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Pakistan

World Bank and IMF — Keeping Pakistan in shackles

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On 11th December 2024, while replying to a question in Pakistan's National Assembly, the federal finance minister admitted for the first time that since 2019, and while under an International Monetary Fund (IMF) programme, gas prices increased by a record 840% and electricity tariffs rose over 110 %.

Both developments contributed significantly to the unprecedented inflation that has eroded the purchasing power and living standards of the majority of Pakistani people. Electricity, gas and oil price hikes due to IMF conditions have greatly impacted farmers, rural communities. On electricity alone, prices have gone up in the last three years from Rupees 10 to Rupees 65 per unit, the highest price of electricity in the region.

On top of skyrocketing inflation, Pakistan is still reeling from the 2022 massive flooding that debilitated the agriculture sector and the overall economy. About 4.5 million acres of crops were damaged and one million farm animals were lost during the torrential rains-induced flooding. No compensation has been paid to farmers until now, contributing to deeper inequalities and a record increase in the number of "new poor".

Pakistan has been a member of the World Bank and the IMF since 1950. Thus far, the IMF has provided loans to Pakistan 25 times or an average of one loan agreement every three years. The latest loan approved in October 2024 amounted to $7 billion, which Pakistan will receive in 37 installments. Pakistan must repay $100 billion foreign debt within the next four years, with $18 billion due in the current financial year.

All these loans, along with their accompanying programmes which Pakistan is compelled to implement as part of loan agreements, are avowedly for the uplift of the people's standard of living. However, results have been just the opposite.

A World Bank report estimated Pakistan's poverty rate at 40.5% in 2024. This means that an additional 2.6 million people in Pakistan fell below the poverty line in 2024. In Balochistan province, one of the richest in natural resources, the poverty rate reached a staggering 70%. The poverty rate in Pakistan over the past five years has increased despite all these loans from the IMF, World Bank and China.

Pakistan is unlikely to meet many of the Sustainable Development Goals (SDGs). The health sector impacts alone of these loans from the IMF and World Bank have been devastating. With debt repayments prioritized over the strengthening of public service infrastructure and delivery, half the population are without access to basic sanitation and health. Those who can pay are often forced to turn to more expensive private health providers, while those without the financial means are forced to resort to self-medication and unqualified local healers, or none at all.

Pakistan's current government, which has been in power since 2022 with an interval interim government, has fulfilled the conditionalities of IMF with such brutality that it earned them commendation from Kristalina Georgieva, the IMF's Managing Director, who said, "I want to congratulate the government and people of Pakistan for moving forward with the home-defined Pakistan-owned reforms."

The "home-defined" and "owned" reforms mentioned by Georigieva consisted mainly of the increase and expansion of indirect taxation, particularly the General Sales Tax or GST, which now stands at 18 %, the highest in South Asia. Packaged food and most medicines were the latest to be included in the items which will be levied GST. The increase in GST is part of the effort to meet the IMF's loan conditionality to raise tax revenue targets, not for social spending but to raise the financial resources for debt servicing and assure lenders. The government has also withdrawn subsidies, raised taxes and levies on the agriculture, power, gas and oil sectors. After this wave of increased taxes, a liter of packed milk is now sold at over 400 Rupees ($1.44) in a country involved heavily in agriculture and dairy production. A litre of milk is today more expensive than the price of a liter in the Netherlands. Conditionalities also include keeping the legislated minimum wage low at only 37,000 Rupees per month ($134.05). But even this meager amount is not enjoyed by over 80% of agriculture and food workers.

Withdrawal of Minimum Support Price for crops:

Other IMF conditionalities have effectively withdrawn social protections and social safety nets such as the non-provision of subsidies to farmers for electricity, farm inputs and farm machinery. The IMF's recent loan includes a new condition for the Pakistan federal and provincial governments to phase out the minimum support price (MSP) system for staple crops by June 2026. The MSP, widely used in many developing countries, serves two key purposes: to guarantee farmers a minimum return on their produce and to stabilize the production and supply of essential crops. While the former aims to protect farmers from global price fluctuations and distress sales during periods of surplus, the latter safeguards consumers from supply-demand imbalances and market inefficiencies. There were only four crops whose minimum support price was fixed by the government which is a little relief to the farmers.

Push for corporate farming

Government's anti-farmer and anti-poor policies, driven by the neo-liberal economic order under the IMF and World Bank, are destroying farmers' livelihoods. The anti-farmers government is giving control of the agriculture and food systems sector to the military and transnational agribusiness companies. The military and the government's plan has started to grab millions of hectares of land from farmers in the name of corporate farming.

The government, under the guise of the Green Pakistan Initiative, is planning to seize a staggering 4.8 million acres of land (roughly 28 lakh acres), across our country for corporate farming. The marked area for corporate farming is larger than the island of Jamaica and is approximately 9.5% of Punjab's total land area.

Corporate farming will lead to the displacement of small farmers as they struggle to compete with agribusiness corporations. The concentration of land ownership among corporate entities will reduce employment opportunities for agricultural workers and rural communities. Those who have been awarded the lease for corporate farming are already busy evicting those tenants who were cultivating that land for decades. The tenants have shown great resistance to the eviction and they are ready to go any length to keep the land for their families.

