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PRESS COVERAGE

One-Day Conference: Debt Issues of Pakistan

Daily Times
Your right to know A new voice for a new Pakistan

'Loans may lead to growth opportunities'



By:
Staff Report
09-Sep-16

ISLAMABAD: The speakers at a conference on 'Debt issues of Pakistan' said that country's debt stood at Rs 19 trillion, as long as the returns exceed the cost, debts and loans could lead to many growth opportunities.

Quaid-i-Azam University (QAU) Vice Chancellor Dr Javed Ashraf expressed these views in his inaugural address. The real question was how the loans were being used. The conference was organised by the Islamabad Policy Research Institute (IPRI).

IMF, which has become an ugly word in Pakistan, has only asked Pakistan to cut subsidies; to spend responsibly; cut fiscal deficit; and improve tax base, he said.

There is nothing wrong in following the IMF guidelines about generating own revenues; and carefully examining the proper use of borrowed funds, he added.

Islamabad Policy Research Institute (IPRI) President Ambassador (r) Sohail Amin, in his welcome address, shared that the pernicious combination of absence of tax paying culture in the country, economic burden of the war on terror and inflation are the major hurdles restraining the government from dealing with the issue of debt accumulation.

Pakistan's economy has made significant progress towards strengthening macroeconomic and financial stability and resilience as in August this year, the International Monetary Fund (IMF) has cleared payment to Pakistan of \$102 million tranche in a \$6.4 billion three-year programme, he said.

However, the present and future debt situation of Pakistan demands proper attention and management, he added.

The IPRI president recommended that in order to keep the debt within manageable limits and to reduce the country's vulnerability to external shocks, there is an urgent need for developing a long term and comprehensive debt strategy based on the principle of self-reliance and better macro-economic management.

Prof Dr Eatzaz Ahmed, Director International Institute of Islamic Economics (IIIE), was of the view that, while Pakistan's current debt situation is not as grave as it was few decades ago, however, if it does turn into a crisis, it will impose greater burden on citizens, given additional complications such as circular debt and deteriorating institutions and lack of trust in political leadership whether in power or in opposition.

In his simulated models for the future, even miniscule changes can lead to major changes given past debt trends, for example, Pakistan's external debt at 42 percent could grow, but internal debt of 48 percent may remain stable, he informed.

If tax revenue increases by even one percent, external debt will decline and come down to 19 percent in 30 years, he said.

However, increasing tax revenue is the key, while cutting government spending can also have an impact on debt, he added.

Prof Ahmed said the capital output ratio is higher in public sector, so it should be relieved of certain public sector enterprises like the PIA, which will increase productivity adding the current debt burden of Pakistan seems to be sustainable, any major unfavorable external shocks such as decrease in the flow of foreign remittances due to expected recession in oil exporting Middle East can alter the equation in a fundamental way.

Dr Usman Mustafa, professor and head of department of Business Studies, Pakistan Institute of Development Economics (PIDE), was of the view that a rapid escalation of public debt and resultant increase in debt burden in Pakistan was due to fiscal indiscipline, extension of subsidies, increase in security related and natural disasters expenditures and policy inaction in key sectors.

He pointed out that debt management in Pakistan is not an integrated part of macroeconomic policies, and floating debt occupies majority share in our domestic debt stock compared to permanent one. Ironically, borrowed funds are not used optimally, he said. Debt is not a local or national issue rather it has become a global concern, he added.

He briefly highlighted best practices from other countries such as Colombia and Indonesia, which strengthened its institutional framework for sound public debt management; as Kenya developed a sequenced reform plan; and Armenia's plan of broader borrowing choices.



Speakers call for adoption of a rule-based fiscal policy

[DNA News](#) | [September 8, 2016](#)



ISLAMABAD, SEPT 08 (DNA) –Dr Javed Ashraf, Vice Chancellor, Quaid-i-Azam University (QAU), in his inaugural address said that while Pakistan's debt stands at 19 trillion PKR, as long as the returns exceed the cost, debts and loans can lead to many growth opportunities.

