

CSS 2 2019
Pak - Affairs

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Q: What major economic challenges are being faced by Pakistan? What recommendations do you suggest to deal with these challenges?

Introduction:

Many countries of the world have been facing economic challenges Pakistan among one of them. Economic challenges in Pakistan since from day first and become increase in a regular pattern due to increase in population. Pakistan's economic challenges obvious like sector wise inequality in revenue collection, tax collection problems, state owned enterprises and circular debt and also informal economy. But, its solution is not impossible, some concrete measures are necessary to stabilize Pakistan's economy. These are digitization of economy, empower local government system for tax collection, privatization and make efficient coordinations

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among government, academia and industries.

History of Pakistan's economy

3—main Phases of Pakistan's economy

i) 1947-77 (Era of experimentation)

First nine year Pakistan have no constitution — mean no economic policy.

a) President Ayub Khan made first economic policy

Howard Tackle down model — capitalist model.

b) Zulfikar Ali Bhutto become President — 1970s.

— Model — Nationalism

— Socialist model.

— most private industries left Pakistan

ii) 1977-1999 (Era of Twisted economy)

a) President Zia-ul-Haq — no economic model — run Aid base economy due to USSR — Afghan war USA provided more aid to Pakistan (1979-1988).

b) 1988 — Benazir Bhutto regime

This part is not required. So no need to discuss it in this detail

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- Takes short term loan from IMF for efficient economic system but 1990 - government dissolved.
 - c) Nawaz Sharif - do same but government dissolved

iii) 1999-2024 (Era of problematic economy)

- a) President Musharraf - model consumer credit model. provide loan to skillful people due to more aid from America. - war on terror
- b) 2008 - People party regime
 - Circular debt issue
 - Politicization of institutions - give more jobs to their workers - which does not afford by institutions.
- c) 2013 - Nawaz Sharif government.
 - Crony capitalist - model
 - Facilitate export oriented economy.
- d) 2018 - Imran Khan regime
 - Socialist model
 - Ehsas program.

Crunch of Pakistan's economic history

- i) Inconsistency in economic policy
- ii) political polarization
- iii) Non-democratic force intervention in government.

Pakistan's economic challenges:

a) Sector wise inequality in revenue collections:

Pakistan have three major sectors, which run ^{her} its economy.

- i) Agriculture sector
- ii) Industrial sector
- iii) Service sector

Pakistan being an agrarian state most of the population are linked with agriculture sector, which is about 50% of population but its share is 22% in Pakistan GDP according to the Economic survey 2023-24. Moreover, Industrial sector contributes 25% of Pakistan GDP but it requires 25% of worker potential. Similarly, service sector contributes about 60% in GDP and only 25% people use their potential. Which means that there is sector wise inequalities to contributes in Pakistan GDP, less share of

Keep the description of a single argument brief and increase the number of arguments instead.

of agriculture sector but more number of people used the effect about 13 billion people.

Sectors	Revenue share	Worker potential
Agriculture	22%	50%
Industries	25%	25%
Services	60%	25%

b) State owned enterprises:

In Pakistan mixed economic system, where most of the industries are run by the government. In the absence of technocrats and non-democratic forces intervention these institutions in place to benefit government but they are unable to fulfill the salary of the employees. Pakistan's state owned enterprise that are crisis are Wapda, Railways, PIA and steel mill. Now they ^{Facing} ~~face~~ huge loss which become a great ~~factor~~ ^{factor} for Pakistan's current economic instability.

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Sector	Loss
INAPDA	\$7.2 billion Circular debt
Railway	60 billion loss (PKR)
Steel mills	500 billion (PKR)
PIA	100 bn loss (PKR)

c) Inequalities in tax collections:

In Pakistan three sectors run the state economy. These are agriculture industries and services. It generate much revenue but their share in tax collections are unequal and some are even undocumented. Federal share 86% while province - 14% in tax.

Sector	people	Revenue	Tax share
Agriculture	50%	22%	0.03%
Industries	25%	25%	70%
services	25	60%	30%

d) Undocumented economy:

