



Pathfinder Economic Alert

## **Recent Fiscal & Monetary Measures Commendable: Further Action for Consolidation.**

The Pathfinder Foundation (PF) welcomes the measures adopted by the Authorities in recent weeks. PF has consistently advocated the use of the exchange rate, interest rate and fiscal measures in a flexible and pragmatic manner to achieve macroeconomic stabilization. It is encouraging that the measures taken so far have arrested the hemorrhaging of the country's foreign reserves and placed the economy on a path towards stabilization.

It is important to recognize, however, though a crisis has probably being averted, the depth and duration of the inevitable economic slow-down (reduction in investment, growth and employment) is still unclear. The speed of recovery will depend on the degree to which economic agents, particularly investors, have confidence in the credit worthiness of the country and the consistency and predictability of the policy framework going forward. Complementary structural reforms are also required to improve the competitiveness of the economy and strengthen the growth framework.

It is encouraging that there is now optimism regarding the disbursement of the IMF's Stand-By Assistance (the two final tranches of \$400 million each) following the government's bold action. The current IMF arrangement is scheduled to end in May 2012 however; economic recovery will not have gathered momentum by then. The challenge of building and maintaining confidence to put the economy back on a path of sustained growth and development will take much longer. There is, therefore, a strong case for negotiating a follow-on arrangement with the IMF, particularly as IMF financing is less than half the cost of equivalent sums of money borrowed on capital markets (Eurobonds and/or Treasury bills/bond).