



Policy Outlook

A CONVERSATION WITH

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Q. Can you share with our readers your educational background and professional journey that led you to your current role as the IMF mission chief to Pakistan?

I studied economics at the University of Adelaide and began my professional career as an economist in the Australian Department of Treasury, where I worked for around four and a half years. While in Canberra, I received an MEd (Master of Economics) from the Australian National University. After this foundational experience at the Treasury, I moved to Philadelphia, where I studied for my PhD in economics at the University of Pennsylvania in macro and labour economics and then joined the IMF. During my 20 years at the IMF, I have worked on countries across many regions, which range from advanced economies (including Ireland and Hong Kong SAR) to emerging markets (including China) and some smaller countries, as well as undertaken cross-cutting work on EM risks and vulnerabilities, reserve adequacy, contagion and spillovers, the structure of IMF programmes, as well as issues in global housing markets.

Q. Throughout your career at the IMF, you have held various leadership roles and worked in different countries, including Armenia, Azerbaijan, Georgia, and Turkmenistan. How have these diverse experiences shaped your understanding of economic challenges and opportunities in different regions, and how do they inform your approach to addressing Pakistan's unique economic challenges as the mission chief?

The variety of experiences I have had while at the IMF, including leadership roles, have helped shape my understanding of the challenges confronted by countries across different regions. I have held leadership positions in both the IMF's Strategy, Policy and Review Department and the Middle East and Central Asia Department. In the former, I led cross-country surveillance.

I oversaw the review of several countries' cases, particularly the emerging markets (EM) and difficult programmes and delivered periodic briefings to the IMF's Executive Board on thematic issues affecting EMs. In the latter department, in addition to leading the work on Armenia and the South Caucasus Division, I was involved in developing our strategy, including our policy and analytical agenda, for the Caucasus and Central Asia region. These accumulated experiences have provided me with a broad understanding of the economic challenges that countries face in different stages of development, but also have underscored the importance of looking deeply into the individual characteristics of each country to tailor the policy advice to its specific needs and implementation capacity. This has also informed our approach recently on Pakistan, where we have tried to assist the authorities with advice on how best to address its various economic challenges, including its susceptibility to shocks, external imbalances, including low external reserves, strained debt dynamics, weak revenue mobilisation, and to strengthen the business environment for the better functioning of the private sector that has been reliant on subsidies, tax concessions, and other forms of protection.

Q. The IMF operates in a dynamic global environment, where changes in economic and geopolitical conditions can significantly impact countries' economies. How do global changes influence, if at all, the IMF's strategies and priorities when providing financial support and policy advice to member countries?

The IMF always considers changes in the global environment and, when necessary, adjusts its general policies and multilateral policy advice, as well as its approach to individual countries. The adaptation of IMF programmes to evolving circumstances was evidenced throughout the 2019-23 Extended Fund Facility (EFF) with Pakistan. The COVID-19 pandemic, the commodity shock from the

war in Ukraine, and the destructive 2022 floods affected Pakistan during this period, prompting several recalibrations of the programme supported by the EFF to reflect these unexpected developments. Similarly, with the EFF ending in June, there was insufficient time left to revise the programme for the macroeconomic stability risks confronting Pakistan.

Consequently, to support the authorities' renewed policy efforts, the IMF Board approved a new US \$3 billion nine-month Stand-By Arrangement, which was approved on July 12. In general, every Fund programme has a built-in regular review schedule for the overall strategy and individual policies, and the programmes can be flexibly recalibrated as needed, provided a country makes genuine efforts to address the new challenges, restore macroeconomic stability, and pave the way for sustainable growth.

Q. As the mission chief, what are the key objectives and responsibilities of your role in Pakistan, and how do they align with the IMF's broader goals and mission?

My goals as mission chief are to develop a strong understanding of Pakistan's economic development needs and constraints (informed by exchanges with a broad range of stakeholders), formulate views on policies necessary to address underlying and emerging economic problems in line with international best practice; and advocate for, and support, policy efforts that are consistent with promoting macroeconomic stability and a resolution of Pakistan's domestic and external imbalances.

More broadly, the IMF's goal is to support the authorities' efforts with policy advice, technical capacity development, and financial assistance in conjunction with other bilateral and multilateral partners. These efforts aim to move Pakistan onto a path of stronger, sustainable, and more inclusive growth, ending

policy-induced boom-bust cycles and supporting external viability underpinned by prudent policies and a flexible exchange rate.

Q. What do you perceive as the main challenges and opportunities for Pakistan's business landscape in the present economic climate, and how do you envision overcoming those challenges and capitalising on the opportunities?

With an investment rate of barely 15 percent and almost three-quarters of the population aged 35 or below, Pakistan has huge needs but also vast untapped potential. To realise this potential, it must restore macroeconomic stability and undertake policies and reforms to raise productivity, create jobs, and promote greater opportunities for sharing the benefits of growth across the entire population (inclusion).

For this to happen, it will be important to develop a strong and truly private-led business environment free from government intervention and subsidies (which are distortionary and divert resources from the most productive use). It will also be important to reduce the state's footprint in the economy while improving the efficiency of public spending and the delivery of services to the population. This will require major reforms to state-owned enterprises (including by following up on past triage plans for state enterprises), efforts to improve governance and strengthen anti-corruption institutions, the lowering of tariff and non-tariff barriers, and increases in private sector access to market credit through a reduction of the crowding out caused by excessive government borrowing. Better infrastructure, including building resilience to climate-related shocks through improved public investment management, will facilitate and

support private sector investment and activity.

