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NOA Current Affairs Mock.

Question no 8.

SIFC and Future FDI Prospects.

1. Introduction.

SIFC aims to attract major foreign investment from Middle east and china. Its potential exists due to strategic location, growing market and government initiatives. However there are some challenges that need to be addressed for effectiveness of SIFC.

2. Special Investment Facilitation Council.

SIFC was set up in June, 2023. It aims to fast track decision making and promote investments from foreign nations especially Gulf states and china. This idea was floated by chief of Army Staff and applauded by then prime minister. SIFC's goal of boosting of foreign direct investment offers many opportunities.

3. Areas of investment under SIFC:

According to then Prime Minister, Shabaz Sharif, SIFC would seek investments in 5 key sectors i.e. Energy, IT, minerals, defense and agriculture.

Investments aims to attract upto 100 billion \$ from Gulf states and China.

Areas of Opportunities.

1. Mineral Sector.

- Mines and Minerals will be developed to attract foreign investment
- expected investment is around 50 bn \$.
- Especially under Lithium, given global demand of electric vehicles.
- Saudi Delegation in Aug, 2023 aimed to tap into 6 billion \$ worth of million deposits.

2. Agriculture Sector.

- It aims to ensure food security

- and export surplus products to markets like Mexico, Russia etc
- Special focus on corporate farming
- Land information and Management System - center of Excellence (LIMS-COE) established in July 23. to modernize agriculture sector.
- KSA initially invested 500 Million \$ to set up facility.

3. → IT Sector.

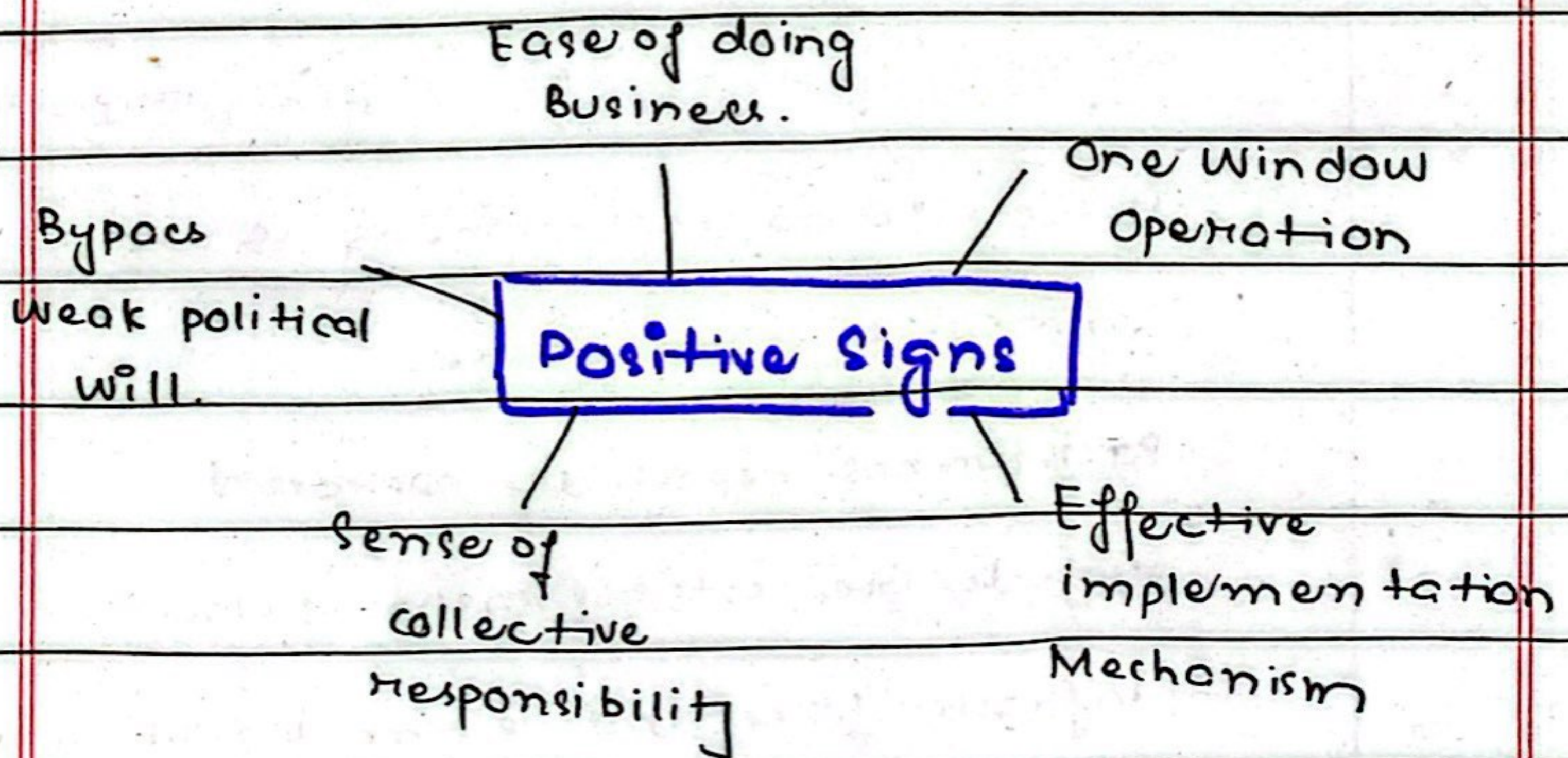
- Aims to allow IT companies to retain portion of foreign exchange proceeds.
- It will bring investment international payment gateways like PayPal, Stripe etc.
- It aims to boost freelancing community and foreign remittances

Pakistan has reportedly approved projects like establishment of cloud infrastructure and telecom infrastructure deployment for multi billion dollars investment.

4. → ~~Agriculture So~~
Energy Sector.

