

Pakistan's Economic Future; Can the country achieve sustainable growth?

## Outline

### ① Introduction

1.1. Attention grabber

1.2. Thesis statement: The current economic growth of Pakistan is highly fluctuating and so future sustainability seems a distant but possible dream. The sustainable growth factors like domestic growth, needs to focus on focused on sustainability. Issues hindering sustainable economic growth.

### ②

2.1. Energy crisis; Industries and markets non efficient functioning

2.2. Inflation; a macroeconomic issue

2.3. Inefficient tax collection

2.4. Employment, education and other issues

### ③

Agriculture is the backbone of economy; just in books or in practice too



④ Business cycle; have always been fluctuating.

⑤ Macroeconomic vs Microeconomic focus.

e.g. what is required by Pakistan for future sustainability

⑥ Informal economy; a help or burden for sustainable growth

⑦ International relations; a source of help or trap for the economy?

⑧ Sustainable growth meaning in the long term for Pakistan

⑨ How Pakistan can achieve the sustainable growth

⑩ Currently, is economy really improved or numbers are deceiving us.

⑪ Developments; A hope for sustainable growth in future

⑫ Current economic approach vs future approach.

⑬ Conclusion



The Essay:

Has Pakistan's ~~even~~ policies and economic practices ever focused on sustainable growth? ~~or just growth?~~ Certainly Not! The policies and practices of Pakistan has always focused on getting things done in the short term.

Pakistan is a developing country with all of its resources in hand; the minerals, weather and seasonal patterns, favourable geography, manpower and whatever is required for a sustainable growth. ~~but~~ the problem lies in incorrect approach and ~~non~~ implementation of correct policies. Pakistan's policy has always been short term and ~~that~~ is the reason ~~she~~ has always faced fluctuations in business cycle.

The issue that Pakistan currently faces includes energy crisis, unemployment, less education opportunities and such others which impedes growth in the long run.



For a sustainable economic growth, the focus of Pakistan's policy and approach should be on long term and sustainable economic growth factors, also Pakistan has the natural resources in hand so the sustainable growth is possible but in the distant future.

Pakistan has been grappling with

numerous issues that hinder the sustainable economic growth. One of the issues is energy crisis. Well functioning of a country's industries and markets translates into a sustainable economic growth. But if there is energy crisis then the efficient operation of industry is not possible. This is the case with Pakistan.

but there is a energy crisis

When Pakistan is compared with the same developing countries like India and Bangladesh then a stark difference is visible in Pakistan's energy crisis and other's energy efficiency.



The per unit electricity cost in India and Bangladesh is around 9 ~~Rs~~ cents while the same for Pakistan is above 14 cents. This shows how expensive energy usage is for Pakistan's industrial operations. The ~~businesses and~~ ~~industries owners~~ ~~faces~~ ~~impose~~ ~~difficulty~~ ~~in~~ ~~running~~ ~~the~~ ~~operations~~ ~~in~~ ~~cost~~ ~~effective~~ ~~manner~~ ~~which~~ ~~makes~~ ~~economy~~ ~~vulnerable~~ ~~to~~ ~~shocks~~ ~~and~~ ~~decline~~.

currently, Pakistan has claimed a reduction in inflation but the question is whether this has really improved the economy or not. An ordinary citizen is not able to afford grocery; the adversity shows the level of prosperity the ~~inflation~~ reduction has brought, means the inflation is not reduced not because of prosperity but because of some other factors. The ~~time~~ ~~which~~ Pakistan is spending right now



is the "golden era" that comes  
after in the first year after  
IMF loan disbursement. This  
is the reason inflation has  
\* so called dropped from double  
digit to single digit: as  
the reserves have now risen.  
So, again we are not at the  
path of sustainable growth but  
at a short term way  
but for the economy.

Another problem

that puts stop to the sustainable  
growth of Pakistan is the inefficient  
tax collection and implementa-  
tion, at the right place. The exemp-  
tion of affluent and influential  
individuals from the tax collection,  
non allocation of tax to the  
deserving sections and such  
other issues exist in the  
process of tax collection of  
Pakistan. When tax collection  
will be improved then govern-  
ment will have funds to  
invest in the public projects



such as hospitals, schools etc  
Another important aspect of tax is  
the adequate allocation rather  
than keeping it in its own pockets.  
Countries like US and others  
adequately allocates the resources  
in the delivery of public  
services. Pakistan is, currently,  
~~not efficient in the implementation~~  
~~of an effective tax collection~~  
~~and allocation policy which has~~  
reduced the local generation of  
revenue. The nations tax base  
needs to include the influential  
people as well.

Other issues that  
Pakistan faces includes education  
opportunities, unemployment and  
others. Pakistan's youth constitutes  
is an asset given that they  
are provided with adequate  
and fruitful opportunities.  
The education sector of Pakistan  
faces numerous issues like  
infrastructure inadequacy, ineffic-  
ient public schools, lack of



as fundings and unequal opportunities on various demographic factors like gender, class etc. This creates great gap in the education and sustainable growth of economy. ~~In~~ ~~to~~ ~~fulfill~~ the international commitment of 4 percent 4% of the GDP from the sector, an amount of around Rs 4 billion more is required in financing the education sector. Such ~~advantages~~ ~~is~~ ~~our~~ ~~education~~ ~~sector~~ ~~shows~~ ~~the~~ ~~distant~~ ~~dream~~ ~~of~~ ~~sustainable~~ ~~growth~~.

