements under IBRD Loan No. 266 PAK and IDA Credit No. 60 PAK for Indus Basin works.

Table 3

LIST OF AGREEMENTS SIGNED
APRIL 1 - JUNE 30, 1967
AS REPORTED BY GOVERNMENT OF PAKISTAN

Consortium Member	Project or Program	Date of Agreement	Amount (US $ thousand equivalent)
Belgium	Capital Aid: Non-Project		
	Fertilizers (WPADC)	June 9, 1967	500
	Total Belgium		500
France	Supplier Credits: Project		
	1. Machine Tools Factory (WPIDC)	Apr. 4, 1967 1/	25
		Apr. 10, 1967 1/	113
		Apr. 10, 1967 1/	50
		Apr. 10, 1967 1/	10
		Apr. 10, 1967 1/	31
		Apr. 10, 1967 1/	22
		Apr. 11, 1967 1/	23
		Apr. 11, 1967 1/	109
		Apr. 11, 1967 1/	44
		Apr. 11, 1967 1/	92
		Apr. 13, 1967 1/	34
		Apr. 13, 1967 1/	7
		Apr. 13, 1967 1/	199
		Apr. 27, 1967 1/	13
		May 23, 1967 1/	286
		June 5, 1967 1/	54
	2. Jute Mills Auxiliaries (EPIDC)	May 6, 1967 2/	131
	Total France		1,243

Table 3 (continued)

Consortium Member	Project or Program	Date of Agreement	Amount (US $ thousand equivalent)
Germany	Capital Aid:		
	Project		
	Development of Private Industry - PICIC	Apr. 4, 1967	2,500
	Non-Project		
	Commodities	May 24, 1967	12,500
	Total Germany		15,000
Italy	Suppliers Credit: Project		
	1. Truck Chassis (WPRTC)	June 16, 1967 2/	996
	2. M/S Punjab Flour and General Mills	Apr. 22, 1967 2/	57
	Total Italy		1,053
Netherlands	Loan: Project		
	1. Sugar Mills (EPIDC)	May 19, 1967	139
	2. Floating Crane	May 19, 1967	1,591
	3. T.V. Station (I&B)	May 19, 1967	845
	Total Netherlands		2,575
United Kingdom	Loan: Project		
	1. Jute Mill Machinery PIDC/IDBP	Apr. 11, 1967	3,799
	2. Jute Machinery (PWSR)	Apr. 11, 1967	2,080
	Total United Kingdom		5,879

Table 3 (continued)

Consortium Member	Project or Program	Date of Agreement	Amount (US $ thousand equivalent)
United States	Exim Bank: Project		
	1. Purchase of 6th Boeing 707 Aircraft (PIA)	May 4, 1967	6,769
	2. Development of Private Industry - IDBP	May 5, 1967	2,500
	Total United States		9,269
IBRD	Loan: Project		
	Improvement of Railways (PWR)	May 15, 1967	13,500
IDA	Credit: Project		
	Lahore Water Supply and Sewerage	May 12, 1967	1,750

1/ Date of loan agreement or contract.
2/ Date of notification by EAD.

ANNEX B

NEW AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967 AS REPORTED BY CONSORTIUM MEMBERS

Reports on new agreements signed during the period April 1 - June 30, 1967, by France, Germany, Netherlands, United Kingdom, and IBRD/IDA and agreements authorized by the United States are reproduced in this Annex. No new agreements were reported by Belgium, Canada, and Japan and no return was received from Italy.

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

1. (a) Mining Equipment: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Societe d'Equipement Industriel et Minier (SODEIM)
	Date:	April 10, 1967
(c)	Amount:	FF 1,143,231.39
(d)	Purpose:	Mining equipment
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

2. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Alliance de Constructeurs Francais de Machines-outils
	Date:	April 20, 1967
(c)	Amount:	FF 72,074
(d)	Purpose:	Machine tools for the Plant of Karachi (addendum to the contract notified on February 2, 1967)
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER

ENDED JUNE 30, 1967

3. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	G. Vernier S.A. a Nice
	Date:	April 24, 1967
(c)	Amount:	FF 165,196
(d)	Purpose:	Machine tools for the Plant of Karachi (addendum to the contract notified on February 2, 1967)
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

4. (a) Cables for Jute Plant: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	East Pakistan Industrial Development Corporation a DACCA
	Lender:	COGELEX
	Date:	May 5, 1967
(c)	Amount:	FF 660,351.54
(d)	Purpose:	Cables for jute plant
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

5. (a) Fire Fighting Equipment Jute Plants: Guaranteed Suppliers Credit[1]

(b)	Borrower:	East Pakistan Industrial Development Corporation a DACCA
	Lender:	MATHER et PLATT
	Date:	May 12, 1967
(c)	Amount:	FF 3,217,915.80
(d)	Purpose:	Fire-fighting equipment for jute plants
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

6. (a) Mining Equipment: Guaranteed Suppliers Credit[1]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	SODEIM
	Date:	May 29, 1967
(c)	Amount:	FF 187,621.94
(d)	Purpose:	Procurement of mining equipment (addendum to the contract notified on August 2, 1966)
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

7. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Alliance des Constructeurs Francais de Machines-outils
	Date:	May 30, 1967
(c)	Amount:	FF 882,286
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

8. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Societe de Construction de Montbard
	Date:	May 3, 1967
(c)	Amount:	FF 561,600
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

9. (a) Machine Tools: Guaranteed Suppliers Credit 1/

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	DELTAL
	Date:	May 30, 1967
(c)	Amount:	FF 537,459
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

10. (a) Machine Tools: Guaranteed Suppliers Credit 1/

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	RINEAU Freres Outillages ARMOR
	Date:	May 30, 1967
(c)	Amount:	FF 110,326
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

11. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Outillages BAVOILLOT
	Date:	May 30, 1967
(c)	Amount:	FF 447,504
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

12. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	A.F.M.O.
	Date:	May 30, 1967
(c)	Amount:	FF 34,039
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

13. (a) Machine Tools: Guaranteed Suppliers Credit[1]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Les Instruments Scientifiques et Industriels
	Date:	June 12, 1967
(c)	Amount:	FF 175,361
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

14. (a) Machine Tools: Guaranteed Suppliers Credit[1]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Societe Industrielle FENWICK Manutention
	Date:	June 12, 1967
(c)	Amount:	FF 203,300
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

15. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	PROMECAM
	Date:	June 12, 1967
(c)	Amount:	FF 62,048.10
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

16. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Etablissements TOURTELLIER
	Date:	June 20, 1967
(c)	Amount:	FF 30,066
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

17. (a) Machine Tools: Guaranteed Suppliers Credit[1]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Mecano
	Date:	June 20, 1967
(c)	Amount:	FF 50,908
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

18. (a) Machine Tools: Guaranteed Suppliers Credit[1]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Alfred HERBERT
	Date:	June 26, 1967
(c)	Amount:	FF 1,412,489
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

FRENCH AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

19. (a) Machine Tools: Guaranteed Suppliers Credit[1/]

(b)	Borrower:	West Pakistan Industrial Development Corporation of Karachi
	Lender:	Etablissements G. BERT
	Date:	June 26, 1967
(c)	Amount:	FF 266,360
(d)	Purpose:	Machine tools for the Plant of Karachi-Landi
(e)	Interest Rate:	5.25 percent
(f)	Amortization Terms:	10 years
(g)	Forecast of Disbursements:	N/A

1/ Guaranteed by French Government

GERMAN AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

1. (a) Loan Agreement with the Islamic Republic of Pakistan

(b)	Borrower:	Islamic Republic of Pakistan
	Lender:	Kreditanstalt für Wiederaufbau, Frankfurt am Main
	Date:	May 24, 1967
	Official Title:	Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM 50 million.
(c)	Amount:	DM 50 million
(d)	Purpose:	Financing of goods and services to meet Pakistan's current civil import requirements
(e)	Interest Rate:	3 percent per annum
(f)	Amortization Terms:	4 semi-annual installments of DM 1,388,000, the first falling due December 31, 1974 and the last June 30, 1976; and 32 semi-annual installments of DM 1,389,000, the first falling due December 21, 1976 and the last June 30, 1992.
(g)	Forecast of Disbursement:	1967/1968: DM 50 million

GERMAN AGREEMENTS SIGNED DURING THE QUARTER

ENDED JUNE 30, 1967

2. (a) Loan Agreement with the Islamic Republic of Pakistan (IDBP 5V)

(b)	Borrower:	Islamic Republic of Pakistan
	Lender:	Kreditanstalt für Wiederaufbau, Frankfurt am Main
	Date:	April 12, 1967
	Official Title:	Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM 10 million (IDBP)
(c)	Amount:	DM 10 million
(d)	Purpose:	Financing of investments of small and medium sized enterprises in the processing industry
(e)	Interest Rate:	5.50 percent per annum
(f)	Amortization Terms:	30 semi-annual installments of DM 322,000, the first falling due June 30, 1972 and the last December 31, 1986; and 1 semi-annual installment of DM 340,000, falling due June 30, 1987.
(g)	Forecast of Disbursement:	1968: DM 8 million 1969: DM 2 million

THE NETHERLANDS AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

1. (a) General Loan for 1966/67

(b)	Borrower:	Government of Pakistan
	Lender:	Netherlands Government through the Nederlandse Investeringsbank voor Ontwikkelingslanden
	Date:	May 19, 1967
(c)	Amount:	8 million Netherlands guilders
(d)	Purpose:	To finance the foreign exchange costs of importing goods in connection with Pakistan's Five year plans.
(e)	Interest Rate:	3 percent payable January 31 and July 31
(f)	Amortization Terms:	19 yearly installments beginning October 1, 1974

