

Ques. Expensive agreements with IPPs, overvalued dependency on hydrocarbons, line and other losses in transmission and distribution sector have caused massive hike in prices having far reaching implications on industry, domestic and other crucial sectors. Analyse the statement and give possible recommendations.

### Introduction:-

Energy is a requirement of every human being to function. Today, without energy world will stop as all the sectors of the economy run on electricity. Electricity is the basic necessity that a government has to provide. However, in the case of Pakistan energy is considered as a privilege to be afforded by only people who can pay for it. The price hike in electricity is the result of vague and faulty agreements with IPPs. The pay and take policy of the government has deteriorated the condition of already fragile economy. Those faulty agreements resulted in heavy capacity payments that has mounted the current account and create a huge deficit. Together with, price hike has led to the closing of many industries and has affected the businesses domestically. It has discouraged the foreign investment and environment of instability.

However, by taking practical measures by renegotiating the agreements with IPPs and shifting towards renewable will generate considerable profit and stabilize the country's economy.

(2)

**What are IPPs:-**

IPPs are Independent power producer company that generate the country's electricity with terms and conditions set by them and accepted by the government. IPPs are privately owned companies entitled to produce electricity. IPPs were first introduced in the country in 1994, when no regulatory authority were present at times till then few more IPPs have entered in Pakistan to fulfill the demand of masses. These companies heavily invested in the country's by building power plants in Karachi and Lahore. These companies are liable of producing electricity to meet the needs of an end user.

(3)

**Factors Contributed in the price hike of electricity:-**

The price hike in electricity is a result of myriad factors that has made the electricity most expensive in the region and pushed more people towards poverty. Some of the important factors are

listed below.

### 3.1) Heavy Capacity payments:-

Capacity payments are made by a user of an energy asset to the owner of that asset in return for the right to utilize the asset's capacity. Capacity payments are terms and conditions signed between the government and the IPPs. Alternatively, Pakistan's Capacity payments are made to those power plants that remained idle, and Unproductive and receiving payments without generating a single unit. According to the Economic Survey Pakistan has paid Rs. 980 Billion to 33 IPPs, in which ten IPPs remain idle. Hence, capacity payments due to favored agreements have made the electricity more expensive.

### 3.2) Policies and purchasing remained Unaltered:-

IPPs introduced in the country in 1994 with a goal to generate the electricity to fulfill the demand. However, country's policy makers remained hand tied in negotiating terms with these companies. Pakistan attract these companies by "Take and pay" policy that further increases the burden on government by paying for what they have

not utilized. According to a recent report, Pakistan had paid two trillion just for idle power plants without generating a single unit. The personal interest of the government has overshadowed the country's interest.

(3.3)

### Miscalculated and Misguided Shift:-

Power purchasing agreement (PPA) signed with IPPs on miscalculation of the gap between the estimated demand and supply. Policy makers has misinterpreted the demand of electricity generation by assuming a hike in industrialization. That has created a huge gap of misguided shift. Bureaucratic and political collusion resulted in rigid contract with guaranteed profits and capacity payments.

(3.4)

### Heavy Reliance on imported oil and Gas (RFO):-

Having been blessed with natural resources, Pakistan is bad at managing them. Pakistan's electricity generation reliance heavily on hydrocarbons, imported fossil fuels and gas to generate electricity. Today, Pakistan generate 59% of its electricity from thermal, 2.5% fuel, 7% of renewable and only 3% from nuclear. oil

and gas needs to be imported from the countries like Russia, Ukraine, KSA. Recent surge in war has seen a massive spike in oil barrels. Before February 2022 the one barrel oil price was \$80 and now it has reached to around \$139/barrel.

### 3.5) Transmission losses and Inadequate Infrastructure:-

Transmission losses is one of the major issues of Pakistan's electricity bills. Together with country's infrastructure is outdated and old that further worsen the condition. According to the finance and Budget report, Pakistan has a high rate of transmission and distribution line losses. It ranges from 10% to 35% loss of electricity in distribution. Hence (DISCOs) and infrastructure are both liable to account for line losses and shortages.

