Letter of Intent

December 2, 2014
Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC, 20431

Dear Ms. Lagarde.

The Pakistani authorities reaffirm our commitment to our economic program supported by the International Monetary Fund (IMF). Performance for the fourth and fifth reviews was mostly satisfactory. We have met some of the performance criteria for the fourth and fifth program reviews and continue to move forward on our ambitious structural reform agenda. While further effort is needed in some areas, we are committed to the corrective actions described in the attached Memorandum of Understanding of Economic and Financial Policies (MEFP). Despite recent floods and uncertainties, there are signs of improvement in economic conditions and balance of payments pressures have been contained. Although challenges remain, we believe that as structural reforms take hold, bottlenecks will ease, growth will accelerate, and vulnerabilities will recede. We are committed to firm policy implementation and maintenance of fiscal, monetary, and financial sector buffers to safeguard against risks.

Our performance on the quantitative targets and the structural reform agenda for the fourth and fifth reviews has been as follows (MEFP Tables 1 and 2):

- *Quantitative performance criteria and indicative targets.* The end-June 2014 quantitative performance criteria (PCs) were observed with the exception of the targets on Net Domestic Assets (NDA) and on government borrowing from the State Bank of Pakistan (SBP), which were missed. Although NEPRA tariff determination and notification were accomplished as per the prior action for the Third Review, the increase in electricity tariffs scheduled for 1st July 2014 did not go into effect due to last minute difficulties. Three PCs were missed for end-September 2014 (on Net International Reserves, on NDA, and on government borrowing from the SBP). We have since taken action to address these shortcomings and are on track to meet the end-December 2014 targets as outlined in the attached MEFP. The indicative target on transfers under the Benazir Income Support program (BISP) was met.

- *Corrective actions for missed targets :*

    - To address the shortfall in electricity prices, we adjusted tariffs by PRs 0.30/kWh effective from October 1, 2014, taking advantage of a decline in the automatic fuel surcharge due to lower world oil prices. We will use continue to use the downward trend in oil prices to make further adjustments while maintaining consumer prices constant (MEFP ¶27).

- ➢ We also stepped up the accumulation of international reserves through interventions in the foreign exchange market, and accumulated additional reserves with the successful issuance of international Sukuk securities (¶5).

- ➢ We have improved our debt management practices and public debt issuance calendar, and are strengthening the Debt Policy Coordination Office (DPCO) to better manage the government borrowing target from the SBP (MEFP ¶20).

- ➢ We have taken steps to keep the stock of NDA at PRs 2,450 billion by end-November, 2014, and we will also improve the SBP interest rate corridor to better manage liquidity (new structural benchmark, MEFP ¶4).

- *Structural Benchmark (SBs).* Performance on SBs was mixed. Of the seven SBs pending since the completion of the third review, three were met—elimination of the exemptions and concessions granted through SROs; improving the internal operations of the SBP; and offering minority shares of UBL and PPL. Others remain outstanding—amending the relevant tax laws on anti-money laundering (AML); consolidating the responsibilities of the public debt management office; filling the vacancies in the NEPRA Board; and enacting the amendments to SBP's law to give SBP more independence. We remain committed to secure the completion of these SBs.

The program will continue to be monitored through quarterly reviews, prior actions, quantitative performance criteria and indicative targets, and structural benchmarks. As detailed in the MEFP, we propose five new structural benchmarks against which to measure progress under the program (MEFP, Table 2). The TMU explains how the program targets are measured.

In the attached MEFP, we set out our plans to further advance on the objectives of our macroeconomic program. In view of our performance under the program supported by the IMF, the Government of Pakistan and the SBP request waivers on the three end-September performance criteria, and the completion of the fourth and fifth reviews under the Extended Arrangement.

We believe that the policies set forth in this letter and in the letters of August 19, 2013, December 11, 2013, March 6, 2014, and June 19, 2014 are adequate to achieve the objectives of our economic program, but we stand ready to take additional measures as appropriate to ensure achievement of its objectives. As is standard under all IMF arrangements, we will consult with the IMF before modifying measures contained in this Letter or adopting new measures that would deviate from the goals of the program, and will provide the IMF with the necessary information for program monitoring. We authorize the IMF to publish this Letter of Intent and its attachments, and the related staff report.

/s/	/s/
Ishaq Dar	Ashraf Wathra
Minister of Finance	Governor of the State Bank of Pakistan
Pakistan	Pakistan

Attachment I. Memorandum of Economic and Financial Policies

Recent Economic Developments and Outlook

1. **Economic activity is gradually improving**. Provisional national accounts estimates show that GDP grew 4.1 percent in FY2013/14, primarily driven by the services and manufacturing sectors. For program purposes, we now expect that GDP growth reach about 4.3 percent in FY 2014/15 though the government retains its goal of achieving a growth of 5.1 percent. Risks to growth are tilted to the downside due to the recent floods, but initial assessments suggest that the macroeconomic impact will be small. Downside risks will be mitigated by easing oil prices, which should help increase energy supply and provide a cushion against external vulnerabilities. Headline inflation for end-October 2014 fell to 5.8 percent over October 2013, and we now expect it to ease to around 7½ percent by the end of this fiscal year (7.9 percent annual average), helped by prudent monetary policy and a favorable global commodity price outlook.

2. **The external current account deficit was slightly higher than projected over the past two quarters**. This reflects lower goods exports and higher imports, which were partially compensated by strong workers' remittances. The capital and financial account was stronger than expected in FY2014Q4, helped by the US$2 billion Eurobond placement, bilateral and multilateral inflows, and privatization receipts. However, this performance was not sustained in FY2015Q1 due to delays in privatization and Sukuk transactions in international markets and fewer multilateral disbursements. As a result, the rapid build-up of gross reserves seen from US$5.4 billion at end-March to US$9.1 billion by end-June 2014 lost momentum due to political disruption and uncertainty. Reserves edged down to US$8.9 billion by end-September 2014. The rupee was relatively flat during the last quarter of FY2013/14, but weakened since end-June by about 3.3 percent against the dollar. For the remainder of FY2014/15, we expect the current account to show some further weakening, driven by a larger trade deficit, which will continue to be partly compensated by stronger workers' remittances. External financing will continue to be supported by significant program disbursements, debt issuance, and the government privatization program. This will help to sustain an improvement in the reserve coverage ratio, which is now expected to exceed 3-months of imports by end FY2014/15.

A. Monetary and Exchange Rate Policies

Economic Policies

3. **Monetary aggregates continued to grow broadly in line with program objectives in the last two quarters**. The SBP continued to accumulate foreign reserves, which helped the stock of Net Foreign Assets (NFA) to recover to well above pre-program levels. The growth rate of broad money declined to 12.2 percent y-o-y in September 2014. Reserve money growth also declined by 4.7 percent y-o-y compared to the previous quarter and it remained well below the previous year's growth rate of 14.3 percent. Private sector credit continued to accelerate (reaching 13.4 percent

y-o-y growth by end-September 2014) driven mainly by businesses, and in particular manufacturing and power generation.

4. **Performance under the monetary targets was mixed**. The end-June PC on Net International Reserves (NIR) was met by a wide margin (US$1.6 billion), due in part to Eurobond issuance and spot market purchases. But the SBP missed the end-September target by US$630 million due to delays in privatizations, despite significant foreign exchange spot purchases. The ceiling on the net swap/forward position was also met both at end-June and end-September and the SBP is on track to meet the end-December target as well. However, we missed both end-June and end-September targets on government borrowing from the SBP due to the delays in privatization and Sukuk issuance. Since then, we have taken corrective actions to bring down the stock of government borrowing from the SBP to end-December program targets (¶19). For the same reasons, the SBP also missed the end-June and end-September ceilings on Net Domestic Assets (NDA) by PRs 151 billion and PRs 25 billion, respectively. The SBP has since taken steps to keep the stock of NDA at PRs 2,450 billion by end-November, 2014 (prior action) and is on track to achieve the end-December NDA program target. To enhance the effectiveness of monetary policy, better manage liquidity in the interbank market, and conduct open market operations, the SBP will embark on a plan to gradually improve its interest rate corridor by setting the policy rate between the floor and ceiling rates of the corridor. To this end, the SBP will announce its time-bound plan by end-February 2015 (new structural benchmark) and make the improved interest rate corridor operational by end-September 2015.

5. **Monetary and exchange rate policies continue to be geared toward rebuilding SBP reserves and maintaining price stability**. Headline and core inflation have been on a declining path in the past few months. However, we believe that preserving this momentum requires a continued prudent monetary policy stance to anchor inflation expectations. To this end, the SBP will use monetary policy tools as needed to bring inflation sustainably below 7½ percent by the end of FY2014/15. In particular, the central bank will adhere to program NDA targets, improve the functioning of the interest rate corridor (¶4), and set the policy rate in a forward-looking fashion to maintain positive real interest rates in line with its desired inflation path. The SBP will continue its purchases of foreign exchange in the spot market to build reserves. The SBP will pursue inflation goals for monetary policy and improve communications with the public about its framework.

6. **Enhanced central bank independence is key for an improved monetary policy framework**. We have submitted amendments to the SBP Act to the National Assembly (NA), but the legislation is still in the relevant parliamentary committee, not meeting the end-June 2014 structural benchmark to enact the legislation. The amendments will strengthen the autonomy of the SBP, including full operational independence in the pursuit of price stability as the SBP’s primary objective. Among other things, the amendments will establish an independent decision-making monetary policy committee to design and implement monetary policy and prohibit any form of new direct lending from the SBP to the government. We are committed to working with the IMF to ensure that the final version of the law incorporates the recommendations of the IMF safeguards assessment mission and comments provided by Fund staff. To achieve this, we intend to revise the

draft law in the NA committee and have the committee report the legislation to the full assembly by end-March 2015. Enactment of the legislation is now expected for end-June 2015 (structural benchmark proposed to be rescheduled).

7. **We are taking steps to enhance SBP operations**. The SBP has met the structural benchmark for end-August on improving its internal operations. In addition, it adopted International Financial Reporting Standards (IFRS) as its financial reporting framework and accordingly the financial statements for FY2013/14 are prepared and audited in accordance with requirements of full IFRS/IAS for the first time. While awaiting the amendments to the SBP law, we will introduce additional non-legislative measures, in line with the recommendations in the Safeguard Assessment Report, to further improve internal operations of the SBP. Specifically: (i) the Investment Committee of the SBP Board will begin regular (at least four times per year) oversight and approval of the reserves management strategy and risk practices; and (ii) the authorities will provide confirmation that in line with standard IMF safeguard procedures, the Internal Audit Department will conduct reviews of the program monetary data reported to the IMF, within two months after each test date, for accuracy and compliance with the TMU and share the findings with IMF staff. (new structural benchmark end-February 2015).

