

19-1-2025

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

Outline

30

(1) Introduction

SP
Thesis statement: Although recent trends such as increased GDP growth rate, growth in Agricultural sector, and steps like Urson? Pakistan indicates promising and sustainable future of Pakistan's economy. However, persistent challenges of low tax to GDP ratio and fiscal deficit can be addressed by stringent tax policies and collaborated efforts.

- (2) Historical Background of Pakistan's Economy
- (3) Present status of the Economy in Pakistan; Challenging yet Growing
- (4) Factors Indicating sustainable Future of the Economy in Pakistan.

(a) Increased Revenue and GDP Growth rate

Case in point: Revenue increased by 41%. (Economic survey of Pakistan), GDP growth rate 2.38% in FY'24

(b) Growth in Agricultural, Industrial and services sector.

Case in Point: Agriculture grew by 6.25%, while industrial and services sector by 1.21%.

(c) Increase in Foreign Exchange Reserves

Case in Point: Foreign exchange reserves through Remittances and IMF support

(d) Improved Macroeconomic stability

Case in Point: Reduction in Inflation to single digit.

(e) Steps towards structural reforms

Case in Point: Urban Pakistan and Privatization of loss making state owned enterprises.

(f) CPEC's (China Pakistan Economic corridor) Phase II a ray of Hope.

(5) Key challenges faced by Palestine's economy in its way of achieving Sustainable Growth.

(1) Low tax to GDP Ratio

Case in Point: lowest Tax to GDP ratio in South Asia that is 10%.

(2) Fiscal Deficit Blowout

Case in Point: High spendings compared to less revenue collection.

(3) High Energy Prices and Circular Debt

Case in Point: Palestine imported POL products of around \$1.2 billion. (Palestine Bureau of statistics)

(4) Undocumented Economy

Case in Point: Unregulated money exchanges.

(e) Lack of debt servicing mechanisms result in Debt rollovers.

(6) Recommendations for achieving sustainable and long term economic growth.

(1) Balancing Expenditure and Revenue through broadening tax net.

Case in Point: Sweden's Progressive tax systems.

(2) Diversifying Exports and attracting Foreign Direct Investments

Case in Point: Encourage small businesses

(3) Documenting Economy by Macroeconomic Money exchangers

(4) Investing in Research and development and Human Capital.

(7) Learning From Comparable countries like Bangladesh and Rwanda.

(8) Conclusion.

(5)

Economic stability has a direct impact on the life of a common citizen. Pakistan has been facing looming economic crisis since its inception. However, recent trends presented by Economic Survey of Pakistan in FY 2024 such as increased revenues, growth of GDP ratio and improved performance of Agriculture sectors indicates promising and sustainable future of the economy in Pakistan. Increased foreign exchange reserves and Macroeconomic stability also point towards prosperity. The current initiative by Pakistan; Open Pakistan shows long term stability. Still there are persistent challenges faced by economy of Pakistan in its way to achieve economic stability. These challenges are low tax to GDP ratio, Fiscal Deficit blowout, Undocumented economy and circular debt. Similarly, lack of proper Debt servicing mechanism hinders the economic growth. These concerns and challenges can be addressed by balancing revenue and expenditures, broadening tax net, diversifying exports and promoting ease of doing business, while ensuring investment in Human Capital to achieve sustainable and progressive economic future of Pakistan, as American Economist

said that

"Government's view of economy could be summed up in a few short phrases: if it moves tax it, if it keep moving regulate it and if it stop moving, subsidize it"

Ronald Reagan

As we look on to the ebbs of the history, since Pakistan appeared on the map of world, it has been facing numerous crisis including economic wars. Pakistan for the first time knocked the door of (IMF) International Monetary Fund in 1958. Since then Pakistan has been relying on loans and friendly countries support. Corruption, lack of ease of doing business and terrorism has hindered its economic growth.

SP

The current economic situation of Pakistan is on the way to progress. However, there are also numerous challenges faced by economy of Pakistan. Pakistan has taken some steps and made policies ensuring promising future

Similarly, recent trends shown in Economic Survey of Palestine in FY 2024, shows progress towards economic performance. According to the report of (ESP) 2024, the revenue collection in FY 2024 is grew by 41% as compared to FY 23, Similarly the GDP growth rate is grew by 2.38% as compared to 0.2% in fiscal year 24. These facts are evidences that indicated economic progress.

23-24

?

?

Secondly, growth in Agriculture sector is recorded at in excess of 6.25%. The production of wheat and rice shown a significant in excess which positively impacted agricultural sector. In addition to this, Services and industrial sectors grew by 1.2%. The increase in textile products and pharmaceutical shows positive trends. contribute economic growth.

