The Institute of
Chartered Accountants
of Pakistan

CA
PAKISTAN

PAKISTAN'S ECONOMY

A REVIEW OF POST COVID-19 ERA | PERSPECTIVES

POST WEBINAR SERIES REVIEW

ECONOMIC ADVISORY &
GOVERNMENT RELATIONSHIP COMMITTEE

Message from the President

The coronavirus (COVID-19) has touched every aspect of our lives and unfolded an unprecedented healthcare cum economic crisis across the globe.

It has forced governments to change the course of policies and announce massive relief packages to stimulate their economies & fight recessionary trends. Government of Pakistan has also taken several relief measures on a timely basis to contain economic fall-out and support businesses. ICAP being a premier regulatory body has always supported government by providing professional input on various matters. In this connection, rapid response from the Institute's Economic Advisory & Government Relationship Committee, under the able leadership of Mr. Ashfaq Tola, FCA is highly laudable. The committee organized series of interactive webinars to discuss important economic issues with policy makers.

I am extremely glad to see this document summarizing discussions & insights of this important series of webinars, for the convenience of business and finance leaders.

Khalilullah Shaikh, FCA
President - ICAP

Message from the Chairman

Dear Distinguished Readers,

Pulling out the world from the economic crisis has now become a global endeavor. Economies all over the world, including Pakistan have experienced socio-politico-economic meltdown after the COVID-19 outbreak! Also the economy of our country is gravely affected and placed the nation in an economic crisis that requires emergency strategies to pull back the nosedived economy so as to protect the country from economic collapse. Sensing the pulse with an upbeat mindset, the Economic Advisory & Government Relationship Committee organized a well-planned series of webinars to have a critical discussion on a rampant impact on the key economic indicators of Pakistan as a result of the global pandemic COVID-19 to deal with the prevalent worst healthcare crisis and suggest good measures for the economic revival.

In this review, the committee's leadership worked with an unbridled energy and enthusiasm to keep the ICAP's members and other stake holders well informed on economic affairs by inviting governmental dignitaries namely; Dr. Abdul Hafeez Shaikh, Adviser to the Prime Minister on Finance & Revenue; Dr. Miftah Ismail, Former Finance Minister; Dr. Reza Baqir, Governor State Bank of Pakistan (SBP); and Mr. Aamir Khan, Chairman SECP to envisage governmental, socio-politico-economic, central bank's and apex regulator's corporate and capital markets perspectives! I hope that this review report will continue to attract your attention towards the future activities/ projects of the committee.

Your interest and support has helped us in bringing this electronic publication with very comprehensive economic and business dialogue. Thank you once again and please keep up the pace of sending in your valuable response.

Happy Reading!

Ashfaq Yousuf Tola, FCA
Chairman - Economic Advisory & Government Relationship Committee
Council Member - ICAP

DISTINGUISHED GUESTS

			
Dr. Abdul Hafeez Shaikh Adviser to the Prime Minister on Finance & Revenue Affairs	**Dr. Miftah Ismail** Former Finance Minister	**Dr. Reza Baqir** Governor State Bank of Pakistan (SBP)	**Mr. Aamir Khan** Chairman Securities and Exchange Commission (SECP)
THE GOVERNMENT'S PERSPECTIVE	THE SOCIO-POLITICO-ECONOMIC PERSPECTIVE	THE CENTRAL BANK'S PERSPECTIVE	APEX REGULATOR'S CORPORATE AND CAPITAL MARKETS PERSPECTIVE
Date: May 13, 2020	Date: May 27, 2020	Date: June 03, 2020	Date: August 20, 2020
500	500	450	283
LIVE 248	LIVE 234	LIVE 337	LIVE 111
30,971	20,415	36,119	14,942
72,328	56,972	96,991	41,664
YouTube 473	YouTube 513	YouTube 412	YouTube 112
(as of August 2020)	(as of August 2020)	(as of August 2020)	(as of August 2020)

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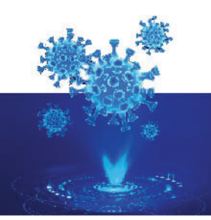

