

11/08/2024

Day: Sunday

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Q#1

Economic issues and solutions to overcome economic problems of Pakistan.

1- Introduction: Economic Issues of Pakistan:

Pakistan is grappling with worst economic problems. There are various factors, which are involved for the current economic condition of Pakistan. The internal factors include high fiscal deficit, tax to GDP ratio and tax evasion. On the flip side, external factors involve vicious cycle of debt trap and balance of payment crisis. A comprehensive approach is required to overcome economic meltdown in Pakistan.

2- Current Economic Milieu of Pakistan:

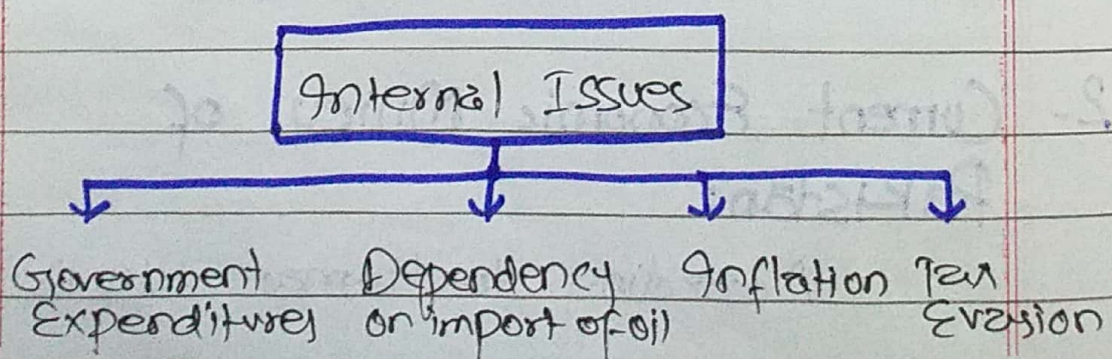
According to Human Right's

Watch Report 2023, Pakistan has faced worst economic crisis in 2023 with soaring inflation, rising poverty, high unemployment and continuing debt crisis.

Economic Indicators of Pakistan	Current value
Fiscal deficit	3.7% of GDP
Current Account deficit	USD 0.4 billion
Debt to GDP ratio	74.8% of GDP
Tax to GDP ratio	9.1%
Trade deficit	Increased 56%
GDP growth	2.8%
Inflation	26.0%

Source: Economic Survey of Pakistan 2023-24

3- Economic MeltDown: Internal Sector Conundrums:



In his seminal work "Issues of Economy in Pakistan" Akbar Zaidi wrote that high fiscal policy issues and fiscal federalism have pushed the economy of Pakistan into the trap of debt.

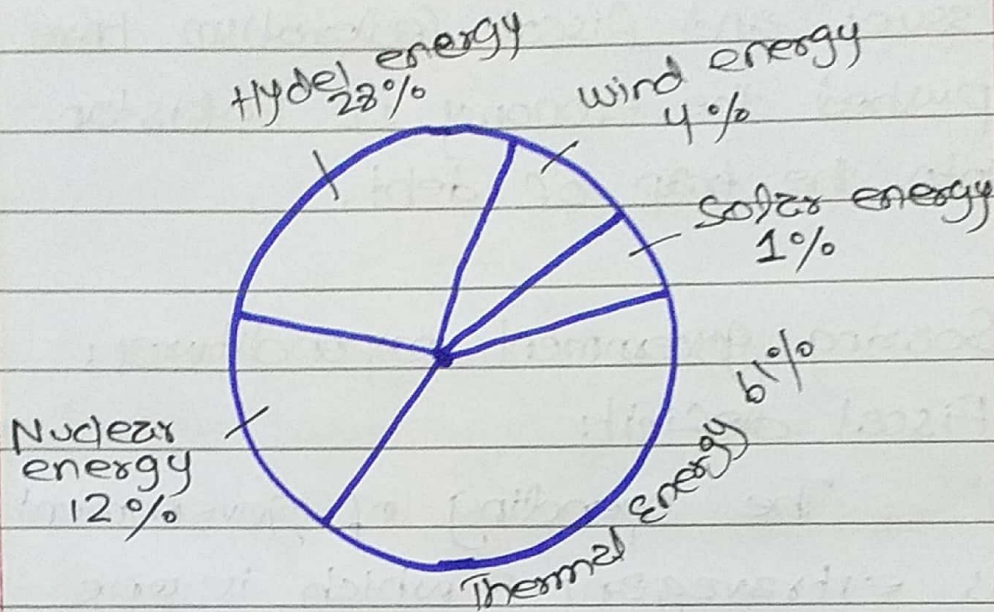
3a- Soaring government expenditures:
Fiscal deficit:

