

# CURRENT AFFAIRS MOCK

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## Question No. 3

### INTRODUCTION

State owned enterprises (SOEs) are common around the world. They are set up by countries to provide services to the citizens of the country. However, what is different between them and Pakistan's SOE is the results and management that they produce and leads them, respectively. For Pakistan, SOEs have become a serious problem as they now <sup>contribute to</sup> create considerable blows to the financial stability of the national exchequer.

" Pakistani SOEs incurred a total loss of Rs. 905 Billion in the Fiscal Year 2022-23 "

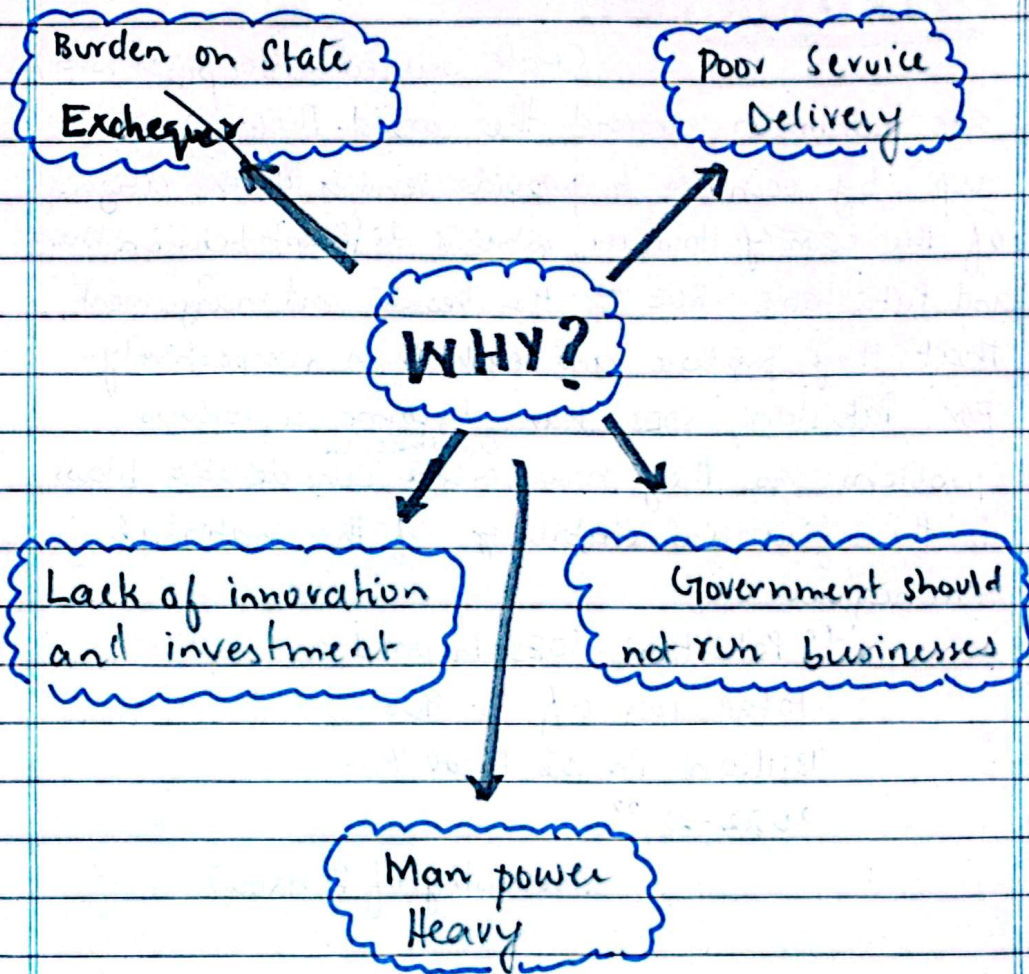
(Ministry of Finance)

SOEs have become too manpower heavy, outdated and redundant. Moreover, in today's world SOEs should not even exist as the government's job is not running business. Public-private partnerships <sup>-backed</sup> sovereign guarantees can be explored as many ways to offload these dead & industrial enterprises.