### 3.6) Hydel projects remain elusive:-

Pakistan Only generates 7% of its electricity from water. On the other hand India is building and constructing dam after dam to divert and conserve the water to uplift its economy. The country generates total of 22% of its electricity from hydropower projects. Alternatively

the vested interest of the politicians and policy makers have failed to build a consensus on constructing Kalahandi dam to serve the country and its people.

#### (4) Recommendation to mitigate outdated practices for electricity generation and moving towards more sustainable approaches:-

Every problem has a solution and generating electricity by managing and handling it more equitably is no exception. Some of the recommendations for turning the tide and relief its people are discussed below.

#### (4.1) Renegotiation of purchasing agreement:-

Purchasing power agreements with IPPs needs to be renegotiated on the more practical and equitable terms. The policy makers needs to pay attention by giving-up the old method of 'take or pay' approach, which has only resulted only in mounting external debt and increasing the price of electricity. Country need to make real and credible agreements that benefit both the government and its people.

## (2) Dedollarization need to be implemented:-

Pakistan is a developing country and nowadays the country is facing a economic meltdown. To stabilise the country dedollarization is the need of the hour. Or else the devaluation of currency will increase the debt on the country. The devaluation of currency and paying IPPs in dollars make no sense as it only threatens country's stability. The strategic steps are needed to dedollarise the payments especially to the domestically owned IPPs.

## (3) Reducing Transmission and distribution losses (T&D):-

Country needs to reduce (T&D) by modernizing the equipment and smart grid system that monitor and manage electricity flow in real time, optimising energy distribution. Along with demand response programme needs to be implemented to manage and forecast seasonal demand for better flow of electricity. Repair and maintenance are one of the key aspect a country can look for efficiently utilize its electricity. Germany has smart grid implementation that allow it manage the flow without loss. with that India has launched

a programme called UDAY Scheme to reduce T&D losses through infrastructure improvement and financial restructuring.

(4.4)

### Shifting towards Renewables:

Depending heavily on coal and oil not only damage the country's economy but the environment. Pakistan being the fifth most vulnerable country to climate. While blessed with Indus Basin and Thar parkar wind's potential change the country's outlook. Pakistan can build a consensus on competing Kalabagh that not only can generate the electricity but can also save up the water for arid regions. Pakistan took the initiative of moving towards renewable by signing the agreements with IPPs, but no concrete steps have taken to practicalise it.

(4.5)

### Demand Side Management:

Demand response programmes can encourage consumers to reduce their electricity usage during peak times in exchange of lower rates. This can be implemented by creating awareness campaigns and educate them about energy conservation practices that help in overall demand. South Africa's Eskom demand response program encourage large



industrial users to reduce their demand during peak times in exchange of financial compensation.

#### 4) Increase Energy Efficiency to Stabilize Electricity

Energy efficiency could be enhanced by regulatory frameworks and auditing for industries and commercial sectors to identify the energy theft and to take concrete actions against them. Along with, government can encourage industries and commercial operators to invest in efficient appliances to conserve electricity.

#### 5) Conclusion:-

Energy is vital for running a business to stabilizing an economy. However, due to vested interest of the Statesman of the country the price of energy has touched the sky that pushed the end user towards poverty. Faulty agreements to miscalculated demand and excessive loss of T&D have worsen the uses of electricity. Nevertheless, by taking suggested measures including shifting towards renewable to renegotiation agreement, and introducing demand side

management programmes can uplift the  
 masses of higher electricity price.

Q203 Critically evaluate the unconditional  
 support by US for Israel effect its  
 image in Arab countries and how it  
 provides a space for China and Russia  
 to penetrate into Middle East.

### Introduction:-

The unconditional support of  
 the United States of America for Israel has  
 affected its image drastically not in just  
 Arab countries but in the whole world.

