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December 5, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Pakistan - Recent Economic Developments

This paper provides background information to the staff report on the 1983 Article IV consultation discussions with Pakistan and review of extended arrangement which was circulated as EBS/83/249 on November 23, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Jakubiak, ext. (5)7109.

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INTERNATIONAL MONETARY FUND

PAKISTAN

Recent Economic Developments

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Approved by the Middle Eastern Department,
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and the Fiscal Affairs Department

December 1, 1983

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Note 1. In the tables, component items may not always add up to totals due to rounding.

Note 2. Data in the tables refer to fiscal years ending June 30 unless otherwise indicated.

Note 3. All average annual growth rates in the text refer to annual compound rates unless otherwise indicated.

Principal Acronyms

ADBP	Agricultural Development Bank of Pakistan
ADP	Annual Development Plan
APCOM	Agricultural Prices Commission
BCD	Banking Control Department of the State Bank
BEL	Bankers Equity Limited
BIM	Board of Industrial Management
BMR	Balancing, Modernization, and Replacement
CCI&E	Chief Controller of Imports and Exports
CDNS	Central Directorate of National Savings
CEC	Cotton Export Corporation
CIPC	Central Investment Promotion Council
CIPCOC	Central Investment Promotion and Coordination Committee
EOC	Edible Oils Corporation
EPF	Equity Participation Fund
FBC	Federal Bank of Cooperatives
FE	Foreign Exchange
GDFCF	Gross Domestic Fixed Capital Formation
GTDR	Government Treasury Deposit Receipt
HBFC	House Building Finance Corporation
ICP	Investment Corporation of Pakistan
IDBP	Industrial Development Bank of Pakistan
IPB	Investment Promotion Bureau
IPO	Import Policy Order
KESC	Karachi Electric Supply Company
MMR	Minimum Margin Requirement

NAP	National Agricultural Policy
NBFI	Nonbank Financial Institutions
NCCC	National Credit Consultative Council
NDFC	National Development Finance Corporation
NFC	National Fertilizer Corporation of Pakistan Limited
NIT	National Investment Trust
NLC	National Logistic Cell
NOLDC	Non-Oil Developing Country
NRI	Non-Repatriable Investment
NWFP	North West Frontier Province
OGDC	Oil and Gas Development Corporation
PASSCO	Pakistan Agricultural Storage and Services Corporation
PEOC	Pakistan Edible Oils Corporation
PIA	Pakistan International Airways
PICIC	Pakistan Industrial Credit and Investment Corporation
PIDC	Pakistan Industrial Development Corporation
PLS	Profit and Loss Sharing
PPCB	Punjab Provincial Cooperative Bank
PTC	Participation Term Certificate
RECP	Rice Export Corporation of Pakistan
RMR	Raw Material Replacement Scheme
SBFC	Small Business Finance Corporation
SBP	State Bank of Pakistan
SCCP	State Cement Corporation of Pakistan
TCP	Trading Corporation of Pakistan
WAPDA	Water and Power Development Authority

Pakistan - Basic Data

Population	88.22 million (estimate as of January 1, 1983)
Population growth	3.0 percent per annum
GNP per capita	US$362.64 (1982/83) 1/

Year ended June 30	1979/80	1980/81	1981/82	1982/83
	(In percent)			
Annual changes in national product aggregates (1959/60 prices)				Prov. Actual
Gross national product 2/	9.5	6.6	3.9	7.7
Gross domestic product	7.3	6.4	5.6	5.8
Agriculture	6.9	3.8	3.5	4.8
Industry	10.7	9.0	8.9	7.4
Services	5.8	7.0	5.4	5.6
Investment, consumption, and savings ratios				
Gross domestic fixed capital formation/GNP	15.6	13.6	13.6	13.3
Consumption/GNP	88.1	88.1	89.3	85.9
Gross domestic savings/GDP	5.9	6.0	4.8	6.2
Gross national savings/GNP	11.9	11.9	10.7	14.1
	(In millions of Pakistan rupees)			
Government finances 3/				
Current revenue	38,502	47,002	51,930	58,928
Surplus of autonomous bodies	1,464	2,019	1,909	2,286
Nondevelopment expenditure 4/	35,547	40,318	46,370	59,718
Development expenditure 4/	19,082	23,321	24,643	27,056
Overall deficit (-)	-14,663	-14,618	-17,174	-25,560
External financing (net)	(6,951)	(6,977)	(5,345)	(5,068)
Domestic nonbank financing (net)	(1,407)	(5,286)	(6,313)	(14,368)
Bank financing	(6,305)	(2,355)	(5,516)	(6,124)
	(In percent)			
Rate of change of:				
Current revenue	25.4	22.1	10.5	13.[illegible]
Nondevelopment expenditure	16.5	13.4	15.0	28.[illegible]
Development expenditure	3.2	22.2	5.7	9.8
Overall deficit	-15.3	-0.3	17.5	48.8
As percent of GDP:				
Current revenue	16.3	16.7	16.1	16.0
Expenditure	23.1	22.8	22.0	23.6
Overall deficit	6.2	5.2	5.3	6.9
External financing	2.9	2.5	1.7	1.4
Bank financing	3.1	2.3	2.0	2.6

1/ The average exchange rate of PRs 12.72 per U.S. dollar for 1982/83 was used to convert rupee per capita income.

2/ At market prices.

3/ Provisional actuals for 1981/82 and 1982/83.

4/ Subsidies in the ADP are classified as current rather than development expenditures.

Pakistan - Basic Data (Concluded)

	1979/80	1980/81	1981/82	1982/83
	(In millions of SDRs)			
				Prov. Actual
Balance of payments				
Trade balance	-1,934	-2,203	-3,035	-2,683
Exports, f.o.b.	(1,799)	(2,229)	(2,039)	(2,426)
Imports, f.o.b.	(-3,733)	(-4,432)	(-5,074)	(-5,109)
Services	-403	-366	-482	-547
Private transfers (net)	1,456	1,779	2,100	2,828
Current account balance	-881	-790	-1,417	-402
Long-term capital (net)	574	463	656	1,057
Errors and omissions (net)	15	10	9	35
SDR allocations	30	29	0	0
Official financing and reserve movements	262	288	752	-690
Official short-term capital (net)	(40)	(107)	(5)	(-56)
Official balance of payments assistance	(335)	(33)	(9)	(0)
Debt relief	(69)	(128)	(227)	(32)
Net foreign assets (increase-)	(-182)	(20)	(511)	(-666)
Memorandum item:				
Gross official reserves (end-period) 1/	628	984	805	1,853
Gross official reserves in weeks of projected imports	7.0	8.5	7.0	14.5
	(In percent)			
Rate of change of: 2/				
Merchandise exports	42	20	-17	13
Merchandise imports	27	15	4	-4
Remittances	27	20	6	30
Rate of change of: 3/				
Money and quasi-money	19	13	11	26
Domestic assets (net)	15	15	17	17
Claims on Government (net)	12	11	12	15
Claims on nongovernment sectors	19	19	20	21
Annual price increases				
Consumer prices 4/	11	12	10	5
Wholesale prices 4/	12	13	8	4
GDP price deflator	10	11	11	7

1/ Includes gold valued at SDR 35 per ounce.
2/ Calculated from U.S. dollar values.
3/ For 1979/80 the data are on a monetary year basis ending the last Thursday of the fiscal year. For other years the data are on a fiscal year basis.
4/ Change in the average level of the index compared with the previous year.

I. Production and Development

1. Overall economic activity

Following several years of uneven economic growth, Pakistan's economy in 1977/78 entered a period of steady expansion. Over the 1980/81-1982/83 period real economic growth continued to average 6 percent per annum (Table 1). Manufacturing was the leading sector, growing at the annual rate of 10 percent. The growth of the agricultural sector was less buoyant at 4 percent on average, but the sector's performance was nevertheless good. As a result of the initiatives taken in agriculture, the production of major crops increased considerably, and the economy reached self-sufficiency in basic foodgrains in 1980/81. The growth of the construction sector has slowed somewhat in recent years due in part to a dampening of speculative activity and a winding down of work on the Tarbela dam, while the real growth of government services was constrained by the slow growth of public sector administrative outlays over the past two years.

During 1980/81 real GDP (at factor cost) grew by 6.4 percent. Agricultural output increased by nearly 4 percent, with wheat and sugarcane production considerably higher than in 1979/80. In the manufacturing sector, which expanded by 10 percent, sharp gains in the output of, inter alia, sugar, vegetable products, fertilizer, and steel products more than offset the weakness of the large-scale cotton textile sector. In 1981/82 the overall growth rate eased to 5.6 percent, reflecting slower growth in the agricultural, construction, and government sectors. The expansion of the agricultural sector was constrained by a poor wheat crop; sugarcane output, however, reached a record peak. Manufacturing output rose by nearly 12 percent. Particularly sharp increases occurred again in the output of sugar and fertilizer and were accompanied by a recovery of the cotton textile sector. In 1982/83 real GDP is provisionally estimated to have expanded by 5.8 percent. In agriculture, new records were set for wheat and cotton, and as a result the growth of aggregate output rose to nearly 5 percent, even though rice production stagnated and sugarcane output declined. Manufacturing output rose by 8 percent, a rate lower than in the previous three years. There were major gains in urea, synthetic yarn, and tractor production, but performance was weaker in certain other industries (see below).

In the 1980/81-1982/83 period, the ratio of gross domestic fixed capital formation (GDFCF) to GNP averaged about 13.5 percent, compared with 15.5 percent over the previous two years (Table 2). This lower average ratio reflected a decline in the ratio of public sector investment to GNP and basically no change in the private investment ratio. Regarding the public sector, the fall in the ratio largely reflected a decline in the level of manufacturing investment, due to the completion of a number of large-scale projects and the Government's policy decision to assign increased responsibility to the private sector for the industrialization of the economy. In the private sector, while on average manufacturing investment was higher both in nominal terms and relative to GNP, the overall private investment ratio remained unchanged.

Table 1. Pakistan: Sectoral Origin of Gross National Product, 1978/79-1982/83

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
	(In millions of Pakistan rupees at 1959/60 prices)				
Agriculture	14,619	15,632	16,204	16,764	17,569
Crops	10,338	11,191	11,588	11,958	12,536
Livestock	4,281	4,441	4,616	4,806	5,033
Fishing and forestry	242	227	260	243	257
Industry	11,121	12,315	13,408	14,598	15,675
Manufacturing	7,163	7,890	8,672	9,701	10,507
Large-scale	(5,006)	(5,575)	(6,188)	(7,036)	(7,647)
Small-scale	(2,157)	(2,315)	(2,484)	(2,665)	(2,860)
Mining and quarrying	221	250	283	304	322
Construction	2,371	2,644	2,755	2,816	2,952
Electricity, gas, and water	1,366	1,531	1,698	1,777	1,894
Services	21,020	22,249	23,789	25,076	26,484
Commerce	6,477	6,953	7,402	7,973	8,770
Transport, storage, and communications	3,268	3,487	3,766	4,006	4,200
Banking and insurance	1,337	1,312	1,302	1,400	1,507
Ownership of dwellings	1,522	1,577	1,634	1,693	1,754
Public administration and defense	4,906	5,209	5,761	5,855	5,866
Other services	3,510	3,711	3,924	4,149	4,387
GDP (factor cost)	47,002	50,423	53,661	56,681	59,985
Indirect taxes less subsidies	3,798	5,400	6,424	5,697	6,615
GDP (market prices)	50,800	55,823	60,085	62,378	66,600
Net factor income from abroad 2/	2,711	2,750	2,333	2,459	3,261
GNP (market prices)	53,511	58,573	62,418	64,837	69,861
	(In percent)				
Growth rates:					
GNP (market prices)	4.0	9.5	6.6	3.9	7.7
GDP (factor cost)	4.9	7.3	6.4	5.6	5.8
Agriculture	2.9	6.9	3.7	3.5	4.8
Industry, of which:	5.5	10.7	8.9	8.9	7.4
Manufacturing	4.8	10.1	9.9	11.9	8.3
Construction	5.5	11.5	4.2	2.2	4.8
Services, of which:	5.6	5.8	6.9	5.4	5.6
Commerce	4.8	7.3	6.5	7.7	10.0
Public administration and defense	5.3	6.2	10.6	1.6	0.2

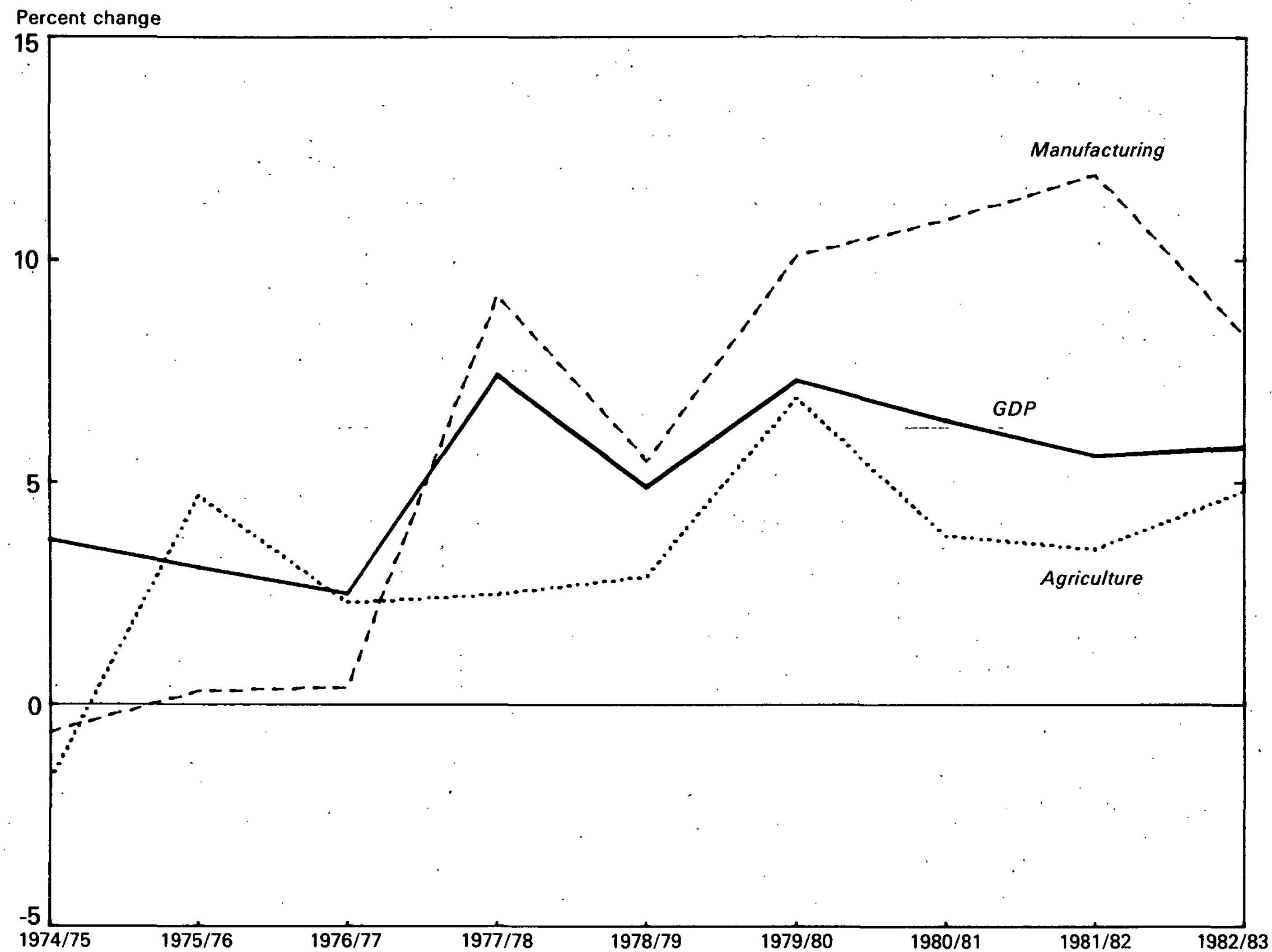
Sources: Planning and Development Division and Ministry of Finance and Economic Affairs.

1/ Provisional.
2/ See Table 2, footnote 3.

CHART 1

PAKISTAN

GROWTH RATE OF REAL GDP AT FACTOR COST, 1974/75-1982/83



Source: Ministry of Finance and Economic Affairs.

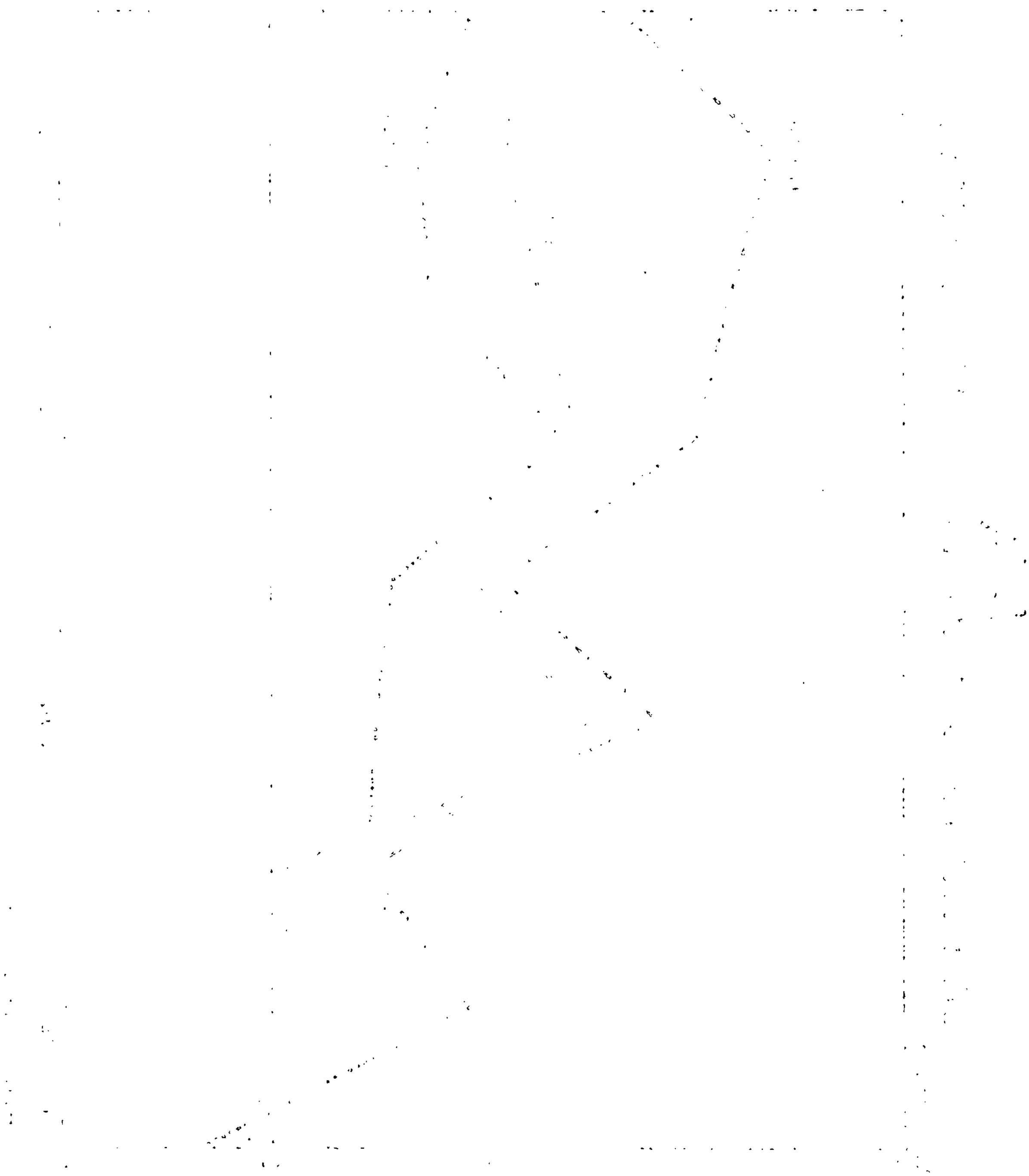


Table 2. Pakistan: Gross Domestic Expenditure, 1978/79-1982/83

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
	(In millions of Pakistan rupees at 1959/60 prices)				
1. Consumption	47,965	52,569	54,927	56,204	59,056
2. Gross domestic investment	6,869	7,011	6,978	7,962	9,112
Gross domestic fixed capital formation (GDFCF) 2/	6,437	6,560	6,420	7,258	8,262
Private	(1,985)	(2,147)	(2,334)	(2,560)	(3,003)
Public	(4,452)	(4,413)	(4,086)	(4,698)	(5,259)
Change in stocks	432	451	558	704	850
3. Consumption plus gross domestic investment (1+2)	54,834	59,580	61,905	64,166	68,168
4. Net exports of goods and non-factor services 3/4/	-4,034	-3,757	-1,820	-1,788	-1,568
Exports	3,614	4,153	4,649	4,600	5,525
Imports	-7,648	-7,910	-6,469	-6,388	-7,093
5. Net factor income from abroad 3/4/	2,711	2,750	2,333	2,459	3,261
6. Net exports of goods and services (4+5)	-1,323	-1,007	513	671	1,693
7. GDP (market prices) (3+4)	50,800	55,823	60,085	62,378	66,600
8. GNP (market prices) (3+6)	53,511	58,573	62,418	64,837	69,861
9. Gross domestic savings (2+4)	2,835	3,254	5,158	6,174	7,544
10. Gross national savings (2+6)	5,546	6,004	7,491	8,633	10,805
	(In percent)				
Memorandum items: 5/					
Consumption/GNP (1/8)	89.1	88.1	88.1	89.3	85.9
Gross domestic investment/GNP (2/8)	16.0	16.4 6/	15.1 6/	15.6	15.4
Of which: GDFCF/GNP	(15.1)	(15.6)	(13.6)	(13.6)	(13.3)
Net foreign resources/GNP (6/8)	5.1	4.5	3.3	4.9	1.4
Gross national savings/GNP (10/8)	10.9	11.9	11.9	10.7	14.1
Gross domestic savings/GNP (9/8)	4.7	5.5	5.6	4.5	5.7
Gross national savings/gross domestic investment (10/2)	68.0	72.6	78.4	68.5	91.1
Gross domestic savings/gross domestic investment (9/2)	29.5	33.9	37.1	29.0	36.8

Sources: Planning and Development Division; Ministry of Finance and Economic Affairs; Table 20; and Appendix III, Table 34.

1/ Provisional.
2/ The investment deflator series fluctuated sharply over the period, and is being studied by the authorities.
3/ Derived from balance of payments data on a receipts and payments basis (Table 20), owing to the omission in customs data of certain public sector imports.
4/ Imports and net factor income from abroad may be understated as the import unit value index, used as the deflator, may be biased upward. The problem is especially acute for 1980/81-1982/83 and is being studied by the authorities.
5/ Ratios derived from current price data in Appendix III, Table 34.
6/ When gross domestic investment is adjusted for purchases of civilian aircraft and ships worth PRs 3,131 million in 1979/80 and PRs 1,174 million in 1980/81, this ratio declines to 15.1 percent and 14.7 percent, respectively.

Thus, on an aggregate basis, total private sector investment was not sufficient to offset the withdrawal of the public sector from large-scale industrial projects and to maintain the GDFCF ratio at its previous higher level. Over the three-year period there was a sizable inventory buildup, reflecting in large part the buoyancy of agricultural output, so that the aggregate investment/GNP ratio was 2 percentage points above the GDFCF ratio. Pakistan's national savings ratio ranged between 11 percent and 14 percent of GNP in the 1980/81-1982/83 period. This reflected essentially substantial inflows of workers' remittances as the domestic savings ratio was relatively low at about 5 percent of GNP on average. With the lower investment ratio, Pakistan's dependence on foreign savings declined on average over the three years.

2. Agriculture

The agricultural sector in Pakistan accounts for approximately 30 percent of GDP (at factor cost), engages almost 55 percent of the labor force, and provides a substantial portion of raw material inputs for domestic industry. There are two crop seasons, kharif (summer) and rabi (winter). 1/ The major kharif crops are rice, cotton, and sugarcane, and the principal rabi crop is wheat. These crops account for more than 50 percent of total value added in agriculture, with wheat alone accounting for more than 20 percent.

The expansion of the agricultural sector has been good in recent years, despite year-to-year variations due to weather conditions, as substantive programs and policies have been put into place by the Government to enhance the sector's performance. In 1980/81 the sector's real value added increased by almost 4 percent. While the production of rice and cotton declined marginally due to untimely rains, wheat and sugarcane output reached record levels, rising by 6 percent and 18 percent, respectively (Table 3). As a facet of the Government's import substitution policy, Pakistan achieved self-sufficiency in major foodgrains in 1980/81, and the reduction of wheat imports has greatly benefited the balance of payments. In 1981/82 favorable weather conditions contributed to satisfactory rice, cotton, and sugarcane crops which reached new production peaks. However, wheat output was adversely affected by untimely rains at sowing and harvesting times, and production, which was targeted at 12.2 million tons, fell by 3 percent from the 1980/81 level to 11.1 million tons. Despite this decline, foodgrain self-sufficiency was maintained, and the sector as a whole grew by 3.5 percent. In 1982/83 agricultural output is provisionally estimated to have risen by 4.8 percent. New crop records were set for wheat and cotton at 12.3 million tons and 4.8 million bales, slightly exceeding and equaling, respectively, the targets set for the year; both crops grew by 10-11 percent. However, inadequate rain adversely affected rice and in part was a factor accounting for lower sugarcane output. There was also some shift of crop land out of sugarcane in response to recent changes in relative output prices.

1/ See Appendix II, Sowing and Harvesting Times.

Table 3. Pakistan: Area, Production, and Yield of Major Crops, 1978/79-1983/84

	1978/79	1979/80	1980/81	1981/82	1982/83 1/	1983/84 2/
Wheat						
Production (thousand metric tons)	9,950	10,856	11,473	11,140	12,340	...
Area (thousand acres)	16,524	17,109	17,253	17,569	17,962	...
Yield (kilograms per hectare)	1,488	1,568	1,643	1,567	1,697	...
Rice						
Basmati						
Production (thousand metric tons)	878	887	980	1,055	1,009	...
Area (thousand acres)	1,675	1,925	2,035	2,086	2,065	...
Yield (kilograms per hectare)	1,295	1,138	1,190	1,250	1,208	...
IRRI-6						
Production (thousand metric tons)	1,949	1,958	1,796	2,021	2,125	...
Area (thousand acres)	2,509	2,382	2,079	2,157	2,263	...
Yield (kilograms per hectare)	1,919	2,031	2,136	2,315	2,319	...
Other varieties						
Production (thousand metric tons)	445	371	347	354	311	...
Area (thousand acres)	821	720	663	640	560	...
Yield (kilograms per hectare)	1,341	1,274	1,292	1,366	1,372	...
Total						
Production (thousand metric tons)	3,272	3,216	3,123	3,430	3,445	3,567
Area (thousand acres)	5,005	5,027	4,777	4,883	4,888	4,828
Yield (kilograms per hectare)	1,615	1,581	1,616	1,736	1,741	1,826
Cotton (lint)						
Production (thousand bales) 3/	2,783	4,282	4,201	4,398	4,844	5,200
Area (thousand acres)	4,673	5,142	5,210	5,471	5,591	5,585
Yield (kilograms per hectare)	250	350	339	338	364	391
Sugarcane						
Production (thousand metric tons)	27,325	27,498	32,360	36,580	32,728	35,010
Area (thousand acres)	1,860	1,776	2,038	2,339	2,254	2,172
Yield (kilograms per hectare)	36,302	38,278	39,238	38,639	35,888	39,829

Source: Ministry of Food, Agriculture, and Cooperatives.

1/ Provisional.
2/ Targets.
3/ One bale = 375 lbs.

This movement is expected to continue in 1983/84. The generally favorable agricultural performance of recent years reflects also a steady output growth for livestock (at 4 percent on average) and some minor crops, such as oil seeds and pulses.

The good crops of recent years have resulted in a substantial buildup of government food stocks which has considerably increased the Government's financing requirement for its agricultural procurement program. The authorities have targeted at wheat and sugar reserve stocks of 1.5 million tons and 0.2 millions tons, respectively, and these targets have been realized. As a consequence of the expansion in wheat production and the attainment of the reserve stock target, Pakistan has begun to export wheat in small quantities. In 1981/82, 50,000 tons of wheat were shipped to the Islamic Republic of Iran, and in February 1983 contracts were signed with the Islamic Republic of Iran for another 130,000 tons of wheat. Other markets are also being explored.

The improvements in agricultural performance of recent years reflect in part the programs formalized by the Government under the new National Agricultural Policy of 1980. Under this policy the Government began to review regularly input and output prices in order to ensure that prices were adjusted to better reflect real resource costs and maintain production incentives to the farm sector. Furthermore, efforts were made to enhance the availability and quality of inputs, such as fertilizers, seeds, and pesticides, and to initiate programs for improving agricultural extension, storage, marketing, and grading.

To ensure sound pricing decisions, the Government established an Agricultural Prices Commission (APCOM) in March 1981 with the assistance of the World Bank. The APCOM is an advisory body charged with conducting studies to enable it to make annual recommendations regarding adjustments in agricultural input and output prices. In accordance with this initiative, procurement prices for most major crops were raised considerably over the 1980/81-1982/83 period, bringing them more closely into line with international prices (Table 4). The increases were 37-52 percent for rice, 15-18 percent for seed cotton, and 28 percent for wheat. For 1983/84 the prices for rice and seed cotton were raised by 2-4 percent and 1-2 percent, respectively. The procurement price for sugarcane, however, was left unchanged over the past three years, as well as for 1983/84, in view of the substantial price adjustments before 1980/81, the large domestic stocks of sugar, and the depressed level of international prices.

In line with its price rationalization aims, the Government's objective is to eliminate fertilizer subsidies by mid-1985. Following a nearly 50 percent increase in fertilizer prices in February 1980, affecting the 1980/81 crops, fertilizer prices were increased by 25 percent on a weighted average basis over the three years ended 1982/83.

Table 4. Pakistan: Increases in Procurement Prices of Selected Agricultural Commodities, 1979/80-1983/84

(In percent)

	1979/80	1980/81	1981/82	1982/83	1983/84
Wheat	3.7	16.0	--	10.3	...
Rice (paddy)					
Basmati	--	16.7	13.3	3.5	2.3
IRRI-6 (average)	--	20.0	16.6	8.9	4.1
IRRI-6 (superior)	...	...	...	8.2	3.8
Seed cotton					
AC-134, N.T.	--	8.2	6.2	2.9	1.7
Desi	--	8.6	6.4	1.2	0.9
B-557	--	7.1	4.1	2.8	1.6
Sugarcane					
Sind	21.2	28.0	--	--	--
Punjab	21.7	28.6	--	--	--
NWFP	22.7	29.6	--	--	--

Sources: Cotton Export Corporation and Appendix III, Table 38.

In addition, fertilizer prices were increased by 9 percent on a weighted average basis for all types of fertilizer in June 1983. Domestic urea and DAP prices were estimated in June 1983 to be on average about 90 percent and 60 percent of the international price. The above price adjustments resulted in a smaller than anticipated reduction in the share of Annual Development Plan (ADP) spending for fertilizer subsidies (see Table 9). As a result of the large price increases of February 1980, the offtake of urea fertilizer stagnated in 1980/81-1981/82; however, as the farm sector began to absorb the price correction, fertilizer offtake gradually recovered and in 1982/83 rose by about 10 percent.

In the area of water charges, the Government's policy objective is to adjust water charges in order to eventually cover 100 percent of the operation and maintenance costs of the irrigation system in each of the country's four provinces: by July 1, 1988 for Sind, July 1, 1990 for Punjab, July 1, 1991 for Northwest Frontier Province (NWFP), and July 1, 1992 for Baluchistan. Over 1980/81-1982/83 water charges were raised by 56 percent on a weighted average basis, including a 25 percent increase in Sind and expanded coverage in Baluchistan in July 1982. No increase in water charges was announced with the 1983/84 budget since the Government at that time announced the introduction of ushr, an Islamic tax on the gross value of agricultural production paid at the effective rate of 3.75 percent by Muslim landowners, with effect from the 1983 rabi crop. Non-Muslim landowners will pay an enhanced, but comparable, land revenue tax. Water charges in 1982/83 covered 56 percent of government expenditure for operation and maintenance of the irrigation system; these outlays rose by 68 percent over the past three years (Appendix III, Table 36).

The Government, for some time, has also attached priority to the provision of adequate credit to agriculture in the annual credit plans. The Agricultural Development Bank of Pakistan (ADBP), the Federal Bank of Cooperatives (FBC), and the commercial banks are the main channels for provision of credit to the sector. The ADBP has been successful in operating a supervised credit program under which mobile credit officers are given responsibility for overseeing credit operations in specific groups of villages. The program has been successful in contacting small farmers and in maintaining high rates of recoveries. While most ADBP loans are on a medium- and long-term basis, the Bank has increasingly provided seasonal financing as well. The commercial banks are also being encouraged by the Government to expand their supervised lending programs in the agricultural sector. In 1982/83 total agricultural credit disbursements rose by 22 percent to PRs 1.8 billion. The large credit increase reflected a substantial expansion of the ADBP lending program, due in large part to its expanded seasonal lending operations.

Recent public investment in the agricultural sector has emphasized foodgrain storage. Storage capacity increased by approximately 50 percent over the 1980/81-1982/83 period, and additional capacity is under construction.

On August 1, 1983 the Government introduced a major reform related to its agricultural procurement operations by decontrolling and derationing sugar. The new sugar policy has been formulated with the objectives of maintaining stable prices for sugar and sugarcane and ensuring adequate supplies of sugar to consumers throughout the country. Under the new policy the bulk of sugar marketing is to be handled by the private sector. The Government's role will be restricted to dealing in sugar only to maintain a reserve stock of about 0.2 million tons for intervention purposes, i.e., in order to keep prices from rising unreasonably, and to supply the fair price (formerly ration) shops in Baluchistan, Azad Kashmir, and certain other remote areas. With the derationing, sugar can now be sold in unlimited quantities by the sugar mills to traders and by any commercial outlet to final consumers, except in the remote areas. In these areas, the sugar quota system was retained, and sugar will continue to be sold only through the government fair price shops in order to ensure adequate supplies and reasonable prices. However, the consumer quota in these areas was doubled. Although the private sugar price is unregulated, the retail price for government sugar has been set at PRs 7.75 per kilo for the remaining period of this year while the Government disposes of its sugar stocks. In the remote areas, the fair price shops will continue to supply consumers at PRs 7.0 per kilo. Government sugar stocks, which were 0.8 million tons at end-1982/83 are forecast to be reduced through market sales to about 0.2 million tons by the beginning of the next crushing season in December 1983, and thereafter the Government will purchase sugar only to turn over its intervention stock. All other sugar will be stocked and marketed by private sugar mills and traders. As an element of the revised sugar policy, the Government also liberalized the import of sugar by the private sector, and initially a regulatory duty of PRs 6.5 per kilo was announced. Government policy is to reduce the sugar duty and introduce imports if the domestic price rises above a reasonable level as a result of shortages or attempts to manipulate the market to the detriment of consumers. The Government's procurement policy regarding sugarcane remains unchanged. As with the other major agricultural crops, the Government will continue to set the price for sugarcane procured by the sugar mills. With regard to sugar exports, at present Pakistan has a commitment to export 47,000 tons of sugar to the Islamic Republic of Iran at international prices.

3. Manufacturing

Pakistan's manufacturing sector contributed about 17 percent to GDP in 1982/83, with large-scale industrial units accounting for about three fourths of this share. Cotton textile manufacturing is the country's largest industry. Other important industries include food processing, fertilizer, chemicals, cement, transportation equipment, pharmaceuticals, iron and steel products, and a wide variety of machinery manufacturing. At present, public sector enterprises are dominant in four major industries, namely, steel, vegetable ghee, cement, and vehicles, and have a major market share in petroleum products, soda ash, and fertilizer. Other manufacturing activities including textiles are carried out mostly by the private sector.

In 1980/81 the manufacturing sector grew by nearly 10 percent in real terms. This reflected a 45 percent increase in sugar refining, a 36 percent expansion in the production of fertilizer, and a 17 percent rise in the output of steel products (Table 5). The large-scale textile industry, however, suffered from weak world demand. The strong performance of manufacturing continued in 1981/82 with a real growth of almost 12 percent, compared with a target of 10 percent; the growth of large-scale manufacturing output was higher at 14 percent. The output of all major industries, with the exception of cotton cloth, either matched or exceeded their targets. Sugar and fertilizer were again major contributors, but synthetic yarn and bicycle output also rose steeply. In 1982/83 manufacturing output increased 8 percent, slightly below the target of 9 percent. The lower than expected growth was due mainly to an upward revision in the value added estimate for 1981/82. With fuller utilization and new capacity, significant increases were recorded for fertilizer, synthetic yarn, and tractors. Tractor output has grown considerably over recent years with the coming on stream of a new plant.

Table 5. Pakistan: Output Trends in Selected Manufactured Items, 1978/79-1982/83

(Annual percentage changes)

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
Cotton yarn	10.7	10.7	3.3	14.8	--
Cotton cloth	-13.3	0.9	-10.1	5.6	7.7
White sugar	-29.4	-3.5	45.3	41.5	-6.2
Vegetable products	17.2	7.1	11.7	5.2	9.2
Cigarettes	3.8	6.5	3.8	6.1	1.3
Matches	11.9	13.3	15.8	-20.1	4.0
Fertilizer 2/	15.5	25.4	36.4	21.6	31.9
Chemicals 3/	5.3	7.9	8.5	7.8	14.6
Cement	-6.2	10.6	6.1	5.7	13.5
Synthetic yarn	...	...	18.4	25.6	29.8
Steel products	14.9	16.1	17.5	11.3	8.4
Pig iron	...	...	...	...	21.2
Paper board and chip board	121.9	3.2	15.4	0.8	-1.7
Tractors	-36.1	24.4	34.5	40.5	85.5
Bicycles	14.5	-0.2	17.1	21.9	9.1

Source: Appendix III, Table 42.

1/ Provisional.
2/ Urea, superphosphate, ammonium sulphate, ammonium nitrate, and nitrophosphate.
3/ Soda ash, caustic soda, and sulphuric acid.

The strong activity in the manufacturing sector in recent years followed upon a relatively disappointing growth performance in the mid-1970s. At that time, the distribution of gross manufacturing investment between the private and public sectors underwent a sharp change. The share of the private sector declined from 90 percent in 1972/73 to 26 per cent in 1977/78 (Table 6). This shift reflected the nationalization of a large number of industrial units during 1972-73 and the subsequent reluctance of the private sector to undertake new industrial investment as well as heavy public sector investment in capital-intensive industries.

The weak performance, however, prompted the Government to initiate changes in Pakistan's industrial development policy aimed at encouraging greater private sector participation, reducing the scope of the public industrial sector, and improving the latter's operational and organizational efficiency. In the 1977/78-1979/80 period, agro-processing units were denationalized; a demarcation policy was announced permitting private sector involvement in many fields previously reserved for the public sector; exemptions from import duties for textile machinery required for balancing, modernization, and replacement (BMR) of plants, manufacturing garments, and made-up textile goods were granted; export subsidies ranging from 7.5 percent to 12.5 percent for cotton textiles, acetate yarn, engineering goods, and canvas footwear were allowed; excise duties on cotton yarn and fabric were abolished; and import procedures for machinery valued up to PRs 2.5 million were streamlined.

In 1980/81 a number of important measures were introduced. All remaining import bans on industrial raw materials were abolished, and virtually all value ceilings on the licensing of industrial inputs and capital goods were removed. In addition, the authorities continued the policy of encouraging private sector investment by simplifying government investment approval procedures. The ceiling below which private sector projects (both new investments and plant expansions) were exempted from approval procedures was increased fourfold to PRs 20 million, provided that the projects did not fall within the "negative list" of industries which the Government did not want to encourage; also, the related ceiling on the value of machinery imports was increased by the same factor to PRs 10 million. Moreover, procedures relating to approvals by the Economic Coordination Committee of the Cabinet of new import-based industries were streamlined, and the role of the Central Investment Promotion Council in approving projects to be financed by the Pakistan Industrial Credit and Investment Corporation (PICIC) and the Industrial Development Bank of Pakistan (IDBP) was eliminated; only projects of PRs 20 million or more approved by the Investment Promotion Bureau (IPB) were left subject to review by the Council. 1/ In 1981/82 the value ceiling for machinery imports for BMR was doubled to PRs 5.0 million, and authorization for dutyfree imports under this scheme was extended to the marble industry and the government-owned Gem Stone Corporation. Licensing ceilings for imports of certain intermediate inputs for consumption goods were also lifted. Other measures included making domestically produced engineering goods supplied locally against international tender eligible for both the export rebate scheme, as well as the preferential export financing facility, and the granting of export subsidies to carpet and leather exports.

In 1982/83 the Government took additional measures to encourage private sector industrial activity. These included: raising the asset value limit below which private undertakings need not register as corporations from PRs 30.0 million to PRs 50.0 million; a 50 percent increase (to PRs 30.0 million) in the ceiling below which investment in new

1/ For details of the 1977/78-1980/81 measures, see SM/83/14, Section I.

industrial units is exempted from all approval procedures and in the associated foreign exchange ceiling for capital goods imports to PRs 15.0 million; raising the issued capital ceiling above which a private company is required to be converted into a public company from PRs 5.0 million to PRs 10.0 million; and limiting the rights of all financial institutions, as a group, to convert loans into equity to 25 percent of paid-up capital. The latter two measures were meant to enable private investors to more easily retain control over their enterprises.

Table 6. Pakistan: Gross Investment in the Manufacturing Sector, 1972/73-1982/83

(In millions of Pakistan rupees at 1959/60 prices) 1/

	Private Sector			Public Sector	Total Manufacturing Investment
	Large- and Medium-Scale	Small-Scale	Total		
1972/73	426.9	143.2	570.1	61.9	632.0
1973/74	307.5	143.5	451.0	168.6	619.6
1974/75	287.3	129.5	416.8	308.9	725.7
1975/76	354.3	137.9	492.2	861.2	1,353.4
1976/77	381.2	146.2	527.4	1,127.3	1,654.7
1977/78	337.6	144.2	481.8	1,396.0	1,877.8
1978/79	357.5	149.1	506.6	1,356.4	1,863.0
1979/80	432.8	153.6	586.4	1,101.2	1,687.6
1980/81	515.3	167.3	682.6	757.1	1,439.7
1981/82	556.6	189.0	745.6	725.0	1,470.6
1982/83 2/	598.6	206.5	805.1	706.9	1,512.0

Sources: Planning and Development Division and Ministry of Finance and Economic Affairs.

1/ Utilizes investment deflators; see Table 2, footnote 2.
2/ Provisional.

In line with efforts to resolve problems hindering the private sector, the Government established a committee in 1980/81 to consider cases of problem industrial units with the objective of their possible revival. The committee's mandate was to review the areas of repayment of foreign and domestic currency loans, to identify units needing financial relief, and to develop rehabilitation packages without adversely affecting the viability of the concerned financial institutions. By end-1982/83, 683 cases had been considered by the committee, of which 353 were recommended for relief. Relief was offered in various forms, including remission of penal and normal interest, conversion of term loans into equity by way of preference or ordinary shares, conversion of foreign currency loans into rupee loans, rescheduling of loans, and granting of further loans for modernization and replacement. In some cases a change of management was made part of the relief package, and in others liquidation was recommended. The Government's financial participation in the relief packages up to May 1983 amounted to PRs 205 million, which will be disbursed over a five-year period. As a result of the committee's work and other measures taken by the Government, the financial recoveries of PICIC and IDBP have improved substantially. These institutions had been burdened by considerable private sector arrears which seriously constrained their lending activities. The recoveries of IDBP rose by 57 percent over the past three years; similarly, at PICIC recoveries were up by 34 percent.

The above measures have also helped to strengthen private sector confidence and investment. Starting in 1978/79 gross private investment in the manufacturing sector began increasing in real terms, and by 1982/83 it reached 53 percent of the total manufacturing investment. However, due to the substantial decline in public sector investment, total real manufacturing investment has declined since 1979/80. In addition, approved applications for private sector investment in manufacturing has increased substantially in recent years. However, the rate of realization of these projects has been low, even after allowing for altered expectations and for a normal time lag between approval and implementation. These low rates reflected in part private sector caution and in part a number of constraints, including shortages of infrastructure, foreign exchange and rupee financing, and difficult labor relations. The Government has adopted a number of measures to alleviate these bottlenecks. For example, Provincial Facility Boards were set up to identify and coordinate the infrastructural requirements of approved large private industrial projects and to monitor their implementation.

For 1983/84 the Government introduced further measures to strengthen private investment activity. The ceiling for exemption of new investment from all approvals and its related capital goods imports ceiling were raised further to PRs 60 million and PRs 30 million, respectively. The capital goods imports ceiling applying to expansions of existing plants was also tripled to PRs 30 million. The Government has viewed the substantial increases in these ceilings over the past three years (by a factor of 12) as one way of achieving meaningful import liberalization. Moreover, in the period July-September 1983 import bans on a wide range of industrial machinery not produced in Pakistan were eliminated as were the import prohibitions protecting some domestic producers of industrial machinery. Finally, US$200 million of central bank foreign exchange has been made available to finance private sector capital goods imports.

4. Public manufacturing enterpises

a. Introduction

Before 1972 the nonfinancial public enterprise sector in Pakistan was limited to the more common public sector activities such as electricity, railways, and communications. This changed substantially when a large number of basic manufacturing industries was nationalized in 1972-73, followed by the nationalization in 1976 of certain agro-based industries. After mid-1977, following a change in Government, there was a reversal of this trend. In 1977/78 the agro-processing mills were denationalized, and in 1978/79 two light engineering units were returned to the private sector. At present, the public sector manufacturing enterprises encompass a wide range of activities and are controlled primarily by the Ministry of Production under its eight holding corporations, 1/ the Ministry of Industry, and the provincial governments. In line with its investment strategy, the Government has limited further public investment in large industrial units essentially to completion of ongoing projects. In both 1981/82 and 1982/83 expenditure on the Pakistan Steel Mill accounted for more than 85 percent of total investment outlays on public sector industrial projects. The Steel Mill is expected to be completed by the end of 1984. In 1981/82 gross value added by the public enterprises in the Ministry of Production was PRs 4,062 million, representing 10 percent of gross value added in large-scale manufacturing and 1.4 percent of GDP. 2/ At end-June 1983 the total number of employees in these enterprises was about 82,000.

b. Reform of the public enterprises

The industries under the Ministry of Production had suffered from production and profitability problems. The reasons varied from industry to industry; they included pricing policies which did not adequately reflect cost increases, underutilization of capacity, labor problems, lack of decision-making power at the plant level and of incentives for management, shortages of inputs and capital goods, production of goods no longer in demand, and large debt service payments due in part to undercapitalization.

Starting in 1979/80 a number of reforms were introduced. The collection and consolidation of information on the output and finances of the enterprises under the control of the Ministry of Production was improved. An expert advisory cell was created in the Ministry in 1980 to establish and oversee reporting procedures for all companies. As a result, summary

1/ The holding corporations with the exception of the Pakistan Steel Mill are listed in Table 7.

2/ Data for 1982/83 are not yet available.

information is received on a monthly basis and detailed quarterly and annual accounts are received within one month of the end of the period. The data received are compared with established production and financial targets and the timeliness of the data permits action to be taken soon after problems become apparent. The management, control, and financial performance of the enterprises, in particular those under the Ministry of Production, have also been the subject of a number of inquiries in recent years. The inquiries were concerned with the restructuring of the control hierarchy, personnel management, capacity utilization, labor productivity, and profitability. As a result of these studies, a number of corrective measures were taken including the abolition of the Board of Industrial Management (BIM) which resulted in greater autonomy for individual unit managers. Furthermore, during 1980/81 the problems of the enterprises and ways of improving their performance were the subject of a study carried out with World Bank assistance. Based on this study, the authorities adopted a program of reform, consisting of three stages, namely, an information system to measure actual performance, a performance evaluation system, and an incentive system to reward managers on the basis of actual performance. Implementation of the first two stages of the program were far advanced at end-1982/83, and the details of the incentive scheme had been worked out. Under this scheme bonus payments will be paid to managers based on a comparison of the actual profit performance vis-a-vis a predetermined profitability target for the year. These payments will be self-financing, as they would be made out of the increased profit of the unit. This scheme is scheduled to be implemented in 44 firms during 1983/84 on an experimental basis. If found successful it will be extended to all other units under the Ministry of Production.