B. Fiscal Policy

8. **Fiscal consolidation remains a crucial objective of the government's economic program**. We remain committed to achieving fiscal consolidation of around 4–4½ percent of GDP over the three year program, which will lower the deficit to around 3½ percent of GDP and place the debt-to-GDP ratio on a firmly declining path. The negative impact of fiscal consolidation on economic activity has been—and will continue to be—ameliorated by implementing structural reforms to boost growth, expanding targeted assistance programs to protect the most vulnerable, and developing a more efficient and equitable tax system to create fiscal space to finance development spending and foster inclusive growth.

9. **Fiscal performance in FY2013/14 was stronger than planned, achieving a reduction in the budget deficit (excluding grants) from 8.3 percent to 5.5 percent of GDP**. Once grants are included, the overall deficit fell even further to 4.7 percent of GDP. Tax revenues and spending were broadly in line with expectations. The tax-to-GDP ratio increased by 0.5 percentage points despite the nonrecovery of GIDC arrears, while non-tax revenues overperformed, rising by 0.7 percentage points due to higher-than-projected SBP profits. As planned, during the last quarter of the FY 2013/14 we were able to scale up capital spending (which had been kept low in the first nine months of the year as a precaution against shortfalls in revenue). At the same time, the provinces ran budget surpluses consistent with achieving the envisaged year-end fiscal outturn.

10. **The approved FY2014/15 budget is consistent with program objectives, aiming to lower the deficit (excluding grants) to 4.8 percent of GDP**. The envisaged fiscal adjustment in the current year is underpinned by tax revenue measures and further rationalization of energy subsidies. However, the delay in implementing the electricity tariff adjustment and the court order

against the Gas Infrastructure Development Cess (GIDC) have created risks to the fiscal outlook. To address these concerns, we have developed a new electricity tariff strategy (¶27), and in the event that GIDC legal concerns are not resolved by January 2015 (¶34) we stand ready to take compensatory measures as agreed, including adjustment on the revenue side, to reach our fiscal targets.

11. **We remain committed to our plan to broaden the tax base through the elimination of tax exemptions and loopholes**. We have issued no new Statutory Regulatory Orders (SROs) granting exemptions or concessions in recent months with only one exception (related to an emergency situation in basic food supply). We reaffirm our commitment not to issue any new tax concessions or exemptions through SROs, which narrow the tax base, complicate tax administration, and weaken tax compliance. We will prepare the necessary draft legislation by end-March 2015 at the latest (new structural benchmark) to permanently prohibit the practice and we expect approval of the legislation on or before end-December 2015. The FY2014/15 budget included the necessary legislation to eliminate SRO exemptions and concessions totaling 0.34 percent of GDP, plus additional tax policy measures to broaden the tax base amounting to 0.2 percent of GDP. Moreover, the FY2014/15 budget included a detailed list of the remaining tax expenditures, which we will continue to publish in future budgets. Our plan for eliminating most SROs granting tax exemptions or concessions (finalized in December 2013) is expected to ultimately increase tax revenues by 1-1½ percent of GDP, with all designated SROs eliminated in no more than three years. These steps will facilitate gradually moving the GST to a full-fledged integrated modern indirect tax system with few exemptions, along with an integrated income tax, by FY2016/17.

12. **Tax administration reforms will gradually deliver further improvements in revenue collection**. In view of the low level of tax compliance and widespread evasion, the FBR is moving forward with a strategy to address structural flaws in the taxation system, improve tax administration, and induce behavioral change among taxpayers. In particular:

a. We have initiated the tendering of electronic volume tracking of production to improve sales tax collection. We will award the contract for the systems by end-December 2014.

b. We have started the field surveys of potential high net worth taxpayers to broaden both the sales and income tax bases. In all, we have already issued investigation/contravention reports worth ¼ percent of GDP.

c. We have begun the implementation of an IT solution for tax refunds (computerized risk-based evaluation of sales tax or CREST) that has already pointed out discrepancies in sales tax invoices at different stages and put an effective check on many fake invoices and inadmissible refunds, leading to fiscal savings. So far, this system has allowed us to reject false claims worth some PRs 10 billion.

d. We have introduced risk-based e-registration in sales tax to manage new registrations.

e. We have revised valuation rulings in customs duties to mitigate wrong declarations and underinvoicing.

f. We have appointed an information technology member to the FBR to revamp and integrate FBR IT systems.

g. We have started the electronic data interchange (EDI) connectivity to streamline trade with Afghanistan.

13. **We are committed to implementing strong actions in enforcement and auditing as part of our tax compliance program**. Using the powers entrusted under tax laws, the FBR is stepping up actions, including to: (i) legally charge tax evaders; (ii) temporarily close businesses and/or attach properties of tax offenders; and (iii) attach bank accounts of tax defaulters to withdraw the assessed tax liability directly from their accounts. In mid-February, we published a tax directory of all current parliamentarians at both the federal and provincial levels and the full directory of all taxpayers at end-April in an effort to foster a culture of transparency and compliance. The number of nonfiling parliamentarians (at both the federal and provincial level) has since fallen from 8 percent to 2.5 percent, and it should fall to zero by next fiscal year. In addition, we increased the number of tax audits to 5 percent of declarations (from 2.2 percent last year). We have completed around 90 percent of selected audits, which created additional revenue demands of almost PRs 16 billion. Moreover, we are reviewing the internal system of incentives. To further strengthen the enforcement capability of the FBR, we set up an integrity and performance unit to encourage high achievers and punish corruption in the tax service, and a fiscal management cell to target nontaxpayers with an ostentatious lifestyle.

14. **We will expand and improve the information technology infrastructure at the FBR to enhance our tax compliance efforts**. We are building a monitoring system to track progress and set quarterly objectives on tax policy and administration initiatives (as described in the TMU). We already issued 140,000 first notices through end-September 2014, and we are ahead of schedule on our plan for 300,000 notices, out of which 20,000 individuals have so far registered and filed returns. With our scheme for differential taxation between filers and non-filers, we will encourage more taxpayers into the tax base. We have also initiated a sales tax collection scheme for retailers that identified over 25,000 large retailers and estimated over 1.3 million small retailers as new potential sales tax payers. Furthermore, we have established quarterly FBR revenue targets and propose including them as indicative targets (as defined in the TMU) under the IMF program. At the same time, we will continue to strengthen our database by collecting information from multiple sources including urban property transactions, motor vehicle procurement, and international travel. In addition, we plan the following further tax administration actions:

a. We will target nonfilers who have the potential to contribute at least the average tax paid by currently registered taxpayers.

b. We will streamline the online filing scheme, which will facilitate registration and filing of personal income tax returns by simplifying the tax return form.

c. We will expand the coverage of tax audits to 7.5 percent of filed tax returns and improve their quality to generate a revenue demand of approximately PRs 25 billion. The balloting will also cover elected representatives, key public figures, sports persons, performing artists, etc., demonstrating the government's resolve on tax collections.

d. We will continue to seek technical assistance on tax administration from our international partners.

15. **Beyond the current fiscal year, further revenue and expenditure measures will be implemented to achieve a sustainable deficit of around 3½ percent of GDP by the end of the program**. This will require further fiscal consolidation of 1–1¼ percent of GDP in FY2015/16, with the remainder in FY2016/17. Well over half of the adjustment should come from the revenue side, mainly through further widening of the tax base (including from the elimination of the remaining designated SROs), with some contribution from improved tax administration. With enhanced revenue collection and a broader tax base, we hope to avoid the need for further increases in GST or income tax rates while achieving our overall deficit targets. On the expenditure side, further reductions in untargeted subsidies will be undertaken in FY2015/16, along with steps to streamline public administration, including wage and salary costs.

16. **Provincial governments remain crucial in the fiscal reform process, especially by improving revenue collection at the provincial level**. Under successive constitutional amendments (most recently the 18th), Pakistan has moved decisively to a more decentralized federal system of government. The most recent National Finance Commission (NFC) award granted 57.5 percent of most revenues to the provinces, along with a substantial devolution of spending responsibilities and taxation authority in agriculture, property and services. To assure achievement of our fiscal targets in FY2014/15, and following last year's agreement under the Council of Common Interest, the provincial finance secretaries agreed to maintain provincial budget surpluses consistent with the program. Going forward, the government will seek an agreement that will find a balance between devolution of revenue and expenditure responsibilities and is consistent with the imperatives of macroeconomic stability. In preparation for these negotiations, we will seek technical assistance from our international partners to reflect best practices by undertaking studies with the goal of achieving sustainable federal-provincial fiscal relations.

17. **We continue our support to the poor and most vulnerable segments of the population through the Benazir Income Support Program (BISP)**. We have reached around 4.6 million families paid by end-September 2014 and achieved the indicative targets for transfer payments for both end-June and end-September 2014. We remain on track to reach around 4.8 million beneficiaries by end-December 2014. To ensure timely payments, we are extending the current contracts with commercial banks making e-banking payments and will phase-in the rollout of new ATM cards following the completion of competitively selected e-banking options. We will approve the new e-payment mechanism by end-June 2015 to start implementation early July 2015. This transition may temporarily affect the timeliness of beneficiary payments, but we will assure that all beneficiaries will receive their payments before the quarter ends. To protect the vulnerable segments of society from reduction in untargeted electricity subsidies, inflation, and fiscal adjustment measures, we have increased the stipends paid to the poorest families from PRs 3,600 to PRs 4,500 per quarter starting from FY2014/15. We will also expand coverage through stepped-up

outreach efforts, with a target of reaching an additional 0.7 million eligible families by end-June 2015. In partnership with the provincial governments, we have also made significant progress in the rollout of the education conditional cash transfers. This will allow us to expand the program from five pilot districts to 32 districts in all provinces by end-January 2015. To improve the administrative functioning of the BISP, all vacant positions in the Board have now been filled. Under instructions issued by Government and in compliance with BISP Act 2010, we will resolve administrative and decision-making issues so as to ensure its smooth functioning.

