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# Pakistan Affairs Mock

## Question 2

### Answer

#### 1. Introduction

Pakistan has been facing a major economic crisis since the past few years.

Rising inflation, growing unemployment rate, increased desperation for emigration, rising interest rates, closure of industries, declining economic growth, and prevailing requirement

of an IMF bailout signals the economic

crisis. Pakistan has sought temporary relief to its economic crisis by going to

the IMF for more than 20 times. In

recent years, Pakistan secured a \$6bn bailout

package in 2019, \$2bn in 2023, and has

reached agreement for 24th bailout of

\$7bn in July 2024. However, Pakistan's

economic challenges need to be addressed

through long-term plans which focus on

introducing fiscal reforms, privatisation,

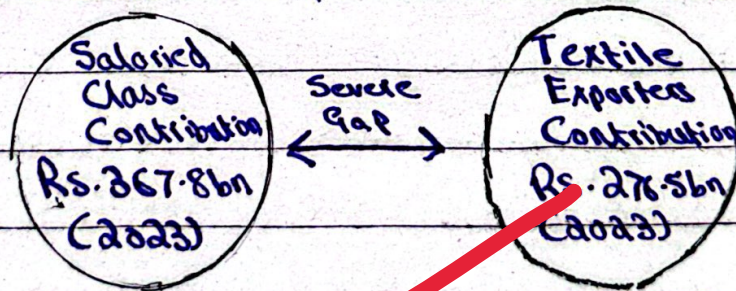
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increasing exports, and reformulation of the energy sector to attain sustainable economic growth and development.

## 2. Major Economic Challenges Faced by Pakistan

### a) Low Tax Revenue:

Pakistan's flawed tax system contributes to the severity of economic challenges. Pakistan's tax-to-GDP ratio is one of the lowest in the world, averaging between 10-12%. In addition, Pakistan's tax system favours the elite while putting burden on the salaried class and the poorer strata of society.



The textile exporters despite exporting goods of \$16.6bn in 2023, contributed minimally in taxation which is far below the tax contributions of

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the salaried class. The uneven taxation has contributed to rising poverty which has pushed people living below the poverty line to 38.6%. Moreover, due to low taxation, the government revenue has remained below target while expenditures have increased exponentially.

### b) Rising Fiscal Deficits and Mounting Public Debt:

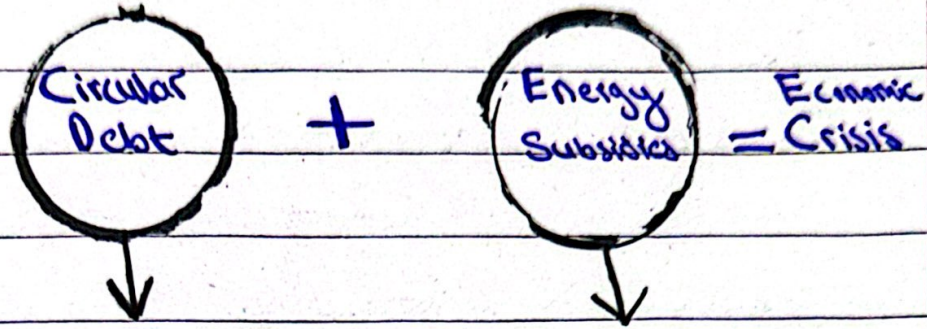
As Pakistan's government expenditure outstrips its revenues, the fiscal deficit has expanded. In FY2023 the fiscal deficit stood at 49% of GDP and has on average climbed to 7-8% in the past few years.

- 2022: Public Debt - 86% of GDP
- 2023: Public Debt - 92% of GDP
- 40% Government Revenue goes to debt servicing
- Increased need for IMF Bailout to meet Debt Servicing Demands

Public Debt Crisis

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### c) Energy Sector Crisis Contributing to Circular Debt:



Rs. 2.636 Trillion  
(Jan 2024)

Rs. 1.03 Trillion  
(2023)

Funded by Govt  
Borrowing + increased  
Fiscal Deficit

Funded through  
IMF Funding

= Increased IMF Dependency

+  
Restricted Economic Development

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#### d) Balance of Payment Crisis:

In early 2023, Pakistan's economic crisis reached a severe level as foreign reserves fell below \$1bn. These reserves were only sufficient for 1 month import coverage. Resultantly, Pakistan had to control imports and place strict restriction on providing Line of Credit (LOC) to industries. As majority industries in Pakistan are dependent on imported raw material, they faced trouble in sustaining operations leading to extensive closure of industries. The balance of payment crisis is linked to the absence of major exports and severe import dependency which contributes to foreign exchange shortage in Pakistan. Pakistan's exports are below par and even textile exporters don't export value added goods as only 20% of their exports are of garments while this number stands at 86% for Bangladesh.

