

Subject: Pakistan's Debt Burden: A Looming Challenge for its Future

Dear Chief Editor, Layalpur Post, Canada

As a fellow resident of Toronto, and someone who follows global affairs, I feel compelled to share my perspective on one of the most critical challenges facing Pakistan today: its persistent debt burden and fiscal deficits. This issue, regularly highlighted in discussions about Pakistan's economy, including on channels like Darwin TV, Toronto, which broadcasts news from Pakistan, has far-reaching implications for the nation's stability and development.

Recent reports paint a concerning picture. Pakistan's public debt has continued to soar, reaching an unprecedented level of over Rs. 76,000 billion (approx. \$254 billion as of June 2024). What is particularly alarming is that debt servicing obligations are often reported to exceed the government's entire revenue. This creates a vicious cycle where new borrowing is needed just to pay off existing debts, leaving little fiscal space for essential public services, development projects, or investments in human capital.

The reliance on both domestic and external borrowing to finance persistent fiscal deficits has weakened Pakistan's financial resilience. While efforts have been made to manage this through various instruments and strategies, the underlying issues—such as a narrow tax base, inefficient tax collection, and unproductive public spending continue to fuel this unsustainable trajectory. The shift towards greater reliance on domestic debt, while perhaps reducing foreign exchange vulnerability in some aspects, has also led to higher interest burdens due to the prevailing high-interest rate environment.

This debt trap not only restricts the government's ability to address critical social issues like poverty, education, and health, but also stifles economic growth. It deters foreign investment, puts pressure on the currency, and exacerbates inflation, directly impacting the purchasing power and standard of living.

For Pakistan to break free from this cycle, fundamental and sustained structural reforms are imperative. This includes broadening the tax base to increase revenue, improving tax administration, curtailing wasteful expenditures, reforming loss-making state-owned enterprises, and fostering an environment conducive to export-led growth. Without a decisive and consistent approach to fiscal consolidation and debt management, the nation risks compromising its long-term stability and the well-being of its people.

The international community, including countries like Canada with significant diaspora connections, has a role to play in supporting Pakistan through technical assistance and prudent lending. The solutions must be homegrown and politically sustained.

Thank you for allowing me to express my views on this critical matter.

Sincerely,

Asghar Ali,
Sialkot, Pakistan