

Current Affairs

:عزت

NOA

Question 1:SOE's Privatization

11/20

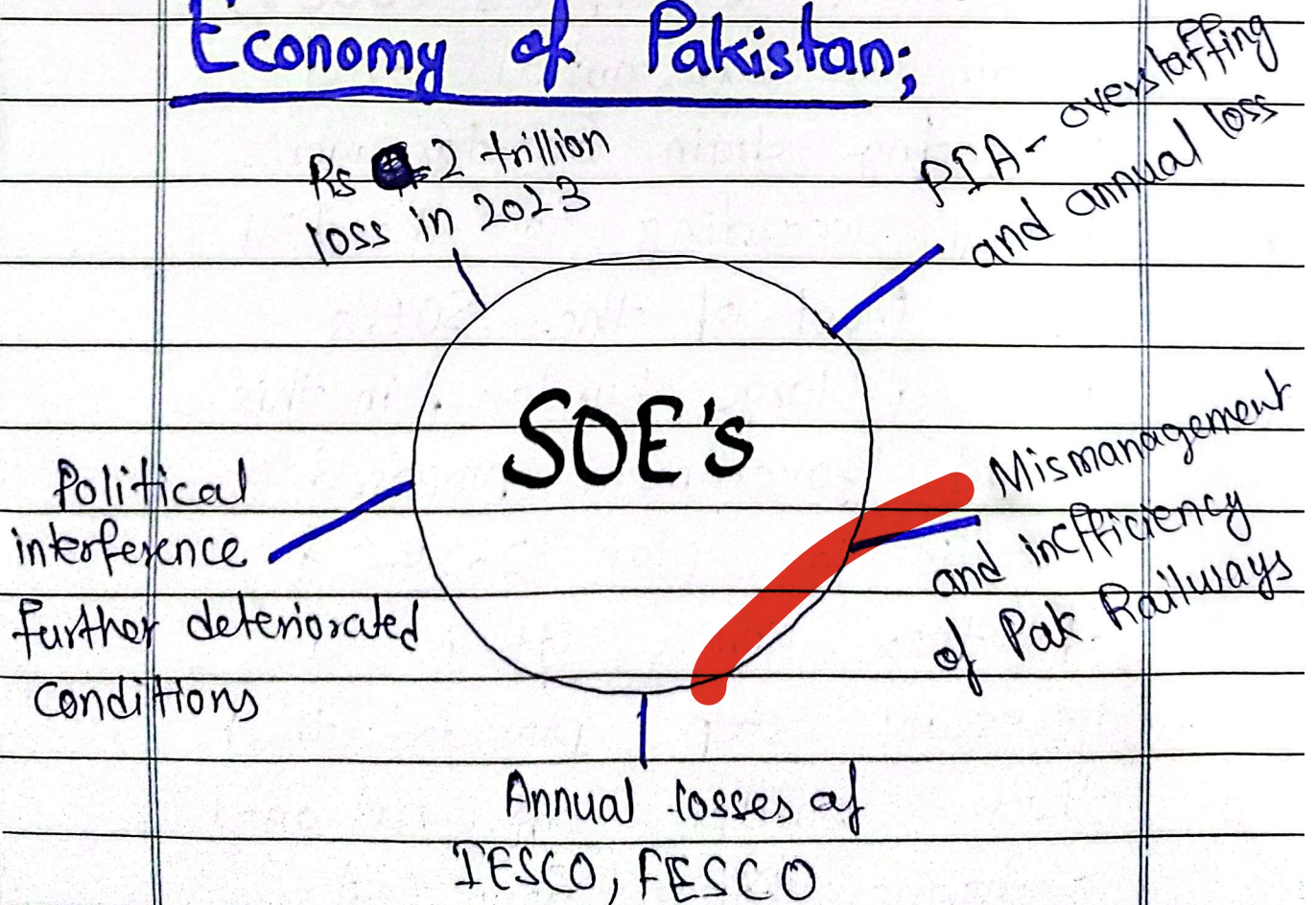
Introduction;

Despite their revenues reaching Rs 12.1 tr, the state owned Enterprises (SOE's) remain a substantial and increasing drain on taxpayer's money, according to the IMF report. Most of the SOE's are a large burden, in this regard, government proposed a privatization plan 2024-29 of these SOE's. It is a necessary step provided that their burden on national exchequer. Apart from it,

the increasing inefficiency of these enterprises vis-a-vis private sector is another problem. Corruption, and political interference further destroyed them. However, it is necessary for government to ensure transparency, and reducing the negative impacts of this.

