

ISSN-P : 2521-2974 | ISSN-E : 2707-0093

DOI (Journal): 10.31703/ger

DOI (Volume): 10.31703/ger/.2024(IX)

DOI (Issue): 10.31703/ger.2024(IX.I)

GLOBAL
ECONOMICS
REVIEW



GER

GLOBAL ECONOMICS REVIEW

HEC-RECOGNIZED CATEGORY-Y

VOL. IX, ISSUE I, WINTER (MARCH-2024)


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Article Title

Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on IMF Assistance

Global Economics Review

p-ISSN: 2521-2974 **e-ISSN:** 2707-0093

DOI(journal):10.31703/ger

Volume: IX (2024)

DOI (volume):10.31703/ger.2024(IX)

Issue: I (Winter-March 2024)

DOI(Issue): 10.31703/ger.2024(IX-I)

Home Page

www.gerjournal.com

Volume: IX (2024)

<https://www.gerjournal.com/Current-issues>

Issue: I-Winter (March-2024)

<https://www.gerjournal.com/Current-issues/9/1/2024>

Scope

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Abstract

The objective of this research is to find a viable and sustainable economic vision for Pakistan. Stresses the need to reduce dependence on assistance from the International Monetary Fund. This research acknowledges past dependence on the IMF and explores alternatives that support independence and stability in the financial system. This study looks at these countries that have successfully achieved independence with the ongoing support of the IMF to identify the key ideas and strategies that Pakistan can use. The study was conducted using quantitative assessment. Policymakers, economists, and stakeholders are expected to gain important insights from the results. This will help in the development of a strong economic framework that promotes freedom and resilience in the face of external financial challenges.

Keywords: World Bank, UNDP, Economic Strategies, Policy Recommendations, Sustainable Development, Domestic Policies, Sovereignty, PIDE

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Pages: 40-46

DOI: 10.31703/ger.2024(IX-I).04

DOI link:[https://dx.doi.org/10.31703/ger.2024\(IX-I\).04](https://dx.doi.org/10.31703/ger.2024(IX-I).04)

Article link: <http://www.gerjournal.com/article/A-b-c>

Full-text Link: <https://gerjournal.com/fulltext/>

Pdf link: <https://www.gerjournal.com/jadmin/Auther/31rvIolA2.pdf>



Citing this Article

04	Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on IMF Assistance						
	Author	Rameen Afzal Tayba Anwar Iqra Sarfraz		DOI	10.31703/ger.2024(IX-I).04		
Pages	40-46	Year	2024	Volume	IX	Issue	I
Referencing & Citing Styles	APA	Afzal, R., Anwar, T., & Sarfraz, I. (2024). Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on IMF Assistance. <i>Global Economics Review</i> , IX(I), 40-46. https://doi.org/10.31703/ger.2024(IX-I).04					
	CHICAGO	Afzal, Rameen, Tayba Anwar, and Iqra Sarfraz. 2024. "Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on IMF Assistance." <i>Global Economics Review</i> IX (I):40-46. doi: 10.31703/ger.2024(IX-I).04.					
	HARVARD	AFZAL, R., ANWAR, T. & SARFRAZ, I. 2024. Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on IMF Assistance. <i>Global Economics Review</i> , IX, 40-46.					
	MHRA	Afzal, Rameen, Tayba Anwar, and Iqra Sarfraz. 2024. 'Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on IMF Assistance', <i>Global Economics Review</i> , IX: 40-46.					
	MLA	Afzal, Rameen, Tayba Anwar, and Iqra Sarfraz. "Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on Imf Assistance." <i>Global Economics Review</i> IX.I (2024): 40-46. Print.					
	OXFORD	Afzal, Rameen, Anwar, Tayba, and Sarfraz, Iqra (2024), 'Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on IMF Assistance', <i>Global Economics Review</i> , IX (I), 40-46.					
	TURABIAN	Afzal, Rameen, Tayba Anwar, and Iqra Sarfraz. "Exploring Sustainable Economic Strategies for Pakistan: Breaking Dependency on Imf Assistance." <i>Global Economics Review</i> IX, no. I (2024): 40-46. https://dx.doi.org/10.31703/ger.2024(IX-I).04 .					