The Government has also focused since 1980/81 on the need for measures to improve the performance of 17 problem public enterprise units identified for special action. These firms had been characterized by low profitability and operational inefficiency. A committee was established to decide whether these units should be considered for possible divestiture, closure, or financial restructuring. Following the committee's recommendations, the Government had acted by end-1982/83 to close 1 unit and financially restructure 2 other units; 4 units subsequently became profitable. Of the remaining 10 units, the Government is considering closing 1 unit, financially restructuring 6 units, and divesting 3 units; the latter have been advertized for sale. The mechanics of financial restructuring have included increased equity and loan capital, conversion of loans into equity, transferring units to the principal user of the products for better management and quality control, and development of new products.

c. Performance

The measures outlined above have contributed to some strengthening of the financial position and productivity performance of the public sector enterprises. Available data for the manufacturing units under the Ministry of Production suggest that substantial production and productivity increases have occurred over the past four years (Appendix III,

Table 44). The better results over this period were broad-based, reflecting fuller utilization of existing capacity, the coming on stream of new capital-intensive production facilities, better availability of inputs, and improved management. The production improvements were reflected in a better financial performance by the enterprises over 1979/80-1981/82 (Table 7). In 1982/83, however, most holding corporations except the Pakistan Automobile Corporation (PAC) recorded some deterioration in their profit position. The decline was particularly sharp for the Pakistan Industrial Development Corporation (PIDC) and the State Cement Corporation of Pakistan (SCCP). The profitability of PIDC suffered because two profitable units were transferred to the Ministry of Petroleum, and lower sugarcane output adversely affected two sugar refining units. As for SCCP, the profit decline largely reflected the switch from natural gas to more expensive fuel oil as a consequence of the domestic gas shortage (see below). The addition of a new unit reduced the profitability of the Federal Chemical and Ceramics Corporation, while lower government subsidy payments linked to increased capacity utilization adversely affected the National Fertilizer Corporation.

5. Energy

In recent years over 75 percent of Pakistan's commercial energy supply has come from oil and natural gas and the balance mainly from hydroelectricity and coal (Appendix III, Table 45). Although the share of petroleum in Pakistan's commercial energy supply is substantial (about 39 percent), domestic oil production covered only about 11 percent of domestic consumption in 1982/83 (Table 8). During the last several years, the low level of domestic crude production, an increasing demand for energy, and the higher cost of petroleum imports have strained the balance of payments. In 1982/83 net imports of petroleum and petroleum products totaled US$1.3 billion, indicating a 61 percent increase over the 1979/80 level.

In response the Government has introduced measures intended to develop domestic energy resources. Regarding oil, the state-owned Oil and Gas Development Corporation (OGDC) has stepped up its exploration and development activities in the Toot oil field by hiring drilling contractors and inviting international bids for joint-venture drilling. In the private sector, nine companies are presently engaged in oil exploration and development, and other foreign companies have expressed interest in offshore and onshore drilling as well as joint ventures. In 1982/83 major private exploration activities were concentrated in the Meyal, Khaskeli, and Adhi oil fields. To improve production incentives, the pricing system for all petroleum from new wells in proven fields was revised in 1981/82. The previous fixed price policy was replaced by a new formula which indexed domestic oil prices to about 30 percent (after adjustments for grade and quality) of the international price equivalent. 1/

1/ For a description of previous policy, see SM/83/14, p. 18, footnote 1.

Table 7. Pakistan: Ratio of Pretax Profits to Sales for Public Sector Corporations Under the Ministry of Production, 1978/79-1982/83

(In percent)

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
Federal Chemical and Ceramics Corporation Limited	-14.6	-0.7	1.7	5.1	2.1
National Fertilizer Corporation of Pakistan Limited	-7.4	20.5	21.4	18.9	18.7
Pakistan Automobile Corporation Limited	3.0	5.9	4.3	3.5	4.3
Pakistan Industrial Development Corporation Limited	-1.3	-0.8	4.6	5.9	-16.4
State Cement Corporation of Pakistan Limited	7.1	7.8	4.5	6.8	-11.8
State Engineering Corporation Limited	-4.5	1.7	2.9	4.9	2.7
State Petroleum Refining and Petrochemical Corporation Limited	2.2	1.2	0.7	0.6	0.4
All public sector corporations	0.4	4.6	4.9	5.3	3.0

Source: Ministry of Production.

1/ Provisional.

Table 8. Pakistan: Production, Consumption, and Trade of Petroleum and Petroleum Products, 1978/79-1982/83

(In thousands of metric tons and millions of U.S. dollars)

	1978/79		1979/80		1980/81		1981/82		1982/83 1/	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Domestic oil production	485	--	470	--	464	--	513	--	616	--
(Barrels per day)	(10,327)		(9,947)		(9,815)		(10,862)		(12,879)	
Crude oil imports, f.o.b. 2/3/	3,572	359.7	3,910	687.5	4,041	910.2	4,396	1,045.8	4,170	944.3
(Barrels per day)	(--)		(--)		(82,378)		(89,803)		(86,284)	
Domestic production 4/	3,792	--	4,245	--	4,237	--	4,755	--	4,597	--
Products imports, f.o.b. 2/	1,441	198.6	1,615	444.7	1,584	555.4	1,604	493.9	1,901	553.3
Domestic consumption	4,156	--	4,436	--	4,594	--	5,119	--	5,632	--
Products exports	547	56.1	1,009	190.5	755	160.3	971	187.0	362	60.5
Sales to foreign carriers	382	63.0	365	114.6	335	140.8	244	113.2	182	104.7
Losses 5/	39	--	44	--	44	--	48	--	49	--
Change in stock	101	--	-2	--	85	--	-30	--	3	--
Net imports, f.o.b.	4,084	439.2	4,151	827.1	4,535	1,164.5	4,785	1,239.5	5,527	1,332.4

Source: Ministry of Petroleum and Natural Resources.

1/ Provisional.
2/ Converted from c. and f. basis assuming freight and incidentals are 8.5 percent of the c. and f. total.
3/ Data for imports of crude up to 1979/80 are available only in tons.
4/ Includes production out of imported and local crudes adjusted for refinery losses, refinery fuel, and 0.5 percent ocean losses on the imported crude.
5/ Losses are 0.75 percent on total availability of products (i.e., domestic production and products imports, f.o.b.) on account of transportation, storage, evaporation, and handling.

The Government intends to continue its flexible producer pricing policies, and is presently reviewing the new formula in view of the revised financial estimates for exploration and development of the Meyal oil field. The above measures, inter alia, are expected to have a positive impact on domestic production over the medium term. Already, after several years of stagnant production, oil output increased by 11 percent in 1981/82 and by nearly 20 percent in 1982/83. 1/

To encourage conservation, the Government has increased retail prices of petroleum products to keep them in line with international prices. Beginning 1979/80 the Government's policy has been to pass through to domestic consumers all cost increases for imported and domestic products. In 1979/80 retail prices of petroleum products were raised by a total of almost 70 percent, on a weighted average basis, with a further 7.5 percent increase effective October 1980 (Appendix III, Table 46). During 1981/82 the Government increased domestic consumer prices for petroleum products on two occasions, by about 2.0 percent in November 1981 and by 6.5 percent in June 1982. In January 1983 prices were again raised by 5-27 percent on various products. More recently, the Government has refrained from reducing domestic retail prices despite declining international prices.

Regarding the development of natural gas resources, the Government has been actively pursuing two policies. First, a plan and investment financing package for the development of the Sui gas field, the largest field, has been approved and is being implemented. For Mari, the second largest field, a development plan and the size of the required investment is being currently reviewed. The OGDC is actively engaged in the development of the Pirkoh gas fields, and plans for the development of Khandkot and Manzarani gas fields are being finalized. Second, the Government has also improved the incentives for natural gas producers. Effective November 1, 1981 the wellhead price of associated gas in the Potwar region was increased from PRs 0.75 per million cubic feet (mcf) to PRs 2.00/mcf. A revised pricing formula has also been agreed with the operators of the Sui gas field in order to help generate the resources needed for the large-scale investments required to maintain the long-term productivity of the field. This agreement provided for an increase in wellhead prices from PRs 0.75/mcf to PRs 3.34/mcf, retroactive to January 1, 1982. In January 1983 the Sui wellhead prices were further increased by 58 percent to PRs 5.27/mcf. With regard to the Mari field, a pricing agreement with the private sector operators of the field was to be implemented last year. 2/ However, due to a change in the field's ownership structure, negotiations were delayed. Under the new system, which marks a major departure from the previous fixed price mechanism, a base price will be

1/ The producing oil fields and their shares in total 1982/83 production of 12,879 barrels per day were: Meyal (44.7 percent), Khaskeli (28.1 percent), Toot (16.7 percent), Balkassar (4.3 percent), Adhi (3.0 percent), Joya Mair (2.3 percent), Dhulain (0.8 percent), and Khaur (0.1 percent).

2/ Wellhead prices for Mari were adjusted on three occasions in 1982. By January 1, 1983 these prices were 28-31 percent higher than their January 1982 level.

negotiated for operating companies which will be indexed to world fuel oil prices. 1/ Depite the above measures production of natural gas has only slightly increased; output rose by 2.6 percent to a level of 951 mcf per day in 1982/83. 2/

The relatively stagnant supply of domestic natural gas, together with the continuing increase in demand, has resulted in recent gas shortages in various parts of the country, affecting in particular industrial and power-generating plants for which natural gas is the main source of energy. Consequently, substantial load shedding was necessary during the peak demand periods in 1980/81 and 1981/82. In order to mitigate the adverse effect of the shortages on domestic production, the Government has recently reduced gas allocation to domestic consumers, placed power plants on alternative fuels during the peak season, and switched all public sector cement factories from gas to fuel oil. The Government has also increased consumer prices for natural gas to encourage conservation. The authorities' medium-term objective, agreed with the World Bank, is to raise the weighted average natural gas price to two thirds of the world price equivalent by mid-1988. 3/ To this end, prices were raised by 30 percent in January 1982, by 23.0 percent in January 1983, and by about 25 percent effective July 1, 1983 (Appendix III, Table 47). As a result of these increases, the current weighted average consumer price is nearly 40 percent of the international equivalent. 4/

To expand electric power, two thermal power plants with a capacity of approximately 200 megawatts (MW) each are under construction by Karachi Electric Supply Company (KESC). These are expected to increase the power supply in that area by more than 50 percent and to largely eliminate the power shortage in Karachi by 1984. Similarly, the Water and Power Development Authority (WAPDA) 5/ is extending the hydel facilities at Tarbela, where the installation of four 175 MW units was completed in 1982/83, doubling total capacity to 1,400 MW. Power user charges have also been adjusted to reflect increases in the cost of energy. The KESC has an automatic fuel cost adjustment clause in its pricing formula which automatically reflects the higher price of natural gas in power user charges. While WAPDA does not have an automatic adjustment clause, it has met the target agreed with the World Bank, namely, to finance its investments from

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1/ The base price will be negotiated to cover projected costs (for investment and production) as well as an agreed rate of return.

2/ The producing gas fields and their share in 1982/83 production were: Sui (75.6 percent), Mari (18.4 percent), Meyal (4.1 percent), Toot (0.7 percent), Adhi (0.7 percent), and Sari/Hundi (0.5 percent).

3/ Defined as "the average unit f.o.b. value of fuel oil re-exports from Pakistan in that year."

4/ Based on July-December 1982 average unit f.o.b. value of fuel oil re-exports from Pakistan. Depreciation of the rupee since January 1982 has moderated progress toward the world price equivalent.

5/ WAPDA accounts for 80 percent of the public power supply in Pakistan. At the end of March 1983 WAPDA's generating capacity was 3,954 MW (of which, 2,547 MW were hydel), as against 673 MW for KESC.

own resources by 1982/83 to the extent of 40 percent of the average capital outlay on power generation over the preceding three years. Nevertheless, WAPDA has also made small tariff adjustments to partially pass on to the consumers the increased cost of natural gas.

6. Development planning

a. The Fifth Development Plan (1978/79-1982/83)

Pakistan's Fifth Five-Year Plan was introduced in June 1978. The overall thrust of the Plan was to reorient public investment spending away from large-scale industrial projects toward the agricultural sector, rural development, and social services. In the early years of the Plan, priority was given to the completion of ongoing capital-intensive industrial projects (in particular, the Pakistan Steel Mill and its associated port--Port Qasim), with the shift toward the agricultural and social sectors as well as to infrastructural projects being left to later years. Private investment was expected to play a more active role over the Plan period in the areas of housing, transport, and agriculture and, in the later years, in the industrial sector as well. Actual developments diverged substantially from those envisaged in the Plan. Most importantly, gross fixed investment, which had been expected to rise by 10.5 percent annually in real terms, in fact rose only marginally over the first three Plan years. This reflected in part lower than anticipated resource availabilities but also larger than projected development expenditures that did not constitute fixed investment. Among the latter, the most prominent was the fertilizer subsidy, which absorbed a large part of the allocation for agriculture. Cost overruns on certain projects were also a factor. As a result, a number of projects and programs were postponed.

b. Reorientation of ADP outlays, 1981/82-1983/84

The Government re-examined the public sector investment program in consultation with the World Bank and prepared within the Plan's overall framework a revised investment program for the period 1981/82-1983/84, covering the investment plans of the federal and provincial governments as well as certain public sector enterprises. The shortfalls in ADP outlays in the first three years of the Plan, along with the scaling down of allocations in the revised investment program in order to achieve consistency with resource availabilities, translated into a spending reduction in current prices of about one third over the Plan's five-year period.

Under the original three-year public sector investment program, the distribution of planned expenditure of PRs 96 billion (in current prices) provided for a reduction in the share of the industrial sector from 15 percent in 1980/81 to only 4 percent in 1983/84, while fertilizer subsidies, which were budgeted for 9 percent of total development spending in 1980/81, were to decline to 3 percent by 1983/84 (Table 9). The reorientation assigned a high priority to investments in agriculture, irrigation, energy, rural development, and social services (Table 10).

Table 9. Pakistan: Annual Development Programs, 1980/81-1983/84 1/

	1980/81		Three-Year Investment Program (1981/82-1983/84)							
			1981/82		1982/83			1983/84		
	Allocation	Actual	Budget Allocation	Prov. Actual	Original Allocation	Budget Allocation	Prov. Actual	Original Allocation	Revised Allocation 2/	Budget Allocation
	(In millions of current Pakistan rupees)									
Agriculture (excluding fertilizer subsidy)	1,429	1,158	1,722	1,608	2,812	1,717	1,509	3,199	2,198	1,426
Fertilizer subsidy	2,448	2,182	1,950	1,819	1,589	1,600	1,948	997	1,000	1,720
Irrigation, of which:	3,153	2,846	3,971	3,661	4,271	4,385	3,840	4,748	4,839	3,865
Tarbela	(1,007)	(1,230)	(1,346)	(1,324)	(882)	(853)	(1,000)	(731)	(200)	(602)
Power	4,020	3,851	5,008	4,592	6,429	5,882	5,324	7,340	6,920	6,094
Fuels	1,500	1,592	1,719	1,306	1,940	2,071	1,759	2,274	2,500	2,039
Industry, of which:	4,074	4,476	2,845	2,675	2,318	3,020	3,047	1,428	2,201	2,262
Steel Mill	(2,752)	(2,887)	(2,194)	(2,420)	(1,500)	(2,350)	(2,600)	(1,000)	(1,472)	(1,881)
Transport and communications	4,868	5,003	5,626	5,438	6,346	5,770	5,557	7,062	6,350	5,430
Minerals	96	68	172	94	216	173	119	271	246	271
Physical planning and housing	1,831	1,923	2,058	1,887	2,388	2,422	2,065	2,735	2,775	2,638
Social sectors	2,439	2,281	2,785	2,894	3,265	3,306	2,860	3,813	4,796	3,892
Education and manpower	(1,336)	(1,244)	(1,519)	(1,683)	(1,799)	(1,860)	(1,597)	(2,136)	(2,386)	(2,006)
Health	(943)	(906)	(1,076)	(1,037)	(1,256)	(1,256)	(1,085)	(1,399)	(2,160)	(1,613)
Population planning	(160)	(131)	(190)	(174)	(210)	(190)	(178)	(278)	(250)	(273)
Rural development 3/	507	458	739	709	385	1,241	1,129	445	1,500	1,315
Other	223	225	507	238	477	396	386	353	401	821
Block provision	74	74	85	79	—	139	20	—	174	107
Total ADP (gross)	26,662	26,137	29,187	27,000	32,376	32,122	29,563	34,665	35,900	31,880
Shortfall	198	—	333	—	—	237	527	—	—	858
Total ADP (net)	26,464	26,137	28,854	27,000	32,376	31,885	29,036	34,665	35,900	31,022
	(In percent of total net ADP)									
Memorandum items:										
Fertilizer subsidy	9	8	7	7	5	5	7	3	3	6
Allocations for industry	15	17	10	10	7	9	10	4	6	7
Allocations for priority sectors	49	47	55	55	59	58	56	63	63	59
Energy	(21)	(21)	(23)	(22)	(26)	(25)	(24)	(28)	(26)	(26)
Agriculture	(5)	(4)	(6)	(6)	(9)	(5)	(5)	(9)	(6)	(5)
Irrigation	(12)	(11)	(14)	(14)	(13)	(14)	(13)	(14)	(14)	(12)
Rural development	(2)	(2)	(3)	(3)	(1)	(4)	(4)	(1)	(4)	(4)
Social services	(9)	(9)	(10)	(11)	(10)	(10)	(10)	(11)	(13)	(13)

Sources: Planning and Development Division and Ministry of Finance and Economic Affairs.

1/ Differs from the presentation in Table 16 where subsidies in the ADP are classified as current rather than development expenditures.
2/ As per rollover of the three-year program into 1982/83-1984/85.
3/ Includes allocations for special plans for Baluchistan and Federally Administered Tribal Areas.

Table 10. Pakistan: Major Development Expenditures, 1982/83-1983/84 1/

Project	In millions of Pakistan rupees: Estimated Cost 2/ Total	Estimated Cost 2/ Local Currency	Estimated Cost 2/ Foreign Exchange	Annual Development Program Provision for 1982/83	Annual Development Program Provision for 1983/84	Foreign Project Aid 1983/84	Percentage of Annual Development Budget 1982/83	Percentage of Annual Development Budget 1983/84	Expected Completion Date
Industry									
Karachi Steel Mill	24,700	15,410	9,290	2,350	1,882	910	7.3	6.1	March 1984
Transport									
Port Qasim (Phase I)	5,250	2,995	2,255	600	593	20	1.8	1.9	1984/85
Railway track rehabilitation	6,307	4,285	2,022	354	328	62	1.1	1.1	1983/84
Telecommunication and signaling	2,185	1,259	899	146	39	8	0.4	0.1	1984/85
Motive power and rolling stock (projects)	5,574	2,784	2,790	605	846	362	1.9	2.7	1984/85
Power									
Guddu thermal power station (Phase II)	1,900	950	950	36	11	--	0.1	—	March 1988
Tarbela, units (5-8)	2,980	1,635	1,345	157	97	—	0.5	0.3	Commissioned
500 kv Faisalabad-Karachi transmission line	4,033	2,224	1,809	466	364	258	1.4	1.2	1985
Secondary transmission line grid stations project	8,000	4,000	4,000	1,580	1,355	494	4.9	4.4	)
Distribution of power and village electrication	9,000	8,770	230	1,020	1,327	265	3.1	4.3	) Continuous) projects
Pakistan Atomic Energy Commission	—	—	—	572	429	--	1.8	1.4	))
Social services									
Rural health program	2,623	2,523	100	252	293	15	0.8	0.9	1986
Fuels									
D.G. Petroleum Concession	413	413	—	487	408	—	1.5	1.3	) Continuous
Oil and gas exploration and modernization of drilling	7,122	3,719	3,403	1,284	1,435	419	4.0	4.6	) projects)
D.G. Gas Operations	3,938	2,717	1,221	288	195	—	0.9	0.6	1986
Agriculture									
Indus Basin Tarbela and SCARP Projects	24,772	23,078	1,694	2,015	1,805	696	6.2	5.8	1989
Flood control	—	—	—	276	129	—	0.8	0.4	1989
Fertilizer subsidies	—	—	—	1,600	1,720	—	4.9	5.5	1984/85
Food grain storage by National Logistic Cell	470	350	120	172	77	--	0.5	0.2	1984/85
Total				14,260	13,333	3,509	44.0	43.0	

Sources: Planning and Development Division and Ministry of Finance and Economic Affairs.

1/ Projects with anticipated spending in 1982/83 of PRs 200 million or more and certain combined categories of smaller projects and other expenditures.

2/ Over the lifetime of the project.

Allocations for these sectors were to increase to 63 percent of total ADP expenditures in 1983/84 from 49 percent in 1980/81. The industrial sector allocations were to be used primarily to speed up the completion of the Pakistan Steel Mill.

Actual expenditures for the 1981/82 ADP, the first year of the three-year investment program, reflected the shift in emphasis toward the priority areas indicated above. Development spending for agriculture, energy, and social services projects rose to 55 percent from 47 percent in 1980/81, while expenditures on industry and the fertilizer subsidy declined to 10 percent and 7 percent, respectively, from 17 percent and 8 percent in 1980/81. In the agricultural sector, new programs were designed to upgrade research capabilities and water management systems in order to reduce waterlogging and soil salinity. Special attention was paid to increasing storage capacity and improving extension services and seed production. In the energy sector, most expenditures were for hydroelectric power generation and transmission, including rural electrification. Expenditures on fuels were smaller and fell below the amount allocated and the previous year's level as well. The 1981/82 ADP also provided larger funding for various social programs, relating to universities, hospitals, and population welfare projects, as well as a large-scale vocational training program, in an effort to alleviate the scarcity of skilled manpower created mainly by emigration to the oil producing countries of the Middle East.

The 1982/83 revised ADP concentrated on expansion of energy supplies, transportation and communications infrastructure, social services, and the accelerated completion of the Pakistan Steel Mill. With regard to the latter, the authorities decided to bring forward the completion date in order to facilitate private sector investment in downstream industries. As a result, in 1982/83 actual investment outlays for the Steel Mill were 73 percent higher than the original allocation, and total industrial sector spending remained at 10 percent compared with an original target of 7 percent. About one quarter of total ADP allocations had been earmarked directly or indirectly for the development of the agricultural sector, including expenditures on rural development and electrification, and for water resources. The revised agricultural allocation was lower than originally envisaged due to a faster winding down of some projects than had been foreseen and an initial overestimation of the resources that could be most efficiently utilized in that sector. The provisional expenditure data indicate that spending was broadly in line with the revised allocations for the priority sectors, although there was some slippage. The proportion of expenditure directed to the fertilizer subsidy (7 percent) was 2 percentage points higher than expected, due in part to technical and contractual problems at two plants. More notably, total ADP expenditures for 1982/83 fell considerably short of the revised allocation, due largely to underimplementation of some projects financed by external aid as well as to a tighter than expected resource constraint.

The ADP allocations for 1983/84, the first year of the new Sixth Five-Year Plan (see below), are broadly consistent with the thrust of the Three-Year Plan. In particular, the allocation for industry has been reduced from 10 percent of actual spending in 1982/83 to 7 percent; the fertilizer subsidy is forecast to decline to 6 percent. Expenditures in the priority sectors are forecast to increase from 56 percent to 59 percent. The sectoral reorientation, however, will fall short of the target originally envisioned in the three-year investment program, due to the greater than projected outlays for the fertilizer subsidy and the Steel Mill.

c. The Sixth Five-Year Plan

The Sixth Five-Year Plan covers the period 1983/84-1987/88. The new Plan's orientation is similar to that of the Fifth Plan, namely, to reorient public investment spending away from large-scale industrial projects toward the priority sectors of agriculture, irrigation, energy, rural development, and social services. The authorities also have stated that their objective is to continue to correct for the distortions and inefficiencies brought about by the widespread nationalizations of the mid-1970s by delineating distinct roles for the private and public sectors.

During the Plan period, real GDP is projected to grow at the annual rate of 6.5 percent (Table 11). The agricultural sector is projected to grow at 4.9 percent per year, while manufacturing is expected to continue the growth trend established during the previous Plan by expanding by 9.3 percent annually. To facilitate this, the ratio of gross domestic fixed capital formation to GNP is projected to rise to 15.9 percent on average. National savings would increase to 15.1 percent of GNP, and there would be a reduced dependence on foreign savings. The inflation rate is projected to be 6.5 percent.

Total development outlays are forecast to be PRs 490 billion, about double the actual level under the previous Plan in current prices or 58 percent higher in constant prices (Table 12). Of the total, public sector outlays would account for 60 percent, of which the ADP share would be 78 percent (Table 13). In line with the thrust of the Plan, the share of private sector outlays would increase from 39 percent of total outlays in 1983/84 to 44 percent in 1987/88 as the shift of primary responsibility for development of the industrial sector would continue toward the private sector. Almost the entire ADP allocation for industry would be utilized to complete the Steel Mill and public sector cement projects carried over from the previous Plan. The share of industry in public sector outlays would fall to 6.7 percent on average. In order to encourage private domestic investment and to attract overseas investors, the Plan calls for the further deregulation of the economy. Import liberalization would be continued in order to increase further the exposure of industry to external competition and the availability of foreign technology. A focus of industrial investment would be on industries downstream from the Steel Mill, with the highest priority attached to engineering goods.

Table 11. Pakistan: Macroeconomic Framework of the Fifth and Sixth Five-Year Development Plans, 1978/79-1982/83 and 1983/84-1987/88

	Fifth Plan Prov. Actuals	Sixth Plan Projected
	(In billions of Pakistan rupees in current prices)	
Consumption	1,327.0	2,511.9
Gross investment	236.0	527.0
Gross domestic fixed capital formation (GDFCF)	(212.3)	(469.4)
Public sector	[138.8]	[269.4]
Private sector	[73.5]	[200.0]
Change in stocks	(23.8)	(57.6)
Net exports of goods and services	-54.3	-81.0
Net exports of goods and nonfactor services	(-156.9)	(-309.8)
Net factor income	(102.6)	(228.8)
GDP (at market prices)	1,406.1	2,729.1
GNP (at market prices)	1,508.7	2,957.9
Gross domestic savings	79.1	217.2
Gross national savings	181.7	446.0
	(In percent)	
Annual real growth rates:		
Agriculture	4.3	4.9
Major crops	(4.8)	(3.6)
Minor crops	(3.1)	(7.0)
Manufacturing, of which:	9.0	9.3
Large-scale	(9.7)	(10.0)
GDP (at factor cost)	6.3	6.5
GNP (at market prices)	6.3	6.4
Annual current growth rates:		
GDP deflator	9.4	6.5
Gross investment	15.7	18.3
GDFCF	13.1	19.4
Gross national savings	18.6	19.8
Ratios: 1/		
Gross investment/GNP, of which:	15.6	17.8
GDFCF/GNP	(14.1)	(15.9)
Gross national savings/GNP	12.0	15.1
Gross domestic savings/GNP	5.2	7.3
Net foreign resources/GNP	3.6	2.7

Sources: Planning Commission, The Sixth Five-Year Plan, 1983-88, October 1983; Tables 1 and 2; and Appendix III, Table 34.

1/ Derived from current price data.

Table 12. Pakistan: Sectoral Outlays Under the Fifth and Sixth Five-Year Development Plans, 1978/79-1982/83 and 1983/84-1987/88

	Fifth Plan (Provisional Actuals)						Sixth Plan (Allocations)					
	Public Sector		Private Sector		Total		Public Sector		Private Sector		Total	
	(In billions of Pakistan rupees; figures in parentheses in percent)											
Agriculture	6.06	(4.0)	14.22	(19.4)	20.28	(9.0)	12.35	(4.0)	45.47	(22.7)	57.82	(11.4)
Fertilizer subsidy	8.80	(5.7)	—	(—)	8.80	(3.9)	3.00	(1.0)	—	(—)	3.00	(0.6)
Water	15.77	(10.3)	—	(—)	15.77	(7.0)	32.10	(10.5)	—	(—)	32.10	(6.4)
Energy	38.83	(25.4)	—	(—)	38.83	(17.2)	116.50	(38.2)	—	(—)	116.50	(23.1)
Industry	25.40	(16.6)	20.19	(27.5)	45.59	(20.2)	20.50	(6.7)	61.91	(31.0)	82.41	(16.3)
Minerals	0.40	(0.3)	0.26	(0.3)	0.66	(0.3)	5.75	(1.9)	1.10	(0.6)	6.85	(1.4)
Transport and communications	35.21	(23.0)	9.15	(12.4)	44.36	(19.6)	57.52	(18.9)	26.00	(13.0)	83.52	(16.5)
Physical planning and housing	9.00	(5.9)	19.00	(25.9)	28.00	(12.4)	15.50	(5.1)	43.65	(21.8)	59.15	(11.7)
Education and manpower	5.64	(3.7)	—	(—)	5.64	(2.5)	19.85	(6.5)	—	(—)	19.85	(3.9)
Health	4.58	(3.0)	—	(—)	4.58	(2.0)	13.00	(4.3)	—	(—)	13.00	(2.6)
Welfare program	0.60	(0.4)	—	(—)	0.60	(0.3)	2.30	(0.7)	—	(—)	2.30	(0.5)
Other	2.52	(1.7)	10.59	(14.5)	13.11	(5.8)	6.63	(2.2)	21.87	(10.9)	28.50	(5.6)
Gross total	152.81	(100.0)	73.41	(100.0)	226.22	(100.0)	305.00	(100.0)	200.00	(100.0)	505.00	(100.0)
Less shortfall	—		—		—		30.00		—		30.00	
Plus special programs	—		—		—		15.00		—		15.00	
Net total	152.81		73.41		226.22		290.00		200.00		490.00	
	(In percent of total outlays)											
Memorandum items:												
Priority sectors 1/		46.8		19.4		38.0		64.2		22.7		47.9
Of which: Social sectors 2/		7.1		—		...		11.5		—		...

Sources: Planning Commission, The Sixth Five-Year Plan, 1983-88, October 1983, and Planning and Development Division.

1/ Agriculture, water, energy, and social sectors.
2/ Education and manpower, health, and welfare programs.

Table 13. Pakistan: Financing of the Sixth Five-Year Development Plan, 1983/84-1987/88

(In billions of Pakistan rupees; figures in brackets in percent)

	Public Sector				Private Sector		Total	
	ADP 1/		Non-ADP					
Self-financing	30.0 2/	[13.3]	23.0	[35.4]	88.0	[44.0]	141.0	[28.8]
Domestic borrowing	89.0	[39.6]	22.0	[33.8]	87.0	[43.5]	198.0	[40.4]
Domestic bank borrowing	(43.0)	[19.1]	(...)	[...]	(59.0)	[29.5]	(...)	[...]
Domestic nonbank borrowing and net capital receipts	(46.0) 3/	[20.5]	(...)	[...]	(28.0) 4/	[14.0]	(...)	[...]
External resources (net)	90.0 5/	[40.0]	20.0	[30.8]	25.0	[12.5]	135.0	[27.6]
Shortfall	16.0	[7.1]	--	[--]	--	[--]	16.0	[3.2]
Total	225.0	[100.0]	65.0	[100.0]	200.0	[100.0]	490.0	[100.0]

Source: Planning Commission, The Sixth Five-Year Plan, 1983-88, October 1983.

1/ Includes PRs 15 billion for special development programs.
2/ Mainly WAPDA's 40 percent self-financing of its investment program.
3/ Includes government savings schemes.
4/ Nonbank financing of PRs 10 billion plus corporate savings and new equity contributions of PRs 18 billion.
5/ Includes PRs 10 billion for the special development programs, for which financing arrangements are currently being explored with multilateral and bilateral donors.

The public sector would play a limited role as "investor of last resort" in fostering engineering goods and agro-based industries. Mechanization of agriculture would also be emphasized. The authorities intend to encourage the export of higher value added items in order to double export earnings over the five-year period. These items would include processed foods, sporting goods, surplus steel products, and light engineering goods.

An increasing share of public development outlays would be devoted to infrastructure, energy, and social programs. The social sectors, particularly health and education, would receive the largest percentage increase in allocations over expenditure in the previous Plan, increasing from 7.1 percent to 11.5 percent of public sector outlays (Table 12). In absolute terms, energy would receive the largest allocation, accounting for 38 percent of public sector outlays, compared with 25 percent under the Fifth Plan. One third of ADP outlays will be assigned to rural development (electrification, irrigation, and roads in particular). Overall, the share of the priority sectors would increase from 47 percent in the previous Plan to 64 percent of public sector outlays.

With regard to Plan financing, the public and private sectors would account for about 60 percent and 40 percent, respectively (Table 13). External resources would cover 40 percent of ADP and 31 percent of other public sector outlays. Private investment would be financed essentially from domestic resources, with only 12.5 percent supplied from abroad. Overall, external resources would cover about 28 percent of total outlays.

II. Public Finance

1. Introduction

The general government sector in Pakistan is composed of the Federal Government, the four provincial governments of Punjab, Sind, Baluchistan and Northwest Frontier, and several levels of local government. The operations of general government are carried out primarily through the federal and provincial budgets and through the ADP. The ADP includes, at present, the investment outlays of the federal and provincial governments and of a limited number of major public enterprises. Formerly, the ADP included the investments of the majority of public enterprises but there has been a policy in the past two years of limiting enterprise access to ADP funds; internal resources and borrowing from the banking system have replaced ADP allocations as the primary sources of enterprise investment financing. The summary of public finance presented below does not represent a comprehensive coverage of the public sector but rather is a consolidation of federal and provincial government current and development transactions as well as the investment operations of those public enterprises which are covered by the ADP. The Federal Government is the primary mobilizer of resources accounting for over 90 percent of tax collections, but a large portion of tax revenue is directly transferred by means of a revenue-sharing formula to the provincial governments while further assistance is provided to the provinces in the form of program and project grants and loans. The provincial governments have only limited fiscal autonomy as their budgets are formulated in close coordination with that of the Federal Government in the context of an overall resource plan.

In addition to the governmental operations discussed above, there exists a paragovernmental organization, the Zakat Fund, the function of which is to implement the social welfare precepts of Islamic law to provide benefits in such areas as health, education, and assistance to the poor. This Fund is administered separately from the budgetary operations of Government through several levels of Zakat councils staffed entirely by voluntary workers. All benefits are disbursed by local committees which are organized at the village or neighborhood level; only these committees can determine eligibility, need, and the amount of benefits to be provided. A component of the Zakat program was implemented in June 1980 with the introduction of the Zakat levy which is a 2.5 percent tax on the gross value of certain financial assets held by most Muslim citizens; the bulk of revenue accrues from collections against savings accounts and similar deposits. In the past two years Zakat collections have been equivalent to slightly over 2 percent of total tax revenue. A second component of the Zakat Fund was introduced in June 1982 in the form of the ushr tax which is a 3.75 percent levy on the gross value of agricultural production to be paid by most Muslim landowners and leaseholders. As this is the first attempt to collect an agricultural tax of this kind on a national scale and as collection and assessment will be carried out entirely by local committees, it is difficult to estimate the full impact of the tax. Tax assessments for the rabi crop of 1983 amounted to PRs 170 million (equivalent to about 0.2 per cent of total tax revenue), but there are no estimates of assessments or revenue potential from the barani (rain-fed) crop. The operations of the Zakat Fund are not consolidated with the transactions of Government in this report.

The Federal Government, provincial governments, and certain public enterprises conduct extrabudgetary trading activities in a number of commodities including wheat, sugar, rice, edible oil, and imported fertilizer. These activities are financed by the banking system and, as these transactions are in many cases combined with budgetary accounts, the sum of bank financing for budgetary support and commodity financing is viewed as the measure of total government recourse to the banking system.

2. Fiscal developments during 1978/79-1981/82

During the middle and late 1970s the overall deficit of the consolidated central and provincial governments rose sharply, reaching a peak in 1978/79 of slightly under 9 percent of GDP; domestic bank financing of the budget followed a similar trend and amounted to 4.3 percent of GDP in 1978/79. In 1979/80 substantial improvement was registered as the overall deficit fell to 6.2 percent of GDP and bank financing of budgetary operations was reduced to 2.7 percent of GDP (Table 14).

Table 14. Pakistan: Summary of Public Finances, 1978/79-1983/84

	Actual 1978/79	Actual 1979/80	Actual 1980/81	Actual 1981/82	1982/83 Original Budget Estimate	1982/83 Revised Estimate 1/	1982/83 Prov. Actual	1983/84 Original Budget Estimate
	(In millions of Pakistan rupees)							
Revenue	30,704	38,502	47,002	51,930	62,475	65,712	58,928	72,729
Tax	25,093	32,507	38,846	43,003	51,856	54,927	48,776	61,374
Nontax	5,611	5,995	8,156	8,927	10,619	10,785	10,152	11,355
Surplus of autonomous bodies	975	1,464	2,019	1,909	2,738	2,738	2,286	2,327
Expenditure	48,994	54,629	63,639	71,013	86,754	88,715	86,774	97,753
Current	30,500	35,547	40,318	46,370	58,921	58,822	59,718	68,489
Development	18,494	19,082	23,321	24,643	29,833	29,833	27,056	29,264
Overall deficit	-17,315	-14,663	-14,618	-17,174	-21,541	-20,265	-25,560	-22,697
Financing	17,315	14,663	14,618	17,174	21,541	20,265	25,560	22,697
External (net)	6,711	6,951	6,977	5,345	9,370	8,384	5,068	8,286
Domestic nonbank	2,102	1,407	5,286	6,313	6,505	6,505	14,368	8,391
Banking system	8,502	6,305	2,355	5,516	5,666	5,376	6,124	6,020
Memorandum items:								
Domestic bank financing	9,533	7,359	6,502	6,576	6,666	6,484	9,690	4,220
Budgetary support	8,502	6,305	2,355	5,516	5,666	5,376	6,124	6,020
Commodity operations	1,031	1,054	4,147	1,060	1,000	1,108	3,566	-1,800
GDP at current market prices	196,129	236,509	281,988	323,489	375,760	375,760	367,972	418,059
	(As percent of GDP at market prices)							
Tax revenue	12.8	13.7	13.9	13.3	13.8	14.6	13.3	14.7
Total revenue	15.7	16.3	16.8	16.1	16.6	17.5	16.0	17.4
Expenditure	25.0	23.1	22.8	22.0	23.1	23.6	23.6	23.4
Overall deficit	8.8	6.2	5.2	5.3	5.7	5.4	6.9	5.4
Domestic bank financing	4.9	3.1	2.3	2.0	1.8	1.7	2.6	1.0
Of which: budgetary support	4.3	2.7	0.8	1.7	1.5	1.4	1.7	1.4

Source: Ministry of Finance and Economic Affairs.

1/ Includes the impact of postbudget measures and depreciation of the rupee.

This improvement was achieved primarily through an enhanced revenue performance, resulting from increased administrative efforts and substantially tightened expenditure control, especially in the area of limitation of supplementary appropriations.

In 1980/81, the first year of Pakistan's medium-term structural and stabilization program, further substantial improvement was made as the overall deficit declined to 5.2 percent of GDP and bank financing of the budget was reduced to 0.8 percent. This outcome was more favorable than the original budget estimates and, particularly with respect to bank financing, resulted in part from certain nonrecurring transactions, including sales of equity in financial institutions to the banking system which were reflected in higher than anticipated domestic nonbank financing. However, even if these transactions were excluded, a substantial improvement would have been recorded. In 1981/82 the overall deficit remained at about the same level as a proportion of GDP as in the previous year, but this was slightly higher than the target of 5.1 percent which had been established in the program. The slippage was due primarily to a shortfall in revenue of about 7 percent since total expenditure was below target. The bank financing target was achieved, however, as net receipts from small savings schemes provided about PRs 5 billion more than was forecast.

From 1978/79 to 1980/81 total revenue performance improved, as its share of GDP increased from 15.7 percent to 16.8 percent, but in 1981/82 a slight reversal took place as the proportion fell to 16.1 percent. Tax revenue showed a similar pattern with a one percentage point increase between 1978/79 and 1980/81, followed by a one-half percentage point decrease in 1981/82. Receipts from taxation grew by 20 percent per year on average with a peak of 30 percent in 1979/80, and the buoyancy of collections with respect to GDP was about 1.1 for the whole period. However, when the impact of new measures is excluded, the built-in elasticity of the tax system was on the order of 0.7. The principal shift in the composition of tax revenue during the period was the relative growth of taxes on income and profits which accounted for 19 percent of tax revenue in 1981/82 compared with 13 percent in 1978/79 (Table 15). This was due to the introduction of a self-assessment scheme in 1979 which promoted voluntary compliance, combined with a large-scale effort to improve administration and coverage, particularly the identification of new taxpayers. These measures led to growth rates of 54 percent and 36 percent in 1979/80 and 1980/81, respectively. In 1981/82 the growth rate fell further to 18 percent, reflecting diminishing returns from the enhanced administrative efforts.

Taxes on imports remain the major source of tax revenue. These receipts are derived from import duties and a sales tax on imports, which together accounted for over 40 percent of tax revenue in each of the years under review. However, during the period the proportion dropped continuously, reflecting the restrained growth in imports in rupee terms due to a number of factors (see Section IV below). Taxes on domestic goods and services consist of excises collected at the federal and provincial levels, a sales tax on domestic manufacturers, and surcharges 1/ on petroleum products, natural gas, and fertilizer. With respect to excises and the domestic sales tax, the large number of exemptions limited their revenue impact and structural problems (including use of specific rates) caused low elasticities. The domestic sales tax accounted for less than 2 percent of tax revenue.

For the period 1978/79-1981/82, total expenditure grew at an average rate of 15 percent per year, but as a proportion of GDP showed a continuous downward trend, falling from 25 percent in the first year to 22 percent in 1981/82. Current expenditure accounted for an average of about 65 percent of total outlays and exhibited a slight increase over the period. Defense accounted for the largest functional share of expenditure, amounting in 1981/82 to 26 percent of total outlays and 40 percent of current expenditure (Table 16). Interest payments (the second largest category) accounted for about 11 percent of total expenditure in 1981/82 and increased steadily during the period as a proportion of the total, reflecting the impact of sizable deficits in preceding years and rising interest rates.

Subsidies grew rapidly from 1977/78 to 1979/80 due largely to increases in outlays on imported and domestic fertilizer (Appendix III, Table 48). In 1979/80 subsidies accounted for almost 13 percent of total expenditure compared with 8 percent two years before. Wheat subsidies were also substantial in 1979/80, although lower than in the previous year, while export subsidies, which were introduced in 1978/79 for cotton yarn and textiles and losses arising in the cotton export trade, further increased the total. In 1980/81 the authorities introduced a policy of gradually phasing out all subsidies except those affecting the poor. As a result, subsidies declined from PRs 7.0 billion to PRs 5.4 billion and their share of total expenditure fell to 8.5 percent. This decline reflected a reduction in the wheat subsidy, due to higher consumer prices and reduced imports, the elimination of subsidies on pesticides, and the absence of cotton export losses. Fertilizer subsidies remained at the same level as the previous year. In 1981/82 subsidies continued to decline in both nominal and proportional terms and comprised 7.1 percent of total expenditure. This improvement was mainly due to a large reduction in the fertilizer subsidy attributable to the 50 percent fertilizer price increase in February 1980 and a substantial decline in fertilizer imports. Export subsidies grew by about 64 percent, as the list of goods eligible for compensation was expanded to include carpets and leather goods.

1/ This category generates revenue through collection of the margin between the consumer price paid for the commodities and the fixed prices paid to producers and distributors. In the case of petroleum products, a portion of the gross margin is returned to distributors to cover transportation and storage costs so the data in Table 15 record only the net receipts accruing to the Government. In addition, there is a direct budgetary subsidy to refineries which ensures a guaranteed rate of return. These are treated as gross subsidies in Appendix III, Table 48.

Table 15. Pakistan: Consolidated Federal and Provincial Government Revenue, 1978/79-1983/84

(In millions of Pakistan rupees)

	Actual				Original Budget Estimate	Revised Estimate	Prov. Actual	Original Budget Estimate
	1978/79	1979/80	1980/81	1981/82	1982/83			1983/84
Tax revenue	25,093	32,507	38,846	43,003	51,856	54,927	48,776	61,374
Taxes on income and profits	3,354	5,177	7,028	8,309	8,400	9,204	8,765	9,762
Taxes on property	345	327	495	573	533	533	496	484
Taxes on goods and services	9,928	12,888	15,105	16,865	20,186	21,051	18,835	26,468
Excises	7,992	10,478	12,212	13,614	16,439	17,009	15,346	22,405
Federal	(6,841)	(9,701)	(10,420)	(11,790)	(14,131)	(14,131)	(12,880)	(16,442)
Provincial	(75)	(72)	(56)	(57)	(42)	(42)	(72)	(82)
Net surcharges	(1,076)	(705)	(1,736)	(1,767)	(2,266)	(2,836)	(2,394)	(5,881)
Petroleum	[159]	[211]	[880]	[756]	[1,310]	[1,448]	[1,755]	[3,571]
Natural gas	[462]	[385]	[486]	[642]	[444]	[876]	[272]	[1,193]
Fertilizer	[455]	[109]	[370]	[369]	[512]	[512]	[367]	[1,117]
Sales tax	1,936	2,410	2,893	3,251	3,747	4,042	3,489	4,063
On imports	(1,566)	(2,014)	(2,537)	(2,614)	(3,090)	(3,385)	(2,791)	(3,197)
On domestic transactions	(370)	(396)	(356)	(637)	(657)	(657)	(698)	(866)
Taxes on international trade	10,123	12,572	14,276	15,074	20,566	21,968	18,510	22,041
Import duties	9,844	12,126	13,569	14,681	19,954	21,363	18,110	21,691
Export duties	279	446	707	393	612	605	400	350
Other taxes	1,343	1,543	1,942	2,182	2,171	2,171	2,170	2,619
Stamp duties	360	450	736	754	749	749	759	865
Motor vehicle taxes	285	325	373	545	501	501	548	613
Other	698	768	833	883	921	921	863	1,141
Nontax revenue	5,611	5,995	8,156	8,927	10,619	10,785	10,152	11,355
Interest and dividends	2,243	2,444	3,098	3,183	4,257	4,257	3,874	4,342
Trading profits	467	540	1,143	730	358	569	208	463
Post Office and T & T	836	729	1,014	1,163	1,740	1,740	1,698	1,982
Civil administration	868	934	1,123	1,694	1,740	1,835	1,748	2,121
Other	1,197	1,348	1,778	2,157	2,524	2,384	2,624	2,447
Total revenue	30,704	38,502	47,002	51,930	62,475	65,712	58,928	72,729

Source: Ministry of Finance and Economic Affairs.

Table 16. Pakistan: Federal and Provincial Government Expenditure, 1980/81-1983/84 1/

	Actual 1980/81	Actual 1981/82	1982/83 Original Budget Estimate	1982/83 Prov. Actual	1983/84 Original Budget Estimate
	(In millions of Pakistan rupees)				
Current expenditure	40,318	46,370	56,921	59,718	68,489
General administration	2,873	3,438	4,278	4,162	5,171
Defense	15,300	18,631	22,878	23,224	25,909
Law and order	2,001	2,361	2,634	2,670	3,099
Community services	1,452	1,714	2,083	2,123	2,641
Social services	5,070	5,360	6,713	7,377	9,058
Economic services	1,793	1,878	2,200	2,094	2,254
Subsidies 2/	5,378	5,026	6,297	6,468	6,636
Interest	5,909	7,661	9,264	11,139	12,572
Grants to local authorities	521	286	505	435	513
Unallocable	21	15	70	26	636 3/
Development expenditure 2/	23,321	24,643	29,833	27,056	29,264
Total expenditure	63,639	71,013	86,754	86,774	97,753
	(In percent of total expenditure)				
Current expenditure	63.4	65.3	65.6	68.8	70.0
General administration	4.5	4.9	4.9	4.8	5.3
Defense	24.1	26.2	26.4	26.8	26.5
Law and order	3.1	3.3	3.0	3.1	3.2
Community services	2.3	2.4	2.4	2.4	2.7
Social services	8.0	7.6	7.7	8.5	9.3
Economic services	2.8	2.6	2.5	2.4	2.3
Subsidies	8.5	7.1	7.3	7.5	6.8
Interest	9.3	10.8	10.7	12.8	12.9
Grants to local authorities	0.8	0.4	0.6	0.5	0.5
Unallocable	—	—	0.1	—	0.5
Development expenditure	36.6	34.7	34.4	31.2	30.0
Total expenditure	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Finance and Economic Affairs.