18. **In order to enable the use of anti-money laundering (AML) tools to combat tax evasion, we have started preliminary work to include tax crimes in the Schedule of Offenses of the 2010 Anti-Money Laundering Act (AMLA)**. The FBR has identified a list of serious tax offenses. In order to ensure that serious tax crimes are predicate offences to money laundering, we will enact amendments to the relevant tax laws (as defined in the TMU) and submit amendments to the AMLA to Parliament by end-December 2014 (structural benchmark is proposed to be rescheduled). We will also ensure that the AML framework is properly implemented to facilitate detection of potential cases of abuse of the investment incentive scheme to launder criminal proceeds. In this regard, proper guidance will be provided by the Financial Intelligence Unit to financial institutions and the FBR by end-December 2014. Finally, the Anti-Terrorism (Amendment) Ordinance 2013 has been enacted as a permanent law, in line with the action plan agreed with the Financial Action Task Force (FATF).

C. Fiscal Financing

19. **We are committed to taking measures to contain budget financing from the SBP within program targets**. The successful US$2 billion Eurobond issue helped the government to diversify budget financing, as it continued to shift from short-term domestic financing and borrowing from the SBP to longer-term domestic and external bond financing. However, despite reducing gross government borrowing from the SBP, we missed the end-June target by PRs 88 billion and end-September target by PRs 218 billion for reasons already explained (¶4). The government has since taken corrective actions, including by bringing in Sukuk proceeds, and monitoring monthly stocks of government borrowing, to bring the level to PRs 2,150 billion by end-November, 2014 (prior action) and we are on track to reduce it to the end-December program target. In addition the government will adhere to the domestic public securities plan in upcoming T-bill and Pakistan Investment Bond (PIB) auctions to build buffers for budget financing, and will continue to diversify financing sources (¶20).[1]

[1] The IMF will also provide technical assistance on further developing the local Sukuk market.

20. **Enhancing the quality and effectiveness of public debt management continues to be a priority**. In April 2014, we published the Medium Term Debt Strategy (MTDS) FY2013/14–FY2017/18. Efforts to continue to diversify financing from both domestic and external sources are underway. We have lengthened the maturity profile of domestic debt and improved the balance between domestic and external debt by placing sovereign bonds for US$2 billion, and intend to issue Sukuk in international debt markets. We approved an administrative order on September 30, 2014 (structural benchmark) to strengthen the DPCO. While the order, for administrative difficulties, did not unify debt management functions, we are strengthening our organization, staffing, and procedures to bring our debt management up to best international practices, and to ensure that future program targets on government borrowing from the SBP are met. Specifically: (i) we have begun to provide Fund staff with a detailed quarterly financing plan for the coming 12 months and extend the existing in-quarter issuance plan to a rolling quarterly issuance program published every month for domestic public securities (including local Sukuk bonds), by end-November 2014 (prior action), (ii) we are taking steps to strengthen risk management and strategy functions by reorganizing the Debt Policy Coordination Office (DPCO) as a middle office responsible for updating the MTDS and monitoring its implementation, coordinating the credit risk management functions by end-March 2015 (new structural benchmark), market risk management functions by end-December 2015, and operational risk management functions by end-December 2016; (iii) based on the September 2014 skills-gap analysis of the existing DPCO, we have recruited a Director General to lead the DPCO and build capacity by hiring and/or training additional staff with the help of international partners; and iv) we will take steps to strengthen front office management of debt issuance both in domestic and external markets by arranging a formal linkage with the DPCO and executing and communicating the borrowing auctions with the SBP being the agent, and strengthening the primary dealership system. We are also drafting the required rules under the Fiscal Responsibility and Debt Limitation Act 2005. These actions should lead to savings in, and more effective decision-making for, government borrowing.

D. Financial Sector

21. **The performance of the banking sector remains strong, as reflected in financial soundness indicators**. Profitability increased by 44 percent (y-o-y), mainly attributed to an increase in net interest income, declining provisioning charges, and higher non-interest income. Total credit grew by 2.5 percent from June to September 2014. As of end-September 2014, the nonperforming loan (NPL) ratio increased marginally to 13.0 percent, with net NPLs to net loans ratio of 3.2 percent. The capital adequacy ratio (CAR) increased to 15.5 percent, well above the minimum requirement of 10 percent. To further enhance the assessment of the health and soundness of the financial sector, the SBP continues to work on developing a preliminary "encouraged" set of the Financial Soundness Indicators (FSIs) and will work with the IMF on dissemination of some additional FSIs to the public for transparency purposes by mid-2015.

22. **Progress is being made on dealing with the few banks that fall below the minimum capital requirement**. The number of banks that fell short of the minimum CAR of 10 percent has been reduced from four to three, with the largest of the four now in compliance. This state-owned

bank's CAR has improved to 10.01 percent as of end-September 2014, mainly due to improved profitability. The combined shortfall for the three remaining non-compliant banks (all private) has decreased to PRs 11.3 billion (less than 0.04 percent of GDP) as of end-September 2014. The risk to the banking system seems to be negligible, as they encompass only 2.7 percent of banking assets. The SBP is maintaining close monitoring on their activities to ensure conformity with the minimum CAR by end-December 2014. In particular, one bank has received a Letter of Commitment from a strategic foreign investor for a capital injection of US$70 million through a rights issue, which will fully meet the CAR shortfall by end-December 2014. The sponsors of the second bank have injected an additional PRs 2 billion and are committed to meeting the remaining capital shortfall by end-December 2014. The SBP is actively engaged with the last bank regarding its capitalization and is looking at various options for its effective resolution by end-December 2014.

23. **We remain dedicated to protecting financial stability by reinforcing the regulatory and supervisory framework**. Most importantly:

a. The draft Securities Bill is being finalized, after incorporating proposed amendments from stakeholders, and it has been shared with the IMF. It will be submitted to the Parliament by end-December 2014; with enactment expected by end-June 2015 (structural benchmark is proposed to be rescheduled).

b. The revised SECP Act to enhance the regulatory power of the SECP will be discussed with the IMF in November 2014 and will be considered by the Council of Common Interest (CCI) before being submitted to Parliament by end-December 2014.

c. The Futures Trading Bill is being finalized and will be placed before the Parliament for expected approval in mid-2015.

d. The SBP-SECP joint task force (JTF) continues to hold regular meetings to ensure cooperation on the supervision of financial groups. A sub-committee of the JTF finalized its recommendation for an early warning system for financial conglomerates and will develop detailed procedural guidelines for the effective implementation of the system. These guidelines once finalized and integrated into the existing framework, will facilitate effective supervision of financial conglomerates. The preliminary work on consolidated supervision TA has been initiated.

24. **Consultation with major stakeholders on a deposit insurance scheme is underway**. The draft Deposit Protection Fund (DPF) Act has been shared with the IMF for review under the IMF Contingency Planning technical assistance and the draft will be finalized by end-January 2015. We expect the legislation to be enacted by Parliament by end-June 2015 (structural benchmark).

25. **New bankruptcy legislation is being prepared**. The draft Corporate Restructuring Companies (CRC) Act, which is extracted from certain non-controversial sections of the draft Corporate Rehabilitation Act (CRA), will be of pivotal importance in cleaning up banks' balance sheets and allowing them to focus on their core areas of operation. The draft CRC will be finalized

by end-February 2015. After reviewing the company rehabilitation law of different jurisdictions, the SECP is preparing a concept note for developing the CRA, which will be shared with stakeholders by end-June 2015.

Energy Sector Reforms

26. **The National Energy Policy identified priority steps to anchor the reform agenda for the next three–five years**. We are implementing our time-bound strategy to tackle price distortions, insufficient collections, costly and poorly targeted subsidies, governance and regulatory deficiencies, and low efficiency in energy supply and distribution with the support of our international partners.

27. **Price Adjustments**. We have prepared the third round identified in the three-year plan for phasing out the Tariff Differential Subsidy (TDS) to continue to bring tariffs to cost recovery level. In this round, NEPRA finalized the determination of tariffs for FY2013/14 in June, but last-minute difficulties derailed the implementation of the new tariffs by July 1, 2014 as had been agreed at the time of the Third review. To remedy this problem, we levied a surcharge of PRs 0.30/kWh effective from October 1, 2014, taking advantage of a decline in the automatic fuel surcharge due to lower world oil prices. As world oil prices continue to decline, we will use this downward trend to make further adjustments in the surcharge (as defined in the TMU) to close any remaining gap to stay within the FY2014/15 budgeted electricity subsidy of 0.7 percent of GDP, while maintaining consumer prices constant. We will continue to protect the most vulnerable consumers. Subsequently, NEPRA will determine the FY2014/15 tariffs by February 2015 and we will finalize their notification at rates consistent with our objective of reducing electricity subsidies further to 0.3 percent of GDP for FY2015/16.

28. **Arrears**. The technical and financial audit of the system which was finalized in early-May identified the stock and flow of payables at all levels of the energy sector (including Power Sector Holding Company Limited, PHCL). Building on this audit, we are moving forward with the roadmap to limit the accumulation of payables arrears and to gradually reduce the stock:

a. The stock of arrears at the PHCL in the syndicated term credit finance (STCF) facility stood at around PRs 270 billion at end-September 2014. We have levied a surcharge (as defined in the TMU) to service part of the facility, and the tariff adjustments specified in ¶27 will be sufficient to fully service the remainder of the debt.

b. The payables in the power sector reached around PRs 256 billion at end-September 2014 of which around PRs 60 billion constitute current payables. The remainder comprises: (i) a residual leftover from payables clearance of May and July 2013; (ii) A disputed amount with the Independent Power Producers (IPP); (iii) Distribution Companies (DISCOs) non-recovery and penalties levied on past nonpayment (as defined in the TMU), and (iv) transmission and distribution losses that are not recognized by the regulator.

c. We will continue to reduce losses and improve collections through capital expenditures and revenue-based load management. We reduced losses by 0.3 percentage points (to 18.6 percent) and increased collections by around 1.6 percentage points in FY 2013/14. We will further improve performance in FY2014/15.

d. We have developed a monitoring mechanism to track the stock and flow of payables (as defined in the TMU).

