Scenario 269

PAKISTAN ECONOMY DURING 2022-23:

Practically it was the first day of New PDM government after former PM Imran Khan's departure.

MEDIA REPORTS OF 12TH APRIL 2022:

The opposition segments of Pakistani society widely hailed new Prime Minister Shahbaz Sharif's incoming coalition government. The new government was inheriting some daunting challenges from the PTI; the most hard-tasks included a worsening economic crisis, growing political turmoil, deteriorating relations with the Western powers, and the resurgence of militancy in some parts of the country. No one had idea whether the ruling coalition consisting of disparate parties and groups, with often conflicting political and economic aims, would stick together until the next elections. They had achieved their common goal of ousting Imran Khan from power, but what strategy was there in their bag.

Fixing the broken economy was probably the most formidable challenge facing PM Sharif's cabinet. The PTI had inherited a bad economy no doubt but they had left it in nearly the same condition; ordinary people were grappling with elevated double-digit inflation, as well as wage and job losses, as macroeconomic indicators had declined. The crisis of balance of payments was again back, after a short Covid-related respite, as much-needed multilateral assistance was on hold because of uncertain political conditions in the country. Elevated international commodity prices, particularly food and crude oil, were to put additional pressure on a frail PDM govt - improving the economy required tough decisions.

An immediate removal of the cap on electricity and petroleum prices and renegotiating a new loan with the IMF, a hard job if not impossible, without repairing diplomatic relations with the US and other Western powers were on PDM cards. New elections were not very far off. The populist announcements, like the 10pc raise in pay and pension of government employees and the provision of subsidised wheat flour, made by Shahbaz Sharif in his speech in the House, soon after his election as prime minister, were indicative of the extreme pressure he was feeling.

With forbidding political and economic realities on one side and high public expectations on the other, the coalition government and its leaders didn't have too many options on the table. The enormity of the economic and foreign policy challenges demanded a strong government, full public mandate and unshattered will to take tough and unpopular decisions.

The wiser course was to reform the electoral laws and move towards new elections at the earliest – BUT the PMLN government was bent upon to avail the chance to rule the country once more.

WELCOME TO 'PURANA PAKISTAN'

See Pakistan's scenario of economic affairs when Imran Khan was sent away from the Parliament and his government was brutally snatched. Next day, the media came out with analytical proposals and suggestions with ***'Here's what should return, and what should not'*****:** an article dated 13th April 2022 is referred.

Immediately after Imran Khan's exit and coronation ceremony of Shahbaz Sharif as new prime minister, a welcome back REPORT was published in media those days with PPP chairperson Bilawal Zardari proudly proclaiming: ***'Welcome back to Purana Pakistan'***.

The words resounded for and resonated with many, who had been fed up with the Imran Khan-led PTI government and had been hoping for change. Others weren't too happy that *the dream of* ***'Naya Pakistan'*** *had dissipated so quickly*. Amid the time travel between the *Naya* and the *Purana*, here's what the people hoped to bring forth in Pakistan and what they wanted to leave behind as forgotten pages of history.

Referring to **daily DAWN** of 13th April 2022:

> **"THE TALES OF CORRUPTION** *of Purana Pakistan are nothing short of legend till today even. Be it the* ***Omni Group saga*** *or the* ***Calibri font debacle****, fiscal and moral corruption became one of the rallying cries that propelled the PTI to power.*
>
> *The mass appeal for a change in the status quo, evident by the outpouring of support for Imran Khan, should serve as a clear warning for political leaders that Pakistanis will no longer put up with the embezzlement of taxpayers' money. Mantra of* ***KHATA HAI TO KUCH LAGATA BHI TO HAI*** *was no good anymore."*

Despite his faults, Imran Khan's accountability crusade — causing *a falling out with ATM-cum-sugar daddy Tareen*, and *Lahore's property tycoon Aleem Khan* among others — remained one of the main reasons behind his popularity. The new PDM government really had to prove its seriousness and sincerity about fighting corruption if it wanted to survive the next general elections, which were just around the nearby corner then – in mid-2023.

One of the PMLN's worst contributions to Pakistani legal system was the draconian *Pakistan Electronic Crimes Act* (PECA) in 2016, which had since been used on several occasions against the party itself. See a media report dated 3rd July 2018 in which PMLN's own party worker was picked up by FIA:

> *"An FIA cybercrime team on Monday raided the residence of Haroon Ali in the Dina area in Jhelum and arrested him. The user of the alleged Facebook account was traced and found registered in the name of Haroon Ali. The content found in the mobile phone of the suspect has been sent for forensic analysis - FIA cybercrime deputy director Khalid Anees told Dawn."*

Legislation should be forward-thinking, keeping in mind the requirements of the current day and age and should be aimed at making the lives of citizens better – as an on-going world script.

