

Consensus must for programme success: IMF

ISLAMABAD: The Inter-national Monetary Fund programme faces significant risk from a failure to build political consensus around its key components, the IMF resident representative to Pakistan has said. Failure to get off the 'grey list' of the Financial Action Task Force (FATF) could also complicate access to private financing from global markets, she pointed out.

Teresa Daban Sanchez made these observations during a policy symposium titled Pakistan Economy and IMF Programme: Challenges and Opportunities, held at the Sustainable Development Policy Institute (SDPI) here on Friday. Special Assistant to the Prime Minister Dr Shamshad Akhtar, FBR chairman Shabbar Zaidi and Dr Abid Suleri also spoke on the occasion.

While listing the risks facing the programme, Ms Sanchez put political risk at the top. "In the programme there are certain actions which require legislation, or change in the legislation, and for that you have to go to the National Assembly," she said. "The government right now has no majority" to pass legislation, she pointed out. "We need to create consensus, we need to convince, and we need to create some kind of support," she told the audience.

The words echo concerns already voiced by the IMF in its programme document released last week. "[T]he absence of a majority by the ruling party in the upper house [of parliament] may hinder the adoption of legislation needed to achieve programme objectives," the Fund staff said in that document.

Official says FATF 'grey listing' can jeopardise projected private capital inflows

The government has committed to making amendments to the State Bank Act, Nepra Act, Anti-Money Laundering Act and the State-Owned Enterprise Act as part of the IMF programme. Failure to make these legislative amendments will mean the government will have to seek waivers as the programme reviews get under way. The first review is due in December.

After political risk, Ms Sanchez said, failure to get out of the FATF 'grey list' could have implications for private capital inflows in the ongoing fiscal year. "Pakistan has to get out of the grey list," she emphasised. However, she said Fund disbursements as well as those by other multilateral lenders such as the World Bank and Asian Development Bank have nothing to do with this listing. "The Fund continues to work with countries even if they are in the blacklist," she added.

Private inflows are a different story however. For the current fiscal year, which ends July 2020, the Fund has projected an external financing requirement of \$25.62 billion and it has identified available financing totalling \$27.6bn. Of this amount, \$7.2bn is projected to come from private creditors, ones who would be sensitive to Pakistan's continued placement in the grey list.

At the same time, Ms Sanchez said, Pakistan would have to capitalise on funding from the World Bank, Asian Development Bank and other bilateral creditors. The programme is expected to unlock broader support from multilateral and bilateral creditors in excess of \$38bn, which is crucial for Pakistan to meet its large financing needs in the coming years.

She also pointed out that resistance to the programme measures would be stiff, but the government would have to show resolve to stay the course. “The vested interest people who are going to be affected by the new measures may create some kind of resistance, creating difficulties,” she said, adding that there would be opposition to these reforms as well.

Additionally, cooperation of the provinces has to be obtained to generate the kinds of surpluses the government is relying on to meet its fiscal deficit target for the current fiscal year.

FBR Chairman Shabbar Zaidi said the incumbent government and the IMF were on the same page as there was no disagreement by the government on the measures proposed by the Fund, especially the taxation measures. He said the government would not bow to pressure, protests and excuses of the business community and industry.

Dr Shamshad Akhtar, who was finance minister in the last caretaker government, said stabilisation of the economy was very critical for growth of the country, where one should not look at stabilisation in isolation, rather a step forward towards the economic growth.

She said that “there is no gain without pain”, and that was what stabilisation was based upon. After the period of stabilisation, coupled with key structural reforms across the board, the economy would get out of the crisis, she added. The major economic challenge of the country is high consumption, low production and low savings and investments. The gap is widening between saving and investments, which pushed the country to seek foreign assistance, she added.

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