29. **Monitoring and Enforcement**. To tackle losses, raise payment compliance, and improve energy efficiency and service delivery, we have already signed performance contracts with the boards of all nine DISCOs. We have begun monitoring the performance indicators specified in the contracts and in cases of failure to comply with the performance contracts, we will invoke remedial measures for management and Boards as specified in the Companies' Ordinance. The amendments to Penal Code 1860 and the Code of Criminal Procedures 1898 have been promulgated through Presidential ordinance. The ordinance has been submitted to the Parliament for ratification, and the President extended the promulgation by another 120 days to August 27, 2014. Currently, the Bill stands at the Senate Committee after the clearance of the National Assembly. We expect it to be enacted before end-December, 2014. In parallel, we drafted the new Electricity Act to modernize governance of the sector and have circulated it to provinces for comments. The draft Act will be finalized by end-November 2014 and will be submitted to the CCI by end-December 2014. We declared the session courts (district level courts) as Utility Courts as defined in the Penal Code. Utility Courts will build on investigation systems and fast track mechanisms to improve enforcement by end-2014. In order to minimize losses from low payment rates, all state-owned DISCOs are now implementing revenue-based load shedding, which has begun to increase collections.

30. **Demand Side Management**. To encourage energy conservation, we will use pricing (¶27) and other market-based instruments to improve resource allocation and energy efficiency. In this regard, we have completed the consultative process with stakeholders on the draft Pakistan Energy Efficiency and Conservation Act. In August 2014, the CCI approved the Act for placement to the Parliament by mid-December 2014. The act will include equipment performance standards, and would cover key electrical and gas equipment and appliances which are not yet covered.

31. **Supply Side Management**. We continue to prioritize the use of gas and coal rather than fuel oil in electricity generation and remain committed to a transition to market-based allocation of natural gas in the medium-term. To further improve supply, we will continue to rehabilitate generation plants, while upgrading electricity transmission and distribution facilities to reduce technical losses. Three rehabilitations completed in March 2014 recovered around 700 MW of capacity while increasing efficiency by 1–1.5 percent. Moreover, we continue with the development of hydropower projects, with the recent approval of a World Bank loan to begin construction of the Dasu project, and held a USAID-funded information conference on the Daimer-Bhasha project in October 2014. We will promote policies for private investment for power generation through both the entry of new players as well as expanding existing capacity of those IPPs systematically adhering to energy mix targets and least-cost generation plans. The expansions are expected to generate an additional 2000 MW by 2016.

32. **Governance, Regulatory, and Transparency Improvements**. We continue to place high priority on improving energy sector governance and transparency. We have already hired entry and middle management positions to enhance the technical capacity of the regulatory body, the National Electric Power Regulatory Authority (NEPRA). In order to begin addressing administrative and technical constraints, we conducted a diagnostic study of the regulatory framework of the power sector and prepared an interim report in April 2014 (structural benchmark). We have appointed a Board member with financial skills to NEPRA; however, the appointment for the Chairman was not made due to legal challenges. These challenges have been since been resolved and we have now appointed the chairman. NEPRA has begun preparations for a multi-year tariff framework. To facilitate the transition, we established three-year investment plans for all DISCOs and submitted the plans to NEPRA. The first phase of the determination and notification of multi-year tariffs will begin by end-September 2015. We have set-up the Central Power Purchasing Agency (CPPA) by separating it from the National Transmission and Despatch Company (NTDC) and have amended the Articles of Association. To make CPPA operational, we issued the standard operating procedures for payments and settlements and key CPPA staff will be in place by end-December 2014. We have finalized agency agreements between CPPA and the DISCOs to purchase power on their behalf.

33. **Energy public sector enterprise (PSE) reform**. We have already transferred governance of DISCOs, three GENCOs, and the NTDC to new boards of directors and management. We are committed to building the institutional capacity of the Water and Power Development Authority (WAPDA) through corporatization and commercialization, and we have begun to strengthen WAPDA's financial capacity by allowing the tariff to incorporate capital investment plans. We are also committed to ensuring timely payments by CPPA for all power purchased from WAPDA Hydel. We have included several DISCOs in our privatization plans for the coming 2–3 years and we are committed to introducing competitive pricing and direct contracting between power producers and wholesale customers in the power sector.

34. **Oil and Gas Sector**

- **Supply**. To help tackle gas shortages, we have started efforts to import Liquefied Natural Gas (LNG) and we are on track to receiving the first LNG imports by early 2015. We are committed to full pass-through of the cost of imported LNG to the end-user purchase price (including Compressed Natural Gas) as it comes online. We have issued new exploration and production concessions for domestic gas resources and continue to limit further expansion of the gas distribution networks for domestic consumption.

- **Pricing**. We are closely following the gas price rationalization plan of December 2013 to encourage new investment, promote efficiency in gas use, and assure that there will continue to be no fiscal cost from the gas sector:

    - We are implementing the Petroleum Exploration and Production Policy 2012 (2012 Policy) with amendments for enhanced production from existing and new fields and to further improve producer incentives. With price increases ranging from 2.8–3 U.S. dollars per

MMBTU to 6–10 U.S. dollars per MMBTU, we are incentivizing producers to enhance production from existing fields as well as to initiate new exploratory efforts. We have finalized the concession agreements for the 43 new blocks for exploration in new fields, and will complete the conversion of existing concessions to the 2012 Policy by end-February 2015 with support from international partners. During FY2014/15 we will award an additional 10–15 blocks. As new production and additional gas supply from imports come on line, the cost of this gas will continue to be fully reflected in the base tariff on a semiannual basis. The recent difficulties and oil-indexed decline in gas prices delayed the first gas price notification of FY2014/15 (due in August). We will notify and implement the next adjustment in the beginning of 2015, and will make further adjustments as needed when the imported gas comes online.

- To better allocate gas consumption, we adjusted the weighted average consumer prices at end-December 2013 through the application of the GIDC, which was further adjusted with the FY 2014/15 budget to generate 0.55 percent of GDP in revenues. However, due to pending court cases, the recovery of GIDC has been suspended despite the Presidential Ordinance which was issued following the previous Supreme Court decision. We will actively pursue the ongoing litigation for an early decision to ensure full recovery of the GIDC. In the meantime, we have prepared and reached understandings with the IMF on contingency measures which we will implement to achieve a similar outcome if the GIDC legal challenges are not resolved by January 2015.

- We are evaluating the downstream gas business with the objective of reducing inefficiencies in the transmission and distribution segments. In this respect, we will hire consultants by end-March 2015 to conduct the study on the restructuring, unbundling, and eventual privatization of the two gas utility companies. This study will formulate recommendations based on international best practices to segregate the gas network into one transmission and multiple distribution companies, with independent profit and cost centers to ensure maximum efficiency. A mechanism will also be developed for determining separate transmission and distribution tariffs.

- **Governance**. We have been enhancing the capacity of the Ministry of Petroleum and Natural Resources to fully implement the 2012 Policy, streamline approval processes, and complete the conversion to the 2012 Policy for those Petroleum Concession holders who wish to do so. We will further encourage bilateral contracting between producers and consumers and have improved rules for third party access to the gas transmission system. The current level of unaccounted for gas losses (UFG) is on average 12.5 percent due to commercial and technical losses. We are working with the World Bank on the Natural Gas Efficiency Project (NGEP) in coordination with other IFIs. We are pursuing companies at the highest level to reduce losses benchmarking international standards through investment measures, managerial and administrative improvements, and through building the capacity of the gas distribution companies. In January 2014, the President has promulgated the Gas (Theft Control and Recovery) Ordinance 2014, which was sent to the Parliament for expected approval by end-

December 2014. Finally, we affirm our commitment to enhance the capacity of Oil and Gas Regulatory Authority (OGRA).

Improving the Business Climate, Liberalizing Trade, and Reforming Public Enterprises

We are working to improve the business climate, the trade regime, and Public Sector Enterprises (PSEs) to increase foreign and domestic private investment and boost economic growth.

35. **Business Climate**. Private investment and growth are hampered by impediments in the legal framework for creditors' rights and contract enforcement, barriers to new business start-ups, complicated legal, taxation and border trade requirements, and impaired access to finance. In consultation with international partners, we finalized a time-bound detailed implementation plan in October 2014 that identified legislative and administrative actions, institutional roles and responsibilities, and resource requirements of the reform program. Our focus is on six indicators—construction permits, paying taxes, enforcing contracts, starting businesses, trading across borders, and getting credit. In parallel, we are building consensus and ownership for business climate reforms by provincial authorities with a special focus on property registration and contract enforcement.

- ***Contract enforcement***. We completed in March 2014 a study to identify the needs of corporations to speed up rehabilitation of weak but viable companies. Based on the findings of the study, we will expedite the liquidation of the insolvent entities through two tracks: (i) the Corporate Restructuring Companies Act, which envisages setting up private Corporate Restructuring Companies to take over assets of bankrupt companies; and (ii) the Corporate Rehabilitation Act (¶28). In addition, we have established Alternative Dispute Resolution (ADR) Mechanisms in Karachi and Lahore. This mechanism will be extended to Islamabad and Rawalpindi by end-June 2015 and we are beginning work to expand to other provincial capitals, (i.e. Peshawar and Quetta).

- ***Start-ups***. The FBR, in coordination with SECP, Employees Old-Age Benefits Institute, and other stakeholders (including provinces) have approved a plan to simplify procedures and costs for setting up businesses. The implementation has begun through streamlining overlapping procedures, and establishing database sharing and a common portal for registering businesses.

- ***Paying Taxes***. We will conduct a review to reduce the number of existing processes and forms for sales and income tax by end-March 2015 (new structural benchmark). Subsequently, we will work on an integrated end-to-end IT solution (IRS) to serve all streamlined business taxpayer-related processes (registration, declaration, audit, recovery, refunds, and appeals).

- ***Access to credit***. Access to finance for poor and marginalized segments including micro, small and rural enterprises remains very limited owing to both demand and supply-side constraints. The SBP, with the help of World Bank experts, is developing a comprehensive National Financial Inclusion Strategy (NFIS) to implement financial sector reforms to meet their financing needs. The SBP has completed the stocktaking exercise under NFIS and conducted consultations with stakeholders in September 2014 to identify policy reforms and interventions to enhance market information, infrastructure, and financial capability of the consumers. We are preparing the draft strategy document, which will be shared with all stakeholders for their input and buy-in before finalizing the NFIS by end-December 2014.

