To Borrow or Not: Empirical Evidence from Public Debt Sustainability of Pakistan

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What the paper is about?

- It investigates the public debt sustainability of Pakistan
  - Debt sustainability analysis (DSA) framework by World Bank-IMF
  - Fiscal reaction function (FRF)
- Four out of five indicators of DSA framework are above threshold and suggest a strong level of distress risk for the economy.
- FRF shows that primary balance responds positively to debt
Strengths of the paper

• Given the high level of debt for Pakistan, it is an important topic for investigation
• Well-written and easy to read
• The conclusion that Pakistan can achieve the debt-to-GDP level set by the Debt Limitation Act based may help stimulate interest in the paper
Suggestions for improvement

**Explaining the Context:**

- Details of the context must be fully presented
- Paper claims the public debt saw an increase especially after the COVID pandemic. How big was the increase??
- Where does Pakistan stand vis-à-vis other emerging markets?
- Previous literature from Pakistan?
Suggestions for improvement

**Methods and Analyses:**

- Given the direct and indirect effects of multiple variables on debt dynamics, just considering two discrete scenarios seem too superficial. Detailed risk assessment that is done in multiple studies in literature, for example, Garcia and Rigobon (2004)
- Consider the possible non-linearity in the reaction of primary balance to debt levels.
- Finally, how do findings align with the existing literature?
Thank you & good luck!!