NEWSCLIPPINGS

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ECONOMICS

Urban Resource Centre

A-2, 2nd floor, Westland Trade Centre, Block 7&8, C-5, Shaheed-e-Millat Road, Karachi.
Tel: 021-4559317, Fax: 021-4387692, Email: urckhi@yahoo.com, Website: www.urckarachi.org
Facebook: www.facebook.com/URCKHI Twitter: https://twitter.com/URCKHI

Inflation erodes shopping in metro

The traditional hustle and bustle in shopping centers, malls and markets was absent throughout the year, said a representative body of traders and retailers.

Be it Ramazan, Eid, or the wedding season in winters, the shopping seasons remained lackluster in term of sales. Small traders in the metropolitan city have termed 2024 the most challenging year in the country's history due to "economic turmoil" and "skyrocketing inflation."

In a statement issued on New Year's eve, Chairman of the All Karachi Tajir Ittehad Atiq Mir said on Tuesday that trade activities dwindled to just 30% of their normal levels, reflecting an eroded investor confidence, capital flight, and a general economic slowdown.

He described 2024 as a year marked by political instability, runaway inflation, and a debilitating economic downturn. He attributed the crises to flawed policies, heavy taxation, and the government's inability to curb artificial inflation, leaving little hope for improvement in 2025.

Mir particularly referred to surging prices of electricity, gas, fuel, which pushed the economy into a continuous state of decline. The escalating cost of living has made basic necessities unaffordable for the poor and the middle class, transforming markets into hubs of despair rather than centres of activity.

"Households were stretched beyond their limits," he said. "Even during sale seasons, the usual hustle and bustle in shopping centres was missing as purchasing power eroded." Nearly 80% of traders struggled to meet their expenses, with many turning to debt to stay afloat, Mir said while citing a report. Over 40% of employees were laid off as factories shut down, and several businesses failed to cover wages, rents, and utility bills. The economic downturn fueled alarming increases in unemployment and crime. "Faced with terrible joblessness, many abandoned their tools and turned to crime," said Mir. "Street crime and lawlessness surged as desperation gripped the city."
(By Ehtisham Mufti The Express Tribune, 04, 01/01/2025)

Economic plan

THE ‘home-grown’, five-year economic plan Uraan Pakistan, which was unveiled by Prime Minister Shehbaz Sharif this week, hopes to build on the country’s nascent economic recovery to boost growth. The initiative is based on the ruling PML-N’s five-point development agenda referred to as the ‘5Es Plan’. It focuses on exports, information technology, environment and climate, energy and infrastructure, and justice for all as a “unified roadmap” to make Pakistan a trillion-dollar economy — roughly triple its present size — by 2035. The roadmap aims to address key economic challenges through a ‘National Economic Transformation Plan’, providing short- to medium-term solutions for stabilisation and growth.

However, the targets are ambitious, if not unrealistic, as they seek to achieve a sustainable growth rate of 6pc by 2028 and attract $10bn in private investment each year to double exports to $60bn over the next five years. But then, the state minister for finance has downplayed the focus on the plan’s targets. According to him, the plan was an effort to give the economy direction so that it does not heat up when the growth accelerator is pressed.

The plan is elaborate regarding what the government desires to achieve over the five-year period but it does not offer any glimpse into the policy reforms or solutions it intends to implement to fix the problems ailing the economy. At best, it has set up a delivery unit at the Prime Minister’s Office to coordinate the implementation of sectoral plans and roadmaps with a view to executing the initiative and ensuring transparency and accountability. The nine-month track record of this government on promised structural reforms also does not inspire much confidence in its ability to follow through on its pledges. For example, we have seen the government capitulating on retail tax and SOE reforms.

That is not all. Many of its policies run counter to Uraan Pakistan’s objectives. On the one hand, it envisages encouraging IT exports and supporting start-ups; and on the other, it has slowed down internet speeds, despite warnings of IT export losses.

Furthermore, the programme points at decades of political instability, policy inconsistency, and repeated military-led disruptions in the political process as reasons for the current state of the economy. Yet, there has been little inclination to address these challenges.

The absence of clear mentions of policy reforms backed by a solid strategy to execute the targets allows the bureaucracy a lot of space to wriggle out of responsibility. While monitoring and evaluation of progress on the initiative is important, they cannot be a substitute for real reforms and policy changes when it comes to fixing the economy to put it on the road to sustainable growth.
(By Editorial, Dawn, 06, 02/01/2025)

Revenue shortfall

FBR has found itself grappling with a staggering revenue shortfall of Rs386 billion in the first half of the current fiscal year, a gap that highlights the disconnect between ambitious targets and economic realities. While Rs5.623 trillion was collected between July and December - a 26% jump from last year's Rs4.466 trillion - it still falls short of the Rs6.009 trillion target set for the period.

This is a reflection of multiple headwinds. Tax collection from imports has nosedived due to dwindling trade, sluggish manufacturing growth and an inflation rate that, while unexpectedly low, has dipped into single digit. Amid this backdrop, the overly ambitious revenue target of Rs12.913 trillion for FY25 is now proving to be a double-edged sword. The absence of meaningful expenditure cuts and reliance on optimistic growth assumptions make achieving this target appear almost impossible. Not just that; projections that GDP growth of 3% and a 16.9% rise in imports will generate an additional Rs3.659 trillion in FY25 seem increasingly out of touch with the realities on the ground. Independent economists predict real revenue collection will hover closer to Rs12 trillion. The underlying issue is clear: Pakistan's tax system remains overly dependent on imports while neglecting opportunities to expand the tax base domestically. This structural imbalance must be addressed if future revenue targets are to be more than just pipe dreams. With the IMF scheduled to review Pakistan's economic performance in late February or early March, the pressure to close the revenue gap is mounting. The government must avoid introducing hasty new taxes that could stifle economic recovery and instead focus on reducing expenditures and strengthening enforcement mechanisms.

What is needed is not just better tax collection but also smarter fiscal planning. Diversifying revenue streams and curbing inefficiencies while also fostering economic growth in key sectors are essential. It is time for policymakers to embrace realism over rhetoric and chart a path that balances ambition with achievability.
(By Editorial, The Express Tribune, 14, 02/01/2025)

Inflation hits nine-year low at 2.4pc

The annual inflation maintained a decelerating trend, hitting a nine-year low at 2.4 per cent year-on-year in January, mainly due to a decline in prices of perishable food products.

The headline inflation, measured by the Consumer Price Index (CPI), decreased to 9.6pc in August 2024, the first single-digit figure in more than three years, and the path of slowing down continued in the following months, according to data released by the Pakistan Bureau of Statistics on Monday.

However, there is a rising trend in the prices of sugar, vegetables and edible oils in the domestic market despite declining prices in the international market. The government has allowed sugar exports, especially to Afghanistan, on the plea of surplus stock.

The CPI inflation surged above 10pc in November 2021 and remained in double digits for 33 consecutive months until July 2024. In between, it peaked at 38pc in May 2023, driven by unprecedented food and energy prices.

PM claims govt policies benefiting ordinary people

The current situation in Pakistan reflects disinflation, which signifies a slowdown in inflation. In contrast, deflation occurs when the general price levels decline.

According to the Pakistan Bureau of Statistics, the average accumulative inflation over the last 48 months increased by 82pc, reflected in the retail prices of all consumer items during the period under review. This low inflation does not reflect that the cost of living has come down.

In a statement, Prime Minister Shehbaz Sharif said the slowdown in inflation was a positive move, and lower food costs were benefiting ordinary people.

The premier explained that the declining inflation resulted in favourable growth across all sectors, confirming that the government’s economic policies and actions were on the right track.

In the first seven months of FY25 (July-January), inflation averaged 6.50pc compared to 28.73pc during the same period last year. Analysts attributed the decline to lower global commodity prices, stable exchange rates, higher base effect and better agricultural outputs.

Food, core inflation
Food inflation for January recorded a negative growth of 0.6pc in urban areas and -2.9pc in rural areas, whereas non-food inflation was 5pc in urban areas and 7pc in rural areas. Food inflation was 9.4pc in October 2021. Since then, food inflation has progressively increased, with a record 48.1pc reported in May 2023.

Interestingly, the PBS index shows a dropping trend in food. However, the retail price of food products, except wheat flour and wheat, did not decrease in the open market for consumers.

Core inflation, which strips out volatile food and energy prices, was recorded at 7.8pc in urban areas and 10.4pc in rural areas in January. In the past 13 months, core inflation in urban areas was recorded at 18.4pc in July 2023.
(By Mubarak Zeb Khan Dawn, 09, 04/01/2025)

Debt burden

THE federal government’s total debt stock soared by above 11pc year-over-year to Rs70.4tr at the end of November, new State Bank data shows. But that does not come as a major surprise; debt growth is primarily driven by fresh borrowings for budgetary support. However, the pace of debt accumulation during the current fiscal year has been slower than expected as the stock rose by just 2pc in five months. It is the decreasing burden of interest payments on the back of falling interest rates, and a drastic improvement in the primary balance, which determines the size of the loans that the government must secure to cover the income gap. The SBP slashed its policy rate by 900 bps to 13pc since June as headline monthly inflation plunged to a single digit. Likewise, the primary balance has improved to 2.4pc of GDP from 0.4pc in the last fiscal year. The record non-tax revenue contributed by the SBP from its profits has also helped the government throw up a fiscal surplus of 1.4pc of GDP.

While the government has accumulated fresh debt in the first five months of the year, the SBP data shows that federal and provincial borrowings from the scheduled banks for budgetary support have experienced a significant decline with debt retirement of slightly over Rs2tr against borrowings of Rs2.89tr in the same period in FY24. The federal government repaid an amount of

Rs1.575tr to the banks compared to Rs3.4bn of borrowings a year ago. The future debt trajectory largely depends on the Federal Board of Revenue's performance and a decrease in wasteful public expenditure through the restructuring and sale of state-owned enterprises, besides a drastic reduction in the size of the oversized federal government. The rise in federal debt highlights persistent fiscal challenges as Pakistan navigates one of its severest economic crises, marked by heightened borrowings, to address budgetary deficits as well as balance-of-payments troubles. The situation underscores the need for structural reforms to ensure sustainable fiscal management and to reduce reliance on short-term debt. This is precisely what the SBP had emphasised in its latest monetary policy statement released last month when it called for continued fiscal consolidation to support macroeconomic stability and reiterated the need for fiscal reforms, focusing on broadening the tax base and curtailing the SOEs' losses.
(By Editorial, Dawn, 06, 08/01/2025)

PM boasts of stability after UAE agrees to $2bn rollover

Prime Minister Shehbaz Sharif revealed on Tuesday that the United Arab Emirates (UAE) has decided to roll over a $2 billion debt due this month, providing critical financial relief to Pakistan.

In his televised opening remarks at a federal cabinet meeting that he chaired, the prime minister apprised the members of his "positive and constructive" meeting with UAE President Sheikh Mohamed bin Zayed Al Nahyan in Rahim Yar Khan. They discussed ways to further strengthen bilateral ties and investment cooperation.

According to the premier, the UAE president emphasised moving swiftly on the investment projects and expressed his country's commitment to enhancing its long-standing partnership with Pakistan. During their one-on-one meeting, the UAE president announced the debt rollover.

PM Shehbaz emphasised the need for sustained efforts to stabilise the economy and rebuild the country's global standing. "Due to our collective efforts, the economy is stabilising. We will continue to work hard with the same commitment and devotion. Time is not far from when we will become a prosperous nation and regain our stature. But this needs a journey of sacrifice, blood and sweat and nothing short of that," he added.

The premier stressed that the recently unveiled programme on the homegrown economy required measures to reduce the cost of electricity, which he described as inevitable to boost exports and commerce.

He informed cabinet members that he had chaired a meeting last week to consider reducing power prices with the collaboration of provincial governments and that a "comprehensive" meeting would be held this week on the subject.

On small and medium enterprises (SMEs), the prime minister noted recent progress, including decisions made during a meeting to reconstitute the SMEDA Board. Another meeting on the subject is scheduled for Jan 15.

He also pointed to a rise in textile exports, reiterating the government's focus on export-led growth and diversification into non-traditional exports.

Strengthening ties with Indonesia
The prime minister informed the cabinet that Indonesian President Prabowo Subianto is set to visit Islamabad this month to discuss strengthening bilateral ties. Areas of focus will include cooperation in Halal meat and rice exports and the import of edible oil.

Referring to a recent firing incident in Lower Kurram that injured the deputy commissioner and others, Prime Minister Shehbaz condemned the attack, describing it as an attempt to sabotage a peace agreement. He prayed for the swift recovery of the injured being treated in Peshawar.

He said the government was working in unison to curb the menace of human smuggling, which has led to the death of hundreds of Pakistani citizens and damaged the country's reputation.

PM Shehbaz said he regularly held meetings on the subject with the Ministry of Interior and relevant departments to address the issue.
Cabinet decisions

Later, according to a press release issued by the PM Office, the federal cabinet, upon the recommendation of the Revenue Division, approved declaring the Federal Board of Revenue's (FBR) infrastructure as critical under the Prevention of Electronic Crimes Act (PECA) 2016. This step aims to safeguard sensitive data from cyberattacks or any unlawful intervention.

The federal cabinet, upon the recommendation of the Aviation Division, approved the extension of Flydubai's temporary operating permits for weekly flights between Lahore, Islamabad and Dubai from Jan 4 to Feb 3.

The Ministry of Maritime Affairs briefed the cabinet on public sector imports and exports through Gwadar Port by 11 federal ministries or divisions from March 2024 onwards.

The prime minister directed that all relevant ministries' reports be included in the briefing and a comprehensive report be submitted. He directed that 60pc of all public sector trade be conducted via the port.

The cabinet was also updated by the IT ministry on the rollout of the e-Office system across federal ministries, making government communications

paperless starting Jan 1, 2025. The system has already been implemented in 21 ministries and is expected to save time and reduce expenses. The processing time for summaries at the PM's Office has been cut to a maximum of three days.

The cabinet, upon the recommendation of the Cabinet Division, approved purchasing refurbished Chromebooks for schools and colleges, with a third-party audit to ensure transparency.

The cabinet also approved the signing of a memorandum of understanding (MoU) between the Investment Board and China's Shandong Ruyi Group for establishing textile parks.

The federal cabinet, on the recommendation of the Ministry of Foreign Affairs, approved the signing of an MoU between the ministry's Foreign Service Academy and Serbia's Diplomatic Academy.

The cabinet also ratified decisions made during recent Cabinet Committee on Legislative Cases meetings on Dec 31 and Jan 1 and directed all pending court cases concerning private Hajj operators to be resolved expeditiously.
(By Syed Irfan Raza Dawn, 01, 08/01/2025)

Youth Development Programme fails to achieve results?

In simple words, unemployment is the direct result of a demand and supply imbalance in the labour market. Either the workers do not possess the skills and expertise required by employers or there aren't enough jobs to accommodate a cohort of workers with a specific skillset.

The regrettable outcomes of the Youth Development Program (YDP) indicate that the government neither deliberated over the skillsets imparted to the trainees nor worked towards creating adequate job opportunities for workers with those skillsets.

In 2008, the Benazir Bhutto Shaheed Youth Development Program (BBSYDP) was launched by the Sindh government with the aim of battling unemployment by providing skills training to youth aged between 18-35 years in the province.

However, despite a whopping annual budget of over Rs1 billion, it appears that the program has failed to achieve the desired results, with a significant percentage of trained youth either unemployed or dissatisfied with their job, remuneration and skillset.

According to a survey conducted by the Benazir Bhutto Shaheed Human Resource Research and Development Board (BBSHRRDB) on 3,677 youth trained over the last five years, 68 per cent of the youth managed to secure employment in various sectors including education, health, information technology, agriculture, fishing, textile and beauty however, 27 per cent of the trainees remained unemployed, with many attempting to find employment but unsuccessful.

Furthermore, 21 per cent of the trained youth preferred to pursue further education and training over seeking employment, indicating that the education and training they received had shortcomings that needed to be addressed.

While on the other hand, 17 per cent of the employed youth were not satisfied with their income or job location, which often required them to commute nearly 50 kilometers per day in return for a monthly income of just Rs15,000.

In a conversation with *The Express Tribune*, Dr Kaiser Bengali, a renowned economist, revealed that he was a part of the Sindh government at the time when the BBSYDP was first launched and had opposed the program even then.

"The real issue was of supply and demand, which continues to persist even today. Most of the trainees in the program belonged to districts of interior Sindh, where there were no industries at all. Similar was the situation of an industrial city like Karachi, where instead of setting up new factories, the old ones were shut down. In this case, where would the trained youth get employment? Training the youth alone is not enough since employment opportunities have to be created for them. However, no work has been done in this regard," regretted Dr Bengali.

On the other hand, Naseer Memon, a development expert stated that although the concept of the Benazir Bhutto Shaheed Youth Development Program was a worth appreciating, its effectiveness had decreased over time due to the biased selection of youth for training, which was based on political connections rather than merit," claimed Memon.

Concurring with Memon, Syed Muhammad Ali, Deputy Director of Research and Development at the BBSHRRDB, acknowledged that the potential for political interference in government projects could not be dismissed. However, he maintained that the majority of youth in the training program were still selected based on the basis of merit.

"Overall the past 15 years, more than 525,000 youth of the province have been trained in various fields. The trained youth include 56 per cent men and 44 per cent women. The majority of the trained youth, 79 per cent, were from rural areas, while 21 per cent were residents of urban areas," asserted Ali.
(By Razzak Abro The Express Tribune, 04, 09/01/2025)

World Bank loan

THAT the World Bank will give $20bn to Pakistan in the next 10 years to address some of the country's most acute development challenges, including but not limited to stunting, learning poverty, climate change, and a collapsing energy sector, is a promising development for our struggling economy. The funding, says the bank, "aims to support inclusive and sustainable development through a strong focus on building human capital; fostering durable private sector growth; and building economic, social and environmental resilience in the country". However, the lending, which includes $14bn in concessional debt, will start from next year and likely depend on the execution of the IMF-mandated reforms to correct structural imbalances in the economy.

The promised loan is part of the multilateral lender's Country Partnership Framework, a document that sees the growing militant violence in Balochistan and KP as a major risk to investment under this package in the targeted areas of the economy in those provinces. The bank may not have directly mentioned unresolved political tensions as a risk to the execution and outcomes of its

future interventions in the country in so many words, but does appear concerned about it. “The economy has been subject to successive boom-and-bust cycles driven by structural imbalances and unsustainable fiscal policies, which invariably resulted in ... short-lived reform episodes. The most recent [reform] cycle was exacerbated by political instability... .” the CPF document reads. The new funding package is a major opportunity for Pakistan to “durably take another course” and catch up with its peers in key development metrics by investing in health, education, water and sanitation, and other public services. Nevertheless, success in this endeavour will depend on removal of the causes of low investment and growth: shifting macroeconomic policies fuelled by a volatile polity, a complex and inconsistent business environment, and distortive trade and investment policies that benefit few and limit productivity and exports. The question is, do our politicians and policymakers have the will and patience to undertake the required reforms? Pakistanis have suffered a lot in the last few years and paid a huge price for the failures of our ruling elite. Failure to build on the hard-won, and still fragile economic stability will mean that despite going through long and harsh economic measures, the people would have suffered for nothing.
(By Editorial, Dawn, 06, 17/01/2025)

EV charging cost cut

The government's decision to slash tariffs for electric vehicle (EV) charging stations is welcome news for EV owners which could also significantly increase interest in the nascent market. While EVs have been around for several years now, and hybrids are common in many countries, inconsistent government support - often in the form of contradictory policies - has made EVs too expensive to buy and operate.

This includes a federal policy several years ago that gave favourable tax status to imported EV cars under a certain power capacity threshold, at a time when no major EV producer actually had a car that could meet the requirement. Similarly, in recent years, investing in EV charging facilities has been unnecessarily risky due to the low profit margin caused by price controls imposed by regulators not matching up with the cost of electricity. But these new prices could help significantly increase demand, as the cost per kilometre could decrease up to threefold, compared to petrol or diesel vehicles. Refining the EV charging station policy to make it more profitable for owners while also ensuring low prices for consumers would encourage more stations to open, which is critical if the government's goal of significantly increasing the number of EVs on the road is to be met.

A critical factor here is that range anxiety - fear of the battery running out at an inconvenient location - continues to be a major barrier for potential EV buyers. While costlier modern EVs have full charge range equivalent to similar fuel-powered cars on a full tank, more affordable models still have low range, which means potential buyers would want the reassurance of knowing they are always close to a charging station. Increasing demand for EVs would also bring long-term benefits through reduced fuel imports and less environmental costs from vehicle operations which, as the air quality in several cities has shown, would be a welcome respite for all.
(By Editorial, The Express Tribune, 14, 18/01/2025)

Panda bond

ISLAMABAD’S plans to raise $200m from China’s capital markets through the inaugural issue of a Panda bond this year to boost its finances and diversify funding sources will be a major test of investor sentiment. Finance Minister Muhammad Aurangzeb has on multiple occasions reiterated plans to enhance Pakistan’s presence in China’s capital markets through the yuan-denominated Panda bond. Though it may not be difficult for the country to raise these funds, it will not be a walk in the park either as Chinese investors seem wary of Pakistan’s heavy dependence on continuous Chinese debt rollovers and its request for rescheduling of energy loans of nearly $15bn due to a liquidity crunch. A recent media report suggests that China’s Exim Bank is not too enthused about giving “concessional loans to Pakistan, citing a limited window and concerns over non-payment or delayed payments to Chinese power generation companies”.

The success of the bond will also help determine how quickly Pakistan can return to the international bond markets to raise the planned $2.5bn in Eurobonds. Islamabad has not tapped the global bond markets since 2021, when it sold a debt of $3.5bn in five- 10- and 30-year tenors to international investors, due to a balance-of-payments crisis which had led it to nearly default in 2022 before the IMF came to its rescue. Even though the crisis has been managed and international rating agencies somewhat upgraded the country’s credit ratings, international investors remain concerned over the slow implementation of structural policy reforms amidst stagnant foreign official and private inflows. This is in spite of official optimism that the ratings will further be upgraded from the present junk category to investment grade in the coming months as the IMF-mandated reforms are executed to boost the recent economic stabilisation. The optimism notwithstanding, investors, including the Chinese, would want speedy and tangible progress on reforms before they bet their money on us.
(By Editorial, Dawn, 06, 21/01/2025)

$1bn loan agreed with two Middle Eastern banks

Finance Minister Muhammad Aurangzeb said on Tuesday that the government has agreed terms for a $1 billion loan with two Middle Eastern banks at a six to seven per cent interest rate, as Pakistan looks for more financing.

“With two institutions we have now gone forward in signing up the term sheet — one bilateral and one for trade (finance),” he said during an interview on the sidelines of the annual World Economic Forum meeting in Davos.

Mr Aurangzeb added that the loans were short-term, or up to one year.

State Bank of Pakistan Governor Jameel Ahmad told Reuters in August that Pakistan aimed to raise up to $4bn from Middle Eastern commercial banks by the next fiscal year.

Mr Aurangzeb said that Pakistan was aiming to discuss with ratings agencies a move towards a single B rating, hoping to see an upgrade in the coming months.

"Ideally I would like to think that some action in this direction can take place before our fiscal year is over, which is this June," he said.
Moody's upgraded Pakistan's ratings to 'Caa2' in August, citing improving macroeconomic conditions, and Fitch raised its rating to CCC+ in July following the staff-level agreement with the International Monetary Fund (IMF).

However, both these ratings are still deep in sub-investment grade — or "junk" — territory.

The government aims to boost its finances after securing a $7bn IMF bailout in September 2024, with the first review set for late February.

"We have the first formal review of the extended fund facility (EFF) coming through towards [the] end of February," Aurangzeb said. "I do think we are in good stead for that review."

IMF EFFs provide financial assistance to countries facing serious medium-term balance of payments problems resulting from structural weaknesses that require time to address.

In October, Aurangzeb said the government had made a formal request for around $1bn in funding from the IMF via its Resilience and Sustainability Trust (RST).

The RST, created in 2022, provides long-term concessional cash for climate-related spending, such as adaptation and transitioning to cleaner energy. Pakistan is one of the most vulnerable countries to climate change, according to the Global Climate Risk Index.

Aurangzeb said the government will take discussions forward on RST financing when the IMF mission visits for the first review of the EFF programme.

"I'm hoping in the next sort of six to nine months, we can get there with the Fund as well," Aurangzeb said.

Cash-strapped Pakistan failed last year at an attempt to offload a 60pc stake in debt-ridden flag carrier Pakistan International Airlines (PIA) which is part of an effort to raise funds and reform state-owned enterprises as envisaged under the ongoing bailout programme.
"In the next five to six months we should get to a good outcome," the minister said, referring to the privatisation of PIA.

He cited better business prospects after the European Union's aviation regulator lifted its 4.5-year ban on the flag carrier, with flights to Europe resuming this month.
(By Routers Dawn, 01, 22/01/2025)

Need to connect

RECENTLY, the inveterate champion of women's rights and the performing arts, Sheema Kermani, held a roundtable on rising violence, militant extremism, climate change, and poverty with a focus on women and minorities. Nothing was left unsaid in the over two-hour meeting that brought together unstoppables like Tahira Abdullah and Maryam Palejo. But then, so much is happening in this country that people are overwhelmed and such occasions allow participants to vent their anger. Can one really fault the activists for exceeding the five minutes allotted to each speaker? Moreover, such moots end up as an attempt to convert the converted. To be meaningful, such gatherings must end with feasible recommendations.

If an answer has to be found to this madness that now grips our society, it is important to analyse the causes of extremism and on the basis of that, suggest strategies to counter it. Arif Hasan, a social activist, gave an excellent analysis. But we were left wondering what should be done.

According to Arif, the downward slide started with the advent of Gen Ziaul Haq's regime. His repressive policies denied the youth freedom of activity that had previously facilitated their self-expression. The ban on student unions meant an end to debates, sporting events, cultural performances such as dance, music, etc.

The focus of all resistance was on opposing political repression. Even today, it is believed quite mistakenly that elections and democracy will resolve our problems.

What we see today is the result of the indoctrination of the last 45 years.

Here I may further add that Gen Zia's major achievement — if this word can be used in the context — was to change the mindset of the youth to ensure that the future of Pakistan was also changed. Soon after seizing power, he sought civilian support by enlisting the cooperation of the Jamaat-i-Islami and other religious parties. In those critical years, the JI held the education portfolio. The madressahs acquired unprecedented importance, and curricula were duly reshaped to suit the general's Islamisation agenda.

This dimension of our educational life was never reversed even in the post-Zia era when civilian parties returned to office. What we see today is the result of the indoctrination process of the last 45 years, when generations of youth have lived the most impressionable years of their lives under a system bequeathed by Zia. Every new education policy has been more regressive than that of its predecessor. The madressahs are gaining a foothold in our education system. That is not how it was in the early years of Pakistan when I went to school.

Where do we go from here? The strategy I would suggest and have always suggested is person-to-person communication. It has never been tried in Pakistan. If anyone has come close to what I believe to be the need of the hour, it is Sheema Kermani herself. But her strategy will have to be upgraded, expanded and made reciprocal. If numerous groups of young men and women committed to change were to go out and connect with people talking to them, listening to them and exchanging views personally and reciprocally with them, perhaps they can spark a meaningful dialogue. But they are insecure and their insecurity must be addressed.

I can give three examples of women I have met who claimed to have tried this approach and found that it had an impact. They were Khushi Kabir of BRAC in Bangladesh, Dr Roop Rekha Verma of Saajhi Duniya in Lucknow and the American feminist activist Gloria Steinem whose logo read, “Talk, listen and connect”.

This approach is more effective because to speak to a person on her turf has a greater impact and she is comfortable there and has confidence. Besides a crowd mentality is dif-ferent from a small group’s mentality. A crowd is always dominated by its leaders who do not allow any of its members to deviate from the given line. It is easier to have a dialogue with individuals rather than a huge gathering.
Khushi told me how her groups walked from village to village to talk to the women in informal gatherings where they were given full freedom to articulate their point of view. Verma, who left her job as the vice-chancellor of Lucknow University to connect with women, continues to advocate for the cause of gender equality and communal harmony in Narendra Modi’s India.

I think in present-day Pakistan this strategy is worth a try using mixed groups. After all, Mashkoora of the Ali Hasan Mangi Memorial Trust, Kheiro Dero, talks to men about family planning on equal terms. If a beginning were to be made, a critical mass of moderate thinking might be created that could generate its own momentum for change.
(By Zibeida Mustafa Dawn, 07, 24/01/2025)

PM hails $20bn World Bank partnership to boost growth

Prime Minister Shehbaz Sharif on Thursday hailed the $20 billion Country Partnership Framework (CPF) as a landmark initiative, even as a World Bank official acknowledged they were ‘taking a risk’ by offering Pakistan the unusual decade-long partnership.

Addressing the launch ceremony of the decade-long CPF, the prime minister described it as a transformative partnership marking the longest development collaboration between Pakistan and the Bank, forged through years of strategic cooperation to promote employment opportunities, IT-led development and climate resilience while ensuring economic stability..

He emphasised that the framework aims to address Pakistan’s pressing economic and developmental challenges while fostering growth, resilience and technological progress.

The prime minister commended the World Bank for its support through pivotal projects, including hydropower, water management and economic reforms. He expressed gratitude to the World Bank team for their leadership in shaping the framework, calling it a timely intervention to help Pakistan overcome immense challenges.

Highlighting progress in digitising the Federal Board of Revenue (FBR), PM Shehbaz announced a pilot project at Karachi Port aimed at curbing corruption by reducing collusion between importers and customs officials. The initiative involves faceless interactions to enhance inland revenue collection.

“These funds will be channelled into social protection projects for Pakistan’s most vulnerable populations,” he explained.

PM Shehbaz assured the government’s all-out commitment to implementing the CPF, urging unity among politicians, experts and bureaucrats to achieve the framework’s ambitious targets.

‘High risks’
Speaking at the launch event, World Bank Country Director Najy Benhassine acknowledged the high risks involved in the decade-long partnership, which includes an indicative $20bn plan. He noted that sector-wise allocations, output targets and implementation strategies would require further consultations.

“We are ambitious in taking risks,” Mr Benhassine said, urging other development partners to join efforts to address Pakistan’s vast developmental needs. He added that the framework’s success depends on structural and policy reforms and would involve course corrections to address shortcomings and adapt to changing circumstances.

World Bank Vice President for South Asia, Martin Raiser, highlighted Pakistan’s pivotal moment, with macroeconomic stabilisation taking hold and the recent launch of the National Economic Transformation Plan, Uraan Pakistan. He described the CPF as a timely and strategic collaboration designed to complement government efforts while addressing critical challenges.

The CPF outlines six key outcomes with ambitious 10-year targets, including reducing child stunting, addressing learning poverty, enhancing climate resilience, transitioning to cleaner energy, and improving air quality.

“This document will indeed serve as a long-term anchor for our joint commitment to address key country development needs, in alignment with the government’s priorities, and for the benefit of the people of Pakistan,” Mr Raiser said.