- emphasis on renewable energy
- to increase Foreign direct investment and address energy challenges
- Major investment expected from KSA, UAE and China..
- Hydropower projects of 245 Mega Watt in Gilgit Baltistan.
- 16 billion \$ petro chemical complex in Gwadar.

4. Optimistic Outlook of SIFC.



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i. **One Window Operation cut off
bureaucratic hurdles.**

Inclusion of one window operation
rationalize entire process. It allows
decisions to be taken without any bureaucratic
hurdles. According to caretaker PM, Anwarul
Haq, Kakkak, ,

“SIFC would serve as “one window
operation” to address any concerns
of foreign investors.

ii. **Ease of doing business restore
investor confidence.**

SIFC launched new business friendly
visa regime on September 2023. This will
help to resolve issues of “long term visas” to
people interested in doing business. The process
of easy visa will restore investor confidence.
This will promote the ease of doing business
in the country.

iii. SIFC would help to bypass weak political will.

Businesses in Pakistan have to experience fragmentation between federation and provinces. U turn between policies. Such sentiments hurt business. However one window operation under SIFC would help to bypass this weak political will.

iv- SIFC offers effective implementation Mechanism beyond decision making.

SIFC has instituted 3 major committees,

- a) Apex Committee
- b) Executive Committee
- c) Implementation Committee.

Each committee offers effective implementation mechanism through different frameworks.

v- Sense of collective responsibility.

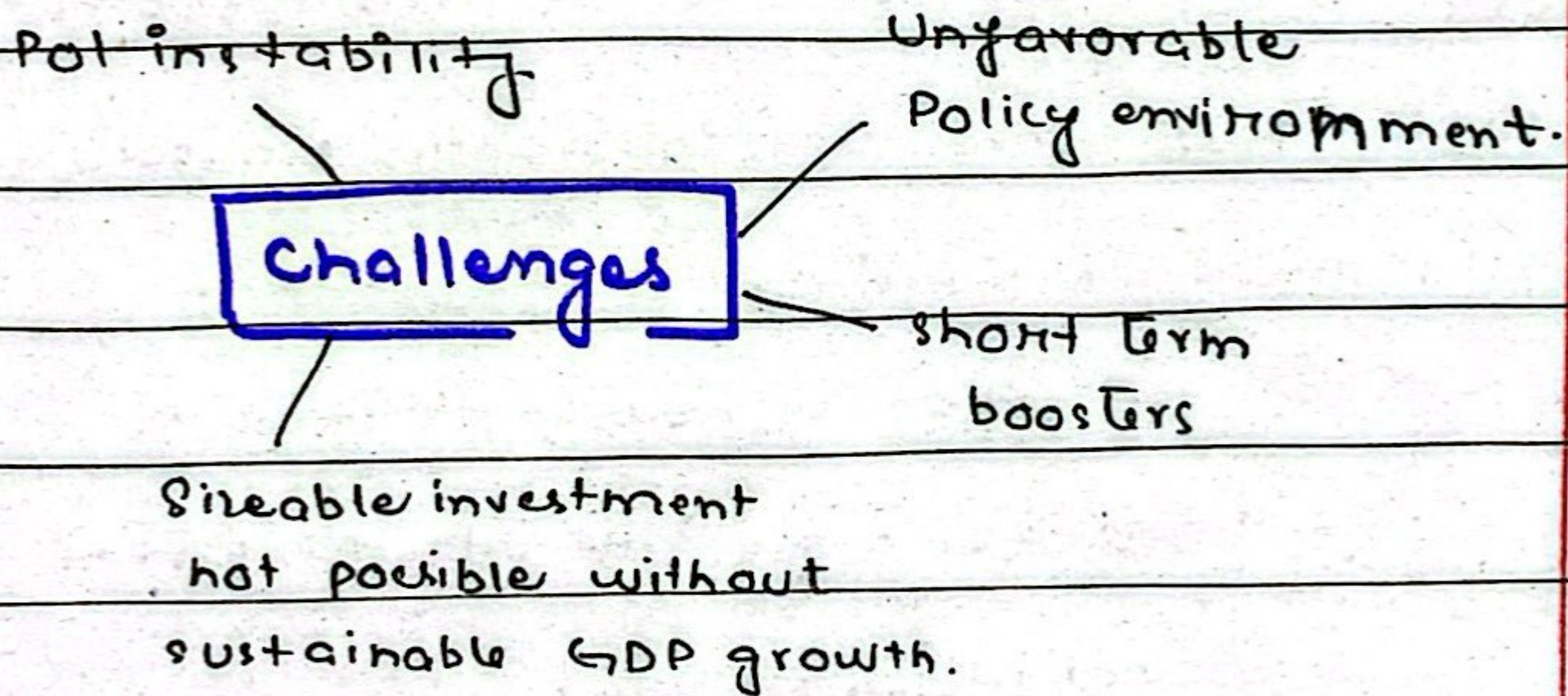
In current political polarization,

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SIFC offers an environment where diverse stakeholders gather with shared commitment. Which will reflect in decision making and ~~offer~~^{ease} chances of foreign direct investment

5. Hurdles on the path of Investment.



i- Sizeable investment is rarely possible without sustainable GDP growth.

In order to sustain foreign direct investment, Pakistan needs to sustain its GDP growth. This requires vital institutional reforms. However these structural reforms are not happening in near future which is

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a hurdle for sizeable investment

ii- **Short term boosters are unable to restore investor confidence**

Ruling class look for instant results to take credit for economic success. However these short term boosters cannot bring investment without proper taxation system or domestic debt restructuring. World Bank regional vice president for South Asia said at a news conference.

‘The creation of new institution is no quick fix.’ He urged Pakistan to look at big picture.

iii- **Stability concerns can deter investor**

Security issues, political instability and inflation could deter some investors.

Political stability leads to economic stability and attract investment. However unprecedented political crisis is a challenge in this regard.

