

ATTACHMENT I

Table 1(a). Pakistan: Quantitative Targets, December 2002–June 2003 1/							
(Cumulative flows from July 1, 2002, unless otherwise specified)							
	Act.	Prog.	Adj.	Act.	Prog.	Adj.	Act.
	End-Dec.	End-Mar.	End-Mar.	End Mar.	End-Jun.	End-Jun.	End-Jun.
	2002	2003	2003	2003	2003	2003	2003
Net foreign assets of the SBP (floor in millions of U.S. dollars)*	3,629.0	809.0	409.0	5,197.0	4,327.0	4,240.5	5,868.0
(In billions of Pakistani rupees)							
Net domestic assets of the SBP*	-152.8	-13.2	10.8	-237.2	-181.2	-176.0	-258.3
Overall budget balance (floor)*	-62.3	-142.3	-150.3	-99.1	-178.4	-186.4	-179.9
Net government bank borrowing*	-34.0	-38.6	-6.6	-52.5	-29.2	-16.0	-55.6
CBR revenue (floor)*	203.1	309.0	...	310.3	458.9	...	461.6
Net banking sector claims on public sector enterprises*	-7.0	16.3	...	-6.4	20.0	...	-10.3
Social- and poverty-related spending ("I-PRSP budgetary expenditure")	66.5	114.3	...	102.1	161.0	...	158.0
WAPDA accrual balance	...	...	...	...	-20.7	...	-20.0
KESC accrual balance	...	...	...	...	-14.1	...	-13.3
(In millions of U.S. dollars)							
Outstanding stock of short-term external debt owed or guaranteed by the government and the SBP*	418.5	500.0	...	377.1	500.0	...	286.6
Contracting or guaranteeing of noncessional medium-term and long-term debt by the government* 2/	88.8	600.0	...	578.8	650.0	...	578.8
Accumulation of external payments arrears (continuous performance criterion during the program period)*	0.0	0.0	...	0.0	0.0	...	0.0
SBP's forex reserves held with foreign branches of domestic banks (outstanding stock)	56.3	100.0	...	45.8	100.0	...	65.6
<i>Of which:</i> other than current account*	0.0	0.0	...	0.0	0.0	...	0.0
Stock of outstanding foreign currency swap and forward sales between SBP and residents*	45.0	400.0	...	242.0	400.0	...	140.0
Memorandum items:							
Net external program financing 3/	367.2	689.1	...	-732.6	365.5	...	-691.4
<i>Of which:</i> privatization proceeds	186.0	150.0	...	186.0	284.0	...	186.0
External cash budget and capital grants 3/	117.5	193.0	...	1,208.9	238.5	...	1,208.9
Daily cash reserve requirements ratio (in percentage points)	4.0	4.0	...	4.0	4.0	...	4.0
Special cash reserve requirements ratio on foreign currency deposits (in percentage points)	15.0	15.0	...	15.0	15.0	...	15.0
Outstanding KESC borrowing 4/	4.0	...	...	9.0	0.0	...	0.0
Source: Pakistani authorities.							
1/ The relevant variables are defined in the Technical Memorandum of Understanding (TMU) dated June 2002 (and as amended during the third, fourth, and fifth reviews) and are subject to adjustors specified in the TMU. For variables marked "*" the end-September 2002, end-December 2002, end-March 2003, and end-June 2003 program flows represent ceilings (or floors, if indicated) that constitute performance criteria. All other targets are indicative.							
2/ Excluding PRGF loans.							
3/ The difference between the program projections and the outcomes reflects essentially \$1.0 billion in debt cancellation, which was reported as a capital grant in "External cast budget and capital grants," and, negatively, as debt amortization in "Net external program financing."							
4/ Bonds issued and loans contracted by KESC in the course of 2002/03.							

