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ECONOMY OF PAKISTAN

① Loan:

- In 2008 loan on Pakistan → 6trn PKR
  Foreign loan → $62 bn
- In 2013 loan on Pakistan → 12trn PKR
  Foreign Loan → $84 bn
- In 2018 loan → 29 trn PKR
  Foreign loan → $ 105 bn
- In 2022 loan → 38 trn PKR
  Foreign loan → $ 126 bn
- In 2023 loan → 51 trn PKR
  Foreign Loan → $ 138 bn

(Source: SBP).

Reasons of Loan:

i. **Persistent Budget Deficit:**

- In 2020-21 budget deficit → 4.1 trn PKR.
- In 2021-22 budget deficit → 4.3 trn PKR.
- In 2022-23 budget deficit → 3.9 trn PKR.
- In 2023-24 budget deficit → 6.9 trn PKR.

ii. **Balance of Payment Crisis / Meet Depleting Dollar Reserves:**

- Dollar reserves

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- Loan returns.
- Balance of payment Crisis Occur when inflow of $ decreases and outflow of $ increases.
- In 2021-22 Trade deficit → $44bn + $13bn loan pay off.
- In 2022-23 Trade deficit → $25.7bn + $23bn loan pay off.

iii. **Artifically Stabilize Value of PKR:**

- Loans are taken to artificially stabilize the value of PKR.
- By taking loans, foreign reserves of the country Jump-up.
- The value of dollar decreases against rupee.
- The PKR of Pakistan was repeatedly Controlled artificially.

iv. **Finance Development Projects:**

- To finance developmental and non-developmental projects.
- ↳ In the modern world the biggest investment is in the form of loan.
- It is the healtiest form of loan to finance developmental and

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non-developmental projects.
- i-e: CPEC, BRT etc.

Implications of Loan:

i. Debt Trap:

- Pakistan is stuck in a trap of debt.
- In the last 4-fiscal year, Pakistan took \$36bn and pay off loan of \$27bn only.
- Every government after comming to power, i-e 2013, 2018, 2022, acquired loans, to be able to financially breath.
- To acquire loan, diverse sources were used, i.e: IMF, WB, AIIB, ADB, ISDB.

ii. Conditionalities Behind Loan:

- There is a long list of conditionality behind loan.
- 2022 IMF Conditions Include:
- Removing the capping of the price of oil.
- Increase the prices.
- Increase the per unit price of electricity.
- fuel prices increased to 288 from 150.

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iii. **Inflation:**

- After acquire loan inflation increases in a country because;

① Fuel prices increases (Diesel, Petrol, LNG)
② Transport prices increases (Cargo, Railway, Trucks)
③ Domestic products prices increases (electricity, kitchen, Freezer).
④ Industrial Products prices increases (Textile, automobile etc).

- Inflation rate in 2021 was 16%.
- " " " 2022 " 48%.
- " " " 2023 (June) is 29.4%.

Solutions:

i. **Acquired more Loan:**

- To avoid taking loan continuously a bigger chunk of loan is required for bringing long-terms reforms.

ii. **Breathing Space:**

- Breathing space gives temporary protection from the creditors.
- It include. Tax reforms, Industrial reforms, Agriculture reforms, IT reforms Banking, Digitilization).
- To increase ~~reform~~ remittance loan can be avoided.

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② Inflation

Introduction:

- According to Pakistan Bureau of Statistics (PBS):
- Month-to-Month: Jan-Feb 2023 → more than 46% Price hike.
- Year-to-Year: Jan-2022 to Feb-2023 → more than 32% Price hike
- Inflation rate in Dec-2021 was 11%.
- Inflation rate in Dec-2022 was 24.5%.
- Pakistan inflation rate was 36.4% in April 2023, and 38% in May 2023.
- Since 1965 war, higest price hike. (External or internal commodity exponentially expensive)

Price Hikes of Different Products:

i. Fuel:

- In One Year;

Diesel: ↑ Price increases from 145 to 292 PKR.

