McNamara Papers

Folder 1: 4

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WBG Archives

PAKISTAN

1. 5/9/68 Ambassador Agha Hilaly

2. 5/17/68 M.M. Ahmad, Minister of Planning

3. 5/24/68 Sayed Amjad Ali, Premanent Representative of Pakistan to the UN

4. 10/7/68 M. Raschid, Governor, State Bank of Pakistan

5. 10/7/68 N.M. Uquaili, Minister of Finance
Ghulam Ishaq Khan, Secretary to Government of Pakistan, Ministry of Finance
Majad Ali, Joint Secretary, Ministry of Finance
A.R. Bashir, Economic Minister, Embassy

6. 10/9/68 Arshad Hussein, Foreign Minister
Ambassador Agha Hilaly

7. 11/15/68 (Islamabad) M.M. Ahmad, Deputy Chairman, Planning Commission
Ghulam Ishaq Khan, Secretary of Finance
S.S. Jafri, Secretary for Industries and Natural Resources
I.A. Khan, Secretary, Economic Affairs Division
S.M. Yusuf, Secretary for Foreign Affairs
Qamarul Islam, Secretary, Planning Division
Mahbub ul Haq, Chief Economist
Sartaj Aziz, Chief of International Economic Section, Planning Division
Shafiul Azam, Additional Chief Secretary, Planning and Development

8. 11/14/68 (Rawal.) Messrs. Robert Havener and Robert Edwards, Ford Foundation
(Filed in RMcN office)

11/14/68 (Peshawar) Chaudri Mohammed Ali, Vice Chancellor, Peshawar University

9. 11/15/68 (Rawal.) N.M. Uquaili, Minister of Finance

" M. Raschid, Governor, State Bank of Pakistan
S.A. Meenai, Exec. Dir., State Bank
A. Jamil Nishtar, Exec. Dir., State Bank

11/14/68 (Rawal.) President Ayub Khan

11/15/68 (Lahore) Mohammad Musa, Governor of West Pakistan

11/16/68 (Karachi) Met at dinner:
Khalid Wahid, President, Pakistan Federation of Chambers of Commerce and Industries; President, Firoze Sons Ltd. (drugs; printing industry)
G.M. Adamjee, Director, Admjee and Sons Ltd. (jute industry; cotton textile industry; insurance; banking
Mian Mohammad Bashir, Chairman, Mohd. Amin Mohd Bashir Ltd. (mainly cotton exports)
A. Jalil, Chairman, Amin Group of Companies (jute industry; jute import; oil refinery)
Iski Ispahani, Director, M.M. Ispahani Ltd. (jute industry; tea industry)

10.	11/17/68 (Karachi)	Ambassador Benjamin H. Oehlert, Jr.
11.	5/15/69	M. M. Ahmad, Deputy Chairman, Planning Commission Ambassador Agha Hilaly
12.	10/6/69	Nawab Mozaffar Ali Khan Qizilbash, Minister of Finance M. M. Ahmad, Deputy Chairman, Planning Commission Ghulam Ishaq Khan, Secretary, Ministry of Finance Mahbubul Haq, Chief Economist, Planning Commission Ambassaaor Agha Hilaly
13.	10/28/69	N. M. Uquaili, former Minister of Finance (Bank consultant for 6 months)
	3/30/70	" " " " "
	4/6-8/70 (Bellagio Conf.)	Dr. Nafis Sadik - Deputy Director-General, Pakistan Family Planning Council, Islamabad
14.	7/16/70	M. M. Ahmad, Deputy Chairman, Planning Commission
15.	10/25/70	President Yahya Khan - At Pakistan Embassy Residence luncheon
16.	9/24/70 (Copen.)	Nawab Mozaffar Ali Khan Qizilbash, Minister of Finance Ghulam Ishaq Khan, Secretary to Government of Pakistan, Ministry of Finance M. Syeduzzaman, Joint Secretary to the Government of Pakistan, Ministry of Finance
17.	2/17/71	Ambassador Agha Hilaly
18.	5/5/71	Prof. Rehman Sobhan, Economics Dept., Dacca University, East Pakistan
19.	5/13/71	M. M. Ahmad, Deputy Chairman, Planning Commission Sartaj Aziz, Chief, International Economic Section, Planning Division
20.	6/11/71	Dr. Nural Islam
	6/28/71	Dr. Nural Islam
21.	7/9/71	Hamidul Huq Chowdhury, East Pakistan Mahmood Ali, East Pakistan Ambassador Z. M. Farooqi (Ambassador to Singapore, assigned to the Embassy in Washington as Deputy Chief of Mission during Pakistan crisis)
	7/15/71	Ambassador Z. M. Farooqi
22.	9/29/71	S. U. Durrani, Governor, State Bank of Pakistan Aziz Ali F. Mohammad, Adviser, Ministry of Finance M. Syeduzzaman, Joint Secretary, Ministry of Finance A. R. Bashir, Economic Minister, Pakistan Embassy
	10/8/71	Ambassador Agha Hilaly -- farewell call

23.	11/30/71	Ambassador N.A.M. Raza
24.	1/29-30/72	Mr. McNamara's impressions on visit to Pakistan (Filed in RMcN office).
	1/29/72 (Islamabad)	M. M. Ahmad, Adviser, Foreign Loans & Consortium
	"	Robert H. Edwards, Ford Foundation Representative
25.	1/29/72 (Islamabad)	Dr. Mubashir Hasan, Minister of Finance M. M. Ahmad, Adviser, Foreign Loans & Consortium Ghulam Ishaq, Governor, State Bank of Pakistan M. Raschid, Deputy Chairman, Planning Commission A.G.N. Kazi, Finance Secretary S.S. Iqbal Hossain, Secretary, Economic Coordination and External Affairs Division, Secretariat of the Presidency (ECEAD) Aziz Ali F. Mohammad, Economic Adviser, Ministry of Finance Dr. Moinuddin Baqai, Joint Secretary, ECEAD Majid Mufti, Joint Secretary, ECEAD Zafar Iqbal, Joint Secretary, ECEAD
	"	President Zulfikar Ali Bhutto
	"	Vice President Nurul Amin
	"	J. A. Rahim, Minister of Presidential Affairs
26.	1/30/72 (Rawalpindi)	M. M. Ahmad, Adviser, Foreign Loans ¢ Consortium A. G. N. Kazi, Finance Secretary Ghulam Ishaq, Governor, State Bank of Pakistan S. S. Iqbal, Joint Secretary, ECEAD Aziz Ali F. Mohammad, Economic Adviser, Ministry of Finance Dr. Moinuddin Baqai, Joint Secretary, ECEAD
	1/20-30/72	<u>Others possibly met</u>: Mian Mahmoud Quasuri, Minister of Law Justice Fazulah Khan Kunti (retired), Government Administration Sheikh Mohammed Rashid, Minister of Social Welfare, Health and Family Planning Raja Tridev Roy, Minister of Minority Affairs (Chief of the Chakma Tribes, East Pakistan) Ghulan Mustafa Jadoy, Minister of Political Affairs, Communications, and Natural Resources Malik Maraj Khalid, Minister of Food, Agriculture, and Underdeveloped Areas Abdul Hafiz Pirzada, Minister of Education, Information and Broadcasting Mohammed Hanif, Minister of Labour, Works and Local Bodies
27.	2/26/72	Ambassador N.A.M. Raza
28.	6/12/72	Sultan Mohammad Khan, Ambassador of Pakistan
29.	9/26/72	Qamarul Islam, Deputy Chairman of the Planning Commission A. G. N. Kazi, Finance Secretary Ghulam Ishaq Khan, Governor of the State Bank

	4/23/73	Ambassador Sultan Mohammad Khah
30.	1/3/74	Ambassador Sahabzada Yaqub-Khan
	4/16/74 (UN,NY)	Mubashir Hasan, Minister of Finance
31.	10/3/74	Mubashir Hasan, Minister of Finance Abdul Majid Mufti, Economic Minister, Pakistan Embassy
√ 32.	2/4/75	Prime Minister Zulfikar Ali Bhutto Aziz Ahmed, Minister of State for Foreign Affairs A. G. N. Kazi, Secretary of Finance Ambassador Sahabzada Yaqub-Khan Abdul Majid Mufti, Economic Minister of Embassy
	2/5/75	Dinner at the White House honoring the Prime Minister
	2/6/75	Prime Minister's dinner at the Shoreham
33.	2/20/75	Ambassador Sahabzada Yaqub-Khan Abdul Majid Mufti, Economic Minister of Embassy
√ 34.	9/4/75	Rana Mohammad Hanif, Minister of Finance A. G. N. Kazi, Secretary General, Ministry of Finance and Economic Coordination Abdul Majid Mufti, Economic Minister, Embassy of Pakistan
35.	4/30/76	Ambassador Sahabzada Yaqub-Khan Abdul Majid Mufti, Economic Minister ofEMbassy
36.	11/11-12 1976 (Punjab)	Nawab Sadiz Hussain Qureshi, Chief Minister of the Punjab M. Nasim, Secretary of Agriculture for the Government of Punjab Dr. Amir Mohammad, Vice Chancellor of the Agricultural University in Lyallpur Safar Husain Kazmi, Secretary, Industries Department, Punjab
	11/13 (Rawalpindi)	Prime Minister Ali Bhutto Mrs. Bhutto
	11/13 (Islamabad)	Mohamed Yusuf Khattak, Minister for Fuel, Power and Natural Resources Rana Mohammad Hanif Khan, Minister of Finance A.G.N. Kazi, Secretary-General, Finance and Coordination V. A. Jafarey, Secretary of Planning Aftab Ahmad Khan, Secretary, Economic Affairs I. A. Imtiazi, Secretary for Food and Agriculture Rauf Shaikh, Secretary for Finance Masaur Hasan Khan, Secretary for Fuel, Power and Natural Resources Ejaz Ahmad Naik, Secretary of Commerce M. Rafi Raza, Minister for Production Mr. Awan, Secretary of Production Babar Ali, Chairman, Fertilizer Corporation of Pakistan John Cool, Representative of the Ford Foundation

36. (Cont)	11/13 (Islamabad)	S. A. Choudhary, Adviser to the Prime Minister (Agriculture)
	(Tarbela)	Abdul Hafeez Pirzada, Minister forEducation and Provincial Coordination Major General Fazle Raziq, Chairman, WAPDA
37.	11/11-14/76	RMcN Notes (Filed in RMcN office).
38.	12/15/76 (New York)	Iqbal Akhund, Ambassador to the United Nations
	2/9/77	Sartaj Aziz, Society for International Development (Also: IFAD)
	6/6-9/77 (Bellagio, Denmark)	Badruddin Zahidi, Secretary, Population Planning Division, Pakistan Secretariat
	8/15/77	Ambassador Sahabzada Yaqub-Khan (Lunch at the Bank)
	2/1/78	Ambassador Sahabzada Yaqub-Khan (Lunch at the Bank)
39.	5/2/78	Ambassador Yaqub-Khan
	7/26/78	Dinner at the Embassy of Pakistan - hosted by Ambassador Yaqub-Khan in Mr. McNamara's honor
40.	10/3/79 annual meeting	Ghulam Ishaq Khan, Minister of Finance
41.	3/28/81 (Rawalpindi)	President Mohammad Zia-ul-Haq Chulam Ishaq Khan, Minister of Finance Ejaz Naik, Secretary of Planning and Economic Affairs, Ministry of Finance Mr. Beg, Secretary, Finance At dinner: Major General Rao Farman Ali, Minister of Petroleum Foreign Secretary Shahnawaz General Arif, Military Secretary to the President
	3/29/81 (Peshawar) North-West Frontier Province	Captain U. A. G. Isani, Chief Secretary Mr. A. Rauf Khan, Secretary Irrigation Sahibzada Muhammad Ayaz, Secretary Agriculture Imtiaz Ahmad Shaibzada, Additional Chief Secretary, Planning and Dev. Karim Khan, General Manager (Water), North WAPDA Zaman Khan, Project Direc tor, SCARP Mardan