2. Commitment for Fl. 8 million 10-yearly financial export credits.

UNITED KINGDOM AGREEMENTS SIGNED DURING THE QUARTER ENDED JUNE 30, 1967

(a) Project Loan

(b)	Borrower:	Government of Pakistan
	Lender:	United Kingdom Government
	Date:	April 11, 1967
	Official Title:	United Kingdom/Pakistan Loan No. 1, 1967
(c)	Amount:	£2,138,000
(d)	Purpose:	Supply of jute mill machinery, and cables for Telephone and Telegraph Department.
(e)	Interest Rate:	Free of interest
(f)	Amortization Terms:	7 year grace period. Principal is repayable by 35 consecutive half-yearly installments of £59,400, the first of which is payable on August 1, 1974 and one installment of £59,000 on February 1, 1992
(g)	Forecast of Disbursements:	N/A

UNITED STATES AGREEMENTS AUTHORIZED DURING THE QUARTER ENDED JUNE 30, 1967

AID:

1. (a) Fertilizer Loan (Non-project loan)

(b)	Borrower:	President of Pakistan
	Lender:	USA-Agency for International Development
	Date:	June 28, 1967
(c)	Amount:	$25 million
(d)	Purpose:	To purchase fertilizer for Pakistan's agriculture program
(e)	Interest Rate:	1 percent during the grace period and 2.5 percent during the remaining 30 years
(f)	Amortization Terms:	40 years including a ten-year grace period
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by June 30, 1968

2. (a) Salinity Control and Reclamation Project IV

(b)	Borrower:	President of Pakistan
	Lender:	USA-Agency for International Development
	Date:	June 27, 1967
(c)	Amount:	$10.7 million
(d)	Purpose:	To finance the installation of about 1,062 tubewells in a 700,000 acre area in the Indus Basin in order to: (1) provide additional irrigation water: (2) reclaim saline soils; (3) reduce water-logging
(e)	Interest Rate:	1 percent during the grace period and 2.5 percent during the remaining 30 years
(f)	Amortization Terms:	40 years including a ten-year grace period
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by June 30, 1971

UNITED STATES AGREEMENTS AUTHORIZED DURING THE QUARTER

ENDED JUNE 30, 1967

3. (a) Third Hydroelectric Unit - Karnafuli Dam

(b)	Borrower:	President of Pakistan
	Lender:	USA-Agency for International Development
	Date:	June 22, 1967
(c)	Amount:	$1.5 million
(d)	Purpose:	To provide funds to supplement a 1964 loan for financing a 50 MW hydroelectric unit for Karnafuli Dam in East Pakistan
(e)	Interest Rate:	1 percent during the grace period and 2.5 percent during the remaining 30 years
(f)	Amortization Terms:	40 years including a ten-year grace period
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by June 30, 1969

4. (a) EPWAPDA Consultants

(b)	Borrower:	President of Pakistan
	Lender:	USA-Agency for International Development
	Date:	June 21, 1967
(c)	Amount:	$2.4 million
(d)	Purpose:	To provide technical consultants for the East Pakistan Water and Power Development Authority
(e)	Interest Rate:	1 percent during the grace period and 2.5 percent during the remaining 30 years
(f)	Amortization Terms:	40 years including a ten-year grace period
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by June 30, 1969

UNITED STATES AGREEMENTS AUTHORIZED DURING THE QUARTER

ENDED JUNE 30, 1967

5. (a) Malaria Eradication

(b)	Borrower:	President of Pakistan
	Lender:	USA-Agency for International Development
	Date	June 26, 1967
(c)	Amount:	$4.0 million
(d)	Purpose:	To provide equipment and chemicals for Pakistan's malaria eradication program.
(e)	Interest Rate:	1 percent during the grace period and 2.5 percent during the remaining 30 years
(f)	Amortization Terms:	40 years including a ten-year grace period
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by June 30, 1968

6. (a) Pakistan Western Railways - Diesel Locomotives

(b)	Borrower:	President of Pakistan
	Lender:	USA-Agency for International Development
	Date:	June 29, 1967
(c)	Amount:	$13.1 million
(d)	Purpose:	To finance the foreign exchange costs of 55 diesel locomotives for the Pakistan Western Railways
(e)	Interest Rate:	1 percent during the grace period and 2.5 percent during the remaining 30 years
(f)	Amortization Terms:	40 years including a ten-year grace period
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by March 31, 1969

UNITED STATES AGREEMENTS AUTHORIZED DURING THE QUARTER

ENDED JUNE 30, 1967

7. (a) Mangla Dam Transmission Lines

(b)	Borrower:	President of Pakistan
	Lender:	USA-Agency for International Development
	Date:	June 22, 1967
(c)	Amount:	$3.7 million
(d)	Purpose:	To finance 75 miles of 220KV circuit transmission lines for Mangla Dam hydro-electric unit No. 4
(e)	Interest Rate:	1 percent during the grace period and 2.5 percent during the remaining 30 years
(f)	Amortization Terms:	40 years including a ten-year grace period
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by March 31, 1970

Export Import Bank:

8. (a) Pakistan International Airways

(b)	Borrower:	President of Pakistan
	Lender:	USA-Export Import Bank
	Date:	May 4, 1967
(c)	Amount:	$6.8 million
(d)	Purpose:	To purchase one Boeing 707 Jet airplane for Pakistan International Airways
(e)	Interest Rate:	6 percent
(f)	Amortization Terms:	7 years
(g)	Forecast of Disbursements:	Disbursements are expected to be completed by June 30, 1968

IBRD/IDA AGREEMENTS SIGNED DURING THE QUARTER

ENDED JUNE 30, 1967

IBRD:

(a) Railway Project

(b)	Borrower:	Islamic Republic of Pakistan acting through its President
	Lender:	International Bank for Reconstruction and Development
	Date:	May 26, 1967
	Official Title:	Pakistan Western Railway Project
(c)	Amount:	$13.5 million
(d)	Purpose:	To assist in financing the foreign exchange cost of the 1967/68 investment program of the Pakistan Western Railway
(e)	Interest Rate:	6 percent
(f)	Amortization Terms:	25 years including 3½ years of grace. Repayment in 44 semi-annual installments beginning February 15, 1971 and ending August 15, 1992.
(g)	Forecast of Disbursements:	1968: $6 million 1968: $7.5 million

IBRD/IDA AGREEMENTS SIGNED DURING THE QUARTER

ENDED JUNE 30, 1967

IDA:

(a) Lahore Water Supply, Sewerage and Drainage Project

(b)	Borrower:	Islamic Republic of Pakistan acting through its President
	Lender:	International Development Association
	Date:	May 12, 1967
	Official Title:	Lahore Water Supply, Sewerage and Drainage Project
(c)	Amount:	$1.75 million
(d)	Purpose:	To assist in financing the foreign exchange and part of the local currency cost of the initial two-year phase of a proposed five-year (1968-1972) program to improve the organization and management of the Lahore Improvement Trust and to rehabilitate existing, and to construct new, facilities for water supply, sewerage and drainage in metropolitan Lahore
(e)	Interest Rate:	Free of interest. Service charge of 3/4 of 1 percent per annum in the amount withdrawn and outstanding to meet IDA's administrative costs
(f)	Amortization Terms:	The development credit would be for a period of 50 years, repayable in semi-annual installments commencing June 1, 1977, and ending December 1, 2016; each payment up to and including the payment due on December 1, 1986 to be ½ percent of 1 percent and each payment thereafter to be 1½ percent of the principal amount
(g)	Forecast of Disbursements:	Over two years

ANNEX C

ADDITIONAL PROJECTS OR PROGRAMS UNDER ACTIVE CONSIDERATION

AS REPORTED BY CONSORTIUM MEMBERS

Consortium members were asked to indicate any additional projects or programs for which assistance is under active consideration but for which no agreement has yet been signed. The answers received are aummarized below:

Consortium Member	Project or Program	Tentative Amount (US $ thousand equivalent)
Belgium		532
	(These items are the so-called "promises", i.e. the authorities in Belgium have promised to guarantee the suppliers' credit subject to the transactions taking place within the period of validity of the promise. The period of validity is limited to a few months but may be extended. Credit transactions for some of the items eventually may not take place).	
Canada	(1) 1967/68 Commodity Loan (Copper, sulphur, aluminum, asbestos, woodpulp.)	5,560
	(2) 1967/68 Special Fertilizer Loan	4,630
	(3) 1967/68 Non-Project Loan	1,850
	(4) 1967/68 Non-Project Grant	1,850
Germany	(1) Karachi Congressional Hall	1,500
	(2) PICIC Development Bank	3,750
United Kingdom	(1) Non-Project Aid	12,040
	(2) Jute Mill Machinery	5,880
IBRD/IDA	PICIC	35,000

ANNEX D

CORRECTIONS TO THE FIFTEENTH QUARTERLY REPORT (PAK 67-13)

Consortium members are requested to report any errors or omissions found in the quarterly reports. The following comments on (PAK 67-13) have been received.

ANNEX A

Japan

Japan noted the following difference between the information provided by the Government of Pakistan and its own records.

Disbursements	G.O.P. Data (US $ thousand)	Japanese Government Records (US $ thousand)
Table 1		
July 1, 1965 - March 31, 1967	40,864	40,984
Table 2		
July 1, 1966 - March 31, 1967	8,964	9,087

The following items should be added to Table III: Japan (pages 4-5).

Project or Program	Date of Agreement	Amount (US $ thousand)
Loan: Project		
1. Ghorosal Fertilizer Factory	Feb. 24, 1967	3,236
2. Ammonium Sulphate Plant	Feb. 24, 1967	704
3. Caustic Soda Plant	Feb. 24, 1967	700
Loan: Non-Project		
1. Narayanganj Dockyard	Feb. 24, 1967	49
2. Dyes and Chemicals	Feb. 24, 1967	1,000
	Total Japan	30,000

RC. 3250 or 3251

FORM No. 58 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Martin

DATE: October 30, 1967

FROM: M. T. Copeland

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is the quarterly report on Italian aid to Pakistan during the period April 1 - June 30, 1967.

