

**EXECUTIVE
BOARD
MEETING**

EBS/15/147
Supplement 1
Correction 1

December 17, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **Pakistan—Staff Report for the 2015 Article IV Consultation, Ninth Review Under the Extended Arrangement, Request for Waivers of Nonobservance of Performance Criteria, and Request for Modification of a Performance Criterion—Informational Annex**

Board Action: The attached corrections to EBS/15/147, Sup. 1 (12/7/15) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Pages 2, 6, 7, 8, 11

Questions:

Mr. Finger, MCD (ext. 38510)
Mr. Shahmoradi, MCD (ext. 34735)

RELATIONS WITH THE FUND

(As of October 31, 2015)

Membership Status:

Joined: 07/11/1950; Article VIII

General Resources Account

	SDR Million	Percent Quota
Quota	1,033.70	100.00
Fund Holdings of Currency	4,273.58	413.43
Reserve Tranche Position	0.12	0.01

SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	988.56	100.00
Holdings	494.94	50.07

Outstanding Purchases and Loans

	SDR Million	Percent of Quota
Extended Arrangements	3,240.00	313.44

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	09/04/2013	09/03/2016	4,393.00 4,393.00	3,240.00
Stand-by	11/24/2008	09/30/2011	7,235.90	2,868.64
ECF	12/06/2001	12/05/2004	1,033.70	861.42

Projected Payments to Fund

(SDR million; based on existing use of resources and present holdings of SDRs)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Principal				150.00	420.00
Charges/Interest	8.31	37.08	37.04	35.92	31.61
Total	8.31	37.08	37.04	185.92	451.61

cross-border trade between Pakistan and its neighboring countries. Sustained economic cooperation can help contribute to growth as well as overall stability in the region.

4. IFC is supporting development of Pakistan's private sector through an integrated investment and advisory program. Its strategy is a direct response to the challenges facing the private sector in the country, including energy shortages, infrastructure constraints and lack of access to finance, which limit the growth of micro, small and medium enterprises (MSMEs). IFC has been focusing on mobilizing investments in infrastructure, energy (including renewable power), expanding access to finance to MSMEs, and helping create jobs. IFC's advisory services are particularly active in enhancing access to finance for MSMEs, the capacity building of small businesses, improving corporate governance, creating a better business environment, and promoting clean energy.

5. Pakistan is also a focus country for MIGA, where it has already provided guarantees in hydropower and microfinance. Going forward, MIGA's strategy seeks to support investments into IDA countries, South-South investments, complex infrastructure projects, and investments into conflict-affected areas.

6. Over the last few years, WBG has closely coordinated its development policy financing support with the IMF Program in Pakistan. Recently completed series of operations on *Fiscally Sustainable and Inclusive Growth* and *Power Sector Reforms*, supported critical structural reforms in revenue mobilization, SOEs, private sector development and energy sector reforms to complement the ongoing IMF program. Follow-on World Bank budget support is also planned.

7. IBRD/IDA financial operations since FY2006 are summarized below:

Pakistan: World Bank Group Financial Operations

US\$ million		FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Commitments	IBRD	315	100	174	0	0	261	500	0	0	0
	IDA	1183	885	371	1610	300	1292	1290	744	1634	1351
Disbursements	IBRD	252 <u>149</u>	254 <u>154</u>	56	91	86	35	92	85	121	35
	IDA	1555 <u>1063</u>	1716 <u>1035</u>	267	1333 <u>848</u>	963 <u>698</u>	772	565	447 <u>450</u>	1533	1129
Repayments	IBRD	297	273	295	273	225	172	157	162	166	156
	IDA	117	170	143	181	165	169	190	182	297	247

RELATIONS WITH THE ASIAN DEVELOPMENT BANK

(As of ~~October~~ November 30, 2015)

Pakistan is a major recipient of financial support from the Asian Development Bank (ADB). Since 1968, the ADB has provided more than \$~~26~~25 billion in assistance through the concessional Asian Development Fund window and the Ordinary Capital Resources window.

The ADB's Board of Directors endorsed the Country Partnership Strategy (CPS) covering the years 2015-2019 in August 2015. In line with ADB's Midterm Review of Strategy 2020, ADB will support the government's objective of higher, inclusive, and sustained growth to create productive employment opportunities and reduce poverty. The thrust of ADB's strategy in Pakistan will be to improve connectivity, productivity, and access to markets and public services, focusing on infrastructure development and institutional reforms. The broad thrust of this strategy is similar to those in the previous CPS, reflecting the long-standing development constraints, the governments' priorities to relieve them, and ADB's accumulated experience. This CPS places greater emphasis on (i) partnerships and cofinancing, particularly from commercial sources; (ii) disaster risk management; and (iii) a more systematic approach to knowledge solutions.

