

QUESTION NO: 01

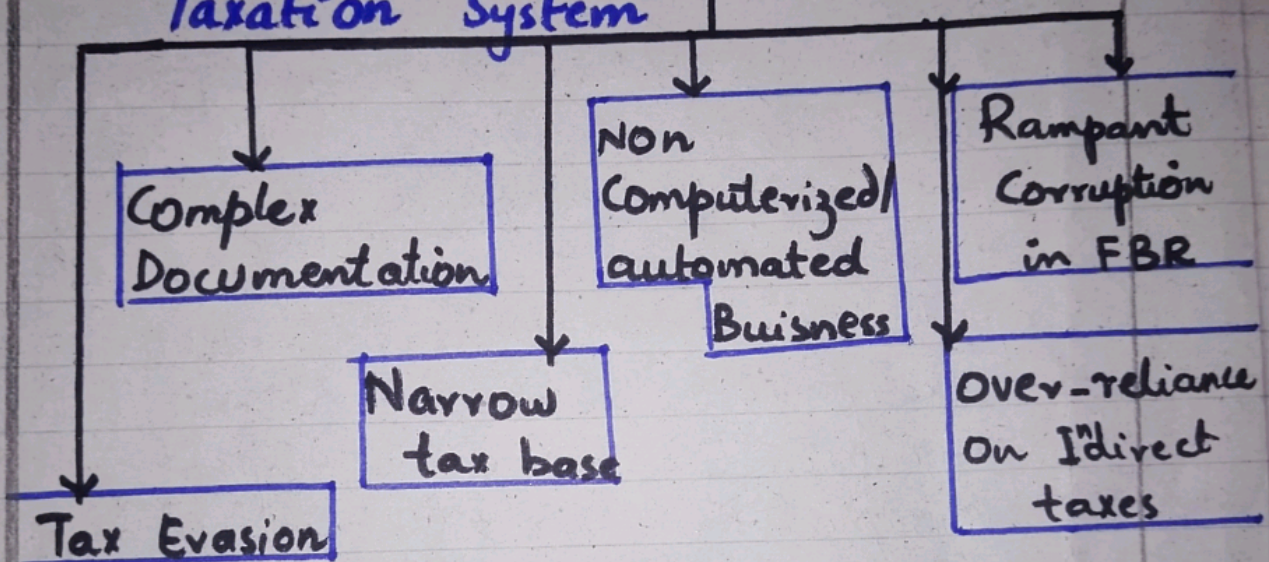
Reforms In Pakistan's Taxation System :

Introduction :

Pakistan is struggling with severe economic crisis, one of the leading cause is flawed taxation system. Tax system of Pakistan has several issues, like problems in documentation, non computerized business, rampant corruption in federal board of revenue. This lead to severe implications on Pakistan's economy specifically, rising public debt, lesser allocation for developmental projects and dependency on external funding. However taxation reforms are dire need of time. Tax base should be broaden, tax evasion should be avoided, resolve inequity in tax structure, strengthening tax administration, eliminating tax exemptions promoting digital taxation and spreading public awareness, such

reforms can increase revenue generation, reduced reliance on external borrowing and create greater equity in wealth distribution.

Problems In Pakistan's Taxation System



Complex Documentation in taxation system discourages compliance:

Pakistan taxation system is a complex system having complicated procedures and policies, it discourages compliance, particularly among small business, as large population has not sound knowledge about complexity in documentation.

Rampant Corruption in FBR

One of the severe issues is Corruption. There is huge bribery and collusion between tax officials and tax payers. It undermines the credibility of system.

"Pakistan ranks 133 out of 180 countries in Corruption perception index." ~ Transparency International

Tax Evasion and Tax avoidance

35% of Pakistan's economy is undocumented. There is rampant evasion due to weak enforcement, corruption and loopholes in tax laws.

