

Table 1(a). Pakistan: Quantitative Targets, September 2003–June 2004 1/

(Cumulative flows from July 1, 2003, unless otherwise specified)

	2003 End-June Stock	2003						2004			
		End-September			End-December			End-March			End-June
		Prog.	Adj. Prog.	Act.	Prog.	Adj. Prog.	Act.	Prog.	Adj. Prog.	Prel. Est.	Rev. Prog.
Net foreign assets of the SBP (floor in millions of U.S. dollars)*	8,068.4	495.0	246.4	708.4	833.0	390.2	1,191.7	996.0	185.8	1,048.2	1,489.0
					(In billions of Pakistani rupees)						
Net domestic assets of the SBP*	201.3	-12.6	1.8	-52.4	13.4	39.1	7.2	-1.3	45.8	41.7	-10.5
Overall budget balance (floor)*	...	-77.0	-77.0	-41.7	-126.3	-126.3	-33.7	-163.7	-163.7	-71.2	-179.2
Net government bank borrowing*	511.2	43.5	57.5	9.9	53.1	78.9	-9.7	40.9	100.2	53.6	20.2
CBR revenue (floor)*	...	92.2	...	95.3	218.1	...	230.9	347.5	...	354.6	510.0
Net banking sector claims on public sector enterprises*	69.1	1.0	...	-17.2	2.7	...	-24.9	4.3	...	-32.8	6.0
Social- and poverty-related spending (“I-PRSP budgetary expenditure”)	...	40.7	...	39.5	81.4	...	80.2	131.4	...	128.6	185.1
WAPDA accrual balance	...	5.3	...	5.0	-3.9	...	3.0	-19.6	...	-3.9	-19.2
KESC accrual balance	...	-4.4	...	-3.8	-8.2	...	-6.6	-12.4	...	-8.2	-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	...	250.9	500.0	...	189.6	500.0	...	138.8	500.0
Contracting or guaranteeing of noncessional medium-term and long-term debt by the government* 2/	...	600.0	...	104.2	600.0	...	454.2	750.0	...	954.2	1,000.0
Accumulation of external payments arrears (continuous performance criterion during the program period)*	...	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	0.0
SBP’s forex reserves held with foreign branches of domestic banks (outstanding stock)	...	70.0	...	69.8	70.0	...	68.4	70.0	...	69.8	70.0
<i>Of which: other than current account*</i>	0.0	0.0	...	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*	...	400.0	...	45.0	400.0	...	45.0	400.0	...	45.0	400.0
Memorandum items:											
Net external program financing	...	105.9	...	-164.2	59.3	...	-461.7	-239.1	...	-1,084.0	132.7
<i>Of which: privatization proceeds</i>	...	25.0	...	0.0	50.0	...	0.0	75.0	...	198.7	100.0
External cash budget grants	...	22.5	...	44.0	55.6	...	133.8	148.3	...	183.0	148.3
External capital grants	...	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	0.0
External privatization budget receipts	...	17.2	...	0.0	51.6	...	0.0	86.1	...	0.0	120.5
Daily cash reserve requirements ratio (in percentage points)	4.0	4.0	...	4.0	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	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 “*” the 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 1(b). Pakistan: Quantitative Targets, September 2004–June 2005 1/

(Cumulative flows from July 1, 2004, unless otherwise specified)

	2004	2004		2005	
	End-June Stock Proj.	End-Sept. Proj.	End-Dec. Proj.	End-Mar. Proj.	End-Jun. Proj.
Net foreign assets of the SBP (floor in millions of U.S. dollars)	9,861.1	208.8	-194.5	7.5	-52.5
		(In billions of Pakistani rupees)			
Net domestic assets of the SBP	204.8	-8.9	39.3	61.3	75.4
Overall budget balance (floor)	...	-78.5	-115.9	-160.1	-199.2
Net government bank borrowing	...	15.0	30.0	70.0	90.0
CBR revenue (floor)	...	110.0	255.0	400.0	576.0
Net banking sector claims on public sector enterprises	36.3	1.0	2.0	3.0	4.0
Social- and poverty-related spending ("I-PRSP budgetary expenditure") 2/	...	59.8	119.2	159.2	278.0
<i>Memorandum items:</i>		(In millions of U.S. dollars)			
Net external program financing	...	247.7	-823.6	-809.9	-926.2
<i>Of which:</i> privatization proceeds	...	0.0	0.0	99.0	99.0
External cash budget grants	...	0.0	315.0	315.0	330.0
External capital grants	...	0.0	0.0	0.0	0.0
External privatization budget receipts	15.0
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. All program flows are indicative ceilings or floors as indicated.

2/ Expanded definition as described in the December 2003 PRSP.

