

# CAN A FRAGILE ECONOMY BE ABLE TO RECUPERATE BY RAISING UTILITY BILLS

## A. Introduction

Thesis Statement: Raising utility bills can generate immediate revenue for a fragile economy but it must be implemented alongside supportive measures to mitigate long-term economic strain on lower-income households.

## B. Overview of Pakistan's Fragile Economy

### C. Potential Benefits of Raising Utility Bills

(i) Raising utility bills can directly boost government revenue

Case Study: According to World Bank, Pakistan's GDP in 2023 contracted by 0.5% as compared to 2022, indicating a need for increased revenue.

(ii) Revenue from utility bills can be used to modernize aging energy infrastructure

Case Study: According to Asian Development Bank, Pakistan needs significant investment in its energy sector to address frequent power shortages.

(iii) Revenue from utility bills can reduce reliance on external borrowing.

(iv) Funds can be directed towards renewable energy projects (Solar, Wind), reducing dependency on imported fuels.

### D. Adverse Effects on Vulnerable Population

(i) Higher utility bills can increase the cost of living for low income households.

(ii) Low-scale businesses, operating on limited resources, may shut-down leading to unemployment.

(iii) Lower-income individuals may reduce the consumption

of good and services leading to slowdown of economy.

(iv) Lower-income households may incur debt to cover rising utility costs.

#### E. Mitigation Measures

(i) Implementation of subsidies for low-income households.

(ii) Implementation of tiered tariffs where low-income households pay a reduced rate for basic utility usage.

(iii) Offer flexible payment plans that allow households to pay bills in installments.

#### F. Conclusion

In the realm of financial and economic stability, the decision to raise utility bills stands as a pivotal yet contentious strategy, especially for countries like Pakistan which are already struggling through fragile economic conditions. Although raising utility bills in a fragile economy can pave way for potential benefits but it can suppress the vulnerable population in the long-term if pro-active measures are not adopted. Raising utility bills can directly boost the revenue of the government thereby reducing the dependency on foreign debt. Furthermore, the revenue generated can be used to modernize and improve the energy infrastructure of the country as Pakistan faces regular power shortages and inefficiencies. On the other hand, solely relying on utility bills for revenue generation can pose adverse effects on the vulnerable society of the country in the long-term. A sudden increase in the utility

bills can significantly increase the cost of living for low-income households, making it hard for them to make both ends meet. Similarly, low-scale businesses which are already operating on thin margins and limited resources find it difficult to absorb the increased costs, leading to closure and job losses. By examining both the potential benefits and the adverse effects, it is viable to not just impose a raise in utility bills but also implement some mitigation strategies which can prevent the long-term burden on the economy. In a nutshell it can be said that raising utility bills can generate immediate revenue for a fragile economy but it must be implemented alongside supportive measures to reduce long term economic strain on lower-income households.

Pakistan's economy faces significant fragility, accompanied by fluctuating GDP and persistent inflation. Economic stability remains a question mark amid external and internal challenges. Excessive social and economic problems have resulted in compromise of overall economic and financial stability of Pakistan. In this context, there is a critical need for increased government revenue to support economic stability and development initiatives. Raising utility bills is seen as a necessary and short term step to arrange essential funds to meet the growing energy demands and infrastructure development. However, such measures must be accompanied by targeted programs to reduce the adverse effects. Raising utility bills can pose potential benefits which may help overcome the ongoing challenges.

The first benefit of raising utility bills is that it directly boosts the revenue of the government. Thereby, providing additional resources to address budget deficits and fund essential public services and infrastructure projects. According to the World Bank, the Gross Domestic Product of Pakistan in 2023 contracted by 0.5% as compared to that of in 2022, indicating a need for increase in the revenue of the government. Hence, the additional revenue from the utility bills could contribute to close the fiscal gap, thereby reducing fiscal strain and promoting economic stability.