Over reliance on Indirect Taxes:

The collection of indirect tax in Pakistan is more than direct taxes. This results in Over burden on consumer. For instance General sale tax (GST) has

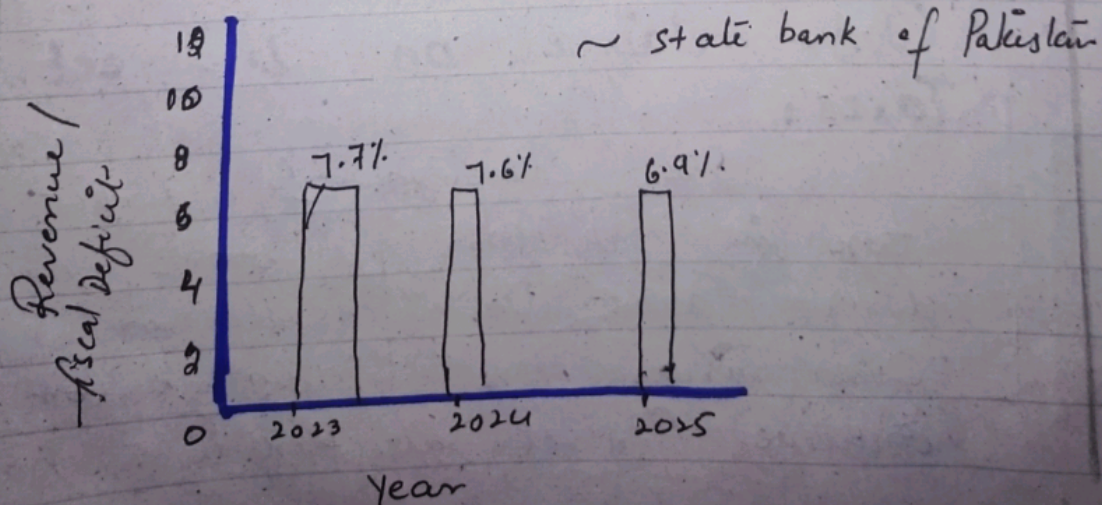
been raised to 17%.

Implication of Flawed Taxation system in Pakistan

- Insufficient Revenue
- Increased public debt
- Economic Inequality
- Stifled economic growth

Insufficient Revenue Generation

The flawed taxation system results into low tax collection which leads to insufficient revenue for public services like health care, education and infrastructure.



Increased public debt,

Due to flawed taxation system, revenue generation is low. This inadequate revenue generation leads to force government to rely on domestic and international borrowing, escalating public debt.

"Current loan on Pakistan is about \$ 30.35 billion."

Reforms In Taxation System of Pakistan

- Broadening the tax base
- Digitization and automation
- Simplification of tax laws
- Tax incentives for compliance
- Strengthening tax Administration
- Resolve inequity in Tax system by reducing tax exemptions
- Introduction of Track and Trace System

Broadening the tax base

One of the most needed ~~measure~~ reform in taxation system of Pakistan is broadening the tax base, of individuals and business particularly targeting informal sectors. Denmark has one of the exemplary tax base as its tax to GDP ratio is 46.9% which is highest in OECD countries.

Digitalization and automation of Tax system

Pakistan's tax system is not updated. There should be implementation of digital platforms for tax filing. For instance FBR IRIS should be launched to facilitate tax payers in managing their tax related activities electronically.

Simplification of tax laws

In order to make compliance easier and encourage voluntary compliance, a simpler streamlining tax codes and regulations should be

made.

Tax incentives for Compliance

One of the essential reform they will help to raise tax is to introduce tax incentives for ~~the~~ the one who pay tax. For instance Singapore has introduced partial tax exemptions for small and medium enterprises and startups. It not only attract accurate filling but business growth too.

Strengthening Tax Administration

State should invest on capacity building of FBR officials it will improve governance and revenue collection efficiency. A strong administration will restructure the FBR in order to reduce inefficiency. IMF emphasizes that improving tax administration is often more effective than raising tax rates.

Resolving inequity in Tax system

Pakistan tax system has inequality, salaried class has to pay huge taxes, while real estate and agricultural sectors are not paying enough taxes. This inequity should be resolved in order to have more collection.

By reducing tax exemptions

There should be removal of unjustified exemptions for specific sectors and civil servants. This will ensure that all income groups contribute their fair share.

Conclusion

In order to reduce dependence on external financing, creation of equitable economic environment and increase revenue generation, there should be strong and fair tax system. Tax reforms in Pakistan's taxation system can only achieve this target.

Question 03

Growing Disparity about Water Shortage, Distribution and Mitigation

Introduction

Water crisis is main leading issue of Pakistan. Not only external but internal affairs are impacting creating these crisis. The growing disparity between water availability in Urban and rural areas, is increasing day by day. In order to ensure equitable distribution of water resources measures related to social and economic inequalities decline should be taken. For instance water management, water saving, water governance, water reuse and raising awareness on water conservation can curb the issues of water crisis.

