DAWN

Fixing the begging bowl?

Page NO.01 Col No.01

Before she makes any decisions, Caretaker Finance Minister Dr Shamshad Akhtar continues to update herself on the entire gamut of the national economy, its strengths and challenges, through briefings from each sector of her extended ministerial portfolio of about eight divisions/ministries.

She has also attended a series of presentations given by the federal secretaries of these ministries and related other economic divisions to the caretaker prime minister Nasir-ul-Mulk or his cabinet. Her portfolio is perhaps the largest among all the caretaker ministers — a record in recent history.

Some of these divisions include Finance, Revenue, Economic Affairs, Statistics, Commerce, Textile Industry, Planning and Development and Industries and Production while the role of some others like power and petroleum divisions have a direct bearing on her own ministry.

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It was at the conclusion of at least two key presentations by the secretaries of finance, revenue and economic affairs to the cabinet that Dr Akhtar told the caretaker prime minister that she will come up with her own briefing later.

In it she will give her opinion about the situation on-ground, the challenges faced and how the government may cope with them within the limited role allowed to the caretakers under the law.

She has since then taken stock of affairs at the commerce and textiles and planning and development divisions.

The developments on the trade front — the growth in imports and exports — have become a key part of the major external account challenge facing the country at a two month transition between two financial years and governments.

The trade deficit in 11 months is reported to be going beyond $34 billion. That would mean current account deficit in excess of a record $16 billion, above five per cent of GDP, leading to depletion of foreign exchange reserves and accumulation of foreign debt of size unknown.

Insiders suggest that a close brother had backtracked from an earlier indication to the PML-Nawaz government for support of over $1bn, while another $1-2bn commercial assistance awaited by former finance minister Miftah Ismail until his last day in office may also not be viewed favourably by the caretakers because of hidden costs.

They indicate commercial foreign exchange loans from a few private banks would, therefore, be the only option for a short term to survive the crucial transition until the next elected government.

In the meanwhile, as the forthcoming round of mandatory annual Article-IV consultations begin in the last week of this month and conclude by the first week of July — the beginning of the next fiscal year — the two sides could crystallise the blue print on what the incoming government may need to do to keep the foreign account going.

One may recall talks carried out by Dr Shahid Amjad Chaudhry, the then finance adviser to the caretaker prime minister Hazar Khan Khoso in 2013, with the IMF on a bailout package — with the tacit green signal from both the PPP and PML-N in view of foreign exchange reserves falling below a couple of weeks worth of imports.

The caretaker government and Dr Shamshad appear very eager to leave a positive mark but are handicapped by the limited time and the mandate, participants of some key briefings have reported. Prime Minister Mulk has requested short and long term plans be prepared on key sectors for the incoming government.

While the doctor from Washington has not given her views about the additional foreign funds required to support balance of payments.

However, she was compelled to rule out speculation about contact with the IMF for a fresh bailout when reminded by the former chairman Senate Raza Rabbani of the fact that the role of the caretaker government was to assist the Election Commission of Pakistan in holding free, fair and transparent elections and to run the day to day affairs of the state.

This was reinforced by guidelines issued by the Cabinet Division reminding the caretakers that it could not, under the Elections Act 2017, take major policy decision or make a policy that “may have an effect or pre-empt the exercise of authority by the future elected government.”

The order also put on record that the caretakers could “not enter into major international negotiation with any foreign country or international agency or sign or ratify any international binding instrument except in any exceptional case.”

The finance ministry explained that the IMF was required under its Article of Agreements with 189 member countries to monitor their economic and financial policies, typically through annual visits. Upon completion of their evaluation, the IMF staff presents a report to the Executive Board for discussion and its views are transmitted to the member country to concludes the process.

Talks were previously scheduled for March but postponed as the then government decided to present the Annual Budget 2018-19 in May 2018. These are routine consultations and do not imply entering into negotiations with IMF.

In fact, the caretaker government has also bound its hands by its decision not to take the blame for increasing the price of petroleum products on the premise that the PML-N government had disposed hundreds of summaries and decisions in the last week of its tenure but left behind petroleum prices. This will have Rs8-10bn revenue loss during the current month.

The country will need to start repaying the IMF’s previous loans with less than $200 million during current month followed by around a billion dollar in two equal instalments in July and September 2018, then about $880 million in fiscal year 2019, $1.16bn in 2020, $1.17bn in 2021-22 and $1.2bn in 2020-23.

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