

Date: 16/10/25

M. AWAIS

## TEST SERIES

### GK-III PAKISTAN

#### AFFAIRS TEST-4

Q2

37 min

13:49

#### (I) Introduction

Pakistan has repeatedly ~~mixed~~ <sup>been</sup> mixed in a dual-pronged crisis of inflation and unemployment.

The former usually reaching persistent double-digits, while the latter—owing to both population ~~and~~ pressure and management issues—hovering around 20%.

Inflation and unemployment are systemic in Pakistan's economy.

As such, they can be attributed to a myriad of factors, subsequently exacerbated by poor governance and policy inconsistency.



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## (II) Root causes of inflation and unemployment

### (A) Weak domestic industrial base

Both inflation and unemployment can be attributed to a weak industrial base. Industries serve as the backbone for generating local employment and earning foreign reserves - limiting inflation.

The Pakistan Economic Survey for 2024-25 highlights a regression in the industrial sector. Consequently, Pakistan is in the midst of deindustrialization. Hence, it directly causes high inflation and unemployment.

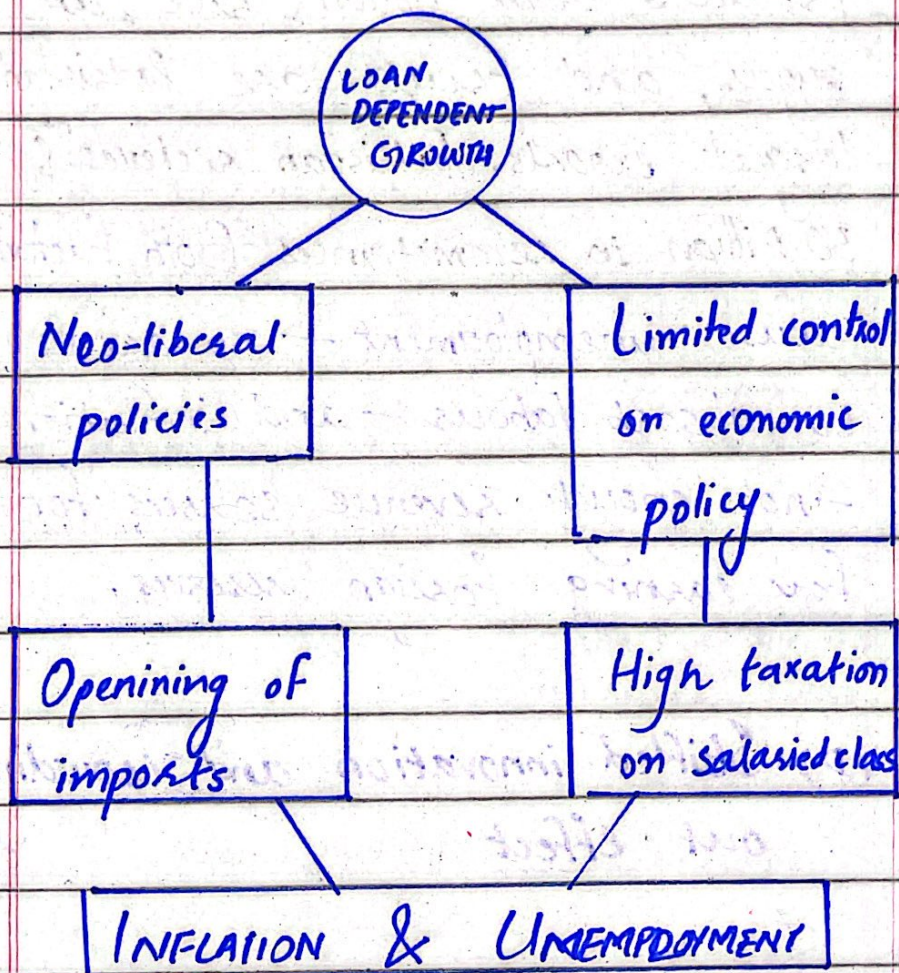
### (B) Loan-dependent growth

Pakistan, since the 1950s, has



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adopted a loan based growth model. The country has been the IMF's most repeated customer, currently undergoing its 24<sup>th</sup> tranche.