In PURANA Pakistan, who you knew mattered the most; whether it was appointments in the bureaucracy, the judiciary or other government agencies, nepotism was rife in all departments. Not only did this impact the performance of the institutions, it also demoralised employees who had actually been appointed on merit but were forced to work on the whims of the blue-eyed boys, the majority of whom cared little for service-delivery or facilitating the public. One of the worst examples was seen in police, all vacancies were filled with political appointments, facilitating VIP movements and hanging back in Viggos belonging to anyone affiliated politician.

- ***Over the last few decades, Pakistan's political landscape has been dominated by the two families — the Sharifs and the Bhutto-Zardaris. Both parties seem to have become family-run affairs with the party chiefship being passed down from one generation to the next. Amid all that, the PTI — promising a truly democratic party setup — seemed like a breath of fresh air – but couldn't survive due to other ailments.***

For political parties to survive, they need an induction of fresh minds, not just at the lowest rungs but on the decision-making levels. Parties can no longer be run as personal fiefdoms, subservient to the whims of any royal family – but Pakistan is, no doubt, an exception.

In Karachi, during the last three decades, all would know the feelings of terror and anxiety each time there was a disagreement between the PPP and the MQM. Each political party with a stake in the city had its own militant wing, whether it was the MQM's trigger-happy target killing squad or the Lyari-based Peoples Aman Committee nurtured by the PPP to do its dirty work. Ultimately, as the body count rose and the violence overflowed into every corner of the city — taking on ethnic flavour — it was ordinary citizens that were invariably caught in the crossfire.

In Punjab, the PMLN also did well to keep the ***Gullu Butts*** at bay. Gone those days when henchmen could influence voters. With Twitter, TikTok and Facebook watching, any machismo stunts by *the lions of Punjab* were sure to put off potential voters. Nor must the PMLN use law enforcers to do their dirty work — the 14 people, including women, shot dead by police in Lahore's Model Town in June 2014 are still awaiting justice.

As Imran Khan kept reminding everyone, most cases against the Sharif and Zardari clans were registered in each other's tenures. The idea was to keep the opposition so tied up in court proceedings that they would have no time to spare for political activities. Take ***the ARY Gold and Ursus Tractor corruption Cases*** for example, registered against Asif Ali Zardari in the 1990s during Nawaz Sharif's second tenure as prime minister. The court finally acquitted Zardari almost two decades later in 2014, for want of evidence. Another two cases, *the **SGS & Cotecna corruption cases*** against Benazir Bhutto met the same fate a year later. In *Naya Pakistan*, these tactics don't really go a long way.

Daily **DAWN** of 13th April 2022 further wrote:

> *"Speaking of non-democratic forces, Pakistan's political parties have a 70-year-old habit of flirting with the deep state — much to the detriment of institutional harmony and the democratic process. Such experiments are bound to fail. Politicians must have learnt by now that the romance lasts only till the honeymoon period and that for democracy to flourish, it is only the will of the citizens of Pakistan that should matter.*
>
> ***Let each arm of the state perform its role, without getting involved in matters that are beyond its mandate - the dance must end now**."*

One of the most disturbing facets of PTI's NAYA Pakistan was the complete lack of tolerance for critique aimed at the ruling party and its leadership. Critics were regularly trolled on social media and in some instances, even made to feel the leaders' wrath through coercive action by law enforcement agencies. That abuse became so insufferable that 165 women journalists were forced to write a letter to the PTI government, highlighting the *online attacks instigated by government officials and then amplified by a large number of Twitter accounts*. While the PPP and the PMLN were no saints — the fate of citizen journalist Nazim Jokhio was the most recent example.

During the PPP's reign from 2008 till 2013, a flock of pro-women laws were passed, aimed at addressing sexual harassment, besides curbing regressive practices such as depriving women of their inheritance, forcing them into marriage to settle disputes, etc. Ever since, legislation against domestic violence had also been enacted in many parts of the country, most recently in Khyber PK. What was needed then, however, were the mechanisms such as women protection committees, shelter homes, etc, to ensure the implementation of the said laws.