Moreover, country witnessed improved Macroeconomic stability. It is another factor indicating promising future. Due to macro economic stability inflation is reduced to single digit. That average CPI recorded at 24.5% in FY 2024 as

S

compared to 2010-2 in FY 2023. This shows positive trend towards economic stability.

Furthermore, structural reforms are another factors that also shows sustainable development. Steps towards privatization of state owned entities that have been making loss and setback to economy, is a progressive step. Pakistan has currently announced a program named Urgeen Pakistan which will work on debt servicing, climate crisis and investment in research and development. These steps ensures the stable future of economy.

SVA

In addition to this, the inauguration of CPEC (China Pakistan economic corridor) phase II is injecting hope of economic growth. The infrastructure projects and special economic zones and modernizing Gawadar is a game changer for Pakistan. Developing countries in the era of globalization are dependant on achieving FDI as Pakistan has done further stabilizing Pakistan economy.

However, there are significant challenges Pakistan's economy has been facing in its way towards sustainable economic future. One of the challenges is low tax to GDP ratio. According to World Economic Forum the tax to GDP ratio should stand at 15% while Pakistan's stands at only 10%. Due to which ~~low~~ revenue collection is witnessed this led to fiscal deficit.

SF

Similarly, when the country spends more and collect less fiscal deficit is a result. Only 2% of population of Pakistan pay taxes (World Bank report 2024). This results in imbalance expenditure and revenue. Also, ~~unmanaged~~ expenditure and corruption also led to fiscal deficit hindering economic growth.

Moreover, High energy cost and circular debt are the significant challenges faced by Pakistan's economy. According to the World Bank report published in 2024, Pakistan import around \$1.2 billion of petroleum products that is around 60% of GDP, ~~at~~ this has huge set back to Pakistan economy.

GM

Another challenge to economy of Pakistan is Undocumented economy.
 Due to informal economy Pakistan was also placed in the grey list of **FATF**.
 According to Financial action task force's report around **35%** of economy of Pakistan is undocumented. There are numerous unregulated money exchangers operating in the country lead to economic well down.

Moreover lack of efficient debt servicing mechanism is a huge challenge faced by Pakistan's economy. Reliance of IMF loans and funds from friendly countries only relief on a short term, while in a long run it is a setback to economy. Debt rollovers decreased the economic development and a country becomes the victims of debt traps such as Sri Lanka.

To address these challenges and to achieve sustainable economic growth one of the solutions is Balance Expenditure and Revenue through tax

collection. Pakistan can also replicate Sweden's progressive tax system, that collect more taxes from those who earn more similar to zakat system. Sweden has simplified its tax paying systems due to which the increase in tax is around 25% according to Sweden government. Pakistan should also learn from it to ensure sustainable economic growth.

Another solution is diversifying exports. Pakistan heavily rely on the export of raw material and textile product. The focus should be on finish and value added product. To achieve this investment in innovative solution and research and development to increase IT exports and encouraging small business. As Ellen Tauchco said that

"Small business are the Backbone of Economy"

Furthermore, documenting economy is the need of the hour. The government of Pakistan need to document its informal side of economy by promoting legal channels of

S P

money transaction, Also mainstreaming money exchangers so that institutions should be ensures. This will lead to economic growth

Similarly, the era of ~~21st~~ 21st century demands technological advancement.

Therefore, investing in research and development will not only grow economy but also diversify exports. Countries like Bangladesh, India and Japan are flourishing due to IT growth. This will open ventures for freelancers and software houses leading economic toward progress.

lastly, Skilled human capital is the driver of economy that drives toward sustainable growth. The government of Pakistan should invest in human resource and prepare the youth for technological advancement and resilient to climate change. Also, half of the population of Pakistan is women, they need to be involved in economic activities, this will ensure inclusivity and sustainable development.



To conclude, Palestine's economy faced numerous challenges since its birth. It has been witnessing ups and downs in its way to achieve economic growth. Loans from IMF and aids from friendly countries would only provide short term relief while in a longer run sustainable policies and combine efforts are needed. The current stats shows economic growth and promising future such as improved GDP growth rate and poor performance of Agriculture sector. However, challenges such as low tax to GDP ratio and lack of efficient debt servicing remains, which can be addressed by broadening tax net, diversify exports, encouraging small businesses and investing in research and development to ensure long term and sustainable growth and economic progress. As former Secretary General of United Nations, Ben Ki-moon, said:

"Sustainable economic development is the pathway to the future we want for all"

X ————— X