1/ Data for earlier years are not available on a comparable basis due to a change in budget classification in 1980/81.
2/ All subsidies are classified as current expenditure. Development outlays therefore exclude fertilizer and other Annual Development Program subsidies.
3/ Includes an unallocated economy cut of PRs 1,737 million and a provision for a civil servants' salary increase of PRs 2,650 million.

Development outlays on programs and projects grew at sharply varying rates over the period from a high of 22 percent in 1980/81 to less than 6 percent in 1979/80 and 1981/82. As a proportion of total expenditure, they declined from 37.7 percent in 1978/79 to 34.4 percent in 1981/82. This decline reflected the policy of completing ongoing projects and limiting the growth of nonpriority outlays.

3. Developments in 1982/83

a. Overall results

The macroeconomic goal of the 1982/83 budget was to continue the thrust of fiscal policy maintained during the previous two years. The overall fiscal deficit was projected to be PRs 21.5 billion equivalent to 5.7 percent of GDP, slightly above the outcome for 1981/82. Total bank borrowing for budgetary support and commodity operations was targeted at 1.8 percent of GDP, with 1.5 percent earmarked for the budget. The amount of bank credit allocated in the credit plan to commodity financing was PRs 1.0 billion. Net external financing was projected to rise considerably above the level of 1981/82 due primarily to large amounts of commodity assistance previously committed but expected to be disbursed in 1982/83. Domestic nonbank financing was projected to remain at the previous year's level in spite of the sharp increase in receipts from small savings schemes registered that year. To achieve the budget targets, new tax measures were introduced with an expected revenue yield of PRs 4.9 billion.

Subsequent to the introduction of the budget, a number of factors emerged which led to a slight weakening of the fiscal position. The budget had forecast debt relief amounting to PRs 1.5 billion which did not become available, and the depreciation of the rupee beyond the level assumed when the budget was formulated led to some slippage in the overall deficit. In part to offset these developments, fertilizer and energy prices were raised. Taking these factors into account, the overall deficit was projected to be about 5.4 percent of GDP, slightly below the forecast budget level, and bank financing was to be contained to about the original level.

The fiscal outcome for 1982/83, based on preliminary actual data, was considerably off the budget targets. The overall deficit was PRs 25.7 billion equivalent to 6.9 percent of GDP, substantially above the revised projection and the position in the two previous years. This result was due to a revenue performance which fell 10.3 percent below the estimated level (including the postbudget measures) and 5.6 percent below the original budget forecast. Total expenditure on the other hand was close to the original budget, although 2.2 percent below the revised forecast. The higher budget deficit was financed primarily by domestic nonbank borrowing as receipts from small savings schemes, prize bonds, and Treasury bills (GTDRs) were substantially higher than estimated (Appendix III, Table 49). This contained bank financing for budgetary support to only PRs 0.7 billion over the target, a figure less than the shortfall in cash generating foreign assistance. However, bank financing for commodity operations was more than 200 percent above target due to developments in the financing of sugar and rice (Appendix III, Table 50).

b. Revenue

The original budget for 1982/83 forecast tax revenue growth of 20.6 per cent. To achieve this in the context of the relatively inelastic tax structure, new measures amounting to PRs 4.9 billion (1.3 percent of GDP) were introduced. The most important measure was a 5 percent tax on most imports, including those normally exempt from customs duties, which was to yield PRs 3.0 billion. Other actions were to increase excise collections on sugar, beverages, and domestic crude oil. Postbudgetary measures included price increases for fertilizer, natural gas, and petroleum products which were to generate PRs 0.6 billion. In addition, the further depreciation of the rupee subsequent to the formulation of the budget raised receipts related to imports and exports. As a result of these factors, tax revenue was projected to reach PRs 54.9 billion, almost 28 percent above the 1981/82 outcome, reflecting an overall buoyancy of 1.7 with respect to GDP; the percentage increase in total revenue was expected to be roughly similar.

Preliminary actual data for 1982/83 indicate that total revenue was about PRs 6.8 billion or 10.3 percent below target, with shortfalls in most revenue categories. Tax revenue growth was 13 percent compared with a target of 28 percent in the revised forecast, indicating a buoyancy of about unity. As a proportion of GDP, tax revenue therefore remained at the 1981/82 level of 13.3 percent, which itself was somewhat below the 1981/82 proportion. Import duties for the second consecutive year were well below estimate. Taking into account new measures, particularly the 5 percent import surtax, the impact of depreciation, and an expected strong growth of imports, import duties were projected to grow by 46 percent but rose by only 23 percent. The shortfall appeared to be due to two factors--total imports were about US$500 million below the estimate on which the revenue forecast was based and dutiable imports accounted for only 47 percent of total imports as opposed to 60 percent, which had been the average figure for recent years and which was the basis for the forecast. It is not yet clear whether this represented a structural shift in import composition. The sales tax on imports was about 18 percent below the revised estimate for the reasons stated above. In total, taxes on imports were 16 percent below projection and accounted for 57 percent of the total revenue shortfall.

Collections from taxes on goods and services grew by 12 percent compared with a target of 25 percent. Federal excise duties were about PRs 1.3 billion (9 percent) below estimate predominantly due to shortfalls in receipts from sugar (PRs 332 million), petroleum products (PRs 207 million), beverages (PRs 228 million), and tobacco (PRs 100 million). These shortfalls arose primarily from production levels lower than forecast due to demand and technical factors; receipts from sugar excises, on the other hand, fell below expectations due to delays in payments as production and consumption were consistent with the forecasts. Net receipts from surcharges on petroleum, natural gas, and fertilizer, which are similar in impact to excises, were 16 percent below the revised forecast due to higher costs in the natural gas and fertilizer industries which more than absorbed the revenue increases from higher prices for these commodities.

Taxes on income and profits grew by 5 percent, a figure well below the performance of previous years. This slowdown in growth had been forecast and was attributable to declining profits of the Cotton and Rice Export Corporations (CEC and RECP), the winding down of large-scale construction projects at the Tarbela dam which had generated substantial individual and business income tax receipts, and the impact of tax incentive measures introduced in 1981/82 and 1982/83. Nontax revenue grew by about 14 percent, somewhat below projection; shortfalls occurred primarily in dividends and trading profits.

c. Expenditure

Total expenditure in 1982/83 rose by 22 percent to PRs 86.8 billion, almost identical to the budget forecast, but about PRs 1.9 billion below the revised forecast which took into account the impact of rupee depreciation. Current outlays rose by 29 percent, more than twice the rate of growth of nominal GDP and double the average rate of the three previous years. Interest payments grew most rapidly, rising by 45 percent, reflecting the effects of devaluation on foreign interest payments and the sharply higher level of domestic nonbank financing. Between 1980/81 and 1982/83 interest payments rose from 9 percent to 13 percent of total expenditure. Defense expenditures which accounted for just one fourth of total outlays grew at a rate slightly below that of current expenditure. Gross subsidies increased by 29 percent and comprised 7.5 percent of expenditure, but much of the growth was due to payments to petroleum refineries which were more than offset by increased development surcharges on petroleum products. Social services including health and education rose by 38 percent, reflecting the commitment announced in the 1982/83 budget to devote more resources to these sectors.

Development expenditures (excluding development subsidies which are included in current expenditures) increased by about 10 percent and accounted for 31 percent of total outlays. This was about 4 percentage points below the average of the previous four years. The decrease reflects in part a somewhat lower rate of implementation of development projects than in earlier years, but also the decision to limit overall expenditure growth by eliminating nonessential projects.

d. Financing

The most striking fiscal development in 1982/83 was the sharply accelerated growth in receipts from small savings schemes and prize bonds, which accounted for the rise in domestic nonbank financing to PRs 14.4 billion, compared with the PRs 6.5 billion budget estimate. Sales of prize bonds (excluding sales to commercial banks) were PRs 4.0 billion compared with the PRs 1.5 billion budgeted, while small savings schemes were similarly PRs 2.5 billion above budget. In addition, about PRs 1 billion was realized from Treasury deposits (GTDRs), while the budget called for no net increases. The reasons for the rapid growth of these nonbank financing sources were the high real rate of return compared with other financial investments and international interest rates, the sharp growth of remittances, and the decision to permit deposits in certain small savings schemes to be redeemed in foreign exchange at the prevailing exchange rate.

Net external financing was 45.9 percent below the budget projection. Gross disbursements were 17 percent under the budget, reflecting a shortfall in project financing due to slower than expected rates of implementation and the nonavailability of the PRs 1.5 billion of debt rescheduling forecast in the budget. Amortization of external debt on the other hand was 17.8 percent above the budgeted amount due to a greater depreciation of the rupee than was envisaged at the time the budget was formulated.

Commodity financing for 1982/83 was PRs 3.6 billion compared with a target of about PRs 1.0 billion. The principal factors causing the overage were (a) substantially higher financing of sugar stocks, even though the physical stocks held declined during the year; the rise in sugar financing was attributed by the authorities to the use of credit to finance some privately owned sugar stocks and government-owned wheat; and (b) sharply higher credit for rice stocks which increased due to a soft international market for Pakistan's high-quality Basmati rice and the authorities' decision not to reduce offer-prices in what was seen to be an inelastic market. Wheat credit was roughly on target for end-June 1983, but this reflected delays in harvesting and the processing of purchases and payments which pushed forward the need for credit. Wheat financing in July 1983 amounted to an additional PRs 1.6 billion.

4. The 1983/84 budget

Fiscal policy for 1983/84 aims at reducing the overall deficit from PRs 25.7 billion to PRs 22.7 billion, or from 7.0 percent to a projected 5.4 percent of GDP. The fiscal improvement is anticipated to arise from new revenue measures and a more elastic revenue base combined with a sharply reduced rate of expenditure growth. Total government bank financing needs were to decrease to 1.0 percent of GDP; bank credit would therefore amount to less than 3 percent of the broad money stock compared with over 8 percent in 1982/83. Bank financing of the budget was to remain at about the same level as in 1982/83, but commodity financing was to be contractionary by PRs 1.8 billion, due primarily to the derationing and decontrol of sugar which was to lead to a sharp reduction in government stocks.

a. Revenue

Total tax revenue before taking into account the impact of new measures was forecast to increase by 17 percent, indicating a built-in elasticity with respect to GDP of 1.26, substantially above that of recent years when elasticity was estimated at about 0.7. This growth estimate was based mainly on projections of increased domestic production of commodities subject to excise and to a sharp growth of imports. New tax and pricing measures were estimated to yield about PRs 4.9 billion, equivalent to 1.2 percent of GDP. Tax measures were to generate PRs 2.9 billion, of which PRs 2.0 billion was expected to come from improvements in tax administration. When these measures are taken into account, tax revenue is expected to grow by 25 percent, indicating a buoyancy of 1.85 compared with 1.0 in 1982/83. Total revenue was therefore projected to grow by 23 percent and amount to 17.4 percent of GDP. Total tax revenue would amount to 14.7 percent of GDP compared with 13.3 percent in 1982/83 and an average of 13.6 percent during 1980/81-1981/82.

The largest revenue growth, both nominally and proportionately, was to come from domestic excises and taxes on imports. Federal excises were forecast to increase by 28 percent. New measures included a PRs 5 per bag increase in the cement duty, increases in cigarette rates, and expanded coverage of locally produced beverages; these were to yield PRs 725 million. In addition, improvements in excise administration were to provide PRs 800 million. The specific administrative changes which were to account for the increased revenue were: (a) a strengthening of audit procedures; (b) an increase in field staff; (c) improved control of exemptions; (d) improved clearance procedures, including use of mobile squads to prevent goods leaving factories after hours; and (e) a monitoring of inputs to control declared production.

Development surcharges were forecast to more than double and were expected to account for 9 percent of tax revenue compared with 5 percent in the previous three years. The largest increase was to come from net petroleum receipts, reflecting the full-year impact of the price increases of 1982/83 and lower crude oil costs. Receipts from natural gas and fertilizer were projected to grow sharply as a result of the price increases of 25 percent and 10 percent, respectively, announced in the budget.

New measures affecting import duties included upward revision of a number of specific duties, higher duties on motorcycles and ships for scrapping, and a reduction in the rebate on silk fabrics; these were to provide PRs 620 million. In addition, administrative improvements which involved computerization and incentive schemes for customs inspectors to catch underinvoicing and misdeclaration, improved control of concessional rates and exemptions, and reduction of fraud related to duty drawbacks were expected to generate PRs 600 million. As a result of these measures and the projected sharp increase in imports, import duties were forecast to grow by 20 percent. Total revenue from import duties and sales taxes on imports were to account for about 41 percent of total tax revenue, slightly under the proportion for the period 1980/81-1982/83. Data which became available after budget preparation indicated that, in 1982/83, 47 percent of nondefense imports were dutiable as opposed to 60 percent which was the average of previous years and the assumption used in the budget. It was not clear if this represented a permanent structural shift in import composition (but if this new ratio were to prevail in 1983/84 a shortfall of PRs 2,000 million could emerge if all other factors were to remain constant).

The domestic sales tax which has accounted for less than 2 percent of tax revenue in recent years was projected to grow by 24 percent. The major new specific measures were removal of cottage industry status for production of washing machines and spring mattresses and removal of exemption for locally produced machine-made carpets, cosmetics, refrigerators, and airconditioners (to generate PRs 70 million). The sales tax on imports was to grow by 15 percent, and the administrative improvements instituted for import duties were expected to increase sales tax collection by PRs 200 million.

The principal changes affecting the income tax were increases in the basic exemption from PRs 12,000 to PRs 18,000 and abolition of the surtax on individuals and companies which was to involve a loss of revenue in 1983/84 of PRs 700 million. Offsetting these was a slight increase in the effective rate on registered firms (PRs 120 million) and administrative improvements (PRs 400 million). The latter was expected to come from reduction of tax arrears; the target revenue figure amounts to about 25 percent of outstanding arrears from the past two years. The budget included a tax on the commercial income of welfare trusts which was to generate PRs 150 million, but this was rescinded in August 1983. The growth rate of income taxes was projected at 11 percent, about double the rate of increase of 1982/83 but well under the 36 percent annual growth during the period 1979/80-1981/82, when the maximum impact of the self-assessment scheme and taxpayer registration drive was felt.

b. Expenditure

Total outlays were budgeted to grow by 12.5 percent compared with 22 percent in 1982/83 and to account for 23.4 percent of GDP, slightly below the level of the previous year. Current outlays were to increase by 14.7 percent, about one half the rate of growth of 1982/83 but a little above the projected growth rate of GDP. The budget did not provide for any substantial structural shifts in current expenditures, although social services were to continue to grow faster than other categories, reflecting the shift in policy toward education, health, and rural services. Subsidies were to increase slightly in nominal terms, due primarily to a subvention to the State Cement Corporation of PRs 431 million, but subsidies as a proportion of total outlays were to fall slightly. The fertilizer subsidy at PRs 1,720 million was expected to be PRs 230 million below 1982/83 due to the 10 percent price increase announced in the budget. Defense outlays were projected to grow by about 12 percent and account for almost 27 percent of total expenditure. Development expenditure was budgeted about PRs 600 million below the budget of 1982/83, and if normal shortfalls occur due to bottlenecks in project implementation the level of execution would fall below that of last year in nominal terms.

c. Financing

Net external financing for 1983/84 was forecast at slightly above the budget level of 1982/83 if the forecast but unrealized debt rescheduling for 1982/83 is excluded. Project loans, commodity assistance, and food aid were all expected to exceed the previous year's level, while foreign exchange borrowing was projected to decrease. Nonbank domestic financing was budgeted to drop sharply from PRs 14.4 billion to PRs 8.4 billion due to lower estimates for net proceeds from small savings schemes, prize bonds, and Treasury deposits (GTDRs).

Total domestic bank financing for commodity operations was projected to decline by PRs 1.8 billion, due to a reduction in sugar financing of PRs 3.5 billion. The decline was based on the assumption that government stocks of sugar would be reduced from about 0.7 million tons to 0.2 million tons as part of the program of derationing and decontrol. The bulk of these sales was expected to take place before the end of the calendar year when crushing of the new sugarcane crop begins. Net financing for rice was projected to decline by about PRs 400 million as part of the 1982/83 stock accumulation was to be sold. Wheat financing was to amount to PRs 800 million, based on total procurement and procurement patterns similar to the 1983 crop. An allocation of PRs 800 million has been made to finance edible oil imports which will be carried out by the Vegetable Ghee Corporation of Pakistan (Appendix III, Table 50). In the past, the Trade Corporation of Pakistan imported edible oil and financed some stocks from its own financial resources.

III. Money, Credit, and Prices

1. Institutional background

Pakistan's banking system consists of the State Bank of Pakistan (SBP), which is the central bank, 22 commercial banks, and 4 government-owned specialized banks. 1/ Of the commercial banks, 5 are government owned and 17 are foreign owned; a new bank, the Shanghai-Hong Kong Commercial Bank, began operations in 1982/83. In recent years, bank loan activity has been concentrated in the manufacturing and commercial sectors (Appendix III, Table 61). 2/ The ADBP and IDBP are dominant among the specialized banks. The ADBP is the largest single financial institution lending to the agricultural sector; its loan program includes short-, medium-, and long-term financing. The IDBP concentrates on lending to small- and medium-scale manufacturing units, primarily in the private sector, providing medium- and long-term foreign exchange loans as well as local currency advances for working capital. The Pakistan Banking Council works closely with the commercial banks to formulate recommendations for submission to the Federal Government on the coordination of commercial banking activity and national development objectives and on operational guidelines for the commercial banks.

1/ The specialized banks are the Agricultural Development Bank of Pakistan (ADBP), the Federal Bank of Cooperatives (FBC), the Industrial Development Bank of Pakistan (IDBP), and the Punjab Provincial Cooperative Bank (PPCB). The FBC functions as a central bank for agricultural credit and other cooperative societies. The commercial banks are listed in SM/79/203, p. 32, SM/81/219, p. 31, and SM/83/14, p. 36.

2/ For 1977/78-1980/81 data in the old format, see SM/83/14, Appendix III, Table 59.

Outside the banking system, there are a number of important nonbank financial institutions which provide assistance to the manufacturing sector. Principal among the term-lending institutions are the Pakistan Industrial Credit and Investment Corporation (PICIC), which has majority private ownership, and the government-owned National Development Finance Corporation (NDFC). PICIC makes, primarily, 10- to 15-year foreign exchange loans to the private manufacturing sector for medium- and large-scale projects. It acquires its financial resources mainly from international institutions such as the World Bank, the Asian Development Bank, and from bilateral official sources. NDFC lends to the public sector manufacturing enterprises and (since late 1979) to the private industrial sector on a medium- and long-term basis. The main sources of NDFC's funds are foreign institutions and domestic sales of certificates of deposit. Formerly, the term-lending institutions also included the Small Business Finance Corporation (SBFC). However, in June 1980 the financial operations of this institution were converted to a nonloan basis under the Government's program of Islamization of the financial system. 1/

In addition, three nonbank financial institutions specilize in arranging equity financing, primarily for industrial firms. The Investment Corporation of Pakistan (ICP) and the National Investment Trust (NIT) operate closed-end mutual funds and unit trust savings schemes, respectively, under government supervision and have extensive equity holdings in both public and private sector undertakings. The ICP also underwrites equity issues and arranges for investment and financing of working capital for industrial projects from consortia of domestic commercial banks. Bankers' Equity Limited (BEL) is owned by the SBP and the five government-owned commercial banks. Its primary function is to increase the supply of risk capital to the private manufacturing sector by underwriting equity issues and facilitating the commercial banks' equity participation (up to 75 percent) in medium- and large-scale private sector industrial projects. It also assists in identifying sources of foreign exchange financing. Pakistan's financial system also includes the House Building Finance Corporation (HBFC), which focuses entirely on financing residential construction and home purchases; its resources are obtained in large part from SBP lines of credit.

The National Credit Consultative Council (NCCC) formulates the annual credit plan for the economy. 2/ Representation on the Council includes the federal and provincial governments, the SBP, the Pakistan Banking Council (representing the commercial banks), the six major nonbank financial institutions, and the private sector.

2. Islamization of the financial system

Since 1979/80 a number of changes have been introduced in order to bring Pakistan's financial system closer in line with Islamic principles. These changes have essentially entailed a partial shifting of financial

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1/ See Section III.2.
2/ See Section III.3.

transactions from an interest-bearing loan basis to a profit and loss sharing (PLS), i.e., an equity participation, basis. Initially, the operations of certain nonbank financial institutions were reoriented in this manner, while more recently new financial instruments have been introduced and PLS operations have been initiated by commercial banks.

a. Financial instruments

On June 26, 1980 the legal framework of Pakistan's financial and corporate system was amended to permit the issuing of Participation Term Certificates (PTCs) and the establishment and issuing of modaraba companies and certificates, respectively. The objective of introducing PTCs was to provide an alternative financial instrument to debentures, thereby allowing the business community to meet its medium-term rupee financing needs without resort to the issuance of interest-bearing paper. Although the Government has provided broad guidelines for the issuing of PTCs, 1/ the specific terms governing maturity, profit and loss sharing, and repayment for any given PTC issue are determined by the company issuing the certificate. The medium-term rupee-financing operations of BEL and ICP are now carried out largely through PTCs. The authorities' objective in introducing the modaraba was to expand the range of instruments available for meeting the term financing needs of the business community on a PLS basis. A modaraba is defined as a "business in which a person participates with his money and another with his efforts and skills," and a modaraba company is a company which is permitted by the Government to engage in the business of floating and managing modaraba funds. 2/ Therefore, conceptually, a modaraba is an investment fund for which resources are obtained through the sale of certificates to subscribers. While the Government has established the legal framework for the operation of modaraba, the specific terms governing profit and loss sharing are left to the market. In June 1981 BEL was registered as the first modaraba company in Pakistan; as such, it has floated modaraba certificates to finance construction of an apartment complex.

Effective July 1, 1982 the range of PLS instruments was expanded to provide the industrial and trade sectors with the means for meeting their working capital requirements on a nonloan basis and to provide additional means for financing fixed industrial investment. The provision of working capital by the commercial banks may now take place through the establishment of musharika companies. These are temporary partnerships under which the commercial bank and the sponsor share in the profit or loss generated by the working capital supplied by each to the sponsor's project. The

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1/ For details, see SM/81/219, pp. 33-34. Permission to issue PTCs must be obtained by corporations from the Controller of Capital Issues of the Ministry of Finance and by commercial banks from the SBP.

2/ The ordinance providing for the registration of modaraba companies and governing the floatation, management, and regulation of modarabas was promulgated on June 26, 1980, with enabling regulations issued on January 26, 1981. The major legal provisions governing modaraba companies and the operations of modaraba are given in SM/81/219, p. 34.

guidelines given to the commercial banks in this area provide that an agreed proportion of projected profits from the partnership is payable to the sponsor as a management fee with the balance to be divided between the bank and the sponsor in a mutually agreed ratio. If actual profits are more (or less) than projected, the commercial bank may at its discretion increase (decrease) the management fee; however, the agreed profit-sharing ratio is not variable. If a loss results, it is to be shared by the sponsor and the bank in the ratio of the share of each in the funds employed in the project. The other two arrangements introduced for financing fixed industrial investment are leasing and hire purchase. Under the former, a commercial bank or a financial institution may rent equipment to project sponsors for a given payment over a predetermined period, while under the latter (applicable to trade as well as industrial investment) the agreed payment includes an element for the acquisition of equity as well as rent. The specific terms of all three instruments are left to be negotiated freely by the commercial bank or the financial institution and the project sponsor. No limits are placed on the rate of return receivable by the financing institution.

b. Institutional changes

From July 1, 1979, HBFC, ICP, and NIT began to reorient their financial activities toward noninterest-bearing operations. At that time, all of HBFC's new home-financing operations were converted to a nonloan basis. Under this system, HBFC becomes a co-owner of the real estate rather than a lender charging interest. HBFC charges no fees during the construction period and is paid a proportion of an imputed rental income to reduce its equity after construction is completed. HBFC, as co-owner, also shares proportionally in any capital gains arising from sale of the property. As with lending operations, if the co-owner falls behind in making payments of rental income, penalties are imposed; in delinquent cases, HBFC may foreclose on the property. Also in July 1979 NIT began restricting its new investments to equity participations and divesting itself of interest-bearing debt instruments.

At ICP a more gradual conversion program was initiated, reflecting the greater diversity of ICP's financial operations. ICP's activities in the past had focused on (1) the establishment and operation of closed-end mutual funds with the objectives of providing equity and debt financing to manufacturing firms and investment opportunities for small savers; (2) an investment management program under which ICP managed the portfolios of individual private investors, while providing to the investor at interest margin loans up to one third the value of the portfolio; (3) the provision of bridging finance for new industrial undertakings through the underwriting of their shares and debentures; and (4) the arrangement of commercial bank lending consortia to meet the fixed investment and working capital financing needs of new industrial undertakings. In July 1979 the ICP mutual funds ceased purchasing interest-bearing assets and began to divest those in their portfolios; and beginning October 1, 1980 a new program was initiated to convert ICP's investor scheme to a PLS basis. 1/ Effective January 1, 1981 the ICP discontinued its underwriting of debentures (except for applications outstanding on that date) and replaced this financial instrument with PTCs.

The SBFC was fully converted to nonloan operations in June 1980. The techniques introduced to replace interest-bearing loans included hire/purchase arrangements and sales on a markup basis to finance machinery and equipment, as well as other PLS mechanisms, such as the purchase of PTCs. In each of the above, the terms of the arrangement are negotiated between SBFC and the purchaser or the issuer of the PTC. 2/ SBFC was also authorized by the Government to provide cost-free financial accommodation of up to PRs 5,000 to small firms.

Beginning January 1, 1981 Pakistan's commercial banks were allowed to accept PLS savings and term deposit accounts. The funds deposited in these accounts do not bear interest, and their use is restricted to non-interest-bearing investments. To facilitate the operation of the PLS account system and to provide for secure investment outlets, the SBP in December 1980 issued regulations stipulating that certain financial transactions formerly conducted on an interest-bearing basis were in the future to be carried out only on a noninterest-bearing basis. Effective January 1, 1981 the commodity financing operations of the federal and provincial governments and the purchase of export bills negotiated under letters of credit were converted to a markup basis with regulated rates of return. Similarly, beginning in March 1981 the commodity operations of the Rice Export Corporation of Pakistan (RECP), the Trading Corporation of Pakistan (TCP), and the Cotton Export Corporation (CEC), as well as the purchase of import bills and inland acceptances drawn under letters of credit, were also shifted to a regulated markup basis. In November 1981 the financing of the government-owned Utility Stores Corporation were converted to a markup basis. The rates of return established for the use of PLS funds in the above markup operations approximate closely the interest rates formerly applied to lending by the banks for these transactions. The banks were not prohibited from employing funds deposited in interest-bearing accounts to finance markup transactions. In addition, on January 1, 1981 the banks were permitted to use PLS deposits for certain other noninterest-bearing investments, such as the purchase of NIT units and PTCs, participation in PLS transactions of ICP and BEL, and the provision of funds to HBFC. In July 1980 the scheduled banks had been prohibited from lending for residential construction or the purchase of housing, leaving HBFC as the only institution in Pakistan providing home financing. However, effective August 13, 1981 the banks were permitted to utilize funds from PLS deposits for investments in housing (of PRs 0.15-0.30 million per unit) within assigned ceilings. As noted above, effective July 1, 1982 the commercial banks were allowed to provide working capital to the industrial and trade sectors on a PLS basis by participating in

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1/ For details, see SM/81/219, p. 35.

2/ SBFC's financing limits were increased effective July 1, 1982 from PRs 0.15 million to PRs 0.5 million and its eligibility criterion in terms of the limit on total assets of borrowers from PRs 0.5 million to PRs 1.5 million.

musharika companies and through leasing and hire purchase. While public interest in PLS deposit accounts has been strong, the outlets for investment of PLS funds by the scheduled banks have been more limited. To this end, effective October 12, 1982 the banks were permitted to place their surplus PLS funds on call on a PLS basis with other banks. The latter were permitted to invest such funds only in noninterest-bearing assets. The borrowing bank is required to pay the lending bank a rate of return equivalent to the rate it pays on PLS saving deposits of the same term plus a small fixed margin. All financial accommodation and investment by the scheduled banks under the PLS system are subject to the SBP's credit ceilings and minimum margin requirements on advances and import letters of credits. 1/

PLS deposits totaled PRs 14.1 billion at end-June 1983, equivalent to 9.6 percent of the total money supply; PLS demand and time deposits accounted for PRs 6.0 billion and PRs 8.1 billion, respectively. The annualized rates of return paid to PLS account holders during 1982/83 varied among banks and for term deposits ranged from 10.00 percent to 14.25 percent for six-month deposits and from 13.25 percent to 19.00 percent for deposits of five years or more, compared with minimal annual rates on interest-bearing term deposits of similar maturity of 9.0 percent and 12.75 percent, respectively. 2/

3. Implementation of monetary and credit policies

For some time, direct and selective controls have been the primary instrument for regulating the growth and distribution of domestic credit in Pakistan. The NCCC has primary responsibility for determining monetary and credit policy and for formulating annual credit plans and specific credit targets in light of the investment objectives of the development program. The drafting and supervision of the implementation of the NCCC credit plan rests largely with the SBP. The annual NCCC credit plans establish overall monetary and credit growth targets, as well as credit subtargets by and within recipient sectors for lending to the Government and the nongovernment sectors. 3/

In addition to direct controls, the SBP also employs indirect instruments to regulate credit expansion by scheduled banks. On balance, however, reliance on these instruments has been of secondary importance in controlling credit growth. The indirect instruments include a 5 percent minimum cash reserve requirement, a 35 percent liquidity ratio, and and the SBP rediscount rate. 4/ Reliance on the SBP rediscount rate has

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1/ See Section III.5.

2/ On June 30, 1982 the weighted average rate of return on PLS saving and term deposits was 9.92 percent compared with the weighted average rate of 8.92 percent on interest-bearing deposits. These rates declined to 9.54 percent and 8.85 percent, respectively, by end-December 1982.

3/ For a detailed description of the formulation of the annual credit plans, see SM/78/195, p. 34

4/ For a discussion of the impact of the first two instruments on credit expansion, see SM/79/203, p. 35.

not been an important factor determining the extent of scheduled bank borrowing from the central bank as the SBP has not in general permitted extensive bank access to its resources except for special refinancing facilities (Appendix III, Table 54). Consequently, rather than directly acting to control primary liquidity, past increases in the bank rate have usually signaled a general upward shift in the interest rate structure with the objective of constraining the demand for credit and encouraging savings through moving nominal interest rates closer toward the real costs of and returns to capital in the economy. Apart from the above-mentioned Islamization measures and the introduction of certain interest-free loan schemes, 1/ there have been few major changes in the banking system's interest rate structure in recent years (Appendix III, Table 56). A recent structural change, however, effected July 1, 1982, was the extension of Euromarket interest rates to foreign currency deposits of less than US$100,000; previously, these rates were paid only on deposits exceeding US$100,000. Following this change, foreign currency deposits increased from US$260 million at end-June 1982 to US$551 million at end-June 1983.

4. Recent monetary and credit developments

a. Monetary developments in 1980/81-1981/82

The increase in domestic liquidity over the period 1980/81-1981/82 averaged 12.3 percent, a rate substantially below the 19.4 percent average growth rate recorded over the preceding three years (Table 17). 2/ This result reflected a strong contractionary impact from the external sector 3/ and the Government's success in containing the expansion of net domestic credit (to 16.0 percent compared with about 19.6 percent on average over the previous period). The latter development was largely due to a notable decline in the growth rate of government borrowing from the domestic banking system. The rate of expansion in claims on the nongovernment sector (the private sector and the public enterprises) at 19-20 percent was similar in both periods. The monetary accounts recorded a sharp reduction in the proportion of government borrowing in total domestic credit creation. Over the period 1978/79-1979/80 the increase in claims on the Government (net) as a proportion of the increase in net domestic assets averaged 53 percent; the private sector accounted for 40 percent. Over the two years ended 1981/82, however, the proportion of government borrowing declined to 40 percent on average, while the share of private sector credit rose to 51 percent. The share of the public sector enterprises rose from 17 percent to 19 percent over the recent two-year period.

1/ See Section III.5.

2/ Through 1979/80 Pakistan's monetary data are on a last Thursday of the fiscal year basis. Beginning in 1980/81 the authorities required the scheduled banks to report also on an end-quarter basis in order to generate a monetary survey series which coincides with the fiscal year. At the same time, credit planning was placed on a fiscal year basis.

3/ The changes in net foreign assets as recorded in the monetary accounts and the balance of payments (Table 20) differ due to timing and other factors.

Table 17. Pakistan: Factors Affecting Changes in Money and Quasi-Money, 1978/79-1982/83 1/

	1978/79	1979/80	1980/81	1981/82	1982/83 2/
	(In millions of Pakistan rupees)				
Money and quasi-money	12,862	14,163	12,197	11,889	30,664
Money	9,678	8,503	11,571	7,366	15,458
Quasi-money	3,184	5,660	626	4,523	15,206
Foreign assets (net)	-1,866	2,737	-1,279	-5,356	10,908
Balance of payments	-1,986	2,523	-329	-5,867	10,822
Revaluation profits/losses	120	214	-950	511	86
Domestic assets (net)	14,728	11,426	13,476	17,245	19,756
Claims on Government (net)	8,816	4,993	5,568	6,756	9,346
Budgetary support	(8,156)	(4,897)	(2,355)	(5,519)	(6,124)
Commodity operations	(1,078)	(1,043)	(4,147)	(1,059)	(3,566)
Government deposits with scheduled banks	(-418)	(-460)	(-1,045)	(457)	(249)
Zakat Fund deposits at SBP	(—)	(-487)	(111)	(-279)	(-593)
Claims on nongovernment sectors	6,968	7,938	9,531	12,012	14,898
Claims on private sector	(4,396)	(6,024)	(6,635)	(8,986)	(10,898)
Of which: SBP credit to nonbank financial institutions	[641]	[900]	[1,852]	[1,562]	[999]
Claims on public sector enterprises	(2,572)	(1,914)	(2,896)	(3,026)	(4,000)
Counterpart funds	-254	216	-3	31	-55
Other items (net) (increase-)	-802	-1,720	-1,620	-1,554	-4,433
	(Changes in percent)				
Money and quasi-money	20	19	13	11	26
Money	23	16	19	10	19
Quasi-money	15	23	2	15	43
Domestic assets (net)	24	15	15	17	16
Claims on Government (net)	26	12	11	12	15
Claims on nongovernment sectors	20	19	19	20	21
Claims on private sector	17	19	18	21	21
Claims on public sector enterprises	28	16	21	18	20

Source: State Bank of Pakistan.

1/ For 1978/79 and 1979/80 the data are on a monetary year basis ending the last Thursday of the fiscal year and thereafter on a fiscal year basis ending June 30.

2/ Provisional.

The financial program for 1981/82 1/ continued to pursue the authorities' objective of reducing excess liquidity in the economy in order to lower the underlying rate of inflation and contain pressures on the balance of payments. To this end, tight demand management policies were maintained. The increase in domestic liquidity was to be held to 15 percent compared with a prospective growth rate in nominal GDP of 17 percent (Appendix III, Table 60). Given the size of the expected external deficit, a growth in net domestic credit of 18 percent was viewed as permissible. Fiscal policy was targeted at reducing government domestic borrowing to 2 percent of GDP, equivalent to an increase in net credit to the Government of 12 percent, the same growth target as set for 1980/81. Within the 21 percent increase in credit to the nongovernment sectors, the growth in the credit allocation for the public sector was lowered to 20 percent from a planned increase of 25 percent and an actual growth of 21 percent in 1980/81. Credit use by the private sector was projected to rise by 22 percent compared with an actual expansion of 18 percent in 1980/81.

The authorities were substantially successful in implementing the 1981/82 financial program. For the year as a whole, a larger than anticipated contractionary impact from the external sector helped contain the growth of liquidity to 11 percent, well below the nominal GDP growth rate of 14.7 percent. The authorities were successful in containing the growth of net domestic assets to 17 percent in line with the program objective. All program ceilings as well as the SBP credit plan ceilings were observed, with the exception of the end-June 1982 SBP ceiling on commercial bank net lending to the private sector. Net credit to Government was about 3.3 percent above projection. While recourse to the banking system for budgetary support was held below the notional target, government borrowing for commodity operations somewhat exceeded the forecast level. The low level of budgetary support emerged despite a PRs 2.8 billion shortfall in external financing and a PRs 0.5 billion larger than expected overall budget deficit. This outcome was facilitated by a substantial increase in government nonbank borrowing. In the nongovernment sector, credit to the private sector (excluding commercial bank credit to CEC) exceeded the SBP ceiling; the excess was largely due to a substantial increase in unearmarked commercial bank credit to the sector. Credit to the public sector enterprises was less than projected.

b. Monetary developments in 1982/83

Pakistan's financial program for 1982/83 aimed at continued implementation of tight demand management policies (Table 18). In order to reduce the rate of inflation to 8 percent, the increase in domestic liquidity was targeted at 13 percent, well below the projected expansion in nominal GDP of 16.6 percent. A relatively strong contractionary impact was expected from the balance of payments. Domestic credit policy aimed at strengthening the trend established in the previous two years by limiting the growth of net domestic assets to 15 percent and the growth of government bank borrowing to 11 percent, both lower than in 1981/82.

1/ Monetary and credit developments in 1980/81 are discussed in SM/83/14.

Table 18. Pakistan: Domestic Credit Planning, 1982/83

	July 1-December 31, 1982		July 1, 1982-March 31, 1983		July 1, 1982-June 30, 1983	
	Ceilings/ Targets	Actuals	Ceilings/ Targets 1/	Prov. Actuals	Ceilings/ Targets 1/	Prov. Actuals
	(In millions of Pakistan rupees)					
Money and quasi-money		15,723		19,373	15,211	30,664
Foreign assets (net)		1,252		5,292	-3,251	10,908
Domestic assets (net)		14,471	17,653	14,081	18,462	19,756
Claims on Government (net)		7,103	6,700	4,488	6,700	9,346
Budgetary support		(6,039)	(5,994)	(2,890)	(5,700)	(6,124)
Commodity operations		(1,156)	(706)	(2,146)	(1,000)	(3,566)
Government deposits with scheduled banks		(503)	(—)	(-74)	(—)	(249)
Zakat Fund deposits at SBP		(-595)	(—)	(-474)	(—)	(-593)
Claims on nongovernment sectors 2/	11,165	9,379	12,078	11,147	13,262	14,898
Claims on private sector	(7,457)	(6,894)	(7,804)	(8,294)	(7,237)	(9,899)
Commercial banks	[5,924]	[5,877]	[6,254]	[6,774]	[5,037]	[8,059]
CEC	/935/	/730/	/2,194/	/1,648/	/412/	/-147/
Other 3/	/4,989/	/5,147/	/4,060/	/5,125/	/4,625/	/8,206/
Specialized banks	[1,533]	[1,017]	[1,550]	[1,520]	[2,200]	[1,840]
SBP credits to nonbank financial institutions (NBFI)	(1,113)	(654)	(1,424)	(1,017)	(2,225)	(999)
Claims on public enterprises 4/	(2,595)	(1,831)	(2,850)	(1,837)	(3,800)	(4,000)
Counterpart funds	—	160		89	—	55
Other items (net) (increase-)	-750	-2,171	-1,125	-1,643	-1,500	-4,433
Memorandum items:						
EFF program ceilings						
Domestic assets (net) 5/	...	15,066	17,881 6/	14,555	19,356 6/	20,349
Claims on Government (net) 7/	...	7,195	6,928 6/	5,036	7,594 6/	9,690
Commercial bank other items (net)	-500	-1,936	79	-1,737	-1,491	-3,383
Commercial bank credit ceiling performance 3/	4,489	3,211	4,139	3,389	3,134	4,163 8/
	(Changes in percent)					
Money and quasi-money		13		17	13	26
Domestic assets (net)		12	15	12	15	16
Claims on Government (net)		11	11	7	11	15
Claims on nongovernment sectors	16	13	17	15	18	21
Claims on private sector (including NBFI)	17	15	18	18	18	21
Claims on public enterprises	13	9	14	9	19	20

Source: State Bank of Pakistan.

1/ As approved in January 1983.
2/ The commercial banks were assigned quarterly credit ceilings by the SBP for lending to the private sector and the public enterprises. Only notional quarterly phasing applies to the annual credit limits assigned to the specialized banks and to SBP credits to the NBFI.
3/ The SBP ceilings excluded lending to CEC and were inclusive of commercial bank other items (net).
4/ Includes SBP credits to NDFC for which there was no quarterly phasing.
5/ Excludes Zakat Fund deposits at SBP.
6/ The ceilings have been adjusted for shortfalls in external financing for the government budget.
7/ The sum of budgetary support and commodity operations.
8/ Excludes call loans amounting to PRs 660 million to PICIC from commercial banks. Of this amount, PICIC used PRs 553 million to retire part of its borrowings from the SBP.

The government bank borrowing target was equivalent to 1.8 percent of GDP. Credit to the nongovernment sector was targeted to grow by 18 percent. Within this aggregate, the credit increase for the public sector enterprises was to be held to 19 percent. In view of large credit requests by the public sector enterprises before the start of the year, including in particular the Pakistan Steel Mill and the authorities' decision that certain public enterprises would no longer have access to the budget for equity financing, a limit was established on public enterprise credit to ensure that the private sector would not be crowded out. Private sector credit was targeted to grow by 18 percent. The credit plan earmarked a global lending target of PRs 2.0 billion for the agricultural sector and PRs 3.1 billion for fixed industrial investment, equivalent to 22 percent and 34 percent of total private sector credit (excluding credit to CEC). Within the global fixed industrial investment allocation, a subtarget of PRs 1.6 billion was established for the commercial banks.

The actual monetary and credit outcome at end-year departed from the position envisioned in the credit plan. In broad terms, developments were marked by a much higher rate of liquidity expansion than had been projected due essentially to a sharp turnaround in the balance of payments. However, excessive credit utilization also contributed to this result. By midyear monetary growth reached 13 percent; the seasonality of liquidity growth was not far different from what the authorities anticipated in their credit plan which was similar to the forecast in previous years. At end-December a small external surplus had already emerged, but this was offset by a lower than expected use of domestic credit. Government bank borrowing was at a higher level than in the two previous years due to a weak revenue performance attributable mainly to shortfalls in receipts from import-related and excise taxes. However, this was balanced by a level of nongovernment sector credit use which was less than envisaged. By the end of the third quarter, the balance of payments had strengthened substantially and lifted monetary growth above the projected rate despite a less expansionary impact from domestic credit. The actual increase in net domestic assets was about 80 percent of its projected end-March level, as government borrowing and credit to the nongovernment sector were 67 percent and 92 percent, respectively, of the envisaged third-quarter levels. Domestic bank borrowing for budgetary support fell substantially after December due to a stronger than expected inflow of receipts from small savings schemes and prize bonds and the authorities' adoption of strict expenditure control measures. On the other hand, government commodity financing, due to the buildup of sugar and rice stocks, rose sharply. The end-March 1983 ceilings on total credit and government borrowing were comfortably observed.

For the year as a whole, monetary growth reached 26 percent, roughly double the target rate and the actual growth of nominal GDP. About 90 percent of the excess liquidity expansion was attributable to the reversal in the balance of payments from the projected deficit into a large surplus position. But, at the same time, most major components of net domestic assets expanded rapidly toward year end. Consequently, the expansion in net domestic credit was about 7 percent higher than the envisaged expansion under the credit plan, despite a large contractionary impact from the net unclassified liabilities of the banking system.

Net credit to the Government was 40 percent higher than forecast, primarily as a result of a large overage in government borrowing to finance its commodity operations. This reflected a large increase in rice stocks, a weakening of control over credit use, and a delay in policy action to begin to deal with the buildup of commodities until early 1983/84. The output of procured commodities was in line with the crop forecasts. Rice stocks remained high over the year due to weak international demand and delays in adjusting export prices. The level of government sugar stocks declined somewhat over the year, but sugar financing increased by PRs 1.4 billion. The authorities have attributed this discrepancy to the misallocation of sugar credit by the provincial food departments. Because of the excess in commodity financing, the program ceiling on government credit was exceeded. Although the budgetary deficit was PRs 5.3 billion higher than projected, government borrowing for budgetary support was under its notional ceiling after the ceiling was adjusted for a shortfall in external financing of PRs 0.9 billion. This was facilitated by a substantial recourse to domestic nonbank borrowing, which was about PRs 8 billion higher than the projected level. This reflected primarily the strong growth in receipts from government small savings schemes and sales of prize bonds which responded to the sharp increase in remittances and the emergence of high real interest rates relative to those prevailing in the international market. For the year as a whole, the increase in credit to Government was equivalent to about 47 percent of the incremental growth in net domestic assets, compared with 39 percent in 1981/82.

Total net credit to the nongovernment sector (including the contractionary effect from net unclassified bank liabilities) was below the end-year SBP target by 24 percent. Within this aggregate, commercial bank net lending to the private sector (excluding CEC) exceeded its SBP ceiling by 33 percent. 1/ Gross credit earmarked for small business, working capital for small industry, fixed industrial investment, housing, agriculture, and exports together exceeded their target by about 54 percent, while unearmarked credit disbursements exceeded its projected level by over 110 percent. Credit disbursements by the specialized banks were 16 percent short of the target but 40 percent higher than in the previous year. The shortfall was entirely due to better than expected recoveries by FBC/PPCB. Lending by the ADBP rose substantially last year as it expanded its short-term lending program. SBP credit to the nonbank financial institutions was about 55 percent under target, primarily because PICIC made no use of SBP credit lines and instead made a substantial repayment to the central bank out of its call loan from the commercial banks. An additional factor was a better loan recoveries performance by BEL and NDFC. With the exception of PICIC, aggregate gross lending by nonbank financial institutions (NBFIs), including loans from their own resources, was close to projection. As a whole, total gross credit extended to the private sector (including SBP credit to NBFIs)

1/ Excludes commercial bank credit of PRs 660 million to PICIC which was mostly utilized to retire some of the latter's outstanding debt to the SBP.

exceeded the annual target by 15 percent and was equivalent to about 55 percent of total gross domestic credit, slightly higher than in 1981/82. Credit use by the public enterprises rose sharply in the fourth quarter and resulted in a 5 percent excess over the program limit. One factor underlying the surge may have been the desire by some enterprises to protect their 1983/84 access to the credit, as allocations are made partially on the basis of actual utilization in the preceding fiscal year. An important factor constraining the increase in total net domestic assets last year was the large increase in net unclassified liabilities of the banking system to about PRs 4.4 billion from an average level of about PRs 1.6 billion over the three previous years; the projection had been PRs 1.5 billion. Much of the increase took place in the last quarter. The causes of the increase are being investigated.

Overall, net credit by commercial and specialized banks to the agricultural sector was about PRs 1.8 billion compared with the target of PRs 2.0 billion, but the shortfall was entirely due to the better FBC/PPCB recoveries. With regard to the utilization of credit for fixed industrial investment, net lending was PRs 1.6 billion compared with a target of PRs 3.1 billion, with most of the shortfall accounted for by PICIC's activities and the improved recoveries by BEL and NDFC. Despite the high level of commercial bank lending to the private sector, bank credit for fixed investment was 12 percent below target and at PRs 1.4 billion remained at the 1981/82 actual level. Net credit for export financing was 31 percent over the floor established by the SBP.

In 1982/83 quasi-money grew by 43 percent compared with 15 percent in 1981/82. This rapid growth reflected increased real rates of return on time deposits due to the substantial decline in the rate of inflation, which helped attract the large inflow of workers' remittances. Subdued construction activity may also have been a factor.

c. Money and prices

It is difficult to identify a close year-to-year relationship between monetary and price developments in Pakistan in the recent past. A possible factor contributing to this disparity may have been the Government's strong influence on price behavior. This influence is exercised through the monopolization of, or substantial intervention in, markets for important basic commodities, the pricing policies of the public sector enterprises, discretionary tax changes, and subsidies for certain consumer and producer goods.

The influence of the Government on prices at early stages in the production and distribution system is extensive. In the wholesale price index, at least 40 percent of the index's weighted shares is composed of commodities whose basic prices are either set by the Government or heavily influenced by government action. Except for the textile sector, most large-scale manufacturing industries and all utilities are government owned. In the services sector the Government owns the shipping, air, and rail systems and the distribution system for petroleum products. In the agricultural sector the Government regulates or influences the prices for major inputs, such as water, fertilizers, and pesticicides, and sets the procurement price for wheat as well as floor prices for rice, cotton, and sugarcane. Moreover, government agencies engage in the wholesaling of food products in an effort to stabilize prices as needed.

