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Pakistan's external financing drops by 60pc

ISLAMABAD: Pakistan's external sector financing has significantly dropped by over 60 percent under the PTI led regime as Islamabad received just $2.3 billion in the first half (July-Dec) from all multilateral and bilateral creditors in the shape of loans and grants in the current fiscal year against $5.89 bn in the same period of the last financial year.

In this alarming development, the scarcity of foreign assistance has literally offset Prime Minister Imran Khan's efforts for getting financial packages from the friendly countries such as the Saudi Arabia, the UAE and China.

The bilateral assistance packages so far received have just compensated negative impact occurring on external front of the economy owing to massive reduction in foreign inflows from multilateral and bilateral creditors.

The government has kept the assistance received from Saudi Arabia to the tune of $3 billion, UAE $1 billion out of the total committed amount of $3 billion and China so far $2 billion out of the total committed amount of $4 billion in the current fiscal year as part of balance of payment support and it is shown as liability of part of the State Bank of Pakistan (SBP).

"The IMF has even raised questions about the financing requirement of external front that possessed risks of depletion of foreign currency reserves and possibility of rising pressures on budget deficit front in the wake of expected revenue shortfall of the FBR," one top official conceded while talking to The News here on Monday.

Pakistani authorities under Minister for Finance Asad Umar and the IMF team from Washington led by Herald Finger made contacts through video conference on last Friday whereby the Fund staff raises questions on external financing requirements and FBR's expected revenue shortfall for the current fiscal year. In the wake of FBR's expected shortfall and increased pressure on expenditure side owing to devaluation of rupee against dollar that would push up requirements of debt servicing, the budget deficit is all set to exceed from its envisaged target of 5.1 percent of GDP.

The government may revise upward the budget deficit from 5.1 percent of GDP to 5.6 percent of GDP but all concedes in private discussions that it will cross 6 percent of GDP on June 30, 2019.

According to official data of Economic Affairs Division (EAD), Pakistan received just $2.313 billion from all multilateral and bilateral creditors in first six months of the current fiscal year against $5.8 billion received in the same period of the last fiscal year, indicating over 60 percent decline in the foreign assistance.

Pakistan's foreign currency reserves held by the SBP stood at $6.636 billion on Jan 18, 2019. Punjab's former Finance Minister Ayesha Ghous Pasha who is currently MNA from PML-N held an informal meeting with the IMF's Resident Chief in Pakistan. When The News contacted her for seeking comments, Ayesha Ghous Pasha said that the government did not come up with any prescription to massive reduction on external financing side and rising debt burden through the finance supplementary (second amendment) bill 2019. She said that her heart was feeling burdened because the PTI government was using elected House of Parliament as tool to hurl allegations and abuses against opposition parties. She reminded that the opposition leader had offered Charter of Economy in his maiden speech at the Parliament but the government lost the opportunity to evolve consensus on economic reform plan.

Ayesha Ghous Pasha said that the external financing shrank to the lowest and it was just compensating the amount received the country from friendly countries instead of increasing foreign exchange reserves. She deplored that the government had not so far constituted standing committees of National Assembly so no serious debate was occurring on any issues.

To another query, she said that she discussed decentralization issues with the IMF resident chief in her informal discussions with the focus to ensure provincial autonomy. When The News contacted one top official of Finance Division on Monday night he said that the government made plans to jack up foreign exchange reserves and claimed that it could go up close to $10 to $11 billion held by the SBP against existing level of below $7 billion

He said that things would start improving in coming weeks and they would not disclose the strategy at this stage. He said that the government made plans to increase dollar inflows and there was nothing to worry about on this front.

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