Pakistan Economy: A review of Post COVID-19 era (To envisage governmental, socio-politico-economic, central bank's and apex regulator's corporate and capital markets perspectives)

The Economic Advisory & Government Relationship Committee in collaboration with Continuing Professional Development (CPD) Committee and Regional Committees of ICAP kicked-off a webinar series on Pakistan Economy: ***Post COVID-19 covering the government, socio-politico-economic, and central bank's perspectives*** on May 13, 2020; May 27, 2020; and June 03, 2020 respectively. After the mega success of aforementioned three webinars, the Economic Advisory & Government Relationship Committee has carried out a laudable role in pulling-back the nosedived economy by organizing another webinar on the contemporary economic issue of ***Recovering from COVID-19*** on August 20, 2020. The theme of the webinar covers the perspective of Securities and Exchange Commission's (SECP) as a governmental regulatory authority. Sensing the pulse with an upbeat mindset, to shield the economy from an entrenched impact, the fourth webinar of the series titled ***Apex Regulator's Corporate and Capital Markets Perspective*** aims to bring together Securities and Exchange Commission of Pakistan (SECP) and forward thinking chartered accountants to pave the pathway towards incubating sustainable ecosystem for the corporate sector and capital markets of Pakistan. The objective of the series was to support the Government of Pakistan in pulling out the country from the economic crisis.

Economies all over the world, including Pakistan are now experiencing socio-politico-economic meltdown where the government and the State Bank of Pakistan have very significant and critical roles to play. The situation requires emergency strategies to pull back the nosedived economy so as to protect the country from economic collapse. The webinar series was planned to have a critical discussion on a rampant impact on the key economic indicators of Pakistan as a result of the global pandemic COVID-19 to deal with the prevalent worst healthcare crisis and suggest measures for the economic revival.

Mr. Khalilullah Shaikh, the President ICAP welcomed the chief guests and appreciated the role of the Economic Advisory & Government Relationship and Continuing Professional Development (CPD) Committees in organizing the webinar series on the most relevant issues in question. The webinar series covers different viewpoints of the governmental dignitaries namely, Dr. Abdul Hafeez Shaikh, Adviser to the Prime Minister on Finance & Revenue; Dr. Miftah Ismail, Former Finance Minister; Dr. Reza Baqir, Governor State Bank of Pakistan (SBP); and Mr. Aamir Khan, Chairman SECP. Mr. Ashfaq Yousuf Tola, FCA, the Chairman of Economic Advisory & Government Relationship Committee at ICAP & Mr. Muhammad Farid Alam, FCA, CEO of AKD Securities moderated the sessions whereas the vote of thanks was given by Rana M. Usman Khan & Ms. Hina Usmani, Vice Presidents of ICAP, and Mr. Arsalan Khalid, FCA, Chairman Southern and Regional Committee. The webinars were viewed by 500, 500, 450, and

283 participants on Zoom whereas 72,116, 56,776, and 96,894 participants on ICAP Official Facebook Page as of August, 2020 from the national and international fronts respectively. The post viewership keeps on increasing day by day.

Post COVID-19 Economic distress: a mayhem

Economies all over the world, including Pakistan are now experiencing a slowdown. Besides, countrywide lockdown from March to June 2020 had pushed the country into socio-politico-economic disaster. Pakistan as a nation is going through testing times as Coronavirus (COVID-19) is unfolding one of the worst healthcare crisis across the globe and has a rampant impact on the key economic indicators of Pakistan. The impact of COVID-19 on Pakistan's economy has been severe and resulted into a reduction in GDP growth, deterioration in current & fiscal balances, disruption in supply chain and increased unemployment.

The economic situation in Pakistan today is indeed worrying. This year's Pakistan Economic Survey 2019-20, a government-issued report that precedes the annual budget presentation, has painted a dismal picture of the domestic economy. The economy's resilience in a deepening crisis has been impaired as demonstrated by its worst performance in 68 years, posting negative growth of 0.38 per cent in 2020-21. According to the survey, Pakistan's economy has plunged into deep distress as the period covered by the data includes mostly the first nine months of the fiscal year, meaning July 2019 to March 2020, much of what is portrayed cannot be attributed to the disruptions from COVID-19. The numbers betray troubling indicators deep inside the grooves of the economy, beyond the GDP growth.