In addition, the Government influences the prices of major consumer goods at the retail level. 1/ Coarse wheat flour (atta) is sold at fixed prices by government-owned ration shops. All domestic and most imported edible oils procurement is carried out by government-owned organizations, and the Government has a monoply on petroleum imports and regulates the domestic retail prices of petroleum products and natural gas. The Government in the past has also frequently adjusted duties on important consumer items, such as tea, in an effort to stabilize the domestic price. Moreover, government-owned utility stores retail a wide variety of items to consumers, particularly items in short supply, in order to influence market prices through direct competition with private retailers.

In this context, the loose relationship between monetary policy and price movements, which has characterized the Pakistan economy for some time, would not be unexpected. For example, over the four years 1975/76-1978/79, broad money in Pakistan rose at an average annual rate of 22 percent, while nominal GDP (at market prices) increased on average by only 15 percent (Table 19). The rate of price increase as measured by the GDP deflator and the consumer price index averaged 9-10 percent. The excess liquidity which emerged in the economy during this period contributed to a weakening of the balance of payments and to some increase in the rate of consumer price inflation in 1979/80-1980/81 to 12 percent. In view of the liquidity buildup, the authorities implemented over the period 1979/80-1981/82 demand management policies intended to abate excess demand pressures. (At the same time, however, they also pursued more flexible pricing policies to help rationalize the cost-price structure--see Section I above.) The growth of broad money was held on average to 14 percent while nominal GDP rose by 18 percent. This tighter demand management stance was reflected in a substantial decline in the rate of inflation. The end-year rate of increase in consumer prices fell from 12.1 percent in 1980/81 to 6.6 percent in 1982/83. The GDP deflator also moved down over the three-year period. The large growth in domestic liquidity in 1982/83 was not strongly reflected in price movements last year, although consumer prices edged up toward end-year.

In recent years there has been some movement toward freeing prices. Direct price controls were eliminated for a number of goods, and in 1982/83 the prices of soda ash, caustic soda, and packaged tea were decontrolled. Moreover, effective August 1, 1983 sugar was decontrolled and derationed, except in certain remote areas. 2/

1/ The Price Control and Prevention of Profiteering and Hoarding Act of 1977 gives the Government formal authority for direct price control of 66 major commodities. At the start of 1983/84 only prices of fertilizers, edible oil, mechanical vehicles, and tractors were controlled under this law, but prices also are controlled outside this framework.

2/ See Section I.2.

Table 19. Pakistan: Rates of Increase in Domestic Liquidity, Real GDP, and Prices, 1975/76-1982/83

(In percent)

	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83 1/
Domestic liquidity 2/	26.5	19.6	23.0	20.2	18.5	13.2	11.4	26.3
Nominal GDP (market prices)	17.6	13.1	16.2	12.9	20.6	19.2	14.7	13.8
Real GDP (at 1959/60 market prices)	4.7	3.6	7.8	3.4	9.9	7.6	3.8	6.8
Prices								
Consumer price index 3/								
Annual average	11.7	9.2	7.8	6.6	10.7	12.4	10.0	4.5
End-period	5.9	9.0	7.3	9.3	12.6	12.1	7.1	6.6
Implicit GDP price deflator 4/	12.4	9.3	7.8	9.3	9.7	10.8	10.5	6.6

Sources: State Bank of Pakistan and Ministry of Finance and Economic Affairs.

1/ Provisional.
2/ Table 17.
3/ For 1975/76-1976/77, based on a 1969/70 commodity basket; thereafter on a 1975/76 basket.
4/ Calculated from data in Table 2 and Appendix III, Table 34.

5. Distribution of credit

In the same way as direct credit controls have been the predominant policy instrument used to regulate aggregate credit expansion, the distribution of credit among and within economic sectors has been essentially determined by the selective credit controls built into the annual credit plan. The general objectives of the selective controls have been to bring the pattern of credit allocation within the nongovernment sector into conformity with the country's development objectives. At end-1981/82 selective credit control allocations had resulted in agriculture and manufacturing (both private and public) receiving 11 percent and 45 percent, respectively, of the scheduled bank credit outstanding to the nongovernment sector (Appendix III, Table 61), thus accounting for the bulk of commercial and specialized bank lending. 1/ Lending for commerce accounted for 18 percent of the total.

In 1978/79-1979/80 the NCCC introduced a new selective credit control element into the credit plan with the objective of increasing financial resources for private sector industrial fixed investment. To this end, the SBP assigned mandatory targets for fixed investment lending to the commercial banks in order to ensure that the banks did not discriminate against fixed investment loans bearing a concessional 11 percent interest rate. The mandatory targets were, however, discontinued in 1980/81 as the banks experienced difficulty in meeting their targets. This was attributed to the limited availability of foreign exchange loans for private sector industrial investment and the banks' limited capacity to undertake their own investment feasibility studies. As an alternative approach, for 1981/82 the SBP assigned, within the commercial bank credit ceiling, an allocation of PRs 1.7 billion for lending to the private sector for fixed industrial investment, equivalent to 34 percent of their net lending to the private sector. This target was not mandatory, but the allocation could not be used for other purposes. The commercial banks provided private investors with PRs 1.4 billion of financial resources. For 1982/83 the target was set at PRs 1.6 billion. Actual utilization was 88 percent of the target, a rate essentially unchanged from the 1981/82 level.

The lending pattern of recent years in part reflects two priority-sector mandatory lending schemes: (1) small loans for industry and business and (2) agricultural loans (Appendix III, Table 63). Under these schemes, the commercial banks are required to extend loans to creditworthy applicants and are assigned targets for such lending. 2/ Neither scheme provides for concessionary interest rates per se; however,

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1/ More recent data are not available as the SBP is establishing an improved data series on credit distribution.

2/ Under the small loan scheme, the SBP shares with the commercial banks on a 50:50 basis any bona fide losses incurred by the banks.

the concessionary rate of 11 percent accorded loans for fixed agricultural and industrial investment is applicable. 1/ Certain parts of the priority-sector lending schemes were substantially altered in recent years. 2/

Effective July 8, 1982 the small loan scheme for industry and business provided for the following: (1) loans irrespective of the amount to industrial units, including cottage industries, having fixed assets with an original value (excluding land and buildings) not exceeding PRs 5 million and (2) business loans of up to PRs 200,000 for individuals and firms. In line with the policy of establishing a specific allocation for industrial fixed investment lending, the small loan scheme has entailed since 1981/82 separate credit targets for fixed investment and working capital.

The agricultural loan scheme includes: (1) a mandatory global target covering credit extended for any purpose to the agricultural sector by the commercial banks and (2) within the global target, two credit schemes with mandatory subtargets, one for small loans for seasonal financing and a second scheme intended to finance tobacco marketing in the NWFP where difficulties in obtaining credit have arisen. The first of these two schemes has limits of PRs 5,000 for agricultural production in general and PRs 10,000 for sugarcane production. For 1981/82 the global agricultural loan target was set at PRs 2.7 billion on a gross basis, of which PRs 2.4 billion was disbursed. For 1982/83 the target was set at PRs 1.8 billion, as more credit was to be channeled through the ADBP; actual utilization was PRs 2.0 billion.

In the context of the Islamization of the financial system, in July 1979 the authorities initiated a program for small interest-free production loans for subsistence farmers within the small loans for the seasonal financing scheme. Effective April 18, 1981 the program was expanded to include loans by the commercial banks and by the FBC, operating through cooperative societies, to small fishing enterprises. 3/

As part of the selective credit control system, the SBP has for some time employed minimum margin requirements (MMRs) to influence the commodity-wise distribution of credit for financing domestic wholesale and retail trade and for financing imports. With regard to the MMRs on domestic trade advances, in October 1981 the authorities greatly simplified the classification and reduced the specification of the MMR structure. At the same time, the MMR requirement for many commodities was reduced or eliminated (Appendix III, Table 64). 4/ The system continues to aim at discouraging speculative inventory accumulation and preserves the preferential treatment given to advances for manufacturing vis-a-vis commerce.

1/ The definition of the list of items qualifying for fixed agricultural investment loans was recently expanded.

2/ The schemes as previously constructed are described in SM/81/219, p. 48.

3/ For details, see SM/83/14, p. 53.

4/ For details prior to October 28, 1981, see SM/83/14, Appendix III, Table 62.

As for the MMRs applied to the opening of import letters of credit, the structure was also simplified in October 1981 (Appendix III, Table 65). As in the past, preferential treatment was given to capital goods, intermediate goods, and raw materials, which are either exempted or assigned low rates.

Within the financial system, two concessionary financing schemes are operative to assist domestic manufacturing and promote exports. These are: (1) the scheme for financing domestic sales and exports of locally manufactured machinery and (2) the Export Finance Scheme (Appendix III, Table 56). The financing of domestic sales of machinery is restricted to PICIC, IDBP, BEL, NDFC, and the Pak-Libya Holding Company Limited. The commercial banks are also allowed to participate in cofinancing under the lead of any of these approved development finance institutions. In addition to the commercial banks and NDFC, BEL was permitted, as of January 12, 1983, to finance export sales of locally manufactured machinery. The interest rate applicable to financing of machinery exports has been lowered substantially over time and at present is set at 2 percent, with a maximum term of 12 1/2 years. The SBP provides interest-free refinancing to the commercial banks. The commercial bank interest rate under the Export Finance Scheme has also been sharply reduced and is currently 3 percent with interest-free financing by the SBP. These credits are normally repayable within 180 days but in particular cases may be extended. 1/ The growth of exports and the concessionary interest rate have contributed to a sharp expansion in use of this facility in recent years (Appendix III, Table 54). Beginning August 4, 1982 all exports from the tariff area of Pakistan to the export-processing zone, which were subject to normal export procedures, were treated as exports from Pakistan for the purpose of qualifying for concessionary credit under the Export Finance Scheme and the Scheme for Financing Locally Manufactured Machinery. Effective January 25, 1983 the authorities provided a voluntary Export Credit Guarantee Scheme for exports which are not covered by letters of credit and use postshipment credit under part one of the Export Finance Scheme.

IV. The Balance of Payments and External Debt

1. Overall balance of payments developments

Pakistan's balance of payments recorded a large aggregate surplus over the 1979/80-1980/81 period but came under pressure in 1981/82. The current account deficit increased to almost 5 percent of GNP from an average of less than 4 percent in the previous two years, and the overall position registered a deficit of US$580 million (Table 20).

1/ On August 4, 1982 they were extended for exports of carpets, rugs, leather, and leather products up to 270 days, provided shipments were made in 1982/83 and no later than 180 days after the withdrawal of the advance.

Table 20. Summary Balance of Payments (Analytical Presentation), 1978/79-1982/83

(In millions of U.S. dollars)

	1978/79	1979/80	1980/81	1981/82	Prov. 1982/83
Trade balance	-2,170	-2,516	-2,765	-3,450	-2,906
Exports, f.o.b.	1,646	2,341	2,798	2,319	2,628
Imports, f.o.b.	-3,816	-4,857	-5,563	-5,769	-5,534
Services (net)	-452	-524	-459	-548	-592
Receipts	510	678	945 1/	935 1/	962 1/
Payments	-962	-1,202	-1,404	-1,483	-1,554
Freight and insurance	(-338)	(-429)	(-493)	(-511)	(-487)
Investment income 2/	(-293)	(-342)	(-357)1/	(-416)1/	(-424)1/
Other	(-331)	(-431)	(-554)	(-556)	(-643)
Private transfers (net), of which:	1,496	1,895	2,233	2,388	3,063
Workers' remittances	1,395	1,743	2,097	2,224	2,885
Current account balance 3/	-1,126	-1,145	-991	-1,610	-435
Long-term capital (net)	509	747	581	746	1,145
Gross official disbursements	888	1,054	956	1,092	1,224
Project aid	(601)	(808)	(675)	(536)	(620)
Food aid	(51)	(21)	(66)	(89)	(80)
Other	(236)	(225)	(215)	(467)	(524)
Amortization 2/	-370	-395	-516 1/	-492 1/	-407 1/
Other (including private long-term capital) 4/	-9	88	141	146	328
Errors and omissions (net) 5/	9	20	13	10	38
SDR allocation	39	39	37	—	—
Balance requiring official financing	-569	-339	-360	-854	748
Official assistance and debt relief	384	577	336	274	-25
IMF Trust Fund	71	157	16	—	—
Debt relief	161	90	161	258	35
Consortium	(38)	(13)	(77)	(139)	(17)
Other	(123)	(77)	(84)	(119)	(18)
Official short-term capital (net)	151	52	134	6	-60
Other	1	278 6/	25	10	—
Overall balance	-185	238	-24	-580	723
Net foreign assets (increase-)	185	-238	24	580	-723
Net use of Fund credit	-85	-79	315	345	424
Other central bank and commercial banks	270	-159	-291	235	-1,147
Memorandum items:					
Net long-term financial inflows 7/	751	1,184	727	920	902
Current account deficit as percent of GNP	(5.3)	(4.5)	(3.3)	(4.9)	(1.4)
GNP (current market prices)	21,109	25,501	30,385	32,674	31,576

Sources: Ministry of Finance and Economic Affairs; Appendix III, Table 66; and staff estimates.

1/ Takes account of debt service payments by Pakistan International Airways (PIA) amounting to US$43 million (interest) and US$85 million (amortization) in 1980/81 and US$39 million (interest) and US$52 million (amortization) in 1981/82, US$31 million (interest) and US$50 million (amortization) in 1982/83, which, prior to 1981/82, are netted against services receipts in official statistics. A corresponding contraentry is included under service receipts.
2/ Includes actual and rescheduled debt service.
3/ Excludes official transfers which are included in long-term capital.
4/ Includes foreign currency deposits.
5/ Includes private short-term capital.
6/ Mainly cash loans and grants from oil producing countries.
7/ Defined as gross official disbursements less amortization plus official assistance and debt relief (other than official short-term capital). The 1980/81-1982/83 amortization figures exclude amortization of PIA loans (see footnote 1 above).

There was a dramatic turnaround in this situation during 1982/83. Provisional estimates indicate that the current account deficit declined to 1.4 percent of GNP, and an overall surplus of US$723 million emerged. Reflecting this surplus and net use of Fund credit of US$424 million (including US$196 million drawn under the compensatory financing facility), gross international reserves more than doubled during 1982/83 (see Table 24). The fluctuations in the overall external position primarily reflected movements in the current account deficit except in 1979/80, when a sharp increase in net long-term capital inflows contributed importantly to the overall surplus.

During the two years ended 1980/81, Pakistan's officially recorded terms of trade declined substantially, in large part due to the approximate doubling of world oil prices (Table 21). Despite this decline, the current account deficit was reduced relative to GNP in both these years, due to buoyant private transfers (mainly workers' remittances) and a growth in exports due in part to policies aimed at improving export incentives. The deterioration in the current account in 1981/82 reflected a fall in export receipts of 17 percent and a decline in the rate of growth of workers' remittances to 6 percent from an average of 23 percent during 1979/80-1980/81. Although the world recession contributed to the weak export performance, the appreciation of the rupee in real terms (Chart 2) prior to its delinking from the U.S. dollar in January 1982 resulted in a loss of competitiveness and was a major factor responsible for this outcome. 1/ Possible anticipation of a depreciation of the rupee during the first half of 1981/82 may have contributed to the decline recorded for workers' remittances during that period.

In 1982/83 the sharply lower current account deficit reflected three major factors: a resumption in the growth of exports, a 4 percent decline in the value of import payments, and extremely buoyant emigrant remittances. The delinking of the Pakistan rupee from the U.S. dollar in January 1982, and its subsequent depreciation, contributed importantly to the outcome.

On the basis of customs data, the value of total exports increased by almost 10 percent in 1982/83 (Appendix III, Table 67). Within the total, however, major exports fell by 7 percent (Appendix III, Table 68) as, with the exception of raw cotton and cotton yarn, the value of all other major exports declined. In the case of rice exports, which suffered the largest decline, average prices fell by 23 percent and volume by almost 5 percent. An initial reluctance to reduce rice export prices, despite weak demand in the traditional markets for Basmati and aggressive price cutting by Pakistan's competitors in world markets for other rice varieties, delayed the signing of rice export contracts and hence shipments. A labor slowdown in the Karachi port during the months of April and May also affected shipments. For other major exports, the decline in value reflected lower prices in U.S. dollars (due to the appreciation of the dollar and the continued world recession) as volumes for the most part were higher. In the aggregate, minor exports increased sharply by 36 percent.

1/ Over the two-year period ended December 1981, the real effective appreciation of the rupee amounted to about 16 percent.

Table 21. Pakistan: External Trade Indices, 1978/79-1982/83 1/

	1978/79	1979/80	1980/81	1981/82	July-March 1981/82	July-March 1982/83
			(1975/76 = 100.0)			
Exports, f.o.b.						
Unit price index	153.9	166.3	176.1	179.0	175.8	194.5
Volume index	129.5	135.3	146.8	157.0	154.4	124.6
Imports, f.o.b.						
Unit price index	122.0	149.3	181.5	200.7	197.2	226.3
Volume index	161.3	172.5	182.5	176.6	174.9	176.4
Terms of trade index	126.2	111.4	97.0	89.2	89.2	86.0
			(Percentage change)			
Exports, f.o.b	64.3	12.9	14.9	8.7	7.2	-10.7
Unit price index	24.5	8.1	5.9	1.6	1.3	10.6
Volume index	32.0	4.5	8.5	6.9	5.8	-19.3
Imports, f.o.b.	22.7	30.9	28.6	7.0	12.3	15.7
Unit price index	3.9	22.4	21.6	10.6	9.9	14.8
Volume index	18.1	6.9	5.8	-3.2	2.2	0.9
Terms of trade index	19.8	-11.7	-12.9	-8.0	-7.9	-3.6
Memorandum items: 2/						
Exports, f.o.b.	27.9	42.2	19.5	-17.1	-17.1 3/	13.3 3/
Imports, f.o.b.	38.7	38.7	14.5	3.7	3.7 3/	-4.1 3/

Source: Ministry of Finance and Economic Affairs.

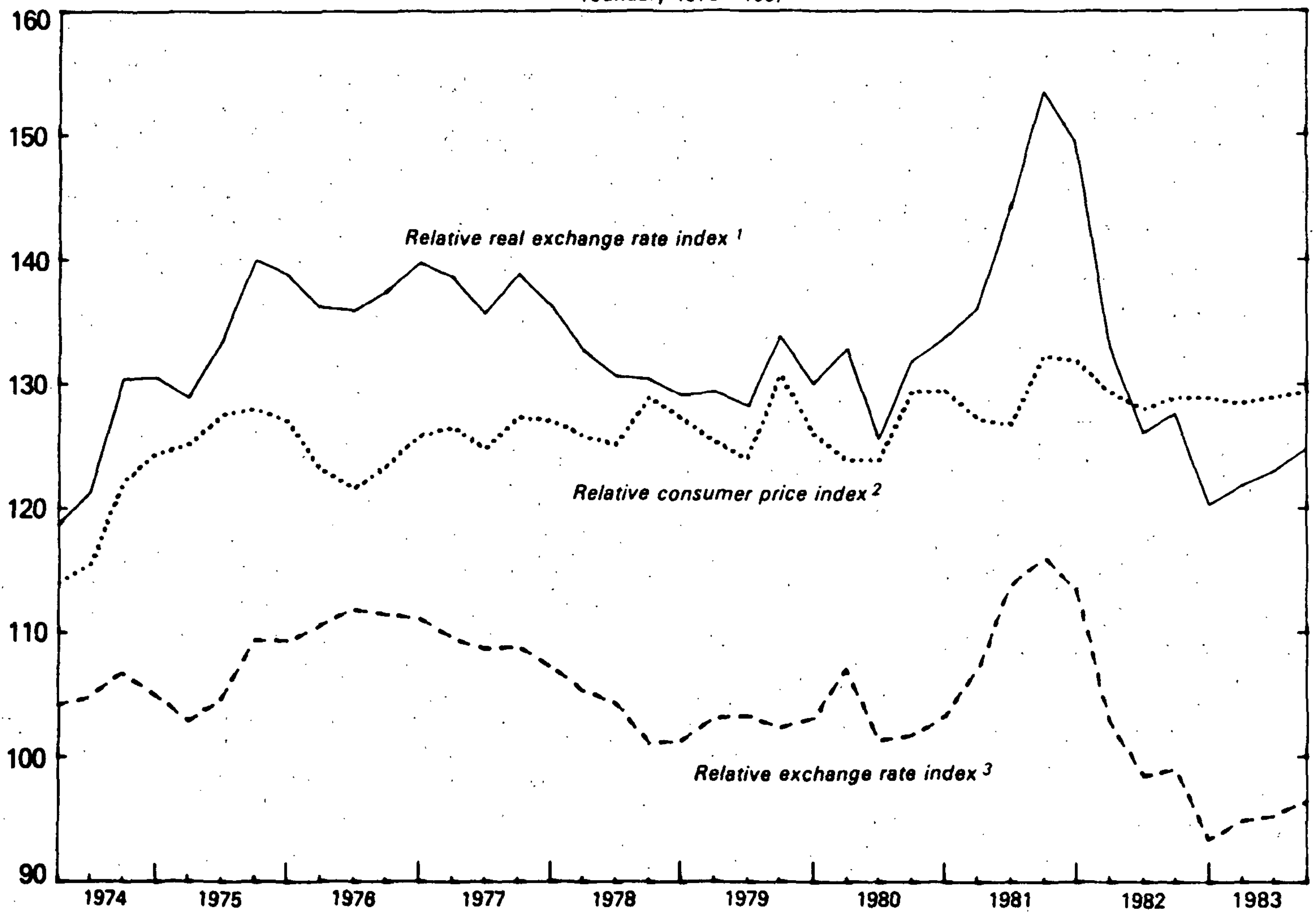
1/ The official indices for volume and unit values are based on customs data and yield different value increases for imports and exports those indicated by actual import payments and export receipts. In part this reflects differences in timing and coverage. Thus while the terms of trade index may provide some indication of the direction change, the magnitude of changes appear to be subject to a margin of error.
2/ Based on import payments and export receipts as given in Table 20.
3/ Data covers the entire fiscal year.

CHART 2

PAKISTAN

MOVEMENTS IN THE TRADE-WEIGHTED REAL EXCHANGE RATE AND ITS COMPONENTS, 1974-83

(January 1973 = 100)



Sources: *International Financial Statistics, Direction of Trade*, and Fund staff estimates, as of end-August 1983.

[1] Equals (relative consumer price index x relative exchange rate index) ÷ 100; values in excess of 100 are indicative of a relative real appreciation of the Pakistan rupee since January 1973.

[2] Pakistan consumer price index relative to trade weighted consumer price indices of 14 major trading partners.

[3] Trade weighted exchange rates of 14 major trading partners relative to exchange rate of the Pakistan rupee, a rise in the index indicates a relative appreciation of the rupee.

A number of special factors, including exports of surplus domestic stocks of wheat and fertilizer 1/ and unusually high exports of synthetic fabrics 2/ contributed to this result. However, even excluding these special factors, the rate of growth would remain substantial at 22 percent and represents a return to the high rates of growth exhibited by these exports in earlier years. In large part, improved competitiveness was responsible for this development, but the high growth rate also reflected a small base for many of these items and the fact that a large share was exported to oil producing countries where growth rates declined less than in the industrial countries. Partly reflecting this factor, the share of exports to oil producing countries increased to 23 percent in 1982/83 from 14 percent in the previous year (Appendix III, Table 72).

Both oil and non-oil imports declined by 4-5 percent in 1982/83 (Appendix III, Tables 70 and 71). In the case of oil, the decline in gross import payments was due to the lower prices for imported crude and oil products, which more than offset an aggregate volume increase. Within the aggregate, the volume of imported crude declined, despite increased domestic consumption, due to higher domestic production and limited domestic refining capacity. However, the volume of imported products increased. As a result of increased domestic demand for fuel oil engendered by a natural gas shortage, product exports fell sharply and, consequently, net import payments increased by 7.5 percent in 1982/83 (Table 22). Among non-oil imports, all categories except chemicals, machinery and transport equipment, and tea shared in the decline in value. Factors contributing to the decline included the depreciation of the exchange rate, lower prices in U.S. dollar terms, particularly for fertilizers, wheat, and vegetable oils, as well as lower volumes of iron, steel, and cement imports. The volume of non-oil imports is estimated to have remained approximately unchanged.

Net capital inflows increased by US$100 million during 1982/83. This consisted of increases in net official disbursements and other long-term net capital (mainly foreign currency deposits) of US$217 million and US$182 million, respectively, a decline in debt relief of US$223 million, and a net repayment of commercial borrowing. The net inflow to foreign currency deposits was US$288 million and reflected in part a decision in July 1982 to extend Eurocurrency rates to deposits of less than US$100,000. To contain the growth of these deposits, the central bank reduced toward end-year the interest differential offered over Eurocurrency rates which had emerged for these deposits. The increase in net official disbursements consisted of an increase in gross disbursements of US$132 million and a reduction in amortization payments of US$85 million. Included in gross official disbursements was US$136 million from the

1/ These commodities had not previously been exported.

2/ Synthetic fabric exports amounted to US$150 million in 1982/83, compared with US$37 million in 1981/82. The large increase was due to duty drawbacks being set at standardized rates, which overcompensated for the actual duty paid on imported inputs. Standardized rebates for synthetic fabrics were reduced in the 1983/84 budget.

World Bank's Structural Adjustment Loan and US$32 million of U.S. economic assistance. The decline in amortization reflected in part the effect of the appreciation of the U.S. dollar on amortization payments in nondollar currencies. The lower inflow of debt relief resulted from the winding down of the last rescheduling agreement with the Pakistan Consortium (January 1981).

Table 22. Pakistan: Petroleum and Petroleum Products Trade Balance, 1978/79-1982/83

(In millions of U.S. dollars)

	1978/79	1979/80	1980/81	1981/82	1982/83
Imports, c.i.f.	610.1	1,237.4	1,601.7	1,682.7	1,636.7
Crude petroleum	393.1	751.4	994.7	1,142.9	1,032.0
Petroleum products	217.0	486.0	607.0	539.8	604.7
Exports, f.o.b.	119.1	305.0	301.1	300.2	165.2
Petroleum products	56.1	190.5	160.3	187.0	60.5
Sales to foreign carriers 1/	63.0	114.6	140.8	113.2	104.7
Net imports, f.o.b. 2/	439.2	827.1	1,164.5	1,239.5	1,332.4

Source: Ministry of Petroleum and Natural Resources.

1/ Included in the balance of payments under "other transportation--receipts."
2/ Imports have been converted to an f.o.b. basis, assuming freight and incidentals are 8.5 percent of the c.i.f. basis.

2. Developments during 1980/81-1982/83

a. Exports

During the three-year period ended 1982/83, total exports (in U.S. dollar terms) increased on average by 6 percent. This rate of growth is comparable to that registered for other non-oil developing countries (NOLDCs) during this period. However, the year-to-year changes for Pakistan differed from those experienced by other NOLDCs. The growth in Pakistan exports in 1980/81 and 1982/83 exceeded that of other NOLDCs, while in 1981/82 exports from Pakistan declined by 17 percent, whereas they increased marginally for other NOLDCs.

A major element underlying Pakistan's good export performance in 1980/81 was expanded output of the major commodities exported, namely, raw cotton and rice, as well as continued high world prices for these commodities (Appendix III, Tables 67 and 68). A second factor was a growth of 41 percent in minor exports, similar to the rate of growth in the previous year, due in part to improved competitiveness following the introduction of compensatory export rebates for some of these products in 1979/80 (Appendix III, Table 67). On the other hand, the export performance of other important items, such as cotton yarn and cloth, leather, and carpets, was less satisfactory due in part to weak world demand and continued protectionist tendencies. 1/ The export volume for these products generally stagnated or declined, while unit values on average rose only marginally. In the case of carpets, competition from other Asian countries (especially in lower-grade carpets) was also a factor, while leather exports were affected both by competitiveness difficulties and by the bankruptcy of one large concern. 2/

The disappointing export performance of 1981/82 was reflected in most categories of exports. Continued recession in industrial countries and reduced competitiveness were the major contributory factors, particularly for manufactured and semimanufactured exports. For the major exports, most of which suffered declines in both volume and price, additional factors played a role. The volume and price declines were most marked for rice, raw cotton, and carpets. The decline in rice export earnings of 30 percent was due mainly to the existence of abundant world supplies of rice and aggressive marketing policies by certain other rice exporting countries attempting to reduce excess stocks. 3/ Regional developments also played a role in reducing shipments of Basmati to some countries in the area, which had been major markets for this superior rice variety. In the case of raw cotton, the sharp decline in shipments (by 29 percent), despite a further increase in cotton production, reflected a low level of stocks at the beginning of the year, higher domestic consumption, and a substantial reduction in sales to the People's Republic of China following the unusually large purchases by that country in 1980/81. With regard to carpet and rug exports, earnings declined notwithstanding the introduction of an export rebate of 12.5 percent for these items in 1981/82. The rebate did not offset the effects of the decline in competitiveness due to the appreciation of the rupee, particularly strong competition from other Asian countries, and the recession in industrial countries.

1/ A summary compiled by the Pakistan authorities of the restrictive measures affecting Pakistan's exports is provided in Appendix III, Table 69.

2/ Regarding competitiveness, compensatory rebates were not extended to carpet and leather exports until July 1981.

3/ At end-1981/82 world rice stocks were estimated by the U.S. Department of Agriculture to be 25 million metric tons or about double world trade in rice in 1981/82.

The resumption in export growth in 1982/83 was not shared by all exports. Major exports declined due to continued excess world supplies of rice and weak demand for raw cotton. On the other hand, minor exports resumed the high rate of growth previously exhibited, due in part to special factors but also to improved competitiveness following the adjustment of the exchange rate after January 1982.

b. Imports

Following an increase of 27 percent in 1979/80, the rate of growth of import payments in terms of U.S. dollars declined to 14.5 percent in 1980/81 and stagnated during the following two years (Tables 20 and 23 and Appendix III, Table 70). The sharp increase in 1979/80, which primarily reflected the doubling of oil prices, would have been higher but for the imposition of non-oil import licensing restrictions in October 1979. The removal of most of these licensing restrictions in December 1980 acted to stimulate import demand in the second half of 1980/81. For 1980/81 as a whole, private sector imports increased by 34 percent (30 percent in volume terms) compared with 15 percent (2 percent in volume terms) in 1979/80 (Annex Table 7). The higher rate of growth of private sector imports was more than offset by lower rates of growth for oil imports (29 percent compared with 102 percent in 1979/80) and public sector imports. In the case of oil imports, price increases were substantially less than in 1979/80 and volume increases were also lower, reflecting the effects on consumption of domestic price increases in 1980 (Appendix III, Table 71). In 1981/82 factors contributing to the low growth of import payments were a leveling off of oil prices, a decline in some import prices (measured in U.S. dollars) in part due to the appreciation of the U.S. dollar, import substitution of fertilizers following completion of new production facilities, and a lower volume increase (12 percent) in private sector imports. Exchange rate uncertainty and the lack of forward cover for imports from January 8, 1982 through June 1, 1982 possibly contributed to the latter decline.

Both oil and non-oil import payments fell slightly in 1982/83. The decline in oil import payments reflected lower prices for crude and product imports, which more than offset the increase in the aggregate volume of oil imports. In the case of non-oil imports, the fall in import payments mainly reflected lower public sector import payments for edible oil due to declining world prices and lower imports financed by aid to Afghan refugees. Private sector imports remained virtually unchanged in both volume and value terms. Factors contributing to the sluggishness of private sector imports were the depreciation of the exchange rate and a further decline in some non-oil prices measured in U.S. dollars. Within private sector imports, machinery imports registered some volume growth due in part to an increase in value limits on imports of machinery for certain purposes announced in the 1982/83 Import Policy Order (IPO).

Table 23. Pakistan: Exports and Imports by Economic Categories, 1978/79-1982/83 1/

	1978/79	1979/80	1980/81	1981/82	1982/83
			I. Exports		
			(In millions of U.S. dollars)		
Primary commodities	552.9	993.8	1,295.4	855.4	814.5
Semimanufactures	352.4	355.5	335.4	327.9	363.8
Manufactured goods	804.3	1,015.4	1,327.9	1,281.8	1,536.7
Total	1,709.6	2,364.7	2,957.5	2,465.1	2,715.0
			(In percent)		
Primary commodities	32.3	42.0	43.8	34.7	30.0
Semimanufactures	20.6	15.0	11.3	13.3	13.4
Manufactured goods	47.1	43.0	44.9	52.0	56.6
Total	100.0	100.0	100.0	100.0	100.0
			II. Imports 2/		
			(In millions of U.S. dollars)		
Consumer goods	792.1	757.6	785.4	812.0 (736.4)	695.6
Raw materials for consumer goods	1,557.2	2,003.5	2,708.5	2,762.8 (2,465.6)	2,405.9
Raw material for capital goods	218.2	294.5	409.5	468.0 (418.2)	287.3
Capital goods	1,108.1	1,684.7	1,503.2	1,595.2 (1,471.2)	1,468.2
Total	3,675.6	4,740.3	5,406.6	5,638.0 (5,091.6)	4,857.2
			(In percent)		
Consumer goods	21.6	16.0	14.5	14.4 (14.5)	14.3
Raw materials for consumer goods	42.4	42.3	50.1	49.0 (48.4)	49.6
Raw materials for capital goods	5.9	6.2	7.6	8.3 (8.2)	5.9
Capital goods	30.1	35.5	27.8	28.3 (28.9)	30.2
Total	100.0	100.0	100.0	100.0 (100.0)	100.0

Source: Statistics Division, Ministry of Planning and Development.

1/ Customs data, which differ from balance of payments due to differences in timing, coverage, and valuation.

2/ On a mixed c.i.f. basis. Data for 1982/83 imports are for July through May only. Data in parentheses for 1981/82 also are for July through May.

By economic classification, consumer goods imports declined in both value and volume terms between 1978/79 and 1982/83 (Table 23), while all other categories increased in value and volume terms. 1/ Ignoring shifts in composition in intervening years which to some extent reflected the imposition and subsequent removal of licensing restrictions, the major change over the period was a decline in the proportion of consumer goods in total imports and an increase in the proportion of raw materials for consumer goods. Factors contributing to this change were a substantially reduced need for wheat and sugar imports and increased imports of components (at concessional rates of duty) used in television sets, refrigerators, and other consumer items. 2/

c. Services and private transfers

Following a decline in 1980/81, the deficit on the net services account (on an actual payment basis) rose in 1981/82 and 1982/83 (Table 20 and Appendix III, Table 66). 3/ The decline in 1980/81 reflected a slowdown in receipts that was more than offset by a decline in the rate of growth of payments. The reduced rate of increase in receipts takes into account both a decline in Pakistan International Airways (PIA) earnings of US$18-19 million as well as a sharp increase in investment income receipts due to higher international interest rates and a buildup of gross official reserves. In the case of service payments, in line with the trend in imports, freight and insurance payments increased by only 15 percent compared with 27 percent in the previous year. Investment income payments, the other major category of service payments, increased only moderately due to the rescheduling of interest payments by the Pakistan Consortium. The increase in net service payments in 1981/82 primarily reflects a further decline in PIA earnings and only a moderate increase in investment income payments (excluding rescheduled interest). The further increase in net service payments in 1982/83 was due to reduced investment income receipts on account of lower interest rates.

The rate of growth of private transfers declined sharply in 1981/82 compared with the previous two years. Almost 95 percent of receipts in this category were remittances through the banking system from overseas Pakistanis. These remittances increased by only 6 percent in 1981/82, compared with an average of about 23 percent in the previous two years, perhaps due to inadequate real interest rate differentials and anticipation over a depreciation of the exchange rate in the first half of the year; during that period remittances actually declined compared with the same period of the previous year. The delinking of the rupee from the U.S.

1/ This comparison assumes that imports in June 1982 are equal to average monthly imports for July-May 1983.

2/ Beginning in 1982/83 concessionary tariffs applicable to recognized assemblers of certain consumer items were gradually being withdrawn (under the deletion program) as components became available domestically.

3/ For 1981/82 Table 20 indicates an increase in net service payments while Appendix III, Table 66 indicates a decline. The latter reflects a change in the accounting for PIA transactions starting in 1981/82.

dollar in January 1982 and its subsequent depreciation was a major factor contributing to the recovery in remittance inflows in the second half of 1981/82 and the strong growth exhibited in 1982/83.

d. Capital flows

Long-term capital inflows consist of official long-term aid and private long-term capital (including foreign currency deposits). The reduction in gross official disbursements in 1980/81 reflected essentially a corresponding movement in project aid. Project aid declined further in 1981/82; however, this was more than offset by increased food and commodity aid 1/ and a more than doubling of assistance for Afghan refugees, so that gross disbursements rose. The larger inflow of other long-term capital in 1980/81 was entirely due to an increase in the stock of foreign currency deposits of US$86 million compared with US$31 million in 1979/80. These deposits rose by US$63 million in 1981/82. A similar increase in these deposits was recorded in 1981/82. The increases in foreign currency deposits reflected continuous adjustments in interest rates for these accounts to keep them in line with changes in Eurocurrency rates.

The substantial increase in net long-term capital inflows in 1982/83 reflected a large increase in foreign currency deposits, higher disbursements of project and nonfood aid (including disbursements under the World Bank's Structural Adjustment Loan), and lower amortization payments. In part, the latter was due to the effect of the U.S. dollar appreciation on amortization payments in nondollar currencies.

The decline in the category official assistance and debt relief during 1980/81 was accounted for largely by a fall in receipts from the IMF Trust Fund and also reflected the receipt in 1979/80 of a nonrecurring loan of US$200 million from Saudi Arabia (Appendix III, Tables 74 and 75) and a grant from Abu Dhabi amounting to US$50 million (both recorded under official assistance and debt relief--other in Table 20). Debt relief, on the other hand, rose substantially to US$161 million in 1980/81 as a result of the agreement reached in January 1981 with the Pakistan Consortium to reschedule official debt service payments for an 18-month period commencing in January 1981. Partly to compensate for the overall decline in official assistance inflows, net official short-term borrowing more than doubled over the previous year's level. Total outstanding short-term debt of under one year's maturity (mainly from foreign banks) reached a level of US$442 million at end-June 1981. The further decline in official assistance and debt relief in 1981/82 was almost entirely due to the virtual elimination of short-term borrowing as debt relief increased to US$258 million. The net outflow under official assistance and debt relief in 1982/83 reflected sharply lower debt relief and a reduction in outstanding short-term borrowing.

1/ Commodity aid and refugee assistance are included in "other" official disbursements.

During 1980/81-1982/83 Pakistan's gross official reserves (including about 1.8 million ounces of gold valued at SDR 35 per fine ounce) increased by US$1,149 million (Table 24). This result reflected an aggregate overall balance of payments surplus of US$119 million, net purchases from the Fund of US$1,084 million, and deposits placed by oil producing countries. As of end-June 1983 gross official reserves including gold amounted to US$1,981 million, equivalent to about 17 weeks of 1982/83 imports (c.i.f.), compared with 8 weeks of imports at end-1979/80.

3. External public debt

Total external civilian debt (consisting of disbursed and undisbursed medium- and long-term debt, disbursed foreign debt repayable in local currency, and short-term debt in the one year to three year range) increased from US$12.1 billion in 1979/80 to US$13.4 billion in 1982/83. 1/ The ratio of total civilian debt to GNP declined from 47.5 percent at end-1979/80 to 38.8 percent at end-1981/82 but increased to 42.4 percent in 1982/83 (Table 25). The increase in the latter year reflects the statistical effect of the depreciation of the rupee on GNP measured in U.S. dollars. Excluding the latter effect, the ratio declined throughout the period. 2/ Over the same period the ratio of debt service payments (including short-term interest and IMF charges and repayments) to current account receipts declined from 14.3 percent in 1979/80 to 13.2 percent in 1982/83.

Disbursed external public debt (repayable in foreign currency) increased by 5.5 percent in 1982/83 after virtually no increase in the previous two years (Table 26). Over the period 1979/80-1982/83, net inflows of foreign assistance (including balance of payments financing) decreased in real terms by 25 percent (Table 25). 3/ This decline reflected large balance of payments support inflows in 1979/80 that were not repeated in subsequent years (Appendix III, Table 74). Excluding balance of payments support, a real increase of some 14 percent occurred.

Economic assistance commitments increased by 66 percent in 1981/82 but remained roughly unchanged in 1982/83. Disbursements increased in 1982/83 due in part to drawings of US$136 million under the World Bank's Structural Adjustment Loan and also to higher disbursements of project aid.

1/ Civilian debt excludes military debt, private debt without government guarantee, deposits of foreign monetary authorities with the State Bank of Pakistan (US$290 million at end-June 1983), and foreign currency deposits (US$550 million at end-June 1983).

2/ Use of an exchange rate of PRs 9.90 = US$1 in 1981/82 and 1982/83, instead of actual average rates of PRs 10.55 in 1981/82 and PRs 12.72 in 1982/83, reduces the total civilian debt/GNP ratio in those years to 36 percent and 33 percent, respectively.

3/ The real increase is obtained by deflating net inflows by the average increase in export prices of industrial countries.

Table 24. Pakistan: Gross Official Reserves, 1977-83

(In millions of U.S. dollars)

End of Month		Gold 1/	SDRs	Foreign Exchange	Total 2/
1977:	March	66	29	323	418
	June	66	39	333	438
	September	66	42	348	456
	December	69	35	414	518
1978:	March	74	27	503	604
	June	74	36	658	768
	September	77	30	612	719
	December	78	40	368	486
1979:	March	80	69	431	580
	June	80	58	328	466
	September	82	52	107	241
	December	82	45	168	295
1980:	March	80	73	684	837
	June	84	54	694	832
	September	84	47	407	538
	December	81	29	467	577
1981:	March	78	58	824	960
	June	74	85	973	1,132
	September	74	26	752	852
	December	75	56	665	797
1982:	March	72	51	743	891
	June	71	44	718	880
	September	71	63	919	1,116
	December	71	51	853	1,040
1983:	March	70	28	1,357	1,536
	June	70	29	1,819	1,981
	September	69	3	1,793	1,927

Source: IMF, International Financial Statistics.

1/ Valued at SDR 35 per fine ounce and converted into U.S. dollars at end-month SDR/U.S. dollar rates.
2/ Includes reserve position in the Fund beginning March 1982.

Table 25. Pakistan: External Public Debt Operations, 1978/79-1982/83 1/

	1978/79	1979/80	1980/81	1981/82	Prov. 1982/83
			(In millions of U.S. dollars)		
Net disbursements	726	1,151	589	814	848
Gross disbursements 1/	959	1,461	972	1,102	1,224
Loans	(831)	(1,143)	(697)	(674)	(866)
Grants	(128)	(318)	(275)	(428)	(358)
Amortization	-233	-310	-383	-288	-376
Debt service payments	494	595	712 2/	632 2/	796 2/
Amortization (excluding rescheduled principal)	233	310	383	288	376
Interest (including interest on short-term debt and IMF charges)	261	285	327	344	420
Debt service payments (including interest on short-term debt and IMF charges and repurchases)	...	705	880	792	876
Debt service obligations	645	685	871	890	847
Debt service payments	494	595	710	632	812
Rescheduled debt service	151	90	161	258	35
Principal	(137)	(85)	(133)	(204)	(31)
Interest	(14)	(5)	(28)	(54)	(4)
Commitments					
By aid category	1,497	1,714	1,008	1,677	1,623
Project aid	1,167	1,003	606	918	1,145
Commodity aid	245	292	366	759	478
Nonfood	(190)	(237)	(293)	(636)	(345)
Food	(55)	(55)	(73)	(113)	(133)
Program aid	85	419	36	10	—
By term of original maturity	1,497	1,714	1,008	1,677	1,623
Grants	222	310	233	486	433
Loans	1,275	1,404	775	1,191	1,190
1-5 years	(99)	(42)	(18)	(60)	(85)
5-10 years	(195)	(361)	(132)	(118)	(203)
10-15 years	(123)	(321)	(43)	(27)	(17)
Over 15 years	(858)	(680)	(582)	(986)	(885)
			(Ratios in percent)		
Debt service payments/exports of goods and services	22.9	19.7	19.0	19.4	22.6
Debt service payments/current account receipts 3/4/	13.5	12.1	11.9	11.2	12.0
	(...)	(14.3)	(14.7)	(14.0)	(13.2)
Debt service obligations/current account receipts 3/	17.7	13.9	14.6	15.8	12.7
Average interest rate on disbursed debt outstanding 5/	2.6	2.6	3.1	3.5	3.0
Disbursed debt outstanding/GNP	36.9	33.9	29.0	26.9	29.4
Total debt (excluding short-term debt and debt repayable in local currency)/GNP	48.8	44.1	37.3	35.9	39.6
Total debt (including short-term debt)/GNP	52.7	47.5	40.6	38.8	42.4
			(In number of years)		
Aid pipeline 6/	3.2	2.6	2.8	4.3	4.2
			(1974/75 = 100)		
Net disbursements in real terms 7/	63	87	42	61	65
Net disbursements (excluding balance of payments support) in real terms 7/	83	83	61	88	95

Sources: Data provided by the Pakistan authorities; and staff estimates.

1/ Excludes debt repayable in local currency and official short-term credits. Includes cash loans and and grants obtained for balance of payments support (Appendix III, Table 74).
2/ Includes debt service payments by Pakistan International Airways (PIA) amounting to US$43 million (interest) and US$85 million (amortization) in 1980/81, US$40 million (interest) and US$52 million (amortization) in 1981/82, and US$31 million (interest) and US$50 million (amortization) during 1982/83.
3/ Excludes official transfers.
4/ Figures in parentheses include both IMF charges and repurchases in debt service payments.
5/ Interest obligations (on debt of over one year's maturity) divided by the average of disbursed debt outstanding at the beginning and at the end of the year.
6/ Undisbursed loan balances divided by the average of gross loan disbursements during the preceding two years.
7/ Net disbursements deflated by the export price index for industrial countries.

Table 26. Pakistan: External Public Debt, 1978/79-1982/83 1/

(In millions of U.S. dollars)

	1978/79	1979/80	1980/81	1981/82	Prov. 1982/83
Debt repayable in foreign currency					
Outstanding at beginning of period	7,188.5	7,796.2	8,657.5	8,765.0	8,798.9
Loan disbursements	+831.0	+1,217.7	+718.6	+681.0	+870.0
Gross disbursements 2/	(+959.0)	(+1,469.8)	(971.6)	(1,102.1)	(1,224.1)
Grant disbursements	(-128.0)	(-252.1)	(-253.0)	(-421.1)	(-354.0)
Repayment	-233.0	-309.5	-299.7	-289.3	-420.3
Capitalized interest	+12.9	--	+69.4	--	--
Debt cancellation by Denmark, Netherlands, and United Kingdom	-142.8	--	--	-4.1	--
Valuation adjustment	+139.6	-46.9	-380.8	-353.7	--
Outstanding at end of period	7,796.2	8,657.5	8,765.0 3/	8,798.9 3/	9,248.6 3/
Debt repayable in local currency					
Outstanding at beginning of period	549.8	536.0	521.7	508.7	495.7
Repayment	-13.8	-14.3	-13.0	-13.0	-13.0
Outstanding at end of period	536.0	521.7	508.7	495.7	482.7
Total disbursed debt					
Outstanding at beginning of period	7,738.3	8,332.0	9,179.2	9,273.7	9,294.6
Net change	+593.7	+847.2	+94.5	+20.9	+436.7
Outstanding at end of period	8,332.0	9,179.2	9,273.7	9,294.6	9,731.3

Source: Ministry of Finance and Economic Affairs.

1/ Debt of over one year's maturity.
2/ Data do not fully reconcile with Table 20.
3/ Excludes US$2.1 million as insurance recoveries in respect of Tarbela Dam Repairs as status is yet to be decided.

The maturity structure of the debt deteriorated somewhat in 1982/83 considering only debt over one year. 1/ Of new commitments in 1982/83, 74 percent had a maturity over 15 years compared with 83 percent in 1981/82 and 24 percent had a maturity range of 1-10 years compared with 15 percent in the previous year.

Actual debt service payments (including interest on short-term debt and IMF charges and repurchases) increased by 11 percent in 1982/83 compared with a decline in 1981/82 of 10 percent. The increase in 1982/83 was due entirely to the effects of rescheduling on 1981/82 payments as debt service obligations declined. Reflecting the sharp increase in current receipts in 1982/83, the ratio of debt service payments (including IMF charges and repurchases and short-term interest) to current account receipts declined from 14 percent in 1981/82 to 13.2 percent in 1982/83. This ratio does not take into account rollovers of short-term debt. The average interest rate on disbursed debt outstanding (excluding short-term debt) declined from 3.5 percent in 1981/82 to 3.0 percent in 1982/83.

