

Mock - Jan 24

Pakistan Affairs

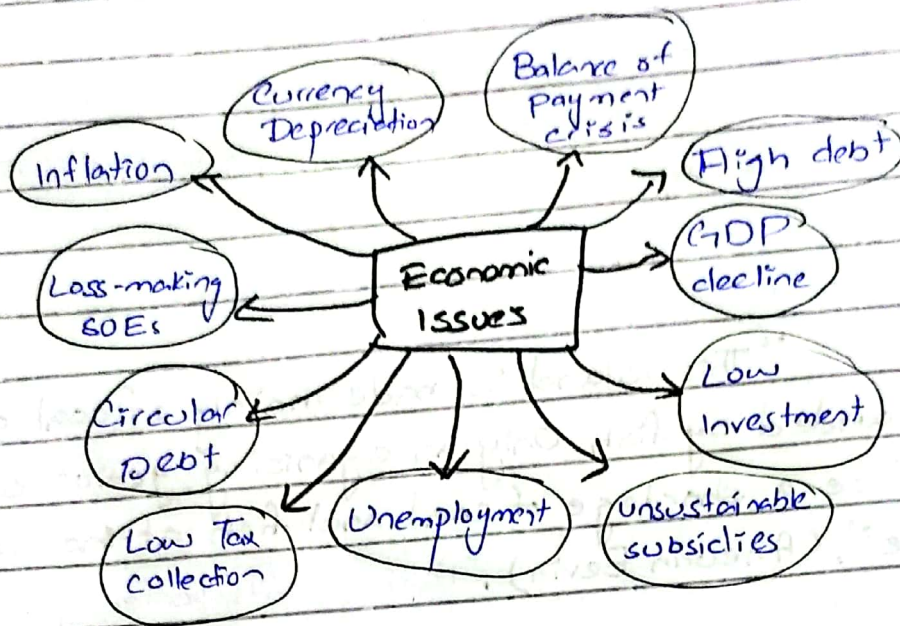
QNO: 8

Pakistan stands at a critical juncture facing economic, environmental and demographic challenges that can reshape its future. Explain.

Introduction:-

"This island is made mainly of coal and surrounded by fish. Only an organising genius could produce a shortage of coal and fish at the same time", (Aneurin Bevan). Pakistan fits perfectly in this example. Even though there are a lot of potential and resources, Pakistan is still facing multiple crisis at once. It is unable to reap the benefits from its natural and human resources. Therefore, there are multiple economic, environmental and demographic challenges. ~~What How Pakistan~~ The steps taken today will define its future. Low Tax collection, burgeoning loans and circular debt, and ~~an~~ industrial output decline are a few economic problems among many others. Low agricultural yield, climate change and air pollution ~~are~~ ^{etc} are some environmental issues of Pakistan. Whereas, population growth, urbanization and youth exodus are some demographic challenges faced by Pakistan. These can be overcome through sustained effort in economic, climate and human investment.

Economic challenges to Pakistan:-



Low Tax Collection:-

Among various economic challenges faced by Pakistan, low tax collection remains one of the most perplexing issue. Despite various reforms demanded by IMF, tax collection has remained stagnant. According to the World Bank figure, tax collection accounts for an abysmal 10% of GDP. This reduces revenue base for the country and it has to resort take loans for economic survival.

Unsustainable level of debt:-

Pakistan's fiscal deficit is growing posing risks for debt sustainability. And now debt has grown to unsustainable levels. It accounts for 78% of GDP.

(WBO's Pakistan Federal Public Expenditure Review). Moreover, it has breached the limit of ~~60~~ debt levels of 10% of GDP set forth by Fiscal Responsibility and Debt Limitation Act, 2005. This gives debt, no doubt, and interest payment is repaid by a major chunk of GDP. In FY23, the ~~Rs.58~~ trillion was made in interest payments alone.

