DAWN

8th November, 2019

Khaleeq Kiani

No relaxation, no waivers as IMF concludes review

ISLAMABAD: Concluding the first quarterly review on a successful note, the International Monetary Fund (IMF) has asked the government to definitely achieve the revenue target, keep a cap on issuing new guarantees and put into effective implementation the circular debt reduction strategy.

"The talks with the visiting mission have been highly successful," a senior government official told Dawn adding the "government did not ask for a waiver, it was not required."

IMF's country representative in Islamabad Teresa Daban Sanchez declined to comment when approached.

According to the official, the mission also appreciated State Bank's policy direction and wanted its continuation in the short- to medium-term period. On top of that, it wanted the government to play a more proactive role in ensuring independence of the central bank through legal instruments.

Responding to a question, he said IMF called upon the government to avoid any tax exemptions and take decisive steps towards 'harmonisation of taxes and removal of distortions' at federal and provincial levels. He said neither the tax target was revised nor waivers sought or required.

Tells govt to meet revenue target, cut circular debt

The Fund also wanted further progress on implementation of Public Finance Management Law and noted that there were still public funds outside the single treasury account which should be phased out at the earliest. This will further add to the fiscal cushion as all public funds would remain in single account, providing greater maneuverability to the government.

The official said the talks had been completed even though a formal winding up session with Finance Adviser Dr Hafeez Shaikh would be held on Friday before the mission's departure. He continued that the mission appreciated progress on the implementation of the programme so far but emphasised that there was no room for complacency in any of the key areas going forward.

He said IMF also called for a strict adherence to Rs1.6 trillion worth of government guarantee limit and discussed various options with the ministries of finance and power regarding tariff issues. The fine print of these options would be part of the staff report and may be made public as part of concluding statements due on Friday.

The mission also reportedly insisted not to lose sight of the fiscal discipline that had delivered dividends in the first quarter of this year as fiscal deficit came down to 0.7 per cent of GDP when compared to 1.4pc of same quarter last year. Some ideas were also discussed on readjustment of regulatory duties on various import items. There will be some increases in duties on non-essential imports and reduction on those relating to raw materials and industrial requirement in priority areas.

He said better non-tax revenues as against lower than targeted FBR revenues and the reserve money set aside from SBP last fiscal year had helped primary account to remain in surplus close to about Rs290 billion in first quarter of this fiscal year.

The authorities are expecting disbursement of second tranche of about $453 million in December this year as a result of completion of the first quarterly review. Pakistan had already received about $995m in July out of total $6bn programme on completion of all prior actions committed by the country before signing the fund programme.

The government was advised to strengthen coordination at the federal and provincial levels for greater fiscal and economic calibration and taxation harmonisation.

Under the fund programme, the government is required to deliver on six performance criteria including those relating to net international reserves, net assets of the central bank, SBP’s stock of net foreign currency swaps and forward position, primary budget deficit, no government borrowing from central bank and a ban on government guarantees.

In addition, there are two continuous performance criteria including zero new credit to the government by SBP and on accumulation of external public payment arrears. On top of that, the authorities’ performance is also reviewed on five indicative targets including disbursements under Benazir Income Support Programme, government spending on health and education, tax collections, payment of tax refunds and a freeze on power sector’s circular debt.