

### **The new Governor SBP**

The appointment of Reza Baqir as Governor State Bank of Pakistan (SBP) was confirmed by Dr Firdous Ashiq Awan, Special Assistant to the Prime Minister on Information and Broadcasting. She added that he got his education from prestigious international educational institutions, though she did not name Harvard and Berkeley (California), and added that he was the pride of Pakistan, though her claim was not backed by his achievements other than his position as International Monetary Fund's (IMF) senior resident representative in Egypt. Responding to criticism by the opposition that he was an employee of the IMF, Dr Awan maintained that he had resigned from the position and that Imran Khan's 'Naya Pakistan' acknowledged the capabilities of intelligent Pakistanis working abroad; Baqir, she contended, had joined the Prime Minister's finance team to steer the economy out of the current crisis.

One would have to disagree with Dr Awan for claiming that only Imran Khan has acknowledged the capabilities of Pakistanis serving abroad especially for the position of Governor SBP. During the previous three administrations, those employed to serve as Governor SBP were either retirees from international institutions (Dr Ishrat Husain) or those who took a leave of absence from the World Bank (Shamshad Akhtar in Asian Development Bank). Yaseen Anwar and Salim Raza worked in international commercial banks before being appointed as governor of SBP.

To be appointed as the governor of a state bank of a country, the size of Pakistan is extremely prestigious and without doubt strengthens anyone's curriculum vitae that even two to three promotions within a multilateral or commercial bank may not do. In other words, the honour to serve the country is entirely Dr Baqir's and not the other way round. In this context, it is relevant to note that developed countries do not consider those of their nationals serving in multilaterals as candidates to head their central banks. Kuroda a former president of ADB was appointed as governor of the Japanese central bank however he had previously served in many positions in the Japanese Ministry of Finance unlike Baqir, positions that accounted for his nomination as president ADB.

Egypt, where Baqir was serving prior to his resignation, is currently on a three-year Extended Fund Facility, approved on 11 November 2016; the fourth IMF's mandatory review maintained as per IMF website that, "Monetary policy remains anchored by the medium-term objective of bringing inflation to single digits. The recent pick-up in headline inflation reflected temporary increases in food and energy prices, but a restrictive monetary policy stance has helped to reverse the increase and keep core inflation well anchored. The authorities have taken important steps to deepen the foreign exchange market and allow greater exchange rate flexibility, including by eliminating the repatriation mechanism." If the SBP under Baqir decides to follow the Egyptian IMF reform model, it is likely that a contractionary policy would be followed, implying raising the discount rate, which would imply the Prime Minister's policy of credit on easy terms to specific vulnerable groups as well as the industrial sector would have to be abandoned at worst, indefinitely delayed at best. And the elimination of the Egyptian repatriation mechanism that included barring of any fresh foreign currency portfolio investments in local currency including Egyptian T-bills, T bonds market and stocks listed on the Egyptian Stock Exchange may not be acceptable to the Prime Minister who is relying on Pakistanis resident abroad to invest locally.

Be that as it may, it is relevant to note that no State Bank of Pakistan Governor has ever resisted following the IMF stipulated conditions – resistance has always come from the Finance Ministry and it is the latter's pervasive influence on SBP decisions that accounts for the IMF's repeated insistence to grant autonomy to the central bank in letter (which has not been granted) and spirit.