The Agriculture is the backbone of economy is true when ~~to~~ the country's agriculture is really used or utilized properly. Agriculture being the biggest employing sector supports Pakistan's economy and addresses food challenges. However, this sector has not improved in the last three decades and has adversely



been impacted by climate change, urbanization and population growth. This was stated in the report "Solving the great puzzle: Pakistan". The same report also indicated the health issues of Pakistanis. The agriculture sector of Pakistan is still employed with old age ways of farming which reduces productivity and hence this sector's ability to contribute to GDP too.

Business cycle in Pakistan has always been facing high shocks and fluctuations. Business cycle is an important measure of any country's GDP and growth and stability. Along side short term interventions, Pakistan needs to focus on the cost of not incorporating long term initiatives. In the quest for quick win, government may soon shift its focus from stabilisation of growth. In the absence of any meaning.



Due change in domestic production, pursuit of growth through easing up of import controls, provision of subsidised credit or suppression of energy prices may result in the economy heating up again.

The current stabilisation is a myriad. This stabilisation is ~~not~~ what happens everytime in the first year of IMF programme. There are no surprises here. This history goes back to 1988 and even earlier. It has happened every single time. The new government enters. The economy is nearly bankrupt. The government signs IMF programme. In the first year of programme, the deficit stabilises, growth plummets, reserves rise. The government claims victory. This stabilisation and destabilisation is a clear indication of how fluctuating Pakistan's business cycle is and this also indicates!



The economy's less chances of sustainable growth.

Pakistan's sustainable growth is still pending because of another factor which is focus on macroeconomic figures rather than including microeconomic as well. Currently Pakistan has just removed inflation at macroeconomic level by ~~then~~ taking loan from IMF which increased reserves. ~~Now~~ But ~~it is~~ achieved ~~at~~ at macroeconomic level. ~~The macroeconomic stability measures also includes very high interest rates and high tax burdens to be borne mostly by those already in the tax bracket.~~ So, Pakistan's focus on macroeconomic indicators have shown her as a country on a growth path. But if the microeconomic indicators like purchasing power, domestic production, and employment rate and wages are not improved the growth



will not be achieved in the long run. The targeted 3% of growth rate for year 2024 was less than half what country needs in view of its population and labor force. To have sustainable growths, so, Pakistan needs to improve it at microlevel as well to achieve sustainable growths.

Informal sector is one of the ways given that to induce sustainable growths, given that it is properly documented, legalized and utilized. Speaking to an audience in Riyadh earlier in 2024, Finance Minister labelled

the undocumented economy as the "biggest challenge". His concern was narrow tax base and lack of taxes collected in the country. Most of what gets made and traded in the informal economy is licit, but some part of



The process is not according to the existing laws and policies. These undocumented and illegal practices do not contribute to country's tax bases which reduces the source of income and sustainable growth projects as well. Moreover, when informal sector will be documented then more opportunities of employment will be generated in the market, contributing to growth and income.

Pakistan has good relations with many countries but the benefit that Pakistan takes from these relations is only one; "loan or debt". Pakistan has taken numerous loans from Saudi Arabia, UAE, US and China as well but the country is still not in the path of sustainable growth means the approach needs to be changed. These "debt" loans will



only result in Pakistan increasing the money to be given rather than money be spent. The donors of loans like IMF asks you certain conditions before issuing the loans. For the \$7 billion IMF programme, the \$2 billion financing gap was met by borrowing at commercial rates. This type of commercial borrowing will reduce the average time of maturity of the debt, which is 2.5 years of external debt and 6 months of domestic debt. Without debt restructuring, a stabilised exchange rate will not work long. Therefore, Pakistan should not only focus on maintaining foreign relations for debt purposes but also on exchange and trade, enhancement of education sector, youth empowerment activities and others.



For Pakistan, sustainable growth of economy do not have adequate meaning. The narrow focus of Pakistan to put its economy on the track of growth is short term and not focused on long term developments. The country do not spend the loan amount adequately. The loan is spend on new development projects, then for some reason those projects completes half and then what? money and development projects both are rendered useless for Pakistan. Iran-Pakistan gas pipeline is a case, in which the project is half completed because Iran has completed her side but Pakistan still has not. Either Pakistan should complete the developmental projects on spend loan domestically to enhance domestic production on revenues. Pakistan's approach is just debt focus and not on domestic enhancement. when a country is domestically strong



Then she will less rely ~~and~~ on external help. A domestically strong country is well aware about ~~its~~ its strengths and can use it anytime when required. ~~Pakistan needs to improve agriculture, business on startups~~ Setup businesses, invest in renewable energy resources and improve tourism. When these all things are in place, then we can fairly call Pakistan growing in the path of sustainable development.