Annex E

Reports period April - June

PARTECIPAZIONE ITALIANA ALL'AID PAKISTAN CLUB
Operazioni autorizzate dall'1/4/67 al 30/6/67

Numerazione secondo i precedenti prospetti	Ditta fornitrice, numero dell'autorizzazione, descrizione della fornitura e destinatario pakistano	Committements		
		Valore totale della fornitura $	Valore della fornitura dedotta quota in valuta locale $	Quota a carico dei "pledges" (al netto degli anticipi) $
23	METALMECCANICA S.a.s. V/551124 del 15/4/67 - Tre presse a Sunrise Industries	19.978	19.978	17.980
24	FRICK BARBIERI - V/551364 del 18/5/67 Macchinario frigorifero per Mirkadin Trading Co.	30.630	30.630	27.567
25	FRICK BARBIERI - V/551366 del 3/6/67 Condizionamento d'aria per Relx Enterprise	22.708	22.708	20.437
26	FRICK BARBIERI - V/551365 del 3/6/67 Macchinario frigorifero per Mushiganj Cold Storage	50.958	50.958	45.862
27	FRANCO FERRI - V/551576 del 17/6/67 ~~V/551576 del 17/6/67~~ Macchine varie per Lahore Forniture Co.	108.000	108.000	97.200
28	OCRIM - V/551702 del 20/6/67 Macchine per molini, a Prenjab Flour Mills	57.290	57.290	51.561
	TOTALE AL 30/6/1967	39.630.094	39.630.094	35.852.302

Valore "committements al 30/6/1967: $ 39.630.094
Totale quota impegnata sui "pledges" al 30/6/1967: " 35.852.302

Roma,
M/Ra

Pak Consorp

Form No. 58 | INTERNATIONAL DEVELOPME ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | TERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Martin

DATE: October 25, 1967

FROM: M. T. Copeland

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is the original and a translation of the Quarterly Report on German aid to Pakistan during the period July 1 - September 30, 1967.

KREDITANSTALT FÜR WIEDERAUFBAU Frankfurt/Main, den 6. 1o. 1967

TRANSLATED

OCT 24 1967

I.B.R.D.

V e r m e r k

Betr.: Kapitalhilfe an Pakistan

Bezug: Fragebogen der Weltbank PAK 64 - 1o vom 23. Juni 1964

Der genannte Fragebogen ist für die Zeit vom 1. Juli 1967 bis 3o. September 1967 wie folgt zu beantworten:

A. Neue Verpflichtungen im Berichtsvierteljahr:

1 a) Darlehensvertrag mit der Islamischen Republik Pakistan

b) Darlehensnehmer: Islamische Republik Pakistan

Darlehensgeber: Kreditanstalt für Wiederaufbau, Frankfurt/Main

Datum: 7. September 1967

Offizieller Titel: Darlehensvertrag zwischen der Kreditanstalt für Wiederaufbau und der Islamischen Republik Pakistan über DM 4o.ooo.ooo,--

c) Betrag: DM 4o Mio

d) Darlehenszweck: Finanzierung von Waren und Leistungen zur Deckung des laufend notwendigen zivilen Einfuhrbedarfs Pakistans

e) Zinssatz: 3 % p.a.

f) Rückzahlungsplan: 34 Halbjahresraten von DM 1.o81.ooo,--, beginnend am 31.12.1974 und endend am 3o.6.1991 sowie 3 Halbjahresraten von DM 1.o82.ooo,-- am 31.12.1991, 3o.6. 1992 und 31.12.1992

g) Vorausschätzung der Auszahlung:

1967 : DM 5 Mio
1968 : DM 35 Mio

2 a) Darlehensvertrag mit der Islamischen Republik Pakistan (PICIC V)

b) Darlehensnehmer: Islamische Republik Pakistan

Darlehensgeber: Kreditanstalt für Wiederaufbau, Frankfurt/Main

Datum: 2. August 1967

Offizieller Titel: Darlehensvertrag zwischen der Kreditanstalt für Wiederaufbau und der Islamischen Republik Pakistan über DM 15.000.000,-- (PICIC)

c) Betrag: DM 15 Mio

d) Darlehenszweck: Finanzierung von Investitionen kleiner und mittlerer Betriebe der verarbeitenden Industrie

e) Zinssatz: 3 1/2 % p.a.

f) Rückzahlungsplan: 4 Halbjahresraten von DM 96.000,-- am 31.12.1972, 30.6. und 31.12.1973 sowie 30.6.1974, 24 Halbjahresraten von DM 420.000,-- beginnend am 31.12.1974 und endend am 30.6.1986, 3 Halbjahresraten von DM 428.000,-- am 31.12.1986, 30.6. und 31.12.1987, 2 Halbjahresraten von DM 330.000,-- am 30.6. und 31.12.1988, 8 Halbjahresraten von DM 324.000,-- beginnend am 30.6.1989, endend am 31.12.1992

g) Vorausschätzung der Auszahlung: 1968 : DM 10 Mio
1969 : DM 5 Mio

B. In Kürze zu erwartende Verträge

Folgende Darlehensverträge werden voraussichtlich ~~im Laufe~~ im Laufe der nächsten Monate abgeschlossen:

Darlehensbetrag:	Darlehenszweck:
a) DM 6,0 Mio	Kongresshalle Karachi
b) DM 8,0 Mio	Entwicklungsbank PICIC
c) DM 12,0 Mio	Entwicklungsbank IDBP

FORM No. 337D
(12-61)

Miss Copeland
Room 1067

KREDITANSTALT FUR WIEDERAUFBAU
(RECONSTRUCTION LOAN CORPORATION)

Frankfurt am Main

October 6, 1967

M E M O R A N D U M

Subject: Capital Aid to Pakistan

Reference: World Bank Questionnaire PAK 64-10 of June 23, 1964

The following are the replies to the above questionnaire for the period July 1, 1967 to September 30, 1967:

A. New Commitments for the Quarter under Review:

1 a) Loan agreement with the Islamic Republic of Pakistan

b) Borrower : The Islamic Republic of Pakistan

Lender : Kreditanstalt für Wiederaufbau, Frankfurt am Main

Date : September 7, 1967

Official Title : Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM40,000,000.

c) Amount of Loan : DM40,000,000

d) Purpose of Loan: Financing of goods and services to meet Pakistan's current essential civil import requirements.

e) Rate of Interest: 3% per annum

f) Repayment schedule: 34 half-yearly installments of DM1,081,000 each commencing on December 31, 1974 and ending on June 30, 1991, together with three half-yearly installments of DM1,082,000 payable on December 31, 1991, June 30, 1992 and December 31, 1992.

TRANSLATION SECTION E-541/67

Translated From: German: 10/24/67 By: JHH:afe

g) Preliminary Estimate of Disbursements : 1967 : DM 5 million

1968 : DM35 million

2 a) Loan Agreement with the Islamic Republic of Pakistan (PICIC V)

b) Borrower : The Islamic Republic of Pakistan

Lender : Kreditanstalt für Wiederaufbau, Frankfurt am Main

Date : August 2, 1967

Official Title : Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM15,000,000 (PICIC)

c) Amount of Loan : DM15,000,000

d) Purpose of Loan : Financing of investments of small and medium size concerns engaged in the processing industry

e) Rate of Interest : 3-1/2% per annum

f) Repayment Schedule: Four half-yearly installments of DM96,000 on December 31, 1972, June 30, 1973, December 31, 1973 and June 30, 1974; 24 half-yearly installments of DM420,000 commencing on December 31, 1974 and ending on June 30, 1986; three half-yearly installments of DM428,000 on December 31, 1986, June 30, 1987 and December 31, 1987; two half-yearly installments of DM330,000 on June 30, 1988 and December 31, 1988; eight half-yearly installments of DM324,000 commencing on June 30, 1989 and ending on December 31, 1992.

g) Preliminary Estimate of Disbursements : 1968 : DM10 million

1969 : DM 5 million

B. Agreements Expected to be Made Shortly

It is expected that the following loan agreements will be made during the forthcoming months:

Amount of Loan	Purpose of Loan
a) DM 6,000,000	Congress Hall at Karachi
b) DM 8,000,000	PICIC Development Bank
c) DM12,000,000	IDBP Development Bank

Pak. Consortium
Pak. "
C. Pl

Mr. Gordon M. Street

October 24, 1967

C.J. Martin

Pakistan: Consortium Procedures

With the exception of 1965 when the second meeting was indefinitely postponed, the procedure for the Pakistan Consortium has been to hold two meetings annually, the first dealing with the review of the economic situation, the second recording the offers of financial assistance.

To date there has been one meeting (May 31/June 1) this year, at which the economic situation was reviewed and where members also gave indications of their proposed financial assistance for 1967/68. In the Chairman's Report of Proceedings, it was proposed that a further meeting might be held, probably in October or November, to review the economic situation and the progress made in implementing aid programs. I understand that it is not intended to hold the second meeting, and 1967 will then be the first year when both the economic review and offers of financial assistance have been amalgamated into one meeting.

The aim has been to arrange the first meeting each year well in advance of the Pakistan Budget presentation. Since the Budget is presented on the second Saturday in June, to do this the first Consortium meeting should be held in March or early April. This would require an economic mission to Pakistan in the previous October/November to allow the report to be circulated some six weeks before the meeting. In October/November there is not sufficient up-to-date economic information available to write an economic report. We have, therefore, held the first meeting at the end of May or in July. Reports by the Government of Pakistan as well as the Bank economic report are distributed to Consortium members, but it has been difficult to ensure that reports get to Consortium members on time. Unless conditions change rapidly, or members are unable to give indications of their financial assistance during the first meeting, a second meeting each year is not essential.