The United States support to Israel by providing  
 heavy military aid and continuously  
 vetoing any resolution against Israel has  
 tarnish the image of Washington D.C in  
 the Country as most of the youth does not  
 support government's part in Israel genocide.

Alternatively, this has provided an edge to  
 the China and Russia to get more closer  
 to Arab Countries by condemning every attack  
 of Israel for voicing for regional peace  
 and stability. China's BRI project will  
 expand more quickly and while United  
 States is busy in supporting and providing  
 aid to Israel. China is rising economically

Strong and creating a soft image of its country.

1) United States Continuous Support to Israel and how it has affect the image of a country:-

The image of a country is no less than that of Israel as the supporter of genocide view the same as the one conducting genocide. Today, the population of United States is against its relation along with it, the Arab countries who had started to facilitate ties with ME countries have turned their back. Some of the factors that has affect the image of Washington are as follows:-

2) Heavy military aid:-

Since the inception of Israel, United States has provided uninterrupted military support to Israel. United States has a policy of providing \$3.3 billion each year. According to a recent report of Al-Jazeera the United States has signed an agreement to provide aid of \$14 billion to support Israel in the ongoing war of Gaza. And recently United States supplied "warehouse" to SEAP the enemy's air defence system. Hence from inception Washington has been the

True supporters of Israel.

(2.2)

**Veto against any ruling against Israel:**

The United States of America has the power to veto any ruling against the Israel in United Nations. that should not let ruling passed against it.

Recently, all of the permanent members of the United Nations voted for ceasefire and stop Israel for ongoing genocide. The U.S has vetoed the ruling and encouraged Israel to continue its massacre.

(2.3)

**Supporter of Human Rights denied the right of Palestinians:-**

The United States of America rarely speaks one in criticizing any other country for human right violation whether it be Iran, China, Russia or Afghanistan. However, on going war crimes and killing of children and women does not see United States. While of the world from South Africa to Taiwan everyone showing concern and criticizing America for its support to Israel. America pays no attention no matter as the death toll of Gaza has reached to 40,000.

2-4) Polarisation and Anti-American Sentiment has increased.

The strong United States support for Israel has polarised public opinion both domestically and internationally, leading to divisions that hinders the sense of nationalism among the people. Also, the uninterrupted support of U.S has turned many countries away from America and has increased anti-American sentiment.

3) How United States Continuous Support has benefited China and Russia to penetrate in Arab world:-

The United States continuous support to Israel has left the void in Arab countries that is benefiting China and Russia. While creating anti-American sentiment and increasing influence in the region. Some of the ways are discussed below.

3-1) China and Russia Condemned Israel's Continuous Genocide:-

United States supports has distanced itself from the people of Arab and let China and Russia to increase their influence. Beijing and

Moscow both have been criticizing United States continuous support and recent attack of Lebanon has changed the paradigm. Recent attack on Lebanon let China announced that we stand with the Arab world and voice for an immediate ceasefire. With that Russia's Prime minister Putin labelled attack as an open terrorist attack that needs to be condemned. This has created a soft image of both China and Russia in the Arab world.

3.2

China's BRI would get flourish more quickly.

China's BRI has been oppose by the west, but now as United States is busy in supporting Tel Aviv's war machine. China is excelling and expanding in economy, while U.S has been struggling in economy because of supporting Israel and Ukraine on the other side. This makes Washington DC weak internally and externally. China has found the fertile ground now in Arab, as countries seek to diversify their economic partnership away from U.S. and Europe.

### 3.3) Shift in Arms Sells:-

The United States of America has considered the weapon supplier of the world. Nevertheless, with ongoing massacres. Now Russia has increased its arm sale as countries are diverting from their prime supplier. Countries like Egypt and Syria have historically turned to Russia for military hardware, as perceived US favoritism toward Israel.