One could find a thousand faults with his person, but Shahbaz Sharif's stint as the Punjab chief minister earned him much praise for good governance. The younger Sharif worked tirelessly to improve infrastructure and service delivery, particularly in urban centres. If he could apply the same rigour as prime minister, the country could make some remarkable leaps in infrastructure development in the years to come.

All through the 1990s and early 2000s, the Bhuttos and Sharifs were at each other's throats, constantly plotting the ouster of each other's governments. Many a times, they did succeed, only to be thrown out again through the revolving door. In 2006, however, the only winners in this game of musical chairs were the ones pulling the strings. Thus, was born ***the Charter of Democracy*** — a document signed by Benazir Bhutto and Nawaz Sharif in 2006 with the stated aim to return Pakistan to its people.

Subsequently, the PPP government that came into power in 2008 was the first to complete its term. The PMLN too limped to the finish in the subsequent tenure. While the system of governance this document had offered was in no way been perfect, but it provided a good starting point — that the country's political leadership, despite their differences, could partake in the electoral process through an established code.

ECONOMY DURING PDM GOVT 2022-23

During the Pakistan Democratic Movement (PDM) government, headed by Pakistan Muslim League-Nawaz (PMLN)'s Shahbaz Sharif, while reviewing country's performance in managing the economy, in particular, in comparison with the PTI government's activity, was considered vital for the public knowledge and record.

When the PTI government was in saddles, there was an unprecedented media assault on its handling of the economy and the then opposition hammered the point that not only was the PTI government inexperienced but also unprepared for the task of managing the economic crises it had inherited from the PMLN government. ***The PTI had inherited a current account deficit (CAD) of 6.1% of gross domestic product (GDP) in 2018 but left the PDM inheriting a current account deficit of 4.6% of GDP.*** So, the CAD the PTI inherited was about one-third worse than the deficit inherited by the PDM government.

Looking at the reserves at the beginning of the PTI term in 2018, the State Bank of Pakistan (SBP) had $3 billion in net reserves (gross reserves minus forward swaps). When the PDM took over, the SBP net reserves were $6 billion. Simply put, the external crises the PTI inherited were much worse and the PTI's economic teams had to work much harder – even though ***TWO years of Covid-19 pandemic*** was there to take the economy into negative GDP for one year. It was not anticipated by any in the whole world.

> [*While dealing with the external crises, one could find that when an external crisis arises, the steps that need to be taken would result in both a slowing down of the economy and rising inflation. This happens because in the short-term the only significant tool available is demand constriction to reduce the gap between inflows and outflows of dollars. This is the price to be paid for allowing the external imbalance to reach a level that is unsustainable.*]

Looking at both these aspects — growth and inflation — in the initial period of macroeconomic adjustment under both governments, during the first year of the PTI government, ***GDP growth was 3.1%; manufacturing grew by 3.5%***. So, while growth slowed down, which was as per design, it stayed positive and exceeded the population growth rate, and hence even while successfully dealing with extreme external crises the wheels of the economy kept turning, albeit at a slower pace.

According to government's own GDP data published by the PDM government in 2023, for the first year GDP growth crashed to 0.3%; meaning thereby that per capita income declined as population growth according to the 2023 census was 2.5% per annum. The manufacturing slump was even more severe with large-scale manufacturing declining by 8.0%. In other words, the economy was absolutely gutted by the actions taken, or lack thereof, by the PDM government. The government kept on trying to finance the large external deficit but all spending ended in vain.

During year 2018-19, the PTI government's exports plus remittances increased by $1.3 billion. In the first year of the PDM government, exports plus remittances declined by $9.1 billion. This collapse of non-debt inflows of foreign currency was one of the key reasons the global markets flagged a serious risk of Pakistan defaulting on its external debt in 2022-23 and the credit default swap rate (the cost of insuring Pakistan dollar bonds against the risk of default) which was below 5.0% when the vote of no-confidence was introduced, shot up to above 50% a few months later, and even one year after the PDM government was at 46.9%.

As opposed to this, in the first year of the PTI government, the credit default swap rates remained below 5.0% and actually lower than when the PTI government was formed. In other words, the global markets were never worried that there could be any risk of default while the PTI government was dealing with the external crises it had inherited. See at how the citizens and businesses fared during the first year of adjustment in terms of inflation during the PTI and PDM governments.