The real question is how the loans are being used. Dr Ashraf was speaking at the one-day conference 'Debt Issues of Pakistan' organised by the Islamabad Policy Research Institute (IPRI).

IMF, which has become an ugly word in Pakistan has only asked Pakistan to cut subsidies; to spend responsibly; cut fiscal deficit; and improve our tax base. There is nothing wrong in following the IMF guidelines about generating our own revenues; and carefully examining the proper use of borrowed funds.

President IPRI Ambassador (Retd) Sohail Amin in his welcome address shared that the pernicious combination of absence of tax-paying culture in the country, economic burden of the war on terror and inflation are the major hurdles restraining the government from dealing with the issue of debt accumulation.

Though, Pakistan's economy has made significant progress toward strengthening macroeconomic and financial stability and resilience as in August 2016, the International Monetary Fund (IMF) has cleared payment to Pakistan of a final \$102 million tranche in a \$6.4 billion three-year programme.

However, Pakistan's present and future debt situation demands proper attention and management, he said. He recommended that in order to keep the debt within manageable limits and to reduce the country's vulnerability to external shocks, there is an urgent need for developing a long-term and comprehensive debt strategy based on the principle of self-reliance and better macro-economic management.

Dr Eatzaz Ahmed, Professor/Director International Institute of Islamic Economics (IIIE), International Islamic University presentation on 'Pakistan's Debt Problems: Past, Present and Future' was of the view that while Pakistan's current debt situation is not as grave as it was a few decades ago, however, if it does turn into a crisis, it will impose greater burden on citizens, given additional complications such as circular debt and deteriorating institutions and lack of trust in political leadership whether in power or in opposition.

In his simulated models for the future, he informed that even miniscule changes can lead to major changes given past debt trends, for example, Pakistan's external debt at 42% may grow, but internal debt (48%) may remain stable.

If tax revenue increases by even one percent, external debt will decline and come down to 19% in 30 years. Cutting government spending can also have an impact on debt, however, increasing tax revenue is the key. In the public sector, capital output ratio is higher so it should be relieved of certain public sector enterprises like the PIA which will increase productivity. Although Pakistan's current debt burden seems to be sustainable, any major unfavorable external shocks such as a decrease in the flow of foreign remittances due to expected recession in oil exporting Middle East can alter the equation in a fundamental way, he said.

Dr Usman Mustafa, Professor/Head Department of Business Studies, Pakistan Institute of Development Economics (PIDE), was of the view that a rapid escalation of public debt and resultant increase in debt burden in Pakistan has been due to fiscal indiscipline, extension of subsidies, increase in security related and natural disasters expenditures and policy inaction in key sectors.

Dr Sajid Amin Javed, Research Fellow, Sustainable Development Policy Institute (SDPI), Islamabad, was of the view that debt is contextual, and therefore, it is very hard to find a debt-level threshold which is optimal, and one needs to look at each country's case individually.

The panelists agreed that social costs of debt are visible and painful; and that adoption of a rule based fiscal policy, and institutional strengthening in various entities involved in management of debt was important.

There should be an expansion of government revenues and exports while improving the quality of resource use in the public sector.=DNA



Pakistan's economy made significant progress toward strengthening macroeconomic and financial stability

September 8, 2016

ISLAMABAD, Sep 08 (APP): The Speakers of the one-day conference 'Debt Issues of Pakistan' Thursday recommended that in order to keep the debt within manageable limits and to reduce the country's vulnerability to external shocks, there is an urgent need for developing a long-term and comprehensive debt strategy based on the principle of self-reliance and better macro-economic management.

Addressing the conference which was organized by the Islamabad Policy Research Institute (IPRI) Vice Chancellor, Quaid-i- Azam University (QAU), Dr Javed Ashraf, was of the view that the pernicious combination of absence of tax-paying culture in the country, economic burden of the war on terror and inflation are the major hurdles restraining the government from dealing with the issue of debt accumulation. Though, Pakistan's economy has made significant progress toward strengthening macroeconomic and financial stability and resilience, However, Pakistan's present and future debt situation demands proper attention and

management.