1. The Governmental Perspective: a political discourse

Dr. Abdul Hafeez Shaikh, Prime minister's Advisor on Finance earlier estimated that COVID-19 has inflicted a loss of Rs. 3 trillion on the economy with GDP taking a hit of 3-3.5 percent. The economy seems very uncertain depending on how long the government takes to get rid of the virus and its adverse fallout on economic activities. While seeing a 'V shape recovery', a demand-driven recession can be expected if there is a massive fall in spending or there is a persistent drop in production, he further added.

He spoke at great length about the measures taken by the Government of Pakistan to deal with the unprecedented prevalent COVID-19 crisis. The government was trying its best to avert 'recession' and strike a balance to generate revenue, without suffocating economic activities in the post COVID-19 era. He also hinted at moving ahead with hedging of oil prices in the international market to certain portion of 15 percent of the total import bill. The contraction of economy is expected and the Gross Domestic Product (GDP) growth may fall negative 1.5 percent for the outgoing fiscal year in the post COVID-19 situation against earlier projection of positive 3 percent, said Dr. Shaikh.

Embracing the challenge to devise governmental policies to begin economic activities and bring down the budget deficit within the desired limits that might escalate to over 9 percent of GDP for the outgoing fiscal year amid smart lockdown, he emphasized that the rising debt was problematic but the recent decrease in interest rate and getting concessionary loans would help the government to reduce the debt burden. Describing the tax reforms, he said that the country would have to stay on the course of tax reform path as it might not be pursued aggressively in the wake of coronavirus but the country would have to stick to this course of action.

Dr. Shaikh did not support the idea of complete lockdown as it was not possible keeping in view health, food and other emergency requirements. However, he was of the opinion to implement preventive lockdown with a preemptive action plan to address an unusual scenario of COVID-19 pandemic to prevent its exponential spread for the safety and security of the people of the country. The focus for preventive actions was to avoid exponential spread of the epidemic and risks arising from the nonconformance to the normal circumstances, but also commonly includes improvements in increasing the efficiency of the governmental measures. He backed the Prime Minister – Imran Khan's approach of smart lockdown and praised his wisdom to provide an opportunity to the people to earn their living who are on daily wages.

Post COVID-19 era shall bring opportunities to be explored to pullback the nosedived economy such as amnesty schemes in the construction, textile, and oil & gas sectors. He apprised the viewership that the government had taken all possible measures to stabilize the economy with the current account deficit of over $20 billion. But the outbreak of COVID-19 affected exports and remittances badly. The tax revenues that were expected to touch Rs. 4.7 or Rs. 4.8 trillion for the current fiscal year, now, it has fallen to Rs. 3.9 trillion. The government unveiled the stimulus package of Rs. 1,200 billion to deal with the economic recession.

2. The Socio-Politico-Economic Perspective: an economic dialogue

The economic situation in Pakistan today is indeed worrying. Pakistan's economic woes – dwindling foreign exchange reserves, low exports, high inflation, growing fiscal deficit, and current account deficit – are nothing new, and once again, the country finds itself knocking on the doors of the International Monetary Fund (IMF). The pandemic outbreak has put the country in a havoc right now. The situation could get much worse if the pandemic lingers into the second half of the year or resurges.

Dr. Miftah Ismail deliberated and shared his comments in detail on the measures taken by the Government of Pakistan to deal with the prevalent COVID-19 crisis. He expressed how opposition foresees this economic disruption.

He suggested that the government should make ardent efforts to maintain the circular debt in order to avoid outages in the coming years. Talking about the declining trend in GDP up to negative 0.38 percent, he drawn the attention of the governmental authorities to devise retention policy for the foreign reserves as these are dropping fast in the face of a huge import bill resulting to the balance of payments crisis looming due to the coronavirus pandemic.