Pakistan's approach is decades old, the same which she had in Zia-ul-Haq's era in which first IMF loan was taken. The need of the realization that world has changed, demands increased for growing population and green ways of dealing with energy issues are on the rise is all that Pakistan is missing. The domestic production



should be incentivized so that more production can be done. This will help Pakistan to increase exports. This is needed to have a stable currency exchange rate. The loans taken should be invested either in such projects which will be sure to be completed in the allocated budget and current scenario or the loans should be invested to strengthen the economy domestically, so that when ban is finished the economy is still thriving. Since, the citizens (of middle class or lower class) are suffering because of high inflation so either the inflation should be reduced, in real sense not by increasing reserves through loans or the salaries/wages of workers should be increased. Paying over Rs 2 million per month to the judges while giving



less than 20,000 to the sanitation workers is grossly unethical. Such ~~me~~ Therefore, Pakistan should increase the scope of its sustainable growth and include things like ~~\$~~ domestic empowerment, per month income level raise or reduction of inflation, focus on green ways for energy crisis and investing debts wisely.

In the last of 2024 year 2024, ~~government claim-~~  
~~ed that economy~~ there was growing acknowledgment of macroeconomic stabilisation.

Inflation is down, current account has posted surpluses for four consecutive months in the end of 2024, on the back of rising remittances, foreign exchange reserves are growing along with export growth.

There is some improvement in the real economy figures, ~~the~~ such as auto sales and cement dispatches, though the overall



economy is still well below par. So, is it true that the economy is improving? The short and best answer is 'yes and no'. Yes, because the deficits plagued it have been plugged. No, because growth remains a far-off dream. The proper term to use is that economy is stabilising, but it is not yet, and will not be for a long time, ready to grow. This presents a problem. Without growth you don't get employment generation to absorb the new entrants to the labor force. The country will also not get income growth, meaning all the purchasing power that was destroyed in the inflationary 2021 to 2024 will not be recovered. At least not in the near future. But



stability means the end of  
inflation. It means no short  
warnings of default, at least  
not for few years and no  
catastrophic devaluations. It  
means Pakistan is in the  
path of stabilising but not in  
the path of growth. The stabil-  
ity is achieved macroeconomic-  
ally but not microeconomic-  
ally.

The year 2024 was a  
year of adversities and develop-  
ments both; but the developments  
gives a ray of hope for the  
future sustainability in Pakistan.  
The rising climate change reser-  
vations globally made Pakistan  
take the action accordingly.

A New ~~an~~ Energy Vehicle  
(NEV) policy was announced in  
November 2024. As per this  
policy, 30% of all new vehi-  
cles imported and manufac-  
tured will be transitioned  
to electric power by 2030.



This will be big step, if implemented, in reducing adverse effects of climate change and vehicles' smoke. Not only this, the Pakistan's dependency on expensive imported petroleum will also be reduced.

Another development is the macroeconomic stability that Pakistan achieved in 2024. This stability is like a new life line for Pakistan, unless she agains losses this lifeline as well. This era of temporary stability is not surprising, after IMF loan, unless it brings real sustainable growth in the country!

Pakistan has been signing numerous agreements and loans pledges in 2024; this is a good jump to maintain good foreign relations. The Pakistan - Belarus agreement on "Roadmap for Comprehensive Cooperation"



aims at strengthening economic ties between the two countries. Such agreements are instrumental in keeping good foreign relations and ensuring the developments are in place continuously.

The current economic approach of Pakistan is highly short term with focus on macroeconomic stability, while the future approach should be such that the focus would not be just macroeconomic but using that macroeconomic stability to achieve microeconomic growth. The microeconomic growth will be achieved when small businesses and large business both would be existing and contributing country's growth. This will also increase the purchasing power of people and hence the revenues for government will increase.



~~manifolds~~. The ~~domestic~~ businesses should be incentivise as well so that new startups would also be encouraged. Focus on agriculture sector is another major consideration. Pakistan's agriculture sector faces issues like lack of technology, water issues, seeds less developed seed, lack of financing for animal diseases and feed issues - as per "~~Pakistan The State~~" "The State of Pakistan's Agriculture 2023" report. Pakistan needs to work on agriculture sector by encouraging private sectors to ~~invest in seed enhancement and other agricultural issues.~~

So, the focus of Pakistan needs to be domestic development as well which will automatically increase the microeconomic growth. and put the country in the path of growth.



Conclusively, Pakistan is in the path of temporary macroeconomic stability which can be translated into sustainable growth but not in the near future. There is a lot on which Pakistan needs to work on in order to achieve real time growth - which will be growth for middle class and lower class individuals as well. ~~Economic growth should not mean growth at the expense of poor and middle class - by taxing them high - but it should mean better affordability for them to basic commodities~~ at least. Business thriving, increasing exports, rising domestic revenues and other such indicators are all achieved when economic growth is achieved. Pakistan is in the path of sustainability which can be translated into economic growth, given that the economy is given into that direction! So, sustainable growth



of economy can be achieved, not in  
near future, but in the distant  
future hopefully!