#### e) Rising Inflation and Unemployment:

Due to closure of industries,

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Rising energy prices, and devaluation of PKR due to severe foreign exchange reserves, inflation and unemployment soared. As per SBP, inflation reached 38%, while the unemployment rate rose to 8%. In addition, due to IMF austerity measures, The State Bank of Pakistan increased interest rates to 24% in early 2023, which increased cost of borrowing, reduced economic activity, contributed to rising inflation and resulted in hindering economic growth.

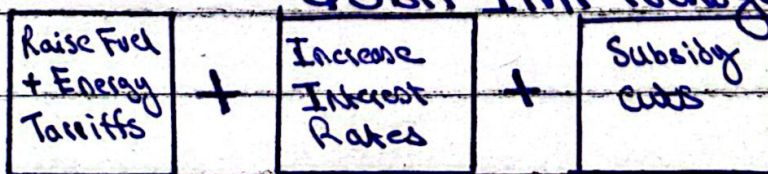
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## A.) IMF Led Austerity Measures and Rising Poverty:

Due to dire economic situation, Pakistan moved towards IMF for financial assistance. The prerequisites of the IMF deal adversely affected low-income households.

2023 Measures to Attain

\$3bn IMF Package



⇒ Increased Inflation + Reduced

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Economic Activity  
= Poverty rose from 20% to  
25% in 2023

### 3. Strategic Recommendations to attain Sustainable Economic Growth and Development for Pakistan

#### a) Introducing Fiscal Reforms:

Pakistan needs to focus on  
introducing fiscal reforms which primarily  
broaden the tax base. The target  
should be to attain 15-18% tax-to-GDP  
ratio by 2030. The reforms should  
bring the 35-40% informal economy  
into the tax bracket. Through introduction  
of progressive taxation, ensuring tax  
compliance, and implementation of accountability  
measures, this could be achieved. In addition,  
the tax exemptions which are focused  
on benefiting the elites need to be  
re-evaluated or withdrawn.

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## b) Increasing Exports to Address Balance of Payments Crisis:

Pakistan needs to substantially increase its exports by moving towards high-value exports to balance the foreign reserves. This should be targeted at textile exports, which is approximately 53% of total exports. By following the Bangladeshi high-value textile export model, Pakistan can reach \$48bn of textile exports from \$16.6bn if it increases its high-value exports to 60% from 20%. Increased exports would balance the foreign reserves, aid in maintaining value of PKR, increase employment, and spur economic growth.

## c) Reforming the Energy Sector:

As per World Bank, Pakistan loses around 3-5% GDP annually because of the energy sector's expenses, capacity payments, and electricity cutoffs. In addition, the Rs 2.636 trillion circular debt, Rs 1.03 trillion energy subsidy,



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and PKR 900bn capacity payments to IPPs are unsustainable and have severely contributed to Pakistan's economic crisis.

There is a dire need to shift from thermal power plants to cheaper renewable energy (hydro), build proper billing collection mechanism, reduce transmission losses, and phase out from unnecessary energy subsidy. This would reduce circular debt which will reduce financial burden on the government and will decrease energy prices allowing for more sustainable economic growth and development while reducing inflation.

#### d) Cutting down on State-Owned Enterprises (SOEs) losses through Privatisation:

Curbing losses in SOE such as PTA and Pakistan Steel Mill is essential as accumulated losses crossed \$3bn by 2023. Through privatisation these fiscal losses can be reduced which would ease government burden while

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Promoting sustainable growth.

### e) Long-Term Debt Management:

A long-term economic plan which reduces government borrowing, internal and external, through better fiscal management is essential. The strategy should also emphasize on reduced IMF dependency as their attached austerity measures increase economic challenges in the long-term. Reduced debt dependency is essential for long-term sustainable economic growth.