Criticizing government, Dr. Ismail suggested reduction in sales tax on fertilizers, seeds and other materials in order to nurture the agricultural sector to provide immediate relief to farmers. Extensive support should be provided to the Trade Development Authority of Pakistan (TDAP), which is continuation of erstwhile Export Promotion Bureau. There was an urgent need of the hour to put the export sector in a more sustainable footing to address the constraints attached to the exchange rate. Political stability was more important for the socio-economic transformation in the post COVID-19 phase.

Denouncing government's policies, he shared the facts with the audiences that almost all financial indicators have shown a downward trend. The growth rate fell up to the unrealistic levels. It is expected to go down even further next year, which will be the country's lowest in the past 10 years. The Pakistani rupee has lost a fifth of its value against the dollar since the beginning of this fiscal year. Inflation is expected to hover around 13 percent over the next 12 months, reaching a 10-year-high as well.

In the end, he appreciated the government's efforts to put in place a forum / a think-tank of visionaries to come-up with substantial plans to support the economy. The government should focus to augment the recent monetary policy to prevent economy from slipping into deep recession.

3. The Central Bank's Perspective: a monetary debate

COVID-19 is likely to significantly affect Pakistan's external balance in five ways - reducing exports, foreign investment and remittances, deflating the import bill, and increasing external debt.

Dr. Reza Baqir, the Governor State Bank of Pakistan explained the viewers that the central bank is taking extraordinary measures to address the challenges associated with these unprecedented times.

The central bank has stepped-up to protect the safety of public funds and address the economic impact. In line with its mandate, the State Bank of Pakistan is focused on ensuring that inflation remains contained, reducing the impact of COVID-19 on economic growth and employment, and overseeing that the banking and payments system remains healthy. In this context, we have taken a number of policy measures to ease the availability and continuity of financial services.

In his presentation, he showed to the viewers that Pakistan's pre COVID-19 performance on the economic front has helped the government to contain the huge damage that could have been caused to the nation. The central bank is working with stakeholders to continuously assess the situation and stand ready to take additional measures as the situation related to COVID-19 and its impact on the economy become clearer, he further added.

The Governor briefed that the economic conditions were improving significantly during pre-COVID-19 phase; the country's foreign and fiscal fundamentals recorded significant improvement, Current Account Deficit (CAD) went down, foreign exchange reserves had increased, fiscal deficit was reducing, tax revenues were on an upward trajectory while Pakistan stock exchange's performance was extraordinary. Lamentably, this pandemic has impacted exports, Foreign Direct Investment, remittances, imports and foreign debt drastically, with a downward trend. Despite the descending trend, the central bank has taken proactive and prudent measures in active coordination with international financial institutions to embark upon the contemporary fiscal and monetary policy which is helping to deal with the aftershocks of the COVID-19 pandemic. The June 2019 reforms helped to improve the country's foreign currency reserves by more than $10 billion by the time COVID-19 emerged. The monitory policy committee will rethink to revise the interest rate to reduce inflation across the country.

Recalling the worst economic situation in 2018 and early 2019, the governor emphasized that if the COVID-19 surfaced at that time, our economy would have been on its knees by now. The present government has done much effort with limited resources to pull back the nosedived economy.

To overcome the consequences of lockdown in the country, the central bank took a number of measures, including Rozgar scheme, relief package for households and businesses, supporting health sector to combat the virus, relaxing credit requirements for exporters and importers, and facilitating new investment. These measures taken by the central bank has provided relief worth around Rs. 1 trillion to people and the businesses.

Google's community mobility report for Pakistan of May 25 suggested that growth of retail and recreation, grocery and pharmacy, parks, transit stations and workplaces had declined 60% in response to COVID-19. However, the graph showed they are now on a recovery path, Dr. Baqir further added.

He highlighted that the Pakistan Stock Exchange (PSX), which had dropped in March 2020 when the government imposed lockdown, remained on the path to recovery. The KSE-100 Index, a barometer to gauge economic performance, remained ahead of Morgan Stanley Capital International (MSCI) Equity Indices AEs and MSCI Equity indices EMEs.