However, he stressed that the World Bank resources will not be enough to reach these joint ambitions. “The CPF approach aims to crowd in much-needed private capital in underinvested parts of the economy, including with the support of our private sector arms, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA),” he said. “Unlocking private investment in priority sectors will require a mix of public and private sector solutions and enabling policy reforms.”

He emphasised that besides the CPF, other partnerships would be critical because more resources would be needed to have an impact at scale, which would require close collaboration with other multilateral and bilateral development partners of Pakistan.

By fostering alignment and leveraging joint programmes, the new CPF aims to ensure that efforts are harmonised and resources are utilised efficiently and based on each other's comparative advantages.

"We can step back in sectors where other partners or the private sector, including IFC, can take the lead," he said. "Focus, leverage and long-term approach anchored on tangible targets: this is a shift in the way we engage with Pakistan. It reflects a broader change in the World Bank's new country engagement model and Pakistan is a pioneer in this approach."

Challenges, opportunities
Responding to questions about political considerations, Mr Benhassine said the CPF's focus on key areas — such as climate resilience, private investment and fiscal reforms — was widely supported across political and social segments.

"Some of them wanted additions here and there but focus (on selected areas) was shared," he said, adding that a 10-year plan was precisely meant to ensure steady efforts and make adjustments accordingly.

He agreed that macroeconomic targets used in the five-year Uraan Pakistan plan and the CPF might vary but explained that the World Bank's table was also indicative, and the bank issued macroeconomic indicators twice a year in October and April for the respective fiscal year.

The IFC country manager for Pakistan and Afghanistan, Zeeshan Sheikh, highlighted the required investment scale, estimating $250-350bn for climate action alone during the CPF period.

Mr Sheikh noted that leveraging private sector investment alongside World Bank resources would be critical for achieving developmental goals.

Mr Benhassine said the CPF would be subjected to a Performance and Learning Review (PLR) in the fiscal year 2030 and maybe even before if needed and is anchored around six outcomes focused on Pakistan's most critical development needs.

He said digital connectivity and financial inclusion were central to many of the targeted outcomes, but he sidestepped a question if the authorities also shared its enabling importance as interruptions to digital and internet services were being caused by the authorities.

"Digital is 100 per cent enabler and facilitator for development, with immense potential to improve quality of services," he said.
(By Khaeeq Kiani Dawn, 01, 24/01/2025)

World Bank's view

PAKISTAN is at a critical point. Inconsistent and poor economic policies of the past have had an adverse impact on living standards, businesses and the environment. Resistance from the ruling elite to reform has exacerbated the situation for ordinary citizens, with recurring crises hitting them harder than ever before. No wonder the country has fallen far behind its peers in recent years. The World Bank, which has committed $20bn in lending to Pakistan over the next 10 years to focus on development issues such as the impact of climate change and private sector growth, wants the government to implement wide-ranging economic reforms to rectify matters. During an exclusive conversation with Dawn last week, the bank's vice president for South Asia Martin Raiser attributed many of Pakistan's long-standing challenges to the country's failure to carry out energy, water and revenue reforms over the past decades. In his view, it is crucial to implement reforms to address the myriad challenges the country faces in order to ensure improved economic development and prosperity for its citizens.

The World Bank is not the only creditor that consistently emphasises the urgent need to execute policy reforms to correct the deep-seated structural imbalances in the economy, which are impeding growth. Other multilateral agencies and bilateral creditors, too, have urged Islamabad to course correct. The reforms suggested by Mr Raiser — who was at the launch of the bank's Country Partnership Framework under which $14bn have been committed in concessional loans and $6bn at higher rates — are not new or unique. He has basically argued in favour of major policy shifts to put the economy on the path to growth by improving public services and helping the poor through social protection programmes, improving fiscal management to reduce the burgeoning budget deficit and address distortions in economic, trade, energy and farm policies. Many countries, including Indonesia, India and Vietnam, have previously leveraged their economic crises to pursue reforms to achieve large private foreign investments and higher growth rates to substantially cut poverty and improve living standards. If they can do it, why can't Pakistan? It is time our politicians and policymakers listened to the world and took the decision to jettison past patterns and move towards a new economic policy paradigm. Ambivalence is not likely to get us anywhere.
(By Editorial, Dawn, 06, 27/01/2025)

Rising foreign debt, lack of social security contributing to poverty: report

Findings of a recent report have shown that poverty has increased in Pakistan over the years and has left people vulnerable in various ways mainly due to the lack of social security programmes, increasing foreign debts and disproportionate allocations of the gross domestic product (GDP) among other important factors.

The 7th Triennial Poverty and Vulnerability Report, compiled by the South Asia Alliance for Poverty Eradication (SAAPE), was launched by the Pakistan Institute of Labour Education and Research (Piler) at Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology (Szabist) here on Monday.

Abida Ali, core committee member of SAAPE, who also moderated the event, shared some key finding of the report which showed that "Pakistan spends less than 2 per cent of its GDP on social protection, significantly below the global average of 11.2pc. Only 9.2pc of the population is covered by at least one social protection programme, with particularly low coverage for vulnerable groups: children (5.4pc), persons with disabilities (1.7pc) and the elderly (5.8pc)."

Speaking about the report, economist and researcher Dr Asad Sayeed said that poverty has increased in Pakistan during the past five-six years and with very few social protection programmes, people have become vulnerable.

Expert says country's debt is 'four times higher than defence budget'

"Our biggest issue is that the country's debt has significantly increased. Defence expenditure is quite a lot also, which is an issue, but that has been so for decades. Ten years ago, our debt was lesser than the defence expenditure, but now the debt is four times higher than defence budget," he said.

Compared to other South Asian countries, especially Sri Lanka and India, he said social security in Pakistan is very limited, pointing out issues of macro-management and tax collection as other major reasons behind rising poverty.

"Apart from that, there is institutional weakness in Pakistan, both at the federal and provincial levels," he said. "There are a few social protection bodies, but they don't do their work effectively, and therefore, the resources and funds allocated for the poor often get wasted elsewhere."

Rights activist Mehnaz Rehman focussed on the report's findings concerning gender disparity in South Asian countries.

Speaking about Pakistan, she said that the social and political system here is patriarchal, which does not treat women equally. As a result, women in the country are poorer and more vulnerable than men.

"In such a society, women's issues are not a priority. However, women have more burdens and responsibilities than men, yet their work is not even acknowledged as it should be. The worst affected are those who work in the so-called informal sector. There is also a wage gap between men and women, with men being paid more. Women lack ownership of land and other resources. Amid all this, there are no support systems for them, which are desperately needed," she said.

She also highlighted how a sizable number of women are malnourished and underfed, which in turn leads to the birth of malnourished children.

Dr Riaz Shaikh, dean Faculty of Social Sciences at Szabist, said the report showed that the elite has a control over most resources in the country and its economy due to which they keep become richer while the poor remain poor.

He also pointed out that as compared to other continents, South Asia is the least connected region where the countries do little trade with each other or form economic ties, which, if done properly, will reduce poverty.

"Besides poverty, there is extremism and terrorism. The education sector is also in a bad state. Public sector university teachers are not being paid timely salaries, while retirees are not receiving pensions for months. If all these issues are not addressed, they will lead to a crisis that will be very difficult to resolve," he added.

Pakistan Peoples Party (PPP) MPA Maleeha Manzoor said that if policies had been followed consistently, the state of affairs would have been better in terms of social protection.

However, she praised the PPP government for always being "pro-people" and noted that Sindh is the only province working more on public welfare programmes compared to others.

Sindh government spokesperson Sukh Dev Hemnani said that the budget allocation for social security should be more than 3pc, as only that could help ensure poverty eradication. He also emphasised the need to restructure debt through climate financing and other climate-related projects.
(By Waqas Ali Dawn, 13, 28/01/2025)

GSP-Plus warning

Pakistan, it seems, is running into a serious problem with the European Union. The privilege of GSP-Plus is under the scanner, and indications emanating from a visiting EU mission reveal that it has taken serious exceptions to the flaunting of international protocols on human rights, civil liberties, freedom of speech and religious association. The mission led by Olof Skoog has made it clear that Islamabad should look into the alleged excesses reported in these realms, warning it that the trade benefits enjoyed cannot be "taken for granted". This is tantamount to an indictment of the country on governance, underscoring an indispensable necessity of indulging in some deep introspection.

The GSP-Plus is a lifeline of sorts in exports for a melting economy, through which Pakistani products have an instant access to EU markets on duty-free or minimum duty. It has to be noted that Pakistan exports goods worth more than $9 billion to the EU, accounting for almost 30% of total exports to the world. Losing this staggering business would be myopic, and all that is desired is to put the house in order and come out clean by addressing the concerns of a major trading partner.

The EU mission has reasons to point a finger at Pakistan's dismal record of human rights and political freedom, as the last two years of crisscrossing suggests too many crests and troughs. It is also a given that Pakistan is duty-bound to implement the 27 international conventions on human and labour rights, environmental protection, climate change and good governance, to continue having GSP-Plus facilities, and any lapses at home cannot be just brushed aside.

While the delegation has met several movers and shakers in the government and society, as well as the Chief Justice, it is incumbent upon Pakistan to come up with tangible improvements. Glaring issues such as those spotted by the commission, trying civilians in military courts, usurping fundamental rights and legislating to curb freedom of the press, solicit an immediate course-correction. Time to end the ostrich syndrome and work inwardly for a better tomorrow.
(By Editorial, The Express Tribune, 14, 01/02/2025)

Toll tax hiked by 25% on M-9

Toll tax has been increased once again on the Karachi-Hyderabad Motorway M-9, marking the second hike in seven months. This new toll rate applies to vehicles traveling in both directions and is applicable with immediate effect. The last increase occurred in July 2024, and now, seven months later, in February 2025, it has been increased by 25 per cent for vehicles without M-tags.

According to a notification issued by the National Highway Authority (NHA) Directorate of Revenue Finance Wing Islamabad, Aamir Ali, the increase aims to implement 100 per cent Mtag usage on all motorways nationwide. As a result, vehicles without M-tags will be required to pay an additional 25 per cent toll, effective from February 2025, with collections already underway.

Due to the recent increase in tax rates, the following changes are now in effect for various vehicle categories.

Vehicles in the F1 category, which include cars, jeeps, Land Cruisers, Pajero Jeeps, Suzuki vehicles, vans, pickups, and their equivalents, will now be taxed Rs460, up from Rs 360. Wagons in the F2 category will now pay Rs780, an increase from Rs560. Wagons, Coasters, Mazda vehicles, and minibuses with 13 to 24 seats (F3 category) will see their tax rise to Rs1,080 from Rs870.

All buses in category F (which have more than 24 seats) will now be taxed Rs1,540, up from Rs1,260. Two or three-axle trucks in category F will pay Rs2,080 instead of Rs1,660. For six-axle vehicles and trailers in category F, the new tax will be Rs2,640, increased from Rs2,120.

This increase specifically targets non-M-tag vehicles. Many vehicle owners have not installed MTags, resulting in them paying extra taxes, particularly since most of these vehicles are used as taxis.

The tax has been imposed on various interchanges between M-9 at Lonikot, Thana Bulla Khan, Nooriabad, Panjal Makan, Hubsari, Commander City TB, DHA and Edhi, DCK, Kadhor, Bahria Town, Damba Goth, with the 25 per cent increase now in effect. As a result, commercial vehicles operating between Karachi and Hyderabad, such as passenger cars, coaches, and vans, have also hiked their fares.

It is important to note that on March 11, 2015, former PM Nawaz Sharif laid the foundation for this project, which was built by the Frontier Works Organization (FWO) for Rs36 billion. However, many promised facilities remain absent despite collecting billions of rupees in taxes.

Essential link roads have not been constructed, and 80,000 trees have yet to be planted due to environmental concerns. No emergency response centres are available for accidents, and fire safety resources are inadequate-especially since travel between Karachi and Hyderabad takes approximately two to two and a half hours. Initially planned as an eight-lane motorway, the project continues to function as a six-lane road.
(By Newspaper's Staff Reporter, The Express Tribune, 04, 04/02/2025)

A deserving raise?

A RAISE in the salaries of members of parliament and the provincial legislatures in Pakistan always evokes a strong negative reaction, at least from vocal segments of society, including the media. In 2019, the increase in the salary of Punjab Assembly members by the PTI-led provincial government led to such intense criticism that the raise had to be held back on the directions of the then prime minister Imran Khan, but was silently implemented after a few weeks.

The most recent raise granted to MNAs in January this year was no exception, as widespread criticism was heaped on the legislators from all major parties who, despite their differences, had taken a unanimous stand to demand a hefty salary raise. In response to mounting pressure from the legislators, the National Assembly Finance Committee, constituted under Article 88 of the Constitution and headed by the Speaker, ended up approving in the last week of January an increase of about 176 per cent, almost three times the previous salary of Rs188,000 enhancing it to Rs516,000 per month for MNAs. The committee's decision received Prime Minister Shehbaz Sharif's approval within days, and the new salaries were notified by the Speaker by Jan 31. The increase became effective from Jan 1, 2025. A similar raise for senators is also in the works and it is expected that the increase in this case will also be effective from the same date.

MNAs had received their last raise about nine years ago. Interestingly, although Section 14B of the Members of Parliament (Salaries and Allowances) Act, 1974, updated as of July 2024, provides that the "salaries, allowances and privileges of members shall automatically be increased by the Finance Committee of the National Assembly Secretariat by notification in the official Gazette in proportion to the increase in the emoluments of the civil servants", no such automatic increase was approved in the past years, apparently because of fear of a public backlash. This is so despite the fact that the salaries of civil servants were increased almost every year at the time of the passage of the annual budget. During the approval of Budget 2024-25, for example, the salaries of civil servants of pay scales one to 16 and from 17 to 22 were increased by 25pc and 20pc respectively.

In the meantime, the procedure to adjust salaries of members of parliament has also been altered. Earlier, the Members of Parliament (Salaries and Allowances) Act, 1974, was amended by parliament each time a change was to be made, but later, the National Assembly Finance Committee was authorised to approve the adjustments in the Finance Act, 2024.

The recent increase in legislators' salaries is in sync with similar raises for other public officials.

The Balochistan Assembly had taken the lead to significantly increase the monthly salaries of its members to Rs440,000 in October 2014. The Punjab Assembly sprang into action much later in 2024, when the salaries of its members were increased from Rs176, 000 to Rs500,000 per month. The members' monthly salaries in the provincial assemblies of Sindh and KP, in the meantime, remain modest at Rs145,000 and Rs160,000 respectively. It seems that it won't be long before these two assemblies also increase the salaries of their members after seeing the pattern of increase in the other two provincial assemblies and the National Assembly.

The recent increase in the salaries of legislators is not out of sync with similar raises given to other public officials. The house rent and judicial allowance of the judges of the Supreme Court and the high courts were increased by over 200pc in November 2024, after which the salaries of their lordships are estimated to touch around Rs2 million per month, excluding perks such as fully maintained and chauffeur-driven vehicles, etc. The salaries of the superior court judges are generally higher than the salaries of national legislators but an analysis of the data presented in the Commonwealth Parliamentarians Pay and Remuneration Survey Output Report indicates that the salaries of judges are higher by a much greater margin in Pakistan than in several Commonwealth countries such as Australia, where judges earn 198.74pc more than legislators. In India and Bangladesh, judges earn around 150pc and 91pc more than legislators respectively. In Pakistan, this disparity was around 433pc in 2021. Although it has come down to 287pc after the recent raises in legislators' salaries, it remains higher than in many countries.

Since legislators are public figures and mostly lead a fish-bowl life, it is natural that their emoluments and raises invite much greater attention. However, populist rhetoric aside, much of the criticism on the recent increase is not justified. Being a legislator is more than a full-time job, and a member who has to do justice to his or her duties within the assembly, parliamentary committees, a large constituency and parliamentary party, has to put in considerable time and effort, often at a huge cost to his or her personal life. It is true that, in general, legislators' performance leaves much to be desired and that is what prompts most of the criticism, but it is also the strong preference of their constituents which forces them to spend a major part of their time outside the assemblies focusing on resolving the personal issues of their constituents and trying to secure development projects for the constituencies. Unless the quality of our governance considerably improves and local governments become effective, it is unlikely that the legislators' time will be spent differently.

If we wish to attract accomplished and professional persons to our legislatures, we should be prepared to pay them salaries closer to market rates. We should not assume that all legislators come (or will come in the future) from affluent classes, with huge disposable incomes. Middle-class professionals will require decent emoluments for doing the tough job of a legislator. The increased salaries should therefore be accepted as a cost of the effort to befittingly run democratic institutions.
(By Ahmed Bilal Mehboob Dawn, 06, 06/02/2025)

Disabled colliers

KHADIM Faqir (not his real name), 27, still remembers the fateful day nearly four years ago when the 1,200-metre-deep coal mine he was working in, collapsed. Days later when he regained consciousness, he found himself paralysed waist down. He never walked again. Struggling with scores of injuries, applications, affidavits, photocopies, attestations, certificates, X-rays and hospital reports, he still awaits the release of the promised Rs300,000 — the meagre compensation promised to permanently disabled miners.

Abid Yaar, general secretary of the Shangla Coal Mine Workers' Association, says that 8,543 miners in the past 40 years had become permanently disabled either because of an initial accident or having developed other diseases as a result of prolonged exposure to coal dust in the mines.

Halim Khan, general secretary, Pak Central Mines Labour Federation, has compiled data for 237 miners who died in mine accidents across Pakistan in 2024. He estimates the number of disabled to be much higher. The government has little data of registered coal mines, let alone the thousands of unregistered mines that operate unchecked in broad daylight. Ironically, the disability compensation is available only to the workers of registered mines. Is it a disabled miner's fault if the mine he worked in was not registered by the government?

Mine accidents, if not fatal, often leave the miners with lifelong disabilities like broken vertebrae or clogged lungs. Receiving the government disability compensation, a mere pittance at Rs300,000, involves labyrinthine procedures conspicuous by complexity and runarounds.

Even injured miners are not spared complex official procedures.

Consider a real-life example of a recent advertisement for grant of financial compensation to disabled miners. The government expects an illiterate disabled (possibly paraplegic) miner in a remote village to accomplish the following tasks by Feb 20, 2025 (why a cut-off date?). The miner must log on to a computer, go to a given website and fill, download, and print a registration form and an application form. The printed forms must then be taken to the lease holder for his verification signature and stamp. Next, the miner must visit the district assistant commissioner for mines, for his approval (or rejection) signature and stamp.

The disabled miner must also prove his disability by going to a government hospital for examination and obtaining a disability certificate. This certificate along with the X-rays and photographs of his injuries must then be presented to the provincial Social Welfare Department for verification and approval. As if this backbreaking ordeal were not enough, the disabled mine worker must also visit the inspector of mines to obtain a certified copy of the accident's inquiry report.

The complete set of documents, ie, approved forms, copies of CNIC duly attested by a Grade 17 or above officer, Schedule A (whatever that may be), an appointment letter (almost never given to a miner) signed and stamped by the lease holder, the Social Welfare Department's approval certificate, and a certified copy of the inquiry report must be put together and submitted to the Mines Labour Welfare Department. Those familiar with bureaucratic inefficiencies can imagine the number of visits, waiting times, objections raised, and the 'chai pani' built into each of these processes. The insurmountable requirements could take months, if not years. No wonder, in 2024, only 29 disabled miners could cross this hurdle — in a province that is home to the largest number of disabled miners.

Here are some specific recommendations that could radically simplify these irrational complexities. Begin by implementing the 187-page ILO Code of Practice for Safety and Health in Coal Mines. Next, register every mine, however small, and assign a unique digital identity. Establish a live web-based database of all mines. Details of each miner's CNIC (to avoid child labour), EOBI number, appointment letter, training certificate, photograph and safety equipment provided must be uploaded on the website before a miner is permitted to enter a mine. Each mine's database must also include accidents, deaths, injuries, inquiry reports, and third-party audit results. Thus, a disabled miner would never be required to provide a single document or visit a single office, if all information was already there in government records.

The only way to break the cycle of utter incompetence, greed and callousness of the government departments is to make the entire system digitally transparent, not just for the mine departments, but also every citizen of Pakistan. Absence of information has crippled the safety and lives of our mine workers.
(By Naeem Sadiq Dawn, 07, 16/02/2025)

IMF, Pakistan to open $1bn climate finance talks

An International Monetary Fund mission will arrive in Islamabad next week to discuss around $1 billion in climate financing for Pakistan, an adviser to the finance minister said on Thursday.

Khurram Schehzad told *Reuters* that the mission would visit from Feb 24 to 28 for a "review and discussion" of climate resilience funding.

The disbursement will take place under the Fund's Resilience and Sustainability Trust, created in 2022 to provide long-term concessional cash for climate-related spending, such as adaptation and transitioning to cleaner energy.

Pakistan made a formal request in October last year for around $1bn in funding from the IMF under the trust, to address the nation's vulnerability to climate change.

The country's economy is on a long path to recovery after being stabilised under a $7bn IMF Extended Fund Facility it secured late last year.

Another IMF mission will arrive in Pakistan in the first week of March for a first review of that facility, Mr Schehzad said.

The Global Climate Risk Index places Pakistan among the countries most vulnerable to climate change.

Floods in 2022, which scientists said were aggravated by global warming, affected at least 33 million people and killed more than 1,700. The country's economic struggles and high debt burden impinged on its ability to respond to the disaster.

Structured climate financing
Meanwhile, Senator Sherry Rehman on Thursday stressed the urgent need for structured climate financing to address the country's growing environmental challenges.

Ms Rehman, chairing the Senate Standing Committee on Climate Change, highlighted Pakistan's financial constraints compared to Bangladesh, calling for immediate intervention.

During the meeting, discussions centred on bridging the estimated $340bn funding gap required for sustainability in collaboration with the Ministry of Finance.

"Climate finance is more than just pledges; it requires accessible funds and institutional capacity for resilience," Ms Rehman said. "Our current financial frameworks are inadequate, and without a robust strategy, Pakistan will struggle with climate adaptation and mitigation."

According to a statement, Finance Minister Muhammad Aurangzeb acknowledged the challenges and stressed the importance of a structured approach, incorporating key enablers such as the National Adaptation Plan and National Climate Finance Strategy. He emphasised the need for clear definitions of green technology to enable effective monitoring.

He also noted that the World Bank's Country Partnership Framework prioritised climate financing, while ongoing discussions with the IMF under the Extended Fund Facility aim to secure around $1bn. However, bureaucratic hurdles continue to obstruct climate fund access, necessitating streamlined processes, he stressed.

Sherry Rehman and the finance minister agreed on the need for innovative climate financing mechanisms to mobilise resources effectively. They also reviewed the Electric Vehicle (EV) Policy, with Ms Rehman emphasising its importance in reducing emissions and combating urban pollution.

"Punjab's smog crisis and the broader energy transition depend on active EV adoption," she said.

Mr Aurangzeb echoed this sentiment, noting that policy alignment in the budget is crucial for EV initiatives. He announced the formation of an advisory board to oversee policy implementation and address taxation anomalies hindering EV adoption.

"Removing these barriers will incentivise importers and manufacturers, facilitating a shift to a cleaner transport system," he added.

Ms Rehman also called for urgent reforms in carbon sink management, particularly in mangrove restoration. She urged policy adjustments to enable Sindh to utilise its delta resources more effectively.

"Private funding alone is unsustainable. We must explore innovative financing options, including foreign markets for waste management," she said.

She further advocated for structured project metrics, debt swaps and institutional agility to enhance financial viability.

“Climate action cannot succeed without direct involvement from the finance and planning ministries. A dedicated financial cell within the Ministry of Finance is essential,” she said.

The session also brought together other key stakeholders, including senators Bushra Anjum Butt and Sarmad Khan, the PM’s Climate Change Coordinator Romina Alam, and revenue officials.
(By Jamal Shahid Dawn, 01, 21/02/2025)

Paying taxes

FINANCE Minister Muhammad Aurangzeb’s ‘hard talk’ at a retail business conference on Thursday was long overdue. While appreciating the retail sector’s substantial contribution to employment and GDP, he nevertheless took the retailers to task for their negligible tax contribution, warning them that the country could not afford yet another “boom-and-bust cycle”. “Every sector must contribute to taxes. The current burden on the salaried class and manufacturing sector is unsustainable,” he said, while urging the retailers to ‘formalise’ their businesses and contribute to national prosperity since the time for free rides was over.

Indeed, as minister, Mr Aurangzeb has been saying all the right things. But it is time for him to walk the talk. Appealing to the good sense of tax evaders will no longer do. The utter failure of the Federal Board of Revenue to meet the revenue target under the Tajir Dost scheme underlines the need for harsher measures to enforce the tax laws. Retailers are not the only tax dodgers. Those profiting from urban real estate and the ones in the agriculture supply chain, too, are paying only a fraction of what is due to the system in taxes. Making laws does not automatically increase tax compliance. Take the example of real estate. There are various federal and provincial levies on property transactions. However, not even a handful of people pay the exact amount that they are supposed to.

Even the organised industry is not paying what it owes to the national exchequer in taxes. The tax gap in the textile industry, especially at the spinning stage, is estimated by the FBR to be Rs700bn. The increase in agriculture tax rates will not boost revenues from this sector; it will require strict enforcement, the use of technology and, of course, strong political will to enforce the amended law. After retailers, the minister must also pay a visit to his friends in the business of real estate, who are seeking amnesty for the realty sector to ‘grow the economy and create jobs’. It is time they also got a hard talk from him. More importantly, he needs to sit down and talk to his cabinet colleagues who are pushing for such moves to get premature growth for political and personal reasons. That would be the hardest part of his job but without reining in these elements in government, no reform effort can succeed.
(By Editorial, Dawn, 06, 22/02/2025)

Meltdown metrics

SCIENTISTS are speaking with renewed urgency, reminding us that the Earth is approaching a critical threshold, with evidence suggesting sustained global warming at or beyond 1.5 degrees Celsius, the limit set by the Paris Agreement. Research recently published in scientific journal Nature Climate Change indicates that record temperatures in 2024 could mark the beginning of a prolonged period near or above this threshold. While natural variability, such as El Niño events, can cause temporary spikes, the driver remains human activity: continued reliance on fossil fuels, deforestation, and industrial practices resulting in greater GHG emissions. These emissions have pushed CO2 levels to new highs, even as international climate conferences like COP29 reiterate commitments to reduce them.

The effects of surpassing 1.5°C are observable. Heatwaves, floods, and wildfires are now more frequent and severe. Pakistan, responsible for less than one per cent of global emissions, faces recurring monsoon floods that devastate agriculture and infrastructure, highlighting disparities in climate vulnerability. Extreme heat, linked to scores of deaths annually, disproportionately affects regions with limited healthcare and resources. Climate-related displacement is rising, with the bulk of weather-driven disasters tied to floods, storms, or droughts.

Progress to mitigate this trajectory remains uneven. The Intergovernmental Panel on Climate Change outlines feasible pathways to limit warming, including peaking emissions by 2025 and halving them by 2030. Renewable energy adoption has accelerated, with solar and wind becoming cost-competitive with fossil fuels. However, global emissions continue to climb. Coal still dominates Asia’s energy grids, Europe continues to rely on liquefied natural gas for energy security, and US climate policy remains inconsistent. Climate finance, long pledged by wealthy nations, trickles to the most vulnerable countries at a pace so slow it might as well be a standstill. Often it arrives entangled in rules that make it nearly impossible for struggling nations to use it quickly or effectively.

The climate crisis is a test of global coordination.

Structural challenges persist. Some governments prioritise short-term economic stability over rapid decarbonisation. The growing anti-ESG sentiment in parts of North America is an example of this trend. Financial institutions that once championed net-zero goals have been retreating from climate alliances of late, while fossil fuel subsidies stay the course. Meanwhile, doom loops, such as permafrost thaw and ice sheet loss, threaten to amplify warming beyond human control.

The scientific consensus emphasises that exceeding 1.5°C does not equate to immediate collapse but introduces the possibility of escalating risks. Coral reef degradation, coastal flooding, and agricultural instability will intensify with each fractional degree, and the difference between 1.5°C and 2°C could well determine the survival of ecosystems supporting millions. Even slight temperature increases push critical thresholds closer, accelerating habitat loss, food insecurity, and extreme weather.

The path forward requires systemic shifts: phasing out fossil fuels, overhauling energy infrastructure, and delivering climate finance without delay. Vulnerable nations need direct access to funds for adaptation projects, such as flood defences and drought-resistant crops. Wealthier countries face ethical and practical imperatives to lead and assist this transition.

Technologies exist to reduce emissions, and public support for climate action is growing. However, current policies and investments remain misaligned with scientific recommendations. The gap between pledges and implementation calls for enforceable accountability mechanisms in trade, finance, and governance to ensure commitments translate to results. Without binding regulations and meaningful enforcement, climate promises risk becoming little more than public relations exercises.

The climate crisis is a test of global coordination and prioritisation. The line we drew in the sand at 1.5°C is getting washed away as the tide of global warming rises fast. Yes, we may still have a chance to pull back from the brink, but the road there demands a swift pivot to renewable energy, an overhaul of economic structures that reward fossil fuel dependence, and a global financial architecture that doesn't treat climate funding like a halfhearted afterthought. Above all, the people hit first and worst — like in Pakistan — need more than sympathy; they need actual resources, delivered without delay or political hedging. Whether we can muster that collective will remains an open question, but the planet is sending us its answers in no uncertain terms.
(By Qurat ul Ain Siddiqui Dawn, 07, 23/02/2025)

IMF talks on $1bn climate funding kick off today

A technical mission from the International Monetary Fund (IMF) begins discussions in Islamabad today (Monday) on Pakistan's request for over $1 billion in additional financing for climate resilience.

This will be followed by a policy review early next week to assess the authorities' performance under the ongoing $7 billion Extended Fund Facility (EFF).

The technical team will engage mostly with key ministries, including planning, finance, climate change, petroleum, and water resources, as well as the Federal Board of Revenue, disaster management agencies and provincial governments.

Without going into specifics, the IMF resident representative in Islamabad, Mahir Binici, confirmed the engagements spanning over three weeks from now.

"An IMF staff team is scheduled to visit Pakistan in early to mid-March for discussions around the first review under Pakistan's Extended Fund Facility-supported programme and the authorities' request for assistance under a Resilience and Sustainability Facility (RSF) arrangement. In this regard, a technical team will be in Pakistan starting in late February to discuss technical issues related to a possible RSF arrangement," he said.

Official sources said the relevant authorities, particularly the ministries of planning and finance, had prepared documentation for the Climate-Related Public Investment Management Assessment (C-PIMA) for coming budgets in line with policy advice of the IMF and the World Bank.

Talking about the first biannual review of the 39-month EFF, the sources said Pakistan had completed all but one structural benchmark as of now, although some indicative targets had been missed given the changing domestic and international macroeconomic conditions.

The only outstanding benchmark pertains to the required amendments to the Sovereign Wealth Fund (SWF) by the end of December, though other sub-conditions of these entities regarding governance structure and financial safeguards have already been met.

The planning ministry has also, of late, informed all the stakeholders, including federal ministries and provinces, about the criteria and methodology for the selection of projects in the future Public Sector Development Programme (PSDP) projects.

