How Can Pakistan Improve its Rising External Debt Situations?

Asif Farid
Assistant Chief (World Trade Organization)
Ministry of Commerce, Islamabad, Pakistan

Abstract

This study is an attempt to investigate the role of poverty reduction, income inequality and trade openness in the improvement of external debt situations in Pakistan over the period 1973-2013. ARDL approach has been used to examine relationship among the variables. The results confirm that poverty, inequality, trade openness and unemployment have relationship with external debt in the long-run. However, found no causal relationship between external debt and income inequality, between external debt and unemployment in the short run. The study observes that openness is not favorable in Pakistan context. Reduction in poverty and inequality will increase the possibility of Pakistan entering a virtuous cycle of high growth and sustainable socio-economic development which ultimately will improve external debt situations.

Keywords: External Debt; Saving-investment Gap; Openness; Poverty; Inequality

Introduction

The growing external debts of developing nations persist to deter their socio-economic developments. Although there have been numerous plans aims to resolve the crisis, however, no one plan has established to be wholly successful. The external debt burdens of middle-income and developing countries have sustained to augment. In the presence of unsustainable external debt, many developing, and least developing countries would not be able to have access to primary education, clean water, or be free from severe poverty as the governments have to spend more on debt retirement than on social services. The futures of these nations can be altered with the proper utilization of the borrowed funds and domestic resource mobilization towards poverty reduction and social expenditures.

Generally, external borrowings were believed that it would be beneficial in filling the current account deficit in a capital-starved country. But the prevalent evidences showed that external borrowing persuaded government to earmark higher percentage of borrowed funds to less preferable projects. Similarly, it affected self-reliance and affects domestic saving adversely. Additionally, it protracted reliance on external borrowing [Griffen (1970); Qureshi et al. (1997); Boone (1996)]. From the policy perspective, the profit and outcome from the external assistance are believed to be foremost. It also affects International

Financial Institutions (IFIs) plans in sharing of assistance among various debtor's countries. The efficiency of aid is significantly associated with decision of the donors regarding supply of aid to the debtors. Efficiency of foreign assistance is affected by poor economic performance of the recipient country [Burnside and Dollar (2000); Collier and Dollar (2002); Carl-Johan (2004)].

Addison (2006) observes that due to the high social returns from spending on basic health care, primary education and safe water and sanitation, rates of returns that surpass concessional and certainly commercial, rates of interest—it makes sense to have access to both externally and domestically for economic growth and poverty reduction as well as better execution of output and employment throughout the business cycle.

International Monetary Fund (IMF) initiated the Highly Indebted Poor Countries (HIPC) plan in 1996 in an effort to lessen the debt burden of low-income countries to the sustainable levels in a due course of time. How much advantages did this plan creates for the low-income countries? The available literature probing the connection between decline in foreign debt and GDP growth provides diverse signs to the researchers in both developing and developed countries. Claessens (1990) observes that the measures taken by the creditors to shrink external debt of a debtor's will help both. However, Clements et al. (2003) advocate that debt relief may have negative impacts on debtors and that reform plan may be more efficient than debt relief. In the same way, Berensmann (2004) of the view that debt relief is a helpful but not a sufficient condition for economic development.

This study examines how a rising poverty level, growing external debt and debt services could deter socio-economic development. The issue addressed here is whether saving-investment gap, trade openness, poverty and inequality influence the external debt. The main innovation of the study is the introduction of factors i.e. poverty, unemployment and inequality into the analysis. Further role of trade openness which may lead to increase in trade deficit is to be discussed in the present research. At the same time the study addresses how well the indicators used to measure external debt sustainability are satisfactory in the Pakistan's context?

The organization of the study is as follow; Section-I is outlining introduction to the study. Section-II discusses literature involved. Section-III highlights theoretical approach of the study. Section-IV discusses methodology, results and analysis of the study. Conclusion is given in Section-V.

Literature Review

Low-income countries generally have inadequate capitals and low tax capacity. Therefore, they must depend on the external borrowings to bridge the resource gap between the revenues and expenditures. Although, countless researches have been undertaken to assess the association between foreign debt and economic growth; foreign capital and economic development; influence of foreign capital on governance and institutional effectiveness; the responsibility of institution in the economy performance; but little devotion has been given to discover the relationship among external debt, poverty, income inequality and economic development in a cohesive framework.