A quarterly report on Consortium aid has been prepared since September 1963. It was started mainly at the request of the U.S. but is becoming of reduced value, i.e. the U.S. has yet to submit its report for the quarter ending June 30.

The membership of the Consortium has remained unchanged for some time but it appears that Sweden will be attending the next meeting as an observer and might become a member.

CJMartin:ff

Pak Consort

FORM NO. 58 | INTERNATIONAL DEVELOPME' ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | TERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Martin

DATE: October 23, 1967

FROM: Donald D. Fowler

SUBJECT: Quarterly Report on Aid to Pakistan

Attached is the quarterly report on Belgian aid to Pakistan during the period July 1 - September 30, 1967.

DDF

PAKISTAN CONSORTIUM

BELGIUM

Part B : New commitments signed during the quarter ended September 30, 1967

N O N E

Total commitments as of June 30, 1967:	$ 0.44 million
Amount during the 3rd quarter of 1967	-
Total commitments as of September 30, 1967	$ 0.44 million

PAKISTAN CONSORTIUM

BELGIUM

Part C : Other projects under consideration, as of Sept. 30, 1967

(These items are the so-called "promises", i.e. the authorities in Belgium have promised to guarantee the suppliers' credit subject to the transactions taking place within the period of validity of the promise. The period of validity is limited to a few months but may be extended. Credit transactions for some of the items eventually may not take place).

	Amount (Million currency units)	
Total	BF 41.5	$0.830

The Moves

ORM No. 58 INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Martin

DATE: November 8, 1967

FROM: M. T. Copeland

SUBJECT: Quarterly Reports on Aid to Pakistan

Attached is the quarterly report on French aid to Pakistan during the period July 1 - September 30, 1967.

Record Removal Notice

The World Bank Group Archives & Records Management

File Title		Barcode No.
Pakistan - General - Consortium Meetings - Correspondence 17		1704349
Document Date	**Document Type**	
November 8, 1968	Memorandum w/attachment	

Correspondents / Participants
To: Mr. M.M. Mendels
From: Jean Malaplate

Subject / Title
Quarterly Report on Aid to Pakistan

Exception(s)

Additional Comments
Declassification review of this record may be initiated upon request.

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	April 30, 2019

E-1

FORM No. 57 | INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | TERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

Mr. Martin: We must see Sweden get on the Consortium documents distribution list. [illegible] 10/18

TO: Mr. C. G. Melmoth

DATE: October 18, 1967

FROM: Sander Feldman

SUBJECT: Pakistan Consortium - Swedish Participation

During your absence Mr. Kalderen met with Messrs. Cargill, Goodman, Street, Votaw and myself on October 13. During this meeting the question of Swedish participation in the Pakistani and Indian Consortia was discussed and Mr. Kalderen said that Sweden was seriously considering joining both and would like to attend the November meeting of the Indian Consortium as an observer.

Mr. Cargill said that Sweden could attend the first meeting on an observer status and that following this Sweden would have to decide whether or not to join as a full-fledged member. In addition, Mr. Cargill said that Sweden was a significant contributor of aid to both India and Pakistan and it would be difficult for Sweden to join one without the other.

In reply to Kalderen, Mr. Cargill said that the terms of aid offered by Sweden were well within the limits of those espoused by the Bank.

[illegible] Copenhagen [illegible] place in official [illegible]

cc: Mr. Cargill
Mr. Goodman
Mr. Street
Mr. Votaw

Inv Files

Files

October 13, 1967

Sander Feldman

Swedish International Development Association

Mr. Lars Kalderen of SIDA and Mr. Hans von Knorring of the Swedish Embassy met today with Messrs. Cargill, Goodman, Street, Votaw, Roulet and Feldman to discuss various aspects of SIDA's lending program in Pakistan and India.

Among other things discussed, the following are of general interest:

1. As of July 1, 1967 SIDA can make credits available on IDA financing terms. Mr. Kalderen said that the funds to be made available for the Second Agricultural Development Bank project would be on the same terms as those of IDA.

2. Sweden is seriously considering joining both the Pakistani and Indian consortia.

3. SIDA can commit funds for project lending in addition to its annual budget of $25 million up to five times one-half of its annual budget, equivalent to $62.5 million for disbursement after the current fiscal year.

Cleared with and cc: Mr. Goodman

cc: Mr. Cargill
Mr. Street
Mr. Votaw
Mr. Roulet

SFeldman:pj

PAK-Consortium

FORM NO. 337D
(12-61)

Miss Copeland
Mr.
Room 1067

KREDITANSTALT FÜR WIEDERAUFBAU
(RECONSTRUCTION LOAN CORPORATION)

Frankfurt am Main

October 6, 1967

M E M O R A N D U M

Subject: Capital Aid to Pakistan

Reference: World Bank Questionnaire PAK 64-10 of June 23, 1964

The following are the replies to the above questionnaire for the period July 1, 1967 to September 30, 1967:

A. New Commitments for the Quarter under Review:

1 a) Loan agreement with the Islamic Republic of Pakistan

b) Borrower : The Islamic Republic of Pakistan

Lender : Kreditanstalt für Wiederaufbau, Frankfurt am Main

Date : September 7, 1967

Official Title : Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM40,000,000.

c) Amount of Loan : DM40,000,000

d) Purpose of Loan: Financing of goods and services to meet Pakistan's current essential civil import requirements.

e) Rate of Interest: 3% per annum

f) Repayment schedule: 34 half-yearly installments of DM1,081,000 each commencing on December 31, 1974 and ending on June 30, 1991, together with three half-yearly installments of DM1,082,000 payable on December 31, 1991, June 30, 1992 and December 31, 1992.

TRANSLATION SECTION E-541/67
Translated From: German: 10/24/67 By: JHH:afe

g) Preliminary Estimate of Disbursements : 1967 : DM 5 million

1968 : DM35 million

2 a) Loan Agreement with the Islamic Republic of Pakistan (PICIC V)

b) Borrower : The Islamic Republic of Pakistan

Lender : Kreditanstalt für Wiederaufbau, Frankfurt am Main

Date : August 2, 1967

Official Title : Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM15,000,000 (PICIC)

c) Amount of Loan : DM15,000,000

d) Purpose of Loan : Financing of investments of small and medium size concerns engaged in the processing industry

e) Rate of Interest : 3-1/2% per annum

f) Repayment Schedule: Four half-yearly installments of DM96,000 on December 31, 1972, June 30, 1972, December 31, 1973 and June 30, 1974; 24 half-yearly installments of DM420,000 commencing on December 31, 1974 and ending on June 30, 1986; three half-yearly installments of DM428,000 on December 31, 1986, June 30, 1987 and December 31, 1987; two half-yearly installments of DM330,000 on June 30, 1988 and December 31, 1988; eight half-yearly installments of DM324,000 commencing on June 30, 1989 and ending on December 31, 1992.

g) Preliminary Estimate of Disbursements : 1968 : DM10 million

1969 : DM 5 million

B. Agreements Expected to be Made Shortly

It is expected that the following loan agreements will be made during the forthcoming months:

Amount of Loan	Purpose of Loan
a) DM 6,000,000	Congress Hall at Karachi
b) DM 8,000,000	PICIC Development Bank
c) DM12,000,000	IDBP Development Bank

E1

Aid Pledged and Offers of Financial Assistance by Consortium Members
During the Second Plan and the Third Plan Periods

(In millions of U.S. dollars)

	Countries	Aid Pledged 1961-63	Aid Pledged 1963-64	Aid Pledged 1964-65	Aid Made Available 1965-66	Aid Made Available 1966-67	Aid Offered 1967-68
1.	Belgium	-	10.0	-	-	0.5	0.5
2.	Canada	38.0	19.0	23.6	25.4	25.4	25.4
3.	France	25.0	7.0	10.0	10.0	10.0	10.0
4.	Germany	80.0	27.5	38.1	38.1	37.5	37.5
5.	Italy	-	10.0	10.0	20.0	30.0	15.0
6.	Japan	45.0	30.0	30.0	30.0	30.0	30.0
7.	Netherlands	-	6.6	4.4	4.8	4.4	4.4
8.	United Kingdom	47.6	22.4	22.4	22.4	22.4	22.4
9.	U.S.A.	500.0	212.5	212.5	50.0	154.0 ?	140.0a/
10.	Bank/IDA	209.4	80.0	80.0	49.0	62.8	35.0b/
	Totals	945.0	425.0	431.0	249.7	387.2	320.2

a/ Exim Bank and AID would consider project loan requests on their merits.
b/ Excludes loans for certain high priority projects.

BKAbadian/CJMartin:ff
September 26, 1967

original

Aid Pledged and Offers of Financial Assistance by Consortium
During the Second Plan and the Third Plan Periods

(In millions of U.S. dollars)

Countries	1961-63	1963-64	1964-65	1965-66	1966-67	1967-68
1. Belgium	-	10.0	-	-	0.5	0.5
2. Canada	38.0	19.0	23.6	25.4	25.4	25.4
3. France	25.0	7.0	10.0	10.0	10.0	10.0
4. Germany	80.~~6~~0	27.5	38.1	38.1	37.5	37.5
5. Italy	-	10.0	10.0	20.0	30.0	15.0
6. Japan	45.0	30.0	40.0	30.0	30.0	30.0
7. Netherlands	-	506.~~0~~6	404.0 4.4	4.8	4.4	4.4
8. United Kingdom	47.6	22.4	22.4	22.4	22.4	22.4
9. U.S.A.	500.0	212.5	212.5	50.0	~~140.0~~ 154.0?	140.0 a/
10. Bank/IDA	209.4	80.0	80.0	49.0	100.0 (62.8)	35.0 b/
Totals	945.0	425.0	431.0	249.7	400.2 387.2	320.2

a/ Exim Bank and AID would consider project loan requests on their merits.

b/ Excludes loans for certain high priority projects.

c Target not = pledge.

