

Table 1(a). Pakistan: Quantitative Targets, March–June 2002 1/

(Cumulative flows from July 1, 2001; unless otherwise specified)

	Outstanding Stock End-Jun. 2001 2/	Prog. End-Mar. 2002	Adj. Prog. End-Mar. 2002	Act. End-Mar. 2002	Prog. End-Jun. 2002	Adj. Prog. End-Jun. 2002	Act. End-Jun. 2002
Net foreign assets of the SBP (floor in millions of U.S. dollars)*	-253.5	93.5	-266.1	1,694.5	725.8	645.9	2,580.5
	(In billions of Pakistani rupees)						
Net domestic assets of the SBP*	549.4	28.5	51.5	-73.3	6.8	11.9	-113.2
Overall budget balance (floor)*		-160.5	-160.5	-115.7	-212.3	...	-189.1
Net government bank borrowing*	499.7	-4.0	12.0	-0.8	-6.9	-3.4	-39.1
CBR revenue (floor)*		277.4	...	269.8	414.3	...	403.9
Net credit to public sector enterprises*	100.5	14.0	...	3.1	22.5	0.5	-17.0
Accumulation of budgetary arrears to WAPDA by list of priority connections*		0.00	...	0.00	0.00	...	-0.21
Social- and poverty-related spending ("I-PRSP budgetary expenditure")	...	96.6	...	80.0	136.4	...	133.5
	(In millions of U.S. dollars)						
Contracting or guaranteeing of short-term external debt by the government and the SBP*		700.0	...	305.0	800.0	...	435.0
Contracting or guaranteeing of noncessional medium-term and long-term debt by the government* 3,		600.0	...	223.0	750.0	...	223.0
<i>Of which</i> : external debt with an initial maturity of over one year and up to five years*		300.0	...	0.0	300.0	...	0.0
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)	238.7	175.0	...	78.4	100.0	...	66.7
<i>Of which</i> : other than current account*	171.9	75.0	...	34.2	0.0	...	0.0
Contracting of foreign currency swap and forward sales*		0.0	...	0.0	0.0	...	0.0
Memorandum items:							
Net external program financing		-63.5	...	-479.4	225.2	...	170.0
External cash budget grants		801.4	...	691.8	766.5	...	741.8
Poverty alleviation and other programs eligible for additional grant-financed expenditure (in billions of Pakistani rupees) 4/		63.4	...	n.a.	90.1	...	102.6
Foreign currency deposits with the SBP (including reserve requirements)	399.0	20.0	...	52.0	71.9	...	73.0
Daily cash reserve requirements ratio (in percentage points)	4.0	4.0	...	4.0	4.0	...	4.0
Issuance of government bonds to banks in the context of the recapitalization of KESC and clearance of banks' claims on CBR (in billions of Pakistani rupees)		0.0	...	0.0	56.0	...	52.0

Source: Pakistani authorities.

1/ The relevant variables are defined in the Technical Memorandum of Understanding (TMU) dated November 2001 and the TMU dated March 12, 2002, and are subject to adjustors specified in the TMUs. For variables marked "\*" the end-December 2001, end-March 2002, and end-June 2002 program flows represent ceilings (or floor, if indicated) that constitute performance criteria. All other targets are indicative

2/ The June 2001 stock data and the December 2001 actual flow data for overall budget balance, net government bank borrowing, and net credit to public enterprises have been corrected for various data revisions. The revisions relates to (a) the inclusion of the BSAL account and the Privatization Fund in SBP net claims on the government; (b) the reclassification of some bonds issued by public corporations, but serviced by the government, from net credit to public enterprises to net government bank borrowing; and (c) the reclassification of credit to privatized public enterprises from net credit to public enterprise to credit to the private sector.

3/ Excluding PRGF loans.

4/ See definition in the TMU dated March 12, 2002, Table 2.