V. Exchange and Trade System

Since the last consultation, the main changes that occurred in Pakistan's exchange and trade system concern measures aimed at liberalizing the import regime, the reduction of export rebates on a wide range of items, and some further relaxation of the regulations regarding current invisible transactions. The authorities have continued to operate a flexible exchange rate system.

1. The exchange rate regime

Between February 16, 1973 and January 7, 1982, the rupee was pegged to the U.S. dollar at a rate of PRs 9.90 = US$1. On January 8, 1982 the authorities delinked the rupee from the U.S. dollar (the latter remained the intervention currency) and introduced a managed floating rate system. The new system utilizes a currency basket. Between January 8, 1982 and end-October 1983, the rupee/U.S. dollar rate was adjusted on 92 occasions (Table 27). As of the latter date, the exchange rate stood at PRs 13.23 per US$1, representing a downward movement in the value of the rupee of 25.2 percent. 2/ Reflecting the appreciation of the U.S. dollar, the trade-weighted nominal effective depreciation of the rupee (Chart 2 and Appendix III, Table 77) was less, amounting to about 14.9 percent (comparing the levels at end-December 1981 and end-October 1983). The real effective exchange rate depreciated by 17.1 percent by end-June 1983. 3/

1/ This figure excludes US$403 million of short-term loans (including US$350 million from commercial banks). The latter figure includes US$194 million of loans of two- to three-year maturity.

2/ Or an increase of about 34 percent in the number of rupees per U.S. dollar.

3/ The latest date for which full price data are available.

Table 27. Pakistan: Changes in the Exchange Rate of the Rupee, 1982-83

(In Pakistan rupees per U.S. dollar) 1/

1982		
January	9	10.10
	16	10.22
	21	10.31
	26	10.43
	28	10.39
February	2	10.49
	3	10.57
	4	10.53
	10	10.61
	13	10.72
	17	10.81
	24	10.85
	27	10.92
March	10	10.98
	13	11.11
	17	11.18
	20	11.26
	27	11.38
	31	11.46
April	3	11.58
	6	11.70
	10	11.74
	15	11.70
	21	11.65
	29	11.61
May	6	11.56
	8	11.50
	15	11.57
	18	11.53
	19	11.60
	29	11.72
June	3	11.79
	5	11.75
	8	11.80
	10	11.88
	12	11.83
	16	11.99
	19	12.09
	22	12.17
	23	12.12
	26	12.20
July	3	12.14
	8	12.25
	10	12.20
	13	12.15
	15	12.23
	20	12.16
	27	12.08
	29	12.15
1982		
August	5	12.25
	7	12.31
	12	12.36
	19	12.28
	21	12.20
	25	12.15
	28	12.20
	31	12.33
September	4	12.22
	9	12.30
	15	12.42
October	10	12.54
	16	12.60
	23	12.72
December	11	12.84
	14	12.96
	28	12.90
	30	12.84
1983		
January	3	12.78
	19	12.84
	25	12.98
	27	12.90
February	2	12.97
	15	12.87
	16	12.80
March	2	12.87
	24	12.98
April	6	12.90
June	2	12.98
	21	13.10
	29	13.17
July	16	13.30
August	2	13.37
	6	13.44
	20	13.34
	28	13.27
	30	13.40
September	13	13.34
	15	13.40
October	5	13.30
	15	13.40
	18	13.30
	22	13.23

Source: State Bank of Pakistan.

1/ Spot buying rate of the State Bank of Pakistan.

Forward sales of foreign exchange were temporarily suspended on adoption of the new exchange rate system in early 1982. However, on April 22, 1982 forward sales were permitted in respect of repatriable loans obtained by foreign companies in Pakistan, and on June 1, 1982 the provision of forward cover for imports was resumed. Foreign exchange cover facilities were extended to interest payments on repatriable loans on February 19, 1983.

The margins applicable to buying and selling rates quoted by authorized banks and money changers remained unaltered following the change to a floating rate system. No exchange taxes or subsidies are applied to purchases and sales of foreign exchange. Different effective selling rates apply to certain import transactions as a result of the imposition of minimum margin requirements for opening import letters of credit ranging up to 35 percent; since the last consultation these margin requirements have been reduced or eliminated for some categories (Appendix III, Table 65). In addition to the above margin requirements, costs of imports and returns to exporters are affected by customs tariffs, export taxes and subsidies (see subsections 2 and 3), and concessional export financing.

2. The import regime 1/ 2/

The 1983/84 IPO, effective July 1, 1983, included further measures in the direction of reform of the import system and import liberalization:

a. A negative/restricted list import system was adopted in place of the previous positive list system. However, the previous positive list (adjusted for items made importable in the IPO) was retained in the 1983/84 IPO for the convenience of importers. In general, the thrust of the move was to limit outright import bans to items prohibited for religious, security, or luxury consumption reasons and to provide temporary protection to certain domestic industries. The negative list contained 438 items or categories. There were also 3 restricted lists which consisted of 24 items or categories importable only by the public sector, 20 items or categories importable only from tied sources, and a list of 5 consumer goods (arms, ammunitions, butter, condensed, preserved, and powdered milk, milk foods for infants, malted milk, and ovaltine) subject to quantitative restrictions. A number of imports also remain restricted to industrial users.

1/ For a description of measures contained in the 1981/82 Import Policy Order (IPO) and 1982/83 IPO, see SM/81/219, p. 73, and SM/83/14, pp. 72-74, respectively.

2/ A description of Pakistan's import system prior to the inception of the extended arrangement together with a discussion of commitments made in the context of the program and the progress toward meeting these commitments is provided in the Annex to this Section.

b. In moving to the new system, 148 items from the SITC that previously were not permitted were made importable. 1/ In addition 5 items previously importable only by the public sector and 15 items previously importable only from tied sources were made freely importable. Licensing restrictions were removed on 17 of 22 consumer goods hitherto subject to licensing ceilings. The effect of these changes on the import list system as it existed in the 1982/83 IPO is given in Table 28.

c. The items made importable or shifted to less restricted import categories in the 1983/84 IPO included items representing an estimated 20 percent of industrial production. 2/ These items were grey cloth (4.2 percent of industrial production), milled wheat (1.33 percent), machinery items (0.7 percent), new standardized trucks, buses, and light commercial vehicles in assembled and unassembled forms 3/ (4.2 percent), sugar (9.5 percent), and non-nitrogeneous fertilizer (0.2 percent). Including the prior liberalization of cement (on July 1, 1981) and cotton yarn, caustic soda, and soda ash (on July 1, 1982), recent import liberalization measures affect nearly 35 percent of industrial production.

d. The monetary ceilings on imports of capital equipment for setting up new industrial units (not falling within the restricted list of industries) for which no approvals from any government agency are required and the total investment outlay associated with these plants were doubled to PRs 30 million and PRs 60 million, respectively. The monetary ceiling on capital goods imports for plant expansions, within the same group of industries, was increased from PRs 10 million to PRs 30 million. The effect of the two changes was to eliminate the previous differential treatment in the import regulations of capital goods imports for plant expansion and the establishment of a new unit.

To further enhance the availability of imports, US$200 million of State Bank foreign exchange was made available for purchase by certain nonbank financial institutions to finance capital goods imports by private industrial investors. Other minor changes related to the delegation of some State Bank powers to authorized dealers and liberalization of imports under the gift scheme by nonresident Pakistanis.

On September 15, 1983 adjustments were made to the new import system. To simplify the negative list and eliminate certain items not produced domestically, 70 items or categories were removed. Of the 70 items, 14 were transferred to the tied list, 17 were placed on the list of items restricted to the public sector and the remaining 39 were made freely importable.

1/ This resulted in the addition of 37 items to the Free List in Table 28. The lower number reflects broader definitions of items in the positive list than in the Pakistan Customs Tariff: the latter follows an SITC classification.

2/ The estimate is based on the Federal Bureau of Statistics 1975/76 Census of Manufacturing Industry, the latest source available.

3/ In unassembled form these items are importable only be recognized assemblers.

Table 28. Pakistan: Structure of Import Lists Under Import Policy Orders, 1979/80-1983/84 1/

(Number of items)

	1979/80	1980/81 Original	1980/81 Revised 2/	1981/82	1982/83	1983/84 3/
Free List	435	439	465	505	538	575
Part A: Unrestricted	352	351	379	456	490	520
Part B: Industrial users	54	58	58	30	30	31
Part C: Public sector agencies	29	30	28	19	18	24
TCP 4/	(11)	(12)	(10)	(8)	(6)	(5)
BIM 4/	(6)	(6)	(6)	(3)	(3)	(6)
Ministry of Food and Agriculture	(3)	(3)	(3)	(6)	(2)	(2)
Other	(9)	(9)	(9)	(2)	(7)	(11)
Tied List	23	20	20	20	20	20
Total	458	459	485	525	558	595

Source: Ministry of Commerce.

1/ Based on the definition of import items contained in the positive list and not the SITC. Except for 1980/81 (revised), refers to import lists as originally published, i.e., without amendments introduced during the year.

2/ Revised following the liberalization measures of December 12, 1980.

3/ All lists are not published in the same format as in the 1982/83 Import Policy Order. Data in this column approximate the effect on the old import list system of changes announced in the 1983/84 Import Policy Order.

4/ Trading Corporation of Pakistan and the Board of Industrial Management (BIM), respectively. Beginning in 1978/79 the BIM data apply to the companies formerly under BIM management.

The additional items made importable included consumer durables such as dishwashing machines, clothes washing and drying machines, car air conditioners, as well as some items produced domestically such as railway and tram equipment and vans. Also on September 15, an amendment was issued to clarify the status of the positive list stating that this list was for indicative purposes only and published for the convenience of importers.

Since the last consultation, import tariffs and duties have been altered on a number of occasions. 1/ In May 1983 the tariff on caustic soda, which was initially set at 85 percent when the item was liberalized, was increased to 140 percent. Further tariff changes were announced in the context of the 1983/84 budget and IPO. Tariffs were increased on some 24 items or categories and reduced on 15 items or categories. 2/ These changes were intended to raise revenue, reduce anomalies, and provide protection. Items on which tariffs were increased included cement (from 40 percent to 55 percent), 3/ liquid caustic soda (from 140 percent to 250 percent), buses, trucks, and light commercial vehicles in assembled form (from 50 percent to 60 percent), and sugar (from PRs 2.2 per kg to PRs 6.50 per kg). 4/ Tariff reductions were made for cotton yarn of counts of 30 or less 5/ (from 50 percent to 40 percent) and solid caustic soda (from 140 percent to 85 percent). For the majority of items liberalized in the 1983/84 IPO and in September 1983, the notional tariffs previously applicable in the Pakistan Customs Tariff to these banned items were maintained. These tariffs were relatively high; over 60 percent of the newly liberalized items have tariffs in excess of 50 percent.

The average rate of duty incidence rose from 39 percent in 1978/79 to 51 percent in 1982/83 (Table 29). The average incidence rose for all categories of imports with the biggest increases occurring for consumer goods and raw materials for capital goods.

Import licences in rupee terms increased on average by 25 percent in the two years ended 1982/83, compared with an average increase of 10 percent in the previous two years (Appendix III, Table 78). Part of the increase in the later two years reflected the depreciation of the rupee, as in terms of U.S. dollars the increase was considerably less, at about 10 1/2 percent on average. Private sector (CCIE) import licenses in U.S. dollar terms increased by only 4-5 percent in each of these years. This relatively modest rate of increase reflected a number of factors, including some decline in the average import unit value measured in U.S. dollars, some initial uncertainty among importers following the delinking of the rupee in early 1982 (especially in the absence of forward cover for imports in the period before June 1, 1982), restrained demand management policies, and in 1981/82 the weak performance of a number of export industries.

1/ See also Section II.
2/ Some items refer to small subcomponents within the SITC classification while others cover a broader range of products.
3/ This rate remained below the excise on domestically produced cement.
4/ The new tariff is equivalent to about 225 percent of the current world price of sugar.
5/ Counts of 30 or less account for about 90 percent of domestic production.

Table 29. Pakistan: Incidence of Import Duties, 1978/79-1982/83

(In millions of Pakistan rupees, unless indicated otherwise)

	1978/79			1979/80 1/			1980/81 1/		
	Value	Duty	Duty as Percent of Value	Value	Duty	Duty as Percent of Value	Value	Duty	Duty as Percent of Value
Total	23,046	8,983	39	28,431	10,764	38	31,444	12,076	38
Consumer goods	3,463	1,378	40	3,449	2,194	64	3,666	2,210	60
Raw materials for consumer goods	6,973	2,947	42	8,489	2,717	32	11,100	3,701	34
Raw materials for capital goods	1,640	285	17	2,916	1,491	51	3,373	1,381	40
Capital goods	10,970	4,373	40	13,577	4,362	32	13,305	4,784	36

	1981/82 1/			1982/83 1/		
	Value	Duty	Duty as Percent of Value	Value	Duty	Duty as Percent of Value
Total	26,771	12,626	47	28,290	14,357	51
Consumer goods	3,314	2,114	64	3,056	1,967	64
Raw materials for consumer goods	7,573	3,642	48	8,610	4,771	55
Raw materials for capital goods	4,193	1,681	40	6,109	2,707	44
Capital goods	11,591	5,189	45	10,514	4,912	47

Sources: Statistics Division, Ministry of Planning and Development, and Central Board of Revenue.

1/ Value figures are exclusive of duty-free imports and unclassified imports.

Following a sharp increase in 1981/82, licenses for petroleum-related imports declined in 1982/83 by 4 percent in U.S. dollar terms, reflecting the decline in oil prices in U.S. dollars and leads and lags associated with the issuance and use of licenses. 1/

During 1982/83 licenses continued to be issued mainly against settlement in convertible foreign exchange and for items on the free list, although the ratio of cash licenses to total licenses declined to 91 percent (from 95 percent in 1981/82) due to an increase in licenses issued against credit. Approximately 93 percent of all licenses were for the general unrestricted category, 2 percent for banned or tied items, and 5 percent for TCP. By economic category the structure of licences did not change appreciably in 1982/83.

3. The export regime

At end-1981/82 compensatory export subsidies (rebates) ranging from 7.5 percent to 12.5 percent of the export value covered the vast majority of manufactured exports (Table 30). Since that date, major adjustments have been made in the rebate system. In May 1983 the rebate on cotton yarn was reduced from 7.5 percent to 4.5 percent. At the same time, rebates were extended to woolen yarn at a rate of 7.5 percent retroactive to July 1982 and 4.5 percent from May 1983 onward. Subsequently, in August 1983 rebates were eliminated on both cotton and woolen yarn, reduced to 5 percent on grey cloth, and to 7.5 percent on all other items (including other textile products, hand-knotted carpets, and leather products), except engineering goods, plastics, surgical equipment, cutlery, and sporting goods which continued to receive rebates of 12.5 percent.

Other changes announced in the export regime since the previous consultation included the following:

a. a reduction in the import duty drawback rates applicable to synthetic fabric exports from 33-35 percent to 15-18 percent and a temporary suspension of payments (by the Central Board of Revenue) of duty drawbacks for woolen yarn;

b. the addition of motorcycles (20 or more years old) to Schedule I (banned exports) of the Export Trade Control Order;

c. exports of breeding goats, cows, and camels were allowed subject to quotas;

d. the addition of ten fresh vegetables to the list of commodities (mainly fruits and vegetables) that may be exported subject to "special procedures"; and

e. exports of a number of items, including scrap from shipbuilding, sporting rifles and guns, infant food, and food for invalids, were allowed.

1/ In 1981/82 imports of oil increased by 5 percent (compared with a 25 percent increase in licenses); in 1982/83 imports declined by 3 percent (compared with a 4 percent decline in licenses).

Table 30. Pakistan: Changes in Export Duties (+) and Subsidies (-) in Effect, 1972/73 and 1979/80-1983/84

(Ad valorem rates in per cent, unless indicated otherwise)

	1972/73	1979/80	1980/81	1981/82	1982/83	1983/84 1/
Cotton and cotton products						
Raw cotton: staple	40	10 2/	10	10	10	10
Raw cotton: desi	40	—	—	—	—	—
Cotton waste, cotton yarn waste, cotton cloth cuttings	20-40	—	—	—	—	—
Cotton linters	n.a.	—	—	—	—	—
Cotton yarn	PRs 0.50-0.70 per lb.	-7.5	-7.5	-7.5	-4.5 3/	—
Grey cloth	PRs 0.15 per sq. yd.	-10.0	-10.0	-10.0	-10.0	-5.0
Finished cloth	—	-12.5	-12.5	-12.5	-12.5	-7.5
Made-up textiles (including towels, garments, hosiery, and canvas) 4/	—	-12.5	-12.5	-12.5	-12.5	-7.5
Hides, skins, and leather						
Raw hides and skins	40	40 5/	40 5/	40 5/	40 5/	40 5/
Lamb skins with fur	n.a.	15	15 5/	15 5/	15 5/	15 5/
Semitanned and tanned hides and skins	15	20	25	25	25	25
Fur skins of marbled cats, foxes, and jackals	n.a.	15	15 5/	15 5/	15 5/	—
Finished leather	n.a.	—	—	—	—	—
Leather goods	—	—	—	-12.5	-12.5	-7.5
Artificial leather and its products	—	—	—	-12.5	-12.5	-7.5
Rice						
Basmati 6/	PRs 34 per cwt.	—	—	—	—	—
Other varieties 7/	PRs 7 per cwt.	—	—	—	—	—
Wool						
Raw wool	PRs 1.30 per lb.	—	—	—	—	—
Woolen yarn		—	—	—	-4.5 8/	—
Oil cakes						
Solvent extraction meals	15	—	—	—	—	
Other	15	45	45	45	45	45
Molasses	30	20	25	25	25	25
Canvas footwear	—	-12.5	-12.5	-12.5	-12.5	-7.5
Engineering goods	—	-12.5	-12.5	-12.5	-12.5	-12.5
Acetate yarn	—	-12.5	-12.5	-12.5	-12.5	-7.5
Plastic goods	—	-12.5	-12.5	-12.5	-12.5	-12.5
Sporting goods	—	—	-12.5 9/	-12.5	-12.5	-12.5
Cutlery	—	—	-12.5 9/	-12.5	-12.5	-12.5
Surgical instruments	—	—	-12.5 9/	-12.5	-12.5	-12.5
Woolen carpets (hand-knotted)	—	—	—	-12.5	-12.5	-7.5
Onyx blocks	—	—	—	30.0 10/	30.0	30.0

Source: Ministry of Commerce.

1/ Includes the changes in subsidies made in August 1983.
2/ Duty withdrawn in August 1979 for shipments from the 1978/79 crop only.
3/ Reduced from 7.5 percent in May 1983.
4/ Textiles containing at least 50 percent cotton by weight. The value of imported materials is deducted in calculating the subsidy base.
5/ Export banned. Export duty on lambskins was withdrawn for a period of one year from January 1983.
6/ Duty held in abeyance since October 1976.
7/ Ad valorem rate of 30 percent suspended since October 1975, according to the Central Board of Revenue.
8/ Introduced in May 1983. Retroactive until July 1982 at a rate of 7.5 percent.
9/ Effective January 1, 1981.
10/ Effective April, 1981.

4. Current invisibles

In January 1983 authorized dealers were given authority to effect, without prior approval of the State Bank, remittances for membership fees for educational, technical, professional, and scientific institutions up to PRs 2,000 per person each year and examination fees for foreign, technical, and educational institutions up to PRs 1,000 per person each year. In February 1983 foreign exchange forward cover facilities were extended to interest payments in respect of foreign currency repatriable loans obtained by foreign companies in Pakistan.

In June and July 1983 the procedures governing the drawing of foreign exchange entitlements by students studying abroad were liberalized, and the exchange quotas for professional training abroad were fixed at US$750 per month for junior executives and US$1,200 per month for senior executives (previously these quotas were US$500 and US$800, respectively). In the 1983/84 budget it was announced that the P form system (involving prior State Bank approval for travel abroad) would be abolished. This decision is to be implemented after alternative regulatory procedures are devised by the Ministry of the Interior.

5. Capital

In July 1982 it was announced that henceforth all foreign currency deposits would be paid interest rates commensurate with international rates. Previously, these rates applied only to deposits of US$100,000 or more. Partly in response to this change, net foreign currency deposits increased by US$288 million compared with US$50 million in the previous year.

Between September 8, 1982 (the last date reported in the previous consultation paper) and July 21, 1983, the interest rates offered on foreign currency deposits were changed on 11 occasions in response to fluctuations in Eurocurrency rates. On the latter date rates quoted ranged from 10.25 percent to 11 percent compared with 12 percent to 13.5 percent quoted on September 8, 1982. Since May 1983 the differential provided by these rates over Eurocurrency rates has been reduced from 2.5-3.0 percent to 0-0.25 percent. The reduced differential is intended to prevent a further buildup of these deposits.

In June 1983 Pakistani nationals residing outside the country were authorized to repatriate proceeds of principal and capital gains on Pakistan securities providing these securities were held for at least one year.

Under the 1983/84 Haj policy, the number of pilgrims permitted to travel under Pakistan's own resources as well as the number allowed under the sponsorship scheme were both unchanged from the previous year, i.e., 25,000 under each scheme. Under the latter scheme, sponsors abroad are required to remit in the name of the intending pilgrim US$1,988.40 to cover the cost of airline ticket and US$1,200 for other expenses.

6. Bilateralism

Export trade under bilateral payments agreements increased in importance in 1982/83, rising to 13.7 percent of total exports compared with 4.5 percent in 1981/82 (Table 31 and Appendix III, Table 79). This development reflected in large part the signing of a bilateral payments arrangement with the Islamic Republic of Iran in April 1982. Imports under bilateral arrangements were 3.2 percent of total imports in 1982/83 compared with 1.3 percent in 1981/82. Pakistan's aggregate credit balance in terms of net outstanding position rose substantially in 1982/83, due to large increases in positive balances with China, Hungary, Bulgaria, and the U.S.S.R.

Table 31. Pakistan: Bilateral Balances, 1979-1983

(In millions of U.S. dollars) 1/

Period ended June 30	1979	1980	1981	1982	1983
Fund members	2.7	12.0	8.3	20.7	23.9
China	2.7	7.2	4.2	8.8	16.1
Hungary	-2.1	1.8	3.0	9.6	11.6
A.B. Sukab (Sweden) 2/	2.1	3.0	1.1	2.3	-3.8
Iran, Islamic Republic of	--	--	--	...	...
Non-Fund members	3.5	19.2	8.4	4.1	35.8
Bulgaria	1.9	-1.0	4.3	7.5	15.3
Czechoslovakia	1.4	2.4	4.5	3.8	2.3
Korea, Democratic People's Republic of	-0.3	-0.9	1.2	--	1.0
Poland	2.7	11.6	1.0	-2.5	0.8
U.S.S.R.	-2.2	7.1	-2.6	-4.7	16.4
Total	6.2	31.1	16.8	24.8	59.7

Source: National Bank of Pakistan.

1/ Totals may not add exactly because of rounding.
2/ The Swedish agreement is with a private firm.

At end-1982/83 Pakistan maintained bilateral payments agreements with two Fund members, China and Hungary. The payments arrangement entered into with the Islamic Republic of Iran in 1982 expired in May 1983. 1/ In the case of China, consistent with the intention of the authorities to phase out bilateral exchanges except for border trade on a pure barter basis, the new one-year agreement signed on April 4, 1983 involves trade each way of US$16 million, compared with US$18 million in the arrangement signed in 1982. It is also the authorities' intention to phase out the bilateral payments agreement with Hungary. The last arrangement signed with Hungary (March 18, 1982) covered a two-year period and involved trade each way of US$35 million. With respect to bilateral payments agreements with non-Fund members, since the last consultation agreements were renewed with Czechoslovakia, the Democratic People's Republic of Korea, Poland, and the U.S.S.R.

1/ The balance in this account was cleared on May 1, 1983.

Pakistan: Review of Import Liberalization

I. The Import System Prior to the Extended Arrangement

At the inception of the extended Fund facility program, Pakistan relied on an import system that closely regulated the number and amount of permitted imports. All items not explicitly listed on the positive list of imports (consisting of items on the free list and the tied list) could not be imported except under special provisions. The free list was divided into three parts: Part A contained items that were freely importable; Part B contained items that could be imported by industrial users only; 1/ and Part C contained items reserved for importation by public sector agencies and corporations. In July 1980 the Free List included 439 items and the tied list 20 items (Annex Table 1). By comparison, the list of implicitly banned items was estimated to be substantial on the basis of the Standard International Trade Classification (SITC). 2/3/

Imports generally were permitted only against licenses issued by the Chief Controller of Imports and Exports (CCI&E). 4/ Items on Parts A and B of the free list were subject to licensing ceilings imposed in October 1979 in the context of a severe foreign exchange shortage. For items on Part C of the free list, imports were limited to the Government's foreign exchange allocation for these items. In cases where the allocation was zero (generally goods in sufficient domestic supply), these items were effectively banned. Certain items of machinery and mill work not included on either the free or tied lists were importable under special authorization, subject to complex regulations and value limits, by commercial importers, specific new industrial units, exporting industrial units, and firms undertaking balancing, modernization, and replacement (known as BMR) or expansion (Annex Table 2). 5/

1/ Part B included, inter alia, intermediate goods importable at concessional tariff rates by industrial units approved under the Deletion Program for the manufacture/assembly of certain consumer goods such as air conditioners, televisions, refrigerators, and motorcycles. Some of these items were also importable under Part A of the free list but at higher rates of duty. Government policy under the Deletion Program is to phase out these tariff concessions to industrial users as the components become available domestically.

2/ A list of implicitly banned items was prepared by the Pakistan authorities in August 1981. This list contained a number of items classified as "other" in the Pakistan Customs Tariff; thus, an exact count of banned items was not possible.

3/ The definitions of items in the positive list and the SITC are not comparable.

4/ Exceptions were goods imported by the Government for defense or other purposes, goods in transit, personal baggage, certain imports over land routes from Afghanistan and the Islamic Republic of Iran, and certain other items permitted under Ministry of Finance notification.

5/ Machinery and mill work items were subject to per unit value limits unless specifically exempted. A separate annex in the Import Policy Order specifically listed 14 machinery items not importable.

II. Program Objectives and Commitments

The automatic banning of all items not explicitly permitted impeded technological innovation and cost reductions in productive sectors and led to inefficiencies in some domestic industries. A central aspect of the extended arrangement was therefore to be a reform of the import system and a phased liberalization of imports in order to improve import availabilities and subject domestic production to greater external competition. The reduction of exchange restrictions, the introduction of a flexible exchange rate policy to assist the gradual liberalization of imports, and the elimination of export subsidies (rebates) were also important related aspects of the program.

Commitments in the area of import reform and liberalization were outlined in the three economic policy memoranda of the Government presented in support of their request for use of Fund resources in each of the three program years. 1/ In summary, the Government stated that:

1. By July 1, 1983 a full conversion would be made from the positive list system which specified permitted import items to a negative/restricted list system which specified prohibited or restricted import items. All prohibited items on the negative list would be contained in three lists:

a. List A. Imports prohibited for religious or security reasons and luxury consumer goods banned for socioeconomic reasons.

b. List B. Specified consumer and capital goods banned temporarily for protective reasons.

c. List C. Intermediate goods used "exclusively" or "almost exclusively" in the producton of goods on List B which are produced "mainly" for the domestic market. 2/

The restricted lists would consist of: (1) Part C of the free list (imports restricted to the public sector); (2) a tied list, to the extent necessary; and (3) a list of consumer goods subject to quotas (licensing ceilings could be used instead of quotas). However, quotas were not to be so stringent as to preclude meaningful improvements in industrial efficiency.

All other imports would be freely importable. Moreover, all licensing ceilings were to be removed except those that might be required to implement quotas on consumer goods.

1/ See paragraphs 14 of the 1980/81 memorandum (EBS/80/243), 7c of the 1981/82 memorandum (EBS/81/222), and 8c and 8d of the 1982/83 memorandum (EBS/83/3).

2/ "Almost exclusively" and "mainly" both referred to a proportion not less than 85 percent.

2. The proportion of domestic industry protected by bans or equivalent restrictions (roughly two thirds) would be reduced by at least 40 percent (26.1 percentage points) by July 1, 1983. 1/2/ Within this overall commitment, at least a 50 percent reduction would be attained in the subcategory intermediate and investment goods (Annex Table 3).

3. Any protective tariffs applied to newly importable goods would not be so stringent as to vitiate the desired reduction in inefficiency.

4. A comprehensive reform of the tariff structure would be introduced by July 1, 1983. This reform would be based on a study of effective protection in the industrial sector undertaken by Pakistan in collaboration with the World Bank. The completion date for this study, which originally was end-December 1982, was changed to March 1983 in the 1982/83 program.

III. Implementation

The implementation of import liberalization policies to meet the above commitments may be summarized under four headings: (1) removal of licensing ceilings; (2) removal of bans and equivalent restrictions; (3) the addition of items to the positive list and the move to a negative/restricted list system; (4) adjustments in policies impacting effective protection. In addition to policy changes in these areas, the authorities also took other measures not explicitly included in the program to liberalize machinery and other imports.

1. Removal of licensing ceilings

Licensing ceilings on permitted imports were reduced by almost 50 percent in December 1980, and a further substantial reduction was made in July 1981 (Annex Table 4). Most of the remaining restrictions were removed in July 1982 and July 1983, and at the same time the value ceilings on items that remained subject to licensing were increased. For 1982/83 the value limits on items that remained subject to licensing were set at 125 percent of the 1981/82 limits. However, the additional 25 percent was set aside for new importers. The value limits on the five consumer goods that remain subject to licensing under the 1983/84 Import Policy Order (IPO) were set at 115 percent of the 1982/83 limits.

2. Removal of bans and equivalent restrictions

During the program period the proportion of domestic industry protected by bans and equivalent restrictions was reduced by 53 percent, compared with the program target of 40 percent. 3/ The specific items

1/ Based on the gross value added of large-scale industrial manufacturing as reported in the 1975/76 census (Annex Table 3).

2/ Equivalent restrictions referred to imports restricted to the public sector.

3/ These percentages are based on the specific items contained in Annex Table 3 and do not include a large number of SITC items liberalized during the program, most of which are not produced to a significant extent in Pakistan and were previously banned partly for technical reasons.

liberalized during the program (Annex Table 5) were cement in July 1981 (3.24 percent of industrial production); caustic soda, soda ash, and cotton yarn in July 1982 (11.32 percent of industrial production); and sugar, non-nitrogenous fertilizer, milled wheat, grey cloth, and certain machinery and transport items in July 1983 (20 percent of industrial production). Taken together, these items cover 34.63 percent of industrial production; the program target was 26.1 percent. Excluding sugar (9.47 percent of industrial production), which is subject to qualification as an import liberalization measure given the current surplus stocks of sugar in Pakistan, the high domestic cost of production, and the high regulatory duty applied (see below), the specific items liberalized by July 1983 related to 25.1 percent of industrial production (or 38 percent of domestic industry protected by bans or equivalent restrictions at the beginning of the program). Of these items, 78 percent are classified as intermediate and investment goods. After the 1983/84 IPO was issued, the authorities decided to simplify the negative list by deleting 70 additional items effective September 15, 1983 (see below). The authorities estimated that the removal of bans on these additional items added about one percentage point to the specific items liberalized during the program.

3. Addition of items to the positive list and replacment of the positive list with a negative/restricted list system

Apart from the items mentioned in subsection 2 above, a large number of other items (from the SITC) were made importable during the program. To a large extent these items had been previously omitted from the free list for technical reasons or because they had not been identified in the universe of goods in the context of Pakistan's import policy. The effect of these changes on the system of lists that existed prior to the adoption of a negative list system is indicated in Annex Table 1 (which is based on the free list import categorization). 1/ The identification and addition of these items to the list of permitted imports facilitated the final conversion to a negative list system and the liberalization effort.

The 1983/84 IPO announced the conversion of the import list system. A negative/restricted list system was officially adopted in place of the previous positive list system. However, the positive list was retained in the 1983/84 IPO as a guide for the convenience of importers. In moving to the new system, 148 SITC items that previously were not permitted were made importable. In addition, 5 items previously importable only by the public sector and 15 items previously importable only from tied sources were made freely importable.

The published negative list was intended under the program to consist of the three categories of items mentioned in Section II.1 above, viz., items banned for religious, security, or luxury consumption reasons;

1/ The number of items made importable each year using the SITC does not correspond to the number added to the free list in Annex Table 1 due to use of a more inclusive definition of items in the latter.

capital and consumer goods banned temporarily for protective reasons; and intermediate goods used mainly in the production of the capital and consumer goods banned for protective reasons. However, the negative list was initially constructed basically as the mirror image of the previous positive list and contained a number of items denoted as "other" in the Pakistan Customs Tariff as well as items not produced to a significant extent in Pakistan. As a result, the published negative list contained some items that fell outside of the three agreed categories. Morever, the format of the negative list and use of the category "other" made the negative/restricted list difficult to use as the sole basis by which importers could determine whether or not specific items were banned or restricted.

In response to these problems, the authorities issued on September 15, 1983 an amendment to the 1983/84 IPO, which aimed at simplifying the negative list and underpinning the 1983/84 import liberalization measures. The bulk of the 70 items liberalized was machinery and capital goods and transport equipment. Many of these were items not produced domestically but nevertheless initially included in Lists B and C. However, the deletions also covered some items, for example, railway and tramway equipment and vans, that are produced in Pakistan and also a number of consumer durables, such as dishwashing machines, clothes washing and drying machines, hot water heaters, and car air conditioners, permitted at high duties to generate revenue. Of the 70 items, 14 were transferred to the tied list, 17 were placed on the list of items restricted to the public sector, and the remaining 39 were made freely importable. Sixteen items classified as "other" were deleted. A further amendment to the IPO was also issued, indicating that the publication of the previous positive list was for indicative purposes only. The authorities intend to delete the positive list in the 1984/85 IPO.

Numerically, the negative list now contains 401 SITC items or categories. The restricted list consists of 41 items or categories importable only by the public sector, 22 items or categories importable only from tied sources, and a list of 5 consumer goods (arms and ammunition; butter; condensed, preserved, and powdered milk; milk food for infants; and malted milk and ovaltine) subject to quantitative restrictions. A number of imports also remain restricted to importation by industrial users.

4. Tariff measures and reform

During the program a number of adjustments of tariffs were announced in the context of the annual budgets and IPOs. These changes were intended to raise revenue, reduce anomalies in the tariff schedule, and in some cases provide protection.

The 1980/81 budget (announced prior to the program) contained a few tariff adjustments. Most of these involved downward adjustments or the granting of exemptions to raw materials or intermediate and capital goods imports. During 1980/81 and with the 1981/82 budget, regulatory duties ranging from 5 percent to 90 percent were imposed on certain raw materials.

In addition, the 1981/82 budget announced reductions in some duties in order to rationalize the tariff structure and also increased protective duties on 8 items. A rate of 20 percent was applied to cement when it was liberalized in July 1981. In the context of the 1982/83 budget, tariffs were increased on 13 items and reduced on 11 items; the former included an increase in the tariff on cement from 20 percent to 25 percent. In addition, an across-the-board import surcharge of 5 percent was levied on all imports except by parcel post or as accompanied baggage. 1/ With regard to the specific items liberalized in 1982/83, a tariff of 85 percent was set for cotton yarn, caustic soda, and soda ash. The tariff on cement was further increased to 40 percent for 1982/1983. Subsequently, in January 1983 the tariff on cotton yarn was reduced to 50 percent, and in May 1983 the tariff on caustic soda was increased to 140 percent to control dumping.

A large number of additional tariff changes were made in the 1983/84 budget. Overall, tariffs were reduced on 18 items and increased on 76 items, including increases in tariffs on 12 major items (cement; liquid caustic soda; sugar; synthetic dyestuffs; grinding discs; road rollers; auto filters; electric overhead cranes; module cranes; asphalt mixing plants; buses, trucks, light vehicles, motor scooters, and cycles in built-up condition; and ship scrap) and 14 items for which regulatory duties were raised. To provide protection for specific items liberalized, tariffs were increased to 250 percent for liquid caustic soda and from PRs 2.2 per kilo to PRs 6.5 per kilo for sugar. 2/ At the same time, the tariff on solid caustic soda was reduced to 85 percent, and on cotton yarn of counts up to 30 (90 percent of domestic production) the tariff was reduced from 50 percent to 40 percent. The cement tariff was increased to 50 percent, but at this level the tariff is less than the excise on domestic production and does not afford net protection.

With regard to items made importable in the 1983/84 IPO and subsequently in September 1983, the notional tariffs previously contained in the Pakistan Customs Tariff for those banned items were, for the most part, applied. On balance, these tariffs were relatively high with over 60 percent of the newly importable items subject to tariffs of 50 percent or more. Tariffs on the specific items liberalized in 1983/84 were: grey cloth (70 percent); transport equipment (60 percent for assembled trucks, buses, and light commercial vehicles and 30 percent if unassembled); and machinery items (85 percent).

The study of effective protection (undertaken by the Pakistan Institute of Development Economics (PIDE) in collaboration with the World Bank) that was to be completed by March 1983 was not received by the authorities until late July 1983. Thus, the comprehensive tariff reform could not be implemented by July 1, 1983 as expected under the program.

1/ Subsequent to the 1982/83 budget, some additional minor exceptions were also announced.

2/ The present duty on sugar is equivalent to about 225 percent of the current world price.

The authorities have formed a committee consisting of officials of the Ministries of Finance and Planning to study the PIDE report and develop policy recommendations. It is intended to introduce reforms of the tariff system based on the committee's recommendations beginning with the 1984/85 budget and IPO.

5. Other liberalization measures

In addition to the above areas in which the authorities specified their commitments under the program, capital goods imports were liberalized through two additional sets of measures. First, as indicated in Annex Table 2, the value limits on imports of capital goods by commercial and industrial importers were increased on several occasions. Reflecting these increased limits, the value of licenses issued for machinery increased substantially in both 1981/82 and 1982/83 (Annex Table 6). Second, for 1983/84 US$200 million of central bank foreign exchange was made available to three financial institutions (against rupees) to finance capital goods imports by private industrial investors.

IV. Import Trends

Data on import volume and value indicate that the impact of liberalization measures on actual imports during the period 1980/81-1982/83 was less than anticipated. The annual programs projected that total non-oil import growth in nominal U.S. dollar terms (using provisional actual data as the base) would average 15 percent, reflecting in part the authorities' policy of import substitution for a number of important commodities, most notably wheat, sugar, cement, fertilizer, edible oil, tractors, synthetic yarn, and iron and steel. The import substitution was expected primarily to affect public sector imports. Import liberalization was expected to affect mostly private sector imports which, less effected by import substitution, were projected to increase (using provisional data) in nominal terms by an average 28 percent per annum and 23 percent in real terms (Annex Table 7).

Actual data for 1980/81 and 1981/82 and provisional data for 1982/83 indicate that in nominal U.S. dollar and volume terms private sector imports increased on average by 14 percent over the program period. (In terms of SDR values, the nominal increase averaged 21 percent, compared with an implicit projection of 33 percent.) As a share of GNP, these imports increased from 6 percent to 7 percent. In volume terms, the major impact on private sector imports was felt in 1980/81-1981/82 when volume rose by 30 percent and 12 percent, respectively, in large part due to the reductions in the number of permitted imports subject to licensing restrictions (Annex Table 4). In 1982/83 their volume remained essentially unchanged from the previous year. Within aggregate private sector imports, the level of importation of the specific items liberalized during the three program years varied (Annex Table 8). Cement imports rose sharply in 1981/82 following their liberalization in July 1981 but then declined in 1982/83 after the tariff was doubled. With regard to the specific items liberalized in 1982/83, imports of caustic soda increased substantially and remained well above the notional program limit due to large imports of liquid caustic soda, which the authorities believe was being dumped. In response, the tariff was increased to 250 percent. The volumes of cotton yarn and soda ash, however, declined and were well below the notional program limits. The lack of response of these items in part reflects the generally high rates of tariffs applied to them. On the other hand, capital goods for which import value limits were increased in the 1982/83 IPO increased in volume terms by about 17 percent. Separate data are not available on imports of the large number of SITC items made importable during the program.

The liberalization measures announced for 1983/84 are expected by the authorities to increase the volume of private sector imports by 21 percent and their share in GNP by a further 1.0 percentage point.

Table 1. Pakistan: Structure of Import Lists Under Import Policy Orders, 1979/80-1983/84 1/

(Number of items)

	1979/80	1980/81 Original	1980/81 Revised 2/	1981/82	1982/83	1983/84 3/
Free List	435	439	465	505	538	575
Part A: Unrestricted	352	351	379	456	490	520
Part B: Industrial users	54	58	58	30	30	31
Part C: Public sector agencies	29	30	28	19	18	24
TCP 4/	(11)	(12)	(10)	(8)	(6)	(5)
BIM 4/	(6)	(6)	(6)	(3)	(3)	(6)
Ministry of Food and Agriculture	(3)	(3)	(3)	(6)	(2)	(2)
Other	(9)	(9)	(9)	(2)	(7)	(11)
Tied List	23	20	20	20	20	20
Total	458	459	485	525	558	595

Source: Ministry of Commerce.

1/ Based on the definition of import items contained in the positive list and not the SITC. Except for 1980/81 (revised), refers to import lists as originally published, i.e., without amendments introduced during the year.
2/ Following the liberalization measures of December 12, 1980.
3/ All lists are not published in the same format as in the 1982/83 IPO. Data in this column approximate the effect on the old import list system of changes announced in the 1983/84 Import Policy Order.
4/ Trading Corporation of Pakistan, and the Board of Industrial Management (BIM), respectively. Beginning in 1978/79 the BIM data apply to the companies formerly under BIM management.

Table 2. Pakistan: Value Limits on Imports of Machinery and Millwork by Industrial and Commercial Importers, 1980/81-1983/84

(In millions of Pakistan rupees)

	1980/81	1981/82	1982/83	1983/84
Permitted imports				
Commercial importers				
Total	2.50	2.50	2.50	2.50
Per unit limit	... 1/	0.10	0.25	0.25
New units not falling within the restricted list of industries				
Total capital outlay	5.00 2/	20.00	30.00	60.00
Import limit	2.50 2/	10.00	15.00	30.00
Expansion of existing units falling within restricted list of industries	2.50	10.00	10.00	30.00
Industries falling within restricted list of industries				
New units	... 1/	2.50	2.50	2.50
Expansion	... 1/	2.50	2.50	2.50
Imports for balancing, modernization, and replacement (BMR) 3/	2.50	5.00	5.00	5.00
Banned imports				
Export industries for BMR 4/	2.50	3.00 5/	5.00	5.00
Nonexporting units for BMR 6/	0.50	1.00 5/	1.00	1.00

Source: Import Policy Orders of 1980/81-1983/84.

1/ Limits for these industries were not specified in the Import Policy Order but were determined within the context of industrial licensing.
2/ The limits were increased to the levels shown for 1981/82 in December 1980.
3/ Available also to export industries.
4/ In addition to the allowance for permitted imports for BMR.
5/ Effective October 1981.
6/ Included within the monetary limit for imports of permitted items for BMR.

Table 3. Pakistan: Classification of Manufacturing Production by Estimated Degree of Import Protection, 1975/76 and 1980/81

(In percent; based on 1975/76 census of large-scale manufacturing industry)

Industrial Sector	Weight in CMI 1975/76	1980/81 Import Status: Banned	Importable: Free	Importable: Restricted 1/
Consumer goods	66.60	37.60	19.35	9.65
Luxury goods	12.21	12.18	—	0.03
Beverages	(1.52)	(1.52)	(—)	(—)
Cigarettes	(8.28)	(8.28)	(—)	(—)
Footwear	(0.96)	(0.96)	(—)	(—)
Furniture	(0.13)	(0.13)	(—)	(—)
Perfumes and cosmetics	(0.20)	(0.20)	(—)	(—)
Soap	(0.96)	(0.96)	(—)	(—)
Pottery, chinaware	(0.16)	(0.13)	(—)	(0.03)
Nonluxury items	54.39	25.42	19.35	9.62
Food manufacturing	(22.14)	(2.68)	(9.99)	(9.47)
Edible oil	[8.66]	[—]	[8.66]	[—]
Sugar	[9.47]	[—]	[—]	[9.47]
Wheat milling	[1.33]	[1.33]	[—]	[—]
Tea blending	[0.66]	[—]	[0.66]	[—]
Other	[2.02]	[1.35]	[0.67]	[—]
Textiles	(24.33)	(21.08)	(3.25)	(—)
Cotton yarn	[9.94]	[9.94]	[—]	[—]
Cotton cloth	[5.98]	[5.98]	[—]	[—]
Woolen yarn and cloth	[1.09]	[0.54]	[0.55]	[—]
Silk and art silk	[3.24]	[1.62]	[1.62]	[—]
Jute goods	[1.08]	[—]	[1.08]	[—]
Other	[3.00]	[3.00]	[—]	[—]
Wearing apparel	(0.29)	(—)	(0.29)	(—)
Printing and publishing	(1.14)	(—)	(1.14)	(—)
Drugs and medicines	(3.09)	(—)	(3.09)	(—)
Matches	(0.15)	(—)	(—)	(0.15)
Polishes	(0.03)	(0.03)	(—)	(—)
Cycles	(0.34)	(0.34)	(—)	(—)
Radio, televisions	(0.37)	(0.18)	(0.19)	(—)
Bulbs and tubes	(0.48)	(—)	(0.48)	(—)
Plastic products	(0.20)	(0.20)	(—)	(—)
Other	(1.83)	(0.91)	(0.92)	(—)
Intermediate and investment goods	33.40	5.96	15.29	12.15
Leather and leather products	1.05	0.21	0.84	—
Cotton ginning and pressing	0.89	—	0.89	—
Wood and cork	0.16	0.16	—	—
Paper and board	1.64	0.33	1.31	—
Industrial chemicals	4.90	—	1.60	3.30
Fertilizer	(1.92)	(—)	(—)	(1.92)
Soda ash	(0.70)	(—)	(—)	(0.70)
Caustic soda	(0.68)	(—)	(—)	(0.68)
Pesticide	(0.35)	(—)	(0.35)	(—)
Other	(1.25)	(—)	(1.25)	(—)
Other chemicals	0.59	—	0.59	—
Petroleum and coal	3.69	—	3.69	—
Rubber products	0.43	0.21	0.22	—
Glass products	0.24	0.12	0.12	—
Nonmetallic minerals	3.58	—	0.34	3.24
Cement	(3.24)	(—)	(—)	(3.24)
Other	(0.34)	(—)	(0.34)	(—)
Iron and steel	3.31	3.04	0.27	—
Nonferrous metal	0.06	0.06	—	—
Fabricated metal products	1.59	0.79	0.80	—
Machinery	2.90	0.35	2.52	0.03
Electrical machinery	2.29	0.69	1.60	—
Transport equipment	6.08	—	0.50	5.58
Total	100.00	43.56	34.64	21.80

Source: Pakistan authorities.

1/ In most cases refers to situation where the import is restricted to the public sector and is generally undertaken only when there is insufficient domestic production available.

Table 4. Pakistan: Items on Part A and Part B of the Free List Subject to Licensing Ceilings, 1979-83

(In numbers of items)

	October 1979	December 12 1980	July 1981	July 1982	July 1983
Total	406	224	81	22	5
Consumer goods	79	47	28	22 1/	5 2/
Raw materials for consumer goods	)	177	53	--	--
Raw materials for capital goods	) 327 3/				
capital goods	)	--	--	--	--
Capital goods	)	--	--	--	--
Memorandum items:					
Total items on Lists A and B	406	437	486	520	551
Items subject to licensing restrictions as a proportion of total items	100.0	51.3	16.7	4.2	0.9

Source: Import Policy Orders of 1980/81-1983/84 and amendments.

1/ Value limit set at 125 percent of the value licensed in 1981/82.
2/ Value limit set at 115 percent of the value licensed in 1982/83.
3/ Disaggregation not available in table format.

Table 5. Pakistan: Items Removed From Banned Restricted Categories, 1981-83 1/

(In percent)

Industrial Sector	Weight in CMI: Items Liberalized	Weight in CMI: Total	Import Status at Beginning of Program: Banned	Import Status at Beginning of Program: Free	Import Status at Beginning of Program: Restricted
Consumer goods	14.99				
July 1983	14.99				
Sugar	(9.47)	(9.47)			(9.47)
Wheat milling	(1.33)	(1.33)	(1.33)	(--)	(--)
Grey cloth	(4.19)	(4.19)	(4.19)	(--)	(--)
Intermediate and investment goods	19.64				
July 1981					
Cement	3.24	3.24	--	--	3.24
July 1982	11.32				
Cotton yarn	(9.94)	(9.94)	(9.94)	(--)	(--)
Soda ash	(0.70)	(0.70)	(--)	(--)	(0.70)
Caustic soda	(0.68)	(0.68)	(--)	(--)	(0.68)
July 1983	5.08				
Non-nitrogeneous fertilizer	(0.20)	(1.92)	(--)	(--)	(1.92)
Machinery 2/	(0.70)	(5.19)	(1.04)	(4.12)	(0.03)
Transport equipment	(4.18)	(6.08)	(--)	(0.50)	(5.58)
Total	34.63				

Source: Pakistan authorities.

