DAWN

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Govt borrowed $1.8bn in six months: EAD

ISLAMABAD: The government has received an amount of $1.813 billion in loans from multilateral and bilateral sources during the first six months of the current fiscal year, according to a release issued by the Economic Affairs Division (EAD).

The amount was borrowed from other sources as talks with the International Monetary Fund (IMF) continue to sputter since September 2018.

According to the EAD data, the break-up shows that Pakistan borrowed $835.62 million from China, and $499.44m from commercial banks to meet the resource requirement. Moreover, it also took $339.06m in loans from Asian Development Bank (ADB) and $272.46m from Islamic Development Bank during the period under review.

At the time of presenting the annual budget 2018-19, the EAD estimated $4.691bn of foreign inflows from multilateral and bilateral donors. However, the division subsequently revised the projections upwards by 20 per cent to $5.63bn owing to improve external environment. Consequently, the EAD will now have to achieve the remaining external inflows target of $3.817bn during the next six months.

Besides loans, the government has procured some breathing space through bilateral support from Saudi Arabia. Moreover, the commitment from the Abu Dhabi Fund for Development for another $3bn deposit “in the coming days” has also provided support to government.

In addition to Saudi Arabia and the UAE, talks with China are also underway for another $2.2bn which will de deposited with the central bank, though these funds will be subject to certain conditions and will not be made part of the loan projections.

But with the current account deficit running at more than $1bn per month, these inflows will only provide adequate support in short-term. Officials at the finance ministry said that these bilateral inflows can tide the country over for half a year, at the very best.

Eventually, an IMF programme becomes necessary no matter what, and the government is hoping that something can be done in the intervening period to bring about some flexibility in the IMF’s position.

Since an IMF programme is essential to unlock access to resources from other multilateral lenders like the World Bank and the ADB, as well as from global financial markets.

The government received foreign direct investment (FDI) worth $1.72bn in the first six months of the current fiscal year. Moreover, the government also expects to increase remittances by another $2-3bn owing to recent facilitation measures.

A steep drop in oil prices is another unexpected windfall. Given some of the new realities opening up, they expect the current account deficit to drop to around $13bn this year from last year’s $19bn. But this is only possible if there is continuous improvement in exports, remittances and FDI.

On the investment front, Saudi Crown Prince Mohammad Bin Salman, who is scheduled to visit Pakistan in February, is likely to announce a $10bn investment package. The Saudi government has shown interest in setting up an oil refinery near Gwadar, Balochistan.

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