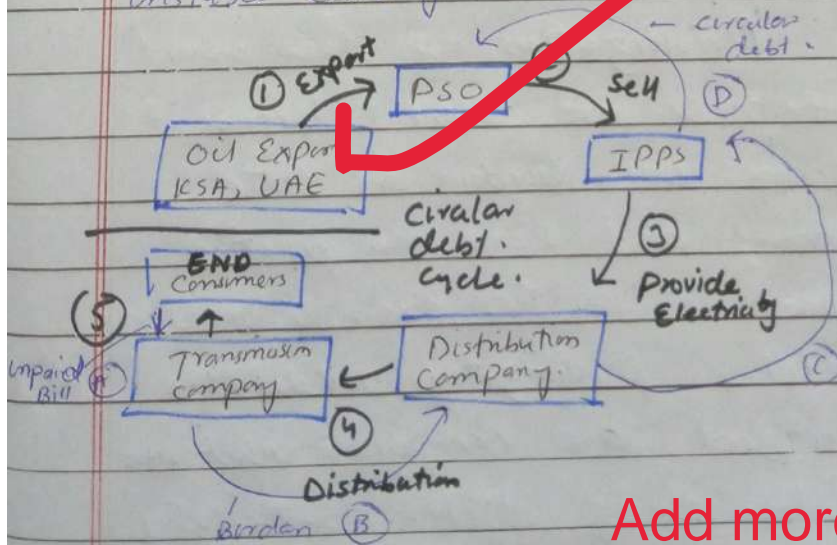
Pakistan's have undocumented economy about 70% of sectors are unregistered. Tax collection department does not regulate that how many percent a sector earn. It is because most of the transactions are in cash which have no GST. When there is no

no digitalization the tax department are mable to regulate these institution for tax collectios.

e) Circular debt:

Circular debt in energy sector is another major issue for Pakistan's economic instability. In Pakistan most of energy (electricity) generate from fossil fuel which is export from the middle East on debt bases by government local and international IPPs. Due to line loss about (35-40%) and problem in bills recovery Pakistan is facing circular debt of about \$7.2 billion. which is a huge shock for an instable economy.

Leave a line space between headings for neatness



Add more arguments

Recommendations for Pakistan's economic challenges:

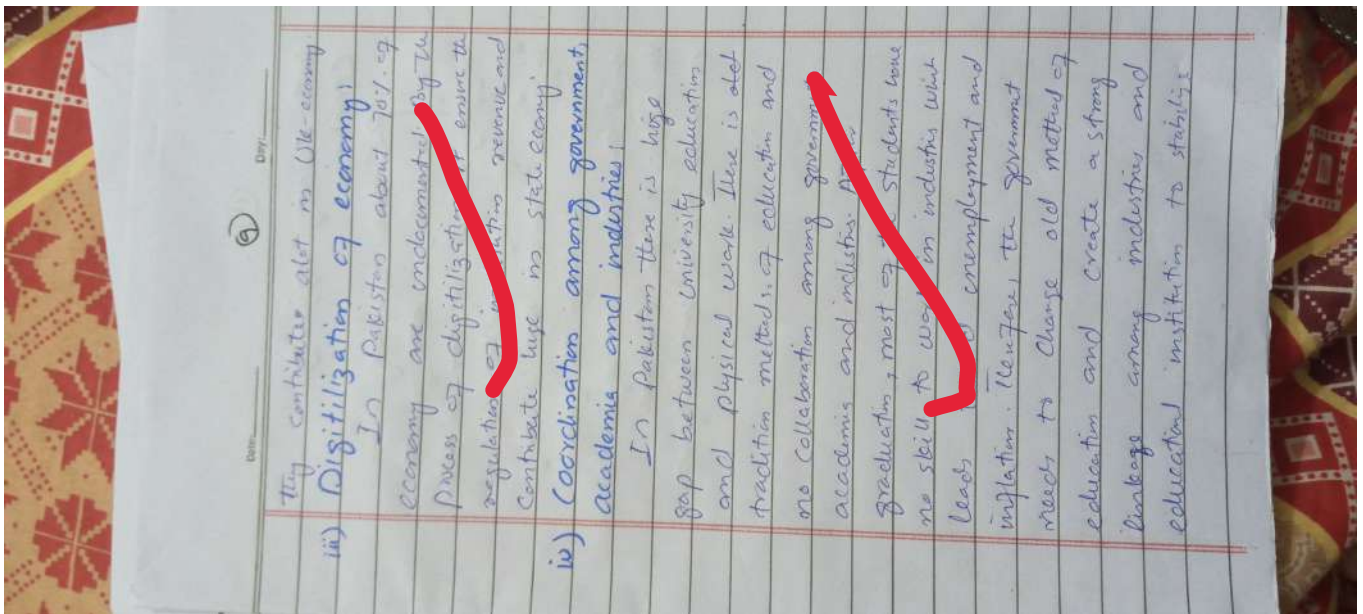
i) Strong local government system for efficient tax collections:

The strength of local government is too essential in tax collection for lower level like from Tehsil and village council. The tax collection departments needs to involve local bodies in tax collection process to stabilize Pakistan economic problems. In countries like UK and France have strong local government system which ensure tax collection from lower level.

ii) Privatization of state owned enterprises:

Privatization of state owned enterprises are essential because it become over burden on state economy and have no positive impact on it. For example under Thatcher privatization model, she privatized some companies which were in loss during 1970s. But, today

Add and highlight references against these arguments



A 20 marks answer should have around 15 subheadings