Traditionally, the matter of debt sustainability in Highly Indebted Poor Countries (HIPCs) is usually assessed through the conventional debt indicators method. The most common measures of public debt sustainability were the ratio of public debt stock to gross domestic product and ratio of public debt stock to government revenue. Further, in case of accumulated foreign debt, it is significant to express foreign exchange and export earnings in terms of foreign debt, likewise the foreign debt to gross domestic product ratio [Sun (2004); Cline (2003); Martin (2002); Gray (1998)].

European Network on Debt and Development (EURDAD) in 2001 observed that these indicators are incapable to detect the true factors that are helpful in determining the accurate level of sustainable debt. Further, these initiatives will not be adequate in poverty reduction efforts of HIPCs as it does not consider for the funds these nations need for expenditures on poverty eradication and for sustaining GDP growth [Birdsall and Deese (2004); Sachs (2002)]. Boone (1996) indicates that external aid it does not contribute to the economic growth and its impact on investment is insignificant. Foreign aid even does not assist the poor in the recipient countries but just swell the size of government.

Fonchamnyo (2009) observes the results of social and economic performance in sixty low-income countries to evaluate the relative usefulness of the HIPC plan. He assumes that the countries that incorporated the HIPC plan will demonstrate better improvement in social and economic development than those countries not incorporated. He argues that speculation and development have enhanced in HIPCs since the initiation of the HIPC plan, and it have been also observed that basic health care and primary education enrolment found some progress in countries that had accomplished HIPC plan.

Loko B. et al. (2003) examine the correlation between poverty and external debt. They argue that high external indebtedness is a major cause of extreme poverty. The study outlines the effects of external debt on poverty, measured by infant

mortality, life expectancy and gross primary enrollment rates, while suitably taking into account the effect of external debt on income.

Greiner (2011) advocated that the impact of public debt on economic growth relies on the existence of inflexibility in the system. Particularly, in a model with no rigidities and flexible supply of labour, debt has a harmful impact on growth, labor supply and investment. In the presence of unemployment and wage rigidities, debt has no impact on the allocation of resources and can have an optimistic impact on economic growth if utilized in the productive investment.

Daud et al. (2013) explain the role of foreign debt in GDP growth of developing countries has been questioned due to low economic growth, deteriorating poverty level and high incidence of default, all of which are linked with growing stockpile of external debt. Moreover, the uncertainties about external debt sustainability situation as well as whether countries are already trapped in the debt-overhang position have emphasizes the significance of investigating this issue.

Persson and Tabellini (1994) analyzed relationship between economic growth and income inequality and found that inequality will be harmful for growth in the long run. The growing inequality in the short run have a positive impact i.e. increase in the income inequality leads to rise in the economic growth. However, in the long run more inequality will affect social values of the society and will cause decrease in the economic growth in the long run. Deininger and Squire (1998) argue that the effect of initial inequality on subsequent economic growth is adverse in most instances but not always significant. Conversely, inequality in the distribution of resources, in the form of land allotment, has harmful effect on subsequent growth of the economy.

Agnello and Sausa (2009) are of the view that extent of openness has a direct relationship with fiscal deficit unsteadiness and expenditure volatility i.e. in the presence of high trade deficit, openness does not have a positive relationship with economic growth. Low quality and less competitiveness are the major reasons for low demand of Pakistan's exports in international market. To overcome this trade deficit, Pakistan has borrowed a huge amount from International Financial Institutions (IFIs). Further, advancing trade liberalization requires the gradual removal of exports and imports tariffs, which are important sources of revenues for developing countries. The resulting fiscal deficits in these countries may then have to be filled with increased foreign borrowing (Caliari, 2005).

Poverty and income inequality have been introduced in the growth equation to overcome these shortcomings of the debt ratio analysis to determine the debt

sustainability situations for Pakistan. Furthermore, trade openness is also taken in to consideration in this study instead of conventional indicators for foreign debt i.e., present value based debt ratios of foreign debt to export earnings.

