

Govt plans to launch bonds in October or November

Page No.12 ColNO.06

ISLAMABAD: With the country struggling to avert an external financial crisis, the government is considering to launch a Pakistan Diaspora Bond and Eurobond in October or November to attract \$2-3 billion in foreign exchange inflows, The News has learnt.

“Preparations are underway and soon advertisements will be published for seeking participation in the bidding process for selection of financial advisers.

It requires almost two months to launch a Eurobond,” said an official source, speaking on condition of anonymity. Asked about the international appetite for developing countries' sovereign bonds, the official source said the yield for such Eurobonds fell last week from 9.5 percent to 8.25 percent. Late October might be the suitable time for launching a new Eurobond, they said.

About the government's envisaged Pakistan Diaspora bond, the sources said there is immense interest among the overseas Pakistanis inspired by the election victory of the Pakistan Tehreek-e-Insaf, led by Prime Minister Imran Khan. “If we market the Pakistan Diaspora Bond well and provide protection from inflation, as well as offering attractive rates, we can generate \$1.5 billion to \$2 billion,” said the source.

While, floating the Diaspora bond, Pakistan's economic managers would have to take extraordinary care to ensure compliance with the tougher requirements of international banking and non-banking financial institutions. Different governments previously considered launching a savings bond for non-resident Pakistanis but were hindered by the compliance requirements.

The success of the Pakistani Diaspora bond would thus depend largely on how the government would structure the scheme to ensure its attractiveness to investors and compliance with the international financial regulations.

However, former finance minister and renowned economist Dr Hafiz A Pasha warned the PTI regime that Pakistan was rapidly headed towards a financial crisis ,which could force the government to declare a state of emergency under Article 245 of the Constitution. The state of emergency might be necessary because the time to rectify Pakistan's finances was short and it "required measures" to be undertaken immediately. “Complete confusion exists within the ranks of the ruling party, as the net foreign currency reserves have touched the lowest ebb and stand at \$1.5 billion after excluding the depositors' money in banks and swap agreements," Pasha told The News.

"There seems to be no urgency in the working of government. I am unable to sleep when thinking what will happen to the country," he said. Without wasting a moment, the government must approach the International Monetary Fund to seek a bailout package, he said. If the Washington-based lender dillydallied at the behest of the US, Islamabad must explore all other options to form a "contingency plan" to cope with the situation. "The IMF programme must be spread over a period of three years to overcome the looming crisis-like situation," Pasha said. He said the government did not have much time at its disposal, as the budget for 2018-19 must be revised by the end of September for it to become operational.

Pasha said the proposed bonds are likely to attract expensive bids because the country's risk rating was downgraded by the international agencies. The price of the Eurobond might spiral into double digits, he said. Pasha said it would be appropriate to launch the Pakistani Diaspora bond after confidence is restored in the state of economy.