

Economic outlook

Budget 2019-20, expected to be announced in the last week of this month, will be very important for the government and will determine the direction of the economy in the wake of another bailout agreement with the International Monetary Fund (IMF) and action plan for tax reforms under the World Bank. The document prepared by the World Bank says that the existing taxes have the potential to generate annually Rs10 trillion revenue, which is equal to 26 percent of GDP; last year, Pakistan's tax-to-GDP ratio was 13 percent (half of the potential that the World Bank has worked out in the report). Hafeez Shaikh is expected to toe the line of the IMF and the World Bank – and not what the PTI had promised in its election manifesto. The important question is: will he also rely on bureaucrats who so far have successfully trapped the PTI government? The IMF and World Bank are also not interested in reforms that empower the people and simplify the tax system. The spasmodic approach to tax reforms through the Economic Advisory Council or the tax policy board, task forces, or foreign experts (sic) or bureaucrats sitting in the Ministry of Finance and FBR will never work. In the past as well they have been suggesting patchwork here and there with no tangible success. As we have mentioned time and again, unless the rich and mighty pay taxes there is no way that Pakistan can fix its economic outlook.

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