

IMF hails NIS reforms

THE International Monetary Fund (IMF) has praised the Government for taking 'courageous steps' to reform the National Insurance System (NIS), saying the measures could extend the pension fund's sustainability by 15 years.

'IMF staff welcomes the authorities' courageous steps taken to improve the long-term sustainability of the public pension system. The country faces the twin pressures of a rapidly aging population that increases expected pension and healthcare costs and an aging energy sector that limits the potential for future revenue growth to cover these costs,' the IMF stated.

'To strengthen the system, it will be important to improve compliance, broaden the contribution base, and embed automatic adjustment mechanisms in NIS legislation. Further reforms to the non-contributory pension system are also necessary to contain costs to the budget. Better integrating the contributory and non-contributory schemes and improving administrative efficiency would enhance equity and fiscal sustainability,' it stated.

The IMF made the remarks in its concluding statement of the 2026 Article IV mission. The statement followed a visit by an IMF staff team, led by Ana Guscina, to this country from January 27 to February 9.

Delivering his maiden budget presentation in October, Finance Minister Davendranath Tancoo announced changes to the NIS system.

Tancoo noted that the NIS now spends over \$6 billion annually on benefits, a jump of more than 65% in the last 20 years.

'To save this critical institution from bankruptcy and preserve the benefits for future generations, we must increase the contribution rate,' Tancoo stated then.

'To minimise the burden on contributors, I propose a phased approach: implementing a 3% increase in the contribution rate effective January 5, 2026, followed by another 3% increase from January 4, 2027,' he said.

Tancoo said apart from this beginning in January 2028, the age at which a person can receive a full NIS retirement pension will gradually increase over a ten-year period.

NGC to increase dividends to Govt The IMF stated that the 2026 budget introduced important measures to strengthen fiscal revenues, fiscal management, social protection, and economic diversification. 'The approved budget targets an overall fiscal deficit of 2.2% of GDP, which entails an ambitious consolidation. The budget includes an asset levy on banks and insurers, surcharges on landlords and commercial electricity consumption, and higher excise duties and fees. Additionally, the National Gas Company is expected to increase its dividend payments to the Government, reflecting improved retained earnings from cost-cutting measures and the higher gas prices it announced for its light industrial and commercial customers,' the IMF stated.

'Together with tax administration measures to fully staff and modernise the Inland Revenue Division and Customs, these should help strengthen non-energy revenue collection. At the same time, the budget expands targeted support for agriculture, housing, and vulnerable groups,' the IMF stated.

The IMF stated that this country's persistent foreign exchange shortages need to be addressed.

The IMF urged the country to adjust policy rates closer to neutral levels and reduce the negative gap with US interest rates to support the exchange rate and stem reserve losses. It stated that greater flexibility in the exchange rate could further support external rebalancing.

The IMF said it also welcomed the Government's increased emphasis on economic diversification.

'Guided by the Manifesto 2025 and the Revitalisation Blueprint, their agenda focuses on increasing private investment in major projects, developing agriculture and agro-processing, expanding tourism and the creative economy, promoting a knowledge-based and innovation-driven economy, and strengthening Small and Medium-sized Enterprises through improved access to finance and a more supportive business environment,' it stated.

'These efforts are complemented by broader reforms to enhance economic resilience and growth, improve governance and regulation, upgrade infrastructure, and invest in human capital,' the IMF stated.

The IMF stated that the country's economic outlook is subject to considerable uncertainty, and the balance of risks is tilted to the downside in the near term and to the upside in the long term.