The spending of government is extravagant, which is one of the major factors for economic fragility in Pakistan. For instance fiscal deficit is 3.7 per cent of GDP of Pakistan according to Economic Survey of Pakistan 2023-24. It shows the unsustainable spending of government.

3b- High dependency on imported oil:
Increasing trade deficit:

The energy demand of industries fulfilled by imported oil. Resultantly, it widens trade

deficit. The current trade deficit increased by 56 percent, according to State Bank of Pakistan Report.



Source: Economic Survey of Pakistan 2023-24

3c. Skyrocketing Inflation:

The rising inflation in Pakistan has pushed millions of people into poverty. According to Pakistan Bureau of Statistics, inflation in July 2024 was 26.0%. Last year, it was 28.6%.

3d. Tax evasion in Pakistan:

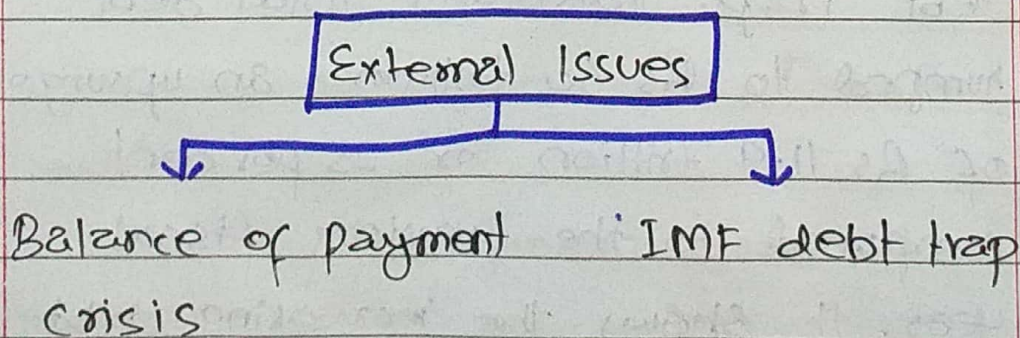
Tax evasion is one of the

biggest problems in Pakistan. Only indirect taxes are collected from citizens while direct tax collection is very low. Almost 60-65 per cent indirect taxes are collected while only 30-35 per cent direct taxes are collected according to Federal Board of Revenue.

“Tax abuse in the form of tax evasion by the elites has made too many developing countries dependent on aid”

— Richard Murphy “How Tax Havens Destroy Economy”

4- Economic Challenges: External Sector Conundrums:



