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Deferred payment facility for UAE oil

The United Arab Emirates (UAE) deferred oil facility of 3.2 billion dollars announced by a senior Pakistani official privy to discussions between Crown Prince Sheikh Muhammed bin Zayed Al-Nahyan and Prime Minister Imran Khan during their three interactions, twice in Abu Dhabi and once in Pakistan, "most probably would not materialise" acknowledged the Federal Finance Minister to a section of the media. This raises questions about the other reported commitments by the UAE in Pakistan's economy, including the 1 billion dollars yet to be parked in the State Bank of Pakistan for one year (two billion dollars having already been credited) and Emirati investment in a deep-conversion oil refinery at an estimated cost of 5 to 6 billion dollars to be set up by Parco, a proposed joint venture of Pakistan and Abu Dhabi.

Business Recorder, a witness to several such claims made by previous administrations that have simply not materialised, has consistently warned the incumbent government that any commitments made by a foreign government and/or a government or a private corporate entity does not always materialise and advised caution before claiming that it was a done deal. Be that as it may, the withdrawal of the 3.2 billion dollar deferred payment for oil facility that was to play a critical role in forex cash flow management by reducing the current account deficit from the 19 billion dollars inherited by the Pakistan Tehreek-i-Insaaf government, and which no doubt prompted Finance Minister Asad Umar to declare in a joint press conference with Foreign Minister Shah Mehmud Qureshi that "our balance of payment crisis is over as our gap on the external front of 12 billion dollars has been filled" leaves a rather large shortfall of 3.2 billion dollars.

However, Asad Umar was reportedly quick to add that the government has made alternate arrangements to meet its external financing needs for the current fiscal year though he did not elaborate on precisely what those arrangements are. If negotiations on the International Monetary Fund (IMF) bailout package are successful, and the Finance Minister as well as the Resident Representative of the IMF who would not be the mission leader for the bailout package have both stated that talks are inching towards a deal, then that would certainly be an alternate arrangement to meet the balance of payment issues. Umar informed the Standing Committee on Finance on Wednesday that ideologically the gap between the government and the IMF has narrowed but, more importantly, one would hope that the gap has narrowed in terms of an agreement on pre-programme conditions, expected to be politically challenging, as well as on specific time bound structural benchmarks during the programme duration that are again considered to be very politically challenging.

Additionally, there is ample evidence that many of the IMF donor countries particularly the United States want stringent conditions to ensure that the bailout package must ensure that it is not used for repayment of loans to China – a concern that was also echoed by the Managing Director of IMF, Christine Lagarde during the Fund's annual meeting. This could be a complication as China is one of those countries that are reluctant to allow beneficiary countries to reveal the terms of assistance.

Pakistani administrations including the incumbent are usually quick to claim assistance as well as foreign direct investment inflows that simply do not materialise. Examples during the last three administrations include Friends of Democratic Pakistan pledges during the tenure of Asif Ali Zardari (PPP) government, several foreign private sector companies' pledges to invest hundreds of millions of dollars in Pakistan during the PML-N administration and the deferred oil facility pledged by the UAE during the present administration. One would hope that this is a lesson learned for after all claims by administrations may get good publicity in the short-term that quickly turns to ridicule by opponents if the pledge does not materialise.

Editorial