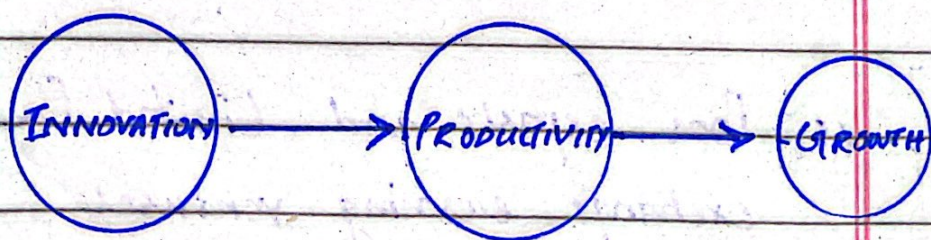
(c) Poor exports and limited foreign exchange earning ventures



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Pakistan produces low-value added goods, which have limited demand in the international market. Additionally, it mostly relies on remittances to cushion its fiscal expenditure. Dairy products, raw cotton, rice, and sugar, and fruits are Pakistan's largest exports. Pakistan receives \$ 30 billion in remittances. Both factors cause unemployment — no areas to absorb labour — and inflation — not enough revenue sources for earning foreign reserves.

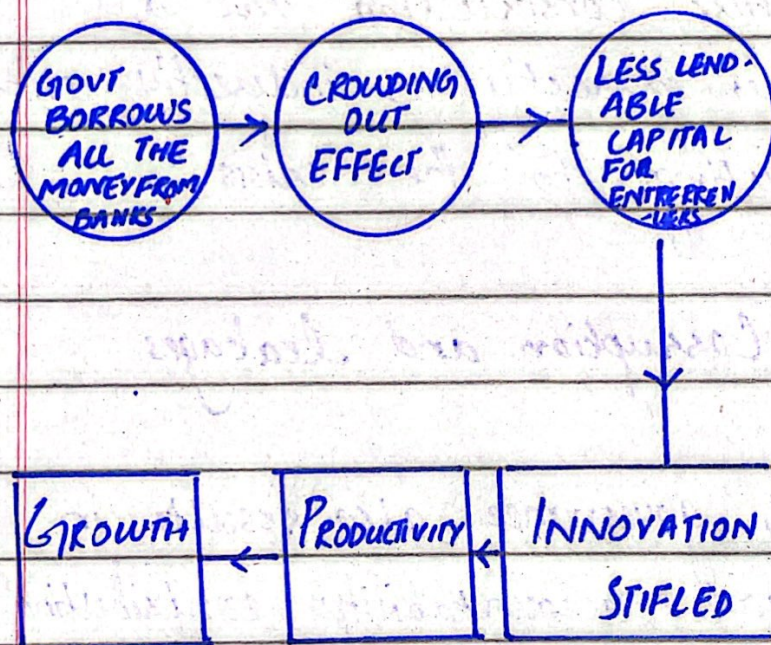
(D) Skipped innovation and crowding-out effect





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Without innovation, productivity takes a hit, thereby reducing growth. Consequently stifling growth and subsequently contributing to inflation and unemployment.



(III) Contribution of poor governance and policy inconsistency to inflation and unemployment

(A) Poor governance

(1) Fiscal mismanagement



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Fiscal mismanagement, entailing high expenditures of SOEs - PIA, Steel Mills, - Continued purchase of vehicles, luxurious foreign trips, travel allowances, and renovation and frivolous infrastructure construction, are all either directly or indirectly contributing to the crisis.

## (2) Corruption and Leakages

Poor governance also results in weak accountability contributing to corruption and leakages of funds. Pakistan ranked 135<sup>th</sup> out of 180 countries in Transparency International's Corruption Perception Index. More corrupt practices directly contribute to inflation and unemployment.