"Pakistan faces a 'looming threat' of water crisis calling for immediate action to conserve water resource".

~ Malecha Lodhi

Causes of Water Crisis:

Transboundary Water
dispute with India

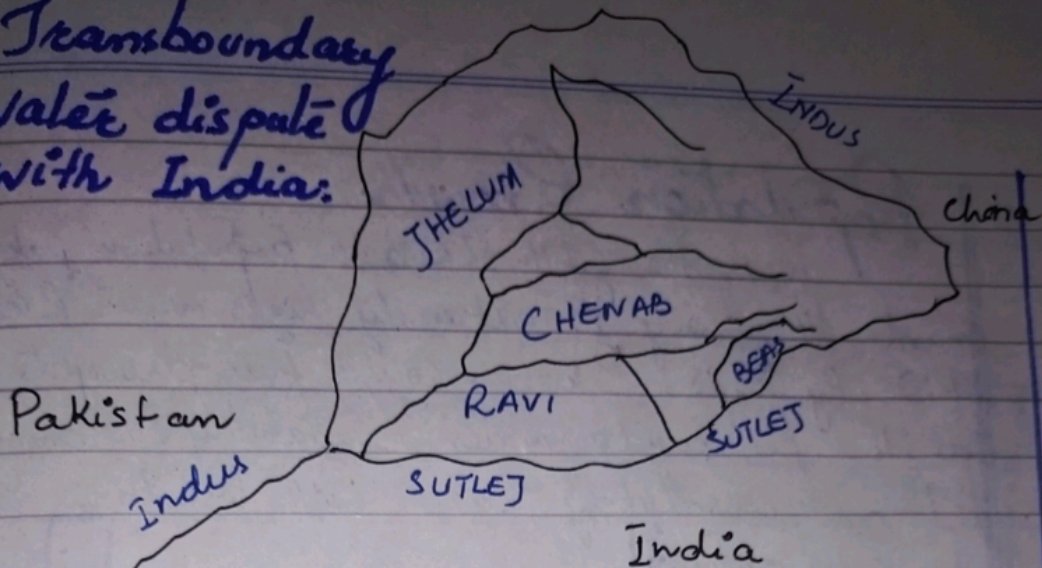
Over extraction / Poor
Management

Population Growth

Reliance on Indus Water
System

Climate Change

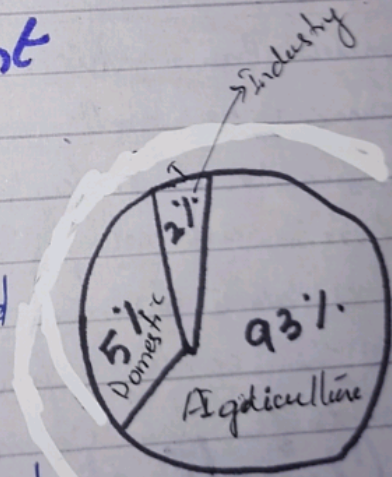
1. Transboundary water dispute with India:



Indus water treaty brokered by world bank is violated by india many times. The construction of dams e.g. Baglihar and Kishanganga on western rivers has raised concerns in Pakistan, over reduced water flow.

2. Poor Management

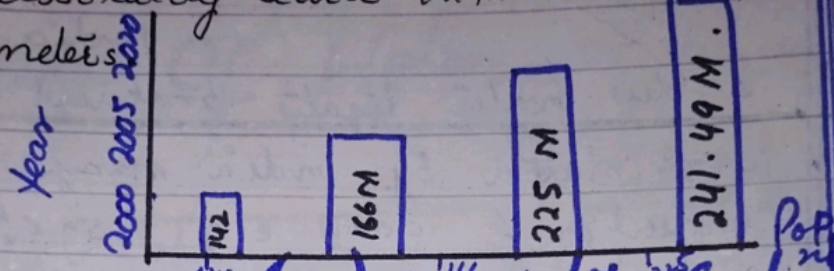
According to UNEP, 93% of Pakistan water resources are used for agriculture with significant challenges in data management and sustainable practices.



According to Pakistan economic Survey 2023, Pakistan has lost 60% of its water due to inefficient irrigation methods like flood irrigation.

3- Population Growth

With the fifth largest population pak ranks 14 among 17 extremely high water risks countries. According to PIDE, By 2025, Pakistan could face droughts as its per capita water availability is going to become absolutely scarce with less than 300 cubic meters.



