

## Economy of Pakistan

causes of slow economic development in Pakistan

### 1. Energy crisis;

Khawaja Muhammad Asif during a National Assembly session a few days ago that the power shortfall has exceeded up to 5,000MW.

### 2. terrorism;

The State Bank of Pakistan report (2016) says that war on terrorism has cost \$118 billion. According to Global Terrorism Index (2016), out of 163 countries, Pakistan stands 4th worst hit.

### 3. wealth concentration:

According to Multidimensional Poverty Index (2016) 39 percent population of Pakistan lives in poverty, which means that 4 out of 10 people in Pakistan live in poverty. As per the latest poverty estimates, 24% of Pakistan's population lives below the national poverty line; which includes 31% in rural areas and 13% in urban areas<sup>1</sup>. Further, 38.8% of the national population is poor based on the multidimensional poverty index (MPI)<sup>2</sup>; 54.6% in rural areas and 9.4% in urban areas.

### 4. corruption:

According to corruption perception index (CPI 2016) out of 175 countries Pakistan stands at 116.

### 5. youth unemployment:

According to Asian Development Bank (ADB) 50.7 percent of the population aged 15 years and above is employed. On an average, Pakistan needs to create 20 million job annually for young people alone.

### 6. lack in quality education:

Unfortunately, our current literacy is 60 percent, least in South Asian countries. About 25 million children in are out of school.

### 7. poor health facilities:

Due to absence of basic health facilities, 170 women die from pregnancy for every 100,000 births. For every 1,000 babies born, 66 die before their first birthday. In addition, approximately 44 percent children in Pakistan are stunted.

### 8. tax evasion:

Regressive tax system collects about 90 percent tax revenue from common men. Big corporations, landlords, businessmen, politicians do not pay their due share of taxes.

### 9. Lack of good governance:

Does Foreign Aid Help To Achieve Economic Stability?

## Introduction

1. Greece financial crisis due to dependency on foreign resources
2. Prerequisites for economic stability
3. Firefighting role of foreign aid in economy of a country

## Economic Stability does not achieved Through Foreign Aid

1. Foreign aid hindering long term economic stability by snoozing the incentive to work hard
2. Destroy the image of the nation at global level
3. Unreliable supply
4. Channels of supply such as NGOs are not transparent
5. Cannot reach the poor due to control of elites
6. Give rise to patronage system
7. Mostly military aid which has no bearing on economic stability
8. Minimize growth in local industry
9. Foreign aid giving dictatorial rights to the aid given with regards to domestic policy - economic or otherwise
10. Foreign aid as a threat to national interests

## Role of Foreign Aid in Economic Stability

1. Safety from bankruptcy
2. Visible boom in the economy immediately after aid

## Conclusion

### Economic Crisis in Pakistan: Challenges and Prospects

#### Introduction

1. Global economic crisis
2. Economy of Pakistan at a crossroads

According to World Bank reports Pakistan's gross domestic products (GDP) growth will go down 3.7 percent to 2.7 percent in 2020. Pakistan's economy is the 23th largest in the world in terms of purchasing power parity (PPP) and 42nd largest in terms nominal. The GDP growth in Pakistan expanded

5.79 percent in fiscal year 2017. The economy of Pakistan is the 24th largest in the world in terms of purchasing power parity (PPP), and 42nd largest in terms of nominal gross domestic product. Pakistan has a population of over 212.2 million [35] (the world's 5th-largest), giving it a nominal GDP per capita of \$1,357 in 2019,[36] which ranks 154th in the world and giving it a PPP GDP per capita of 5,839 in 2019, which ranks 132th in the world for 2019.

