



THE FEDERATION OF PAKISTAN  
CHAMBERS OF COMMERCE & INDUSTRY  
وفاق ایوان ہائے تجارت و صنعت - پاکستان

13<sup>th</sup> October 2021

**Shaukat Fayaz Ahmed Tarin**  
Honourable Minister for Finance,  
Finance Division,  
Pakistan Secretariat,  
Islamabad, Pakistan

Dear Tarin Sahab,

Subject: **IMF Negotiations – Need to be more inclusive and transparent**

It is a matter of great pleasure for the taxpayers of Pakistan (the majority of which are represented by the Federation of Pakistan Chambers of Commerce and Industry) that the tax collection target was exceeded under your able leadership by Rs. 187 billion during the first quarter of FY 2021-22 as announced by FBR. We expected that tax reliefs of equal measure will be passed on to the Industry which pays most of the taxes and to the people of Pakistan which bear the burden of the indirect taxes.

It is however disturbing for us to learn through press reports that the IMF has demanded to put more taxes of Rs. 500 billion during the current financial. This shows a clear disconnect between the tax targets and fiscal management. The industry of Pakistan is of the view that it is the mismanagement of the Federal Debt that needs to be addressed rather than increasing tax burdens and restricting the economic growth.

It may be recalled that the interest rates were unjustifiably jacked up to 13.5% when the inflation was between 8-9% at the beginning of the IMF program. It derailed the economy and led to the country's first-ever negative growth year after 1952. This diverted an additional amount of Rs. 1100 billion of taxpayers' money into the banks annually, which is almost equal to our defence budget, increasing our debt servicing to Rs. 2709 billion in 2019-2020. We were told that this "inflation-targeting" interest rate regime will bring the inflation down, so everyone expected lowering of interest rates. It is surprising that under the watch of the IMF, the then Finance Minister unjustifiably took the decisions to commit the Federal Government to higher interests for coming several years by re-profiling short-term loan to long-term at very high rates despite expectation of lower rates in the coming years. Banks got upto 100% growth in their profits due to such decisions.

Mr. Finance Minister, such acts of debt mismanagement need to be reversed to address the fiscal needs. It is the responsibility of both the Finance Division and the IMF who allowed such harmful decisions to be taken when the country needed better fiscal planning. Putting more taxes on the industry and people of Pakistan is not always the right solution.

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We therefore urge you that please refix the interest rates by negotiating with the lending banks and bring down the debt servicing needs of the Federal government. It will bring down the fiscal deficit and also provide much needed funds for country's development.

A high level enquiry be conducted into the deliberate acts of debt mismanagement which has cost the country's taxpayers Rs. 2500 billion and are still bleeding the fiscal resources.

There is a need for making negotiations with IMF more transparent by involving the representatives from the FPCCI (the main representative body of taxpayers) as their members bear the brunt of the decisions taken.

We assure you of our best cooperation in your endeavors.

**Mr. Mohammad Younus Dagha**

Chairman, Policy Advisory Board – FPCCI

**Mian Nasser Hyatt Maggo**

President – FPCCI

**Copy to:**

1. Governor, State Bank of Pakistan
2. Secretary, Ministry of Finance, Revenue and Economic Affairs
3. Resident Representative, International Monetary Funds (IMF), Pakistan

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