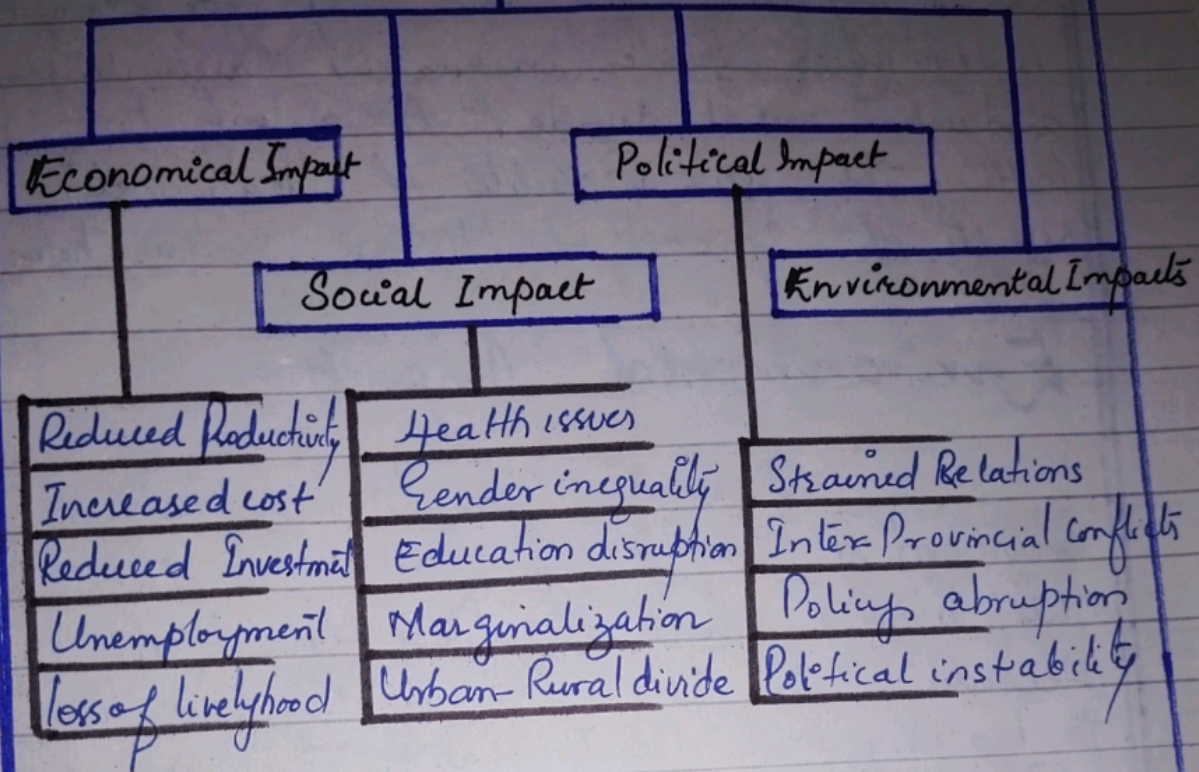
4- Reliance on Indus Water System

Pakistan's economy is heavily dependent on Indus Basin which is seasonal and depends on glacier melt and rainfall runoff. The situation is risky and volatile as Indus Basin accounts for 96% of total available freshwater source in Pakistan and around 80% of the country's fresh water originates from outside the country. ~ PIDE.

5- Climate change :-

The change in monsoon patterns, receding glaciers, rising temperature and recurrence of floods and drought. 2022 floods resulted into economic loss of \$30 billion, affecting 33 million people.

Consequences of Water Crisis



Impacts on Economy:-

According to Pakistan economic Survey 2023, Agriculture contributes to 19% of Pak GDP and about 38% of work force, due to water scarcity agriculture is severely impacted and result in decline of productivity. Industrial productivity also decreased, as cost of water has increased and it leads to decrease in foreign investment.

Social Impact

Due to water scarcity several social impacts come into way for example health issues, gender inequality, Marginalization and urban rural divide. According to WHO, the unavailability of clean water results into spread of disease such as cholera.

