Exclusive

Interview

Shaukat Fayaz Ahmed Tarin

Federal Minister for Finance & Revenue

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ICMA: Inflation has been an increasing trend for the last few months in Pakistan and the lower middle class has been largely affected by inflation. Would you like to share a few significant initiatives taken by the Government to lessen the burden of inflation on the lower-income group?

Shaukat Tarin: The commodity prices, including food and crude oil, have risen globally because of the shortage of the supply of commodities and high demand. Pakistan has also been affected as the country is a net importer of food items, especially wheat, sugar, pulses, crude oil and edible oil. The upsurge in international food prices is mainly due to a fall in global food production and high demand due to the Corona Virus pandemic and supply chain disruption, which has partially transmitted in the domestic prices of these items.

Pakistan is a net importer of food items and crude oil which is witnessing inflationary pressure in the international market. The government has sustained pressure to provide relief and full inflationary pressure has not been passed on to the domestic consumers.

The government has taken policy initiatives, administrative actions, and relief measures to control inflationary pressure in the country. In the administrative measures, regular weekly meetings of the National Price Monitoring Committee are held to ensure a smooth supply of essential items. The government has expanded the network of Sasta Bazaars and Utility Store outlets for the provision of a smooth supply of daily-use items. Competition Commission of Pakistan (CCP) is taking proactive measures to control cartelization and undue profiteering.

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Under the policy initiatives, the Government has imported wheat and sugar to ensure their smooth supply at reasonable prices. The government is maintaining strategic reserves of wheat, sugar, ghee, and pulses. M/o NFS&R and M/o Industries & Production are working on it to ensure their sufficient supply. Strategy for reducing profit margin between the wholesale and retail prices of essential items by analyzing the value chain of these items is being worked out in consultation with Provincial Chief Secretaries. Govt is implementing a National agriculture emergency Program amounting to Rs. 277 billion to uplift the agriculture and livestock sector on modern lines and to enhance the production level of major and minor crops. Govt is focusing on targeted subsidies on essential items to the deserving poor class.

Under the relief measures, the government has decided to release wheat at Rs. 1,950 per 40 kg to ease out its price and ensure smooth supply in the markets and flour mills would provide 20 kg. bag for Rs. 1,100. The price of sugar has been set at Rs. 90/kg across the country. The government has further decided to provide cash subsidies on wheat flour, sugar, ghee and pulses. A relief package of Rs. 120 billion has been announced to provide a 30 percent discount on ghee, flour and pulses to 130 million people for the next six months. Govt has increased the budget for Ehsaas Program from Rs. 210 billion to Rs. 260 billion. The government has disbursed Rs. 179.3 billion to 14.8 million beneficiaries under Ehsaas Emergency Cash Program to provide immediate cash relief to those whose livelihood has been severely affected by the pandemic.

> "Knowing about the exact costing of industrial products can help to minimize the cost of production but as you know most of the industry is in the private sector, so it is up to the entrepreneurs of the industry to find the usefulness of cost audit to improve the costing"

> "To reduce the consumption pressure of imported fuel, the Government is pursuing a national energy policy to shift various power plants on coal and a designated terminal for coal has also been set up in Gwadar"

ICMA: It is being feared that the recent IMF deal will lead to a further rise in inflation in the country. Kindly guide the readers that how much this deal is important for the govt and what are the initiatives of the govt to get rid of future debt burden?

Shaukat Tarin: Pakistan has made significant efforts to improve the sustainability of its debt portfolio through lengthening the maturity profile of its public debt which resulted in lower Gross Financing Needs. This fact has also been acknowledged by the IMF in its recent publication on Pakistan.

Pakistan has witnessed one of the smallest increases in its debt to GDP ratio during the pandemic. The global public debt to GDP ratio increased by 13 percentage points, whereas Pakistan's debt to GDP ratio witnessed a minimal increase of 1.7 percentage points in 2019-20. The debt to GDP ratio of Pakistan reduced by 4 percentage points in 2020-21 indicating a further reduction in the debt burden.

The maturity profile of the public debt portfolio has improved significantly, with the Average Time to Maturity (ATM) of domestic debt increasing from less than 2 years in 2018 to around 4 years in June 2021. External Public debt maturity profile is fairly spread out with an average time to Maturity (ATM) of around 7 years.

