

Filling the gaps

Just weeks before announcement of the annual budget, the State Bank of Pakistan cut the policy rates –the fourth in the past two months- by 100 basis point to 8 percent.

The decision was aimed at rekindling the economic activity crippled by the coronavirus epidemic at the time when the inflation outlook has improved significantly due to reduced oil prices.

The pandemic, on one hand, took its toll on human lives and infections, while on the other it battered the world economy massively.

The worldwide lockdowns, imposed to contain the spread of the pandemic, massively reduced oil demand which ultimately brought the inflation down.

The low inflation eased public pressure on the government, but it also suppressed economic activity and now the government has to take measures to spur economic activity.

The challenges for struggling economies like Pakistan are huge.

These countries have to stem the rise of deaths and infections caused by the contagion and also have to keep their economies afloat.

Prime Minister Imran Khan in a series of his interactions have been expressing concerns that he has more of poor dying of hunger and poverty caused by lockdowns than from pandemic itself.

He has been a strong advocate of easing of lockdown to allow economic activities from the day one though medical experts have been warning of more human losses as a result of these relaxations.

He has also been pressing the provincial governments to allow public transport to ply but Sindh and Baluchistan opposed the suggestion. However, it seems that curbs on public transport would be lifted before Eid at least in Punjab and KP provinces.

The Prime Minister's decisions look populous in outlook, but they are very risky too. If the rate of infection and deaths remained within the manageable level and government succeeded in generating economic activity, then it would emerge victorious in the crisis and would see a tremendous surge in its popularity. But if pandemic spread to alarming proportions than it could trigger a new political crisis for the government.

The government has already announced incentives for the construction sector, and it is also keen in giving more incentives to the export sector to generate economic activity and create job opportunities for unemployed people.

It has also announced \$8 billion stimulus package, a part of which is aimed at doling out financial help to the poor segment of society.

The government needs to devise a long-term health and economic strategy as the pandemic is all set to stay for a long period of time.

The World Health Organization has even warned that the COVID-19 might never go away from the world and it needs to learn to live with it. It means that the economic impact of the pandemic on the economies would be far-reaching and long lasting.

The government needs to use the one-year cushion period it has got in terms of deferment in the payment of external loans as well as a suspension in the implementation of International Monetary Fund (IMF) conditions for its bailout programme to put its house in order.

It needs to chalk out a strategy to effectively raise its revenues and bolster its exports so that it could come in a comfortable position to deal with the economic conditions in a better way once the emergency ends.

There still seems to be big gaps in the government's strategy as well as in its implementation. The unending tug-of-war between the centre and provinces is a major hurdle in the implementation of this strategy.

The absence of chief ministers of Sindh and Balochistan from a meeting chaired by prime minister on the COVID-19 situation last week showed that this row is deepening.

The federal government also seems to be at odds with the medical community of the country. The government needs to take political parties, representatives of medical community as well as businessmen of the country into confidence on its strategy to contain the pandemic and accelerate economic activity.

It also needs to open these consultations as it is going to announce the annual budget in few weeks.

The government has to patiently listen to the proposals and recommendations made by all stakeholders and then incorporate them into its budgetary proposals strictly on merit.

As of now, it seems that the government is not in a mood to consult these stakeholders. It has summoned parliament session, but prime minister seems not keen to attend the session to take the lawmakers into confidence on his strategy.

In a democratic setup, dialogue with the political parties is a key element to forge a consensus on important matters.

Moreover, consultations with the important segments of society is also required to ensure proper implementation of government policies. Such consultations are all the more necessary to deal with the crisis situation like coronavirus pandemic.

Unfortunately, the government has so far avoided to launch such process of consultations. The parliament has been reduced to a debating forum that has hardly seen any serious discussions on important matters and much of the time was wasted on name-calling and blame game. Moreover, the government seems to be heavily depending on its army of advisors and special assistants in devising its policies.

At the time when entire political leadership is required to show some maturity, the political parties have resumed their mud-slinging matches after a hiatus of few weeks. As opposition has stepped up its criticism of government's policies with regard to handling of pandemic, the government spokesmen have intensified their campaign against their rivals on charges of corruption.

Prime Minister Imran Khan needs to take personal initiative to bring down political temperatures in the country and he should not only personally reach out to political opposition but also take provincial governments, notably Sindh and Balochistan, on board on his strategy.

He should also rein in his government and party spokespersons from vitiating the political atmosphere by giving provocative statements. That is the only way to prepare the ground for the proper and effective implementation of his government's policies to tackle the crisis.

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