The central bank also introduced subsidized credit to all businesses, provided subsidized loans for salaries to the businesses that agreed not to lay-off workers for three months. Besides, the central bank rescheduled loans acquired by people for one year. 95% of the beneficiaries are of small loan borrowers, he clarified.

“If we think the COVID-19 has brought us on knees, then we would have been buried under the ground if the reserves had not improved.” The International Monetary Fund (IMF) world economic outlook suggests Pakistan’s GDP would not affect as badly as of many others in the emerging markets. He claimed “Our growth reduction is comparatively lower than the others. We are better off than many other countries coping with COVID-19”.

Pacifying the economic chaos, he mollified the viewership by saying that the country is having sufficient resources to pay off external debt.

With respect to complaints by the Small and Medium Enterprise (SME) sector that the commercial banks were not providing them with required loans, he said that the SBP was focusing on bringing about a ‘stick and carrot policy’ for banks to provide maximum loans to small businessmen. He also assured to inject further liquidity to increase loans for the SME sector.

4. Apex Regulator's Corporate and Capital Markets Perspective: Recovery from COVID-19

The COVID-19 crisis is an extraordinary supply and demand shock to the global economy with far reaching and uncertain ramifications.

Emerging Markets and Developing Economies such as Pakistan are highly exposed, and capital markets are one of the main transmission channels of this on-going, global, systemic shock. This note identifies the impact of the evolving crisis on Pakistan’s capital markets to date, assesses the different policy actions that Securities and Exchange Commission of Pakistan (SECP) has taken in response, and outlines some aspects of the assistance that the Federal Board of Revenue (FBR) can provide to help alleviate the financial and economic damage from the coronavirus pandemic. The private sector is highly exposed to the current crisis, especially small-and-medium-sized firms and other firms with heavy reliance on foreign exchange debt.

In the fiscal year 2019-20, the capital markets witnessed wide fluctuations. In the stock market, the KSE-100 index reached the year's highest point in January, plunged in February and March, but surged again in April. The debt market witnessed an outflow after the COVID-19 pandemic hit the world. Globally, the demand is slowed down and the world economy is entered into the recession.

According to the government's economic survey 2019-20, the stock market has so far shown resilience to global shocks. Stability on the macroeconomic front is crucial for capital markets. An environment of low and stable inflation, moderate external borrowing needs, and sustainable fiscal management all contribute to lowering the cost of capital market finance. These factors also facilitate steady growth and reduce uncertainty, which encourages investment and demand for external finance.

In the light of the above discussion, Mr. Aamir Khan, the Chairman SECP highlighted key challenges and shared an overview of the active response taken as an apex regulator of the financial sector. The key challenges include mobilizing continued operations as a regulator to support financial markets and intermediaries; setting market discipline and protecting the interest of all stakeholders in spirit of sustainability; ensuring regulatory compliance; managing of emerging risks; and adopting strategic approach at national and international fronts to deal with the financial crisis as it is beyond recovery. Appreciating the central bank's role in safeguarding the economy in testing times, he shared the administrative, facilitative, and operational measures for business continuity through remote operations, work from home policies and leveraging technology for uninterrupted operations at all levels such as online proceedings of AGMs; introducing market halts and circuit breakers as mechanisms to control market volatility; and monitoring of trade and liquidity positions.

Being a governmental torchbearer on the recovery phase of COVID-19, the chairman SECP emphasized on the post economic crisis period and talked about the way world recovered from it in 2008. He referred to the U, V, and L-shaped recoveries of US, Canada, and Greece, respectively.

Keeping the past world's trend in view, he recommended to focus on the long-term recovery while dealing with the short-term problems simultaneously. He also talked about the SECP's initiative to support startups as an innovative financial solution through regulatory sandbox and established innovation office. Digitalization initiatives including a Chatbot for 24/7 queries and searchable law repository was launched to facilitate general public during the COVID-19 outbreak, he further added.

