Role of

IMF & World Bank
in
Pakistan's Development Experience

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Introduction:

The relationship of Pakistan with the Bretton Wood Institutions, IMF and World Bank can be broadly divided into two phases. The first starting from the independence until late eighties, the development finance phase. This phase was dominated by World Bank. The second commences from late eighties when Pakistan entered into an adjustment phase. In this second phase IMF played a dominant role in steering country's economy. It is in fact, the second phase, the entry of Pakistan into the structural adjustment era, that has been the subject of intense public debate at home & abroad.

The Burden of Adjustment:

In the late 1980s & 1990s Pakistan has undergone a series of economic reforms as a part of the structural adjustment and stabilization programs implemented under the umbrella of World bank and the International Monetary Fund. The catalogue of economic reforms broadly include: liberalization of external trade; exchange rate convertibility on current and capital account; deregulation of interest rates; privatization of loss-making public enterprises; and prices, tax, and expenditure reforms.

These economic reforms have evolved Pakistan into a more open and a less distortionary country. Some of the results have been positive. Budget deficits have declined. The share of trade taxes in total tax revenues has come down substantially. Annual inflows of foreign direct investment have increased by as much as seven times before declining again.

But the record of economic reforms has been far from favourable---despite these positive trends. While economic adjustments have been made, the quality of such adjustments remains low as the choices made by regimes have been hard for the poor and soft for the rich. Several governance and institutional failure have diluted the efficiency of structural adjustment programs.

First, economic reforms remain incomplete and their implementation remains slow and reluctant. Many of the fundamental agendas remain untouched. Reforms have sufficed on a window dressing rather than a deep surgery. Some selected issues are:

- Average tariff rates still remain high by global standards, though considerable liberalization has taken place. Liberalization remains incomplete, as State continues to exert dominant control over major economic activities. What is more important, external liberalization has not been accompanied by internal and regional liberalization of trade. Domestic trade is subject to taxes, though controls on external trade have largely been abolished.

- Financial sector reforms are incomplete. Public banks are still burdened with a large stock of non-performing loans.

- Deficit reduction is slow and lacks continuity.

- There has been a relatively higher emphasis on reducing expenditures than on mobilizing additional resources. Even efforts towards expenditure reduction have been marred by uneven progress. On the taxation side, additional resources have largely been mobilized through increase in tax rates and introduction of new taxes rather than a major effort to expand the existing tax base.

- While official incentives for foreign investment abound, political and administrative instability have diminished the positive impact of these incentives. The controversy with Independent Power Producers (IPPs) in Pakistan are apt reminders of how arbitrary state actions can hamper private investment.

- The revenues generated from the privatization of public enterprises have failed to match the potential. Besides, the process of privatization has been perceived by some quarters as being non-transparent. In Pakistan, by 1996 only 5.5 percent of the total privatization proceeds had been used to retire national debt.

- Frequent devaluation of the exchange rates has reduced the anti-export bias. But the country has fallen short of achieving optimal export performance---largely because the non-price bias still needs to be weeded out. An under-developed infrastructure, bureaucratic delays, and poor administration of export promotion schemes still remain the key hurdles in the way of export promotion.

Second, the institutions needed to assist the economic transition are either missing or remain weak. Similarly market regulations to protect the poor and the vulnerable from the private greed of the affluent are either weak or non-operative. Central bank lacks the level of independence needed to impose the necessary fiscal and monetary discipline. Monetary Policy is still conducted to a large degree by the Ministry of Finance.

There have been limited, if any, legal reforms to aid the economic transition. Archaic laws and court delays have hindered business activities. It takes as much as ten years to wind up a company. The judicial system also offers little help when it comes to protecting private property rights and enforcing business contracts. While the rich have access to private thugs, the poor, particularly women, are left at the mercy of petty officials and business mafia.

Third, economic reforms, have not been particularly friendly to the poor. Structural adjustment programs are often perceived to be socially blind---producing unwanted repercussions for the poor, women, and the environment. In Pakistan the burden of adjustment has fallen on the poor through falling social and development expenditure. Social expenditures are the first victims, whenever the government tries to balance its budget. And within social expenditures, rural hospitals, primary health care, and primary education are the worst hit. Worse still even the absolute number of teachers has fallen. Health expenditures (as a percentage of GDP) have declined from 0.95 percent in 1988 to 0.77 percent in 1995, with the largest impact of these expenditure cuts on the poorest households in the rural and urban areas[1].

The negative social influence of structural adjustment programs is far from conclusive: only circumstantial evidence is available to establish a connection between economic reforms and poverty. But increase in poverty could be anticipated on account of key reforms that are neutral or sometimes even harmful to the poor. These include: withdrawal of subsidies, expenditure cuts, wage restraint in the public sector, layoffs through privatization, interest rate liberalization, devaluation, and a vigorous tax effort.

The impact of these reforms in Pakistan has been anti- or pro-poor in varying degrees either due to differences in prevailing conditions or due to difference in emphasis on reforms.

Nearly all recent studies point towards worsening poverty and income inequality in the wake of structural adjustment programs. Adjustment programs have hurt the poor in Pakistan, since real incomes of the lowest income group have declined by nearly 56 per cent since the

[1] Khan, S.R. Essays on Pakistan's political Economy SDPI, 1998.

start of adjustment. Similarly, the Gini coefficient[2] of inequality has risen from 0.35 in1987-88 to 0.42 in 1993-94.

Fourth economic reforms have only touched the price structures, not the structures of economic and political power. Markets may discriminate against the poor, if productive assets like land and capital are badly distributed, and if a powerful rentier class has access to all economic opportunities. If economic adjustment has to be meaningful, it must be accompanied by social adjustment. Countries must spend as much time correcting social fundamentals.

Unfortunately, governments have conveniently used adjustment programs as a political instrument---by avoiding painful adjustments and by directing popular wrath towards international institutions for an economic crises that is largely of their own making. Perhaps, the fundamental reality before and after the reforms has remained unchanged in Pakistan. Economic policies have tended to benefit a select group of exporters, industrialists, and framers. In the presence of weak institutions and intense distributional conflicts, a mere dismantling of economic controls may not be the best hope for Pakistan.

Finally, the Bretton Woods Institutions should also accept their part of the blame for the socially harmful ways in which adjustment programs get implemented. International institutions must make sure that

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[2] Human Development South Asia, 1999, Pakistan.

economic reforms are combined with growth and social equity. As late Mahbub ul Haq[3] had correctly suggested:

> *"They (the Bretton Woods Institutions) must…stand firm on slashing subsidies to the rich, elitist groups in a society before subsidies to the poor are touched. They must spend as much time discussing politically sensitive issues such as land reform and corruption as they do now on the distorted prices in the economic system. These are not easy issues; some will be politically distasteful. However, unless the Bretton Woods Institutions are willing to take some political heat on these issues, the cause of the poor---always weakly defended in their own systems---will go by default in implementing adjustment programs"*

In the first chapter, I have endeavoured to capture the global criticism, shared by vast majority of developing countries on the role played by the Bretton Wood Institutions. The chapter also provides a conceptual framework to analyze IFI policy interventions in recipients countries such as Pakistan. I have also highlighted the economic mis-governance in Pakistan an its correlation with inefficient donor money spending. The ensuring debt burden as a direct outcome of economic mis-governance plagues the national economy. This has been analyzed.

In compiling this research, I have benefited enormously from the date available with SDPI (Sustainable Development Policy Institution), HDC (Human Development Center), Islamabad and the World Bank Database.

[3] Haq, Mahbub ul, Humanizing global Institutions, 1998

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Chapter 1

Role of IMF & World Bank

A Global Critique

Created at the Bretton Woods Conference in 1944, The World Bank Group is comprised of five agencies that make loans or guarantee credit to its 177 member countries. In addition to financing projects in infrastructure/social sectors such as roads, power plants and schools, the Bank also makes loans to restructure a country's economic system by funding structural adjustment programs (SAPs). The Bank manages a loan portfolio totaling US$200 billion and last year loaned a record US$28.9 billion to over 80 countries.

Also created at the Bretton Woods Conference, the mission of the International Monetary Fund (IMF) is to supply member states with money to help them overcome short-term balance-of-payments difficulties. Such money is only made available, however, after the recipients have agreed to policy reforms in their economies – in short, to implement a structural adjustment program.

The Global experience is that structural adjustment has exacerbated poverty in most countries where it has been applied, contributing to the suffering of millions and causing widespread environmental degradation. And since the 1980s, adjustment has helped create a net outflow of wealth from the developing world, which has paid out five times as much capital to the industrialized countries of the North as it has received. Pakistan is a basket case of the ill effects of this adjustment programme.

The wealthy Northern countries which control the World Bank and IMF dictate the agendas of these institutions, and their interests are best served by defending the status quo. Furthermore, the Bank's staff is currently dominated by economists who have spent their careers defending the validity of neoclassical economics, the foundation of the World Bank model of development. This orthodox view holds sacred the efficiency of free markets and private producers and the benefits of international trade and competition. Given the lack of accountability to outside parties, there is little incentive for the Bank and IMF to alter the design of structural adjustment, even when faced with mounting evidence attesting to the failure of these programs.

Much of the global debt dates back to 1970s, when it was lent irresponsibly by commercial banks and borrowed recklessly by foreign governments, most of which were not popularly elected and which no longer hold power. The advent of the debt crisis, which occurred in the early 1980s due to a worldwide collapse in the prices of commodities that developing countries export (e.g., coffee, cocoa) and to rising oil prices and interest rates, forced these countries into a position where they were unable to make payments. Yet there's no such thing as bankruptcy protection for a country, regardless of the circumstances. When the U.S. department store Macy's filed for bankruptcy under chapter 11 in January 1992, it received instant protection from creditors and working capital to keep open. At the same time, when Russia told the West that it could not meet government had to wait for more than a year before the IMF provided financial help.