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# WHY SOES SHOULD BE PRIVATIZED?



## Government should not be running businesses

The primary role of government of the day, should be in providing conditions conducive for the private sector to run the business.



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"The role of the Government should not be in running businesses but providing an environment conducive for the private sector to run their businesses."

(Muhammad Awanzaib -  
Finance Minister)

The government needs to get its act together and provide an investor friendly environment so that the private sector can thrive.

## Burden on National Exchequer

Every year SOEs cost the government billions in losses. These losses eventually are overcome by cutting and slashing funding from other areas or by taking on debt. The cumulative losses of all the SOEs eats away a large portion of the Federal Budget.

Federal Budget  $\approx$  Rs. 17 Trillion (including debt/  
borrowing)

Combined Losses from SOEs (2021-22)  $\approx$  Rs. 1.5 Trillion.



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## Service Delivery is dismal

The competition in the market enables the private sector to improve their service delivery and quality of their products. However, SOEs face zero competition as they are <sup>the</sup> only players in the market. This results in poor service as these enterprises have no incentives to improve their service or quality.

'The delays faced by passengers on Railways have forced them to switch to private road transport. Poor Service Delivery by Electricity companies has forced people to switch to Solar Energy.'

(DAWN)

## ALL SOE'S are manpower heavy

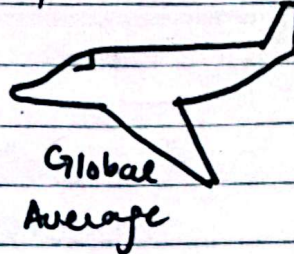
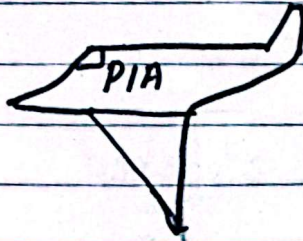
If a comparison is done between public sector and private sector companies. The biggest difference will be the amount of manpower employed. This manpower is mostly employed for menial tasks, these employees are later absorbed into the permanent workforce resulting in additional



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paye and pensions.

Manpower Comparison



1:355

1:50

Planes & Manpower

Planes & Manpower

## Lack of Innovation and Investment

SOEs have failed to revolutionize themselves according to global trends and standards. Today, majority of them, due to the lack of fiscal space, have failed to invest and upgrade in their infrastructure, human resource and so on. If the DISCOs <sup>(distribution companies)</sup> invested in themselves then the line losses wouldn't be so much.

DISCOs	Line Losses (Losses in PKR)
PESCO	Rs. 96 Billion
QESCO	Rs. 47.5 Billion
SEPCO	Rs. 37 Billion
HESCO	Rs. 28.7 Billion
	<u>208.2 Billion</u>

(Profit Magazine)

