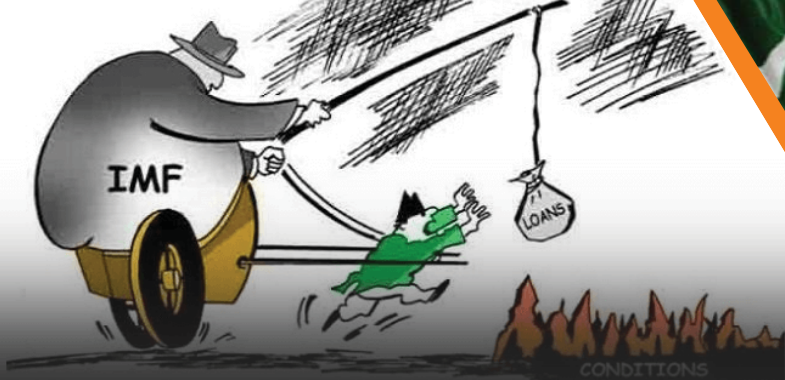




Pakistan and IMF Trignometry

Global Spectrum

In deficient economies, external financing is often seen as a blessing in disguise in the short term to manage trade collapses and forex settlements. The situation is being tightly controlled amidst hyper-economic pulses, which are compounded by inward trade imbalances and limited outward realizations.

According to an international survey (Global Risks Perception-2023) on vital global challenges, the leading concerns for the future include (1) Energy Supply Crisis, (2) Cost of Living Crisis, (3) Food Shortages, and (4) Debt Burdens. These issues are classified into broader categories of:

- 1) Societal Impacts
- 2) Economic Impacts

The debt crisis serves as a central catalyst for both societal and economic disruptions, despite being positioned in the middle of the axis. It acts as a trigger for various risk scenarios that need to be carefully planned and addressed by the appropriate stakeholders.

Alongside the ominous echoes of ongoing world wars, the debt crisis has infiltrated the very foundations of the micro-economies of developing countries.

Bottle

- **B:** Balancing Bullish/Bearish tendencies implicitly with federal robustness should be managed through insider segmentation.
- **O:** Orbit flows should be excluded from external sources.
- **T:** Terms segregations could be alternative sourcing trajectories for ameliorations.
- **T:** Territorial mutualizations should also be considered to mitigate debt pile-ups.
- **L:** Lubrication terms for extended tenures with shorter paybacks could ease the burden.
- **E:** Exploring and furthering less contributory avenues could provide additional support

Neckes

- **N** – Nosles of Micro – outlays.
- **E** – Exorbitant Flows with operations of related entities.

- **C** – Clutches of Utilities / Commodities Financings.
- **K** – Knowledge Divulgence / Knighticks Emergent Plans.
- **E** – External Over reliquaries / reliances
- **S** – Surplus Foreign Trades Forecast Defecincies.



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Pull Push Factors - Crossborder & Inverse

While capital markets primarily serve as secondary sources for accruing gains, they also play a significant role as the primary avenue for capital injections, with the exception of fresh issues. They exert considerable influence on inflationary trends and trade trajectories, particularly in hyper-economies, where lending practices can lead to:

- Artificial bubbles in money-market operations.
- Tying up capital for extended periods until revival.
- Necessitating marginal gains amidst monetary pressures.
- Influencing perceptions and trends of cyclical economic pulses

Here's a breakdown of the relevant economic values in terms of debt to GDP, with a comparison to 2005:

- In 2008, the debt to GDP ratio was reported at 63%.
- By 2013, this ratio had increased to 73%.
- In 2018, it further rose to 78%.
- Subsequently, in the following two and a half years, instances have been observed where the debt has surpassed the national GDP by over 22%.

This trend indicates a notable increase in debt relative to the GDP over the years, signaling potential challenges in managing fiscal stability and debt sustainability.

While excessive talkativeness may not directly solve economic challenges, thoughtful deliberations can indeed foster a more positive outlook and potentially lead to optimistic changes.

However, it's crucial to ground these discussions in reality, acknowledging facts and historical instances. For example, one historical milestone in Pakistan's economic history is the instance of zero external debts.

Regarding government debt in South Asia, it's notable that in 2022, it averaged 86% of GDP. Such high levels of debt pose significant risks, including the potential for defaults, increased borrowing costs, and the diversion of credit away from the private sector. These challenges underscore the importance of prudent fiscal management and strategic planning to ensure sustainable economic growth and stability.

Way Forward

Sourcing / Fundings Ovaltines

Consumers Spending Mix : Developing economies are often characterized by an abundance of:

- Spending on fast-moving consumer goods (FMCG) driven by consumer trends.
- Non-development outlays.
- Excessive maintenance costs.
- Dilution of product qualities.
- Dependence on international trade.
- Technological limitations or 'technology backyards'.
- Expensive and often inefficient systems or 'systems emporium'

Foreign Institutions - Local PE + IMF

The extent of availability of settlement currencies in home countries is a prime consideration for robust growth, alongside exploring alternative options. The need of the hour is to expand the geographic distribution and spread of:

- Equitable presence of lending funds across multiple jurisdictions.
- Establishment of local private equity (PE) branches of foreign institutions and the IMF.
- Flexibility and availability of lending in multiple currencies.
- Diversity in settlement modes.
- Equity in funding sourcing for public, private, and institutional domains.