Petrol: Price high from 150 to 272 PKr.

LNG: Its price increases more than 160 rupees.

- Coal: Price increases more than 150 rupees.

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Electricity:

Per unit domestic Price increases from 16 PKR to 34 PKR.

ii. **Transport Cost:**

- Transport Costs exponentially increased because fuel prices increased.
- Cargo, Railway and Trucks: Transport costs increased.

Passenger Transport:

- Airlines, Trains and Buses, Prices increased 2 times.
- In Pakistan at least 20% - 30% Population down from car to bike.

iii. **Domestic Sector:**

- Domestic sector is hit the worst.
- Domestic sector hit by high electricity bill, basic tarrif increased from 24 PKR to 29 PKR as of July-2023.
- It hit by kitchen prices (audible oil, wheat prices, sugar prices increases),
- Pulses, every vegetables, Milk & Chicken prices increases.

iv. **Industrial Products:**

- The prices of industrial products

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increases in:

a. Textile

b- Automobiles:

- Toyota price more than double, also by Honda and others.
- Electronic products price also increases.

Reasons of Inflation:

i. Devaluation of PKR:

- In 2022, PKR stand at 178 against 1$
- In 2023-July, PKR stand at 275 against 1$.
- To import products of $1bn in 2022, Pakistan requires 178bn PKR, now in 2023 pakistan need 275bn PKR to import products of $1bn.
- Devaluation thus, increases inflation as essential items such as petroleum, food, and chemical constitute.
- Pakistan imported majority of raw materials for locally produced products. due to devalue of PKR, products become expensive.

ii. The International Price Hike:

- As pakistan is import-based

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economy, which is dependent on the international market.

- The prices in international market high as of Dec, 9, 2022.
- Food prices, reached a record Hike this year, have increased food insecurity.
- According to World Economic Outlook:
- 1% drop in global harvests, raised food commodity prices by 8.5%.
- 1% increase in fertilizers prices, which boosts food commodity prices by 0.45%.
- 1% increases in Oil prices, increases food commodity by 0.2%

iii **Debt Trap:**

- Pakistan is stuck in a debt trap.
- In the last 4-fiscal years, Pakistan took $36 bn loan and payoff only $27 bn.
- The increasing debt trap, resulted in more loans, and more interest rate, which resulted in inflation.

iv. **IMF Conditionalities:**

- By acquiring loan from IMF, a long list of conditions also imposed

IMF Conditions 2023:

- The IMF has asked Cash-strapped Pakistan to revise the budgetary framework for 2023-24 before its passage from the Parliament.
- The changes in budget resulted into Rs. 225 bn new taxes.
- Such Conditions results in inflation.

v. **Trade Deficit:**

- The trade deficit narrowed by 77.88% on YoY basis to $829 million in April 2023 compared to $3.7 bn in April 2022.
- In Case of a trade deficit, it means exports < imports.
- Imports are made in foreign Currencies, so demand for foreign Currencies would rise, meaning the price of goods with local currency become expensive. This creates further inflation.

vi **Balance of Payment Crisis:**

- Balance of payment Crisis occurs when inflow of $ decreases, and outflow of $ increases.
- A balance of payment Crisis, cause a

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a loss of confidence by foreign investors. The investor may remove investment causing a huge fall in the value of the country's currency, which results in inflation.

vii. **Natural Disasters:**

- Natural disasters like flood in 2022 in Pakistan also one of the reason of inflation in Pakistan.
- The flood destroyed agriculture, livestock, infrastructure etc.
- Alone in Sindh almost 80% of crops are destroyed (cotton, sugarcane, rice, etc).
- More than 150,000 cattle died.
- Stored grains, households, infrastructure destroyed.
- The 2022 flood results in high inflation in Pakistan.

viii. **Political Instability:**

- Political instability is also one of the reason of inflation.
- Due to political instability the economic condition of a country is uncertain, which prevents foreign investors.
- Political instability leads to economic

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Crises, which results in inflation.
- The current inflation in Pakistan is somehow due to political instability, it was 11% in 2021, 24% in 2022 and 28% in June - 2023.