Starting the upcoming budget, factors to be considered for project selection for PSDP would include strategic and core ongoing projects, ongoing projects with over 80 per cent expenditure with realistic completion estimate, exceptional and high-scoring infrastructure projects, pre-scrutinised approved projects at working-party levels, foreign-funded projects with adequate rupee cover allocation and provincial projects in 20 least-developed districts. On top of this, climate-responsive and resilient projects would also be part of the PSDP.

The funding under RSF is made available to nations who commit high-quality reforms to build resilience against climate catastrophes through adaptation and is repayable over a 30-year period, including a 10-year grace period and is normally cheaper than EFF terms. In October last year, Pakistan formally requested the IMF to top up its $7bn EFF with another $1.2bn RSF.

Climate resilience funding
The Fund had already advised Pakistan to invest 1pc of GDP per year (over Rs1.24 trillion at the current year's estimate) in climate resilience and adaptation reforms to be ready to fight repeated and increasing cycles of extreme weather conditions, particularly floods and sustain economic growth and reverse inequalities.

Such an investment in climate-adaptive infrastructure can reduce the negative growth impact of a natural disaster shock by one-third while ensuring a quicker and more complete recovery, the IMF believed.

The IMF noted that about 1pc of GDP investment in adaptation infrastructure would increase Pakistan's climate resilience and buffer climate shocks. These investments would reduce the growth impact of a natural disaster shock by about a third and return Pakistan to its previous GDP level more quickly.

Enhancements in public investment efficiency in line with the C-PIMA Action Plan would further improve such resilience, particularly in the immediate aftermath of the shock.

The C-PIMA has been adopted by the government based on which Pakistan has already shared its desire for more financing from the IMF under the climate resilience window and is looking at international capital market options.

The IMF has assessed that the additional investment needed to bolster resilience would lead to moderately higher debt levels. A scenario in which fiscal instruments — consumption and income taxes — responded to such a shock would put public debt on a downward path following recovery, although such a policy may not be feasible or desirable in the face of a large natural disaster.

As such, further progress on fiscal consolidation and fiscal structural reforms are critical to maintaining the fiscal space that would be necessary to weather such a shock, the Fund believed.

Structural weaknesses

According to the IMF, Pakistan's living standards have been declining for decades, and despite a similar starting point in the early 1980s, Pakistanis' incomes had stagnated and fallen behind regional peers. At the same time, poverty rates remained elevated, and social development indicators also lagged behind those of peers.

This had been accompanied by weak human capital outcomes, low fiscal capacity, protection for favoured industries, and a large state footprint. Contributions to growth from human capital and efficiency gains were low, and health and education indicators, while improving in recent years, still lag behind regional and lower-middle-income peers. Human capital spending as a share of GDP has steadily declined.

The consequences of these structural weaknesses have been exacerbated by increasingly high climate vulnerability.

"Pakistan's climate faces a rate of warming significantly higher than the global average. This will bring increasingly greater climate variability and extreme events, including reduced water availability, more severe and longer droughts, accelerated glacial melt, more variable and intense monsoons accompanied by floods and landslides, and sea-level rise encroaching on coastal settlements and infrastructure," it said.

The negative macroeconomic consequences of such a shift have already been felt. Climate- and weather-related disasters, which have increasingly been exacerbated by climate change, resulted in $29.3bn in economic losses over 1992-2021, equivalent to 11.1pc of 2020 GDP, which slowed developmental gains.

More recently, the floods of 2022 killed 1,700 people, displaced eight million, increased the poverty rate by up to four percentage points, and brought economic losses equivalent to 4.8pc of FY22 GDP, with reconstruction needs estimated at 1.6 times the budgeted national development expenditure of FY23. The disaster was exacerbated by Pakistan's weak urban planning, infrastructure and water resource management.
(By Khaleeq Kiani Dawn, 01, 24/02/2025)

Economic democracy

IT has been more than 16 years since Pakistan was last formally ruled by a military dictator, more than long enough for a meaningful 'democratic transition'. Until 2018, many commentators argued that democratic rule and institutions were being strengthened as successive elected regimes undertook peaceful transfers of power. Since then, two 'hybrid' regimes have ripped up any pretence of democratic rule, but to truly make sense of what has transpired since 2018, it is necessary to reconsider the claim that a substantive process of democratisation was underway between 2008-2018.

Indeed, an interrogation of our tortured tryst with democracy need not be limited to the post-2008 period. I would argue that the domination of unelected state apparatuses in Pakistan — the security establishment most of all — is in part because the imperative of democratisation remains limited to the formal sphere of politics while excluding fundamental matters of resource distribution and property relations. In other words, without acknowledgment of the need for economic democracy, the establishment-centric system cannot be fundamentally overhauled. All mainstream contenders for power have neither been willing nor able to take steps to address economic structures of power and have thereby facilitated the steady militarisation of state and society.

What does it mean to talk of economic democracy? In the first instance, we must name the individuals, classes, and institutions who control economic resources and the wider system of property ownership that sustains class and other forms of societal apartheid.

Most notably, we still grapple with the colonial legacy of a highly inegalitarian structure of land ownership in the rural areas. Inequality has grown over the past two decades as, increasingly, the historical relationship between peasant-farmers and the land has been severed. Close to half of all arable land in the country is owned by big landed classes and castes that barely constitute one per cent of the rural population while 30 million people in the villages are now landless.

The chattering classes avoid naming the new landlords.

It is common for urbane and relatively rich Pakistanis to lament 'landlordism' as the bane of Pakistan's existence, and especially the 'poor' peasantry whose lives are dictated by their 'feudal lords'. But these chattering classes avoid naming the new landlords to have emerged in recent decades, including sections of the establishment, which has accumulated huge amounts of land through allotments, as well as property moguls who have swallowed up farmland as cities expand.

To truly democratise its political institutions, Pakistan must undertake substantive redistribution by taking land from the rich and powerful — 'feudal lords', the establishment, as well as the new urban land mafias — and giving it to the urban and rural poor. Land grabs are now just the tip of the iceberg; the expropriation of water, forests, minerals, and so much is now at the heart of the ‘development’ model employed by successive regimes since 2008. No talk of democracy can be considered meaningful by those political forces that are either implicated in these resource grabs and the dispossession of working masses or remain silent about them.

A similar story can be extended to an emaciated industrial sector which is dominated by profiteers. The industrial bourgeoisie has largely made its fortune in low-valued agro-processing sectors like textiles, rice, ghee, and sugar. There can be no meaningful pro-democratic politics without stopping the hidden subsidies that this bourgeoisie, including establishment-run companies, enjoys. This is the prerequisite to developing a forward-looking and ecologically conscious industrial sector that is able to create jobs and meet the livelihood needs of a huge, young population.

At a higher scale, Pakistan’s ‘democratic’ institutions are subservient to global financiers. The IMF and its sister institutions are the most prominent of all, the ‘civilian’ arm of a US-led imperialist order which has also directly facilitated the militarisation of Pakistani state and society via various hot and cold wars in our region. The Gulf kingdoms and China are second-order financiers that exert varying degrees of political influence. This dependency makes a mockery of the notion that this is a sovereign country. How is it possible to expect substantive democratisation of the state whilst the ruling class is happy for Pakistan to remain a banana republic?
Needless to say, there is no quick fix that leads to economic democracy. But if we do not acknowledge this imperative, we will forever be pinning our hopes on self-proclaimed democrats that do not fundamentally want to break with the economic logics of the existing political order.
(By Aasim Sajjad Akhtar Dawn, 07, 28/02/2025)

IMF scrutiny

AN IMF delegation is in Islamabad to assess progress on the Fund’s ongoing $7bn funding programme amidst hopes that the review will not encounter any serious obstacles that could delay the next tranche.

The mission will evaluate how Pakistan has done on quantitative performance criteria, structural benchmarks and indicative targets for the first half of the current fiscal year. There have been some “technical slippages”, such as delays in meeting the deadlines for certain goals, like legislation on agriculture tax.

Officials insist that they have covered all the bases, although the failure to meet the tax target will likely remain a major source of worry. Yet, the officials are confident that the IMF will ignore the slippages in the tax target because of a “higher-than-targeted primary budget surplus and greater-than-estimated revenue-to-GDP ratio”.

The FBR attributes the shortfall largely to reduced tax collection from imports, sluggish LSM growth and an unexpected drop in inflation. The IMF’s response to the tax shortfall remains to be seen. However, the stock market’s decline betrays investors’ anxiety at the anticipated contingency measures under the Fund’s pressure to pull off the actual tax target.

The investors’ anxiety notwithstanding, the IMF’s scrutiny of Pakistan’s performance is most likely to progress smoothly without any harsh new conditions for the second half of the present fiscal year, or punitive demands from the lender for tax slippages. That said, the ongoing review will be critical in determining how the economy moves forward.

On its success depend the strengthening of economic stability, official flows from other multilateral agencies, and upgradation of the sovereign credit rating, which is crucial to Islamabad’s plans to raise funds from international bond markets. Any hiccups in the programme would put paid to these plans and lead to a new wave of uncertainty and volatility.

For now, the macroeconomic indicators suggest a temporary reprieve: the rupee has held steady, inflation has plunged to 1.4pc, the current account is running a surplus of over $600m, remittances have jumped to over $3bn a month, and exports are showing resilience.

These improvements are mostly due to financial support from the IMF and bilateral lenders, as well as stability in the global commodity markets. The price for this fragile stability has been massive though: a sharp slowdown in domestic growth as well as rising unemployment and poverty.

With the second Trump presidency in the US shaking up the global economic and political order, the need for freeing the economy from the clutches of the forces of status quo and restructuring it to get it back on its feet has never been so compelling. The current IMF bailout could be the last opportunity to avoid a repeat of the past.
(By Editorial, Dawn, 06, 04/03/2025)

Sindh CM orders crackdown on profiteers to curb ‘artificial’ price hike

Amid the ongoing price hike, which occurs during every Ramazan, Sindh Chief Minister Syed Murad Ali Shah on Monday ordered a crackdown on profiteers and directed the administration to seize and auction hoarded goods in accordance with the existing anti-profiteering laws to ensure effective price control.

In a typical pattern, the prices of essential commodities and traditional edibles have sharply increased, with the administration failing to enforce the officially notified prices in the province, particularly in Karachi. While the market forces and chain of supply are stated to be the key factors behind the price hike, a weak oversight by the administration —which doesn’t have ample staff to take action against the profiteers across the city — leaves people at the mercy of retailers.

In 2023, over 100 section officers (SOs) of different provincial departments had been given magisterial powers to take action against profiteering and hoarding during Ramazan in Karachi alone.

Presiding over a high-level meeting on price control, the CM issued strict directives to regulate the prices of essential commodities across the province, emphasising that artificial price hikes and hoarding would not be tolerated.

According to a press statement issued from the CM House, the chief minister reminded the officials that the anti-profiteering law empowered the government to seize and auction hoarded goods to prevent market manipulation. He therefore directed the administration to ensure seizure of the hoarded goods and auction them under the law.

The Karachi commissioner informed the meeting that over 250 “Bachat Bazaars” (discount markets) were operating in the city to provide relief to citizens. The CM stressed that these markets must be well-organised and effectively regulated to ensure smooth operations and prevent traffic congestion.

Mr Shah also directed the deputy commissioners, through divisional commissioners, to regularly visit markets to monitor prices and curb unnecessary inflation.

He ordered that price lists be printed and distributed promptly and instructed officials to monitor price compliance closely throughout Ramazan. Additionally, he emphasised that major retail stores should also be compelled to maintain reasonable prices.

Concern over utilities
Expressing concern over gas shortages, the chief minister demanded its uninterrupted supply during Ramazan.

He also instructed the mayor to ensure adequate water supply in the city and directed the energy minister to immediately contact power distribution companies to stop electricity outages.

Tampered vehicles
During another meeting, the chief minister directed Excise Minister Mukesh Chawla to begin impounding non-customs paid (NCP) vehicles and those with tampered chassis numbers that were being operated in the city.

The excise minister informed the CM that his department had already impounded four vehicles being used by customs officers in the city.

He said that these vehicles did not have valid number plates, and their chassis numbers had been tampered with.

The chief minister issued clear directives to both the excise police and the district police to take action against such vehicles, impound them, and report back to him.

The meeting was attended by Provincial Ministers Sharjeel Memon, Nasir Shah, Zia Lanjar, Special Assistant for the Bureau of Supply & Prices Usman Ghani Hingoro, Karachi Mayor Murtaza Wahab, Chief Secretary Asif Hyder Shah, Principal Secretary Agha Wasif, Commissioner Syed Hassan Naqvi, Sindh police chief Ghulam Nabi Memon, Agriculture Secretary Sohail Qureshi, while the Commissioners of Hyderabad, Mirpurkhas, Shaheed Benazirabad, Sukkur, and Larkana participated via video link.
(By Tahir Siddiqui Dawn, 13, 04/03/2025)

IMF team discusses economic challenges with IBA students

A delegation of the International Monetary Fund (IMF) visited the Institute of Business Administration (IBA) Karachi and interacted with faculty members and students there on Pakistan’s economic trajectory.

According to an IBA press release, the delegation was led by Pakistan’s Mission Chief Nathan Porter and comprising IMF Resident Representative for Pakistan Mahir Binici.

The visiting delegation participated in a student interaction session — Pakistan’s Way Forward.

During the session, Mr Porter shared valuable insights on Pakistan’s macroeconomic landscape, policy development and future economic challenges.

The floor was then opened for a Q & A session, where students actively participated with insightful questions, and the IMF representatives responded thoughtfully, the press release said.

Earlier, the delegation engaged in discussions with faculty members from the IBA School of Economics and Social Sciences (IBA-SESS).
(By Dawn Reporter, 13, 05/03/2025)

The last mile

HERE it comes. The coming IMF review is going to be successful, but the government is likely to emerge significantly more hamstrung at the other end.

We should expect an embattled budget drawing up process as the search for more innovative means to address business community concerns collides with a fiscal effort that needs to try and plug a Rs600 billion gap in the revenue target before June.

A number of recent moves are giving the game away. For example, the finance minister is on record assuring the country that the review will be successful. Usually these assurances mean much has already been squared out between the authorities and the Fund staff, so it’s a safe bet that the review will be successful considering there is over-performance on the primary balance targets, which are a central plank of the programme.

Meanwhile, the induction of Humayun Akhtar as an adviser to the prime minister is intended to make him a player in the coming bargaining between the business community and government over tax burden sharing. It is unclear how much influence Akhtar will be able to wield, but he will certainly serve as a release valve for the hot air bubble that is building up in the business community with the ongoing stabilisation.

The country's apex chamber recently renewed its call for a sudden, 500 basis point cut in the policy rate after seeing inflation drop to a nine-year low.

Mr Akhtar's job will be to listen to all that these business leaders have to say, to nod along, feign empathy convincingly, issue the right assurances, keep both feet planted firmly in the corner of the business community, and commit to do his utmost to carry their pleadings to the prime minister. And then, he will fail roundly to move the needle in any appreciable way. It's a tough job and somebody's got to do it. Mr Akhtar has the perfect credentials for it.

Demands for rate cuts and rolling back of the tax burden will rise in the coming months. Meanwhile, the government will pass the Fund's review, but will be left with a significant tax effort to put up in the closing months of this fiscal year. This is the environment in which next fiscal year's budget will be drawn up, with the process having kicked off already.

If businesses are not taxed, taxes on salaried people will either have to be raised very sharply, or taxes on fuel and electricity will have to do the job.

But in the meantime, there will be the matter of the Rs600bn gap in the revenue numbers, which, according to a report in this newspaper, could grow to Rs1 trillion by the end of the fiscal year in June.

Plugging this will require new taxes, and according to the same report, those tax measures have already been agreed to. They include higher advance income tax on imports, a one per cent raise in withholding tax on supplies, services, and contracts, and a 5pc hike in the federal excise duty on soft drinks, according to the same report in this paper.

This, in a nutshell, means burdening business activity further with more taxes, which is better than burdening the common citizenry or, worse still, burdening salaried individuals. Consider for a moment that the collection of direct taxes has increased by more than Rs630bn in the first six months of this fiscal year by comparison to the same period last year. This is the juice being squeezed out of salaried individuals, who are the most easily juiced group in the entire tax system.

If businesses are not taxed, taxes on salaried people will either have to be raised very sharply, or taxes on fuel and electricity will have to do the job, fuelling inflation and burdening the poor at a time when they have already been crushed by the inflationary fire that raged from 2021 till 2024, wrecking their purchasing power.

It is a tough reality and someone has to bear it, and the most fit and proper place to put the burden of the next round of taxes is on the business community. This is the job that gets going once the IMF review ends successfully. The job will involve some skilful politics. And eventually, it will take nothing less than those two dreaded words in Islamabad: 'structural reforms'.

These words are acquiring the status in our time that the words 'do more' had back in the 'war on terror' heyday. So often are they repeated, without any actionable specifics, that those running things in Islamabad betray a slight sense of irritation upon hearing them. They're not wrong. These words have now almost been reduced to a mantra. Like a prayer, they are good words with which to end a policy conversation.

But look at where we are without them! Not even at the midway mark of our latest Fund programme, and already talking about more revenue measures, more taxes, more spending cuts and more wrangling between business and industry.

So what is more irritating here? Watching our economic conversation devolve into a ritualistic invocation of mantras? Or watching our economy go round and round the same peg, but with the leash shortening, with the cycles getting tighter? What is worse? The déjà vu our economy gives us? Or the déjà vu that the language we use to discuss it with?

For now, there is no sign of any structural reform on the horizon. Yes, they have passed legislation on agriculture income tax, but there is no work being done on the machinery with which to actually activate this revenue line. Services has failed to step into the net when offered incentives under the last budget.

Property and real estate is left, but this sector is notoriously undocumented so no telling how much can credibly be squeezed out of them. If they don't get going with the tax reforms, then there will be one exercise with which to close this fiscal year, and another in the forthcoming budget with which to open the next fiscal year. This is what the last mile of this year will look like.
(By Khurram Husain Dawn, 06, 06/03/2025)

Education institutes, police brainstorm ways to fight drugs

Police and heads of educational institutes on Friday agreed in a meeting on a joint strategy against growing menace of narcotics in the provincial capital.

The decision was taken in the meeting held between DIG South Syed Asad Raza and principals and administrative officials of educational institutes in the Defence Housing Authority.

The participants exchanged views about the growing problem of use of narcotics by students.

They agreed that if any student was found involved in taking drugs, this information would be shared with the institution concerned and for this purpose, a joint WhatsApp group would be established.

The DIG South observed that the police had launched a crackdown on drug dealers particularly in posh areas due to “high demand for narcotics there”.

He said online food delivery boys, rickshaws and motorcycle riders were also involved in supplying drugs.

The drug dealers have set up an organised network for providing drugs at homes and specific places through social media particularly WhatsApp groups, he added.

The DIG said awareness programmers would be held at educational institutes to inform students about drug hazards.

Mr Raza said that students who take drugs were victims but a real challenge was to eliminate the elements who were involved in supplying them drugs.

He underlined the importance of a joint working by police, educational institutes, civil society and other institutions concerned to eliminate the networks of narcotics.

South-DIG Syed Asad Raza told Dawn that “it was decided that surveillance of surroundings of campus will be increased through expanded CCTV network and informal checking by academia”.

He said, “It has been noticed that smoking cigarettes and vaping are increasing among students.

“It was agreed that a collaboration between police and administration of the institutes shall be enhanced to check this menace.”

The DIG said that principals and administrative officials of 11 educational institutes attended the meeting. These included Indus Valley, SZABIST, Ziauddin, Greenwich, Suffa University, Govt Commerce College, BVA, KGS, DHA SKBZ, Nixor and Cedar.
(By Newspaper's Staff Reporter, Dawn, 13, 08/03/2025)

China once again rolls over $2b loan

In a significant development, China has once again extended the deadline for the $2 billion loan owed by Pakistan by another year. The debt was originally set to mature on March 24.

Ministry of Finance officials confirmed the development to The Express Tribune, stating that this extension will help Pakistan strengthen its foreign exchange reserves. The continued economic support from China, Pakistan's long-standing friend, is crucial for the country's economic stability and recovery, they added.

"China rolled over a $2 billion loan to Pakistan," the adviser to the finance minister, Khurram Schehzad, also told Reuters in a text message on Saturday.

Pakistan is working to strengthen its finances after securing a $7 billion International Monetary Fund (IMF) bailout in September 2024. The first installment of the loan is currently under review, and if successful, Pakistan will receive an additional $1 billion.

Securing external financing has previously been a key condition for the IMF to approve bail-out deals for the cash-strapped nation. Pakistan needs to repay over $22 billion in external debt in fiscal year 2025, including nearly $13 billion in bilateral deposits, Fitch said.

China had rolled over the loan for one year in February last year on existing terms after initially seeking a hike in price. China has been a key economic partner for Pakistan, providing financial assistance and investments, particularly under the China-Pakistan Economic Corridor (CPEC) initiative.

The extension comes as Pakistan continues to navigate economic challenges, including a balance of payments crisis and ongoing talks with international lenders to secure further financial assistance.

Officials said the loan deferment will ease immediate repayment pressures as the government focuses on stabilizing the economy. Earlier this week, Pakistan and the IMF officially initiated discussions for the first review of the $7 billion Extended Fund Facility (EFF) secured last year.

According to the Ministry of Finance, the IMF delegation, led by Nathan Porter, met with Finance Minister Muhammad Aurangzeb in Islamabad. The meeting focused on the overall economic situation in the country.

During the meeting, Pakistan assured the global lender of its commitment to fiscal discipline and economic reforms as talks continue in Islamabad for the latest economic review.

Finance Minister Aurangzeb briefed the IMF delegation on the country's macroeconomic situation, revenue collection, and progress on structural reforms. He reiterated that Pakistan remains committed to meeting the conditions of its $7 billion loan programme.

The successive governments have failed to tap non-debt creating inflows, which have exposed the country to various risks. The exports are growing at a pace that is not enough to finance the imports. The foreign direct investment remains dry and stagnant.

Rolling over a loan means extending the term of an existing loan instead of repaying it in full when it comes due. This is usually done by negotiating new terms with the lender effectively refinancing the loan□so that the borrower can continue to use the funds while delaying full repayment.
(By Irshad Ansari The Express Tribune, 01, 09/03/2025)

Remittances jump 40pc in February, total $3.12bn

Remittances from overseas Pakistani workers soared by nearly 40 per cent year-on-year in February 2025, reaching $3.12 billion, according to State Bank of Pakistan (SBP) data released on Monday.

Compared to January 2025, remittance inflows increased by 3.8pc, providing much-needed financial support to the economy, government reserves and liquidity for importers.

For the first eight months of FY25 (July-February), total remittances reached $23.97bn, marking a substantial 32.5pc rise compared to the same period a year ago.

The government had projected total remittances of $35bn for FY25, around $5bn more than last year. However, remittances have already exceeded expectations, with additional inflows of $5.9bn in just eight months.

Inflows near $24bn in eight months, up 32.5pc

For economists and financial analysts, the rise in remittances is both a positive and negative indicator — while the surge in inflows has helped stabilise the rupee and support the economy, it reflects the government's increasing dependence on remittances, rather than boosting exports, to sustain foreign exchange reserves.

Despite an ambitious export target of $60bn, actual exports remain sluggish and are projected to reach only $30bn by the end of FY25.

Remittances by country

The inflows noted a record increase from the United Arab Emirates during July-February as it rose to $4.857bn with a growth of 55.7pc. Similarly, the highest remittances came from Saudi Arabia, increasing by 34.6pc to $5.896bn during the period.

The inflows from the United Kingdom and the United States were $3.565bn and $2.402bn, respectively.

Interestingly, remittances from European Union countries — at $2.829bn — surpassed inflows from the Gulf Cooperation Council (GCC) nations — $2.396bn — during the eight months.

In February, the remittances inflows were mainly sourced from Saudi Arabia ($744.4 million), the United Arab Emirates ($652.2m), the United Kingdom ($501.8m), and the United States ($309.4m).

In an effort to increase remittance inflows, the government is pushing for more overseas employment opportunities for Pakistani workers.

However, high unemployment rates in Pakistan have already driven hundreds of thousands of youth to seek jobs abroad annually, contributing to the record surge in remittances.
(By Newspaper's Staff Reporter, Dawn, 01, 11/03/2025)

State Bank's caution

THE State Bank's decision to pause its monetary easing cycle, after six consecutive cuts of 1,000bps in its key policy interest rate since June to 12pc, in spite of a bigger than expected drop in inflation last month, reflects its efforts to achieve a balance between emerging strains on the economy and the fragile macro stability.

Though CPI inflation is down to just 1.4pc because of declining food and energy prices, the "inherent volatility" in these prices poses significant risks to the current downward trend going forward. In addition, the sticky core inflation remains elevated. This means a halt in the monetary easing cycle is necessary to beat it down and counter the impact of a potential rebound in food and energy prices.

The external account has also come under pressure of late because of shrinking financial inflows and rising imports due to an uptick in economic activity amid growth in private sector credit. The current account deficit of around $0.4bn in January hacked away at the surplus of just above $1bn accumulated over the past several months with the help of rising remittances.

The current account is being used to make foreign debt payments due to weakening private and official capital flows into the financial account. The exchange rate remains stable but the international reserves accumulated in the last eight months have dropped slightly on account of debt payments due to a delay in some of the planned inflows, which may come through after the IMF review of its $7bn programme. Foreign debt repayments of $3bn, the net of rolled-over and refinanced loans, are yet to be made during the remaining period of FY25. Further, increased global economic uncertainty amid tit-for-tat tariff escalations amounting to a trade war between the major economies has posed a risk to international trade, commodity prices and inflation outlook.

No doubt the economy has come a long way from the edge of default less than two years ago, thanks to the implementation of stabilisation policies under IMF oversight. Key macro indicators have improved. But Pakistan is still not out of the woods. Both the fiscal and external sectors remain under stress, impeding the consolidation of the nascent recovery and the economy's movement towards faster growth.

While the fiscal sector is suffering due to lack of reforms to broaden the tax net, with FBR due to miss the fiscal year's tax target of Rs12.97tr by a big margin, foreign private and official flows have nearly halted. The global uncertainty caused by a steep hike in US tariffs has set off new disturbing forces. Without large, sustainable foreign capital inflows and structural tax reforms, the State Bank will continue to find it difficult to ease monetary policy without risking another deeper balance-of-payments crisis.
(By Editorial, Dawn, 06, 12/03/2025)

Embracing crypto

IT seems a little prod was all it took for Pakistan to finally 'embrace the future'. The Pakistan Crypto Council has been formed as promised, mere weeks after a delegation representing American interests in cryptocurrency and blockchain technologies called on Finance Minister Muhammad Aurangzeb to hawk its wares. According to a press handout, the PCC will oversee the regulation and integration of blockchain technology and digital assets into the country's financial landscape. The Finance Division has declared the PCC a "significant step in the country's efforts to regulate and integrate blockchain technology and digital assets into its financial landscape" while promising that "The council is set to play a pivotal role in formulating policies, fostering innovation, and ensuring a secure and forward-thinking approach to crypto adoption in Pakistan". It sounds wonderful on paper, but the proof of the pudding is in the eating. After all, the state is still quite devoted to the idea of centralised control and conducting its business on paper, while the financial system remains tightly regulated. It will be interesting to see how disruptive technologies like blockchain and cryptocurrencies can be adopted in such an environment.

The absence of trained researchers and computer scientists from the PCC is another area of concern. Given the number of snake oil salesmen in the cryptocurrency and blockchain domains, one would expect a state-level authority to seek out the services of experts who have actually helped develop these technologies to advise it about how they may be capitalised on. Instead, the PCC, in its present form, seems to have only a single individual who may be considered somewhat knowledgeable about blockchain technology and cryptocurrencies, and while they seem experienced as a business and marketing strategist, their profile does not mention any experience as either a developer or researcher. It is hoped, therefore, that more technical experts will be included in the Council as it expands. Cryptocurrencies and blockchain technology have, no doubt, shown immense promise in improving various aspects of our lives. However, the state should resist hopping onto the bandwagon just because of the buzz. If it is serious about establishing Pakistan as a major player in these technologies, it needs to include scientists and technologists in the PCC so they can advise policy along with bankers, regulators, legal advisers and business strategists.
(By Editorial, Dawn, 06, 16/03/2025)

State of the economy

THE current fiscal year is but another year lost. Going by the new Pakistan Economic Survey, which maps the state of the economy for the outgoing fiscal year, the economy stabilised, so to speak, as crucial macro indicators perked up even if most budget targets would be missed. But the newfound 'stability', aided and funded by the IMF, remains fragile and reliant on yet another larger bailout from the Fund to sustain. The finance minister admitted as much while speaking at the launch of the survey. That the economy rock-bottomed during the last financial year means that any improvement in macro indicators this year would be interpreted as progress. The sad reality is that the economic picture depicted in the survey does not offer much to celebrate or inspire hope about the future. The minister boasted that the nation would start the new fiscal year on a 'stronger note'. But what exactly does that mean?

Indeed, the economy is likely to have expanded by 2.4pc, at a slightly slower pace than the population growth rate. This growth is driven by an increase in the cotton, wheat and rice crop output rather than industrial recovery. Though agriculture rose by 6.3pc — the fastest in two decades — its dependence on major crops underscores the structural weaknesses in the sector. Industry and the services sector expanded by a meagre 1.2pc each. That means the economy did not produce any new jobs to accommodate the millions entering the market. Then, the government somehow curtailed the current account deficit to $200m in the first 10 months against a target of $6bn for the year. The government has successfully averted default on its foreign payments, built up its international reserves to $9bn, and brought stability to the foreign exchange market. Nonetheless, this external account stability owes to informal and administrative controls on imports at the expense of economic growth, jobs, investment, poverty and exports. Moreover, the government has slightly narrowed its fiscal deficit, which has averaged 7.3pc in the last five years and pushed public debt to over Rs67.5tr and debt expense to Rs5.5tr in the first three quarters of this fiscal to March.

However, this fiscal consolidation forced the government to drastically cut down its expenditure on economic and social infrastructure development, the cost of which will be paid by the economy and people in the years to come. Tax revenue collection has surged by nearly 30pc. Yet this growth has come on the back of the increased tax burden on the working classes and corporate sector. Like the previous year, the current fiscal has been very stressful for citizens as worsening economic conditions, dwindling real wages and high inflation have proved to be backbreaking for low middle-income households. So where is the win? The only silver lining one can see is that while the ship called the Pakistan economy has drifted far off the path, it could still change course provided the ruling elite is able look beyond their narrow vested interests.
(By Rashid Amjad Dawn, 07, 17/03/2025)

Aid cut and impact

The recent cuts to US-backed foreign aid are feared to have devastating impacts on global health, particularly regarding the HIV/AIDS work done so far. In an extremely worrying proposition, UNAIDS Executive Director Winnie Byanyima has said the funding cuts could undo all the incredible progress humanity has made tackling AIDS, estimating that it could translate into 2,000 new HIV infections every day. It is also estimated that about 6.3 million people around the world will die of AIDS-related causes in the next four years if alternate funding is not secured.