Inflation, as measured by the consumer price index (CPI), was at 6.2% in July 2018, the last month before the PTI government was formed. One year later, in July 2019, it was 10.5% — an increase of 4.3%. In April 2022, inflation was 13.4% when the PDM government was formed and 36.4% a year later in April 2023 — an increase of 23% in a year. Pakistan witnessed the worst inflation in its history during the PDM government. The sensitive price index reached the high forties and food inflation exceeded 50% at its peak, devastating the lives of millions of Pakistanis.

One of the reasons inflation had hit so much harder during the PDM macro-adjustment period versus the PTI was the collapse of non-debt inflows during the PDM regime and the consequential impact on the currency. ***In the first 12 months after the PTI government, the rupee***

weakened by Rs:33 against the dollar, and the fall in the PDM first year was Rs:100 per dollar.

In short, the PTI inherited a greater external crisis than the PDM government and the later was able to handle the situation in a far better manner, maintaining a much better growth rate and much lower inflation compared to the PDM government – but the managing team was so poor that the government was not inclined to continue with at least those policy lines which were carried through the tests by the previous govt.

- ***The primary challenge for the PMLN led coalition remained the stabilization of the economy amidst political turmoil.***

Mid-August 2023 marked the end of the sixteen-month rule of the PDM coalition led by Prime Minister Shahbaz Sharif. Interim govt was in place for elections within 90 days. However, there was no likelihood of in-time elections that year because the economy remained in shambles during the PDM's 16 months tenure. The restoration of the economy could serve as a significant electoral slogan that the PMLN aimed to utilize to garner support during the upcoming election campaign; the ground realities were presenting unambiguously negative indicators.

- *The tenure that commenced after the removal of Imran Khan in April 2022 was marred by indecisiveness and delayed decision-making, largely due to conflicting views between Shahbaz Sharif and his elder brother Nawaz Sharif, though then sitting in London.*

Additionally, the country underwent a challenging back-and-forth with the International Monetary Fund (IMF), but govts managed to avert default and maintain a working relationship with the Fund on what price – was not known albeit, ***Mr Dar had arrived with his familiar rhetoric of controlling the exchange rate and refusing to take dictation from the Fund. This sparked a nine-month-long game of cat and mouse with the IMF.*** However, in the final days of Shahbaz Sharif's rule and with the support of his allies, the military's influence became more pronounced and entrenched within the country's economic affairs.

The PDM government continuously claimed that they inherited a distressed economy that was facing a liquidity crisis then, though the claims were not favoured by statistical figures of M/O Finance. The truth remained that the situation was aggravated by the exogenic shocks of the Russia-Ukraine war, which inflated Pakistan's energy and food import bill. In addition, the PDM government was also responsible for salvaging an ongoing IMF program, which former PM Imran Khan had allegedly derailed when his removal from office became inevitable.

Miftah Ismail, PMLN's former Finance Minister, wrote in his article for ***Dawn*** of 27th November 2022:

> *"Although in December last year (2021), the PTI government had restarted the much-needed IMF program, in February (2022)……, it opted to sacrifice the national interest for political interest and scuttled the IMF program, giving unfunded subsidies for electricity and petrol, and another amnesty to business. It was this breaking of the IMF agreement that set-in motion the upward trend in our default risk – (macroeconomics of coming days was the deciding factor)."*

However, Miftah, who was also responsible for rescuing the economy as the incumbent Finance Minister, was unable to reverse the energy subsidies until several months later due to the fear of public backlash among his party. Eventually, he was able to meet the IMF's demands which greenlighted a much-needed loan tranche in July, with the amount being disbursed in the following month. Nonetheless, this marked the end of Miftah's brief tenure at the Q-block [M/O Finance Office], as he was subsequently replaced by Ishaq Dar, Sharifs' blood relative and their family-accountant.

One of the prominent features of the PDM tenure was the implementation of import restrictions aimed at managing the liquidity situation. However, these restrictions came at the cost of suppressing economic activity in the country. Immediately after, Ishaq Dar had to concede on his demands while the Fund held firm on most of its primary requests.

