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‘Economic mismanagement poses threat to country’s survival’

ISLAMABAD: Dr Ashfaq H Khan, eminent economist and former economic advisor to the finance ministry, has termed the incumbent government’s bad governance and the non-serious attitude of its economic team to be responsible for the country’s economic collapse. He stated this during a seminar titled ‘Audit 2012: perspectives on economy, energy, rule of law and democratisation’ organised by the Center for Research and Security Studies.

He said that a great threat has been posed to the country’s survival due to the way the economy had been managed in the last four and half years. “The economy has never been on the present government’s radar and without a strong economy, neither democracy can flourish nor can the country’s defence be ensured,” he said. During the last four and half years, four finance ministers, six secretaries of finance ministry, four governors of the central bank and six Federal Board of Revenue (FBR) chairmen were changed. “When there is no stability in the economic management team then how can we have a stable economy?” he added.

According to Khan, Pakistan’s foreign exchange reserves depleted to \$8.6 billion by end-June 2012 from \$14.8 billion in June 2011. “The reserves of commercial banks are on the rise as compared to the central bank’s foreign exchange reserves,” he said. “When the commercial banks’ reserves start increasing, it means that dollarisation has picked momentum.”

He added that Pakistan’s public debt swelled to Rs6 trillion only in 60 years, which increased to Rs13 trillion in the last four years and is likely to further increase up to Rs14.5 trillion by end of June 2013. He believes that the economy has never been in such a bad shape as it is today. He dispelled the present government’s stance that it had inherited a shattered economy through facts and figures compiled by the government itself and global financial institutions. “Pakistan’s total GDP increased from \$60 billion in 2000-01 to \$170 billion in 2007-08. Real GDP growth was seven percent with low inflation during the same period. The government policies contributed towards reduction in poverty and improvement of social indicators,” he underlined.

Macroeconomic progress, according to Khan, resulted from the implementation of a series of structural reforms during the last government’s era. He narrated that although there were challenges during the current government’s tenure, it could address these challenges through better financial discipline and political will. But unfortunately, it has failed to address these challenges so far and the result is a 2.9 percent GDP growth. Meanwhile, the budget deficit averaged around seven percent of GDP and the public debt more than doubled in four years. Over \$20 billion foreign debt accumulated in four years. Inflation persisted in double digits for 50 months in a row, whereas the rupee lost 36 percent of its value, noted Khan.

Regarding next year’s outlook, he said that the economy will grow around three percent of GDP. The investment-to-GDP ratio will further decline and industrial growth will remain flat. Pakistan will face a large financing gap and will be unable to service its external debt obligations. The country will have to go to the IMF again, he projected.

He added that no party will win an all-out majority in the upcoming elections and a coalition government will further hamper the prospects for economic revival. He observed that financial discipline will be the litmus test for the new government.

Also speaking on the occasion was Daniyal Aziz, former chairman of the National Reconstruction Bureau. While mentioning the importance of devolution of power to the local government level, he said that unless the fundamentals such as peoples’ empowerment through devolution are addressed, it will be difficult to fight against insurgency.

He pointed out that almost 80 percent of the fight against insurgency is through political means and about 20 percent through the military.

Energy expert Arshad Abbasi said that oil production has decreased by five percent in the past one year. He added that the energy crisis in Pakistan is due to mismanagement and corruption. “We have power generation capacity of 235,000 MW but we can only generate 14,000 MW due to lack of resources and mismanagement, while our demand is 18,000 MW,” he said. He proposed that the government should invest heavily in hydropower projects, rather than subsidising the import of oil.

Dismal economic growth, fiscal conditions to persist

By Waqas Naeem Published: December 29, 2012

ISLAMABAD: Pakistan's dismal economic growth and its worsening fiscal conditions are likely to persist in the upcoming year, leaving the country at the mercy of international lenders, predicts Dr Ashfaq Hasan Khan, Dean of National University of Sciences and Technology's business school.

He was speaking at a consultation forum organised by the Centre for Research and Security Studies (CRSS) here on Friday to discuss Pakistan's performance during 2012 in the areas of economy, energy, law and democratisation.

