

# An open letter to Prime Minister Imran Khan

*Professor Dr Shahida Wizarat*

*Chairperson Aam Awam Tehreek-e-Pakistan Think Tank, President Independent Economists and Policy Practitioners.*

Dear Prime Minister Imran Khan,

I am writing to you with reference to making the State Bank of Pakistan (SBP) autonomous. Pl allow me to bring the following to your attention:

1. Making state institutions autonomous is indeed a goal to aim towards, not only the SBP, but other institutions as well. But only after Pakistan becomes independent and sovereign. You cannot have a country which is in the colonial mode, but whose Institutions are autonomous and sovereign.

2. There are three characteristics which distinguish a sovereign country from one in the colonial mode. One, its policies are made abroad. Two, those who implement these policies are imported. Three, colonial transfers from the colony to the colonial power take place.

3. In the light of these three characteristics, Pakistan is still in the colonial mode. Its policies are made abroad, its ministers and advisers are foreign and dual nationals, a phenomenon which has increased considerably during your tenure. And colonial transfers which have been flowing out of Pakistan to US and U.K. for the last 74 years, have also increased substantially under your government. I will mention only the two most recent ones involving the award of £24 million to Broadsheet by a U.K. Court, which was facilitated

by your government by transferring the amount from its diplomatic account which enjoyed immunity, to a commercial account which did not enjoy any immunity. The second one is ICSID's decision to award a staggering amount of \$5.9 billion to Tethyan Copper Company. The corruption and conflict of interest in the ICSID panel were pointed out by international experts, but I am unaware of efforts, if any, by your government to get this huge amount returned to Pakistan. So, on all three accounts Pakistan is still in the colonial mode, with no justification for autonomous status of its central bank and other institutions, till such time that the country itself becomes independent.

4. The SBP Act is making the SBP autonomous, but making the Government of Pakistan subservient, not only to the SBP but to the IMF as well. This is because Section 46 B, sub section 8 makes it mandatory for the Government to consult the SBP for any legislation related with the SBP, who will convey its decision after consulting the IMF.

5. Government of Pakistan's powers are being eroded completely by removing the federal finance secretary from the SBP board. But the provinces are going to have a representation on the SBP board. It seems rather political to have the provinces represented on the SBP board, but not the federal government. The IMF is considered an extended arm of the

US government, the SBP will therefore get subordinated to the US government on account of its subordination to the IMF. Will this arrangement not provide a perfect opportunity to the US to further its political agendas related with Balochistan, KPK and Kashmir through the SBP?

6. Governor SBP will be the chairman SBP board. This is contrary to SBP's own corporate governance regulations to commercial banks presidents not to chair their boards.

7. The new SBP Act envisages no rollover of public debt by the GOP. This means that if the FBR is unable to meet its revenue targets, GOP will have to borrow money to pay its debts, which will increase the markup and the debt/GDP ratio further. The debt/GDP ratio is already 110%, which is much higher than the 60% allowed in the Fiscal Responsibility Law.

8. The Act forbids the GOP from providing guarantees for short term relief to commercial banks facing financial distress, thus paving the way for total collapse of Pakistan's financial sector and its replacement by foreign banks. Where from will Pakistan meet its industrial, strategic and defense needs, expenditures related with China Pakistan Economic Corridor (CPEC), Pakistan's greater integration with regional countries, especially since

there is so much antagonism in the US to CPEC and Pakistan's integration to the region. The SBP is abdicating itself from Pakistan's needs and requirements. Pakistani commercial banks collapse and replacement by foreign banks will create a vacuum for the supply of money for defense, strategic and industrial needs.

9. The present SBP objectives include both the monitoring of the rate of inflation and the rate of growth. But the SBP is abdicating its role in promoting the growth rate and will be concentrating on the rate of inflation only.

10. Those supporting the SBP autonomy Act have tried to solicit the support of the army through the use of deception. They are stating that SBP's autonomy will make defense expenditures available to the army. This is just the opposite of what is stated in the proposed SBP Act, which clearly states that the first priority will be debt servicing. If after meeting debt servicing needs, there is any available money it will be made available for defense and development.

11. Appointment and Performance of the Governor SBP.

(a). Governor SBP will be appointed by the President of Pakistan for a period of 5 years, extended for another 5 years, instead of the present 3 year tenure.

(b). SBP board will determine the salary and benefits of the Governor, which will be headed by the Governor. So the Governor himself will determine his and the Deputy Governor's salary and benefits.

(c). The salary of the Governor will be as per the current market rate, which comes to Rs one crore and thirty lakh per month plus benefits. It is very shocking that the cabinet has approved such a hefty package for Governor SBP, while it is depriving Pakistani pensioners drawing Rs 2000 to Rs 3000 of their hard earned pensions! I am sure you will offer them langar and punahgahs. But did our forefathers fight for Pakistan to provide punahgahs and langar food to Pakistanis, while foreign countries and their citizens come and enjoy a filthy rich life style at our expense?

(d). In spite of drawing such a hefty package, no performance indicators have been mentioned to gauge the performance of the Governor and the Deputy Governor SBP. There is no accountability or penalty for non-performance. The Governor and the Deputy Governor will not be responsible to the President, the Prime Minister, the cabinet or the Parliament. The Act specifically mentions that FIA and NAB will have no jurisdiction over them.

Summary:

The proposed Act is not just about the autonomy of the SBP, but is also about subordination of the Government of Pakistan to the SBP and the IMF.

- Pakistan will be maintaining this white elephant, which will not pursue any objectives which promote the wellbeing and prosperity of the country. It's only interest will be to ensure servicing of debts, especially foreign debts.

- The Act will help in collapsing the financial sector of Pakistan which will create a void in meeting the industrial, defense, strategic, CPEC and regional integration financial needs of the country.

- US will be able to use the SBP to further its political agendas related with Balochistan, Kashmir and KP.

The proposed amendments in the SBP Act will have very grave consequences on Pakistan's economic, financial, strategic, political and social well-being. I hope that the urgency with which the cabinet passed the amendments to the SBP Act will be replaced by a more mature and serious analysis and consideration of what all is entailed in the proposals.