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6. Conclusion.

SIFC is a huge opportunity for Pakistan to attract foreign investment from countries like Middle East and China. However, this is not effective without vital institutional reforms. Pakistan needs to address these challenges to sustain long term foreign investment.

Question No 6.

Loss and Damage Fund and its potential Opportunities.

Loss and damage fund aimed to provide financial assistance to countries coping with impacts of climate change. This concept championed at COP 27 and offers many opportunities to countries like Pakistan. However its practical materialization requires overcoming significant challenges.

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1. Concept of "Loss and Damage"

Fund:

Loss and Damages Fund (L&D) aims to provide funding for climate vulnerable countries facing extreme weather events caused primarily by developed nations.

This fund established at COP 27 after

Pakistan successfully showcased its losses caused by 2022 floods and argued that

"What happens in Pakistan will not stay in Pakistan."

2. Loss and Damages Fund at COP 28.

This fund was launched on 1st day of COP 28 summit and approved there.

It was a big climate talk of COP 28.

Several states including America and

USA pledged millions of dollars to fund.

COP 28 president called it,

"defining moment for Climate Finance"

3. Opportunities at COP28.

L&D
Fund

- Formalization of Fund
- Scaled-up Funding.
- Funding for those who need it most.

i. Formalization of Fund at COP28:

Land loss and damage fund got approved at COP28. It marked the first time that a substantive decision was adopted on first day of conference. It is a significant step forward in addressing climate injustice

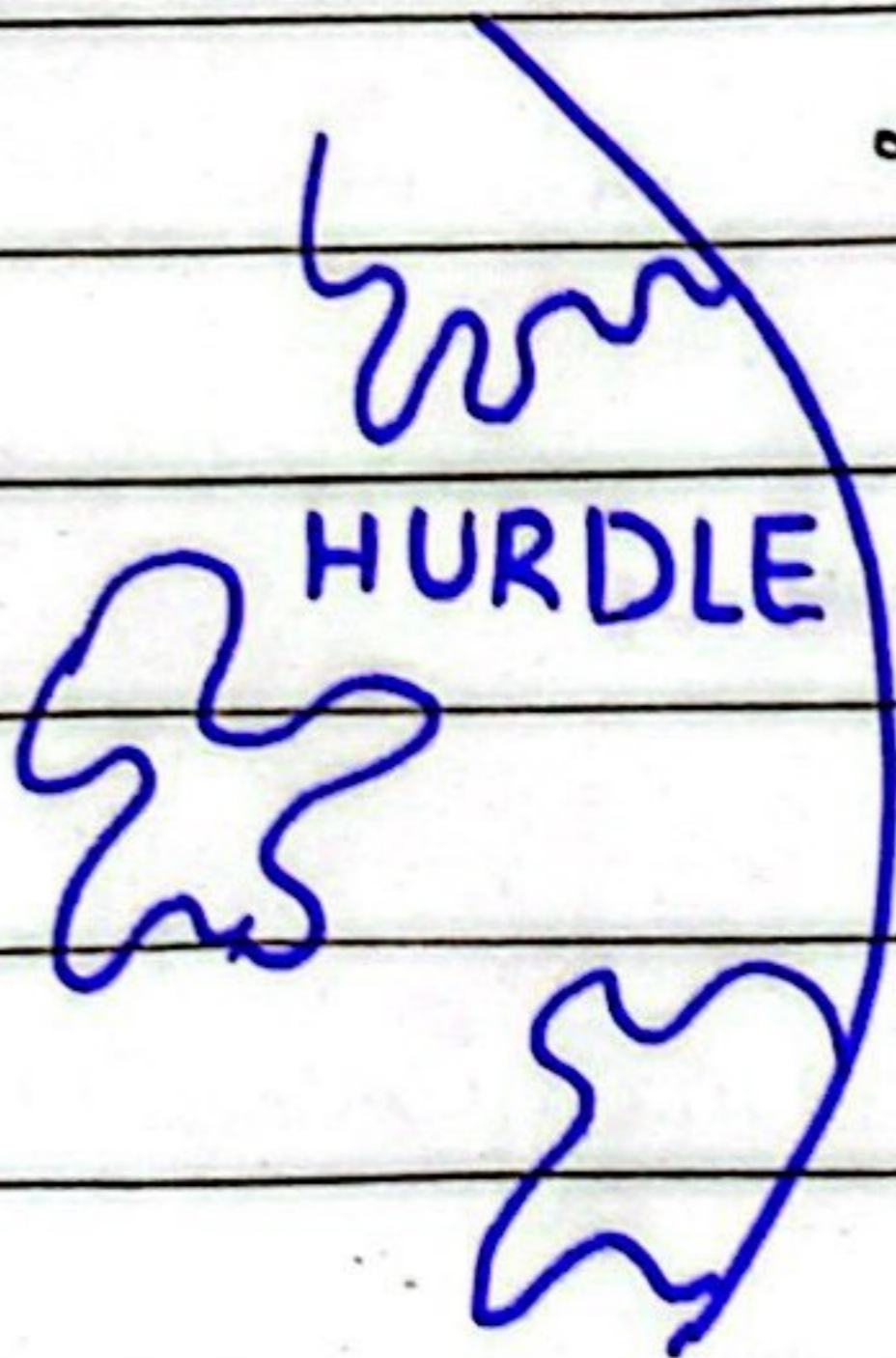
ii. Funding commitments scaled up climate financing.

Several wealthier emitters like United Arab Emirates, Germany, Japan and United States have pledged initial contributions to fund, totalling over 700 million dollars.

iii - Climate funding for those who need it most

L&D fund represents a major victory for developing countries, who have long called for financial assistance to address climate losses. It offers most vulnerable a chance to get compensation from those who pollute environment the most.