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### (3) Weak Rule of Law

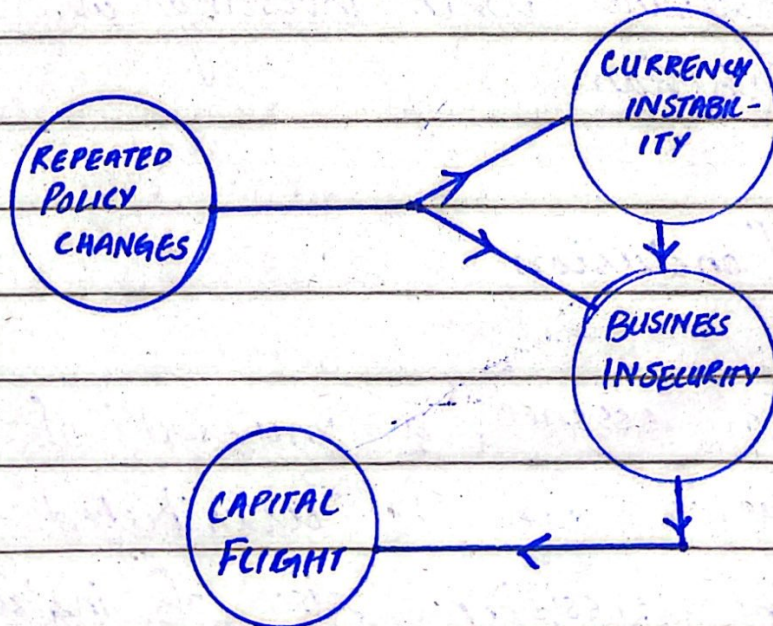
Poor governance also means a weaker rule of law



Weaker business means more inflation and less employment.

### (B) Policy inconsistency

#### (1) Capital Flight





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Owing to repeated changes, currency instability and business insecurity arises, subsequently causing capital flight and in turn hurting employment and causing inflation.

Unilever and Procter and CO. are recent pertinent examples

## (2) Deters FDI

Policy inconsistency also causes the deterrence of FDI. Foreign investors ~~hope~~ to expect guaranteed profits, and hefty insurance when investing in Pakistan.

## (IV) Conclusion

In essence, a myriad of factors can be attributed to the persistent rise of inflation



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and employment. Among these many causes are Pakistan's structural economic issues like loan-dependent growth, low exports, and stifled innovation. All of which are compounded by poor governance and perpetual policy inconsistency.

Q3

### (I) Introduction

Sustainable economic growth is predicated on a cheap and reliable supply of energy. Unfortunately in Pakistan the energy sector remains mired in a cyclic crisis, compounded by myopic policy suggestions. However, Pakistan does possess a great potential for renewable



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alternatives. By enhancing their role, Pakistan's energy challenges - shortages, high price and inconsistency - can be mitigated. In addition the country can be put on a path of sustainable development.

(II) How alternative-renewable energy can address Pakistan's energy challenges

(A) Provide cover in shortage periods

Owing to expensive energy imports - gas and petroleum - the state enacts load-shedding. In these periods renewable sources can be supplied to avoid disruption.

Consequently, allowing maximum productivity in households and industries.



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### (B) Enhance accessibility in remote areas

Many regions in Pakistan remain deprived of energy. According to the International Human Essential report 2024, 24 hrs shortage remain the norm in Pakistan. This can be mitigated by renewables.

### (C) Limit leakages, preventing losses

The concurrent infrastructure grid causes upwards of 20% of losses in the transmission, according to NEPRA. Owing to the decentralized nature of renewables and alternatives, leakages and losses can be significantly limited.

### (D) Ease the strain on the Pakistani national treasury



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Around 31.53% of Pakistan's total merchandise imports for the fiscal year of 2024 were in the energy sector. By integrating or transitioning towards alternatives this expenditure can be saved.

(TII) How alternate-renewables can help Pakistan achieve sustainable development

(A) Lower emissions into the atmosphere

Alternate sources like solar and hydel have a much lower production cost, easily offsetting their initial emissions in the long-run.

Lower emissions are a core tenet of sustainability

(B) Long-term and Permanently



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viable

Unlike coal or fossil fuels, which are limited - solar and hydel are long-term permanent options. They are not a depleting resource, as such & providing long-term sustainability

(c) Saves forests, rivers and natural habitats

Many remote areas of Pakistan like Ziarat - having the largest and oldest reserves of juniper trees in the world - lack clean energy resources. As such they resort to burning trees, subsequently destroying the surrounding eco-system. Alternate can help prevent this & thereby achieving sustainability



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#### (IV) Conclusion

In essence, many of Pakistan's energy and sustainability related issues can be resolved through the use of alternate-renewables.

Concurrently, they contribute a smaller portion to the overall energy fold; however, if utilised adequately they can help put Pakistan towards a path of sustainable prosperity.