Table 2(a). Pakistan: Structural Performance Criteria and Benchmarks
Under the PRGF Arrangement for the Eighth Review

Measures	Timing	Status as of April 15, 2004
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	Observed.
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	Not observed. Electricity tariffs for WAPDA were reduced in November 2003, despite that the quarterly accrual balance target for Q1 was missed by a small margin. However, the decrease took place only once it became clear that targets for the first half of the year would be respected. Accrual balance targets for the first half of the year were met comfortably.
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.	Observed for the first and second quarters.
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	Partially observed. An action plan was prepared on time. However, the plan stated that the framework for regional tariff setting would be announced by end-March 2004, rather than by end-December 2003.
Privatize Habib Bank Limited through effective transfer of majority ownership to private investors.	December 31, 2003	Not observed. A bid was accepted on December 29, 2003. Transfer of ownership and management, however, was completed by end-February 2004.

Table 2(a). Pakistan: Structural Performance Criteria and Benchmarks
Under the PRGF Arrangement for the Eighth Review (concluded)

Measures	Timing	Status as of April 15, 2004
Adjust NSS rates to reflect PIB yields according to formula set in the amendment to the Technical Memorandum of Understanding (TMU).	January 1, 2004	Observed.
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	Not observed. Downward tariff adjustment for KESC determined by NEPRA on January 15, 2004 was notified on April 15, 2004.
II. Structural Benchmarks		
Submission to cabinet by the “ <i>Benami</i> ” taskforce of a report setting out the results of consultation with stakeholders and provincial governments and proposing specific legislation to limit enforceability of “ <i>Benami</i> ” transactions and holdings.	October 31, 2003	Observed. Submitted to cabinet in October 2003.
Submit to cabinet an action plan on extending the coverage of the GST to additional services.	February 29, 2004	Now targeted for end-July 2004.
Establish a new formula in consultation with Fund staff that will align NSS rates to government bonds of the same maturity.	March 31, 2004	New formula was established in April 2004.

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

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.	May 31, 2004 for the quarter January–March 2004, and August 31, 2004 for the quarter April–June 2004.	10 th disbursement
Government to notify electricity tariff adjustments determined by NEPRA within 30 days of their determination (effective on day of notification).	Continuous	
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
Promulgation of a federal budget for FY 2004/05 consistent with a consolidated overall budget deficit (excluding grants) not exceeding PRs 199.2 billion.	June 30, 2004	10 th disbursement
Adjust NSS rates to reflect PIB yields according to formula set in the amendment of the Technical Memorandum of Understanding (TMU).	July 1, 2004	10 th disbursement
Announce tariff and subsidy policy for regional electricity tariff setting, as further specified in paragraph 26 of the MEFP.	July 31, 2004	10 th disbursement

Table 2(b). Pakistan: Structural Performance Criteria and Benchmarks
Under the PRGF Arrangement for the Ninth Review (concluded)

Measures	Timing	Related to
Publish Financial Recovery Plans for WAPDA and its successor entities, prepared in consultation with the World Bank, including financial targets for the power utilities, as specified in paragraph 28 of the MEFP.	July 31, 2004	10 th disbursement
II. Structural Benchmarks		
Set up two additional medium taxpayers units.	June 30, 2004	
Open second large taxpayers unit in Lahore	August 31, 2004	

Table 3(a). Pakistan: Net External Program Financing FY 2003/04 and FY 2004/05

(In millions of U.S. dollars)

	(Cumulative from July 1, 2003)						(Cumulative from July 1, 2004)				
	Sep. 2003	Sep. 2003	Dec. 2003	Dec. 2003	Mar. 2004	Mar. 2004	Jun. 2004	Sep. 2004	Dec. 2004	Mar. 2005	Jun. 2005
	Prog.	Act.	Prog.	Act.	Prog.	Prel. Est.	Prog.	Proj.	Proj.	Proj.	Proj.
Program financing (a+b+c+d+e+f-g-h+i)	105.9	-170.1	59.3	-461.7	-239.1	-1,084.0	132.7	247.7	-823.6	-809.9	-926.2
(a) World Bank	125.0	0.0	250.0	0.0	100.0	0.0	500.0	350.0	440.0	490.0	540.0
(b) AsDB loans	100.0	125.7	200.0	243.6	300.0	243.6	400.0	100.0	290.0	360.0	400.0
(c) Other multilaterals	0.0	0.0	0.0	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	0.0	0.0	0.0
(e) Commercial bank borrowing and Eurobonds	100.0	0.0	200.0	8.3	225.0	508.3	300.0	87.0	175.0	262.0	350.0
<i>Of which: IDB</i>	100.0	0.0	200.0	8.3	225.0	8.3	300.0	87.0	175.0	262.0	350.0
(f) Privatization receipts	25.0	0.0	50.0	0.0	75.0	198.7	100.0	0.0	0.0	99.0	99.0
(g) Amortization due	244.1	295.8	740.8	813.6	1,039.1	998.2	1,267.3	289.3	828.6	1,120.9	1,415.2
Multilateral creditors	151.1	157.8	290.5	303.0	453.8	421.9	589.9	168.0	336.0	504.0	672.0
Bilateral creditors	3.3	28.6	15.9	60.2	18.3	69.6	29.4	35.3	70.5	105.8	141.0
of which debt cancellation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	74.0	57.4	403.0	398.4	515.0	454.7	589.0	72.0	393.0	468.0	543.0
Other (Military)	15.7	52.0	31.4	52.0	52.0	52.0	59.0	14.1	29.1	43.2	59.2
(h) Accelerated amortization	0.0	0.0	0.0	0.0	0.0	1,136.4	0.0	0.0	1,000.0	1,000.0	1,000.0
(i) Debt service rescheduled/arrears	0.0	0.0	100.0	100.0	100.0	100.0	100.0	0.0	100.0	100.0	100.0
Multilateral creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral creditors (Jan. 2001)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral creditors additional debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial creditors	0.0	0.0	100.0	100.0	100.0	100.0	100.0	0.0	100.0	100.0	100.0
Other (Military)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 3(b). Pakistan: External Grants for FY 2003/04 and FY 2004/05

