



**Question:** What are the key targets of your economic revival plan? Do you think the national economy is moving in the right direction?

**Ans:** When present government came into power in June 2013, its top priority was the revival of the economy and to raise the GDP growth rate from less than 3% on average in the past five years to over 6% by 2017-18.

In this regard, the present government initiated a comprehensive agenda of reforms to reinvigorate the economy, spur growth, maintain price stability, provide jobs to the youth and rebuild the key infrastructure of the economy. Through removal of bottlenecks like energy shortages, bleedings PSEs and improving overall security situation along with creating conducive investments to accelerate growth and tax revenues, bridge fiscal and current account deficits. The government is working hard for optimum utilization of the country's physical and human resources, full exploitation of the technological potential in industry and agriculture and sound macroeconomic policies to reduce deficits in the budget and to strengthen the balance of payment position, and for addressing the issue of inflationary pressures.

Additionally, the Government is increasing employment opportunities for the youth through various Schemes (initiated by the Prime Minister) for the youth such as Business loan Scheme, Youth Training Scheme, Youth Skill Development Scheme, Provision of Laptops and Fee Reimbursement Scheme for Students from less developed areas. In total Rs20 billion have been allocated for the development of the young generation from Prime Minister's Youth Programme in FY16.

As a result of various initiatives taken by the government to develop a soft image of Pakistan, key macroeconomic indicators, are in the right direction amid challenges related to energy and security issues.

Economic Growth during 2014-2015 has been provisionally recorded at 4.24 percent against 3.65 percent in 2012-13, showing a rising growth trajectory. During 2008-13, the growth rate had averaged around 3 percent; hence this is the highest growth rate in the past seven years.

Per Capita Income, which stood at \$1333.5 in 2012-13 has increased to \$1512.4, showing a growth of 13.4 percent.

### An Exclusive Interview with

**Federal Minister for Finance, Revenue,  
Economic Affairs, Statistics and Privatization**

## Mohammad Ishaq Dar

Inflation has been kept firmly at a single digit. On average CPI inflation stood at 4.53 percent during FY15 as against 7.4 percent in FY13.

Fiscal deficit in FY15 recorded at 5.3 percent of GDP against 8.2 percent recorded in FY13 and 5.5 percent in FY 14. Similarly, FBR tax collection posted a growth of 15.8 percent during fiscal year 2013-14 and stood at 9.0 percent of GDP against 8.7 percent of GDP in FY13. During July-May, FY15 FBR collection provisionally posted a growth of 13.2 percent and amounted to Rs.2,210.8 billion as compared to Rs.1,953.10 billion during same period last year. The provisional revenue collection in FY 15 was Rs.2588 billion.

Current account deficit contracted to \$2.28billion (-0.8% of GDP) in FY15 as compared to \$2.50billion (-1.1% of GDP) recorded in FY13 on account of significant growth in remittances, foreign inflows and fall in global oil prices. Sukuk issuances and HBL divestiture perked up the current account. Additionally, remarkable increase in foreign exchange reserves which were at the lowest level \$7.58billion in February, 2014 have been increased to \$18.644 billion as on 17th August, FY15.

During July-June, FY15, remittances have grown by 16.5 percent and reached US\$18.54 billion against US\$15.84 billion during the same period.

Pakistan has achieved mile stone achievements in economic development, policy rate gradually slashed to 7 percent in FY15 from 9percent in FY13 which is the lowest in 42 years and inflation has also reached at the lowest level in 12years.

In addition to this, narrowing of fiscal deficit and continuation of Extended Fund Facility improved the market sentiments. As evident from the performance of Karachi Stock market which continued its upward trend reaching an all-time high. KSE 100 witnessed its highest level in history and is trading at 35,588 on 17th August 2015. In terms of market capitalization, it improved from \$51.3billion in May2013 to \$75.76billion by 23rd July 3015. These developments also led to an upgrade of Pakistan's sovereign ratings by International rating agencies in the recent months. The multilateral donors and international markets have also reposed tremendous confidence in Pakistan's economic future that will go a long way in building a strong economy. It is also worth mentioning that after a lapse of 3

years, Pakistan once again became eligible for availing IBRD funding facility based on untiring efforts of government aimed at improving the economy. It is a moment of pride for Pakistan that international analysts and observers are all praising our performance and potential for future growth.