36. **Trade Policy**. Trade policy reforms will increase consumer welfare and stimulate growth as a result of increased competition. Simplifying tariff rates, phasing out SROs (¶11) that establish special rates and/or nontariff trade barriers in some 4,000 product areas, and improving trade relations should deliver the much needed competitive environment.

- ***Tariff simplification***. We are finalizing the design of the new system to simplify the tariff structure to move over three years to a simple, transparent framework, with four slabs between 1 and 25 percent rates with fewer exceptions.[2] For FY2014/15, we consolidated from seven tariff slabs to six. All items at 30 percent have been moved to a new maximum rate of 25 percent rate. The phase-in of the revised tariff rates and phase-out of trade SROs began in July 2014 (¶11). We are on track to further reducing the tariff slabs and the next round of SRO elimination with the next budget cycle. Implementation of the new tariff structure would be completed by July 2017.

- ***Improved trade relations***. We are implementing a strategy to take full advantage of trade preferences available from the European Union who have extended Generalized System of Preferences plus benefits from January 1, 2014 on a broad range of Pakistan's exports. We remain committed to promoting trade with regional countries, especially under various regional trade arrangements.

37. **Public Sector Enterprises**. We are working to reform or privatize PSEs, focusing on limiting poor performance and improving public sector resource allocation. The Cabinet Committee on Privatization initially approved a list of 31 PSEs for action and subsequently added another 7 PSEs in the list. We have developed a plan to sequence the capital market and pre-privatization restructuring for these firms. The privatization program is aimed at offering and/or marketing one or two transactions in each quarter during the upcoming year.

- ***Capital Market Transactions Roadmap***. We have identified eleven companies, (listed in the TMU), in the oil and gas, banking and insurance, and power sectors for block sales and primary or secondary public offerings. We hired three financial advisors for United Bank Limited (UBL), Pakistan Petroleum Limited (PPL) and Oil and Gas Development Company Limited (OGDCL) in May 2014 and successfully sold minority stakes in UBL and PPL in June 2014 (structural benchmark). In November, we hired financial advisors for Allied Bank Limited (ABL) and Habib Bank Limited (HBL) to market minority stakes within six months.

[2] In addition, we maintain our current Free and Preferential Trade Agreements with some countries.

- ***Strategic Private Sector Participation***. We have identified 24 companies (listed in the TMU) for strategic partnerships, which will act as a catalyst in unlocking their potential through their managerial and investment participation, and can also increase the value of Government's residual shareholding. We will make efforts to balance the objectives of sale proceeds while adequately addressing labor market issues and social implications. We will finalize the sale of Heavy Electric Complex (HEC) by early-December 2014. We hired financial advisors for National Power Construction Co. (NPCC) in July 2014 to finalize the offer by end-March 2015. We also appointed financial advisors for share sales of Faisalabad Electric Supply Company (FESCO) and Northern Power Generation Company Limited (NPGCL) in July 2014 and plan to complete the transactions by end-August 2015. For Islamabad Electric Supply Company (IESCO) and Lahore Electric Supply Company (LESCO), we have hired financial advisors in November 2014 for expected completion of transactions by end-October 2015.

- ***Restructuring***. We are developing medium-term action plans to restructure Pakistan International Airlines (PIA). We have developed restructuring plans for Pakistan Steel Mills (PSM) and Pakistan Railways (PR). Specifically,

  - **Pakistan International Airlines**. We have appointed financial advisors in July 2014 (structural benchmark) to seek potential options for restructuring and strategic private sector participation in the company by end-December 2015 (revised structural benchmark).

  - **Pakistan Steel Mills**. We have appointed a professional board and a new chief executive officer and approved a comprehensive restructuring plan in April 2014 to prepare for potential strategic private sector participation in the company. We requested expressions of interest for financial advisors in October 2014 and will finalize the hiring by end-December 2014.

  - **Pakistan Railways**. Aging and shortage of equipment, overstaffing, and large debts continue to weigh on railway operations. Nevertheless, we have improved revenue in FY 2013/14 by 60 percent through rationalization of tariffs and expenditures and improved occupancy rates. We further increased revenues by over 20 percent in the first quarter of FY 2014/15. In April 2014, we finalized a needs analysis and developed a comprehensive restructuring plan, which includes improvements in business processes and institutional framework, financial stability, and service delivery. In the short-term we will focus on improvements in freight transportation through creation of a freight company, and adding more locomotives and wagons that is projected to double revenues from freight operations before the end of the current fiscal year. We are also in the process of reviving the Railway Board and will finalize the appointment of Board members by end-December 2014.

Table 1. Pakistan: Quantitative Performance Criteria and Indicative Targets for FY2013/14 and FY2015/16 1/

(In billions of rupees, at program exchange rates, unless otherwise specified)

	FY2012/13	FY2013/14			FY2014/15						FY2015/16
	end-June	end-June			end-September			end-December	end-March	end-June	end-September
	Actual	Fourth Review			Fifth Review			Program		Projection	Projection
		Target	Adjusted target	Actual	Target	Adjusted target	Actual				
Performance Criteria											
Floor on net international reserves of the SBP (millions of U.S. dollars)	-2,437	1,800	1,064	2,678	3,000	3,260	2,630	3,500	4,500	5,700	7,000
Ceiling on net domestic assets of the SBP (stock, billions of Pakistani rupees)	2,402	2,324	2,221	2,355	2,306	2,291	2,316	2,436	2,365	2,322	2,217
Ceiling on overall budget deficit (cumulative, excluding grants, billions of Pakistani rupees) 2/	2,012	1,464	1,468	1,402	376	383	337	722	1,087	1,387	375
Ceiling on SBP's stock of net foreign currency swaps/forward position (millions of U.S. dollars)	2,255	2,150	2,150	1,725	1,900	1,900	1,675	1,775	1,775	1700	1550
Ceiling on net government budgetary borrowing from the SBP (stock, billions of Pakistani rupees) 1/, 3/	2,168	2,240	2,240	2,328	2,070	2,070	2,289	2,000	1,905	1,865	1,800
Continuous Performance Criterion											
Accumulation of external public payment arrears by the general government (continuous)	0	0	0	0	0	0	0	0	0	0	0
Indicative Targets											
Cumulative floor on Targeted Cash Transfers Spending (BISP) (billions of Pakistani rupees)	54	62	62	66	14	14	21	36	69	95	22
Floor on net tax revenues collected by the FBR (cumulative, billions of Pakistani rupees)	1,936			2,266			539	1,195	1,883	2,756	

Sources: Pakistani authorities; and Fund staff estimates.

1/ All items as defined in the TMU. Fiscal year runs from July 1 to June 30.
2/ Excluding grants, FY2012/13 overall budget deficit is a stock.
3/ FY 2012/13, total stock of government debt as of June 30, 2013.

Table 2. Pakistan: Program Modalities and Structural Benchmarks

Item	Measure	Time Frame (by End of Period)	Status	Macroeconomic rationale
Prior Actions				
1	Bring the government borrowing level from the SBP to PRs 2,150 billion.	end-November 2014		Ensure PC on Government borrowing is met (MEFP ¶19).
2	Limit the stock of Net Domestic Assets of the SBP to PRs 2,450 billion. 1/	end-November 2014		Ensure PC on NDA is met (MEFP ¶4).
3	Provide Fund staff with a detailed quarterly financing plan for the coming 12 months and extend the existing in-quarter issuance plan to a rolling quarterly issuance program published every month for domestic public securities (including local Sukuk bonds).	Five days prior to the board meeting		Bring debt management up to best international practices, and to ensure that future program targets on government borrowing from the SBP are met (MEFP ¶20).
Structural Benchmarks				
Fiscal sector				
1	Increase the issuance of first notices (u/s 114) to 75,000 and follow up with a second notice (u/s 122c) to 75 percent of those who did not respond satisfactorily to their first notice within 60 days by end-March, 2014. Issue a provisional tax assessment to 75 percent of those who did not respond satisfactorily within 60 days to the second notice by end-March, 2014.	end-March 2014	Met	Broaden the tax base and improve tax compliance.
2	Eliminate exemptions and concessions granted through SROs for an amount consistent with the fiscal deficit reduction objective in the FY2014/15 budet.	end-June-2014	Met	Reduce distortions and improve revenue collection.
3	Enact amendments to the relevant tax laws (as defined in the TMU) and submit amendments to the Anti-Money Laundering Act (AMLA) to Parliament.	end-September 2014	Not met, rescheduled to end-December, 2014	Use antimoney laudering tools to combat tax evasion, and faclitate detection of potential cases of abuse of the investment incentive scheme to lauder criminal proceeds.
4	Approve an administrative order to consolidate the responsibilities of public debt management in the debt management office.	end-September 2014	Partially met	Strengthen the organizational framework for effective public debt management.
Monetary sector				
5	Enact the amendments to the SBP law to give SBP autonomy in its pursuit of price stability as its primary objective, while strengthening its governance and internal control framework, in line with Fund staff advice.	end-June 2014	Not met, rescheduled to end-June 2015	Prerequisite for an independent monetary policy framework.
6	Improve the internal operations of the SBP by: (i) reestablishing an advisory monetary policy committee to advise the Board on its policy decisions; (ii) establishing a Board committee to centralize and oversee risk management activities across the bank; and (iii) begin publishing summaries of the monetary policy proceedings of the Board meetings and monetary policy committee deliberations.	end-August 2014	Met	Independent of the legislation, improve the operational autonomy of the SBP and enhance risk management.
Financial sector				
7	Enact the Securities Bill, in line with Fund staff advice.	end-December 2014	Rescheduled to end-June, 2015	Enhance the resilience of the financial sector.
8	Enact the Deposit Protection Fund Act, in line with Fund staff advice.	end-June 2015		Enhance the resilience of the financial sector.
Structural Policies				
9	Initiate revenue based load shedding in six remaining electricity distribution companies .	end-January 2014	Met	Boost sustainable and inclusive growth, by removing bottlenecks, encourage long-term, sustainable increases in electrictity supply; improve the efficiency of the economy through privatization and use its proceeds to hel ease fiscal and balance of payments pressures.
10	Hire three financial advisors for three PSEs in the capital market transactions list and three financial advisors for the three PSEs in the strategic private sector enterprises list for privatization in the TMU.	end-March 2014	Met at end-July, 2014	
11	Conduct a diagnostic study of the regulatory framework of the power sector and prepare an interim report.	end-April 2014	Met	
12	Offer the minority shares in United Bank Limited and Pakistan Petroleum Limited to domestic and international investors.	end-June 2014	Met	
13	Fill the vacancies in the NEPRA Board.	end-July 2014	Met at end-November, 2014	
14	Privatize 26 percent of PIA's shares to strategic investors.	end-December 2014	Rescheduled to end-December, 2015	
New Structural Benchmarks				
15	Draft legislation that will permanently prohibit the practice of issuing SROs that grants exemptions and loopholes.	end-March 2015		Reduce distortions and improve revenue collection.
16	Announce a time-bound plan to improve the SBP's interest rate corridor by setting the policy rate between the floor and ceiling rates of the corridor.	end-February 2015		Improve SBPs liquidity management.
17	Improve the internal operations of the SBP by the following measures: (i) the Investment Committee of the SBP Board will begin regular (at least four times per year) oversight and approval of the reserves management strategy and risk practices; and (ii) the authorities will provide confirmation that in line with standard IMF safeguard procedures, the Internal Audit Department will conduct reviews of the program monetary data reported to the IMF, within two months after each test date, for accuracy and compliance with the TMU and share the findings with IMF staff.	end-February 2015		Improve monetary policy framework through enhanced central bank independence.
18	Reorganize the Debt Policy Coordination Office as a middle office responsible for updating the MTDS and monitoring its implementation, coordinating the credit risk management functions.	end-March 2015		Strengthen the organizational framework and improve public debt management.
19	Conduct a review to reduce the number of existing processes and forms for paying sales and income taxes.	end-March 2015		Improve business climate.

