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The IMF again

AFTER the meeting between Prime Minister Imran Khan and the IMF managing director, Christine Lagarde, the country has moved a step closer to entering its 13th Fund programme since the 1980s, when the era of structural adjustment began. Details are scant but the language used by the Fund and the government in their respective official statements following the meeting suggests that Pakistan will have to agree to some tough conditions in return for a bailout and the Fund's stamp of approval on the government's economic policies. The IMF's nod is essential to reopening access to international capital markets, among other things.

Mr Khan made the right decision to add his voice to the ongoing talks with the IMF. Contact at the highest levels can impart valuable momentum to the talks that appeared to be dragging. Whatever vacillation and difference of opinion there may have been within the cabinet and among the advisers over the merits of approaching the IMF, these should now be put aside. Ms Lagarde's statement called for "decisive policies and a strong package of economic reforms" — something the larger policy community within the country has been calling for all along as well. Now that the call has been taken up at the level of the prime minister, there is an expectation of a clear and credible forward movement along this track.

Mr Khan himself said that his government will sign onto a programme of "deep structural reform", without elaborating what sort of reforms were discussed. What is known is that the Fund's emphasis is on the fiscal framework, and everything flows from that. This means bringing stability to the primary balance, or the difference between revenues and expenditures minus interest payments on debt. The burden of the resultant adjustment will either fall on current expenditures — of which the largest part is defence outside of interest payments — or it will involve strong revenue measures, or a combination of the two. No wonder officials connected to the talks keep pointing out in off-the-record remarks that implementing the programme will involve 'tough political choices'. Without deep expenditure cuts, the burden will fall on revenue mobilisation; and from the size and pace of the adjustment being called for, it appears the programme will require a substantial hike in taxes in the short term. There is no escaping this reality now, so the biggest priority worth holding on to is to protect the poor and vulnerable from the impact of this adjustment. After that, the next big priority is to spread the burden by broadening the tax base. The PTI ran on a platform of profound change, and FBR reforms featured prominently in its manifesto as well as the prime minister's maiden speech to the country. The time to deliver on that promise has arrived.

Editorial