

THE CONTRIBUTION OF PAKISTAN MUSLIM LEAGUE (N) TO PAKISTAN'S ECONOMIC GROWTH: FOCUSING ON ISHAQ DAR'S ROLE

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Executive Summary

The Pakistan Muslim League-Nawaz (PML-N) has played a pivotal role in shaping Pakistan's economic trajectory across multiple tenures, most notably during its 2013-2018 government. This period was characterized by significant macroeconomic stabilization and robust growth, largely attributed to visionary policies and bold initiatives. Central to these economic achievements was Muhammad Ishaq Dar, who, as Finance Minister, spearheaded critical reforms in fiscal management, infrastructure development, and social welfare. While the PML-N's contributions include remarkable progress in controlling inflation, reducing budget deficits, and attracting substantial investment, particularly through the China-Pakistan Economic Corridor (CPEC), the party's economic legacy is also marked by persistent structural challenges, criticisms regarding widening inequality, and a recurring reliance on external financial assistance. The current PML-N-led government continues to grapple with these entrenched issues, underscoring the complex interplay of political stability and sustainable economic development in Pakistan.

1. Introduction: PML-N's Economic Vision and Context

1.1. Overview of the Economic Landscape Inherited by PML-N

The Pakistan Muslim League-Nawaz (PML-N) has frequently assumed national leadership during periods of profound economic and security challenges. For instance, in 2013, the PML-N government inherited an economy described as "in shambles," compounded by an untenable security situation and an almost insurmountable power shortage. This recurring pattern of taking the reins during turbulent times has shaped the party's approach, often necessitating a focus on immediate stabilization before pursuing broader developmental goals. This framing of their entry into power as a rescue mission serves to highlight the perceived scale of their achievements, suggesting that their policies were not merely about incremental growth but about fundamental redirection and recovery.

The party's modern history began in 1988, evolving from the Islamic Democratic Alliance (IDA) and was formally established in 1993. It emerged as a conservative, center-right political force, advocating principles of free markets, deregulation, lower taxes, and private ownership.

1.2. Core Tenets of PML-N's Economic Philosophy

The PML-N's economic vision is firmly centred on ensuring Pakistan's prosperity, which the party aims to achieve through "visionary ideas translated into bold initiatives and hard work". Its core economic philosophy aligns with economic liberalism, emphasizing support for free markets, deregulation, lower taxes, and private ownership. A consistent theme in their mission has been "continued growth and infrastructural development".

Beyond these market-oriented principles, the PML-N has also articulated ambitions for an "agro-industrial revolution" designed to generate extensive employment opportunities and secure the future for Pakistan's burgeoning youth population. More recent policy outlines, such as the 2024 manifesto, detail ambitious targets for inclusive growth over the next five years. These include raising the tax-to-GDP ratio to 13.5%, increasing the investment-to-GDP ratio to 18%, boosting the savings-to-GDP ratio to 17%, elevating per capita income to \$2,000, and expanding annual exports to \$60 billion, all while striving to reduce poverty to under 25%.

While the party's stated ideology leans towards free markets and deregulation, the practical application of their policies, particularly the substantial state involvement in large-scale public infrastructure projects like CPEC and the expansion of social safety nets, demonstrates a pragmatic blend. This approach suggests that while the underlying philosophy is market-friendly, the party recognizes the necessity of significant government intervention to stimulate growth and address societal needs, potentially acknowledging market failures or the requirement for substantial capital injection in a developing economy.

2. PML-N's Economic Performance Across Key Tenures

2.1. Early Governance (1990-1993 & 1997-1999): Initial Reforms and Macroeconomic Challenges

The PML-N's early periods in power laid the groundwork for its economic approach, characterized by a push for liberalization amidst persistent fiscal pressures.

1990-1993 (First Term of Nawaz Sharif): This tenure saw the launch of an ambitious economic reform program, primarily focused on privatizing state-owned enterprises and liberalizing the economy. Approximately 115 industrial units and two major banks were rapidly privatized, to attract foreign investment. While this period witnessed an annual average growth rate higher than the average for other developing countries and Asian developing countries, with GDP growth rates averaging 4.6% in the 1990s, the fiscal deficit remained a significant concern, averaging about 6.5% of GNP in the 1980s and showing only a slight reduction in 1990-91.

