**Drop the debt, Not the Health**

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Pakistan is trapped in a debt crisis, and as ever this is hitting vulnerable communities the hardest. For four decades, much-needed development in Pakistan has been hampered as the country struggles with its large external debt. Debt cancellation is crucial for Pakistan’s survival because health and economic challenges posed by Covid-19 are unprecedented in Pakistan’s history.

In early 2019, in the face of a monetary crisis, Pakistan reached out to the International Monetary Fund (IMF) for a bailout package worth six billion dollars. The economy was only just recovering from the crisis when the pandemic struck.Due to the pandemic, an additional 2.45 million people now suffer from food insecurity. One third of Pakistan’s population live below the poverty line while 66% of the population or 145 million people living in poverty, requires immediate relief.

Prior to the Covid-19, Pakistan economy was not in good shape with rising current account and fiscal deficit.Due to lock-down and global economic slowdown, economic Growth in Pakistan is projected tobe in minus, -2.2 to -1.2 in 2020, 0.3 to 0.9 in 2021 and 3.2 to 3.3 in 2022. This will lead toincreasing poverty, joblessness and inequality.However, Pakistan today continues to have a large external debt, inequality is entrenched, and the country failed to meet most of the Millennium Development Goals.

For Pakistan, the G20 DSSI provides a temporary debt suspension for eight months, involving up to US$ 1.8 billion in postponed debt payments. This is just a drop in the ocean. During such testing times, nothing is more draconian than forcing a country to contract further loans to finance the emergency response to Covid-19. Pakistan has been forced to do so in significant amounts. The IMF provided the country with a US$ 1.4 billion loan under the Rapid Financing Instrument facility.

The government should take firm stand and negotiate with multilateral organizations for giving leniency in paying debt as Pakistan is still struggling to overcome the Covid-19 crisis that put the entire social and economic systems under jeopardy

In this context, Pakistan is projected to need US$ 27.8 billion to meet external debt service payments between September 2020 and June 2023. This figure includes payments for US$ 19.4 billion to the IMF, WB, ADB and China (CPEC loans). The external debt of the country stands at US$ 111 billion. Of this figure, 48.4 per cent is owed to bilateral official creditors, 38.1 per cent to multilateral creditors and 9.4 per cent and 4.1 per cent to unofficial and private creditors, respectively.

Working classes have been forced to bear the effect of this mounting debt burden through indirect taxation. The economy of Pakistan is currently in intensive care. How can a country like Pakistan with negative Gross Domestic Product (GDP) growth (for the first time in 70 years), 45 per cent of the population living below the poverty line, 12 per cent inflation rate and a debt-to-GDP ratio of over 80 per cent – have the ability to pay back over US$ 1 billion per month?

The Prime Minister of Pakistan Imran Khan during this year also appealed to the world leaders, to the heads of financial institutions, to the Secretary General of the United Nations to launch an initiative that will give debt relief to developing countries to combat the deadly coronavirus. He also said that the reason why there should be a debt relief because we need to divert those resources to health and also to environment. This was an appreciable stance by the PM and as citizen of this country we should back him.

Saira Ahmed renowned social activist was on the view that multilateral institutions & NGOs all across the nation must push these private lenders to cancel these debts of Pakistan. Debt cancellation for the year 2020 alone will spare Rs2,418 billion. This will provide the much-needed resources to the government of Pakistan at this critical time. The government needs to provide protective equipment to frontline health workers, arrange key medical equipment necessary to save lives, ensure food supplies, provide cash to workers who lost their jobs, and extend support to small businesses to prevent them from collapsing”.

Recently, in Sindh Marvi Rural Development Organization-MRDO under the umbrella of Tax Justice Coalition organized a public forum on the issue of drop the debt not the health. This forum was organized to have public discourse on the issue and involve the local district administration and key stakeholders for brainstorming and then providing the federal government with suggestions. Moreover, through this forum, Government was asked to prepare a Response Plan, which enshrines the social and economic wellbeing of the people of Pakistan.

The government of Pakistan should take firm stand and go on negotiations with these multilateral organizations for giving leniency in paying debt as Pakistan is still struggling to overcome problems particularly the Covid-19 crisis that put the entire social and economic systems under jeopardy.

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