4. Challenges for materializing Loss and Damage Fund.



- Limited funding.
- Bone of contention between rich and poor.
- Funding Mechanism
- Eligibility for fund.

i - Wealthier emitters not providing enough financial support

Total fund committed at COP28 was only 700 Million \$. However

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this is not enough to finance climate losses. Especially projects in poor countries are much costlier than in rich ones to transition away from fossil fuels

According to Energy Transition Commission, Annually 25-50 billion dollars are required to get rid of coal power plants. 700 Million \$ is just peanuts in front of this amount.

ii- Funding Mechanism for LDF Financials is uncertain.

It is uncertain whether LDF would rely on mandatory contributions from historical emitters or voluntary contributions from emerging economies like India, China or rich developing countries like UAE, Singapore.

iii Eligibility for L&D fund is not defined.

Fund eligibility raises many questions whether it will be applicable for least developed countries (LDCs) or also applicable to 'particularly vulnerable' countries like

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Pakistan. Hence there is no criteria how fund will reach every country equitably.

5. Potential benefits for Pakistan from L&D Fund.

1- L&D funds can provide financial assistance for emergencies like 2022 floods.

Catastrophic 2022 floods in Pakistan submerged 1/3rd of Pakistan and incurred loss of around 30-40 billion \$ according to World Bank. However this huge amount is not possible for Pakistan to arrange itself. It needs financial assistance through climate funds like L&D funds.

Critical Analysis:

This amount is more than total

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funds dispersed by UNFCCC since its inception and L&D fund have no resources to meet this investment. Hence Pakistan needs to create additional fiscal space.

ii- L&D Fund can facilitate technology transfer.

It can facilitate access to advanced technology for climate adaptation and risk reduction. This will help Pakistan to strengthen its long term climate resilience.

iii- L&D can increase investment in Pakistan.

Improved international cooperation and climate action fostered by L&D could attract green investments in climate resilience and climate resilient infrastructure in Pakistan. It can also strengthen investment in renewable energy.

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6. Conclusion.

L&D concept holds immense potential for supporting climate vulnerable countries like Pakistan. However its practical materialization requires overcoming significant challenges. COP28 served as a crucial platform to address these challenges and pave way for sustainable future.

Question no 2.

IRAN-PAKISTAN TENSIONS; TRIGGERS, BENEFICIARIES AND PATHS TO DE-ESCALATION.

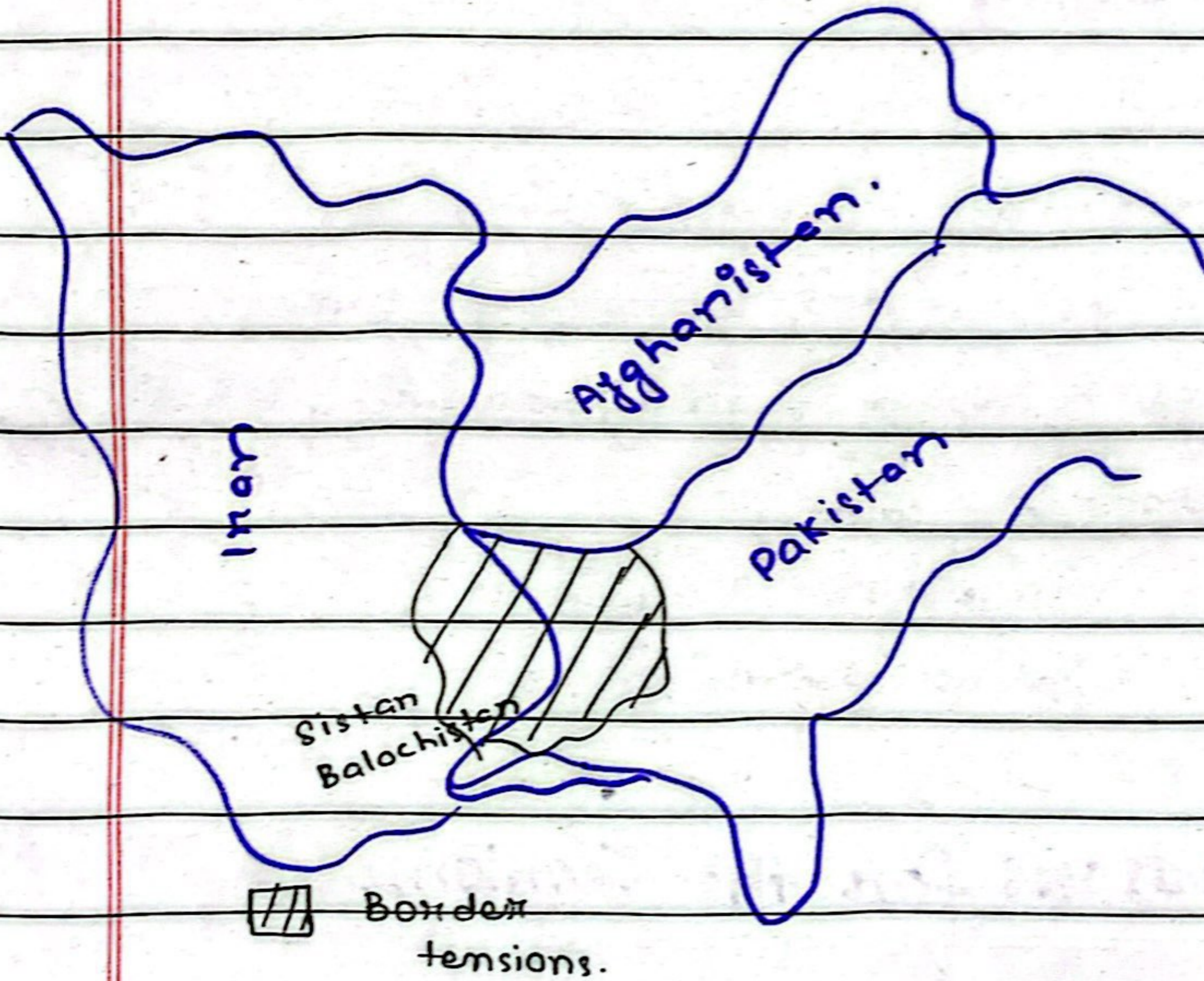
The recent air strikes exchanged between Iran and Pakistan raise serious concerns for regional stability. This is a complex issue. However, by understanding underlying reasons, identifying potential beneficiaries and deescalation avenues

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can pave path towards normalcy.