Table 1(b). Pakistan: Quantitative Targets, September 2002–June 2003 1/

(Cumulative flows from July 1, 2002 unless otherwise specified)

	Outstanding Stock End-Jun. 2002	Prog. End-Sep. 2002	Original Prog. End-Dec. 2002	Modified Prog. End-Dec. 2002	Prog. End-Mar. 2003	Proj. End-Jun. 2003
Net foreign assets of the SBP (floor in millions of U.S. dollars)*	2,323.0	320.0	497.0	497.0	809.0	880.0
(In billions of Pakistani rupees)						
Net domestic assets of the SBP*	444.1	-0.2	8.8	8.8	-13.2	1.0
Overall budget balance (floor)*	...	-56.4	-98.7	-98.7	-142.3	-178.4
Net government bank borrowing*	514.1	-4.4	-15.9	-15.9	-38.6	-29.2
CBR revenue (floor)*	...	90.0	200.5	199.5	309.0	458.9
Net banking sector claims on public sector enterprises*	83.5	7.0	11.7	11.7	16.3	20.0
Social- and poverty-related spending (“I-PRSP budgetary expenditure”)	...	35.4	70.8	70.8	114.3	161.0
(In millions of U.S. dollars)						
Outstanding stock of short-term external debt owed or guaranteed by the government and the SBP <sup>4</sup>	209.0	500.0	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	600.0	600.0	650.0
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)	66.7	100.0	100.0	100.0	100.0	100.0
<i>Of which:</i> other than current account*	0.0	0.0	0.0	0.0	0.0	0.0
Stock of outstanding foreign currency swap and forward sales between SBP and residents*	280.0	400.0	400.0	400.0	400.0	400.0
Memorandum items:						
Net external program financing	...	447.5	597.4	597.4	689.1	795.5
<i>Of which:</i> privatization proceeds	...	50.0	100.0	100.0	150.0	200.0
External cash budget grants	...	36.4	106.6	106.6	193.0	197.4
Daily cash reserve requirements ratio (in percentage points)	4.0	4.0	4.0	4.0	4.0	4.0
Special cash reserve requirements ratio on foreign currency deposits (in percentage points)	20.0	20.0	20.0	20.0	15.0	15.0

Source: Pakistani authorities.

1/ The relevant variables are defined in the Technical Memorandum of Understanding (TMU) dated June 2002 and are subject to adjustments specified in the TMU. For variables marked “\*” the end-September 2002, end-December 2002, and end-March 2003 program flows represent ceiling; (or floor, 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 Second Review 1/

Measures	Timing	Status as of October 1, 2002
<b>I. Structural Performance Criteria</b>		
No new exemptions 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 commitments, and except for custom duty and income tax exemptions for the shipping industry (as described in the MEFP dated March 12, 2002, para. 20).	Continuous	Not met. All medicines were exempted from general sales tax on August 23, 2002.
Implement new organizational setup for CBR headquarters per approved CBR reform plan (as described in MEFP dated November 22, 2001, para. 21).	February 28, 2002	Done.
Apply standard GST penalty regime to retailers and eliminate GST exemptions for all fertilizer wholesale and retail trade.	March 31, 2002	Done.
Implementation of universal self-assessment effective for all income earned from July 1, 2002.	July 1, 2002	Done (as new income tax ordinance came into force).
Start operations of a Large Taxpayer Unit, integrating all domestic tax operations.	July 1, 2002	Done. Large Taxpayer Unit in Karachi started operations on July 1, 2002.
Implementation of income tax reform package effective for income earned from July 1, 2002 including: elimination of at least two minor withholding taxes; elimination of at least 55 income tax rebates, concessions, and nonstandard exemptions from the CRITO-list; and lowering the threshold on NSS schemes subject to withholding tax on interest income from PRs 300,000 to PRs 150,000.	July 1, 2002	Done.
Bring KESC to point of sale (as detailed in MEFP dated November 22, 2001, para. 23).	July 31, 2002	Not met. Expressions of interest invited in March 2002. Two investors expressed interest and one investor provided statement of qualification, which was accepted in June 2002. However, Investor has not yet started due diligence. Complementary reforms delayed due to legal complexities.