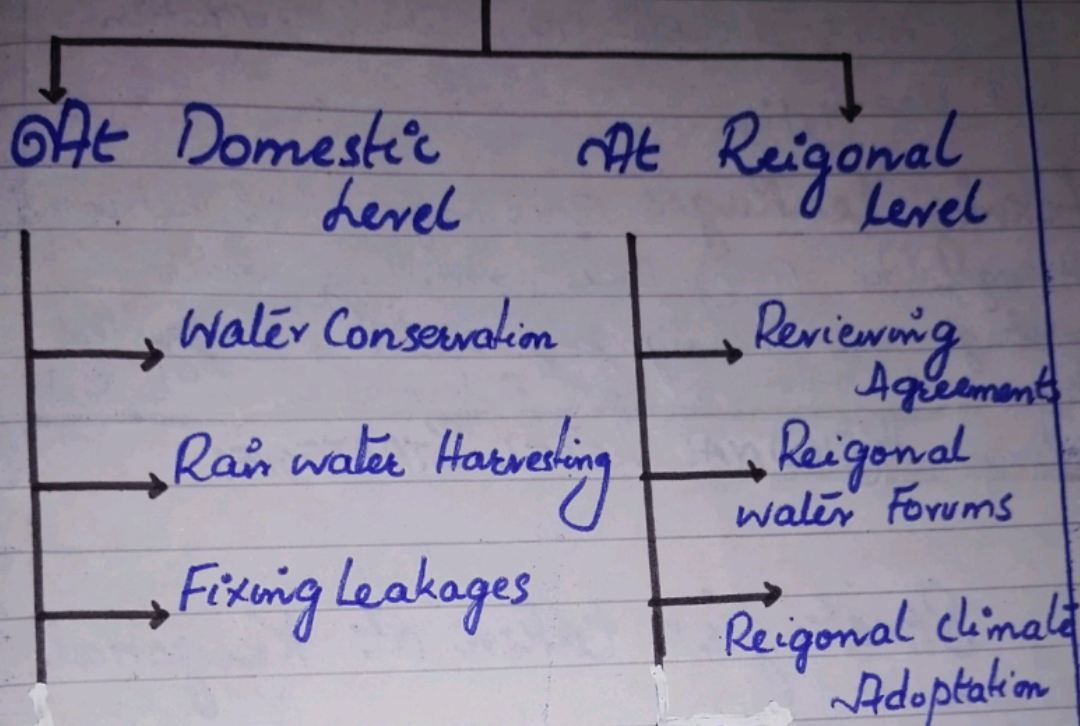
Environmental Impact

There are various impacts on environment caused by water scarcity chief among which is Desertification. According to UNCCD, water scarcity is leading to Desertification in Tharparker.

Political Impact

There are various impacts of water shortage on politics, especially between Punjab and Sindh, over water distribution which was under 1991 water apportionment accord, which leads to weakening federal cohesion and national integration. The strained relations of Pakistan with India, is also an ^{impact} example of water dispute among both countries.

What **STRATEGIES** should be taken?



DOMESTIC LEVEL STRATEGIES

Water Conservation

Various ways contribute to water conservation such as promotion of water efficient household appliance such as low flow faucets and toilets.

Rain Water Harvesting

A study conducted by U.S. Pakistan center for advanced studies in water (USPCAS W) suggests that rainwater harvesting systems should be

implemented, to collect store rain water for non-potable uses like irrigation and cleaning.

Fixing leakages Encouragement of behavioral changes like fixing leaks, reducing water wastage and reusing grey water, suggested by Center for water informatics and Technology, LUMS.

Strategies taken at Regional level:-
Reviewing Transboundary water Agreement:

Indus water treaty should be revised. According to the research conducted by CFIIT LUMS, data sharing protocols and transparency mechanism should be updated. Moreover Kabul water sharing agreement should must also be revised, suggested by ISSRA papers.

Establishing Regional Water Forums

Regional water forums should be established among Pakistan, india and afghanistan. One such example can be Mekong

River Commission that includes Southeast Asian Countries.

Regional Climate Adoption

Serious efforts can be done by Pakistan and neighbouring countries in order to curb water crisis by adopting "Climate Adoption Measures" as it is useful for sustainable water Management. Moreover the countries should share data across borders to improve forecasting and NDMA should work with collaboration of such forums.

Conclusion:-

Water is blessing of Allah, Pakistan whose ~~is one side~~ is covered by a giant glaciers of 'Himalayas' is suffering from severe crisis of water as Himalaya are not world's second most frequently melting glaciers, Several other reasons such as improper management, population growth, water dispute issues and climate change results into severe consequences such as reduced productivity, health issues, and strained relations. However by taking certain strategies on domestic and regional levels, Pakistan can cope up with the issue.