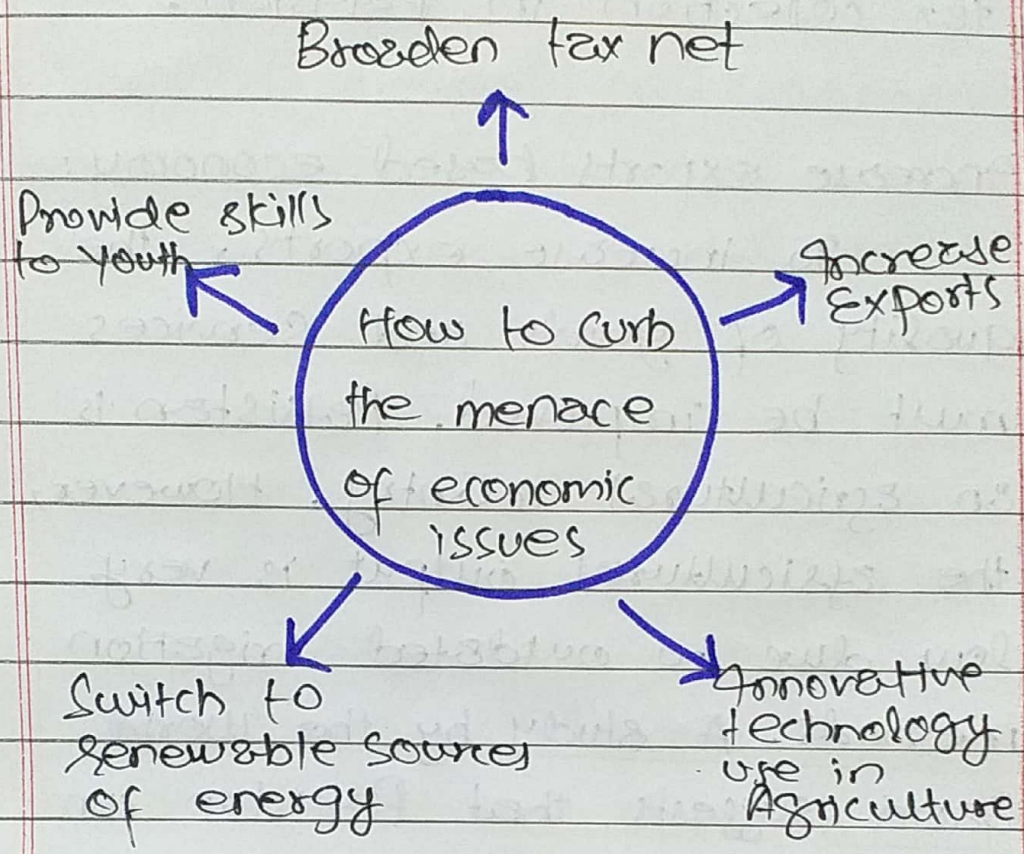
4a- Perennial balance of payment crisis:

The unsustainable economic development in Pakistan is the outcome of low foreign exchange reserves due to high expenditures and low revenues. The foreign exchange reserves of Pakistan is only USD 4.5 billion according to State Bank of Pakistan report 2023. It results in balance of payment crisis.

4b- International Monetary Fund: Vicious cycle of debt trap:

Pakistan is highly dependent on external creditors, which pushed its economy further into debt trap. Pakistan's total debt jumped to Rs 60 trillion, an upsurge of Rs 11.9 trillion or 25 percent compared to the previous fiscal year. It shows the increasing debt of Pakistan with every passing year.

5- Recommendations To Overcome Economic Bottlenecks:



"No country can strengthen itself without until it's strong from within"

- Richard N. Haas

5a- Reforms in tax culture of Pakistan:

Broaden tax net:

The government needs to strengthen FBR to widen tax net. It entails the registering of

informal economy into the tax net, which will improve direct tax collection in Pakistan.

Sb- Increase exports based economy:

To increase exports, the quality of goods and services must be improved. Pakistan is an agricultural country. However, the agricultural output is very low due to outdated irrigation methods. A study by the World Bank suggests that Pakistan can increase its agricultural output by 50% by 2025 through diversification brought about by modernisation.

Sc- Usage of innovative technology for agricultural growth:

To improve agricultural output, Pakistan needs to use technology such as smart irrigation methods, which can be use of Remote wells. It can enhance

production and quality of goods.

Sd- Transition to renewable sources of energy can reduce reliance of imported fossil fuels:

Pakistan has huge potential for solar and wind energy due to weather conditions of Pakistan. Pakistan can untap the potential of renewable sources, which can lead to sustainable economic growth.

se- Provision of technical skills to youth: An Untap potential of Pakistan:

Pakistan can use its potential of youth to transform the trajectory of economy. Almost 65% population of Pakistan is under age 25, according to Pakistan Institute of Development Economics (PIDE). If this huge population is provided with technical skills and training, they can lead the country towards progress and development.