1. Pak-Iran Border Skirmishes.



2. Timeline of air strikes.

<u>16 Jan, 2024</u>	● Iran launched attacks in Pakistan on militant group Jaish al Adl.
Pakistan retaliated with military strikes.	● <u>18 Jan, 2024</u>

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3. Response of Pakistan government.

Pakistan strongly condemned the attack and called it an unprovoked violation of airspace. Pakistan recalled its ambassador from Tehran and asked Iranian ambassador, who was visiting Iran at that time, not to return. According to Ministry of Foreign Affairs, strike killed 2 children and injured 3 girls.

4. Reasons for the Tensions.

i- Balochistan conflict is longstanding source of friction.

Both countries face separatist insurgencies on their Balochistan provinces. Each accuses of other of harboring & supporting insurgent groups operating across the border. This issue has been the source of friction.

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ii- Mistrust and historical baggage.

Despite some cooperation, Pakistan and Iran have some complex history marked by rivalry and competition dating back to 1980s. This lack of trust fuels misinterpretations and escalated reactions.

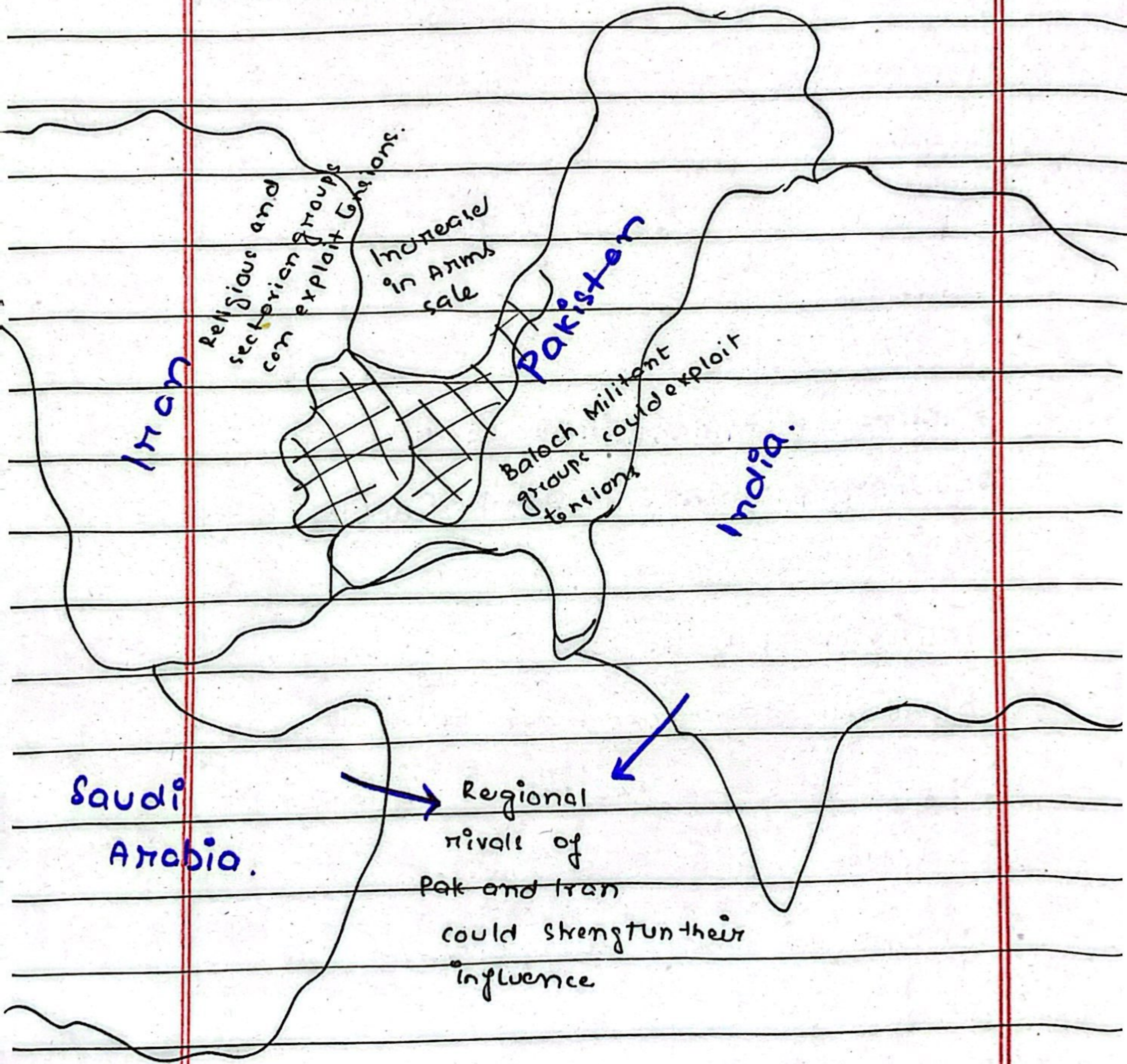
iii- Pakistan historical tilt towards Saudi Arabia amid Shia Sunni rivalry.

Iran and KSA have been historical rivals in face of Shia Sunni rivalry. And historically Pakistan has been tilted towards Saudi Arabia and has failed to balance relations with Iran. This has caused mistrust between both countries several times.

iv- Domestic pressure to consolidate power.