Addressing the event Dr Eatzaz Ahmed, Professor/Director International Institute of Islamic Economics (IIIE), International Islamic University Pakistan's has made significant improvements on economic front and current debt situation is not as grave as it was a few decades ago. If tax revenue increases by even one percent, external debt will decline and come down to 19% in 30 years.

Dr Usman Mustafa, Professor/Head Department of Business Studies, Pakistan Institute of Development Economics (PIDE), was of the view that today debt is not a local or national issue rather it has become a global concern. He briefly highlighted best practices from other countries such as Colombia and Indonesia which strengthened its institutional framework for sound public debt management.

Discussing the Turkish economic debt situation, Dr Mustafa shared that Erdogan inherited a debt of \$23.5 billion which came down to \$0.9 billion in 2012. They have not signed any new deal, rather they have completely paid it off through institutional reforms; compensating and supporting the private sector; and through financial and banking sector reforms. He said that government should focus on having a robust growth rate of GDP; healthy growth in revenues and exports; an increase in remittances; stability in exchange rate, and stable reserve position for the micro-economic stability of the country.

Dr Sajid Amin Javed, Research Fellow, Sustainable Development Policy Institute (SDPI), Islamabad, was of the view that debt is contextual, and therefore, it is very hard to find a debt-level threshold which is optimal, and one needs to look at each country's case individually. He said that a good debt strategy depends on a strong and sustainable growth strategy; and an Expansionary Monetary Policy that avoids excessive public borrowing.

He concluded that it is critical to 'make debts sustainable through economic growth; and exchange rate management. In the Question and Answer session, it was brought up that the composition of domestic debt should be altered through development of domestic capital markets for long-term government securities so that the heavy and growing reliance on short-term money market borrowing which is undesirable and costly is reduced.

APP/ Saeeda



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DEBT NOT A BURDEN WHEN SAGACIOUSLY USED TO GENERATE REVENUES: EXPERTS

SEP 09, 2016 [BUSINESS](#), [ECONOMY](#)

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ISLAMABAD: Pakistan's debt currently stands at Rs. 19 trillion. We need not to worry on growing debt until we continue to receive returns exceeding the costs by sagacious use of loans for dividend led investments. All we need to do is to generate more revenues out of borrowed funds by putting in place an accountable debt management.

This was stated by Dr Javed Ashraf, Vice Chancellor, Quaid-i-Azam University (QAU), while addressing one-day conference 'Debt Issues of Pakistan' organized by the Islamabad Policy Research Institute (IPRI). He was of the view that loan arrangements with IMF are being criticized in general but practically these conditionalities largely provide us guidance on financial discipline to reduce fiscal deficit and to improve tax collection.

President IPRI Ambassador (Retd) Sohail Amin said a combination of absence of tax-paying culture in the country, economic burden of the war on terror and inflation are major hurdles restraining the government from dealing with the issue of debt

accumulation. Though, Pakistan's economy has made significant progress toward strengthening macroeconomic and financial stability and resilience as in August 2016, the International Monetary Fund (IMF) has cleared payment to Pakistan of a final \$102 million tranche in a \$6.4 billion three-year programme. However, Pakistan's present and future debt situation demands proper attention and management, he said. He recommended that in order to keep the debt within manageable limits and to reduce the country's vulnerability to external shocks, there is an urgent need for developing a long-term and comprehensive debt strategy based on the principle of self-reliance and better macro-economic management.

Dr Eatzaz Ahmed, Professor/Director International Institute of Islamic Economics (IIIE), International Islamic University presentation on 'Pakistan's Debt Problems: Past, Present and Future' was of the view that while Pakistan's current debt situation is not as grave as it was a few decades ago, however, if it does turn into a crisis, it will impose greater burden on citizens. He said if tax revenue increases by even one percent, external debt will decline and come down to 19% in 30 years.