6- Conclusion:

Pakistan is encompassing with myriad economic challenges ranging from internal issues of inflation, tax evasion to external issues of rising debt. However, with collective effort of government, youth of Pakistan and civil society, the economy can lead to growth and progression.

Q#2

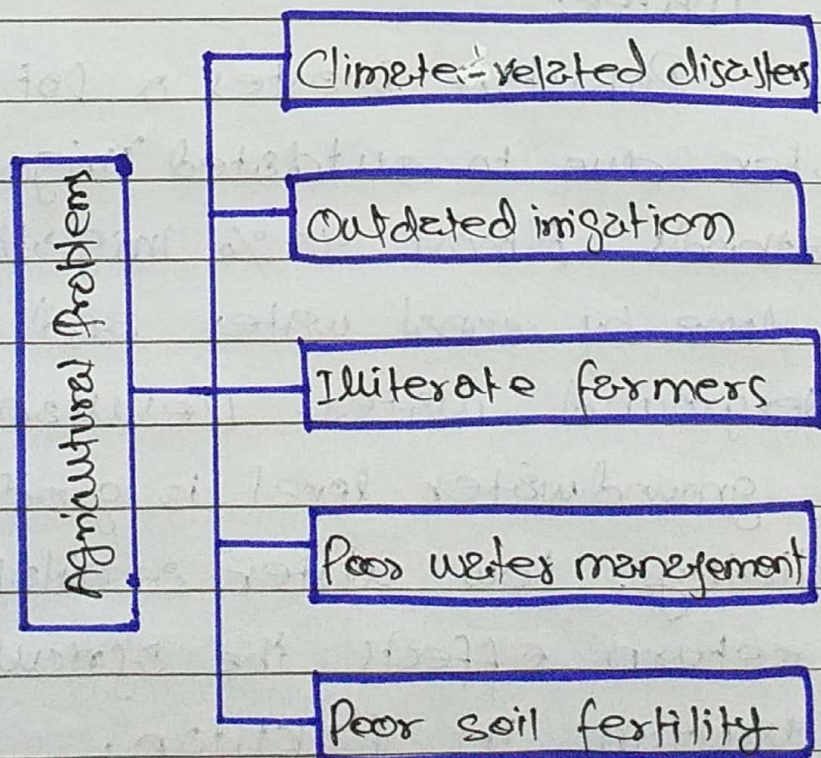
Analyse the agricultural problems of the country and suggest ways and means which could help sustainable development of this sector.

1- Introduction: Agricultural Bottlenecks of Pakistan:

Pakistan is an agricultural country. The economy of Pakistan is largely dependent on agricultural

production. Almost 37% population in Pakistan is employed in agriculture and it contributes approximately 46% in GDP of Pakistan. However, Pakistan is facing various issues in this sector. It includes outdated irrigation methods, climate-related disasters, and illiterate farmers. A multifaceted approach is required to bring sustainability in agricultural sector of Pakistan.

2- Agricultural Issues of Pakistan:



2a- Climate-triggered disasters: Floods and droughts:

Pakistan is grappling with extreme weather conditions, which has adverse impacts on agriculture. The floods of 2023 have destroyed crops in almost all provinces of Pakistan. It reduced agricultural yield and adversely impacted economy.

2b- Outdated irrigation methods: Low crop production due to shortage of water:

Pakistan wastes a lot of water due to outdated irrigation methods. Almost 90% irrigation is done by canal water and underground water. Resultantly, the groundwater level is gradually declining. Low water availability in return affects the agricultural production in Pakistan.

2c- Poor water management: Maximum water wastage by water-intense crops:

Pakistan has cultivated water intense crops such as wheat, cotton, sugarcane and rice. Almost 80% of the country's water resources are used by these four major crops according to the International Monetary Fund (IMF). Hence, these crops only contribute 5% to GDP.