41. (Con't)

3/30/81 Agriculture Sector, GOP

Mr. Ejaz Naik, Secretary, Planning and Development
A. Sami Qureshi, Secretary, Ministry of Food and Agriculture
Amir Mohammad, Chairman, PARC
Jamil Nishtar, Chairman, Agricultural Development Bank of Pakistan
Jawaid Azfar, Joint Chief Economist, Planning and Development Division
Wahab Sheikh, Secretary, Ministry of Water and Power
Major General Fazle Raziq, Chairman, WAPDA
Ihsan-ul-Haq, Pakistan Embassy in Washington

3/30/81 Energy Sector

Major General Rao Farman Ali, Minister of Petroleum
Raja Sikandar Zaman, Minister of Water and Power
Abdul Wahab Sheikh, Secretary, Water and Power
M. Masihuddin, Additional Secretary, Petroleum
General Fazle Raziq, Chairman WAPDA
Munir Ahmed Khan, PAEC
Iftikharuddin Ahmed, OGDC

Industrial Sector

Lt. General Saeed Oadir, Minister of Production
Elahi Bux Soomro, Secretary, Production
Iqbal Saeed, Addtional Secretary, Industries
M. I. K. Khalil, Additional Secretary, Production
Kunwar Idrees, Additional Secretary, Production
A. K. Tanveer, Additional Secretary, Industry

Education and Health

Muhammad Ali Khan of Hoti, Minister of Education
Nasiruddin Jogezai, Minister of Health and Social Welfare
Ab dul Ali Khan, Secretary Education
S. B. Awan, Secretary, Health
Mirza Musheer Ahmed, Deputy Educational Adviser
S. Hassan Shah, Ministry of Education
M. Afzal, Adviser, Higher Education

Population

Attiya Inayatullah, Adviser to the President
Dr. Roshan

41. (Con't)
3/30/81 — Ministry of Finance

Finance Minister Ghulam Ishaq Khan
H. U. Beg, Secretary Finance
Qazi Aleemullah, Joint Secretary (External Finance)
Jawaid Azfar, Joint Chief Economist,
Rahatullah Khan, Joint Secretary, Economic Affairs Div.

3/31/81
(Quetta) — Governor of Baluchistan

3/31/81
(Sind) — M. Masud Zaman, Chief Secretary of Sind
R. A. Akhund, Additional Chief Secretary, Planning and Development
Manzoorul Hasan, Secretary Industries (Sind)
Abdul Karim Lodhi, Secretary Finance (Sind)
S. M. Wasim, Secretary Agriculture (Sind)
H. M. Dahar, Secretary Irrigation (Sind)

3/31/81
(Karachi) — A. G. N. Kazi - Governor, State Bank
Naseem Saigol - Chairman, Extile Assn
Bashir Ahmad Managing Director, PICIC
Zafar Iqbal - Chairman, NDFC
N. M. Uqualli - Chairman, PICIC
General Khattak
Iqbal Saeed - Secretary, Ministry of Industries

42. 3/81
(Pakistan) — RMcN Notes

6/8/81 — Prince Sadruddin, The Aga Khan

PAKISTAN

[illegible]

May 9, 1968

MEMORANDUM FOR THE RECORD

Today, during a courtesy call by the Pakistan Ambassador, I mentioned to him my personal interest in examining the possibility of developing an India-East Pakistan water program for the Ganges and Brahmaputra Rivers, pointing out that it would affect the lives of 175 million people and the future of an area with immense political and economic potential.

He leaped at the suggestion and stated his government would be immensely interested in having me pursue the idea.

Robert S. McNamara

Form No. 57A

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

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 9, 1968

FROM: Raymond J. Goodman RJG

SUBJECT: Pakistan - Call by the Ambassador

His Excellency Agha Hilaly, the Ambassador of Pakistan is to pay a courtesy call on you at 3:30 this afternoon.

Mr. Hilaly has been Ambassador in Washington since 1966, after a succession of ambassadorial posts since becoming the Deputy Secretary of the Ministry of Foreign Affairs and Commonwealth Relations of the Government of Pakistan at the time of the partition of Pakistan and India in 1947. After leaving the Ministry of Foreign Affairs as acting Secretary, Mr. Hilaly was Ambassador to Sweden and Minister to Norway, Denmark and Finland (1956-1959), Ambassador to the USSR (1959-1961), and High Commissioner in India (1961-1963). He was High Commissioner in the United Kingdom and Ambassador to Ireland from 1963 until coming to Washington.

Before partition he was a member of the Indian Civil Service (and, I believe, a contemporary although not a particular friend of Mr. Jagannathan, the present Executive Director for India) and served in senior posts in the Ministries of Finance, Agriculture, Food, Commerce and Education. He was educated at the Universities of Madras and Cambridge.

Mr. McNamara - for your visit with Ambassador
Hilary, please.

FORM No. 57A

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

OFFICE MEMORANDUM

RBS 5/9

TO: Mr. Rainer B. Steckhan

DATE: May 9, 1968

FROM: C.G.F.F. Melmoth CGM

SUBJECT: Pakistan - Visit of Ambassador

I attach a brief for Mr. McNamara for this afternoon's call by the Ambassador of Pakistan. Mr. Goodman has asked me to explain, in case Mr. McNamara raises the point, that we have excluded any reference to current operations in Pakistan because the Ambassador does not normally get involved in our operations except on unusually important matters like Tarbela.

Currently, our main preoccupation is with the Pakistan Consortium meeting on May 21-22, for which an influx of senior officials from Pakistan is expected, headed by Mr. M.M. Ahmad, the Deputy Chairman of the Planning Commission, who is to call on Mr. McNamara on May 17. The major preoccupation of Pakistan at the present time is the hardening terms and lessening quantity of external aid, highlighted by a deep disappointment at the intimation that the future share of IDA funds will be less than it has been in the past. Current operations which may reach negotiation stage by the end of June: two fertizer plants ($32 and $28 million), a gas pipeline project (to supply natural gas feedstock to the fertilizer plants)($12 million), and a highway project in West Pakistan ($40 million).

Attachment
cc: Mr. Cargill

President has seen

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May 17, 1968

MEMORANDUM OF CONVERSATION WITH MR. M. M. AHMAD, MINISTER OF PLANNING, PAKISTAN

Among other points, I emphasized to Ahmad that it was absolutely essential for Pakistan and India to begin to work together on preparing a plan for developing the water resources of the Ganges-Brahmaputra Basin. I stated that such a joint study could not begin unless it were started and approved by President Ayub and Madame Gandhi. I urged that he emphasize to his government the importance of initiating such a step. He reported what I already knew, that is that discussions at a low technical level were scheduled to take place this week. He will query Rawalpindi regarding the outcome of these discussions and report the information to me. He agreed that it would be necessary for Ayub to personally push this project and he will urge him to do so. I stated my willingness to work with both Heads of State to move it forward. I added that unless the two countries joined together in studying the problem and developed complementary programs which assured that the investment of one would not be destroyed by the action of the other, the Bank would not be able to participate in the financing of the East Pakistan water development projects included in the new five-year plan.

RMcN

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

OFFICE MEMORANDUM

TO: Records

DATE: May 27, 1968

FROM: I. P. M. Cargill

SUBJECT: PAKISTAN: Call by Mr. Syed Amjad Ali

Mr. Amjad Ali, former Pakistan Ambassador to the U.S., called on Mr. McNamara today. In the course of the conversation, Mr. Amjad Ali referred to conversations he had had through the years with many people including Mr. Black and Mr. Woods about the possibility of stabilizing commodity prices by building up stockpiles to be financed by some international agency. He said that in his view this was a more appropriate function for the Fund than for the Bank but previously, when he had made this proposal to the Fund, the Fund had decided that its Articles would not permit it to engage in such activity. He asked Mr. McNamara to think about the problem. In reply Mr. McNamara said that the stabilization of commodity prices had been engaging the attention of many people and that currently the Fund and the Bank were doing a joint study which had been requested by the Governors at Rio. He would have to await the completion of this study but would bear in mind Mr. Amjad Ali's remarks.

Mr. Amjad Ali went on to stress the importance of population control and urged that the Bank should take a lead in supporting population control programs and giving them fresh impetus. Mr. McNamara said that the Bank was taking an increasing interest in this problem, but he was not yet certain what form of action the Bank could take to stimulate these programs. He agreed that seeking a solution of the problem was of highest economic importance and assured Mr. Amjad Ali that the Bank would do whatever it could appropriately do to help.

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FORM No. 57

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

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 23, 1968

FROM: Raymond J. Goodman RJG

SUBJECT: PAKISTAN: Call by Mr. Syed Amjad Ali

Mr. Syed Amjad Ali is to pay a courtesy call on you at 2:00 tomorrow afternoon, Friday, May 24.

Mr. Ali has had a very successful career both in Pakistan and in international organizations.

In 1931, he was appointed Secretary of the Muslim Delegation at the Round Table conference in London. In 1937 he became a member of the Punjab Legislative Assembly. After having spent some years as Economic Minister with the Pakistan Embassy in Washington, he was appointed Pakistan Ambassador to the United States from 1953 to 1955. From 1955 to 1958 he was Minister of Finance of Pakistan. In 1961 he was appointed Chairman of Pakistan's Industrial Promotion Board and in 1964 Permanent Representative of Pakistan to the United Nations, a position which he held until 1967.

He was the leader of the Bank's survey mission to Kuwait in 1961. He has taken a particular interest in UNCTAD.

Mr. Amjad Ali also is a former President of ECOSOC and a former Chairman of the first UNCTAD Board

Mr. Amjad Ali now is the Chairman of the UN Committee on Contribution Assessments. This Committee is to report to the UN Assembly on the adequacy of contributions of the member countries to the UN to cover its costs.

RBS 5/24

President has seen

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FORM No. 57

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

OFFICE MEMORANDUM

TO: Records

DATE: October 7, 1968

FROM: C.G.F.F. Melmoth CGM.

SUBJECT: Pakistan: Courtesy Call by Governor of the State Bank

Mr. M. Raschid, Governor of the State Bank of Pakistan, paid a courtesy call on Mr. McNamara this morning.

Mr. Raschid said his purpose was simply to pay his respects to Mr. McNamara and not to raise any matters of substance. He added, however, that he had much appreciated the views which Mr. McNamara had expressed in his speech in the course of the Annual Meeting. He also expressed the hope that in the course of his forthcoming visit to Pakistan, Mr. McNamara would spare time to visit the State Bank in Karachi. Mr. McNamara said that he had been much impressed by Pakistan's achievements in development in recent years despite various difficulties, and he was looking forward to his visit to Pakistan. The timing and details of his visit had not yet been settled and he was not sure whether he would be able to call on the State Bank, but this possibility would certainly be considered.