CRSS is an Islamabad-based research and advocacy organisation focused on security and governance issues.

Khan believed that Pakistan would face a large financing gap in 2013 and would not be able to service external debt with current State Bank's reserves of \$8.5 billion. The result – return to the International Monetary Fund (IMF).

"Pakistan has no choice but to go to the IMF once again for a bailout package," he said. "The sooner we go the better." However, Khan was not certain whether the IMF would negotiate with the outgoing government. He expected public debt to rise sharply because of a large budget deficit and depreciation in rupee's value. "One rupee depreciation will add Rs60 billion to the public debt."

PILING UP

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was the surge in external debt in the past four years

Khan suggested that Pakistan should go to the IMF for a new programme, bring down fiscal deficit by 3 to 3.5 percentage points in the next three years, implement tax reforms and accelerate privatisation of bleeding public sector enterprises.

"The issues are not insurmountable, but there's no quick fix," he said. "We need an honest, competent and patriotic leadership to revive the economy."

Highlighting other depressing economic indicators, Khan said economic growth had slowed down to around 3%, investment stood at only 12.5% of gross domestic product (GDP) – the lowest in 50 years – and large-scale manufacturing growth was only 0.5% per annum.

"There are no two opinions within and outside the country that Pakistan's economy has never been in such a bad shape in the last 65 years," he said.

Public debt more than doubled in the past four years and the country accumulated over \$20 billion in external debt, he said. Moreover, Pakistan lost \$6 billion of State Bank's foreign reserves in the past 16 months.

Khan recalled that Pakistan had no finance minister for six months at a time when world economy was suffering from the 2008-09 food and fuel crisis, which showed that "the economy had never been on the government's radar."

” One rupee depreciation will add Rs60 billion to the public debt

National University of Sciences & Technology's
Business School Dean Ashfaq Hasan Khan

Citing State Bank's Annual Report 2010-11, he said while other emerging economies in the region recovered from the food and fuel crisis, Pakistan was still in a "low growth mode."

Energy woes

In the second presentation, Arshad Abbasi, an energy expert, described cheap hydroelectricity as the solution to energy woes. "Cost per unit of hydroelectric power is only Rs0.19 per kilowatt hour compared to Rs18 per kwh for power produced through furnace oil," he said.

The government had so far neglected hydropower, with some of the projects showing no progress even after years of planning, he said and suggested that the government needed a 'national mission statement' in 2013 to accelerate work on hydropower projects.

Currently, 70% of the country's energy was coming from thermal power, necessitating the need for fuel import, Abbasi said.

Moreover, the residual fuel oil being imported was impure with around 8% water content, resulting in consumption of four times more fuel to produce the same amount of energy. "This increases tariff for the consumers," Abbasi added.

Daily Times

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Saturday, December 29, 2012

Audit 2012: Perspectives on Economy, Energy, Rule of Law and Democratisation

'Major factors' plunging state deeper into abyss

Staff Report

ISLAMABAD: Bad governance, mismanagement, deficit in legal framework and lack of financial discipline are plunging the state deeper into abyss. Present government has failed to check the decline in almost every sphere of governance.

This was the consensus among different experts, academicians and participants at a seminar 'Audit 2012: Perspectives on Economy, Energy, Rule of Law and Democratisation' organised by the Center for Research and Security Studies, Islamabad. People from media, legal background academics, civil society, and students participated in the event, which was arranged to look back the progress and setbacks in 2012.

Addressing the seminar, NUST School of Business Principal and Dean Dr Ishfaq Hassan Khan said that Pakistani economy has never been in such a bad shape as it is today. He falsified present government's stance that it inherited a shattered economy through facts and figures compiled by the government itself, and world financial institutions. "Total gross domestic product (GDP) increased from \$60 billion in 2000-01 to \$170 billion in 2007. The real GDP growth was 7.0 percent with low inflation during the same period. The government policies contributed in reduction of poverty and improvement of social indicators," he underlined. The macroeconomic progress, according to Dr Khan, resulted from the implementation of a series of structural reforms during last government's era. He observed that with these figures, when a government starts with deception that it inherited ruined economy then we end up 2012 like economic situation. He said that present government replaced four finance ministers, six finance secretaries, four governors of State Bank of Pakistan, and six chairmen of Federal Board of Revenue in its tenure so far. "So when there is no stability in economic management team then how can we have stable economy," he questioned.

