

Q No:- Critically evaluate the reasons why Pakistan's economy is unable to survive without the support of IMF. Also analyse the implications of bailout packages. Give recommendations.

### Introduction

Pakistan's economy is under the dark shadow of several risks. As per economic survey, GDP growth was 0.29% in 2023. Economy is facing tremendous challenges to stabilize macroeconomic imbalances. Similarly, GDP growth is low low as compared to the past years. Country had reached at the risk of default. Recently, the Finance Ministry of Pakistan released its fiscal report. The report has highlighted economic challenges, which country ~~had~~ has faced in recent years, affecting economic growth and fiscal deficit. Moreover, Pakistan's government has taken various measures to combat these challenges, but without IMF and neighbouring support ~~and~~ it is very difficult.

## Reasons

### a Macroeconomic Risks

As per report, the inflation has been volatile in recent years, influenced by various factors such as currency devaluation, hike in the energy and food prices in the global market. Pakistan's rupee has experienced depreciation in recent years, influenced by various factors such as external debt, political instability and global economic condition.

### b Environmental Risks

Climate and natural hazards lead significant risks. Earthquake and floods in Pakistan have damaged physical government as well as public infrastructure. Climate change affects environmental sector as well as SOEs.

For Ex: railway and NHA.

### c Problems in State-owned enterprises

State-owned enterprises create several challenges that hinder their efficiency and overall performance. Issues like poor management practices resulting into low productivity & inefficiency. This also include outdated technology, inadequate maintenance and poor operational practices.

d Highly dependent on hydrocarbons

Approximately 61% of electricity of Pakistan is generated by hydrocarbons (FY-2022). In September 2023, the total demand of gas in Pakistan is 6 BCF, while it produces 3.8 BCF rest of the gas had imported. Not only hydrocarbon used for electricity, but also for machinery.

e Budget deficit

~~Trade~~ ~~Barriers~~ Budget deficit refers to the situation where government's expenditures exceeds its revenues. This issue ~~is~~ persistently leading country towards several challenges due to several factors. A significant portion of Pakistan's budget is allocated to debt servicing. According to report FY-2023-24, debt servicing cost Rs. 7.3 trillion.

f Trade Barriers.

Trade barriers are the major hurdles in the way of trade among countries. It affects countries import and export activities. These barriers broadly categorized into Tariffs and Non-Tariffs. Pakistan imposes highly tariffs on certain imports which can increase cost for foreign businesses and consumers.

## Implications Of Bailout Packages

Government will;

Impose more taxes.

Remove relaxation on many items.

Because of these two factors inflation will be high and public will not be able to sell and purchase any <sup>will</sup> thing.

On the ~~hand~~ other hand survival became so hard for middle class households. Despite these all factors, balance of payment crisis will be increased. Similarly, every year significant part of country's budget ~~is~~ would be allocated to the debt servicing.

## Recommendations

1. Privatize state-owned enterprises:

SOEs plays important role in Pakistan's economy, providing services and ~~the~~ employment. If they operate in loss then ~~the~~ state will bear huge loss. For that reason, government requires to privatize those enterprises which operate in loss.

### a Political Stability

Political stability is the main factor which contribute in the prosperity of country. Because country needs long term policies for the survival of their economy. Without political stability it is not possible. ~~impossible~~

### c Remove trade Barriers

Government needs to revive their policies ~~is~~ about trade barriers, because many traders finds it difficult to clear himself on port and wait about 3 to 4 days for getting clearance from authority.

### d Focus on Low import

Country also requires to emphasize on low import. Despite ~~this~~ Pakistan is agricultural country, it import food items from other countries as well. Country needs their requirement of hydrocarbons.

### e ~~Free~~ Bring FDI

For the Pakistan reflects small amount of FDI as compared with neighbouring countries. ~~But~~ Due to this country faces several challenges, to combat these challenges Pakistan requires to attract more FDI, which <sup>will</sup> make country prosperous.

f

## Provide Business opportunities for youth

About million of students graduate every year. Government needs to provide friendly environment and policies regarding business. Moreover, government needs to improve security as well on domestic level so that everyone wants to do their jobs without considering security issues.

Privatize state owned enterprises



Political Stability



Remove trade Barriers



Focus on Low import



Bring FDI



Provide Business opportunities for youth.

### Conclusion

In a nutshell, IMF bailout create long-term hindrance in the road of prosperity of country. However, it is also a fact without IMF support, country can solve her contemporary economic challenges. Without support she her economy can't survive due to abundance of challenges faced by economy since past.