Internal political solutions in both countries might be pushing leaders to adopt tougher stances to consolidate power or appease nationalist sentiments.

5. Beneficiaries of Pak Iran Tensions.



i. Non State Actors could exploit situation

Non State actors like Balochistan militant groups i.e BIA and BLF or Jaish al Adl can exploit the situation

in their favor. They can further their own agendas and gain international attention

ii- **Regional rivals might see an opportunity.**

Regional rivals like Saudi Arabia and Iran can grow their influence amid weakening or instability in Iran-Pakistan relationship. India historically had influence in Iran where Kalbushon Jadoh was also captured from Balochistan.

iii - **Increased tensions could lead to increase in arms sale.**

Arms dealers can also benefit from these tensions. as increased tension could result in arms escalation. in both Pakistan and Iran.

iv - **Global powers might see opportunity to exert their influence.**

Global powers like US, China, Russia

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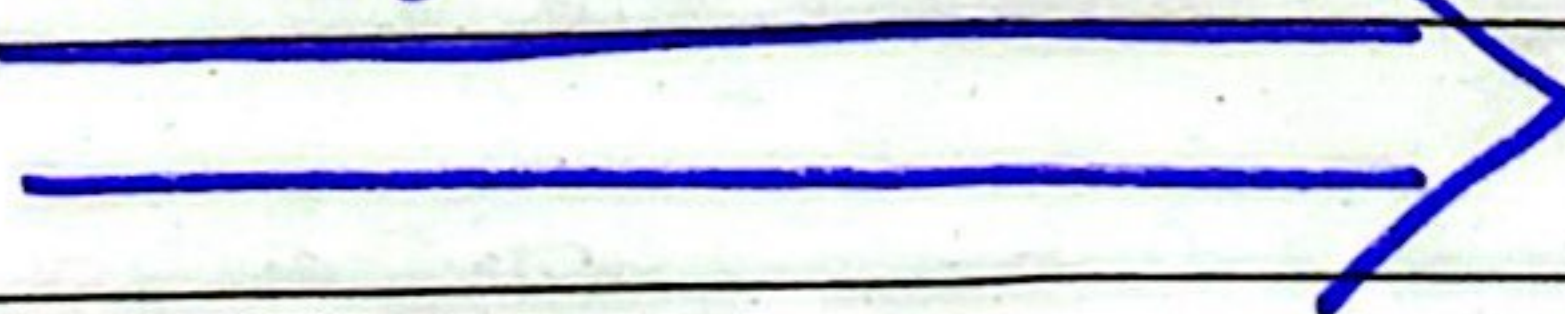
can increase the influence in this region by mediating between Pakistan and Iran. This could serve their geographic interests in region.

v. Religious and sectarian groups could strengthen themselves.

Extremist groups with sectarian agendas can exploit tensions to recruit members and incite violence, furthering their own goals.

6. Paths to de-escalation and normalcy.

PATHS TO NORMALCY



- Direct dialogue
- Bilateral cooperation
- Mediation by neutral parties
- Border security cooperation.
- Confidence building Measures.

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i- Direct dialogue between Iran and Pakistan.

Opening diplomatic channels to address grievances and clarify misunderstandings is crucial. Both countries lowered recent tensions ~~then~~ after phone conversation between both foreign Ministers. Caretaker PM said, "Pakistan would welcome and adhere reciprocal all positive measures from Iranian side"

ii- Border security would eliminate safe space for terrorists

Border security helps in eliminating safe space for non state actors. Both countries should work jointly instead of unilateral actions.

iii- Neutral parties can mediate to de-escalate tensions.

Neutral parties like China and Turkey can mediate to resolve tensions.

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These countries have cordial relations between both Iran and Pakistan which would help in lowering the tensions.

iv - Pakistan and Iran should boost bilateral cooperation to normalise relations.

There is an absence of formal bilateral trade between both neighboring countries. Informal trade has flourished but there is no formal trade particularly due to US sanctions. However, recently opening of border market at Pishin - Mand crossing point is an optimistic step in normalising of relations.

7. Conclusion.

Pakistan and Iran both saw escalation of tensions after both countries launched air strikes on each other's territories. These tensions could benefit many non-state actors and regional rivals.

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Hence both countries should take confidence building measures to de-escalate tensions.

Question no 5.