1/ Excludes the items liberalized on September 15, 1983.
2/ Includes electrical machinery.

Table 6. Pakistan: Value of Licenses for Machinery Imports, 1980/81-1982/83

(In million of U.S. dollars) 1/

	1980/81	1981/82	1982/83
New units, BMR, expansion	82.5	167.1	193.2
Commercial importers	42.0	43.7	52.5
Industrial users	61.1	55.8	70.9
Public sector	15.0	18.0	57.6
Total	200.6	284.6	374.2

Source: Ministry of Finance and Economic Affairs.

1/ Pakistan rupees were converted into U.S. dollars at the average exchange rate for each year.

Table 7. Pakistan: Projected and Actual Imports, 1979/80-1983/84

	1979/80	1980/81		1981/82		1982/83		1983/84
	Actual	Program	Actual	Program	Actual	Program	Prov. Actual	Proj.
	(In millions of U.S. dollars)							
Oil imports	1,237	1,509	1,602	1,766	1,683	1,692	1,620	1,524
Non-oil imports	4,057	4,659	4,463	5,186	4,597	4,853	4,401	5,566
Of which: private sector	(1,536)	(2,120)	(2,056)	(2,600)	(2,222)	(2,380)	(2,214)	(2,780)
Total imports, c.i.f.	5,294	6,168	6,065	6,952	6,280	6,545	6,021	7,090
	(In percent)							
Memorandum items:								
Value increase of non-oil imports	14.5	18.2	10.0	18.5	3.0	7.5	-4.3	26.5
Value increase of private sector imports 1/ 2/	14.7	46.2	33.9	29.2	8.1	8.3	-0.4	25.6
Increase in world price of manufactured goods 1/	12.9	10.0	2.7	0.0	-3.6	2.0	0.0	4.0
Volume increase of private sector imports	1.6	32.9	30.3	29.2	12.1	6.2	-0.4	20.7
GNP (US$ millions)	25,501	29,333	30,385	40,970	32,674	32,115	31,576	34,161
Private sector imports/GNP	6.0	7.2	6.8	6.3	6.8	7.4	7.0	8.1

Sources: Pakistan authorities and staff estimates.

1/ In terms of U.S. dollars.

2/ The program growth rates are based on the provisional actual data for the previous year.

Table 8. Pakistan: Quotas and Imports of Liberalized Items, 1980/81-1982/83

(Quantity in metric tons or kilograms; value in millions of U.S. dollars) 1/

Item	1980/81 Quantity	1980/81 Value	1981/82 Quantity	1981/82 Value	Program Quantity Limit for 1982/83	1982/83 Quantity	1982/83 Value
Caustic soda 2/	18,586.2	8.310	19,001.3	7.773	15,000.0	31,724.0	2.930
Soda ash 2/	1,571.8	0.276	1,494.4	0.277	10,000.0	343.0	0.061
Cement 2/	236.4	30.470	1,499.8	115.136	...	638.4	39.811
Cotton yarn 3/	-- 4/	--	37,978	0.094	25,000.0	5,843	0.032

Source: Ministry of Finance and Economic Affairs.

1/ Converted from Pakistan rupees at the average exchange rate for the year: 1980/81, PRs 9.9/US$; 1981/82, PRs 10.55/US$; and 1982/83, PRs 12.72/US$.
2/ Quantity in metric tons.
3/ Quantity in kilograms.
4/ There were no imports.

Chronology of Changes in the Exchange and Trade System Since the 1982 Consultation 1/

Since the 1982 consultation discussions interest rates on foreign currency deposits were changed on 11 occasions. On July 21, 1983 the rates quoted ranged from 10.25 percent to 11 percent, compared with 12 percent to 13.5 percent quoted on September 8, 1982.

The minimum margin requirements for opening letters of credit for the import of various items were also adjusted on a number of occasions. Only the principal changes (including the addition or deletion of any item) are listed below.

1982

September 19. Letters of credit opened for imports henceforth may be opened in any foreign currency (F.E. Circular No. 112/82).

September 27. For the purpose of monitoring and the imposition of penalties under the Export Finance Scheme, the rupee equivalent to foreign currency realized would be taken into consideration. Where, however, the shortfall in realization of export proceeds is due to appreciation, since the date of grant of export finance of the rupee, vis-a-vis the foreign currency in which the bill of exchange has been drawn, no penalty will be charged (BCD Circular No. 35/82).

November 22. Under the Export Finance Scheme, the date of shipment rather than the date of actual realization of export proceeds is to be used for purpose of monitoring export performance and borrowing entitlement, as from the monitoring period commencing July 1, 1982 (BCD Circular No. 39/82).

November 27. Under the Export Finance Scheme, export finance is to be provided by banks under Part I of the Scheme in cases where either an irrevocable letter of credit (whether confirmed or not) or a firm export order has been received. Previously, irrevocable letters of credit had to be "confirmed" (BCD Circular No. 41/82).

December 4. The validity of the Pakistan-Democratic Peoples Republic of Korea barter agreement dated September 29, 1980 was extended to December 31, 1982 for opening letters of credit and to March 31, 1983 for making shipments (F.E. Circular No. 121/82).

December 4. The validity of the Pakistan-Poland barter agreement dated December 4, 1980 was extended to March 31, 1983 for opening letters of credit and to June 30, 1983 for completing shipments (F.E. Circular No. 122/82).

1/ Changes in the exchange and trade system from October 6, 1981 to September 7, 1982 were covered in SM/83/14, Appendix I, pp. 81-85.

December 12. Export of scrap and parts obtained from shipbreaking was allowed. Export was also allowed, subject to quota, of breeding cows and breeding goats.

1983

January 2. Export of sporting rifles, handguns and shotguns, and accessories and ammunition thereof were allowed.

January 6. The validity of the Pakistan-Czechoslovakia barter agreement dated May 17, 1981 was extended to April 30, 1983 for opening letters of credit and to July 31, 1983 for completing shipments (F.E. Circular No. 2/83).

January 9. The validity of the commodity exchange arrangement between the Trading Corporation of Pakistan and Sukab (of Sweden) was extended to February 28, 1983 for opening letters of credit and to May 31, 1983 for completing shipments (F.E. Circular No. 3/83).

January 9. The validity of the Pakistan-Bulgarian barter agreement dated December 17, 1981 was extended to March 31, 1983 for opening letters of credit and to June 31, 1983 for completing shipments (F.E. Circular No. 4/83).

January 15. The minimum margin requirements for opening letters of credit for the import of industrial raw materials by manufacturers were withdrawn (BCD Circular No. 3/83).

January 17. Authorized dealers were given authority to effect, without prior approval of the State Bank of Pakistan, remittances for membership fees in educational, technical, professional, and scientific institutions up to PRs 2,000 per person per annum and examination fees for foreign technical and educational institutions up to PRs 1,000 per person per annum (F.E. Circular No. 8/83).

January 18. The validity of the Pakistan-China barter agreement of June 24, 1981 was extended to June 30, 1983 for opening letters of credit and September 30, 1983 for completing shipments (F.E. Circular No. 9/83).

January 18. Procedures for Haj applications under the sponsorship scheme were announced. Sponsors abroad were required to remit in the name of the intending pilgrim US$1,988.40 for cost of ticket and US$1,200 for other expenses. Applications were to be submitted to Pakistani banks between January 22, 1983 and February 28, 1983. Rupee proceeds of US$1,988.40 at prevailing exchange rate were to be submitted to the Haj office within 14 days of application (F.E. Circular No. 10/83).

January 27. The validity of the Pakistan-Democratic Republic of Korea barter agreement dated September 29, 1980 was extended to March 31, 1983 for opening letters of credit and to June 30, 1983 for completing shipments (F.E. Circular No. 14/83).

January 27. The validity of the Pakistan-U.S.S.R. barter protocol dated May 14, 1982 on mutual deliveries of goods between Pakistan and the U.S.S.R. was extended to March 31, 1983 for opening of letters of credit and June 30, 1983 for completion of shipment (F.E. Circular No. 15/83).

January 30. It was decided that the compulsory coverage of exports under the Export Credit Guarantee Scheme (laid down in BCD Circular No. 24/82) would not be introduced. Instructions regarding dates for introduction of this requirement in BCD Circular No. 1/83 were thus canceled (BCD Circular No. 6/83).

February 19. Foreign exchange cover facilities were extended to interest payments in respect of foreign currency repatriable loans obtained by companies in Pakistan with State Bank approval. Previously forward cover was available only for the amount of the principal (F.E. Circular No. 22/83).

February 27. The validity of the Trading Corporation of Pakistan-Sukab Commodity Exchange arrangement was extended to December 31, 1984 for opening letters of credit and to March 31, 1985 for completing shipments. The ceiling on trade each way was increased to US$47.6 million (F.E. Circular No. 23/83).

March 7. Export was allowed of infant formula foods, infant weaning foods, and food for invalids.

March 17. The validity of the Pakistan-Poland barter agreement dated December 4, 1980 was extended to June 30, 1983 for opening letters of credit and to September 30, 1983 for completing shipments (F.E. Circular No. 28/83).

March 22. A commodity exchange agreement was concluded between Pakistan and Bulgaria on February 28, 1983 regarding the exchange of goods between the two countries to the value of US$36.0 million each way. It was agreed to that the protocol shall remain valid up to February 29, 1984 (F.E. Circular No. 29/83).

April 4. A one-year commodity exchange agreement was entered into between Pakistan and China. All payments documents are to be drawn up in U.S. dollars and all transactions under agreement channeled through a special nonconvertible U.S. dollar account. The agreement provides for the exchange of goods each of US$16.0 million.

April 10. A special mini barter agreement (No. 19) was entered into between Pakistan and Czechoslovakia on February 24, 1983. The agreement is valid for opening letters of credit until September 30, 1983 and for shipments until December 31, 1983 (F.E. Circular No. 33/83).

April 10. The requirement for manufacturers importing industrial raw materials to produce an import license for a specified quantity was waived (BCD Circular No. 12/83).

April 12. The validity of the Pakistan-Bulgaria barter arrangement dated December 17, 1981 was extended to June 30, 1983 for opening letters of credit and to September 30, 1983 for making shipments (F.E. Circular No. 34/83).

April 12. The validity of the Pakistan-U.S.S.R. barter agreement dated May 14, 1982 was extended to June 30, 1983 for opening letters of credit and to September 30, 1983 for completing shipments (F.E. Circular No. 35/83).

April 30. The Governments of Pakistan and the Democratic People's Republic of Korea signed a barter agreement on February 6, 1983 for exchange of goods, specified in the schedules, between the two countries. The agreement is valid up to February 5, 1984. All payments documents are to be drawn up in deutsche marks (DM), and all transactions under the agreement are channeled through a special nonconvertible DM account (F.E. Circular No. 38/83).

May 7. The validity of the Pakistan-China barter agreement dated April 15, 1982 was extended up to October 1983 for opening letters of credit and up to January 15, 1984 for completing shipments (F.E. Circular No. 40/83).

May 10. The Governments of Pakistan and Czechoslovakia entered into an agreement on April 20, 1983 for exchange of goods, specified in the schedules, between the two countries. The agreement is valid up to December 31, 1984. All payment documents are to be drawn up in U.S. dollars and all transactions under the above agreement would take place through a special nonconvertible U.S. dollar account (F.E. Circular No. 41/83).

May 12. Export of camels was allowed subject to quota.

May 19. The validity of the Pakistan-Czechoslovakia barter agreement of May 17, 1981 was extended up to September 30, 1983 for opening letters of credit and up to December 31, 1983 for completing shipments (F.E. Circular No. 42/83).

May 31. The Governments of Pakistan and the U.S.S.R. signed an agreement on April 26, 1983 for exchange of goods, specified in the schedules, between the two countries. The agreement effective from January 1 shall remain valid up to December 31, 1983. All payment documents are to be drawn up in U.S. dollars, and all the transactions under the agreement channeled through a special nonconvertible U.S. dollar account (F.E. Circular No. 45/83).

June 13. The swing limit of the Trading Corporation of Pakistan/ Sukab agreement No. 4 was increased from US$3 million to US$4 million.

June 21. A one-year commodity exchange agreement was signed between Pakistan and Poland. All payments documents are to be drawn up in U.S. dollars, and settlement of transactions is to take place through nonconvertible U.S. dollar accounts (F.E. Circular No. 51/83).

June 22. Pakistanis residing abroad may import vehicles in CKD condition (excluding cars) through the recognized assembling units of vehicles in both the public and private sectors on payment of cost and freight of the vehicle in foreign exchange (F.E. Circular No. 52/83).

June 23. Export compensatory rebate on exports of woolen yarn at the rate of 4.5 percent of FCB values was allowed.

June 25. The commodity exchange agreement (No. 8) between Pakistan and the Democratic People's Republic of Korea was closed with effect from March 31, 1983.

June 29. The exchange quota for professional training abroad was fixed at US$750 per month for junior executives and US$1,200 per month for senior executives (F.E. Circular No. 54/83).

June 29. Pakistan nationals residing outside the country were permitted to repatriate proceeds of principal and capital gains on domestic securities providing these securities were held for no less than one year (F.E. Circular No. 55/83).

June 30. With a view to liberalizing import restrictions and gradually relaxing exchange controls, authorized dealers were permitted to perform the following functions without the prior approval of the State Bank of Pakistan:

a. remit up to a maximum of PRs 5,000 per annum for their individual customers for import of medicines, hearing aids, braille watches, and small carts or parts of special gadgets for disabled persons or lifesaving instruments;

b. open usance letters of credit without any limitation of period;

c. open letters of credit for the import of old ships for scrapping on production of an agreement of contract of sale and confidential reports on the buyer and seller;

d. certified Form "E" relating to import by country;

e. remit proceeds of export commission of rebated items at the time of claiming the rebate and in the case of other items within three days of the receipt of export proceeds (F.E. Circular No. 56/83).

July 1. A basic change was brought about in the format of the import system. A negative/restricted list system was adopted in place of the positive list system with effect from July 1, 1983. One hundred and forty eight new items/categories were added to the importable list. Imports of sugar, nonnitrogeneous fertilizers, new standardized trucks, buses and light commercial vehicles in built-up and knocked down form, and bidi leaves (except from India) were opened to the private sector. Also, 15 items were shifted from the tied list. Licensing restrictions were removed on 17 of the 22 consumer items previously subject to quantitative restrictions. The monetary ceiling in respect of import of capital equipment and machinery for setting up units not falling within the restricted list of industries was raised from PRs 15 million to PRs 30 million, and at the same time the ceiling on investment by these industries was increased from PRs 30 million to PRs 60 million. The monetary ceiling regarding expansion of existing units not falling within the restricted list of industries was also raised from PRs 10 million to PRs 30 million, thus eliminating the distinction between plant expansion and establishment of new units. As regards capital goods imports, US$100 million of central bank foreign exchange was made available to certain financial institutions for release (against rupees) to investors in approved projects to import capital goods.

July 3. Students desirous of studying abroad were allowed to draw their foreign exchange entitlement through an authorized bank and purchase tickets from any airline/steamship company/travel agent without obtaining approval from the State Bank (F.E. Circular No 57/83).

July 6. The commodity exchange agreement between Pakistan and China (No. 10) was closed with effect from June 30, 1983.

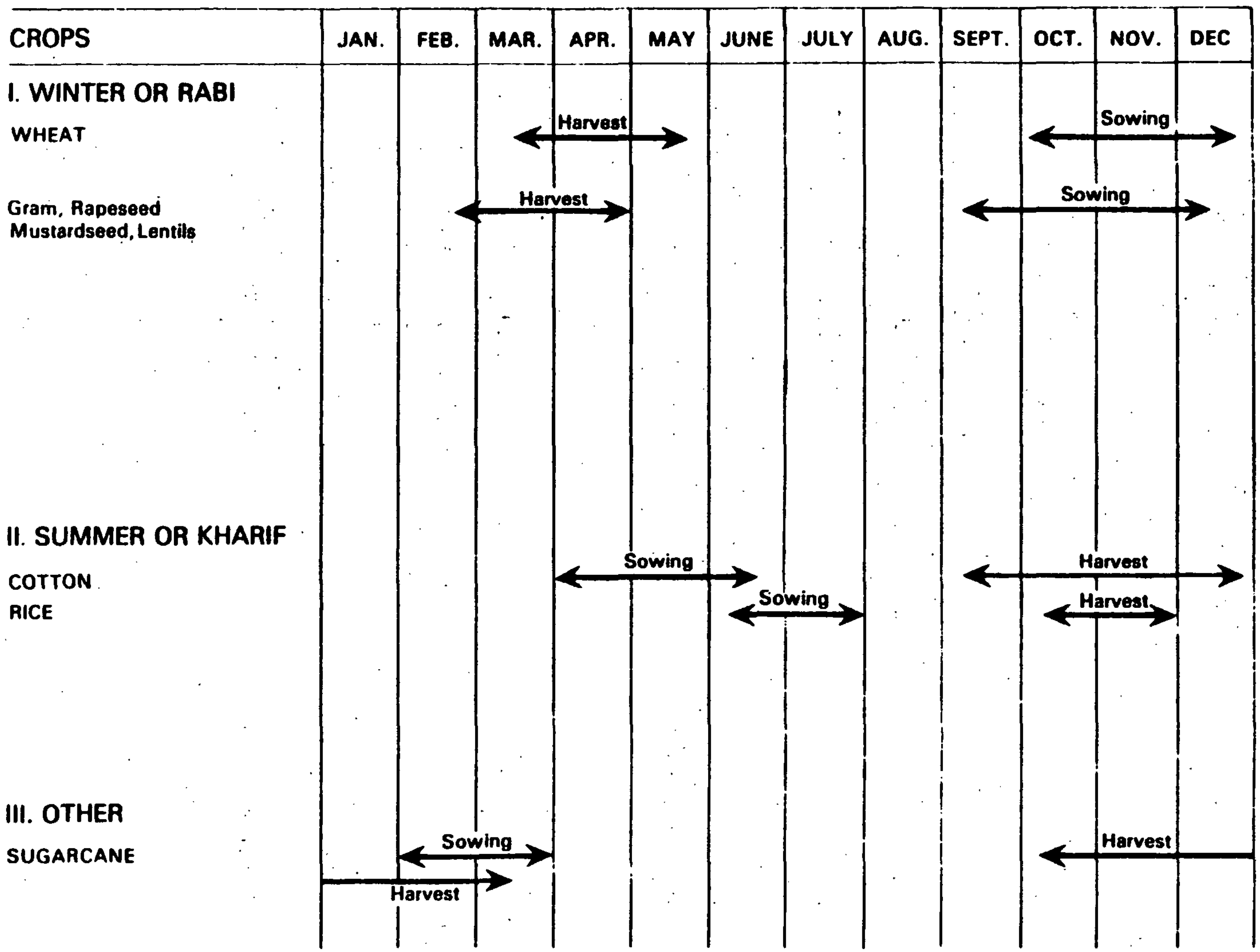
July 11. The validity of the Pakistan-Bulgaria barter agreement of December 17, 1981 was extended to September 30, 1983 for opening letters of credit and to December 31, 1983 for completing shipments (F.E. Circular No. 58/83).

July 11. Records relating to students currently studying abroad and holding exchange permits, issued by the State Bank, could now be transferred to the concerned authorized dealers for renewing the exchange facility for a further period on receipt of a recommendation from the concerned Pakistani mission abroad (F.E. Circular No. 59/83).

July 20. Export of ten additional varieties of vegetables was allowed.

PAKISTAN

SOWING AND HARVESTING TIMES



Source: Ministry of Food, Agriculture and Cooperatives, and IBRD

Table 32. Pakistan: Conversion Factors

Weight
- 1 seer = 2.057 lbs.
- 1 maund = 82.286 lbs.
- 1 long ton = 2,240 lbs. = 27.22 maunds
- 1 metric ton = 2,205 lbs. = 26.79 maunds
- 1 kg = 2.2046 lbs.
- 40 kg = 1.0717 maunds
- 1 maund/acre = 92.230 kg/ha
- 1 long ton/acre = 2,510.71 kg/ha
- 1 bale = 392 lbs. (390 lbs. cotton + 2 lbs. string); however, at times 375 lbs. is used
- 1 U.S. bushel of wheat = 60.0103 lbs. = 0.0272 metric ton

Volume
- 1 U.S. gallon = 3.785 liters
- 1 barrel of petroleum = 42 U.S. gallons

Area
- 1 acre = 0.4047 hectare
- 1 square yard = 0.8361 square meters

Length
- 1 yard = 0.9144 meter

Rules of thumb
- 1 kg seed cotton yields 1/3 kg lint cotton and 2/3 kg cottonseed
- 1 kg paddy yields 2/3 kg milled rice
- 100 kg lint cotton produces 82 kg yarn or 75 kg cloth
- 7.5 square meters of cloth weigh about 1 kg

Exchange rates
- May 11, 1972-February 13, 1973: PRs 11.0 = US$1
- February 13, 1973-January 7, 1982: PRs 9.9 = US$1
- With effect from January 8, 1982 the rupee ceased to be pegged to the U.S. dollar. Pakistan at present maintains a managed floating exchange rate system, with the U.S. dollar continuing to be the intervention currency.
- The average exchange rate was PRs 10.55 per U.S. dollar for 1981/82 and PRs 12.72 per U.S. dollar for 1982/83.

Table 33. Pakistan: Sectoral Origin of Gross National Product, 1978/79-1982/83

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
	(In millions of Pakistan rupees at current prices)				
Agriculture	56,219	64,331	72,168	86,539	98,101
Crop	39,376	44,765	49,301	58,729	65,939
Livestock	16,843	19,566	22,867	27,810	32,162
Fishing and forestry	1,278	1,769	2,461	2,772	3,492
Industry	42,315	53,875	63,941	71,744	80,746
Manufacturing	28,204	35,098	42,061	48,304	54,786
Large-scale	(19,711)	(24,800)	(30,013)	(35,034)	(39,873)
Small-scale	(8,493)	(10,298)	(12,048)	(13,270)	(14,913)
Mining and quarrying	1,378	2,226	2,834	3,131	3,533
Construction	9,336	11,762	13,362	14,021	15,392
Electricity, gas, and water	3,397	4,789	5,684	6,288	7,035
Services	79,246	92,608	111,190	131,072	147,462
Commerce	26,065	30,809	37,314	45,024	51,882
Transportation and communications	13,151	15,451	18,984	22,621	24,790
Banking and insurance	4,931	5,356	6,035	7,233	8,160
Ownership of dwellings	6,082	7,000	8,255	9,544	10,359
Public administration and defense	13,859	16,263	19,257	21,507	24,396
Other services	15,158	17,729	21,345	25,143	27,875
GDP (factor cost)	179,058	212,583	249,760	292,127	329,801
Indirect taxes less subsidies	17,071	23,926	32,238	31,362	38,171
GDP (market prices)	196,129	236,509	281,998	323,489	367,972
Net factor income from abroad 2/	12,850	15,949	18,810	21,290	33,670
GNP (market prices)	208,979	252,458	300,808	344,779	401,643
	(In percent)				
Sectoral shares of GDP (at factor cost):					
Agriculture	31.4	30.3	28.9	29.6	29.7
Fishing and forestry	0.7	0.8	1.0	0.9	1.1
Industry, of which:	23.6	25.3	25.6	24.6	24.5
Manufacturing	15.8	16.5	16.8	16.5	16.6
Construction	5.2	5.5	5.3	4.8	4.7
Services, of which:	44.3	43.6	44.5	44.9	44.7
Commerce	14.6	14.5	14.9	15.4	15.7
Public administration and defense	7.7	7.7	7.7	7.4	7.4

Sources: Planning and Development Division and Ministry of Finance and Economic Affairs.

1/ Provisional.
2/ Derived from balance of payments data on a receipts and payments basis (Table 20).

Table 34. Pakistan: Gross Domestic Expenditure, 1978/79-1982/83

(In millions of Pakistan rupees at current prices)

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
1. Consumption	186,295	222,509	265,117	307,872	345,163
2. Gross domestic investment	33,347	41,274	45,502	53,893	62,013
Gross domestic fixed capital formation	31,597	39,274	41,002	46,893	53,513
Private sector	(9,742)	(12,854)	(14,904)	(16,542)	(19,452)
Public sector	(21,855)	(26,420)	(26,098)	(30,351)	(34,061)
Change in stocks	1,750	2,000	4,500	7,000	8,500
3. Consumption plus gross domestic investment (1+2)	219,642	263,783	310,619	361,765	407,176
4. Net exports of goods and nonfactor services 2/	-23,513	-27,274	-28,621	-38,276	-39,203
Exports	20,869	29,344	36,046	32,884	44,126
Imports	-44,382	-56,618	-64,667	-71,160	-83,329
5. Net factor income from abroad 2/	12,850	15,949	18,810	21,290	33,670
6. Net exports of goods and services (4+5)	-10,663	-11,325	-9,811	-16,986	-5,533
7. GDP (market prices) (3+4)	196,129	236,509	281,998	323,489	367,973
8. GNP (market prices) (3+6)	208,979	252,458	300,808	344,779	401,643
9. Gross domestic savings (2+4)	9,834	14,000	16,881	15,617	22,810
10. Gross national savings (2+6)	22,684	29,949	35,691	36,907	56,480

Sources: Planning and Development Division and Ministry of Finance and Economic Affairs.

1/ Provisional.
2/ Derived from balance of payments data on a receipts and payments basis (Table 20).

Table 35. Pakistan: Gross Fixed Capital Formation by Economic Sector, 1978/79-1982/83

(In millions of Pakistan rupees)

	1978/79	1979/80	1980/81	1981/82	1982/83
1. Private	9,555.9	12,440.6	14,904.3	16,541.7	19,452.0
Agriculture	2,064.2	2,465.3	2,698.5	2,902.1	4,085.4
Mining and quarrying	44.1	48.5	53.3	58.6	64.4
Large-scale manufacturing	1,569.1	2,177.3	3,291.0	3,595.6	3,877.3
Small-scale manufacturing	724.3	818.3	1,068.5	1,221.1	1,337.4
Construction	118.4	96.8	144.8	227.8	299.7
Electricity and gas	2.4	1.8	5.0	—	—
Transport and communication	1,384.2	2,100.2	1,850.0	1,775.9	2,043.0
Banking, insurance, and other financial institutions	17.4	26.0	23.5	91.4	105.3
Ownership of dwellings	2,272.9	3,003.0	3,850.3	4,501.0	5,367.3
Services	1,358.9	1,703.4	1,919.4	2,168.2	2,272.2
2. Public (a+b+c)	21,855.8	26,419.9	26,098.4	30,351.1	34,060.7
a. Government enterprises	1,001.3	1,272.3	1,572.3	2,381.4	2,833.2
Railway	580.6	881.4	1,100.0	1,396.4	1,296.0
Post office, telegraph, and telephone department	420.7	390.9	472.3	985.0	1,537.2
b. Semipublic organizations	14,274.5	18,308.0	15,559.3	16,563.3	19,038.4
Indus Basin	413.2	730.8	889.0	876.2	1,000.0
Rural development	148.6	192.0	602.7	365.7	459.2
Banking, insurance, and other financial institutions	186.0	251.7	244.6	322.2	311.1
Mining and quarrying	100.3	112.7	330.4	359.0	579.3
Large-scale manufacturing	6,637.7	6,573.2	4,814.3	4,649.3	4,547.1
Small-scale manufacturing	21.6	19.7	21.3	34.7	32.2
Electricity and gas	3,025.5	2,331.0	3,377.0	3,910.2	4,827.0
Other	3,741.6	8,096.9	5,280.0	6,046.0	7,282.5
c. General Government	6,580.0	6,839.6	8,966.8	11,405.4	12,189.1
Federal	2,687.4	2,735.0	3,443.0	4,490.4	4,583.8
Provincial	3,368.1	3,288.1	4,210.9	5,262.3	5,765.8
Local	524.5	816.5	1,312.9	1,652.7	1,839.5
3. Total (1+2)	31,411.7	38,860.5	41,002.7	46,892.8	53,512.7

Source: Planning and Development Division.

Table 36. Pakistan: Irrigation Receipts and Expenditure of Provincial Governments on Operation and Maintenance, 1978/79-1982/83

(In millions of Pakistan rupees)

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
Punjab					
Receipts	377.6	455.4	464.4	649.5	668.2
Expenditures	483.6	620.5	702.7	964.6	991.1
(Percentage)	(78.1)	(73.4)	(66.1)	(67.3)	(67.4)
Sind					
Receipts	98.9	95.1	131.6	203.0	216.0
Expenditures	216.1	235.3	328.5	407.9	408.6
(Percentage)	(45.8)	(40.4)	(40.1)	(49.8)	(52.9)
NWFP					
Receipts	17.3	18.1	29.1	26.3	27.0
Expenditures	73.3	85.3	110.7	118.6	154.4
(Percentage)	(23.6)	(21.2)	(26.3)	(22.2)	(17.5)
Baluchistan					
Receipts	2.5	5.8	2.2	2.4	6.3
Expenditures	29.3	31.6	62.9	72.4	78.4
(Percentage)	(8.5)	(18.4)	(3.5)	(3.3)	(8.0)
Total					
Receipts	496.3	574.4	627.3	881.2	917.5
Expenditures	802.3	972.7	1,204.8	1,563.5	1,632.5
(Percentage)	(61.9)	(59.1)	(52.1)	(56.4)	(56.2)

Source: Ministry of Finance and Economic Affairs.

1/ Provisional.

Table 37. Pakistan: Comparative Agricultural Yields, 1981 1/

(In kilograms per hectare)

	Wheat	Rice 2/	Cotton 3/	Sugarcane
Pakistan	1,567	2,604 4/	1,014	38,639
India	1,649	2,050	510	56,844
Indonesia	--	3,665	2,273	99,208
Korea	2,850	5,745	923	--
Thailand	--	2,079	1,426	38,750
Turkey	1,813	4,143	1,903	--
Egypt	3,162	5,411	2,768	83,575
Sudan	750	1,696	730	80,000
Cuba	--	3,186	750	47,857
France	4,793	4,000	--	--
Japan	3,060	5,629	--	66,216
United States	2,321	5,462	1,627	88,802
Asia average	1,708	2,913	1,056	51,548
World average	1,914	2,885	1,369	56,102

Sources: Ministry of Food, Agriculture, and Cooperatives for Pakistan; and United Nations Food and Agriculture Organization, Production Year Book 1981, for other countries.

1/ Utilizes the 1981/82 crop yields for wheat and sugarcane from Table 3. For all other countries' crop yields are for 1981.
2/ Paddy.
3/ Seed cotton.
4/ This figure is 1.5 times larger than the production figure in Table 3, as this includes the weight of husk.

Table 38. Pakistan: Prices of Selected Commodities, 1978/79-1983/84

	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
	(In Pakistan rupees per maund) 1/2/					
Wheat						
Government procurement price 3/	45.00	46.65 4/	54.12	54.12	59.72	
Issue price to mills	32.00	46.65 5/	46.65	58.50 6/	63.56	
Ration shop issue price (atta)	35.50	45.16	50.39	62.00 6/	62.00	67.18 7/
Free market retail prices, Multan	50.00	56.00	54.74	62.57	67.43	
Free market wholesale price, Multan	47.00	49.53	48.70	60.02	65.97	
Import unit value	58.50	64.55	77.46	83.00	81.79 8/	
U.S. red winter (f.o.b. Gulf ports)	51.20	63.74	65.82	66.77	74.94	
Rice						
Producer price (paddy) 9/						
Basmati	60.00	60.00	70.00	79.31	82.11	83.98
IRRI-6 (fair/average quality)	30.00	30.00	36.00	41.98	45.72	47.59
IRRI-6 (superior)	—	—	—	45.72	49.45	51.32
Free market wholesale price						
Basmati, Rawalpindi	142.00	161.10	221.22	246.88	256.72	
IRRI-6, Hyderabad	51.00	56.49	62.05	76.20	87.29	
Export procurement price (milled rice) 10/						
Basmati	110.00	110.00	127.84	139.96	142.76	147.00
IRRI-6 (fair/average quality)	49.00	49.00	58.77	67.18	74.64	77.45
IRRI-6 (superior)	56.00	56.00	67.68	77.44	83.04	85.84
Export sales price 10/						
Basmati	276.00	265.00	262.00	290.00	311.00 8/	
Other	91.00	94.00	122.00	118.00	101.00 8/	
Thai export price						
Bangkok 5 percent broken	123.00	160.00	203.06	153.28	127.84 11/	
Cotton						
Phutti (seed cotton) floor price 12/						
AC-134 N.T., BS-1	138.00	138.00	149.30	158.63	163.29	166.09
Desi	134.00	134.00	145.54	154.89	156.76	158.16
B-557	149.00	149.00	159.56	166.09	170.76	173.56
Ginnery sales price (AC-134 N.T.)	378.00	383.00	413.00	418.96	418.96	440.00
Mill purchase price (AC-134 N.T.)	378.00	383.00	413.00	418.96	418.96	440.00
Free market wholesale prices, Karachi						
N.T. Sind (RG)	461.00	402.93	415.51	447.14	474.45 13/	
Export sales price 14/						
Staple	418.00	495.00	600.00	473.00	562.00 8/	
Desi	515.00	490.00	534.00	481.00	566.00 8/	
U.S. average price (1-inch staple)	498.00	662.30	676.31	404.06	635.00 11/	
Sugar						
Cane purchase price 15/						
Sind	5.90	7.15	9.15	9.15	9.15	9.15
Punjab	5.75	7.00	9.00	9.00	9.00	9.00
NWFP 16/	5.50	6.75	8.75	8.75	8.75	8.75
Ration shop consumer price	160.00	179.15 17/	223.94 18/	261.27 6/	261.27	289.23 19/
EEC import price	130.00	181.74	187.61	130.76	183.20 11/	

Table 38 (concluded). Pakistan: Prices of Selected Commodities, 1978/79-1983/84

	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
			(In U.S. dollars per metric ton)			
Edible oils						
Cottonseed oil						
Government wholesale price 20/	541.00	541.00	670.00	635.00	534.00	
Rotterdam export price, c.i.f.	735.00	690.00				
Soybean oil import unit value	671.00	704.00	583.00	517.00	453.00 8/	
Soybean oil, all origins (Dutch ports)	632.18	627.68	570.35	480.00	413.00 8/	
Palm oil import unit value	629.00	642.00	551.00	509.00		
Vegetable ghee retail price	990.00	1,088.00	1,096.00	1,034.12	858.49 11/	
Fertilizer						
Urea						
Import unit value	165.00	225.00	257.00	283.00	—	
Government retail price 21/	130.00	187.90 22/	187.90	183.09 23/	183.71 24/	191.98
N.W. Europe export price (f.o.b.)	156.00	194.10	237.45	181.40	143.15	
Diammonia phosphate (DAP)						
Government retail price	138.00	202.00 22/	202.00	196.85 23/	188.33 24/	199.48
Florida export price (f.o.b.)	167.00	219.00	195.00	200.00	173.85 25/	
Cement						
Government ex-factory price 26/	60.60	90.90	101.01 6/	99.53 27/	83.47	
U.S. average mill price	47.93	53.55	56.83	56.92	56.27 28/	
Kerosene 29/						
Government ex-depot value	124.00	276.00	352.00 30/	330.00	273.70	
Import unit value	137.00	269.00	334.00	356.00	295.43	

Sources: Ministry of Finance and Economic Affairs; Ministry of Food, Agriculture, and Cooperatives; IMF, International Financial Statistics; Oil World; and U.S. Bureau of Mines.

1/ One maund = 37.324 kilograms. Unit value figures have been used where available. For international prices, the figures shown are a linear average of monthly prices and thus may not fully reflect the weighted average price during the year for seasonal commodities. For prices established by the Pakistan Government, the price prevailing during the greater part of the procurement season or fiscal year has been used rather than an average price.
2/ Prices for the period untill January 7, 1982 available in U.S. dollars have been converted to rupees at PRs 9.9 per U.S. dollar. For subsequent periods the prevailing foreign exchange rate has been used.
3/ Wheat is procured at a large number of regional depots in the wheat-producing areas. The bulk of transportation costs is thus met by the Government.
4/ Effective February 24, 1980.
5/ Effective June 27, 1979.
6/ Effective June 25, 1981.
7/ Effective May 1983.
8/ July-April average.
9/ A government-decreed floor price. Paddy is heavier than milled rice by approximately a factor of 1.5 due to the weight of the husk.
10/ Rice is procured by the Rice Export Corporation from rice mills and the Corporation holds a monopoly on rice exports.
11/ July-March average.
12/ Phutti yields about one third lint cotton and two thirds cottonseed by weight. Floor prices are established by the Government but there is no government procurement of phutti.
13/ July-May average.
14/ Cotton is exported exclusively by the Cotton Export Corporation which buys from the ginneries.
15/ Cane purchase prices at the mill gate are mandated by the Government. The Government purchases nearly all refined sugar at prices which vary according to milling costs.
16/ Beginning in 1980/81 an additional PRs 2.00-2.25 per maund is paid to growers as an incentive.
17/ Effective November 15, 1979.
18/ Effective July 1, 1980.
19/ This refers to the price at the fair price (formerly ration) shops for sales from Government sugar stocks in 1983/84. For remote areas, the price continues to be PRs 261.27 per maund. The price of privately owned sugar is no longer regulated as a result of the sugar derationing in August 1983.
20/ The Pakistan Edible Oils Corporation had a monopoly in cottonseed oil trading through 1978/79; beginning in 1979/80 the Ghee Corporation of Pakistan assumed this function.
21/ To obtain the rupee price of a standard 50-kilogram bag, multiply these figures by 0.495.
22/ Effective February 24, 1980.
23/ The decline in the U.S. dollar price reflects the depreciation of the rupee. The rupee price was increased by 10.8 percent in March 1982. This increase and a subsequent increase in October 1982 are reflected in 1982/83 prices.
24/ Effective October 1982.
25/ July-December 1982 average.
26/ Includes the excise tax.
27/ Effective January 5, 1982 and converted at PRs 10.55 per U.S. dollar.
28/ Average price for 1982.
29/ Converted at 1.23215 liters per kilogram.
30/ Effective October 28, 1980.

Table 39. Pakistan: Wheat and Rice Production and Trade, 1972/73-1982/83

(In thousands of long tons)

	Wheat				Rice	
	Production	Imports 1/	Government Procurement 2/	Government Ration Shop Sales	Production	Exports
1972/73	7,325	1,343	205	1,563	2,293	777
1973/74	7,508	1,036	1,321	2,175	2,416	588
1974/75	7,552	1,591	1,234	2,260	2,277	470
1975/76	8,553	1,027	1,217	2,285	2,576	770
1976/77	8,800	340	2,340	2,762	2,694	869
1977/78	8,235	1,035	1,842	2,880	2,903	865
1978/79	9,793	1,927	1,086	2,930	3,220	999
1979/80	10,685	545	2,339	2,703	3,165	1,069
1980/81	11,291	94	2,908	2,785	3,015	1,244
1981/82	10,826	59	3,924	2,672	3,376	951
1982/83	12,340 3/	353	3,080	2,550	3,315 3/	517 4/

Sources: Ministry of Finance and Economic Affairs, and Ministry of Food, Agriculture, and Cooperatives.

1/ Wheat import data do not fully reconcile with the data given in Appendix III, Table 71.
2/ Government procurement relates to the wheat crop harvested beginning in March of the preceding fiscal year.
3/ Provisional.
4/ Through March 1983.

Table 40. Pakistan: Quantum Index of Manufacturing Production, 1972/73-1982/83

(1969/70 = 100)

Annual averages		
1972/73		115.4
1973/74		122.4
1974/75		120.5
1975/76		119.8
1976/77		117.1
1977/78		128.8
1978/79		133.7
1979/80		148.9
1980/81		165.3
1981/82		188.0
1982/83		204.3 1/
Quarterly averages		
1978/79:	I	110.5
	II	139.5
	III	149.7
	IV	135.3
1979/80:	I	130.2
	II	150.2
	III	166.5
	IV	148.5
1980/81:	I	140.7
	II	169.6
	III	186.7
	IV	164.0
1981/82:	I	157.9
	II	195.8
	III	203.5
	IV	194.9
1982/83	I	169.7 1/
	II	209.7 1/

Source: Federal Bureau of Statistics.

1/ Provisional.

Table 41. Pakistan: Manufacturing Sector Indices, 1978/79-1982/83

(1972/73 = 100)

	1978/79	1979/80	1980/81	1981/82	1982/83 1/
Manufacturing output (in constant 1969/70 prices)	116	129	143	163	177
Manufacturing employment	129	133	138	142	147
Output per man (at constant 1969/70 prices)	90	97	104	115	120

Source: Federal Bureau of Statistics.

1/ Provisional.

Table 42. Pakistan: Output in Selected Industries, 1978/79-1982/83

	Unit	1978/79	1979/80	1980/81	1981/82	1982/83 1/
Cotton manufactures						
Cotton yarn	Million kilograms	328	363	375	430	430
Cotton cloth 2/	Million square meters	339	342	308	325	350
Food and tobacco						
White sugar	Thousand metric tons	607	586	851	1,205	1,130
Vegetable products	Thousand metric tons	422	452	505	531	580
Cigarettes	Billions	33	35	36	38	39
Matches	Million boxes	1,275	1,444	1,673	1,337	1,391
Chemicals						
Urea	Thousand metric tons	620.5	640.5	962.9	1,223.5	1,831.8
Superphosphate	Thousand metric tons	98.5	101.2	101.8	102.7	104.3
Ammonium sulphate	Thousand metric tons	97.9	98.9	96.6	94.0	61.2
Soda ash	Thousand metric tons	71.4	79.4	96.4	107.2	125.0
Caustic soda	Thousand metric tons	35.9	39.9	38.5	40.5	50.0
Sulphuric acid	Thousand metric tons	56.5	57.4	56.9	59.0	61.8
Ammonium nitrate	Thousand metric tons	81.1	199.0	272.7	321.4	339.4
Nitro phosphate	Thousand metric tons	40.4	137.2	171.2	210.5	238.4
Synthetic yarn	Thousand metric tons	...	37.0	43.8	55.0	71.4
Cement	Million metric tons	3.0	3.3	3.5	3.7	4.2
Steel products	Thousand metric tons	362.4	420.9	494.7	550.8	596.8
Pig iron	Thousand metric tons	...	...	...	382.0	463.0
Billets	Thousand metric tons	...	...	...	--	40.0
Paperboard	Thousand metric tons	23.8	25.3	27.3	28.6	28.7
Chipboard	Thousand metric tons	25.9	26.0	31.9	31.1	30.0
Tractors	Thousand units	5.3	6.5	8.8	12.4	19.1
Bicycles	Thousand units	280.1	279.4	327.3	399.1	435.5

Sources: Federal Bureau of Statistics, Planning and Development Division, and the Ministry of Finance and Economic Affairs.

1/ Provisional.

2/ Textile mills only, and therefore excludes small-scale producers, which are estimated to account for 50 percent of total cloth production.

Table 43. Pakistan: Industrial Structure, 1976/77

(In absolute numbers; in millions of Pakistan rupees; and in percent)

	Number of Reporting Establishments		Average Daily Employment		Value of Production		Gross Value Added	
	Number	Percent	Number	Percent	Amount	Percent	Amount	Percent
Manufacture of textiles	902	26.74	219,819	48.13	9,065	23.20	3,102	22.15
Food manufacturing	374	11.09	48,182	10.55	9,587	24.54	3,234	23.10
Manufacture of miscellaneous chemical products	141	4.18	7,292	1.60	904	2.31	336	2.40
Tobacco industries	20	0.59	8,420	1.84	2,207	5.65	1,688	12.06
Manufacture of transport equipment	128	3.79	20,400	4.47	1,383	3.54	331	2.37
Manufacture of industrial chemicals	67	1.99	12,600	2.76	1,615	4.13	798	5.70
Manufacture of miscellaneous nonmetallic mineral products	70	2.08	14,249	3.12	1,000	2.56	313	2.23
Iron and steel basic industries	164	4.86	16,894	3.69	1,719	4.40	542	3.87
Manufacture of drugs and pharmaceutical products	84	2.49	6,988	1.53	1,001	2.56	426	3.04
Manufacture of nonelectrical machinery	285	8.45	15,030	3.29	672	1.72	309	2.21
Manufacture of electrical machinery, apparatus, appliances, and supplies	136	4.03	16,954	3.72	1,105	2.83	445	3.18
Manufacture of fabricated metal products except machinery and equipment	316	9.37	11,485	2.51	637	1.63	282	2.01
Other industries	686	20.34	58,448	12.79	8,181	20.93	2,194	15.68
All industries (total)	3,373	100.00	456,761	100.00	39,074	100.00	14,002	100.00

Source: Federal Bureau of Statistics, Census of Manufacturing Industries, 1976/77.

Table 44. Pakistan: Production and Employment Indices for Public Manufacturing Enterprises, 1978/79-1982/83 1/2/

(1977/78 = 100)

	1978/79	1979/80	1980/81	1981/82	1982/83 3/
Production 4/	107.00	141.05	144.21	163.32	196.18
Employment	98.30	95.60	98.25	99.80	100.76
Output per man	108.85	147.54	146.78	163.64	194.70

Source: Expert Advisory Cell, Ministry of Production, Pakistan: Economic Developments and Prospects, Report No. 3802-PAK.

1/ Holding companies under the Ministry of Production.
2/ Excludes Pakistan Steel Mill.
3/ Includes estimate for April-June 1983
4/ In 1977/78 prices.

Table 45. Pakistan: Commercial Energy Supply by Source, 1978/79-1982/83

(In tons of oil equivalent) 1/

Source	1978/79	1979/80	1980/81	1981/82	Estimated 1982/83
Oil 2/	4,275,857	4,654,746	4,868,418	5,174,542	6,029,578
(Percent)	(38.8)	(37.2)	(36.0)	(35.9)	(38.6)
Gas 3/	4,106,149	4,991,615	5,546,480	5,730,982	5,882,128
(Percent)	(37.2)	(39.9)	(41.1)	(39.8)	(37.7)
Hydroelectricity 4/	1,957,086	2,071,672	2,109,189	2,260,524	2,628,593
(Percent)	(17.8)	(16.5)	(15.6)	(15.7)	(16.8)
Coal	620,454	766,723	910,455	1,138,117	991,833
(Percent)	(5.6)	(6.1)	(6.7)	(7.9)	(6.4)
Other	59,819	40,711	74,935	83,786	76,916
(Percent)	(0.6)	(0.3)	(0.6)	(0.7)	(0.5)
Total	11,019,365	12,525,467	13,509,477	14,387,951	15,609,048
(Percent)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Source: Directorate General of Energy Resources, Ministry of Petroleum and Natural Resources.

1/ One ton of oil equivalent is taken as indigenous crude with 19,000 BTU/lb.
2/ Excludes exports and bunkering.
3/ Excludes feedstock.
4/ Excludes auxiliary consumption.

Table 46. Pakistan: Domestic Retail Prices of Petroleum Products, 1979-83

	June 28	Aug. 22	Sept. 10	Dec. 11	Dec. 24	May 24	Oct. 28	June 25	Nov. 9	June 14	Jan. 9
	1979					1980		1981		1982	1983
	(In Pakistan rupees per liter)										
Regular petrol (MS)	3.61	3.61	3.61	3.61	4.25	4.45	5.00	5.00	5.05	5.45	6.00
High octane petrol (HOBC)	4.25	4.25	4.25	4.25	6.00	6.30	6.30	6.30	6.35	6.75	7.30
Kerosene	1.25	1.00	1.00	1.00	2.00	2.50	2.75	2.75	2.75	2.75	2.75
High-speed diesel (HSD)	1.92	1.92	1.92	1.92	2.50	2.80	3.05	3.05	3.15	3.45	4.00
Light diesel (LDO)	1.40	1.40	1.40	1.40	2.00	2.50	2.75	2.75	2.75	2.75	2.75
JP-1 (PIA domestic flights)	2.19	2.19	2.55	2.81	3.21	3.76	3.96	3.96	3.96	4.36	4.71
JP-1 (other than PIA)	—	—	2.94	3.20	3.60	3.89	4.09	4.09	4.09	4.59	4.94
JP-4	1.50	1.50	1.50	1.50	2.00	2.50	2.80	2.80	2.90	3.40	3.75
Lubricants 1/	3.23	3.23	3.83	3.83	4.38	5.00	5.00	6.11	6.16	6.60	6.95
	(In Pakistan rupees per metric ton)										
Fuel oil	1,000.00	1,000.00	1,000.00	1,000.00	1,250.00	1,250.00	1,250.00	1,250.00	1,350.00	1,350.00	1,720.00
Asphalt	1,500.00	1,500.00	1,500.00	1,500.00	2,000.00	2,000.00	2,000.00	2,000.00	2,200.00	2,500.00	2,800.00

Source: Ministry of Petroleum and Natural Resources.