Mr. Raschid said that he would like to have the opportunity of enlarging on the problems Pakistan faced in financing its development, and he hoped that the Bank Group would be able to provide more assistance as he believed that, although it was important to get as much aid on soft terms as possible, the quantum of aid was probably more important than the terms on which the aid was made. It would also be important to deal with the situation which would arise as the result of the decline in U.S. aid, particularly in the field of providing finance for commodity imports. Mr. McNamara said he was inclined to agree that Pakistan could probably absorb rather more Bank loans than had earlier been intended. On the question of non-project aid, or program aid, he was sympathetic towards the view that the Bank should help by providing program loans of this kind already extended mainly to India, but it was clear that there was considerable opposition to the policy of providing IDA credits to finance imports and, even more, to providing such finance on Bank terms. He hoped, however, that in the coming months the result of further consideration of the possibility might bring about some change in the present attitude.

Mr. Raschid enquired whether Mr. McNamara would visit East Pakistan in the course of his coming visit. Mr. McNamara said that although he might not be able to visit East Pakistan on this occasion, he certainly wished to use the opportunity of his visit to discuss East Pakistan's problems, because he thought the difficulties to be overcome

President has seen

in increasing the rate of economic growth were greater than in West Pakistan.

Mr. Raschid concluded by repeating that he hoped that he would have the opportunity of seeing Mr. McNamara in the near future in Karachi.

cc: Mr. McNamara
Mr. Knapp
Mr. Cargill
Mr. Goodman/Mr. Street

CGFFMelmoth:dp

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Mr. McNamara - to see please.
NBS 10/16

FORM No. 57

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

OFFICE MEMORANDUM

TO: Records

DATE: October 15, 1968

FROM: C.G.F.F. Melmoth [initials]

SUBJECT: Pakistan: Annual Meeting Discussions

On October 7 Mr. N.M. Uquaili, Finance Minister of Pakistan, called on Mr. McNamara. He was accompanied by Mr. S. Osman Ali, Mr. Ghulam Ishaq Khan, Mr. Majid Ali and Mr. A.R. Bashir. Mr. Knapp, Mr. Friedman, Mr. Cargill and Mr. Melmoth attended the meeting.

Mr. Uquaili said that he intended only to make a courtesy call and would not, therefore, wish to discuss in any detail particular matters, but he wished to indicate a few matters which he was taking the opportunity to discuss in the Bank while he was in Washington. First, he was glad to know that Mr. McNamara would shortly be visiting Pakistan, and said that he would wish to make Mr. McNamara's visit as pleasant and as useful as possible. Mr. McNamara said that Pakistan's achievements in recent years had been very impressive and he was looking forward to going to Pakistan very much. His plans were not yet firm, but he hoped that in the few days he would be in Pakistan he would be exposed to a broad range of Pakistan's problems, so that he could be more helpful in considering these matters back at the Bank. The matter was left that Mr. McNamara expected to settle his plans in the course of the week, and that Mr. Cargill would meet with Mr. Osman Ali and Mr. Ghulam Ishaq Khan to settle a program.

Mr. Uquaili said the second matter he wished to refer to was his proposal that the Government should employ general consultants to provide advice as to how more use could be got out of existing assets. What he had in mind was that some of the Government corporations were not very efficient. He instanced the Power Wing of WAPDA and the Railways, and in some of the industrial sectors production efficiency was low. He had in mind that the general consultants would provide specialists in various fields to make recommendations for the upgrading of performance. He hoped that since the implementation of the proposal would involve foreign currency costs which he estimated tentatively at around $5 - 6 million, the employment of the consultants could be financed by IDA. Mr. Knapp said that while he agreed that the proposal was a good one, similar proposals had been made by other members in the past, but the Bank did not undertake the financing of the employment of general purpose consultants, particularly those concerned with operations solely. Mr. Cargill said that he had already indicated to Mr. Uquaili that the employment of general purpose consultants would be difficult to accommodate, but he thought we could leave the idea open for further consideration as it might be possible to cover at least part of the ground in conjunction with lending operations. Mr. McNamara agreed that the question should be left for further consideration.

Mr. Uquaili said a further matter which he wished to bring to Mr. McNamara's attention was the urgent need for commodity financing assistance through IDA, so as to enable Pakistan to provide raw materials for industry to enable the existing plants to operate at full capacity. He mentioned that the low lift pump project for East Pakistan was an important one and financing the import of raw materials would enable these pumps to be manufactured locally.

Mr. Uquaili then went on to refer to the earlier understanding that Pakistan and the Bank would consult before approval to go ahead with the construction of a third fertilizer plant was given. The Government now considered a third plant was justified and arrangements had been made for a detailed review of the situation.

Mr. McNamara said that Mr. Uquaili's remarks about commodity financing raised the question of program financing as distinct from project financing. This was a matter of some difficulty which he would prefer to discuss further when he visited Pakistan. He noted that arrangements were being made to review the justification for a third fertilizer plant.

Mr. McNamara then enquired about the relations between East and West Pakistan. Mr. Uquaili said he foresaw no major problem. The breakthrough in agriculture which had been experienced in West Pakistan had not been matched in the East, and therefore more help to East Pakistan would be needed. In reply to an enquiry from Mr. McNamara, Mr. Ghulam Ishaq Khan said that the disparity in economic development between the East and the West was being reduced. Last year the rate of growth in East Pakistan had been 8.6 percent compared with 8 percent in West Pakistan. Separate statistics were not compiled for the per capita income, but he thought that the comparative figures were of the order of Rs. 380 in West Pakistan and about Rs. 340 in East Pakistan. To narrow the gap further, in the last two years public sector allocations of expenditure had been 53 percent for East Pakistan and 47 percent for West Pakistan. The Government was providing extra incentives for development in East Pakistan such as a bigger fertilizer subsidy, lower rates of import duty and taxation incentives for private industry. Mr. Ghulam Ishaq Khan went on to say that what they were attempting to do was to reconcile the sector approach and the regional approach in allocating funds, bearing in mind that measures to reduce the disparity between the regions would only be financed by resources produced from the sectors having the greatest potential room for expansion. Mr. Uquaili added that the Government had inherited a difficult situation because West Pakistan had got off to a better start, particularly because private industry was already well established in West Pakistan, whereas East Pakistan had very little in the way of facilities or private enterprise at the time of partition. East Pakistan had been substantially behind, but the Government was constantly reviewing policy with a view to narrowing the gap between East and West Pakistan. Mr. McNamara said he was glad to hear that the Minister took such an optimistic view of the prospects of reducing the disparity between the East and the West, and was interested to learn that the disparity between per capita incomes was not so great as he had thought was the case. He was also glad to learn that attention was being given to these problems as he thought it was important to find the right solutions to them.

Mr. Ishaq Khan remarked that the Government attached importance to the review of Pakistan's debt servicing capacity. Although exports in the recent past had grown at the rate of 10 percent per annum, the burden of maintaining the pace of development was resulting in the debt service rising to about 17 - 18 percent of export earnings. With a continuing shortfall in Consortium assistance, a serious problem could soon arise. The problem was created through the bunching effect of using suppliers' credit when other assistance was inadequate, and Pakistan needed assurance of the continuance of long term aid. Mr. McNamara said that the Bank would be carrying out debt service studies in depth, but in the short run there was little that the Bank could do to meet the situation caused by the delay in replenishing IDA. The Bank had proposed that several projects which were to have been financed by IDA should be financed by Bank loans for a longer term and with a longer grace period. He had already indicated that in view of Pakistan's potential debt service situation, when IDA funds became available it would be necessary to see that a larger proportion of the assistance to Pakistan was from IDA.

Mr. Uquaili thanked Mr. McNamara for the opportunity to raise these matters with him and said that he looked forward to further discussions in the course of Mr. McNamara's forthcoming visit.

Cleared by Mr. Cargill

cc: Mr. McNamara
Mr. Knapp
Mr. Cargill
Mr. Goodman
Mr. Street

CGFFMelmoth:dp

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Form No. 57

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

OFFICE MEMORANDUM

TO: Records

DATE: February 18, 1969

FROM: I. P. M. Cargill Library

SUBJECT: PAKISTAN: Mr. McNamara's Meeting with Mr. Arshad Hussain

Mr. Arshad Hussain, the Pakistan Foreign Minister, and Mr. Hilaly, the Ambassador, called on Mr. McNamara on October 9, 1968. Mr. Arshad Hussain explained that until recently he had been the Pakistan High Commissioner in New Delhi and since his appointment as Foreign Minister was paying visits to major countries with which Pakistan had close relations. Since he was in Washington, he wished to call on Mr. McNamara in view of the close and major involvement of the Bank group in Pakistan's economic development efforts. He said that Pakistan was grateful to the Bank for its help in promoting and managing the consortium through which the greater part of Pakistan aid came. Pakistan's economic progress had on the whole been satisfactory but the Government was conscious of progress in some sectors, particularly the social sectors. One of the reasons for lack of investment in these sectors had been the excessive burden on the budget created by defense expenditures. Pakistan had three large neighbors and, being a small country, it had to maintain friendly relations with all three. Since the 1965 war with India, there had been great pressure to increase defense expenditures; and this pressure was continuing because of mounting evidence that India was increasing its defense expenditures. He hopes that the President would be able none the less to keep defense expenditures at a reasonable level.

The Minister referred to the Eastern Waters Dispute and touched on the fears that Pakistan had of considerable economic damage that might be done by the completion of the Farakka Barrage in Indian territory. He asked whether the Bank could help in helping the parties to reach some solution.

Mr. McNamara in reply thanked the Minister for taking the time to call on him. He noted what the Minister had said about defense expenditures and felt that Pakistan was right not to try to provide for the security of its frontiers by heavy reliance on armaments which at no feasible level could, in fact, achieve this objective. With regard to the Eastern Waters, Mr. McNamara said that the Bank was naturally interested that India and Pakistan should reach a satisfactory agreement about the use of waters but could do little unless both parties wished to have the Bank involved. He pointed out that the Bank was intensifying its technical assistance to East Pakistan with particular reference to water use and that the information thus developed would have a bearing on the discussions with India.

In the course of further conversation, the Minister mentioned that there was little evidence that foreign powers were trying to create political problems and difficulties inside Pakistan.

FORM No. 57

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

OFFICE MEMORANDUM

TO: Mr. Rainer B. Steckhan

DATE: October 9, 1968

FROM: C.G.F.F. Melmoth CM.

SUBJECT: Pakistan: Courtesy Call by the Foreign Minister Mr. Mian Arshad Hussain

I understand the Foreign Minister has an appointment with Mr. McNamara at 11 a.m. this morning.

Mr. Hussain was appointed Foreign Minister of Pakistan in May this year, having been Pakistan's High Commissioner to India since 1963.

Mr. Hussain, who is 58, is a graduate of Cambridge University and a Barrister-at-Law. For the last 18 years he has held a variety of posts in Pakistan's Foreign Service. Before serving in India he was Ambassador in Moscow for two years. Earlier he had represented Pakistan in Belgium and Sweden.

President has seen

EMBASSY OF PAKISTAN
2315 MASSACHUSETTS AVENUE, N.W.
WASHINGTON, D. C. 20008

BIOGRAPHICAL SKETCH OF MIAN ARSHAD HUSAIN FOREIGN MINISTER OF PAKISTAN.

Mian Arshad Husain, who was 58 on January 9 last, is a career diplomat and was appointed in the Foreign Service 18 years ago. He started his career as a Deputy Secretary in the Ministry of External Affairs.

A graduate of Cambridge University and a Barrister-at-Law, Mian Arshad Husain , joined the Government of India as Advertising Consultant in 1943 and held that post till Independence in 1947.

In Pakistan he joined the Department of Advertising, Films and Publications and was promoted to become its Director in 1949.

The following year he joined the Pakistan Foreign Service as a Deputy Secretary in the Foreign Office.

In 1952, Mian Arshad Husain attended a course at the Imperial Defence College in London.