Uzair Younus wrote in his analysis for daily **Dawn** dated 9th April 2023:

> *"Dar's return in September 2022 was yet another piece of evidence that the prime minister (Shahbaz Sharif) wasn't really the one calling the shots, and it was an open secret that Dar was coming to Islamabad to represent the head honcho of the PMLN, Nawaz Sharif. While he did succeed in shouting down the dollar in the first few days of his return —* ***in October (2022), he claimed that the dollar would soon fall below Rs:200 — Dar was less Batman and more like Joker returning to Gotham."***

- ***THE FACT remained that soon after Mr Dar's tall claims, the Dollar price in Pakistan crossed Rs:300 even.***

Further, the country experienced consistent pressure on its exchange rate over the past sixteen months, leading to a depreciation of more than 50 percent. However, during the same period, the adherence to the controversial Dar peg resulted in significant losses for the national exchequer. The pegging of the rupee also gave rise to an informal currency market, which facilitated activities such as currency hoarding, smuggling and the redirection of remittances through unofficial channels, resulting in a decline in reported figures – real bad days on Pakistan.

While all this was unfolding, Pakistan was hit by one of the most devastating natural disasters in its history - the 2022 floods, which intensified the country's economic anguishes. Referring to Ahtasam Ahmad's analysis in **The Friday Times [TFT]** dated 13th August 2023:

> *"One of the prominent features of the PDM tenure was the implementation of import restrictions aimed at managing the liquidity situation. However, these restrictions came at the cost of suppressing economic activity in the country and leading to a decline in the GDP.* ***The import-dependent large-scale manufacturing sector was particularly affected, with frequent plant closures observed (- especially the whole TEXTILE industry in Faisalabad & Karachi).***
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> *Furthermore, these import limitations constrained the government's ability to generate additional revenue, as a significant portion of taxation is derived from duties on imported goods.* ***On the expenditure side, the record-high interest rates resulted in more***

> ***than 50 percent of revenues being allocated to debt servicing, leaving limited resources for public development projects (and other economic activity)."***

Simultaneously, when the PDM government took charge, inflation was on the rise due to global commodity shocks and the devaluation of the rupee. These pressures persisted throughout their tenure. *To curb inflation, the interest rate was increased multiple times, eventually reaching 22 percent as of August 2023 compared to 12.25 percent in April 2022***.** However, even those measures proved inadequate as inflation levels exceeded 30% during the latter half of the outgoing government's tenure and remained above 20% for almost the entirety of its tenure, making the country the worst-performing economy in Asia in terms of price control, even falling behind the default-stricken Sri Lanka; ***https://www.bloomberg.com/news/articles/2023-07-03/pakistan....*** Is referred.

The PDM government's biggest economic challenge was to avoid default, which it successfully managed to do. While in the initial months of 2023, the country's reserves dropped below $4 billion, but following the latest standby agreement with the IMF and subsequent funding from Gulf states, they rebounded to levels closer to what they had had inherited from the PTI govt.

During its final days in office, the Shahbaz-led PDM government enacted a series of legislation, including establishment of the Special Investment Facilitation Council (SIFC). The purpose of SIFC was to attract investments in multiple sectors and increase Foreign Direct Investment (FDI) to alleviate liquidity pressures. The controversial aspect of this and similar legislation used to arise from their potential to institutionalize the military's involvement in the economy, of course, for further strengthening their influence over the state.

- ***In nut shell, the coalition govt could only be credited for successfully avoiding an impending default. Apart from that, it left behind an economy that was in a worse state than when it initially assumed power from the PTI part in April 2022.***

ANOTHER FRENCH REVOLUTION AHEAD:

Referring to *Uzair Younus's analysis* published in daily **DAWN** dated 9th April 2023, ***the collapsing economy of Pakistan during the PDM government of 2022-23 was likely to bury the House of Sharif with it.*** One could study the causes leading to the French Revolution, most historians frequently pointed out that King Louis XVI's weakness, indecisiveness, and lack of political insight had played a critical role in bringing about the downfall of the House of Bourbon in France. Mostly the failure to implement economic reforms, shortage of essential food items, especially wheat and an elite that refused to pay its fair share of taxes had discredited the royal family; thus, ruling family's popularity was deeply dented.

The people enthusiastically rather devotedly viewed one-year anniversary of the return of ***PURANA PAKISTAN*** as Foreign Minister Bilawal Zardari famously put it during his speeches on the floor of Parliament, Pakistan was undergoing an earth-shattering upheaval. But the worst affected were ordinary citizens who continuously experienced emotional and economic trauma that could take generations to recover from. See what exactly were the causes behind that economic disaster? And why the things went so bleak in such a small period of time?

Indecisiveness and infighting: It was understandable - the unviability of Pakistan's political economy, which had been taken over by a parasitic bunch of rogue families in the name of democracy – resulting in sharp decline in Pakistan's economic prospects within 16 months governance of the PDM. The crisis that began with a disastrous decision to lay an economic minefield through a petroleum subsidy by the PTI government was not unmanageable by the new Shahbaz Sharif's government.