Probable future commitments

The Netherlands Assistance to Pakistan

for the quarter ending September 30, 1967.

A. No remarks on document Pak 67-20.

B. New commitments during the quarter:

Letter of intent dated July 6, 1967 for
1. fl. 8 million general purpose loan, 3% - 25 year incl. 7 year grace.
2. fl. 8 million additional facility for 10 year financial export credits.

Both facilities are meant for the fiscal year 1967/68. The loan mentioned under 1 has been signed on December 11, 1967.

C. Utilisation at September 30, 1967:

1. disbursements on total fl. 42 m. of general purpose loans: fl. 25,3 m.
2. utilisation of total fl. 40 m. facility for export credits: fl. 21,4 m.

Pak. Consortium Gen Files

Mr. P.C. Szasz September 18, 1967

L. Moreau L.E.M.

Pakistan Representation at Preliminary Meeting

The Embassy of Pakistan called today to advise that they had received a cable from Pakistan indicating that Mr. Uquaili, the Governor for Pakistan, will not attend the preliminary meeting of the Administrative Council to be held on September 23. In his place, Mr. M. Ayub, the ED for Pakistan, will represent that country.

Mr. Uquaili will be present for the formal meeting on September 25.

cc: Mr. K.S. Venkatraman

LMoreau:da

Tarbela Ti
Consortium (?)

Mr. Gordon M. Street

September 8, 1967

C.G.F.F. Melmoth

Pakistan: Missions

We have asked governments participating in financing the Tarbela project to nominate representatives with whom we could discuss bilateral aid procedures individually before a "summing up" meeting in late October or early November.

So far only Germany has nominated a representative (the others have been reminded). He is Dr. Elson - a Bonn official. Mr. Cargill anticipates that the other European countries will also nominate officials at home, and that it may be necessary to send a small mission to Paris, Bonn, Rome (and also take in London). I think a two man mission (1 Area, 1 Gibbs) spending two days in each place, probably late September - early October, would be sufficient. There is a possibility, however, that some of those concerned will be passing through Washington in connection with the Annual Meeting, and as soon as I know who the other representatives are I will try first to arrange talks here.

CGFFMelmoth:dp

CM.

Headquarters:
Washington, D.C., U. S. A.

Pak. Cons.
Mr Martin.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P. O. BOX 106, RAWALPINDI, PAKISTAN

Telephone 3301 · Cable Address - INTBAFRAD RAWALPINDI

Dep. Files
Copy

Letter No. 216
Registered

September 4, 1967

Mr. C.G. Melmoth
IBRD
Washington D.C.

Dear Christopher:

I have today sent you the following cable:

"129 FOR MELMOTH REMYCAB 121 EYE AIRMAILED TABLES TODAY"

5 copies of the tables are enclosed herewith together with the covering letter of September 2, 1967 from the Economic Affairs Division.

Yours sincerely,

Torgeir

Torgeir Finsaas
Resident Representative

Encls.

Pak. Corr.
M Weimoth

Headquarters:
Washington, D.C., U.S.A.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN PAKISTAN

P. O. BOX 106, RAWALPINDI, PAKISTAN

Telephone 701 - Cable Address - INTBANRAD RAWALPINDI

Pak. Corr.
Mr. Weimoth

Letter No. 216
Registered

September 4, 1967

Mr. C.G. Weimoth
IBRD
Washington D.C.

Dear Christopher:

I have today sent you the following cable:

"129 FOR WEIMOTH REWCAB 121 EYE AIRMAILED TABLES TODAY"

5 copies of the tables are enclosed herewith together with the covering letter of September 2, 1967 from the Economic Affairs Division.

Yours sincerely,

Torgeir Finsaas
Resident Representative

Encls.

Pak-Consortium

FORM No. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: SEPTEMBER 4, 1967 1430

LOG NO.: ITT 21/4

TO: INTBAFRAD

FROM: RAWALPINDI

ROUTING

ACTION COPY: MR. MEIMOTH

INFORMATION COPY: MR. CARGILL

DECODED BY: Mr Martin

TEXT:

129 FOR MEIMOTH

REMYCAB 121 I AIRMAILED LTABLES TODAY

FINSAAS

____AS RECEIVED.

FCA

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

TYPED

SEP 4 3 49 PM 1967

GENERAL FILES
COMMUNICATIONS

Pak. Cons.

Telegrams ECONOMIC

No. 1352 -EA(CRO)/67
GOVERNMENT OF PAKISTAN
PRESIDENT'S SECRETARIAT
ECONOMIC AFFAIRS DIVISION

Islamabad, September 2, 1967.

Dear Mr. Finsaas,

In accordance with the Consortium arrangements, I enclose a statement (with 5 spare copies) showing commitment and disbursement of foreign economic assistance from Consortium sources during July 1966-June 1967. Kindly have these forwarded to the World Bank at Washington.

Yours sincerely,

(Ijazuddin Ahmed)

Mr. Torgier Finsaas,
Resident Representative,
International Bank for Reconstruction & Development,
Suffolk House,
RAWALPINDI.

FORM NO. 57 INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

E 19

OFFICE MEMORANDUM

TO: Mr. Jean-David Roulet

DATE: August 31, 1967

FROM: Harold R. Shipman

SUBJECT: PAKISTAN CONSORTIUM - Water Projects

In accordance with your request, the following comments are offered in connection with the three projects shown in the Summary Description of Projects for the Pakistan Consortium:

1. Khulna Water Supply and Drainage Scheme - Phase 1

   a. The consulting firm which did the preliminary engineering work has a good reputation and some reliance can be placed on their cost estimate.

   b. A per capita cost of the improvement of US$7 is low and suggests that the project is not overly ambitious, although details of specific facilities to be provided are lacking.

   c. No provision is shown for management assistance and it is believed, based on experience with other water projects in the area, that provision of physical facilities alone usually results in a water system that is not maintained, is not financially sound and which will always be dependent on assistance from higher levels to effect next stage improvements and normal expansions.

   d. The project appears to be needed and merits support provided that assistance is also provided to improve management and operations.

2. Public Health Engineering Institute

   a. The consultants on this proposal are of excellent reputation and have been engaged in a country-wide study of water and sewerage problems and approaches to the solution of these problems. The proposed Institute is no doubt, part of the over-all approach being recommended.

   b. Based on costs of equipping similar facilities elsewhere and the diversity of training to be provided, the foreign exchange component of US$400,000 is probably not out of line.

c. There is a definite need for training of sub-professional personnel in water equipment maintenance and repair. There is also great need for training in water works accounting, clerical work, etc. Research, if confined to application, should also prove worthwhile and it is believed that this proposal should be supported. However, needed assurances on local staffing should be obtained from the G.O.E.P. and technical assistance to the staff for at least three years should be included. This will increase foreign and local costs.

3. Bulk Water Supply Scheme - Islamabad

a. Information presented leads to the conclusion that decisions have already been taken and construction started on a scheme which may not prove to be the most economic solution to the water supply problems for Islamabad for the next few years. There is no mention made of a competent engineering organization having been involved in the feasibility studies. Reference is made to discussions and consultations with WHO and others.

b. No consideration is given to improving the distribution system to receive the additional water, and it appears that this is not to be done since the project is labeled as a "bulk water scheme".

c. Mention is made that design of the dam is being done by a reputable Montreal firm but the name is not mentioned.

d. No reference is made to the organization and management aspects.

e. Since it is stated that first phase construction has already begun on the conduction main and filtration plant, the only element not yet under construction is the dam leading to the question as to whether, if this be true, there is need for external financial assistance , although it is said that 10 million rupees of foreign financing is required for the dam out of a total of 40 million rupees. There is doubt as to whether this is a good project.

f. Further information is required before a conclusion can be reached on the need and justification for external assistance on this project.

HRShipman/pbf

Pak - Consortium
M Mutum.

FORM No. 26
(6.65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: AUGUST 28, 1967 1230

LOG NO.: ITT 14 / 28

TO: INTBAFRAD

FROM: RAWALPINDI

ROUTING

ACTION COPY: MR. MELMOTH

INFORMATION COPY: MR. CARGILL

DECODED BY:

TEXT:

121 FOR MELMOTH

RE YOUR CAB 95 ADVISED BY EAD TABLES WILL BE AIRMAILED YOU BY SEPTEMBER 2ND. FOLLOWING UP

FINSAAS

IR

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

TYPED

PAK-Consortium Quarterly Report

Form No. 27
(7-61)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OUTGOING WIRE

TO: INTBAFRAD
RAWALPINDI

DATE: AUGUST 24, 1967

CLASS OF SERVICE: IBF GOVT.

R.C.H

COUNTRY: PAKISTAN

TEXT:
Cable No.: NINETYFIVE

GRATEFUL REQUEST EAD EXPEDITE PAKISTAN TABLES ON AID COMMITMENT AND DISBURSEMENT FOR CONSORTIUM QUARTERLY REPORT

MELMOTH

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME C.G.F.F. Melmoth

DEPT. Asia Department

SIGNATURE C.G.F.F. Melmoth

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

CJMarshall:cf

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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AUG 24 11 35 AM 1967

GENERAL FILES
COMMUNICATIONS

AUG 24 11 55 AM 1967

DISPATCHED

DISBURSEMENT FOR CONSORTIUM QUARTERLY REPORT

GRATEFUL REQUEST AND EXPEDITE PAKISTAN INPUT ON AID COMMITMENT AND

CABLE NO: MINEXTERNAL

COUNTRY: PAKISTAN

SERVICE: THE GOAL

CLASS OF

TO: INTERNAND
PAKISTANI

DATE: AUGUST 24, 1967

ONTGOING WIRE

CORPORATION	RECONSTRUCTION AND DEVELOPMENT	ASSOCIATION
INTERNATIONAL FINANCE	INTERNATIONAL BANK FOR	INTERNATIONAL DEVELOPMENT

FORM NO 53
(3-63)

FORM NO. 59
(2-55)

KHAN Ayub Mohammed
Field Marshall
PAKISTAN - Consort

CROSS REFERENCE SHEET

COMMUNICATION: Letter

DATED: August 10, 1967

Ack. by Mr. Knapp - letter dated August 16, 1967

TO: Mr. Woods

FROM: Field Marshall Mohammad Ayub Khan
Rawalpindi
Pakistan

FILED UNDER: INDUS BASIN DEVELOPMENT FUND - TARBELA Financing

SUMMARY: Ack. Mr. Woods letter dated July 28th, 1967 and expressing his appreciation in connection with the Tarbela Project.