Pakistan's strategy to reduce its debt burden to a sustainable level includes a commitment to run primary surpluses, maintain low and stable inflation, promote measures that support higher long-term economic growth and follow an exchange rate regime based on economic fundaments. With a narrower fiscal deficit, public debt is projected to enter a firm downward path while the government's efforts to improve maturity structure will further enhance public debt sustainability in the future.

ICMA: The Prime Minister has recently launched FBR's Track and Trace system (TTS) to check evasion in the sugar industry. What other sectors are going to be brought under this system?

Shaukat Tarin: Track and Trace System (TTS) has been successfully implemented in Tobacco and Sugar industry. While it will be implemented in two other sectors Cement and Fertilizer before the end of the current financial year 2021-22. Further, keeping in view the importance of TTS, it will be expanded in two more sectors Beverages and Petroleum in the next financial year 2022-23.

ICMA: The increasing trend in tax collections indicates that FBR would be able to meet its target for the current fiscal year; however, it would be a daunting challenge. Can you share what are the major bottlenecks in its way and how FBR is going to deal with them?

Shaukat Tarin: FBR has initiated a major reform drive that is yielding higher revenues in the current year. FBR has been able to collect 36.8 percent higher taxes in the first five months of the current year compared to the corresponding period last year. In absolute terms, revenue collection of Rs. 2,319 billion is higher by 623.7 billion than last year. The target set for July-Nov (Rs. 2,015.8 billion) has also been exceeded by 15% which means that Rs. 303 billion higher revenues have been collected than the target set for the period.

Sustained revenue growth has been achieved in the current financial year, which is reflected by the fact that in each of five months, more than 30% growth has been recorded. Going by this trend, FBR is all set to achieve its annual target. At the present target level, FBR is required to achieve revenue growth of 22.8% in the remaining 7 months of the financial year. Even if the target is enhanced by Rs. 330 billion, FBR will be required to achieve a monthly growth of 27% in the remaining 7 months. This is well within the control of the FBR, and it is hoped that the current year target, even if revised slightly upwards, will not only be achieved but will be exceeded. FBR's recent initiative of implementation of Point of Sale (POS) and Track & Trace system would further facilitate its progress towards achieving its annual target.

ICMA: The people are much perturbed over the increasing fuel prices which are having a trickle-down effect on the consumer prices of all products and the major cause of current inflation. What is the Government's way forward to manage the fuel prices in the future?

Shaukat Tarin: Pakistan is not an oil-producing country and is highly dependent on imported fuel. Until and unless the oil reserves are sufficient and enough to cover our requirements, the fuel prices will remain dependent on international prices i.e., import price. Hence, Government's role in controlling the prices is limited to such an extent.

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However, to reduce the consumption pressure of imported fuel, the Government is pursuing a national energy policy to shift various power plants on coal and a designated terminal for coal has also been set up in Gwadar. Fulfillment of energy needs has also been diversified in solar and wind power projects, as well as the capacity of Hydro-mix power production, is also being increased. This will reduce dependence on imported fuel.

ICMA: Mandatory cost audit of major industries in Pakistan could ensure cost minimization and monitor the arbitrary increase in prices of the products. What is your input on this suggestion?

Shaukat Tarin: Indeed, knowing about the exact costing of industrial products can help to minimize the cost of production but as you know most of the industry is in the private sector, so it is up to the entrepreneurs of the industry to find the usefulness of cost audit to improve the costing. However, under the Companies Act-2017, SECP has already done cost audit mandatory for some of the major industries such as sugar, cement, and other manufacturing concerns.

ICMA: ICMA and the Ministry of Finance may collaborate by signing an MoU in the future for undertaking joint initiatives in the areas of research, consultancy, and training. What is your viewpoint?

Shaukat Tarin: This is a good idea. The collaboration between the Finance Ministry and ICMA in research, consultancy, and training will support each other in the formulation and effective execution of sound and equitable economic and financial policies.

*The Editorial Board thanks **Mr. Shaukat Fayaz Ahmed Tarin, Federal Minister for Finance & Revenue** for giving his exclusive interview for Management Accountant Journal.*