

Govt, IMF fail to reach agreement

ISLAMABAD: Pakistan has extended talks with the International Monetary Fund (IMF) after the two sides failed to agree on the terms of a bailout package, a finance ministry official said on Tuesday, with a final deal now expected by mid-January.

Pakistan is negotiating its second IMF bailout since 2013 and talks were expected to conclude this month during a visit by an IMF delegation to Islamabad.

Finance ministry spokesman Noor Ahmed said there were still some issues to be ironed out.

“We have covered a lot of areas in terms of convergence of views,” Ahmed told Reuters. “But there is some more distance to be covered and that’s not much. Another 20 percent of distance has to be covered.”

Ahmed said Pakistan will “stay engaged” with IMF officials to resolve the outstanding issues and “over the next two weeks we will bridge those gaps”. A final deal is expected to be signed off by mid-January.

Pakistan is seeking its 13th bailout since the late 1980s to deal with a current account deficit that threatens to trigger a balance of payments crisis.

Pakistan has already devalued the currency five times, slashing its value by more than a quarter, and hiked its main interest rate by 275 basis points since January, to 8.5 percent.

Analysts say more rises are on the horizon.

The IMF is pushing Islamabad to enact structural reforms needed to rebalance the economy, and rein in spending that has boosted growth but blown out the government budget. Pakistani officials fear this will further hurt economic growth.

The IMF last month predicted Pakistan’s growth, which hit 5.8 percent in the 12 months to end of June, will slow to 4 percent in 2019 and fall to about 3 percent in the medium-term.-Reuters

An IMF Press release adds: The Pakistani authorities and IMF staff have made significant progress toward reaching an understanding on policy priorities and reforms that could be supported by a financial arrangement with the IMF.

Discussions will continue in the coming week toward reaching staff-level agreement.

An International Monetary Fund (IMF) mission led by Harald Finger visited Islamabad from November 7-20, 2018 to initiate discussions on a financial arrangement with the IMF requested by the Pakistani authorities to support their economic reform program. At the end of the visit, Finger made the following statement:

“The IMF mission has been engaged in productive discussions with the Pakistani authorities on economic policies and reforms that could be supported by a financial arrangement with the IMF. In this context, there has been broad agreement on the need for a comprehensive agenda of reforms and policy actions aimed at reducing the fiscal and current account deficits, bolstering international reserves, strengthening social protection, enhancing governance and transparency, and laying the foundations for a sustainable job-creating growth path, says a press release issued here on Tuesday.

“Our dialogue with the Pakistani authorities will continue over the coming weeks.

“The team is grateful to the authorities for open and constructive discussions. The team met with Minister of Finance, Revenue and Economic Affairs Asad Umar; Minister of Planning Khusro Bakhtiar, Minister of State for Revenues Muhammad Hammad Azhar, Advisor to the Prime Minister for Commerce Abdul Razak Dawood, Advisor to the Prime Minister for Institutional Reforms and Austerity Ishrat Husain, SBP Governor Tariq Bajwa, BISP Chairwoman Sania Nishtar, Finance Secretary Arif Ahmed Khan, FBR Chairman Mohammad Jehanzeb Khan, provincial Finance Ministers, parliamentarians, other senior officials, and representatives of the donor community.”

A government of Pakistan Press release adds: An IMF mission, led by Harald Finger, visited Pakistan from 7th to 20th November 2018.

During this period, extensive talks were held between key ministries of the Government of Pakistan, including the Ministries of Finance, Planning, Development & Reform, and Energy, the State Bank of Pakistan, and the IMF Mission. These discussions covered all sectors of the economy. Members of Parliament and provincial finance ministries also exchanged views with the Mission, says a press release issued here.

Federal Minister for Finance, Asad Umar, chaired the concluding session with Mission on Tuesday.

Substantive progress has been made by the government of Pakistan and the IMF Mission towards developing a common understanding on the policy and structural reforms framework for the prospective IMF programme, including fiscal and monetary measures, corrective interventions for balance of payments sustainability, pro-poor spending, governance and development of a business-friendly environment.

The positive engagement with the IMF will continue over the coming weeks to finalise the programme with the Fund.

The government of Pakistan acknowledges and appreciates the support that the Fund is providing in achieving the Government’s broad-based development agenda aimed at enhancing the social and economic wellbeing of the people of Pakistan.

AP adds: Pakistan and the International Monetary Fund have made “significant progress” toward agreeing on an \$8 billion bailout package, the Fund said Tuesday following a week of talks in Islamabad.

“There has been broad agreement on the need for a comprehensive agenda of reforms and policy actions aimed at reducing the fiscal and current account deficits, bolstering international reserves, strengthening social protection, enhancing governance and transparency, and laying the foundations for a sustainable job-creating growth path,” it said.

Pakistan’s Finance Ministry said there had been “substantive progress” and that the two sides will hold more talks in the coming weeks.

DRAZEN JORGIC