The International Monetary Fund (IMF) program was indeed off-track because Pakistan had lost any and all credibility with the lenders. But the new government should have been able, in fact was, capable of turning things around in their favour. PM Sharif and its cabinet couldn't take timely decision in rolling back the petrol subsidies; they were woefully unprepared to act decisively. It took PM Shahbaz Sharif over six weeks to do what he should have done on the first day of assuming power.

Months before the PDM came to power, *the PMLN's 'economic think tank' was engaging with experts to understand what it needed to do to rescue the economy.* It was not as if the financial gurus of PMLN Miftah Ismail, Musadik Malik, and Ahsan Iqbal were not aware of what they should be doing. Perhaps, the prime minister himself was on the fence; he didn't show intent and action. ***In an interview with GEO's Hamid Mir on 14th March 2023,*** *PM Shahbaz himself acknowledged that he was ready to announce elections BUT the decision was not taken only because Imran Khan had announced a long march towards Islamabad***.**

Another tragedy with the nation remained that *during his whole term of premiership, PM Shahbaz Sharif also made it evident that it was not him, but his elder brother, Nawaz Sharif, who was calling the shots* — he along with members of his cabinet went to London in 2nd week of May 2022 to meet his elder brother, seek his instructions to run the government and to get approval of blue-print of governance which he had in his mind then. ***There was seen high uproar in media that the whole cabinet was visiting London, staying there in high-hotels to see PMLN's supremo ON TAX-PAYER's MONEY OF A POOR COUNTRY.***

There were other examples of the role that Nawaz and his daughter, Maryam Nawaz, played in determining the government's policy — Maryam asked the Finance Minister Miftah to look into pet food issues and other petty-things. There were other opportunities to push through meaningful reforms that would not only be good for the economy, but also rebuild Pakistan's credibility among international creditors. Despite such indecisiveness, the economy was still not beyond repair as the IMF program was brought on track with a Staff Level Agreement being reached on 13th July 2022.

NAWAZ SHARIF SENDS MR DAR:

From London, Dar returns with retaliation and revenge in his mind; many PMLN cabinet members were found commenting. There was an insurgency led by a member of PM's own party. Ishaq Dar kept unleashing one strike after another against a member of his own party, leading the sitting Finance Minister Miftah to say that ***'he would be happy to relinquish his position'*** and he had to do it finally. Dar's return in September 2022 was enough to tell the nation that their prime minister Shahbaz wasn't really able to deliver for Pakistan's economic needs. It was an open secret that Dar was coming to Islamabad to represent the head foreman of the PMLN Chief Nawaz Sharif.

> [See a scholarly **analysis of Mr Dar's return** by an author and journalist ***Zahid Hussain*** on media pages of 28th September 2022:
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> > *"Ishaq Dar is back, picking up from where he left off five years ago. The **so-called financial wizard** promises to fix everything that has gone wrong with the country's economy. What is described as **'Daronomics'** is supposed to bring down the dollar and contain the spiraling inflation. Just wait for the magic to start working."*
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> In fact, the return of Dar as the country's next finance minister and the unceremonious exit of Miftah Ismail didn't come as a surprise. It was pre-planned; ***Karachi's businessman with a doctorate in economics***, Miftah Ismael, was there just as a stopgap arrangement for getting some hard tasks done. He successfully negotiated an extremely tough deal with IMF. But once the tranche was received, he was deemed dispensable. The former finance minister was going to be a convenient scapegoat for the PDM government's failure though he had secured the bailout package needed to prevent an imminent default while Dar did everything (from London) he could do to undermine his predecessor.
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> The new finance minister, Ishaq Dar, was tasked to regain his party's lost 'political capital' - but he turned around country's economy in a state of free fall. His previous record as finance minister in Nawaz Sharif's previous two governments had not been without blemish. He was a de facto deputy prime minister in Sharif's last government.
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> During his previous term (2013-17), his controversial efforts to control the exchange rate by pumping dollars into the market worsened Pakistan's current account deficit (CAD) problem; that was why the country was going back to IMF for a bailout in 2019. It was not possible for Dar to use the same prescription to contain the free fall of

'the rupee' then because the foreign exchange reserves were already in precarious situation, especially after Imran Khan's exit.