1/ Price of lubricants is equivalent to average base oil price.

Table 47. Pakistan: Natural Gas Consumer Prices, 1981/82-1982/83 1/

(In Pakistan rupees per thousand cubic feet, PRs/mcf)

Consumer	Prior to Jan. 1, 1982	Effective Jan. 1, 1982	Effective Jan. 9, 1983	Effective June 11, 1983
Power	8.17-10.57	12.00	15.34	19.63
Cement	9.45-10.59	13.00	16.34	20.63
General industries	10.96	13.00	16.34	20.63
Fertilizer	6.85-7.10	10.84-11.85	14.18-15.19	17.63
Domestic:				
Up to 7.1 mcf/ month	12.00	14.00	14.00	16.00
From 7.1 to 10.65 mcf/ month	12.00	17.50	17.50	20.00
Above 10.65 mcf/month	12.00	21.00	21.00	24.00
Commercial	18.00	22.00	25.34	29.63
Weighted average price 2/	10.11	13.11	16.12	20.04

Source: Government of Pakistan.

1/ Not applicable to gas sold from the Mari field.
2/ Staff estimates using 1981/82 consumption weights, as follows: power, 34.2 percent; cement, 11.1 percent; general industries, 28.0 percent; fertilizer, 13.3 percent; domestic, 9.9 percent (of which, three classes of users are given the weights of 50 percent, 25 percent, and 25 percent, beginning with the smallest consumers); and commercial, 3.5 percent.

Table 48. Pakistan: Federal and Provincial Government Subsidies, 1978/79-1983/84

(In millions of Pakistan rupees)

	Actual 1978/79	Actual 1979/80	Actual 1980/81	Actual 1981/82	1982/83 Original Budget Estimate	1982/83 Prov. Actual	1983/84 Original Budget Estimate
Wheat	2,513	1,757	1,135	1,303	1,081	1,159	1,361
Fertilizer	1,692	2,454	2,457	1,794	1,600	1,948	1,720
Export rebate	500	550	705	1,153	1,420	1,380	1,460
Petroleum 1/	424	480	450	693	1,863	1,689	1,446
Losses of CEC	—	575	—	—	301	237	165
Edible oil	577	884	583	1	—	—	—
Other	324	324	48	82	32	55	484 2/
Total	6,030	7,024	5,378	5,026	6,297	6,468	6,636
Percentage of total expenditure	12.3	12.9	8.5	7.1	7.3	7.5	6.8

Source: Ministry of Finance and Economic Affairs.

1/ Includes direct payments to refineries to assure the government-guaranteed rate of return; excludes refunds of surcharges on petroleum products.
2/ Includes PRs 431 million subsidy to the State Cement Corporation of Pakistan.

Table 49. Pakistan: Sources of Budgetary Financing, 1978/79-1983/84

(In millions of Pakistan rupees)

	Actual				Original Budget Estimate	Prov. Actual	Original Budget Estimate
	1978/79	1979/80	1980/81	1981/82	1982/83		1983/84
External financing	6,711	6,951	6,977	5,345	9,370	5,068	8,286
Gross	9,216	12,555	10,610	11,263	17,238	14,434	16,775
Project loans	(3,993)	(3,884)	(3,600)	(3,686)	(5,883)	(4,833)	(7,101)
Commodity loans	(2,105)	(1,766)	(1,189)	(1,899)	(3,683)	(3,391)	(3,930)
Food aid	(500)	(211)	(650)	(890)	(955)	(1,228)	(1,436)
Other aid	(2,618)1/	(6,694)1/	(5,171)	(4,788)	(6,717)2/	(4,888)	(4,308)
Repayments	-2,505	-5,604	-3,633	-5,918	-7,868	-9,272	-8,489
Domestic nonbank financing	2,102	1,407	5,286	6,313	6,505	14,368	8,391
Repayment and recoveries 3/	599	-415	1,488	1,482	1,730	1,916	1,995
State trading 4/	36	494	-673	-301	-243	-266	--
Long-term nonbank borrowing 5/	989	310	848	2,207	2,039	4,907	3,110
Treasury deposit receipts (net)	253	-310	2,613	39	231	932	-900
Small savings schemes (net)	1,179	1,548	2,237	3,683	4,088	8,116	5,739
Deposit and advance accounts (net)	-954	-220	-1,277	-797	-1,340	-1,237	-1,553
Domestic bank borrowing	8,502	6,305	2,355	5,516	5,666	6,124	6,020
Total financing	17,315	14,663	14,618	17,174	21,541	25,560	22,697

Source: Ministry of Finance and Economic Affairs.

1/ Includes IMF Trust Fund disbursements.

2/ Includes PRs 1,500 million for debt rescheduling.

3/ Includes primarily loan repayments by public enterprises.

4/ Where positive, indicates net proceeds from commodity transactions; where negative, repayment of commodity loans.

5/ Includes sales of bonds to State Life Insurance Corporation and sales of prize bonds.

Table 50. Pakistan: Domestic Bank Financing for Commodity Operations, 1977/78-1983/84

(In millions of Pakistan rupees)

	Actual					Projection	Actual	Projection
	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83		1983/84
Wheat	305	511	1,542	2,205	-539	463	1,453	833
Rice	-49	643	249	142	1,028	-586	925	-392
Sugar	369	-256	-602	1,373	1,209	879	1,387	-3,508
Fertilizer	-637	150	83	650	456	-182	-175	80
Seeds	2	-24	-6	-16	-6	6	-21	27
Edible oils	-48	40	-287	181	-197	113	-2	800
Paddy/other	-41	-33	75	-104	20	307 1/	-2	360 1/
Total	-99	1,031	1,054	4,147	1,059	1,000	3,565	-1,800

Source: Data provided by the Pakistan authorities.

1/ Projections include PRs 350 million in undistributed interest payments.

Table 51. Pakistan: Federal Government Revenues, 1978/79-1983/84

(In millions of Pakistan rupees)

	Actual 1978/79	Actual 1979/80	Actual 1980/81	Actual 1981/82	Original Budget Estimate 1982/83	Provisional Actual 1982/83	Original Budget Estimate 1983/84
Tax revenues	23,097	30,698	36,509	40,368	49,309	46,475	58,388
Income tax 1/	3,354	5,177	7,028	8,309	8,400	8,765	9,762
Capital taxes 2/	58	84	156	177	200	184	199
Central excises 3/	7,626	10,455	12,156	13,557	16,396	15,527	22,323
Sales taxes	1,936	2,410	2,893	3,251	3,747	3,489	4,063
On imports	(1,566)	(2,014)	(2,537)	(2,614)	(3,286)	(2,791)	(3,197)
On domestic production	(370)	(396)	(356)	(637)	(461)	(698)	(866)
Import duties	9,844	12,126	13,569	14,681	19,954	18,110	21,691
Export duties	279	446	707	393	612	400	350
Nontax revenues	5,126	5,436	7,617	8,169	9,895	9,382	10,706
Interest and dividends	2,293	2,364	3,048	3,091	4,108	3,719	4,173
Post Office and Telephone and Telegraph Departments	740	835	1,014	1,163	1,740	1,698	1,982
Civil administration	868	934	1,123	1,694	1,740	1,748	2,121
Trading profit 4/	467	540	1,143	730	358	208	463
Other	758	763	1,289	1,491	1,949	2,009	1,967
Total tax and nontax revenues	28,223	36,134	44,126	48,537	59,204	55,857	69,094

Source: Ministry of Finance and Economic Affairs.

1/ Includes corporation tax, income tax, Workers' Welfare Fund, and agricultural income tax.
2/ Includes net wealth tax, estate duty, gift tax, and stamp duties.
3/ Includes surcharges on petroleum, fertilizer, and natural gas.
4/ Includes profits on rice and cotton.

Table 52. Pakistan: Provincial Government Revenues, 1978/79-1983/84

(In millions of Pakistan rupees)

	Actual 1978/79	Actual 1979/80	Actual 1980/81	Actual 1981/82	1982/83 Original Budget Estimate	1982/83 Prov. Actual	1983/84 Original Budget Estimate
Provincial tax revenues	1,911	1,809	2,337	2,635	2,547	2,554	2,986
Land revenues	237	169	234	286	219	189	144
Motor vehicle taxes	285	325	373	545	501	548	613
Registration duties	50	74	105	110	115	123	141
rovincial excises	62	23	56	57	42	72	82
Stamp duties	360	450	736	754	749	759	865
Other taxes and duties	917	768	833	883	921	863	1,141
Provincial nontax revenues	615	559	739	758	724	770	649
Irrigation (net)	-225	-376	-578	-682	-727	-703	-1,001
Forests	220	218	282	254	299	281	303
Interest receipts	53	80	50	92	148	155	169
Miscellaneous	567	637	985	1,094	1,004	1,037	1,178
Provincial tax and nontax revenues	2,526	2,368	3,076	3,393	3,271	3,324	3,635
Shared taxes 1/	3,832	6,050	8,628	9,232	9,976	9,979	11,074
Total provincial revenues	6,358	8,418	11,704	12,625	13,247	13,303	14,709
Memorandum item:							
Provincial tax and nontax revenue as percentage of GDP (in market prices)	1.3	1.0	1.1	1.0	0.9	0.9	0.9

Sources: Provincial governments' budgets and data provided by Pakistan authorities.

1/ These are transfers from the Federal Government and are excluded for purposes of consolidation of total government revenues.

Table 53. Pakistan: Monetary Survey, 1978/79-1982/83

(In millions of Pakistan rupees)

	June 29 1978	June 28 1979	June 30 1979	June 26 1980	June 30 1980	June 30 1981	June 30 1982	June 30 1983 1/
Money and quasi-money	63,663	76,525	78,612	90,688	92,424	104,621	116,510	147,174
Money	42,192	51,870	52,992	60,373	61,989	73,560	80,926	96,384
Quasi-money	21,471	24,655	25,620	30,315	30,435	31,061	35,584	50,790
Foreign assets (net)	2,503	637	728	3,374	3,143	1,864	-3,492	7,416
Balance of payments	2,595	609	533	3,132	2,816	2,487	-3,380	7,442
Revaluation profits/losses	-92	28	195	242	327	-623	-112	-26
Domestic assets (net)	61,160	75,888	77,884	87,314	89,281	102,757	120,002	139,758
Claims on Government (net)	34,308	43,124	43,425	48,117	49,845	55,413	62,169	71,515
Budgetary support (net) 2/	31,075	39,231	39,579	44,128	45,895	48,250	53,769	59,893
Commodity operations (gross) 3/	5,069	6,147	6,100	7,190	7,154	11,301	12,360	15,926
Government deposits with scheduled banks	-1,836	-2,254	-2,254	-2,714	-2,714	-3,759	-3,302	-3,053
Zakat Fund deposits at SBP	—	—	—	-487	-490	-379	-658	-1,251
Claims on nongovernment sectors	35,706	42,674	42,460	50,612	50,460	59,991	72,003	86,901
Claims on private sector	26,510	30,906	30,505	36,930	36,222	42,857	51,843	62,741
Claims on private sector (unadjusted) 4/	(23,647)	(27,370)	(27,658)	(32,466)	(31,677)	(36,539)	(43,712)	(53,376)
Foreign long-term loans of ADBP and IDBP	(816)	(848)	(846)	(876)	(952)	(873)	(1,124)	(1,359)
SBP credits to nonbank financial institutions	(2,047)	(2,688)	(2,001)	(3,588)	(3,593)	(5,445)	(7,007)	(8,006)
Claims on public sector enterprises 5/	9,196	11,768	11,955	13,682	14,238	17,134	20,160	24,160
Counterpart funds	-2,272	-2,526	-2,538	-2,310	-2,326	-2,329	-2,298	-2,353
Other items (net)	-6,582	-7,384	-5,463	-9,105	-8,698	-10,318	-11,872	-16,305
Counterentry for foreign long-term loans of ADBP and IDBP	-816	-848	-846	-876	-952	-873	-1,124	-1,359
Unclassified liabilities (net)	-5,766	-6,536	-4,617	-8,229	-7,746	-9,445	-10,748	-14,946

Source: State Bank of Pakistan.

1/ Provisional.
2/ Claims on the federal and provincial governments net of their deposits with the SBP; includes provincial government overdrafts.
3/ Commercial bank lending to the federal and provincial governments and to government entities for financing transactions in wheat, rice, edible oils, sugar, fertilizer, and improved seeds.
4/ Includes import bills and credit to the CEC, a government entity.
5/ Includes import bills and SBP credits to NDFC (a nonbank financial institution) for its lending to the private sector and the public enterprises.

Table 54. Pakistan: Scheduled Banks' Borrowings from the State Bank of Pakistan, 1978/79-1982/83

(In millions of Pakistan rupees)

	June 29 1978	June 28 1979	June 26 1980	June 30 1980	June 30 1981	June 30 1982	June 30 1983
Demand and time deposits	50,324	58,311	69,073	71,000	79,222	89,283	111,752
Cash reserve requirement 1/	2,516	2,916	3,454	3,550	3,961	4,464	5,588
Borrowing from SBP	5,419	7,774	8,709	9,720	14,142	15,990	16,429
Counterfinance and bills purchased 2/	2,198	3,357	1,895	2,892	5,222	4,587	1,670
Bills rediscounted and commercial trade bills 3/	985	1,783	3,494	3,201	4,485	5,952	8,230
Advances against government securities	58	51	--	--	10	10	15
Advances to IDBP	385	545	642	680	866	1,116	1,205
Advances to ADBP	1,793	1,988	2,302	2,394	2,797	3,447	4,450
Advances to FBC	--	50	241	245	673	878	859
Other loans and advances 4/	--	--	135	309	89	--	--

Source: State Bank of Pakistan.

1/ Equivalent to 5 percent of the scheduled banks' demand and time liabilities.
2/ Includes primarily counterfinance for commercial bank lending to the federal and provincial governments and government entities for commodity operations (rice, fertilizer, wheat, sugar, edible oils, and improved seeds), and small amounts of government bills, relating to the financing of certain agricultural operations and purchased by the SBP from the commercial banks.
3/ Includes primarily Export Finance Scheme and cotton bills.
4/ Adjustment entry; reflects the discrepancy between "Borrowing from SBP" as reported by the scheduled banks and its components as recorded in the SBP accounts.

Table 55. Pakistan: State Bank Credits Outstanding to and Equity Holdings in Specialized Banks and Nonbank Financial Institutions, 1978/79-1982/83 1/

(In millions of Pakistan rupees)

Year Ended June 30	1978	1979	1980	1981	1982	1983
Specialized banks 2/	2,209	2,698	3,322	4,338	5,442	6,514
ADBP	1,793	2,036	2,394	2,797	3,447	4,450
IDBP	385	586	680	866	1,116	1,205
FBC	--	50	245	673	877	859
PPCB	31	26	3	2	2	--
Nonbank financial institutions	2,158	2,852	3,912	5,873	7,601	8,714
Private sector	1,964	2,594	3,613	5,445	7,007	8,006
BEL*	(--)	(--)	(100)	(100)	(123)	(372)
EPF* 3/	(10)	(10)	(10)	(10)	(12)	(12)
HBFC	(1,397)	(1,835)	(2,481)	(3,397)	(4,630)	(5,737)
ICP	(150)	(188)	(321)	(524)	(590)	(715)
PICIC	(397)	(551)	(691)	(768)	(820)	(267)
SBFC*	(10)	(10)	(10)	(13)	(13)	(17)
Pak-Libya Holding Company, Limited*	(--)	(--)	(--)	(500)	(500)	(500)
Pak-Kuwait Investment Company, Limited*	(--)	(--)	(--)	(94)	(125)	(125)
Saudi-Pak Industrial and Agricultural Investment Company Limited	(--)	(--)	(--)	(--)	(100)	(100)
NDFC	(--)	(--)	(--)	(39)	(94)	(161)
Public sector enterprises						
NDFC	194	258	299	428	594	708

Source: State Bank of Pakistan.

1/ Equity holdings are indicated by an asterisk. Credits include advances and bills and debentures purchased by the SBP.
2/ Excludes SBP equity holdings.
3/ The Equity Participation Fund operated by IDBP.

Table 56. Pakistan: Rates of Interest and Return on Commercial Bank Deposits and Advances, 1978/79-1982/83 1/

(In percent per annum)

	June 30				
	1979	1980	1981	1982	1983
State Bank of Pakistan bank (rediscount) rate	10.00				
Minimum interest rates on: 2/					
Special withdrawal notice deposits:					
Notice of 7 days to 29 days	5.50				
Notice of 30 days or more	6.50				
Savings deposits: 3/					
With checking facilities	7.50				
Without checking facilities	8.50				
Fixed (or term) deposits:					
3 months but under 6 months	9.00				
6 months but under 1 year	9.50				
1 year but under 2 years	10.50				
2 years but under 3 years	11.00				
3 years but under 4 years	11.75				
4 years but under 5 years	12.25				
5 years and over	12.75				
Foreign currency term deposits: 4/					
3 months	12.64	14.31	15.43	15.72	10.55
6 months	13.14	14.38	15.24	15.57	10.97
1 year (maximum)	13.64	14.52	14.70	15.69	11.52
Profit/loss sharing accounts 5/					
Savings deposits			8.65	8.65	8.23
Time deposits:					
6 months			11.00	10.95	10.50
1 year			12.20	12.25	11.55
2 years			12.75	12.83	12.13
3 years			13.70	13.73	13.03
4 years			14.20	14.25	13.75
5 years			14.75	14.75	14.18
Rates of interest and return on commercial bank advances					
Ceiling rates for:					
Conventional advances	14.00		Mark-up in price 6/		7/
Fixed industrial investment	11.00				8/
Fixed agricultural investment	11.00				
Export Finance Scheme 9/	3.00		Mark-up in price 10/		
(SBP refinance rate)	(0.00)				
Machinery finance schemes					
Domestic sales		Special rates applicable to BEL, IDBP, NDFC, PICIC, and Pak-Libya Holding Co. Ltd. 11/			
Exports 12/	2.00				
(SBP refinance rate)	(0.00)				
Government commodity operations 13/	10.25		Mark-up in price 14/		
(SBP refinance rate)	(10.00)				
Minimum rates for:					
Finished goods (except capital goods)	13.00				
Other advances	11.00				

Table 56 (concluded). Pakistan: Rates of Interest and Return on Commercial Banks Deposits and Advances, 1978/79-1982/83 1/

(In percent per annum)

	June 30				
	1979	1980	1981	1982	1983
Memorandum items:					
Call (interbank) money rate (average annual)	8.99	8.97	8.61	9.86	8.69
Weighted average interest rates: 15/					
Deposits	6.11	6.19	5.95	6.04	6.48 16/
Advances	11.62	11.09	11.20	10.53	10.97 16/

Source: State Bank of Pakistan.

1/ No entry in the table indicates no change in the interest rate or return.
2/ The banks are permitted to pay interest rates higher than the minimum specified rates (including interest on current deposits) provided that the same rate is given to all depositors in each category. Effective July 4, 1978 interest rates exceeding the minimum may not be paid to public sector agencies or to the government-owned State Life Insurance, Pakistan Insurance, and National Insurance Corporations, NIT, ICP, and NDFC.
3/ Restrictions on the frequency and amount of withdrawals from savings accounts are established by the individual commercial banks.
4/ Effective June 7, 1977 foreign currency deposits exceeding US$100,000 were paid preferential interest rates, reflecting the level of rates in the international market. These were rates are frequently adjusted to reflect rate changes in the international market. The Government pays a subsidy to the commercial banks equivalent to the differential between the foreign currency deposit and rupee deposit rate. Effective July 3, 1982 preferential rates were extended to all foreign currency deposits regardless of size. The table presents the weighted average of the rates specified by the SBP for the commercial banks during the fiscal years ended June 30 (each rate is weighted by the period during which it was in effect).
5/ Profit/loss sharing (PLS) deposits were accepted by the commercial banks effective January 1, 1981. The return to PLS deposits is a function of the profitability of the investments made with these funds. The rates in the table are determined by averaging the annualized rates paid by the five national commercial banks for six-month periods during the fiscal year. The rates applicable to PLS deposits with the Bank of Oman are excluded.
6/ Effective March 1, 1981 the financing of the trading operations of RECP, CEC, and TCP have been on the basis of a mark-up in price instead of interest; effective November 16, 1981, the utility stores were added to the list. For all the mark-up is 3.5 percent for 90 days.
7/ Effective July 1, 1982 banks were allowed to finance the working capital needs of trade and industry on a selective basis under the technique of "musharaka," which is a temporary partnership in which both the customer and the bank contribute financially and share the profit or loss.
8/ Effective July 1, 1982 banks were allowed to finance fixed capital investment of industry on a selective basis under the technique of "leasing," to provide finance to trade and industry on a selective basis for purchase of machinery/equipment/vehicles under hire-purchase arrangements.
9/ The Export Finance Scheme covers all exports except cotton, rice, wool, hides and skins, and leather wet-blue.
10/ Effective March 1, 1981 export finance provided to CEC under Part I of the Export Finance Scheme has been on the basis of a mark-up in price instead of interest. The mark-up is 0.75 percent for 90 days.
11/ The financing of domestic sales is restricted to BEL, IDBP, PICIC, Pak-Libya Holding Company Limited, and NDFC. They are required to charge interest at a rate of 2 percent below the interest rate on foreign currency loans for the same machinery with refinancing by SBP at 2 percent below the rate charged. Scheduled banks may participate in lending consortia led by one of the these institutions and also receive SBP refinancing on the same terms.
12/ Financing for export sales of domestically manufactured machinery; the rates for export sales apply to commercial banks, and since April 4, 1982 to NDFC and from January 12, 1983 to BEL.
13/ The banks are allowed an interest rate of 11.5 percent if they do not utilize SBP refinance.
14/ Effective January 1, 1981 the financing of government commodity operations has been on the basis of a mark-up in price instead of interest. The mark-ups are: (1) if counterfinance is obtained from the SBP, 2.563 percent for 90 days to be shared between the commercial bank and the SBP in the ratio of 1 to 40; and (2) if funds are provided from the commercial bank's own resources with no counterfinance from the SBP, 2.875 percent for 90 days. The commercial banks may charge a commission of 0.375 percent on disbursements in respect of procurement operations.
15/ As of June 30.
16/ As of December 31, 1982.

Table 57. Pakistan: Coupon Rates on Federal and Provincial Government Debt Instruments, 1978/79-1982/83 1/

(In percent per annum)

Year Ended June 30	1978	1979	1980	1981	1982	1983
Federal government Treasury bills and GTDRs 2/						
3-month:						
Ad hoc Treasury bills 3/	0.50					
Treasury bills on tap 4/	5.75			6.00		
Ordinary GTDRs	8.25					
Special GTDRs	9.50					
6-month:						
Ordinary GTDRs	9.00					
Special GTDRs	10.00					
1-year:						
Special GTDRs	10.50					
Federal government bonds						
8-year	5.25					
9-year	5.25					
10-year	9.25					
12-year	8.25					
15-year	4.00			14.00 5/		
16-year	10.00					
17-year	11.00					
18-year	4.25					
20-year	11.25	11.50		11.75		
Income tax bonds	5.00					
Compensation bonds 6/	11.00					
Provincial government bonds 7/						
9-year	5.50					
10-year	10.60	10.50			10.75	

Source: State Bank of Pakistan.

1/ In this table the coupon rates as of June 30, 1978 apply to outstanding debt obligations. Thereafter, no entry indicates for Treasury bills and GTDRs no change in the coupon rate and for government bonds no new debt issue in the specific maturity range. Coupon rates for government bond issues with new maturities are entered in the year of issue.

2/ Government Treasury Deposit Receipts. Ordinary GTDRs may be purchased by the general public, the public sector enterprises, ADBP, FBC, IDBP, and PICIC. Special GTDRs may be purchased by the National Insurance, the Pakistan Insurance, and the State Life Insurance Corporations (which are government-owned companies), BEL, ICP, NIT, NDFC, the Pak-Libya Holding Company, Ltd., and the Pak-Kuwait Investment Company, Ltd.

3/ Held by the SBP only.

4/ Held by the scheduled banks only.

5/ Issued to the State Life Insurance Corporation only.

6/ Compensation bonds were issued as payment to shareholders of nationalized banks and industries between November 29, 1973 and September 18, 1976 and carry a coupon rate of 1 percent above the SBP bank rate. The bonds are redeemable at any time at the option of the Federal Government within a period of 15 years from the date of acquisition of the nationalized entity.

7/ Includes outstanding bonds of the former East Pakistan Government.

Table 58. Pakistan: Interest Rates on National Savings Schemes (Certificates and Deposits) 1978/79-1982/83 1/

(In percent per annum)

Year Ended June 30	1978	1979	1980	1981	1982	1983
Defense Savings Certificates 2/3/						
One year	11.00			12.00		
Ten-year (compound rate)	14.60			15.60		
National Deposit Certificates and Accounts 2/3/						
One year	12.00					
Seven-year (compound rate)	14.60					
Khas Deposit Certificates and Accounts 4/						
First five periods of six months	12.00			15.00		
Last period of six months	14.00			17.00		
Three-year (compound rate)	12.50			15.50		
Premium Savings Certificates 3/5/						
One year			12.00			
Two years			13.00			
Three years			15.00			
Three-year (compound rate)			11.90			
Fourth year to seventh year			24.00			
Seven-year (compound rate)			13.10			
Savings deposits						
With checking facilities	9.50					
Without checking facilities	10.00					
Mahana Amdani accounts 6/ (Monthly income accounts)						
One year						12.10
Two years						12.50
Three years						13.33
Four years						17.50
Five years						20.00
Five-year (compound rate)						14.87

Source: Central Directorate of National Savings.

1/ No entry indicates no change in the interest rate. The government savings certificate schemes are operated by the Central Directorate of National Savings. Interest income on all such certificates is exempt from taxation.

2/ Interest is paid at the time of withdrawal or encashment for each completed one-year period. The account or certificate bears an annually increasing compound rate of interest.

3/ Certificate purchases are limited to PRs 300,000 per person.

4/ Interest on Khas Certificates is paid semiannually and can be reinvested.

5/ Interest is payable semiannually from the fourth to the seventh year at the simple rate of 24 percent per annum and cannot be reinvested.

6/ Under this scheme, deposit of a specified sum above PRs 100 and below PRs 500 each month for five years entitles the account holder to receive a continuous monthly income equal to the original deposit as long as the account continues to be maintained.

Table 59. Pakistan: Government Debt Instruments Outstanding by Holder and Postal Savings Deposits, 1978/79-1982/83

(In millions of Pakistan rupees)

Year Ended June 30	1978/79	1979/80	1980/81	1981/82	1982/83
Federal government securities 1/	10,128.2	11,466.7	19,568.6	20,141.0	20,129.0
State Bank of Pakistan	3,352.7	3,422.5	3,422.5	3,477.8	3,253.7
Scheduled banks	5,098.0	6,245.0	14,736.6	14,868.6	16,875.3
Nonbank sector 2/	1,677.5	1,799.2	1,409.5	1,794.6	
Treasury bills (on tap)	8,319.2	11,688.1	5,965.4	5,704.7	20,344.8
State Bank of Pakistan	1,650.0	2,669.5	4,573.0	4,356.8	15,890.0
Scheduled banks	6,656.2	8,995.6	1,371.9	1,334.9	4,432.3
Nonbank sector	13.0	23.0	20.5	13.0	22.5
Ad hoc Treasury bills 3/	20,988.7	21,846.0	22,317.4	31,277.7	23,678.9
Federal government bonds	809.0	772.2	1,085.0	1,503.8	2,265.0
Scheduled banks 4/	620.4	686.0	663.9	668.8	n.a.
Nonbank sector 5/	188.6	86.2	421.1	835.0	n.a.
Provincial government securities 6/	1,535.3	1,510.2	1,498.4	1,494.1	1,698.0
State Bank of Pakistan	45.3	26.1	26.1	25.0	25.0
Scheduled banks	1,243.4	1,310.3	1,330.1	1,405.1	1,693.0
Nonbank sector	246.6	173.8	142.2	64.0	
Ordinary Government Treasury Deposit Receipts	527.0	761.5	1,606.6	1,779.7	2,310.1
State Bank of Pakistan	28.0	38.3	109.9	93.0	231.8
ADBP, FBC, and IDBP	124.4	130.4	137.4	192.4	184.1
Nonbank sector 7/	374.6	592.8	1,359.3	1,494.3	1,894.2
Special Government Treasury Deposit Receipts	1,326.4	782.3	1,798.5	1,724.2	2,219.8
State Bank of Pakistan	816.7	355.6	210.9	155.2	274.0
Nonbank sector 8/	509.7	426.7	1,587.6	1,569.0	1,945.8
National Prize Bonds 9/	1,102.0	1,290.2	1,575.5	3,542.1	7,397.7 15/
Scheduled banks	34.7	71.7	25.6	51.7	n.a.
Nonbank sector	1,067.3	1,218.5	1,549.9	3,490.4	n.a.
Savings certificates 10/	5,369.0	6,106.9	6,857.3	9,054.4	12,361.7 15/
Scheduled banks 11/	0.9	1.3	43.1	133.8	n.a.
Nonbank sector 12/	5,368.1	6,105.6	6,814.2	8,920.6	n.a.
Savings accounts 13/	2,506.4	3,042.3	3,408.0	4,422.0	7,778.6 15/
Total government debt outstanding 14/	52,611.2	59,266.4	65,680.7	80,643.7	
Banking sector	40,659.4	45,798.3	48,968.4	58,040.8	
State Bank of Pakistan	(26,881.4)	(28,358.0)	(30,659.8)	(39,385.5)	(43,353.4)
Scheduled banks	(13,778.0)	(17,440.3)	(18,308.6)	(18,655.3)	
Nonbank sector	11,951.0	13,468.1	16,712.3	22,602.9	
Change in debt outstanding	12,262.3	6,655.0	6,414.3	14,963.0	
Banking sector	10,731.7	5,138.9	3,170.1	9,072.4	
State Bank of Pakistan	(9,231.8)	(1,476.6)	(2,301.8)	(8,725.7)	(3,967.9)
Scheduled banks	(1,499.9)	(3,662.3)	(868.3)	(346.7)	
Nonbank sector	1,530.6	1,516.1	3,244.2	5,890.6	

Sources: State Bank of Pakistan and Central Directorate of National Savings (CDNS).

1/ Excludes National Prize, Income Tax, and Compensation Bonds, and Postal Savings and Defense Savings Certificates.

2/ In this table, the nonbank sector includes nonbank financial institutions, public sector enterprises and entities, as well as the general private sector, and is calculated as a residual.

3/ Held only by the State Bank of Pakistan.

4/ Income Tax and Compensation Bonds.

5/ Includes 5 percent Income Tax Bonds, and bonds issued under ERO 1972 and in regard to the nationalization of commercial banks and the petroleum, shipping, cotton ginning, vegetable oil, rice milling, and flour milling industries.

6/ Includes former East Pakistan Government securities.

7/ The private sector, the public sector enterprises, and PICIC.

8/ See footnote 2 of Table 57.

9/ PRs 5, PRs 10, and PRs 11 bonds up to June 30, 1981 and thereafter also PRs 50, PRs 500 and PRs 1,000 bonds. The bonds constitute the basis for a lottery and do not bear interest.

10/ Data provided by CDNS.

11/ Data provided by the SBP. Includes Defense Savings Certificates and Postal Savings Certificates.

12/ Data provided by CDNS includes Defense Savings, National Deposit, Khas Deposit, and Premium Savings Certificates. The certificates are issued under the auspices of the CDNS and marketed by the scheduled banks, the National Savings Centers, and the Post Offices.

13/ Held by nonbank sector only. Includes deposits at National Savings Centers and Post Offices.

14/ Includes postal savings deposits.

15/ As of end-May 1983.

Table 60. Pakistan: Domestic Credit Planning, 1981/82

	July 1-December 31, 1981		July 1, 1981-March 31, 1982		July 1, 1981-June 30, 1982	
	Ceilings/ Targets 1/	Actuals	Ceilings/ Targets 1/	Actuals	Ceilings/ Targets 1/	Actuals
	(In millions of Pakistan rupees)					
Money and quasi-money		3,917		6,731	15,826	11,889
Foreign assets (net)		-3,629		-3,863	-2,544	-5,356
Domestic assets (net)	16,293	7,546	18,703	10,594	18,370	17,245
Claims on Government (net)	4,300	1,189	4,905	3,535	6,540	6,756
Budgetary support	(4,000)	(2,788)	(4,790)	(3,543)	(5,578)	(5,519)
Commodity operations	(300)	(-1,176)	(115)	(20)	(962)	(1,059)
Government deposits with scheduled banks	(--)	(510)	(--)	(306)	(--)	(457)
Zakat Fund deposits at SBP	(--)	(-433)	(--)	(-334)	(--)	(-279)
Claims on nongovernment sectors 2/	12,293	7,933	14,248	10,349	12,830	12,012
Claims on private sector	(9,432)	(6,248)	(10,117)	(7,768)	(7,503)	(7,424)
Commercial banks	[8,532]	[5,722]	[8,767]	[6,970]	[5,691]	[6,123]
CEC	/950/	/677/	/1,550/	/2,036/	/650/	/432/
Other 3/	/7,582/	/5,045/	/7,217/	/4,934/	/5,041/	/5,691/
Specialized banks	[900]	[526]	[1,350]	[798]	[1,812]	[1,301]
SBP credits to nonbank financial institutions	(1,111)	(730)	(1,531)	(1,287)	(1,860)	(1,562)
Claims on public enterprises 4/	(1,750)5/	(955)	(2,600)5/	(1,294)	(3,467)	(3,026)
Counterpart funds	--	-145	--	-80	--	31
Other items (net) (increase-)	-300	-1,341	-450	-3,210	-1,000	-1,521
Memorandum items:						
EFF program ceilings						
Domestic assets (net) 6/7/	15,097	7,979	18,591	10,928	19,370	17,103
Claims on Government (net) 7/8/	3,104	1,612	4,793	3,563	7,540	6,576
Commercial bank other items (net)	-2,082	-721 9/	-1,584	-2,065 9/	-1,850	-1,421 9/
Commercial bank credit ceiling performance 3/	5,500	4,324	5,633	2,869	3,191	4,270
	(Changes in percent)					
Money and quasi-money		4		6	15	11
Domestic assets (net)	16	7	18	10	18	17
Claims on Government (net)	8	2	9	6	12	12
Claims on nongovernment sectors	20	13	24	17	21	20
Claims on private sector (including NBFI)	25	16	27	21	22	21
Claims on public enterprises	10	6	15	8	20	18

Source: State Bank of Pakistan.

1/ As approved in January 1982. In the revised plan, the SBP credit ceilings for the commercial and specialized banks and for SBP credits to the NBFI were adjusted.
2/ The commercial banks were assigned quarterly credit ceilings by the SBP for lending to the private sector and the public enterprises. Only notional quarterly phasing applies to the annual credit limits assigned to the specialized banks and to SBP credits to the NBFI.
3/ The SBP ceilings excluded lending to CEC and were inclusive of commercial bank other items (net).
4/ Includes SBP credits to NDFC for which there was no quarterly phasing.
5/ The ceilings were increased by the Ministry of Finance to PRs 1,853 million for end-December 1982 and PRs 2,916 million for end-March 1983 without officially altering the credit plan.
6/ Excludes Zakat Fund deposits at SBP.
7/ The ceilings have been adjusted for the excess or shortfall in public sector external financing.
8/ The sum of budgetary support and commodity operations.
9/ Adjusted for PRs 1,566 million, representing SBP investment in the Pakistan government-owned banks' share capital.

Table 61. Pakistan: Classification of Advances by Borrowers, 1982 1/

(In millions of Pakistan rupees)

	June 1982			December 1982		
	Commercial Banks	Specialized Banks	All Banks	Commercial Banks	Specialized Banks	All Banks
Foreign constituents	867.2	110.0	997.2	535.4	--	535.4
Domestic constituents	57,704.6	7,797.9	65,502.5	66,306.9	8,648.5	74,995.4
Government	14,732.7	19.0	14,751.7	14,065.4	—	14,065.4
Federal Government	(7,225.5)	(4.0)	(7,229.6)	(6,016.2)	(—)	(6,016.2)
Provincial governments	(7,166.8)	(15.0)	(7,181.8)	(7,730.5)	(—)	(7,730.5)
Local bodies	(340.3)	(—)	(340.3)	(318.6)	(—)	(318.6)
Public sector enterprises	10,964.6	853.1	11,817.7	13,079.6	90.0	13,169.6
Agriculture, forestry, hunting and fishing	(253.2)	(492.9)	(746.1)	(142.5)	(—)	(142.5)
Mining and quarrying	(761.0)	(—)	(761.0)	(511.2)	(0.5)	(511.7)
Manufacturing	(5,401.0)	(347.9)	(5,748.9)	(6,214.6)	(84.0)	(6,298.5)
Construction	(289.6)	(—)	(289.6)	(406.3)	(—)	(406.3)
Electricity, gas and sanitary services	(1,143.4)	(—)	(1,143.4)	(1,334.0)	(—)	(1,334.0)
Commerce, of which:	(1,726.5)	(6.7)	(1,733.2)	(1,856.2)	(—)	(1,856.2)
Wholesale and retail trade	[351.0]	[—]	[351.0]	[295.1]	[—]	[295.1]
Transport, storage and communication	(274.5)	(0.3)	(274.7)	(808.1)	(0.3)	(808.3)
Services	(19.2)	(5.4)	(24.6)	(2.6)	(5.3)	(7.9)
Other public sector services	(1,096.3)	(—)	(1,096.3)	(1,804.3)	(—)	(1,804.3)
Private sector (business)	26,838.4	5,733.0	32,571.4	33,502.2	7,238.4	40,740.5
Agriculture, forestry, hunting and fishing	(1,634.5)	(3,246.1)	(4,880.6)	(2,389.9)	(4,586.1)	(6,976.0)
Mining and quarrying	(281.8)	(34.3)	(316.0)	(436.5)	(5.3)	(441.8)
Manufacturing	(15,055.7)	(2,060.8)	(17,116.5)	(18,924.3)	(2,185.3)	(21,109.6)
Construction	(895.2)	(0.6)	(895.8)	(792.6)	(1.0)	(793.6)
Electricity, gas and sanitary services	(51.5)	(0.1)	(51.7)	(91.4)	(0.2)	(91.5)
Commerce, of which:	(7,016.2)	(236.5)	(7,252.6)	(8,407.2)	(373.2)	(8,780.4)
Wholesale and retail trade	[3,395.4]	[9.7]	[3,405.1]	[4,695.8]	[13.2]	[4,709.1]
Transport, storage and communication	(224.6)	(25.2)	(249.8)	(284.7)	(27.6)	(312.3)
Services	(459.9)	(39.5)	(499.3)	(639.0)	(55.6)	(694.6)
Other private business	(1,219.1)	(90.0)	(1,309.1)	(1,536.7)	(4.0)	(1,540.8)
Trust funds and nonprofit organizations	55.5	—	55.5	75.5	8.5	84.0
Personal	3,624.0	265.9	3,890.0	3,978.5	446.1	4,424.6
Other activities not described above	1,489.3	926.9	2,416.2	1,605.7	865.6	2,471.2
Total	58,571.7	7,908.0	66,479.7	66,842.3	8,648.5	75,490.8

Source: State Bank of Pakistan.

1/ The collection and compilation of a new data series on classification of advances by economic sector began from June 1982. For historical data according to the previous classification, see SM/83/14, Appendix III, Table 59.

Table 62. Pakistan: Wholesale and Consumer Price Indices, 1977/78-1982/83

(1975/76 = 100)

	Average Annual Level		Percent Increase in Average Annual Level 1/		Percent Increase in End-Period Level 1/	
	Wholesale Prices	Consumer Prices 2/	Wholesale Prices	Consumer Prices 2/	Wholesale Prices	Consumer Prices 2/
1977/78	120.8	120.5	7.9	7.8	6.3	7.3
1978/79	128.9	128.5	6.7	6.6	11.0	7.3
1979/80	144.7	142.2	12.3	10.7	14.7	12.6
1980/81	163.7	159.8	13.1	12.4	10.1	12.1
1981/82	176.2	175.8	7.6	10.0	5.4	7.1
1982/83	182.3	183.7	3.5	4.5	6.9	6.6
1980/81						
QI	158.3	155.9	11.9	10.5	11.5	11.4
QII	162.6	159.2	15.4	14.1	16.4	15.1
QIII	166.2	160.3	14.1	13.0	12.2	11.9
QIV	167.6	163.9	11.1	11.9	10.1	12.1
1981/82						
QI	174.2	174.2	10.0	11.8	10.2	11.3
QII	176.8	176.7	8.7	11.0	8.8	10.4
QIII	177.2	175.6	6.6	9.6	6.3	9.5
QIV	176.5	176.7	5.3	7.8	5.4	7.1
1982/83						
QI	179.8	180.3	3.2	3.5	2.8	3.2
QII	180.2	182.3	1.9	3.2	1.4	3.8
QIII	182.9	183.7	3.2	4.6	4.5	4.5
QIV	186.2	188.3	5.5	6.6	6.9	6.6

Source: The Federal Bureau of Statistics.

1/ Increase over the preceding year.
2/ For government, industrial, and commercial employees in 12 urban areas.

Table 63. Pakistan: Mandatory Credit Targets Under Priority-Sector Lending Schemes for the Commercial Banks, 1979/80-1982/83 1/

(In millions of Pakisan rupees)

	Target	Actual	Target	Actual	Target	Actual	Revised Target	Actual 2/
	1979/80		1980/81		1981/82		1982/83	
Small loan scheme (net)	1,052	1,617	1,236	1,005	2,061	1,781	1,762	1,310
Industry	730	895	960	808	1,773	1,466	1,421	1,060
Fixed investment	(200)	(254)			(672)	(538)	(746)	(128)
Working capital	(530)	(641)			(1,101)	(928)	(675)	(932)
Business	212	529	276	197	288	315	341	250
Fixed investment	(70)	(90)						
Working capital	(142)	(439)						
Housing 3/	110	193	—	—	—	—	—	—
Agricultural loans (gross) 4/			2,072	1,816	2,694	2,436	1,787	2,000
Small loans for seasonal financing (gross)	637	797	813	905	1,076	1,260	894	1,245
Loans for tobacco marketing (gross)	—	—	—	—	242	235	274	305
Loans for agricultural equipment and land improvement (net) 5/	323	229	—	—	—	—	—	—
Memorandum item:								
Interest-free loans to small farmers (gross):		494		938		977		
Commercial banks		235		348		441		354 6/
Cooperative societies		259		590		536		1,132

Source: State Bank of Pakistan.

1/ Mandatory targets are entered only in the year when applicable. The data are on a last of Thursday of June basis for 1978/79 and 1979/80 and thereafter on a fiscal year basis.
2/ July 1982-May 1983.
3/ Effective July 15, 1980 the commercial banks were prohibited from lending for residential construction. Such financing is now handled on a profit and loss basis by the House Building Finance Corporation and the commercial banks.
4/ Beginning 1980/81 the entire amount of credit to be provided by commercial banks to the agricultural sector was assigned as a mandatory target on a gross disbursement basis. Within this target, mandatory subtargets for small loans for seasonal financing and tobacco marketing have been assigned up to 1981/82. Starting 1982/83, the overall target for agriculture did not include loans for tobacco marketing and a separate target on a gross disbursement basis was given.
5/ Medium- and long-term loans.
6/ July 1982-April 1983

Table 64. Pakistan: Selective Credit Controls - Minimum Margin Requirements for Scheduled Banks' Advances, 1981-83 1/

(In percent)

	Oct. 28, 1981	June 30, 1982	June 30, 1983
Advances to manufacturing and processing units			
Raw materials and agricultural produce			
For manufacturing/processing units of capital goods, engineering goods, consumer durables, medicines, cotton yarn, cotton fabrics, jute goods, woollen yarn, cigarettes, fertilizers, pesticides, vegetable ghee, and edible oil	0		
Raw cotton (both phutti and lint cotton) for ginners	0		
Rice and paddy for modern rice mills	25	0 2/	
Raw materials for the ship breaking iron and steel industry	25	0 3/	
Raw materials for manufacturing/processing units of goods other than those mentioned above	25		
Finished goods	25		
Advances to traders			
Raw materials and agricultural produce			
Rice and paddy (for entities other than authorized dealers), wheat and wheat flour, edible oils (refined, unrefined, and hydrogenated), and cotton seed	Banned		
CEC and REC	0		
Fertilizers and pesticides	0		
Rice and paddy (to authorized dealers), cotton, and tobacco 4/	25		
Other raw materials and agricultural products	50		
Finished goods	75		
Other advances			
Shares not quoted on recognized stock exchanges	50		
Bank deposits and deposit certificates	25		
For financing goods on hire purchase or installment plans other than production machinery and commercial vehicles	Banned		
Banned imports	Banned		
Clean or guaranteed advances	0 5/		
Advances for exports	0 6/		

Source: State Bank of Pakistan.

1/ The minimum margin requirement (MMR) represents that percentage of a commodity's or a financial asset's value which may not be financed by borrowing from the scheduled banks. The MMR structure was extensively revised effective October 28, 1981. See SM/83/14 for the previous structure.

2/ Effective November 18, 1981 the MMR was withdrawn for mills with fully automated machinery and a husking capacity of not less than five tons of paddy per year.

3/ Effective January 26, 1982 ships (unserviceable) for scrapping were defined as raw material for the ship breaking industry.

4/ Advances to authorized dealers against rice and paddy are given only for stocks of paddy/rice which have been declared to the Food Departments.

5/ Permitted up to a maximum of PRs 25,000 per borrower for a maximum of two years provided the borrower: (a) declares that the advance will not be used to frustrate the credit restrictions in force, and (b) is not availing of loan facilities from other banks so as to exceed the above limit.

6/ For exports under confirmed irrevocable letters of credit or firm orders (up to the amount for which the credit is opened or order made), packing credit for exports, and preshipment credits for financing exports of goods covered by firm contracts made or confirmed irrevocable letters of credit opened by foreign importers (provided the advances do not exceed the amount specified in the contract or the credit).

Table 65. Pakistan: Selective Credit Controls - Minimum Margin Requirements for the Opening of Import Letters of Credit by the Scheduled Banks, 1981-83 1/

(In percent)

	October 28, 1981	June 30, 1982	June 30, 1983
Unspecified imports	35		
Specified imports			
Without preferential treatment:			
Synthetic yarn	35		
With preferential treatment:			
Milk and cream, baby food, butter	25		
Pulses	25	0 2/	
Ships (unserviceable) for scrapping	25	0 3/	
Industrial raw materials and components other than those specified elsewhere	25		0 4/
Exempted imports			
Industrial machinery, agricultural machinery and their components and spares 2/ 5/	0		
Raw materials imported:			
By manufacturers of electrical equipment, capital and engineering goods (including cycles) 6/	0		
For pharmaceutical industry, medicinal herbs and crude drugs	0		
By manufacturers of fertilizers and pesticides	0		
By vegetable ghee and edible oil industry	0		
Against spot licenses issued under export performance (RMR) scheme	0		
Trucks/bus chassis and jeeps in C[illegible] condition	0		
Construction and engineering equipment	0		
Medicines, drugs, and medical and surgical equipment and appliances	0		
X-ray films	0		
Artificial limbs and hearing aids and parts	0		
Fertilizers and pesticides	0		
Crude oil and petroleum products	0		
Newsprint	0		
Books, magazines, journals and periodicals	0		
Vegetable seeds	0		
Tea	0		
Second hand clothing	0		
Raw jute	0		
Jute bags	0		
Cement	0		
Imports by TCP 7/	0		
Items under Tied List	0		
Imports under barter	0		
Items specified after October 28, 1981			
Wood pulp 8/	25		
Wood and timber for plywood industry 8/	25		
Motorcycles (CKD) 8/	25	0 9/	
Auto rickshaws--three wheelers 8/	25		0 10/
Raw wool 8/	25		
Synthetic fibers 8/	25		
Raw rubber for tire and tube manufacturers 8/	25		
Raw materials for iron and steel industry 8/	25		
Iron and steel scrap 8/	25		
Tallow (for industrial use and for commercial importers 8/	25		

Source: State Bank of Pakistan

1/ The minimum margin requirement (MMR) represents the minimum cash deposit required to open an import letter of credit. The MMR structure was revised effective October 28, 1981. For the previous structure see SM/83/14, Appendix III, Table 63.