Dr Usman Mustafa, Professor/Head Department of Business Studies, Pakistan Institute of Development Economics (PIDE), was of the view that debt management in Pakistan is not an integrated part of macroeconomic policies, and floating debt occupies majority share in our domestic debt stock compared to permanent one. He said President Erdoğan inherited a debt of \$23.5 billion which came down to \$0.9 billion in 2012. They have not signed any new deal, rather they have completely paid it off through institutional reforms; compensating and supporting the private sector; and through financial and banking sector reforms. The government should focus on having a robust growth rate of GDP; healthy growth in revenues and exports; an increase in remittances; stability in exchange rate, and stable reserve position. On the external front, policy-makers should prioritize better debt negotiations; re-profiling of Paris Club bilateral debt on a long-term horizon; and the prepayment of expensive debt and the relative shift in contracting new loans by implementing a prudent debt management strategy which is 'Effective and Efficient'.

Dr Sajid Amin Javed, Research Fellow, Sustainable Development Policy Institute (SDPI), Islamabad, was of the view that debt is contextual, and therefore, it is very hard to find a debt-level threshold which is optimal, and one needs to look at each country's case individually. Unfortunately, economic growth is the most overlooked area when we devise debt management strategies, he said. Quick fix solutions are akin to flirting with disaster. The debt crisis cannot be solved simply by reducing government expenditure or increasing taxes since both have more pains and fewer gains associated with them. A good debt dealing strategy depends on a strong and sustainable growth strategy. Dr. Sajid suggested that raising the economic activity can also help bridging the budget and current account deficits through increasing the tax revenues and export earnings respectively. He concluded that it is critical to 'make debts sustainable through economic growth and that exchange rate management by restoring value of rupee to its original value is very important in this regard.

Speakers stress wise utilisation of IMF loans



By:

Staff Report

11-Sep-16

ISLAMABAD: Pakistan's debt currently stands at Rs 19 trillion but we should not worry until we wisely use loans for dividend-led investments to receive returns exceeding the costs, said Quaid-e-Azam University (QAU) Vice Chancellor Dr Javed Ashraf while addressing a one-day conference 'Debt Issues of Pakistan' organised by the Islamabad Policy Research Institute (IPRI).

He was of the view that loan arrangements with International Monetary Fund (IMF) were being criticised in general but practically these conditionalities largely provide us guidance on financial discipline to reduce fiscal deficit and to improve tax collection.

IPRI President Sohail Amin said a combination of absence of taxpaying culture in the country, economic burden of the war on terror and inflation were major hurdles restraining the government from dealing with the issue of debt accumulation.

Although Pakistan's economy has made significant progress toward strengthening macroeconomic and financial stability and resilience as in August 2016, IMF has cleared

payment to Pakistan of a final \$102 million tranche in a \$6.4 billion three-year programme, he added.

However, he said, Pakistan's present and future debt situation demands proper attention and management. He recommended that in order to keep the debt within manageable limits and to reduce the country's vulnerability to external shocks, there is an urgent need for developing a long-term and comprehensive debt strategy based on the principle of self-reliance and better macroeconomic management.

International Institute of Islamic Economics (IIIE) Director Dr Eatnaz Ahmed, while giving a presentation on 'Pakistan's Debt Problems: Past, Present and Future', was of the view that Pakistan's current debt situation was not as grave as it was a few decades ago, however, if it does turn into a crisis, it would impose greater burden on citizens.

Pakistan Institute of Development Economics (PIDE) Head Department of Business Studies Dr Usman Mustafa was of the view that debt management in Pakistan was not an integrated part of macroeconomic policies, and floating debt occupies majority share in our domestic debt stock compared to permanent one. He said Turkish President Erdoğan inherited a debt of \$23.5 billion, which came down to \$0.9 billion in 2012. "They have not signed any new deal, rather they have completely paid it off through institutional reforms; compensating and supporting the private sector; and through financial and banking sector reforms. The government should focus on having a robust growth rate of GDP; healthy growth in revenues and exports; an increase in remittances; stability in exchange rate, and stable reserve position. On the external front, policymakers should prioritise better debt negotiations; re-profiling of Paris Club bilateral debt on a long-term horizon; and the prepayment of expensive debt and the relative shift in contracting new loans by implementing a prudent debt management strategy which is effective and efficient," he suggested.