IMF folds package with more stringent conditions

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ISLAMABAD: The IMF has folded its bailout package with more stringent conditions as Islamabad have been conveyed to ensure guarantee from China that it will get rollover of $5 to $7 billion debt on account of deposits and commercial loans in order to meet its financing requirements during the programme period.

The IMF has put the condition to bridge financing gap through “unidentified” avenues as Islamabad got deposits from China, Saudi Arabia and the UAE in the range of $7 billion so far in the ongoing financial year. The commercial lending from Chinese banks alone amounted to $5 to $5.5 billion.

With securing of IMF programme, it is assumed that the traditional lenders like World Bank, Asian Development Bank (ADB) and others as well as international capital market funding would start pouring in but if rollover on account of deposits and commercial loans could not be arranged, the financing gap could not be filled.

“The IMF is going to provide funding of $6 to $8 billion under the possible package for three-year period,” said the official. Although, the rollover of deposits is done in routine but it involves hectic procedure as the chief executive of the country requires sending official written request to get this facility of rollover for another year.

“However, it will be toughest condition to get rollover on account of commercial loans but some officials say that Islamabad might offer Chinese banks to get 1 or 2 percent additional markup to rollover the due amount for next 2 to 3 years period. Without seeking rollover on deposits and commercial loans from friendly countries, Pakistan’s financing requirements under the possible bailout package from the IMF cannot be bridged,” top official confirmed to The News here on Wednesday.

When contacted one top official of Finance Division said that the deposits and commercial loans were rolled over in this ongoing financial year and it would be done in coming financial year as well.

The IMF had sought details of Chinese loans on the name of ensuring transparency. Three US Congressmen had recently written letter to US Secretary Treasury to oppose Pakistan’s move for getting IMF loan on the pretext that Islamabad might use this money to pay back CPEC liabilities to China.

Islamabad’s authorities claimed that this issue was settled when the IMF mission visited last time in November 2018 as they had given extensive briefings regarding all loans obtained from China.

“The sharing of loans from China with regard to its agreement and attached details is still pending issue with the IMF because under confidentiality clause its details cannot be shared with anyone,” said official sources and added that the debt sustainability analysis requirement done by the IMF did not mean that they could intervene in sovereignty of the state.

Pakistani and Chinese authorities took stance that Beijing had so far provided $19 billion for execution of projects under China Pakistan Economic Corridor (CPEC) out of which $13 billion was given to companies through IPP mode for energy sector and remaining $6 billion was given in shape of government to government loans (G to G) for total 22 projects. Pakistan will not require to pay any penny on account of G to G loans over the next 5 years period. However, the outflows in shape of profits and dividends would start in case of those projects that were completed and became operational.

Earlier, Finance Secretary Younas Dagha told journalists outside the National Assembly Standing Committee on Finance meeting held here at FBR headquarters that the IMF mission would visit Pakistan by end of April 2019 and dates would be worked out soon.