Solutions to Overcome Inflation:

i. Stabilize Pkr:

- By stabilizing Pakistan rupee against dollar inflation can be reduced.
- Rupee can be stabilize by bringing more dollars to the country in the form of remittances.
- Rupee can be stabilize by attracting more tourisim.
- The permanent solution of rupee stabilization, is to increase country's exports and attract foreign investors.
- The stronger position of Pakistani currency against dollar, reduce the import bill, which will decrease products' price and inflation will be reduced.

ii. Cut off Fuel Imports:

- To minimize inflation rate, Pakistan needs to cut off fuel imports bill.

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- To cut off fuel import bill, generation of electricity may be shifted to indigenous source like hydal, wind, solar etc.
- According to a report, Pakistan has 185 bn tonnes of coal, which is enough for the electricity of upcoming 200 years.
- By converting coal into oil by gasification, Pakistan can export an oil worth $2.5tm.

iii. **Remove trade Deficit:**

- By removing trade deficit, the country gains confidence to attract foreign investors.
- To remove trade deficit, it is necessary to stabilize PKR.
- By increasing exports, trade deficit can be removed.
- By removing trade deficit, imports become cheap and inflation can be reduced.

iv. **Currency Swap Agreements:**

- Currency Swap agreement reduced the risk of inflation.
- Currency Swap agreement was signed b/w China and Pakistan in 2011, and it allowed both countries to make transaction in either PKR or Chinese Yuan.
- The aim to use regional currencies for trade settlements.
- Pakistan need to do such agreement to other Countries to overcome inflation.

v. **Reduce IMF Dependency:**

- To reduce dependency on IMF for loan, inflation will be directly reduce.
- IMF dependency can be reduce by; Increasing exports, decreasing imports, Bring remittances, Foreign direct investment, Stabilize PKR, attracting tourists, and reduced expenditure.
- The main reason is budget deficit, by removing budget deficit IMF dependency can be reduce, due to which inflation can be overcome.

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vi. **Increase Dollar Reserves:**

- One of the reason of inflation is low foreign reserves.
- There was less than $4bn foreign reserves with Pakistan in June-2023.
- Dollar reserves can be increased by: Remittances, exports, FDI, Tourisim etc.
- More dollar reserves mean stronger Currency, which means low inflation rate.

vii. **Political Stability:**

- Political stability means economic and social stability.
- Due to political stability, economic situation of a Country is Certain.
- It helps in Country's exports, and attract FDI and Tourists.
- Due to which, stable rupee and low inflation rate.

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③ Devaluation of PKr:

- In 2000 37 PKr → $1
- In 2008 62 PKr → "
- In 2013 84 PKr → "
- In 2018 125 PKr → "
- In 2022 178 PKr → "
- In March 2023 285 PKr → ".
- In July 2023 237 PKr → ".

Reasons for Devaluation:

i. Decline Dollar Reserves:

- Decline dollar reserves is the primary key of of devaluation of PKr.
- The price of PKr is always and directly linked with the availability of dollar.
- Dollar reserved based on production, more production, more dollars, which means stronger rupee and vice versa.
- In Feb 2022 Pakistan Was $23 bn reserves,
- while in May 2023, dollar reserves. (PKr → 178) decline to $8 bn. (SBP → $4bn, Commercial. banks → $4bn). (PKr → 285).

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ii. **IMF Conditionality:**

- The Conditionalities of IMF is the primary reason of devalue of Pkr.