1/ Prior action on NDA is subject to TMU adjustors. The adjusted target for end-November is PRs 2,655 billion.

Attachment II. Technical Memorandum of Understanding (TMU)

December 2, 2014

This memorandum sets out the understanding between the Pakistani authorities and the IMF staff regarding the definitions of quantitative performance criteria and indicative targets, as well as respective reporting requirements used to monitor developments, for the program under the Extended Arrangement. To this effect, the authorities will provide the necessary data to the IMF as soon as it becomes available. The definitions used in this TMU will be adjusted to reflect any changes in accounting classifications introduced during the program period. For the purposes of monitoring under the program, all assets and liabilities as well as debt contracted, denominated in SDRs or in currencies other than the U.S. dollar, will be converted into U.S. dollars at the program exchange rates. Net external budget financing and external cash grants will be converted into Pakistani rupees at the program exchange rate. The program exchange rate of the Pakistani rupee to the U.S. dollar is set at 99.66 rupee per one U.S. dollar. The corresponding cross exchange rates for other foreign currencies are provided in Table 1.

A. Quantitative Targets

The program sets performance criteria and indicative targets for defined test dates (Table 1 in the LOI). The program sets the following performance criteria:

Performance criteria

- Floor on the net international reserves (NIR) of the State Bank of Pakistan (SBP) (millions of U.S. dollars);
- Ceiling on the net domestic assets (NDA) of the SBP (stock, billions of Pakistani rupees);
- Ceiling on the general government budget deficit excluding grants (cumulative flows, billions of rupees);
- Ceiling on net government budgetary borrowing from the SBP (including provincial governments) (stock, billions of rupees);
- Ceiling on SBP's stock of net foreign currency swap/forward contracts (millions of U.S. dollars);

Continuous performance criteria

- Ceiling on the accumulation of external payment arrears by the general government;

Indicative targets

- Floor on targeted cash transfers spending (BISP) (cumulative, billions of Pakistani rupees)
- Floor on net tax revenues collected by the Federal Bureau of Revenue (FBR) (cumulative, billions of Pakistani rupees)

B. Definitions of Monitoring Variables

1. **The general government** is defined as the central (federal) government and local (provincial) governments, excluding state-owned enterprises. The definition of the general government includes any new funds, or other special budgetary or extra-budgetary entities that may be created during the program period to carry out operations of a fiscal nature as defined in the IMF's Manual on Government Finance Statistics 2001. The authorities will inform IMF staff on the creation of any such entities without delay.

2. **Net revenue of the FBR** is defined as the sum of revenues collected from (i) general sales tax (GST) on goods; (ii) customs duties, customs registration fees and levies; (iii) excise duties on imported products; (iv) excise duties on domestic products; (v) levies (toll) on oil derivatives; (vi) other proceeds and fees; (vii) sales tax; and (viii) unclassified revenues minus the tax refunds. Net revenue collection will be defined, for each test date, as the cumulative sum of net revenues collected since the beginning of the current year. The floor on the collection of gross revenues by the FBR will be measured quarterly on the basis of cumulative end-of-quarter data.

3. **Net international reserves** (stock) of the SBP are defined as the dollar value of the difference between usable gross international reserve assets and reserve-related liabilities, evaluated at the program exchange rates. On July 3, 2014, the NIR of Pakistan amounted to US$2,678 million.

4. **Usable gross international reserves** of the SBP are those readily available claims on nonresidents denominated in foreign convertible currencies and controlled by the monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes. Gross official reserves include (i) holding of foreign currencies, (ii) holdings of SDRs, (iii) the reserve position in the IMF, and (iv) holdings of fixed and variable income instruments. Excluded from usable reserves, inter alia, unless there is also a reserve-related liability associated with it, are: (i) claims on residents; (ii) assets in nonconvertible currencies; (iii) precious metals (iv) illiquid assets; (v) assets that are pledged or collateralized.

5. **Reserve-related liabilities** of the SBP include all foreign exchange liabilities to residents or nonresidents, including (i) foreign currency liabilities with remaining maturity of one year or less, (ii) any foreign exchange liabilities arising from derivatives (such as futures, forwards, swaps, and options) on a net outstanding basis—defined as the long position minus the short position, (iii) outstanding IMF credits to Pakistan, (iv) foreign exchange deposits with the SBP of foreign governments, foreign central banks, foreign deposit money banks,

international organizations, and foreign nonbank financial institutions, as well as domestic financial institutions. General government foreign exchange liabilities at the SBP will not be included in reserve-related liabilities.

6. **Aggregate net position in the foreign exchange derivatives** is defined as the aggregate net positions in forward and futures in foreign currencies of the SBP vis-à-vis the domestic currency (including the forward leg of currency swaps). The SBP's aggregate position was –US$2.3 billion at end-June 2013.

7. **Reserve money** (RM) is defined as the sum of: currency outside schedule banks (deposit) money banks); schedule banks' domestic cash in vaults; schedule banks' required and excess rupee and foreign exchange deposits with the SBP; and deposits of the rest of the economy with the SBP, excluding those held by the federal and provincial governments and the SBP staff retirement accounts.

8. **Net domestic assets** of the SBP are defined as RM minus NIR, minus other assets not included in gross official international reserves, minus commercial bank required and excess reserves at the SBP in foreign currency, plus medium and long-term liabilities (i.e., liabilities with a maturity of one year or more) of the SBP, plus other foreign liabilities not included in official reserve liabilities, minus the balance of outstanding Fund purchases credited to the government account at the SBP. NDA is composed of net SBP credit to the general government plus outstanding credit to domestic banks by the SBP (including overdrafts) minus liabilities not included in RM and other items net.

9. **Net government budgetary borrowing from the SBP (including provincial governments)** is defined as SBP claims on the government minus government deposits with the SBP. SBP claims on the government include government securities, treasury bills, treasury currency, and debtor balances. SBP claims on the government exclude accrued profits on government securities. Government deposits with the SBP exclude the Zakat Fund (Table 4).

10. **Net purchase of foreign exchange** is defined as outright purchase of foreign exchange minus outright sale of foreign exchange in the foreign exchange spot market as net addition to the stock of NIR of the SBP by using foreign exchange market intervention.

11. **External public debt arrears** are defined as all unpaid debt-service obligations (i.e., payments of principal and interest) of the general government (government, SBP, and state-owned enterprises) to nonresidents arising in respect of public sector loans, debt contracted or guaranteed, including unpaid penalties or interest charges associated with these obligations that are beyond 30 days after the due date. The definition of debt, for the purposes of the EFF, is set out in Point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Executive Board Decision No. 6230–(79/140), last amended by Executive Board Decision No. 14416–(09/91), adopted August 31, 2009).The ceiling on external payment arrears is set at zero.

12. **The overall budget deficit (excluding grants)** will be monitored quarterly under the cash balance of the general government balance, excluding grants, including the operations of local (provincial) governments financed from local funds. It will be measured below the line and will include:

- **Net external financing**, excluding valuation gains and losses.
- **Change in net domestic credit from the banking system**, excluding valuation gains and losses from deposits denominated in foreign currency.
- **Change in the net domestic nonbank financing**, excluding valuation gains and losses. These include (i) domestic privatization receipts transferred from the privatization accounts to the budget, (ii) the stock of issued government securities held outside the general government and the banking system, net of valuation changes, (iii) net deposits and reserves received by the government (public accounts deposits), (iv) any other government borrowing from domestic nonbank sources net of repayments, minus (v) government deposits with nonbank financial institutions.
- **Total external grants to the federal and provincial governments**. These are defined as the sum of project grants, cash external grants for budgetary support, capital grants reflecting the principal amounts of external debt cancellation or swaps, and other grants.

13. **Net external program financing** is defined to include external privatization receipts; budget support grants; budget support loans from multilateral (other than the IMF, but including World Bank and Asian Development Bank (ADB) budget support and program loans), official bilateral budget support loans, and private sector sources (e.g., bonds); rescheduled government debt service and change in stock of external debt service arrears net of government debt amortization due on foreign loans, the latter including any accelerated amortization including related to debt swaps or debt cancellation recorded as capital grants. It also includes foreign loans on lent to financial institutions and companies (public or private) and emergency relief lending. Program financing excludes all external financing counted as reserve liabilities of the SBP (defined above). Amounts projected for net external program financing and external grants are provided in Table 3.

14. **Net external budget financing** is defined as net external program financing minus privatization receipts, minus budget support grants, plus all other external loans for the financing of public projects or other federal or provincial budget expenditures, plus transfers of external privatization receipts from the privatization account to the budget.

15. **Structural benchmark on hiring of six transaction advisors for end-March 2014 is defined as follows**: Three transaction advisors to undertake the sale of minority shares for three PSEs from the list of capital market transactions with at least one offering in the domestic and one offering in international markets. From the list of strategic private sector participation one transaction advisor for electricity distribution company and one generation company, and finally one transaction advisor to undertake the restructuring of Pakistan International Airlines Corp (PIAC) and will seek for a strategic investor.