Since the 1980s the debt situation has steadily worsened, so that now the total debt of the developing world equals about one-half their combined GNP and nearly twice their total annual export earnings. Because of this crushing debt-service burden, foreign governments have virtually no bargaining power when negotiating a structural adjustment program and must accept any conditions imposed by the World and the IMF. And SAPs themselves, by orienting economies toward generating foreign exchange, are designed to ensure that debtor countries continue to make debt payments, further enriching Northern creditors at the expense of domestic programs in the South.

In 1992, an internal World bank review found that more than a third of all Bank loans did not meet the institution's own lending criteria and warned that the Bank had been overtaken by a dangerous "culture of approval." Bank officials, in other words, felt heavy pressure to push through new loans even when presented with overwhelming evidence that the project in question was ill advised.

Decisions at the World Bank and IMF are made by a vote of the Board of Executive Directors, which represents member countries. Unlike the United Nations, where each member nation has an equal vote, voting power at the World Bank and IMF is determined by the level of a nation's financial contribution. Therefore, the United States has roughly 17% of the vote, with the seven largest industrialized countries (G-7) holding a total of 45%. Because of the scale of its contribution, the United States has always had a dominant voice and has at all times exercised an effective veto. At the same time, developing countries have relatively little power within the institution, which, through the programs and policies they decide to finance, have tremendous impact throughout local economies and societies. Furthermore, the President of the World Bank is by tradition an American, and the IMF President is a European.

Development projects undertaken with World Bank financing typically include money to pay for materials and consulting services provided by Northern countries. U.S. Treasury Department officials calculate that for every one dollar the United States contributes to International Development Banks, U.S. exporters win more than U.S.$2 in bank-financed procurement contracts.

Given this self-interest, the bank tends to finance bigger, more expensive projects -- which almost always require the materials and technical expertise of Northern contractors – and ignores smaller-scale, locally appropriate alternatives. The mission of the World bank is to alleviate poverty, not provide business for U.S. contractors.

The IMF and World Bank have been empowered by the governments which control it (led by the U.S., the U.K., Japan, Germany, France, Canada, and Italy – the "Group of 7," which holds over 40% of the votes on their boards) with imposing economic austerity policies in the countries of the so-called “Third World” or “Global South.” Once Southern countries build up large external debts, as most have, they cannot get credit or cash anywhere else and are forced to go to these international institutions and accept whatever conditions are demanded of them. None of the countries has emerged from their debt problems; indeed most countries now have much higher levels of debt than when they first accepted IMF/World Bank “assistance.”

Structural Adjustment Programs (SAPs)

The IMF/World Bank conditions – “structural adjustment programs” – force Southern countries to promote sweatshops, exports to rich countries, and high – return cash investment. The resulting increase in international commerce – corporate globalization – led to demands by corporations and investors for ways to lock in their privileges and protection against the perceived danger of governments seizing assets or imposing new regulations. The WTO was the answer to those demands, an institution whose secret tribunals can overrule national laws if they are found to violate the rights of corporations.

The World Bank is best known for financing big projects like dams, roads, and power plants, supposedly designed to assist in economic development, but which have often been associated with monumental environmental devastation and social dislocation. In recent years, about half of its lending has gone to programs indistinguishable from the IMF's: austerity plans that "reform" economic policies by suffocating the poor and inviting corporate exploitation.

Although the IMF finally got some of the criticism due to it with the East Asian financial crisis (where it imposed austerity programs on South Korea, Indonesia, and Thailand), the two institutions continue to be the chosen tools of the political and business elites for ruling the global economy, and run, to one degree or another, about 90 Southern countries' economies. These countries are forced to adopt policies even more committed to deregulation and withdrawal of government from insuring public welfare than those in the U.S. Considering how impoverished many of these countries were to start with, the effects of these policies have been predictably devastating. The "emerging market success stories" we sometimes read about generate wealth which goes to very small segments of the populations, and much of it ends up in the North. The great majority of the people of the South are enduring increased poverty, decreased access to basic services, and decreased control over their own economies.

SAPs Work for Corporations and Elites – Impoverish the Rest

How – and why – do the structural adjustment programs that the IMF & World Bank impose create conditions that multinational corporations desire and that devastate most people in the Southern countries? A look at the most common SAP conditions show how economic "advice" is used to maintain the interests of the wealthy at the expense of continued suffering for the bulk of the people.

IMF / WORLD BANK CONDITION	IMPACT ON ELITE (CORPORATIONS, INVESTORS, WEALTHY)	IMPACT ON POOR
Cut Social Spending: Reduce expenditures on health, education, etc. [IMF claims it is now making sure such spending goes up, but often it's to put in place systems to collect fees.]	More debts repaid, including to World Bank and IMF.	Increased school fees force parents to pull children – usually girls from school. Literacy rates go down. Poorly – educated generation not equipped for skilled jobs
		Higher fees for medical service mean less treatment, more suffering, needless deaths.
		Women, already overburdened, must provide healthcare and caretaking for family members.
Shrink Government: Reduce budget expense by trimming payroll and programs	Fewer government employees means less capacity to monitor businesses' adherence to labor, environmental, and financial regulations Frees up cash for debt service	Massive layoffs in countries where government is often the largest employer Makes people desperate to work at any wage.
Increase Interest Rates: to combat inflation, increase interest charged for credit and awarded to savings	Investors find country a profitable place to park cash, though they may pull it out at any moment	Small farmers and businesses can't get capital to stay afloat. Small farmers sell land, work as tenants or move to worse lands. Business shut down, leaving workers unemployed.

Eliminate Regulations on Foreign Ownership of Resources and Businesses	Multinational corporations can purchase or start enterprises easily.	Control of entire sectors of economy can shift to foreign hands.
	Countries compete for foreign investment by offering tax breaks, low wages, free trade zones	Governments offer implicit pledges not to enforce labor and environmental laws.
	Once in the country, corporations can turn to WTO for enforcement of "rights"	
Eliminate Tariffs: Stop collecting taxes on imports; these taxes are often applied to gtoods which would compete with domestically produced goods	Allows foreign goods easy access to domestic markets. Makes luxury items cheaper for those in the country.	Makes it harder for domestic producers to compete against better equipped and richer foreign suppliers. Leads to closure of businesses and layoffs
	Allows country to comply with WTO agreements	
Cut Subsidies for Basic Goods: Reduce government expenditures supporting reduced cost of bread, petroleum, etc.	Frees up more money for debt payments	Raises cost of items needed to survive Most frequent flashpoint for civil unrest
Re-orient Economies from Subsistence to Exports: Give incentives for farmers to produce cash crops (coffee, cotton, etc.) for foreign markets rather than food	Produces hard currency to pay off more debts Law of supply and demand pushes down price of commodities as more countries produce	Law of supply and demand pushes down price of commodities as more countries as more countries produce more, meaning local producers often lose money

for domestic ones; encourage manufacturing to focus on simple assembly (often clothing) for export rather than manufacturing for own country; encourage extraction of valuable mineral resources	more, meaning guaranteed supply of low-cost products to export markets Local competition eliminated for multinational corporations Increased availability of low-cost labor	often lose money Best lands devoted to cash crops; poorer land used for food crops, leading to soil erosion Food security threatened Women often relegated to gathering all food for family while men work for cash. Makes country more dependent on imported food and manufactured goods Forests and mineral resources (oil, copper, etc.) over-exploited, leading to environmental destruction and displacement.

SAPs are anti-democratic in more than one way[4]. The institutions are correct in saying that the plans are formulated in part, and agreed to, by the governments. But the government officials involved are usually limited to the Finance Ministry and the Central Bank, Usually among the most conservative, Northern-educated, and wealthy members of

[4] Wood, Ayela, A Crisis if Identity.

the government – in other words, those most likely to agree with IMF economics and benefit from the policies. In many cases even they feel coerced into going along with IMF/World Bank demands. If they don't cooperate, the consequence can be a complete cut-off of credit because other lenders follow the lead of these institutions.

With such unpopular polices, it is the rare government that can "sell"[5] structural adjustment to its people, especially after 20 years of similar failed policies. The slogan "short-term pain for long-term gain" sounds hollow when people have heard it for a whole generation. SAPs encourage instability in democratic countries by forcing elected governments to institute measures which make them illegitimate among their people. It has been argued that the IMF prefers dictatorships to democratic governments, because dictators can more successfully impose SAPs. And once the rules are in place the WTO extends the attack on democracy by overruling any regulations that corporations claim interfere with their right to profits.

The fact that institutions based in Washington and largely controlled by the U.S. Treasury Department have been starving peoples around the world for two decades is a scandal. That people in the U.S. are barely aware of the fact is a disgrace.

[5] Welch, Carl, What's wrong with IMF.

Chapter 2

Pakistan and Bretton Wood Institutions

Pakistan joined IMF on July 11, 1950. However its first transaction with IMF took place in 1984. The IMF also called the Fund, administers the international monetary system and operates as a central bank to central banks. This institution was established after the Bretton Woods agreement of 1944. The celebrated economist Lord Keynes and the American diplomat H.D. White played a leading role in the creation of the Fund. The purposes of the Fund are to encourage international monetary cooperation, facilitate the expansion and balanced growth of international trade, assist member countries in correcting balance of payments deficits and promote foreign exchange stability. A snapshot of Pakistan's transactions with IMF is at Annexure 1.

The Fund relies upon members' contributions and borrowing arrangements to finance its operation. Members' contributions payable in Special Drawing Rights (SDRs), other member's currencies or its own currency, are determined by a quota system which assigns each member country a quota related to its national income, monetary reserves, rate of exports to national income and other economic indicators. On April 30, 2000 Fund members quotas amounted to SDR 212 billion Pakistan's quota in the Fund is SDR is 1.0337 billion.

The decisions in the IMF are by weighted voting, rater than by one country one vote procedure. A member which has a large quota, has more voting power. In order to meet special requirements of the Fund, the quotas are reviewed every five years and cent of total voting power of the Fund's members. As at April, 2000 the total membership of the Fund was 182.