QNO: 2

## Introduction

Special investment ~~or~~ facilitation center is an organization is established by Pakistan to facilitate foreign investment from middle ~~east~~ within country. Recently, investment being made by middle east countries like Saudi Arabia and Dubai etc and also China. These investment would open the gate of prosperity for country. Moreover, also help to overcome many economic challenges.

Date: \_\_\_\_\_

Economic challenges would be solved through these investments, on these areas.

Agriculture

SOEs

IT sector

Energy sector

Tourism Department

Infrastructure

Q) Agriculture:

Pakistan is a agricultural country. There are many opportunities for investment in this sector. ~~for foreign investment~~ Unfortunately, natural disasters damaged his efficiency and production. It means it damaged country economy and efficiency to reinvest on this sector and obtain same level of production. Moreover through FDI we can achieve and



combat this issue.

## b SOEs

There are various reasons that Pakistan's economy is suffering from various challenges. SOEs is one of them, which operates in loss. Likewise, Pakistan is not economically wise to bear the loss of SOEs. Similarly, we can easily stabilize this sector through FDI.

## c IT sector

According to the report of world organization, Pakistan is one of those countries which export high or <sup>about</sup> ~~more than~~ 55% IT related services. Through investment one can boostup this sector and earn revenue from that sector.

## d Energy Sector

Pakistan bears loss every year in energy sector either in the form of transmission or in the form of highly dependency of on hydrocarbon. Through invest country would avail benefit from energy sector. Moreover, country can shift herself ~~from~~ towards renewable sources of energy.

## e Tourism Department

Pakistan's northern areas ~~are~~ are most beautiful and presumed as good fit for tourism. Country can foster this industry through investment. This industry has high potential for earning handsome revenue to overcome economic challenges.

## f Infrastructure

Through CPEC, China ~~made~~ has made biggest investment in various sectors. Infrastructure is one of them. There are many other infrastructure opportunities for other countries. They can trade with Pakistan, invest within country, ~~and~~ ~~to~~ ~~an~~ and boost up trade relation with Pakistan.

### Conclusion:

All in all, through investment Pakistan would avail various benefits. Pakistan would be prosperous, and solve their economic issues like balance of payment crisis, budget deficit, SOEs problem and many more.