Pak - Consortium

IDA | IBRD | IFC

FORM NO. 92 (10-61)

CORRESPONDENCE RECORD FORM

FROM	DATED
Embassy of Japan Washington D.C.	August 8,1967

SUBJECT Encl.copy of Quarterly report on AID to India and Pakistan -April-June 1967

Addressed to Mr.Mendels jad

REFERRED TO	DATE RECEIVED
Secretary's Dept.	August 9,1967

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Pakistan - General - Consortium Meetings - Correspondence 17	1704349

Document Date	Document Type
August 2, 1967	Memorandum

Correspondents / Participants
To: Mr. Christopher G. Melmoth
From: Jean Malaplate

Subject / Title
Tarbela Meeting

Exception(s)

Additional Comments
Declassification review of this record may be initiated upon request.

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	April 30, 2019

E-1

From the information received from Consortium members I have ascertained that the following recent agreements for aluminium and power distribution projects have been made. There may be others of which we are not yet aware.

(1) Canada gave a commodity grant for aluminium in the amount of US $540,000 in August 1966.

(2) Canada gave as a grant additional equipment for a transmission line, amounting to US $439,000 in September 1966.

(3) Canada signed an agreement in March 1967 for the construction of transmission lines and sub-station in connection with the East-West Interconnector. The amount was Canadian $10 million (US $9.3 million).

(4) France has provided under a guaranteed suppliers' credit of February 1967 the amount of US $2 million for equipment for the medium voltage electric network of Khulna and Kushtia.

CJMartin:dp
July 26, 1967

Project Aid Offered by Certain Members of The Pakistan Consortium

		Amount	Terms
France	1966/67	At least $5 million	(Ten years from delivery of equipment or completion of project; interest rate 5¼%
	1967/68	At least $5 million	(
Germany	1966/67	$25* million	Suppliers Credits: Ten years after delivery at annual market rate (has been 5.5%)
	1967/68	$25* million	
	* $7.5 million suppliers credits		Capital Aid: 25 years, 7 years grace, 3%
Italy	1966/67	At least $15 million	Ten years, grace period of 2 years, rate of interest less than 6%
	1967/68	- - - -	
U.S.	1965/66	$36.7 million	Usual AID terms
	1966/67	$14.0 million (to March 31) ($36 million under consideration)	

"Usual" project aid $72.5 (Exim Bank and AID)

Exim Bank terms: Up to 18 years, roughly 3 years of grace, interest rate approximately 5-1/2%.

56-Pak
cc-57 Pak
✓ -Consortium
Pak

Mr. C.G.F.F. Melmoth July 20, 1967

Jochen Kraske

Pakistan - Project Aid 1967/68
Pakistan Eastern Railway

Following are the comments of the Working Party on the railway projects listed in the "Summary Descriptions of Projects for the Pakistan Consortium 1967-68". Some of the projects listed in the Summary Description are fairly familiar from investigations carried out in connection with recent appraisal or supervision missions. This is especially true for the projects submitted by the Pakistan Western Railway. In these instances, the evaluation can be regarded as quite accurate. In other cases, notably with respect to some of the Pakistan Eastern Railway projects, knowledge is scanty and information somewhat out of date so that the evaluation given here can only be a tentative one. Before a responsible and authoritative report could be made to Consortium members on these projects we would at least have to review the respective feasibility studies if not send a mission to carry out a review in the field.

Pakistan Eastern Railway

Two general comments are in order before an evaluation of East Pakistan railway projects. One concerns the relative priority of railway investments. The physical conditions of the Province - many and large rivers, low lying areas with resulting flood hazards, scarcity of building materials etc. - make the construction of railway lines very costly. This makes it inherently difficult to justify railway projects economically; this is even more difficult as traffic growth has slowed down from a level of about 10% between 1955/60 to about 5% between 1960/64 due to increasing competition by roads and inland waterways. For these reasons, it is felt that investments in alternative modes of transport might offer better opportunities and field a higher rate of return. Strong indications to this effect are contained in the intermodule study carried out by the Transport Coordination Board in 1965 with the assistance of Mr. Brandreth who was then transport adviser to the East Pakistan Government. In connection with transport projects, the Bank has recently pressed for sector studies in the field of transport to establish priorities and to provide a basis for coordinated investment planning; the need for a thorough investigation of the transport sector would appear to be specially urgent in East Pakistan and no substantial investments in the railways should be carried out before such a study has been completed and evaluated. The second comment concerns the efficiency of the PER. The efficiency of the railway in East Pakistan has been notoriously low. Many of the problems like the shortage of rolling stock which are now used to justify additional investments could be alleviated if not solved if the efficiency of the railway's management and operation improved. Admittedly, the difficulties in operating a small and disintegrated railway system like the one in East Pakistan are substantial, but to a large extent the deficiencies can be traced back to the lack of experience of staff and management and to an antiquated, tedious and frustratingly inefficient organization. As a result of this, we have

experienced continuous and long delays with our railway projects in East Pakistan and the Working Party feels strongly that before we finance any further projects of PER we should ensure that they get some assistance to straighten out their managerial and organizational difficulties. PER is at present receiving advice on the reorganization of their accounting and statistical system by consultants financed under an AID grant. Although this work once it is completed will contribute to improving efficiency, the impact will remain limited for want of complimentary managerial assistance.

1. Rolling Stock

This item covers the requirements over the last four years of the present five-year plan. Included are locomotives, passenger carriages, freight wagons and a passenger steamer as replacement of worn out equipment at a total cost of $68 million equivalent of which $47.4 is in foreign exchange.

The proposed expenditure is in line with the allocation for this item under the Second Plan. However, we do not have figures for the actual Second Plan expenditures and suspect that actual expenditures have fallen considerably short of Plan targets. An assessment of this item is particularly difficult as the Summary does not give any breakdown into categories of rolling stock. Expenditures for locomotives would tend to give a good return through better rate of utilization of equipment, higher speed and lower operating cost. There is no doubt that the majority of wagons and carriages are over-aged and need replacing, and the last supervision mission recommended that PER in their future planning should concentrate on the replacement of over-age rolling stock. Priority should be given to the replacing of freight wagons since passenger traffic has been growing only slowly in recent years and given a low rate of return. Accordingly, the last supervision mission which visited East Pakistan in April 1966 recommended that less emphasis should be placed on passenger traffic, especially on lines where, it is claimed, line capacity is reaching saturation and where there is considerable demand for freight traffic.

2. Plant and Machinery

Plant and machinery is required for replacement or as balancing equipment in workshops, power houses, etc. The estimated cost of this equipment to be purchased between 1967/68 and 1971/72 is $3.5 million equivalent with a foreign exchange component of $2.1 million.

This item is considered justified and the amount proposed does not appear excessive. As a basis for comparison, the last IDA credit included $1.25 million for plant and machinery. If Bank/IDA were to finance another railway project in East Pakistan this would be one of the items which could be included.

3. Rehabilitation of Track

The proposal is for renewal of rails, sleepers, points and carriages on sections whose full life has been utilized. The rehabilitation would be

carried out during the remainder of the Third Five-Year Plan. Total cost is $15.7 million equivalent, including $9.6 million in foreign exchange.

There is a considerable backlog in track renewals which contribute to low line capacity. The 1966 supervision mission estimated that by 1970 about 630 track miles would be 50 years and older and about 490 miles 60 years and over. Nevertheless, the estimated amount required would appear to be on the high side consideraing limited implementation capacity. Since the material required would usefully be procured in free international competition this might be an item which could be included in a future Bank/IDA project.

4. Line and terminal capacity works

This item includes the upgrading of stations, construction of new crossing stations and remodelling of yards. The work would be carried out during the remainder of the present Plan period. The total cost is estimated at $8.4 million equivalent with a foreign exchange component of $2.5 million.

An evaluation would require a more detailed investigation of the works involved. Generally, improvements of this nature tend to add to efficiency and could have a very good rate of return.

5. Bridge Works

These works would include improvements of Hardinge Bridge and replacement of girders, abutments, etc. of old bridges. The works are to be carried out between 1966/67 and 1969/70. The total cost is estimated at $2.6 million equivalent out of which $0.8 million in foreign exchange.

This item is justified as part of normal maintenance works and also as part of efforts to modernize the railways, i.e. provide for heavier and faster trains and wagons. The estimated cost would not appear excessive. Materials required would advantageously be procured by international tender so that Bank/IDA financing of this item would be desirable.

6. Faridpur-Barisal Railway Line

This item covers the construction of a new broad gauge line between Faridpur and Barisal (83 miles). The line is expected to be completed within three years between 1967/68 and 1969/70. The total cost of the line is estimated at $15.5 million equivalent including a foreign exchange component of $6.5 million.

The construction of this line was included in the project submitted to IDA in 1964. It was our opinion that the scheme should be examined further before a final decision was taken; in particular, it was recommended to compare costs and benefits of alternative investments in a road with the proposed return. The results of these investigations make it seem inadvisable to proceed with the proposed railway line for economic reasons.