Theoretical Framework

According to the Trickle-down theory, development is solely an economic phenomenon in which benefits from the overall growth of gross domestic product and income per capita would automatically trickle-down to the masses in the form of employment and economic opportunities. The major concern is therefore to acquire the growth job done while reduction in unemployment and poverty are perceived to be realized as a result of sustainable economic growth. However, the growth benefits have not trickled down to the gross-root level due to market imperfection in the developing countries. Therefore, the main objective of the developing country like Pakistan is to get economic growth along-with reduction in poverty, equal income distribution, employment and other economic prospects. Pakistan opted for external and internal borrowing to achieve economic growth and development. In this backdrop, it is found that Pakistan borrowed resources for economic revival were not utilized efficiently. Therefore, neither economic development nor social developments i.e. economic growths leading to poverty reduction, desirable employment level and other opportunities of interest have been achieved.

Fiscal Responsibility and Debt Limitation (FRDL) Act was promulgated in Pakistan in 2005. The purpose of the Act is to bring public debt under the prescribed safe limits and this legislation focuses on accountability and transparency in the fiscal policy. The law was designed to remove the "revenue deficit" to limit the government's access to borrowing and reduce public debt to a prudent level. The main features of the law are:

a) Elimination of revenue deficits by June 2008 and thereafter maintain a revenue surplus
b) Lowering total public debt to 60 percent of GDP by 2013 and thereafter maintain the total public debt below the 60 percent of GDP
c) Social and poverty alleviation expenditures should not be less than 4.5% of GDP for any given year

Pakistan is facing severe financial crisis at national and international fronts since promulgation of (FRDL) Act 2005. These are credit crisis, low tax revenue collection and declining exports caused major deviation from the prescribed limit of public debt, specified in the Fiscal Responsibility and Debt Limitation (FRDL) Act 2005. Revenue deficit has not been reduced to zero by end of fiscal year 2008 and did not reach a surplus during the subsequent years.

Table A: Indicators of Fiscal Responsibility and Debt Limitation Act 2005

Year	Revenue Deficit (% of GDP)	Public Debt (% of GDP)	Poverty Exp. (% of GDP)	Edu+Health Exp. (% of GDP)
2004-05	3.3	65.8	4.81	2.37
2005-06	4.3	59.9	4.93	2.31
2006-07	4.3	58.3	4.89	2.37
2007-08	7.6	60.1	9.70	2.37
2008-09	5.2	62.3	7.46	2.36
2009-13	4.9	61.7	6.01	2.34

[Author's estimations: Data has been taken from Economic Survey (various issues); SBP reports (various issues)]

The only improved part of the implementation status of this Act is that social sector and poverty alleviation expenditures which were stood at 4.81 % of GDP in 2004-05 rose to 9.7 % of GDP in 2007-08. But once again like other declines the same expenditure has been reduced to 6.01 % of GDP in period of 2009-13. Moreover, it is still above the prescribed limit of 4.5 % of GDP. However, expenditure on health and education remains a cause of concern for long period. According to this Act, the health and education expenditure should reach 1.18 % and 3.72 % of GDP respectively by end of 2013. However, the results are harshly contradictory to the outcomes as these outlays both for health and education collectively stood at 2.34 % of GDP in 2009-13.

METHODOLOGY, SOURCES OF DATA, AND ARDL APPROACH RESULTS

Sources of Data

The present analysis uses statistics for Pakistan, which cover the period 1973-2013. Main data sources are Economic Survey of Pakistan (various issues), Hand Book of Statistics (SBP), and World Development Indicators published by the World Bank. All monetary units of variables are local currency unit of Rupee in million, while poverty and unemployment are expressed in number of people in millions. Gini-coefficient is used to determine inequality [(here index formulated by Jamal, 2006), Pakistan Integrated Household Survey, (various issues) has been used]. External debt is used as dependent variables, whereas, saving-investment gap, income distribution, openness, poverty level and unemployment rate are determinant factors of the external debt.

External Debt (ED)

In the literature, the mostly used indicator is external debt to GDP ratio to judge effectiveness of the growing external debt. This study uses total amount of publically guaranteed external debt and liabilities in million rupees. For

converting the value of dollars to rupees, this study has used the exchange rates for the relevant year.