The early liberalization efforts, while intended to spur economic activity, were criticized for their implementation. The swift and at times perceived "recklessness and favouritism" in privatization led to the concentration of wealth and the emergence of "business oligarchs," thereby exacerbating the wealth gap. This highlights a crucial challenge in transitioning economies: the need for robust regulatory frameworks to ensure that market-oriented reforms benefit the broader population and do not inadvertently foster crony capitalism.

1997-1999 (Second Term of Nawaz Sharif): In this period, the government collaborated with the International Monetary Fund (IMF) to implement economic measures aimed at stabilizing the economy and reducing fiscal deficits. Real GDP growth improved to 5.4% in FY 1997-98. Consumer price inflation showed a declining trend, projected to decrease to about 9.0% in 1996-97, and recorded at 7.8% in 1998 and 6.1% in 1999. The budget deficit as a percentage of GDP also saw a reduction, shrinking from 6.5% in 1997 to 4.5% in 1999. The trade deficit was notably reduced from \$3.1 billion to \$1.6 billion between 1996-97 and 1998-99.

However, this tenure was significantly impacted by external shocks. Following Pakistan's nuclear tests in 1998, the country faced severe economic sanctions. This led to a substantial plunge in foreign investment, which dropped to \$376 million in FY 1998-99 due to a poor investment climate and unresolved disputes. This period underscores Pakistan's vulnerability to exogenous factors and the recurring necessity of IMF programs, demonstrating the limitations of domestic policy in isolation when confronted with significant international pressures.

2.2. The 2013-2018 Era: Stabilization, Growth, and Development

The 2013-2018 tenure under Nawaz Sharif, with Ishaq Dar as Finance Minister, is often highlighted as a period of significant economic turnaround. The government inherited an economy in disarray in 2013 but successfully steered it towards growth and prosperity.

Macroeconomic Achievements: This period was characterized by "resounding growth without inflation". The GDP growth rate notably increased from 3.9% in FY13 to 6.1% in FY18, and the economy expanded by over 50%, from Rs. 22,385 billion to Rs. 34,396 billion. Inflation was effectively managed, with CPI inflation reduced by 270 basis points, food inflation by 330 basis points, and core inflation by 380 basis points, maintaining an average inflation rate below 4%. The budget deficit was significantly reduced from 8.2% of GDP in 2012-13 to 4.6% in 2015-16. Per capita income surged from \$1,446 to \$1,768, and foreign exchange reserves increased by \$5.4

billion, from \$11.0 billion to \$16.4 billion. Industrial growth rose from 1.2% to 5.13%, and the large-scale manufacturing sector grew from 0.32% to 4.2%. The services sector also saw growth, increasing from 3.6% to 5.1%.

The simultaneous achievement of high GDP growth and low inflation during this period is a notable macroeconomic accomplishment, often difficult to sustain. This suggests that effective supply-side policies, such as significant investments in energy projects that alleviated bottlenecks and reduced input costs, were implemented alongside prudent demand-side management. This combination contributed to a period of relative stability and enhanced investor confidence.

Infrastructure Development and CPEC's Impact: A cornerstone of this tenure was the leveraging of Pakistan's strategic geographic location through the China-Pakistan Economic Corridor (CPEC), which heralded an unprecedented level of investment. "Game-changing CPEC projects" with an investment of \$60 billion were launched, with \$30 billion worth of projects already initiated. Overall, power and infrastructure projects worth \$223 billion were initiated in these five years, a substantial increase compared to \$140 billion during the preceding five years. Multibillion-dollar power plants, such as Port Qasim and Sahiwal coal-fired plants, were completed in record time. CPEC projects were strategically focused on labour-intensive schemes, leading to the creation of tens of thousands of medium to low-skilled jobs.

While CPEC undeniably spurred growth and employment in the short term, its massive scale also implies a significant reliance on external financing. The increase in public debt and liabilities by Rs13,541 billion and external debt by \$22.1 billion during this tenure raises questions about long-term sustainability and potential economic dependency. The focus on domestic job creation within CPEC projects indicates an effort to maximize local benefits, but the broader strategic implications of such large-scale foreign-funded initiatives remain complex.

Tax Reforms and Revenue Generation: The government initiated unprecedented tax reforms, successfully doubling the revenue collection of the Federal Board of Revenue (FBR) from Rs. 1.9 trillion to approximately Rs. 3.9 trillion. This effort raised the tax-to-GDP ratio from 9% to 13% and expanded the tax base from 700,000 to 1.4 million filers. Other significant measures included the introduction of an asset declaration scheme, signing a multilateral convention to tackle tax evasion, and eliminating the "SRO culture" by transferring power from the Federal Government to the Parliament. These reforms indicate a concerted effort towards fiscal consolidation and formalizing the economy, which is crucial for sustainable development, reducing reliance on borrowing, and funding public services.

