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IMF stresses mobilising domestic revenues

ISLAMABAD: Just ahead of upcoming visit next week, the International Monetary Fund (IMF) has emphasised upon Pakistan to mobilise domestic tax revenues and put debt path on firm downward trends.

The IMF team is due here in the town from coming Monday on five-day visit to Islamabad from September 16 to 20 as the basis of IMF programme had already shaken owing to massive hike in the budget deficit of the last fiscal year that ballooned to 8.9 percent of Gross Domestic Product (GDP) against revised target of 7.2 percent of GDP. This fiscal slippages has resulted in hiking of the primary deficit up to 3.5 percent of GDP against the fixed target of 1.8 percent of GDP. Now the government desires to bring down the primary deficit at 0.6 percent of GDP during the current fiscal year.

In a latest press briefing held at Washington, the IMF spokesperson was asked whether Pakistan would be advised of cutting subsidies and development spending to keep the primary deficit in line, he replied that one of the key elements of the programme that the IMF is supporting in Pakistan, is the need to mobilise domestic tax revenue to fund much-needed social and development spending while placing debt on a firm downward trend.

And this was actually something that our acting Managing Director, David Lipton emphasised in his recent meeting a short time back with Prime Minister Imran Khan, he added. “Let me add that we expect an IMF team to be in Pakistan in the next few days, including our Director for that area, Jihad Azur will be there,” he added.

Now the performance of the IMF programme under $6 billion Extended Fund Facility (EFF) will be gauged on the basis of two main criteria including mobilisation of tax revenues and second putting of debt on downward trends but so far the fiscal performance of the PTI led regime after assuming reins of power remained so weak in financial year 2018-19 that it witnessed historic absolute figures of the budget deficit touching Rs3,444 billion just in one year. The piling up of debt burden witnessed phenomenal surge of Rs10.7 trillion.

The IMF programme has entered danger zone if the fiscal position continues to deteriorate in months ahead. Despite denial from Ministry of Finance, there is no option left but to re-adjust the fiscal targets as the FBR told the IMF as well as the Finance Ministry that the Board could not collect Rs1,071 billion tax revenues in first three months of the current fiscal year. The FBR’s collection stood at Rs580 billion in first two months and the FBR requires collection of Rs491 billion to reach at its desired target of Rs1,071 billion. “If the FBR collection crosses one trillion rupee mark it should be considered our achievement,” said top official of the FBR. However, the sources said that the government released only Rs18.8 billion in shape of development funds for Public Sector Development Program (PSDP) in the current fiscal year so far against allocated budget of Rs327 billion for 2019-20. For corporations such as National Highway Authority (NHA) and NTDC/PEPCO the released funds amount stood at Rs18.5 billion. The government released Rs26.780 billion for security enhancement at ex-FATA and Rs12 billion for merged areas of 10-year development plan for ex-FATA. The Planning Commission states that the total released amount stands at Rs84.428 billion so far against allocated funds of Rs701 billion. It is not yet known how much money had actually been utilised by the ministries/division and departments out of total released funds.