Financial assistance provided by the IMF is made available to member countries under a number of facilities, the terms of which reflect the nature of the balance of payments problems that the borrowing country is experiencing. Regular lending facilities include Stand-By or Extended Arrangements. Stand-By Arrangements (SBAs) are designed to deal with short term balance of payments problems of a temporary or cyclical nature and must be repaid with 3½ to 5 years. Drawings are normally made quarterly, with their release conditioned upon borrower's meeting quantitative performance criteria – generally in such areas as bank credit, government or public sector borrowing, trade and payments restrictions and international reserve levels and quite often structural performance criteria. Financial assistance is also provided through Extended Funds Facility (EFF). This is intended for countries with balance of payments difficulties stemming primarily form structural problems and has a longer repayment of 4½ -10 years, to take account of the need to implement reforms that can take longer to put in place and have full effect. A supplemental Reserve Facility (SRF) was introduced in 1997 to supplement resources made available under Stand-by and Extended Arrangements in order to provide financial assistance for exceptional balance of payments difficulties owing to a large short-term financial need resulting from a sudden and disruptive loss of market confidence, such as occurred in the Mexican and some other financial crises in the 1990s. Financing under SRF is committed for upto one year, and repayment are expected to be made within 1 to 1½ years, and must be made within 2 to 2 ½ years, from the date of each drawing Contingent Credit Lines (CCLs) were established in 1999 to prove short-term financing to help members overcome exception balance of payments problems arising from a sudden and disruptive loss of market confidence. The key difference between SRF and CCL is that whereas the SRF is for use by members already in the midst of a crisis, CCL is a preventive measure solely for members concerned with their potential vulnerability to contagion but not facing a crisis at the time of the commitment.

The Compensatory Financing Facility (CFF) provides timely financing to members experiencing a temporary short-fall in export earnings or an excess in cereal imports, as a result of forces largely beyond the members control. The IMF also provides emergency assistance to members facing balance of payments difficulties caused by natural disaster.

The most significant IMF confessional lending facility designed to assist poor developing countries is the Enhanced Structural Adjustment Facility (ESAF) which was re-named in November 1999 the Poverty Reduction and Growth Facility (PRGF). The programs supported by this facility are based on country designed poverty reduction strategies and combine confessional lending from IMF in support of appropriate macro-economic policies with anti-poverty assistance from the World Bank and other development agencies. Macro-economic stabilization and external viability are fundamental to the approach because these are essential for sustainable economic growth, they key to poverty reduction.

The PRGF is being combined with a strong effort to bring debt relief to Heavily Indebted Poor Countries (HIPCs). Assistance under this initiative is limited to countries eligible for PRGF and World Bank International Development Association (IDA) loans that have established strong track records of policy performance. This track record is intended to ensure that debt relief is put to effective use. Currently, of the 80 members of the IMF that are PRGF eligible, as many as 37 might qualify for assistance under HIPCs facility. In recent years the conditionalities attached by IMF to upper credit tranche drawings under SBAs as well to resources made available under EFF, SRF and PRGF have provoked a lot of criticism in developing countries.

There are five basic components of the typical IMF stabilization and adjustment program:

(i) abolition of liberalization of foreign exchange and import control;

(ii) devaluation of the currency;

(iii) a stringent anti-inflation program comprising;

(a) control a bank credit and elimination of confessional credit programs for priority sectors;

(b) reduction in fiscal deficit through curbs on expenditure especially in the area of subsidies along with increase in taxes and in public utility charges;

(c) control of wage and salary increases, in particular ensuring that such increases are at rates lower than inflation rates, and

(d) dismantling of various forms of price control;

(iv) greater opening up of the economy to international commerce and investment; and

(v) privatization of public enterprises.

While such policies may be successful in improving Less Developed Countries (LDCs) balance of payments and strengthening their budgets, they can be politically very unpopular because they result in aggravation of inequalities in society, enhance unemployment and disproportionately hurt the lower and middle income groups. Some Third World economists have argued that IMF functions "as the chosen instrument of advanced industrialized countries for imposing imperialist financial discipline upon poor countries".

I has also been argued that the IMF adjustment and stabilization polices disregard one of the basic insights of the early development period of the 1950s. Much thinking prevalent than had been on a view of development and growth as a process of "cumulative causation" or a system of beneficial/vicious circles or spirals. The vicious circle of poverty, for example, was well established; poor countries are poor because they have low savings and investment and they have now savings and in vestment because they are poor. In the "Stages of Growth" paradigm developed by Prof. Rostow this took the form of saying that the earlier stages of assembling the preconditions of growth are very difficult but once the various elements have been assembled and can complement each other, everything will fall into place and the economy will take off.

The present IMF doctrine of adjustment is in danger of disregarding all this. It holds that one can temporarily deflate, arrest growth, reduce expenditures on physical and human investments, while at the same time gathering strength for a new and hopefully more sustainable period of growth and development. This disregards the likely possibility that each cut-back may make it more difficult to resume growth from a weakened base.

The Fund is aware of its poor image in the developing world and vigorously denies the charge of discriminatory treatment of low income countries or of collusion with rich industrial nations and multi-national banks to further their interests. It also maintains that its stabilization and adjustment programs are not anti-poor and do not pose a threat to progress of development in the Third World.

The Fund claims that many developing countries which have successfully implemented its adjustment programs have actually gained larger access to private bank credit on better terms and conditions than they would have been able to obtain otherwise. The multi-national banks open their coffers to a country which obtains a certificate of "good performance" by adhering to the conditionalities of its stabilization/adjustment programs.

The Fund also maintains that in recent years it has striven hard to impart a "human face"[6] to the conditionalities attached to its adjustment programs by ensuring the implementation of measures designed to protect the poor. Notwithstanding the fact that the Fund has introduced greater flexibility in its programs in recent years, the main thrust of its polices is on demand management and an analysis of the social and political impact of its programs has yet to be formally incorporated in the framework of its operations. The desirability of conditionalities is not generally questioned. It is, however, the nature of these conditionalities and the manner these are administered that is objectionable.

In view of dissatisfaction with the functioning of the Fund, the developing countries have proposed a re-structuring of decision of decision making process within it. Aside from the re-structuring of the IMF, the following issues need priority attention from the viewpoint of the LDCs.

- Implementation of decisions regarding making SDR the principal reserve asset of international monetary system to ensure that world liquidity does not originate in the payment deficits of a few countries.
- More flexible conditionality in the use of IMF resources so that developing countries can count upon maintaining their trade and employment and their development activities at a high level.

[6] Bandow, Pong. Vasquez, Perpetuating Poverty, 1995.

- Designing a mechanism for a fair share of the burden of adjustment especially in regard to surplus countries.

Pakistan’s transactions with the World Bank are outlined at Annexure.II. The World Bank assistance commenced in 1952 for a Railway Project. The assistance has been widely distributed across sectors such as infrastructure, communication, oil & gas, energy and social sectors etc.

Chapter 3

Economic Misgovernance in Pakistan:

What matters for human development is not just the level of social spending, but its quality and effectiveness. Larger allocations alone cannot guarantee better social outcomes. There are numerous examples of how social expenditures have often been unable to result in commensurate improvements in social indicators. Increased resources for social services become meaningless in the face of wrong priorities, improper implementation, financial leakages, and ineffective provision. As Mahbub ul Haq correctly observed a few years ago; 'there are far too many examples of inefficient and inequitable priorities: urban hospitals for a privileged few rather than primary health care for all; enormous subsidies for the universities while basic education goals await their turn in the budgetary queue; piped water supply to posh localities rather than stand pipes for the masses'[7].

Scarce resources are often spent on promoting wrong social objectives. For instance, the overwhelming weight of international evidence shows greater social returns on public investments in basic education and primary healthcare. Yet these are the very areas that face the neglect of national budgets. For instance, Pakistan devotes, on average, 47 percent of its education budget to basic education, compared to 70 percent in many East Asian countries.

Another anomaly includes a disproportionately higher emphasis on curative health and a relative neglect of preventive health services. This is despite the fact that preventive health services, such as maternal health, childcare, health education, and immunization have a more favorable impact on the poor. Moreover, the Private sector often takes care of curative health service. In 1996-97, the Government of Pakistan spent fifteen times more on general hospitals and clinics than on preventive health care. This mis-prioritization does not come cheap: it costs between $100-600 to save each additional life through preventive health care, whereas the corresponding range for curative care is $500-5000.

Urban health facilities receive a similarly large preference in health budgets. In the North West Frontier Province of Pakistan about 27 percent of the total provincial budget in 1991-92 was devoted to two teaching hospitals. Though the exact situation varies from state to state, most Indian states devotes a larger share of their health budgets to urban health facilities, as opposed to primary health care and rural dispensaries. Clearly, there is a significant urban bias in social expenditures.

Another key feature of social spending, besides meager allocations and unprioritized spending, is the higher salary component of recurrent expenditures. It is ironic that despite abysmally low levels of remuneration, salaries and wages in most rural and urban hospitals

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[7] Haq, Mahbub ul. Dr. " Human Development Report, 1999.

account for about two-thirds of total expenditures. Consequently, maintenance expenditures are squeezed and essential supplies become non-existent, compromising the quality of social services. The result: ineffective provision of social services.

While low salaries encourage absenteeism and irregular attendance of teachers and doctors, inadequate expenditures lead to the absence of critical facilities, such as clean toilets, water, leakage-proof roofs, text books, and essential drugs. Teachers lack motivation to teach and are often found engaged in other economic activities during work hours. Similarly, medical doctors are found busy in private practice during official time, visiting rural dispensaries only once or twice a week. A recent report by the Auditor General of Pakistan identifies gross irregularities in staff recruitment and procurement of essential items under the Social Action Program (SAP) in Pakistan. The Report shows that in nearly 50 percent of the cases, a proper system for monitoring staff absenteeism was missing. The table below shows the percentage cases where appropriate criteria for recruitment, procurement, and monitoring of absenteeism was lacking in the health, education, and population sectors under SAP.