### 3.4) Geopolitical Alliance and Energy Partnerships:-

The dynamics of U.S., Israel relations has contributed to the formation of new geopolitical alliances. Countries disillusioned from Washington foreign policy may turn to Russia or China for support, creating new blocs in the region. With that Russia's energy diplomacy has been enhanced by the actions of United States of America. As US has put sanctions on Russia for its war against Ukraine. Alternatively, Moscow has less his price of oil to attract buyer and bypass US sanctions. Arab nations have also shift their energy demands toward Russia to meet the need.

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## Conclusions:-

The world dynamics especially the Arab world has changed because of United States continuous support to Israel. The people have shown a strong criticism against their government in supporting Israel. Nevertheless, this does not stop Washington D.C. to deny its loyalty towards Tel Aviv. Even though, Washington D.C. has provided military aid, and supporting everything blindly what Israel is upto. Now the human rights does not counted in the case of Palestine as they are not considered human. This has left the void in whole world, especially in Arab world now the influence and preferences has shifting towards Russia and China. And this has benefited both the countries to get most out of it. While United States is losing its image, China and Russia building a soft one on the rubble of Washington's.



Q.9 UNGA passed a resolution in favour of two state solution. Three European countries also recognised Palestine as sovereign state. Critically evaluate the chances of two state solution or do you think Israel would continue as an apartheid state?

### Introduction:-

The United Nations General Assembly has passed a resolution in favour of two state solution to stop the ongoing massacre. Also, European states like Norway, Ireland, Spain and Slovenia also recognised Palestine as a sovereign state, and it has the right to stay on its land. However the chances of two state solutions remained slim as nothing seems to be affecting Israel's action. The sole reason of it is the superpower of the world: United States, UK, France, Germany fully support Israel's conduct. They also defend it by saying that it has right to defend itself. All the positions that can change Palestine stance is blocked by these powers, whether through veto power or supporting through dialogue or military and air defense deterrence. So, the solution to two state is a distant dream till the super powers recognise their efforts and wrongdoing.

## (2) United Nations General Assembly Resolution in favour of Two-State Solution!

The UNGA has passed many resolutions in favour of two-state resolution. The very first resolution was in 1947, which recommends the partition of Palestine into two Arab states, one would be Palestine and the other would be Israel. Nevertheless, it was not accepted then in 1967, 2002 and most recently in October 2024.

In which UNGA support the two independent state solution. This resolution highlight the importance of negotiation and emphasises both party should engage in meaningful dialogue. The dialogue will eradicate the war and work toward securing each other's right and a peaceful co-existence.

## (3) European States who support Palestine and recognised it as a sovereign state

There are a number of states in Europe who have recognised Palestine as a sovereign state. They have supported and channeled their concern as Palestine should have a statehood and it is a complete state and it has right to live on their ancestral lands. These European countries include; Norway, Iceland, Finland and Malta.

## (4) Two State Solution for Palestine has remained elusive:-

The two state solution is nothing but a far fetched dream because of many reasons. Palestine has been termed as the world open prison and no human rights exist over there. why Two state solution for palestine remain elusive see discussed below.

## (4.1) Super powers Uninterrupted support to Israel:-

Super powers are the ones who shape the world order and policies and the way world have to behave in certain way. Super powers like United States, United Kingdom, France, and Germany have been the strong supporters of Israel and supporting its inhumane stance blindly. Since inception of the Israel United state has promised \$158 billion and U.S foreign policy has a right to support Israel at every mean. Along with it UK has provided Jet fighters and 15% of its jet fighters are from British companies.

## (4.2) Tel Aviv opened all the outings of ICJ:-

Israel's approach towards

ICJ is that, it denied its ruling by characterizing it non-binding and view them as an advisory body with that Israel only justify itself as it has the right to defend and it is all relating to security concerns. Lastly, Israel's media delegitimizes ICJ's authority in the context of conflict portraying court and an instrument of political pressure. Hence, rulings of ICJ treated a no eye attention from Israel.