7. Doubling of Track

The scheme provides for doubling of track over about 140 miles of the Dacca-Chittagong line to increase sectional capacity. The scheme would be completed during the remainder of the Third Five-Year Plan. The total cost is estimated at $18.9 million equivalent with a foreign exchange component of $7.6 million.

The $10.0 million IDA credit of 1964 includes an allocation of $3.20 million for equipment and materials for double-tracking of about 43 miles of the Dacca-Chittagong main line. Those portions financed under the IDA credit were the most urgently needed ones in the immediate vicinity of Dacca and of Chittagong. Traffic forecasts indicate that traffic on other sections of this line will be near capacity or even exceed capacity in 1970. However, there is some doubt regarding those traffic forecasts; the traffic of agricultural commodities and the development of other modes of transport, notably construction of the Dacca-Chittagong highway. For these reasons we would still recommend a cautious approach. If the construction program is phased properly it could be expanded and accelerated if and when the traffic grows. It should then be met by double-tracking or by further improving traffic signalling and control.

Pakistan Western Railway

1. Rolling Stock

The rolling stock listed covers the expected requirements during the Third and Fourth Five-Year Plan periods primarily for replacement of old, worn out equipment and to a small extent for meeting additional demand expected to be generated during the Third Five-Year Plan. The total cost of the equipment is estimated at $149.0 million equivalent out of which $103.9 million in foreign exchange. Part of this scheme has already been financed. The requirements of rolling stock according to categories are given as follows:

The appraisal mission which visited West Pakistan in October 1966 has commented extensively on the Third Plan allocations. The mission found the provision for additional passenger cars adequate but the provision for replacement of old passenger cars far too low which would either restrict capacity below requirements or lead to uneconomic rebuilding of old cars. The allocation for additional freight wagons was regarded sufficient to meet the 1969-70 traffic demand. The provision for replacement could be adequate if utilization of freight cars were to improve somewhat. Plan provisions for locomotives were found to be short of requirements as far as additional locomotives are concerned as well as for replacement. The mission felt that the pace at which old steam engines are being replaced by diesel locomotives may deserve to be accelerated; the mission therefore recommended that the railway should carry out an economic study of the desirability of more rapid dieselization.

2. Rehabilitation and Reconstruction of Bridges

These works involve the rehabilitation and reconstruction of bridges on the main line to permit heavier loadings and to ensure their adequacy for present and future traffic requirements. These works are expected to be completed during the Fourth Plan having started in 1965/66. The total cost of the works is given as $5.04 million equivalent with a foreign exchange component of $1.50 million.

This item is considered well justified as a complementary investment to efforts to modernize train traffic and attain higher speed and loading capacity. The amount allocated for this item does not seem excessive. The item might be suitable for Bank/IDA financing.

3. Rehabilitation and Improvement of Track

The project would provide for the replacement of substantial mileages of worn out track. In addition, track sections of the main line between Karachi and Lalamusa would be improved and modernized to be able to carry heavier and faster traffic. Work on this item has already started in 1965/66; the project is expected to be completed during the Fourth Plan. The total cost of the project is estimated at $94.4 million equivalent including $57.2 million in foreign exchange. The recent Bank loan contributes $7.2 million towards this figure.

The appraisal mission in evaluating allocations under the Third Five-Year Plan came to the conclusion that the provision for track will not permit renewals to keep pace with estimated requirements and that the backlog of track miles to be renewed will increase substantially over the Third Plan period. The mission felt that the track renewal program deserved high priority because of a high rate of return and recommended that a study should be carried out to establish the economic costs and benefits of track and sleeper replacements and the significance of the current backlogs. In these circumstances, we do not hesitate to award this item high priority; it should form part of any Bank/IDA financed project in the future in the same way as past projects included significant sums for this purpose.

4. Replacement and Balancing of Plant and Machinery

This item would provide for replacement of over-age and obsolete tools and machinery and for balancing existing plant in workshops. The project will be completed during the Fourth Plan. The total cost is estimated at $6.6 million equivalent including $4.4 million in foreign exchange. $1.3 million is provided for this purpose under the recent Bank loan to PWR.

The estimated requirements for plant and machinery seem reasonable and the amount allocated for this purpose seems justified. Only such machinery as has finished its useful life and is not likely to give further reliable service has been included for replacement. Additional machinery is provided to enable the workshops to handle additional work arising during the Plan period.

Cleared with and cc: Messrs. Brandreth, Brechot, Grosvenor, Loh/Webb

JKraske:rk/pj JK by, AK

PAK Consortium

FORM No. 26
(6-65)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

INCOMING CABLE

DATE AND TIME OF CABLE: JULY 18, 1967 1741

LOG NO.: RC 29/18

TO: CARGILL INTBAFRAD

FROM: MILANO

ROUTING

ACTION COPY: MR. CARGILL

INFORMATION COPY:

DECODED BY:

TEXT:

FOLLOWING MY TELEGRAM FROM LAHORE AND AS CONSEQUENCE MEETING MILANO BETWEEN PAKISTANI DELEGATION AND EUROPEAN GROUP MR. GHULAM ISHAQ FELT MY PRESENCE WASHINGTON NOT NEEDED ANYMORE FOR REASONS HE WILL EXPLAIN PERSONALLY. LOOKING FORWARD NEXT BEST OCCASION KINDEST REGARDS

PANU

MT

FOR INFORMATION REGARDING CABLES, PLEASE CALL THE COMMUNICATIONS UNIT EXT. 2021

ORIGINAL

TYPED

JUL 18 1 07 PM 1967

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FORM No. 337D
(12-61)

XXX Miss Copeland
Mr.
Room 1067

Foreign Department II
S/V

Frankfurt am Main, July 4, 1967

Memorandum

Subject: Capital aid to Pakistan

Reference: World Bank Questionnaire PAK 64 - 10 of June 23, 1964

The following is the reply to the above-mentioned questionnaire, relative to the period April 1, 1967 to June 30, 1967:

A. New obligations during the period of the Report

1 (a) Loan agreement with the Islamic Republic of Pakistan

(b)	Borrower	Islamic Republic of Pakistan
	Lender	Kreditanstalt für Wiederaufbau, Frankfurt am Main
	Date	May 24, 1967
	Official title	Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM 50 million
(c)	Amount of loan	DM 50 million
(d)	Purpose of loan	Financing of goods and services to meet Pakistan's current civil import requirements
(e)	Rate of interest	3 per cent per annum
(f)	Repayment schedule	4 semi-annual instalments of DM 1,388,000, the first falling due December 31, 1974 and the last June 30, 1976; and 32 semi-annual instalments of DM 1,389,000, the first falling due December 21, 1976 and the last June 30, 1992
(g)	Estimate of disbursement	1967/1968: DM 50 million

TRANSLATION SECTION E-228/67
Translated From: German 7/26/67 By: JB/js

2 (a) Loan agreement with the Islamic Republic of Pakistan (IDBP 5V)

(b)	Borrower	Islamic Republic of Pakistan
	Lender	Kreditanstalt für Wiederaufbau, Frankfurt am Main
	Date	April 12, 1967
	Official title	Loan Agreement between the Kreditanstalt für Wiederaufbau and the Islamic Republic of Pakistan for DM 10 million (IDBP)
(c)	Amount	DM 10 million
(d)	Purpose of loan	Financing of investments of small and medium sized enterprises in the processing industry
(e)	Rate of interest	5 1/2 per cent per annum
(f)	Repayment schedule	30 semi-annual instalments of DM 322,000, the first falling due June 30, 1972 and the last December 31, 1986; and 1 semi-annual instalment of DM 340,000, falling due June 30, 1987.
(g)	Estimate of disbursement	1968: DM 8 million 1969: DM 2 million

B. Agreements expected shortly

The following loan agreements will probably be concluded during the next few months:

	Amount of loan	Purpose of loan
(a)	DM 6 million	Karachi congressional hall
(b)	DM 15 million	PICIC Development Bank

Black Book.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PAK - CONSORTIUM

CONFIDENTIAL

PAK 67-14

July 3, 1967

FROM: The Deputy Secretary

PAKISTAN CONSORTIUM

1. On page 3, paragraph 11, of the Chairman's Report of Proceedings of the Pakistan Consortium (PAK 67-11 dated June 20, 1967) held in London on May 31 and June 1, 1967, reference is made to the question whether the amount of aid in the pipeline was unusually large and had been taken into account adequately in assessing the level of aid now required. Attached, for information, is a memorandum prepared by the Bank entitled "Commitment, Disbursement and Pipeline of Foreign Aid."

2. On page 3, paragraph 11, line 6, of the Chairman's Report of Proceedings the words "other than for" should be deleted and replaced by the word "including".

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CONFIDENTIAL

COMMITMENT, DISBURSEMENT AND PIPELINE OF FOREIGN AID

1. This memorandum has been prepared by the Bank in response to a point raised by some members at the Tenth Meeting of the Pakistan Consortium held in London, May 31-June 1, 1967. Since Pakistan will have an aid pipeline (undisbursed commitments of consortium and non-consortium aid) of about $1 billion on June 30, 1967, it was asked why this pipeline could not be drawn down somewhat to meet the disbursements required to sustain the momentum of the development program, thus reducing the need for new commitments in 1967/68.1/

2. In the case of Pakistan as in other developing countries, the suppliers of foreign aid generally prefer to furnish aid for projects rather than on a nonproject basis. They also prefer to examine a project as a complete entity rather than in parts. Therefore, the so-called "segmentation" of projects for the purpose of trying to reduce the proportion of the total costs for which commitments are made at the inception of the construction period, has not been generally accepted by aid suppliers. Also, contractors normally wish to have reasonable assurance that the financing is in hand before undertaking the execution of a project. Thus both from the standpoint of aid suppliers and those utilizing aid, a substantial pipeline is inevitable. The problem of keeping the size of the pipeline within a reasonable relationship to annual disbursements and commitments therefore depends largely on the speed and efficiency with which projects are carried out once the commitment has been made, rather than on the segmentation of projects.