USAID, which has now been subject to Trump's cost-cutting agenda, has also played a crucial role in Pakistan's social sector. An approximate budget of $2.5 billion in USAID funding between 2010 and 2023 has significantly supported healthcare, humanitarian, education, infrastructural and economic programmes in the country. But the funding freeze now particularly risks over 210,000 lives of individuals living with HIV/AIDS in Pakistan, instigating a severe public health crisis.

As an example in the context, the Sindh Rural Support Organization, a not-for-profit company working for poverty alleviation in Pakistan, is forced to shut down all three of its US-sponsored health initiatives after aid cessation. This is merely three of 60 US-funded health facilities having suffered closure in the country.

In 2024, an HIV-prevention drug, lenacapavir, tested to be 100% effective, was declared 'breakthrough of the year' by leading scientists. Its administration of a single injection per year made it affordable for low-income countries such as Pakistan, but funding cuts have marginally disrupted what was supposed to be the virtual elimination of HIV in the global South as well as the rest of the world.

However, despite grave ramifications on public health, many view the crisis as a wake-up call for Pakistan, calling it an opportunity for the country to reallocate its resources, reshape its priorities and be incentivised to move towards self-sufficiency. There is need for the stakeholders to work towards this end.
(By Editorial, The Express Tribune, 14, 31/03/2025)

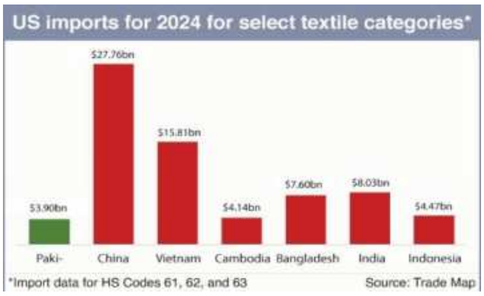
Situationer: How more imports from US can help weather tariff storm

“I WOULDN’T want to be the last country that tries to negotiate a trade deal with @realDonaldTrump. The first to negotiate will win — the last will absolutely lose. I have seen this movie my entire life,” US President Donald Trump’s son, Eric Trump, posted on X on Thursday.

Recently, President Trump announced reciprocal tariffs on many countries, including 29 per cent on Pakistan. While Pakistan is not even among the top 50 trading partners for the US, America is Pakistan’s number one destination in terms of exports, with $5.4 billion worth of goods sold there in 2024.

At $3.33bn, Pakistan’s highest trade surplus stems from Washington.

“If Bangladesh can get their reciprocal tariffs removed or reduced, some of the business from Pakistan might shift to Bangladesh. But at the same time, Pakistani companies will face a lot of pressure to absorb these tariffs so they can continue to operate in the US market,” says Musadaq Zulqarnain, CEO and Chairman of Interloop, one of the country’s biggest exporters.



With the increases in production costs in recent years, margins have reduced from 15-20 per cent to about 5pc on average. Some stronger companies’ profitability margins can be as high as 10pc but the room to absorb high tariffs and remain profitable and viable is limited, he explains.

Given the sweeping tariffs imposed on over 60 countries, Pakistan is slightly better off than most competitors except India. Even there, the difference is slim.

In the fact sheet issued by the White House, India is mentioned seven times. “India imposes their own uniquely burdensome and/or duplicative testing and certification requirements… If these barriers were removed, it is estimated that US exports would increase by at least $5.3 billion annually,” the fact sheet says.

This allows India to negotiate better with the US, offering improved access to its 1.3bn population in exchange for lower tariffs. India’s Department of Commerce said on Thursday it is “carefully examining the implications of the various measures” and that it was “studying the opportunities that may arise due to this new development”.

“If India can negotiate better than us, then we might be at a great disadvantage,” said Mr Zulqarnain. Bigger players, such as Interloop, which are part of supply chains of giants such as Adidas and Target, might fare better because of their long-standing relationships, at least in the short term.

Smaller players working with wholesalers or unbranded stores will be in an extremely weak position, with their buyers willing to switch to another country for as little as 2 cents per piece.

Inflation or no?
The US Federal Reserve expects at least a temporary rise in inflation, though the effects may be more persistent. Tariffs can also induce a recession if the unemployment rate spikes and job losses occur. However, March’s job report was encouraging, with 228,000 jobs added last month.

Households in the lowest 40 percentile of the US economy are below an annual threshold of $50,000. Their average spend on clothing is less than $2,000 per year. In the case of recession, people who were buying Nike socks will switch to unbranded socks, and those buying unbranded socks will make do with wearing them with holes, explains Mr Zulqarnain.

Many of Pakistan’s low-price, low-quality exports aim at the bottom of the pyramid and thus may get a boost. However, if inflation persists, there may be cannibalisation, and the size of the pie will be smaller for all players.

Another way to increase US exports might be to reconfigure the export offerings, says Ehsan Malik, CEO of the Pakistan Business Council (PBC). Demand for man-made fibre apparel is higher than demand for cotton-based products, though Pakistan tends to focus on the latter.

Instead of focusing on the bottom of the pyramid, improving mid-level offerings might make a positive difference in the long term. For that shift to be made, the government needs to provide support and technical assistance from countries like Sri Lanka and the Philippines to train our labour.

However, given the lynching of the Sri Lankan Priyantha Kumara and security concerns for the Chinese, foreigners are less inclined to come.

As things stand, Pakistan may lose out on up to $1-1.5bn of textile exports over the next year, Mr Malik estimates.

Increasing imports from the US

Trump's tariffs are a tactic to bring its trading partners to the negotiation table. Moving swiftly, the government has already constituted a committee to decide on a policy response.

However, reciprocal tariffs on a player as big as the US is hardly feasible, nor does the country have any geopolitical leverage. So the only move forward would be to import more from the US. That poses a whole string of challenges.

Cotton, the US's main export to Pakistan, already has zero duty. Pakistan imported $772 million worth of cotton from the US in 2024. Since the new tariffs do not apply to goods with more than 20pc of US-originating material, textile companies may opt to import more from America.

However, US cotton is about 10-12 cents a pound more expensive than Brazilian cotton, according to the Pakistan Business Council. Factoring shipping costs, increasing American cotton component into Pakistan's textile to protect exports might not be economically viable.

This is applicable to all possible imports from the US. In a note provided by the PBC, only soya beans are identified as having the potential for a placating gesture within agriculture. A 3pc duty is imposed on American imports, which can be used for negotiations, especially since Trump focuses on boosting agriculture.

For most other imports, the US would find it very hard to compete with China even if the Free Trade Agreement with Beijing was ignored and a duty parity offered. China has a lower cost of production and is next door.

Truth be told, developing countries tend to exploit labour to keep costs down and be competitive, a tactic that the US cannot follow. Thus, for the most part, re-directing imports from China to the US might not be economically viable for us, leaving us with little to offer.

The impact on Pakistan's exports seems more dependent on how its competitors negotiate than on its own actions.

There is a silver lining if one looks for it with a microscope. The electricity rate cuts might help rejuvenate large-scale manufacturing. If inflation increases demand for Pakistan's lower-priced apparel, then together, these two factors may give exports a much-needed boost.

(By Fatima S. Attarwala Dawn, 01, 05/04/2025)

Nepra flags Rs1.5 per unit burden on consumers

Amid recent tariff reduction moves by the government, the National Electric Power Regulatory Authority (Nepra) has expressed concern over more than Rs1.5 per unit extra burden on electricity consumers due to poor operations of just a couple of generation and transmission projects in the first eight months (July to February) of the current fiscal year.

In a special note to the government, Nepra's technical member from Sindh, Rafique A. Shaikh, has called upon the government and its power companies to take swift corrective actions, particularly in relation to the 4,000MW Lahore-Matiari Transmission Line, 969MW Neelum-Jhelum Hydropower Plant and 747MW Guddu Power Plant.

Mr Shaikh put on record that "the utilisation of thermal power plants was around 24 per cent in February 2025, while the HVDC (high-voltage direct current) system operated at just 23pc during the same period. This underutilisation is adversely impacting consumers".

Earlier in November, Mr Shaikh had drawn the government's attention to the low-capacity utilisation of the said system. "The average utilisation factor of the HVDC during September 2024 was only 46pc, while consumers are still paying for a 100pc capacity factor," he pointed out on Nov 6. Capacity utilisation dropped by half in February.

Despite lower utilisation, the consumers are compelled to pay for the full transmission capacity. Not only this, but cheaper coal-based plants in the southern part of the country then remain unutilised or operated at low capacity despite the accrual of their maximum factor in the power tariff. On top of that, expensive power plants in the northern region are then operated to ensure grid stability, again at a significant cost to consumers.

The Nepra member also pointed out that due to the Guddu plant operating in an open-cycle mode, the financial loss for February amounted to Rs600 million, with the cumulative loss for FY25 reaching Rs5.7 billion.

"Due to reduced generation from the 747MW Guddu plant operating in an open-cycle mode, the system had to rely on costlier fuel plants, resulting in a financial loss of Rs22bn for February 2025. The cumulative loss since the outage has reached Rs107bn," he said.

Moreover, he highlighted the continuous closure of the Neelum-Jhelum power project for months, which had an additional financial impact on the national average tariff.

"Due to the outage of the 969MW Neelum-Jhelum Hydropower Plant, reliance on costlier fuel plants led to a financial loss of Rs0.8bn in February 2025. The cumulative loss for FY25 has reached Rs23.7bn," he said.

Mr Shaikh noted that system constraints and contractual obligations in February alone resulted in losses of Rs1.98bn, contributing to a total impact of Rs11.69bn over the first eight months of FY25.

"These inefficiencies demand immediate corrective actions to optimise asset utilisation, reduce costs, enhance reliability and minimise financial losses," he emphasised.

He noted that the rehabilitation of the Guddu and Neelum-Jhelum plants was progressing too slowly, and urgent repairs and restoration were needed for these facilities.

“Furthermore, the south-north transmission constraint must be urgently addressed, as it is limiting the effective utilisation of cheaper generation in the south and contributing to the underutilisation of the HVDC line,” he said, seeking swift action from all relevant stakeholders.

KE sales drop

In a separate note, Mr Shaikh pointed out that K-Electric experienced an 8pc decline in January in overall electricity sales compared to the same month of last year. The most significant drop occurred in industrial sales, which saw a notable reduction of 8.3pc.

“This sharp decline warrants immediate investigation and attention from all relevant stakeholders to understand the underlying causes and take corrective action,” he said.

Furthermore, the ongoing delay in the execution of the interconnection arrangement between the National Transmission and Despatch Company (NTDC) and K-Electric is adversely impacting the fuel costs associated with K-Electric’s generation mix.

“In January 2025, KE’s own power plants contributed 4pc to the energy mix, while 7pc of electricity came from purchases from IPPs (independent power producers), with the NTDC supplying the remaining 89pc,” he said.

He noted that the cost of generation from the NTDC system was significantly lower, at Rs11.15 per unit, compared to K-Electric’s own generation cost of Rs23.83 per unit.

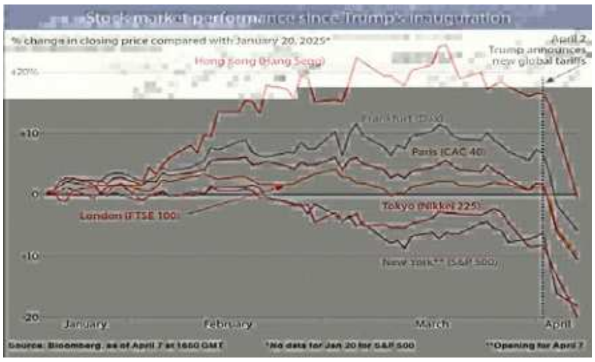
“Given that NTDC has a surplus generation capacity and its facilities are in close proximity to K-Electric, it is essential for both parties to prioritise the completion of the interconnection works and associated studies,” Mr Shaikh said.

This would not only improve cost efficiency but also enhance the overall performance of the power system, he added.

He advised that expediting the interconnection process and addressing the contractual regasified liquefied natural gas or RLNG obligations were pivotal to optimising operational costs and ensuring long-term sustainability for both K-Electric and NTDC.
(By Khaleeq Kiani Dawn, 01, 07/04/2025)

Global recession fears spark bloodbath at PSX too

An intensified tariff war and rising fears of a global recession — fuelled by retaliation from the United States’ major trade partners and China — caused a meltdown on the Pakistan Stock Exchange (PSX) on Monday.



Goldman Sachs forecast a 45 per cent chance of recession in the US over the next 12 months and made downward revisions to its oil price projections. Citi and Morgan Stanley also cut their Brent outlooks. Meanwhile, JPMorgan said last week that it sees a 60pc probability of recession in the US and globally.

The benchmark KSE-100 index witnessed a record intra-day plunge (points-wise) of 8,687.68 points, before partially recouping some losses on late value-hunting, following a mid-session trading halt.

Last Thursday, the PSX had hit an all-time high near 119,000, in sharp contrast to reeling global markets following the ‘Liberation Day’ reciprocal tariffs imposed by US President Donald Trump the previous day.

Pakistani shares delivered a robust performance on the back of some domestic triggers, including a sharp deceleration in inflation, and the long-awaited cut in electricity prices for residential and industrial consumers.

After showing some resistance over the two working days post-Eidul Fitr, equities fell like ninepins on Monday, with the quantum of losses suggesting that the downturn was not merely due to the global rout.

It was also driven by economic weaknesses such as a depreciating rupee, falling foreign exchange reserves and continuous contractions in large-scale manufacturing, which turned investors jittery — leading to panic-selling across the board.

Commenting on the bloodbath, AKD Securities Ltd CEO Muhammad Farid Alam told Dawn that the market overreacted as social media kept discussing ‘black Monday’ and Asian markets opened extremely low.

“The developed world, and countries exporting large amounts to the United States have all the reason to be nervous on tariff-related issues, but not Pakistan, which may feel the brunt of the new tariff regime rather mildly value-wise and qualitatively due to perceived demand destruction,” he observed.

He hoped that the Pakistani equity market would regain its lost ground in a day or two.

Topline Securities Ltd Chief Executive Mohammed Sohail said the PSX crashed following panic selling on global markets. Leverage investors dumped their positions amid fear of a worldwide stock market crisis, which may also affect the Pakistani market.

Oil scrips, in particular, saw selling after crude oil on the international market dropped to $60 per barrel.

He said the Pakistan market lost 3.3pc owing to the escalating tariff war initiated by the US and subsequently retaliated by other nations.

Oil and gas exploration, technology, and textile sectors were expected to be affected, as these are either linked to global commodity prices (like crude oil), or global aggregate demand.

On the other hand, amid lower oil prices, inflation might ease and help reduce interest rates further, which may impact banks' profitability in the future.

On the macro side, he noted that every $10 per barrel decline in oil prices resulted in import bill savings of $2bn for crude oil, refined oil (petrol and diesel), and RLNG. Assuming a decline of 5-10pc in textile exports to the US (which is $250-500m), the country will save a net $1-1.5bn in import bills.

Trading suspended

Opening sharply negatively and experiencing relentless selling pressure throughout the day, the benchmark index nosedived to an intraday low of 8,687 points or 7.31pc, registering the largest intraday point-wise drop in PSX history.

While this decline set a new record in absolute terms, it was not the steepest in percentage terms. The most severe single-session percentage fall remains the 12.4pc drop noted on June 1, 1998.

In response to the extreme volatility, trading was temporarily suspended for one hour, triggered by the KSE-30 index falling more than 5pc for five consecutive minutes, activating the market's circuit breaker mechanism, according to Topline Securities.

However, some stability returned during the later hours as value-hunters stepped in, helping the index recover part of the losses. The session eventually closed at 114,909 points, down by 3,882 points or 3.27pc day-on-day.

The major drag came from Engro Holdings, Oil and Gas Development Company, Pakistan Petroleum Ltd, Hub Power, and PSO, which collectively contributed a negative impact of 1,247 points.

Ali Najib, Head of Sales at Insight Securities, said the PSX had the most volatile day in its trading history. The new week commenced negatively as the benchmark index lost 1,100 points in the pre-open session amid low volume, which converted into broad-based panic selling as the day progressed, triggering a market halt at 11:58 am.

By then, the index had lost over 5.5pc or 6,287 points and halted at 112,504. After an hour's break, the trading resumed, but the index continued its correction, which compelled the benchmark index to record an intra-day low at 110,104 points.

He observed that value-hunters came to rescue the melting market as their comprehensive buying assisted the index in showing quite an impressive recovery and ultimately settled at 114,909 points.

The panic-selling was well reflected in the higher market participation as the trading volume rose 28.37pc to 710.78 million shares while the traded value surged 21.21pc to Rs43.02bn day-on-day.

Stocks contributing significantly to the traded volume included WorldCall Telecom (55.27m shares), Cnergyico PK (53.40 m shares), The Bank of Punjab (34.15 m shares), Pak Elektron (33.48 m shares) and Maple Leaf Cement (33.26 m shares).

The shares registering the most significant increases in their share prices in absolute terms were Philip Morris (Rs98.20), Thal Industries (Rs24.28), Macter International (Rs20.94), Bela Automotives (Rs11.47) and Punjab Oil Mills (Rs5.99).

The companies registering significant decreases in their share prices in absolute terms were Bata Pakistan (Rs157.05), Nestle Pakistan (Rs149.98), Ismail Industries (Rs148.21), Rafhan Maize (Rs100.50) and Unilever Foods (Rs94.03).
(By Muhammad Kashif Dawn, 01, 08/04/2025)

Tariff crossfire

BY all accounts a world is ending and we don't know what is going to replace it. For Pakistan this is particularly troubling because despite what we like to tell ourselves, this country has always been deeply dependent on this world to keep itself afloat.

Rarely has the bigger picture mattered more than it does now. To focus only on the short-term impacts would be a mistake. The bigger picture here is brutal in its simplicity, and critical in its importance. For almost half a century now, Pakistan has been kept afloat as a country via bailouts arranged by the institutions of a multilateral world order, chief among them the IMF, followed by the World Bank.

The sun is now setting on this world. The day is coming when Pakistan runs into one of its traditional balance of payments crises and runs out of foreign exchange reserves, like it has on more than a dozen occasions over the past four or five decades, and there is nobody around to come to its rescue.

As of this writing, the trade war between the United States and China is escalating with dizzying speed. Within hours both these countries announced massive tariffs against each other's products, and another round of tariffs was expected from the European Union. Something highly unusual was happening in the financial markets too, as stock and bond markets both started to collapse simultaneously. Usually these two move in opposite directions, because money pulled out of one goes into the other. A simultaneous plunge in both shows far deeper chaos gripping world markets.

Here are some things to note in order to get a handle on a fast-moving situation.

The bigger picture here is brutal in its simplicity, and critical in its importance.

First, the tariffs are not the result of lobbying by industry, agriculture or any other powerful vested interest in America, and they are almost universally denounced by the community of economists in American academia. You will be hard-pressed to find any voice outside of the Trump administration which thinks these tariffs are a good idea.

This is important, because it tells us that this is a madman's gambit. All earlier tariffs, including those brought by the famous Smoot-Hawley Act in 1930, came into being because of fierce industry lobbying for protection. This time it's the opposite. Industry, financial markets and academia are united in denouncing these tariffs as reckless. And with their actions, the markets are signaling their displeasure. The sell-offs in the stock and bond markets, the upgrading of the likelihood of a global recession, the closure of factories and layoffs of workers, all are expressions of deep disapproval and apprehension regarding the impact these tariffs are likely to have.

Second, if these tariffs, and the resultant trade war, are being pushed against the will of all-powerful vested interests in America, then what exactly is the big idea here? What do the architects of this policy hope to achieve?

There is a paper titled 'A User's Guide to Restructuring the Global Trading System' written by a relatively unknown individual by the name of Stephen Miran. Published in November 2024, it lays all this out. Miran was subsequently picked by Trump to be the chairman of the President's Council of Economic Advisors and whereas he disagrees with the pace and intensity with which Trump is pursuing the tariffs, he lays out clearly in the paper why the policy is necessary.

In a nutshell, Miran argues that America is carrying a huge burden in providing a security umbrella to the world as well as its reserve asset, the US dollar. While the US had a dominant position in the world economy (back in the 1960s its share of global GDP was 40 per cent, he says, which has now shrunk to 26pc), the dollar as reserve currency helped America because they could print any amount of money to pay for their bills. But today as the rest of the world has powered on and America's share of global trade as well as global GDP has shrunk, the dollar as reserve asset has become a burden because other countries can devalue their currencies to cheapen their products in global markets but the US cannot.

To arrest this trend, the US can either take monetary measures (like attaching user fees to dollars held as reserves by other countries) or it can take trade measures through tariffs. He advocates for the latter, argues this is in opposition to what industry and academia wish, that it will be accompanied by a short-term asset price collapse, but eventually could bring America to a position where it can regain some of the ground it has lost to other countries.

Most importantly, he argues for intertwining security and trade relations. Since America provides the security and the reserve asset which underpins the global trade system, it is in a position to use both to arrest the erosion of its own position within this world. "Countries that want to be inside the defense umbrella must also be inside the fair trade umbrella," he argues.

"Such a tool can be used to pressure other nations to join our tariffs against China, creating a multilateral approach toward tariffs. Forced to choose between facing a tariff on their exports to the American consumer or applying tariffs to their imports from China, which will they choose? … The attempt to create a global tariff wall around China would increase the pressure on China to reform its economic system."

The key takeaway here is that the tariffs are not about to go away soon, that the institutions which bailed Pakistan out historically could be on their way to disappearing, and that Pakistan could, in the near future, be forced to choose between the US and China. This calls for a comprehensive revamp of our economic strategy altogether. The new world dawning before us will admit neither import substitution orthodoxies nor faith in liberalisation and export-driven growth.
(By Khurram Husain Dawn, 06, 10/04/2025)

ADB's assessment

Pakistan's economic outlook presents a mixed bag of challenges and opportunities, with the country still at a crossroads, grappling with inflation, fiscal deficits and external pressures, says a new report by the Asian Development Bank. But despite the concerns, the report also notes that the country has significant potential for growth and development if strategic measures are put into place.

The report, titled Asian Development Outlook, underscores that persistent inflationary pressure has plagued Pakistan's economy for several years, and while some of this is due to our own making, climate events and global supply chain disruptions have taken a heavy toll on the purchasing power of ordinary citizens.

Though inflation has declined, the impact it has had on consumer spending and overall economic stability is still visible, and any efforts to address these issues will be further hampered by the global economic turmoil caused by US President Donald Trump's nonsensical, mathematically- and geographically-challenged tariff policy.

Trump's policies also threaten any potential foreign direct investment, which is critical for stimulating growth in various sectors. Even the ADB notes that Pakistan needs to diversify its economic base, and no matter how conducive the domestic business environment, global economic turmoil usually scares potential investors.

And despite strong progress on IMF loan conditions, including fiscal and monetary reforms, the disorder in global markets threatens the government's ability to plan or borrow, placing additional stress on an underperforming area — tax revenue generation. Unfortunately, the recent past has shown that the government is still intent on using shortcuts, rather than meaningful policy reforms, to increase tax revenue.

However, amidst these challenges, there are also signs of hope. The potential for renewable energy, if realised, could lead to a sustainable long-term solution to the circular debt crisis in the power sector, while CPEC could still serve as a catalyst for growth, amid the realignment of global commerce.
(By Editorial, The Express Tribune, 04, 13/04/2025)

ADB's advice

WITH the Trump administration's trade war on China and the rest of the world having led to global economic uncertainty, the Asian Development Bank's advice for Pakistan's policymakers to stick to the reforms agenda agreed with the IMF comes at the right time. Reminding our policymakers of the several downside risks to the country's hard-won but fragile economic recovery, the lender has projected that the national economy will expand at the much slower pace of 2.5pc during this fiscal year compared to the average South Asian growth rate of 6pc. How Donald Trump's trade war will impact these growth estimates if protectionist US policies push the global economy towards recession is anybody's guess. The report has not taken into account the ramifications of the insanely high American 'reciprocal import levies' in its projections. But both the IMF and State Bank have highlighted lately the uncertain global environment as a risk to the country's struggle to overcome its economic crisis.

That debt-ridden Pakistan faces several vulnerabilities despite its improved external position and a quicker-than-anticipated drop in inflation shows that the country must stay on the path of structural reforms, even more so after the punitive baseline and higher tariffs slammed by the US on most of the world. In its latest Asian Development Outlook report, the lender noted that recovery requires policy consistency and reform implementation to sustain it, build resilience and enable durable growth. Macro improvements, it warns, must not lead to a relaxation of policies and deviation from the reforms path, which could potentially trigger new balance-of-payments pressures, and jeopardise our hard-earned stability and disbursements from multilateral and bilateral partners. The potential negative impact of the Trump tariffs on the global economy will likely spill over into Pakistan too, especially if the tariff war between the US and China does not end soon. The emerging global landscape demands that Pakistan navigate this challenge carefully because of its reliance on both the US and China. With major economic challenges facing the country amid rising militancy, it is crucial for politicians to work out a formula to resolve their selfish disputes and join forces to deal with the emerging situation. The ongoing economic slowdown has affected the average Pakistanis the most in recent years. They deserve better days now.
(By Editorial, Dawn, 06, 14/04/2025)

Trump tariffs could pose '$1.4bn risk to Pakistan exports'

The increase in trade tariffs on Pakistani products announced by US President Donald Trump — later suspended temporarily — could have a devastating impact on Pakistan's important exports and serves as a wake-up call for diversification, according to a state-owned think tank.

"A storm may be brewing on Pakistan's trade horizon," said the Pakistan Institute of Development Economics (Pide), adding that the "proposed reciprocal tariffs by the United States could have a devastating impact on the country's export sector".

In a stark policy note, the institute cautioned that these tariffs could lead to macroeconomic instability, significant job losses and a critical reduction in foreign exchange earnings.

The study, titled 'Impact of Unilateral Tariff Increase by United States on Pakistani Exports' and conducted by Dr Muhammad Zeshan, Dr Shujaat Farooq and Dr Usman Qadir, analysed the consequences of a proposed 29 per cent reciprocal tariffs on Pakistani exports to the United States.

When added to the existing 8.6pc Most Favoured Nation (MFN) tariff, the total duty could reach 37.6pc, the policy note said. The result would likely be a 20-25pc decline in exports to the US, translating into an annual loss of $1.1-1.4 billion, with the textile sector bearing the brunt of the blow.

In the fiscal year 2024, Pakistan exported $5.3bn worth of goods to the United States, making it the country's largest single-country export market. A significant portion of these exports were textiles and apparel, which already face tariffs as high as 17pc.

If the proposed tariffs are implemented, Pakistan's price competitiveness would be severely eroded, possibly allowing regional competitors like India and Bangladesh to capture the market share.

The economic consequences would extend beyond textiles, the Pide analysis warned. Major exporters such as Nishat Mills and Interloop may be forced to reduce production, threatening more than 500,000 jobs. Non-textile exports — including leather, rice, surgical instruments and sports goods — also face increased vulnerability.

Despite the risks, Pide viewed the crisis as an opportunity for strategic transformation. The policy note encourages Pakistan to take swift and thoughtful action in response. In the short term, Pide recommended that Pakistan engage in high-level diplomatic efforts to highlight the mutual costs of the tariffs and preserve long-standing trade relations.

For example, the United States exported $181 million worth of cotton to Pakistan in 2024, a trade stream that is now at risk. Pakistan might also consider reducing tariffs on select US imports — such as machinery, scrap metal and petroleum — to create room for negotiation. Additionally, Pakistani firms could be encouraged to use more US-origin inputs like cotton and yarn to help maintain value chains and seek tariff exemptions.

For the long term, Pide emphasised the need to diversify both export products and markets. Emerging destinations such as the European Union, China, Asean nations, Africa and the Middle East offer growth potential in sectors like IT, halal food, processed foods and sports goods.

The report also called for measures to reduce energy and logistics costs, streamline regulations and promote innovation and technology adoption. Furthermore, a comprehensive US trade strategy is necessary — one that focuses on building synergies in technology, agriculture, energy and value-added manufacturing.

On the international front, Pide noted that the proposed US tariffs exceed the World Trade Organisation's (WTO) bound tariff ceiling of 3.4pc, potentially violating multilateral trade rules. While legal recourse through the WTO remains an option, Pakistan's limited fiscal resources may hinder such efforts, it said. More importantly, the tariffs ignore the interconnected nature of global trade.

The US-Pakistan textile loop is a prime example — American cotton supplies Pakistani mills, which in turn export finished garments to the US. Disrupting this value chain benefits neither country.

"The road ahead is challenging, but it also presents a chance for Pakistan to recalibrate and strengthen its export framework," the report noted.

With timely diplomacy, strategic policy reforms and bold diversification efforts, Pakistan can not only withstand this external shock but also emerge as a more competitive and resilient player in the global economy, it concluded.
(By Khaleeq Kiani Dawn, 01, 14/04/2025)

Trump's trade policies termed sign of deeper capitalist failures

Renowned economist Dr Kaiser Bengali on Sunday delivered a sharp critique of American President Donald Trump's trade policies, characterising them as indicative of deeper issues within global capitalism.

During a seminar titled Tariff Turmoil Unleashed: Cracks in Capitalism Deepen Under Trumps Trade War at the Karachi Press Club, Dr Bengali argued that Trump's 90-day tariff reprieve reflects a retreat prompted by collapsing markets and backlash from investors.

The seminar, moderated by National Trade Union Federation General Secretary Nasir Mansoor, was organised in collaboration with the Home-Based Women Workers Federation and Alternate.

It focussed on the impact of global trade tensions on Pakistan's economy and emphasised vulnerabilities in worldwide economic systems due to recent trade disputes.

Kaiser Bengali calls for significant cuts in defence spending

Dr Bengali described Trump's tariff reversal as a major setback, noting that the United States stock market had collapsed and even Trump's supporter, Bill Ackman, had shifted to advocating for the withdrawal of tariffs.

Bengali also expressed doubts about the Green Pakistan Initiative, suggesting it might fail like the China-Pakistan Economic Corridor, and recommended focusing on long-term infrastructure development.

He identified neoliberalism as the root of global economic problems and drew parallels with Brexit, a reaction to such policies.

He highlighted Pakistan's declining industry, criticising policies that favour imports over domestic production.

The economist pointed out Pakistan's narrow export base, comparing it to Canada's reliance on a single market, emphasising the risks of such a strategy.

Reflecting on the past, Dr Bengali defended the nationalisation policies of the 1970s, arguing they strengthened the economy by curbing capital flight and boosting revenue, despite deterioration due to corruption in subsequent years.

He called for significant reductions in defence spending and criticised privatisation efforts, noting the failure of most industries privatised in 1992.

Nasir Mansoor addressed the challenges of organising resistance in Pakistan, citing the military and bureaucracy's involvement in economic and political matters.

The seminar concluded with Bengali stressing the importance of resistance in global economic dynamics, stating that countries showing strength have influence, while others suffer.
(By PPI Dawn, 14, 14/04/2025)

Economic miracles

"EARLIER it was CPEC — a game changer!

"Then, SIFC — agriculture export boom!
"Now minerals!
"All claimed to rain foreign investment $s!… final solution to foreign debt crisis!
"Results zilch!
"How long will we continue to be subjected to such gimmickry?"

With their legitimacy crisis, the rulers are scrambling to 'fix' the economy rather than reforming it.