Income Inequality (G)

Gini-coefficient is applied to determine income inequality, which is used in most of the studies on income inequality. It is based on Lorenz Curve, which maps the portion of population against the share of part of income expected and has a least value of zero (case of ideal equality) and highest value of one (ideal inequality). Gini index computes the level to which the allocation of resources/income or consumption outlay among people within an economy diverges from a perfectly equal distribution. Due to discrepancies in measuring the extent of income inequality, the data may not be same across the specified time. It is to be mentioned here that data are taken from different sources and data for some period i.e. 2007-09 & 2010-12 are not available. The data is available in gaps; therefore, averages of the last five years have been taken for the missing years. The data for the period 2009-10 & 2012-13 have been taken from GINI index (World Bank Estimates).

Poverty (Pov)

This study has applied the poverty assessment centered on the official approach on poverty line. It is pertinent to mention here that the Planning, Development and Reform Division pronounced in 2003 the official poverty line constructed on the threshold level of 2,350 calories per adult per day plus a minimum expenditure required for non-food needs. The official assessments of the poverty are available only for limited period. Further, these estimates of poverty are not rigorously similar with the earlier estimates. The data is taken from Hand Book of Statistics (SBP) and various issues of Pakistan Economic Survey.

Trade Openness (TO)

The measures used in this study include the ratio of exports and imports as percentage of GDP.

Saving-Investment Gap (SIG)

National saving is a combination of private savings and domestic savings. Gross national savings is a total quantity of a nation income minus its cumulative consumption and also demonstrate the available finances for investment. The preliminary fact of the analysis is the accounting character of the saving investment gap being equal to the difference between domestic investment and saving. This study principally concerned in examining the defining dynamics of private saving, since obvious proof proposes that private saving plays a fundamental role in explaining current account developments in Pakistan.

Estimation Methodology

The current analysis has been undertaken by using time series techniques. Time series data are normally perceived as having stochastic trend that can be detached by differencing. This study applied Augmented Dickey-Fuller (ADF) methods to attest the unit root characteristics of the series and stationarity of the model as shown in Table-1.

Table 1: ADF Test Results

Variables	Level			1st Difference		
	Intercept	Intercept & trends	None	Intercept	Intercept & trends	None
Pov	0.2901	-1.4511	1.8790	-5.4042	-3.8260*	0.2502
ED	2.8218	0.0506	4.4379	-4.6868**	-2.0223	3.4380
UR	-0.8078	-2.6167	0.6127	-7.4919**	-7.4257**	-7.2662**
G	-2.0578	2.2407	2.3524	-5.4693**	-5.5405**	-1.0221
SIG	1.1895	-1.0559	2.4119	-7.0914**	-5.9153**	-6.2569**
TO	-2.5785	-3.4707*	-0.4008	-10.5013	-10.3586**	-10.6413**

Note: * and ** denotes 5% and 1% level respectively

Trade openness is stationary at level while external debt, saving-investment gap, poverty, income inequality and unemployment are non-stationary at level and become stationary at first difference. We have combination of I (0) and I (1). As shown in the above Table-1 all of the variables are not going to the same order of integration. Therefore, suitable technique for estimation in such condition is Autoregressive Distributed Lag Model (ARDL) co-integration proposed by Pesran et al. (2001).

Model Specification

This study would examine how external debt is determined in Pakistan in the presence of growing poverty level, unemployment and income inequality in the following equation:

$$\Delta ed = \gamma_{\circ} + \sum_{i=1}^{m} \gamma_{1i} \Delta (ed)_{t-i} + \sum_{i=0}^{m} \gamma_{2i} \Delta (g)_{t-i} + \sum_{i=0}^{m} \gamma_{3i} \Delta (pov)_{t-i} + \sum_{i=0}^{m} \gamma_{4i} \Delta (to)_{t-i} + \sum_{i=0}^{m} \gamma_{5i} \Delta (sig)_{t-i} +$$

$$\sum_{i=0}^{m} \gamma_{6i} \Delta (ur)_{t-i} + \beta_1 (ed)_{t-1} + \beta_2 (g)_{t-1} + \beta_3 (pov)_{t-1} + \beta_4 (to)_{t-1} + \beta_5 (sig)_{t-1}$$

$$+ \beta_6 (ur)_{t-1} + \varepsilon \text{ ---------- (1)}$$

Where *ed* is external debt, *g* is income inequality, *pov* is poverty level, *to* is trade openness, *sig* saving-investment gap, *ur* is unemployment rate and ε is the error term.