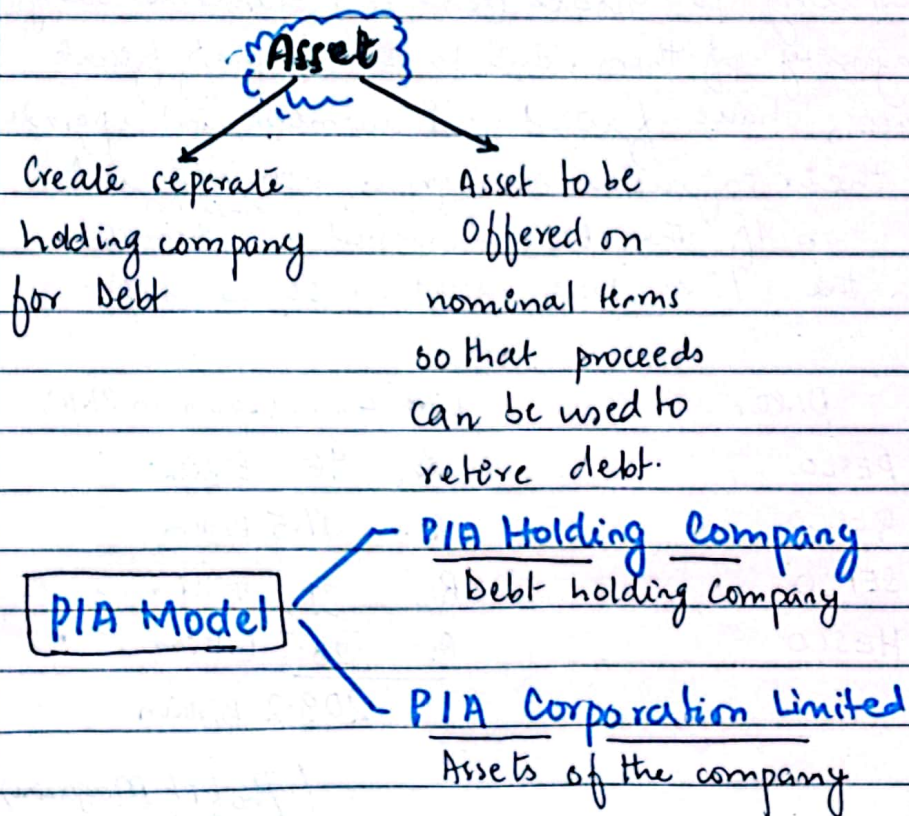


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# WAY FORWARD AND STEPS FOR SMOOTH PRIVATIZATION

## Debt and Assets to be offered separately

The government can follow the model, as they did with PIA but in a better way. Debt can be stripped from the entity and the assets sold separately. The government can retire the debt in a separate holding company as soon as it has the fiscal space.

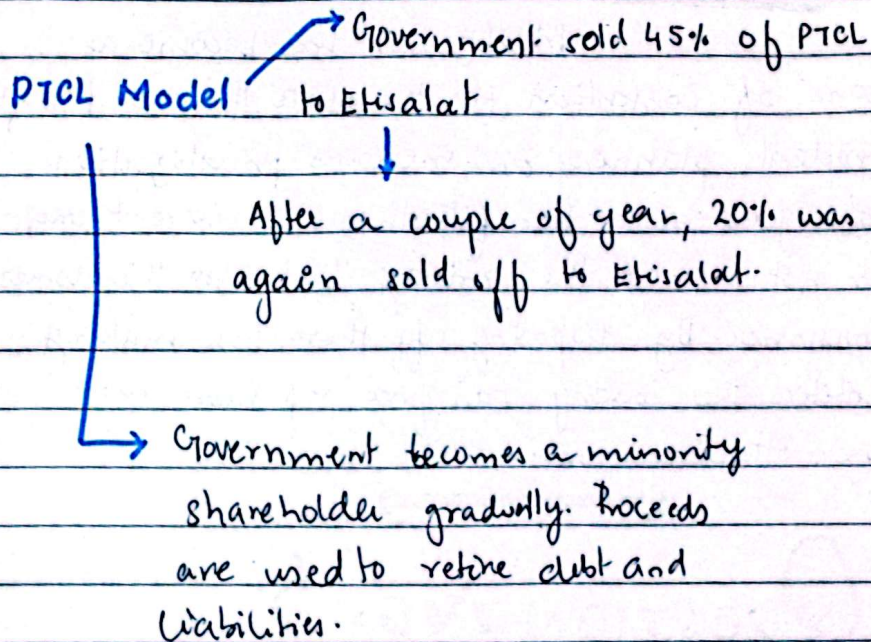




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## Public Partnership Partnerships

The mechanisms for the PPP (Public-Partnership) can be that the government sells off bit by bit of the SOE just as it did with PTCL. It sold off a small stake, then later auctioned the rest.



## Retiring Manpower through Golden Handshake

Another way to offer SOEs is to retire the manpower through either Voluntary Retirement Scheme or Golden Handshake Schemes. A less manpower heavy enterprise can be offered to investors. The retired manpower's pensions and



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Liabilities can be paid off through the proceeds. Moreover, future funds can be set up to cater for those who accepted the Golden Handshakes. By doing this, privatization can smoothly be achieved.