This was a recent tweet by Kaiser Bengali, an economist who has also served in government more than once, and it came shortly after the most successful mineral conference in Islamabad.

But as someone who follows the claims and promises of those in charge, he is right in that governments in Pakistan have always promised an overnight miracle rather than explained the need for it, and then led the people down a long and slow path to success and fortune. We are always just one twist away from the proverbial happy ending, and this seems to have been the case since I opened my eyes in journalism, as the saying goes.

Other than CPEC, there was also a mine in Chiniot during the earlier PML-N government, which was to bring fortune and happiness. In a similar vein, the PTI held its breath as some offshore drilling took place, while Faisal Vawda promised jobs, employment and migration to Pakistan.

After that, there was the possibility of an exports bonanza — once the rupee had been devalued — and when all else failed, there were the overseas Pakistanis, who were to invest in Pakistan (this is mentioned even now). The PDM since then has promised foreign investment in various shapes and sizes.

There is an entire story to this obsession with manna from overseas — mostly the West and now China — but that too is neither new nor recent. But the need for a quick fix or a 'Hail Mary' is rooted in far more than our ability to flourish only when foreign aid has reached Pakistani shores and crash once the moolah dries up.

Is it essentially due to the weak position of those who come to power, be it through elections or brute force or power? In either case, the absence of legitimacy or weakness because of the civil-military imbalance forces those in power to look for quick fixes, in the hope of shoring themselves up rather than focusing on long-term planning.

Most civilian (and elected) officials are so besieged, thanks to their own weak positions, strong oppositions and the machinations of the establishment, that they spend their time firefighting and looking to the fabled second term when the 'real work' will be carried out — even if they have it all figured out. And this second term, it is assumed, requires 'growth' at whatever cost necessary.

The net result is a balance-of-payments crisis and the election victory is never had. Then the cycle begins again.

A similar dance for survival also confronts our dictators. They face fewer machinations but there is opposition in the shape of politicians, who can win elections, and a lack of legitimacy which bothers them greatly. For it is not without reason that they need to hold referendums or local government elections or general elections. Indeed, one can say '*humain to dictators bhi achay nahee milay*' (we didn't even get good dictators) for they immediately want to be liked and loved — even if in background conversations, people are told that elections are for the politicos.

As a result, these exercises (however managed), instead of shoring up their position, leave dictators in vulnerable positions, where they too are aiming for 'growth', miraculous recoveries and an election victory. As someone once pointed out, Gen Musharraf's problem was that he wanted to win popularity like a politician. And so he left us with an overvalued rupee, utility prices that needed revision and a tough IMF prescription.

But the problem is to assume this is the personal choice of individual dictators rather than a compulsion; once in place they have little choice but to compete with the politicians.

In the previous two election cycles with their orchestrated results (to varying degrees), both Imran Khan and Shehbaz Sharif were left struggling with a legitimacy crisis as well as an opposition that seemed to be more popular than the government. As a result, their choices, like Musharraf's, were aimed at winning over the people rather than readying and then guiding them through the pain of reform.

That is why the current government would also clutch at investment from the Gulf states or a mineral miracle; with a legitimacy crisis greater than the one that Musharraf faced, it is scrambling to 'fix' the economy rather than working on reforming it.

Indeed, these are far-from-ideal circumstances for any long- or medium-term planning — with an opposition leader sitting in jail, who is now more popular than the entire government put together, who is going to tell the people to prepare for hardship or take on special interests? No wonder then that there are whispers about how Imran Khan's release or the next election is dependent on the economy.

This is the reason why economic illiterates such as myself are so sceptical of the government's claims of success. And so are those who insist the problems in the economy will not be resolved till the political issues are. The latter do not just require a fair election but also a resolution of the civil-military imbalance — political governments looking over their shoulder for the latest 'cunning plan' of the establishment can and will do no better.

In the meantime, those in power, or rather anyone in power, will be fixated on pulling the rabbit out of the hat. And now that foreign investment from the Gulf hasn't materialised, minerals are the next great hope. What will follow once this too proves to be a mirage is anyone's guess. But I am quite sure, fixing the economy will not be a possible solution.
(By Arifa Noor Dawn, 06, 15/04/2025)

No petrol relief

Despite a steep fall in international oil prices, there has been no relief for the masses in the country from the unbearably high prices of petroleum products. Local media was abuzz with reports of "good news coming up" in the form of a significant cut – of around Rs10 per litre – in the rate of petrol.

But the official announcement after the fortnightly government review brought nothing but disappointment, as no relief was passed on to the consumers and the prices of all petroleum products were kept unchanged.

Rather, the federal cabinet approved an amendment to the Petroleum Products (Petroleum Levy) Ordinance, 1961, effectively removing any upper limit previously imposed on the levy. In March and April, the government has already raised the levy from Rs60 to Rs80, with former finance minister Miftah Ismail calling it a "mini-budget that earned the government Rs34 billion each month in tax revenue".

The justification that the Prime Minister has come up with on denying petrol price relief to the masses is nothing but bogus: that the money so saved would fund development in Balochistan, precisely to upgrade N-25 Highway that links Chaman to Karachi via Quetta, Kalat and Khuzdar, and to complete Kachhi Canal Phase-2 to irrigate land in Balochistan.

This justification is rather misleading given that the federal government could have conveniently fund the said projects from the PSDP whose Rs1,100 billion allocation has only been utilised by less than 30 per cent in the first eight months of the ongoing fiscal year. Moreover, Bolochistan itself enjoy a surplus of approximately Rs450 billion.

What appears to be the case is that the federal government is in for a shortfall in its revenue collection for the ongoing fiscal year, and is in fact trying to cut it to as low as possible by employing discreet revenue enhancing measures. Let's keep an eye on whether or not the two mentioned Balochistan projects see the light of day within two years. Well, Miftah believes they will not!
(By Editorial, The Express Tribune, 14, 18/04/2025)

New naan, chapati prices announced

New prices for naan and chapati in the city have been announced by the Commissioner of Karachi, Syed Hassan Naqvi.

According to a notification released by the Commissioner Karachi Office on Thursday, the price of 100g chapati is Rs10, while the price of 120g naan is fixed at Rs15. Similarly, the price of 150g naan is set at Rs17, and the price of 180g naan is set at Rs22.

Tandoor owners are required to display the new price list at a conspicuous place at their shops. The Commissioner has warned that anyone selling naan or chapati above the fixed prices will face strict action. A control room has been established to monitor naan and chapati prices, and citizens can report any complaints or violations by contacting 0219920443.
(By Newspaper's Staff Reporter, The Express Tribune, 04, 19/04/2025)

Inflation hits all-time low of 0.3pc

Pakistan's consumer inflation rate plunged to an all-time low of 0.3 per cent year-on-year in April, driven mainly by a sharp decline in prices of perishable food items and electricity and fuel charges.

The drop outpaced the Ministry of Finance's projection, which had forecast inflation to remain between 1.5pc and 2pc for the month.

The reduction is primarily attributed to lower prices of key food staples such as wheat and its derivatives, onions, potatoes and certain pulses, as well as a cut in electricity and fuel charges. These items carry significant weight in the inflation basket — the Consumer Price Index (CPI) — meaning minor price changes can heavily influence the overall rate.

In contrast, prices of sugar and edible oil continued to rise in domestic markets, despite global price declines. The government has allowed sugar exports, especially to Afghanistan, citing surplus stock as the reason.

According to PBS figures published on Friday, the CPI was down 0.8pc month-on-month in April, meaning the prices of items measured by the index fell compared to March on average.

Chartered Accountant Ashfaq Tola suggested that if the rupee were held at its real effective value, Pakistan could be entering a deflationary environment, with the index around -6.2pc.

He attributed the trend to low domestic demand and declining purchasing power, adding that lowering the interest rate to 3-4pc could have stimulated GDP growth of up to 4pc.

However, policy inertia and structural distortions, he warned, continue to obstruct economic recovery.

April's inflation rate is the lowest ever on record, due largely to the high-base effect from April 2024, when inflation stood at 17.3pc. CPI inflation dropped to 9.6pc in August 2024, marking the first single-digit figure in over three years, and the downward trend continued in the following months.

Pakistan had experienced elevated inflation for nearly three years, with CPI rising above 10pc in November 2021 and remaining in double digits for 33 consecutive months. The peak came in May 2023, when inflation hit a record 38pc, fuelled by soaring food and energy prices.

The country is currently experiencing disinflation, indicating a slowdown in the inflation rate. In contrast, deflation refers to a decline in overall price levels.

The PBS noted that average inflation over the past 51 months stands at 83pc, meaning the cost of living remains substantially high despite the recent slowdown.

In the first 10 months of the current fiscal year (July-April), average inflation stood at 4.73pc, significantly down from 25.97pc during the same period last year. Analysts cite lower global commodity prices, a stable exchange rate, a high-base effect, and improved agricultural output as key drivers behind the decline.

The International Monetary Fund has also revised its inflation forecast for FY25 downward to 9.5pc, from an earlier estimate of 12.7pc.
In April, urban inflation stood at 0.5pc year-on-year, while the change in CPI for rural areas was recorded at -0.1pc.

Food, core inflation
Food inflation saw a sharp decline, with urban areas posting -1.9pc and rural areas recording -4.6pc. In contrast, non-food inflation stood at 2.2pc in urban areas and 4.4pc in rural regions.

Although PBS data reflects a fall in food prices, consumers in open markets continue to report no significant drop in retail prices — except for some items such as wheat, wheat flour, onions and tomatoes.

Core inflation, which excludes volatile food and energy prices, was recorded at 7.4pc in urban areas and 9pc in rural areas in April.

In response to the falling inflation trend, the State Bank of Pakistan had earlier slashed the policy interest rate to 12pc. However, the central bank opted to keep the rate unchanged in its most recent monetary policy review on March 10.
(By Mubarak Zeb Khan Dawn, 01, 03/05/2025)

Questions raised over FBR's new evaluation system

THE Federal Board of Revenue (FBR) has implemented a fully digitised new performance management system (PMS) that promises transparency and efficiency in judging tax officers' integrity and quality of work.

The system replaces the existing performance management regime, which last year rated 98 per cent of officers as 'outstanding' or 'very good', raising questions about its credibility.

Prime Minister Shehbaz Sharif, during a visit to the FBR in April, officially launched the system and directed the Establishment Division to replicate it across all federal services. The indigenously developed PMS evaluates officers — from Grade 17 and above — every six months and categorises them from A to E, using anonymous peer reviews from 45 colleagues.

Under the new framework, Rs3-4 billion annually has been earmarked for cash rewards, distributed instantly to officers based on digital ratings.

Tax officers share concern over system's fairness amid 'forced ranking, vague integrity matrix, delayed results'

FBR Chairman Rashid Langrial said 98pc of tax officers received 'outstanding' or 'very good' ECR ratings last year under the existing performance system. Moreover, 99 per cent secured A-grades. He said that the current peer review process does not appropriately evaluate officers' integrity or the quality of their work.

At present, cash rewards are distributed at the discretion of seniors, often based on personal likes and dislikes. The chairman claimed the new system would bring a significant improvement in transparency, noting that determining performance has long been a challenge.

Concerns over loopholes
On March 25, the FBR ran the digitised system for the first time to calculate the ranking of over 1,500 tax officers. Officers were asked to digitally rate 45 colleagues within a 12-hour period.

The selection of 45 peers for each officer was based on various factors, including city of posting, same department or batch affiliation. The system automatically generates the list and sends it to each officer's personal email.

The ranking determines financial rewards, with Category-A officers receiving four additional salaries, followed by Category B with three, Category C with two, and Category D with one. Officers placed in Category E, however, are excluded from any cash rewards.

Concerns have been raised by officers about technical flaws in the PMS and the lack of legal

safeguards to determine integrity. The FBR chairman clarified that PMS is not currently tied to promotions, but he did not rule out the possibility of using the data for future promotion criteria and reward allocations.

One major concern raised was the delay in announcing categorisation findings. Although the system was run on March 27, results were not released until April 18 — a 21-day delay that fuelled speculation about possible tampering. Besides, the reward rules were amended just days before the results — on April 16 and 17.

A senior tax officer involved with PMS attributed the delay to procedural requirements, stating that the amendments required vetting by the Law Division and had nothing to do with the results.

To address suspicions of manipulation, tax experts have suggested that the FBR grant read-only access to officers or email the results directly. Since the digital system can generate results instantly after peer evaluations, such delays were seen as avoidable.

Mr Langrial confirmed that a three-member anomaly committee has access to the system and may elevate or downgrade a limited number of officers. However, this human intervention has raised concerns that personal preferences could again influence decisions, undermining the spirit of the digital system.

Limitations
Moreover, interviews with officers revealed serious flaws in the newly introduced system. It enforces a mandatory quota, limiting each category to eight officers. “I wanted to place 12 officers in Category A, but the system forced me to shift four to B,” one officer said, highlighting the system’s lack of flexibility.

This ‘arbitrary’ ranking process has raised fairness concerns, as officers reportedly rated familiar colleagues higher while unintentionally downgrading others — especially those from different cities with whom they had no interaction.

“I marked those I knew as top performers, while others from different cities, who might deserve an A, ended up in D or E,” another officer admitted, underscoring the unintended consequences of the forced-distribution model.

“I now realise that by rating individuals without any direct knowledge of their professional conduct or work quality, I have inadvertently contributed to unfair discrimination against several officers, under a forced categorisation scheme, which was never my intention,” a tax officer wrote in a letter to the chairman.

Tax experts have proposed increasing the upper cap for the top three categories from 20pc to 30pc or even 33pc. They argue for removing the mandatory distribution formula and granting evaluators the discretion to place deserving officers in appropriate categories, instead of rigidly filling quotas.

However, officers involved in designing PMS defended the system’s forced distribution, arguing that open-ended categories would replicate the earlier manual pattern where nearly everyone received A or B ratings.

Currently, integrity accounts for 60pc of an officer’s score, with performance contributing 40pc. But without a clear definition or quantifiable matrix for ‘integrity’, evaluations are vulnerable to perception and hearsay. Tax experts argue this could stigmatise officers as ‘honest’ or ‘corrupt’ without a factual basis.

“I was placed in Category B, which automatically made me appear less honest than those ranked in A, despite the evaluation being based on perception rather than any measurable indicators,” a junior officer wrote in a letter to the chairman.

Unpredictability
Officers assigned to one category in one review may find themselves in a completely different tier six months later, reflecting the system’s unpredictable nature. Some liken it to a stock market index, subject to fluctuations with each cycle.

Without a more stable framework, officers warn that over 50pc of the workforce could end up being unfairly labelled as dishonest or poor performers within the next two review cycles.

Tax experts suggest that integrity should be clearly defined and its weightage reduced to enhance the system’s fairness. A more balanced system could assign 20pc of the evaluation to four immediate reporting officers, with another 5pc for integrity assessments submitted through the system. Reporting officers, they said, are best placed to evaluate the conduct of those who worked under them.

Besides, they propose incorporating training results into the PMS to ensure that officers’ skill development is also reflected in rankings. The algorithm, they argue, should also factor in the nature of officers’ postings and financial integrity. Some officers repeatedly secure key positions due to strong connections, while others are sidelined into marginal roles.

Reputation of officers
Tax officers have long voiced concerns about being targeted based on intelligence reports. They see the PMS as a more structured and transparent way to evaluate integrity and performance. The government must legalise it so future assessments are based on this approach rather than intelligence reports to make it a viable alternative.

With a single click, 300 officers were placed in Category E — labelled as having low integrity or poor performance. Those in D, C and B were similarly categorised without clear justification.

The government must also clarify that tax officers are not being unfairly singled out. Officers argue that unless PMS is legally protected and uniformly applied across services, it could deepen mistrust within the FBR.

While financial incentives are important, subjecting officers to vague and fluctuating evaluation criteria may demoralise the workforce. If unresolved, these concerns could significantly hinder revenue collection and undermine efforts to bridge the staggering Rs7 trillion tax gap in the system.
(By Mubarak Zeb Khan Dawn, 01, 05/05/2025)

Another rate cut

The SBP has made another, 100bps cut in the interest rate, bringing it further down from the record levels of the past couple of years. While the rate is still relatively high at 11%, it is half of where it stood last June. The trend of reductions has been a response to the flattening of the inflation graph — the extremely high base rate means inflation has been almost stagnant this year, though most consumers have not been able to benefit much because their wages have been stagnant for several years.

However, the rate cut does represent the SBP's confidence that inflation is no longer a major concern and the priority should be to attempt to stimulate more economic activity, especially at a time when the US tariffs have upended economic projections for almost every country in the world.

Lowering interest rates can stimulate the economy by making borrowing more affordable, reducing financing costs and encouraging businesses to undertake new projects, expand operations and hire more employees. Pakistan's growth projections have been steadily sliding since President Trump took office and began enacting policies inspired by the ones that turned the global economic depression of the 1930s into the Great Depression.

Indeed, some experts believe the SBP will continue to steadily cut rate for a while longer because offsetting the economic losses caused by Trump's tariffs will require making local financial markets as investor-friendly as possible.

However, as we noted, while the policy rate cut may foster economic growth, it must be balanced against the risk of not triggering inflationary pressures. Core inflation should stabilise at under 8%, but could rise rapidly if demand surges unexpectedly. The central bank must monitor this closely, ensuring that any increases in inflation remain within the target range 5% to 7%.

While the signs are good, stakeholders must remain vigilant because there are too many balls in the air for everything to land properly. A slow response to any of Trump's international pronouncements could throw the global economy into a spin.
(By Editorial, The Express Tribune, 14, 07/05/2025)

Significant drop in flour rates brings slight cut in roti prices

While the Karachi commissioner has reduced the prices of various varieties of flour by Rs10-13 per kg, retailers have not fully passed on the benefit to consumers who are still paying Rs80 per kg for No 2.5 flour (which is mostly used by tandoor operators) and Rs100-110 for fine Atta and chakki flour.

A notification issued on April 17 said that the retail prices of flour No 2.5, fine Atta and chakki flour had been fixed at Rs70, Rs82 and Rs90 per kg versus Rs87, Rs92 and Rs100 per kg, respectively, fixed on March 1, 2025.

In prices of various varieties of roti, the commissioner on April 18 also made some changes.

For example, the price of chapati 100 grams and tandoori naan (120 grams) has been kept unchanged at Rs10 and Rs15 per piece, respectively.

Rates of tandoori naans of up to 180 grams reduced by Re1

The rates of tandoori naan 140-150 grams and tandoori naan 180 grams have been reduced to Rs17 and Rs22 from Rs18 and Rs23 per piece, respectively, showing a drop of Re1 despite huge drop in prices of flour varieties.

In absence of any weight checking device at tandoors, majority of tandoor operators have kept the rate of chapati at Rs15-20 and Rs20-25 for tandoori naan.

A few tandoor operators were seen trying to offer some relief.

For instance, a tandoor operator in F.B Area has pasted a hilarious notice which says “Sindh Govt of Pakistan Commissioner ki Hidayat K Mutabiq” (as per commissioner’s instruction): the prices of 140 grams and 180 grams roti are Rs20 and Rs25, thus defying the commissioner’s rate of Rs17 and Rs22, respectively. A few days later, he pasted the city commissioner’s price list but cut by himself the official price of chapati.

Without disclosing the weight, the tandoor operator said the price of chapati is Rs15 instead of the officially fixed rate of Rs10 for 100 grams.

A famous food outlet charges Rs25 for 160 grams tandoori roti, thus causing confusion as the rate for 140-150 grams is Rs17 while the rate is Rs22 for 180 grams roti.

It is strange that the commissioner has not announced any rates for Sheermal and Taftaan, which are sold at Rs80-90 per piece while Kulcha costs Rs70-80.

Karachi Wholesalers Grocers Association (KWGA) chairman Rauf Ibrahim said the official rates of chapati and flour varieties were quite reasonable but consumers were waiting for their proper implementation at mass level.

“The commissioner also needs to mobilise its team for ensuring proper weight of roti varieties at tandoor shops where no weight machine is available. It will address consumers’ complaints to some extent regarding roti price and its weight.”

He said that the prices of Sheermal, Taftan and Kulcha were very high which should also be reduced.

He attributed the drop in flour and roti prices to the fall of Rs15 per kg in wheat rates in the open market to Rs59-60 per kg owing to arrival of new wheat crops.

Rauf urged the commissioner of Karachi to compel bread makers to reduce the branded bread prices as well.

Some bread makers had cut the rate by Rs10 depending on the weight of bread.

Giving another example, he said the branded flour makers had also decreased the rates by a mere Rs50-70 per 5kg bag which are not justified as per steep fall in wheat rates.

Wheat as poultry, cattle feed
The KWGA chief has said as the market is abuzz with report of 21-25 million tonnes of wheat crops this year, and the government needs to protect its usage in poultry and cattle feed and should try to manage a carryover stock of five million tonnes from the current crop to avert wheat import and other crisis situation in future.

On April 15, the city's price regulator had also announced the retail rates of Rs163 per kg for sugar, but in the retail market, it is sold at Rs165-175 per kg.
(By Aamir Shafaat Khan Dawn, 13, 08/05/2025)

Businesses avoiding e-transactions to face action

The Sindh government has announced action against restaurants, shopping malls, coffee shops, and eateries that do not accept payments via debit/credit cards.

The Sindh Consumer Protection Authority has issued notices to several restaurants in Clifton, including Karachi Broast, Frontier, Baithak, Nihari Inn and Desi Dera, for alleged violation of the Sindh Consumer Protection Act 2014.

The director general of the bureau of supply and prices, Zahid Hussain Sher, said that strict legal action will be taken against the restaurants which do not provide the facility of payment through debit or credit cards.

The Sindh government has clarified that it is the responsibility of businesses to provide various payment methods to consumers, and any negligence in this regard will not be tolerated.
(By PPI Dawn, 13, 09/05/2025)

Overpopulation

Nearly 11,000 children are born in Sindh every day, contributing to an average population growth rate of 2.57%. This means that by 2050, the population is projected to reach 95.7 million. If actualised, the province is set to experience increased demands for food, water, healthcare, education and infrastructure. According to Provincial Disaster Management Authority, Sindh is already facing a severe drought, prevalent food insecurity, malnutrition and poverty.

The reality of this crisis is that without population control and family planning initiatives, the government may completely lose pace in providing basic necessities to a majority of its citizens.

In an effort to target this issue, the Public Accounts Committee of the Sindh Assembly recently adjured the provincial government to establish population welfare centres in all 1,600 union councils of Sindh. The move is aimed at reducing the population growth rate by guiding families towards resource-sensitive and responsible family planning — issues that are generally regarded as taboo in this society.

While this initiative offers guidance and resources, the province continues to face a shortage of female healthcare workers who would also be better positioned to raise awareness among women, particularly in rural areas.

A holistic strategy should include door-to-door awareness campaigns promoting more reliable modern contraceptive methods, including medical options for men such as sterilisation. Reducing the cultural stigma surrounding such medical procedures is a crucial step to progress, and this can only be achieved through open and increased conversation.

The government should also consider engaging private sector entities to enhance access to family planning resources and services. It is a concerning insight that Pakistan's population growth rate (2.55%) outpaces almost all of its neighbours, with China rather expecting a declining population in 2025. The urgent need for sustained efforts to manage our population growth rate cannot be over-emphasised.
(By Editorial, The Express Tribune, 14, 10/05/202

Second IMF tranche

THE IMF board's approval of the second tranche of its ongoing $7bn funding arrangement and a new climate resilience fund of $1.4bn for Pakistan weeks before the next budget means that the outstanding issues between the two sides — if any had remained — have been settled for now. While Islamabad will get the second tranche of $1bn immediately, the Resilience and Sustainability Facility will be released over the next 28 months to help reduce Pakistan's vulnerability to extreme weather events, and enhance macroeconomic stability and fiscal sustainability. The fact that the staff-level agreements on climate funding and the first programme review were reached in March, led to worry regarding the delay in the board's approval of the SLAs amid growing hostilities with India. It goes without saying that the disbursement of these funds will help stabilise the economy, shore up Pakistan's international reserves, and guide the country towards long-term recovery. That India chose to abstain from the board meeting after failing to influence and convince the IMF board members to terminate the current financing arrangement for Islamabad underlines the unsavoury reality that New Delhi under Prime Minister Narendra Modi will continue to try and scuttle Pakistan's journey towards long-term stability.

That said, it is evident from the board's decision that Indian opposition should be a lesser worry for us than our own propensity to digress from the path of reforms midway. This has repeatedly been emphasised by the IMF while highlighting the risks to the country's struggling economy. In a statement after the board's approval, the Fund's deputy managing director acknowledged that

Pakistan had made important progress towards restoring macroeconomic stability despite facing a challenging environment. It added that the risks remain elevated. "Since the approval of the EFF, the economy continues to recover, with inflation sharply lower and external buffers notably stronger. Risks to the outlook remain elevated, however, particularly from global economic policy uncertainty, rising geopolitical tensions, and persistent domestic vulnerabilities [read: potential macroeconomic policy slippages driven by pressures to ease policies]."

Although Pakistan has successfully stabilised macro indicators, the stabilisation is marked by growth stagnation. The IMF has projected the economy to grow at 2.6pc this fiscal year and 3pc the following year. This is not even close to what this country needs to pull its 100m people out of poverty, create jobs for new entrants to the labour force, extend and improve public services, and end reliance on international bailouts to stay afloat. Growing the economy sustainably and at a faster pace of 6-7pc requires unlocking the country's competitiveness. For that, the policymakers must stick to, rather accelerate, structural reforms focused on strengthening governance to cut barriers to trade and investment. The speed at which Argentina has undertaken governance and economic reforms should be instructive for our policymakers. It has implemented some 672 reforms, scrapped or changed laws and fired tens of thousands of civil servants during the first year of Javier Milei's presidency to cut down the bloated state. Like Argentina, Pakistan is also in a race against time. But do we have what it takes to shake the country back to life?
(By Editorial, Dawn, 06, 11/05/2025)

IMF cash injection

The IMF's approval to disburse approximately $1 billion to Pakistan under the Extended Fund Facility (EFF), apart from $1.4 billion under a new climate-related Resilience and Sustainability Facility (RSF), is welcome news – more so because it came despite India's attempt to block disbursements to Pakistan by abstaining from vote at the Fund's Executive Board meeting last Friday when the now-defused border tension between the two archrivals was peaking.

The disbursement under EFF reflects a crucial endorsement of Pakistan's ongoing economic reforms and a vote of confidence in its leadership's commitment to stabilisation efforts. The funds provide essential leeway to address problems that have been holding back the country's economic potential. The cash injection from the IMF will shore up foreign reserves, and could be useful for attracting private investment, especially from abroad.

Investor confidence also goes a long way in ensuring that policymakers are transparent about the issues affecting them. The IMF assessment of Pakistan making "significant progress" in stabilising its economy is a reassurance to both domestic and foreign investors that the country is moving in the right direction despite a challenging global economic environment.

Moreover, the IMF's support under RSF is vital in helping Pakistan address its vulnerabilities to natural disasters and build economic resilience against climate change – a matter of growing importance in the face of global environmental challenges. This additional financing underscores the recognition of climate-related risks and the need for comprehensive planning to mitigate them.

Overall, the IMF's approval represents a collective step towards reforming the various sectors of the economy in Pakistan. However, successful implementation of the outlined reforms will be essential. The journey ahead is fraught with challenges, but with the right policies and a sustained commitment to reform, Pakistan can look towards a more stable economic future.
(By Editorial, The Express Tribune, 12/05/2025)

IMF expects Rs20tr revenue, stricter spending

As virtual technical-level discussions on the upcoming federal budget begin, the International Monetary Fund (IMF) expects Pakistan's total revenue to grow to nearly Rs20 trillion in the next fiscal year, up from the current estimate of less than Rs17.8tr, with an emphasis on tight expenditure controls to ensure sustainable debt servicing.

After three days of technical discussions through video link, formal policy-level negotiations on budget finalisation are set to begin on Monday (May 19) and continue until Friday (May 23). The agreement between the IMF staff mission and the authorities on next year's budgetary measures and macroeconomic framework would lead to the announcement of the federal budget on June 2.

The IMF has already put on the table its projections for major economic indicators, including fiscal and monetary policies, envisaging an economic growth rate of 3.6 per cent and average inflation of 7.7pc. This means the inflation rate would be significantly higher than the current year's average of 5.1pc. The combination of economic growth and inflation is expected to jack up revenue collection by more than Rs1.4tr from the current year's estimated collection of about Rs12.4tr.

However, besides the FBR's revenue collection, a major push for expansion in revenue base is being envisaged to come from provincial governments and agriculture income tax would be a key area for additional efforts.

Overall revenues for the next year are targeted to cross Rs19.9tr or 15.2pc of GDP compared to Rs17.8bn of budget estimates for the current year or 15.9pc of GDP.

The Fund expects Pakistani authorities to continue to focus on expenditure control, trimming it from 21.6pc of GDP in the current year to Rs20.3pc next year.

But even then the expenditures would get close to Rs26.57tr next year compared to budget estimates of about Rs18.9tr. The two sides have yet to work out the final numbers on revenue collection and revised expenditures, particularly those that have arisen recently due to the security situation.

The IMF expects Pakistan to reduce its fiscal deficit from 5.6pc of GDP during the current year to 5.1pc next year, or about Rs6.67tr. The government is also being asked to maintain a primary surplus — revenues minus non-interest expenditures — of around Rs2.1tr, a key condition for improving debt sustainability. Achieving this target is anticipated to bring down the debt-to-GDP ratio from the current 77.6pc to 75.6pc in FY26.

On the other hand, the Ministry of Finance has asked all the ministries and divisions to submit an additional pro forma (Form-III-C) to capture the climate-related component of subsidies to enhance and expand reporting on climate considerations in all allocations of the annual budget.

“Climate tagging of subsidies is one of the requirements under the Extended Fund Facility (EFF) agreed with IMF,” read a circular issued to all government entities and ministries.

The federal budget is required to map climate relevance in three categories of adaptation, mitigation, and transition.

The public expenditure under the running of civil government and public sector development programme is being tagged and the process is now being extended to other expenditures like grants and subsidies to identify the overall climate-related public expenditure.
(By Khaleeq Kiani Dawn, 01, 15/05/2025)

Pakistan, IMF open talks on budget finalisation

Pakistan and the International Monetary Fund (IMF) opened high-level policy talks in Islamabad on Monday to discuss the upcoming federal budget for fiscal year 2025-26, officials said.

The current round of discussions, which will continue till May 23, will help determine whether Pakistan’s proposed budget meets the fiscal and reform targets agreed with the IMF under the Extended Fund Facility (EFF).

An IMF delegation arrived earlier in Islamabad for the formal policy-level negotiations on budget finalisation, after last week technical discussions held via video link amid heightened tensions between India and Pakistan.

The Islamabad talks focus on revenue targets, expenditure controls, and budgetary projections as Pakistan grapples with mounting fiscal and external financing pressures.

An agreement between the IMF staff mission and the authorities on next year’s budgetary measures and macroeconomic framework would lead to the announcement of the federal budget on June 2.

IMF staff have emphasised the need to align budget priorities with programme goals of “restoring macroeconomic stability, building resilience through stronger reserve buffers, and advancing structural reforms for inclusive growth”.

