

IMF talks

FINANCE Minister Asad Umar is off to Washington, D.C. to finalise an IMF programme, and he has promised that by the end of the month, Pakistan will once again be in a Fund programme.

It is a bit odd to view this as a not unwelcome development, since, regrettably, decades of mismanagement of the economy has brought us to a point where entering into an IMF programme is considered grounds for relief and some sort of saving grace for economic management in the country.

However, decades of experience with the IMF have also taught us that these programmes are rarely ever easy and almost always exact a steep political price from the government of the day.

There have been some rare exceptions — at a time when Pakistan has had closer ties with the US, for instance, in the early 1980s or the mid-2000s, and when it could count on pressure being exerted on the Fund via the White House. That option is hardly available at the moment.

Standing on the cusp of an IMF programme is not the right time for the ruling party to display a thin skin towards its critics, especially on economic matters.

Economic pain is always difficult to bear, and even harder to spin away or distract people from; and it almost always draws the most bitter opposition and tough questioning from the party's own support base.

The moment before his departure for the spring meetings of the IMF and World Bank was a bad time for Mr Asad to lash out against his critics. In fact, it would have been a good opportunity to project confidence and signal a firm hand on the tiller, while giving a clear picture of the path on which the economy is about to embark.

We will know more about how long, and how intense, the economic pain is going to be once the data projecting the growth rate is made public.

At the moment, the World Bank has slashed its growth forecast to 3.4pc, below what the State Bank had said a few months ago, ie 3.5pc.

Next year's projections show the slowdown intensifying further. What is also troubling is the total absence of a viable tax-broadening vision, something that governments usually announce in their first year in power.

With a slowing economy will come diminished revenues, and without a base-broadening initiative in place, the burden of narrowing the fiscal deficit will naturally fall upon those who are already in the tax net.

The finance minister must ensure that the economy does not become part of a vicious circle where revenue measures serve as a brake on the economy, and the slowing economy necessitates further taxes.

The road ahead is an uphill one. The finance minister should prove that he can soothe the rising levels of anxiety in the country.