A more serious challenge for Ishaq Dar was to bring down the runaway inflation driven by both internal and external factors. PDM's weak government with limited political control and little fiscal space was hardly in a position to undertake any major reforms. Dar was also known for his tendency to control regulatory bodies including the State Bank (SBP). But with new rules protecting the autonomy of the SBP, it was extremely difficult for him to manipulate the exchange rate as he used to do in the past.

Thus, his pledge to turn around a sick economy within a few months — before the next elections — was severely jeopardized. Although, unlike Miftah Ismail, ***Dar had the backing of PMLN supremo Nawaz Sharif but he was a total failure this time, too***; Nawaz Sharif's control over the government's policy-framing process on important national issues remained confined to a dream only. It made PM Shahbaz Sharif extremely uncomfortable, raising serious questions about who wielded the real authority in guiding the policies of the PMLN-led government.

Till late, all major decisions were taken in London rather than Islamabad. ***The audio leaks saga of those days showed that even minor decisions, for example, which '<u>resigning PTI MNA is to be de-seated</u>', required Nawaz Sharif's approval.*** The very optics of <u>Shahbaz Sharif making two trips to London within days and consulting his elder brother and other family members</u> was disconcerting, and also raised eyebrows of tens of millions of people at home. Dar couldn't perform any miracles to salvage a deteriorating economy. Yet the PDM government didn't have any understating of the gravity of the crisis.

Once more, writer Zahid Hussain's words were true that:

> *"A massive cabinet is not expected to deliver on key challenges confronting the country. Many of the ministers, advisers and special assistants do not even have a portfolio or have not been assigned any responsibility. They are a huge*

> *burden on the exchequer during a serious financial crunch.* ***The return of Dar didn't improve even the basic problem of governance."***

Coming back; the fact remained that during PDM govt, common sense economics was abandoned for gimmickry. The result was that the IMF program went off track once more. ***Dar's 'Washington yatra' for the annual meetings of the World Bank and IMF went futile despite his loud pronouncements.*** During these trips, Pakistan's leaders were also seen begging assistance in the aftermath of the catastrophic floods that had affected over 30 million people, and while the world did step up to provide some immediate support — mostly pledges only — the IMF was unwilling to go easy whatsoever. Pakistan had lost all credibility with the IMF and that Dar had angered the IMF by doing exactly what the government had promised the lender it would not do.

In the months that followed, the government continued to harm both its credibility among international lenders and its popularity at home. PM Shahbaz Sharif seemed lost, delegating the management of the economy to a man who had little interest for the national economy and was more interested in building Nawaz Sharif's financial empire – simply because of ***'close in-laws relationships'*** with the later. His policy led to a yawning gap in the formal and informal exchange rate of the rupee, leading to declining formal flows of much-needed foreign currency into the economy. Remittances shifted to the informal market, exports declined, and the market participants began buying dollars as secure bet.

Suddenly, the currency started showing depreciation; supply-chains began to grind to halt, leading to shortages of necessities such as medicines, exhibiting price hikes of basic food commodities like cooking oil and flour – the businesses started closing down in most areas of Pakistan. Ishaq Dar had to review his policy-work and the dollar rose in value — but it was too little & too late till then. By the time the rupee found its true market value, dollar-collection by 'BIGs' was complete. They had lost faith in PM Shahbaz, FM Dar, and the economic capacity of the PDM government – then gold-buying had started in. For ordinary citizens, things went worse: inflation was rising by the day and on uncontrolled opportunities.

PDM govt was facing an intense disaster; that was why they were trying to delay elections in Punjab in violation of the Constitution. They were unable to rescue both the economy and their own political prospects. Inflation went up at 35.4% (***media news dated 3rd April 2023 is referred***) — the highest ever recorded — and was showing no signs of slowing down. Interest rate was taken up at 21% — negative in terms of real rates; the SBP was persuaded more into functioning as an extension of the finance ministry.

A funding-greenlight of $2billion from Saudi Arabia, combined with the support of $3billion from the IMF and some becks from UAE could save the nation from blackening its face. Those much-needed inflows of foreign currency eased the crisis in the immediate term. It was only marginally improvement to last for the next three to four months – and how the PDM could go to next general elections, which were not seen in that year of 2023 at least.

At the end of the PDM's tenure, the collapsing economy buried the House of Sharif with it, at least for the foreseeable future. However, this rubble had also taken down millions of ordinary citizens — some four million had additionally fallen below the poverty line; rebuilding their lives could take years, if not decades.