Dr Khan narrated that though there were challenges during the tenure of current government, yet it could address these challenges through better financial discipline and political will. But unfortunately, it failed miserably so far to address these challenges and the result is 2.9 percent GDP growth. Meanwhile, budget deficit averaged 7.0 percent of GDP; public debt more than doubled in four years. Over \$20 billion foreign debt added in four years. Inflation persisted in double digits in 50 months in a row. The rupee lost 36 percent of its value, noted Dr Khan. Regarding outlook for coming year, he said that Pakistan economy will grow around 3.0 percent of GDP. Investment-to-GDP ratio will further decline, industrial growth will remain flat, Pakistan will face large financing gap and will not be able to service its external debt obligations. Pakistan will have to go to the International Monetary Fund again, he projected. He said that no party will win all out majority and therefore coalition government will further hamper the prospects of reviving economy. He observed that financial discipline will be litmus test for the new government. We have the

Regarding rule of law, Supreme Court Advocate Ahmer Bilal Soofi said that the existing anti-terrorism law of 1997 was made in sectarian context but recent war was launched by the terrorists against state and its people and thus the context has altogether changed. Each of the conflicts like in Karachi, Khyber Pakhtunkhwa and FATA and Balochistan have different actors and factors involved and so these do demand different legal framework. He underlined that so far the current government has failed to put together a robust legal framework.

He narrated that the government has only made laudable legal effort in FATA by promulgating Presidential Ordinance in the Aid of Civilian Government of 2011. He proposed that the government should take initiative and introduce anti-terror laws at the federal level as well to fight the war on terror on solid legal grounds. "Article 5 of the Constitution of Pakistan underlines that every individual has accent to the constitution and loyalty to the state," therefore the current government should invoke this article, he suggested. He also appreciated the government for passing much-needed Fair Trial Bill 2012. "With this bill, we have a responsive law," he said. "When there is a choice between right to life and right to privacy then the choice should be obvious," he noted.

Former National Reconstruction Bureau chairman Danyal Aziz said that although the most important step of the present government was the passage of 18th Amendment, yet the state and society failed to reap the fruits of devolution due to the missing of local government structure. "Article 148 of the Constitution says that each provincial government has responsibility to transfer power to elected local representatives, but the current government violated this provision by not arranging local government elections in last five years. "If we want to address insurgency we need to put in place responsive and effective local government system. Because according to theorists 80 percent causes of insurgency can be addressed through political intervention and only 20 percent through military," he suggested.

Energy expert Arshad Abbasi said that oil production has decreased by 5.0 percent in last one year and also we are importing oil with impurities due to the reigning corruption in oil and gas sectors in Pakistan. He observed that energy crisis in Pakistan is due to mismanagement and corruption. He disclosed that we have electricity capacity of 25,000 megawatts (MW) but we can only generate 14,000 MW due to lack of resources and mismanagement, while our demand is 18,000 MW. He proposed that the government should invest heavily in hydropower projects instead of hugely subsidising the import of oil. Soofi welcomed the passage of the Fair Trial Bill but said it should have come in five years earlier. He however underscored that such laws will succeed only if backed up by a comprehensive political strategy.



Financial mismanagement, bad governance bane of all ills

ISLAMABAD, Dec 28: Bad governance, mismanagement and lack of financial discipline has plunged the state into a crisis. This was the consensus among experts, academicians and participants at a seminar "Audit 2012: Perspectives on Economy, Energy, Rule of Law and Democratisation" organised by the Centre for Research and Security Studies (CRSS), Islamabad.

Addressing the seminar, Dr Ashfaq Hassan Khan, Principal and Dean of NUST School of Business and former principal advisor to the finance ministry, said that the Pakistani economy had never been in such a bad shape as it is today.

