

No difference of opinion with IMF: Asad

ISLAMABAD: Minister for Finance Asad Umar on Wednesday said the government had devalued rupee, increased the interest rate and hiked power and gas tariffs without waiting for the International Monetary Fund (IMF) to present its conditions.

Speaking on BBC show 'Hard Talk', the finance minister said these measures seemed necessary to the government. Umar said the surveys held to evaluate the performance of the economy after completion of first 100 days of his government suggested that the economy was moving in the right direction. "Hope is very much in the air. If you look in reality, keeping aside the discussions going on in TV talk shows, you would find that a number of surveys carried out recently showed that the government was doing correct things to set the economy in the right direction," he said.

To a question, the minister said when the current government came into power, it was a well-known fact that Pakistan needed some kind of bailout. "Therefore, the government had to go around to the friendly countries to seek some kind of immediate assistance to support the reeling economy," he added. Umar said when he became the finance minister, the government reached out to friendly countries for bilateral financial assistance as well as started a dialogue with the IMF simultaneously, because it had no time to first work out a strategy and then start negotiations. "That was what I exactly did within 10 days of becoming the finance minister, we reached out to the IMF and started formal dialogue with it along with going to the friendly countries for assistance," he said.

To another query, the minister said, "We did not wait for the IMF to impose any condition on us..... We increased electricity prices, gas prices, we put in place a supplementary finance budget, we increased taxes, the currency has been adjusted by the central bank, and policy rate has also been increased." He said both the monetary and fiscal policies were moving in the direction of reforms that were required by the IMF. "There is no difference of opinion with the IMF in terms of what needs to be done. It is the pace, the sequence and the extent which is being discussed," he added.

To a question regarding Saudi Arabia's assistance, the minister said, "I would be happy to be ashamed of standing out with a country with which we have close cooperation.... May be the western leaders should be ashamed of themselves talking about freedom, talking about democracy and reaching out in the same Saudi pockets to take billions of dollars of business deals and the leader of Western world Donald Trump stands up and openly says that 'I am getting very much business from Saudi Arabia so there is no need to worry about what happened to Jamal Khashoggi'. We are just consistent in the bilateral relationship with Saudi Arabia which remains the same regardless of which government is in the power." Umar said Pakistan's relationship with Saudi Arabia goes half a century back and it had got nothing to do with Yemen or Khashoggi.

With respect to investment under the China-Pakistan Economic Corridor (CPEC) in Balochistan, he said the Balochistan government was eager to enhance investment in the province under the corridor. To another question, the minister said people of Balochistan are patriotic Pakistanis but there are some sponsored activities of terrorists who were trained and funded from outside of Pakistan. "There is concerted efforts led by India to damage the CPEC. People of Balochistan have elected a government that fully stands by the CPEC and have also shown loyalty with Pakistan," he said.

Our reporter Mehtab Haider adds: The government has prepared a three-year program titled "Pakistan's Economic Stabilization and Growth Framework" for sharing with the International Monetary Fund, Federal Minister for Finance Asad Umar said.

Under the programme, stabilisation of economy will be achieved within two years and then higher growth will be targeted, he said in an exclusive talk with The News at his office here. Asad dwelt upon the dire need to make a paradigm shift for achieving stabilization first and then focusing upon the need for moving towards the higher growth trajectory for creation of jobs in years to come. "There is no urgency for the IMF bailout package; however, we have prepared a three-year stabilisation and growth framework to hold policy level discussions with the IMF expected to be held after Christmas and New Year holidays in the US," he said.

The minister said low investment and savings in Pakistan could not fuel long, sustained growth, plunging us into the trap of IMF on a frequent basis. "Only by increasing total factor productivity (TFP) Pakistan can come out of the vicious cycle of plunging into the trap of IMF again and again," he said.

Refusing to share the details of three-year macroeconomic framework, the minister pointed out major flaws in the structure of economy and said Pakistan's 93 percent growth was consumption led which was heavily relying on imported capital financing. He said the country's deficit ballooned to historic peaks of \$19 billion on account of current account deficit and the budget deficit also witnessed records at a time when the economy incurred no exogenous shocks. All these flawed policies, he said, resulted into mounting debt and falling of export to GDP ratio that virtually nosedive from 14 to 7 percent of GDP in recent years.

On exchange rate, he said it should be determined by supply-demand gap and highlighted that Pakistan's exchange rate remained overvalued in last 27 years from 1991 to 2018. The fiscal deficit on average hovered around 6.2 percent of Gross Domestic Product (GDP) in last 28 years, he said and added that it was complete recipe for disaster, as the country would have to bring its budget deficit to 4 percent of GDP on annual basis. The minister said interest rates remained on the lower side, input cost stood on the higher side and a lack of competitiveness and increasing inefficiencies played havoc with the economy. Agricultural research has almost vanished, he added. "The ultimate result was quite obvious that Pakistan does not produce enough goods and service at competitive rates," he maintained.

He reminded that 60 percent share of global trading consisted of engineering goods but its contribution to Pakistan stands at almost zero. "Mere announcements cannot achieve the objective of getting last program of the IMF," he made it clear and added that Pakistan required export-led growth to come out of economic morass on permanent basis.

Asked about the dismal performance of FBR on account of facing massive shortfall, the minister said policies were causing revenue shortfall and cited examples that the FBR faced revenue shortfall of Rs16 billion on account of the Supreme Court of Pakistan's decision to stop the tax machinery from collecting taxes from cellular customers causing Rs3 to 4 billion loss on a monthly basis, and secondly the government did not opt for increasing tax rates on POL products. "A track and trace system will be placed to bring more sectors fully into the tax net including sugar," he added. He said the FBR brought the best people at the highest levels in recent transfer/postings and more reforms would be introduced into the bureau.

He conceded that without overhauling the tax machinery, the government could not achieve its objective of fiscal consolidations. To another query on the Financial Action Task Force (FATF), the minister said Pakistan has prepared Risk Assessment Framework related to money laundering and terror financing, which would be reviewed by the FATF plenary meeting scheduled for the first week of the next month. "We are comfortable that the country will be able to get through from the next review at FATF and implementation phase will come under review in the coming May and September 2019," he concluded.

Mehtab Haider