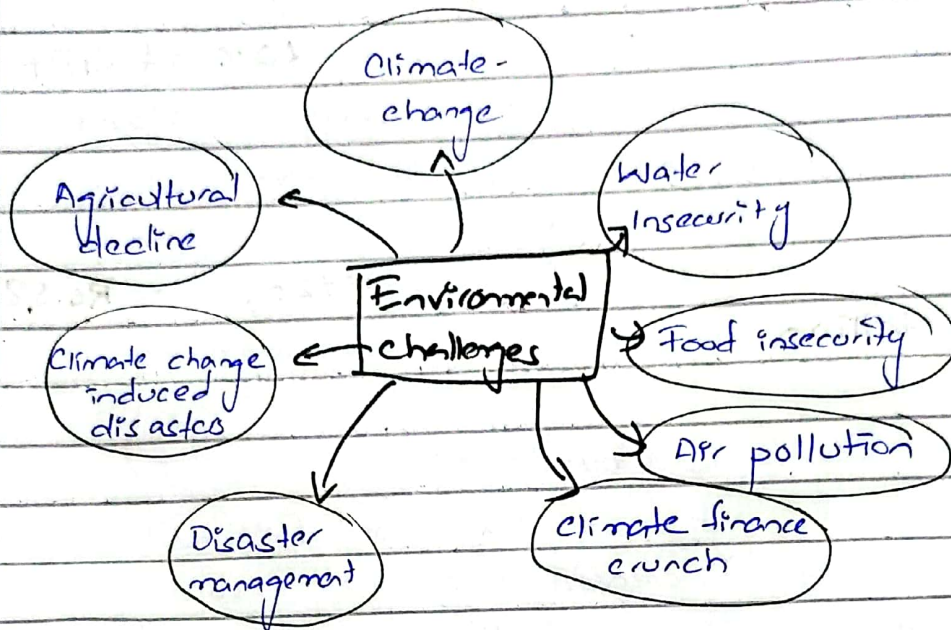
Economic slow down:-

Economy has slowed down as industry ^{has} decreased its output. According to Pakistan Bureau of Statistics, big industry output decreased by 11.59% in 2023 as compared to 2022 output. Also LSM sector, has show year-on-year decline of 5.6% due to raw material shortages, increasing energy prices, currency depreciation and demand contraction. This contraction in industrial output reflects broad-based slow down in economic activities.

Burgeoning circular debt:-

Circular debt is a long precarious situation which has become acute with over-accumulation of unsustainable payment arrears. Circular debt has crossed Rs. 2.5 trillion putting more pressure on an already ailing economy.

Environmental challenges to Pakistan:-



Agricultural decline:-

Pakistan is an agricultural country. This sector employs majority of workforce but its output in various sectors have been declining over the years. Agri-sector employs 43% of entire workforce whereas its growth rate is only 1.1% for the last two decades. Moreover, cotton harvest declined by 34% in 2023. Similar decline was observed in wheat and sugar.

Air pollution:-

Air pollution is ever-increasing in Pakistan. It is one of the most polluted country of the world. AQI has placed Lahore as the most polluted city of the world.

This has also reduced life quality as well as life expectancy. According to estimates, life expectancy in Pakistan is reduced by 4 years as compared to the global average of 2.3 years. This has negative implications on Pakistan.

Climate risks :-

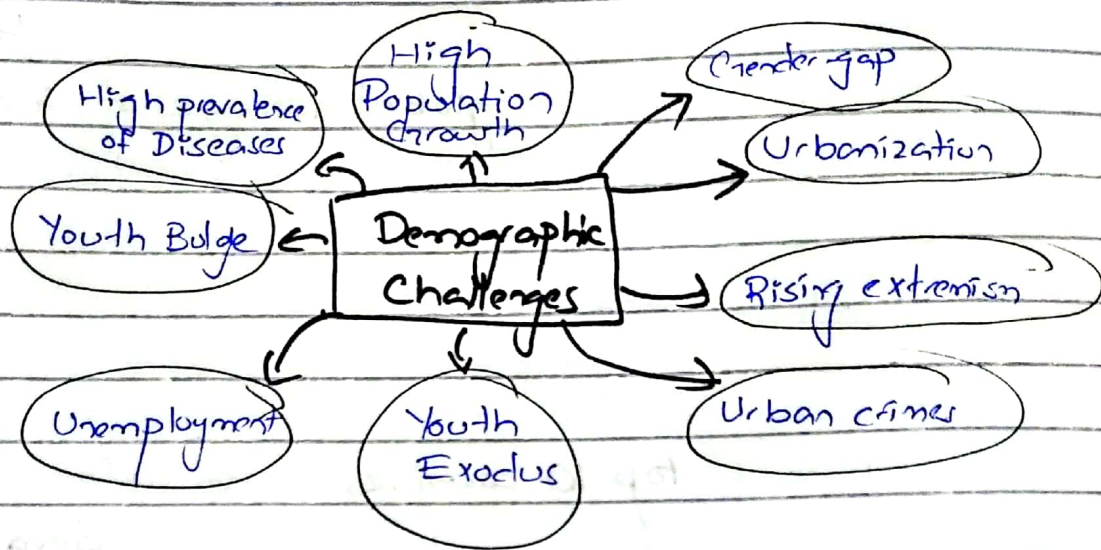
Pakistan stands at forefront of challenges posed by climate change. It is among top 10 countries most affected by climate change. Pakistan faced devastating floods of 2022 which engulfed one-third of the country. According to experts, such climate-disasters will increase in intensity and scale in the future. This will have existential risks for Pakistan and becomes a national security concern.

