**IMF and the PTI Government**

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Once managing to secure an IMF facility, the previous Pakistani governments would just keep on dodging the international financial institution and hesitate to divert pressure to the common man. The present government has proved deadly honest and sincere in this matter.

Doing little for the relief of the people, particularly the fixed income group, during the last three and a half years, Imran Khan’s government has been constant in increasing power tariffs, petroleum prices, and devaluing the rupee for the strange logic of discouraging imports. The IMF Executive Board was scheduled to meet in Washington this past Thursday to clear the 6th review of its $6 billion Extended Fund Facility (EFF) for Pakistan, which would make the country eligible to get the $1 billion tranches.

To prove its credentials, the government tabled the Finance (Supplementary) Bill 2021 and the State Bank (Amendment) Bill 2021 in parliament last week.

The government claims that the proposed amendment to State Bank laws is not to the detriment of the central bank’s autonomy. But the very essence of the proposed amendment is to stop the bank from lending money to the government.

It is ironic that even before the passage of the bill, IMF has restricted the State Bank of Pakistan from lending funds to the government. State Bank has literally not provided any funds to the government since 2019. Even international media has reported on the inability of the government to borrow from its own bank. This restriction has compelled the government to borrow from commercial banks at a very high-interest rate.

Latest indications show that the government might itself venture to sabotage the IMF package so as to play martyr.

The government’s move to pass the mini-budget is also aimed at generating Rs.375 billion additional revenues to fill the financial gap and meet IMF conditionality.

The government introduced the State Bank bill and the mini-budget in the parliament to convince the Fund that Pakistan was all set to meet requirements for the sixth review. Sensing IMF’s resolve to go ahead with the review in its January 12 Board meeting, the government requested deferment of the review till the passage of both bills.

The previous day, IMF announced to defer the 6th review till the end of this month. But the government is still not out of the troubled water as it is facing difficulty in passage of the bills on one hand, and risking losing the $1 billion tranche, on the other.

Last October, in Saudi Arabia, during a visit by Prime Minister Imran Khan, agreed to revive its financial support to Pakistan, including $3 billion in safe deposits and up to $1.5 billion worth of oil supplies on deferred payment.

But despite that, the government is not in a position to divert pressure from the national economy and is viewing the $1billion EFF tranche as its last resort. However, whether the government succeeds to manage the legislation to this effect is a big question mark.

It is also doubtful that even if released, the IMF facility would ease the government’s financial burden. The mini-budget contemplates an increase in additional taxes on 117 items. The government says most of these are luxury import items but putting additional pressure on the national economy would never be without a consequence.

Minister for Energy Hammad Azhar told reporters in Islamabad last week that the government planned to introduce the average gas tariff bill in the parliament soon under which gas prices are likely to go up by 30 per cent. This is in addition to the recent increase in power tariff and petroleum prices.

Indications are there that apart from opposition parties, the government’s own allies are also averse to the passage of the mini-budget. Prior to the National Assembly sitting on December 29, the prime minister called a meeting of his parliamentary allies to take them into confidence in this regard. But there were reports that most of the allies showed their reservations.

Just a day before the presentation of the finance bill in the National Assembly, observers felt that the government would try to bulldoze the State Bank bill and the mini-budget in both houses simultaneously but strangely enough, the ruling party prorogued the Senate session without assigning any reason.

Later the government did introduce the finance bill in the Upper House but the sword is still hanging over its neck because the opposition is hell-bent to defeat the government’s move in the parliament. If it succeeds to enlist the support of the government’s allies, the latter can face a tough time, particularly in the Senate where it is already in minority.

On Thursday, when Maulana Fazl-ur-Rehman met Shahbaz Sharif in Islamabad, an important point of their discussion was not to let the mini-budget see the light of day.

Latest indications show that the government might itself venture to sabotage the IMF package so as to play martyr; it knows that despite the EFF tranche, it would not be able to bring any relief to the people. On the contrary, refusal to meet the harsh IMF conditions can make it a hero in the sight of people.

In a recent chat with newsmen in Islamabad, Finance Minister Shaukat Tarin warned to fire Governor State Bank if he fails to extend cooperation to the government in achieving its growth objectives. Why were Tarin and his predecessors not able to take this drastic step when Governor SBP refused to provide financial support to the government during the last two years?

Frankly speaking, IMF has become a commercial money lending company. While East India Company was a tool of colonialism, IMF has become an exploitative hand of neocolonialism.

In the developed Western powers, there are only direct taxes with zero indirect levies. But most of the so-called IMF beneficiary developing countries are restrained to levy a host of indirect taxes on their citizens. In Pakistan, even the daily-wage earners and the beggars have to pay taxes on food, clothes, and all daily use commodities, besides the multiple surcharges.

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