

US softens stand on IMF deal with Pakistan

ISLAMABAD: Pakistan has abandoned its planned economic diplomacy with US as the Trump administration has softened its viewpoint for Pakistan's expected bailout package from International Monetary Fund (IMF), a top official at Finance Ministry told The News.

Earlier, the US wanted IMF to impose strict terms and conditions on Pakistan for \$6-7 billion bailout package, but with recent letter of US President to Prime Minister Imran Khan seeking Pakistan's role in bringing Taliban at dialogue table has changed the scene as Premier Imran Khan had responded positively and announced to play his role in Afghan peace.

Earlier, Pakistan's financial managers had a plan to initiate economic diplomacy with the US to help soften terms and conditions IMF authorities had placed before financial managers' team of PTI government. At the beginning, the Fund had asked PTI government to bring down budget deficit to just over 2.5 percent of the GDP in next three years knowing the fact at present the fiscal deficit hovers at 6.6 percent of the GDP.

This condition was tough and now IMF authorities have stated to be showing flexibility in the said demand, but the official said that exact figure about the fiscal deficit is yet to be finalised. To a question the official said that Pakistan and IMF have substantially made progress positively and the bailout package would be inked sometime in the month of January. He said Pakistan and IMF will be well prepared for the meeting of Board of Governors — the highest decision making body of the Fund.

The PTI government has already increased electricity tariff by Rs1.27 per unit which is yet to be notified by Nepra and implemented the gas tariff increase by up to 143 percent. Moreover the government has also increased the discount rate to 10 percent and appreciated the US dollar by about Rs16 in toto. The government has taken these steps as prerequisites to qualify for IMF bailout package, but the Fund functionaries want more actions which are being negotiated at present.

The Fund is also concerned over the massive shortfall in revenue that amounts to Rs100 billion registered in first quarter and to this effect, the official said that the government is left with no option but to increase the revenue through administrative tax measures and apart from it, the government will have to take steps in the long term strategy to improve the revenue outlook of the country.

Unlike past practices, the official mentioned, the incumbent FBR chairman has refused to collect the advance tax to show better revenue saying no wrong doing will be exercised to increase the revenue. The official said that a plausible long term strategy to increase the revenues of the country is being finalised and if it is implemented smoothly, the country's revenue will certainly jack up substantially.

About further devaluation of Pak Rupee, the official said, that IMF wants to ensure the real independence of the State Bank of Pakistan. He said in 1997, the central bank was given the autonomous status, but the way it was handled, many questions raised. In last 5 years, Finance Ministry's interference was visibly seen, but this government tries to avoid meddling in affairs of the central bank.

Over the real autonomy of the central bank, when his attention was drawn towards the Premier's statement under which he said while talking to a group of anchorpersons soon after the US dollar massive appreciation that there will be mechanism from now onward under which a body at highest level will be informed prior to devaluation of Pak rupee and asked if such initiative would compromise the independence of the State Bank of Pakistan, the official said that the body under PM directives has been made but it will just coordinate on important issues and will not dictate the central bank. So it will not invite the criticism from IMF.

To a question on circular debt in power sector that swells to over Rs1.3 trillion, the official said IMF has grave concerns over it and wants the Nepra to directly notify its tariff determination. The Fund has also concerns over not including PIA, Railways, and Pakistan Steel Mills in privatisation list.

Our Correspondent