Positive trends
One encouraging development is the turnaround in Pakistan’s external account.

From a deficit of 0.5pc of GDP during the July-March FY24, the current account has swung to a surplus of the same proportion in FY25, mainly due to a recovery in remittances and relative political stability. These inflows helped offset deficits in trade and primary income, underscoring the economy’s growing resilience.

Headline inflation, which had surged to nearly 40pc in mid-2023, dropped sharply to 0.7pc by March 2025. This dramatic disinflation allowed the State Bank of Pakistan to cut its policy rate by 10 percentage points since June 2024, bringing it down to 12pc by January. The easing of monetary policy is expected to support investment and consumption.

Sovereign risks have also moderated. The continuation of the IMF programme and a more disciplined fiscal approach have led to a sovereign credit rating upgrade and a narrowing of international borrowing spreads, reflecting greater investor confidence.

Challenges remain
Despite these gains, Pakistan faces a widening external financing gap, projected to reach $19.75 billion in FY26 and stay above $19bn through FY27. By FY28, the shortfall could exceed Rs8.8 trillion. While foreign exchange reserves may rise to $23bn by then, “no significant income is expected from privatisation before 2030.”

Remittances are expected to remain steady at $36bn, while the current account deficit is projected to hover around $3.85bn.

The IMF has warned of risks to Pakistan’s economic outlook from global developments, noting: “Risks to the outlook remain significant, including from global financial conditions, commodity price volatility, and geo-economic fragmentation.” It noted regional tensions as a key concern, stating that “renewed clashes with India could unsettle financial markets, deter investment, and distract from reform implementation.”

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Achieving this target is anticipated to bring down the debt-to-GDP ratio from the current 77.6pc to 75.6pc in FY26.
(By Anwar Iqbal Dawn, 01, 20/05/2025)

Issuing municipal bonds

THE federal government has released green Sukuk bonds to access domestic capital markets, in partnership with Sharia-compliant national banks, building upon the strong experience of Wapda's 2021 Eurobonds. These instruments are developed mainly in response to constrained fiscal space and the need to finance the shrinking PSDP and operate as extensions of sovereign debt without direct built-in cost recovery mechanisms. Can municipal bonds help create fiscal space without adding to debt?

Our approach to infrastructure financing has relied on centralised mechanisms that may no longer serve our governance structure or address climate resilience challenges. This approach is at odds with the 18th Amendment. The devolution of environmental management, urban planning and municipal services to the provinces, and by extension the local governments (LGs), demands a corresponding evolution in financing mechanisms. The intent of empowering lower tiers of government is not fulfilled if financial instruments are exclusively federal.

Pakistani cities face severe infrastructure deficits, with climate vulnerabilities manifesting locally. Karachi sees daily water shortages of around 700 million gallons against a need for 1.2 billion gallons. Less than 10 per cent of Pakistan's wastewater undergoes treatment before disposal. Municipal waste systems clog drainage, exacerbating flooding. Such service deficiencies cost our economy Rs112bn annually in healthcare expenses and lost productivity. These deficits are the domains where municipal bonds could prove transformative.

Municipal bonds as self-financing service mechanisms: Unlike federal instruments, municipal bonds can directly finance infrastructure tied to service delivery with intrinsic revenue generation potential. Water supply networks can generate consistent user fees while liberating citizens from informal markets that extract Rs50-70bn annually through tanker mafias. Waste management systems can establish service charges to address the Rs15.5bn annual economic loss from improper disposal. Sewerage infrastructure, though barely developed, provides essential services; recent studies in Peshawar and other urban centres demonstrate citizens' readiness to pay if service delivery is reliable.

Municipal bonds provide the financial engine to power the vision of the 18th Amendment.

Governance reform: A transition to municipal bonds would mean governance realignment consistent with our constitutional framework. The 18th Amendment envisioned LGs as service delivery vehicles; municipal bonds provide the financial engine to power this vision. Since 2010, fiscal federalism has transferred Rs25 trillion to the provinces through the NFC Award without the corresponding empowerment of LGs. The Punjab and Sindh LG Acts require amendments to authorise municipal bond issuance, while KP and Balochistan require more extensive legal reforms.

The preparatory process would drive urban governance reforms, enhancing transparency by identifying service gaps, and strengthening revenue collection systems that currently capture less than half of billable municipal taxes. The provincial finance commissions are not operational to create predictable fiscal transfers to municipalities. To begin with, medium-sized cities with a stronger private sector presence can be prioritised. Faisalabad, with its industrial base and Rs9.1bn annual municipal budget could pioneer a water infrastructure bond of $7-10m. Sialkot or Peshawar could issue an $11-18m instrument for modernising waste management. These issuances would require credit enhancements or partial guarantees from provincial set-ups until municipal creditworthiness is achieved.

Addressing capacity concerns: Critics may ask whether our municipalities possess the financial sophistication needed for capital market access. This approach underestimates the transformative potential of the bond preparation process. The rigorous external scrutiny inherent in credit rating assessments and investor due diligence creates powerful incentives for improvements. The Punjab Cities Programme has already initiated financial management improvements in 16 cities, demonstrating the potential of reforms through property tax digitalisation that reportedly increased collection by 37pc.

Municipal vs federal instruments: The green Sukuk and Wapda Eurobonds are implemented through top-down project selection without localised accountability, adding to debt obligations that are approaching Rs73tr. Municipal bonds finance infrastructure with intrinsic cost recovery potential, reducing debt sustainability concerns. Properly structured municipal bonds could achieve debt service coverage that is well above minimum thresholds for investment viability. As Mujtaba Piracha argues in Property Taxes and State Incapacity in Pakistan, empowering LGs with authority over setting tax rates and valuation will create stronger incentives for better alignment with local service provision.

Pakistan's climate resilience requires infrastructure investment of $30-40bn over the next decade. Nearly 80pc of this manifests at the municipal level, where adaptive capacity is the weakest. Municipal bonds represent constitutional alignment, governance improvement, and climate resilience enhancement through improved service delivery.

Path forward: Successful implementation requires financial system reforms in four metropolitan corporations, 80 municipal corporations and 204 municipal committees. Revenue enhancement must improve property tax collection from current rates of 60-65pc to over 80pc, addressing the Rs285bn annual revenue potential forfeited.

Provincial legislation for municipal bond authority needs enactment alongside establishing provincial finance commissions with district-level finance awards that provide predictable revenue sharing. Learning from other cities like Ahmedabad, Cape Town, Bangkok and others who have issued municipal bonds, dedicated municipal finance departments must be created perhaps through a centralised municipal development fund supported by provincial planning and finance departments. Independent credit ratings are essential for investor confidence.

Conclusion: A three-phase approach offers a roadmap: First, initiate reforms in pioneer cities. Second, prepare for market entry with guaranteed bond pilots. Third, scale up to larger non-guaranteed issuances including green bonds and municipal sukuks, potentially unlocking $1-2bn in climate finance. The 18th Amendment promised governance transformation. Municipal bonds offer the financial mechanism to deliver on this promise while addressing climate resilience risks. The time for transition is now, as urban environmental service deficits are reaching catastrophic levels.
(By Ali Tauqeer Sheikh Dawn, 06, 22/05/2025)

Budget delay

THE government has delayed the announcement of the budget for the next fiscal year by a little over a week to June 10, presumably due to lingering differences with the IMF over certain expenditure proposals the lender thinks could undermine progress on its $7bn funding programme.

For its part, the government considers the contested expenditures critical to providing relief to the middle class, which is burdened with heavy taxes and elevated cost of living, as well as to strengthening Pakistan's military defences against India. After multiple inconclusive rounds of discussions on the budget proposals for the coming year, the IMF mission left the country, agreeing to continue talks on tax measures and expenditures virtually over the next week.

Following its visit, the lender issued a statement calling the discussions with Pakistani authorities on the "budget proposals and broader economic policy, and reform agenda supported by the 2024 Extended Fund Facility and the 2025 Resilience and Sustainability Facility" constructive. It said that the authorities had "reaffirmed their commitment to fiscal consolidation while safeguarding social and priority expenditures, aiming for a primary surplus of 1.6pc of GDP" during the next fiscal year. It said that the "discussions focused on actions to enhance revenue — including by bolstering compliance and expanding the tax base — and prioritise expenditure".

The difference of opinion on higher allocations for defence following India's unprovoked aggression and on certain tax relief measures for the salaried class is not something to fret over. Previously too, we have seen both sides disagreeing on fiscal measures before finding middle ground. The IMF mission head's statement also does not indicate any major gap between the two sides on the budget proposals.

The Fund probably wants the government to cover all the bases through additional revenue measures to absorb the impact on its budget left by any tax relief and increase in defence spending. The government must continue on the path of sound macroeconomic policy and fiscal consolidation to protect its fragile recovery that remains vulnerable to potential slippages on account of, for instance, pressure from the real estate lobby for tax breaks and exogenous shocks.

Indeed, the government is under a lot of political stress from various segments of the population and industry to provide some kind of relief and push growth. Going forward, the pressure will increase and the political leadership may find it difficult to resist the temptation of creating a feel-good atmosphere in the country.

The question is: is it in a position to break free from the IMF's conditions? It can hardly afford this. Living off multilateral funds and loan rollovers by friendly countries as it is doing at the moment, Pakistan is at a critical juncture and must carefully weigh every step it takes.
(By Editorial, Dawn, 06, 26/05/2025)

Crypto policy in disarray as SBP, ministry insist ban is still in place

Amid growing official promotion of Bitcoin adoption, both the State Bank of Pakistan (SBP) and the Ministry of Finance (MoF) on Thursday said that cryptocurrency remains banned in the country and all its transactions are illegal under current regulations.

During a meeting of the National Assembly's Standing Committee on Finance and Revenue, Finance Secretary Imdadullah Bosal said that although the prime minister had recently formed a Crypto Council — chaired by the finance minister — through an executive order to explore digital asset policy, a cryptocurrency ban is intact under SBP and SECP regulations.

"There will be a legal framework only when the government formally takes a decision, but the current legal status is that crypto is not a legal tender in Pakistan," Mr Bosal said, conceding that no parliamentary backing exists for cryptocurrency use.

Mr Bosal also reconfirmed later to journalists that the federal budget would be announced on June 10 and discussions with the International Monetary Fund were ongoing virtually on budget estimates and proposed measures. He said the Asian Development Bank was expected to approve an $800 million loan to Pakistan on June 3.

Committee members expressed confusion over the government's approach. Mirza Ikhtiar Baig questioned why the public was being encouraged to invest in crypto when it remained legally banned, warning that investors could face serious consequences.

Mohammad Mobeen wondered why the government was dealing with the subject of Bitcoins and cryptocurrency instead of the SBP. He stressed that while the government was calling crypto illegal, it had simultaneously allocated power capacity for mining operations.

Further highlighting the policy inconsistency, he pointed out that Bilal Bin Saqib, CEO of the Pakistan Crypto Council (PCC), had been holding meetings with high-profile global leaders.

Shahram Tarakai said the country's foreign exchange would flow out of the country very soon through cryptos and the government would then be in a fix.

Other members raised questions about whether the crypto mining would be in government or private sector hands, and noted that illegal hawala channels would likely be replaced by unregulated digital transfers.

Sohail Jawad, an executive director of the SBP, said the central bank had issued a directive in 2024, declaring the legal status of Bitcoin and other cryptocurrencies illegal, and that stance was still intact.

In fact, the Financial Monitoring Unit (FMU) is still referring crypto-related cases to law enforcement agencies for further action, he said.

He said a national working group of digital currency had been established and suggestions had also been given to the Pakistan Crypto Council. He said El Salvador was the only country with legalised cryptocurrency in the world, and even that nation was reconsidering the decision.

The State Bank of Pakistan does not recognise crypto assets, which are digital currencies in which transactions are verified and recorded by a decentralised system. The SBP issued a formal notice in 2022 advising the general public to be cautious of and refrain from trading cryptocurrencies.

Need for regulation
The committee discussion on cryptocurrency was triggered by a bill on digital currency regulations proposed by MNA Sharmila Farooqi. She argued that Pakistan needed to regulate crypto to prevent money laundering, especially after its exit from the Financial Action Task Force's grey list.

The Pakistan Crypto Council was officially launched in March this year to "regulate and integrate blockchain technology and digital assets" into the country's financial landscape.

Strategic Bitcoin Reserve
The debate coincided with the unveiling of the country's first government-led Strategic Bitcoin Reserve by Pakistan Crypto Council CEO Bilal Bin Saqib, the newly promoted special assistant to the prime minister on crypto and blockchain.

An official statement released by the Ministry of Finance said the unveiling was held at Las Vegas, United States, at an event for an elite audience that included US Vice President J.D. Vance, and the sons of US President Donald Trump — Eric Trump and Donald Trump Jr.

"This wasn't just a policy moment — it was a rebranding of a nation," the statement said, adding that Mr Saqib conveyed a bold message that Pakistan was no longer defined by its past.

Speaking at the event, Mr Saqib said Pakistan is "being reborn as a forward-looking hub of digital innovation — powered by its youth, sharpened by necessity, and led by a new generation of tech statesmen."

He added, "I'm not just here as a minister. I'm here as the voice of a generation — a generation that is online, on-chain, and unstoppable."

A statement issued by Mr Saqib's office said that while "other leaders talk about potential, Bilal is unlocking it — with bold national moves that put Pakistan at the centre of the global crypto conversation".

He also announced the establishment of a national Bitcoin wallet, holding digital assets already in state custody — not for sale or speculation, but as a sovereign reserve signalling long-term belief in decentralised finance.

He also thanked President Trump for his role as a peacemaker in the recent India-Pakistan conflict and for his commitment to crypto adoption.
(By Khaleeq Kiani Dawn, 01, 30/05/2025)

Development crisis

A CLOSE look at the national development expenditure target of Rs4.1tr for the next fiscal year exposes the federal government's falling contribution to one of the most critical components of Pakistan's long-term economic growth — thanks to a severe resource crunch.

With the provinces contributing Rs2.8tr — which is more than two-thirds of the planned development spending — the federal share has shrunk to just Rs1tr or 21.4pc.

Some might rightly argue that the federating units, with their enhanced share from the federal tax pool after the passage of the 18th Amendment in 2010, should foot a bigger part of the development bill, as Islamabad bears the full cost of debt-servicing and national defence.

However, they must also remember that the provinces have steadily increased their development spending over the last several years, while simultaneously fulfilling the condition of generating an annual cash surplus each year to help the centre contain the fiscal deficit and generate a primary budget surplus to fulfil the demands of multilateral lenders.

Besides, federal development investment is needed to build large infrastructure that cuts across provincial boundaries, while the provinces focus on the provision of essential public services like health and education, in addition to local transport and other infrastructure.

The reasons for the slowdown in federal development expenditure are multiple: the need for managing the primary budget surplus for debt sustainability in line with IMF stipulations, a low tax-to-GDP ratio, dwindling foreign official and private capital flows, etc.

Meeting public aspirations and the harsh demands of external creditors is a precarious balancing act for a government with few resources. Still, the challenge can be addressed if Pakistan's policymakers show the political will to drastically slash the wasteful current expenditure and undertake reforms to boost tax revenues to create space for bigger development allocations.

That said, both the federation and provinces must ensure their development spending is efficient to achieve the maximum returns from limited resources.

The government must also stop liberally handing out development funds to keep the loyalties of lawmakers; instead, it should ensure that schemes once begun are completed within the given time frame in order to avoid cost overruns and corruption.

Our annual infrastructure spending of 2-3pc of its GDP is one of the lowest in the region, and well below the requirement of 10pc. So a growing backlog demands not just a
(By Editorial, Dawn, 06, 04/06/2025)

IMF wants 'strict compliance' as budget enters final stages

Amid final consultations on the budget, the International Monetary Fund (IMF) wants strict compliance with programme requirements, including the coverage of agriculture income tax in provincial budgets to ensure effective collection starting no later than September 2025.

The Fund also does not agree with a plan for incentivising enhanced power consumption desired by the federal government to absorb surplus capacity. Informed sources said the IMF wanted a strong commitment from the provinces for expenditure control, notwithstanding expansionary development plans presented by the provinces and approved by the National Economic Council (NEC). The four provinces have already exceeded their development allocations for next year by almost Rs850 billion than the IMF's estimates.

The provinces, on the other hand, might not be able to provide a committed budget surplus this year, given the Centre's revenue shortfall, and were maximising their next year allocations to ensure they did not lose their financial rights guaranteed by the National Finance Commission (NFC) before its next meeting.

The IMF also wants full implementation of the agriculture income tax and related services that the federal government and the provinces have not been able to settle, as the Centre believed corporate agriculture fell within its domain.

The sources said the authorities had tried their best getting a waiver for the sale of 7000mw of surplus power capacity at marginal cost — meaning no subsidy involved — but the Fund believed similar distortions in the economy, including taxation, incentives and allowances, had landed the country in a difficult state of affairs.

The government believed that surplus power could help boost economic activity if provided to new consumer sectors and industrial sectors even at breakeven rates, but the IMF believed it to be unfair to existing consumers paying a heavy price.

It was also considered unjustified to force old industries running at higher input costs to compete with new setups running on cheaper energy. The government was advised to continue cost-cutting efforts to stabilise the power sector and provide a level playing field to all. In this context, it was yet unclear if a section of the government trying to allocate 2000MW electricity to crypto farming would succeed in providing 3-4 cents per unit (Rs8-9 per unit) against Rs24-25 per unit base rate.

The IMF has also opposed provincial subsidies on electricity and gas as provided during the current year by Punjab, which intends to repeat it next year. In addition, it wants joint strategies to fight electricity and gas theft and smuggling to minimise financial leakage and tax loss. In this regard, the provinces would also have to right-size their departments in the next year to support a similar federal exercise during the current year.

The FBR tax target for next year would remain around Rs14.2tr or so as agreed during the first review of the extended fund programme a couple of months ago. Most of the other estimates shared at the time would also remain unchanged. There would be minor relaxation in tax rates for the salaried class but greater focus on recoveries from the retail sector. The cross-cutting theme of the next year's budget would be digitisation and differential tax and transaction rates for cash and digital means.
(By Khaleeq Kiani Dawn, 01, 05/06/2025)

Provinces take the lead on Rs4.2tr in uplift spending

Fuelled by a 22pc increase in provincial allocations, the National Economic Council (NEC) on Wednesday approved with consensus a record Rs4.22 trillion national development outlay for the next fiscal year to upgrade growth rate to 4.2pc from 2.7 this year, despite an IMF-decreed 29pc cut in the public sector development programme (PSDP) compared to the current year.

The provincial expansionary stance is expected to come under the International Monetary Fund's watch, which has been pushing for greater provincial cash surpluses to support the federal government in delivering a healthy amount for debt servicing, besides effective taxation of the agriculture income under a new national fiscal pact.

The meeting of the NEC — the country's highest economic decision-making forum — was moved up by a day so that the prime minister, who chaired the meeting, could travel abroad. All provincial chief ministers, the deputy prime minister, and federal ministers for planning, finance and information were present. PM's adviser Rana Sanaullah also attended the meeting.

The meeting also decided that the PM and all CMs would meet on Thursday morning for a special meeting in light of India's move to disrupt Pakistan's water share. They will ponder a strategy to safeguard Pakistan's water resources.

The development portfolio includes Rs1tr from PSDP, Rs2.869 trillion from the provincial annual development plans (ADPs), and Rs355bn for separate projects by the state-owned enterprises (SOEs) through their resources.

Technically speaking, the Centre has allocated Rs880bn for the PSDP, down 20pc when compared to the current year's revised allocation of Rs1.1tr and 37pc lower than the original allocation of Rs1.4tr. Yet, the government pitched the PSDP at Rs1tr after including Rs120bn to be generated through a petroleum levy imposed by the prime minister last month to finance projects in Balochistan.
The provincial share for next year has gone up by 22pc from Rs2.358tr. The provinces had pitched Rs2.795tr ADPs two days ago at the meeting of the Annual Plan Coordination Committee (APCC), but revised it to Rs2.869tr for the next year.

Punjab leads charge
The next year's development plan is led by Punjab with a record Rs1.204tr, 20pc higher than the Centre, up 10.6pc compared to the current year's Rs1.089tr. This is the first time a federating unit has exceeded the federal allocation, showing enhanced financial muscle of the provinces. Sindh trailed just behind the Centre with Rs967bn allocation, a healthy 27pc increase from its current year's Rs705bn development fund. Punjab and Sindh enhanced their allocations by Rs16bn and Rs80bn respectively over what they had reported to the APCC on Monday.

Khyber Pakhtunkhwa announced to invest Rs417bn in development next year, showing a massive 33pc increase over the current year's allocation of Rs313bn. It had reported Rs440bn ADP in APCC but scaled down by Rs23bn. Balochistan, mostly dependent on the federal support, would announce Rs281bn development plan, up 12pc over the current year's Rs252bn. Likewise, estimates for SOE's projects were also jacked up to Rs355bn from Rs288bn two days ago.

Sources said despite their own heavy allocations, the Sindh and KP chief ministers complained over exclusion of their projects from the federal budget, while the Balochistan chief minister thanked the Centre for giving special attention to the restive province. KP chief minister's adviser on finance Muzammil Aslam, however, appreciated the centre's limitations in the given circumstances.

The cash-strapped government, however, did not forget protecting allocations for coalition partners' parliamentarians scheme at Rs50bn and also enhanced funds for PML-N's trademark road-building projects.

All other sectors, including special areas like Azad Kashmir and Gilgit-Baltistan, would be handicapped by lower allocations, as all sectors, including energy, food, and water, faced funding constraints.

Based on these spending plans, the government set next year's growth target at 4.2pc, supported by 4.4pc target in agriculture output, 4.3pc in industry and 4pc in the services sector, and an inflation rate at 7.5pc.

It set the target for national savings at 14.3pc of GDP in FY 2025-26, slightly higher than the current year's 14.1pc and total investment of 14.7pc of GDP, up from 13.8pc in FY 2024-25. This reflects a narrowing saving investment gap to be financed through modest external inflows.

Public investment is projected to increase from 2.9pc to 3.2p; similarly, private investment is also projected to rise from 9.1pc of GDP to 9.8pc. Fiscal and monetary policies will aim for consolidation and stability, with an expected inflation of 7.5pc due to the low base effect and risk of ongoing trade tensions and domestic tariff rationalisation measures.

The agriculture growth will be supported by a recovery in important crops (6.7pc) and cotton ginning (7pc), as well as robust performance in livestock. The industrial sector is expected to benefit from a significant revival in LSM with 3.5pc growth, the planning ministry said, with 3pc growth in mining and quarrying, "alongside sustained growth momentum in construction and energy, gas and water supply".

The services sector, which forms the largest share of GDP, is set to grow by 4pc, underpinned by stronger performance in wholesale and retail trade, transport, storage & communications, financial services and real estate.
(By Khaleeq Kiani Dawn, 01, 05/06/2025)

Pushed into poverty

A WORLD Bank finding that nearly 45pc of Pakistanis live below the poverty line should not come as a surprise. Neither should the fact that the proportion of people living in extreme poverty has risen from 4.9pc to 16.5pc.

The poverty numbers quoted by the bank in a report are based on a survey conducted in 2018-19; they do not take into account the devastating impact of the 2022 floods or the record inflation of the last couple of years on millions of people. Pakistan has not conducted household income surveys since 2019. If a new survey is carried out, the percentage of people living below the poverty line is certain to rise further.

The bank has clarified that the increase comes in the wake of an update in global poverty lines by it, and not because of any change in the underlying economic conditions in Pakistan or elsewhere. About 82pc of the increase in the numbers living in poverty is due to the higher value of the new poverty lines, with the rest explained by price increases in Pakistan between 2017 and 2021.

However, the bank says that poverty trends remain unchanged. A bank official said that Pakistan's poverty and resilience assessment, currently in progress, would provide the latest update on actual poverty in the country and explore the drivers and dimensions of trends in poverty and welfare over the past 20 years. In addition, the findings, due in September, would examine spatial disparities and fiscal equity.

The increase in the number of poor may have come from the revised higher poverty threshold, stagnant economic growth and a record spike in living costs in recent years, besides the impact of disaster on millions, which together must have pushed most low-income households to the borders of ‘poor’ and ‘non-poor’ under the poverty line. With socioeconomic conditions unlikely to change and public service delivery likely to deteriorate further due to falling development expenditures, chances are that new surveys will reveal worsening urban and rural poverty results.

The factors affecting an increase in poverty apart, there still is room to reverse the trend through targeted interventions and the effective use of available resources. But this will require political will, a strong policy focus and coordination amongst the different tiers of government. In this respect, we can learn a lot from China’s successful experience.
(By Editorial, Dawn, 06, 07/06/2025)

Behind the numbers...

PAKISTAN has achieved economic stability, with the fundamentals showing significant improvement in the last year and a half. However, is the recovery that Finance Minister Muhammad Aurangzeb claimed yesterday, while releasing the Economic Survey for the outgoing year, sustainable?

Can this stability be converted to faster growth? Is there even a plan to do so? With the economy stuck in low-growth mode, thanks to successive governments’ failure to lay the foundation for a structural shift, the moment should have, instead, been one of introspection.

Rather than praising the rulers’ ‘achievements’, Mr Aurangzeb could have reflected on where and why they dithered on reform promises. The public should have been told why the government chose not to tax powerful lobbies — retailers, real estate speculators, big farmers, high earners operating in the grey economy, etc.

It should have been informed how the government plans to target the untaxed and undertaxed segments to deepen the fragile recovery that our politicians never stop talking about.

Behind the stability statistics are some hidden realities. According to the Survey, the economy is estimated to grow by a nominal 2.68pc this year from 2.5pc a year ago, with its size increasing to $411bn from $372bn. This growth rate falls short of the original target of 3.6pc and is even lower than the average growth of 3.4pc of the last five years and the long-term average of 4.7pc.

The two major drivers of growth — agriculture and big industry — continue to be in trouble. Agricultural growth is at a nine-year low while large-scale manufacturing is contracting. The minister rightly warned against a ‘sugar rush’ for faster growth, saying the last thing the country needs is more boom-and-bust cycles. However, the question is: how long can we keep suppressing growth to protect stability? Why do we need stability if not for faster and sustainable growth?

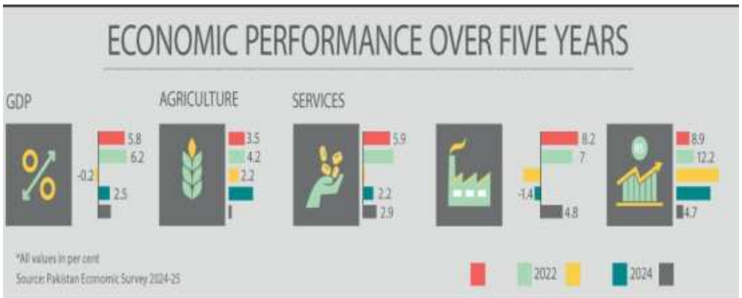
The fiscal deficit is down, and expected to remain much lower than last year’s 6.8pc. This has been achieved not by increasing revenues through broadening the tax base but by slashing development funds at the expense of future growth.

The 9pc increase in per capita income to $1,824 essentially means that income disparity in society is on the rise, with nearly 45pc of the population surviving below the poverty line.

The investment-to-GDP ratio has risen slightly to 13.8pc from 13.1pc but remains much lower than that of our peers such as Vietnam and Bangladesh with a ratio of 31pc and Sri Lanka with 23pc. Foreign investment is minuscule due to policy inconsistencies and political instability, recurring economic crises and other ills. If anything, the government will be walking another tight fiscal rope next year, hoping to achieve a moderate growth rate of 4.2pc — most probably in vain.
(By Editorial, Dawn, 06, 10/06/2025)

Economic Survey 2024-25: Growth stumbles as key targets missed

“Next year will be a turnaround story,” Finance Minister Muhammad Aurangzeb promised on Monday as he unveiled the Pakistan Economic Survey 2024-25 (PES) document, which highlighted widespread slippages across major sectors of the economy in the outgoing fiscal year.



Reviewing the economy report card, the finance minister suggested that Pakistan’s performance should be evaluated in a global context rather than a historical one.

He stated that while global economic growth has been on a declining trend, expanding 3.5pc in 2023, 3.3pc in 2024, and 2.8pc in 2025, Pakistan had progressed from a contraction of 0.2pc in 2023 to 2.5pc growth in 2024, with a further rise to almost 2.7pc this year.

“This is gradual recovery, and the right way to ensure sustainable growth,” he insisted, adding that no one wanted a return to the boom-and-bust cycles of the past.

The current year’s GDP growth will clock in at 2.68pc; well short of the 3.56pc target, although slightly improved from last year’s 2.5pc. It is below the five-year average of around 3.3pc, and well below Pakistan’s long-term average of over 4.5pc.

Mr Aurangzeb noted that global inflation stood at 2.6pc in 2023, rose to 2.7pc in 2024, and is projected to reach 3.1pc in 2025. In contrast, inflation in Pakistan had fallen from 29pc in 2023 to 23pc in 2024, and now to a six-decade low of 4.6pc.

"So, this too has moved in the right direction," Mr Aurangzeb remarked, noting that the benchmark interest rate had been reduced by a cumulative 1,100 basis points during the current year to 11pc, down from a peak of 22pc. Resultantly, the public debt-to-GDP ratio declined from 68pc last year to 65pc, aided by the government's buyback of approximately Rs1 trillion in debt, which created additional fiscal space, the minister said.

Missed targets

The Economic Survey data reveals that almost all major components of the economy missed targets. The finance minister singled out a 13.5pc contraction in major crops, which was estimated to have restricted the overall GDP growth rate by 0.6pc. The overall agriculture sector, which accounts for nearly 24pc of GDP, posted modest growth of 0.6pc this year, falling well short of the 2pc target and significantly below last year's announced growth of 6.4pc. Major crops such as wheat, cotton, and maize contracted by 13.5pc, a sharper decline than an estimated 4.5pc.

This was primarily due to initial estimates of a 35pc water shortage, which were later revised down to 11-12pc. As a result, cotton ginning saw a 19pc decline, compared to last year's growth of 0.1pc, and well below a targeted contraction limit of 2.3pc.

Meanwhile, the industrial sector was announced to have shown 4.8pc growth, surpassing the 4.4pc target. This triggered some pointed questions, however. A journalist commented that it seemed likely the industry's performance would later be revised downward, given that an almost 1pc contraction had been reported for the first nine months of the current year.

Within industries, mining and quarrying contracted by 3.4pc against a growth target of 5pc, shrinking for the third consecutive year. Likewise, Large-Scale Manufacturing (LSM), which contributes nearly 8pc to GDP, contracted by 1.5pc, falling far short of the growth target of 3.5pc.

This also marked the third consecutive year of struggles for LSM, which saw a 10pc contraction in fiscal '23, followed by less than 1pc growth in fiscal '24 (that too, owing to a low base effect), and followed by an additional 1.5pc contraction this year.

The services sector, which makes up nearly 59pc of GDP, was said to have posted growth of 2.9pc, well short of the 4.1pc target. Within the services sector, wholesale and retail trade, transport and storage, financial and insurance services, and private services all missed targets, whereas government services, education and similar sectors that outperformed expectations.