## CONCLUSION

Privatization has become a bone of contention for the state. However, through prudent planning and measures privatization can yield more benefits, than the current one, for not only the country but also the domestic consumer. By disposing off these loss-making entities the country can free up more room for other expenses.



## QUESTION No. 5

### INTRODUCTION

BRICS+ has emerged as the main rival of the west economic system. Many of the members are those which are heavily sanctioned and are frustrated of the US-led swift financial system. In the recent BRICS+ summit held in Kazan, Russia, Russian



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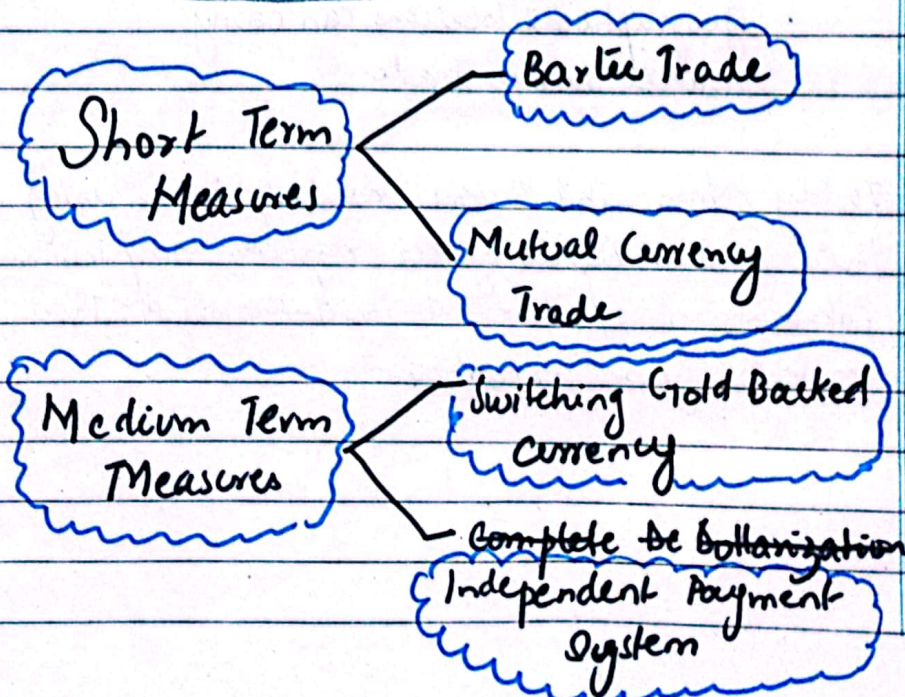
President Vladimir Putin shared some highlights of the BRICS+ financial system

"We are currently working on a payment to help member countries pay and settle finances amongst one other."

(Vladimir Putin -  
BRICS+ Summit 2024)

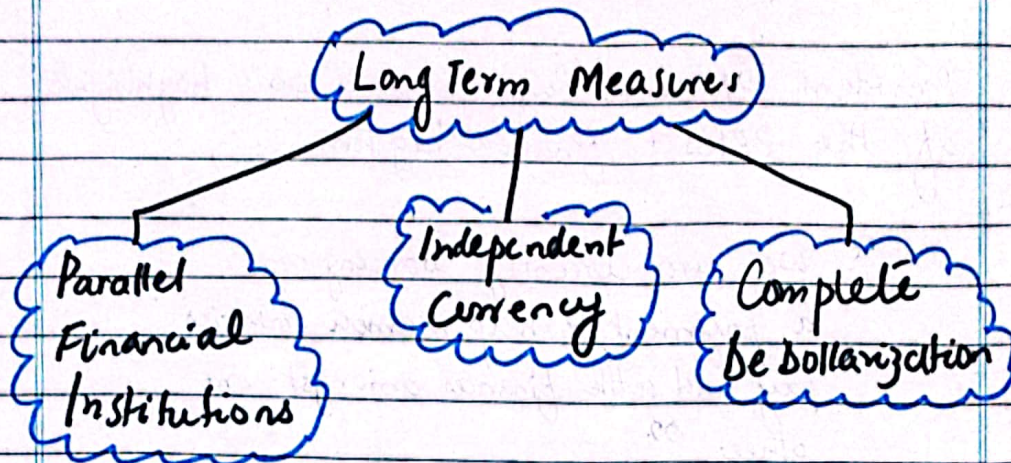
For Russia and others, the race for de-dollarization has begun and BRICS is the forum that is leading.