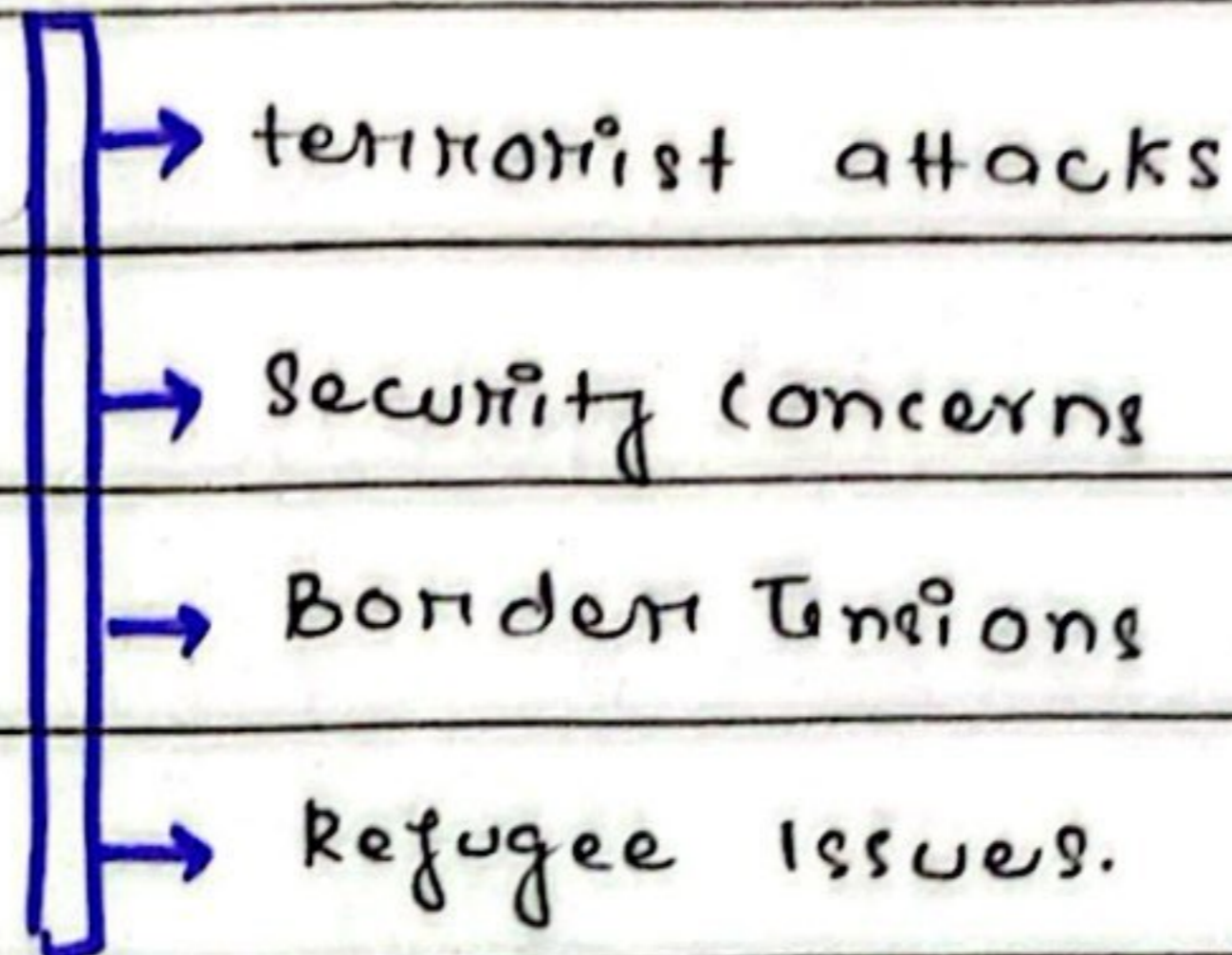
Pak-Afghan Relations.

The relationship between Pakistan and Afghanistan is complex and has been strained in recent years with rise of Terrorism across Pakistan.

This rise has been accelerated by recent attacks from TTP and ISKP. In return Pakistan has adopted tougher policy to curb terrorism.

1. Point of tensions between Pakistan and Afghans.

Point of
Tensions



i- Increase in terrorist activity in Pakistan.

Pakistan accuses Afghanistan of harboring militants like TTP and ISKP.

Who launch attacks in Pakistan. The recent surge in attacks fuel animosity and distrust

• The number of terrorist attacks

in Pakistan has seen a phenomenal

surge of 73 percent since Taliban

seized power in Afghanistan.

(PIPS security Report 2023).

ii- Security concern is a serious threat.

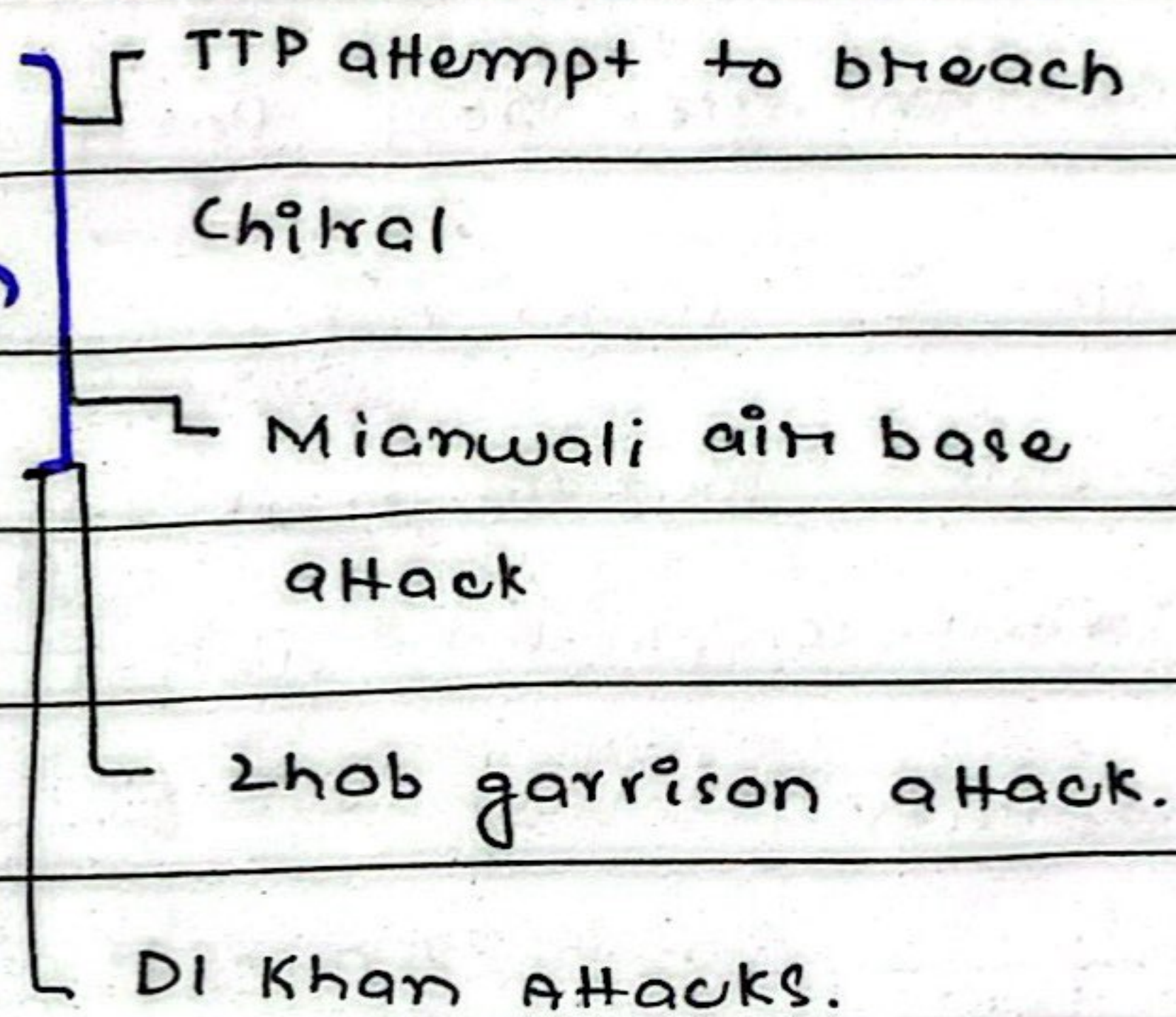
With rise of terrorism a security concern is a serious threat in Pakistan. Afghanistan failed to control militants which resulted