He acted as Pakistan's Counsellor - Charge d'Affaires in Belgium from 1954 to 1956.

The following year he held the post of Pakistan's Deputy High Commissioner in New Delhi with the rank of Minister.

In 1959, after a short stay at the Foreign Office, Mian Arshad Husain was appointed Pakistan's Ambassador to Sweden and concurrently accredited to Norway, Denmark and Finland.

In 1961, Mian Arshad Husain was appointed Ambassador in Moscow and concurrently accredited to Prague, Ulan Bator and Warsaw.

He was appointed High Commissioner to India in 1963.

Mian Arshad Husain was awarded the "Sitara-i-Pakistan" in 1968.

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President has seen

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

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Records

DATE: December 2, 1968

FROM: C.G.F.F. Melmoth

SUBJECT: PAKISTAN: Discussions During Mr. McNamara's Visit

1. On November 15, Mr. McNamara met Mr. M. M. Ahmad, Deputy Chairman, Planning Commission, to discuss development problems and objectives. Officials present were Mr. Ghulam Ishaq Khan, Secretary Finance, Mr. S. S. Jafri, Secretary for Industries and Natural Resources, Mr. I. A. Khan, Secretary, Economic Affairs Division, Mr. S. M. Yusuf, Secretary for Foreign Affairs, Mr. Qamarul Islam, Secretary Planning Division, Dr. Mahbub ul Haq, Chief Economist, Mr. Sartaj Aziz, Chief of International Economic Section, Planning Division, and Mr. Shafiul Azam, Additional Chief Secretary, Planning and Development, East Pakistan. Mr. McNamara was accompanied by Mr. I.P.M. Cargill, Mr. William Clark, Mr. T. Finsaas, Mr. R. B. Steckhan and myself.

2. Mr. Ahmad welcomed Mr. McNamara to Pakistan and said how much it was appreciated that he had spared time to visit Pakistan. He then introduced the other officials present and mentioned that Mr. Shafiul Azam, Additional Chief Secretary, Planning and Development, East Pakistan, had joined the meeting as Mr. McNamara would not be able to go to East Pakistan.

3. Mr. McNamara said Pakistan had made outstanding progress in development in recent years and he was delighted to have the opportunity of discussing problems and objectives on the spot. He was very pleased that arrangements had been made for Mr. Azam to be present as he was particularly interested in East Pakistan where he intended that the Bank should increase its efforts to contribute to the solution of development problems.

Review of Past Ten Years

4. Mr. Ahmad began by reviewing the achievements of the past ten years and describing the objectives of the next five. There had been a firm commitment to economic development. Pakistan had made good use of external assistance and had a record of sustained performance despite diminishing external assistance. Achievements were the result of a sound framework of incentives, a pragmatic approach to the role of the private sector and progressive improvements in development planning. Progress had been made possible by political stability and wide support for planned development. A growth rate of 6 percent had been sustained over the past eight years with a good record of price stability. G.N.P. had increased by 55 percent, Agriculture production by 40 percent, and Industrial production by 160 percent. The marginal rate of savings had reached 15 percent and an 8 percent increase in the growth of exports had been achieved. The domestic contribution to financing development would increase from one-third to nearly two-thirds by the end of the Third Plan period, although Plan expenditures had already increased from $550 million to $2 billion.

5. These accomplishments, Mr. Ahmad said, must be balanced against some glaring problems and weaknesses. Per capita income in Pakistan, at about $100, was one of the lowest. Food supplies were quantitatively poor and qualitatively unbalanced. Education facilities were inadequate: only about 20 million of a population of 125 million were literate. Health services needed to be increased, for example the proportion of doctors to population was one for 7000 people. The population growth was still alarming despite the achievements of the family planning program. Foreign assistance was diminishing at a time when Pakistan was in a position to use more assistance effectively.

Objectives During the Fourth Plan Period

6. Mr. Ahmad said a statement of the Socio Economic Objectives of the Fourth Plan had recently been published to identify the objectives to be reached and the difficulties to be overcome, to wider public understanding of the choices that had to be made. Mr. McNamara said he had been much impressed on reading this document and was delighted to note the candour and realism which marked its tone.

7. Mr. Ahmad said, specific targets and objectives for the Fourth Plan had not yet been formulated but the Fourth Plan would attempt to maintain and accelerate the growth of the economy and to increase exports by 10 percent per annum. Reliance on external assistance in financing the Fourth Plan would be reduced from 33 percent to 20 percent by the end of the Third Plan. This would imply a marginal rate of savings of 25 percent. But even so Pakistan would need external assistance amounting to $600 million per annum out of which debt service, increasing from about $125 million to about $300 million per annum, would have to be met.

8. The Fourth Plan, Mr. Ahmad explained, would also aim at securing a greater measure of social justice combined with economic growth, particularly for three groups: industrial workers, urban populations and those with fixed incomes. It would attempt to achieve self-sufficiency in key areas like fertilizer and steel. At present 65 percent of the country's fertilizer needs and some 85 percent of steel requirements were imported. Efforts would also be made towards the reduction of the percentage of capital goods imports from 75 percent to about 50 percent. Agricultural based industries would be encouraged. Four sectors were to receive special emphasis during the Fourth Plan: agriculture, manpower, family planning and basic industries.

Agriculture

9. In the agriculture sector the growth rate had already been accelerated from 1.3 percent per annum in the 1950s to 4.3 percent in the Third Plan. The target growth rate for the Third Plan was 5 percent. Food production is expected to increase by about 8 million tons or 60 percent during the 1960s, thereby making the country self-sufficient in food. There was an exciting

and challenging prospect of a sizeable surplus of cereals becoming available for export. Already it seemed likely that Mexi-Pak strains would be grown on one-third of the wheat acreage and one million acres would be under IRRI rice, this year. Measures used to bring this about included subsidized seeds, fertilizers and pesticides. The cost of these subsidies amounted to about $100 million per annum. Support prices for wheat had been established which were much higher than the world price and credit institutions viz ABD and the ADC, were actively supporting the program.

10. There were still many problems to be solved. Suitable research would be important to provide new strains as the potential of the present high yielding varieties declined. Export markets for a substantial exportable surplus would have to be found, the support prices and farm subsidies would have to be reviewed in the light of the changing situation. Additional agricultural credit, improved storage and marketing facilities would be required. It would be important to maintain the tempo of exports and for this purpose particular attention would be given to cash crops like cotton, jute. The cropping pattern would also be diversified to take care of emerging demand for edible oils, vegetables, meat and dairy products. New and better rice mills would be required to increase the export prospects for rice.

11. New agricultural technology had not yet reached the small farms. Its extension would have to be assisted during the Fourth Plan. The spread of mechanization would have to be careful and selective. Encouragement of the production and distribution of fertilizers and pesticides would be continued, but imports would place a considerable strain on foreign exchange resources in the next three years - increasing from $60 million this year to $100 million a year by 1971. OECD had estimated in a recent study that import requirements for agricultural development, including fertilizer, pesticides and farm machinery would increase from $100 million in 1968 to $200 million per annum in 1971 when local production was expected to reduce the need for imports. Flood control, water logging and salinity would require further attention and investment. Essential needs in the agriculture sector had been met so far by starving industrial needs but this could not go on. In the absence of additional resources, growth potential will suffer both in agriculture and industry.

Manpower and Education

12. Manpower development had not received adequate attention. Only 16 percent of the population was literate and the drop-out rate from schools was very high. Technical education was inadequate and inappropriate. For example, full return from heavy investments in several sectors was not being realized because of the inadequate supply of suitable skills. As the economy was becoming more sophisticated the need for more functionally suitable technical education would become more urgent. A special commission had recently been established to determine the manpower requirements and recommend the changes needed in the educational system to produce manpower of the kinds required. Substantial improvements were required in technical and vocational education and in teacher training. More and better textbooks and laboratory facilities would have to be provided.

13. The population growth rate was fairly high. Family Planning, supported by President Ayub, had been given a very high priority. No organized opposition had developed and notable success had been achieved towards reaching the target of reducing the birth rate from 50 to 40 births per 1000. Family planning clinics had been established in 42 districts and about 2 million families were now practicing birth control. Much more would have to be done including research into new techniques, and the process of education about family planning continued. Suitable provision would be made in the next Plan for a larger family planning program. The foreign exchange costs would not be high. Sweden which had already given much assistance was expected to provide $10 million during the next Plan period.

Basic Industries

14. Pakistan spent $600 million per annum on capital goods imports. It would be important to promote import substitution in this sector. Emphasis would be placed on increased production of steel, fertilizers, natural gas based industries, and transportation and electrical equipment.

East Pakistan Rivers

15. The provision of more irrigation and flood control works was an outstandingly serious need in East Pakistan, where a population of some 70 million derived two-thirds of their income from agriculture. The density of population already 1300 per square mile was increasing. The agriculture growth rate, at 2 percent per annum, was lagging behind that of West Pakistan where growth rate was 6 percent, despite larger subsidies and incentives to increase production. A major water development and flood control program would have to be a key element in development planning in East Pakistan where the realistic aim in many areas could be to increase production to two or three crops a year. The full potential of programs like fertilizer and seed could not be realized without efficient water resources development and flood protection programs.

16. The construction by India of the Farraka Barrage on the Ganges would seriously reduce the water supply in East Pakistan. This would increase the need for expensive pumped irrigation, reduce the use of the river for navigation purposes and increase the risk of damage to cultivated lands by saline flowback. Technical talks with India had been futile. It had not been possible to arrange a ministerial meeting to discuss the issues. The need for further action to reach a solution was imperative, because although the use of existing flows was low, the increase in population emphasized urgency of providing better water management and flood control. Meanwhile flooding had increased in frequency and intensity - only one year in the last five had been without a flood. For these uncertain circumstances farmers were slow to respond to pressures to introduce improved cultural practices. Both short-term and long-term programs were needed. A short-term crash program of channel improvements and embankments would require and merit technical and financial assistance from the Bank. Flooding in the Eastern Region by the Brahmaputra would also have to be controlled and would involve major investments.

17. For the longer term program, Pakistan was willing to undertake a joint study with India to determine what projects could be carried out by each of them, under the same principles as had been followed in developing projects in the Indus Basin. So far the Bank Study Group for East Pakistan had concentrated on the measures necessary to increase other agricultural inputs rather than on the use of an equitable share of the waters. There was a much wider role for the Bank to play, of the kind that had had such outstandingly successful results in the Indus Basin.

Foreign Assistance

18. The decline in foreign assistance posed a serious problem for Pakistan. During the Second Plan (1960-65) pledges totalled $2-1/4 billion, an average of about $450 million per annum. Over the last four years Consortium assistance had declined from $450 million to about $350 million per annum, although Plan expenditures had substantially increased. Admittedly the average for this period was brought down somewhat by the pause in 1965-66 but the overall picture was far from satisfactory. The shortage of Consortium assistance had been partly made up by larger credits from non-Consortium sources, which had increased from $30 million to the current level of about $120 million a year, but much of this aid was on harder terms than the aid it replaced.