Pakistan: misgovernacne in Social Action Program (cases with unmet criteria as a % total)

	Recruitment	Procurement	Absenteeism
Health	52	30	59
Education	33	52	39
Population	80	100	39

Widespread abuse of social services by the politicians makes these services non-existent for the poor. Locally elected politicians use the social infra-structure to further their own vested interest. School Buildings are sometime used by politically influential landlords for keeping their household cattle. And teacher often need to be in the good books of politicians, if they are to prevent frequent transfers. Recent surveys in India and Pakistan have found that local politicians often use public works programs for patronizing their favourites----by handing out contracts to cronies and by providing employment to faithful voters.

The cumulative impact of these unprioritized expenditures, rampant corruption, low maintenance expenditures, and political interference is that social services get ineffectively provided. The result is that even the poor use such services with much hesitation. There is no single solution to this dilemma. A suitable and more pro-poor cost recovery policy may be one option. Greater cost recovery can generate the much needed resources for non-salary components of social expenditures that often get starved of resources. Cost recovery through user charges is extremely low in Pakistan, for instance, an average 2-3 percent of public expenditure on education is recovered. Similarly, the average cost recovery from healthcare programs is 3.8 percent in India and only 2 percent in Pakistan. Compare this to the experience of several developing countries that normally recover 15-20 percent of the revenue. It is therefore not fair to accuse the IFI's for shackling us with debt, when we have not been fair to ourselves.

There is a wide gulf today between the promise and practice of welfare programs in Pakistan. Programs that are initiated with the honest intentions of assisting the poor often lead to perverse outcomes. Institutional weaknesses abound and implementation failures are common. Some of the disquieting features include; centralized administration; higher per-unit cost; lack of proper targeting; limited participation of women; financial leakages; political interference; and the existence of multiple objectives.

Several projects fall short of implementation. In many cases, governments have tried to do too much with limited resources. For instance in 1996 projects worth Rs.700 billion were under implementation, whereas only Rs.85-90 billion were available annually.

Many projects do not even see the light of the day. In Pakistan, for instance, it has been estimated that one in every nine public schools is a ghost school----schools that are recorded by government but are missing in reality. In the Punjab Province of Pakistan, army has helped government unearth more than 50,000 teachers who were either 'dummies or untraceable'. Perhaps, as social spending increases, leakages are multiplied.

Development programs are open to widespread abuse and corruption in Pakistan. Political abuse remains widespread in Pakistan, as the bulk of development resources are channeled through politicians. The same size of development effort can be delivered at a 20 percent less cost, if various kickbacks and corruption are eliminated.

Resources for social development are limited, and even worse, these limited budgets don’t get translated into the lives of the poor. Increases in social sector allocations have not substantially altered the face of poverty.

The failure of social expenditures to reach the poor is a collective failure of the entire economy, polity, and society. Economic policies had limited success in ensuring adequate financial allocations for the right kind of social services. Politicians have mismanaged social services even further---by laying illegitimate claim to public resources and by using development programs to advance their own political objectives. And finally, it is a civic failure as local communities have rarely bothered to ensure accountability for slippage in implementation, teacher absenteeism, and irregular attendance of medical staff.

Pakistan needs to ensure that poverty alleviation programs reach their target beneficiaries. But it requires to move well beyond these poverty programs to attack poverty in all its possible dimensions. This is because poverty cannot be targeted properly without targeting the basic economic and political structure that breeds and sustain poverty.

Chapter 4

The Debt Burden

It is customary to accuse the IFI's as the root cause for every pain, the nation has to go through. It is, however, unfair to level insinuations, if we do not look at our own house.

The debt burden[8], which is the outcome of several decades, virtually threatens the economic future of the country. The present debt burden is well beyond sustainable limits. Interestingly enough, bilateral debt has never been an issue of public debate despite being a very significant part of total external debt.

Pakistan[9] has relied meanly in the past on foreign savings to finance its investment but has not been able to achieve self reliance, as these foreign sources were not used for productive investments. The mis-utilization of foreign resources has resulted in accumulation of large and unsustainable external debt without the capacity to serve it.

It will be very educative to look at the real cause of debt buildup & consequent conditionalities imposed by IFI's.

Factors behind Debt Crisis:

The debt crisis was essentially triggered by the un-sustainability of the level of current account balance of payments deficits and the pattern of their financing in the 1990s. During the ten years 1990-99, Pakistan

[8] DRMC Report on Debt Burden Reduction and Management, Strategy 2001

[9] Hasan, Parez Dr., DRMC Report March 2001

ran current account balance of payments deficits (despite accruals of Resident Foreign Currency Deposits RFCDs of US$ 6.8 billion) totaling over US$ 25 billion, or an average of 4.8 percent of GDP. If accruals to resident foreign currency deficits are treated as borrowing rather than earnings, as they should have been, the cumulative current account deficit during 1990s was US$ 32 billion, or over 6 percent of GDP. This means that about one third of total investment was financed from external borrowing as against little over 20 percent in the 1980s. The levels of current account deficit that Pakistan incurred in the 1990s are not sustainable even with a very rapid expansion in exports. Meanwhile, growth of exports and remittances, in fact, slowed down in the first half of the 1990s and then stagnated during the second half.

Inter-related, large and persistent fiscal and balance of payments deficits are a fundamental source of Pakistan's high debt burden. But three other factors, the rising real cost of borrowing, ineffective use of borrowed resources, and decline or stagnation in the debt carrying capacity represented by the level of foreign exchange earnings and Government revenues, have deepended the debt burden. As mentioned above, the growth in burden of both external and public debt accelerated during 1996-99, despite significant primary surplus (before interest payments) in the two fiscal years 1999 and 2000 and the current account balance payments (before interest payments) also turned positive in fiscal year 2000. This implies that the debt growth is being driven by large interest payments. Unfortunately, the cost of both domestic and external borrowing has increased sharply. As inflation has declined during the last two fiscal years, the real cost of government domestic borrowing (nominal interest payment adjusted for the rate of inflation) rose to a peak of 9.0 percent per annum. The average interest on foreign loans also crept up in the 1990s as the Government had to resort to short-term expensive borrowing. At the same time, rupee cost of external interest payments rose sharply because of the fall in nominal as well as real value of Pakistani currency.

The debt problem has also been aggravated by the declining effectiveness of use of public resources. This has several aspects. While fiscal deficits have shown no marked trend towards decrease, an increasing portion of the Government borrowing has been used to finance non-development spending. The growing negative saving by the government sector, that is the excess of current expenditure over government revenue, (averaging nearly Rs.90 billion or 3.2% of GDP during the last three years) has not only contributed to the over-all poor savings performance in the country but has also deepended the Government's financial problems. Government fiscal deficits have not declined, despite a massive reduction in development outlays over time, both in real term and as a percentage of GDP, since the early 1980s.

Growing fiscal difficulties and the government response has clearly upset the balance between defense and development. The rise in share of interest payments in Government expenditures from lest than 10 percent of total spending in 1980-81 to nearly 33 percent in 1999-00 has come largely at the cost of cuts in development spending, which as a proportion of total expenditure declined from 40 percent to 13.5 percent over the same period. While the share of defense has also come down (24 percent to 20 percent over the same period), defense expenditures are now 50 percent greater that development expenditures; whereas two decades ago, development spending was two thirds higher than defense. To make matters worse, the quality of the limited development spending has deteriorated greatly over time because of low economic priority and politically motivated projects, whilst the effectiveness of the use of foreign aid resources has also been declining. The broad decline in government institutional capacity and widespread corruption has negatively influenced the effectiveness of all public spending. In light of these policy and institutional failures, it is rather surprising that the per capita growth has remained positive. It is, in fact, the robustness of the agriculture sector and the informal economy, which have largely sustained the economy.

Finally, failure to address weaknesses in revenues and exports also contributed directly to the rise in the debt burden because the debt burden is basically a ratio relating either total debt or debt service to debt carrying capacity as represented by either exports or revenues. While interest payments on public debt rose from 2.5 percent of GDP in 1980-85 to 7.6 percent in 1999-00, the tax revenue to GDP ratio actually declined from 13.6 percent to 12.8 percent, over the same period. Export performance held up reasonably well till the mid-1990s but has been dismal since then. This situation has been further aggravated by the declining trend in worker's remittances.

Chapter 5

Inefficient Utilization of IFI Aid:

As mentioned above, poor use of borrowed resources has also been a major factor in the emergence of debt problems and promotion of corruptions.

It is important to extend the control of the Planning Commission over agencies that in the past were able to bypass general planning procedures because of the special status granted to them (which has already been done). In addition to three other recommendations for more effective use of resources in the public sector and better programming of foreign aided projects must be looked into:

i) Since the present public sector development program is over-extended and money is being spent thinly on projects, it is recommended that attempts should be made to consolidate the program by reducing its size by 10 to 15 percent through elimination of low priority projects or components, projects which have serious implementation problems or projects which do not have the strong support of implementation agencies.

ii) The above exercises should not be restricted to domestically funded projects but should also cover foreign-aided projects. The present pipeline of undisbursed foreign loans is around US$ 6 billion.

iii) It is also worth considering whether all new projects can be put on hold for the next 2 to 3 years, except in exceptional circumstances, thus enabling the process of consolidation and focus on high priority spending to proceed.

In addition, as suggested above, the Government needs to be highly selective in foreign borrowing for projects, which are disbursed mainly in local currency and should phase out such lending, the direct and indirect cost of which are perceived to be high. Also complaints about performance of IFI's and foreign consultants and their high cost are widespread, though lack of institutional capacity in the Government may be the real problem. Professional capacities in Government, especially in economic fields but not confined to economists, have been greatly run down.

The task of inducting more and high level professional staff in the Finance, Planning and Economic Affairs Divisions should not await general civil service reform. Although the present economic team of technocrats offers a unique opportunity for effective reform, it cannot be fully exploited if professional staff is not available for critical analysis, planning and problem solving on the implementation side.

