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IMF asks govt to carry out long-delayed structural reforms

WASHINGTON: The International Monetary Fund (IMF) has asked Pakistan to address its longstanding issues through structural reforms and strengthening of institutions through legal framework to help economy be competitive.

The government was also advised to strengthen cooperation at the federal and provincial levels for greater fiscal and economic calibration, said IMF's Middle East and Central Asia Region Director Jihad Azour responding to a Dawn question at a news conference.

An important track for the country was “the structural reforms that will allow Pakistan economy to be more competitive by addressing some of the longstanding issues related to the weaknesses”, he said.

Mr Azour did not directly respond to a question on the timing of the bond launch. He was asked if in his view the current zero-interest rate environment in the capital markets provided an opportunity to Pakistan to go for \$3 billion to \$4bn bonds, both Islamic and Eurobond.

He said Pakistan should “address some of the legacies of the past like, for example, in the energy sector and also strengthen institutions providing the right legal framework for the Central Bank for the power sector as well as other entities”.

Mr Azour said the reform agenda currently in place in Pakistan, supported by the IMF programme, was the right recipe for the country to improve macroeconomic stability, address some of the imbalances that the country saw in the past few years, allow the economy to be more competitive, and improve its creditworthiness.

Mission to visit Islamabad by month end for first review, says Fund's director

He said an IMF mission would go to Islamabad by the end of the month for the first review. “So far, the progress that has been achieved goes in the right direction. It's too early to give a full assessment. We need to wait for the mission to go there and do due diligence work on the ground,” he remarked.

“We have now a couple of months — three months almost since the beginning of the programme — it looks like things are moving in the right direction.”

The IMF director said the reform journey under this programme had two important tracks. “One is Macro-stabilisation for which there are a number of steps taken by the central bank on financial and monetary side and also by finance ministry on the fiscal side. The other and more important is the Structural Reforms to allow economy to be more competitive.”

Mr Azour said this reform agenda was important for Pakistan as this would help accelerate growth and provide the right framework for the private sector to operate.

Meanwhile, a Pakistani delegation led by Adviser to the Prime Minister on Finance Dr Hafeez Sheikh and State Bank Governor Dr Reza Baqir told investors and creditors that Pakistan reform agenda was bearing fruits.

Dr Sheikh told US-Pakistan Business Council that Pakistan's economy was on the right path to stabilisation and the US businesses should benefit from investment opportunities available in the country.

While talking to US-Pakistan Business Council (USPBC) members at a luncheon roundtable, the finance adviser highlighted Pakistan government's focus on improving the ease-of-doing-business and encouraged the US companies to expand their footprint in Pakistan.

The roundtable was attended by senior executives of the USPBC member-companies including S&P Global, PepsiCo, Motorola Solutions Inc, Citi, Google, ExxonMobil and others.

AIIB offers to increase funding Later, the finance adviser along with other members of the Pakistani delegation met Asian Infrastructure Investment Bank (AIIB) President Jin Liqun. They discussed the AIIB portfolio in Pakistan and potential areas of project financing by the bank.

Supporting Pakistan's development agenda, the AIIB president said the AIIB was ready to increase funding for the country's priority development sectors. He said investment in infrastructure projects had a long-term positive impact on growth. Dr Shaikh then invited the AIIB president to visit Pakistan that the latter accepted.

Dr Shaikh and his team also met Islamic Development Bank (IDB) President Dr Bandar M.H. Hajjar and briefed him on the country's economic situation. For providing IDB's technical and financial support to Pakistan, the finance adviser thanked Dr Hajjar who informed him that Pakistan had been identified as one of the first countries to be supported by the bank for strengthening market competitiveness in its core sectors. For this purpose, an IDB mission is likely to visit Pakistan soon.

Meanwhile, a delegation of International Finance Corporation, a sister organisation of the World Bank and member of World Bank Group as well as the largest global development institution focused on the private sector in developing countries, met the finance adviser and his team.

IFC vice president Nena Stoilkovic and her delegation briefed Dr Shaikh about IFC's projects in Pakistan, particularly in the wind and solar sectors, and expressed interest in providing advisory services to the country for structuring public-private partnership transactions.

The Pakistan delegation also attended the annual plenary of the IMF and World Bank Group, which was addressed by WB President David Malpass and IMF Managing Director Kristalina Georgieva.