SOE's - A Burden on

Economy of Pakistan;



Why these Enterprises

Should be Prioritize;

1- A Huge Burden on National Exchequer;

According to the data of Privatization Commission of Pakistan, SOE's has recorded Rs 202 billion loss in 2023. These losses has caused trillions of rupees to Pakistan's tax-payer and create a huge burden on economy.

2- NDB, IMF and World Bank's report on high Corruption in SOE's ;

NDB, IMF and World Bank has, many time, mentioned the high corruption

:65

Cases in Pakistan. The scam of **NICL** and purchasing of 10 acre land is the clear example of corruption through SOE's.

3-

A Tale of Inefficiency in SOE's;

Hafiz Pasha wrote in his book 'Growth and Inequality in Pakistan' that these enterprises are not only financial burden but also an inefficient and redundant machines.

4-

Political Interference Destroyed Meritocracy- Hafiz Pasha ;

According to Hafiz Pasha, a renowned economist, the open political

:35

interference in these enterprises has further worsened the situation.

The ruling parties try to run these enterprises according to their will.

5-

Privitization would Attract Long-Awaited FDI;

According to Privatization Commission of Pakistan report, the privatization of SOE's would attract foreign investors and there would be substantial increase in FDI.

How these Enterprises Should be Privatized?

1-

Establishment of Regulatory Bodies for Privatization;

: 5

The recommendations issued by Parliamentary Committee on Privatization showed that there will be a regulatory body that will regulate privatization. However, there is also a need to provide relevant and necessary power to that committee.

2- Publicize the Activities of Privatization Programs to Ensure Transparency;

According to S. Akbar Zaidi, a renowned economist, there should be publicization of all activities of privatization programmes to ensure the transparency.

3- Planning of Post-Privatization Especially Restructuring of Labour;

30

Restructuring of labour remained as an main issues especially in the country like Pakistan. To mitigate the surging number of unemployment government should restructure and rehabilitate labour.

4- Opt for Public-Private Partnership to reduce Adverse Impacts;

Public-Private Partnership can aid in rehabilitation and employment opportunities. According to Daron Acemoglu, who wrote in his magnum opus, "Why Nations Fail?" that Public-Private Partnership in key areas can help in achieving benefits.

Conclusion;

In a nutshell, S. Akbar Zaidi wrote in his book 'Issues in Pakistan's Economy' that SOE's remained as a large burden on Pakistan's economy due to the weak governance, corruption and political interference. In case of Pakistan, a focused and transparent privatization program can aid in dealing with this issue.

Question 2:

IMF and Pakistan

Introduction;

11/20

Designed to be the lender of last resort and help countries to manage short run balance of payment crisis, the IMF has a rich history of being the quack physician that killed the patients. The SAP's provided by IMF and its conditionality has not yet achieved the desired results in Pakistan. Pakistan for the 25th time is ~~was~~ knocking the door of IMF which is a testament of its failed policy. The far reaching

negative impacts of IMF in Pakistan includes the economic disparity, burdening of already burdenized poor segment and cutting of public expenditures. However, through pragmatic approach Pakistan can reduced the impacts.