From Artificial Control to Pre-floating:

- It was the condition of IMF in June / July 2022 to make rupee pre-floating.
- The Pakistani rupee was repeatedly controlled artifically.
- In NOV 2022, dollar was capped against rupee, 1$ purchased at 225 Pkr while the rate of $1 was 276 Pkr.
- Pre-float is market controlled, and is on the basis of demand and supply.
- When there are more demands, imports increases due to which dollar outflows from the country, and rupee devalue.

iii. **Quantitive Easing:**

- Quantitive easing results into devaluation of Pkr.
- Whenever the State bank of a country prints more notes against the lesser reserved ($, Yuan, Riyal, Euro,

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Pound), rupee devalued.

- It is the International Monitory Rule, that the state bank of a country can print notes against dollar.
- In Fiscal Year 2010-2011:

The State Bank of Pakistan printed Rs. 521 billion.
- In Fiscal Year 2013-2014:

SBP printed Rs. 648 billion in 2013-2014.
- This is also one of the reason of de-valuation of PKR.

iv. **Political Instability:**

- Uncertainity about the Country's political future can lead to a lack of confidence among foreign investors.
- This can cause foreign investors to withdraw their funds from the country.
- This can cause a decline in the value of the Pakistani rupee as the demand for the currency decreases.

v. **Inflation:**

- Inflation is another factor contributing

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to the devaluation of the pakistani rupee.

- As the prices of goods and services in the country increase, the value of the pakistani rupee declines in comparision to US dollar.
- In 2022 inflation rate was 24.5%. so rupee float at 178 against $.
- In 2023 inflation rate is 29% and rupee is 273 against $1.

vi. **Trade Imbalance:**

- Pakistan imports far more goods and services than it exports, leading to a significant outflow of foreign currency from the country.
- The trade imbalance puts downwards pressure on the value of Pakistani rupee, as the country reequires more dollars to pay for imports than it earns from exports.
- Exports declined by 11.7% during Jul-April FY2023 to $ 23.2bn as compared to $26.2 bn. (Economic Survey of pakistan 2023).

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Implication of De-value of Pkr:

i. **Currency Related Price hike / Inflation:**

- Pakistan is an import based economy majority of the products purchased by Pakistan in the international market is in dollars.
- The pakistani rupee become weaker against dollar, so the purchased products will be expensive, which resulted into inflation.
- Pakistan imports hydrocarbons, Electronics, Agricultural goods and Automobile.
- For Example:
- The price of per barrel oil is $80, in Jan-2022 pakistani rupee value was 170 against dollar and in July-2023 it stands at 273, so it resulted in price hike → inflation.

ii. **Foreign Loan Increases:**

- The volume of foreign loan exponentially increase with the devaluation of PKR.
- Pakistan took loan in dollars and pay off again in dollars. To pay

off the loan, Pakistan purchase dollars in PKR, when rupee devalued the volume of foreign loan will automatically increase.

- According to State Bank of Pakistan: 1-degree de-valuation of PKR against dollar, i-e from 284 to 285, the minimum Rs. 100 bn loan increases.
- In Jan-2022 for $1bn Loan pay off Rs. 178 bn PKR was needed.
- In July-2023 for $1bn loan pay off Rs. 273 bn PKR is required.
- Due to this increase in dollar an additional 1.4trn PKR loan is to be pay off by Pakistan.

iii. **Expensive Local Products:**

- Due to rupee devalue, locally produced products also expensive.
- Majority of the raw materials for local products are imported i-e hydrocarbons.
- Rupee devalue results in expensive raw materials, which is responsible for more expensive local products.

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iv. **Exports become less Competitive:**

- Due to de-valuation, exports become less competitive without firms having to make much effort.
- Therefore there is less incentive for them to cut costs and therfore in the long run costs will increase and therefore inflation will increase.
- However this may not occur if firms are well run and they keep incentives to cut costs.

