

Public Administration (1)

Q: How do budget deficits and IMF-imposed austerity measures shape the priorities of public administration in Pakistan? Suggest strategies to balance economic stability with citizen welfare."

Ans: Introduction:

Pakistan is facing dual challenges regarding budget deficit and its management due to IMF's austerity conditionalities.

It always have a negative impact in the long-run, but benefit for short term. There are several reasons of budget deficit including low exports, debt servicing, and narrow budget net. In addition, IMF conditions dependency leads to low FDI that brings unemployment, under developed infrastructure, and lowering the confidence of foreign investors to take business measures. The lack of political stability also cause protest and low tax-to-GDP ratio. The urgent reforms are

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are needed in the field of revenue collection to make agriculture and other non-tax group in tax-net. Alongwith this, convince the investors and strengthen the political management to make a suitable environment for the acceleration of exports and reduction in imports. Infact, collective measures in every department are required to avoid corruption, and run the system keeping strict check and balance.

Causes of Deficit and IMF Conditions:

① Narrow Tax-Collection System:

The narrow tax-net is the leading cause of deficit. The major fields of agriculture, retail and local industries remain avoid to pay tax. The bigger investment in fertilizers and chemicals can cause maximum revenue collection. Therefore, it is urgent to look at the non-tax department.

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② Low Exports:

Low exports cause loss in GDP annually. Maximum dependency on heavy machinery can bring high imports, but lesser exports make no external economical resources and cause deficit.

Bangladesh in 2024 did 50 Billion Dollar exports, while Pakistan \$30 Billion which is not competitive in global market.

③ Debt Servicing:

The major reason of deficit is debt servicing. Pakistan is dependent on external packages. On the other hand, annually debt servicing of IMF on loan is making debt non-beneficial. Almost, half of the loan is paid back to the debt services and no investment on food, health and education occurs.

④ Defence Expenditure:

The most crucial and

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critical cause of deficit is defence expenditure. Pakistan is also facing internal crises alongwith external insurgencies. This leads to enhanced expenditures and low annual budget spends on infrastructure or developmental processes.

IMF's Conditions and Deficit: IMPACTS:

1) Unemployment:

The enhancement in indirect unemployment is leading impact of IMF conditionalities. The high energy prices cause higher bills. The factories can't afford maximum labour and leads to unemployment and lowers purchasing power of people.

② Low FDI:

The low FDI is due to lack of investors confidence to invest in other state.

The instable political structure

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and unemployment makes external revenue resource decline. Therefore, it causes debt and inflation.

③ Leads to Privatization:

Privatization is also a serious threat to the deficit. When IMF loans increase the strict conditions about austerity measures. The entities like PIA, larger companies become privatized. They increase the unemployment by making their own staff members and exploit the poor.

④ Corruption Enhancement:

Corruption grows when deficit increases due to IMF's conditions. The reason is low income of daily wagers, and poor economy class. They affect the most due to low purchasing power. This makes the moral values vulnerable to avoid corruption, when income and expenses are indirect to each other.

Reforms:

① Political Stability across the State:

The sustainable relations between government and people would have a positive impact over the foreign investments. This will increase the employment and increase the purchasing power of people. Infact, it will lead to the competition in global market.

② Improve Exports:

The improvement in exports is the basic reform to be needed to compete in contemporary global market. The encouragement of the local industries will make less reliance on exports for every product. Enhancing rupee or local currency value. Making GDP to be grown soon.

③ Reduce Reliance on IMF:

The reliance on IMF would never bring development

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in underdeveloped countries like Pakistan. The weak policy making and implementation will lead to dependency on IMF. The strict conditions will never let the state to invest on infrastructure. So, internal crisis and expenditures needed to lessen to enhance GDP.

④ Broaden Tax - Net:

The departments which are not under tax payers list, and elites which do not pay fair taxes. They must be strictly checked and accountable for this action. This will maximize the revenue in national Banks and will grow the economy.

Conclusion:

The threat to economy of Pakistan is due to the larger dependency of economy on IMF. The cause is poor local industry, low FDI, and people's trust on state. As they think

policies are being imposed on them.

This has a negative impact on people's trust and cause protest, unemployment, energy crisis and low FDI. It must be reformed with better employment opportunities, supporting small businesses, enhancing confidence of Foreign investments, and build the societal morals to avoid corruption for not grabbing the right of others to meet expenses.