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In many attacks on security forces in Pakistani soil in 2023.

Escalating security situation in 2023.



iii - Frequent closures at Torkham

border.

Frequent closures happened at Torkham border in 2023 due to security concerns.

In September 2023, border remained closed for over a week due to illegal construction allegedly erected by Afghan side. Such closures cause trade disruptions and further escalate tensions.

iv - Refugee crisis is another bone of contention.

Housing Millions of Afghan refugees

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pressure on Pakistan's resources.

According to Commissioner of Afghan Refugees

in Pakistan, 1.5 Million refugees entered

Pakistan after 2021. Pakistan decided to

repatriate illegal refugees due to rising

terrorism and economic uncertainty. This decision

further complicated relations between both

countries.

a) Potential Implications of
Pakistan's decision to deport undocumented
Afghans.

i- Economic Ramifications on Pakistan.

Many Afghan refugees contributed to sectors like agriculture, construction, informal labor market and cross border terrorism. Their repatriation could cause economic implications for Pakistan. However they wouldn't be much substantial.

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ii - Humanitarian and Human right catastrophe in Afghanistan.

These immigrants were not only refugees but they escaped hostile conditions. Going back to those hostile conditions could cause humanitarian crisis and in already hunger stricken country. According to Relief International, 160 percent increase in Afghan children enrolled happened across 70 designated schools in KPK. When these people would go back they won't have enough resources to continue their education.

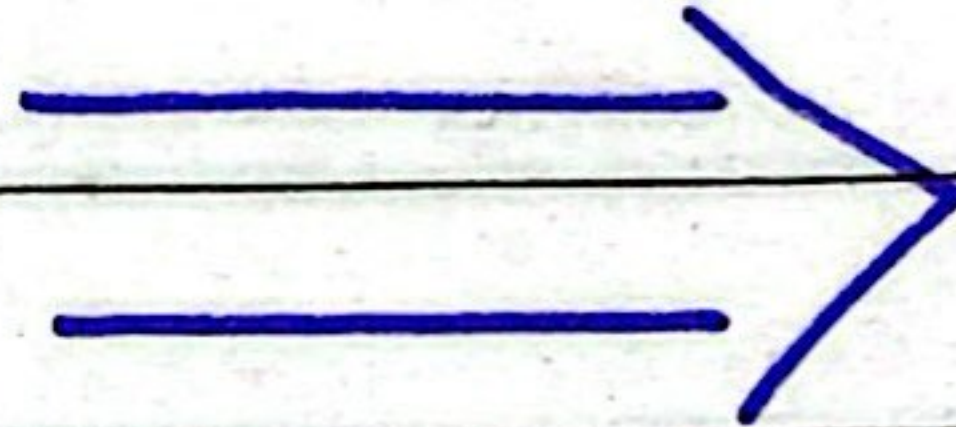
iii - Afghan Refugees repatriation impact regional stability.

Afghan government condemned this. Ex. Afghan interim government spokesperson Zubaidullah Mujahid, called move "unacceptable". This can further strain relations between Afghanistan and Pakistan.

2.

Future of Pak Afghan Relations.

Strained
Present



Possible
Future.

- Tensions
- Mistrust
- Deterioration.

- Bilateral trade
- SOPs for transit trade
- Dialogue and cooperation.

i-

Accusations of cross border terrorism are likely to create tensions.

2023 saw the worst Terrorism insurgency in Pakistan since ~~2014~~ 2014. Many high level delegations have also visited Kabul to de-escalate tensions but returned with no possible outcomes. Recently Afghan delegation visited Pakistan in January, 2024 but failed to achieve any progress.

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ii- Mistrust is likely to intensify in near future.

Both countries accuse each other of ~~her~~ cross border terrorism. Pak has shown strong evidence of involvement of TTP in ~~Pakistan's~~ terrorism within Pakistan.

Such allegations and differing narratives fuel animosity between both states.

iii- Continued attacks could lead to further instability.

Continued accusations, terrorist attacks and border restrictions could lead to further alienation and instability.

iv- Bilateral trade in long term could improve relations.

Pakistan should improve trade relations with Afghanistan while reiterating demand to deal with TTP. Bilateral trade can develop confidence between both regimes and can resume

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good relations.

v- **Regional involvement might facilitate dialogue.**

Inclusion of regional and international actors like China and Russia can make Afghan Taliban realise the necessity to contain terrorism. They can further facilitate conflict and address root cause of conflict.

3. Conclusion.

With the rise of terrorist attacks in Pakistan due to safe havens for TTP and ISKP in Afghanistan. And with Pakistan's decision to deport illegal Afghans, relations have been tested between both states. However long term dialogue and bilateral trade with influence of international actors could generate amicable ties between both nations.