WHY PEOPLE DON'T PAY TAXES:

On 1st July 2023: The former director of United Nations Development Programme (UNDP) for Pakistan Marc-André Franche, said:

> *"…the only way a critical change could happen in the country (Pakistan) is **when the influential, the politicians and the wealthy, would sacrifice** short term, individual and family interests for the benefit of the nation.*
>
> *You cannot have an elite that takes advantage of very cheap and uneducated labour when it comes to making money, and when it is time to party it is found in London, and when it's time to buy things it is in Dubai, and when it's time to buy property it invests in Dubai*

> *or Europe or New York.* ***The elite needs to decide do they want a country or not -*** *Pakistan's current tax regime favours elite…."*

The former director, who spent four years in Pakistan, was also critical of the landowners of Pakistan:

> *"I have visited some very large landowners, who have exploited the land for centuries, paid nearly zero money for the water, and how they almost sometimes hold people in bondage. And then they come to the United Nations or other agencies and ask us to invest in water, sanitation, and education for the people in their district. I find that quite embarrassing."*
>
> Karachi is at a breaking point. If Karachi is at all to continue being the engine of growth in this country, something needs to be done about public utilities. You cannot live in Karachi and grow your business anymore with the state of disrepair of public institutions.
>
> *The fact that even in 2016, Pakistan has 38 per cent poverty; it has districts that live like sub-Saharan Africa; that the basic human rights of minorities, women and the people of FATA are not respected; that this country has not been able to get its act together and hold a census; or that it has not been able to push for reforms in FATA, an area that is institutionally living in 17th century. It is extremely preoccupying.*
>
> *Bribery incidence in Pakistan much higher than rest of South Asia. Pakistan will not be able to survive with gated communities where you are completely isolated from the societies, where you are creating ghettos at one end and big huge malls for the rich at the other end. It is not the kind of society you want your kids to live in…."*

The ex-director of UNDP Pakistan was also critical of the media, adding that there was a deficit of media literacy. *"Unfortunately, the level of dependence of the government on military authorities, and the degree by which a lot of media in this country is manipulated by powerful sources, are sources of erosion of democracy and erosion of the institutions that are the foundations of this country."*

Cities in Pakistan are planned for rich housing. Although, he didn't think there was an imminent threat of a revolt by the poor, but he did see it happening eventually in one way or the other. You cannot have a country, where nearly 40 per cent of the people live in poverty. When you read the history of Pakistan, it was not obvious that this country would survive. There was a lot of criticism and people doubting that it will. Yet it has, and it has come very far…...

See a letter addressed to the higher echelons in Pakistan - published on media pages and one can feel the agony & anguish in writer's tone and tenor….One might find some lines pinching but are based on bitter facts ....

To

The President; Prime Minister; Cabinet Ministers and the hundreds of other assorted Ministers of Pakistan

Sir, I write on behalf of the Professionals & Businessmen of Pakistan. We are not defrauding taxes. We are trying to save Taxes to get the bare basics for our families…

1. We buy Generators / Inverters / UPS / solar systems because the Govt. has failed to provide a reliable power supply.

2. We install our own clean water systems because the Govt. has failed to provide safe drinking Water.

3. We hire security guards and use CCTV because the Govt. has failed to ensure our safety (The politicians and their hangers travel on with armed escorts with our money)

4. We send our children to Private Schools because the Govt has failed to provide good schools (The school fees of the politicians' and officials' children are sponsored by obliging businessmen)

5. We go to private hospitals because the Govt. has failed to provide decent medical care. (The President's fund pays the full bill for Govt Ministers and their cronies to go to Singapore for treatment)

6. We buy and maintain cars because the Govt. has failed to provide decent public transportation.

Finally...

What does the Tax Payer get in return on retirement, when he needs it most to survive?......Nothing! Not even social security. His own EPF and ETF too is embezzled by the Govt……Throughout his lifetime, his earnings are used by the Government to give subsidies to the masses for buying votes…..What else does the govt do with our tax money?

- *Set up courts which give judgements as asked by the Govt.*
- *Operate police stations which work mainly for politicians*
- *Operate hospitals which fail to treat the needy*
- *Build roads and infrastructure to steal our money (40-100%).*

And the list is endless...

- We all know that the entire tax revenue is misappropriated by officials and Politicians (ref: billions of dollars are lying in foreign banks).
- A Business works at a margin of between 2% to 10%, whereas the government takes 30% of his income to cover its wasteful expenditure. Is it all fair?

Sirs, that’s why Pakistanis do not want to pay Taxes.