**Question: After the successful laying of economic foundation what is the long term plan to develop sustainable economic development?**

**Ans:** After assuming responsibilities, the government immediately initiated preparation of medium and long term economic plan. The Vision 2025 which is the country's long-term development blueprint, aims to create a globally competitive and prosperous country providing a high quality of life to all its citizens. It aspires to transform Pakistan into a vibrant, prosperous and knowledge based industrial economy by 2025.

To this end it has focused on Energy security through holistic and integrated approach, Sustained and inclusive higher growth in a stable macroeconomic environment, Private Sector led growth, Modernization of existing infrastructure, Improving Competitiveness in Industry and Trade. Further it has also paid full attention to Taxes, Investment and Export promotion, Institution and government reforms, Fully harnessing potential of Social capital especially human resource development to reap demographic dividend, Revival of confidence with extensive stakeholder's consultation, fiscal incentives and establishment of Business and Economic Councils. The targets set by medium term economic framework are as follows:

GDP growth is expected to gradually rise to 7% by FY 2017-18. Inflation will be contained to single digit. Investment to GDP ratio will rise to 20% at the end of the medium term through reduction in fiscal deficit to 3.5% of GDP, Tax to GDP ratio will be increased to 13%, Foreign exchange reserves will be maintained above \$20billion

**Question: What are the plans to reform existing regulatory frameworks of different sector especially NEPRA and SECP to synchronize them with the robust economic policies for smooth sailing.**

**Ans :** These institutions are tasked by the Government at the end of last year to singularly focus on removing the legislative gaps that existed and were hindering the smooth functioning of the capital markets. During the last seven months they have been able to replace the Securities and Exchange Ordinance, 1996 with Securities Act, 2015 which is synchronized with the needs of the efficient, robust and transparent capital market, and provide effective regulatory and enforcement powers to SECP.

Additionally, the SECP Amendment Act and Futures Bill have been finalized and are currently in the legislative chain. The former will provide an efficient and effective platform for SECP to conduct its business while the latter will be instrumental in developing the derivatives market in Pakistan in an orderly manner.

SECP is also at an advanced stage with respect to finalizing an amended Companies Act that would improve the existing Companies Ordinance, 1984.

Work has also commenced on scrapping the existing Insurance Ordinance, 2000 and replacing it with a modern legislation that is based on International Association of Insurance Supervisors (IAIS)'s core principles (ICPs) and international best practices.

I have conveyed my belief to the current Chairman that beside legislative agenda, there is a need to focus on improving the quality of human capital. In this regard, they need to energize the existing workforce while simultaneously inducting qualified professionals such as Chartered Accountants, CMAs etc. to strengthen their human resources.

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The recently released report by International Organization of Securities Commission (IOSCO) has cast quite a favorable light on the compliance status of SECP with its core principles, it is an ample proof that SECP has improved itself very much as compared to the last year.

**Question: FBR has a dual responsibility of formulating tax policies as well as collecting tax revenues. Don't you think that revenue collecting task should be held by a separate tax agency?**

**Ans:** Tax policy is formulated by FBR and Ministry of Finance after obtaining feedback of the stakeholders, whereas tax is collected by the field formation under the administrative control of FBR. Both functions should be in harmony with each other.

**Question: The professional expertise of management accountants can be utilized for carrying out cost audits of Public Sector Development Programs to bring cost effectiveness in these projects. Please do share your views on how this could be made possible.**

**Ans:** We have adopted the scheme of performance management and Compensation system, this system ensures institutional efficiency by providing remuneration to public service officials who have performed exceedingly well. Rs 1 billion have been allocated in the budget for this program. Your suggestion of cost audits will further enhance the operations of the development programs and therefore, we are ready to look into this suggestion.

The interview ended with a vote of thanks to Mr. Mohammad Ishaq Dar, Federal Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization, who spared his valuable time and gave his candid views exclusively for this journal. – Editor