In the end, Mr. Aamir Khan stressed on the continued coordinated efforts of SECP to ensure effective liaison with the Government of Pakistan particularly with Ministry of Finance & State Bank of Pakistan to execute national response in the timely manner. SECP as a regulatory body asked the FBR to address anomaly created in the definition of 'security' for computation of Capital Gains Tax (CGT) on listed securities by extending critical relief towards the capital markets and corporate sector in the fiscal budget 2020-21. Appreciating the economic recovery speed, he said that almost 77,000 interests were recorded in the secure transaction industry already so it was not something that was just not on paper. It was up and running and vibrant as well, he further added.

All the dignitaries shared their pragmatic, perspicacious, and sagacious views on the economic distress and suggested adequate measures for the amelioration of the economy.

Inferential Analysis of the Governmental, Socio-Politico-Economic, and the Central Bank's perspectives

This comparative review of different perspectives namely: the governmental, socio-politico-economic, and the central bank evinces the plight of economic dismal with a high prevalence unemployment rate in the years to come. Economic Survey 2019-20 as a reality check; accentuates the pervasiveness of economic recession with ever-progressive financial crisis and bankruptcy, which warrants a wise and a digitally intelligent strategy to pull back the nosedived economy of Pakistan. Owing to the severe impact of COVID-19 on the economy, the economic survey estimates that the number of people below the poverty line may rise from the existing 50 to 60 million. In an evolving situation, it is not possible to gauge the reality but the survey estimates that depending on limited, moderate and complete lockdown and their durations, 1.4m to 18.53m jobs could be lost.

The arguments presented by Dr. Hafeez Shaikh and Dr. Reza Baqir were in defense of the contemporary actions taken by the government to cope-up with the global pandemic. Contrarily, Dr. Miftah Ismail criticized a few of government actions in a healthy manner suggesting good counter measures discussed earlier in this review. In his opinion, the role of government is critical in addressing economic, political, and health crisis and vigilant effort is required to overhaul the "inefficient, irrelevant, and obsolete policies and procedures" with an aim to safeguard the nation from such undesirable political instability, economic turbulence, and social collapse.

Although, the government has come-up with many contemporary amnesty schemes for various sectors and announces relief funds for the poor and jobless segment of the society but this couldn't support the drowning economy of the country. What is noteworthy here is that despite a string of 'incentives' and 'packages' targeted at specific industries, there has been a sharp deceleration in the pace of economic activity in the country. The cost of these special incentive packages is evident at least partially in foregone revenue, but the benefits don't show up in demand for working capital or investment. The assumption under which the government has repeatedly handed out incentives to the wealthy is that ultimately this will benefit the poor through increased employment and business activity. But it seems these wealthy investors prefer to retain much of the benefit from the packages for themselves, and very little actually reaches the poor. For the forthcoming fiscal year, the government should turn this approach on its head. Instead of the rich, it should put the poor at the center of its economic policy agenda. Let the poor be the beneficiaries of the state's generosity, and let the benefits trickle up rather than down. Putting money in the hands of the poor and unemployed means it will return to the economy in the form of demand, and that demand should be the signal for wealthy investors for where to invest. This approach has the added benefit of giving us more durable and organic growth rooted in the needs of the people directly. The budget provides the opportunity to make this shift. Investing in the rich is providing meagre dividends.

Capital markets have shown a recovery trend at the economic front but market volatility remains intense, as subtle changes in the post COVID-19 phase may drive dramatic shifts in investor sentiment. Markets rallied sharply over the period on hope that the worst of the outbreak is behind us. The market rebound has seen notable deviation in performance between winners and losers. Multinational companies with strong balance sheets and a technology focus continue to lead, with the PSX total return ticking positive. Liquidity and risk metrics continue to reflect the calming of investor fear, with substantial tightening of high yield and commercial paper spreads, a dramatic reversal in investor sentiment, and strong momentum indicators.

The overall magnitude of economic distress is on the rise worldwide. Economists, trade and revenue experts, and policy makers view the escalated risk of economic turmoil in Pakistan as a consequence of not having a proper plan to emerge as digital economy. Digital transformation has become an urgent need of the hour for resurgence of economic activities in pave the pathway toward incubating sustainable digital ecosystem for the survival of the economy.