### 4. Conclusion

Pakistan's overall economic management indicates significant flaws like reduced emphasis on exports, energy crisis mismanagement, poor fiscal policies, and high debt dependency which has led to soaring inflation, mounting unsustainable debts, and rising poverty.

Pakistan needs to implement a long-term strategy with serious reforms to rectify previous problems, strengthen tax base, promote exports to attain sustainable economic growth

and development.

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## Question 4

### Answer

#### 1. Introduction

The Government of India Act 1935 changed the history of Indian nationalism which was evident in the 1937 provincial elections. Indian National Congress (INC) dominated the provincial elections by attaining majority in 5 out of 11 provinces which included: Madras, United Provinces, Central Provinces, Bihar, and Orissa. The congress also gained coalition ministries in two more provinces.

On the other hand, the All India Muslim League (AIML) which claimed to be the sole-bearers of Indian Muslim representation managed victory in only 104/1489 Muslim seats. Emerging as the largest party, INC established provincial governments in 7 provinces which till 22<sup>nd</sup> December 1939, changed Muslim outlook of United India. After assuming power INC

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Unleashed severe Hindu dominance by promoting their culture, religion, Hindi language, and ideas while disregarding Muslim interests. Consequently, the parting of ways between ATML took place resulting in Jinnah's ideological shift and ATML's demand for a separate Muslim homeland.

## 2. INC as a Communal Organisation and Promotion of Hindu Nationalism during Congress Rule (1937-1939)

### 2.1 Disregarding ATML as a Representative of Muslims:

After INC attained majority, ATML expected INC to form a coalition government. Despite multiple requests by the ATML, the congress rejected the proposal of a coalition government.

In response, INC leader stated:

"There are only two parties in the country today: Congress and the Government" - Nehru

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The disregard of ATML as the third-party and the rejection towards establishing a coalition government, disappointed Jinnah. ATML's concerns were intensified when INC launched the Muslim Mass Contact Program where they directly started approaching Muslim voters to disregard Muslim League's claim of being the sole representative of Muslim interests. The program began to create a divide between INC and ATML, reducing the prospect of future political cooperation.

2.a



## The Wardha Scheme (1937)

INC introduced the Wardha Scheme as per Gandhi's vision. The scheme was educational and was believed to promote Hindu culture, ideas, and nationalism.

- ① Hindi as primary educational language → Perceived as imposition of Hindu culture
- ② Secular Nature of Education → UnIslamic
- ③ Hindu dominated control → Disregard of Muslim Interests

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The scheme was perceived by Muslims as imposition of Hindu culture, disregard of Muslim culture, example of severe discrimination, and absence of Islamic teachings infuriated the Muslim community.

## 2.3 The Vidya Mandir Scheme (1937)

Similar to the Wardah scheme, the Vidya Mandir scheme was framed by the INC government and launched in the Central Province. Muslim opposed the scheme by terming it as Hindu-centric. The scheme led to further polarisation of the political landscape.

Reasons for Muslim Opposition

→ Instruction of Hindu Religion Teachings were perceived as a major threat.

→ Integration of Hindu culture in formal education systems

→ Vande Matram as National Song from Bankim Chandra Chatterjee was "Anti-Muslim"

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## 2.4 Tri-Colour INC Flag as National Flag

The flag associated with INC was hoisted on all national buildings which indicated INC dominance. Moreover, it reaffirmed Nehru's statement that there are only 2 parties: British and INC. This action was disliked by ATM.

## 2.5 Reverence Paid to Gandhi and Cow Protection

Protecting the cow which was sacred for Hindus became mandatory indicating INC rule as Hind rule as Muslims which were in minority were not considered while passing policies. In addition, Gandhi was to be praised by all.

