**[Waste not the crises](https://www.dawn.com/news/1782290/waste-not-the-crises)**

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LAST month, the World Bank and the Pakistan Institute of Development Economics convened a two-day national dialogue titled ‘Reforms for a Brighter Future: Time to Decide — A Conversation on Pakistan’s Development Priorities’.

It can be deciphered as: things are not right and reforms are badly needed; if appropriate reforms are undertaken now, they can lead to a better future, but if they are not implemented then the future is bleak; this should be decided now, before it is too late.

The World Bank’s Matthew Verghis made a simple, though not simplistic, keynote address. The message in a nutshell is threefold: Pakistan’s economic model is no more sustainable; still, economic and development progress is possible — provided we make fundamental shifts in our economic and development policies.

Why is our economic model no more sustainable? Because it has resulted in a huge, ever-growing macroeconomic imbalance. Simply put, our income is far less than our spending. To plug the deficit, we must regularly borrow loans. We are in a vicious cycle, where we borrow more to return earlier loans and their interest. Covid-19, the global slump, floods, political instability and rupee depreciation have also caused a deep dent in recent years, although our economic mismanagement goes far beyond these catastrophes.

The chronicity of this phenomenon has landed us in a situation where our debt and debt servicing have risen to 82.3 per cent of GDP in 2023. All this hits people very hard. High inflation and, once again, growing poverty are taking their toll.

Human development is sliding further. Our abysmal health and education indices are a stark testimony to an economic model which isn’t working. Our infant mortality rate (over 60 per 1,000 live births) and stunting (40pc of children under five years) are the highest in South Asia and our literacy rate among adults (above 15 years) is the lowest in South Asia, even lower than that of sub-Saharan Africa.

So why is economic and development progress still possible? There are examples of countries that have managed such crises and bounced back. They fastened their belts, put their house in order and turned around their economies.

Indonesia, India and Vietnam emerged from their respective crises, introduced and sustained deep economic reforms and followed positive trajectories. Incremental economic growth rates have resulted in improvements in living standards, and human development indicators have improved.

In 1965, China, Indonesia, Malaysia, South Korea and Pakistan were very close to each other in terms of GDP per capita. Today, South Korea’s per capita income is close to $35,000, Indonesia’s is more than $14,000, Malaysia’s is close to $14,000, China’s is over $11,000 while Pakistan’s is only $1,568.

Fundamental shifts are needed in our economic and development policies.

Sri Lanka was also marred by misgovernance, economic mismanagement and political instability. Ultimately, it [defaulted](https://www.dawn.com/news/1684768) by announcing a debt repayment moratorium in April 2022, amidst unsustainable debt and critically low reserves. The images of people rioting inside the presidential residence are still fresh.

Sri Lanka had no option but to initiate wholesale economic and governance reforms. Early indications are promising. Inflation peaked to an unprecedented 69.8pc during the crisis last year, more than double that of Pakistan, but, today, it has come down to single digits. Indeed, it’s too early to form an opinion about what trajectory Sri Lanka will take, but there is a great opportunity in the crisis if Sri Lanka does not waste it.

Every country has its own context and problems, but the fact remains that there are countries that have experienced economic crises but have successfully emerged from them by reshaping their economic and development policies. Our situation is dire but not an exception. We must develop the resolve to proactively address it rather than shutting our eyes and waiting for Allah before the worst hits us.

What fundamental shifts are required in our economic and development policies? While there is no single cookie-cutter solution, lessons from other countries are useful. The principles of good economic policies are well laid out. We need to, first and foremost, set our priorities right. Investing in people should be our first economic priority as this brings the highest rate of return.

Apart from being a moral argument, it is also good economics. Our youth bulge can be our greatest resource. Exploiting the globalised world and the huge elastic global demand for ideas, knowledge, technology, commodities, and human resource, we should reorganise internally to enhance our abysmally low exports. We need to address the structural drivers of fiscal deficits and must expand our revenue base and improve our expenditure quality.

We need to enhance our savings and stop channelling private savings into financing unproductive government consumption. We need to improve our business environment to encourage investments and increase public capital investments rather than providing huge, poorly targeted subsidies. This is a broad but by no means exhaustive list.

Last but not least, economic and political crises are two sides of the same coin. Nothing is possible without democratic political stability and a credible government. We have been at a loss on all these counts — for too long. We need broad-based national consensus among all stakeholders to effectively address our existential challenges.

Former PM Shahid Khaqan Abbasi has been calling for reimagining Pakistan through a grand national consensus as our problems have become so deep and complicated that no one political party or section of the establishment can resolve them. In the last three years, almost all important political parties have been in power but our downward spiral has continued.

Can our powerful stakeholders transcend their know-it-all approach and self-interest and reach out to each other to develop a national consensus on Pakistan’s future?

Economic experts say that if Pakistan leverages its young population, natural resources, and location within a vibrant region, it can achieve growth rates of 7-8pc per annum, reaching middle-income status by 2047. “This may be Pakistan’s moment in making policy shifts,” said Najy Benhassine, World Bank head in Pakistan, while making the opening speech at the national dialogue.

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