Global Economics Review

www.gerjournal.com

DOI: <http://dx.doi.org/10.31703/ger>



Pages: 40-46

URL: [https://doi.org/10.31703/ger.2024\(IX-I\).04](https://doi.org/10.31703/ger.2024(IX-I).04)

Doi: 10.31703/ger.2024(IX-I).04



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Abstract

The objective of this research is to find a viable and sustainable economic vision for Pakistan. Stresses the need to reduce dependence on assistance from the International Monetary Fund. This research acknowledges past dependence on the IMF and explores alternatives that support independence and stability in the financial system. This study looks at these countries that have successfully achieved independence with the ongoing support of the IMF to identify the key ideas and strategies that Pakistan can use. The study was conducted using quantitative assessment. Policymakers, economists, and stakeholders are expected to gain important insights from the results. This will help in the development of a strong economic framework that promotes freedom and resilience in the face of external financial challenges.

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Introduction

IMF Assistance - Economic Stability vs. Political Complexity

International Monetary Fund (IMF) — The IMF

was established in 1944 to foster international economic cooperation and to provide its member countries with short-term loans and financial assistance so that they can maintain stable exchange rates. It also provides various services to



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its member countries councils on related issues. In due course, this task has evolved to encompass help for supporting economic policies against certain variables such as financial aid in the face of economic crises. The right to self-determination is a fundamental principle of the United Nations Charter and the various international covenants that recognize the right of all peoples to define themselves, evolve freely, and determine their political status as well as their economic, social, and cultural developments. But, this right should be tempered by international economic cooperation and investment as well as not denied the right of peoples for their subsistence. (Haque, No.34:2021) IMF support aims to stabilize economies during crises, enhancing long-term economic health and investor confidence. The IMF's expert advice and collaboration with organizations like the World Bank, 2023 help countries navigate economic challenges. Recently, the IMF has prioritized aiding nations affected by COVID-19, focusing on sustainable growth, income inequality, and climate change. The IMF is also exploring digital initiatives to enhance assistance accessibility. Proponents of IMF assistance, including figures like Christine Lagarde and countries like the United States, Germany, and Japan, argue it is a vital lifeline and avenue for broader fiscal reform. However, critics like Joseph Stiglitz and Paul Krugman highlight potential downsides. In summary, while politically sensitive, IMF assistance provides immediate support and sets the stage for future prosperity, presenting both challenges and opportunities for a nation's development and international standing. (PIDE, 2022).

Economic Impact of IMF Programs on Developing Countries

IMF programs can stabilize macroeconomic indicators by reducing inflation, and fiscal deficits, and restoring foreign exchange reserves. This stabilization enhances a country's credibility among international investors, facilitating access to global capital markets and promoting foreign direct investment (FDI). However, these programs often involve austerity measures, such as public spending cuts and wage freezes, which can lead to social unrest and economic disruptions. (Zaidi, 2021) Over-reliance on IMF programs without addressing underlying structural issues can result in long-term economic challenges, including reduced productivity, increased inequality, and limited economic diversification. The economic impact of IMF programs on developing countries is complex and multifaceted, influenced by specific circumstances, policy implementation, and external factors.

Pakistan's Struggling Economy

Pakistan is currently facing a severe economic crisis, characterized by skyrocketing inflation, political tensions, and a surge in terrorism. The country is at risk of default due to substantial external debt obligations, further exacerbated by the derailment of a significant \$6.5 billion IMF program initiated in 2019. Pakistan's official foreign exchange reserves are around \$4 billion, insufficient to cover even a month's worth of imports.

Table 1

Indicators	2021-22	2022-23
GDP growth	6.1%	0.29%
Agriculture	4.3%	1.55%
Industries	6/8%	-2.94%
Per-capita income (USD)	\$1765	\$1568
Investment (% of GDP)	15.70%	13.63%
Savings (% of GDP)	11.10%	12.60%

Source: State Bank of Pakistan

The research on Pakistan's debt composition reveals a significant burden from multilateral, private, commercial, and Chinese creditors, totaling \$77.5 billion in short- to medium-term repayment pressure. Economic crises stem from excessive imports, resource scarcity, governance inefficiencies, and overreliance on international aid, leading to currency depreciation, inflation, and unemployment. Limited access to sovereign markets hinders independent loan acquisition. (Irfan Ali Lashari, [2023](#)) Continued IMF support and cooperation from China and the Middle East are crucial to avert sovereign default, given the potential for destabilizing effects, including import disruptions and political turmoil. Pakistan's recurring IMF engagements underscore the need for lasting economic reforms, including tax system simplification and subsidy redirection. The current IMF program suspension highlights challenges in policy implementation, raising doubts about its effectiveness in fostering sustainable growth. Breaking the cycle of IMF dependence requires comprehensive structural reforms to achieve genuine economic independence. (Gul, [2024](#))