The main areas of ADB operations in Pakistan include: (i) energy, focusing on sector reforms, energy efficiency, power generation, transmission, distribution, and renewable energy development; (ii) transport and logistics; (iii) irrigation and water resource management; (iv) urban services; (v) public sector management including reforms in key sectors of ADB's operations, development of public-private partnerships, public sector enterprise reforms and social protection; and (vi) finance, focusing on long-term sources of infrastructure finance and financial inclusion.

ADB's program consists of a mix of policy-based lending, multitranche financing facilities, stand-alone projects, technical assistance (TA) loans, TA grants, project design facilities, knowledge products and services, and policy dialogue. The policy-based lending targets specific areas of priority reforms, within a programmatic framework in collaboration with development partners, supplemented with TA for the design and implementation of these reforms. Multitranche financing facilities contain significant components for analytical and capacity development assistance. TA grants will finance these for stand-alone investment projects.

Pakistan's active public sector portfolio amounts to \$~~5.11~~ 4.68 billion as of 30 September 2015. It comprises ~~26~~ 32 loans for 25 investment projects and 22 TA projects of \$23.85 million. The figures exclude ADB's policy-based support, which is currently focused on energy sector reforms. The support for energy sector reform program consists of five annual sub-programs, with the first sub-program (DPC-I) of \$400 million approved and disbursed in 2014. The second sub-program, also of (DPC-II) \$400 million, has been signed on November 2015 and disbursement was made on end-November. is scheduled for approval in 2015. The energy sector comprises about ~~44.9~~ 48 percent of ADB's active public sector portfolio, followed by transport (~~15.5~~ 12 percent); irrigation and water

resource management (~~14.1~~ 15 percent); a multi-sector post-flood reconstruction project (~~14.7~~ 15 percent); social protection (8.2 percent), and urban services (~~2.6~~ 2.8 percent).

ADB's private sector operations in Pakistan began in 1983 and complement its public sector support. As of August 2015, cumulative private sector approvals amounted to \$1.15 billion. As of 30 June 2015, total outstanding balance of projects amounted to \$584.1 million. Private sector operations are focused on infrastructure and finance. The infrastructure support comprises renewable energy development (hydro and wind), development of natural resources (e.g., thermal power capacity based on captive domestic gas fields), reform support (financing of a privatized distribution electric supply company) and energy security. Under the financial sector window, ADB provides guarantees, equity investment, and trade finance. ADB's Trade Finance Program in Pakistan has worked with ten banks on 2,996 trade transactions of over \$9.4 billion, 53 percent of which was co-financed by the private sector.

Pakistan: Table of Common Indicators Required for Surveillance
As of November 2015

	Date of latest observation	Date received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of publication ⁷	Memo Items:	
						Data Quality – Methodological Soundness ⁷	Data Quality Accuracy and Reliability ⁸
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	November 2015	Oct. 2015	M	M	M		
Reserve/Base Money	November 2015	Oct. 2015	M	M	M	O, O, O, LO	O, O, O, O, LO
Broad Money	November 2015	Oct. 2015	M	M	M		
Central Bank Balance Sheet	November 2015	Oct. 2015	M	M	M		
Consolidated Balance Sheet of the Banking System	November 2015	Oct. 2015	M	M	M		
Interest Rate ²	November 2015	Oct. 2015	M	M	M		
Consumer Price Index	November 2015	November	M	M	M	O, LO, LO, O	O, LO, O, O, O
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	Sep.2015	Oct, 2015	Q	Q	Q	LO, LO, LNO, LO	O, O, LO, LO, LO
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	Sep.2015	Sep. 2015	Q	Q	Q		
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Sep. 2015	Sep. 2015	Q	Q	Q		
External Current Account Balance	Sep.2015	Oct, 2015	M	M	M	LO, LO, LO, O	O, O, O, O, LNO
Exports and Imports of Goods and Services	Sep.2015	Oct, 2015	M	M	M		
GDP/GNP	2014/15	July, 2015	A	A	A	LO, LNO, LO, LO	LNO, LNO, O, LNO, O
Gross External Debt	Jun.2015	Jul.2015	M	M	M		
International Investment Position ⁶	Mar.2015	Aug. 2015	A/ Q	A/Q	A/Q		

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Both market-based and officially determined, including discounts rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing. Only Federal Board of Revenue's outcome is received on monthly basis

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); or Not Available (NA).

⁸ Reflects the assessment provided in the data ROSC published in December 2004 and its update published in February 2007, and based on the findings of the missions that took place during December 1–16, 2003 for the dataset corresponding to the variable in each row, and during November 1–15, 2006 for monetary statistics, respectively. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), or not observed (NO).

⁹ Same as Footnote 8, except referring to international standards concerning (respectively) source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.