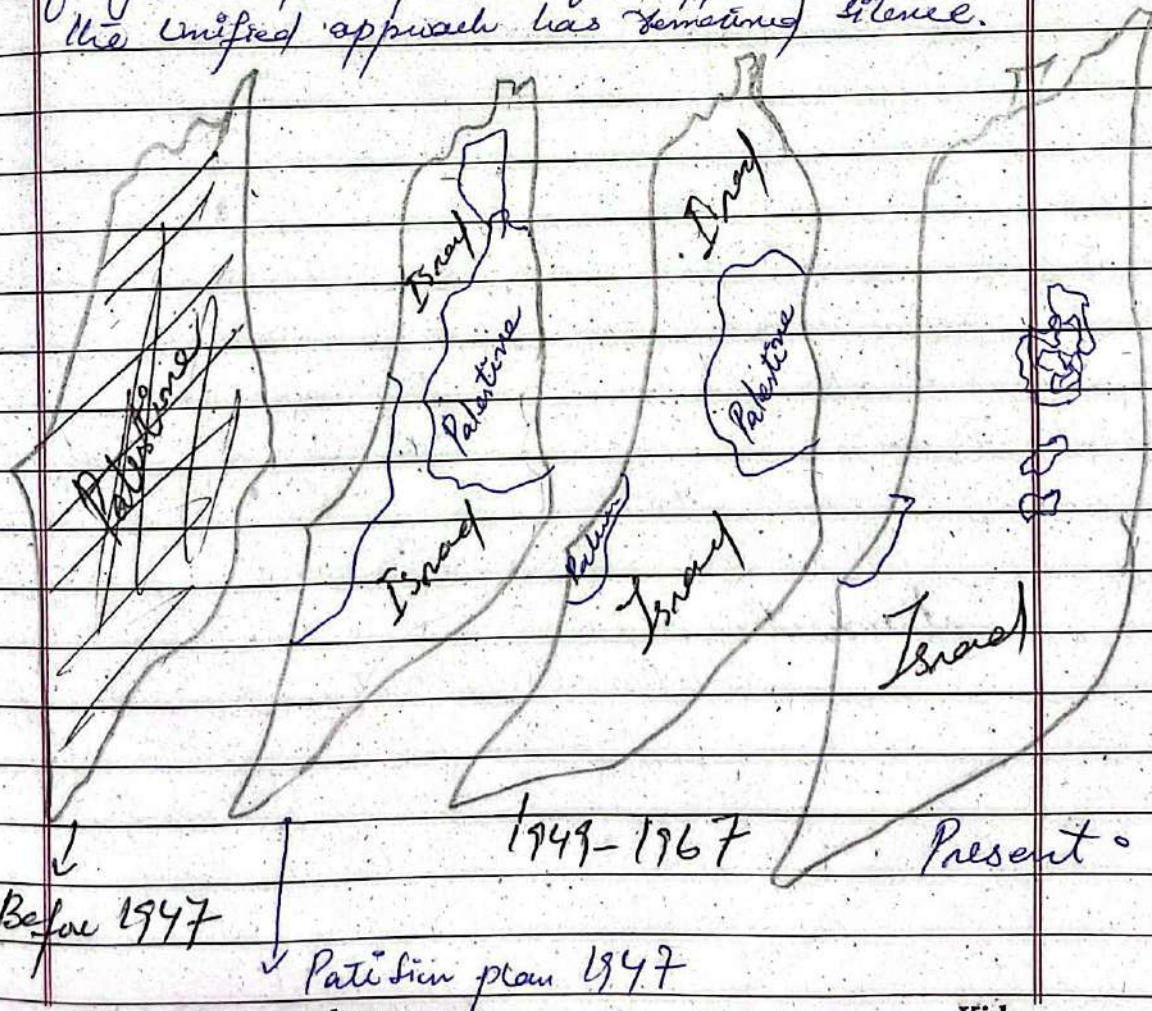
(4-3)

