

Prosperity for Pakistan: Policy Agenda for the Incoming Government

Policy Dialogue

Background

Pakistan is experiencing a complex challenge matrix of economic vulnerability which has been compounded by the historic floods in 2022. Burdened with heavy debt, the country faces a daunting challenge of repaying [USD 77 billion in external debt servicing by FY2026](#) which is a hefty burden for a USD 350 billion economy, while also containing decreasing liquid foreign exchange reserves currently hovering around [USD 12.4 billion](#).

Under these pressures, the PKR has substantially declined against the dollar in a year, from PKR 178/USD in January 2022 to PKR 328/USD in August 2023. Currently, the exchange rate stands at PKR 283/USD, and this ongoing instability in the rupee-to-dollar exchange rate is compounding the challenges faced by the government. The government is already grappling with surging inflationary pressures, with the CPI inflation rate reaching [31.44% and food inflation surging to 33.11% in the month of September 2023](#). Unemployment and poverty rates have surged, with the International Monetary Fund (IMF) and World Bank estimates showing [unemployment at 8.5%](#) in 2023 and the [poverty rate reaching 39.4%](#).

Pakistan's economic outlook is not promising over the short- to medium-term. The IMF has projected the [GDP growth rate for Pakistan at 2.5% for 2024](#) against a [negative 0.5% in 2023](#). [The current account balance is projected at negative 1.8% for 2024 compared to negative 0.7% for 2023](#). Inflation is projected to remain above 20% in 2024. Further, the fault lines, including low levels of investment, exports, productivity growth, and energy sector crisis (circular debt in the power sector), pose risks for a sustained recovery that is needed to achieve stable and consistent growth in the medium-term.

Given this outlook, it is anticipated that stabilisation policies would continue over the next 3-5 years. These policies, marked by tight monetary and fiscal measures, subsidy reductions, high inflation, and unemployment, pose the risk of pushing more people below the poverty line. With elevated commodity prices and the continued impact of the IMF programme, the public is likely to face the continued erosion of their purchasing power. Thus, focusing on people-centric economic policy design and implementation is imperative to address economic justice.

Objectives

The United Nations Development Programme (UNDP) Pakistan in partnership with Sustainable Development Policy Institute (SDPI) is organising this *Policy Dialogue* as part of their collaboration on 'Prosperity for Pakistan' initiative. The dialogue will discuss the need for people-centric economic policies which are more inclusive and sensitive to the needs of the poor, women, and marginalised segments of society and generate recommendations for the new government. Its strategic objectives are to:

- deliberate on the existing macroeconomic situation in the country and its implication on people;
- propose strategic recommendations and policy agenda for the incoming government for people-centred policymaking.

Panel Organisers

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