

**IMMEDIATE  
ATTENTION**

EBS/76/126

CONFIDENTIAL

March 12, 1976

To: Members of the Executive Board  
From: The Secretary  
Subject: Pakistan - Purchase Under the Oil Facility

Attached for the information of the Executive Directors is the text of a communication dated March 3, 1976, informing the Fund of Pakistan's intention to request a purchase under the oil facility. The staff's analysis and recommendation will be circulated shortly.

Att: (1)



ATTACHMENT

March 3, 1976

Mr. H. Johannes Witteveen, Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Mr. Witteveen,

1. I am submitting this letter on behalf of the Government of Pakistan to inform the Fund of the intention of Pakistan to request a final purchase under the oil facility in the amount that the Fund determines will be available to Pakistan to meet a balance of payments need in 1975. As stated in paragraph 5 of Pakistan's letter to the Fund dated July 30, 1975, the representations in that letter apply with respect to this intended request. If the Fund finds that the intended request would be in conformity with the facility for 1975 and after it informs Pakistan of the amount that may be requested, the request for the purchase of that amount will be submitted at the time suggested by the Fund.

2. Pakistan wishes to inform the Fund that Pakistan has not imposed new or intensified existing restrictions on current international payments or transactions since the letter to the Fund dated July 30, 1975. Pakistan has modified policies described in its letter to the Fund dated July 30, 1975, in accordance with the attached statement.

Yours sincerely,

/s/

A. G. H. Kazi  
Secretary General, Finance and Economic  
Coordination, Government of Pakistan

STATEMENT BY THE GOVERNMENT OF PAKISTAN ON ITS ECONOMIC POLICY

Since July 1975, Pakistan's economy has been adversely affected by a number of developments. The cotton crop suffered from untimely rains, flood and pest with the result that cotton production for the fiscal year (July 31, 1975 to June 30, 1976) is now expected to be 1 million bales less than the initial target of 4 million bales. The consequent fall in export of raw cotton has adversely affected government revenue from export duty on cotton. Also there has been a substantial fall in the international price of rice and this has caused a decline in government receipts on account of corresponding reductions in receipts from export duty on rice as well as the profit from rice export. Further, the generation of counterpart funds from commodity aid and the inflow of rupee-generating external assistance have been slower than expected. On account of these developments, which were outside the control of the authorities, the expansion of credit to Government for budgetary support in July-December 1975 was larger than provided for under the stand-by ceilings. However, provisional data indicate that the overall balance of payments deficit in 1975 was approximately in line with the forecast made in July 1975.

The Government has adopted a number of measures to augment receipts. A drive to realize tax arrears and to discover new assesseees has been started and this is already yielding results. More importantly, efforts are being made to quicken utilization of commodity assistance and to mobilize more external resources; in particular, arrangements have been made to receive before the end of the current fiscal year a loan disbursement of \$150 million originally scheduled for July 1976. In view of these measures, it is expected that credit to Government for budgetary support will be reduced substantially in the remaining months of the fiscal year and that expansion in credit to Government for the fiscal year as a whole will be about PRs 1.5 billion, compared to the estimate of PRs 1.1 billion made in July 1975; the expansion of credit to the private sector is expected to be PRs 0.2 billion higher than the initial target with the result that expansion in total credit for the fiscal year is now expected to be PRs 6.9 billion compared to an initial estimate of PRs 6.3 billion.