16. **The "relevant tax laws" in the structural benchmark on "submission of amendments to the relevant tax laws and submission of amendments to the Anti-Money Laundering (AML) Act for end-December 2014" is defined as follows**: Income Tax Ordinance, 2001; the Federal Excise Act, 2005; the Sales Tax Act, 1990; the Customs Act, 1969; and any other relevant law.

17. **Electricity Tariff Pricing Formulas and Definitions (¶27 of the MEFP)**

(i) The increase in the weighted average tariffs by 4 percent on electricity consumers' electricity consumption is defined as follows

Weighted Average Notified Tariff for electricity consumers =

(Changes in the Industrial Users Tariff Rate for each category x DISCOs' estimated sales to Industrial Users for each category

+ Change in the Residential Users Tariff Rate for each category above 200kWh x DISCOs' estimated sales to Residential Users for each category

+ Change in the Commercial Users Tariff Rate for each category x DISCOs' estimated sales to Commercial Users for each category

+ Change in the Single Point Supply for further distribution Tariff Rate for each category x DISCOs' estimated sales to Point Supply for further distribution Users for each category)

+ Change in the AJ&K users' Tariff Rate for each category x DISCO's estimated sales to AJ&K Users for each category)

+ Change in the Other users' Tariff Rate for each category x DISCOs' estimated sales to Other Users for each category)/ DISCO's total sales to Industrial, Residential Users consuming more than 200kWh, Commercial, Single Point Supply, Other Users and AJ&K Users

= 4 percent

(ii) Current notified electricity tariffs for users at 0-50 kWh will be retained.

(iii) On January 1, 2015 an additional surcharge of PRs 0.6/kWh will be levied to increase weighted average tariffs by 4 percent as defined in (i). The current effective notified tariff is PRs 11.82/kWh. This will be adjusted subject to negative Fuel Price Adjustments (FPA) as defined in the following Table to maintain the consumer prices constant.

(PRs/kWh)	November 2014	December 2014	January 2015	February 2015
Estimated change in FPA /1	-0.61	-0.63	-0.42	-0.21
Notified tariff	11.82		12.43	

1/ Energy mix is calibrated from 2013/14

(iv) Syndicated Term Credit Finance (STCF) Surcharge "Debt Servicing Surcharge" (¶28) of PRs 0.30/kWh is included in the electricity tariff (excluding lifeline consumers, 0–50kWh) to service debt incurred by Power Sector Holding Company Limited. The STCF Surcharge is defined as follows:

STFC Surcharge = Total Annual Debt Service of STCF/Estimated volume of electricity sales in FY 2014/15.

	Q1	Q2	Q3	Q4	FY 2014/15
STFC Debt Service (PRs millions)	8,611	6,247	7,840	5,413	28,111

STFC Surcharge = PRs 28,111(millions)/68000(GW) = PRs 0.41/kWh

- The balance = PRs 0.41/kWh–PRs 0.3/kWh =PRs 0.11/kWh will be part of the January 1, 2015 increase in the "Debt Servicing Surcharge."
- Calculations based on projected collections with FY2013-14 base case losses (18.6 percent) and collection rate (89.1 percent)
- The STCF Surcharge will be adjusted upward or downward depending on the timing of tariff notification to ensure that the annual STCF Debt Service (see Table above) will be fully financed within the fiscal year. Any deficit amount will be borne by the government. Any excess amount will be held by PHPL and utilized for debt service. In both cased, the excess or deficit will be remedied as a prior year adjustment in the next notification.

18. **Monitoring mechanism to track stock and flow of payables (¶29)**

Overdue payables (over 45 days) stand at **PRs 196 billion** as of end-September 2014. The projected evolution of overdue payables, excluding measures for FY2014-15 and its components are given in the following Table:

FY2014–15 (PRs Billions)	**2014/15Q2**	**2014/15Q3**	**2014/15Q4**	**2015/16Q1**
Overdue Payables (cumulative)	207	237	283	372
of which				
Excess T&D Losses	27	5	20	36
Under collection	43	17	18	42
Penalties	7	8	9	10

C. Adjustors

19. **The floor on NIR will be adjusted upward** (downward) by the cumulative excess (shortfall) of cash inflows from multilateral and bilateral creditors, Coalition Support Fund (CSF), and bond issuance relative to projected inflows (Table 2. Cumulative cash inflows are defined as external disbursements (including grants) from official multilateral creditors (including, but not limited to Asian Development Bank, Islamic Development Bank, and World Bank), official bilateral creditors (including, but not limited to DFID, UK, USAID), and external bond placements that are usable for the financing of the central government budget. The adjustor is modified for the end-June 2014 calculation of the fourth review to exclude the proceeds of the US$2 billion Eurobond transaction. This modification does not apply to subsequent reviews.

20. **The ceiling on NDA will be adjusted downward** (upward) by the cumulative amount of any excess (shortfall) of budget support loans or budget support grants compared to the program amounts (Table 3) and Euro bond issuance or project grants compared to projected inflows (Table 2). Budget support grants to the public sector are defined as grants received by the government (including provincial governments) for direct budget support from external donors and not related to the projected financing. Budget support loans to the public sector are defined as disbursements of loans from bilateral and multilateral donors for budget support (including provincial governments).

21. **The ceiling on the consolidated overall budget deficit** (excluding grants) for FY2013/14 and FY2014/15 will be adjusted upward for the cumulative excess in net external program financing in rupee terms for up to PRs 15.0 billion at end-September, PRs 25.0 billion at end-December, PRs 42.0 billion at end-March, and PRs 50 billion at end-June. The ceiling for FY2013/14 and FY2014/15 will be adjusted downward for any shortfall in federal PSDP spending below PRs 25 billion at-end September, PRs 80 billion at end-December, PRs 243 billion at end-March and PRs 410 at end-June. The ceiling will be adjusted downward for any shortfall in the targeted cash transfers (BISP). The ceiling will be adjusted upward for over performance in the BISP up to PRs 12 billion from their indicative targets.

D. Public Sector Enterprises

List of Companies for **Capital Market Transactions**

- Oil and Gas Development Co. Ltd (OGDCL)
- Pakistan Petroleum Ltd (PPL)
- Mari Petroleum Ltd.
- Government Holding Private Ltd (GHPL)
- Pak Arab Refinery Ltd (PARCO)
- Habib Bank Limited (HBL)
- United Bank Limited(UBL)
- Allied Bank Limited (ABL)
- National Bank Limited (NBP
- State Life Insurance Corp. (SLIC)
- Kot Addu Power Company Ltd. (KAPCO)

List of Companies for **Strategic Private Sector Participation**

- National Insurance Co. Ltd. (NICL)
- National Investment Trust Ltd. (NITL)
- Small & Medium Enterprise (SME) Bank
- Pakistan Reinsurance Co Ltd. (PRCL)
- Heavy Electrical Complex (HEC)
- Islamabad Electric Supply Co. Ltd (IESCO)
- Faisalabad Electric Supply Co. Ltd (FESCO)
- Lahore Electric Supply Co. Ltd (LESCO)
- Gujranwala Electric Power Co. Ltd (GEPCO)
- Mutan Electric Power Co. Ltd
- Hyderabad Electric Supply Co. Ltd (HESCO)
- Sukkur Electric Power Co. Ltd (SEPCO)
- Peshawar Electric Supply Co. Ltd (PESCO)
- Quetta Electric Supply Co. Ltd (QESCO)
- Lakhra Power Generation Company
- Jamshoro Power Generation Co. Ltd (JPCL)
- Northern Power Generation Co. Ltd (NPGCL)—Thermal Power Station—Muzaffargarh)
- National Power Construction Co. (NPCC)
- Pakistan Steel Mills Corp (PSMC)
- Pakistan Engineering Co Ltd (PECO)
- Pakistan International Airlines Corp (PIAC)
- Pakistan National Shipping Corp (PNSC)
- Convention Centre, Islamabad.
- PIA Investment Ltd—Roosevelt Hotel NY & Scribe Hotel—Paris

List of Companies for **Restructuring followed by Privatization**

- Pakistan State Oil Co Ltd (PSO)
- Sui Southern Gas Co Ltd (SSGC)
- Sui Northern Gas Pipelines Ltd (SNGPL)

E. Program Reporting Requirements

22. **Performance under the program** will be monitored from data supplied to the IMF by the SBP, Ministry of Finance and Ministry of Water Power as outlined in the table below. The authorities will transmit promptly to IMF staff any data revisions as well as other information necessary to monitor the arrangement with the IMF.

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
State Bank of Pakistan (SBP)	SBP balance sheet	Summary	Weekly	First Thursday of the following week
	SBP balance sheet	Summary at program exchange rates; and by official exchange rates	Monthly	Within 15 days of the end of each month
	Monetary survey	Summary banking system balance sheet for the central bank at both program exchange rates and by chart of accounts at actual official exchange rates; the consolidated balance sheet of commercial banks at actual official exchange rates	Monthly	Within the first 30 days of each month.
	International reserves	By (i) program exchange rates; and (ii) at actual official exchange rates.	Daily	The following working day
	Foreign exchange market	Market exchange rates (buying and selling); weighted average customer exchange rate; monthly trade volume, and high and low exchange rate of the interbank, the KERB market.	Daily/ Monthly	Within one day/ monthly within 5 working day
	Foreign exchange market	SBP foreign exchange operations, and intervention,(volume)	Daily	Within one day
	Foreign exchange market	SBP operation against the domestic currency in swap/forwards by (volumes)	Daily	Within one day
	Foreign exchange market	Breakdown of short, long, counterparts, of the swap/forward contracts	Monthly	Third working day of the following month
	Foreign exchange market	Outstanding swap/forward positions by maturity buckets, and counterparties.	Monthly	Third working day of the following month
	Net International Reserves	Net International reserves at program exchange rates as defined in TMU, including a breakdown by currency and specification of *nostro* balances with foreign branches of National Bank of Pakistan.	Quarterly	Seventh working day after quarter end
	External financing	Foreign assistance received and projections for the coming four quarters. Please categorize all grants and loans by program/project, and the amounts received/expected in cash.	Quarterly	Within 15 days of the end of each quarter
	Interbank money market	Daily interbank repo volume and interest rate of trades	Daily	Within one day

