

Coordinating IMF terms

This article will not comment on the specifics of the current negotiations and terms of the agreement with the IMF. Rather, it takes a longer view into trends that are worth noting whenever governments in Pakistan negotiate with the IMF.

Economic management is further complicated due to lack of bureaucratic coordination both vertically between the centre and provinces as well as horizontally between different ministries and departments. We refer to some literature (mainly Amjad 2015, in addition to Hasan 2015, Fasih Uddin 2011) in this article.

It is worth keeping in mind that governments in Pakistan need to make space for themselves, allowing the required flexibility to implement the structural reforms that they agree with the IMF. They need to keep in mind alternative ways to achieve those results, if needed.

Governments in Pakistan in general do not focus considerably on the repayment plan when they are negotiating with the IMF, and instead focus on coming to an agreement as a yardstick of ‘success’. Repayment of loan plans are not publicized and often not thought through and there is a need to do so.

There is also a need to protect the national interests in the best possible way while negotiating with the IMF. The IMF and other international financial institutions have a strong pro-market orientation. They believe in the dictum that a private-sector driven economy is the panacea for all fundamental problems. There is a need to develop the private-sector led economy in a considered manner. However, the consequences of privatizing everything must be carefully thought through.

Literature gives the example of the efforts to “unbundle” the Water and Power Development Authority (Wapda) on the dictates of the IMF and the World Bank in the past. Before this decision to take Wapda on the path of privatization, it was not considered that it as an organization has built a reputation and knowledge capacity on water/energy issues of Pakistan through its long work in the public sector for three decades before this decision.

It might have been better to carefully look at options to expand its performance rather than taking it towards the path of privatization. While it has not been fully privatized, yet it now has an inefficient decentralized structure still largely operating in the public sector. Pakistan’s water and energy sector is worse off due to this decision which was taken following the privatization mantra in a dogmatic manner.

It is not only the governments in Pakistan that needs to learn lessons on how to negotiate with the IMF. The IMF too needs to improve its learning curve while negotiating with developing countries like Pakistan. There is a persistent imbalance in the decision-making power of the IMF, with the US and advanced countries being able to leverage disproportionate voting power and influence. The IMF attaches harsh conditions for developing countries to pursue the neoliberal agenda. Despite some partial changes in the IMF decision-making powers in the recent past, the overall structure of hegemony of the Western countries remains intact.

Once the governments have negotiated a programme with the IMF, the next task is to implement it and carry out those structural reforms that are in the best interest of the country. There is a need for institutional and bureaucratic capacity to undertake such reforms. There is ample lack of coordination in the civil service of Pakistan. The lack of ability of the Ministry of Finance and the Planning Commission in the Islamabad Secretariat to work with each other is given as an example.

Once the reforms agenda has been decided, it is generally the responsibility of the Ministry of Finance and the Economic Reforms Unit to implement it. The Minister of Finance simply does not have the time to work on the details of the implementation process in a cross-departmental manner. The concerned ministries also resist the implementation of structural reforms as that often curtails their discretionary powers.

One way to help this is to constitute a subcommittee of the Economic Coordination Committee (ECC); the deputy chairperson of the Planning Commission should head it, supplemented by representation from the provincial governments as well as the private sector. The deputy chairperson should regularly update the ECC, headed by the finance minister, on the progress on the implementation of reforms. The finance minister in turn should report it back to the cabinet, headed by the prime minister. Of course, the real challenge would be to entrench these structural reforms in the organizational structure and functions of the concerned government departments and line ministries.

There is also a need for much better coordination of the Ministry of Commerce with other “production-related ministries”. There is a need to redefine the role of the Planning Commission and considerably strengthen its coordination with the planning departments in the provinces.

While working with the current bureaucratic setup, there are adequate systems and procedures in place that could result in much better economic performance and management, if they are followed in letter and spirit.

The overall lesson is that, while the private-sector led economy principle might be applicable in general, yet it is crucial that structural reforms to the economy must be guided by the national agenda of development, vision of the way forward, and a serious assessment of economic situation rather than blindly following the neoliberal ideology of the Washington Consensus.

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