## BRICS AND COUNTERING WESTERN FINANCIAL HEGEMONY





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## Barter Trade as a way to Escape Western Exploitation

Barter Trade is as old as man. Before currencies man would trade goods and services in exchange of other goods and services.

BRICS+ countries due to their geographical locations can easily initiate barter trade.

Today, Iran and Russia regularly trade using this system. Barter system requires no financial intervention of US-led institutions and thus protects from exploitation.

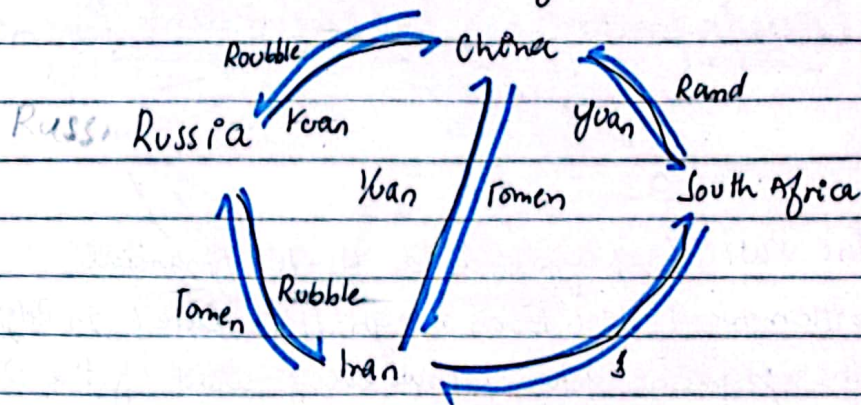


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## Mutual Currency Trade to settle Costs

This another option that can be employed in the short-term to escape the exploitation of the US-led institutions. Mutual currency ensures greater cooperation among member states.

Countries involved in  
Mutual Currency Trade



## Switching to Gold Backed Currency

By adopting the Gold Standard, the countries can save themselves from unwarranted sanctions. The US dollar is a powerful weapon that America has used to keep countries in line. However, by diversifying and switching the country's foreign reserves and currency, a country can shield itself from the pressures of the global



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markets and US led financial order.

China, Russia have completely switched to the Gold backed currency. Russia before Ukraine invasion sold its dollars for Euros and gold. Leading to protection from US sanctions?

(Economist)

## Development of Independent Payment System

The SWIFT payment is a US-led financial settlement system. Even though it is based in Belgium, the payment system follows every word of the US Federal Reserve. Development has already started on a new payment system.

China's mBridge is the answer of BRICS to SWIFT. Currently it is being tested out by multiple countries, financial institutions.

Through this system, BRICS countries can ensure independence from US-led institutions in the



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medium term

## Setting up parallel financial institutions

To ensure complete independence, BRICS+ must set up financial institutions of its own in the long term. Currently, all the BRICS members are dependent on US<sup>led</sup> financial institutions for clearing their payments. Countries like Russia and Iran have been sidelined from the system.

A parallel BRICS Bank and settlement system can ensure financial independence from the US-led financial order.