Compliance Functions – Centralization (Corps)

In pursuit of effective excellence, traditional compliance operating modes should be assimilated into:

- Centralized and enhanced access protocols.
- Oversight mechanisms within corporate domains.
- Ensuring trustworthy compliance with acceptable outputs.

Loan funds should undergo revitalization to revamp:

- Freeing flows to transform into cash-rich earners.
- Exploring untapped avenues for strategic planning.
- Discarding stagnant or detrimental layouts.
- Addressing inflated streams to promote stability.

Domestic Markets Dynasities

Diversifying lending forms to support domestic market dynasties and project-based financing instead of countrywide lending, we can focus on:

- Money market support.
- Central treasury management.
- Funding public projects (capital and maintenance).
- Refinancing existing loans.
- Facilitating foreign trade settlements.
- Providing utilities and energy provisions for public sectors.

Terms of arrangements should be reassessed in accordance with relevant rollovers and anticipated inflows. Countrywide lending has led to overloaded burdens and crunches on national exchequers. The dire need is for:

- Scaling lending.
- Specifying lending with rollovers.
- Allocating lending for projects with matching inflows.
- Extending lending to public entities.

Realms & Pictorials

Public monetary fundings traditionally lie in ambience with respect to the realms of their disposal, coupled with requisite media projections

Country Inward Trades Management

Forex Trades Settlements - To ease the processes of transactional flows arising from international trades, various measures can be devised, including:

- Involving dedicated multinational corporations in arrangements for routing international commerce and imports.
- Facilitating settlements among foreign holdings located outside the country (referred to as foreign settlements).
- Simplifying local currency conversion procedures.
- Exploring the concept of currency bordering

Specialized Entities - For commercial vendings originating from abroad, managing the repercussions may involve active planning and state support for:

- Entities solely engaged in commercial importing, with a focus on minimizing direct imports.
- Entrusting Special Purpose Vehicles with sectoral demarcations for international trade layouts.

Stuck-up capital is another important consideration in arranging international bargains and trade deals.

Collection & National Treasury Redirections

Tax Free Status

To truly transform local industrial frameworks, the existing traditional tax structure should be made supplementary rather than detrimental to business growth. Steps forward could include:

- Implementing contributory or profit-sharing arrangements rather than imposing compulsory levies.
- Extending tax-free nets to encourage investment and expansion.
- Granting free entity status to businesses after fulfilling requisite national contributions.
- Promoting the proliferation of new business hubs through widespread geographic distribution.

Rising Interest Rates

Rising interest rates are exacerbating debt risks for the poorest countries. Approximately 60% of countries eligible to borrow from the World Bank's fund for the poorest are either in debt distress or already experiencing it. The implications of rising interest rates are manifold:

- Increased borrowing costs, leading to strain on cash flows.
- Stalling business growth due to higher financing expenses.
- Heightened volatility in financial markets, affecting investor confidence.
- Contraction in inward international trade volumes.
- Diminished long-term benefits of borrowing for capital stewardship.
- Governments may resort to measures such as tightening international input channels.
- Decreased borrowing and investment activities.
- Enhanced financial constraints and restrictions

The aforementioned challenges associated with borrowings or debts, whether external or internal, exacerbate the struggling economic outlook of developing countries, particularly those burdened with debt.

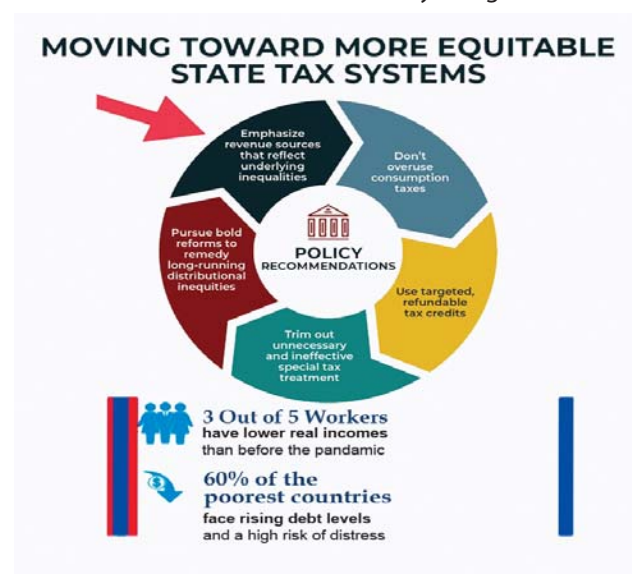
In contrast, philanthropic social entities such as Alkhidmat and Akhuwat have emerged as beacons of national excellence. Their growth and contributions can be attributed to the following factors:

- Providing loans for micro-enterprises with repayment covenants limited to the principal amount.
- Offering loans at zero coupon rates, without any interest.
- Achieving near-full recovery of social support (approximately 99.9%).
- Sustained growth of portfolios, trending upwards.
- Mitigating risks through active stakeholder engagement and participation.
- Abundance of social voluntary contributions and successful execution of participatory initiatives, leading to societal upliftment."

Policies Revitalizers

Policies aimed at revitalizing equitable taxation, simplifying consumption taxes, optimizing bond usage, and implementing effective tax sizing would lead to:

- Lower real income levels.
- Reduced risk of distress caused by rising debt levels.



About the Author: The writer is currently associated with the Attock Refinery Limited [Attock Group] as Deputy Manager Finance and looking after the areas of Treasury Bills and Associates (Related Parties) for the last eleven year. He is a Fellow member of the Institute of Chartered Accountants of Pakistan.