Understanding Circumstances

of Budget Deficit and

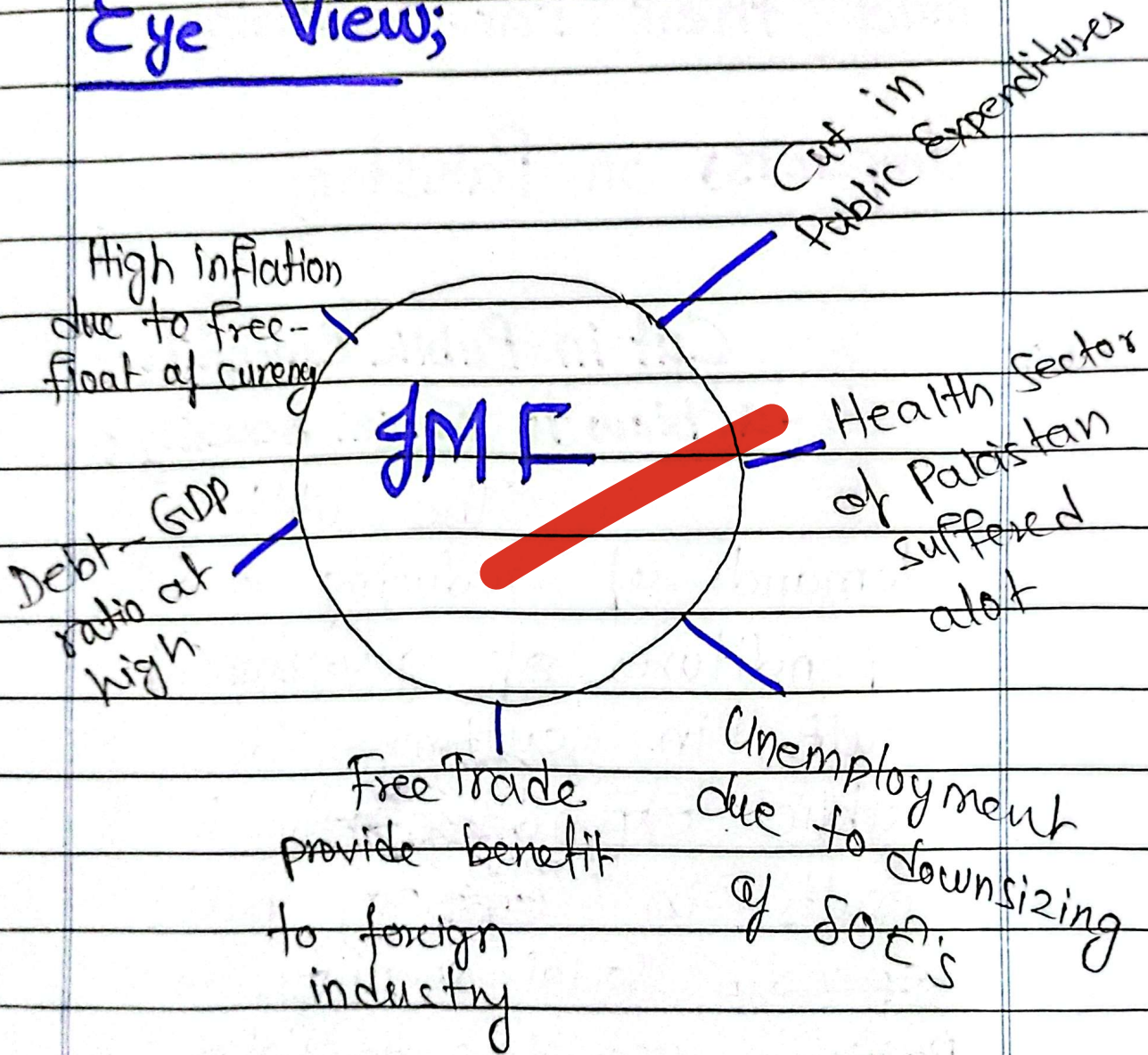
Balance of Payment Crisis and

IMF Loan;

<p>Budget Deficit of Pak was \$7.2 trillion in FY 2023-24</p>	<p>Pakistan's Balance of Payment Crisis and Current Account deficit is around \$131 billion in Sep 2024.</p>
---	--

IMF - SAP's - A Bird's

Eye View;