Program (Commodity) Aid

19. Of the total external assistance approximately 40 percent had been provided in the form of commodity aid. Such aid during the Second Plan period had been at the level of $200 million per annum. In recent years commodity aid had fallen to $160 million per annum and this year would probably be no more than $130 million. This reduction was occurring at a time when $50 - 60 million per annum had to be allocated to finance fertilizer imports. The result was that industrial output had gone down and there was much idle capacity. Industrial imports which amounted to $300 million in 1964-65 were now down to $180 million despite the existence of increased industrial capacity. The shortage of exchange for industrial imports was hurting the rate of growth of both agriculture and industry and would have to be remedied if import substitution and export targets were to be realized. The decline in the amounts of aid and the hardening of the terms with which the Bank was concerning itself, were very serious constraints which might seriously slow down the pace of Pakistan's development. The debt service ratio which was projected to increase to 16 percent at the end of the Third Plan is now likely to be nearer 20 percent by 1970. Even if this ratio was stabilized, debt liability would increase to $300 million by 1975. On a conservative basis Pakistan would need $600 - $650 million of foreign assistance in 1975. Net of debt service payments this need would amount to only about 10 percent of development expenditures in that year, and yet inflows of this order were not in sight. The Bank's leadership in the past had been effective. Announcements at the Bank's recent annual meeting about programs for doubling Bank lending, the subsequent arrangements for some Bank lending to be on special terms pending IDA replenishment and the initiative taken by the Bank in setting up the Pearson Commission were all measures which envisaged an expectation that remedies for difficulties would be found. Mr. McNamara's initiative in these matters was much appreciated in Pakistan.

Conclusion of Presentation

20. Mr. M. M. Ahmad concluded this statement of development objectives by suggesting the main needs of Pakistan in which the Bank's leadership was likely to be effective in improving present prospects. Pakistan needed commodity aid in large measure to sustain and enlarge the growth of agriculture and industry. The Bank could help by persuading others and by participating itself in providing such aid. It was a temporary need and the return was high; each $1 of commodity aid was calculated to yield $3 of growth. The Bank had accepted that this year Pakistan needed aid of this kind totalling $300 million; but only $130 million was likely to become available. Pakistan needed to finance the capital inflow on softer terms. The Bank had recommended an 80/20 blend of soft and conventional loans. This could be achieved by increased IDA credits or improved terms by others. The Bank's action was appreciated, but at current interest rates this would mean that Pakistan would pay out as interest an amount equivalent to two-thirds of such loans during the grace period alone. Mr. Ahmad suggested that the Bank consider subsidizing interest rates on special loans being provided by it to fill the gap created by the nonavailability of IDA funds. This could perhaps be done by diverting a part of the Bank profits. An amount of $16 - $17 million a year could halve the interest rate on special loans totalling $500 million. Pakistan also needed more assistance in carrying out agriculture and education programs, and for measures to deal with the serious problems of water development and control in East Pakistan. The Fourth Plan embraced the same priorities which Mr. McNamara had identified in his address at the Bank's Annual Meeting. What Pakistan had achieved was modest but promising. Pakistan's needs were substantial but unavoidable. The World Bank under Mr. McNamara's leadership had to carry a major responsibility for improving the lot of two-thirds of the humanity. It was a great responsibility but he was confident that these problems would be tackled with courage and that the right solution would be found.

21. Mr. McNamara congratulated Mr. Ahmad on the impressive description of Pakistan's achievements and the assessment of the difficulties to be overcome in achieving Fourth Plan objectives. The objectives for agriculture seemed to be related realistically to conditions as they were likely to develop during the Plan period. He was glad to learn that recent progress was likely to continue. An increased program of research would clearly be important. Priorities for development in education appeared to be right, but the selection of the right measures to achieve them was obviously of great importance. Measures to reduce the illiteracy and drop out rates and to improve curricula would be needed.

Regional Disparity

22. Mr. McNamara enquired about the measures taken to reduce regional disparity and even up growth rates. Mr. Ahmad said there was a constitutional obligation to remove regional disparities. In the Perspective Plan (1965-85) it had been assessed that it would be possible to achieve this objective by 1985, but achievements so far held out little hope that this would be so.

In absolute terms progress in East Pakistan has been quite encouraging. Compared with a growth rate of 1.9 percent in the '50s, the East Pakistan growth rate had averaged 4.5 percent over the last five years but it was still below that of West Pakistan. Some 53 percent of development expenditures, 66 percent of development loans and 51 percent of project assistance from abroad were allocated to East Pakistan. Concessions in terms of longer tax holidays and lower rates of duty on capital goods were intended to activate the private sector. Higher subsidies than in West Pakistan were used to increase production from the agriculture sector where production was affected by uncertainties due to floods and the limited availability of irrigation facilities.

23. Mr. McNamara enquired whether difference in the education system was partly a cause of regional disparities. He was told that this was not so; in fact the literacy ratio was higher in East Pakistan than in West Pakistan (23 percent compared with 16 percent).

24. Mr. Ahmad said that in industrial development particularly, East Pakistan lagged behind West Pakistan. Large investments in the public sector had not achieved the reduction in regional disparity that had been expected since attempts to activate the private sector had met with limited success. Whereas in West Pakistan industrial production had been sustained by programme aid, now it was impossible to import adequate supplies of raw materials and components. Some industries were operating at half capacity. Industrialists were very slow therefore to react to incentives to set up plants in East Pakistan where there was a need for imports of both capital goods and raw materials to increase the industrial base. Mr. McNamara enquired what evidence there was of markets in East Pakistan sufficient to justify setting up plants there. Mr. Ahmad said that per capita income was not much lower in East Pakistan than in West Pakistan and several new industries could be set up to meet growing needs. Incentives were provided such as a longer tax holiday and lower customs duties to attract industries there.

Industrial Imports

25. Mr. McNamara enquired what evidence was available to establish that the demand for locally produced commodities was sufficient to use the full capacity of local industries. Dr. Haq said the substantial increase in agricultural production would be reflected in higher incomes, much of which would be spent on local products. Rural income this year probably increased by $700 million. Price increases had occurred as the result of increased demand for food products and consumer goods. Mr. Ishaq added that sales of sugar had increased from 300,000 tons to 425,000. Sales of tea and cloth had also increased. Demand was shifting to the better quality of products. Mr. McNamara enquired whether production had shifted to meet the new consumer demand. Dr. Haq said the changes were too recent and increased demand for local manufactures was being met at the expense of a reduction in exports.

26. Mr. McNamara said that in considering Pakistan's request for an industrial imports credit there were two problems to be faced. At present the Executive Directors of the Bank were opposed to program or commodity credits. He had put to them a paper arguing the case for accepting in principle that program credits should be accepted and proposing the criteria which should determine in what circumstances such credits should be made. These proposals would be considered on December 3. He was hopeful that they would be accepted. But in practice another problem would remain. The Articles of Agreement of the Bank prohibit the use of funds for commodity credits except in special circumstances which had to be documented. To support an application for an industrial imports credit, the Bank will need full documentation to establish that industrial imports could be translated into production and sold at a profit. It would have to be shown that there was an unsatisfied demand or that demand was being diverted to imports because local capacity was not being used as a result of a shortage of imported raw materials or components.

27. Mr. Cargill pointed out that Pakistan's request for the previous industrial imports credit was not supported by detailed justification. Mr. Jafri said it was now possible to provide more information. Performance records were available to show that the US$25 million credit had been effective in bringing about substantial increases in production. Consumer goods industries generally had little unused capacity, but there was substantial underutilization of capacity in the capital goods and equipment industries. It was important to widen the industrial base. Production at low levels caused by inadequate supplies of imported materials discouraged new investment. A special group had studied the import requirements of various industries in both East and West Pakistan and had just reported. The report quantified the needs for each industry and assessed the consequences of the gap between imports and requirements.

28. Mr. McNamara said that it was important that evidence should be provided that it was shortage of imported materials that was slowing up local production and not merely how imports were priced. Owing to the delay in replenishing IDA, funds to finance industrial imports might have to be on hard loan terms. This would make it all the more necessary to provide a convincing case for financing industrial imports. He emphasized the need to approach the problem from the point of view of determining the bottlenecks that prevented the full utilization of industrial capacity.

29. The widening of the industrial bases was a reasonable objective. Loans for new productive capacity to replace imports or to process local materials for export would be acceptable in principle. But in practice the Bank would need to be satisfied that there was a reasonable expectation that such industries could be operated on an economically sound basis and without an unduly large measure of protection. Mr. Cargill remarked that inefficiencies in some local industries were bred by the restriction of competing imported products. There needed to be some element of competition if industries were to develop in a way as to be a source of economic strength.

30. Mr. Ahmad enquired whether, if program credits were approved by Executive Directors, the range of imports financed in this way would include fertilizer and pesticides. Mr. McNamara said the criteria for such credits would be determined on December 3. He asked if any estimate of industrial imports requirements had been attempted. He was told that the total requirement amounted to US$120 million. Of this amount, US$30 million would be for fertilizers, US$20 million for pesticides and US$70 million for other industrial imports. Some part of these requirements could however be financed bilaterally. Mr. McNamara said that it could not be expected that enough funds to finance both industrial and agricultural imports could be provided this year. To the extent that industrial imports were financed, this would enable the Government to switch other resources to financing agricultural imports.

31. Mr. McNamara asked what were the main sources of supply of industrial imports and was told that about 60 percent came from Japan and 40 percent from Western Europe. He mentioned that if approval of the USA contribution to IDA was much longer delayed, it would be necessary to persuade other countries to follow the example of Canada which had agreed to make a unilateral contribution. In negotiating such arrangements it could be useful to have information about procurement patterns. He emphasized however that he was not enquiring whether Pakistan could change normal sources of supply, but wished to have information about the normal pattern of procurement, to see if such information would help negotiations.

32. Mr. Ahmad said full documentation of the case for an industrial imports credit would be prepared and sent to the Bank. He would arrange for confirmation to be provided also about the pattern of procurement. Mr. Cargill said that when the documented case had been received, a team would be sent to Pakistan to appraise the proposal.

Taxation of Agricultural Incomes

33. Mr. Cargill remarked that it would be important for the Government to collect increased revenues to help finance development expenditures. The sharp rise in rural incomes, which were expected to continue to increase, provided a growing case for tapping this source of revenue more effectively. Mr. Ishaq said that it now appeared that the gap between the taxation on rural and urban income was not as wide as had earlier been supposed. Increased excise and import duties were a growing burden on the rural populations. Furthermore, the exchange rate at which agricultural exports were priced amounted in effect to withholding income from producers.

34. Mr. Ahmad said a working group had been established to consider proposals for mopping up additional agricultural incomes. It was likely that action would take the following sequence: first, subsidies would be reduced; second, user charges would be increased (the water rate in West Pakistan had recently been increased by 20 percent); and third, direct

taxation measures would be considered. Mr. Ahmad pointed out, however, that many farmers were illiterate and could not keep records and many would still have incomes below the exemption level. Meanwhile, mobile banks were being used to mop up savings and the support prices would be reviewed. A scheme was being considered whereby part of the support price would be paid in savings bonds which would be usable to pay for investments by the farmer in agricultural improvements, such as tractors and other implements, and fertilizers.

East Pakistan - Water Control and Agricultural Development

35. Mr. McNamara enquired what Pakistan would propose to do in respect of water control and irrigation works in East Pakistan if discussions with India were not fruitful. Mr. Ahmad said he could not conceive that the Bank would fail to interest itself in helping the parties to find a mutually advantageous solution to these problems. He suggested that sound development plans could be prepared by the Bank undertaking independent studies in each area and then correlating them.