Another massive struggle is going on in Sindh province where masses of people are demanding a stop to canal-building on the river Sindh as there is little or no water available for these canals. The planned six canals are in the Cholistan area of Punjab where corporate farming would be carried out on at least half a million acres of land. Corporate farming and the massive irrigation project in Punjab province has further aggravated the water-sharing dispute with Sindh province.

IMF-Imposed Privatization of the Public

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Sector

The IMF has been pushing Pakistan to privatize state-owned enterprises (SOEs) since at least 1991. Despite privatizing 172 SOEs between 1991 and 2015, yielding $6.5 billion, the country was unable to solve its persistent budget deficit nor the issue of long-term growth. At present, there are 85 remaining SOEs, which operate in seven sectors. Two-thirds of these SOEs are turning a profit. Roughly 80-90% of public sector losses stem from only nine enterprises including five electricity distribution companies due to IMF-recommended Independent Power Producers and private power policies.

Government privatized state institutions included Zarai Taraqi Bank (Agriculture Development Bank) which provide critical support to the food and agriculture sector. Agriculture Development Bank was offering interest free or very low interest loans to farmers community for agri machinery and seeds. Utility Stores Corporations were mainly providing subsidized food items and groceries since 1972. Other key state institutions affected by privatization are Pakistan International airlines, Pakistan Life Insurance Corporation, First Women Bank Limited, House Building Finance Corporation, several power distribution companies (DISCOS), Pakistan Engineering Company, etc.

Perspective and Demands by PKRC and affiliated Farmers Unions

Pakistani farmers and peasants are demanding accountability for the WB-IMF's promotion of neoliberal and open market economic policies that fuels hunger and inequalities. The Pakistan Kissan Rabita Committee (PKRC) rejects these neoliberal open market policies and Free Trade Agreements dictated by the World Trade Organization (WTO) and the IMF which prioritize corporate profits over people's needs. The Pakistan government's decision to allow private wheat imports undermines local farmers' efforts and benefits transnational corporations. Relying on imports has made Pakistan's food supply vulnerable to global market volatility.

PKRC and its affiliated farmers' unions are fighting for minimum support price (MSP) to protect farmers. This is a fight against neoliberal and capitalist institutions like the IMF and World Bank that are pushing the government of Pakistan to end MSP. It's a fight against IMF-led neoliberal and anti farmers open market policies. It is a struggle to regulate the market to ensure fair prices for farmers' produce. It's a fight for parity prices and against the unfair competition, crippling production costs and influx or dumping of discounted imports.

The government has a responsibility to protect people from side-effects of stabilization through creating livelihood opportunities in agriculture, and other similar sectors, expanding social protection and safety nets and better administration and governance at a local level. Stabilization should not come at the cost of poor people.

Farmers' bodies response to the withdrawal of subsidies and Minimum support Price system

In early May this year, tens of thousands of farmers in Pakistan held protests in several cities over the government's decision not to buy their wheat, causing them huge losses in income. The farmers in Punjab, the country's largest province and often called the "bread basket" of Pakistan, demanded that the government stop wheat imports that have flooded the market at a time when they expect bumper crops. The farmers were furious about the import of wheat in the second half of last year and the first three months of this year, resulting in an excess of wheat in the

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market and reducing prices. Last May 21, 2024, demonstrations in 30 districts responded to the call of PKRC to protect domestic products.

Following devastating floods in Pakistan in 2022, the impact on wheat farming caused a shortage of wheat in early 2023. While Pakistan consumes around 30 million tonnes of wheat per year, only 26.2 million tonnes were produced in 2022, pushing up prices and resulting in long queues of people in cities trying to buy wheat. There were even instances of people being crushed in crowds trying to access wheat.

The Pakistan Democratic Movement (PDM), the ruling coalition at the time, decided to allow the private sector to import wheat in July 2023, just a month before the end of its tenure in government. According to figures from the Ministry of National Food Security and Research, between September 2023 and March 2024, more than 3.5 million tones of wheat were imported into Pakistan from the international market, where prices were much lower. As a result of the excess, at the beginning of April this year, when Pakistan's farmers started harvesting their wheat, the country's national and provincial food storage department was holding more than 4.3 million tones of wheat in its stocks.

Usually, the government purchases around 20 percent of all the wheat produced by local farmers at a fixed price (about 5.6 million tones, based on a 2023 yield of 28 million tones). This intervention in the market, it says, ensures price stability, prevents hoarding and maintains the supply chain. This year, however, it has announced that it will purchase only 2 million tones of wheat from Pakistani farmers. Allowing private importers to bring unlimited wheat into the country last year means that farmers will now have to sell what they can to other sources at much-reduced prices – and they will suffer great losses.

The overall impact of World Bank and IMF policies has been very negative for Pakistan economy and for people's economy. It has increased price hikes and inequalities. Unemployment is at a historic high. Not surprisingly, the IMF and World Bank are very unpopular in Pakistan, as they have also been used by the local corrupt elite to carry out price hikes. In one form or another, there is always public opposition to the IMF every day. These energies and activism of ordinary citizens sustain the hope of forging unities among trade unions, farmer organizations and the people at large to mount stronger opposition to IMF and World Bank prescriptions and to apply greater pressure on the government to withdraw or cancel them outright.

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