

IMF approves loan to aid Pakistan

The International Monetary Fund (IMF) has approved a loan for Pakistan, amounting to \$7.6bn (£5.1bn) to shore up the economy.

The loan will "support the country's economic stabilisation programme," the IMF said in a brief statement.

Pakistan will immediately access \$3.1bn of the loan under a 23-month facility, with the rest phased in, subject to quarterly review, the fund said.

Pakistan needs the money in order to avoid defaulting on international debt.

It had been exploring other sources of funds to try to avoid stringent IMF conditions but failed to find a deal.

Imbalances

Pakistan's Junior Minister of Finance and Economic Affairs Hina Rabbani Khar said the IMF had not imposed any conditions for giving the loan.

"IMF has given the stamp of approval to a Pakistan-made programme for the package," Ms Khar was quoted telling a private TV channel by Pakistani news agency APP.

IMF Deputy Managing Director Takatoshi Kato said in a statement that the Pakistani economy "was buffeted by large shocks .. including adverse security developments, higher oil and food import prices, and the global financial turmoil".

The IMF has said it has \$200bn set aside to help out countries facing turmoil because of the current global financial crisis. It has also said it expects to provide help for some 24 countries.

Reports last week said the State Bank of Pakistan's reserves could only cover nine weeks of imports.

The Pakistani economy has grown by 7% to 8% over the past few years, but most of this growth has taken place in sectors such as consumer financing.

By 2006, trade imbalances because of high imports caused the economy to slow down; a subsequent rise in international prices of food and oil worsened the situation.

This led to a fall in the value of the Pakistani rupee and a flight of capital from the country.

On Monday the rupee closed at 78.90/79.00 to the US dollar compared with Saturday's close of 79.06/79.16.

Analysts say the loan deal should stabilise the rupee in the short term. The rupee has plunged 22% against the dollar this year.

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