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JOINT STATE/AID

DELHI HOLD FOR SRAIN

SUBJECT: PAKISTAN CONSORTIUM MEETING - SUMMARY

1. ANNUAL CONSORTIUM MEETING PARIS 19-20 GENERALLY WENT VERY WELL. PROBLEM OF DECLINING NET AID TRANSFERS FULLY EXPLORED IN CONTEXT NEED FOR INCREASED RESOURCES FOR EXPANSION SOCIAL SECTOR WHILE MAINTAINING GROWTH. PAKISTAN IMPRESSED BY MEMBERS WITH NECESSITY FOR BETTER MOBILIZATION OF DOMESTIC RESOURCES, PARTICULARLY THROUGH PROGRESSIVE TAXATION. DONORS SHOWED UNDERSTANDING BANK PROPOSAL FOR SOFTER TERMS AND LARGER PORTION OF COMMODITY AID. GROWING DEBT SERVICING PROBLEM TO BE SUBJECT OF FURTHER STUDY AND THEN SEPARATE MEETING.

2. AGAINST $500 MILLION REQUEST, MEMBERS (EXCEPT BELGIUM, FRANCE, ITALY AND US) INDICATED ABOUT $250 MILLION WOULD BE FORTHCOMING. BELGIUM, FRANCE AND ITALY WILL PARTICIPATE SUBJECT TO GOVERNMENTAL APPROVALS AND IN CASE ITALY AND FRANCE MOVEMENT OF PRIOR YEAR FUNDS. US DELEGATE REFERRED TO REQUEST OF $140 MILLION TO CONGRESS. GERMANY AND NETHERLANDS DISCLOSED SOFTENING OF TERMS THEIR AID. GERMANY TO NEW DAC 30 YEAR LEVEL, NETHERLANDS FULLY TO OLD DAC WITH AGREEMENT IN PRINCIPLE TO MOVE TO NEW.

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3. MAIN SPEECH BY US DELEGATE UNDERSCORED CHALLENGE OF TAX PROBLEM, REDUCTION IN DEFENSE EXPENDITURES TO ASSIST IN SOCIAL INVESTMENT, EAST PAKISTAN DEVELOPMENT, RURAL WORKS PROGRAM, FAMILY PLANNING, "SECOND GENERATION" FOOD GRAIN PROBLEMS. PRESENTATION WAS WARMLY COMMENDED BY PAKS, WHO REQUESTED TEXT FOR USE THEIR OWN STRUGGLES IN BUREAUCRACY. TRANSCRIPT BEING HAND CARRIED TO RAWALPINDI AND WASHINGTON.

4. FULL REPORT OF SESSION FOLLOWS IN SEPARATE CABLES ON A) OPENING STATEMENTS, B) DELEGATES RESPONSE, C) DEBT SERVICING PROBLEM, D) AID CONTRIBUTIONS, E) CLOSING REMARKS AND F) PRESS STATEMENT.

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