(In millions of U.S. dollars)

	(Cumulative from July 1, 2003)							(Cumulative from July 1, 2004)			
	Sep. 2003	Sep. 2003	Dec. 2003	Dec. 2003	Mar. 2004	Mar. 2004	Jun. 2004	Sep. 2004	Dec. 2004	Mar. 2005	Jun. 2005
	Prog.	Est.	Prog.	Est.	Prog.	Prel. Est.	Prog.	Proj.	Proj.	Proj.	Proj.
External cash budget grants	22.5	44.0	55.6	133.8	148.3	183.0	148.3	0.0	315.0	315.0	330.0
United States	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	300.0	300.0	300.0
European Union	0.0	12.0	0.0	12.1	47.1	12.1	47.1	0.0	0.0	0.0	15.0
Japan	22.5	0.0	22.5	0.0	35.0	35.5	35.0	0.0	0.0	0.0	0.0
United Kingdom	0.0	32.0	33.1	71.7	66.1	85.4	66.1	0.0	15.0	15.0	15.0
Other	0.0	0.0	0.0	50.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0
Saudi oil facility	109.2	147.0	218.4	275.0	417.0	302.0	538.0	0.0	0.0	0.0	0.0
Project grants	26.5	5.0	53.1	26.5	35.3	30.5	47.0	11.7	42.3	65.7	90.0
Capital grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Amendments to the Technical Memorandum of Understanding

1. In the first sentence of paragraph 16 (original numbering of the May 29, 2003 version), “less external privatization receipts as reported in the balance of payments, plus external privatization receipts as reported in the fiscal accounts of the consolidated government” will be inserted after “The ceiling on **net bank borrowing by the government** will be adjusted downward/upward by the cumulative excess/shortfall in net external program financing.”

2. Paragraph 15 (new numbering after the amendments made in the sixth and seventh reviews) will be replaced with: “For purposes of the performance criterion on applying the revised formulas on adjusting NSS rates to reflect PIB yields, the formulas are defined as follows:

For Special Savings Certificates (3 years), the yield is set as

$$Y_3 = (3 * AP_3 + Z) / 3 + 0.45$$

With AP_3 being the average annual PIB yield realized over the last 6 months:

$$AP_3 = \sum (\text{amount realized in auction } j) / (\text{amount realized over last 6 months}) * P_{3,j}$$

And $P_{3,j}$ being the annual 3-year PIB yield realized in auction j (coupon rate is semi-annual)

$$P_{3,j} = (2 * \text{coupon rate} * \text{bid amount}) / \text{amount realized}$$

For Regular Income Certificates (5 years), the yield is set as

$$Y_5 = AP_5 + 0.45$$

With AP_5 being the average annual 5-year PIB yield realized over the last 6 months:

$$AP_5 = \sum (\text{amount realized in auction } j) / (\text{amount realized over last 6 months}) * P_{5,j}$$

And $P_{5,j}$ being the annual 5-year PIB yield realized in auction j (coupon rate is semi-annual):

$$P_{5,j} = (2 * \text{coupon rate} * \text{bid amount}) / \text{amount realized}$$

For Defense Savings Certificates (10 years), the yield is set as

$$Y_{10} = [[(1 + AP_{10} / 100)^{2*10} * (1 + Z/100)]^{1/10} - 1] * 100 + 0.45$$

With AP_{10} being the average semi-annual 10-year PIB yield realized over the last 6 months:

$$AP_{10} = \sum (\text{amount realized in auction } j) / (\text{amount realized over last 6 months}) * P_{10,j} / 2$$

And $P_{10,j}$ being the annual 10-year PIB yield realized in auction j (coupon rate is semi-annual):

$$P_{10,j} = (2 * \text{coupon rate} * \text{bid amount}) / \text{amount realized}$$

Where:

- n = maturity in years
- Y_n = yield on NSS instrument with n-year maturity (in percent)
- $P_{n,j}$ = yield on PIB with n-year maturity realized in auction j (in percent)
- AP_n = average yield on PIB with n-year maturity (in percent)
- Z = zakat rate (in percent) withheld on principle and yield at time of encashment or maturity (2.5)”