Solutions of Pkr De-valuation:

i. **Bring Dollars to the Country:**

- To improve the value of Pkr against dollar, it is necessary to bring more dollars to the country.
- Dollar can be bring to the country from the following ways:
  (1) Remittances, (2) Tourisim, (3) FDI, (4) Acquire more loan, (5) Increase Exports.
- To bring dollars from the following way, the value of Pkr will be improved.

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ii. **Currency Swap Agreement:**

- Trade in Currencies other than dollar, will stronger Pkr against dollar.
- Trade in other currencies will improve the value of Pkr and Pakistan will no longer need dollar for trade.
- In June-2023, Pakistan imported LNG from Russia and paid in Yuan, Similarly Pak-Afghan trade already shifted to Pkr.
- Iran is agree to export oil to pakistan, with the exchange of wheat.
- Pakistan should trade with China, KSA, and UAE in local currency or through bilateral trade.

iii. **Foreign Direct Investment:**

- Foreign direct Investmen can be used to stronger rupee value.
- Through FDI dollars can bring to the country, which reduced inflation and improve rupee value.

iv. **Political Stability:**

- Political Stability determine the economic situation of the country.

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(4) Remittances:

Introduction:

- Overseas Pakistani brings back money to Pakistan through banks.
- It is registered money.
- In FY-2022 worker's remittances recorded at \$26.1 bn. (Economic Survey-2023)
- Countries from which Remittances Arrived:

Source: State Bank of Pakistan

1. Saudia Arabia → \$8bn
2. UAE → \$5bn
3. Europe (UK major part) → \$7bn
4. North America (USA major) → \$3bn

- Remittances is the largest stabilizing factor of the country economy.
- In FY-2023, worker's remittances registered a decline of 13% and stood at \$22.7bn against \$26.1bn in 2022.

Reasons for the Decline in Remittances:

i. **Black Market Growth:**

- It is a disastrous effort to artifically peg the dollar.
- With that peg gone, analysts

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hope people will go back to using official Channels to send remittances.

ii. **Private Exchange Market:**

- Main reason of remittance's decline in Pakistan is Private Money Exchanges.
- People prefer private market exchange because they offer better rates, these are non-registered sources.
- From Nov - 2022 onward:
- Purchase rate of private market exchange was 265 of $1.
- While State Bank purchase rate was - 225 per $.

iii. **Record Inflation in Developed Countries:**

- Including the US, the UK, and across Europe, means that expats are spending more on keeping themselves afloat and have less money left to send to Pakistan.
- According to Economic Survey 2023 Global Inflation recorded at US (9.1%), UK (11%), Iran (53%), Turkey (43%), Egypt (30.6%), and Argentina (109%).

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iv. **Money-Laundering and Terror Financing:**

- The $2bn which have gone to Afghanistan from Pakistan in the form of official and unofficial trade.
- Abuse of Transit trade, smuggling and through the borders, has weakened Pakistan's foreign exchange reserves and caused a heavy decrease in the value of the currency.

How to Increase Remittances:

i. **Regulate the Private Money Exchanger:**

- The govt. should regulate the private money exchanger, in order to increase remittances.
- The govt. and SBP have recently taken some initiatives to curb inflows of remittances through illegal channels besides cracking down on those money changers involved in this activity.

ii. **Prevent Money-Laundering & Terror Financing:**

- The govt. and enforcement agencies

should bring money-launders and terror financer to Jail.

- The govt. need to regulate it and apply taxes on such companies.

iii. **Promote Banking Sector:**

- Banking Sector requires more days as compared to private market.
- The govt. need to promote banking setor by providing quick transfer of money.
- The govt. should provide one window operation in banking sector.

iv. **Better Exchange Rate:**

- Due to low exchange rate, the Citizens prefer private money exchangers and non-register money exchanges.
- The govt. Should give better exchange rate as compared to other exchanges.
- In Nov-2022, the SBP offers 225/\$ exchange rate, while private market offer 265/\$.