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
	SBP operations	Repo (reverse repo) operations, open market operations,	Weekly	First Monday of the following week
	Bank liquidity	Excess reserves, in local currency	Bi-weekly	With a lag of 15 days
	T-bill and coupon bond financing, SBP securities	Auction data: date, original and remaining maturities, issuance volume, allocation, average yield and coupon yield (if available)	Fortnightly	Last working day of the fortnight
	Banking data	Sectoral distribution of loans and deposits; loans and deposits by local and foreign currency; deposit and lending rates,;	Monthly	Within 25 days of the end of each month.
	Banking data	Loan maturities	Quarterly	Within 45 days of the following quarter
	Banking indicators	Capital adequacy; asset composition and quality; profitability; liquidity; open FX positions;	Quarterly	Within 45 days of the following quarter
	Banking sector stress tests	Results of stress tests on exchange rate, liquidity, and credit risk	Quarterly	Within 60 days
	Transfers	Workers' remittances.	Monthly	Within 25 days of the following month
	Other monetary data	The SBP survey, ODCs and DCs published in IFS.	Monthly	Within 45 days of the end of each month
	Balance of payments	Detailed export and import data Detailed balance of payments data	Monthly	Within 28 days of the end of each month
	Privatization receipts	Balance on the PC Fund account; gross inflows into and outflows from the PC Fund account during the month, specifying the nature of each transaction	Quarterly	Within seven days of the end of each quarter
Ministry of Finance (MOF)	External debt	Disbursements and stock of outstanding short-term and contracting or guaranteeing and outstanding stock of medium-and long-term external debt of the government, the SBP, and state-owned companies; any stock of arrears on external debt service and outstanding stock of government guarantees and external arrears.	Monthly	Within 25 days of the following month
	External financing	Foreign assistance received and projections for the coming four quarters. Please categorize all grants and loans by program/project, and the amounts received/expected in cash and in kind.	Quarterly	Within 15 days of the end of each quarter
	Federal government	State budget	Monthly	Within 30 days of the end of each month
	Consolidated general government	Federal and provincial governments	Quarterly	Within 45 days of the end of each quarter
	Consolidated general government	Federal and provincial governments	Annual	Within 180 days of the end of each year
	Federal government	Fiscal financing sources: Detailed quarterly financing plan for the coming 12 months	Monthly	One month in advance

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
		including projections for domestic public securities (issuance and maturities), external financing, SBP profits, short-term borrowing, other financing schemes, and borrowing from the SBP.		
	Federal government	Stock of government borrowing from the SBP	Quarterly	Within the first 5 days of each quarter.
Pakistan Bureau of Statistics (PBS)	SPI, CPI, WPI	Detailed monthly price indices	Monthly	Within five days of the following month
	CPI	Index of core inflation	Monthly	Within 21 days of the end of each month
Federal Board of Revenue (FBR)	Revenue collection Tax credits	Total revenue collected separately by the tax administration and customs administration, including revenue by individual tax, and social contributions.	Monthly	Within 7 days of the end of each month
	Tax arrears	By category	Monthly	Within seven days of each month
		By type of tax	Monthly	Within 7 days of the end of each month
	GST refund claims in arrears	For the 30 largest debtors	Monthly	Within 7 days of the end of each month
	Automated GST refunds	Detailed data, by type of tax, of outstanding tax credits for all types of tax revenues	Quarterly	Within 7 days of the end of each month
		Number of refunds that were processed automatically (share of total refunds); total value of automated and automatic refunds and offsets; average waiting time (days) to receive refund	Quarterly	Within 7 days of the end of each month
	Large taxpayers	Data on the number of taxpayers and amount of taxes managed by the large tax payer units (LTUs)	Quarterly	Within 7 days of the end of each month
	Import data	Total value of recorded imports Total value of duty-paid recorded imports; Number of total transactions involving recorded imports; Number of total transactions involving non-duty free recorded imports	Quarterly	Within 30 days of the end of each quarter
	Audits	Percentage of selected companies and identified revenue from audits	Quarterly	Within 45 days of the end of each month (monthly data provided on a quarterly basis)
Ministry of Water and Power		Key Power Sector Statistics (Please see the attached template) Cumulative Monthly Subsidy Position (Rs. Billion) PEPCO Month End Payables and Receivables	Quarterly	Within 30 days

Reporting Agency	Type of Data	Description of Data	Frequency	Timing
		Positions And Aging Schedule, Rs. Billion Receivables Positions - Total and DISCO-wise Break-up CPPA/PEPCO Month-wise Consolidated Cash Flow AT&C Statistics Monthly TDS Claims by DISCOs and Total Inter Corporate Circular Debt Sheet Prepared by Ministry of Finance DISCOs Consolidated Income Statement Net Electrical Output & Power Purchase Price by Source, GWh Generation, Demand and Shortfall for FY10 to date Net Electrical Output (MkWh) Plant and Fuel-wise Detail Working Capital Loans For each loan type		
	Domestic expenditure arrears	Energy arrears	Quarterly	Within 45 days of the end of each month for government arrears
		Determined and Notified Tariff's for each User and User Group (Please see template)	Annual	Within 30 days of determination and notification
Ministry of Petroleum and Natural Resources		Gas supply Gas prices	Quarterly on monthly frequency	Within 30 days from the end of the quarter
OGRA		UFG losses	Quarterly	Within 30 days from the end of the quarter
BISP	Targeted cash transfers	Coverage (number of beneficiaries paid) and payment by conditional and unconditional transfers.	Quarterly	Within 30 days from the end of the quarter

Table 1. Exchange Rates of the SBP

(as of June 28, 2013 in U.S. dollars per currency)

Currency	Rupee per Currency	Dollars per Currency
EUR	130.18	1.31
JPY	1.01	0.01
CNY	16.24	0.16
GBP	151.80	1.52
AUD	92.11	0.92
CAD	95.04	0.95
THB	3.21	0.03
MYR	31.54	0.32
SGD	78.77	0.79
INR	1.68	0.02

Table 2. Projected Disbursements to Pakistan

(In millions of U.S. dollars)

	Jun-14	Sep-14		Dec-14	Mar-15	Jun-15	Sep-15
		Revised Projection 3/	Actual				
Multilateral and bilateral disbursement	2,853	1,584	767	1,358	1,984	1,361	1,232
of which: in cash 2/	2,608	1297	407	879	1,579	1,151	950
International debt issuance	2,000	0	0	1,500	0	500	0
Coalition Support Fund	375	350	735	240	240	240	240
Other 1/	831	0	0	20	20	1,000	1,300
Gross Inflows	6,059	1934	1,502	3,118	2,244	3,101	2,772
of which: in cash	5,814	1647	1,142	2,639	1,839	2,891	2,490
Debt service	907	1026	990	963	1,274	1,511	1,368
Memorandum items							
Gross International Reserves	9,096	10325	8,943	10,953	12,112	14,103	14,821
Program Net International Reserves	1,800	3000	3,000	3,500	4,500	5,700	7,000

1/ Includes privatization and 3G licenses.
2/ Numbers need to be confirmed with the MoF.
3/ As of November 6

Table 3. External Inflows to the General Government
(In millions of US dollars)

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Non Tax revenue	322	353	891	735	240	240	240	540
Of which: Coalition Support Fund	322	353	375	735	240	240	240	240
Grants	100	1538	150	129	153	192	43	65
External interest payments	215	162	212	165	327	200	405	260
Net external debt financing	50	-115	3499	866	1621	2371	1473	-81
Disbursements	645	760	4711	866	2257	3445	2578	1028
of which budgetary support	309	285	2042	84	244	1117	784	529
Amortization	594	875	1212	0	636	1074	1106	1109
Privatizations	0	0	5	0	20	20	1000	1000
Memorandum item								
Program financing	409	1823	2197	213	417	1330	1827	1594

Table 4. Government Sector (Budgetary Support)
(End-of-period stocks/PRs. Millions)

Item	June 30, 2013	Prov. June 30, 2014	Prov. September 30, 2014
Central Government	**5,561,994**	**6,059,496**	**6,228,645**
Scheduled Banks	**3,320,870**	**3,491,821**	**3,685,778**
Government Securities	1,117,115	2,413,134	2,525,537
Treasury Bills	2,611,512	1,550,476	1,647,244
Government Deposits	-407,757	-471,789	-487,003
State Bank	**2,241,124**	**2,567,674**	**2,542,866**
Government Securities	3,127	2,786	2,786
Accrued Profit on MRTBs	44,959	82,070	49,962
Treasury Bills	2,275,183	2,852,274	2,635,524
of which: MTBs created for replenishment of cash balances	2,274,675	2,851,765	2,635,015
Treasury Currency	8,653	8,654	8,654
Debtor Balances (Excl. Zakat Fund)			
Government Deposits	-96,260	-383,571	-159,522
(Excl. Zakat and Privatization Fund)			
Payment to HBL on a/c of HC&EB	-287	-287	-287
Adjustment for use of Privatization Proceeds			
for Debt Retirement	5,749	5,749	5,749
Provincial Governments	**-315,607**	**-510,138**	**-556,077**
Scheduled Banks	**-287,393**	**-352,258**	**-351,874**
Advances to Punjab Gov Advances to Punjab Government for Cooperatives	1,024	1,024	1,024
Government Deposits	-288,417	-353,282	-352,898
State Bank	**-28,214**	**-157,880**	**-204,203**
Debtor Balances (Excl. Zakat Fund)	13,715	802	2,232
Government Deposits (Excl.Zakat Fund)	-41,930	-158,682	-206,435
Net Govt. Budgetary Borrowings			
from the Banking system	**5,246,387**	**5,549,357**	**5,672,568**
Through SBP	2,212,910	2,409,794	2,338,664
Through Scheduled Banks	3,033,477	3,139,563	3,333,904
Memorandum Items			
Accrued Profit on SBP holding of MRTBs	**44,959**	**82,070**	**49,962**
Scheduled banks ' deposits of Privitization Commission	**-5,433**	**-6,438**	**-6,562**
Outstanding amount of MTBs (Primary market; discounted value)	**2,529,412**	**1,525,175**	**1,606,367**
Net Govt. Borrowings (Cash basis)			
From Banking System	**5,124,762**	**5,448,424**	**5,588,291**
From SBP	2,167,951	2,327,724	2,288,702
From Scheduled Banks	2,956,811	3,120,700	3,299,589