## 3. Congress Ministries leading to Parting of Ways and Paving the Way for Separate Muslim Homelands

## 3.1 Parting of Ways between INC and

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## AIML

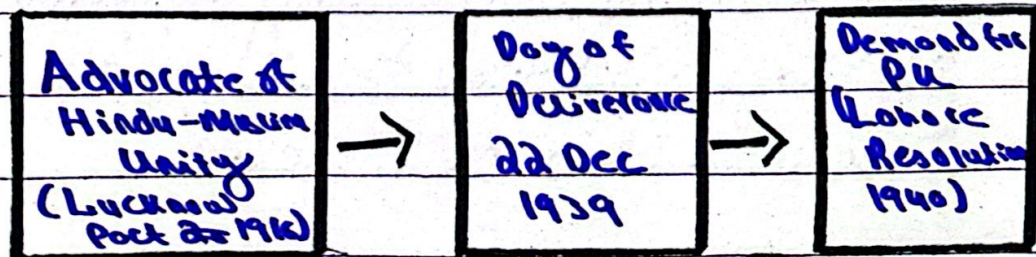
The period between 1937 till 1939 was an eye-opener for Muslims which now began to question future coexistence.

AIML observing the Congress Rule as Hindu Raj began to fear when Federal (Center) elections were to be conducted, knowing INC would emerge as the majority.

Moreover, INC's disregard of AIML while making the coalition government and then later bypassing them by launching Mass Muslim Contact Program strained relations between the two parties. INC

actions leading to political marginalisation of AIML began to influence AIML's policies and scuttled possibility of future cooperation among the parties leading to parting of ways.

### 3.2 Jinnah's Ideological Shift





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Jinnah was once attributed the title of "Advocate of Hind-Muslim Unity" by Sarojini Naidu in the period leading upto Lucknow Pact 1916. However, after the Congress Ministries (1937-1939), Jinnah's ideological beliefs shifted as he termed the end (resignation) of Congress Ministries as the Day of Deliverance. Then in 1940 he presented the demand of a separate homeland for Muslims in the Lahore Resolution which marked the start of the Pakistan Movement (1940-1947).

#### 4. Conclusion

The Congress Ministries indeed paved the way for the Two Nation Theory (1888) and Jinnah's Allahabad Address (1930) to come into practical reality in the form of a movement which started on 23rd March 1940 through the Lahore Resolution. As to 1937, Muslims had not experienced direct Hindu dominated rule with devolved powers. However, the national flag, national song, Vardiga

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Mandir Scheme (1937), Wastash Scheme, Class, law protection rules, leniency to Quidi, and neglect of ATML's process, had a far-reaching effect on Muslims and ATML's ideology. Therefore, the Congress rule of 1937-1939 contributed in paving the demand for a separate Muslim homeland put forward by ATML under the leadership of M.A. Jinnah.

## Question 7

### Answer

#### 1. Introduction

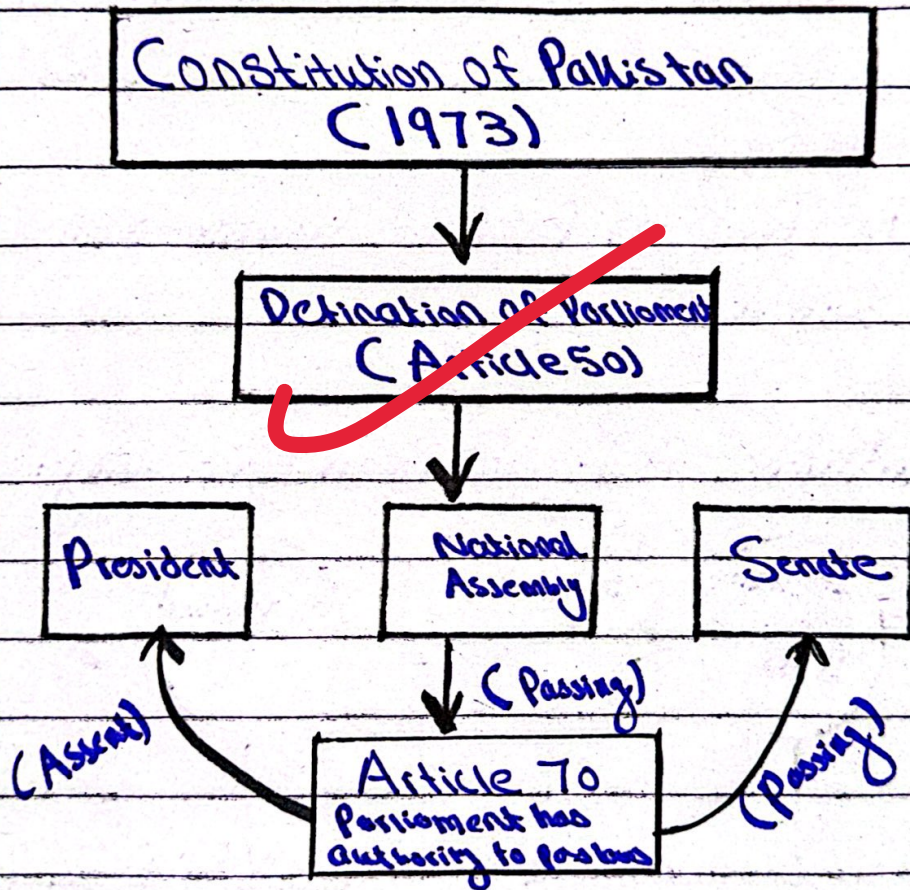
In parliamentary democracies, the primary role of the legislature is to create the laws while the government (executive) implements them. However, the relationship between them is complicated in Pakistan as the country's political system has historical complexities, executive dominance, weak institutions, and overriding interference of one