Implementation capacities are weak in the Provinces also, though Punjab and Sindh appear relatively well placed with the authority given to Additional Chief Secretaries, Planning and Development. The Ministry of Finance should make efforts to broaden the base of professional expertise both at the center and in the provinces.

Tackling External Debt Overhang:

The most immediate economic problem facing Pakistan is to cope with the mountain of external debt service payments due during the next few years. On the assumption that deposits of foreign government and central banks (currently US$ 1.4 billion) and Special US$ bonds owed to residents (US$ 1.3 billion) will be rolled over, debt service payments due are estimated at US$ 11 billion for the two years July 2000 – June 2002, and approximately another US$ 10 billion in the subsequent two years. These huge external debt repayments due, totaling nearly US$ 21 billion[10] over 2000-04, would pre-empt a large part (at least over one-third) of foreign exchange earning, even assuming a robust expansion in exports.

Faced with the prospect of making these heavy debt payments and generating current account surpluses (before interest payment)[11] or net resource transfers to the outside world at least for a few years, it is hardly surprising that voices are being raised in favor of external debt default. Those suggesting this option argue that, instead of undergoing the rigors of a difficult adjustment process under the watchful eye of the IMF and other creditors, Pakistan should consider simply putting a moratorium on its external debt service obligations till such time as the foreign exchange situation improves. However a debt moratorium or default cannot really be considered an option. A default may appear, at first sight, to provide short-term relief by reducing the modest net transfer of resources abroad, compared to an IMF-assisted adjustment scenario, but in fact will render incalculable harm to both short-term and long-term interests of the country.

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[10] These include amounts recently agree to be rescheduled by the Paris Club members.
[11] The concept of non-interest current account balance of payments surplus corresponds to the concept of primary surplus in the fiscal accounts.

Chapter 6

Conclusions & Recommendations:

It is not the IFI conditionalities but the high and growing debt burden which is the major source of the sharp slowdown in Pakistan's economic growth, to less than 4 percent per annum and the consequent increase in poverty incidence. There is little doubt that Pakistan is in the firm grips of a debt trap and is caught in the vicious circle of high debt payments leading to stagnation in investment and growth, and low growth, in turn, limiting the capacity to service debt and reduce the debt burden.

The links between high debt burden and slow growth need to better understood. Reduced net external resources are constraining investment. For the next few years, practically all investment must be financed from domestic resources. Large government domestic borrowing is keeping real interest rates high and discouraging private investment. Private investment is also being adversely affected by the shortage of complementary infrastructure and inadequate skill development, attributable directly to shortage of fiscal resources. No doubt political uncertainty, poor governance, especially law and order problems, dispute with the IPPs, have all discourage private investment. But Pakistan's financial weakness, reflected in the high debt burden, are the basic cause of lack of investor confidence and the major constraint on economic revival. It is in this light we can appreciate the role of Bretton Wood Sister's in an objective manner and not get carried away by rhetoric.

Inherent Dangers:

The consequences of not dealing effectively with our debt problems would be disastrous for the economic and political future of the country. Worst-case scenarios are easily imaginable. Rising debt burden could lead to:

- Further slow down in growth.
- Large scale printing of money (if revenues do not rise), which in turn would lead to higher inflation
- Consequent fall in the value of the rupee.
- On the external side, default or technical default could trigger economic isolation forcing reliance on economic controls; and
- Adverse impact on flows of trade and technology.

Need for a Multi prong Strategy:

In order to get out of the debt trap, debt burden reduction must be made one of the central pillars of economic policy. But debt reduction and economic growth must go hand in hand, otherwise public frustration with economic management will continue to grow and emotionally charged responses calling for debt default will increase. What is needed is a comprehensive and integrated economic revival and debt reduction strategy, worked in close concert with the IFI's. This should have the following eight elements:

- Reviving economic growth, notwithstanding financial constraints, by focusing on improvements in factor productivity through both structural reforms and improved governance. The most promising sectors for expansion are agriculture, manufactured exports, information technology, and oil and gas. IMF has a vital role to play through PRGF strategy, that I will discuss in following paras.

- Improving carrying capacity through growth in revenues, exports, remittances, and other foreign receipts.

- Reducing the rate of future borrowing by reducing the fiscal and current account balance of payments deficits, reducing the large losses of state-owned enterprises, which augment contingent liabilities and the budget deficit.

- Working towards an agreement with the IMF for a large Poverty Reduction and Growth Facility (PRGF) for 2001-04, which will also ensure;

    (b) exception financing needed for other multilateral organizations,

    (c) debt rescheduling from bilateral sources, and

    (d) reasonable risk rating in the international financial markets.

- Bringing down the real cost of government borrowing, especially domestic borrowing by sharply slowing down new internal borrowing.

- Accelerating the process of privatization and private sector development. Improving the climate for domestic and foreign investment, increasing attractiveness of foreign private investment flows especially for export-oriented activities, and reducing incentives for flight of capital abroad.

- Improving of effectiveness of government expenditures especially the use of borrowed resources, specifically through the elimination of government borrowing for non-development expenditures, and more effective use of foreign aid both multilateral and bilateral.

- Adopting a medium and long-term debt strategy with clearly defined goal of debt burden reduction and putting into place debt management and monitoring systems to effectively review and monitor progress on debt, including contingency management, in the context of a rolling medium-term macroeconomic framework.

The agenda outlined above is extremely tough. It will require single-minded determination, a strong will to stay the course, and determined efforts to overcome implementation problems. Pakistan's history is littered with failures of important economic initiatives. Nothing less than a major break from the part is needed to rectify policy mistakes. The Government will be able to successfully implement the integrated economic revival programme and debt reduction strategy provided; given strong will, commitment and provided.

(a) It pursues macro-adjustment and structural reforms single-mindedly

(b) Improves governance

(c) Significantly strengthens public institutions for development and

(d) Strongly resists pressures from well established vested interest groups, notably redundant employees in the public sector, recipients of economic rents in the private sector, corrupt officials especially in the tax and police departments, and labour unions.

The Government is already emphasizing many of the elements of the strategy above. It is focusing on the reduction in fiscal deficits, mobilization of government revenues, expansion of exports, privatization, and strengthening of oil and gas and information technology sectors. It is also attaching high importance to maintaining a program with the IMF with a view to moving towards a three year Poverty Reduction and Growth Facility (PRGF) which will provide the basis of exceptional assistance from the World Bank and the Asian development Bank and further re-scheduling from the Paris Club till 2004.

However, actual progress is still impeded by the interrelated problems of implementation, very limited institutional capacity, and poor governance. Even through many of the elements of the strategy, expanding exports, raising revenue, improving private investment, are closely linked to broader issues of economic management and governance. But it is important to define realistic objectives of external and public debt reduction; identifying means to achieve those objectives and put them in the context of other economic goals. There is a need to adopt a medium and long term debt strategy with clearly defined goals of debt reduction, arrangements for contingency management, and an institutional framework to monitor and review progress towards debt reduction goals. But since debt management is intimately connected with overall economic management, it is important to analyze the debt management in general and IFI debt in particular in the context of an over-all macroeconomic framework.

Key Elements of Debt Reduction Strategy

Revival of Growth with Financial Constraints

Since strong economic growth, combined with rising levels of government revenues and foreign exchange earnings, is not only essential for reducing the present debt burden but also for creating capacity for further borrowing, the acceleration of growth initially to 5.5 percent per annum by 2003-04 and further to over 6 percent in the second half of the decade deserves high priority. The dilemma is that the recovery of investment rate would at best be slow (the ratio of investment of GDP is projected to increase from 15 percent to 16.8 percent over 2000-04). The sluggish recovery of investment is the consequence of constrained financial resources and an investment climate, which is still clouded by uncertainty.

The challenge before the government is to use the improvements in productivity and better governance to achieve acceleration in growth. In principle, this should not be difficult because economic resources have not been used very efficiently is in part due to poor governance which has hampered the effectiveness of delivery of public services. Agriculture, manufactured exports, information technology (IT), and oil and gas should be the leading sectors of growth. In all these sectors, a number of policy steps can contribute to revive growth in the short to medium-term even without a lot of new investment. For instance, agricultural output can be expanded by:

(a) better use of existing water resources through improved canal irrigation and maintenance, and

(b) providing better incentives for water use and on farm development by sharply raising water rates,

For all the above, the role of World Bank is of crucial importance through the water sector reforms. Similarly, a forceful use of the regulatory authority can help reduce adulteration in seeds, pesticides, and fertilizers. In industry, the government needs to be highly selective in reviving sick industrial units. Closing down unlivable plants and avoiding use of scarce resources on sick or nearly dead units will force attention on new economically profitable avenues of export and industry. Policy focus on value added exports and a move away from cotton yarn would also help. In general, the objective in the export field should be towards increasing unit values as well as volumes. In the oil and gas field, gas price adjustments and a firm commitment to full gas price deregulation over the next two to three years will not only speed up privatization and accelerate gas development but will also result in a more rational use of energy. This is not a conditionality per se but just the right way to reform energy sector. Any attempt to view these reform measures as a IFI conditionality will distort the perspective.

Another area where much more can be achieved, with a given amount of resources, is the public spending on education and health. The effectiveness of current spending is at its lowest ebb. Without major structural improvements, including much greater autonomy and higher cost recovery, momentum will continue to move towards the high cost, though higher quality, private sector; especially in education and health. The Government should use its plans to devolve authority to district level for massive decentralization of education and health services.

While the productivity improvements required are substantial, there is at least a historical precedent Pakistan needs to learn from its own experience in the second half of the 1960s when very high growth rates were achieved despite a sharp decline in the investment rate. The growth rates were achieved despite a sharp decline in the investment rate. The growth in that period was made possible, in part, by the spread of green revolution. The task now is to utilize the potential in agriculture, manufactured exports and information technology and the un-utilized economic capacity in power and industry to being about significant increased output. There is also the need to keep strict control of longer-term investment projects, which will not necessarily help growth in the short run.