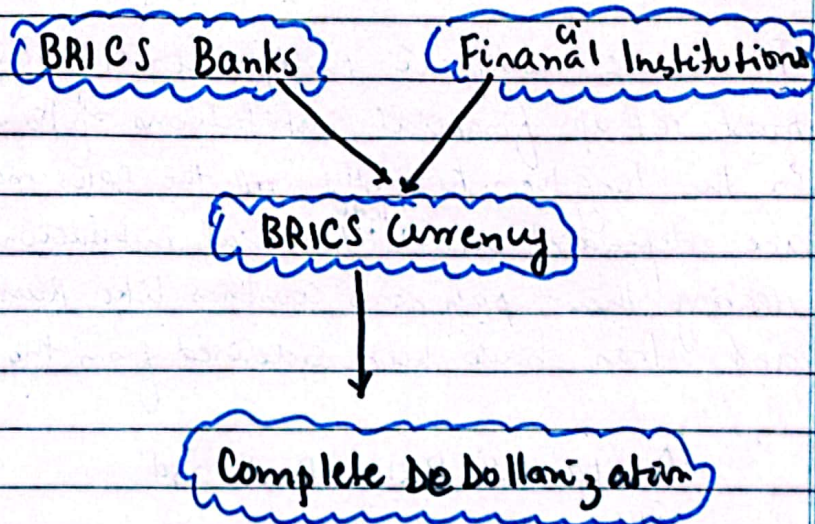
## Developing an Independent Currency

The European Union ensured greater cooperation and integration by developing a single monetary union. BRICS countries, if they wish to be free from the exploitation must start planning and preparing for the future right now. A single currency can be launched to counter the



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growing threat presented by the dollar in the long-term.



## Complete De-dollarization of Economy

The road to de-dollarization is long and tough. If the BRICS+ countries are willing to endure this hardship, they can completely achieve de-dollarization. It can only happen when the requisite environment and conditions have been met. Moreover, the BRICS+ countries will face stiff resistance from the US if they proceed to go down this. As President-elect Trump said



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"We will give them hell if they (BRICS) ever try to undermine the US dollar and we will make sure that Dollar remains on top"

(President Elect  
Trump at campaign  
rally)

If the BRICS countries are adamant they need to develop the environment before pursuing a de-dollarization program.

## CONCLUSION

BRICS has become a potent force and is rising to challenge US hegemony on the financial system. In order to, escape the exploitation at the hands of the system, it needs to develop things at the local level, then regional and then at the multi-lateral level or else it fail in escaping the clutches of the US-led system.