Food Insecurity :-

Climate change also results in food insecurity. Change in weather patterns, extreme heat upsets natural agricultural system which is essential for nutrition. **IPK Acute Food Insecurity**

Analysis 2022-23 observes "high prevalence of food insecurity, malnutrition and poverty" in Pakistan. It impacts on human health, economic stability and stability of agricultural markets.

Demographic challenges to Pakistan:-



High Rising Population growth:-

Pakistan is one of the largest-growing population. It is the 5th most populated country and might become fourth-most populous country if the current trends continue. Pakistan's population growth rate of 3% disproportionately stresses of the country's resources. This high growth rate without parallel economic growth has posed immense demographic issue for Pakistan.

Urbanization:-

Pakistan has the highest rate of urbanization in South Asia according to UNDP. It has worsening effects on air pollution, increased congestion, increased crime, and dead spaces.

Rising unemployment:-

The population has grown disproportionately. With employment opportunities have not grown to similar levels of population growth. So a large number of people, specifically youth is unemployed. According to economist, Dr. Hafiz A. Pasha, 17 million youth in Pakistan is either 'idle' or 'unemployed'. Another PIDE study in 2022 revealed that unemployment rate among university graduates in Pakistan was over 31%. This causes discontent among the youth as they leave the country for better opportunities.

Youth exodus:-

Due to little job and growth opportunities, youth is leaving the country with 'life is elsewhere' mentality. According to Bureau of Emigration and Overseas Employment, since 1971, over 10 million Pakistanis have gone abroad for employment. In 2022 alone, 800,000 Pakistanis left Pakistan for employment overseas. Most of them were highly educated professionals. It is not only loss of people, but loss of talent as well for Pakistan.

Overcoming the challenges for better future:-

Overcoming economic challenges:-

Pakistan needs to overcome its economic challenges for a stable and prosperous future. It can do that by abolishing expensive tax exemptions. Such step will generate 3% GDP saving (WBO, 2023) and bolder fiscal reforms have save 13% GDP in revenue (WBO). This can be invested in service delivery and human capital development. SIFC and Exim are positive steps for making and economic turnaround.

Overcoming environmental challenges:-

It is imperative for Pakistan to overcome its environmental challenges for a sustainable future. Pakistan needs to remodel its food system to improve crop production through modern biotechnology practices and regenerative agricultural practices. Similarly, it needs to develop technical and institutional capacity to seek adaptation finance and mobilize resources for it.

Overcoming demographic challenges: -

Amid burgeoning population, Pakistan needs to turn ^{its} population ^{into} its strength. A massive investment in human development is needed. **Bangladesh's** success in human development resulted in lowering its population growth rate. Its bottom's up approach and investment in nutrition-sensitive sectors resulted in fortifying its human development. As the economist, **Julian Simon** said, "ultimate resource is people", they will benefit not only themselves but the rest of the country as well.

Conclusion: -

Pakistan is facing a number of economic, environmental and demographic challenges. It is said to be experiencing sort of a 'poly crisis'. High inflation, debts and slow growth in economic sector is stunting its economic growth while climate change is posing existential risk, and demographic pressures are resulting in discontented youth. Such crisis can be solved through human capital development and technological development for a prosperous future. "While you are still immatures, you are a heap of dust; When you ripen, you will become an irresistible sword" - Allama Iqbal.