External Debt Equation Results

For co-integration analysis equation-1 has been estimated. ARDL approach has been used to examine relationship among the variables. The ARDL co-integration method starts with applying the Bound Test for the Ho (null hypothesis) of no co-integration- i.e.

Ho: $r_1 = r_2 = r_3 = r_4 = r_5 = r_6 = 0$ against the H1 (alternative hypothesis) of
H1: $r_1 \neq r_2 \neq r_3 \neq r_4 \neq r_5 \neq r_6 \neq 0$

Maximum lag length plays important role in conducting F-test. The study is based on annual data and this study has only 38 observations. The total number of parameters is six. Pesran (2001) suggested that maximum lag length of 2 will be appropriate for such small number of observations. F-test is summarized below in Table-2.

Table 2: Bound F-test Results

Value (F-Statistic)	Maximum Lag Length	Significance Level	Bound Critical Values	
			I (0)	I (I)
4.90	2	5%	3.79	4.85

The above results disclose that the F-statistic value of 4.90 is higher than the critical values 4.85 (upper bound). It reveals existence of co-integrating association amongst the variables. The next stage in the ARDL technique is to find out the long-run coefficients for equation-1. To estimate the long-run optimal length for the coefficients Akaike Information Criterion (AIC) and Schwarz Information Criterion (SIC) for selection of the lag are used as shown in Table-3.

Table 3: Dependent Variable - External Debt

Variables	Coefficient	Std. Error	t-Statistic	Probability
C	-1697000.	471448.2	-3.599547	0.0019
G(-1)	34248.50	10429.64	3.283766	0.0039
POV(-1)	24166.96	7979.048	3.028803	0.0069
SIG(-1)	3.477250	0.530868	6.550118	0.0000
TO(-1)	135114.2	251551.0	0.537124	0.5974
UR(-1)	-11198.52	71387.60	-0.156869	0.8770
R^2	0.966529			
Adj R^2	0.934819			
F-stat	30.48073			
Probability(F-stat)	0.000000			
AIC	25.50794			
SIC	26.32673			
DW statistic	2.042642			

Long-run Relationships

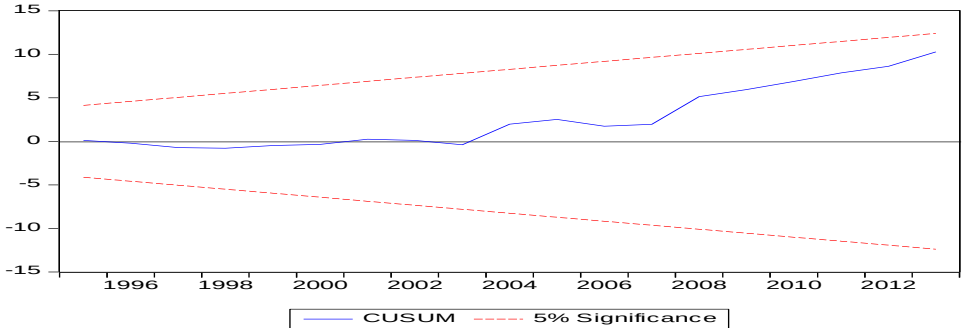
The above results establish the positive relationship between income inequality and external debt. Income inequality has significant and positive relationship with external debt in Pakistan. There is positive relationship between poverty level and external debt. Poverty has significant and positive relationship. Positive relationship has been found between saving-investment gap and external debt. We have robust results for Saving-investment gap which is significant and have a positive relationship with external debt in Pakistan. However, trade openness and unemployment have insignificant relationship with external debt.

