

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

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## Essay

Pakistan has been trapped in the boom and bust cycle of economic growth for decades. It is due to inefficient and short sighted policies of successive governments. However, it is not impossible to change this trajectory of Pakistan. Pakistan can achieve sustainable economic growth in the future by increasing tax base, diversifying export products and markets. In addition, privatization of loss making state own enterprises and investment in mineral resources of Pakistan can reduce the economic stagnation. Furthermore, investment in renewable energy sources and climate resilient infrastructure can reduce the burden on economy by climate change and global

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Moreover, reducing over-population and investment in human development can also help to achieve sustainable economic growth in future. The possibility of sustainable economic growth in future is mirrored with massive debt burden, dependency on IMF and climate induced natural catastrophes. However, reducing dependency on IMF by increasing revenue generation and climate change mitigation measures can make it possible for Pakistan to achieve sustainable economic growth in future. Thus, Pakistan can achieve sustainable economic growth in future by increasing tax base and investing in climate change mitigation measures and human development. However, the possibility of sustainable economic growth can be hampered

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with challenges which can be eradicated through concerted efforts from all stakeholders.

The sustainable growth can be defined as the growth which not only fulfill the requirements of present generation but also future generation. Moreover, it means the growth which is consistent and does not jeopardise the natural environment.

Pakistan can achieve sustainable economic growth by increasing tax base. Tax is the important source of revenue for any country. By increasing tax base the tax to GDP ratio can be improved and it help to get rid of regressive taxation. Pakistan's tax to GDP ratio is 9% which is quite low

compared to tax to GDP ratio of India and France which are 13% and 20% respectively. Hence, increasing tax-base can help to achieve sustainable economic growth in future.

Diversifying export products and markets can result in sustainable economic growth of Pakistan in future. The current export products of Pakistan are restricted to agricultural and textile goods which generate less revenue. Pakistan should export high technology products and machinery which generate massive capital. For example, the share of high-tech products in global exports is 12% and that of machinery is 16%. Moreover, Pakistan should diversify export



markets to increase export revenue. Besides US, China and EU, Pakistan should explore the markets of Africa, Central Asia to boost its exports. Thus, Pakistan can achieve sustainable economic growth in future by diversifying its export products and destinations.

Privatization of loss making state-owned Enterprises can help Pakistan achieve sustainable growth in future. Currently, SOEs are bleeding Pakistan's fragile economy by making losses of 400bn annually. Pakistan can privatize them to reduce burden on economy and increase revenue from them. For instance, The Thatcher Model, PM of UK, is the best model of Privatizing SOEs which increased revenue and employment in the

10. Hence, Privatization of SOEs can help in achieving sustainable growth in future.

Harnessing the potential of mineral resources can help in achieving sustainable growth in the future. Mineral resources are, undoubtedly, the asset for any country. By increasing investment in mineral sector of Pakistan, a large revenue can be generated. As per the report of Pakistan Trade Development Authority, mineral resources account for 1% of GDP, by increasing investment it can contribute to 5% of GDP as Pakistan has \$6 trillion worth of mineral reserves. Thus, investment in mineral resources can help Pakistan achieve sustainable economic

growth in future.

Investment in renewable energy sector can help in achieving sustainable economic growth in future. Currently, half of the import bills accounts for hydrocarbon. Pakistan import oils to fuel its economy, which is very expensive commodity. Switching to renewable energy sources for energy production and transport is a viable alternative. To illustrate, Pakistan has pledged to produce 60% of its energy from renewable energy source, sunlight, tidal, by the year 2030. Thus, investment in renewable energy sources can cut off Hydrocarbons import bills and helps in achieving sustainable economic growth in future.

Investment in

climate resilient infrastructure can reduce the economic loss and leads to sustainable growth. It is because the floods in 2022 have resulted in \$33bn loss to Pakistan economy. Therefore, climate resilient infrastructure which is resistant to floods, earth quake is the need of the hour. Pakistan can follow the example of countries which made their infrastructure climate proofed. For instance, Japan made its country's infrastructure resilient to floods, tsunami and earthquake. In short, climate resilient infrastructure can help mitigate the negative impacts of climate change and achieve sustainable economic growth in future.