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body into the action of others

## 2. The Role of Parliament in Pakistan's Parliamentary Democracy

### a) Constitutional Framework for Lawmaking



The process of lawmaking involves the drafting and introduction of bills which must pass through both houses of parliament, National Assembly and Senate. After houses pass the bill, the President provides assent.

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## b) Oversight and Accountability

### → Parliamentary Committees:

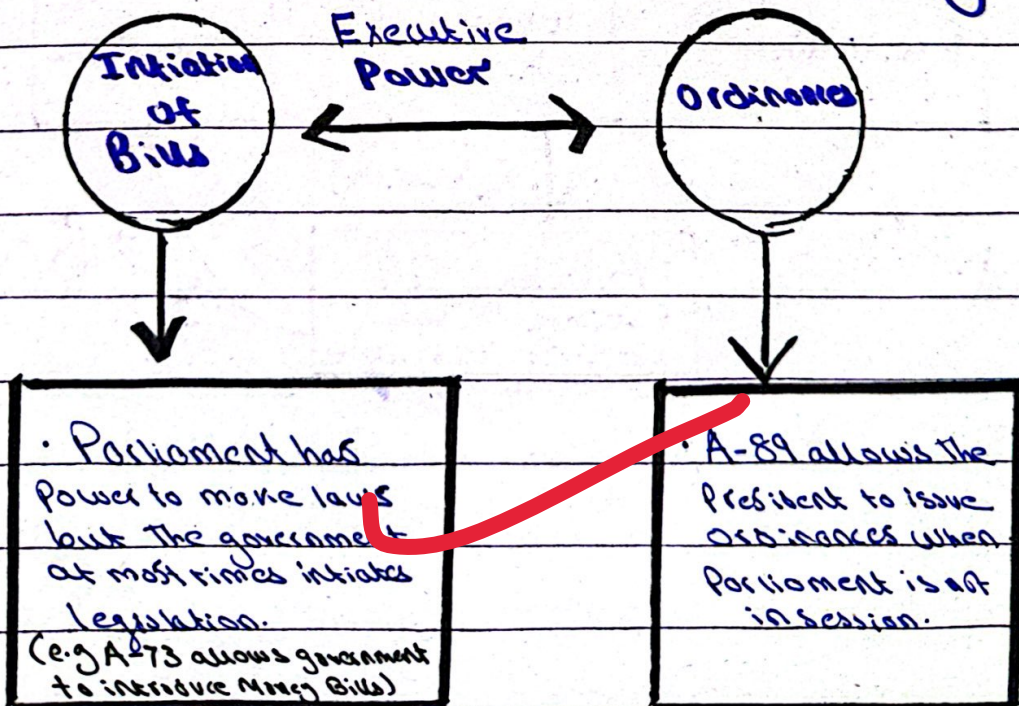
- Committees review bill, oversee the executive, ensure laws reflect public interest

### → Question Hour and Resolution (Article 65):

- Under the Article 65, the parliamentarians question the government, pass resolutions and debate acting as oversight mechanism.

## 3. The Role of Pakistan's Government in Lawmaking

### a) Influence of Executives on Lawmaking:



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## b) Setting of Policy Direction:

Government can and does play a significant role in setting legislative agenda. The ruling party introduces legislation to fulfill its policy goals which is implemented through a series of legislative initiatives known as programs or schemes.