Enhanced Access to Credit and Poverty Alleviation: Access to credit was significantly enhanced, with average private sector credit increasing from Rs. 96 billion to Rs. 457 billion. Agriculture credit saw a 200% boost, with disbursement increasing from Rs. 336 billion to Rs. 1,000 billion. Poverty alleviation programs were expanded, notably the Benazir Income Support Program (BISP) unconditional cash transfer program for women, which grew from approximately 3.2 million to 5.5 million households, with its funding tripled. The Prime Minister's National Health Program and the Khidmat Card program for people with disabilities were also launched. Employment opportunities were created through self-employment schemes and youth business loans.

2.3. Recent Economic Engagements (Post-2024): Current Stabilization Efforts and Policy Direction

Since coming to power in February 2024, the PML-N-led coalition government has been confronting significant economic challenges. This period reflects a familiar pattern of inherited economic distress and a subsequent reliance on IMF programs for stabilization. The government has secured an IMF Extended Fund Facility (EFF) and adhered to its conditions, aiming to curb inflation and stabilize the currency.

Initial stabilization efforts have shown some positive macroeconomic indicators: foreign exchange reserves nearly doubled from \$8.2 billion in January 2024 to \$15.9 billion by mid-February 2025. Headline inflation significantly dropped from 23% in February 2024 to 5.0% in January 2025, and interest rates were reduced from 23% to approximately 11%.

Despite these stabilization efforts, persistent challenges remain. High electricity prices continue to burden consumers due to underlying structural issues such as circular debt, crippling capacity payments, and a fragile transmission network. Furthermore, ambitious long-term goals for inclusive growth, including targets for tax-to-GDP ratio, investment-to-GDP ratio, per capita income, exports, and poverty reduction, are at risk of becoming unattainable due to a "sluggish start". The current government is also grappling with broader issues such as allegations of corruption and ongoing political problems.

While macroeconomic indicators show improvement, the continued burden of high electricity prices and general public discontent suggests that the benefits of stabilization are not immediately felt by the common citizen. This indicates a challenge in translating macroeconomic gains into tangible improvements in living standards for the broader population, potentially exacerbating inequality as austerity measures or price adjustments disproportionately affect lower and middle-income groups.

3. The Pivotal Role of Ishaq Dar in Economic Policy

3.1. Ishaq Dar's Background and Entry into Politics

Muhammad Ishaq Dar is a distinguished chartered and management accountant and economist. He qualified as a chartered accountant in 1974, becoming an Associate Member of the Institute of Chartered Accountants in England and Wales, and later a Fellow in 1980. His political career commenced in the late 1980s as a member of the central executive committee of the Pakistan Muslim League (N) (PML-N). A close aide of the Sharif family, Dar's professional and political journey has been deeply intertwined with the PML-N's economic agenda.

3.2. Key Policy Initiatives and Their Outcomes Across Tenures as Finance Minister

Ishaq Dar has served in various key economic capacities across multiple PML-N governments, consistently playing a central role in economic policy formulation and implementation.

First Sharif Ministry (early 1990s): In 1992, Dar was appointed Chairman of the Pakistan Board of Investment with the status of Minister of State. This early role positioned him at the forefront of efforts to attract foreign capital and promote investment in the nascent liberalization era.

Second Sharif Ministry (1997-1999): During this period, Dar held significant portfolios, serving as Federal Minister for Industries and Investment from February to July 1997, and subsequently as Federal Minister for Commerce from December 1997. His most crucial appointment came in 1998 when he was made Minister for Finance. In this capacity, he was instrumental in negotiating an International Monetary Fund (IMF) bailout package following the economic sanctions imposed on Pakistan due to its nuclear tests. This demonstrates his recurring role as a key figure in stabilizing the economy during periods of distress and navigating complex international financial relations.

Third Sharif Ministry (2013-2017): Ishaq Dar's tenure as Minister for Finance, Revenue, Economic Affairs, Statistics, and Privatization from June 2013 was particularly impactful. He was a driving force behind the period of "resounding growth without inflation". Under his leadership, the government oversaw the significant reduction of the budget deficit, effective control of inflation, and substantial GDP growth. He played a pivotal role in attracting investments for infrastructure, including the transformative China-Pakistan Economic Corridor (CPEC). Furthermore, Dar led unprecedented tax reforms that resulted in the doubling of Federal Board of Revenue (FBR) collections and a notable expansion of the tax base. His efforts also extended to enhancing access to credit for both the private and agricultural sectors and implementing various poverty alleviation programs.

