

Dr Gohar Ejaz calls for comprehensive reforms to spur economic growth

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Dr. Gohar Ejaz, Chairman of FPCCI-PERG and former caretaker federal minister for commerce, shared a series of economic recommendations on his X account on Monday. His post addressed key issues affecting Pakistan's financial stability and growth. His suggestions come at a time when Pakistan's inflation rate has stabilized below 12% for the past three months, despite persistent economic challenges. In his post, Dr. Ejaz highlighted the discrepancy between Pakistan's stable currency rates and the State Bank of Pakistan's (SBP) high-interest rates, which have been maintained at 19.5% over the past year. He argued that these rates, significantly above the inflation rate, are intended to control inflation but at a substantial economic cost. "The country's total net federal tax collection, Petroleum Development Levy (PDL), and other income amount to Rs10.6 trillion," Dr. Ejaz noted, with Rs 9.8 trillion of this sum dedicated to servicing domestic debt

of Rs45 trillion. He pointed out that high-interest rates have resulted in an additional Rs 3 trillion being paid over inflation-adjusted costs. To alleviate this financial strain, Dr. Ejaz recommended reducing the policy rate to 12%, aligning it more closely with recent inflation trends, potentially saving Rs 3 trillion in domestic debt servicing. Dr. Ejaz proposed several fiscal measures aimed at stimulating economic growth and easing the financial burden on consumers. Key recommendations include:

Electricity Rate Adjustments: Dr. Ejaz suggested setting electricity rates at Rs 10 per unit for consumers using up to 200 units while capping rates for other domestic, commercial, and industrial users at Rs 30 per unit. This adjustment aims to make electricity more affordable for the average consumer.

Income Tax Reduction: He advocated reducing the income tax rate for salaried individuals to 15%, providing financial relief to a significant portion of the workforce.

Zero-Rated Export Industry: Emphasizing the importance of the export industry as a critical driver for foreign exchange earnings, Dr. Ejaz proposed a “No Tax No Refund” policy, making the sector zero-rated for sales tax. This approach would eliminate income tax deductions at the time of exports, leveraging the existing SRO 1125 framework. Dr. Ejaz also called for the establishment of a Task Force to develop a comprehensive 10-year Industrial and Export Policy.

His strategic vision focuses on job creation, revitalising the manufacturing sector, and achieving export-led growth. He believes this approach can enable Pakistan to repay its \$130 billion foreign

debt through domestic manufacturing, export earnings, and foreign direct investments rather than relying on external borrowings. “Pakistan’s inflation and policy rates remain among the highest, underscoring the need for strategic fiscal management,” Dr. Ejaz stated. He emphasised that as the world’s fifth most populous country, Pakistan must adopt visionary leadership and strategic planning to transform into one of the largest global economies. Dr. Ejaz concluded that implementing these recommendations could reshape Pakistan’s economic landscape, driving prosperity and growth for the nation. The former minister’s call for reform underscores the urgent need for strategic fiscal management to foster economic development and stability in Pakistan.