## c) Challenges of Executive Dominance:

The over use of ordinances becomes a call for concern as it weakens parliamentary sovereignty. The concern stems from the frequent use of ordinances in recent years to bypass the parliament which undermined the legislative process. In addition, the dominant powers of the Prime Minister as per Constitution sometimes acts independently which makes the parliament as a rubber stamp.

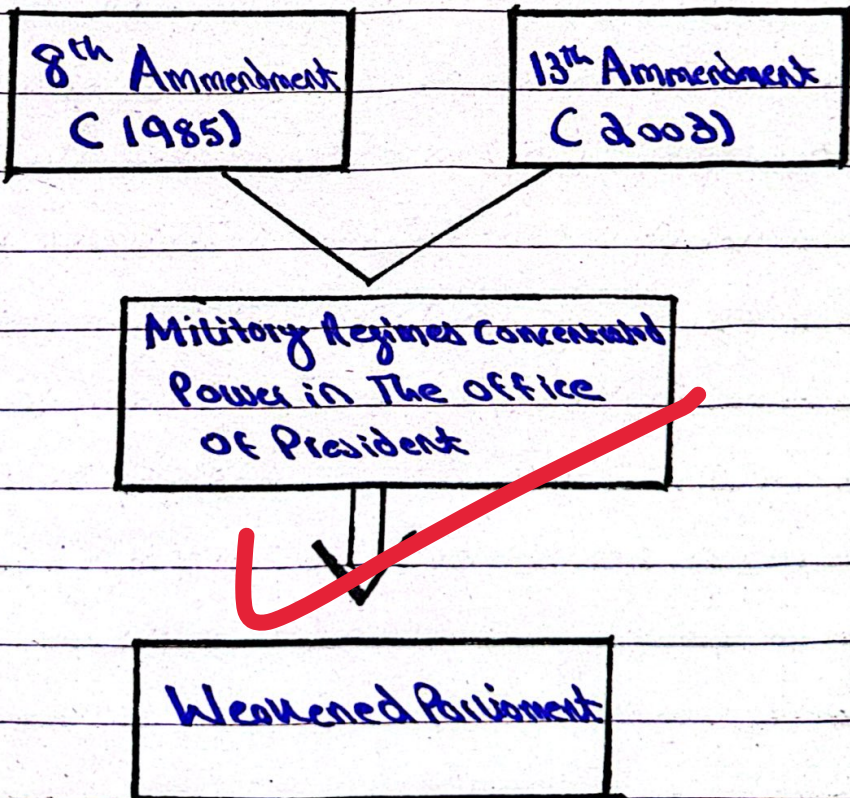
## 4. The Functioning of Parliamentary Democracy in Pakistan

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## a) Existing Challenges to Parliamentary Sovereignty:

Despite constitutional provisions, parliament's capacity to hold the executive accountable is often weak due to poor resources, political interference, and a weak committee system. In addition, the over-centralisation of power in the executive has undermined the role of parliament.

### Constitutional Amendments



Although, the 18th Amendment (2010) aimed to restore parliamentary

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Supremacy by devolution of power to the provincial governments, The challenge persist.

## b) Partisan Politics and Weak Parliamentary Functioning:

Political polarisation has weakened functioning of the parliament. Constant disruptions lead to absence of meaningful debates and consensus-based approach. In addition, the prevalence of coalition governments which necessitates negotiations and compromises, negatively impacts the legislative agenda.

## c) Judicial Activism and Sui Moto Powers:

Pakistan's judiciary has often intervened in political and legislative matters especially during periods of political instability by exercising Sui Moto powers derived from 184(3). An example of judicial intervention is the Supreme Court ruling on the constitution issue of 18th Amendment (2010) which had significant impact on the balance of power between the

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Executive and the Parliament.

## 5. Conclusion

In Pakistan's parliamentary democracy, while the parliament holds the constitutional authority to make laws, the government plays a significant role in setting the legislative agenda. The functioning of democracy (parliamentary) faces the challenge of executive dominance, weak legislative oversight, and political polarization along with influence of historical military regimes. To strengthen democracy, Pakistan needs to strengthen the parliament and ensure strict accountability on exercise of powers. The reforms need to be focused on ensuring parliament as the main forum for creating laws while reducing overuse of ordinances by the executive.