There is, however, a risk that the desired acceleration in the medium term growth rate will not materialize. This arises from the possibility that domestic policy actions, especially on the implementation side will not be forceful or speedy enough. They also arise because of the danger that the international response to Pakistan's external debt problem may not be adequate. If the growth rate does not recover, there will be major negative consequences for employment and welfare of the poor and the risk of political instability will become even greater. But if Pakistan can safely navigate the turbulent economic waters during the difficult transition period of the next three to four years, it will have laid the basis of high, self-sustaining and equitable economic growth, a combination that it has never achieved in the past.

Strong Macroeconomic Adjustment:

In order to restore Pakistan's credibility in economic management, nothing is quite as important as reducing the fiscal deficit. Government's goal of reducing the fiscal deficit from 6.5 percent of GDP in1999-00 to 3 percent in 2003-04 is fully endorsed. This will require, among other things, nearly Rs.75 billion additional tax revenues in each of the next four years. If the implied annual growth of nearly 16 percent per annum in revenues can be achieved, the tax to GDP ratio will improve by nearly 2 percent to 14.7 in 2004. This combined with maintaining defense spending constant in real terms, will permit the elimination of negative government savings by 2003-04 even after allowing for relative increase in social spending. In other words, borrowing for non-development expenditure could be eliminated over the next four years. However, if revenues do not increase at the suggested rate, there will be further pressure on social and defense spending and the goal of eliminating negative savings will be compromised. On the external side, further reduction in the current account balance of payments deficits through nearly 50 percent expansion in exports as well as net import saving, over the next four years, will be needed. The medium-term goal of keeping the current account deficits very low during 2003-04 deserves as much attention as fiscal deficit reduction, unless grant or very confessional funds from bilateral sources can be tapped. The strengthening of the balance of payments will alleviate pressure on the exchange rate and thus help moderate the growth of external public debt in rupee terms.

The most challenging task of revenue mobilization, will require continuing efforts:

(i) Broaden the tax base

(ii) Document the economy

(iii) Make sales taxation effective

(iv) Redouble anti-smuggling efforts to raise revenues and avoid unfair shocks to domestic industrial output, and

(v) Improve people's confidence in tax administration.

it is also important to ensure that large amount of revenues are raised in a fashion that does not jeopardize the tax system's and fairness, there is need to examine the incidence and impact of higher resource mobilization on various income groups. Last but not least, the Government should give far more attention to cost recovery especially in provision of water, education, and health services.

In the context of export development, it is recommended that Pakistan should

(a) Explore the possibilities of creating virtual free trade zones as it tries to improve the present duty drawback system.

(b) Target foreign investment for promoting export and technology.

(c) Exploit opportunities that will be available after the expiry of multi-fiber agreement in the near future and

(d) Improvement labour policies and laws to promote training and skill development comparable with the best practices in exporting countries.

Reducing Cost of Borrowing:

The real cost of government domestic debt has recently risen to unsustainable levels. Although there has been a sharp decline in the inflation rate, nominal interest rates have stayed high. As a result, the real cost of domestic borrowing averaged at 9 percent per annum during the last two years. This needs to be brought down to less than 4 percent per annum in the medium term by:

(a) Restructuring domestic debt instruments and reducing reliance on high cost National Saving Schemes (NSS) especially Defense Saving Certificates

(b) Eliminating the need for real growth in public debt consistent with the planned reduction in the fiscal deficit.

In light of the Debt Committee's interim recommendations, the State Bank of Pakistan has already started issuing medium term Federal Investment Bonds (FIBs). The Government has also agreed that the interest rates on the National Saving Schemes will be linked to the market based yield curve indicated by the FIBs from July 2001. The Government's decision to make the returns on new NSS taxable by applying withholding tax of 10 percent as on all other financial instruments, is however a disincentive to savings.

Pakistan also needs to reduce its external debt cost by:

(a) Gradually reducing the burden of multilateral external debt service payments. It must seek a much softer blend from the World bank and the ADB on creditworthiness grounds, and

(b) Retiring the costly short-term debt.

The Committee has assumed that Pakistan will be able to obtain practically all of the US$ 6 billion exception assistance it needs from IMF, IBRD, and ADB during 2000-04 on soft terms. Normal term borrowing from IBRD and IDB should be strictly limited to the amounts absolutely essential for meeting the financing gap. Pakistan also needs to be highly selective in borrowing for projects and should phase out external borrowing for local cost financing.

Accelerating Privatization:

The pace of privatization is slow. It needs to be accelerated with the goal of mobilizing at least US$ 3 billion in foreign exchange over the next three years. Privatization offers major opportunities for improving the foreign exchange position as well as economic efficiency and stimulating private investment. Significant problems and policy issues impeding privatization need to be resolved quickly and effectively.

To further the objective of accelerated privatization it is necessary to:

(a) Move towards a system of wellhead gas price linked to international prices, a World Bank conditionality that cannot be questioned.

(b) Adjust gas prices and deregulate them over the next 2 to 3 years, another conditionality.

(c) Commit clearly to the privatization of PTCL and OGDC.

(d) Resolve the issues in the areas of tax treatment and bad loans hampering the sale of Habib Bank Limited (HBL) and United Bank Limited (UBL).

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Annexure-I

Pakistan's Transactions with IMF

As of August 31, 2001

I. **Membership Status:** Joined 07/11/1950; Article VIII

II.	**General Resources Account:**	**SDR Million**	**%Quota**
	Quota	1,033.70	100.0
	Fund Holding of Currency	1,948.81	188.5
	Reserve Tranche position	0.11	0.0
	Holding Exchange Rate		

III.	**SDR Department:**	**SDR Million**	**%Allocation**
	Net cumulative allocation	169.99	100.0
	Holdings	2.48	1.5

IV.	**Outstanding Purchases & Loans:**	**SDR Million**	**%Quota**
	Stand-by arrangements	386.79	37.4
	Extended arrangements	175.74	17.0
	Contingency & Compensatory	352.70	34.1
	SAF arrangements	10.93	1.1
	ESAF arrangements	375.80	36.4

V.	**Latest Financial Arrangements:**	

Type	Approved Date	Expiration Date	Amount approved (SDR Million	Amount Drawn (SDR Million)
Stand-by	11/29/2000	09/30/2001	465.00	360.00
EFF	10/20/1997	10/19/2000	454.92	113.74
ESAF/PRF	10/20/1997	10/19/2000	682.38	265.37

VI.	**Projected Obligations to Fund (SDR Million: based on existing use of resources and present holding of SDRs):**

	Overdue	Forthcoming				
	08/31/2001	2001	2002	2003	2004	2005
Principal		55.3	201.8	407.2	330.5	124.5
Charges/Interest		11.9	42.0	32.3	18.4	10.4
Total		67.2	243.8	439.5	348.9	134.9

VII. Transactions with the Fund from January 01, 1984 to August 31, 2001

(in SDRs)

Year	General Resources Account			Structural Adjustment Facility/Trust Fund Enhanced Structural Adjustment Facility/Poverty Reduction & Growth Facility					
	GRA			PRGF/ESAF/SAF/TF			Total		
	Purchases		Charges Paid	Loans		Interest Paid	Purchase & Loans		Charges & Interest Paid
	Disbursement	Repurchases		Disbursement	Repayments		Disbursements	Repayments	
2001	210000000	53610000	28847207	0	28,146,000	2,089,694	210,000,000	81,756,000	30,936,901
2000	150000000	161180834	36789119	0	56292000	1145301	210000000	217472834	37934420
1999	409580000	107600834	29581593	37910000	64740000	2574964	150000000	172340834	32156557
1998	18950000	39712500	22961473	113730000	76482000	2607224	447490000	116194500	25568697
1997	91490000	138775000	24481727	113730000	87408000	2104799	13268000	226183000	26586526
1996	107160000	166975000	25132196	0	54630000	3593734	205220000	221605000	28725930
1995	133950000	61200000	26901693	0	54630000	2604865	107160000	115830000	29506558
1994	123200000	34142500	23500566	172200000	10926000	1097738	133950000	45068500	24598304
1993	88000000	91360000	23528612	0	0	1912045	295400000	91360000	25440657
1992	189550000	116060837	23100480	0	0	1912045	88000000	116060837	25012528
1991	122400000	71656567	24974639	109260000	887310	2075937	189550000	72543877	27050576
1990	0	108135726	37523534	0	14264500	1019704	231660000	122400226	38543238
1989	194480000	143135726	42024129	273150000	26273000	459942	0	169408726	42484071
1988	0	196588385	38774862	0	39173293	160975	467630000	235761678	38935837
1987	0	280288385	54821518	0	45753294	483824	0	326041678	55305342
1986	0	269524830	82734829	0	45753294	712556	0	315278124	83447385
1985	0	149194719	11,970224	0	31488794	929442	0	180683513	113899666
1984	0	51571846	11,049561	0	19480294	1048966	0	71052140	119098527