Israel vision of greater Israel will continue this massacre

Israel support the vision of greater Israel as they believe, Israel is their ancestral land and it belong to them (Jews) alone. They said no one has the right to live on that land and they are superior among all. Even the palestinian are not allowed to own a property, they are not allowed to use the same route even their passports have different color than Israelis. This discrimination and dehumanization has their ideology as Israeli politician Miki Lohav quoted in an interview that the battle is for between human (Israelis) and animals (Palestinians) and they are leaving their la

4) Silence of Muslim Ummah has further fuel the war machine of Israel:-

In the ongoing massacre in Gaza stripers Unified that the world, regardless caste, color, religion or ethnicity, however, the muslim Ummah has remained silent on it. They did not take any measures or initiated dialogue with west Bloc, unless they have pressure the bodies like UN, UNSC or superpowers. The vested interest of Ummah has diverted them from their teachings. As per Islamic teaching it says fight for the muslim brother in foreign land to free them from oppression. Thus, the Unified approach has remained silence.



## 5) Conclusion:-

Despite UNGA's resolution and European countries recognizing Palestine as the sovereign state. The two state equation can only be fix by the Superpowers when they recognized their responsibility towards state and the world. Alternatively, the Israel will continue its operation to make its vision of greater Israel. The vision of Israel and backed by the Allied powers has provided, Tel Aviv an edge to run its war machine and do not follow the ruling on any resolutions passed by the majority. From 1947 to present Palestine has shun into cluster and this ethnic cleansing will remain continue till they reach their goal.

Quesy The turnaround of Pakistan's economy is not possible without comprehensive structural reforms in industry, agriculture, IT, power sector and Tax system. Elaborate the statement.

## Introduction:-

Pakistan's economy is experiencing a meltdown and it always been in a condition of fluctuations. The reasons behind Pakistan's

Economic woes are the absence of structural reforms from the country. Structural reforms are considered the framework on which country stand firm and all the institutions play their part in flourishing the economy. However, Pakistan's economic problem lies in inadequacy of all the sectors in the contribution to economy. Being an agrarian country, the agriculture only contributes a few percentage in the economy due to outdated practices. Along with it, centralization of power, Industrial shutdown and lack of investment in IT sector. Nevertheless, these can be resolved by the increasing tax net through equitable means and linking academies with industries and lastly empowering local governments will bring the stability to the country.

② **What are Structural reforms:-**

Structural reforms refers to the significant changes to the policies, institutions and framework within an economy. By implementing economic policy reforms or regulatory framework of law or creating an environment that encourages investment and subsidies there will improve overall efficiency in economic health of the country.

### (3) Problems Pakistan economy faced today:-

Pakistan economy is facing many problems including agricultural practices, energy shortages, industrial closing, persistent low to GDP ratio and inadequate funding programmes. Some of the major problems are discussed below.

#### (3.1) Imbalance agricultural sector:-

Pakistan is an agrarian country, half of the labour of the country is employed in the sector. However, agriculture only contributes to 26.6% in the revenue of the country. The outdated and medieval practices of agriculture has yield no benefit to the country. From the harvesting to irrigation system everything lacks modernisation and obsolete. Farmers further exacerbated the situation.

#### (3.2) Industrial shutdown due to energy and unfavourable conditions:-

Industrialisation is the new way that generate and uplift the economies. However, In Pakistan the industrial sector is bearing the brunt of



heavy energy crises and Unfavourable condition for the investors to invest in it. Energy is the main source that helps in running the economy at faster pace but due to theft and line losses. Industries have to either shift their businesses or completely shut down their operations. According to the Koprus Tribunal Over 50% of the industries of Pakistan has been shut down. Hence, Industries are in a quagmire of generating debt only.

### 33) Persistent Tax to GDP Ratio:-

Taxation of a country led it to invest in human welfare and generating profits. The Taxation system of the country is Stable since 2010 at a percentage of 10% of its GDP. The country further burdened already working class by imposing indirect or vertical tax bases. According to the report of Pakistan economic forum Salaries class of the country has paid 368 billion in the fiscal year of 2024. Alternatively, the agricultural sector and retail has been exempted from the tax bases.