36. Mr. Jafri said that measures to reduce flood damage were very urgently needed. A distinction could be drawn between flood protection and flood control. Protection could be carried out by methods not affected by the results of discussions with India. Past investments in channel control and embankments had been effective and additional investments of the same kind could be made. The flood control measures would be more difficult to determine, major engineering problems would have to be solved and the Bank's help in carrying out studies was needed. A survey to establish a long-term plan of development was required, otherwise the works India had begun or had in prospect could seriously reduce irrigation and navigation in East Pakistan. The operation of the Farraka Barrage, for example, the purpose of which was to flush the Hoogly, would deprive East Pakistan of water flows in the dry months of March through May. Usage of the water had not been established by either India or Pakistan, but potential development in East Pakistan made it essential that water releases to flush the Hoogly were regulated in such a way as to allow a minimum flow of 49,000 cusecs into East Pakistan. It was a situation where the Bank could negotiate an equitable solution.

37. Mr. Ishaq said that the measures required to increase irrigation could be distinguished from those required for flood control. Similarly the measures needed in the Ganges Basin were different from the measures required in the Brahmaputra Basin. But in much of East Pakistan the climate and soil were suitable to produce three crops a year. The pressure of population would be such that it would be imperative to increase agricultural productivity. Industrialization would call for very high per capita investment and could not be a realistic alternative to further agricultural development. Pumped irrigation from the Ganges would be expensive. Diversionary flows from the Ganges would benefit up to 4-1/2 million acres and would be a more satisfactory solution. Both technical and financial assistance would be needed from the Bank.

38. Mr. Cargill said that the areas of ignorance about the basic data were so great that he doubted that a case could be made on the basis of present information, which could be expected to be convincing in negotiations with the other party. He was not convinced that the operation of the Farraka Barrage would do the damage that was feared. Little was known about the inflow of saline water at different levels of river flows or about the economic consequences of reduced use of the river for irrigation. Flood control by double embankment projects on the Brahmaputra could not be undertaken until more studies had been carried out. A great deal of work on the collection of data needed to be done which would take several years. The Bank's work on the East Pakistan Water and Agricultural Program had got off to a slow start but changes were being made and the Bank's efforts to be of assistance would be intensified.

39. Mr. McNamara said he had not started with the assumption but with the fact that discussions with India had not so far been fruitful. The Bank was willing to use its good offices to assist the parties to reach agreement to the extent that this was feasible but it was important to determine what would be practicable to do if agreement with India was not reached.

40. Mr. Ahmad said an interim program of irrigation, flood protection and control works could be devised which would be consistent with the ultimate development plans for the river basins. Mr. McNamara said he thought this was the right course to follow. The Bank would do as much as possible to help in the preparation of this program, while at the same time standing ready to assist the parties in reaching agreement. A special section had newly been established in the Bank with the objective of making the Bank's contribution to special projects as effective as possible.

41. At the conclusion of the meeting Mr. McNamara thanked Mr. Ahmad and his colleagues for their impressive presentation. The Bank would be attempting to increase its assistance to Pakistan. If IDA was not adequately replenished more of the Bank's assistance might have to be on comparatively hard terms, but he hoped it would be possible to secure a dramatic increase in Bank operations in support of the measures that were planned to maintain the momentum of Pakistan's development.

cc: Mr. McNamara
Mr. Knapp
Mr. Aldewereld
Mr. Chadenet
Mr. Cargill
Mr. Blobel

Mr. Osman Ali, Executive Director for Pakistan

CGFFMelmoth:pj

Meeting with Mr. M. M. Ahmad, Deputy Chairman, Planning Commission, et al, in Rawalpindi, November 15, 1968 (list filed in Foreign Contacts book)

1. One of the best users of economic assistance: in the past 8 years have dismantled controls; adopted pragamatic approach to private sector; given strong political support to economic development.

   Growth rate nearly 5% per year (industry 160%, agriculture 40%) with reasonable price stability. They have had many failures and weaknesses as well.

   Per capita income remains among the lowest in the world -- $100 per annum.

   Literacy only 20,000,000 out of 125,000,000.

   Regional disparity.

   Unemployment.

   Excessive population growth.

2. 4th Plan: Main objective is to increase marginal rate of saving to 25%; reduce foreign assistance required from 35% to 20%; increase exports; continue rate of economic growth; reduce regional disparity; advance socio-economic progress (reduce unemployment, etc.); place increased emphasis on primary education and family planning.

2a. Agriculture: Now advance at 3%; target 5%; food self-sufficiency by 1969 and export surplus following (even this year will export 1/2 million tons of rice). Are sinking 8-10 thousand tube wells per year; nearly 1/3 of irrigated wheat under new varieties this year -- have expanded use of fertilizer 7 times; this achieved by high farm subsidies.

   Problems remain: (1) need a suitable research organization for seed development; (2) development of agriculture export markets); (3) requirement for agriculture diversification; (4) spread of improved technology to small farms; (5) elimination of subsidies and expansion of contribution to government revenue; (6) attention to pesticides; (7) expansion of storage and credit facilities.

   Need foreign exchange to (1) expand fertilizer imports from $60million per year to $100 million and other agriculture in-puts from $100 million to $200 million by 1971; (2) support projects for irrigation; salinity control, rice mills, etc.

2b. The other emphasis of special emphasis is manpower development. They now have only 16% literacy; high drop-outs; ill-adapted education; shortage of proper skills. High-level commission set up to give a report by autumn. Objective will be to devise a functional system of education.

   Need Bank assistance for program of teacher training; technical and vocational assistance; text books and materials.

2c. Family plan ning given priority -- has received vigorous support from the President; no organized opposition. Two million couples practicing family planning.

   Foreign exchange requirements modest ($10 million for 5 years); receiving aid from Sweden. Major requirement is in form of rupees.

2d. Require attention to basic and heavy industry: steel, fertilizer, transport and electrical manufacturing.

2e. East Pakistan: 70 million population today; highest density in the world (1300 per square mile); agriculture growth only 2% per annum vs. 6% in West Pakistan; agriculture cannot expand properly without irrigation and particularly flood control -- Bank can play an important role in this field, including mediation between India and East Pakistan.

Frequency and intensity of floods has grown and reduces farmers' response to uncertainty. In the short run, they need channel improvements and embankments and need technical and financial assistance from the Bank. For the long run, they need government study,with India leading, of independent facilities in each country (they request an initiative by the Bank).

2f. Foreign assistance from consortium has dropped from $450 million to $350 million per annum; non-consortium has increased from $25 million to $120 million, but at harder terms.

2g. The other crucial factor is program aid -- was running at $200 million and this year is not over $130 million. Of this, they have diverted $60 million to fertilizer and industrial sector has suffered: in 1965 industrial imports were $300 million, but now they are $80 million.

2h. Foreign debt burden: by 1970 debt service will amount to $300 million per annum,and with $500 million in foreign assistance per annum, would leave net of $250± million or only 10% of investment requirement.

3. Specific aid requests: (a) commodity aid in large amount; (b) blend of soft and hard loans (80/20) support from the Bank direct and indirect.

4. East Pakistan: They have identified three areas requiring action: private sector activation; relatively stagnate agriculture; relocation of priorities by sector.

5. Require 70 million industrial imports; 60% from Japan, 40% from UK, FRG and Italy.

6. Agriculture tax: 1st stage will be removed of subsidy; 2nd state, increase in service charges; 3rd stage increase in direct taxes (indirect taxes (excise taxes) increase by consumption).

7. Flood protection East Pakistan: believe it is feasible to act on independently of Indian study and agreement on flood control.

8. Ganges water: allegedly Bank studies show neither tube-wells nor other means will provide adequate water to bring new land into irrigated production during the dry season without cooperation from India. Problem of the Ganges is different from that of Brahmaputra. Total area of 25 million acres is cropped to 103% and could be cropped to 250%; of the increase, 1/2 would come from irrigation alone as they can have two crops per year.

[We must put one man in charge of our technical work in this field.]

Robert S. McNamara

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FORM No. 57

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

OFFICE MEMORANDUM

TO: Records

DATE: February 18, 1969

FROM: I. P. M. Cargill *Cargill*

SUBJECT: PAKISTAN: Mr. McNamara's Meeting with Mr. Uquali

On November 15, 1968, Mr. McNamara called on Mr. Uquali, the Pakistan Finance Minister. In a brief conversation Mr. Uquali emphasized his Government's view that it was important for Pakistan that IDA should make a program loan. Mr. McNamara said that he had an open mind on this question and would see that the case which Pakistan had been asked to make was sympathetically and carefully considered in the Bank. He remarked that a case had to be made and it would have to be a clear and strong one for him to be able to recommend such a proposal to Executive Directors.

The Finance Minister then went on to stress the importance he attached to having the construction of two new fertilizer plants started without delay. Mr. McNamara said he agreed to the need to move expeditiously and he felt that if any group of sponsors was now ready to go ahead with projects under consideration they should be allowed to do so. The Bank's offer to make a second loan for a fertilizer project would still stand. The Minister replied that they had decided to wait until they received the report of the Bank mission currently in Pakistan which they expected to have by December 15. Any further delay beyond that period would jeopardize the arrangements made by Kaiser for financing by Japanese institutions. Mr. McNamara said he would see to it that the report was not delayed beyond that date.

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Meeting with Ambassador Benjamin H. Oehlert, Jr., Karachi, Pakistan, Nov. 17, 1968

There is no plan for Ayub's successor; Ayub is grooming his son for five years from now.

There is a split in the military Army (Musa)Chief of Staff vs. Air (?).

There is no understanding on the part of business leaders of political problem and no political leadership -- very parochial; Karachi vs. Pindi and both vs. East Pakistan.

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FORM No. 57

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

OFFICE MEMORANDUM

TO: Records

DATE: May 16, 1969

FROM: C.G.F.F. Melmoth CM

SUBJECT: Pakistan: Visit of Mr. M.M. Ahmad

Yesterday Mr. M.M. Ahmad, Deputy Chairman of the Planning Commission, Pakistan, called on Mr. McNamara. He was accompanied by His Excellency the Ambassador of Pakistan, Mr. Hilaly, Mr. S. Osman Ali and Dr. Mahbubul Huq. Mr. Cargill (for the later part) and I were present.

Mr. McNamara said he welcomed the opportunity to see Mr. Ahmad again and to hear his appreciation of what lies ahead for Pakistan.

Mr. Ahmad said the recent unrest had completely subsided. The unrest had had a variety of causes: politicians, students and labor wished to have a more effective voice in matters affecting them. Economic difficulties arising from inadequate resources had been exploited. Inter-regional disparities and urban grievances, and inadequate expenditure in the social sector and on housing and transport, together with a slowdown in industrial expansion, had combined to provide grounds for dissatisfaction.

Mr. McNamara said he had mentioned during his visit to Pakistan last November his impression that economic gains were being unevenly shared. He had also thought that some of the assessments of the rate at which the disparity between the growth rates of East and West Pakistan was being narrowed had exaggerated the progress made, and enquired what future progress was likely.

Mr. Ahmad said that despite the disturbances the rate of growth in FY 1969 would be 5.2% overall. The rates of growth of Industry, Agriculture and Exports were expected to amount to 8½%, 4.7% and 9½-10% respectively. He agreed, in response to a question from Mr. McNamara, that most of the agricultural growth had occurred in West Pakistan: 8% as compared with less than 2% in East Pakistan. The difference in the rate of growth had been widened this year because of the effect of floods.

Mr. Ahmad said that the new regime was tackling the main causes of the recent unrest and a package of measures was being prepared which by a combination of efforts by Pakistan, by the Bank and others would improve matters. A good program for FY 1970 had been prepared. More would be done for East Pakistan and in the social sector, but resources were inadequate and it would be difficult to secure growth with social justice, but that had to be their aim. Fortunately the cost of the recent unrest had not been

President has seen

great. In the main, 8-10 days of industrial production had been lost. Some of this would be made up and the net loss might be no more than 1 or 2% of industrial production. The recent Bank report had been helpful in identifying problems and the Government would be making a positive response. Additional revenue measures to bring in 1 billion rupees ($210 million) next year were planned, but much would depend on what external assistance would be forthcoming and on its terms.

