Recently, debate has erupted about to get rid of IMF. What measures should Pakistan adopt to leave the IMF programes

I. Introduction:

Pakistan needs tangible structural reforms rather then rhetoric to get rid of IMF bailouts.

(Ishrat Hussain)

It has been rightly stated by the former governor of state Bank of Pakistan that there is a need of tangible structural reforms in order to get rid of IMF bailouts. The structural reforms are in the energy and the tax system mainly. While the state-owned enterprises and the public sector Development fund are the major sinkholes. Further, there is a dire need of increasing the competitiveness of exports and to increase its export market. In addition to this, increase

in the cut of expenditures &
to invest it wisely. Finally, the
federal government large employment
bureaus needs trimming. When these
reforms are implemented in letter and
spirit Pakistan will get rid of IMF
bailouts.

II. Current situation of Pakistan's Economy.
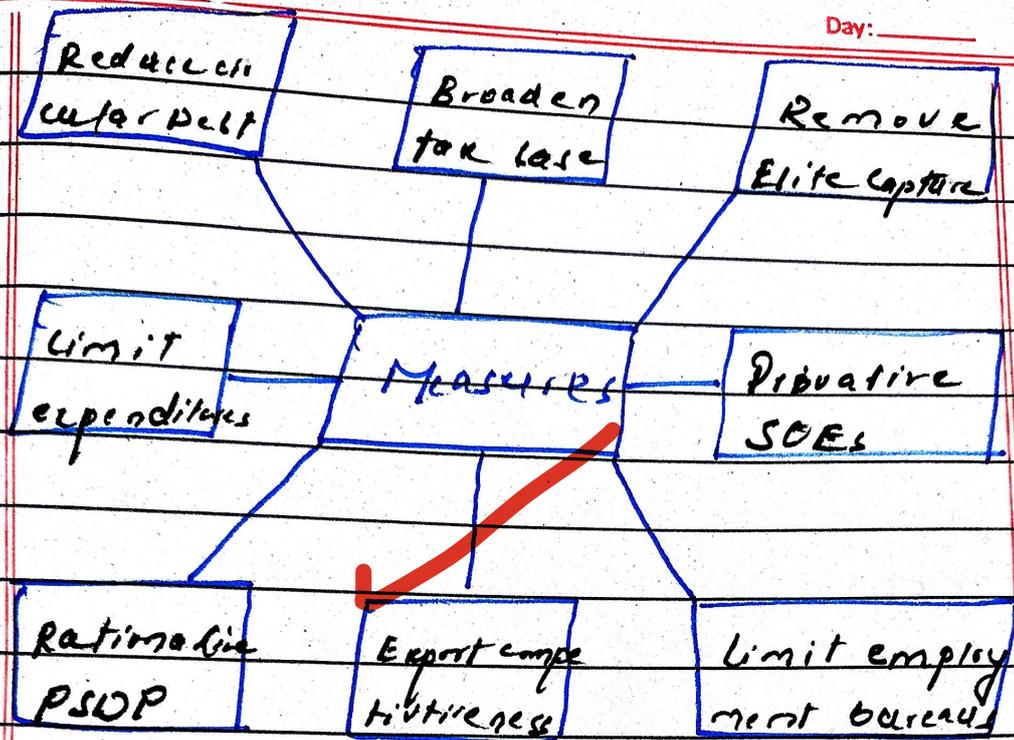
Expected   GDP is 2.7%
Total   Debt $126b
Current Account $26b
Trade Volume $137b
Remittances Rs.13 bn

III. Measures To be Adopted To get rid of IMF Programmes:

Following measures are the pre
requisite to get away with IMF
bailouts:

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┌──────────┐      ┌──────────┐      ┌──────────┐
│ Reduce   │      │ Broaden  │      │ Remove   │
│ cular Debt│     │ tax base │      │ Elite captive│
└──────────┘      └──────────┘      └──────────┘

┌──────────┐      ┌──────────┐      ┌──────────┐
│ Limit    │      │ Measures │      │ Privative│
│ expenditures│   │          │      │ SOEs     │
└──────────┘      └──────────┘      └──────────┘

┌──────────┐      ┌──────────┐      ┌──────────┐
│ Rationalis│     │ Export comp│     │ Limit employ│
│ PSDP     │      │ titiveness│      │ ment bureaus│
└──────────┘      └──────────┘      └──────────┘
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Reforming Measures

A. Reduce The Circular Debt by Negotiating with Discos:

The circular debt by the distribution companies is a major sinkhole in the economy. Govt. has to pay the capacity payments to the Discos and in return get nothing. There is a need to renegotiate the agreements made with Discos. According to TSSI:

Capacity payments accounts for Rs 3bn on year basis.

II. Broaden the Tax Base not Additional Taxes:

Limited taxation system is another reforming site to get rid of IMF. Different sectors like agriculture and real estate are the major contributors to the GDP but pay minimal to taxation.

As Ishrat Hussain Rightly stated:

Limited taxation promotes elite capture of sectors which reduces competition and increases inflation.

III. Limit the Expenditures:

Expenditures are the major sinkhole of the economy of Pakistan. Unwise and politically motivated, protocol cultures and lavish offices are some of the manifestation. For instance Dala culture in Punjab.

IV. Remove Elite Capture and Promote Competition:

Elite capture in Pakistan is a chronic disease in Pakistan. Some people holds large industries, maximum wealth with creates monopoly and the price of goods skyrocketed. This situation leads to low competition and high inflation and more inequality.

As Dr. Musadiq Malik stated:

Elite capture hinders Growth by creating monopoly and reduces competition.

V. Privatize Loss Making State Owned Enterprises:

Loss making SOEs create a major burden on the economy by enhancing the debt. For instance the PIA, railways, steel mill and the telecom sector. As Economic survey quoted that Rs 6 Tr are annual losses of SOEs.

VI. Rationalize public sector Development spending.

PSDP spending is a major cost in exchequer. Politically motivated spending, less audit, incompletion of projects and irrelevant spending, is a irrationalization of budget. Rationalize the PSDP spending.

VII. Enhance Export competitiveness:

Pakistani exports are less likely to compete globally. This situation leads to protectionism by other countries, resulting in the reduction of volume of exports. Reduced exports put pressure on the exchange rate.

As WTO chairperson stated:

Less standardised exports of Pakistan is a major set back to its economy.

VIII. Limit Government Employmé Bureaus:

Federal government holds the 400 departments and 1.2 million employees. This created the additional burden on the economy. There needs a trimming and specialization of the departments.

Reports of World Bank Quote:

Pensioners and BPS system makes the economy vulnerable to external shocks.

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IV. Conclusion:

In a nutshell, pakistan need tangible steps to avoid IMF's programmes like privatization of loss making SOEs, rationalize spending of PSDP and limit the government employment bureaus. These reforms will provide a stepping stones to avoid IMF programmes.

add more arguments.

a 20 marks answer should have around 15 arguments and be on 7-9 pages.