2/ Effective November 2, 1981.

3/ Effective January 26, 1982.

4/ Effective January 15, 1983. As of April 10, 1983 provision of import license with limits for opening letters of credit was waived.

5/ For the purpose of the MMRs the SBP has ruled that the term "Industrial Machinery" should be interpreted in a broad sense to include all capital goods, as distinct from consumer durables.

6/ As of January 6, 1982 engineering goods includes agricultural implements.

7/ Domestic letters of credit opened for TCP for imports were subject to the same MMRs as prescribed for import letters of credit for the same commdities under the SBP's general instructions. Effective June 21, 1980 imports of bleaching powder by TCP were exempted from the latter requirement.

8/ On October 28, 1981 the item was not specified and included in the category "Industrial raw materials and components other than those specified elsewhere."

9/ Effective June 29, 1982. As of July 10, 1982 included motor scooters in CKD condition and was available to firms sanctioned by the Ministry of Commerce for progressive manufacture under deletion program.

10/ Effective August 29, 1982, zero for firms sanctioned for progressive manufacture under deletion program.

Table 66. Pakistan: Balance of Payments (Standard Presentation), 1978/79-1982/83

(In millions of U.S. dollars)

	1978/79 1/			1979/80			1980/81		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Goods and services	2,156	4,764	-2,608	3,007	6,042	-3,035	3,557	6,823	-3,266
Merchandise, f.o.b. 2/	1,646	3,816	-2,170	2,341	4,857	-2,516	2,812	5,563	-2,752
Services	510	948	-438	666	1,185	-519	745	1,260	-514
Freight and insurance	(2)	(338)	(-336)	(4)	(430)	(-426)	(8)	(494)	(-486)
Other transportation	(191)	(84)	(107)	(275)	(101)	(174)	(287)	(114)	(172)
Travel	(86)	(75)	(11)	(119)	(101)	(18)	(140)	(86)	(54)
Investment income	(47)	(279)	(-232)	(52)	(333)	(-281)	(95)	(356)	(-261)
Government, n.i.e.	(79)	(111)	(-32)	(72)	(151)	(-79)	(80)	(136)	(-56)
Other private	(105)	(61)	(44)	(144)	(69)	(75)	(135)	(73)	(63)
Transfers	1,628	4	1,624	2,167	4	2,163	2,520	3	2,517
Private	1,497	1	1,496	1,895	1	1,895	2,243	1	2,242
Official	131	3	128	272	4	268	277	2	275
Current account balance			-984			-872			-749
Nonmonetary capital	1,226	446	780	1,823	553	1,270	1,436	640	796
Private capital	381	217	164	448	274	174	630	370	261
Direct investment	(68)	(24)	(44)	(136)	(58)	(78)	(148)	(65)	(83)
Loans	(117)	(37)	(80)	(98)	(37)	(61)	(160)	(36)	(125)
Short-term	(196)	(156)	(40)	(214)	(179)	(35)	(322)	(269)	(53)
Official capital	845	229	616	1,375	279	1,096	806	270	535
Loans	(711)	(181)	(530)	(1,127)	(279)	(848)	(569)	(270)	(298)
Other long-term 3/	(--)	(48)	(-48)	(214)	(--)	(214)	(84)	(--)	(84)
Short-term	(134)	(--)	(134)	(34)	(--)	(34)	(153)	(--)	(153)
Allocation of SDRs			39			39			37
Errors and omissions (net)			-20			15			-38
Monetary movements (net) (increase-)			185			-452			-45
Monetary authorities			237			-401			-110
IMF account			(-85)			(-79)			(315)
Gold			(-2)			(-2)			(-13)
SDRs			(-11)			(7)			(-40)
Deposits			(344)			(-366)			(-331)
Marketable assets			(-9)			(39)			(-41)
Commercial banks			-52			-51			65

Table 66 (concluded). Pakistan: Balance of Payments (Standard Presentation), 1978/79-1982/83

(In millions of U.S. dollars)

	1981/82			Provisional 1982/83		
	Credit	Debit	Net	Credit	Debit	Net
Goods and services	3,183	7,129	-3,946	3,540	7,032	-3,492
Merchandise, f.o.b. 2/	2,319	5,769	-3,450	2,634	5,534	-2,900
Services	864	1,360	-496	906	1,498	-592
Freight and insurance	(2)	(511)	(-509)	(2)	(487)	(-485)
Other transportation	(343)	(101)	(242)	(330)	(104)	(226)
Travel	(144)	(109)	(35)	(201)	(130)	(71)
Investment income	(130)	(450)	(-319)	(121)	(538)	(-417)
Government, n.i.e.	(102)	(101)	(1)	(100)	(129)	(-29)
Other private	(142)	(88)	(54)	(152)	(110)	(42)
Transfers	2,837	7	2,830	3,429	8	3,421
Private	2,413	1	2,412	3,067	4	3,063
Official	424	6	418	362	4	358
Current account balance			-1,116			-71
Nonmonetary capital	1,429	878	550	2,074	1,318	756
Private capital	962	598	363	1,496	884	612
Direct investment	(198)	(76)	(122)	(150)	(105)	(45)
Loans	(235)	(31)	(204)	(342)	(49)	(293)
Short-term	(529)	(491)	(37)	(1,004)	(730)	(274)
Official capital	467	280	187	578	434	144
Loans	(467)	(266)	(201)	(578)	(370)	(208)
Other long-term 3/	(--)	(8)	(-8)	(--)	(4)	(-4)
Short-term	(--)	(6)	(-6)	(--)	(60)	(-60)
Allocation of SDRs			--			--
Errors and omissions (net)			-15			38
Monetary movements (net) (increase-)			580			-723
Monetary authorities			544			-653
IMF account			(345)			(414)
Gold			(--)			(-6)
SDRs			(37)			(16)
Deposits			(145)			(-1,149)
Marketable assets			(17)			(72)
Commercial banks			36			-70

Source: State Bank of Pakistan.

1/ Identified capital flows do not fully reconcile with Table 20.
2/ Includes minor amounts of nonmonetary gold.
3/ Includes deposits of oil producing countries placed at the State Bank of Pakistan.

Table 67. Pakistan: Composition of Exports, 1978/79-1982/83 1/

(In millions of U.S. dollars)

	1978/79	1979/80	1980/81	1981/82	1982/83
Raw cotton	66.2	335.5	525.6	263.9	299.0
Cotton yarn and thread	203.4	213.0	217.2	201.8	237.8
Cotton yarn	(197.6)	(205.9)	(207.0)	(194.1)	(225.0)
Cotton thread	(5.8)	(7.1)	(10.2)	(7.7)	(12.8)
Cotton cloth	215.7	244.1	241.4	280.2	252.0
Rice	341.4	422.1	565.8	391.1	287.0
Fish and fish preparations	46.7	53.6	56.5	75.6	71.0
Raw wool	10.1	8.9	5.1	10.6	13.2
Tanned leather	126.0	126.7	90.1	108.9	91.0
Footwear	9.8	10.7	10.2	9.4	11.6
Carpets and rugs	178.2	222.0	226.6	160.4	143.0
Other	512.1	725.3	1,019.0	963.1	1,309.4
Total	1,709.6	2,364.7	2,957.5	2,465.1	2,715.0

Source: Ministry of Finance and Economic Affairs.

1/ Customs data differ from balance of payments data due to differences in timing, coverage, and valuation.

Table 68. Pakistan: Value, Volume, and Unit Price of Major Exports, 1978/79-1982/83 1/

(Value in millions of U.S. dollars; volume and unit price as indicated)

	1978/79	1979/80	1980/81	1981/82	1982/83
Rice					
Value	341.4	422.2	565.8	391.1	287.0
Volume (thousand metric tons)	1,015	1,087	1,244	951	905
Unit price (US$ per metric ton)	336	388	455	411	317
Basmati					
Value	(135.4)	(225.5)	(290.3)	(188.0)	(146.0)
Volume (thousand metric tons)	(181)	(315)	(410)	(262)	(229)
Unit price (US$ per metric ton)	(746)	(716)	(708)	(718)	(639)
Other varieties					
Value	(206.0)	(196.7)	(275.5)	(203.1)	(141.0)
Volume (thousand metric tons)	(834)	(772)	(834)	(689)	(676)
Unit price (US$ per metric ton)	(247)	(255)	(330)	(295)	(209)
Raw cotton					
Value	66.2	335.5	525.6	263.9	299.0
Volume (thousand metric tons)	55	251	325	231	255
Unit price (US$ per kilogram)	1.20	1.34	1.62	1.14	1.17
Staple cotton					
Value	(42.9)	(311.9)	(507.0)	(232.8)	(288.0)
Volume (thousand metric tons)	(38)	(233)	(312)	(205)	(239)
Unit price (US$ per kilogram)	(1.13)	(1.34)	(1.63)	(1.14)	(1.21)
Desi cotton					
Value	(23.2)	(23.6)	(18.6)	(31.1)	(11.0)
Volume (thousand metric tons)	(17)	(18)	(13)	(27)	(16)
Unit price (US$ per kilogram)	(1.36)	(1.33)	(1.43)	(1.17)	(1.21)
Cotton yarn					
Value	197.6	205.9	207.0	194.6	225.4
Volume (thousand metric tons)	98	100	95	96	134
Unit price (US$ per kilogram)	2.02	2.06	2.18	2.02	1.68
Cotton cloth					
Value	215.7	244.1	241.1	280.2	252.3
Volume (million square meters)	532	546	501	584	605
Unit price (US$ per square meter)	0.41	0.45	0.48	(0.48)	(0.42)
Woollen carpets and rugs 2/					
Value	176.5	213.3	226.8	160.4	143.0
Volume (thousand square meters)	2,383	2,377	2,490	1,835	2,112
Unit price (US$ per square meter)	74.1	89.7	91.1	87.4	67.7
Leather					
Value	126.0	127.7	90.1	108.3	91.0
Volume (million square meters)	12.5	10.2	8.8	11.0	10.7
Unit price (US$ per square meter)	10.1	12.5	10.2	9.8	8.5
Fish and fish preparations					
Value	46.7	53.6	56.5	75.6	71.0
Volume (thousand metric tons)	13.6	13.2	14.8	18.2	16.6
Unit price (US$ per kilogram)	3.4	4.1	3.8	4.2	4.3
Major exports as percent of total exports	68	68	65	60	50

Source: Statistics Division, Ministry of Planning and Development.

1/ Customs data, which differ from balance of payments data due to differences in timing, coverage, and valuation.
2/ Small unreconciled differences from the data reported in Appendix III, Table 67 exist for some years for carpets and rugs, and leather.

Table 69. Pakistan: Summary of Changes in Restrictive Trade Measures Affecting Pakistan's Exports 1/

Country or Country Group/Product	Position in May 1980	Present Position
1. European Economic Community (excluding United Kingdom, France, and West Germany) 2/		
Certain unmanufactured tobacco	Import levies (Benelux); quotas (Benelux); state monopoly (Italy)	Import levies (Benelux); quotas under GSP (Benelux); state monopoly (Italy)
Cotton gloves		Ceiling (Benelux)
Certain footwear	Quotas (Benelux); bilateral quota (Denmark and Italy); compensatory and turnover taxes (Italy)	Quotas (Benelux); under GSP (Benelux); bilateral quota (Denmark and Italy); compensatory and turnover taxes (Italy)
Travel goods of material other than artificial plastic sheeting	Quotas (Benelux)	Quotas under GSP (Benelux)
Scissors, knives, spoons, forks, and certain other cutlery	Quotas (Benelux)	Ceiling under GSP (Benelux)
2. United Kingdom 2/		
Molasses	Import levies	Licensing and levy
Sugar and sugar preparations	Import levies	(1) Licensing and levy for sugar (sucrose) and sugars of 1702 other than glucose and lactose with a purity of 99 per cent or more; (2) Levy for glucose and lactose with a purity of 99 per cent or more; and (3) Levy and duty for sugar confectionary
Artificial honey	Import levies	Licensing and levy
Jams and marmalades	Import levies	Licensing (only raspberries); levy (if sugar content is over 13 per cent) and duty
Fruits and vegetable juices	Import levies	Licensing (grape and tomato juices only); levy (only for low-value juices with sugar content above certain amounts); and duty
Pickled fruits and vegetables		Duty for pickled fruits and vegetables in acetic acid or vinegar (except mango chutney)
Pickled vegetables not containing acetic acid or vinegar		Licensing (for peas, beans, and mushrooms only) and duty
Pickled fruit not containing acetic acid or vinegar		) Licensing (for pears, peaches,) and raspberries only); levy) (only if sugar content is above) certain amounts); and duty
Preserved fruit	Import levies	)
Rice	Import levies	Licensing and levy
Certain cereals processed or others		Licensing and levy
Animal feed containing starch, glucose or glucose syrup, or milk products	Import levies	Licensing and levy
Cereal preparations	Import levies	Levy and duty
Meat and meat products	Import levies	Licensing (for certain products); levy; duty (except for certain products)
Textiles		
a. Cotton yarn and fabrics, knitted shirts, jerseys and pyjamas, blouses, skirts, and toilet linen	Quota (for specific items)	)
b. All other textile items	Surveillance licensing	)
c. Cotton gloves	Quota	) Quota for specific items
d. Certain sacks and bags	Surveillance licensing	)
e. Tarpaulins, sails, awnings, sun-blinds, tents, and camping goods of cotton	Surveillance licensing	)

Table 69 (continued). Pakistan: Summary of Changes in Restrictive Trade Measures Affecting Pakistan's Exports 1/

Country or Country Group/Product	Position in May 1980	Present Position
3. France 2/		
Rice	Import levies; compensatory levy	Readjustable levy
Cereal preparations	Import levies	
Meat and meat products	Import levies; compensatory levy	
Molasses	Import levies; compensatory levy	
Sugar and sugar preparations	Import levy; compensatory levy	
Animal feed	Import duty	
Artificial honey	Import levies	
Jams and marmalades	Import levies	
Fruits and vegetable juices	Import levies; compensatory levy	
Fish, prawns, molluses, and other crustaceans	Import levies	
Manufactured tobacco	Import levies	
Certain unmanufactured tobacco	Import levies; state monopoly	
Pickled fruits and vegetables	Import levies	
Mangoes	Import levies	
Preserved fruit	Import duty; compensatory duty	
Textiles		Quotas, specific limits
a. Cotton yarn and knitted shirts, jerseys and pyjamas, blouses, skirts, and toilet linen	Quota; specific limits	Customs duties re-established for certain textile made-ups
b. All other textile items	Surveillance licensing	
c. Certain sacks and bags	Quota or surveillance	
d. Tarpaulins, sails, awnings, sun-blinds, tents, and camping goods of cotton	Quota or surveillance	
4. Federal Republic of Germany 2/		
Rice	Import levies	Import licensing; agricultural levy
Cereal preparations		Import licensing (for edible products only); levy on all cereal preparations
Meat and meat products		Import licensing; import levy; agricultural levy
Molasses	Import levies	Import licensing; agricultural levy (at present zero)
Sugar and sugar preparations		Import licensing; agricultural levy; sugar tax; import levy
Animal feed		Import levy on fish meal
Artificial honey		Import licensing; agricultural levy
Jams and marmalades		Import levy; agricultural levy; sugar tax
Fruits and vegetable juices		Import levy; agricultural levy
Certain light oils		Import licensing; agricultural levy

Table 69 (concluded). Pakistan: Summary of Changes in Restrictive Trade Measures Affecting Pakistan's Exports 1/

Country or Country Group/Product	Position in May 1980	Present Position
4. Federal Republic of Germany 2/ (cont'd)		
Certain oil essences		Import licensing; agricultural levy.
Fish, prawns, molluses, and other crustaceans		Import levy; agricultural levy
Manufactured tobacco		Import levy
Certain unmanufactured tobacco		Import levy
Pickled fruits and vegetables		Import levy
Mangoes		Import levy
Raisins		Import levy; packing regulations
Apricots		Import levy
Preserved fruits		Import levy
Cotton yarn and fabrics, knitted shirts, jerseys and pyjamas, blouses, skirts, and toilet linen	Specific limits	Specific limits
All other textile items	Surveillance licensing	EEC quota regulations
Cotton gloves		EEC quota regulations
Certain sacks and bags		EEC quota regulations
Tarpaulins, sails, awnings, sunblinds, tents, and camping goods of cotton		EEC quota regulations
Certain footwear		Import levy
Certain bovine cattle leather		Import levy
Certain positive cinefilms		Import levy
Travel goods of materials other than artificial plastic sheeting		Import levy
5. United States		
Sheeting, duck print cloth, towels, knit shirts, and blouses	Specific limits and packing and labeling restrictions	Specific limits; packing and labeling restrictions
Print cloth, twill and satins, underwear, other apparel, and other cotton manufactures	Designated consultation levels; packing and labeling requirements; countervailing duties	Designated consultation levels; packing and labeling requirements for certain goods
All other textile items	Aggregate limits; countervailing duties	Aggregate limits
Fish in all forms	Administrative entry procedures	
6. Switzerland		
Cotton yarn, cotton fabrics, knotted carpets, cotton embroidery, felt and felt articles, certain garments and textiles including knitted undergarments and outergarments and bed/table linens	All these items are allowed 50 per cent reduction on the normal tariff; all the items need an import permit except for felt and felt articles	All these items are allowed 50 per cent reduction in the normal tariff; no import permit is required except for certain specific categories

Source: Ministry of Commerce.

1/ The authorities have indicated that there have been no substantial changes in restrictive measures since May 1980. Position in respect of all items not listed also remains unchanged.

2/ Import tariffs are also levied on some items not listed. These are generally in the form of customs duties which are usually not prohibitive. In addition, an import turnover tax ranging from 6.5 percent to 13.0 percent is levied on all imports.

Table 70. Pakistan: Composition of Imports, 1978/79-1982/83 1/

(In millions of U.S. dollars)

	1978/79	1979/80	1980/81	1981/82	July-May 1981/82	July-May 1982/83
Food and live animals, of which:	543.1	359.4	365.4	374.2	356.5	325.1
Wheat	(354.1)	(105.2)	(63.9)	(75.8)	(75.8)	(61.4)
Tea	(101.0)	(96.3)	(119.6)	(103.4)	(100.0)	(122.4)
Beverages and tobacco	2.0	2.5	2.5	1.8	1.0	1.9
Raw materials, excluding fuels	216.3	227.0	392.1	323.1	292.8	269.3
Of which: crude fertilizers	(37.5)	(22.2)	(10.4)	(11.6)	(10.8)	(11.8)
synthetic fibers	(52.3)	(49.2)	(81.6)	(74.9)	(57.0)	(35.9)
Fuels 2/	538.2	1,086.9	1,550.9	1,757.6	1,597.2	1,521.6
Animal and vegetable oils and fats	331.3	260.2	316.9	377.3	349.5	301.3
Chemicals, of which:	540.1	583.7	742.3	503.0	447.5	533.1
Manufactured fertilizers	(283.6)	(273.8)	(357.3)	(84.6)	(73.8)	(156.1)
Basic manufactures, of which:	581.2	772.9	747.8	870.1	782.1	626.6
Iron and steel	(210.1)	(281.9)	(263.4)	(253.4)	(231.7)	(192.9)
Textile yarn and thread	(120.9)	(167.8)	(140.7)	(161.0)	(137.7)	(125.3)
Machinery, transport, and other equipment	850.9	1,343.2	1,170.8	1,298.8	1,145.3	1,164.3
Miscellaneous manufactures	72.5	104.5	117.9	131.3	119.0	114.0
Total imports	3,675.6	4,740.3	5,406.6	5,638.0	5,091.6	4,857.2

Source: Statistics Division, Ministry of Planning and Development.

1/ Customs data on a mixed c. and f. basis. Differ from balance of payments data with respect to timing, coverage, and valuation.

2/ Does not fully reconcile with Table 8 and Appendix Table 71.

Table 71. Pakistan: Value, Volume, and Unit Price of Major Imports, 1978/79-1982/83 1/

(Value in millions of U.S. dollars; volume in thousands of metric tons; unit price in U.S. metric ton, unless indicated otherwise)

	1978/79	1979/80	1980/81	1981/82	July-May 2/ 1981/82	July-May 2/ 1982/83
Crude petroleum						
Value	390.3	745.9	987.6	1,134.7	1,134.7	1,024.6
Volume	3,572.0	3,910.0	4,041.0	4,396.0	4,396.0	4,170.0
Unit price	109.3	190.8	244.4	258.1	258.1	245.7
Petroleum products						
Value	215.5	482.5	602.6	535.9	535.9	600.3
Volume	1,441.0	1,615.0	1,584.0	1,604.0	1,604.0	1,901.0
Unit price	149.5	298.8	380.4	334.1	334.1	315.8
Synthetic fertilizers						
Value	283.6	273.8	357.3	84.6	74.7	156.1
Volume	1,575.3	1,112.0	1,283.0	314.0	269.2	678.8
Unit price	180.0	246.2	278.5	269.4	277.5	230.0
Wheat						
Value	354.1	105.2	63.9	75.8	75.8	61.4
Volume	2,236.5	602.2	304.8	359.8	359.8	356.0
Unit price	158.3	174.7	209.6	210.8	210.8	172.4
Vegetable oils						
Value	298.3	231.8	265.2	326.9	310.1	266.4
Volume	420.2	345.6	466.9	627.5	589.6	613.9
Unit price	709.6	670.7	568.0	521.0	525.9	424.0
Tea						
Value	101.0	96.3	119.6	103.4	101.2	122.4
Volume	61.1	60.9	72.5	69.4	67.4	75.8
Unit price (US$ per kg)	1.7	1.6	1.6	1.5	1.5	1.6

Sources: Statistics Division, Ministry of Planning and Development, and Ministry of Petroleum and Natural Resources (see Table 8).

1/ Customs data on a mixed c. and f. basis. Differ from balance of payments data with respect to timing, coverage, and valuation.
2/ Full year data for crude petroleum and petroleum products.

Table 72. Pakistan: Direction of Trade, 1978/79-1982/83

(In percent of total)

	1978/79	1979/80	1980/81	1981/82	1982/83
Exports	100.0	100.0	100.0	100.0	100.0
EEC	24.0	20.8	15.5	17.3	16.6
United Kingdom	(7.6)	(4.8)	(4.0)	(5.1)	(4.8)
Other EEC	(16.4)	(16.0)	(11.5)	(12.2)	(11.8)
United States	6.9	5.1	6.0	7.2	6.0
Japan	9.9	7.8	6.4	8.5	8.2
Hong Kong	8.2	7.9	3.9	4.6	4.4
Singapore	1.4	1.2	1.9	2.4	1.8
Socialist countries	4.2	9.9	15.6	9.6	8.2
U.S.S.R.	(1.7)	(2.2)	(1.5)	(1.9)	(2.0)
China, People's Republic of	(0.9)	(6.2)	(12.2)	(5.9)	(4.9)
Other 1/	(1.6)	(1.5)	(1.9)	(1.8)	(1.3)
Oil producing countries 2/	10.0	12.6	15.8	13.7	23.4
Other	35.4	34.7	34.9	36.7	31.4
Imports	100.0	100.0	100.0	100.0	100.0 3/
EEC	24.9	24.0	20.7	19.7	19.7
United Kingdom	(6.3)	(6.1)	(6.2)	(6.4)	(6.3)
Other EEC	(18.6)	(17.9)	(14.5)	(13.3)	(13.4)
United States	15.9	11.1	10.9	8.8	10.1
Japan	11.4	11.5	11.6	12.4	13.0
Hong Kong	0.6	0.5	0.5	0.4	0.4
Singapore	2.5	2.0	1.4	1.6	1.2
Socialist countries	5.7	5.8	6.1	5.6	4.0
U.S.S.R.	(1.5)	(1.1)	(0.9)	(0.5)	(0.5)
China, People's Republic of	(2.7)	(3.1)	(3.3)	(3.2)	(2.6)
Other 1/	(1.5)	(1.6)	(1.9)	(1.9)	(0.9)
Oil producing countries 2/	13.1	18.3	21.3	24.7	25.4
Other	25.9	26.8	27.5	26.8	26.2

Source: Ministry of Finance and Economic Affairs.

1/ Czechoslovakia, Hungary, Poland, and Romania.
2/ Indonesia, Islamic Republic of Iran, Kuwait, and Saudi Arabia.
3/ Based on data for June-May.

Table 73. Pakistan: Outstanding Public Debt Repayable in Foreign Currency, 1978/79-1982/83

(In millions of U.S. dollars)

	End of 1978/79			End of 1979/80		
	Disbursed	Undis-bursed	Total	Disbursed	Undis-bursed	Total
Consortium	6,150.5	1,612.9	7,763.4	6,781.2	1,730.1	8,511.3
Bilateral	4,570.5	759.8	5,330.3	4,916.9	614.5	5,531.4
Belgium	(34.4)	(16.1)	(50.5)	(38.4)	(17.1)	(55.5)
Canada	(335.9)	(128.1)	(464.0)	(382.9)	(115.1)	(498.0)
France	(266.7)	(102.5)	(369.2)	(302.7)	(102.1)	(404.8)
Germany, Federal Republic of	(760.5)	(105.5)	(866.0)	(860.5)	(140.6)	(1,001.1)
Italy	(122.4)	(18.8)	(141.2)	(136.6)	(24.4)	(161.0)
Japan	(575.3)	(215.6)	(790.9)	(597.8)	(91.5)	(689.3)
Netherlands	(128.5)	(30.1)	(158.6)	(146.2)	(29.1)	(175.3)
United Kingdom	(56.8)	(10.7)	(67.5)	(88.8)	(14.5)	(103.3)
United States	(2,290.0)	(132.4)	(2,422.4)	(2,363.0)	(80.1)	(2,443.1)
Multilateral	1,580.0	853.1	2,433.1	1,864.3	1,115.6	2,979.9
Asian Development Bank	(254.9)	(411.9)	(666.8)	(315.8)	(492.5)	(808.3)
IBRD	(483.0)	(88.0)	(571.0)	(465.5)	(60.7)	(526.2)
IDA	(717.6)	(353.2)	(1,070.8)	(785.8)	(494.5)	(1,280.3)
IFC	(1.3)	(—)	(1.3)	(11.7)	(20.4)	(32.1)
IFAD	(—)	(—)	(—)	(—)	(47.5)	(47.5)
IMF Trust Fund	(123.2)	(—)	(123.2)	(285.5)	(—)	(285.5)
Non-Consortium	1,645.7	900.8	2,546.5	1,876.3	855.8	2,732.1
OPEC countries	1,164.3	229.4	1,393.7	1,311.7	274.5	1,586.2
Abu Dhabi	(138.0)	(11.0)	(149.0)	(136.0)	(11.0)	(147.0)
Iran, Islamic Republic of	(765.4)	(13.2)	(778.6)	(714.2)	(—)	(714.2)
Kuwait	(7.8)	(95.0)	(102.8)	(21.3)	(77.6)	(98.9)
Libya	(80.0)	(—)	(80.0)	(74.0)	(—)	(74.0)
Qatar	(5.7)	(—)	(5.7)	(4.3)	(6.8)	(11.1)
Saudi Arabia	(125.0)	(98.7)	(223.7)	(316.8)	(156.6)	(473.4)
OPEC Fund	(34.0)	(11.5)	(45.5)	(38.6)	(22.5)	(61.1)
Islamic Development Bank	(8.4)	(—)	(8.4)	(6.5)	(—)	(6.5)
Iraq	(—)	(—)	(—)	(—)	(—)	(—)
Other Fund members 1/	225.7	223.8	449.5	116.2	18.4	134.6
Australia	(13.0)	(—)	(13.0)	(13.0)	(—)	(13.0)
Austria	(1.3)	(2.2)	(3.5)	(1.2)	(3.5)	(4.7)
Denmark	(31.0)	(7.9)	(38.9)	(37.2)	(2.3)	(39.5)
Romania	(7.5)	(13.9)	(21.4)	(13.4)	(6.8)	(20.2)
Yugoslavia	(8.5)	(1.4)	(9.9)	(7.2)	(1.4)	(8.6)
Switzerland	(44.0)	(5.0)	(49.0)	(44.2)	(4.2)	(48.4)
Singapore	(—)	(—)	(—)	(—)	(0.2)	(0.2)
State trading countries	255.7	447.6	703.3	448.4	562.9	1,011.3
Bulgaria	(3.3)	(—)	(3.3)	(3.3)	(—)	(3.3)
China, People's Republic of	(120.4)	(193.4)	(313.8)	(127.4)	(187.6)	(315.0)
Czechoslovakia	(18.2)	(—)	(18.2)	(16.9)	(—)	(16.9)
German Democratic Republic	(4.4)	(0.6)	(5.0)	(4.3)	(1.3)	(5.6)
Poland	(0.9)	(78.3)	(79.2)	(0.7)	(78.3)	(79.0)
U.S.S.R.	(228.9)	(366.9)	(595.8)	(295.8)	(293.9)	(589.7)
Hungary	(—)	(1.8)	(1.8)	(—)	(1.8)	(1.8)
All lenders	7,796.2	2,513.7	10,309.9	8,657.5	2,585.9	11,243.4

Table 73 (continued). Pakistan: Outstanding Public Debt Repayable in Foreign Currency, 1978/79-1982/83

(In millions of U.S. dollars)

	End of 1980/81			End of 1981/82		
	Disbursed	Undis-bursed	Total	Disbursed	Undis-bursed	Total
Consortium	6,917.2	1,714.6	8,631.8	7,020.0	2,202.0	9,222.0
Bilateral	4,926.4	501.6	5,428.0	5,001.0	553.4	5,554.5
Belgium	(30.1)	(10.2)	(40.3)	(26.6)	(7.0)	(33.6)
Canada	(398.7)	(84.7)	(483.4)	(417.6)	(88.3)	(505.9)
France	(272.2)	(97.3)	(369.5)	(249.0)	(59.6)	(308.6)
Germany, Federal Republic of	(724.5)	(82.6)	(807.1)	(738.2)	(71.2)	(809.4)
Italy	(134.1)	(10.0)	(144.2)	(118.7)	(17.9)	(136.6)
Japan	(670.7)	(126.1)	(796.8)	(700.8)	(145.3)	(846.1)
Netherlands	(120.8)	(24.9)	(145.7)	(136.9)	(24.7)	(161.6)
United Kingdom	(105.3)	(7.1)	(112.4)	(92.6)	(17.7)	(110.3)
United States	(2,469.9)	(58.7)	(2,528.6)	(2,520.6)	(121.7)	(2,642.3)
Multilateral	1,990.9	1,213.0	3,203.8	2,019.0	1,648.6	3,667.6
Asian Development Bank	(346.0)	(587.3)	(933.3)	(380.3)	(776.8)	(1,157.1)
IBRD	(449.0)	(37.0)	(486.0)	(345.8)	(156.1)	(501.9)
IDA	(864.3)	(526.5)	(1,390.8)	(988.9)	(663.9)	(1,652.8)
IFC	(27.3)	(11.4)	(38.7)	(30.2)	(5.9)	(36.1)
IFAD	(2.6)	(50.8)	(53.4)	(17.2)	(45.9)	(63.1)
IMF Trust Fund	(301.6)	(—)	(301.6)	(256.6)	(—)	(256.6)
Non-Consortium	1,847.8	864.7	2,712.5	1,778.9	719.2	2,498.1
OPEC countries	1,287.0	286.6	1,573.6	1,209.9	255.3	1,465.2
Abu Dhabi	(144.4)	(0.6)	(145.0)	(144.6)	(22.6)	(167.2)
Iran, Islamic Republic of	(661.5)	(—)	(661.5)	(593.6)	(—)	(593.6)
Kuwait	(39.7)	(99.3)	(139.0)	(73.5)	(91.8)	(165.3)
Libya	(66.2)	(—)	(66.2)	(60.2)	(—)	(60.2)
Qatar	(11.0)	(—)	(11.0)	(6.8)	(—)	(6.8)
Saudi Arabia	(325.0)	(145.0)	(470.0)	(273.3)	(112.4)	(385.7)
OPEC Fund	(38.9)	(22.3)	(61.2)	(43.3)	(17.3)	(60.6)
Islamic Develop-ment Bank	(0.3)	(—)	(0.3)	(14.6)	(11.2)	(25.8)
Iraq	(—)	(19.4)	(19.4)	(—)	(—)	(—)
Other Fund members 1/	97.3	58.8	156.1	91.5	88.7	180.2
Australia	(10.9)	(—)	(10.9)	(8.4)	(—)	(8.4)
Austria	(0.9)	(2.7)	(3.6)	(1.6)	(1.8)	(3.4)
Denmark	(28.5)	(4.6)	(33.1)	(27.4)	(2.5)	(29.9)
Romania	(16.8)	(47.4)	(64.2)	(13.4)	(83.9)	(97.3)
Yugoslavia	(6.4)	(—)	(6.4)	(4.7)	(—)	(4.7)
Switzerland	(33.7)	(4.1)	(37.8)	(35.4)	(0.5)	(35.9)
Singapore	(0.1)	(—)	(0.1)	(0.6)	(—)	(0.6)
State trading countries	463.5	519.3	982.8	477.5	375.2	852.7
Bulgaria	(3.3)	(—)	(3.3)	(2.6)	(—)	(2.6)
China, People's Republic	(138.0)	(160.3)	(298.3)	(135.6)	(150.7)	(286.3)
Czechoslovakia	(12.8)	(2.6)	(15.4)	(13.1)	(0.3)	(13.4)
German Democratic Republic	(3.6)	(—)	(3.6)	(2.9)	(—)	(2.9)
Poland	(0.5)	(78.3)	(78.8)	(0.2)	(—)	(0.2)
U.S.S.R.	(305.3)	(276.3)	(581.6)	(321.3)	(224.2)	(545.5)
Hungary	(—)	(1.8)	(1.8)	(1.9)	(—)	(1.9)
All lenders	8,765.0	2,579.3	11,344.3	8,798.9	2,921.2	11,720.1

Table 73 (concluded). Pakistan: Outstanding Public Debt Repayable in Foreign Currency, 1978/79-1982/83

(In millions of U.S. dollars)

	End of 1982/83		
	Disbursed	Undisbursed	Total
Consortium	7,421.1	2,571.3	9,992.4
Bilateral	5,083.5	721.3	5,804.8
Belgium	(26.3)	(6.1)	(32.4)
Canada	(439.1)	(78.9)	(518.0)
France	(247.3)	(66.1)	(313.4)
Germany, Federal Republic of	(731.0)	(99.7)	(830.7)
Italy	(122.0)	(25.4)	(147.4)
Japan	(735.8)	(163.8)	(899.6)
Netherlands	(138.1)	(33.8)	(171.9)
United Kingdom	(67.7)	(82.9)	(150.6)
United States	(2,576.2)	(164.6)	(2,740.8)
Multilateral	2,337.6	1,850.0	4,187.6
Asian Development Bank	(472.4)	(849.9)	(1,322.3)
IBRD	(388.2)	(158.9)	(547.1)
IDA	(1,177.2)	(700.0)	(1,877.2)
IFC	(25.2)	(98.8)	(124.0)
IFAD	(20.7)	(42.4)	(63.1)
IMF Trust Fund	(253.9)	(—)	(253.9)
Non-Consortium	1,827.5	669.7	2,497.2
OPEC countries	1,205.9	248.3	1,454.2
Abu Dhabi	(152.2)	(11.0)	(163.2)
Iran, Islamic Republic of	(506.5)	—	(506.5)
Kuwait	(120.6)	(55.4)	(176.0)
Libya	(52.6)	(—)	(52.6)
Qatar	(5.1)	(—)	(5.1)
Saudi Arabia	(284.7)	(135.8)	(420.5)
OPEC Fund	(57.5)	(33.3)	(90.8)
Islamic Development Bank	(26.7)	(12.8)	(39.5)
Iraq	(—)	(—)	(—)
Other Fund members 1/	120.3	55.8	176.1
Australia	(7.0)	(—)	(7.0)
Austria	(2.0)	(1.1)	(3.1)
Denmark	(28.1)	(1.7)	(29.8)
Romania	(45.9)	(48.5)	(94.4)
Yugoslavia	(4.1)	(—)	(4.1)
Switzerland	(32.7)	(4.5)	(37.2)
Singapore	(0.5)	(—)	(0.5)
State trading countries	501.3	365.6	866.9
Bulgaria	(2.4)	(—)	(2.4)
China, People's Republic of	(138.4)	(192.9)	(331.3)
Czechoslovakia	(11.7)	(0.3)	(12.0)
German Democratic Republic	(1.9)	(—)	(1.9)
Poland	(0.1)	(—)	(0.1)
U.S.S.R.	(345.0)	(172.4)	(517.4)
Hungary	(1.8)	(—)	(1.8)
All lenders	9,248.6	3,241.0	12,489.6

Source: Ministry of Finance and Economic Affairs.

1/ And Switzerland.

Table 74. Pakistan: Elements of Discretionary Balance of Payments Financing, 1978/79-1982/83

(In millions of U.S. dollars)

	1978/79	1979/80	1980/81	1981/82	1982/83
Cash loans and grants	71	407	16	10	--
Abu Dhabi	--	50 1/	--	--	--
Iran, Islamic Republic of	--	--	--	--	--
Libya	--	--	--	--	--
Qatar	--	--	--	10 1/	--
Saudi Arabia	--	200	--	--	--
OPEC Fund	--	--	--	--	--
IMF Trust Fund	71	157	16	--	--
Debt relief	161	90	161	258	35
Consortium countries	38	13	77	139	17
Other countries	123	77	84	119	18
Official short-term credits 2/	282	356	475	477	403
Total	514	853	652	745	438
Memorandum item:					
Net foreign assets (increase-)	185	-238	24	-580	-723

Sources: Ministry of Finance and Economic Affairs and State Bank of Pakistan.

1/ Grant.
2/ Disbursements only.

Table 75. Pakistan: Contracting of Cash Loans for Balance of Payments Support, 1978/79-1982/83

Lender and Year of Initial Disbursement	Amount (Millions of U.S. dollars)	Interest (Percent)	Grace Period (Years)	Total Maturity (Years)	Concessionality 1/ (Percent)
Bilateral lenders					
Saudi Arabia (1979/80)	200 2/	—	4	11	52.5
Iraq (1980/81)	19	—	2.5	20	63.4
Multilateral lenders					
IMF Trust Fund (1978/79)	71	0.5	5	10	48.8
IMF Trust Fund (1979/80)	157	0.5	5	10	48.8
IMF Trust Fund (1980/81)	16	0.5	5	10	48.8

Source: Ministry of Finance and Economic Affairs.

1/ At a discount rate of 10 per cent per annum; based on the IBRD's Grant Element Tables, 1969.
2/ Contribution to Zakat Fund.

Table 76. Pakistan: Actual and Projected Debt Service Payments, 1980/81-1987/88

(In millions of U.S. dollars)

	Actual			Offical Projections				
	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Scheduled debt service								
Medium- and long-term debt								
Debt already contracted as of June 30, 1983	802	749	656	722	799	852	845	849
Principal	516	492	407	466	493	546	543	557
Interest	286	257	249	256	306	306	302	292
Fresh debt	--	--	--	18	17	53	98	144
Principal	--	--	--	4	1	8	16	20
Interest	--	--	--	14	16	45	82	124
Short-term debt 1/	200	513	536	368	140	162	96	74
Principal	153	426	463	299	105	130	75	60
Interest	47	87	73	69	35	32	21	14
Debt owed to the IMF	192	214	182	132	224	363	432	375
Repurchases	168	159	80	15	91	241	330	301
Charges	24	55	102	117	133	122	102	74
Rescheduled debt service 2/	161	258	35	28	26	25	10	9
Principal	133	204	31	27	25	24	9	9
Interest	28	54	4	1	1	1	1	--
Debt service payments 3/								
Including the IMF	880	792	876	913	1,049	1,275	1,386	1,373
Excluding the IMF	688	578	694	781	825	912	954	998
Ratio of debt service payments to current account receipts 4/								
Including the IMF	14.7	14.0	13.2	12.4	12.8	14.0	13.6	12.2
Excluding the IMF	11.5	10.2	10.4	10.6	10.1	10.0	9.4	8.9
Memorandum item:								
Current account receipts	5,976	5,642	6,653	7,350	8,195	9,113	10,155	11,242

Sources: Data provided by the Pakistan authorities and staff estimates.

1/ Assumes that short-term commercial bank borrowing is lengthened in maturity and completely phased out by 1986/87.
2/ Takes account of provisions of the January 1981 rescheduling agreement with the Pakistan Consortium.
3/ Excludes principal repayments on short-term debt.
4/ Current account receipts exclude official transfers.

Table 77. Pakistan: Movements in the Trade-Weighted Real Exchange Rate and its Components, 1973-83

(January 1973 = 100)

Year/Quarter	Relative Consumer Price Index 1/	Relative Exchange Rate Index 2/	Relative Real Exchange Rate Index 3/
1973			
Fourth quarter	119.8	105.8	126.7
1974			
First quarter	114.0	104.2	118.8
Second quarter	115.5	105.0	121.3
Third quarter	122.1	106.8	130.4
Fourth quarter	124.3	105.0	130.6
1975			
First quarter	125.1	103.0	128.9
Second quarter	127.5	104.7	133.5
Third quarter	128.0	109.4	140.0
Fourth quarter	127.0	109.3	138.9
1976			
First quarter	123.1	110.6	136.2
Second quarter	121.6	111.8	136.0
Third quarter	123.4	111.4	137.5
Fourth quarter	126.4	111.1	139.8
1977			
First quarter	126.6	109.5	138.6
Second quarter	124.7	108.7	135.6
Third quarter	127.4	109.0	138.8
Fourth quarter	127.0	107.3	136.2
1978			
First quarter	125.8	105.5	132.7
Second quarter	125.2	104.4	130.7
Third quarter	128.9	101.1	130.4
Fourth quarter	127.2	101.4	129.1
1979			
First quarter	125.4	103.2	129.4
Second quarter	124.0	103.4	128.3
Third quarter	130.8	102.4	133.9
Fourth quarter	125.9	103.2	130.0
1980			
First quarter	123.9	107.2	132.8
Second quarter	123.8	101.4	125.5
Third quarter	129.4	101.8	131.8
Fourth quarter	129.4	103.3	133.7
1981			
First quarter	127.2	107.0	136.0
Second quarter	126.7	113.8	144.3
Third quarter	132.3	116.0	153.4
Fourth quarter	130.8	113.4	149.5
1982			
First quarter	129.3	102.9	133.0
Second quarter	127.9	98.5	126.1
Third quarter	128.9	99.0	127.5
Fourth quarter	128.9	93.4	120.3
1983			
First quarter	128.4	94.9	121.9
Second quarter	128.9	95.3	122.9

Sources: IMF, International Financial Statistics and Direction of Trade, and staff estimates.

1/ Pakistan consumer price index relative to trade-weighted consumer price indices of 14 major trading partners.

2/ Exchange rate of the Pakistan rupee relative to trade-weighted exchange rates of 14 major trading partners; a rise in the index indicates a relative appreciation of the rupee.

3/ Equals (relative consumer price index x relative exchange rate index) x 100; values in excess of 100 are indicative of a relative real appreciation of the Pakistan rupee since January 1973.

Table 78. Pakistan: Import Licensing, 1978/79-1982/83

	1978/79	1979/80	1980/81	1981/82	1982/83
			(In millions of Pakistan rupees)		
By importer	33,527	36,520	40,551	48,750	63,412
Genuine private sector (CCI&E)	19,877	17,702	23,200	25,825	32,473
Petroleum, oil, and lubricants	5,831	12,252	12,712	16,971	19,740
Board of Industrial Management 1/	1,578	967	663	642	639
Trading Corporation of Pakistan	1,239	3,982	3,118	3,417	3,275
Pakistan Edible Oils Corporation 2/	3,109	--	--	--	--
Government imports	1,893	1,617	858	1,895	7,285
By financing arrangement	33,527	36,520	40,551	48,750	63,412
Cash	30,775	34,340	39,198	46,377	57,784
Credit	2,108	1,624	1,165	2,097	5,160
P.L. 480	(—)	(265)	(249)	(708)	(229)
Other	(2,108)	(1,359)	(916)	(1,389)	(4,931)
Barter	644	556	188	276	468
By import list	33,527	36,520	40,551	48,750	63,412
Free List	33,431	36,408	40,516	48,695	63,392
Tied List	96	112	35	55	20
By licensing arrangement	33,527	36,520	40,551	48,750	63,412
General licenses	32,110	32,314	36,431	44,540	58,979
Licenses tied to RCD sources	10	7	18	—	—
Licenses for banned or tied items 3/	168	217	984	793	1,158
Licenses to TCP	1,239	3,982	3,118	3,417	3,275
			(In percent)		
By economic category	100.0	100.0	100.0	100.0	100.0
Consumer goods	9.1	7.6	9.7	8.7	8.4
Raw materials for consumer goods	52.8	63.1	62.6	64.3	63.6
Raw materials for capital goods	24.2	11.8	8.8	7.6	8.2
Capital goods	13.9	17.5	18.9	19.4	19.8

Source: Ministry of Commerce.

1/ Beginning in 1978/79 the data refer to the companies formerly under BIM management.

2/ Imports of edible oils were licensed to the Trading Corporation of Pakistan until the end of 1975/76 and again beginning 1979/80.

3/ On a cash basis under the export promotion plan.

Table 79. Pakistan: Trade Under Bilateral Payments Agreements, 1978/79-1982/83 1/

(In millions of U.S. dollars)

Countries	1978/79 Exports	1978/79 Imports	1978/79 Balance	1979/80 Exports	1979/80 Imports	1979/80 Balance	1980/81 Exports	1980/81 Imports	1980/81 Balance
Fund members	22.1	20.8	1.3	34.0	26.2	7.8	39.9	44.3	-4.4
China, People's Republic of	12.4	10.3	2.1	20.8	17.3	3.5	19.2	22.7	-3.5
A.B. Sukab (Sweden) 2/	3.8	1.9	1.9	5.1	4.6	0.5	5.7	7.6	-1.9
Yugoslavia	—	—	—	—	—	—	—	—	—
Hungary	5.9	8.6	-2.7	8.1	4.3	3.8	15.0	14.0	1.0
Iran, Islamic Republic of	...	...	...	...	...	...	...	...	...
Non-Fund members	27.1	31.0	-3.9	47.9	30.5	17.4	59.4	70.4	-11.0
Bulgaria	4.1	3.2	0.9	2.6	3.3	-0.7	15.6	10.2	5.4
Czechoslovakia	2.5	2.6	-0.1	6.2	5.2	1.0	9.8	7.7	2.1
North Korea	1.7	1.7	—	4.4	5.1	-0.7	3.8	1.8	2.0
Poland	9.7	2.9	6.8	13.8	5.0	8.8	3.9	14.7	-10.8
U.S.S.R.	9.1	20.6	-11.5	20.9	11.9	9.0	26.3	36.0	-9.7
Total	49.2	51.8	-2.6	81.9	56.7	25.2	99.3	114.7	-15.4

Countries	1981/82 Exports	1981/82 Imports	1981/82 Balance	1982/83 Exports	1982/83 Imports	1982/83 Balance
Fund members 2/	46.4	21.5	24.9	256.6	119.3	137.3
China, People's Republic of	9.9	5.7	4.2	13.4	6.1	7.3
A.B. Sukab (Sweden)	13.5	12.2	1.3	21.0	27.0	-6.0
Hungary	10.6	3.4	7.2	9.6	7.6	2.0
Iran, Islamic Republic of	12.4	0.2	12.2	212.6	78.6	134.0
Non-Fund members	56.7	62.3	-5.6	103.5	71.7	31.8
Bulgaria	14.4	11.5	2.9	38.1	30.3	7.8
Czechoslovakia	12.8	13.7	-0.9	21.2	22.7	-1.5
North Korea	4.1	6.2	-2.1	1.1	—	1.1
Poland	3.6	6.9	-3.3	8.1	4.8	3.3
U.S.S.R.	21.8	24.0	-2.2	35.0	13.9	21.1
Total	103.1	83.8	19.3	360.1	191.0	169.1

Source: National Bank of Pakistan.

1/ Actual exports and imports, and therefore differs from Table 31 in which all transactions channeled through bilateral accounts are included.

2/ The Swedish agreement is with a private firm.

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