With regard to East Pakistan, Mr. Ahmad said that while they were not satisfied with the rate of progress in lessening inter-regional disparities, there were some achievements to record. In the 1950s the growth rate was less than 2%: for the first four years of the Third Plan growth in East Pakistan would have averaged 4½%. Earlier investments in infrastructure had been slow to yield. In agriculture the growth potential was affected by the smallness of the holdings - averaging three acres -, farmers were unsure of their crops owing to recurrent flooding, and so far no "miracle" seed had been successful in East Pakistan. But a new rice seed was being developed and would be in use by 1971, and irrigation in the dry season in a substantial area was being developed by installing tubewells and low lift pumps. The slowness of the private sector to develop was another handicap in East Pakistan and growth would be stimulated by differential import duties and income tax treatment. East Pakistan would be given the edge - 53% - in public sector allocations and 70% of development loans. Their aim was to achieve a rate of growth in East Pakistan next year of 7% as compared with 6% in West Pakistan.

Mr. Ahmad said the assistance received from the Bank was much appreciated. In making the policy adjustments that would be necessary it would be useful to have the views of the missions which were planned on the Demographic Situation and Family Planning, on the review of industrial policies and on the review of water resources planning. In East Pakistan, of particular importance was the assistance being provided in developing an adequate water development and flood control program. He hoped that special assistance would be forthcoming, particularly to deal with the flood control problem and in this connection was appreciative of the action taken by the Bank to secure UNDP financing for the work to be done by Harvard.

Mr. McNamara said he fully agreed that flood control in East Pakistan was a problem of outstanding importance and difficulty, and the Bank would give all possible assistance. This was the reason that had prompted the Bank to propose posting a staff member in Dacca. We would, however, respect the Government's wishes as to the timing of this arrangement.

Mr. McNamara then enquired about the political situation. Mr. Ahmad said the President had completed a first round of talks with the politicians and thought he had persuaded them that he wished to bring martial law to an end as quickly as possible, but that this could only occur when broad agreement had been reached on a basis for a civilian administration which would not lead to a return of the situation prevailing earlier this year. It was not yet clear when this would be achieved or how - whether by an initial referendum on some main points or after an election based on a previously agreed constitution. Future stability would depend on how fast the Martial Law Administration moved and whether it was in an acceptable direction. In East Pakistan, feeling was more acute but the present regime was aiming to make East Pakistan participation more explicit. Recently the number of Secretaries of Central Government ministries who were East Pakistanis had been increased from one to six. When civilian ministers were appointed a little later an edge would be given to East Pakistan representation. They might well work towards an arrangement for a future constitution under which the posts of President and Prime Minister would be held alternately by an East Pakistani and a West Pakistani.

Mr. McNamara enquired whether there had been a reduction in the flow of external investment. Mr. Ahmad said that there was evidence of hesitancy on the part of some investors - a firm decision to go ahead with the Hyesons/Kaiser fertilizer plant had not yet been taken but Dawood/Hercules were going ahead. The new Administration had every intention of adopting a pragmatic approach to industrial development and had no intention of nationalizing industries. Apart from making it clear that growth would not be the sole criteria, he foresaw no change in the encouragements previously given to private enterprise. He would make a statement about this at the Consortium meeting.

Mr. Ahmad then enquired about the prospects for IDA replenishment from which Pakistan was looking forward to benefiting in the coming year. Mr. McNamara said the ratification by the USA had not been completed and it was possible that the Appropriation Bill would have a difficult passage. He then asked Mr. Cargill whether he had any indication as to what the other Consortium members were likely to do next year.

Mr. Cargill said his impression was that the member countries would be prepared to give much the same aid as last year. There seemed to be general agreement that this would be a year in which unusual developments ought to be avoided, and that political developments would be closely followed. It would have been unwise to have postponed the Consortium meeting. Mr. McNamara said he would not expect member countries to do more than last year, and much would depend on the political situation which might affect the Bank program. He also thought the prospects were that in the USA the approved foreign aid appropriation would be substantially lower than the $2.2 billion sought.

Mr. Ahmad said it was the decline this year of USA assistance which was of particular concern to the Government, especially as much of the aid was non-project aid. From an average of about $200 million per annum during the Second Plan, non-project aid dropped to $71 million this year (although there was some prospect that this would be increased by about $20 million for fertilizers). The shortage of resources to finance industrial imports and the consequential slowing down of industrial development had been one of the main causes of recent urban unrest. He hoped, therefore, that IDA would be prepared to make an industrial imports credit for Pakistan.

Mr. McNamara said that the IDA funds available for use in Pakistan were limited and his understanding was that they would be used to finance high priority projects which would be carried out in any event. Provided we kept the pipeline full, roughly the same effect would be achieved by freeing local resources for industrial imports financing, as making an IDA credit for the purpose. Although discussion of the issue in Board had been in the context of India's requirements, it was quite clear that there was strong opposition on the part of some Executive Directors to making such credits on policy grounds. Mr. Ahmad remarked that it seemed illogical that member countries should endorse Pakistan's requirement for non-project aid in the Consortium meetings while opposing IDA making non-project credits. Mr. McNamara said that their positions were consistent because the Bank had a variety of talent to call on so that its project aid was coupled with technical assistance. Mr. Ahmad said that to the extent that local costs were financed, this helped to provide free exchange but otherwise Bank/IDA operations released only a limited amount of local resources to finance other imports. Mr. McNamara said that if this was so, it would mean that the selection of Bank and IDA projects should be reviewed to ensure that they were high priority projects which had to be carried out.

Mr. Cargill said that although Pakistan's case for an industrial imports credit differed from India's case because it was argued that if timely assistance was given the need for non-project aid would taper off sharply over the next three years, he thought there was little point in pressing the issue, particularly as there was also an urgent need for project aid and no lack of projects ready for financing.

The meeting ended by Mr. McNamara expressing pleasure that Mr. Ahmad was continuing to deal with the problems of planning and development in Pakistan.

cc: Mr. Knapp
Mr. Steckhan
Mr. Cargill
Mr. Votaw
Mr. King/Blobel
Mr. Finsaas
Division Circulation

CGFFMelmoth:dp

FORM No. 57

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

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 14, 1969

FROM: I.P.M. Cargill

SUBJECT: Pakistan: Visit of Mr. M.M. Ahmad

Mr. M.M. Ahmad, Deputy Chairman of the Planning Commission, Pakistan, is to call on you at 5:00 p.m. on Thursday, May 15. He is visiting Washington for discussions with the United States Government and the Bank on his way to Paris for the Consortium meeting next week.

In meetings with Mr. Knapp and with me Mr. Ahmad has confirmed independent reports that the imposition of Martial Law has been completely successful in restoring law and order, and the new regime is maintaining control without opposition. The Martial Law Administration has not yet appointed civilian ministers or advisers to replace the Ayub appointees who were dismissed, but Mr. Ahmad expects civilian ministers and Governors of the Provinces to be appointed in the next two months or so. General Yahya has started a dialogue with politicians and he believes the intention is to arrange for elections fairly quickly, probably within eighteen months or so. The first priority is being given to making progress in dealing with the causes of the recent unrest.

An Annual Plan for FY 1970 and the Budget are now in the final stages of preparation and the details will be announced in the second half of June. Mr. Ahmad did not think that next year would bring very substantial changes in the composition of development outlays, although more explicit attention would be given to increasing the rate of development in East Pakistan and to the social aspects of development. In the new Budget measures will be included to begin to cope with the problems which have been identified in the Bank's Economic Report. In particular, the Government was concerned that, largely as a result of the shortage of local resources, public development outlays in 1968/69 were unlikely to exceed last year's and could not be raised in 1969/70 unless measures were taken to mobilize additional local resources. An attempt would be made through new measures to increase revenue by about 15 percent, or $200 million, to compensate for the cost of recent wage increases and to provide for a 10 percent increase in development outlays. (At this stage we are not convinced that an increase of this magnitude is feasible).

Mr. Ahmad said that the new regime, although mindful that not too much in the way of unpopular measures should be taken in one year, would probably follow up the action which they had recently taken to reduce the support price for wheat by reducing the support price for basmati rice. Arrangements would also be made, consistent with Bank recommendations, that the import prices of agricultural machinery would be increased. Arrangements would also be made to reduce the wide spread in effective cost of exchange for imports of capital goods and intermediate goods. In anticipation of approval of new educational policies later in the year, a lump sum allocation would be included in the Budget to be used as schemes were approved. In all an extra $84 million would be provided for expenditure in the social sector, equivalent to an increase of 33 percent. For East Pakistan 53 percent of public sector resources would be earmarked. Mr. Ahmad mentioned that preparation of the Fourth Plan (FY 1971/75) had been delayed by recent events but he now expected the guidelines and outline of the Plan to be ready in August as a preliminary to completing a draft Plan by March 30, 1970.

Pakistan is seeking fresh pledges of $500 million from the Consortium for FY 1970, $250 million for project assistance and $250 million for non-project assistance. The total sought is determined not so much by what Pakistan could use but as the result of a realistic assessment of what members are likely to be able to pledge and Pakistan could afford to borrow, even with some improvement in the terms of aid. At the Consortium meeting Mr. Ahmad will draw attention to the serious implications for Pakistan of the levelling out of the gross amount of aid, which will result in a progressive decline in net capital inflow as debt service payments increase, and point to the importance of increasing the amount of aid provided on soft terms if either debt rescheduling or a sharp cutback in the expansion of development spending is to be avoided. Mr. Ahmad will also draw attention to the importance of non-project assistance, the need for which, he asserts, would be declining if Pakistan could be assured of adequate assistance over the next three years while action is taken to increase the utilization of existing capacity and to replace agricultural imports, including fertilizers, by local production.

In this connection Mr. Ahmad asked for further consideration of Pakistan's application to the Bank for a $40 million industrial imports credit. It has been pointed out to him that provision for this credit has not been included in the program for FY 1970 because, irrespective of the merits of the proposal, on general policy grounds a number of members of the Board are opposed to program credits of this kind. Mr. Ahmad did not press the case as strongly as had been expected but appeared to accept that if industrial import credits were not going to be made to other countries, then Pakistan would have to be content with the program which has been tentatively agreed for Fiscal 1970 (Annex 1).

I have mentioned the arrangements we propose to make to post Mr. Gordon to Islamabad and to strengthen our representation in Pakistan. Mr. Ahmad has indicated that the Government will welcome these arrangements, but asked the Bank to defer stationing a representative in Dacca until future relations between the Center and the Provincial Government have been clarified.

cc: Messrs. Knapp
Cargill
Votaw

ANNEX 1

CONFIDENTIAL

PAKISTAN

Tentative Lending Program

Project	Bank/IDA	FY 1970 Amount $ Million	FY 1970 East $ Million	FY 1970 West $ Million	FY 1970 Local Cost Financing $ Million	Appraisal	FY 1971 Amount $ Millio:
EAST PAKISTAN:							
Agriculture:							
Low Lift Pumps (ADC)	IDA	8	8			May/June	
Chandpur Irrigation I	IDA	12*	12		8	June	
Grain Storage (Chalna Silo)	(Sweden)	(9)a/	(9)			September	
Tubewells (ADC)	IDA	3b/	3			October	
Dacca Southwest Eng.	IDA	1	1			May	
Dacca Southwest I	IDA						24
Muhuri, Little Feni, & Karnaphuli Eng.	IDA	2	2			May	
Belkurchi/Kurigram Engineering	IDA						1
EPWAPDA Consultants	IDA					May	2
Industries:							
Small Industries (EPSIC)	Bank	5	5			Appraised	
Transportation:							
Highways (Bridges) Engineering (construction 1972)	IDA	1	1			Not fixed	
Railways	IDA						8
		32	32	-	8		35

* 60% of total cost.

a/ To be dealt with as an addition to an existing joint financed project, 83-PAK.

b/ Jointly with Sweden.