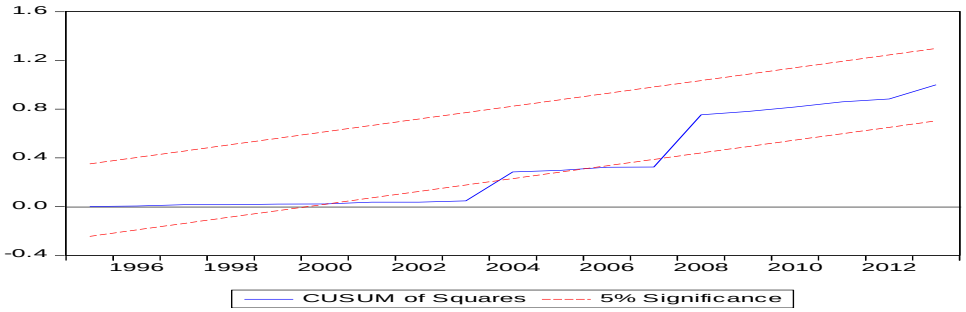
Table 4: Breusch-Godfrey Serial Correlation LM Test

F-stat	0.078786	Prob. F (2,17)	0.9246
Obs*R^2	0.348984	Probability Chi-Square (2)	0.8399

The result from LM test proves that there is no serial correlation among the variables as shown in Table-4. The (CUSUM) cumulative sum graph indicates stability and confirms that coefficient of the long-run which runs within the critical area/limits and point out steadiness in the coefficients in the given time as shown below.

CUSUM Test





Short run Relationships

The next and final stage in ARDL technique is estimation of short run coefficients and test of Error Correction Term (ECT). If there is any co-integration between the variables in the short-run then error correction in the system will also occur. The outcomes of the ECT are given in Table-5.

Table 5: Dependent Variable - External Debt

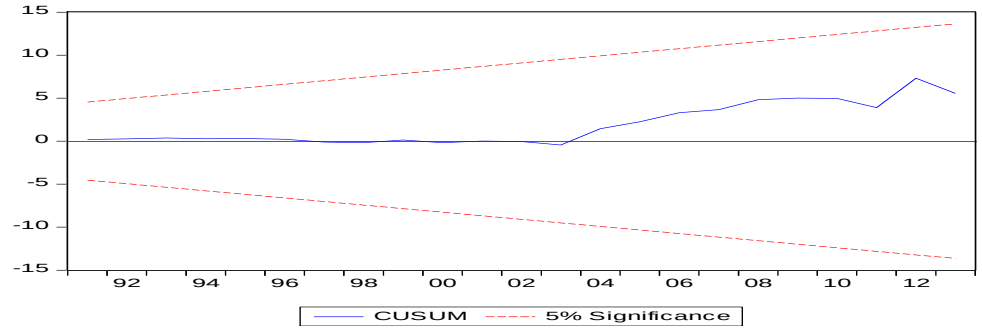
Variables	Coefficient	Std. Error	t-Statistic	Probability
C	61259.85	36386.74	1.683576	0.1052
D(G(-2))	-63206.61	21475.73	-2.943165	0.0071
D(POV(-1))	37090.92	9048.848	4.098966	0.0004
D(SIG(-2))	1.094570	0.381826	2.866669	0.0085
D(TO(-1))	512847.3	527567.5	0.972098	0.3407
D(UR(-2))	-63276.25	78886.79	-0.802115	0.4304
ECT(-1)	-0.646431	0.696470	-2.794710	0.0101
R^2	0.745629			
Adj R^2	0.618444			
F-stat	5.862546			
Probability(F-stat)	0.000120			
DW Statistic	1.862731			

The ECT (error correction term) also shows the rate of adjustment in the system. The ECT value of 64 % implies that after a shock, approximately 64%, adjustment occurs towards the equilibrium after one year.

Table 6: Breusch- Godfrey Serial Correlation LM Test

F-statistic	0.832973	Prob. F (2,22)	0.4480
Obs*R-squared	2.604586	Prob. Chi-Square (2)	0.2719

The result from LM test proves that there is no serial correlation among the variables as shown in Table-6. The (CUSUM) cumulative sum graphs indicate stability and confirm that coefficient of the short-run which runs within the critical area and point out steadiness in the coefficients in the given time period as shown below:



