

Pakistan snags \$452.4mln in second tranche of IMF loan

KARACHI: Pakistan has received \$452.4 million as the second tranche of \$6 billion IMF loan, the central bank said on Thursday, taking the foreign exchange reserves of the struggling economy up to \$18 billion.

“On 23-December-2019, SBP received US\$452.4 million from International Monetary Fund (IMF) as second tranche under EFF (extended fund facility) program,” the State Bank of Pakistan (SBP) said in a statement.

The country’s foreign exchange reserves stood at \$17.595 billion in the week ended December 20 compared with \$17.655 billion in previous week. The SBP’s reserves increased \$14 million to \$10.907 billion.

The SBP didn’t include the latest disbursement in its weekly reserves data.

“These funds [IMF loan tranche] will be part of SBP weekly reserves data as of 27-December-2019, to be released on 02-January-2020,” the SBP said.

With inclusion of the second tranche, the country’s foreign exchange reserves rose to \$18 billion, while the reserves held by the SBP increased to \$11.35 billion.

Last week, the executive board of the IMF approved second tranche following the completion of the first review of three-year extended fund facility in July.

The Washington-based lender, after the first review, posed trust on continuity of IMF-backed reforms needed to bring Pakistan’s economy on the stability path. But, it cautioned against fiscal slippages with risks to reforms remaining elevated. The growth was projected to further slide to 2.4 percent in the current fiscal year from 3.3 percent in the last fiscal of 2018/19.

“Pakistan’s economic reform program is on track,” the IMF said in a statement then. “Decisive policy implementation by the Pakistani authorities is helping to preserve economic stability aiming to put the economy on the path of sustainable growth.”

The Fund further said transition to a market-determined exchange rate has been orderly.

“Inflation has started to stabilise, mitigating the impact on the most vulnerable groups of the population,” it added. “The authorities remain committed to expanding the social safety nets, reducing poverty, and narrowing the gender gap.”

The reforms include strengthening tax revenue mobilisation, including the elimination of tax exemptions and loopholes, and prudent expenditure policies. While market-determined exchange rate is warranted to shield the economy from external shocks, increase in tariffs is seen as a way to bring the energy sector from circular debt morass.

Total IMF’s loan disbursements reached to \$1.44 billion following the second tranche release. The country bagged the first loan installment of around \$1 billion in July.