Way Forward/policy recommendations

The issue of economic and public health crisis is one of the persistent and emerging challenges all across the world. It causes mental fatigue and trauma to the entire world and defile mental health and wellbeing of the people. It is the high time to think about economic success by going beyond GDP and profits.

The government should plan to embark upon stupendous economic solutions by taking all provincial governments on board to reconcile the tension between our current economic priorities; to cope up with the prevalent global healthcare crisis by extending our financial means; and to streamline strategies to shape the way people think about economy to deal with the economic constraints imposed on us by the natural environment in the form of this novel virus.

The increasing trend in the unemployment; reduction in GDP growth; deterioration in current & fiscal balances; and disruption in supply and demand curve has identified an ineludible need for the following immediate steps to be taken by the governmental machinery to address the economic woes.

- In spirit of sustainability, a comprehensive economic policy should be developed to regulate, monitor and maintain a robust digital economy. Countries that do nothing during this strategic time of change will face a slow and painful death.

  The suggestion here is not to "go off the rails," but intelligently embrace the digital era in phased approach that is aimed at learning and adjusting. Pakistan's economy should be building for change with technologies that are optimized on controlled change. Organizations in Pakistan that embrace digital technologies will dominate in their respective areas of operation and will be ready to respond to many emerging trends, economic, geopolitical, and industry scenarios. Digital transformation is a game changer. The real wisdom lies in the approach to creatively embrace this new age of digital era and take advantage of it. Smart countries and people will try to educate themselves on the changing face of the digital trend that looks to be a long journey.

- To make a significant impact on the current account deficit, Pakistan needs to ensure an investment-friendly environment that attracts more foreign direct investment (FDI), instead of relying so heavily on foreign aid. According to the World Bank's Ease of Doing Business report, Pakistan ranks 136th out of 190 economies. To improve this ranking and draw more investment, Pakistan should ease customs laws and regulations, improve the security of the country – a goal the current government is set to pursue as it eases its visa policies, including its introduction of e-visas.

- It should also encourage domestic investment through more flexible tax policies, particularly targeting small and medium-sized enterprises (SMEs). Such measures would reposition Pakistan on the international stage as stable, competitive ground for foreign investment.

- Pakistan also needs to focus on building its domestic industry to expand its export portfolio and enhance its competitiveness in the international markets.

- On top of these issues is the larger question of Pakistan's failure to expand its export portfolio beyond a few low value-added products, such as textiles, rice, surgical goods, carpets, sports goods, and leather items, which is one of the largest factors behind its balance of payments deficit. Broadening the country's export portfolio and exploring new export destinations such as Eastern European and Central Asian countries could revitalize foreign exchange earnings. As a security-oriented state, Pakistan's priority has never been the economy, but it now needs to focus more on geo-economic over geostrategic actions.

- Currently, Pakistan is not taxing its agriculture sector and large businesses are often given big tax breaks. Hence, Pakistan needs to broaden its tax base by taxing the agricultural produce of landlords with big land holdings and stop giving tax amnesties to big businesses instead of overburdening current taxpayers, improve fiscal transparency, and strengthen tax collection coordination at the national and provincial levels to ensure that revenue targets are met. These steps would go a long way to addressing the myriad financial and deficit issues stemming from the country's weak governance. The government may give amnesties to farmers for promoting SMART Farming culture in Pakistan.

Conclusion

The coming months are going to be tough for the current government as the rupee is expected to depreciate further, causing inflation to rise. Pakistan's economic crisis cannot be resolved overnight. Support from the IMF and friendly countries like Saudi Arabia, China, and the UAE will only provide some breathing room in the short term to its shattered economy. Although, not discussed during these three sessions, Saudi Arabia has largely withdrawn its financial support to Pakistan by not extending oil on deferred payments facility and prematurely withdrawing cash support worth $1 billion. This will have implications for gross external financing needs.

Promoting manufacturing by creating a more investment-friendly environment, broadening its tax base, and encouraging innovation and modernization in export-led industries are just some of the most urgent measures the government can take to address the growing fiscal and current account deficit. Pakistan must take advantage of this moment of hard-won reprieve by building a truly stable and sustainable economy before it once again finds itself digging its own economic grave – and that of its people.