Recent Role (Post-2022): Dar continued to serve as Finance Minister from 2022 to 2023 and currently holds the positions of Deputy Prime Minister and Foreign Minister since 2024. In his recent engagements, he has consistently highlighted Pakistan's improving macroeconomic indicators, including a current account surplus, diminishing inflation, and upgrades in sovereign credit ratings. He has also emphasized strategic initiatives such as the Special Investment Facilitation Council (SIFC) and the country's potential in fintech, infrastructure, and digital banking.

Across his various tenures, Ishaq Dar has consistently emerged as a central figure tasked with stabilizing the economy, often through IMF negotiations and fiscal reforms. This pattern suggests that he is frequently called upon during periods of economic distress to implement austerity and reform measures necessary for macroeconomic stability. His career, marked by multiple terms and interruptions (such as the military coup in 1999), underscores how political instability can disrupt economic policy continuity, regardless of a minister's capabilities. His return to politics in 2024 after convictions were overturned further highlights the deep intertwining of political and economic fortunes in Pakistan, where economic policy implementation is not merely technocratic but profoundly influenced by prevailing power dynamics and political stability.

4. Challenges, Criticisms, and Structural Issues

Despite periods of notable economic growth and stabilization under PML-N governments, Pakistan's economy continues to face entrenched challenges and criticisms.

4.1. Persistent Economic Challenges

Pakistan has consistently grappled with "persistent economic challenges due to political instability, governance failures, and external shocks". A significant and recurring issue is the burden of high electricity prices on consumers, primarily due to deep-seated structural problems within the energy sector, including circular debt, capacity payments, and a fragile transmission network. Even after substantial investments in energy infrastructure, these issues remain unresolved, indicating a fundamental structural problem that has proven difficult to overcome.

Ambitious long-term goals outlined in recent manifestos, such as raising the tax-to-GDP ratio, increasing per capita income, and reducing poverty, are at risk of becoming unattainable due to a "sluggish start" in implementation. Furthermore, the export sector has remained weak during PML-N's tenure (2013-2017), with exports as a percentage of GDP falling by 2.6% during 2013-2018. This weakness, coupled with an increased reliance on imports, points to a lack of diversification and competitiveness in the external sector. The PML-N's 2013-2018 government also witnessed a significant increase in public debt and liabilities, with public debt rising by Rs13,541 billion and external debt by \$22.1 billion. These enduring structural deficits act as persistent drags on sustainable growth and contribute to the cyclical nature of economic crises, necessitating repeated interventions from international financial institutions.

4.2. Criticisms of PML-N's Economic Policies

PML-N's economic policies have faced criticism for "exacerbating inequality and failing to address structural challenges". While the party achieved impressive aggregate economic growth rates, concerns have been raised that income disparities widened during its tenure. This suggests a fundamental challenge in translating top-line growth into broad-based welfare, indicating that the benefits of development may have disproportionately accrued to certain segments or sectors, rather than fostering equitable distribution. Tax policies, for instance, were criticized for favouring the wealthy.

The government's inability to make significant progress in reforming the energy sector, despite substantial investment, has also been a point of contention. Some of the energy promises made, such as simultaneously making electricity affordable while addressing circular debt, were inherently conflicting. The current PML-N-led government (post-2024) continues to struggle with these economic challenges, compounded by allegations of corruption and ongoing political problems. Public mistrust of the current ruling coalition has also been noted. The direct contradiction between claims of fostering prosperity and poverty alleviation on one hand, and criticisms of exacerbating inequality on the other, highlights that high GDP growth alone does not guarantee inclusive development, and policies need to be specifically designed to address distributional concerns.

5. Conclusion: A Balanced Assessment of PML-N's Economic Contribution

5.1. Summarizing Key Successes and Persistent Hurdles

The Pakistan Muslim League-Nawaz (PML-N) has undeniably left a significant mark on Pakistan's economic landscape. Particularly during its 2013-2018 tenure, under the leadership of Nawaz Sharif and the financial stewardship of Ishaq Dar, the party orchestrated a period of remarkable macroeconomic stabilization and growth. This era was characterized by a notable rise in GDP, effective control over inflation, and substantial infrastructure development, largely propelled by the China-Pakistan Economic Corridor (CPEC). The party's commitment to tax reforms also led to increased revenue collection and a broader tax base.