#### Current budget

(Total revenue                      Increase Rs 7,036 trillion

Total expenditures              Increase Rs 6,717 trillion

Deficit              Increase 4.5%)

### 3. Causes of economic decay In Pakistan

#### Challenges of Economic Crisis in Pakistan

1. Dwindling foreign exchange reserves  
according to SBP, 11,586 millions of US dollars (10 Jan 2020) is low as compared to Bangladesh 32,689.
2. Current account deficit increasing exponentially  
The State Bank's latest data showed the current account deficit for July-September FY20 clocked in at \$1.548 billion compared to \$4.287bn in the same period last fiscal year; a decline of \$2.739bn. (Sept, 2019)
3. Stagnant Small and Medium Enterprises (SMEs)  
In the first 11 months of 2018-19, SMEs made net fresh borrowing of Rs111 billion and the bulk of it (Rs94bn) was working capital, according to the State Bank of Pakistan (SBP). Their net borrowing was Rs25bn in 2017-18 with the share of working capital at a little less than Rs18bn. (Aug, 2019)
4. Reduced Foreign Direct Investment (FDIs)  
Data published by the State Bank of Pakistan revealed that FDI halved to \$1.737 billion from \$3.471 same period last year. (July, 2019)
5. Shameful picture on human development index  
Pakistan's ranking on the Human Development Index (HDI) 2019 fell one notch more and stood at 152nd position out of the total 189 countries. Most alarmingly, Pakistan's ranking was lower than all comparable regional countries of South Asia. (Dec, 2019)
6. Social fabric of Pakistan torn by a never ending war on terror  
according to a new study from Brown University, is running counter-terror operations in 76 countries – 39% of all the nations in the world. Since 2001, at least half-a-million people have been killed in wars in Afghanistan, Pakistan and Iraq alone.

7. Myopic financial policies leading to scale quandary of Pakistan: Relying on IMF

Pakistan faced a serious balance of payments crisis by the end of 2017-18. It has now decided to go to the IMF for the balance of payments support. IMF uses three key instruments to correct balance of payments crisis. These instruments include tight monetary policy, tight fiscal policy and market determined exchange rate policy. These policies are part of the Stabilization policy. Pakistan is now entering 22nd time into the IMF Program.

Same prescription will be applied. Will the result be different this time?

8. Regressive taxation exempting the wealthy and squeezing the poor of Pakistan

9. Clientele politics directly connecting progressive reforms in scale policy

10. Rampant corruption and money laundering further festering the economic crisis of Pakistan

Pakistan has made a slight improvement in the 'Corruption Perception Index (CPI) 2018' released by the Transparency International on Tuesday, with score of 33 out of 100 — one point better than the one in 2017. The country's ranking of 117 out of 180 countries, however, remains as it was in 2017.

11. Mass illiteracy: biggest hurdle in the way of producing a well-trained workforce concentration of wealth in a few hands

Literacy rate stood at 62.3 percent in 2017-18 (as compared to 60.7 percent in 2014-15), with male literacy increasing from 71.6% to 72.5% and female literacy rate going from 49.6% to 51.8%. Area wise analysis suggests that literacy rate increased in both rural (51.9% to 53.3%) and urban areas (76.0% to 76.6%). According to UNDP's Human Development Report 2018, Pakistan is ranked 150th out of 189 countries with a Human Development Indicator (HDI) value of 0.562 (with 1 being the maximum value). According to the educational indicators, only Afghanistan lags behind Pakistan in the context of regional comparison

### Prospects of Economic Crisis in Pakistan

1. Increasing political awareness translating into positive political will necessary for economic progress in Pakistan

2. Investment by foreign countries and individual

3. Peaceful environment due to curtailment of terrorism: conducive environment for economic stability in Pakistan

4. Burgeoning middle class auguring well for economic prognosis of Pakistan

5. Policy initiative keeping public opinion at the center: a sure way for a stable economy

6. China-Pakistan economic corridor (CPEC) as a harbinger of economic stability

7. Advances in science and technology

8. Continuation of democracy laying a frame work of stable Pakistan

9. A robust foreign policy centered on regional cooperation to achieve trade viability 10. Restoration of relation with neighboring countries