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

Measures	Timing	Status as of October 1, 2002
Issue circular allowing banks to purchase from August 1, 2002 foreign exchange from money changers at freely negotiated rates.	August 1, 2002	Done. Foreign Exchange Manual issued in January 2002 allows banks to purchase foreign exchange from money changers at freely negotiated rates.
Issue budget call for FY 2003/04 budget on the basis of the New Accounting Model (NAM) for federal government and any one province, for parallel run with existing system.	October 31, 2002	
Publish quarterly progress reports on implementation of financial improvement plan of WAPDA/successors.	November 30, 2002 for the quarter July–September 2002; February 28, 2003 for the quarter October–December 2002.	
<b>II. Structural Benchmarks</b>		
Prepare list of intermediate indicators (selected from Table 5.3 and Tracking/Monitoring Matrix in Annex I of I-PRSP) with baseline data for 2000/01, and preliminary annual targets for the period FY 2001/02–2003/04.	December 31, 2001	Done. List and annual targets included in the I-PRSP.
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.	Done so far. Fourth report published in September 2002.
Publish rules and regulations including for record-keeping under the universal self-assessment scheme for income tax to become effective July 1, 2002.	March 31, 2002	Done. Draft rules published end-March 2002 to obtain public feedback. Final rules became effective July 1, 2002.
Prepare proposals for revised income and sales tax appeals and dispute resolution process with a view to implement them with the FY 2002/03 budget.	March 31, 2002	Done. New rules became effective July 1, 2002.

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

Measures	Timing	Status as of October 1, 2002
Bring United Bank Ltd. and PTCL to the point of sale through transparent and open public offer for sale.	May 31, 2002	Delayed (for reasons explained in MEFP, para. 17); UBL was privatized in September 2002.
Issuance of a streamlined foreign exchange manual to simplify and clarify rules regarding access to foreign exchange and current account transactions.	July 1, 2002	Done. Issued in January 2002.
Establishment of a contributory pension scheme for new recruits in the civil service, and preparation of a third phase public pension reform package, prepared in collaboration with the World Bank and involving actuarially fair reform of early retirement and of commutation tables.	July 1, 2002	Delayed. Actuarial cell in the Ministry of Finance to be established by end-2002.
Implement structural electricity tariff adjustment consistent with WAPDA financial improvement plan.	July 15, 2002	Delayed. Structural tariff increase of 9.2 percent on average became effective on August 13, 2002
Preparation of financial plans and quarterly performance targets for FY 2002/03 for PIA, Pakistan Railways, and Pakistan Steel Mills.	August 31, 2002	Partially delayed. Financial plans prepared by end-August 2002. Quarterly performance targets prepared on September 27, 2002.
Eliminate administrative restrictions on the setting of interest rates on foreign currency deposits.	September 30, 2002	Done (SBP Circular No. 17 issued on July 9, 2002).
Implement revised sales tax and customs refund rules and procedures to reduce the incidence of incorrect claims and payments.	September 30, 2002	Done.
Prepare customs administration reform plan.	September 30, 2002	Done. Plan was prepared by August 20, 2002.
Make model income tax office for small and medium taxpayers in Lahore fully operational.	October 31, 2002	Preparation on track.
Amend SBP Act to strengthen central bank autonomy, in particular in the area of reserve management, per Safeguard Assessment recommendations.	October 31, 2002	Amendments approved by cabinet on September 25, 2002; promulgation pending.

1/ Conditionality as of the Executive Board's conclusion of the second review under the PRGF arrangement (EBS/02/107).