Annexure II
World Bank Assisted Projects in Pakistan

Project Name	Project ID	IBRD /IDA*	Product Line	Country/Area	Sector	Project Status	Approval Date
DROUGHT EMERGENCY RECOVERY ASSISTANCE	P075172	130	IBRD/IDA	Pakistan	Environment	Active	7/18/01
Structural Adjustment Credit Project	P071463	350	IBRD/IDA	Pakistan	Economic Policy	Closed	6/12/01
Northwest Frontier Province On-Farm Water Management Project	P071092	21.35	IBRD/IDA	Pakistan	Agriculture	Active	6/12/01
Capacity Building of Public Sector Civil Services Training Institutions Project	P075876	0	Institutional Development Fund	Pakistan	Public Sector Management	Active	6/7/01
Trade and Transport Facilitation Project	P056213	3	IBRD/IDA	Pakistan	Transportation	Active	4/24/01
Biodiversity Conservation Project	P035823	0	Global Environment Project	Pakistan	Environment	Active	4/24/01
NRB on Devolution Program Project	P073826	0	Institutional Development Fund	Pakistan	Public Sector Management	Active	12/19/00
Realignment of CBR Project	P073208	0	Institutional Development Fund	Pakistan	Public Sector Management	Active	8/10/00
Policy Reforms in the Petroleum Sector Project	P070081	0	Institutional Development Fund	Pakistan	Oil & Gas	Active	1/13/00
Poverty Alleviation Fund Project	P049791	90	IBRD/IDA	Pakistan	Finance	Active	6/17/99
Structural Adjustment Loan Project	P059323	350	IBRD/IDA	Pakistan	Economic Policy	Closed	1/21/99
Social Action Program Project (02)	P037835	250	IBRD/IDA	Pakistan	Education	Active	3/24/98
Banking Sector Adjustment Loan	P049448	250	IBRD/IDA	Pakistan	Finance	Closed	12/9/97
National Drainage Program Project	P010500	285	IBRD/IDA	Pakistan	Agriculture	Active	11/4/97
Northern Education Project	P037834	22.8	IBRD/IDA	Pakistan	Education	Active	10/30/97
Montreal Protocol Ozone Depleting Substances (ODS) Phase Out Project	P034301	0	Montreal Protocol	Pakistan	Environment	Active	1/23/97
Improvement to Financial Reporting and Auditing Project	P036015	28.8	IBRD/IDA	Pakistan	Public Sector Management	Active	9/17/96
Punjab Private Sector Groundwater Development Project	P010501	56	IBRD/IDA	Pakistan	Agriculture	Active	7/11/96
Northern Health Program Project	P037827	26.7	IBRD/IDA	Pakistan	Health, Nutrition & Population	Closed	6/13/96
Uch Power Project	P040547	0	Guarantees	Pakistan	Electric Power & Other Energy	Active	5/14/96
NWFP Community Infrastructure and NHA Strengthening Project	P010478	21.5	IBRD/IDA	Pakistan	Urban Development	Active	3/14/96
Ghazi Barotha Hydropower Project	P039281	350	IBRD/IDA	Pakistan	Electric Power & Other Energy	Active	12/19/95
Telecommunications Regulation and Privatization Support Project	P034101	35	IBRD/IDA	Pakistan	Telecommunications & Informatics	Active	11/9/95
Balochistan Community Irrigation and Agriculture Project	P010482	26.7	IBRD/IDA	Pakistan	Agriculture	Active	9/26/95
Punjab Forest Sector Development Project	P010481	24.9	IBRD/IDA	Pakistan	Agriculture	Active	6/20/95
Population Welfare Program Project	P010492	65.1	IBRD/IDA	Pakistan	Health, Nutrition & Population	Closed	3/14/95
North West Frontier Primary Education Project	P010486	150	IBRD/IDA	Pakistan	Education	Closed	3/14/95
Nara Canal Command Institutional Development Pilot Program Project	P041080	0	Institutional Development Fund	Pakistan	Agriculture	Closed	12/21/94
Hub Power Guarantee	P069043	0	Guarantees	Pakistan	Electric Power & Other Energy	Active	11/29/94
Private Sector Energy Development Project (02)	P010450	250	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	11/29/94
Financial Sector Deepening and Intermediation Project	P010470	216	IBRD/IDA	Pakistan	Finance	Active	11/15/94
Power Sector Development Project	P010458	230	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	6/23/94
TECH.ASST.TO PRIVITZ	P041077	0	Institutional Development Fund	Pakistan	Private Sector Development	Closed	6/17/94
Social Action Program Project	P010456	200	IBRD/IDA	Pakistan	Education	Closed	3/31/94
Balochistan Natural Resource Management Project	P010453	14.7	IBRD/IDA	Pakistan	Environment	Closed	3/22/94
Sindh Special Development Project	P010452	46.8	IBRD/IDA	Pakistan	Urban Development	Closed	12/16/93
Public Sector Adjustment Loan / Credit Project	P010447	250	IBRD/IDA	Pakistan	Public Sector Management	Closed	9/14/93
Northern Resource Management Project	P010421	28.8	IBRD/IDA	Pakistan	Environment	Closed	6/15/93

_Procurement Reform Program	P016538	0	Institutional Development Fund	Pakistan	Transportation	Closed	6/11/93
Balochistan Primary Education Project	P010417	106	IBRD/IDA	Pakistan	Education	Closed	4/13/93
1992 Flood Damage Restoration Project	P010415	100	IBRD/IDA	Pakistan	Multisector	Closed	3/4/93
Family Health Project (02)	P010414	48	IBRD/IDA	Pakistan	Health, Nutrition & Population	Closed	2/23/93
Karachi Water Supply and Sanitation Project (02) - Supplemental Credit	P010413	91.9	IBRD/IDA	Pakistan	Water Supply & Sanitation	Active	2/9/93
Fordwah Eastern Sadiqia (South) Irrigation and Drainage Project	P010405	54.2	IBRD/IDA	Pakistan	Agriculture	Closed	7/2/92
Domestic Energy Resources Development Project	P010401	180	IBRD/IDA	Pakistan	Oil & Gas	Closed	6/30/92
Environmental Protection and Resource Conservation Project	P010399	29.2	IBRD/IDA	Pakistan	Environment	Closed	6/11/92
Punjab Middle Schooling Project	P010394	115	IBRD/IDA	Pakistan	Education	Closed	4/14/92
SUPPLEMENTAL LOAN TO ESL II	P010380	28	IBRD/IDA	Pakistan	Oil & Gas	Closed	6/21/91
SUPPLEMENTAL LOAN FOR CRSEP	P010379	60	IBRD/IDA	Pakistan	Oil & Gas	Closed	6/21/91
Scarp Transition Project (02)	P010377	20	IBRD/IDA	Pakistan	Agriculture	Closed	6/4/91
CEMENT SUPPLEMENTAL	P010376	56.4	IBRD/IDA	Pakistan	Industry	Closed	5/30/91
Karachi Port Modernization Project	P010375	91.4	IBRD/IDA	Pakistan	Transportation	Closed	5/30/91
On - Farm Water Management Project (03)	P010372	83.6	IBRD/IDA	Pakistan	Agriculture	Closed	5/21/91
Family Health Project	P010371	45	IBRD/IDA	Pakistan	Health, Nutrition & Population	Closed	5/7/91
Microenterprise Project	P010367	26	IBRD/IDA	Pakistan	Private Sector Development	Closed	4/23/91
Rural Water Supply & Sanitation Project	P010366	136.7	IBRD/IDA	Pakistan	Water Supply & Sanitation	Closed	4/23/91
Corporate Restructuring & System Expansion Project	P010360	130	IBRD/IDA	Pakistan	Oil & Gas	Closed	8/7/90
Transport Sector Project	P010352	184	IBRD/IDA	Pakistan	Transportation	Closed	6/28/90
Agricultural Credit Project	P010350	150	IBRD/IDA	Pakistan	Agriculture	Closed	6/12/90
Agricultural Research Project (02)	P010349	57.3	IBRD/IDA	Pakistan	Agriculture	Closed	6/12/90
Sind Primary Education Development Program Project	P010346	112.5	IBRD/IDA	Pakistan	Education	Closed	3/13/90
Transmission Extension & Reinforcement Project	P010345	162	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	12/18/89
Rural Electrification Project	P010344	160	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	12/18/89
Energy Sector Loan Project (02)	P010336	250	IBRD/IDA	Pakistan	Oil & Gas	Closed	6/29/89
1988 Flood Damage Restoration Project	P010329	40	IBRD/IDA	Pakistan	Agriculture	Closed	4/11/89
Private Tubewell Development	P010328	34.4	IBRD/IDA	Pakistan	Agriculture	Closed	4/11/89
Financial Sector Adjustment Loan Project	P010327	150	IBRD/IDA	Pakistan	Finance	Closed	3/28/89
Karachi Water Supply & Sanitation Project (02)	P010325	125	IBRD/IDA	Pakistan	Water Supply & Sanitation	Closed	2/28/89
Industrial Investment Credit Project (03)	P010324	150	IBRD/IDA	Pakistan	Industry	Closed	1/31/89
Agriculture Sector Adjustment Loan Project	P010323	200	IBRD/IDA	Pakistan	Agriculture	Closed	8/2/88
Private Sector Energy Development Project	P010313	150	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	6/29/88
National Oilseed Development Project	P010311	51.4	IBRD/IDA	Pakistan	Agriculture	Closed	6/23/88
Punjab Urban Development Project	P010305	90	IBRD/IDA	Pakistan	Urban Development	Closed	4/12/88
Irrigation Systems Rehabilitation Project (02)	P010304	79.5	IBRD/IDA	Pakistan	Agriculture	Closed	3/29/88
Cement Industry Modernization Project	P010301	96	IBRD/IDA	Pakistan	Industry	Closed	11/17/87
Refinery Energy Conservation & Modernization Project	P010281	21	IBRD/IDA	Pakistan	Oil & Gas	Closed	6/16/87
Primary Education Project (03)	P010280	145	IBRD/IDA	Pakistan	Education	Closed	6/16/87
Small Industries Project (03)	P010279	54	IBRD/IDA	Pakistan	Industry	Closed	6/16/87
Highway Project (04)	P010277	152	IBRD/IDA	Pakistan	Transportation	Closed	5/14/87
Power - WAPDA Project (07)	P010275	70	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	4/7/87
Agricultural Extension Project (04)	P010273	42.1	IBRD/IDA	Pakistan	Agriculture	Closed	2/24/87
Technical Assistance Project (03)	P010272	7	IBRD/IDA	Pakistan	Multisector	Closed	1/20/87
Telecommunications Project (05)	P010270	100	IBRD/IDA	Pakistan	Telecommunications & Informatics	Closed	7/22/86
Export Development Project	P010261	70	IBRD/IDA	Pakistan	Multisector	Closed	5/27/86
Power - WAPDA Project (06)	P010260	90	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	5/22/86
Agricultural Development Bank Project (06)	P010258	220	IBRD/IDA	Pakistan	Agriculture	Closed	5/15/86
SCARP Transition & Improvement Project	P010253	10	IBRD/IDA	Pakistan	Agriculture	Closed	5/8/86
Vocational Training Project (02)	P010252	40.2	IBRD/IDA	Pakistan	Education	Closed	3/25/86