Regarding the outlook for the coming year, Dr Khan said that the Pakistan economy would grow around three per cent of the GDP, investment to GDP ratio would further decline, industrial growth would remain flat and Pakistan would not be able to service its external debt obligations.

"Pakistan will have to go to the IMF again," he projected and added that no party would win an all out majority and therefore a coalition government would further hamper the prospects of reviving the economy.

He observed that financial discipline would be the litmus test for the new government: "We have the capacity to recover but need will power and honesty of purpose," he stressed.

Dr Khan also contradicted the claims that the present government had inherited a shattered economy using facts and figures compiled by the government and international financial institutions.

"Total GDP increased from \$60 billion in 2000-01 to \$170 billion in 2007. The real GDP growth was seven per cent with low inflation during the same period," Dr Ashfaq Hassan said adding, "The government policies contributed in reduction of poverty and improvement of social indicators."

He said that the present government replaced four finance ministers, six finance secretaries, four governors of State Bank of Pakistan and six chairman of Federal Bureau of Revenue in its tenure so far. "So when there is no stability in economic management then how can Pakistan have a stable economy?" he questioned.

Dr Khan narrated that though there were challenges, yet the government could not address these challenges through better financial discipline and political will.

"For fifty months in a row inflation has persisted in double digits, rupee lost 36 per cent of its value," Dr Khan said.

Energy expert Arshad Abbasi said that oil production had decreased by five per cent in the last one year and Pakistan was importing oil with impurities, due to the reigning corruption in oil and gas sectors in Pakistan.

Regarding rule of law, Ahmer Bilal Soofi Advocate Supreme Court of Pakistan said that the existing anti-terrorism law of 1997 was made in the context of sectarianism but the recent war launched by terrorists against the state was altogether different.

"Conflicts in Karachi, Khyber Pakhtunkhwa, Fata and Balochistan have different actors and factors and all demand a different legal framework," he said and added that so far the current government had failed to put together a robust legal framework.

Perspectives on economy, energy, rule of law and democratisation

ISLAMABAD

STAFF REPORT

Bad governance, deficient legal framework, lack of financial discipline and absence of political will to reform are some pressing issues confronting the state today, these factors stem from short-sighted and self-serving policies that aid the simmering insurgency raging in various parts of the country.

This was the consensus of different experts, academicians and participants at a seminar titled 'Audit 2012: Perspectives on Economy, Energy, Rule of Law and Democratisation', organised by the Centre for Research and Security Studies.

"Unless we address fundamentals like people's empowerment through devolution it will be difficult to fight insurgencies," said National Reconstruction Bureau's former chairman Daniyal Aziz. He said almost 80 percent of the war against insurgency could be fought through political means and only 20 percent through military means. Aziz said although the current government had passed the 18th Amendment consensus and implementation had fallen prey to political expediency.

Supreme Court advocate Ahmer Bilal Soofi said that during 2012, Pakistanis witnessed a number of failures and shortcomings as far as the rule of law was concerned. The government-judiciary stand-off and insufficient response to various forms of violence had

severely undermined rule of law in the country.

Citing the example of the Anti-terrorism Act 1997, Soofi said this law was a product of specific circumstances like sectarian violence and hardly covered the challenges Pakistan faced today. Soofi welcomed the passage of the Fair Trial Bill but said it should have been passed five years earlier. He added that such laws would succeed only if backed by a comprehensive political strategy.

Former finance adviser Dr Ishfaq Hassan Khan said the economy had never been in such a bad shape as it was today. He challenged the present government's claim that it had inherited a shattered economy through facts and figures compiled by the government and international financial institutions. Dr Khan said although there were challenges during the current government's tenure, it could have addressed them through financial discipline and political will. Unfortunately it had miserably failed to address these challenges and the result was 2.9 percent GDP growth.

Energy expert Arshad Abbasi said oil production had decreased by five percent this year and Pakistan is currently importing oil with impurities. He observed that the energy crisis had occurred due to mismanagement and corruption. He said we have an electricity capacity of 2,35,000 MW but generate 14,000 MW for a demand of 18,000 MW, due to mismanagement and lack of resources.