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v. Roshan Digital Account: (RDA):

- The govt. needed to focus on RDA, and improve its operation.
- RDA was launched in sep 2020.
- Salient Features:

1. Only Overseas Pakistani can open an account.
2. It is a Tax free Account.
3. It provide investment in diverse sector. i.e Stock Exchange.

- 50,0000 plus accounts opened.
- In June 2022 $4bn plus come through RDA.

Comparision of Pakistan vs. Sri Lanka Economy

Introduction:

- Since the past Covid era 2019, the world has experienced massive price hike where the inflation rate is highest rate in 4 decados.
- Highest inflation faced by Europe, North America, Asian and African Countries.
- Tourism is a major source of Srilanka's foreign Exchange, remittances and exports also major sources which affected due to Covid-19.
- Pakistan is stuck in debt trap, also the devastating flood of 2022 affects the economy, moreover depleting foreign reserves.
- As a result both the country faces massive economic crisis.

Similarities

i. Balance of Payment Crisis:

- Both the economies are overwhelming the import based economy.

- Both the Countries have been facing massive Balance of Payment crisis, and are unable to pay off the external liabilities.

ii. **Weak Production Sector:**

- The production sector in both the Countries are weak, especially industry.
- Industry strength of Sri Lanka are Textile, rubber, sports, Petrochemicals, but industry level is weak as to Contribute to exports.
- Pakistan industry is far bigger than Sri Lanka's industry, but due to weak industrial sector, imports bill was \$80bn and export bill \$36bn in 2021-2022
- Both Countries are agriculture based economy, rice, vegetables, fruits, pesticides are Sri Lanka's agriculture products, but this sector also decline.
- In Pakistan agriculture also decline by 1.55% (2023), 4.27% (2022), Cotton decline by 41%, Rice 21.5%, wheat production decline due to flood.
- In both countries IT has been major contributor, but both fail in IT sector.

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iii. **Depleting Foreign Reserves:**

- In July 2022 pakistan had about $14 bn of liquid foreign exchange reserves.
- In August 2022, Pakistan import bill $ 6.9bn
- In April 2022, Sri Lanka had total reserves of $ 5.3bn which were sufficient only for one month of imports.

iv. **Debt Trap – Dependency Syndrome:**

- The total debt and liabilities of Pak. increased up to Rs. 53.5 trillion, this include the debt of Rs. 23.7 trillion under last govt.
- Sri Lankan's begging history it appears that 70% of the country's infrastructure Projects owed their presence to Chinese loans. Loans from China $5bn, Japan $8.5bn, India $3.8bn. Heavy borrowing led to default to the tune of $51 bn on international debt.

v. **Food Crisis:**

- In March 2022, food inflation in Sri Lanka hit a record of 30%. The island land of nation of 22 million is facing its worst financial crisis in more than 70 years.

- Similarly food crisis in Pakistan causes inflation which recorded at 32.7% in urban areas and 37.90% in rural areas in Dec 2022.
- The 2022 floods washed away a large part of minor crops, including vegetables, pulses, oil seed, and livestock.

vi. **Overdependence on Oil:**

- Both are primarily hydrocarbons import based economies.
- Sri Lanka imports hydrocarbons for electricity and others.
- Pakistan also imports hydrocarbons, more than 60% of electricity produced by hydrocarbons, domestic gas also needed hydrocarbons.
- More than 25% of Trade deficit of Pakistan is b/c of import bill of hydrocarbons.

vii **Balance of Payment Crisis – Current Account Deficit:**

- Due to Russia - Ukraine war, Pak, imports bill has surged due to rising fuel prices.