3. In the following paragraphs we show: (a) how disbursements during the last four years have compared with the amounts that would have been disbursed had the ratios between commitments and disbursements set forth in the Third Plan actually been achieved; (b) how commitments, disbursements and pipeline, and the relationship between them, would be expected to evolve under more or less standard conditions; and (c) how this evolution has actually occurred in the Pakistan program.

1/ Another and quite different question was raised about the level of uncommitted pledges. Since this is primarily a matter for bilateral discussions between Pakistan and aid suppliers, it is not dealt with in this memorandum.

4. Pakistan's Third Plan states that, for the average project about 10 percent of the committed funds will be disbursed in the first year, 25 percent in the second year, 35 percent and 20 percent in the third and the fourth year and the remaining 10 percent in the fifth year.1/ As for nonproject aid the Plan states that "experience so far shows that about 50 percent of commodity aid is disbursed within 12 months of its commitment."1/ After calculating a projected level of disbursement from these rates envisaged in the Third Plan applied to the aid actually committed, the results are then compared with actual disbursements (Table 1). This comparison shows that the rate of disbursement of project aid is not very much out of line with what was expected of it as far as the years 1963/64 and 1966/67 are concerned. There is, however, considerable discrepancy between the rate of disbursement of project aid in the intervening two years and the ex ante estimate. The lag in disbursement in 1965/66 however may be partly attributed to the disruption that was caused by the Indo-Pakistan conflict. It seems fair to conclude, however, that the schedule of disbursement/commitment rates for project aid cited in the Third Plan was somewhat on the high side in relation to actual experience.

Table 1

Actual Disbursements of Consortium Aid
Compared with the Level of Disbursement
Computed at the Rate Given in the Third Plan
(In millions of dollars)

	Project Aid		Nonproject Aid	
	Actual Disbursement	Ex ante Level of Disbursement Computed at the Rate Given in the 3rd Plan	Actual Disbursement	Ex ante Level of Disbursement Computed at the Rate Given in the 3rd Plan
1963/64	197	197	129	158
1964/65	236	289	128	178
1965/66	269	329	135	148
1966/67 1/	306 (Est.)	343	177 (Est.)	178

1/ Actual disbursements will probably be lower than these estimates.

5. As for nonproject aid, actual disbursements have been well below the ex ante estimates, but this was largely because commitments tended to be made relatively late in the various fiscal years. In any event, the pipeline problem for nonproject aid in general and for Pakistan in particular is not so significant, since nonproject aid is normally disbursed within a year or so of its commitment. In fact, apart from 1966/67 when the nonproject pipeline bulged because of the late commitment of a $70 million

1/ Third Five-Year Plan, June 1965, p. 93.

U.S. credit and some tardiness in the disbursement of Japanese and some Canadian credits, the nonproject pipeline has generally been a constant or diminishing percentage of nonproject aid commitments and disbursements.

6. Turning now to project aid, we will examine how the relationships among commitments, disbursements and pipeline would be expected to evolve under more or less standard conditions. We will assume that a project takes five years to complete; disbursement starts half way through the first year and ends half way through the sixth year. With commitments of 100 a year, the disbursement and pipeline pattern will be as follows:

Table 2

Hypothetical Case of
Aid Commitment, Disbursement and Pipeline

Year:	1	2	3	4	5	6	7	etc.
Commitments (C)	100	100	100	100	100	100	100	"
Disbursement of Yearly Commitments	10	20	20	20	20	10	--	
" " "		10	20	20	20	20	10	"
" " "			10	20	20	20	20	"
" " "				10	20	20	20	"
" " "					10	20	20	"
" " "						10	20	"
" " "							10	"
Annual Disbursement (D) =	10	30	50	70	90	100	100	"
Pipeline (P) (end of year) =	90	160	210	240	250	250	250	"
$\frac{D}{P}$ in percent	11.1	18.7	23.8	29.2	36	40	40	"
$\frac{C}{P}$ in percent	111.1	62.5	47.6	41.7	40	40	40	"

Thus we note that with constant yearly commitments, by the sixth year the ratio of disbursements to pipeline and of commitments to pipeline both stabilize at 40 percent. Until this stable situation is reached, the D/P ratio will be increasing and the C/P ratio decreasing. However, if the rate of annual commitment changes, both the D/P ratio and the C/P ratio also change. If commitments are increasing, the ratio of disbursement to

pipeline will fall and the ratio of commitments to pipeline will rise.1/ This may seem to aid suppliers to be a reflection on the country's aid utilization performance. However, it is an inevitable development with a growing absolute requirement for foreign assistance.

7. How does Pakistan's disbursement performance compare with the hypothetical standard case outlined above? There was an "initial" pipeline of $197 million at the start of the Second Plan. The following table shows what has happened from June 30, 1960 through June 30, 1967:

Table 3
Pakistan Experience
Project Aid Only

	(1) Commitments	(2) Disbursement	(3) Pipeline	(4) C'	(5) D/P	(6) C/P	(7) D/C
	(---Millions of U.S. Dollars---				(-----Percent-----		)
June 30, 1960			197				
1960/61	144	79					54.9
June 30, 1961			262		30.2	55.0	
1961/62	127	115		-17			90.6
June 30, 1962			274		42.0	46.4	
1962/63	340	138		+213			40.6
June 30, 1963			476		29.0	71.4	
1963/64	384	197		+44			51.3
June 30, 1964			663		29.7	57.9	
1964/65	340	236		-44			69.4
June 30, 1965			767		30.8	44.3	
1965/66	291	269		-149			92.7
June 30, 1966			789		34.1	36.9	
1966/67	363	306		+72			84.3
June 30, 1967			846		36.2	42.9	

1/ Assume, as in Table 2, that 10 percent of a commitment is disbursed in the first year. D_s is the amount of disbursement in the stable year and P_s is the pipeline at the end of that year. In the following year, commitments increase by C'. We have the following formula:
$D_s + 1/P_{s+1} = D_s + 10\%C'/P_s + 90\%C'$

Since this is less than D_s/P_s it is obvious that the ratio of disbursements to pipeline will decrease as long as C' is positive. The corresponding formula for the ratio of commitments to pipeline is as follows: $C_s + 1/P_{s+1} = C_s + C'/P_s + 90\%C'$

Since this ratio is higher than the C_s/P_s ratio, it is clear that the ratio of commitments to pipeline will increase as long as C' is positive.

8. Considering the uneven flow of commitments and the obvious variations in the program, etc., the relationship shown above is about as we would expect. Disbursements have grown at a fairly steady pace over the years despite the fact that commitments have not shown any upward trend (they have been quite stable except for the war year 1965/66) in the last five years. It is fair to say that Pakistan is approaching (albeit somewhat erratically) the "stable" condition where the ratio of both commitments and disbursements to pipeline will approximate 40 percent. The C/P ratio is coming down and D/P ratio going up. This is not to say that there is not room for improvement. If a year could be cut off the gestation period for the average project, the D/P and C/P ratios would stabilize at about 50 percent rather than 40 percent, and the aid pipeline would only need to be about double rather than two and a half times new commitments and disbursements. To achieve this may require both a change in the type and definition (more segmentation) of projects as well as administrative improvement.

9. Table 3 (column 7) shows the relation between disbursements and commitments of project aid during the Second Plan and first two years of the Third Plan for the development program as a whole. It will be noted that this ratio has been much higher in the Third Plan, averaging about 86 percent as compared with 57 percent for the Second Plan. Thus the build-up of the pipeline has been substantially slowed down in recent years, both in absolute terms and in relation to the level of disbursements.

10. To arrive at some conclusions as to the disbursement performance of the different sectors and executing agencies, we have calculated the percentage relationship between disbursements and commitments for the Second Plan period as a whole, on a sector and agency basis.

Table 4
Ratio of Disbursements to Commitments - Second Plan
By Sectors and Executing Agencies

A. Sector-wise	
I. Public Sector:	55.9
Agriculture	105.3
Water and Power	77.7
Industry	57.3
Transport and Communications	62.6
Physical Planning	16.4
Other	31.4
II. Private Sector	60.5
Agriculture	--
Water and Power	112.3
Industries	61.3
Transport and Communications	61.9
Fuel and Minerals	33.4
B. Executing Agencies - Total	57.0
East Pakistan	46.7
West Pakistan	67.8
Central Government	47.4
Private Sector	60.5

Of course, differences in the timing of commitments during the Plan period as well as the speed of disbursements affect these ratios. The favorable showings of agriculture and water and power in the public sector and the latter in the private sector are significant. In general the private sector was somewhat more prompt than the public sector in the utilization of aid, as was West Pakistan as compared with East Pakistan or the Center.

11. Conclusion. Pakistan's foreign aid pipeline, though quite large in relation to annual disbursements, is not out of line with what might be expected in a fairly rapidly expanding program with a high proportion of long gestation projects. The size of the pipeline and the relation between commitments, disbursements and pipeline appear to be stabilizing in the Third Plan.

12. The Pakistan performance conforms to what one would expect for a program in which the average project requires about five years to complete. If, either by improved administration or some segmentation of projects, this period could be reduced by one year, the size of the project pipeline could be reduced by 15-20 percent for a given level of disbursement. Thus, for a time, while the average gestation period was being reduced, commitments also might be smaller. Subsequently, of course, they would have to increase again in order to maintain the desired rate of disbursement.

13. Another way of achieving a given level of disbursement with a smaller pipeline would be by increasing the proportion of aid given in the nonproject form. This would mean, of course, that Pakistan would have to commit more of its own foreign exchange resources to project disbursements. The effect on its total reserve requirements would depend on a number of factors, particularly the stability of exports and of commitments from year to year of nonproject aid.

Asia Department
June 30, 1967