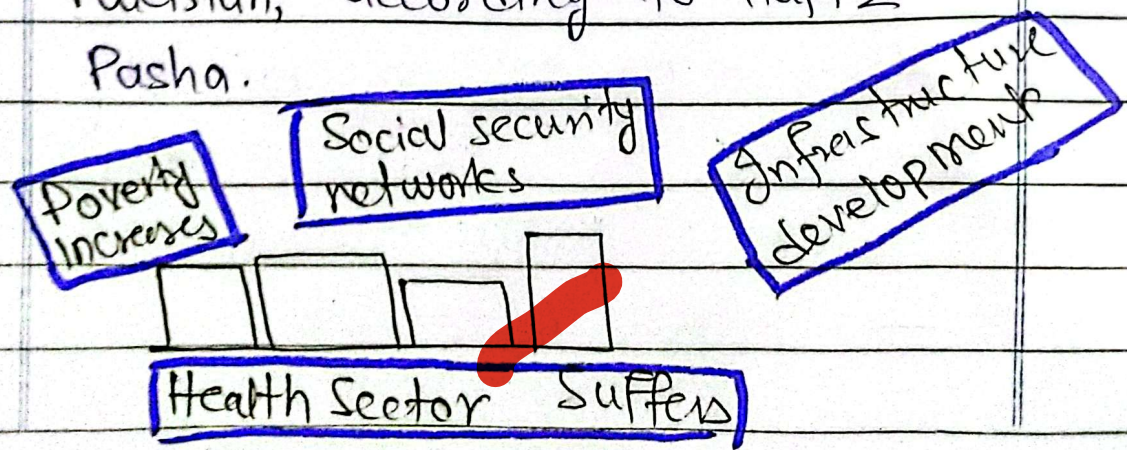
→ Free floating of currency resulted in high inflation vis-a-vis dollar

→ Decrease in exports

IMF's Conditionalities and their Far-Reaching Impacts on Pakistan;

1- Cut in Public Expenditure - a blow to Social Security;

The IMF demands of reducing the expenditures of government results in cutting in public expenditure which results in ~~cut~~ ^{worsening} of public ~~expenditure~~ social security. in Pakistan, according to Hafiz Pasha.



2-

Opening of Economy
Exposes ~~some~~ pre-mature
Industry to Foreign
Competition;

According to S. Akbar Zaidi, a renowned economist, during 1991, the opening of free trade exposes the ~~pre-mature~~ industry of Pakistan to foreign competition, and they lost even their domestic markets.

3-

Privitization increases
more unemployment;

According to Joseph Stiglitz, an international scholar, the privitization of State Owned Enterprises result in high unemployment. As IMF demands of ~~privitization~~ of many enterprises results in surge of ~~unemployment~~.

4-

More Tax Burden
falls on overly-burdenized
poor segment;

Hafiz Pasha,
in his book, 'Growth and
Inequality in Pakistan' wrote
that, the IMF demands of
increase in tax revenue cause
more burden on the poor
segment of Pakistan.

5-

One Fits all Approach
of IMF doesn't Fit
Pakistan;

IMF uses
One fit all approach to
deal with economic
crisis of any state in
the world, according to
Joseph Stiglitz, a renowned
economist. This approach
is not fit in case of
Pakistan.

Recommendations for

Pakistan;

1-

Using Indigenous Knowledge to achieve Growth - A case of China;

"China has used its indigenous knowledge to grow exponentially", said by Li Wang, a Chinese scholar. Pakistan should also rely on its indigenous knowledge instead of IMF.

2-

Approaching Alternative of IMF - to retrack Economy;

Pakistan should retrack its economy and move towards more sustainable

source of income to end its economic crisis once for all. Export increasing its exports till 2028 and negotiating FAT's can provide benefit.

3- Negotiating IMF Terms in benefit of Pakistan;

Pakistan government, instead of agreeing on all demands of IMF, must negotiate with lender to tailored the conditionalities according to its situation.

4- Broadening of Tax net instead of increasing Tax burden on poor;

Pakistan should broaden its tax-net through

:65

focused policy and strengthening of FBR. According to SDPI, Pakistan should use more technological ventures to broaden its tax net.

5.

Exit from IMF - A Case Study of Brazil;

By studying Brazil's case and applying the three year plan tailored to Pakistan's circumstances it can take exit from IMF till FY2028. Pakistan should increase its exports and maintain Current Account Surplus of \$6-9 billion till FY2028 to take exit from IMF.

Conclusion;

Conclusively, the Bretton Woods system are considered as inefficient especially IMF that failed to deliver the cause it was formed. Since its first plan and implementation of SAP's, the conditionalities imposed by IMF had more worsed impacts than it brought any good.