### 34) Inadequate funding in IT Sector:-

Information technology

has the potential to change the economic meltdown of the country. India is the real-time example of it. However, we have not learnt from past neither from the countries around us. Pakistan has remained far off in spending and investing in industrial sector. The infrastructure of the IT industry include internet connectivity which is the main problem of country. Last year fines highlights a barrier in Pakistan's freelance as termed as highly unprofessional because of the internet problem.

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**Heavy dependence on imported oil and gas for electricity generation.**

The circular debt of a country is already in a deficit because of theft and line losses. Import of oil and gas further exploit the situation. As country generates 59% of its electricity from fuels and thermal and only 7% utilizes through renewable means. Along with it, the IPPs owned power plants generate and run mostly on imported oil and gas called (RFO) that has further fractured the economy's back.

## Centralization of power:-

Although the 18th amendment has devolved the power to the provinces, but still local governments remain futile because of lack of empowerment. The democracy gets frustrated if the local government is accountable for the people and their actions. However, in Pakistan productive local government remained a distant dream.

## Introduction of viable and effective structural reforms for sustainable economy:-

It is correctly said that no economy can function properly without effective structural reforms. In the case of Pakistan structural reforms are the need of the hour and some of them are discussed below.

## 1) Increasing tax bases:-

Direct taxes are vital for country's economic well being. In the case of Pakistan agriculture sector where around 50% of the workforce has employed contributed only 0.03% in tax. On the other hand industrial sector generates the revenue of 21% but got

burdened by 7.5% tax same as the case of salaried individuals. Pakistan needs to increase its tax net by creating viable policies for retailers and agriculture to collect from it. Pakistan can look at the model of Kenya in targeting informal economy to increase its tax bases.

(4.2)

## Privatizing State Owned enterprises

Pakistan has been in loss in its enterprises including railways, PIA and steel mills. According to a report published by Central Monitoring Unit Pakistan's State owned enterprises (SOEs) incurred a total losses of 'Rs 905 billion' which if utilized in other sector can change the dynamics of it. Pakistan can privatize its (SOE) to increase efficiency, productivity, reducing government burden and can enhance competition by attracting investments. Hence, privatizing SOEs are required for economic stability.

(4.3)

## Academic industrial links to advance high technology :-

Industrial will increase research and Academic  
collaboration and technology transfer. Joint  
Academic and industrial links are significant

for commercialization of research, startup incubation, industry input, workplace development, airport conferences and networking events. One such example is of "National Textile Industry, where student has used banana peel to make fiber from it and then making shirts from it. which are being exported to the different countries."

#### 4.4 Empowering local government to bring stability:-

Local governments are vital for growth of the economy. Article 143(A) of the constitution encourage and empower local governments to voice the concern of people. Pakistan can follow the China's model of de-centralization, which claims of empowering local government bodies. China's local government are empowered to create their own budget and collect tax equitably.

#### 1.5 Shifting towards Renewable:-

Pakistan is blessed with all the four season of the world. By proper utilization of each weather country can benefit from its own resources and depend any on imports and non-renewables.

will require. According to the South African report Pakistan has increases in the use of solar panels, and the country has a potential of 40 GW of solar power and the policy makers have set it produce at least 20% of its electricity from renewable by 2025. These initiatives are the step in the right direction. Pakistan has also signed the agreement with IPPs in 2015 for generating renewable energy. The practice steps are the need of today.

(B)

## Conclusions -

Structural reforms are important to bring back the economy towards stability. In the case of Pakistan where economy is fluctuating due to flawed policies and subsidies to the sectors. Economy gets flourish when all of its institutions align with each other in the manner of benefiting rather than suppressing. Major steps needs to be taken from linking academies to industries, to briefing towards renewable and empowering local government. The most important is increasing direct taxation by adding all the sectors in by expanding tax net. Hence, structural reforms can turn the tide for economic woes of the country.