2d- Poor soil fertility: Stagnant crop rotation:

As Pakistan uses only four major crops, therefore it does not resort to crop rotation.

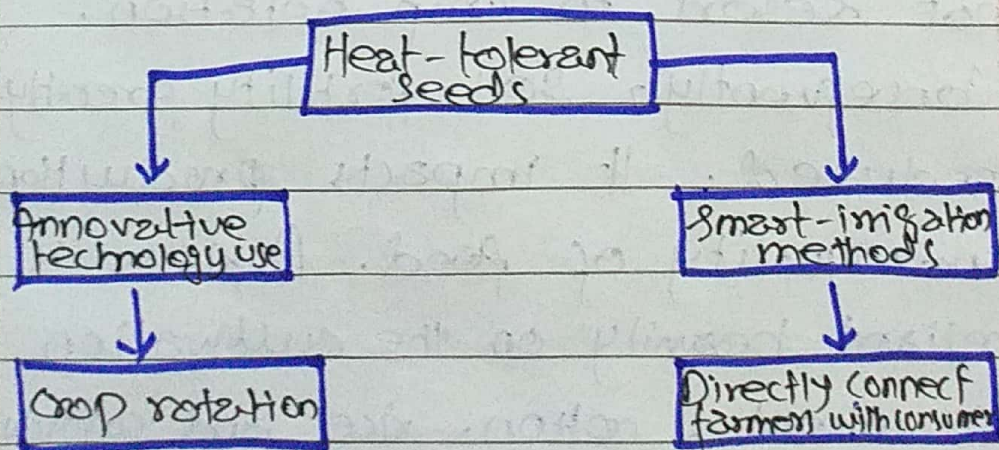
Consequently, soil fertility greatly reduced. It impacts production and quality of food. Pakistan is reliant heavily on the cultivation of wheat, cotton, rice and sugarcane. For instance, 3.7 million acre feet

land is cultivated with sugarcane in Pakistan according to World Bank.

2e- Illiterate farmers: No access to consumers and use of middleman:

Farmers have no direct access to consumers, which demotivated them to work efficiently. For example, farmers in Pakistan have to sell food to consumers through middleman, which decreases their profit and maximum profit goes to midmen.

3- Suggestions for Sustainable Development of Agricultural Sector in Pakistan:



3a- Use of heat-tolerant seeds :

Minimize the impacts of climate-driven disasters:

The unpredictable weather events in Pakistan has decreased the predictability of crops durations. Therefore, use of heat-tolerant seeds can bear intense heat waves and it does not affect the yield of crops.

3b- Shift in use of precision agricultural techniques can save water:

Pakistan has recently started Zarzabat agri-start up competition sponsored by Bank of Punjab. It has provided platform for investment in agriculture to bring innovation in technological use. It is an opportunity to induce precision agricultural techniques in Pakistan. According to International Water Management Institute, Pakistan can save

upto 12.5 million acre feet water by resorting to use smart irrigation methods such as Remote well.

3c- Directly connect farmers with consumers: An incentive to increase maximum yield:

Pakistan should introduce methods to directly connect farmers with consumers and end the role of middlemen.

Pakistan can emulate India, which uses platforms like Bigbasket to directly connect farmers with consumers.

3d- Use of Artificial Intelligence technologies to boost up agricultural growth:

Pakistan should grasp this opportunity to use AI in agriculture like other agrarian economies use this technology. Hello tractor in Africa is its

start example in which farmers can book tractors on demand and able to use mechanised farming.

3e- Crop rotation techniques improve soil fertility:

Pakistan should replace water-intensive crops with other crops which are less water-intensive.

In this way, soil fertility will also improve as it will rotate crops and improve production of goods.

4- Conclusion:

The agricultural sector in Pakistan has multifarious problems, which reduce output of goods and services. However, with concrete actions of government, the development of agricultural sector is not a distant dream for Pakistan.