Stronger education, vocational training, and improved healthcare are key to building human capital and spurring sustainable employment of Pakistan's vast potential labour pool, reducing poverty and inequality over decades. To facilitate these efforts, it will be critical to mobilise additional revenues and make the tax system fairer and more efficient, including through improved compliance and increasing the relative burden of taxation of the wealthy and under-taxed sectors.

Q. Pakistan has been facing significant challenges related to climate change, including devastating floods in 2022 that affected millions of people. How do such climate-related events influence the IMF's decision-making process and strategies for providing financial assistance to countries like Pakistan?

The 2022 floods are the most recent example of Pakistan's climate vulnerability. Under the recent EFF programme, the authorities drew about US\$1.2 billion shortly after the floods to support a broader relief and reconstruction package equivalent to about 0.5 percent of GDP. Among others, this package helped to provide relief to more than 2 million vulnerable families through a one-off emergency cash transfer of PKR 25,000.

However, building climate resilience to support adaptation is required to reduce the human and economic impact of similar future floods and other climate-driven events. Under the current SBA, the authorities plan to accelerate critical measures to enhance climate-related investment and further strengthen social spending.

These efforts will be guided by an updated National Adaptation Plan (NAP), expected by the end of 2024, which will articulate strategies to enhance the resilience of particularly exposed sectors, including agriculture, power, and transport infrastructure.

The IMF stands ready to support decisive efforts to address the challenges of climate change, including under its new Resilience and Sustainability Facility.

Q. Given that at least a quarter of Pakistan's population was living below the poverty line even before the current economic crisis, how do you envision the IMF collaborating with the Pakistani government to protect the economically disadvantaged? Specifically, what steps can be taken to broaden social protection systems and minimise the potential negative impact of reform measures, such as increasing taxes and removing subsidies, which could further exacerbate the hardships faced by low-income individuals and families in accessing essential health, food, and an adequate standard of living?

Addressing the important challenge of poverty, Pakistan faces is a multifaceted task, and purported simple solutions often have limited results or worsen the situation. Instead, improving the conditions of the poor in a lasting way requires constant, sustainable efforts across many fronts. These include strengthening the prospects for private-led investment and growth, improving education and healthcare, building greater resilience to climate-induced shocks, and ensuring the benefits of higher growth are shared widely. These efforts will be facilitated by more efficient delivery of services by the state, additional revenue mobilisation from the wealthy and undertaxed to increase the availability of resources, and better-quality public spending, which results from stronger governance and PFM reforms. In the short term, the current Stand-by Arrangement (SBA) continues to protect the most vulnerable through lifeline and protected power and gas tariff slabs and by further increasing the FY24 Benazir Income Support Programme (BISP) envelope to maintain the generosity of BISP programmes in real terms. The SBA also increases development spending to enhance infrastructure and climate resilience.

Additionally, policy actions—both monetary and the removal of restrictions on imports, which have created shortages of goods—to bring down inflation will help protect the purchasing power of the most vulnerable.

Q.In your experience, what role does collaboration between the IMF and local institutions, such as universities and business schools, play in fostering economic development and knowledge sharing?

Collaboration of the type you mention is critical. It allows us to learn from local academics and explain how our proposed policies will help Pakistan address the critical challenges it confronts. It also allows us to engage with the next generation of Pakistan's leaders. In this regard, I am extremely grateful for the perspectives—including our programme and the challenges facing the broader region—we heard from academics and talented Pakistani youth during various events over the past year.

In particular, the series of seminars we held at universities in Islamabad, Karachi, and Lahore (including LUMS) in March 2023 on efforts to pursue stronger and more inclusive growth were highly rewarding. These seminars are an important part of the agenda ahead of the 2023 Annual meetings in Marrakech. Moreover, the IMF's youth fellowship programme and summer internship programme provide an opportunity for young leaders worldwide to gain an insider's view of the IMF's mandate and become part of our global effort to build forward better.

Q.As a leader in the field, what advice would you give to students and aspiring professionals who are interested in pursuing a career in organisations like the IMF or working in the field of international finance?

I think developing a deep understanding of the foundations of economics and finance and how economic theory can be applied to address broader macroeconomic issues is essential for a career in international economics and finance. A solid understanding of these fundamentals provides an ability to think through the implications of new and unexpected developments for the economic outlook, the possible impact on vulnerabilities and markets, and assess needed policy actions. Strong communication skills are also highly important so that your views can have an impact.

Q.Could you share any memorable experiences or impactful moments from your time working in Pakistan that have influenced your perspective on the country's economic landscape and its potential for growth?

Collaboration closely with the authorities has been extremely valuable and provided me with an important sense of the challenges and constraints that need to be alleviated for progress to be made on Pakistan's economic agenda. However, one particular experience beyond my interaction with policymakers that stands as incredibly positive is my engagement with students during seminars we held across universities in Islamabad, Karachi, and Lahore.

Pakistan's talent in human capital and the genuine interest students showed in policies to strengthen Pakistan and improve peoples' daily lives. The educated discussion on global issues left me very impressed and very sanguine about Pakistan's future.

Q.And finally, as a closing question, what's on your reading list these days?

I am currently reading 'Power and Progress' by Daron Acemoglu, and Simon Johnson, which

presents a history of technological progress and discusses under what conditions its benefits can be broadly shared. I have recently finished Dan Carlin's 'The End is Always Near'. I am a John La Carre fan and am currently reading 'The Honorable Schoolboy'.