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### **IMF says won't revise program targets**

The International Monetary Fund (IMF) said on Tuesday that the energy sector's circular debt is burden on the state and a big source of uncertainty, and made it clear that it would not revise its program targets already agreed with the government. This was stated by the head of IMF delegation Jihad Azour, IMF Director for Middle East and Central Asia Department, who along with Pakistan economic team led by Dr Hafeez Shaikh held interaction with media at Finance Ministry.

Jihad Azour said that he would be visiting Karachi today (Wednesday) for having a meeting with business community and Governor State Bank of Pakistan (SBP). "There is also a need to address the issue of circular debt which is a burden on the state and a big source of uncertainty," he said. He asked the journalists to visit the IMF website and get program's details which are, albeit, technical.

He further stated that the National Assembly's Standing Committee on Finance was right in asking "how IMF is comfortable that economy will stabilize soon and inflation will not further shoot up." He added there would be uncertainty and things would not change quickly and one has to increase buffer also to address any shock. "My visit is to express my personal support and support of the department to the programme Pakistani government is trying to achieve," he said, adding that he was impressed by a number of reforms that the government is already undertaking.

Azour added that in fact reforms started before the programme and "we need some time to see things showing some results." Replying to questions about weak business confidence and recent development with regard to oil prices, Azour said that recent development has taken place in an unexpected way and therefore, current situation is being assessed as to what impact of recent developments would be on both the oil exporting economy and oil importing economy.

He said volatility of oil prices is an issue that would affect the countries of the region and to address the issue of volatility of prices, the Fund has certain number of recommendations for oil importing countries to reduce their dependence on oil. He said that the programme has started yielding results although there are only three months and these are encouraging both in terms of how exchange rate has been dealt with and monetary policy has been employed. "We are trying to be cautious because the programme is at very early stage with only three months in implementing it and first review is to take place from two months now." He said that it is very important to see how the measures are being implemented as well as how the process of moving from current exchange rate to market-based exchange rate regime is to be implemented.

He said that first steps are encouraging and it is important to take some time to assess the implementation. This is homegrown programme based on assessment of the situation and economic and social challenges being faced by Pakistan. The programme requires addressing certain imbalances which have been built in the system. He added that addressing the imbalance would also have some repercussions on social sector. The programme, he added, would hopefully help exports grow and economy will create more jobs. He said that there is agreement to reform the whole energy sector and to deal with shortages in electricity supply to the industry so that exports are increased.

The IMF director said he would keep repeating that it is government's programme because along with the IMF other IFIs are also involved in it. The IMF contribution to the programme is \$6 billion and overall resources to be made available to it would be exceeding \$30 billion, he added. He said the programme requirement is sustained reforms. He said that off course everybody's focus is on stabilization of adjustment in monetary policy that should be market-based as well as on fiscal adjustment but the programme is not all about this. He added that institutional reforms are also in the programme and one element of it is that SBP will provide additional credibility to monetary policy by reforming the status of central bank and making it more independent. He said that the same thing is applied to the issue of reforming other institutions to make the economy more competitive. He said that it is important for a big country like Pakistan to grow at faster rate and create jobs in various sectors, and this would require certain number of structural reforms for removing some of the weaknesses in doing business and improving the tax system and tax culture.

He said this is what the programme wants to achieve by taking into consideration that there would be some pressure because of that when prices will go up, there would be additional tax.

He said that this is why Fund calls for fiscal space so that additional saved money can be used to finance some of the social programme, while adding although this is not enough because the problem may be bigger but is the first good step to move towards providing education, better health and basic social safety net. He said that this is what the Fund team discussed with National Assembly Standing Committee on Finance.

Jihad Azour stated that he had a pleasure and honour to meet Prime Minister Imran Khan, Adviser on Finance Dr Hafeez, Governor State Bank of Pakistan Reza Baqir and Finance Committee of the National Assembly at the Parliament. He said it was an opportunity to discuss reforms programme that the government of Pakistan supports and has put in place.

He said that he was planning to come here in July 2019 but visit of the Prime Minister of Pakistan to Washington led him to change his plan. He said that the visit has come at an important moment and the programme has been started on a good footing and team led by mission chief will visit at the end of October and beginning of November to do the first review.

Replying to a question, he said, "Our expectation is that implementation will be steadfast and it is Fund's commitment to work with authorities for their ambitious reforms programme which goes beyond macroeconomic component to structural changes." He said that revenue growth is very impressive with GST domestic is growing at 50 percent and total domestic revenue is growing close to 30 percent. "The FBR is implementing certain reforms," he added.

Earlier, Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh said that the IMF is important to bring about improvement in the Pakistan economy and the government is sincerely trying to implement the targets and benchmarks should be competed in good manner. He said this dialogue is ongoing one and there is nothing extraordinary that has generated this meeting. "This meeting was well planned and we are grateful to director IMF for coming here and this is his first visit to Pakistan," he added.