

Pak-IMF differences still exist

ISLAMABAD: Differences still persist over adjustment programme between Pakistan and the IMF as Islamabad wants to adopt staggered approach on raising discount and energy rates and taking additional revenue measures to curtail the budget deficit but the Fund insists upon taking major steps through prior actions.

Top official sources confirmed to The News in background discussions that IMF wanted frontloaded programme where the PTI-led government showed its seriousness by talking remedial measures towards structural reforms.

However, the PTI government is eyeing on back-loaded conditions by staggering the electricity and gas tariff in phases along with bringing improvement in efficiency to plug the bleeding hole of economy.

In another relevant development, the IMF's Executive Director Office invited a few selected Pakistani economists for devising the much needed roadmap on reform path at Washington DC on May 23, 2019. It shows that the IMF staff will have to face stiff resistance for getting approval from its Board on any package for Pakistan. It will certainly require diplomatic support from Washington and other important capitals of European countries as well as from China and Russia.

Without staff level agreement between Pakistan and the IMF mission, all claims of reaching upon any agreement seem premature at this stage. Although, it is a fact that Pakistan took decision to approach the IMF finally and the Fund also showed its willingness to provide bailout package but conditions and modalities were not yet finalised. Now it's domain of the IMF mission to work out details and conditions of the programme as well as exact size of the next possible three-year package keeping in view exact size of the financing gap over the next 36 months period.

“The IMF wants to raise discount rate by 3 to 4 percent more as the State Bank of Pakistan (SBP) had hiked its discount by 4.50 percent bringing up to 10.25 percent. We are asking the IMF to see the inflation data of few months before further tightening of monetary policy,” said the official sources while talking to The News here. Pakistan will have to share its roadmap for ending its reliance on getting loan from SBP in the future and also retiring of outstanding loans on quarterly basis as the government took Rs3.7 trillion till January 18 after coming into power. So the government will have to erase its dependence upon the borrowing of the SBP. The IMF assessed that further tightening of monetary policies would be required for moving towards stabilisation programme.

On electricity tariff, Finance Ministry Spokesman Dr Khaqan Najeeb said that Pakistan discussed its plan with the IMF to bring down line losses and increase recovery to the Nepra determination level in order to curtail the flow of circular debt. In addition, the efficiency and arrears recovery is an ongoing work. All these policy actions will help improve revenues for the power sector, he added.

However, the sources said that the IMF wants hiking the electricity tariff by 20 to 25 percent instantly and then undertook all other reforms arguing that without combination of these steps, ultimate objectives could not be achieved.

The half-cooked policies did not work in the past and are bound to fail, the IMF has told Pakistani team. On additional revenue measures, Pakistani team argued that the budget deficit would be curtailed at 5.6 percent of GDP for the ongoing fiscal year against 6.6 percent of the last financial year.

The revenue measures could be taken in next budget 2019-20 but the IMF says that the budget deficit target could be missed keeping in view the fiscal position of the country. It is yet to be seen as to how both the sides find out middle way for striking consensus for staff level agreement after which the IMF's Executive Board could grant its approval for bailout package.

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