

BMP urges Imran not to go for IMF, WB loans

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KARACHI: Businessmen Panel (BMP) secretary general (Federal) Ahmad Jawad has urged the incoming government to avoid international borrowing to run the country affairs.

“If borrowing is much required from the IMF or World Bank then it should be based on projects only such as upgrading of the transmission lines of the Discos or building of water dams, so that it can be beneficial for the public,” he suggested.

Jawad said the finance ministry is chalking out a plan to seek another bail out package from IMF and present the option to the Prime Minister-in-waiting Imran Khan once he assumes the office; although it is not a viable for Pakistan economy.

He noted that in exchange for bailouts over the past three decades, Pakistani governments have repeatedly agreed to draconian spending cuts and arbitrary taxes in pursuit of fiscal targets. He said as a result of that policy, the country’s economy remains weak constantly and also emasculate the state capacity in other spheres.

BMP office bearer said if the incoming government would restructure agricultural policies, provide incentives to industry, offer less duties on raw materials then it would be a great relief for our dwindling economy.

“Pakistan need to enhance exports, provide due relaxation to international investors including overseas Pakistanis and restructure the remittance system for the economical revival,” he emphasized, saying that these steps are required to be taken for the success of the PM-in-waiting.

He said that for decades, IMF programs had been undercutting Pakistan’s productivity and growth potential, by eroding governance and state capacity, and creating conditions for ever more rent-seeking and corruption.

“Successive IMF programs have required that Pakistan adopt more withholding taxes (never to be refunded), surcharges, and levies on essential goods such as oil and electricity, even though these measures hurt employment and investment growth,” he said, adding that when the government misses its fiscal targets, the

finance ministry agree on quarterly mini-budgets, which often include new taxes on school fees, bank transactions, Internet access, and so forth.

Ahmed Jawad said it should go without saying that if businesses didn't even know what tax measures would be included in the next quarterly mini-budget, then they would be unable to plan and invest. He said alongside distortionary tax policies, in the past IMF had forced the finance ministry into unplanned spending cuts without any real reforms, despite the obvious negative effect this had on growth. He said when such reductions were made under an IMF program in the 1990s, Pakistan's national bus service ended up on the chopping block, and vehicles were allowed to deteriorate. Since then, funding for public services – including railways, police, health, and education – has been cut to the bone.

“Imran Khan must reform Pakistan agriculture policy, incentives for value addition to the private sector for the ultimate viability of the economic system,” he suggested.

BMP official further said that in 2018, Pakistan won't grow more than 5 per cent, according to forecasts. In 2017, the country's per capita GDP grew by 3.6 per cent – lower than that of India and Bangladesh. He said the country's labour participation rates are abysmal. It ranks 147th in the Ease of Doing Business Index. He said Imran spoke of plans to train two million youth within two years after coming to power. And to create more jobs for Pakistanis, Imran Khan has outlined increasing investment spending to more than 21 per cent of GDP. In 2016, the investment spending was around 11% of the GDP.

He said, similarly, the country being one of the lowest performers in South Asia Region on human development indicators, PTI government must plan to cut Defense and government budget, which currently stands at one-fifth of the total budget.

He said Pakistan need a long term vision and the most important factor is to remain in power for a generation or more for Khan is required to make fundamental changes in society and it means to change how institutions are run and to create new institutions as well.

Jawad warned new IMF funding would no doubt lead Imran Khan's government to repeat past mistakes. With the Fund's blessing, the government goes on a shopping spree, taking out costly loans for expensive projects, thus building up even more debt and adding new inefficiencies. After a few years, another crisis would ensue, and it would be met by another IMF program and Pakistan would continue to pay the price.

“Pakistan is blessed with everything but lack only leadership; so we expect something different from Khan,” he said, urging PTI chairman to stay away from going to IMF or world bank program again for the nation.