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Table 1(b). Pakistan: Quantitative Targets, September 2003–June 2004 1/					
(Cumulative flows from July 1, 2003, unless otherwise specified)					
	Outstanding				
	Stock	Prog.	Prog.	Prog.	Prog.
	End-Jun.	End-Sep.	End-Dec.	End-Mar.	End-Jun.
	2003	2003	2003	2004	2004
Net foreign assets of the SBP (floor in millions of U.S. dollars)*	8,189.0	495.0	833.0	996.0	1,489.0
	(In billions of Pakistani rupees)				
Net domestic assets of the SBP*	187.2	-12.6	13.4	-1.3	-10.5
Overall budget balance (floor)*	...	-77.0	-126.3	-163.7	-179.2
Net government bank borrowing*	458.6	43.5	53.1	40.9	20.2
CBR revenue (floor)*	...	92.2	218.1	347.5	510.0
Net banking sector claims on public sector enterprises*	71.8	1.0	2.7	4.3	6.0
Social- and poverty-related spending ("I-PRSP budgetary expenditure")	...	40.7	81.4	131.4	185.1
WAPDA accrual balance	...	5.3	-3.9	-19.6	-19.2
KESC accrual balance	...	-4.4	-8.2	-12.4	-15.3
	(In millions of U.S. dollars)				
Outstanding stock of short-term external debt owed or guaranteed by the government and the SBP*	...	500.0	500.0	500.0	500.0
Contracting or guaranteeing of noncessional medium-term and long-term debt by the government* 2/	...	600.0	600.0	750.0	750.0
Accumulation of external payments arrears (continuous performance criterion during the program period)*	...	0.0	0.0	0.0	0.0
SBP's forex reserves held with foreign branches of domestic banks (outstanding stock)	...	70.0	70.0	70.0	70.0
<i>Of which:</i> other than current account*	0.0	0.0	0.0	0.0	0.0
Stock of outstanding foreign currency swap and forward sales between SBP and residents*	...	400.0	400.0	400.0	400.0
Memorandum items:					
Net external program financing	...	105.9	59.3	-239.1	132.7
<i>Of which:</i> privatization proceeds	...	25.0	50.0	75.0	100.0
External cash budget grants	...	22.5	55.6	148.3	148.3
Daily cash reserve requirements ratio (in percentage points)	4.0	4.0	4.0	4.0	4.0
Special cash reserve requirements ratio on foreign currency deposits (in percentage points)	15.0	15.0	15.0	15.0	15.0
Source: Pakistani authorities.					
1/ The relevant variables are defined in the Technical Memorandum of Understanding (TMU) dated May 29, 2003 and are subject to adjustors specified in the TMU. For variables marked "*" end-December 2003 and end-June 2004 program flows represent ceilings (or floors, if indicated) that constitute performance criteria. All other targets are indicative.					
2/ Excluding PRGF loans.					

Table 2(a). Pakistan: Structural Performance Criteria and Benchmarks Under the PRGF Arrangement as Set Under the Fifth Review 1/

Measures	Timing	Status as of August 31, 2003	Related to
I. Structural Performance Criteria			
Publish quarterly progress reports on implementation of financial improvement plan of WAPDA/successors.	May 31, 2003 for the quarter January–March 2003 and August 31, 2003 for the quarter April–June 2003.	Observed so far. Fourth report on WAPDA (and other major public enterprises) published on the Ministry of Finance website in August 2003.	
No new exemptions (as per status of March 1, 2003) or special privileges regarding income tax, custom duties, or GST to be granted, no new regulatory import duties to be imposed (except for anti-dumping measures), and all time-bound exemptions and regulatory import duties to lapse without extension, except for existing contracts and exemptions based on international commitment.	Continuous	Not observed. A few minor changes were introduced with the 2003/04 budget to ensure uniform tax treatment and removing discriminatory treatment, having virtually no revenue impact.	
Submit to parliament a fiscal responsibility law, including (a) fiscal rules aimed at reducing consolidated government debt (federal and provincial) to below 60 percent of GDP within 10 years from the date of promulgation; and (b) the transparency and reporting requirements proposed in the draft published in July 2002.	June 1, 2003	Not observed on time. However, the law was submitted to Parliament on October 11, 2003.	7 th disbursement
Eliminate all exemptions from withholding tax on interest income, including for NSS instruments.	June 30, 2003	Partially observed. All exemptions from withholding tax on income were eliminated except for NSS instruments under PRs 150,000.	8 th disbursement
Establish formulaic link between rates of return on General Provident Fund and PIB yields.	June 30, 2003	Observed	8 th disbursement
KESC or WAPDA downward electricity tariff adjustments determined by NEPRA not to be implemented unless cumulative quarterly deficit targets of KESC, respectively WAPDA, for the preceding quarter were observed.	Continuous from June 30, 2003	Observed	
Elimination, with the approval of parliament, of at least 20 income tax exemptions.	July 1, 2003	Observed	8 th disbursement

Table 2(a). Pakistan: Structural Performance Criteria and Benchmarks Under the PRGF Arrangement as Set Under the Fifth Review 1/ (concluded)