Separately, the investment-to-GDP ratio improved to 13.8pc in fiscal '25, up from 13.1pc in fiscal '24, although falling short of the 14.2pc target. Private investment grew by 9.1pc, slightly below the 9.7pc target. National savings also saw an improvement, rising to 14.1pc of GDP, surpassing the 13.3pc target.

Indian meddling

Mr Aurangzeb said structural reforms aimed at transforming the foundations of Pakistan's economy would have remained elusive without the ongoing 37-month Extended Fund Facility (EFF) programme. The programme, he noted, had supported taxation reforms that raised the tax-to-GDP ratio to a five-year high and contributed to a reduction in power sector losses.

The minister described the recent release of a $1bn tranche by the IMF as a major success, achieved "against all odds." For the first time publicly, it was revealed that India had actively opposed the move.

"Just as our armed forces fought for a victory, a similar battle was being fought on the economic front," he said, claiming that the Indian executive director at the IMF had made every effort to keep Pakistan's case off the board's agenda, or, if it was included, to block both the second instalment of the EFF as well as a new $1.4bn Resilience and Sustainability Facility, which is crucial for Pakistan's climate adaptation financing needs.

But Pakistan's bilateral allies and multilateral partners stood by the country and offered their support, Mr Aurangzeb said, while also acknowledging that this outcome would not have been possible without the strength of Pakistan's economic performance.

Reform-centric budget

Mr Aurangzeb also stated that reforms in public finance, including pension reforms, rightsizing of government, and privatisation of public sector entities, would be pushed through, and this would be evident in the budget to be presented on Tuesday (today).

The minister avoided multiple questions regarding the quality of data, and the use of May-June projections to calculate growth numbers instead of relying on actual data. However, he affirmed his support for the published data, stating that, as finance minister, he stood behind it.

He also expressed his support for the inclusion of members from the private sector on the board of the Pakistan Bureau of Statistics, which is responsible for the Economic Survey report.
(By Khaleeq Kiani Dawn, 01, 10/06/2025)

On to the budget

WAR-war is over; talk-talk is happening in the subcontinent — not between the two nuclear-armed neighbours but with the world to our west. Indeed, each side has decided this is the best time to convince the rest how it is the real victim. And whether or not the world (and the US) is convinced, the real job is to convince those of us in India and Pakistan how hard the politicos are working, speaking English fluently, and winning over those who are worried about two nuclear powers being at loggerheads.

But then, the game is about convincing the South Asians that world opinion is being shaped, even if it really isn't. Even if the populace is or isn't, the two prime ministers are surely convinced of their respective success.

On our side of the border, the prime minister is so thrilled that he is delivering speeches not only to his cabinet, but also at diplomatic events in Islamabad. Those who are listening are not just told about the details of the conflict and the brilliance of the planners at home and of Trump, but also that Pakistan has avenged 1971. Six planes and half a country — same to same.

There is a fear that he is going to become like the uncle who got dragged to a hunting trip by his cool friends about 40 years back, and has been telling the story since at every family wedding and Eid gathering.

His excitement is shared by his cabinet ministers. The foreign minister, too, has given more than one press conference on the conflict, while the defence minister is announcing foreign policy decisions that the rest of the government has yet to agree to. It's quite like a family wedding where everyone is holding forth on what food the guests will be served, other than the person who will be paying for it.

Those who are lower down the food chain (whether in government or the commentariat) steer clear of foreign policy but haven't stopped telling us how popular the government has become.

There are assertions galore about how the 'war' has led to a surge of popularity; and as emotions are running high and the monitoring is rather stringent, no one is going to ask about when and how the upswing happened in Balochistan, KP and Sindh. These are all silly questions and unpatriotic to boot, in the aftermath of a war, which is far from over.

A thrilled PM is delivering speeches not only to his cabinet, but also at diplomatic events.

In Punjab now, 'all is well', for the military and the government thwarted the Indian attack. The result of the recent by-election in Sialkot is proof of this, in case any doubting Thomas needed it. Only the unpatriotic bunch wonders why the election was still a contest between the irrelevant PTI and the successful and popular N, and the latter won, despite its own government in the province, control over the police and the administration and the very fair and unbiased Election Commission.

But it is puzzling that Nawaz Sharif, who was the man behind the scenes — from the planning to the diplomatic outreach to the major decisions about promotions — flew off to Avenfield and London, even before the celebrations ended. And this before he has renewed political activities, promised to us multiple times, as frequently as governments have assured us of an economy that is 'taraqqi ki rah par gamzan' (set on the path to prosperity). We wait in hope for both his return to politics and the country's development. Though, the videos that have reached us from London do show that the N is still holding all-male dinner parties.

But that is not the only party stuck in a loop. The PTI continues to grapple with the same old inner wrangling, agitation and protest. Imran Khan, having tried to get his chief minister more than once to lead a charge on Islamabad, has now decided to plan and manage it from jail. And what will happen once his second tier is banned from meeting him in the middle of the protests is just a silly question. All questions are silly, if they are not unpatriotic.

But someone somewhere still wants to scare the PTI and that is why there are 'leaks' once again about the trial of Faiz and how it is near completion. This bogeyman is spoken about only to send a message. As the success of the crypto policy is used to send a message. Different messages and to different quarters.

If only the big shots were the ones giving us messages. Not so anymore; even the Islamabad bar has joined the fray by welcoming the 27th constitutional amendment, which the government hasn't even officially owned up to. But in its eagerness to please, the bar is simply acknowledging the gossip in Islamabad.

Though those of us who are far, far outside the favoured circles of the powers that be are in the dark about what the amendment will do. Will it simply take care of the pesky judges, if any still have the space to be pesky, or will it bring far more sweeping changes? We continue to gossip (rather than ask questions), though those in the know explain that this amendment will be unveiled once (and if) the Constitutional Bench in all its 'wisdom' and legal know-how returns the reserved seats to the rightful owners — the parties in power.

But if the numbers in parliament are going to be easy to add up, it's hard to explain why the interior minister is meeting the maulana. Though it does seem that in between these meetings, the revolutionary fervour of the JUI-F has died down. The maulana is no longer thundering here and there — perhaps the weather is far too hot, and he doesn't want to add to the high temperatures.

It indeed is smooth sailing for those in power till the budget. There is no doubt the government is sitting pretty even as the rest of us are bracing ourselves for the 'prosperity' and the 'relief' that awaits us this week.
(By Arif Noor Dawn, 06, 10/06/2025)

Story of missed targets

The FY25 economic survey is a document of missed targets, and the GDP has fallen back inevitably. The economy is to post a growth of 5.5% in the April-June period in order to meet the benchmark of 2.7%, as the projections are still lower than the 3.6% target. This makes it the third successive year for the government to miss its targets. The pre-budget annexure confirms that the economy has been in doldrums and the dispensation has, somehow, managed to keep it afloat through monetary control and changing projections off and on. The finance minister, unveiling the survey yesterday, cited the global economic outlook and noted that GDP growth was estimated to decline to 2.8% in FY25 from 3.5% two years ago. He, however, sounded confident that 2.7% growth for the outgoing fiscal year was in the wings.

Surprisingly a week ago, the government had boasted high-profile projections hoping to see the growth rate at 4.2% for the next fiscal year. This was done in the wake of the revision of targets by international lenders that saw the economy going down, as the targets for the FY25 were missed and the economy performed at 2.68%. This happened in the backdrop of the agrarian sector posting a mere 0.56% growth, and all other production units struggling to post a mere break-even. As the federal budget for FY26 is unveiled today, tax collection target is likely to swell to Rs16 trillion, unsurprisingly at the cost of commoners and salaried class, in a society that is under elite capture.

The survey, interestingly, points out that agriculture played a 'sustainable role' in FY25 in ensuring food security, accounting for 23.54% of the GDP and employing over 37% of the labour force. Likewise, the statistics are encouraging with the livestock sector expanding at 4.72%, and fisheries and forestry at 1.42% and 3.03%, respectively. Construction and real estate grew by 3.8%; electricity, gas and water by 6.6%; automobiles by 40%; and wearable apparels by 8%. However, the plum export industry of textiles posted a meagre growth of only 2%; and where small-scale manufacturing grew by 1.3%, large-scale manufacturing rather contracted.
(By Editorial, The Express Tribune, 14, 10/06/2025)

Budget 2025-26: Austerity budget offers 'crumbs' for relief

Maintaining an aggressive stance on fiscal consolidation, as required by the International Monetary Fund (IMF), Finance Minister Muhammad Aurangzeb on Tuesday still managed to offer some notional relief to the salaried class in the federal budget for fiscal year 2025-26, along with incentives for the real estate and construction sectors, in an effort to revive the struggling industrial sector and stimulate economic growth.

At the same time, however, the government announced it was imposing a 'carbon levy' of Rs2.5 per litre on petrol, diesel and furnace oil in the upcoming fiscal year, to be doubled the following year.

It also introduced a 5 per cent tax on large pensions, an 18pc tax on imported solar panels, and an increase in the debt servicing surcharge on electricity to finance not only interest payments, but also principal debt. Additionally, it announced the gradual elimination of tax exemptions for the tribal areas beginning this year.

Ambitious targets
Despite a record tax shortfall of Rs1.07 trillion recorded for the current fiscal year, the finance minister set next year's revenue target at Rs14.13tr — an 18.7pc increase from this year's revised estimate of Rs11.9tr, against the original budget target of Rs12.97tr. This would include approximately Rs840 billion in additional revenue measures, on top of a Rs1.39tr automatic tax increase supported by projected inflation of 7.5pc and economic growth of 4.2pc and expenditure containment of nearly Rs2.26tr (equivalent to 2pc of GDP), driven primarily by reduced debt servicing costs, and also at the expense of development and public welfare initiatives.

Not only the Federal Board of Revenue (FBR), but the provincial governments, too, were unable to meet their commitment of maintaining a Rs1.22tr surplus for the current year. Still, they provided vital support to the federal government with a surplus of Rs1.01tr.

This contribution enabled the federal government to outperform its fiscal target and record a budget deficit of just 5.6pc of GDP (Rs6.44tr) — the lowest in a decade since FY2015-16 — compared to a higher projected deficit of 5.9pc (Rs7.28tr). This notable fiscal tightening was achieved through punishing additional taxation measures amounting to Rs2.2tr (1.8pc of GDP) alongside a reduction in expenditure as interest rates declined from a historic peak of 22pc.

Accordingly, the FY2025–26 budget sets an ambitious target to reduce the budget deficit to 3.9pc of GDP (Rs5.04tr), contingent upon a cash surplus of Rs1.46tr from the provinces. As a result, the primary budget surplus is projected to rise to 2.4pc of GDP, or Rs3.17tr, for the next year — up from this year's 2.2pc of GDP (Rs2.5tr).

Relief for select groups
The government found sufficient fiscal space to offer some relief to the salaried class, who have been burdened by high tax rates, declining real incomes, and severe inflation over the past two years.

The finance minister proposed a reduction in income tax by half, to 2.5pc, on annual income between Rs600,000 and Rs1.2 million. It is pertinent to mention that there was a discrepancy in the income tax rate for the lowest taxable bracket announced by the finance minister and the tax rate mentioned in the finance bill, which was even lower at 1pc.

Clarity is awaited on this matter. Similarly, the annual tax on a salary of Rs1.2m was proposed to be reduced to Rs6,000, down from the current Rs30,000. Mr Aurangzeb added that the income tax rate for those earning up to Rs2.2m per annum would be cut to 11pc, down from the current 15pc. Similarly, the tax rate has been reduced to 23pc from 25pc for salaried income between Rs2.2m and Rs3.2m. In addition, the finance minister acknowledged that oppressive tax rates were driving highly skilled professionals to migrate, contributing to a "brain drain". As a corrective measure, he announced a 1pc reduction in the surcharge on annual incomes exceeding Rs10m.

Apart from this, a 10pc increase in salaries and 7pc rise in pensions was announced for government employees. The salaries of armed forces personnel would also be increased by 25pc, including a special relief allowance in recognition of their recent heroic performance in response to Indian aggression, the finance minister said.

At the same time, the government introduced a generous tax relief and incentives for the construction sector, including access to cheaper mortgage financing, in a bid to revive large-scale manufacturing, which has been contracting for the past three years due to unprecedented increases in energy and borrowing costs. To this end, the finance minister announced a reduction in the withholding tax on the purchase of real estate from 4pc to 2.5pc. The next two current withholding tax rates of 3.5pc and 3pc will also be reduced to 2pc and 1.5pc respectively.

Additionally, a 7pc federal excise duty imposed last year on the transfer of commercial properties, plots and houses has also been proposed to be abolished.

As a new initiative, the budget includes a tax credit on mortgages for homes of up to 10 marla (250 square yards) and flats of up to 2,000 square feet. This is in addition to a new scheme aimed at promoting mortgage financing. The finance minister also announced a reduction in stamp duty on property purchases in Islamabad Capital Territory, from 4pc to 1pc, and expressed hope that provincial governments would follow suit by reducing heavy taxation on immovable property.

The government also succeeded in persuading the IMF to exempt fertilisers and insecticides from taxation for the current year, in an effort to position agriculture as the engine of economic growth.

Tightening the net

On the other hand, the finance minister announced an increase in the tax rate on interest income from 15pc to 20pc, a move that may discourage savings. However, he clarified that this would not apply to small savers or investments in national saving schemes.

Similarly, digital marketplaces and online businesses are to be brought into the tax net through courier companies, it was announced. The minister also announced a 5pc income tax on pensions exceeding Rs10m per annum for pensioners under the age of 70. In a move to promote a cashless economy, non-filers will now be subject to a 1pc advance tax on cash withdrawals, up from the existing 0.6pc. Taxpaying businesses will be discouraged from making cash sales exceeding Rs200,000. Additional measures have also been introduced to encourage online transactions and digital payments.

Strict steps will be taken against non-filers. Only taxpayers who submit their wealth statements will be allowed to undertake large financial transactions, such as the purchase of vehicles, immovable properties, securities, mutual funds, or the opening of certain bank accounts.

Tightening the noose around unregistered traders, the finance minister proposed the freezing of bank accounts, restrictions on property transfers, and the sealing of business premises in cases of serious violations of sales tax laws, with the involvement of trade bodies. In the same vein, he also announced a notional 0.5pc reduction in the super tax for corporate firms with annual incomes between Rs200m and Rs500m.

Improved tax collection

The finance minister noted a rise in the tax-to-GDP ratio, which has historically been one of the weakest aspects of Pakistan's economy, from 8.8pc in June 2024 to 10.3pc in the first nine months of the current year. This figure is projected to reach 10.4pc by June 30, 2025. Including non-tax revenue, the federal tax-to-GDP ratio has improved to 11.6pc, representing an increase of 1.2 percentage points, up from 0.8 percentage points last year.

The consolidated tax-to-GDP ratio, the finance minister added, has reached 12.3pc, including a 0.7pc contribution from the provinces. "The 1.6pc of GDP increase in FBR revenue is not only the highest in Pakistan's history, but is also rarely seen anywhere else in the world in recent times," the minister boasted.

Balancing the budget

The government has set the non-tax revenue target for the next year at Rs5.15tr, slightly higher than the current year's Rs4.9tr. This brings the total gross federal revenue (FBR plus non-tax) to Rs19.28tr, up from the current year's original budget target of Rs17.8tr, which was later revised down to Rs16.8tr. After transferring Rs8.2tr to the provinces, the net federal revenue is estimated to be Rs11.07tr for the next year, compared to Rs9.8tr this year. This leaves a projected federal deficit of Rs6.5tr, a reduction from the current year's budgeted Rs8.5tr, which was later revised to Rs7.44tr.

Subsidy allocations have been reduced by 14pc to Rs1.19tr for the next year, down from Rs1.38tr in the current year. This is primarily due to a 13pc (Rs154bn) cut in power sector subsidies. The tariff differential subsidy for ex-Wapda distribution companies has been reduced by 9.7pc (Rs27bn) to Rs249bn, from Rs276bn this year. Meanwhile, the tariff subsidy for K-Electric has been cut by 28pc (Rs49bn), to Rs125bn from Rs174bn. An even larger reduction has been applied to the tariff subsidy for Azad Jammu and Kashmir, which has been reduced to Rs74bn from Rs108bn, reflecting a cut of 31.5pc.

The major non-tax revenue item is expected to be the petroleum levy on POL products, projected at Rs1.47tr, which is a 26pc increase from the current year's Rs1.16tr. An even larger contribution is anticipated from State Bank of Pakistan profits, estimated at Rs2.4tr for the next year, though this marks a slight decline from Rs2.6tr this year.

The debt servicing cost for next year has been estimated at Rs8.2tr, representing an 8pc decline from actual repayments of Rs8.95tr, and 16pc lower than the original budget estimate of Rs9.78tr. Pension expenditure is expected to rise by around 4pc, reaching Rs1.06tr, up from Rs1.01tr this year. Military pensions are projected to grow by 12pc to Rs742bn, compared to a 10pc increase in civil pensions, which are expected to reach Rs243bn.

As a result, total current expenditure has been set at Rs16.29tr for the next year, slightly below this year's figure of Rs16.39tr.
(By Khaleeq Kiani Dawn, 01, 11/06/2025)

BUDGET 2025-26 Threat of Rs500bn tax hike if enforcement measures blocked

Finance Minister Muhammad Aurangzeb on Wednesday repeatedly warned that the government would be compelled to impose a further Rs400 to 500 billion in taxes if parliamentarians failed to approve the sweeping enforcement measures proposed in the 2025-26 budget as they were already cleared by the International Monetary Fund (IMF).

`I now request my colleagues in both houses of parliament to get the enabling clauses for enforcement measures passed, otherwise we would have to take Rs400-500bn additional tax measures,` the usually soft-spoken minister said at his post-budget press conference, hinting at potential resistance within the ruling party, coalition partners and other pressure groups.

While Mr Aurangzeb did not name specific provisions, he was apparently referring to expanded enforcement powers for the Federal Board of Revenue (FBR). These include the authority to block high-value financial transactions by non-filers such as vehicle and property purchases, investment in securities and mutual funds, and opening certain prestigious bank accounts along with powers to seal unregistered business premises, confiscate goods and recover taxes from firms, including those in the public sector.

At a recent special meeting, the National Assembly`s Standing Committee on Finance and Revenue raised objections to some of those measures introduced through the Tax Laws (Amendment) Ordinance 2025 last month and hinted at tight scrutiny in due course. `Legal backing will be critical to institution alise compliance and sustaining revenue growth,` the finance minister asserted.

Mr Aurangzeb explained that of the Rs700bn additional revenues envisaged or the next fiscal year on top of an estimated 12 per cent organic growth in taxes driven by inflation and economic activity about Rs389bn is tied to enforcement measures, while Rs312bn stems from additional tax measures.

`These numbers are locked with the IMF,` Finance Secretary Imdadullah Bosal said, adding that the federal cabi-net`s decision to increase government workers` salaries by 10pc up from the originally proposed 6pc will have an additional fiscal impact of roughly Rs28bn.

He was responding to a question about whether talks with the Fund were complete or changes would ensue between the budget presented before and to be subsequently passed by parliament.Both the finance minister and the finance secretary indicated that this additional fiscal impact was filled with a change in income tax rates for the salaried class. The first income tax slab people earning between Rs600,000 and Rs1.2 million per year was reduced from 5pc to 2.5pc, as announced by the finance minister in his budget speech, instead of the 1pc earlier envisaged (and printed in the Finance Bill).

Responding to a question, Mr Aurangzeb said that, given Pakistan`s history, international stake holder shad also doubted the country`s ability to enforce tax laws effectively and insisted on results.

During the current year, `we have demonstrated practically that we can deliver`, with Rs400bn recoveries through enforcement. `We now have the trust and credibility, the minister said, reiterating the need for legal provisions to continue enforeement or risk Rs400bn of more taxes.

Journalist walkout The presser was marred by a walkout from journalists over the cancellation of a traditional technical briefing on the Finance Bill. The protest turned into a full-blown boycott following a decision by officials to continue the live event in the presence of their own people alone.

Information Minister Attaullah Tarar, who was not in attendance, had to rush to the scene to acknowledge journalists` grievances and convince them to returnto the presser.

Mr Aurangzeb also defended sharp increases, some of them as large as 550pc, in the salaries of the speaker, deputy speaker, members of parliament and ministers.

He insisted the hikes should be seen in the context that the salaries of the ministers had last been adjusted in 2016, compared to annual increases in thewages of employees in public and private sectors in line with inflation and other factors. `Had these been adjusted on an annual basis, there would have been no sudden jump.

At the same time, the finance secretary indicated delays in the implementation of a contributory pension scheme for armed forces personnel with effect from July 1, 2025,asannouncedbythe finance minister last year.

Mr Bosal said the contributory scheme for military employees was not an easy job and consultations had been taking place with the Ministry of Defence.

Both the minister and the secretary parried questions about the size of salary increases and special allowance for armed forces personnel announeedinthebudgetspeech.

They also did not respond to repeated questions regarding the justification and increase in allocation of funds for parliamentarians` schemes to Rs70bn, instead of the Rs50bn approved by the Annual Plan Coordination Committee.

The minister concededthe relief in tax rates for the salaried class, corporates and other sectors was minor but insisted it should be seen in the `direction of travel` that the government would keep on following as more fiscal space became available.

He insisted that the government showed acknowledgement that certain sections of society are overburdened. `This is a signal from the government to start moving in the right direction,` he said.

Responding to a question, Mr Aurangzeb said the federal government had called provincial nominations for the new National Finance Commission, as the prime minister had already announced to call its meeting in August. He rejected the impression that the Centre could unilaterally delink population from resource distribution.

When questioned about the proposed debt servicing surcharge (DSS) on electricity, the finance minister did not recall he had announced any such thing in his budget speech.

However, in his budget speech, he had said the DSS would be used notonly for servicing interest but also for repaying principal debt. He also proposed amendments to the Nepra Act to allow the federal government to raise the DSS beyond the current 10pc ceiling on a case-by-case basis.

Minimum wage Asked why the government did not announce a minimum wage, the minister said the industry, in particular, and the private sector, in general, were not willing to pay even the previous minimum wage announced by the government.

He said Pakistan`s two international bonds are due for repayment in September and in April 2026, and the government was in a good position for their repayment.

Additionally, he announced plans to issue Panda bonds later this year to access China`s capital markets for diversification. The government also hopes to return to the US and European markets in 2026, contingent on improved credit ratings.

The minister stated that the government had eliminated additional customs duties on 4,000 tariff lines out of a total of 7,000 and reduced duties on an additional 2,700 lines as part of structural reforms aimed at aligning Pakistan`s trade and industrial policy with global standards.

These steps are part of a phased reform plan to simplify Pakistan`s tariff regime, aiming for an average rate ofjust over4pc.

`Of these, around 2,000 tariff lines are directly linked to raw materials and intermediary goods used by the exporters,` he said. `This is the structural reform not taken in the past 30 years. This is a huge step, and we are committed to taking it forward gradually.

Breathe Pakistan The finance minister also expressed his gratitude to Dawn Media for its climate change initiative, Breathe Pakistan. `I am very thankful to Dawn Group for the initiative it has taken on climate change,` he said. `I have repeatedly said this (climate change) is an existential threat to Pakistan. Through Breathe Pakistan, youhave taken it forward, and I commend you, your institution and your sponsors for high-lighting this issue and its importance.

He added, `It`s no longer just about the floods of 2022 those of us living in Islamabad now experience windstorms and hailstorm every week.

This never happened before. We are living climate change day in and day out. I want to sincerely thank your institution for leading the charge under Breathe Pakistan.
(By Khaleeq Kiani Dawn, 01, 12/06/2025)

State of the economy

SINCE 1988, Pakistan has been in 14 IMF programmes.

On each occasion, without fail, the economy has achieved stabilisation similar to what it is experiencing currently. Each time, the government of the day has launched into a song and dance to celebrate an invariably short-lived achievement. More importantly, one that has come at great human cost.

This time is different, however. Not because the incumbent government has embarked on a path of serious reform that will break the country free from its continual dependence on the IMF.

But because the current IMF programme is the harshest in Pakistan's history, demanding a level of fiscal austerity that has exacted an unprecedented toll of economic devastation, misery and impoverishment. Ordinary Pakistanis have paid a very heavy price for the stabilisation the government is celebrating. And there is no place for their suffering in the official narrative.

A deadly combination of declining real incomes with rising unemployment and poverty, has meant that ordinary Pakistanis are in economic distress as never before. According to the government's own statistics, from the recently published 7th Population and Housing Census-2023, over 18 million Pakistanis are now officially unemployed, with the jobless rate at an unheard of 22 per cent. Youth unemployment has hit an all-time high of 29pc.

Though not strictly comparable, the corresponding figure from the Labour Force Survey 2020-21, was 6.3pc — or 4.5m unemployed Pakistanis recorded two years prior to the digital census. This points to a steep increase in unemployment in a short span of time.

Beyond the official hype, the economic reality of ordinary Pakistanis is dire.

Not surprisingly, given the widespread joblessness, the latest poverty statistics are equally alarming. According to the World Bank, nearly 45pc of the population is now below the economic waterline, of $4.2/day. Using a lower international poverty line (of $3.65/day based on 2017 PPP), an additional 12.8m Pakistanis have been pushed into poverty since 2022, for a total of over 107m citizens. As in the case of unemployment, this is very likely the sharpest increase over a two-year period in Pakistan's history.

Placed in the context of faltering economic growth and an unprecedented loss in purchasing power for the average Pakistani since 2022, the foregoing statistics, however shocking on their own, are likely understating the true scale of economic misery being experienced by the masses.

Real GDP growth has averaged only 1.7pc since 2022-23, the lowest three-year average growth ever recorded since 1952 — and well below the population growth rate. All the main growth engines of prosperity in the economy have sputtered since 2023. Agriculture has performed poorly, with major crops posting one of the largest declines ever recorded. The Manufacturing sector has contracted over 10pc cumulatively since 2022-23. The Services sector has grown at two-thirds its long-run average rate of growth.

No economic sector or population segment has been spared. Farm incomes have collapsed, leading to a poverty rate of 50pc in rural areas, according to the World Bank. Countless factory workers are now jobless, while middle class households across Pakistan struggle to make ends meet. Since March 2022, the purchasing power of an average Pakistani has declined by 58pc. This means anyone earning Rs50,000 per month in March 2022, now has a purchasing power of just Rs20,833.

None of this should be surprising given the nature of the IMF programme. Widespread factory closures and industrial job losses, devastation of the farm sector, and the decimation of the middle class are the hallmarks of the Fund's anti-growth and anti-people austerity policies. The social devastation visited upon Greece since 2010 is a glaring example. As I have previously written, despite the emphasis on social safety nets, the IMF gets the burden of adjustment of its programmes so tragically wrong.

How then can one explain the wide disconnect between the harsh daily struggles of ordinary Pakistanis set against official celebration of macroeconomic stabilisation? And the supportive, and sometimes embarrassingly gushing, endorsement from the IFIs?

It is useful to remember that Pakistan has received similar endorsements from the IMF and World Bank, the sovereign credit rating agencies and the likes of Barron's, multiple times in the past. In each case, there is a combination of a particular set of incentives or a narrow point of view at work.

In the case of the IMF especially, there are professional as well as institutional incentives at work that can lead to over-hyping results of a programme, or condoning lapses. IMF mission chiefs and their management have every incentive to avoid a failed programme as it can be career-limiting. To do so, they can indulge in playing up programme successes, or pursue performative reforms to notch marginal wins to amplify the 'success-factor' of the programme under their watch.

The institutional incentive for the IMF is to portray, as quickly as possible, both to the financial markets as well as to bilateral donors, that a programme country under its watch is now eligible for a resumption of capital flows. This also plays out via the fairly charitable and 'behind the curve' debt sustainability assessments the Fund produces.

To left-leaning critics of the Bretton Woods Institutions, there is a hidden, more sinister dynamic at play. Support from the West in terms of access to funding from the IFIs, and the subsequent endorsements from the BWIs, are part of a system-legitimising re-stratification effort to consolidate the hold of Western-aligned ruling elites on power.

In Pakistan's case, this plays out as timely and generous financial assistance, spinning a helpful narrative, facilitating political largesse and profligate spending in the budget for the past over two years while imposing austerity policies on ordinary Pakistanis. The IMF has much to answer for.

With one in two Pakistanis now below the poverty line, and nearly one in four unemployed, the state of Pakistan's economy has never been as dismal and worrisome as over the past three years. This is the human cost of the stabilisation the government and the IMF are celebrating — and sadly, glossing over.

The writer has been a member of several past economic advisory councils under different prime ministers.
(By Sakib Sherani Dawn, 06, 12/06/2025)

Pakistan gets robust inflow of $3.7bn in May

Pakistan looks set to exceed its annual remittances target of $38 billion with $3.7bn inflows in May.

So far in the 11 months of the fiscal year 2025 — July to May — Pakistan received $35bn in remittances.

With the addition of June inflows, the total remittances are expected to exceed the revised target of $38bn for the current financial year.

The latest data issued by the State Bank on Wednesday showed remittances increased by 16 per cent month-on-month in May. The year-on-year increase compared to May 2024 was 13.7pc.

Total influx in FY25 set to exceed revised target of $38bm

Total inflows from July to May were $34.9 billion, 29pc higher than $27bn collected in the same period last year. Earlier, the government estimated annual remittances for FY25 to be $35bn. However, record inflows forced an upward target revision of around $3bn.

According to the SBP data, inflows from Saudi Arabia constituted 24.3pc of the total inflows of $34.9bn during July-May FY25.

The inflows from the Middle Eastern nation grew 29pc compared to the last year, reflecting higher labour exports.

The remittances from the UAE registered the highest growth in 11 months of the current fiscal year — up by 45.7pc to $7.11bn.

In a sign of Pakistanis emigrating to Europe, the inflows from EU countries have exceeded those from the Gulf Cooperation Council (GCC) countries.

During the last 11 months, Pakistan received $4.1bn from EU countries, while inflows from GCC countries were $3.41bn, a growth of 18.4pc.

The inflows from the UK were — $5.37bn, up by 33pc during the first 11 months of this fiscal year compared to the last year. This was also the third-largest inflow from a single destination into Pakistan.

The remittances from the US also increased by $7.2pc to $3.44bn.

According to financial experts, higher remittances were also due to exchange rate stability during FY25. The government and the State Bank managed the exchange rate mainly by controlling imports.

Lower imports reduced dollar outflows, helping the State Bank buy the US currency from the interbank market and improve its foreign exchange reserves.

However, the decision to cut imports was a major factor in low economic growth, which is expected to be around 2.6pc in FY25.
(By Shahid Iqbal Dawn, 09, 12/06/2025)

Minimum wages

THE 'admission' of the Sindh Employees' Social Security Institution that over 80pc of industries had not implemented the officially notified minimum wage of Rs37,000 per month in the province highlights the widespread violation of the law at the expense of millions of workers.

However, this breach is not limited to the industrial sector or Sindh. The situation in the services sector, where few are paid minimum wages, is more alarming. Women work for less wages than their male colleagues though they put in an equal number of hours and do the same job.