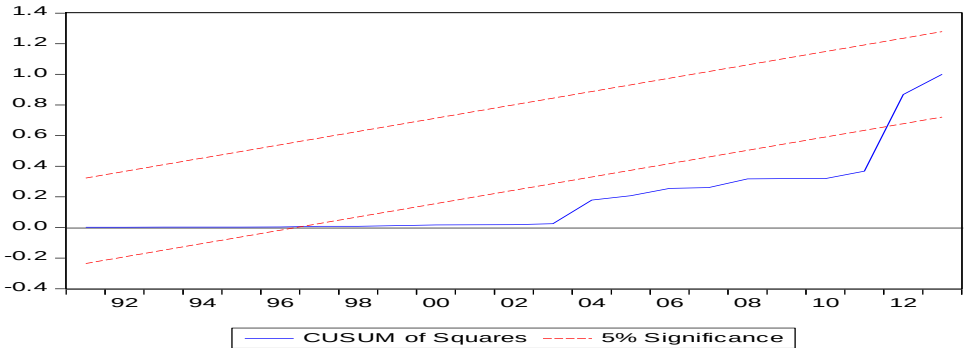


Table 7: Wald Test Results (Short-run Causality)

Short-run Causality	Test Statistic	Value	df	Probability
G and ED	F-statistic	1.117369	(2, 24)	0.3436
	Chi-square	2.234738	2	0.3271
Pov and ED	F-statistic	2.601829	(2, 24)	0.0949
	Chi-square	5.203659	2	0.0741
SIG and ED	F-statistic	9.194452	(2, 24)	0.0011
	Chi-square	18.38890	2	0.0001
TO and ED	F-statistic	4.299364	(2, 24)	0.0254
	Chi-square	8.598728	2	0.0136
UR and ED	F-statistic	0.373924	(2, 24)	0.6920
	Chi-square	0.747847	2	0.6880

The results in Table-7 indicate also that there is significant short-run causality between external debt and saving-investment gap, between external debt and trade openness, between external debt and poverty. But there is no short-run causal relationship between external debt and income inequality, between external debt and unemployment.

Conclusion

The main objective of the developing country like Pakistan is to get economic growth along-with reduction in poverty, equal income distribution, employment and other economic prospects. The growth benefits have not been trickled down to the gross-root level in Pakistan. Pakistan opted for external and internal borrowing to achieve economic growth and development. In this backdrop, it is found that Pakistan borrowed resources for economic revival were not utilized efficiently. Therefore, neither economic development nor social developments i.e. economic growths leading to poverty reduction, desirable employment level and other opportunities of interest have been achieved.

A main obstruction in the poverty reduction and disparity is the absence of actual sharing of the masses in public development agendas. Therefore, the participation of the poor is necessary in all the development schemes by social mobilization and public developments. This would not only stabilize the power structure particularly in the rural regions but also would guarantee the empowerment of the masses at the grassroots level. Pakistan may implement priority projects in the agriculture sectors and expand targeted programs of social protection for the poor. Sound debt management will be instrumental in ensuring socio-economic development. Further, unstable macroeconomic environment may induce uncertainty, political instability and social unrest. Growing social unrest and political instability due to debt overhang may further deteriorate investment regime and have adverse impacts on growth.

The study observes that openness is not favorable in Pakistan context. Further, since 1975, the Pakistan's imports are higher than its exports; more openness means a considerable increase in the trade deficit. The major exports of Pakistan consist of the commodities for which demand in the international market is inelastic. In this connection exports diversification can play its role in achieving favorable balance of trade.

The growing external debts lead to severe poverty and therefore establish a barrier to the recognition of socio-economic development. Though debt indicators of Pakistan shown some progress in the period of 2000-2008, however, a number of significant challenges remain to be resolved. Accordingly, it is essential to:

a) Ensure implementation of Fiscal Responsibility and Debt Limitation (FRDL) Act, 2005 in its true spirits.

b) Ensure consistency among public sector development program, trade and debt policies and assurance of socio-economic development and poverty reduction

c) Ensure that external borrowings and economic growth thereof contribute towards poverty reduction. External borrowings may be adapted to specific state of affairs and is planned to support ultimately the poor

d) Encourage transparency and promote participation of the masses and the poor - in development programs to make sure that common people are adequately informed about the use of scarce resources and that the deprived, in particular, benefit

References

Addison T. (2006). "Debt relief: The Development and Poverty Impact." *Swedish Economic Policy Review.* 13 (2006). Pp. 205-230.

Agnello, Luca & Ricardo M. Sousa (2009). "The Determinants of Public Deficit Volatility." *European Central Bank.* Working Paper Series. No. 1042.