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

Measures	Timing	Status as of October 1, 2002
<b>I. Structural Performance Criteria</b>		
No new (as per status of September 1, 2002) exemptions 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	Met so far.
Publish quarterly progress reports on implementation of financial improvement plan of WAPDA/successors.	May 31, 2003 for the quarter January–March 2003.	
<b>II. Prior Actions for Completion of Third Review</b>		
Prepare financial improvement plan and quarterly performance targets for FY 2002/03 for KESC, based on approved multi-year tariff framework.		Plan was prepared, along with quarterly targets, on September 30, 2002.
Effectiveness of multi-year electricity tariff framework for KESC to reduce regulatory uncertainty, providing for automatic adjustment to inflation and to fuel cost changes, and including immediate structural increase.		Implemented effective September 13, 2002 with average structural tariff increase of 6.5 percent.
Implement revenue measures to offset the exemption of medicines from GST in August 2002 and the lowering of petroleum taxation in September and early October 2002, to restore overall revenue for 2002/03 to program levels.		

Table 1(a). Pakistan: Net External Program Financing FY 2001/02 and FY 2002/03

(In millions of U.S. dollars)

	(Cumulative from July 1, 2001)				(Cumulative from July 1, 2002)			
	Sep. 2001 Act.	Dec. 2001 Act.	Mar. 2002 Act.	Jun. 2002 Act.	Sep. 2002 Prog.	Dec. 2002 Prog.	Mar. 2003 Prog.	Jun. 2003 Proj.
<b>Program financing (a+b+c+d+e+f-g+h)</b>	<b>-160.5</b>	<b>-180.2</b>	<b>-479.4</b>	<b>170.0</b>	<b>447.5</b>	<b>597.4</b>	<b>689.1</b>	<b>795.5</b>
(a) World Bank	0.0	95.0	95.0	697.5	185.0	215.0	400.0	550.0
(b) AsDB loans	0.0	150.0	150.0	185.0	235.0	385.0	455.0	455.0
(c) Other multilaterals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(d) Bilateral loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(e) Commercial bank borrowing	207.0	469.0	660.3	822.7	100.0	200.0	300.0	400.0
<i>Of which:</i> IDB	106.0	176.0	267.3	329.7	100.0	200.0	300.0	400.0
(f) Privatization receipts	0.0	0.0	0.0	117.0	50.0	100.0	150.0	200.0
(g) Amortization due	650.3	1,392.7	2,155.0	2,861.7	393.0	790.9	1,346.2	1,734.0
Multilateral creditors	122.4	258.4	376.2	499.2	130.7	270.6	400.6	526.1
Bilateral creditors	193.6	324.5	484.2	646.9	184.9	302.0	467.3	567.9
Commercial creditors	317.9	772.2	1,236.4	1,633.0	49.5	169.7	397.7	538.1
Other (Military)	16.4	37.6	58.2	82.6	27.9	48.6	80.6	101.9
(h) Debt service rescheduled/arrears	282.8	498.5	770.3	1,209.5	270.5	488.3	730.3	924.5
Multilateral creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral creditors	267.6	460.4	717.4	1,127.9	245.9	440.3	656.6	827.4
Commercial creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (Military)	15.2	38.1	52.9	81.6	24.6	48.0	73.7	97.1

Table1(b). Pakistan: External Grants for FY 2001/02 and FY 2002/03

(In millions of U.S. dollars)

	(Cumulative from July 1, 2001)				(Cumulative from July 1, 2002)			
	Sep. 2001	Dec. 2001	Mar. 2002	Jun. 2002	Sep. 2002	Dec. 2002	Mar. 2003	Jun. 2003
	Act.	Act.	Act.	Act.	Prog.	Prog.	Prog.	Proj.
External cash budget grants	0.0	625.5	691.8	741.8	36.4	106.6	193.0	197.4
United States	0.0	600.0	600.0	600.0	0.0	0.0	0.0	0.0
European Union	0.0	0.0	0.0	0.0	13.1	21.9	21.9	21.9
Japan	0.0	25.5	63.3	63.3	19.0	19.0	64.0	64.0
United Kingdom	0.0	0.0	28.5	28.5	0.0	57.0	57.0	57.0
Other	0.0	0.0	0.0	50.0	4.3	8.7	50.1	54.5
Saudi oil facility	172.9	299.7	416.7	578.7	164.3	325.6	484.7	642.4
Project grants	20.5	32.7	62.9	71.7	25.2	50.4	35.5	47.5
Capital Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0