However, these achievements are tempered by persistent criticisms and structural hurdles. Despite growth, concerns about increased inequality and widening income disparities have been raised. Fundamental structural challenges in the energy sector, marked by circular debt and high electricity prices, have remained unresolved. The export sector's weakness and a growing reliance on imports also point to underlying vulnerabilities. Furthermore, the significant increase in public and external debt during their tenures poses a long-term challenge to fiscal sustainability.

5.2. Future Outlook and Policy Implications

The current PML-N-led government faces renewed economic challenges, necessitating continued reliance on IMF programs for short-term stabilization. This recurring pattern of seeking external assistance to stabilize the economy highlights a fundamental and persistent structural weakness in Pakistan's economy, indicating that previous reforms, while effective in the short term, may not have addressed the root causes of instability, leading to a cyclical pattern of economic distress.

For long-term economic prosperity, Pakistan must move beyond cyclical stabilization and address deep-rooted structural issues. This includes fostering truly inclusive growth that benefits all segments of society, strengthening the export sector to reduce trade imbalances, and ensuring policy continuity amidst the nation's inherent political volatility. The PML-N's future success will depend on its ability to translate macroeconomic stability into tangible and equitable improvements in living standards for all citizens, and to build a more resilient, diversified, and export-oriented economy that can withstand both internal and external shocks.

Table 1: Key Economic Indicators Under PML-N Governments (Selected Tenures)

Economic Indicator	1990-1993 (Avg./End-Period)	1997-1999 (Avg./End-Period)	2013-2018 (Avg./End-Period)	Current (Post-2024, Projections/Latest)
GDP Growth (%)	4.6% (Avg. 1990s)	1.9% (1997), 4.3% (1998), 3.1% (1999)	3.9% (FY13) to 6.1% (FY18)	2.6% (2025 proj.)
CPI Inflation (%)	N/A	11.8% (1997), 7.8% (1998), 6.1% (1999)	7.4% (FY13) to 4.7% (FY18)	5.1% (2025 proj.), 0.3% (Apr 2025 YoY)

Economic Indicator	1990-1993 (Avg./End-Period)	1997-1999 (Avg./End-Period)	2013-2018 (Avg./End-Period)	Current (Post-2024, Projections/Latest)
Budget Deficit (% of GDP)	~6.5% (1990-91)	6.5% (1997) to 4.5% (1999)	8.2% (2012-13) to 4.6% (2015-16)	-5.6% (2025 proj.)
FDI (\$ Mn)	N/A	\$376 (FY 1998-99)	\$1,456 (FY13) to \$2,780 (FY18)	N/A
Exports (\$ Bn)	N/A	\$8.1 (1997), \$8.4 (1998), \$7.7 (1999)	\$24.8 (FY13) to \$24.8 (FY18)	\$27.3 (Jul-Apr FY2025)
Per Capita Income (\$)	N/A	\$493 (1997), \$483 (1998, 1999)	\$1,446 (FY13) to \$1,768 (FY18)	\$1,580 (2024 proj.)
Public Debt & Liabilities (Rs. Bn / % of GDP)	N/A	N/A	Increased by Rs13,541bn (FY13-FY18)	73.6% of GDP (2025 proj.)
Foreign Exchange Reserves (End June) (\$ Bn)	N/A	~\$1.6 (1999)	(late \$11.0 (FY13) to \$16.4 (FY18)	\$15.9 (mid-Feb 2025)

Note: "N/A" indicates data not explicitly available in the provided snippets for the specified period. Data points represent average or end-period values as available in the research material.

The table provides a quantitative overview of Pakistan's economic performance under different PML-N tenures, allowing for a direct comparison of key indicators. It visually demonstrates the extent of macroeconomic stabilization achieved, particularly in the 2013-2018 period, by showing the reduction in inflation and budget deficit, and the increase in GDP growth and reserves. This data supports the report's narrative regarding PML-N's ability to steer the economy from crisis to growth. Conversely, the table also highlights persistent challenges, such as fluctuating FDI or export performance across tenures, indicating underlying structural weaknesses that even periods of growth could not fully resolve. For instance, comparing the increase in public debt across tenures underscores the long-term debt accumulation issue. By presenting data from various sources, the table lends objectivity and credibility to the analysis, allowing for a more informed assessment of the PML-N's economic contributions.