Research Methodology

This study employs qualitative analysis to investigate the impact of IMF policies on Pakistan's economic decision-making. It utilizes retrospective methods, literature review, and government reports, supported by data from the State Bank of Pakistan and international organizations. Key themes include the external debt to GDP ratio, structural adjustment program effects, and economic stabilization challenges. A comparative approach examines successful economies like Malaysia, Brazil, and South Korea to identify strategies for reducing IMF reliance. Insights from these nations inform recommendations for tailored economic policies and reforms to foster economic independence in Pakistan. The research proposes a locally-driven sustainable economic strategy to promote long-term stability and self-reliance. It utilizes a mixed-methods approach combining qualitative case studies and quantitative economic

data analysis to draw conclusions and recommendations.

A Comprehensive Approach to Breaking Dependency on IMF Assistance

To break free from reliance on IMF assistance, Pakistan should revamp export policies, aggressively privatize, issue international bonds, and invest in key sectors like agriculture and energy. Diversifying the economy, implementing tax reforms, and strengthening institutions are crucial. Additionally, focusing on climate resilience, expanding exports, ensuring social safety nets, managing debt, promoting regional trade, investing in human capital, and engaging the private sector is vital for sustainable economic growth. Political will and public support are essential for effective implementation. (Abbasi, [2023](#))

Reducing Reliance on IMF: Case Studies of Successful Countries

By exploring successful cases of countries reducing reliance on the IMF, and emphasizing tailored policies, we get to know that Malaysia rejected IMF measures post-1997, Brazil diversified its economy and managed finances prudently, and South Korea prioritized exports and innovation. While all focused on diversification and fiscal prudence, they differed in policy autonomy and focus areas. Lessons from these cases offer insights for countries like Pakistan, though challenges like infrastructure and governance must be addressed for effective implementation.

Harnessing the Potential of Domestic Trade: A Path to Economic Growth in Pakistan

The paper highlights the pivotal role of domestic trade, especially in the wholesale and retail sector, contributing 52.55% to Pakistan's output in [2022-23](#). It identifies key challenges hindering its growth, including bureaucratic hurdles, procurement inefficiencies, and zoning regulations. To unlock its potential as an engine of economic growth, Pakistan must address these challenges by

simplifying bureaucracy, modernizing procurement methods, and reforming zoning regulations. Embracing a domestic commerce-led growth paradigm can foster entrepreneurship, innovation, and economic vibrancy, requiring supportive policies, local business encouragement, and infrastructure investment. (Ahmed, [2023](#))

Pakistan's economic outlook is improving, bolstered by prudent policy management and increased multilateral and bilateral support. Notable developments include a Staff-Level Agreement with the IMF, reduced current account deficit, and rising remittances and exports. However, challenges like inflation and fiscal deficit persist, necessitating sustained efforts for economic stability and reduced reliance on IMF assistance. Additionally, recent data shows a significant surge in both domestic and external debt, highlighting Pakistan's increased financial obligations and reliance on borrowing to meet its needs. (Malik, [2023](#))

Key Findings

This study aims to detect economically efficient policies tailored to Pakistan. Going forward, I conducted a survey that shows that we should move to a path of independent financial stability and more vigorous growth which will lessen our need for IMF assistance.

Demographics of Survey

- Respondents rated Pakistan's economy as 'poor' or 'very poor' with high unemployment, inflation, corruption, political instability, and weak governance.
- Others say Pakistan has become too dependent on IMF aid.
- Sustainable economic actions like growing export markets, investing in green energy, or enhancing trade links are identified as "important or very important".
- Respondents said that barriers to implementation are political will, inadequate funding, resistance to change
- The economic policies of the government

have not seen in the right light.

- Corruption is viewed as a significant barrier to growth.
- Agriculture, industry, information technology, and tourism are all potential job-creating businesses.

Overall, the survey underlines the need to overcome economic obstacles and develop long-term strategies to ensure Pakistan's financial stability and growth. This underscores the importance of political will and a transparent government in 2023.