Project	Bank/IDA	FY 1970 Amount $ Million	FY 1970 East $ Million	West $ Million	Local Cost Financing $ Million	Appraisal	FY 1971 Amount $ Million
(Brought forward)		32	32	-	8		35
WEST PAKISTAN							
Agriculture:							
SCARP V	IDA						10
Industries:							
Fertilizer Plant	Bank	30 (?)		30		Not fixed	
Small Industries (WPSIC)	Bank	5		5		Appraised	
Transportation:							
Highways - Sargodha-Khushab	Bank	5		5		November	
Karachi Port Extension: Engineering	IDA	1		1		Nov/Dec	
Karachi Port Extension I	Bank					September	15
Sui North Gas Transmission III	Bank						15
Education:							
Engineering Colleges and Polytechnics Equipment	IDA	5		5		Sept/Oct	
Public Utilities:							
WAPDA Transmission and Distribution	IDA	25		25		Aug/Sept	
Lahore Water II	IDA	5 b/		5		December/Jan	
		108	32	76	8		75
ADB (inc. Tea Machinery)	IDA						15 c/
IDB	Bank	20	10	10		September	
PICIC	Bank						20 c/
T & T	Bank	12	6	6		October	
	Total	140	48	92	8		110
	Bank	65					50
	IDA	75					60

Reserve Projects:
(a) Grain Storage (Karachi) $25 million (1971); (b) Highways (Improvement) $25 million (70 or 71); (c) Increased allocations for ADB IV & PICIC IX - up to $35 million (1971); (d) Education, E. Pakistan $10-15 million (1970 or 71); (e) Dredging Pussar River Bar $7 million (1971); (f) Sui Gas Transmission II $6 million

b/ Assumes Swedish participation for like amount
c/ Reduced to fit funds available.

Mr. McNamara

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

~~Susp. 5/14~~

OFFICE MEMORANDUM

TO: ~~Mr. Rainer B. Steckhan~~ DATE: April 30, 1969

FROM: C.G.F.F. Melmoth C.M.

SUBJECT: Pakistan: Visit of Mr. M.M. Ahmad

Mr. M.M. Ahmad will be visiting Washington shortly, arriving on May 10 for a visit of about six days' duration. He has asked for appointments to be made with Mr. McNamara, Mr. Rosen and Mr. Cargill. I confirm that arrangements have been made for the following meetings:

Mr. McNamara	- 5:00 p.m.	- Thursday, May 15
Mr. Rosen	- 10:30 a.m.	- Wednesday, May 14
Mr. Cargill	- 9:30 a.m.	- Monday, May 12

Following the imposition of Martial Law in Pakistan on March 25, 1969, Mr. M.M. Ahmad has been retained in office as the Deputy Chairman of the Planning Commission. He remains a member of the Executive Committee of the National Economic Council and acts as Coordinator, at the official level, of the Economic Departments.

Mr. Ahmad is visiting Washington for discussions with the United States Government and the Bank as a preliminary to the discussions on Pakistan's economic position and its aid requirements which are to take place at the meeting of the Pakistan Consortium in Paris on May 19 and 20. Apart from explaining the new Administration's proposed allocations for the Annual Plan for fiscal year 1970, Mr. Ahmad is expected to outline the main measures which the Government plans to take to remedy the causes of the recent unrest in Pakistan and to begin to deal with the economic problems which have been identified in the Bank's recent Economic Report.

Mr. Ahmad is also expected to review the proposed lending program for fiscal year 1970, in the course of which he may press for the inclusion of an industrial imports credit, and argue that if there is slippage in the usage of IDA funds by other countries, Pakistan's allocation should be increased above 12½ percent. Mr. Cargill intends to provide a fuller brief after his meeting with Mr. Ahmad on May 12.

cc: Mr. Knapp
Mr. Rosen
Mr. Cargill

cc: Mr. Osman Ali, Executive Director for Pakistan

President has seen

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

OFFICE MEMORANDUM

TO: Records
DATE: October 10, 1969

FROM: Michael H. Wiehen MHW.

SUBJECT: Pakistan: Meeting of Mr. McNamara with Delegation to Annual Meeting

1. On October 6, 1969, Nawab Mozaffar Ali Khan Qizilbash, Finance Minister of Pakistan, called on Mr. McNamara. He was accompanied by Messrs. M.M. Ahmed, Deputy Chairman, Planning Commission, Ghulam Ishaq Khan, Secretary, Ministry of Finance, Mahbubul Haq, Chief Economist, Planning Commission, Agha Hilaly, Ambassador of Pakistan, S. Osman Ali, Executive Director of Pakistan. Messrs. Knapp, Cargill, Votaw, Gordon and Wiehen attended the meeting.

2. Mr. Qizilbash started with a brief statement on the present political and economic situation in Pakistan. He reiterated the present Administration's determination to hand over to an elected government at the earliest opportune time, and expressed hope that elections could be held before the end of 1971. As to the economy, he said that in West Pakistan private investment was satisfactory, and even though it lagged somewhat in July and August of this year, it was picking up again and the Government was confident about future development. He added, however, that in East Pakistan the investment pace gave rise to serious concern. He referred also to the strong emphasis placed by the Government on agriculture and the great hope put on the hybrid seed varieties which, together with more adequate supply of fertilizer and sufficient water supply and flood control, should allow rapidly increasing agricultural output. He expressed the gratitude of his Government to the Bank Group for its continued assistance, financial and technical, which, as he pointed out, gave confidence to many people in Pakistan and abroad.

3. Mr. McNamara said that even though the adverse effect of the recent political instability on the economy was not as great as one might have feared, Pakistan was faced with serious difficulties. He mentioned in particular the continued regional disparities between East and West Pakistan.

4. Both Mr. Qizilbash and Mr. Ahmed said that the Government was quite conscious of the existing regional imbalances; that even though the growth rate in East Pakistan had been stepped up during the 1960's as against the 1950's, the growth rate was still lower than in West Pakistan. They referred to the numerous measures taken in the 1969/70 budget in favor of East Pakistan, i.e. different rates for taxes and duties and different terms for tax holidays in the two Wings; and the establishment of an equity participation fund to assist the small private entrepreneurs in East Pakistan. They added that the growth rate target for the Fourth Plan was 7 per cent for East Pakistan as compared with 6 per cent for West Pakistan, and that the East Wing was to be given a substantial edge in public investment over the West Wing.

5. In response to a question of Mr. McNamara about the present use of modern rice technology in East Pakistan, Mr. Ahmed acknowledged the fact that major efforts are required to apply these new techniques full scale in the East Wing, but added that it was just as important to supply sufficient inputs of fertilizer and pesticides and, in particular, to provide controlled supplies of water, in view of the

tremendous damage caused regularly by floods which resulted in a serious lack of incentive. He expressed the Government's particular appreciation of the Bank's active role with regard to the East Pakistan Agricultural and Water Development Program. However, he requested the Bank to consider whether it could go even further by recommending to the Consortium the setting up of a special fund which would make soft term loans for the development of East Pakistan.

6. Mr. McNamara replied that the Bank's special interest in East Pakistan was well documented, inter alia, by the posting of one staff member in Dacca, but he believed that there was not really an immediate foreign exchange resource problem, but rather an unduly slow preparation of projects suitable for aid financing. He expressed his deep concern over the slow commitment of Bank/IDA funds allocated to Pakistan for the current fiscal year and stated unmistakeably that the Government of Pakistan should not count on making up for any slippage in the lending program by an industrial imports credit.

7. Mr. Cargill added that at this point it would be premature to raise the question of a special fund for East Pakistan with the Consortium members. He stressed the urgent need for the Government first to seek technical solutions to the problems in the East Wing, and said that only after a comprehensive development program has been prepared that could not be financed with the present arrangements, then the setting up of a special fund could be considered.

8. Mr. Ghulam Ishaq, with reference to the disturbingly high rate of unemployment, indicated that the Government was implementing a substantial rural works program, with Rs. 250 million provided in the current year's budget (of which Rs. 200 million are earmarked for East Pakistan, the balance for West Pakistan) for such works as schools, roads, market facilities etc. He said that this program presently depended on the availability of PL 480 counterpart funds, and he inquired whether the Bank Group would be prepared to assist these efforts with soft term funds. Mr. Knapp replied that the Bank would be pleased to consider, for example, a rural road project if it was properly prepared. Mr. Ghulam Ishaq also stated in this context that the most promising solution to the problem of unemployment would come from an expansion of small scale private industry, and that the newly established equity participation fund as well as the proposed Bank loans to IDBP and EPSIC/WPSIC would make a real contribution in this direction. Incidentally, he asked that the free limit under the proposed Bank loans be set at no less than $100,000.

9. Before ending the meeting, Mr. McNamara referred to the complex exchange rate structure; he expressed his interest in the fact that the Government was in discussion with the IMF about this subject and reiterated the hope of the Bank for early action to simplify the present multitude of influences on the price system, so that a more efficient allocation of resources would be insured. Mr. Cargill added that we hoped the Avramovic Report would prove helpful to the Government of Pakistan in dealing with these subjects.

10. In closing, Mr. McNamara repeated that the Bank Group had helped Pakistan in the past, and was ready to continue to help, but that the Government would have to make strong efforts to prepare an adequate number of sound projects for Bank Group financing.

Cleared with & cc: Mr. Votaw

cc: Messrs. McNamara, Knapp, Cargill, Melmoth
King/Blobel, Gordon, Christoffersen

MHWiehen:ebc

Division Circulation

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

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara DATE: October 27, 1969

FROM: William Diamond WD

SUBJECT: N. M. UQUALI

1. At 1:45 on Tuesday, you will be meeting Mr. N. M. Uquali, who has just begun a six-months consulting assignment with us to assist us in developing a program for industrial financing in Indonesia.

2. Uquali is a professional banker who, until 1957, had spent his entire career with the National Bank of Pakistan (and its predecessor). In 1957 he was named Assistant General Manager of PICIC, which was just then beginning, under a foreign general manager named by us. Three years later he succeeded to the general managership and was subsequently named Managing Director. In the years in which he guided PICIC, he established it as a sound and respected investment institution, conservative and inclined to neglect East Pakistan, but sufficiently active to earn for PICIC the respect of the Pakistan Government, the business community and foreign investors and businessmen. When Shoaib resigned from the Finance Ministry in 1966, he recommended that Uquali take his post. Uquali then resigned from PICIC and remained Minister until early this year when, together with all other members of the Mohammad Ayub Khan Government, he resigned.

3. Uquali will be on our staff for an initial period of six months. His work will be part of our general effort to assist the private sector in Indonesia and, in particular, to find or create financial institutions through which to make Bank capital available to the private sector. His first two-week visit will be to familiarize himself with the principal persons and institutions involved in industrial investment in Indonesia. He will probably go back in the middle of December with the Bank mission which will be appraising the performance and financial condition of BAPINDO; in any event, he will be moving back and forth between Djakarta and Washington over the next six months.

4. The Indonesian authorities are aware of this arrangement and are happy about it.

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President has seen