At Wednesday's post-budget press conference, Finance Minister Muhammad Aurangzeb himself admitted that industry in particular and the private sector in general are not willing to pay minimum wages. The lame explanation was that the government had not announced increased minimum wages in the new budget. His response underlines the helplessness of the state before employers who do not give a hoot about the law.

The large-scale informality in the economy due to the lack of any credible attempt to document unregistered businesses has deepened the challenge of enforcing the minimum wage, leaving workers vulnerable to exploitation. But the main reason for non-compliance is the systematic annihilation of trade unions by the state at the behest of employers over the last four decades. Thus it is foolish to expect toothless and corrupt provincial employees' social security organisations to force wealthy employers to implement the minimum wage.

Enforcement of the latter across the board is also linked to implementing other labour laws and active labour unions putting pressure on delinquent employers. Overall, the lack of enforcement of laws, including those related to minimum wages, is contributing to poverty and inequality.

If the authorities can seek punitive legislation for tax compliance, they can also draft a similar bill for implementation of the minimum wages rather than ceding to employers' diktat.
(By Editorial, Dawn, 06, 13/06/2025)

Budget democratisation

UNTIL about a decade ago, elected representatives in our national and provincial assemblies had no real role in the budget process except for collectively lending their names to the document's approval.

The drafting of budget proposals had, of course, always been the exclusive domain of the executive, but even when proposals were laid before the elected Houses, there was hardly any meaningful opportunity for members to comprehend, let alone scrutinise, the budget documents running into thousands of printed pages, as the budget debate lasted for an average of just 10 days in the National Assembly (NA) and even less in the provincial assemblies.

Standing committees of the legislatures were never involved in the process and there was no formal channel for legislators to give recommendations to the government at the drafting stage. In brief, the budget process in Pakistan was one of the least democratic about 10 years ago.

Although serious weaknesses persist, there are at least three ways in which Pakistan's budget process has been significantly democratised over the past decade or so.

The first serious democratic reform in the federal budget process was introduced in 2013, when the NA amended its Rules of Procedure and Conduct of Business and added sub-sections 6 and 7 to Rule 201, requiring each ministry and division of the federal government to share its Public Sector Development Programme with the relevant standing committee of the NA by Jan 31 each year. Each committee, under the amended rule, is then required to forward its recommendations on the PSDP to the concerned ministry or division by March 1, giving one month to each committee to formulate and share its recommendations. Each ministry or division is supposed to incorporate the recommended amendments in the PSDP.

There is ample room to introduce more democratic provisions in the budget processes.

Ministries and divisions are under obligation to inform each committee whether or not the recommendations have been incorporated in the PSDP. In case they have not, the reasons are to be furnished by the ministry or division to the concerned committee.

Although implementation of the amended rule has not been ideal during the past 11 years, public representatives now have a window of opportunity to shape the PSDP, which is the most important part of the budget from the point of view of parliamentarians and their constituents. The provincial assemblies have yet to amend their rules to replicate the procedure for public representatives to give their recommendations for provincial annual development plans.

A landmark law, the Public Finance Management Act was passed by parliament in 2019 to prescribe the federal budget formulation process in detail. The Act was amended in 2020 to make it even more comprehensive. Prior to PFMA, there was no governing law to guide the budget process. This Act, beside many other provisions, made it mandatory for the federal finance minister to present and discuss the Budget Strategy Paper (BSP) containing the basic assumptions and strategies relating to the budget with the standing committees on finance of the NA and Senate and seek the input of elected representatives constituting these committees prior to the detailing of the budget proposals.

Generally, this interaction takes place in April each year after the federal cabinet approves the BSP. It may, however, be more useful if the sequence is reversed by seeking the standing committees' input to the BSP prior to approval by the cabinet as this will give a greater opportunity to incorporate the committees' point of view in the BSP. Even in its present form, the law provides a significant opportunity to elected representatives to review the key basis and parameters of the coming budget and make a contribution in shaping it. It is also important to frame a similar law in the provinces as well as to involve the finance standing committees in finalising the provincial budgets.

There are, however, two key aspects of the budget process in which three out of the four provincial assemblies have taken the lead over parliament. Three assemblies (Punjab, Sindh and Balochistan) had amended their rules to hold pre-budget sessions every year to solicit MPAs' input before finalising the document.

During the session, which lasts from three to five days, officials of the provincial finance department and planning and development board are present to take notes on the MPAs' ideas. Following the session, a report is typically submitted by the government to the assembly giving information on the action taken on each point raised by the MPAs. The Punjab Assembly was the first one to amend its rules in 2010, followed by Sindh in 2013, and Balochistan in 2018.

The three provincial assemblies also took an innovative step to amend their rules for holding quarterly post-budget sessions to monitor the implementation of the actual receipts and spending and compare it with the budgeted figures. It is expected that not only KP Assembly but also the NA will shortly follow the example of the three other provincial assemblies to incorporate the pre- and post-budget sessions in their rules.

Although parliament and the provincial assemblies have made efforts to democratise the budget processes in the past decade, there is ample room to introduce more democratic provisions. For example, parliament should seriously consider amending Articles 84 and 124 of the Constitution, which respectively give the federal and provincial governments carte blanche to modify the budget approved by the assemblies. These articles, in fact, run counter to the democratic principle of parliamentary sovereignty.

The NA and provincial assemblies may also amend their rules to increase the duration of the budget sessions so that the time for the budget debate is extended from the present average 10 days to around 45 days to facilitate the standing committees in scrutinising the budget related to their ministries.
(By Ahmed Bilal Mehmoob Dawn, 06, 14/06/2025)

Non-development spending outpaces development growth

Sindh's non-development expenditures are projected to increase by 12.4 per cent in the fiscal year 2025-26, primarily due to rising salaries, pensions, and other operational costs within the government. In contrast, development expenditures are expected to grow by a more modest 6.1 per cent.

The development budget, which stood at Rs959 billion in the current fiscal year, will rise to Rs1,018 billion for the upcoming year. Meanwhile, non-development spending is set to see a more substantial increase — from Rs1,912 billion to Rs2,150 billion.

The Sindh government announced a 10 to 12 per cent salary increase for government employees while an eight per cent increase is proposed in pensions in the budget 2025-26. The Sindh Chief Minister, in the budget speech at Sindh Assembly on Friday, announced adhoc relief allowance at the rate of 12% for employees in grades BS-1 to BS-16 and a 10 per cent raise for those in grades BS-17 to BS-22, along with an 8 per cent increase in pensions, in order to equip them to bear the impact of inflation.

The government has proposed to continue with the provision of Personal Pay to 163,701 employees between BPS-1 to BPS-6 in the new financial year, he said. The government has also proposed to enhance the monthly rate of Special Conveyance Allowance from Rs4,000 to Rs6,000 to the differently abled employees for providing meaningful support to the underprivileged segment of society.

The CM, at the occasion, claimed that the Sindh government has fully cleared all outstanding pension dues of civil servants who retired on or before June 30th 2025 with the financial impact of Rs35 billion during the CFY.

This year, the education and transport sectors have received the largest increases in budget allocations. However, funding for housing, social protection, and culture has been reduced compared to the previous year.

According to budget documents, the allocation for the housing sector has been cut from Rs42 billion to Rs35 billion. Similarly, funding for social protection has decreased from Rs381 billion to Rs362 billion. Cultural and recreational spending will also decline, dropping from Rs11 billion to Rsnine billion - a reduction of Rstwo billion.
(By Razzak Abro The Express Tribune, 04, 14/06/2025)

CM presents over Rs1tr ADP for 2025-26

Sindh Chief Minister Syed Murad Ali Shah, while unveiling the annual budget in the assembly, presented the Annual Development Programme (ADP) for the fiscal year 2025-26 with a total outlay of Rs1.018 trillion.

The ADP is set at Rs520 billion, complemented by District ADP Rs55 billion, Foreign Project Assistance (FPA) Rs366.72 billion, and Federal PSDP grants Rs76.28 billion.

The ADP and the development portfolio focus on the rehabilitation of flood-damaged schools and infrastructure to enhance education access, upgradation of healthcare facilities, promotion of climate-resilient agriculture and irrigation system restoration, provision of clean drinking water and sanitation to improve public health, strengthening road connectivity and urban infrastructure including mass transit and Safe City projects in Karachi, implementation of green energy initiatives and renewable energy projects, poverty alleviation through nutrition support, community infrastructure, and low-cost housing.

Ongoing and New Schemes
The ADP includes 3,642 schemes with Rs400.5 billion allocated - 82.6 per cent for 3,161 ongoing projects and 17.4 per cent for 481 new initiatives. Special development initiatives have been allocated Rs119.5 billion.

Sector-wise Allocations
Education Rs102.8 billion; health: Rs45.4 billion; irrigation: Rs84 billion; local government: Rs132 billion; works & services: Rs143 billion; energy (including Thar Coal and renewable): Rs36.3 billion; agriculture, livestock, fisheries: Rs22.5 billion; transport & mass transit: Rs59.7 billion.

Development Strategy
The government emphasises completing ongoing projects by allocating 80 per cent of the budget to them, while 20 per cent is reserved for new schemes. Special priority is given to rehabilitation of flood-hit areas, energy initiatives, Karachi city projects, and sustainable development goals like clean water and sanitation.

Implementation and Monitoring
The Planning & Development Depart-ment will fast-track approval of SDG-related projects, with strict financial release strategies to ensure timely completion. The government also plans to extend the plan period of schemes expiring in June 2025 by one year to maintain continuity.

Review of 2024-25 Performance
The outgoing year saw the completion of 1,460 schemes, the highest in recent years, with significant progress in housing for flood-affected people - over 400,000 houses completed and more under construction. The total development expenditure reached Rs468 billion, with 73 per cent utilisation of released funds.

This comprehensive ADP reflects Sindh's commitment to sustainable development, infrastructure enhancement, and social welfare, aiming to boost economic growth and improve quality of life across the province.
(By Newspaper's Staff Reporter, The Express Tribune, 04, 14/06/2025)

Budget 2025-26: Lawmakers reject solar panel tax, seek relief for small cars

In a rare show of unity, parliamentary committees on Tuesday unanimously rejected the proposed 18 per cent sales tax on imported solar panels and recommended lowering tax rates on smaller cars to ease the burden on low-income groups.

The Senate and National Assembly Standing Committees on Finance and Revenue held parallel sessions at Parliament House to conduct a clause-by-clause review of the Finance Bill 2025-26.

Both panels, chaired by Senator Saleem Mandviwalla and MNA Naveed Qamar, respectively, proposed amendments and rejected several measures outright.

Federal Board of Revenue (FBR) Chairman Rashid Mahmood Langrial defended the solar tax, arguing it would protect domestic manufacturers. However, lawmakers pointed out that solar panels are not produced locally and questioned the need for early protectionist measures.

Mr Qamar and other members warned that taxing solar imports now would limit access to affordable renewable energy and increase electricity costs. Mirza Ikhtiar Baig asked why the government would want to deprive the public of cheaper power solutions.

The National Assembly committee members also alleged that ahead of the budget, certain stakeholders had imported and dumped solar equipment in anticipation of the tax hike.

Following deliberations, members across party lines agreed to scrap the tax proposal, emphasising that solar panels remain vital for providing affordable electricity.

Pakistan is rapidly emerging as a key leader in solar power deployment. The country has boosted solar electricity generation by over three times the global average so far this year, fuelled by a more than fivefold rise in solar capacity imports since 2022, Reuters said, quoting data from the energy think tank Ember.

That combination of rapidly rising capacity and generation has propelled solar power from Pakistan's fifth-largest electricity source in 2023 to its largest in 2025.

So far in 2025, solar power has accounted for 25pc of Pakistan's utility-supplied electricity, which makes it one of fewer than 20 nations globally that have sourced a quarter or more of monthly electricity supplies from solar farms.

Small cars, big tax
The Senate committee also expressed serious concern over the increase in GST from 12pc to 18pc on small vehicles, including 850cc cars.

Mr Mandviwalla called the 18pc sales tax on a Rs3 million vehicle "unfair", a sentiment echoed by several senators. Proposals were discussed to moderate the tax to 14pc or 15pc instead.

Senator Shibli Faraz criticised the inequity, noting that while tax relief is being extended to certain regions, small car owners continue to face high taxation.

However, the committee approved a sales tax exemption on aircraft imports as part of PIA privatisation.

The panels were briefed on proposed changes in the tax fraud definition, which has now been divided into two categories. If a suspect poses a flight risk, authorities will proceed to arrest them.

Additionally, individuals involved in record tampering or who fail to respond to three official notices will also face detention.

The FBR will establish a three-member board to review cases before approving arrests.

No arrests will be made for tax fraud cases involving amounts below Rs50 million.

'IMF pressure'
During the session, MNA Omar Ayub remarked that the tariff structure had been altered under IMF pressure.

On the issue of curbing the sale of illegal cigarettes, the FBR proposed granting law enforcement agencies and the district administration the authority to act against the perpetrators.

However, committee members voiced concerns over potential corruption, arguing that delegating such powers could fuel bribery.

FBR Chairman Langrial insisted that enforcement powers must be given to police and local authorities to effectively tackle tax evasion in the tobacco sector.

The committee members pushed back, warning that such a move could open doors to extortion and suggesting that enforcement remain solely under FBR's jurisdiction. In a sharp retort, Mr Langrial remarked, "Are our officials somehow incorruptible?"

A heated exchange unfolded during the meeting between MNA Nafisa Shah and the FBR chief. Ms Shah criticised the enforcement measures, likening them to "martial law-style regulations", asserting such actions cannot be justified under any circumstances.

Mr Langrial defended his position, stating, "I serve a democratic government." He expressed disapproval over Ms Shah's remarks, noting that using terms associated with martial law was inappropriate.

In response, Ms Shah insisted on her right to free speech, emphasising that, as a member of the National Assembly, she holds the authority to voice her opinions. "You may defend your institution, but we will exercise our right to express ourselves," she said.

While the federal government aims to levy sales tax on digital services, provincial authorities have expressed reservations, citing their existing 15pc service tax on such businesses. However, FBR officials argued that taxation on online sales falls outside provincial jurisdiction.

From the next fiscal year, iron scrap importers will be obligated to sell only to registered manufacturers. Officials said this measure aims to eliminate the misuse of "flying invoices" and commercial manipulation in scrap trade.
(By mubarak Zeb Khan Dawn, 01, 18/06/2025)

Budget 2025-26: Era of amnesty schemes is over, says Aurangzeb

The parliamentary committees on Thursday rejected the government's proposal to impose a carbon levy on petroleum products, terming it an undue burden on the public, whereas the finance minister stressed that "the era of tax exemptions and amnesty schemes is over".

However, they approved new taxes on high-value pensions and the income of international athletes.

The carbon levy became a focal point as the Senate and National Assembly Standing Committees on Finance and Revenue held simultaneous sessions at Parliament House for a clause-by-clause review of the Finance Bill 2025-26.

Chaired by Senator Saleem Mandviwalla and MNA Naveed Qamar, respectively, both panels proposed several amendments and struck down a number of measures. The Senate concluded its deliberations on the proposed tax provisions on Thursday.

The debate revolved around whether the measure should be classified as a levy or a tax, its revenue potential and provincial share, and whether its purpose is genuinely another tool for the federal government to raise additional funds.

Senator Sherry Rehman firmly distinguished between fiscal instruments, stating there is a significant difference between a carbon levy and a carbon tax. Carbon levies are not standard practice, she said, adding that it is carbon taxes that are typically imposed.

She argued that such a measure cannot be introduced through the Finance Bill, calling instead for dedicated legislation.

Senator Shibli Faraz criticised the move as contradictory. “On the one hand, the government highlights climate change; on the other, it introduces a levy. This is not a carbon levy — it is more like extortion,” he said.

Senator Mohsin Aziz cited the Supreme Court ruling in the Zafar Iqbal Jhagra case, stating that “under that decision, a carbon levy cannot be imposed. Doing so may constitute contempt of court.” He also raised concerns over unchecked fuel smuggling from Iran.

Sherry Rehman stressed that carbon taxes are usually applied to specific industries with targeted environmental goals, not levied directly on the general population. “You are burdening ordinary men and women while labelling it climate finance,” she said.

“Our party’s position is clear. Such a levy cannot be implemented through the Finance Bill,” Ms Rehman clarified. Senator Faisal Vawda also opposed the carbon levy, terming it an undue burden on the general public.

MNA Syed Naveed Qamar also sought clarity on the projected revenue from the proposed carbon levy. In response, finance ministry officials said the measure is expected to generate Rs45 billion in fiscal year 2025-26.

Mr Qamar further questioned how much of that amount would accrue to the federal government if the levy is redefined as a tax. State Minister for Finance Bilal Azhar Kayani clarified, “If it is converted into a carbon tax, the federal government would receive Rs18bn”.

To this, Finance Minister Muhammad Aurangzeb asked, “Where did this carbon tax proposal come from?” Federal Board of Revenue (FBR) Chairman Rashid Mahmood Langrial responded, “The matter surfaced earlier in the Senate Standing Committee on Finance.”
MNA Dr Mirza Ikhtiar Baig offered a key clarification: “If it remains a levy, the entire amount will go to the federal government. But if it becomes a tax, then the provinces will also be entitled to a share.”

Senator Mandviwalla asked for details on the specific use of those funds, while Senator Sherry Rehman demanded that “the government disclose the full terms of the IMF’s Resilience and Sustainability Facility (RSF) agreement”.

Surcharge cap removal
Meanwhile, the Senate parliamentary committee rejected the surcharge cap removal on the plea that it would escalate costs for energy consumers. The committee also rejected the proposed tiered levies on small vehicles.

However, the committee approved proposals to tax annual pensions exceeding Rs10 million, withdraw income tax exemptions for international athletes and extend tax holidays for economic and special technology zones.

The National Assembly’s committee also deliberated on the government’s proposal to impose a 10 per cent sales tax on solar products. Mr Qamar said that the government has agreed to lower the sales tax rate from the proposed 18pc to 10pc on solar panels.

The FBR chairman said that parliament must take the final decision; once it does, the tax authority will implement the required amendment.

MNA Mubeen Arif remarked that if the Senate has recommended a 10pc rate, the National Assembly committee should push for a further reduction. Mr Qamar clarified that the recommendation did not come from the Senate but originated within the NA committee itself.

Provisions relating to fraud were deferred for further deliberation, and the Finance Bill was held over for reconsideration at the next meeting.

The committee recommended reviewing the Export Finance Scheme for raw cotton and suggested aligning taxes on local cotton production with those on imported cotton.

New energy vehicle adoption
Members also discussed the New Energy Vehicle Adoption Levy Act, 2025, and noted the lack of a comprehensive plan for transitioning to electric vehicles, citing the scarcity of charging stations.

It was further noted that hybrid vehicles have not been included in the proposed measures. Given these concerns, the committee decided to defer consideration of the matter until the next meeting, with directions to the ministry to present a comprehensive and actionable plan for the implementation of the objectives outlined in the proposed Finance Bill.

The committee also considered the proposed amendments to the Stamp Act. During detailed deliberations, it was observed that the term non-filer is being used in the proposed amendment, even though this category has been removed from the applicable laws. In light of this inconsistency, the committee decided to defer consideration of the amendment until the next meeting.

Tax amnesty scheme
Finance Minister Aurangzeb said that there will be no more tax exemptions or tax amnesty schemes. He said the era of tax exemptions and amnesty schemes is over. “We are now focused on expanding the tax net, and that process is actively underway,” he added.

The committee’s debate underscored deep concerns over tax compliance, as the FBR proposed stringent enforcement measures — barring unregistered individuals from operating bank accounts and disconnecting utilities for non-compliant Tier-1 retailers — while acknowledging systemic gaps, with only 35,000 of 300,000 industrial units registered for sales tax.

Lawmakers weighed punitive amendments to Section 14AC against the practical risk of overreach. While MNA Javed Hanif endorsed the tougher stance, others like Sharmila Faruqi urged a shift towards incentives rather than penalties.

Opposition leader Omar Ayub questioned how many connections had actually been cut for non-filers, warning that excessive powers for tax officers could be counterproductive.

The FBR chief acknowledged evasion tactics and stressed the need for enhanced powers, while assuring that deterrents such as bank account freezes would be temporary.
(By Mubarak Zeb Khan Dawn, 01, 20/06/2025)

Income tax rate

FINALLY, some clarity. After the confusion created over the applicable rate on the lowest income tax bracket due to last-minute changes in the budget, the prime minister has now announced that those earning between Rs50,000 to Rs100,000 per month will be taxed at 1pc of the amount in excess of Rs50,000, not 2.5pc. It may be recalled that on the day the budget was unveiled, the finance minister, during his speech, had said the income tax rate on this bracket was being slashed from 5pc to 2.5pc as a ‘relief measure’.
However, the Finance Bill 2025, released shortly after his speech, stated that the rate would be 1pc. When queried about this discrepancy during the post-budget press conference, the minister had affirmed the higher rate announced during the speech as the rate applicable, explaining that the PM’s last-minute decision to raise government employees’ salaries by 10pc instead of 6pc, as had been budgeted, had to be adjusted somewhere.

While the finance minister understandably felt constrained to balance the budget, one wonders why the first instinct was to let the burden of the government’s more-than-budgeted pay bump for civil servants fall on taxpayers who are already struggling to make ends meet. It seems the government finally realised that it may be adding insult to the salaried class’s injuries by taking away part of the admittedly meagre relief it had budgeted for them and giving it to the civil servants instead. The question of where the money for the latter’s pay raise will come from remains. Meanwhile, further adjustments are being made to the budget recommendations to make them more palatable to those who will ultimately pass the Finance Bill. The finance minister has repeatedly warned that the space he has to manoeuvre is extremely limited. One hopes the taxman’s hands will not yet again reach for those already in his snare.
(By Editorial, Dawn, 06, 20/06/2025)

Rs3. 45 trillion budget sails through provincial house

The Sindh Assembly on Wednesday approved the Rs3.45 trillion budget for the fiscal year 2025-26 — a 12.9% increase from last year. It also passed a supplementary budget of Rs156.069 billion for the current fiscal year 2024-25.

Presenting the Sindh Finance Bill, Chief Minister Murad Ali Shah highlighted the government's reform initiatives, including digitisation of land records using blockchain, birth registration via mobile apps, farmers' access to loans through the Sindh Cooperative Bank, and the launch of a one-stop land transfer system.

The budget earmarks Rs43 billion for new ad-hoc relief allowances for government employees and Rs16 billion for a 15% pension increase.

A total of 188 demands for grants were presented, with the opposition submitting 2,002 cut motions, all of which were rejected by majority vote - except one joint motion against the special judicial allowance, which was unanimously passed by both opposition and treasury benches.

Key budget allocations include Rs42.2 billion for public universities, Rs10.4 billion for medical education, Rs5.2 billion for ambulance services under the Sindh Emergency Health Services, and Rs5 billion for the "Inclusive City" initiative for persons with disabilities.

Development expenditure has been set at Rs1,018.3 billion (30% of the total budget), with current revenue expenditure estimated at Rs2,150 billion. Salaries account for 39% of the budget, non-salary operations for 19%, and pensions for 13%.

The Sindh government expects to generate Rs3,111.5 billion in revenues during FY2025-26 - a 21.4% increase from the revised estimates of the previous year. Over the next three years, the province anticipates an average annual revenue growth of 12.5%. If the Federal Board of Revenue (FBR) achieves its Rs14.131 trillion target, Sindh is likely to receive Rs269 billion in federal transfers.

The CM also outlined key developmental priorities including, Rs8 billion for Benazir Hari Card (agricultural subsidies); Rs1.8 billion for livestock breeding; subsidies for solar-powered tube wells and drip irrigation; Rs2 billion for low-income housing; Rs2 billion for the Sindh Peoples Support Programme; Rs200 million for orphans and widows, and Rs500 million per project to empower women in agriculture and SMEs

In health, allocations include Rs4.5 billion for an SIUT center in Larkana, Rs21 billion for SIUT, Rs23 billion for NICVD, Rs16.5 billion for PPHI, and Rs10 billion for a new hospital in Larkana.

Another Rs10 billion have been allocated for the Dhabeji-DHA water pipeline and Rs3.1 billion for the Hub Canal. Rs25 billion is earmarked for green energy, and Rs45 billion for SDG-aligned public health projects.
(By Newspaper's Staff Reporter, The Express Tribune, 04, 26/06/2025)

Budget 2025-26: National Assembly passes Rs17.6tr budget amid opposition outcry

The National Assembly on Thursday passed the federal budget for the upcoming fiscal year, with an outlay of Rs17.57 trillion, despite opposition calls for the budgetary proposals to be made public and for the passage to be delayed until public input had been sought.

The House passed the Finance Bill for 2025 with certain amendments, incorporating around half of the suggestions put forward by the finance committees of both houses of parliament. All amendments proposed by the opposition were rejected.

Speaking to lawmakers, PPP Chairman Bilawal Bhutto-Zardari explained why his party was supporting the federal budget. He highlighted an increase of 20 per cent in the allocation for the Benazir Income Support Programme (BISP), a flagship initiative originally envisioned by former prime minister Benazir Bhutto.

He criticised the previous PTI government for attempting to undermine BISP in every budget and praised Prime Minister Shehbaz Sharif for consistently increasing its funding since assuming office. Mr Bhutto-Zardari also noted that the government had raised the income threshold for tax exemption from Rs600,000 to Rs1.2 million annually.

The PPP chairman also pointed out that the tax on solar panels had been reduced from 18pc to 10pc following objections from PPP members.

He also welcomed the decision to curtail the arrest powers of the Federal Board of Revenue (FBR), noting that arrests in tax cases could now only be made in instances of proven fraud, not during the inquiry stage, and that such offences had been declared bailable. “These are the reasons why the PPP is supporting this budget,” he said.

However, PTI Chairman Barrister Gohar Ali Khan criticised the federal budget as a “disastrous” 64pc deficit, which he argued would severely harm the country.

He expressed concerns that Pakistan’s economy could face a crisis similar to Sri Lanka’s, with the agricultural sector and large-scale industry failing, potentially leading the country to bankruptcy.

“Contrary to its claims, the government has failed to bring about economic reforms or complete the privatisation of any major entity,” he said. “That is why I will not say it is a visionary budget in the absence of any reforms”, he said.

Barrister Gohar also raised concerns about the allocation for BISP, which had been increased from Rs313 billion to over Rs700 billion, arguing that there had not been a fair distribution of funds across the country.

He criticised the new powers granted to the FBR to appoint auditors for evaluation and audit, calling it unconstitutional and in violation of Article 242 of the Constitution and relevant rules.

Malik Aamir Dogar of PTI argued that the government did not have a mandate from the public to present or approve the budget. He accused the government of consulting the IMF while preparing the federal budget but not consulting the public before its approval.

PTI’s Muhammad Atif Khan also questioned how a party that was not voted into power could impose new taxes on the people. He held the previous PML-N government (2013-18) responsible for causing a significant rise in capacity payments due to “dubious” power purchase agreements with independent power producers (IPPs).

Aliya Kamran of JUI-F moved a cut motion, criticising tax evasion and lack of transparency and accountability within the FBR system. Shandana Gulzar of PTI also criticised the government, accusing it of misleading the public about economic figures and implementing anti-people policies.

Ali Muhammad Khan, addressing Mr Bhutto-Zardari, asked him to become the voice of the poor masses and oppose measures like the imposition of new taxes on vehicles starting from 850cc.

Mobeen Arif of PTI proposed deferring the passage of the bill until the public had been consulted.

Latif Khosa, alluding to the country’s growing debt, questioned the government’s handling of loans, asking, “Haven’t you mortgaged three generations?” He added that nearly half of the population had fallen below the poverty line.

Opposition members strongly objected to granting arrest powers to FBR officials, arguing that the government had turned the “most corrupt” institution into a police force, potentially leading to harassment of citizens under the pretext of tax collection.

PM Shehbaz also attended the proceedings and met leaders from both sides of the aisle, including Mr Bhutto-Zardari.

Budget 2025-26
The federal budget for the next fiscal year projects an economic growth rate of 4.2pc and an inflation rate of 7.5pc. The net revenue receipts have been estimated at Rs11.07tr, with FBR collections projected to rise by 18.7pc to Rs14.13tr. Non-tax revenues are estimated at Rs5.15tr.

Key allocations include Rs2.55tr for defence, Rs1.06tr for pension expenditures, and Rs1.19tr for subsidies on electricity and other sectors. Relief measures in the budget include a 10pc increase in salaries, 7pc in pensions and tax relief for the salaried class across all income brackets.

The budget also includes Rs716bn for BISP and Rs1tr for the Public Sector Development Programme (PSDP), in which the largest allocation of Rs328bn is earmarked for transport infrastructure projects.

The PSDP for the next fiscal year has been aligned with the objectives of URAAN Pakistan, prioritising high-impact, near-completion foreign-funded projects and new initiatives of national importance.

Key infrastructure projects like Diamer Bhasha, Mohmand Dam and K-IV have been allocated Rs32.7bn, Rs35.7bn and Rs3.2bn, respectively. Besides, Rs10bn has been allocated for the lining of Kalri Baghar Feeder and Rs4.4bn for installing a telemetry system on the Indus Basin System.

The Higher Education Commission has been allocated Rs39.5bn for 170 projects. Additionally, Rs18.5bn has been earmarked in the PSDP for various education initiatives.

The agriculture sector will receive Rs4bn for 10 ongoing and five new schemes. The budget also includes incentives for the construction industry, such as a reduction in withholding tax on property purchases.
(By Iftikhar A. Khan Dawn, 01, 27/06/2025)

Compromised budget

Fragility in the coalition came to the surface as the PPP pushed the PML-N to the wall to drive maximum leverage from an untenable federal budget. The Finance Bill, however, was passed by the parliament after a hue and cry, exposing the inherent partisanship. The Rs17.57 trillion budget was approved after a give and take within the ruling dispensation, as the opposition, PTI, was somewhere lost in the woods.

The compromise arrived as the government gave in to most of the PPP demands — exemption on income tax on annual income of Rs1.2 million; an increase in BISP budget by 20%; reduction in solar tax by 50%; limiting FBR arrest powers to matters pertaining to sales tax forgery, and that too not at the inquiry stage; and treating tax fraud as a bailable offence. These concessions have almost made the revenue generation machinery toothless, and literally subservient to the executive.

The treasury, nonetheless, carried the day as amendments to various legislation, including the Income Tax Ordinance, 2001, and amendments to the Sales Tax Act, 1990, were approved. These amendments granted the Finance Committee powers to arrest traders involved in tax fraud exceeding Rs50 million, and not to the tax commissioner.

The budget proposals since inception were in doldrums as the government had projected a utopian growth rate of 4.2%. Likewise, the 'Restrictions on Economic Transactions By Ineligible Persons Lacking Sufficient Financial Resources Bill' hit snags as the proposal to raise new taxes to the tune of Rs432 billion, as recommended by the IMF, were obstructed by the ruling coterie, which in case of non-legislation would have incurred an additional Rs500 billion worth of new taxes.

The budget representing a 6.9% decrease from the previous year's estimates will certainly be in rough waters and a mini-budget seems indispensable.
(By Editorial, The Express Tribune, 14, 27/06/2025)