Another bailout package in sight: IMF delegation arrives today

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ISLAMABAD (January 07, 2013) : With foreign inflows drying up and worsening balance of payment position, Pakistani authorities, who will start discussions with the International Monetary Fund (IMF) from Monday (today), are likely to float a request for another bailout package. Sources said that the IMF delegation would be arriving on January 7 (today) for Post Programme Monitoring (PPM) of 2008 approved Stand-By-Arrangement (SBA). An official said that disbursement of the Coalition Support Fund (CSF) provided some breathing space to the government with respect to balance of payment position in the preceding two months, but the coming months would be very challenging. Analysts say that the IMF may not be interested in any arrangement with the outgoing government which had previously been unable to push forward a reforms agenda agreed under the SBA. However, the government's economic team hand feels that an agreement with the Fund at this stage would send a positive message about the economy and there would be a resumption of multilateral lending for long-term projects and budgetary support. The government was heavily relying on budgeted inflows of $2 billion in the current fiscal year to avoid balance of payment crisis. But with half year gone, there are clear indications that non-tax revenue of $1.6 billion on account of Etisalat and auction of 3G spectrum would not materialise in the current fiscal year. Thus the Finance Ministry is no longer optimistic about the budgeted $850 million auction of 3G in the current fiscal year and disbursement of $800 million by Etisalat for privatisation of PTCL and is eyeing for an IMF program to support the balance of payment. The country's economic team is expected to discuss the contours of their plan to broaden the tax base in the next three years by bringing four million people into the tax net. The tax authorities have reportedly shared a sketch of their strategic plan with the IMF during the last meeting in Washington. An official said that the tax amnesty scheme is also part of that plan. The tax authorities are expected to give a detailed presentation to the IMF on their plansto reduce the tax rates once the tax base widens. The reduction of tax rate would bring more people into the tax net, they added. Defending the power sector's subsidies would be a real challenge for the economic team, he added. Adviser to the Finance Division Rana Assad Amin, who is also the official spokesperson of the ministry, said that an IMF delegation was scheduled to arrive in Pakistan on Monday for the biannual Post Programme Monitoring.

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