Measures	Timing	Status as of August 31, 2003	Related to
Promulgation of federal budget for FY 2003/04 consistent with a consolidated overall budget deficit (excluding grants) not exceeding PRs 179.2 billion.	July 1, 2003	Observed	8 th disbursement
II. Structural Benchmarks			
Quarterly published progress reports on implementation of Poverty Reduction Strategy, including "I-PRSP expenditure," as well as on progress in (a) establishing institutional framework for I-PRSP monitoring; (b) preparation of full PRSP; and (c) developing baseline data and monitoring framework for intermediate indicators.	To start end-December 2001 for 2001/02 Q1 data, and continued on the basis of the same quarterly schedule throughout FY 2001/02 and FY 2002/03.	Observed so far. Eighth report published in September 2003.	
Effectiveness of amendments to the tax regulations to enable sales tax auditors to assess for nonfilers tax liabilities on the basis of indirect methods of determination, such as reconstructed income statements and presumptive criteria, and to authorize the CBR to make and order for assessment of tax, penalty, and additional tax on the basis of these criteria.	July 1, 2003	Observed.	
Issuance of CBR circular to require reporting by financial institutions of all interest income to the tax authority, effective from July 1, 2003.	July 1, 2003	Partially observed. The circular required reporting of interest income exceeding PRs 10,000.	
Publication for the federal government and NWFP of the 2003/04 budget according to the old accounting model and the new accounting model (NAM).	July 1, 2003	Partially observed. The documents were prepared and printed but, due to technical problems, it was not possible to publish the budgets based on NAM.	
Decision by Cabinet on future of the National Anti-Corruption Strategy (see MEFP, para. 5).	August 1, 2003	Partially observed. The previous Cabinet approved the strategy in November 2002.	
Submission to cabinet by the "Benami" taskforce of a report setting out the results of consultation with stakeholders and provincial governments and proposing specific legislation to limit enforceability of "Benami" transactions and holdings.	October 31, 2003		

1/ Conditionality as of the Executive Board's conclusion of the fifth review under the PRGF arrangement (IMF Country Report No. 03/180).

Table 2(b). Pakistan: Structural Performance Criteria and Benchmarks Under the PRGF Arrangement as Proposed for the Sixth and Seventh Reviews

Measures	Timing	Related to
I. Structural Performance Criteria		
No new exemptions (as per status of March 1, 2003) or special privileges regarding income tax, custom duties, or GST to be granted, no new regulatory import duties to be imposed (except for anti-dumping measures), and all time bound exemptions and regulatory import duties to lapse without extension, except for existing contracts and exemptions based on international commitment.	Continuous	
KESC or WAPDA downward electricity tariff adjustments determined by NEPRA not to be implemented unless cumulative quarterly deficit targets of KESC, respectively WAPDA, for the preceding quarter were observed.	Continuous	
Publish quarterly progress reports on implementation of financial improvement plan of WAPDA/successors.	November 30, 2003 for the quarter July–September 2003, February 29, 2004 for the quarter October–December 2003, May 31, 2004 for the quarter January–March 2004, and August 31, 2004 for the quarter April–June 2004.	
Preparation of an action plan to establish by end-2003 a transparent regulatory framework for the setting of electricity tariffs, that in particular (a) clarifies the respective roles of the government, NEPRA, and the power companies (including the new distribution companies) in the setting of tariffs; and (b) limits departures in actual tariff adjustments by distributors from NEPRA's determination based on the current procedures to well-specified cases of exceptional temporary spikes in oil prices.	October 31, 2003	9 th disbursement
Privatize Habib Bank Limited through effective transfer of majority ownership to private investors.	December 31, 2003	9 th disbursement
Adjust NSS rates to reflect PIB yields according to formula set in the amendment to the Technical Memorandum of Understanding (TMU).	January 1, 2004	9 th disbursement
Government to notify electricity tariff adjustments determined by NEPRA within 30 days of their determination (effective on day of notification).	Continuous from January 1, 2004	
Propose to Parliament removing income and sales tax exemptions and adopt other tax-base broadening measures yielding a total of PRs 5 billion in estimated revenues in the context of the 2004/05 budget.	June 30, 2004	10 th disbursement
Set up a pilot customs house in Karachi that will involve entry processing on a 24-hour basis, electronic filing of declarations by importers on a self-assessment basis, and parameter- and risk-based audits.	June 30, 2004	10 th disbursement

Table 2(b). Pakistan: Structural Performance Criteria and Benchmarks Under the PRGF Arrangement as Proposed for the Sixth and Seventh Reviews (concluded)

Measures	Timing	Related to
II. Structural Benchmarks		
Establish a new formula in consultation with Fund staff that will align NSS rates to government bonds of the same maturity.	March 31, 2004	
Set up two additional Medium Taxpayers Units.	June 30, 2004	
Open second Large Taxpayers Unit in Lahore.	August 31, 2004	
Submit to Cabinet an action plan on extending the coverage of the GST to additional services.	February 29, 2004	