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# Question No. 8

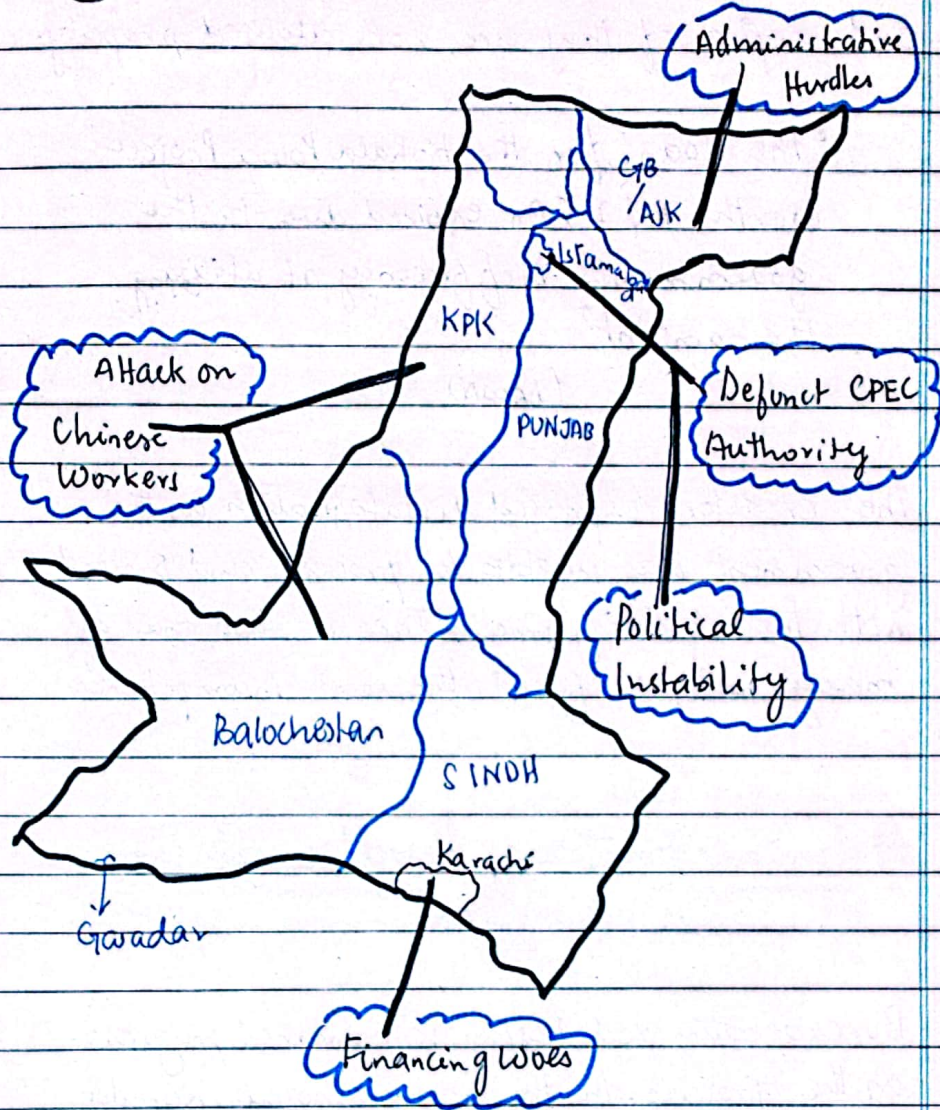
## Introduction

CPEC (China-Pakistan Economic Corridor) is often considered the lifeline for Pakistan's economic turnaround and revival. However, if it was really considered that then the country wouldn't treat Chinese investment and projects like it has done. However, when all is said, the sufferer at the end is the country. Currently there are numerous reasons behind the stalling of CPEC projects across the country. These reasons range from economic, political, strategic and administrative hurdles. In order to move ahead, these hurdles must be rectified or removed. For Islamabad to reignite CPEC projects, it must convince Beijing that it is now serious in completing these projects. The country must show commitment on its part by bringing stability in both political and strategic arenas. Moreover, Beijing needs to sit down and reevaluate which projects can be started and financed. By doing so, both countries can achieve mutual cooperation and growth.



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# REASONS FOR DELAY IN CPEC PROJECTS



## Lack of Financing for CPEC Projects

CPEC is being financed by the Chinese side and executed jointly. The financing is given



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Chinese financial institutions such as EXIM Bank and the AIIB (Asian Infrastructure Investment Bank). These loans have a lifetime and expire if they are not utilised properly.

‘The loan for the Kohala Power Project worth Rs 2.5 Bn expired due to the government’s inefficiency at utilizing the amount.’

(DAWN)

The creditors expressed dissatisfaction as the government was unable to process and proceed with the bidding process. This is just one of many which faced the same incompetence.

## Administrative Hurdles at the helm

Bureaucratic red-tapism has marred progress on the projects. In the same project, Kohala Power Project, the land could not be acquired due to the ~~xxx~~ slow hurdles presented by the Azad Jammu and Kashmir government.

‘The Kohala Dam site still hasn’t been purchased due to a bureaucratic



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fussle between the Federal and  
AJK government over the imposition  
of section (4) of Land Acquisition  
Act.'

Similar hurdles plague the progress and completion  
of CPEC projects across the country.

## Political Instability has destroyed Investor Confidence

The country has been suffering from political  
instability for the past two years. Due to which  
the investor confidence the country did retain  
has now been lost. The Chinese have expressed  
deep concerns over the political instability in the  
country. The government is fixated controlling the  
streets and managing its power while it <sup>leaves</sup>  
planning altogether.

Political stability results into economic  
stability through which the country  
can regain investor confidence. No one  
wants to invest in a warzone or in an  
unstable country.



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## Defunct CPEC Authority

The CPEC projects back in 2019 were taken from the ambit / purview of the Planning Ministry and transferred to the newly created CPEC Authority. However, it soon became a dead institution after operating for only one year. This led to the chaos and eventual slowing down of CPEC projects as there was no body that took responsibility.