Recommendations

Policymakers, stakeholders, and scholars need to attend to these stumbling blocks and figure out country-specific, politically socially, and economically compatible ways to promote economic growth in Pakistan. Productive investments must take precedence, Pakistan's long-term economic growth and development depend on the development of productive investment in the economy, capacity building of institutions, enhancing revenue generation, reducing dependence on foreign income, good governance, and moral end prioritization for good.

The following recommendations are based on a thorough review of the suggested economic solutions in the Pakistani context in terms of the tools of economic literature and other global dwellings. Economic diversification, combined with cautious budgetary management and policy autonomy can provide a substantive push to the economy of Pakistan. For these programs to be effective, infrastructure development, governance, institutional capacity, revenue mobilization, expenditure prioritization, debt sustainability, and policy autonomy need to be managed adequately.

1. Allocate investment funds to expand and innovate high-yield businesses in key industries like manufacturing, technology, and agriculture.
2. Create and improve social safety nets to protect vulnerable communities while implementing economic changes that reduce

inequality and promote social stability.

3. Encourage private sector participation by offering incentives and lowering regulatory barriers in order to stimulate investment and economic growth.
4. Enhance agricultural productivity through modern farming techniques, access to quality inputs, and efficient supply chains to ensure food security and boost rural incomes.
5. Establish a transparent and credible economic policy model to both raise global investor assurance levels and expand policy flexibility.
6. Focus on connectivity and infrastructure development like power and transport so that regional trade and connectivity can be promoted, and the cycle of economic development and growth can continue.
7. Increase transparency and accountability in government institutions to combat corruption, boost investor confidence, and strengthen governance.
8. Invest in education and health care to improve the quality of human capital, boost productivity, and prepare the workforce for a contemporary economy.
9. Invest in the technological and renewable energy sectors to stimulate innovation, sustainable development, and lower energy prices.
10. Promoting regional trade agreements by using your geographic location to strengthen trade ties with other countries and incorporate them into regional supply chains.

Conclusion

Based on research, Pakistan has been in 22 IMF programs for over 70 years without a lasting solution due to expedient IMF policies and the government's lack of readiness for tough decisions. For a long term approach, it's a yes to avoid IMF with well-researched and implementable policies. Strong, decisive action is needed with or without the IMF. While sustainable practices promise significant benefits, they also present challenges,

such as initial high costs, resistance to change, and the need for extensive education and training. To end the vicious cycle of foreign financial aid, Pakistan needs to tweak its GDP figures so that its dependence on the IMF is brought to a more manageable level. Some of these reforms consist of creating new export markets, implementing domestic capacities, improving the tax regime, and investment infrastructure improvements. To date, a comprehensive long-term economic plan focusing on the fundamentals that prioritize stability and sustainable development is lacking to end this vicious circle of begging for financial aid and restoring an environment for sustainable economic growth.

Personally, I think that a detailed economic plan should be a primary concern of Pakistan long-term so it can become economically better developed over time and not have to depend so much on the IMF. This plan should be based on growing domestic production, diversifying export markets, enhancing revenue collection, and funding- critical infrastructure projects. Developing good governance and integrity combating corruption, supporting industrialization and innovation, and improving the investment climate are also essential. Through implementing effective strategies in such areas, Pakistan will be able to develop an economy that is more sustainable and self-sufficient and able to prosper for its own sake. My analysis also highlights the importance of promoting entrepreneurship, creating a pro-enterprise environment, and building an infrastructure to bolster economic development.

To establish a more dynamic and sustainable economy, the domestic trade sector's difficulties must be addressed and growth encouraged. According to a detailed poll, many individuals are concerned about Pakistan's economic position. The primary problems are political instability, high unemployment, and corruption. It was decided that sustainable economic tactics were essential, such as investing in renewable energy and diversifying exports. But there are obstacles that must be overcome, such as a lack of political will and inadequate finance. Achieving sustained

economic growth and stability in Pakistan requires putting comprehensive economic strategies into action, enhancing governance, and encouraging private sector involvement.

The paper provides the argument for creating a supportive business environment, promoting entrepreneurship and innovation, and investing in infrastructure and logistics to get around physical and logistical obstacles and support the expansion of th

e domestic commerce sector in order to leverage the resilience and contributions of this industry to drive economic growth in Pakistan.

To fully utilize the potential of domestic trade to spur economic growth, build a more dynamic and sustainable economy, and enhance the quality of life for Pakistani citizens, it is imperative to address the issues facing the domestic commerce sector, promote growth in the sector, and create a favorable business environment.

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