Karachi Special Development Program Project	P010251	70	IBRD/IDA	Pakistan	Urban Development	Closed	1/14/86
Industrial Investment Credit Project (02)	P010250	150	IBRD/IDA	Pakistan	Finance	Closed	1/7/86
Primary Education Project (02)	P010221	52.5	IBRD/IDA	Pakistan	Education	Closed	6/6/85
On-farm Water Management Project (02)		34.5	IBRD/IDA	Pakistan	Agriculture	Closed	6/6/85
POWER - WAPDA Project (05)	P010219	100	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	5/28/85
Energy Sector Loan Project	P010218	178	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	5/23/85
Petroleum Resources Joint Venture Project	P010217	55	IBRD/IDA	Pakistan	Oil & Gas	Closed	5/23/85
Power - WAPDA Project (04)	P010212	100	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	3/7/85
Baluchistan Agricultural Extension and Adaptive Research Project	P010210	8.3	IBRD/IDA	Pakistan	Agriculture	Closed	12/13/84
Irrigation - LBOD - Stage Project (01)	P010209	150	IBRD/IDA	Pakistan	Agriculture	Closed	12/13/84
Small Industries Project (02)	P010204	50	IBRD/IDA	Pakistan	Industry	Closed	6/14/84
Command Water Management Project	P010202	46.5	IBRD/IDA	Pakistan	Agriculture	Closed	5/29/84
Pakistan Railway Project (09)	P010057	14.5	IBRD/IDA	Pakistan	Transportation	Closed	6/24/69
Agricultural Development Bank Project (03)	P010056	30	IBRD/IDA	Pakistan	Agriculture	Closed	6/24/69
Sui Northern Gas Project (02)	P010055	8	IBRD/IDA	Pakistan	Oil & Gas	Closed	5/6/69
Industrial Credit and Investment Project (08)	P010054	22	IBRD/IDA	Pakistan	Finance	Closed	3/18/69
Telecommunication Project	P010053	8.7	IBRD/IDA	Pakistan	Telecommunications & Informatics	Closed	3/4/69
West Pakistan Highway Project (02)	P010052	35	IBRD/IDA	Pakistan	Transportation	Closed	11/26/68
Dawood Hercules Fertilizer Project	P010050	32	IBRD/IDA	Pakistan	Industry	Closed	7/2/68
Tarbela Dam Project	P010049	25	IBRD/IDA	Pakistan	Agriculture	Closed	7/2/68
Agricultural Development Bank Project (02)	P010047	10	IBRD/IDA	Pakistan	Agriculture	Closed	6/13/68
Industrial Credit and Investment Project (07)	P010045	21.8	IBRD/IDA	Pakistan	Finance	Closed	8/10/67
Pakistan Western Railway Project	P010044	13.5	IBRD/IDA	Pakistan	Transportation	Closed	5/26/67
Lahore Water Supply and Sewerage Project	P010043	1.8	IBRD/IDA	Pakistan	Water Supply & Sanitation	Closed	5/12/67
Karachi Power Project (04)	P010042	21.5	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	3/15/67
Industrial Import Project	P010041	25	IBRD/IDA	Pakistan	Multisector	Closed	12/23/66
Highway Engineering Project	P010040	1	IBRD/IDA	Pakistan	Transportation	Closed	8/22/66
Commercial Road Vehicles Project	P010039	25	IBRD/IDA	Pakistan	Multisector	Closed	1/13/66
Industrial Credit and Investment Project (06)	P010038	20.6	IBRD/IDA	Pakistan	Finance	Closed	7/9/65
Agricultural Development Bank Project	P010037	27	IBRD/IDA	Pakistan	Agriculture	Closed	6/30/65
INLAND WATER TRANSPO	P010036	0.1	IBRD/IDA	Pakistan	Transportation	Closed	8/26/64
Indus Basin Project	P010035	58.5	IBRD/IDA	Pakistan	Agriculture	Closed	7/21/64
Industrial Credit and Investment Project (05)	P010034	27.8	IBRD/IDA	Pakistan	Finance	Closed	6/30/64
Western Railways Project	P010033	25	IBRD/IDA	Pakistan	Transportation	Closed	6/24/64
West Pakistan Highway Project	P010032	17	IBRD/IDA	Pakistan	Transportation	Closed	6/11/64
Karachi Port Project (02)	P010031	17	IBRD/IDA	Pakistan	Transportation	Closed	5/14/64
Sui Northern Gas Project	P010030	15	IBRD/IDA	Pakistan	Oil & Gas	Closed	5/14/64
West Pakistan Education Project	P010029	8.5	IBRD/IDA	Pakistan	Education	Closed	3/25/64
CHITTAGONG WATER & S	P010028	17	IBRD/IDA	Pakistan	Water Supply & Sanitation	Closed	8/16/63
DACCA WATER & SEWERA	P010027	12.8	IBRD/IDA	Pakistan	Water Supply & Sanitation	Closed	8/16/63
CHANDPUR IRRIGATION	P010026	3.9	IBRD/IDA	Pakistan	Agriculture	Closed	7/26/63
Industrial Credit Project (04)	P010025	20	IBRD/IDA	Pakistan	Finance	Closed	2/13/63

Project Name	Project ID	IBRD /IDA*	Product Line	Country/Area	Sector	Project Status	Approval Date
Industrial Estates Project	P010024	6.5	IBRD/IDA	Pakistan	Industry	Closed	11/2/62
RAILWAY V	P010023	2	IBRD/IDA	Pakistan	Transportation	Closed	9/14/62
Railways Project (04)	P010022	18.3	IBRD/IDA	Pakistan	Transportation	Closed	9/14/62
Khairpur Groundwater and Salinity Project	P010021	18	IBRD/IDA	Pakistan	Agriculture	Closed	6/29/62
INLAND PORTS	P010020	0.4	IBRD/IDA	Pakistan	Transportation	Closed	11/22/61
DACCA IRRIGATION	P010019	0.2	IBRD/IDA	Pakistan	Agriculture	Closed	10/19/61
Industrial Credit Project (03)	P010018	15	IBRD/IDA	Pakistan	Finance	Closed	6/27/61
Indus Basin Multi-Purpose Project	P010016	90	IBRD/IDA	Pakistan	Agriculture	Closed	9/19/60
Railway Project (03)	P010015	11.9	IBRD/IDA	Pakistan	Transportation	Closed	11/30/59
Industrial Credit Project (02)	P010014	10	IBRD/IDA	Pakistan	Finance	Closed	9/25/59
	P010013	2.4	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	8/13/59
Karachi Power Project (02)	P010011	14	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	4/23/58

Industrial Credit and Investment Project	P010010	4.2	IBRD/IDA	Pakistan	Finance	Closed	12/17/57
Railway Project (02)	P010009	31	IBRD/IDA	Pakistan	Transportation	Closed	10/18/57
Karachi Port East Wharves Project	P010008	14.8	IBRD/IDA	Pakistan	Transportation	Closed	8/4/55
Paper Mill Project	P010007	4.2	IBRD/IDA	Pakistan	Industry	Closed	8/4/55
Karachi Power Project	P010006	13.8	IBRD/IDA	Pakistan	Electric Power & Other Energy	Closed	6/20/55
Sui Gas Project	P010004	14	IBRD/IDA	Pakistan	Oil & Gas	Closed	6/2/54
Agricultural Machinery Project	P010003	3.3	IBRD/IDA	Pakistan	Agriculture	Closed	6/13/52
Railway Project	P010002	27.2	IBRD/IDA	Pakistan	Transportation	Closed	3/27/52
Community Infrastructure Project	P071454	27	IBRD/IDA	Pakistan	Multisector	Pipeline	N/A
Balochistan On Farm Water Management Project	P071096	0	IBRD/IDA	Pakistan	Agriculture	Dropped	N/A
Railways Privatization Project	P060053	0	IBRD/IDA	Pakistan	Transportation	Dropped	N/A
Punjab Pilot Hospital Autonomy Project (Learning and Innovation Loan)	P058461	0	IBRD/IDA	Pakistan	Health, Nutrition & Population	Dropped	N/A
Tax Administration Reform Project	P058018	5	IBRD/IDA	Pakistan	Finance	Dropped	N/A
Power Sector Adjustment Loan Project	P057308	250	IBRD/IDA	Pakistan	Electric Power & Other Energy	Dropped	N/A
Punjab Municipal Development Fund Project	P055293	50	IBRD/IDA	Pakistan	Urban Development	Dropped	N/A
Banking Sector Adjustment Loan Project (02)	P055292	300	IBRD/IDA	Pakistan	Finance	Pipeline	N/A
On-Farm Water Management Project (04)	P050754	68.5	IBRD/IDA	Pakistan	Agriculture	Dropped	N/A
Karachi Port Development Project	P041886	0	IBRD/IDA	Pakistan	Transportation	Dropped	N/A
Highway Rehabilitation and Maintenance Project	P010556	125	IBRD/IDA	Pakistan	Transportation	Pipeline	N/A
Agriculture Sector Investment Project	P010541	20	IBRD/IDA	Pakistan	Agriculture	Dropped	N/A
Lahore Infrastructure Transport Project	P010539	0	IBRD/IDA	Pakistan	Transportation	Dropped	N/A
National Irrigation Program Project	P010534	175	IBRD/IDA	Pakistan	Agriculture	Dropped	N/A
Karachi Water Loss Reduction and System Strengthening Project	P010519	75	IBRD/IDA	Pakistan	Water Supply & Sanitation	Dropped	N/A