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- Pakistan Current Account deficit during Jul-April FY2022 has recorded to $ 13.7 bn.
- Sri Lanka also faces cyclical and significant Current Account Problems.
- Sri Lanka CA balance was -1.3% of GDP.
- Both face period of worst Current Account deficit.

viii. **Subsidies Culture:**

- Both the countries gives subsidies on Pension, and spent a lot of money on Pension.
- The govt. of Pakistan specify Rs. 714bn for Pension in the budget 2023-24, This amount was Rs. 650bn in 2022-23.
- Same is the case in Srilanka. Due to increase in Pension in 2023, it cost 40bn rupees extra.

ix. **Budget Deficit:**

- Budget deficit remain the main problem of both Countries.
- Expenditures are more and revenue

is less, due to which loan will taken.

- Pakistan Present a total budget of 14.461 trillion rupees in which 6923 billion rupees is the budget deficit which is 6.5% of the GDP.
- While budget deficit for 2022-23 was Rs. 3.8 tr, 9.1% of the GDP.
- While Sri Lanka Present a budget of 3912 bn rupees in which budget deficit remained Rs.1628 bn.

x. Political Instability and Turmoil:

- Sri Lanka and Pakistan have been undergone Political Crisis.
- In both of the countries, People are facing economic distress and a foreign exchange shortage.
- Sri Lankan economic crisis led to Political turmoil in the island state, whereas a home-grown or Perhaps externally-supported political Crisis, has led to a Serious economic Crisis in Pakistan.

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xi. **Inflation:**

- The depreciating exchange rate coupled with rising Commodity and fuel prices in the world raised inflation in Pakistan.
- Sri Lanka also experienced rising inflation with the problem being much more drastic there.
- By August 2022, year-on-year inflation stood at a whopping 64.3% in Sri Lanka,
- At the same time, Pakistan also experienced a very high inflation rate of 27.3%, & 29.2% in 2023.
- While the inflation hardships in Sri Lanka are much worse, Pakistan sadly appears to be travelling on a similar path.

xii. **Exchange Rate Depreciation:**

- Currency devaluation also put pressure on both of the countries exchange rate.
- From January 1st 2022, there has been a depreciation from 178 PKR/USD

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to over 285 PKR/USD as of March 2023, with fluctuation in between.

- During the economic crisis in Sri-Lanka in March and April 2022, the LKR faced severe depreciation against USD.
- By March 8th the LKR stood at about 202 LKR/USD, By March 10, it had Jumped to 255 LKR/USD
- By the end of April, the exchange rate was 355 LKR/USD.

xiii. **Low Revenue Collection:**

- Both the Countries faces revenue Collection Problems, due to bad governance and Corruption.
- Both have flawed taxation system, Tax avasion, Tax Corruption, and Tax exemption.
- Pakistan Collected a tax revenue of Rs. 6 trn in 2022, while the target was 9 trn rupees. 23-24 target is 12 trn.
- Similarly Sri Lanka also show decline in revenue collection, 2022 target was 2.284 trn LKR, but collect only 2 trn.

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xiv. **Rampant Corruption:**

- Corruption has been prevalent both in Sri Lanka and Pakistan for a long time and has never allowed the country to garner stability.
- Both of the countries have been the victims of massive corruption that has been perpetrated by corrupt quarters and the successive govt.
- ~~Paki~~ Corruption in Pakistan is widespread, and extends to every sector from government to Judiciary, Police, health services and education.

xv. **Poor Accountability:**

- There are poor economic accountability in both of the Countries.
- A UN report in September 2022 highlighted that impunity of Sri Lankan officials for human rights violation and economic crimes in the Country are reasons of its economic crisis.
- The poor accountability and lack of transparency in Pakistan results in social instability and an

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environment that is less than conducive to economic growth.