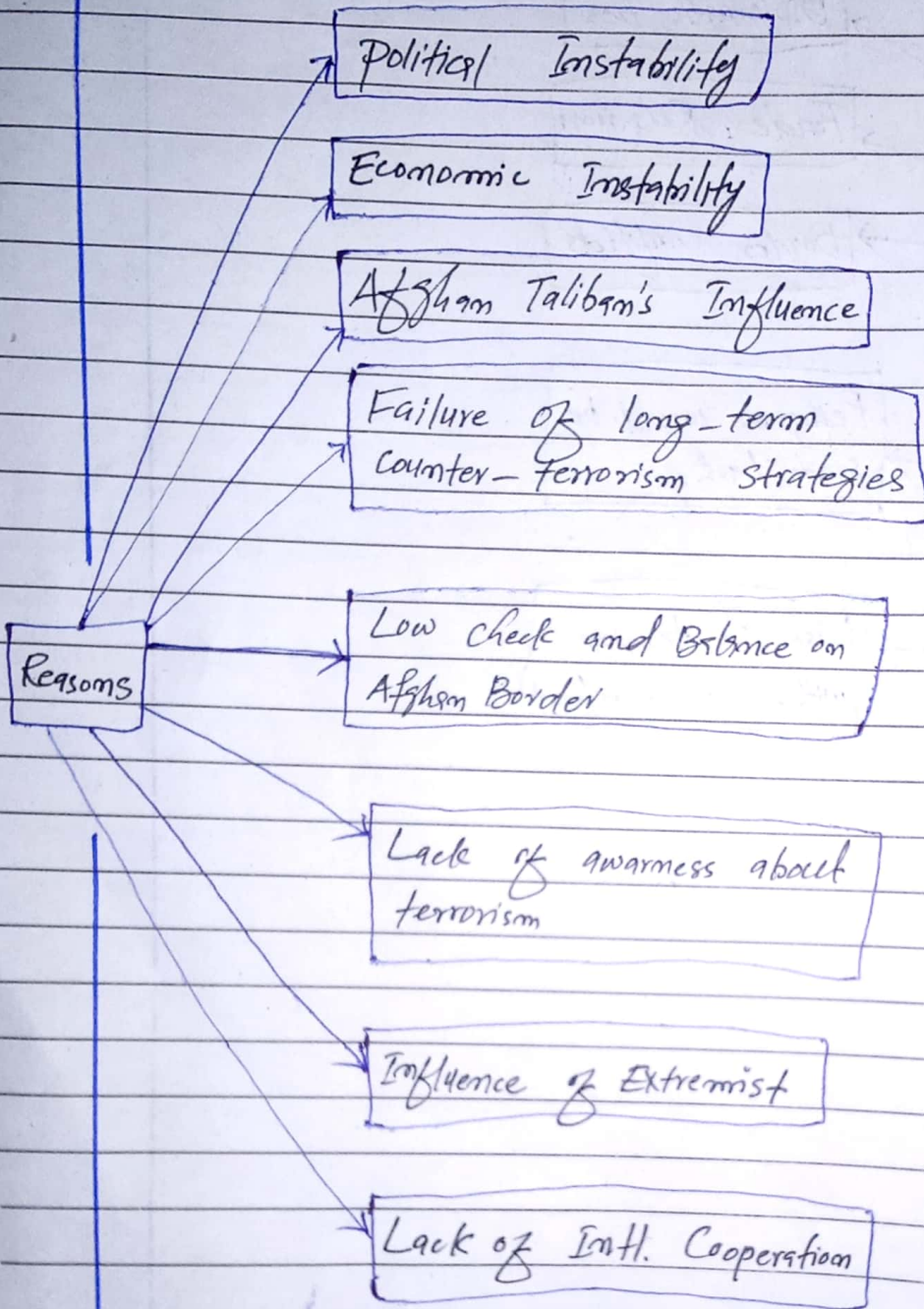
Q No: 7

## Introduction

Revival of insurgency has become the serious challenge for ~~the~~ the Pakistan. Recently, attack on Chinese citizen and Karachi incident leave many questions for country about security for the foreigners. However, this revival of insurgency affects on country's prestige and economic condition. There are various ~~challenges~~ factors which contribute in the revival of terrorism. However, Pakistan is struggling to overcome this challenge through different means.

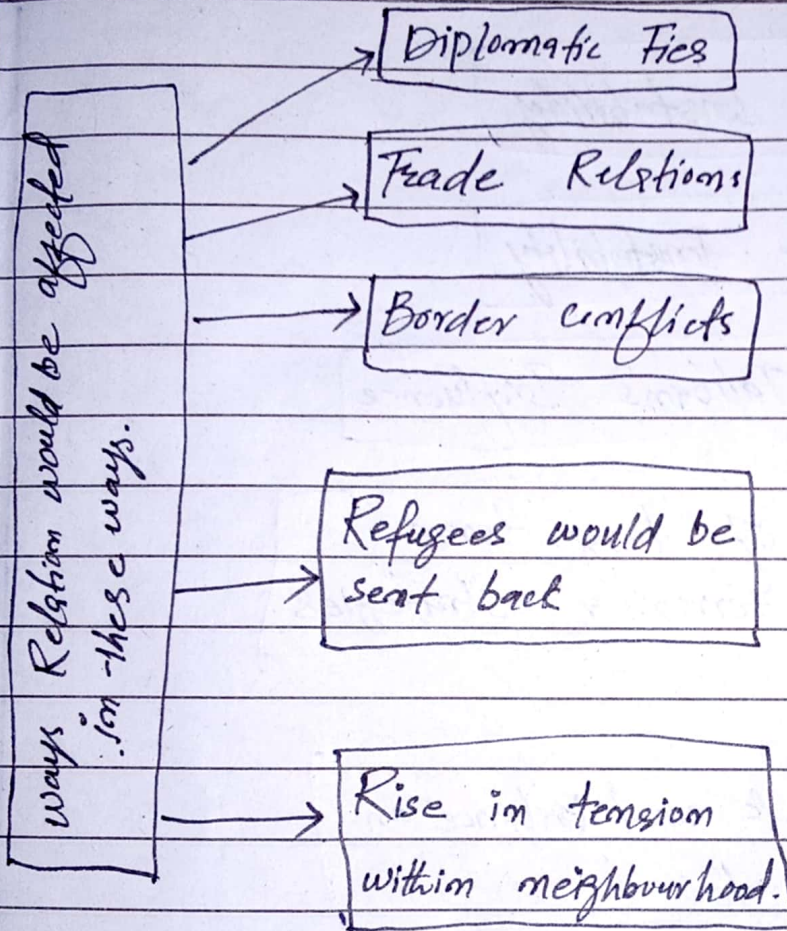
Reasons:

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Ways:

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## Conclusion

In conclusion, Pakistan is facing lots of issue due to insurgency. Country requires ~~to~~ serious and strict policy to overcome this challenge. Otherwise it will <sup>refrain</sup> development and economically stability ~~of~~ country.