

IMF bailout package likely by mid-May, says finance minister

KARACHI: Pakistan is likely to secure a bailout package from the International Monetary Fund (IMF) of between \$6 billion and \$12bn by the middle of May, Finance Minister Asad Umar has said.

In an interview with the Financial Times in Islamabad this week after a meeting with the IMF, he said he hoped an agreement would be reached with the Fund by “late April, first half of May”. The package would be of between \$6bn and \$12bn.

“We’re approaching the landing zone,” said Mr Umar. “The gap between our position and the IMF’s is significantly less than what it was a few months back.”

Rejects suggestion that country’s debt to China poses a problem

A sticking point in the negotiations between the two sides seems to be the exchange rate management of the rupee, which has lost 33 per cent of its value since 2017 when compared to that of the dollar.

“There is no conceptual difference between us and the IMF, the exchange rate needs to be reflective of the market,” said Mr Umar. “How you implement it and the sequence in which those steps have to be taken have been a part of the discussion and continue to be.”

According to analysts, the IMF has been suggesting measures such as a free-floating rupee, which would result in a further devaluation of the currency, and structural changes such as widening of the tax base.

The Pakistan Tehreek-i-Insaf (PTI) government has been grappling with a severe balance of payments crisis. That’s why some analysts have voiced concerns about whether it will be able to pay back loans it has taken and if it will be able to repay China for the \$62bn it is receiving as part of the China-Pakistan Economic Corridor initiative.

But Mr Umar dismissed the suggestion that the country’s debt to China posed a problem. “I have a debt problem, a serious debt problem, but not a China debt problem.”

In a recent interview with the same news organisation, Prime Minister Imran Khan had said Pakistan was serious about ending its cash flow difficulties. “I’m determined that this will be the last time Pakistan will ever have to go to IMF,” he said.

“The country is really at a crossroads. We can’t go on as we have been running our governance system for so many years, we have to make these reforms, we have to balance our budget, we have to raise taxes.”

A cornerstone of those reforms will be complying with conditions of the Financial Action Task Force (FATF), which has been scrutinising Pakistan's performance vis-a-vis combating money laundering and funding of terrorism.

"We believe that sufficient steps are being taken" in this regard, said Mr Umar.

Experts say a green light from FATF would be essential to unlocking IMF money. "I think it's naive to assume that there is no relationship between FATF and the next IMF programme," said a former finance official.

"The IMF will probably demand some major changes in the banking structure, which are also the kinds of changes that are being sought by FATF."

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