Provision of tech-based education can

lead to sustainable economic growth in future. Tech-based education will can improve Pakistan's human capital and revenue generation. Therefore, Pakistan should give more emphasis on STEM (Science, technology, Engineering and Mathematics) education to increase tech-exports. Currently, Pakistan earn \$4bn from technology (Information and Communication Technology) as compared to Singapore which earns \$230bn and India which earns \$150bn from technology based exports. Moreover, India generates 10 Million IT graduates as compared to 20,000 by Pakistan. Thus, technology based education is a way forward to achieve sustainable economic growth in future.

Controlling the ticking bomb of over population

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can help Pakistan achieve sustainable economic growth in future. The current population of Pakistan as per 2023 Population Census is 241 million. The high population of Pakistan put strain on country's meagre resources. Pakistan can follow in the footsteps of countries which tackled their problem of over population. For instance, China in 1960s adopted the One child Policy to reduce its population. Moreover, Bangladesh has successfully reduced its population by empowering women to get higher education. Thus, by reducing over population, Pakistan can achieve sustainable economic growth in future.

Investment in human development can help to achieve sustainable economic growth in future.

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Pakistan has less prioritized investment in human development. As a result Pakistan ranks 164/165 countries in the human development index report. By investment in education, health and improving living standards, Pakistan can generate massive income. As the human capital of a country helps in the success of a country. As per the World Bank report, Pakistan ~~Area~~ can increase its GDP by 3% by increasing investment in human development. Thus, investment in human development can lead to sustainable economic growth in future.

The above paragraphs highlighted the possibilities for Pakistan to achieve sustainable growth. The following paragraphs will throw light on reasons why Pakistan can not

achieve sustainable economic growth in future.

The massive debt burden reduces the chances of sustainable economic growth in future. Pakistan diverts a large sum of its budget for the repayment of debt and the interest on it. For instance, according to the Pakistan Bureau of Statistics, debt accounts for 70% of FBR revenue generation. Thus the massive debt can hinder the possibility of Pakistan's sustainable economic growth in future.

Dependency on foreign financial institutions, IMF, can bleak the chances of sustainable economic growth in future. Pakistan has



been trapped in the dependency cycle due to low revenue generation from tax, exports and investment. As a result, the country knock on the door of IMF with begging bowl in hand. For instance, Pakistan has availed the 25<sup>th</sup> IMF Program of IMF in 2024. Hence, heavy dependency on foreign loans can bleak the chances of sustainable economic growth in future.

Climate change induced natural disasters can hamper the sustainable growth of Pakistan. It is because Pakistan is highly prone to climate change despite 1% emissions to the global carbon emissions. Therefore, climate<sup>change</sup> induced natural disasters put strain on the infrastructure and economy of Pakistan.

For example, as per the National Disaster Management Authority in Pakistan, "The floods of 2022 accrued the total losses of \$33 bn. Thus, climate change instigated natural disasters can reduce the chances of sustainable economic growth in future.

The above paragraphs showed why Pakistan can not achieve sustainable economic growth. The follow paragraphs will highlight how Pakistan can achieve sustainable economic growth in future despite challenges.

Reducing dependency on foreign financial institutions by increasing revenue generation can help to achieve sustainable economic growth in future. Pakistan can increase investment, tax base and exports.

to generate revenue rather than asking help from foreign financial institutions. Thus, getting rid of foreign financial institutions and increasing revenue can help Pakistan achieve sustainable economic growth.

Climate change mitigation measures can reduce the climate related catastrophes and can help Pakistan achieve sustainable economic growth. Pakistan can increase forest cover from the current 4.7%. Moreover, Pakistan can switch to electric vehicles to reduce emissions. Thus, these climate change mitigation measures can reduce natural disasters and help Pakistan achieve sustainable economic growth in future.

In a nutshell, for Pakistan to achieve sustainable economic growth in future is possible. Pakistan can achieve sustainable economic growth by increasing tax base, diversifying export products and markets. Moreover, Pakistan can achieve sustainable economic growth by increasing investment in climate resilient infrastructure and human development. However, these measures of sustainable economic growth can be hampered by massive debt burden, heavy reliance on foreign loans and meagre tax base. Having said that, by increasing revenue generation in country and climate change mitigation measures can help Pakistan to circumvent the challenges to sustainable economic growth. Thus, Pakistan can

achieve sustainable  
economic growth if all  
stakeholders put their  
mind <sup>energy</sup> into it.

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