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Pakistan-IMF reach staff-level accord on second review

ISLAMABAD: Pakistan and the IMF on Thursday struck a staff-level agreement for completion of the second review and release of third tranche worth $450 million under the $6 billion Extended Fund Facility (EFF) in early April 2020.

In a bid to break the deadlock like situation, Pakistan has agreed with the IMF to revise its energy sector plan including hiking the electricity tariff and renewing efforts to slash down the monster of circular debt. On the FBR front, both sides evolved a consensus on principle for compensating non-tax revenue with FBR's shortfall, so the FBR's target would be evolving subject and the IMF would give final figures on April 10,2020 when the IMF would release the finalised agreement document known as Memorandum of Financial and Economic Policies (MEFP) after approval of the Fund's Executive Board.

The international community has asked Pakistan to ensure transparency but now the IMF has issued a press release without giving any details of the bases of the staff-level agreement with Pakistani authorities. However, top official sources said that there was no justification to give a plan to the incumbent regime for freezing power tariff for the next one and a half year period by the wizards of the Power Division as it may not be possible under the IMF arrangement. Now the government has agreed with the IMF to revise its energy sector plan whereby a minimum hike in electricity and gas tariffs will be done to ensure cost recovery and tackling the piling up of circular debt on a sustained basis. On the other hand, the incumbent government had on last Wednesday agreed with textile exporters that the power tariff of 7.5 cents would be ensured to them as the government agreed to provide subsidy to the export sector.

When contacted, special secretary finance and official spokesman Omar Hamid Khan stated that the power sector plan would be refreshed in consultation with all stakeholders. On the FBR's tax collection target, the sources said that the revised target of Rs5,238 billion would remain unchanged, but both sides agreed in principle that the FBR target would be revised downwards by linking it with the performance of increased profit of State Bank of Pakistan (SBP). "If we collect Rs4,800 billion, the IMF will have no objection," claimed a top official of government on the customary condition of anonymity.

The official claimed that they were able to resolve the issue of Chinese rollover as the government assured the IMF in writing that the rollover amount would be ensured within the current fiscal year. This correspondent also contacted the IMF Resident Chief in Pakistan Teresa Daban Sanchez, who replied that "all details of reviews of IMF supported programme are made public only after the reviews are approved by the Fund Executive Board and the accompanying staff report is published."

The second review of the EFF stated, "following discussions between IMF staff and the Pakistani authorities in Islamabad from February, which continued from the IMF headquarters in recent days. The IMF staff and the Pakistani authorities have reached a staff-level agreement on policies and reforms needed to complete the second review of the reform program supported under the EFF. "The agreement is subject to approval by the IMF management and consideration by the Executive Board, which is expected in early April. Completion of the review will enable disbursement of SDR 328 million (around $450 million)" the statement concluded.