Ways Forward to Manage the Economic Crisis

i. **Political stability:**

- Economic progress cannot be imported or borrowed.
- Efforts must be made to immediately resolve the ongoing political crises.
- Political stability, which has been an economic woe for the last seventy years, must be tackled.
- Also a full-term government must be the aim of all political representatives of Pakistan regardless of their party affiliations.

ii. **Long-term Policies:**

- Economic Progress come from long term pursuit of appropriate strategies throug policies implemented consistently through Competent governance.
- Pakistan needs long term policies like speial Economic Zones which

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are a great attraction for Foreign Direct Investors.

iii. Industrialization Policies:

- Pakistan needs to have an industrialization framework for the next 20 years.
- Industrialization must take precedence in the Country's economic priorities.
- Industrialization polices must requires as it plays a major role in Country's exports.

iv. Attract Foreign Direct Investment:

- A Country with more foreign Direct Investors, has more prosperous economic growth.
- Projects like Special Economic Zones are great attraction of Foreign Direct Investors.
- But to attract Foreign Direct Investors, a country must have Political stability, Strong Currency, good law and order situation, long-term policies.

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v. **Trade Connectivity:**

- Economic progress can also be achieved through trade connectivity.
- Trade connectivity provides, employment generation, services ability, products of low cost etc.
- An important example of this in Pak. can be CPEC Phase-II which has positively contributed towards Pakistan's economic growth.

vi. **Budget Restructuring:**

- Pakistan must needs to restructure its budget, as budget deficit stands at 6.54% of GDP.
- Expenditures should be reduced.
- It is because of budget deficit, a country acquire loans.

vii. **Clean Energy Generation:**

- As major part of the Pakistan import bill is consists of hydrocarbons for energy generation.
- Pakistan is a resource rich country and have multiple options for clean energy generation such as;

water, solar, tidal, wind, coal etc.

- Pakistan can make electricity for the upcomming 200 years from coal.
- Pakistan must focus on clean energy projects to reduce import bill of hydrocarbons.

viii. **Social Development and Poverty Alleviation:**

- Social development is about improving the well-being of every individual in society so they can reach their full potential and poverty can be alleviated.
- Through social development, economic growth can be stimulated, which results in employment opportunities

ix. **Documentation of Economy:**

- Documentation of economy is vital for proper micro and macroeconomic planing of a country and for accelerating its gross domestic product growth.
- In a developing country like Pak where, according to some estimates, half of the economy is informal or

underground, documentation assumes a very important role in setting economic direction of the country.

x. **Managing Circular Debt:**

- Circular debt remains the highlighted problem in Pakistan economic crisis.
- In order to resolve the circular debt problem, sharp adjustment in power tariffs may be required with the need of the govt. to explicitly recognize the cost of power subsidies in the budget.

xi. **Mantaining Balance of Payments:**

- To maintain Balance of payments, the country needs to promote and establish its export sector and move towards exporting high-value goods and services.
- This is essential for improving Pakistan's current account problems and reducing reliance on foreign loans for building foreign exchange reserves.

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xii. **Digitalization of FBR:**

- FBR deals with Tax collection, but it missed its collection target by a wide margin.
- Because of tax evasion, fradulent refund claims and issues related to mis-declaration of imported goods.
- Digital technologies can enhance the FBR's capacity, if its leadership focuses on broader accountability systems around technological deployment and structural changes.

xiii. **Inflation Control:**

- After the 1965 war, highest inflation is recorded in Pakistan, in Jan-Feb 2023, which was 46%.
- With controlled, low inflation, consumers have more money to buy goods and services, and the economy benefits and grow.
- When inflation is low, stable and predictable, it helps people and businesses to better plan their savings, spending and investment.

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- That helps the economy to grow, in turn creating jobs and prosperity.

xiv. **Strong Culture of Accountability:**

- A strong culture of accountability means your leadership team is able to trust your employees to bring their best work.
- Without transparency and accountability, trust will be lacking b/w a govt. and those whom it governs.
- The result will be social instability and an environment that is less than conducive to economic growth.

xv. **Afghan stability:**

- For economically prosperous Pakistan, a stable Afghanistan is necessary.
- The rise of violent extremism and increase in terrorism in Pakistan due to instability in Afghanistan not only caused serious damaged to Pakistan's economy but has also been responsible for wide-spread human suffering due to indiscriminate attacks against the civilian population.

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