SUMMARY of "Relying on debt," Editorial, Dawn, October 3rd, 2023

Pakistan is facing a concerning debt crisis that could lead to severe consequences if it loses access to the loans that are currently sustaining its economy. The country is grappling with various economic issues, including high inflation, large fiscal deficits, low productivity in industrial and agricultural sectors, a fragile balance of payments position, and a weak exchange rate. Due to its inability to collect sufficient taxes and generate enough dollars to cover imports, Pakistan heavily relies on cash injections from foreign lenders and global institutions like the IMF and the World Bank. In fact, Pakistan was the top borrower of cheaper funds from the International Development Association (IDA) in South Asia, securing $2.3 billion in financing from the IDA during the last fiscal year. The country's growing dependence on domestic and external loans is exacerbating its debt burden, with total public debt reaching 74.3% of GDP by the end of FY23. This mounting debt is hindering the government's ability to address inflation and stimulate economic growth. Despite warnings from multilateral agencies and other countries, Pakistan's leadership has not taken adequate measures or implemented sound economic policies to address these issues. Instead, they continue to seek bailouts from Gulf monarchies. While such investments may offer temporary relief, they cannot replace fundamental economic reforms that Pakistan desperately needs. Delaying these reforms will only worsen the economic crisis and negatively impact the population.

Easy/Short SUMMARY:

Pakistan is facing a serious debt crisis, relying on loans from foreign lenders and institutions to sustain its economy. The country's economic problems, including high inflation, fiscal deficits, low productivity, and a weak exchange rate, have contributed to this situation. Despite repeated warnings, Pakistan's leadership has not taken sufficient measures to address these issues or implement necessary economic reforms. Instead, they seek bailouts from other countries. While these investments may provide temporary relief, they cannot replace fundamental reforms, and delaying them will have disastrous consequences for the nation.

SOLUTIONS of The Problem:

Addressing the Debt Crisis:

- **Economic Reforms**: Implement comprehensive economic reforms to address fundamental weaknesses in the economy, including tax collection, productivity, and fiscal management.
- **Diversification**: Explore avenues for economic diversification to reduce dependence on loans and foreign assistance.
- **Fiscal Responsibility**: Ensure responsible fiscal policies and reduce unnecessary expenditures to manage the debt burden more effectively.

Engaging Multilateral Agencies:

- **Collaboration with IMF and World Bank**: Collaborate with multilateral agencies like the IMF and the World Bank to access financial assistance while focusing on long-term reforms.
- **Negotiation**: Negotiate favorable terms for loans and assistance to alleviate the debt burden.

Public Awareness and Accountability:

- **Transparent Reporting**: Maintain transparency in reporting debt-related information to the public, ensuring that citizens are informed about the state of the economy.
- **Accountability**: Hold government officials accountable for their economic policies and decisions to promote responsible governance.

Promoting Economic Growth:

- **Investment in Productivity**: Invest in sectors that can boost industrial and agricultural productivity to enhance economic growth.
- **Job Creation**: Focus on policies that generate employment opportunities and alleviate the economic challenges faced by the general population.

IMPORTANT Facts and Figures Given in the article:

- Pakistan's public debt reached 74.3% of GDP at the end of FY23.
- The country heavily relies on loans from international sources, including the IMF and the World Bank.
- Pakistan secured $2.3 billion in financing from the International Development Association (IDA) in the last fiscal year.

IMPORTANT Facts and Figures out of the article:

- Pakistan's economic challenges include high inflation, fiscal deficits, low productivity, and a weak exchange rate.
- The leadership has sought bailouts from Gulf monarchies.
- Delaying fundamental economic reforms poses significant risks to the nation's economic stability.

MCQs from the Article:

1. **What percentage of GDP did Pakistan's total public debt reach by the end of FY23?**
   A. 70%
   B. 73%
   C. 74.3%
   D. 75%
   Answer: C. 74.3%

2. **What is the primary reason for Pakistan's reliance on foreign loans and assistance?**
   A. High tax collection
   B. Strong industrial productivity
   C. Low inflation
   D. Inability to finance the budget
   Answer: D. Inability to finance the budget

3. **What is the role of the IMF and the World Bank in addressing Pakistan's economic challenges?**
   A. Providing short-term loans
   B. Implementing long-term reforms
   C. Collaborating on fiscal responsibility
   D. Investing in agriculture
   Answer: B. Implementing long-term reforms

4. **What are the consequences of delaying fundamental economic reforms in Pakistan?**
   A. Increased economic growth
   B. Reduced debt burden
   C. Worsening economic crisis
   D. Stronger exchange rate
   Answer: C. Worsening economic crisis

Do you know: **[What is the patriarchal society?]**

VOCABULARY:

1. **Debt Spiral** (noun) (□□□□□ □□ □□□): A situation where increasing debt levels lead to further borrowing, making it challenging to repay existing debts.

2. **Drip-feed** (noun) (□□□□ □□□□ □□□□□ □□□□□): A gradual and controlled supply or provision of something, often used in the context of financial support.

3. **Inflation** (noun) (□□□□□□□): The rate at which the general level of prices for goods and services rises, resulting in a decrease in the purchasing power of a currency.

4. **Fiscal Deficits** (noun) (□□□□ □□□□ □□□ □□□□□): The amount by which a

government's expenditures exceed its revenues during a specific period, typically a fiscal year.

5. **Productivity** (noun) (□□□□□□□ □□□□□□): The efficiency of production in terms of the amount of output produced per unit of input, such as labor or capital.

6. **Balance-of-Payments** (noun) (□□□□□ □□ □□□□□□□): A record of all economic transactions between a country and the

rest of the world, including trade, services, and financial flows.

1. **Exchange Rate** (noun) (□□□ □□□□□□): The value of one currency in terms of another, determining the rate at which they can be exchanged.

2. **Sovereign Default** (noun) (□□□□□ □□ □□□□□): The failure of a government to meet its debt obligations, resulting in the inability to repay borrowed funds.

3. **Multibillion-dollar** (adjective) (□□□□ □□□ □□□): Referring to an amount in the billions of dollars, indicating a significant financial value.

4. **Quick-fix** (noun) (□□ □□□□): A temporary or immediate solution to a problem, often lacking long-term effectiveness.

5. **Multidimensional** (adjective) (□□□□ □□□□□ □□□): Having multiple aspects or dimensions, indicating complexity.

6. **Bailout** (noun) (□□□ □□□): Financial assistance provided to a person, organization, or country facing financial difficulties or insolvency.

7. **Political Reasons** (noun) (□□□□□□ □□□□□): Motivations driven by political considerations or interests.

8. **Economic Reforms** (noun) (□□□□□□□ □□□□□): Structural changes and policy adjustments aimed at improving the economic performance and stability of a country.

9. **Diversification** (noun) (□□□□□□□ □□□□□): The process of expanding or varying economic activities to reduce risk and dependence on a single sector.

10. **Fiscal Responsibility** (noun) (□□□□ □□□ □□□□): The practice of managing public finances in a prudent and accountable manner.

11. **Transparency** (noun) (□□□□□□): Openness and clarity in financial and administrative processes, allowing for easy understanding and scrutiny.

12. **Productivity Investment** (noun) (□□□□ □□□□□□ □□□□□□□ □□□□□□): Investment in activities and sectors that enhance productivity and output.

13. **Job Creation** (noun) (□□□□□ □□ □□□□□□): The process of generating employment opportunities and positions within the workforce.

14. **Economic Stability** (noun) (□□□□□□□ □□□□□): A state of balance and equilibrium in an economy, characterized by sustainable growth and low volatility.

□ *Important Notice:*

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