Berensmann, K. (2004). "New Ways of Achieving Debt Sustainability beyond the Enhanced HIPC Initiative." *Intereconomics* 39(6). Pp. 321-330.

Boone, P. (1996). "Politics and the Effectiveness of Foreign Aid." *European Economic Review.* 40. Pp. 289-329.

Burnside, C. & Dollar, D. (2000). "Aid, Policies, and Growth: Revisiting the Evidence." World Bank Policy Research Working Paper No. 2834.

Caliari, A. (2005). "The Debt-trade Connection in Debt Management Initiatives: Need for Paradigm Change" in *Debt and Trade: Time to Make the Connections,* Dublin, Ireland: Veritas Publication. Pp.101-122.

Carl-Johan Dalgaard, H. H. (2004). "On the Empirics of Foreign Aid and Growth." *The Economic Journal, Royal Economic Society*. 114.

Claessens, S. (1990). "The Debt Laffer Curve: Some Estimates." *World Development.* 18 (12).

Clements, B., Bhattacharya, R., & Nguyen, T. (2003). "External Debt, Public Investment, and Growth in Low-Income Countries." *IMF Working Paper* No. 249, WP/03/249, IMF, Washington DC.

Cline, W. (2003). "HIPC Debt Sustainability and Post-Relief Lending Policy." (Unpublished) Center for Global Development and Institute for International Economics.

Collier, P. & Dollar, D. (2002). "Aid Allocation and Poverty Reduction." *European Economic Review.* 46 (8). Pp. 1475-1500.

Daud et al. (2013). "Does External Debt Contribute to Malaysia Economic Growth?" *EKONOMSKA ISTRAŽIVANJA-ECONOMIC RESEARCH.* 26 (2). Pp. 51-68.

Deininger K. & Squire L. (1998). "New Ways of Looking at Old Issues: Inequality and Growth." *Journal of Development Economics*. 57. Pp. 259-87.

DFID (2001). *Making Government Work for Poor People.* London: Department for International Development.

Eurodad (2001). Putting Poverty Reduction First. (Brussels).

Fonchamnyo, D. C. (2009). "Debt Relief Incentives in Highly Indebted Poor Countries (HIPC): An Empirical Assessment." *International Advances in Economic Research* 15. Pp. 322-335.

Gray, S. (1998). Debt Sustainability and Developing Economies. GINI Index (World Bank Estimates). https://data.worldbank.org/indicator/SI.POV.GINI

Greiner, A. (2011). "Economic Growth, Public Debt and Welfare: Comparing Three Budget Rules." *German Economic Review*. 12 (2). Pp. 205-222.

Griffen, K. B., & Enos, J. L. (1970). "Foreign Assistance, Objectives, and Consequences." *Economic Development and Cultural Change*. 18. Pp. 313-327.

Jamal, H. (2006). "Does Inequality Matter for Poverty Reduction? Evidence from Pakistan's Poverty Trends." *The Pakistan Development Review*. 45 (3). Pp. 439-459.

Loko, M. B., Kalonji, M. K. D., Nallari, R. & Mlachila, M. M. (2003). "The Impact of External Indebtedness on Poverty in Low-Income Countries." IMF Working Paper. Publication Date: March 1, 2003.

Martin, M. (2002. *Debt Relief and Poverty Reduction: Do We Need a HIPC III?"* Paper Presented at North-South Institute Global Finance Governance Initiative Workshop, 1-2 May 2002. Montreal.

Persson, T. & Tabellini, G. (1994). "Is Inequality Harmful to Growth?" *American Economic Review* 84 (June). Pp. 600-621.

Pesaran, H. M., Shin, Y. & Smith, R. J. (2001). "Bounds Testing Approaches to the Analysis of Level Relationships." *Journal of Applied Econometrics*. 16 (3). Pp. 289-326.

Qureshi, S. K., Ud Din, M., Ghani, E. & Abbas, K. (1997). "Domestic Resource Mobilization for Development in Pakistan." *The Pakistan Development Review*. 36(4) Part II, (Winter 1997). Pp. 891-912.

Sun, Y. (2004). External Debt Sustainability in HIPC Completion Point Countries. IMF Working Paper, No. 04/160.