CPEC Authority created in 2019 through act of Parliament, only to be repealed in 2024 due to the organization being classified as dysfunctional.

## Security Concerns and Foreign Interference

Chinese engineers posted at CPEC projects have become targets of hostile agencies and militants.

‘In 2024, 7 engineers were killed in bombings claimed by the TTP and the BLA.’

(DAWN)



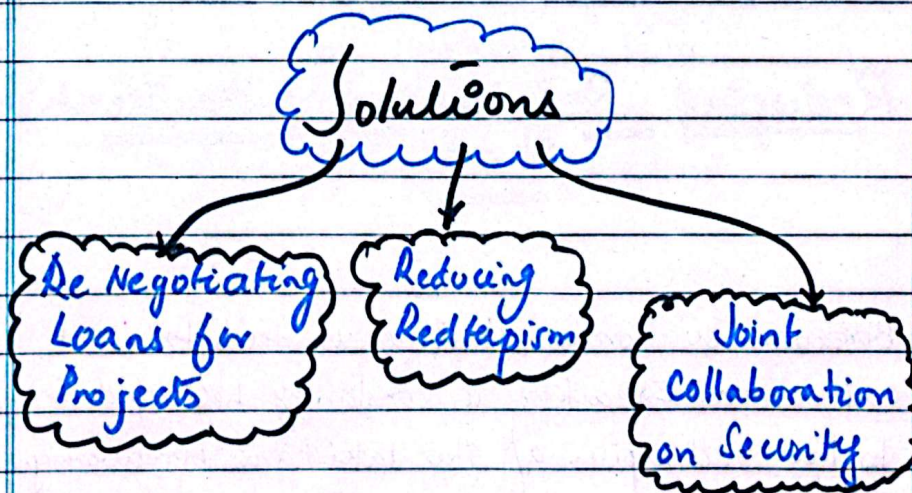
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These acts are committed at the behest of hostile foreign intelligence agencies, who are actively working to destabilize CPEC projects and Pakistan. The attacks have caused deep concern among the Chinese.

The Chinese (Foreign) Ambassador called these attacks as 'unacceptable' and urged Islamabad to take action.

(Chinese Ambassador  
Jiang Zaidong)

## SOLUTIONS / OPTIONS FOR RE-INDIGORATING CPEC PROJECTS





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## Renegotiating Financial Packages for CPEC Projects

Beijing and Islamabad need to sit down and renegotiate financing options for the rest of CPEC projects. Once they have taken each other into confidence, only things can move forward. Moreover, planning ministry should prioritize those projects which can be completed within the shortest span of time.

Pakistan has had success in renegotiating financing options for <sup>or</sup> majority of projects such as the Kohala Dam. EXIM bank has again reissued the Letter of Credit to the government. Similar measures need to be taken.

## Reducing Red-tapism at the Execution Phase

Bureaucratic hurdles at all levels need to be cut down. Execution is constantly held up due to the red tapism of the Pakistani bureaucracy. Land acquisition and other matters should be streamlined. A better alternative would be



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that planning commission supervise the land acquisition and use of digital technology be integrated to ensure transparency and accountability.

## Joint Collaboration on Combating Terrorism

Pakistan and Chinese Investment face a grave threat of derailment due to hostile actors waiting for any available opportunity to pounce and ruin the hardwork. Intelligence-sharing and training can be a surefire way to eradicate terrorism from the country.

Exercises like Shaheen-III, in which Pakistani and Chinese troops fight alongside one another can be a good way to exchange training, intelligence and equipment in the fight against terrorism.

Lastly, economic uplift programs can surely once and for all end the surge of terrorism from the country.



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## CONCLUSION

CPEC is often quoted as a game changer. However, Pakistan <sup>can</sup> never reap the full intended benefits if does not fully complete the CPEC projects. Economic uplift of those will guarantee people a lifeline and stop them <sup>from</sup> engaging in terrorism, political violence and so on. Moreover, resolving administrative hurdles need to be solved so that the country can move forward.