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PAKISTAN REQUIRES KEY COUNTRIES' SUPPORT TO GET IMF BAILOUT

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ISLAMABAD: With the status quo and business as usual approach, Pakistan will have to seek maximum quota of 435 percent into International Monetary Fund (IMF) for obtaining package of $8.8 billion over period of 36 months, however, Islamabad requires mustering support from important capitals of US, Germany, China, Russia, UK, Saudi Arabia and others.

In the absence of support from important capitals, it might become quite hard to get the bailout package from the IMF at desired lenient terms and conditions.

Pakistan's quota into IMF increased to 2,013 Special Drawing Rights (SDRs) in last distribution of quota done couple of years back so Islamabad could qualify for maximum quota up to 435 percent so rough estimates suggest that Islamabad could get bailout package of around $8.8 billion on the basis of exchange rate between US dollar and SDRs.

"Ministry of Finance has completed its initial working for suggesting with IMF or without IMF programme scenarios which will be presented to coming PTI-led government soon after assuming power and formation of government," said the official sources in Ministry of Finance here on Friday.

Although, US had publicly opposed IMF's bailout package for Pakistan mainly because of China Pakistan Economic Corridor (CPEC) and Washington possessed weightage of 17 percent share into Executive Board of Fund but some recent developments demonstrated that US did not have veto power into the IMF as US opposed Yahun (Chinese currency) for inclusion into SDR basket but the IMF moved ahead and now it became part of IMF basket.

The Europeans are also trying to distance themselves from USA after Donald Trump but Islamabad will have to strive hard to muster support from important capitals such as from Berlin, Beijing, Moscow and Riyadh if PTI-led regime preferred to go back to the IMF.

The IMF Resident office in Islamabad told The News in written replies in the aftermath of US opposition to bailout package last week that the IMF has not received a request for financial support for Pakistan.

"The IMF remains committed to helping Pakistan and its people. It is closely engaged with Pakistan, including through the Post-Programme Monitoring (PPM) and the regular Article IV consultations. The last PPM report was discussed by the IMF Executive Board in March 2018. The dates for the next Article IV consultation have not been decided yet", it added. It further states, "the IMF is a multilateral international financial institution guided by a strong consensus-based decision-making process in its executive board".

Total financing gap for this ongoing fiscal year stands at around $12 billion but when IMF will come on board then all other creditors and commercial avenues will become willing to bridge this financing gap over period of next three years. However, some insiders suggest that there is need to conduct forensic audit that why fiscal and administrative measures failed to curb rising imports in big way. The PTI led regime will have to face another challenge for rising exports on immediate basis.

The caretaker government had literally wasted time and did not bother to take any corrective measures except leaving exchange rate at mercy of market forces and also increased POL prices partially to offset the negative impact on both internal and external accounts of the economy but all other steps were left to the coming government. Although the summary was prepared to jack up additional custom duty and enhancing Regulatory Duty (RD) but it was postponed up to the next government.

When contacted Dr Ashfaque Hasan Khan, renowned economist, said that the business as usual was not an option and there were ways through which Pakistan could avoid approaching the IMF. "Pakistan will have to take corrective steps to put its economy on the right path," he said and added that there were some solutions and roadmap that could be devised on short, medium and long term basis.

Former Finance Minister Dr Hafiz Pasha argued that the fiscal position worsened immensely under which the budget deficit ballooned to Rs2330 billion or 6.8 percent of GDP against target of Rs1480 billion or 4.1 percent of GDP. The revenue shortfall stood at Rs250 billion and provinces did not generate revenue surplus of Rs300 billion. By excluding the tax collection through amnesty scheme, the FBR's collection grew by 8 percent in last fiscal year 2017-18 ended on June 30, 2018. The State Bank of Pakistan (SBP) printed Rs1340 billion to finance the deficit which will have immense inflationary pressures in ongoing fiscal year. The former finance minister Mifta Ismail had estimated the revised budget deficit target at 5.5 percent of GDP in May but it stood at 6.8 percent of GDP indicating that Rs400 billion were spent extra in June 2018.