

The Khilafah Will End the Destruction by the International Monetary Fund

News:

On 3 October 2024, Pakistan Today reported, “Nathan Porter, the International Monetary Fund’s mission director for Pakistan, has cautioned that the recent \$7 billion bailout package could be the country’s final chance if the recommended reforms are implemented with genuine intent.” [\[Source\]](#)

Comment:

Pakistan has just entered its 25th program with the International Monetary Fund program, following the completion of harsh preconditions under the nine-month Stand-By Arrangement (SBA). The prime minister has expressed his satisfaction, as if this was a cause of celebration [\[Source\]](#). However, to understand the impact of the program of the International Monetary Fund, it is crucial to recognize the deep-rooted crises caused by the neo-liberal, or more accurately neo-colonialist, conditions within the programs of the International Monetary Fund.

The destructive effects of successive programs of the International Monetary Fund is reflected in economic data. Pakistan’s real Gross Domestic Product has shrunk from \$316.5 billion in 2018, to \$298.2 billion in 2023, indicating a troubling decline in local industry. With inflation averaging 11.5% annually, the low-income majority of the population is shouldering the heaviest blows of this prolonged economic crisis. Over the last five years, Pakistan’s average foreign exchange reserves have covered only three and a half months of imports, whilst external debt has surged to 42% of GDP. With interest rates at 17.5%, borrowing costs for businesses and industries are high. Caught in a debt trap, around 75% of Pakistan’s tax revenue is spent on interest payments, leaving limited funds for education, health, and development. [\[Source\]](#)

Numbers asides, the socio-economic realities in Pakistan are horrific. There is a huge gap between the wealthy and the struggling masses. The cost of basic necessities has skyrocketed. Families struggle to meet even their most fundamental needs. Relentless hikes in utility bills and transportation costs add to the burden. Businesses are feeling the strain, as consumer demand shrinks, whilst operational expenses soar, further exacerbated by heavy taxation. People are fleeing the country.

The programs of the International Monetary Fund are the cause of the destruction of economies throughout the world. The crisis in Pakistan is the rule, and not the exception. The conditions of any IMF program primarily benefit global lenders over domestic priorities. The programs divert resources from crucial development goals to building foreign exchange reserves. This pitches the country into a cycle of borrowing and repayment, increasing external dependence. Measures to address undercapitalized financial institutions are designed to protect creditors’ interests. To manage debt servicing and fiscal deficits, the government repeatedly borrows from commercial banks, creating a vicious debt cycle.

Then there is a long list of conditions regarding the economy. The International Monetary Fund insists on the privatization of state-owned enterprises, including entities in

key sectors like agriculture, textiles, manufacturing, and education. Privatization weakens the state's ability to supervise industries and meet societal needs. So the state becomes more dependent on loans. The conditions regarding trade and markets favor large multinational corporations, making it difficult for local firms to compete. The economy becomes heavily dependent on imports from the major powers, particularly in sectors like energy, textiles, automobiles, electronics, and pharmaceuticals. The removal of subsidies shifts more burden onto the public. As for climate resilience policies, they favor foreign technologies, increasing external dependence.

Drowning in interest-based loans, with the economy effectively mortgaged, the government may then lower interest rates, in an attempt to stimulate investments and growth. All too often, this triggers a short-lived boom, followed by a crushing bust. Then, the government heads back to the lenders for more loans.

The programs of the International Monetary Fund are a burden on most of humanity. Only the Islamic rulings implemented by the upcoming Khilafah Rashidah can save the world from economic oppression. Allah (swt) said, ﴿وَلَوْ أَنَّهُمْ أَقَامُوا التَّوْرَةَ وَالْإِنْجِيلَ وَمَا أُنزِلَ إِلَيْهِمْ مِّن رَّبِّهِمْ لَأَكَلُوا مِن فَوْقِهِمْ وَمِن تَحْتِ أَرْجُلِهِم مِّنْهُم أُمَّةٌ مُّقْتَصِدَةٌ وَكَثِيرٌ مِّنْهُمْ سَاءَ مَا يَعْمَلُونَ﴾ **“If only they had acted according to the Torah, the Gospel, and what was revealed to them from their Lord, they would have eaten (enjoyed provisions) from above them and from beneath their feet.”** [TMQ Surah Al-Ma'idah (5:66)].

The Khilafah (Caliphate) will end colonialist exploitation through various Shariah rulings, within Pakistan and the rest of the Muslim World.

Firstly, the adoption of gold and silver as the basis for currency will end the endless printing of fiat money, and dismantle dollar dominance, bringing stability to international trade and curbing trade deficits.

Secondly, the Khilafah will reject all foreign and domestic interest (riba) payments, freeing the economy from oppressive debt burdens.

Thirdly, the Khilafah will bring public properties like energy and minerals under state supervision, reducing costs for the public and generating revenues for the state treasury, to reduce reliance on taxation and loans.

Fourthly, the Khilafah will abolish oppressive taxes, and implement an Islamic taxation, including Kharaj, Jizya, and Zakat, to ensure revenue collection, without burdening the poor and indebted.

Fifthly, Islam's company structures and Shariah rulings that tie the ownership of land with its cultivation facilitate participation in agricultural and industrial production.

There is no escape from economic misery other than the establishment of the Khilafah (Caliphate) on the Method of Prophethood.

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