SUBJECTIVE PART

(Q NO: 03)

The current economic challenges of Pakistan are challenges of Pakistan political economy or the issues are deep rooted in structural flawed in our economy. Take a side and suggest policy measures to address these challenges.

(ANSWER)

Pakistan's Economic Challanges - The Deep Rooted Structural ~~Reforms~~ flaws Behind a Fragile Economy

Introduction

pakistan's economy has long oscillated between breif growth spurts and recurring crises marked by inflation, fiscal deficits, external borrowing, and IMF dependence. These are not temporary outcomes of Politics or global shocks but symptoms of deep-rooted structural flaws - a narrow tax base, inefficient energy sector, weak industrial capacity, low human capital, and fragile institutions. political instability aggrevates these weaknesses, yet it remains an amplifier rather than the root cause of Pakistan's persistent economic fragility

It is not the crises that weakens pakistan's economy. it's the structure that makes crises inevitable

~World Bank.

II: Historical Context: Structural Dependence from the start

Since the 1950s, pakistan growth has relied on foreign aid, Import-substitution and debt financed consumption. successive goverments prioritized short term fixes over tax, goverance, and industrial reforms, thereby institutionalizing structural weakness. Repeated crises in 1998, 2008, 2010, and 2022 reaffirm the economy's enduring cycle of dependency.

III: Structural Economy of pakistan - From Enduring Flaws to Transformative Reform

pakistan's economy is stuck in a structural cycle of elite capture, fiscal rigidity, and weak institutions. Through the lens of structuralist, these are systemic flaws, not temporary crises demanding deep structural reform over short term fixes.

i) Weak Fiscal Structure

Problem

Tax-to-GDP ratio at 8.5%. (FY 2024-25) among South Asia's lowest - reflects institutional falire. Over reliance on indirect taxes and elite exemptions constrains fiscal space, 52% of revenues go to ~~deb~~ debt servicing.

Policy measures,

- Broaden tax base (retail, agriculture, real estate).
- Digitize FBR and automate tax collection.
- Replace regressive sales tax with progressive income taxation.
- Create an independent fiscal council for fiscal discipline.

(ii) Structural Debt Trap

Problem:-

Public debt exceeds RS 67 trillion (72% of the GDP) much of it financing consumption and imports - typical of Dependency economy.

Policy measures:

- Adopt a medium-Term Debt Strategy (MTDS).
- Restrict new loans to productive sectors.
- Cap debt below 70% of GDP
- From parliamentary debt oversight committees

(iii) Energy sector Distortions

Problem:

Circular debt surpasses 2.6 trillion; inefficiencies in production, pricing, and distribution have created a systemic burden on industry and house holds.

Policy measures

- Privatize and unbundle loss-making DISCOs.
- Shift to renewables and domestic coal to reduce imports.
- Introduce smart meters and reduce line losses (currently ~17%)
- Target subsidies ~~that~~ to protect the poor.

(iv) Narrow Export Base

Problem:

Exports stagnate around $30 billion, dominated by low-value textiles, making Pakistan a mono product economy.

Policy Measures.

- Develop industrial clusters for value added goods (IT, engineering, agro-processing)
- Provide R & D incentives and export credit facilities
- Simplify customs, digitize trade, and join regional blocs (ASEAN)

example:

Vietnam increased exports from $30 Billion (2002) to $330 bn 2023) through export diversification.

(v) Industrial Stagnation

Problem:

Manufacturing's share declined from 15% (2005) to 11.9% (2024) sign of premature deindustrialization

Policy Measures:

- Formulate National Industrial Policy 2030 ensuring policy continuity.
- Provide energy concessions for export industries.
- Reform import ~~trade~~ tariffs to favor productivity enhancing capital goods.

(vi) Agricultural Inefficiency

Problem:

Agriculture employs 35% of the work force but contributes only 19% to GDP. outdated irrigation, elite subsidies and poor technology adoption limit output.

Policy measures.
- Promote Climate-Smart agriculture and drip irrigation
- Reform provincial market structures.
- Prioritize small farmers and agri-value chains (cotton, dairy, rice).

(vii) Low Human Capital and Skills.

Problem:

Education spending (1.7% of GDP) and health (0.9%) rank among the world's lowest. Workforce lacks innovation and technical skills.

Policy measures.
- Raise education to 4% of GDP; health to 3%.
- Launch National Skill Enhancement Schemes linked to export needs.
- Strengthen academia-industry linkages and vocational training.

(viii) Governance and Institutional weakness

Problem.

Corruption and inefficiency in public enterprises cost Rs. 500-600 Bn annually. Overlapping jurisdictions paralyze implementation.

Policy measures.
- Apply corporate governance to SOEs.
- privatize under transparent frameworks.
- Strengthen the Accountability Bureau and auditing systems.

(ix) Political Instability - A Structural Reinforcer

Problem:
Frequent regime changes and Policy reversals weaken invester trust and institutionalize short termism. Political fragility exacerbate Structural decay.

Policy measures:
- Establish a Charter of Economy among Parties.
- Empower Economic coordination Council ECC for Continuity
- Curb arbitrary policy shifts via parlimentary oversight.

Political Stability is not just governance. it is an economic variable.

(x) Climate vulnerability

Problem:
The 2022 floods caused $30billion in losses, cutting GDP growth by 2%. weak disaster planning express structural fragility.

Policy measures.
- Integrate climate resilience into PSDP.
- Launch Disaster Risk Insurance Frameworks.
- Expand reforestation and embankment projects.

Policy Framework for Structural Transformation

(xi) Fiscal and Monetary Synergy

Problem
Fiscal expansion and monetary contraction at at cross purpose, fueling inflation

Policy measures.
- Establish Fiscal Monetary coordination council
- Align interest rate and fiscal targets
- Use inflation targeting within sustainable growth parameters.

(xii) **Social protection within Reforms**

Problem:

Reforms without saftey nets deepen inequality and create risistance

Policy Measures:
- Expand digital transfers.
- Link subsidies to poverty indices
- Provide reskilling programs during privatization phase.

(xiii) **Export led growth Strategy**

Problem:

Consumption driven growth is unsustainable Pakistan must shift to export orientation.

Policy Measures.
- Enhance Export Finance Scheme and Pakistan Single window (PSW)
- Promote export oriented FDI through tax incentives.
- Integrate into global value chains. (electronics, IT, agro processing)

(xiv) **Provincial and Federal coordination.**

Problem

Post 18- ammendment fragmentation Impedes reform. provinces often resist harmonized taxation.

Policy measures:

- Create National Economic Coordination Council (NECC)
- Harmonize GST / property taxes.
- The NFC Awards to fiscal performance

IV Conclusion:

Pakistan's economy crises is structural, not situational - rooted in fiscal indiscipline, weak governance and low human capital. Political instability amplifies rather than causes these flaws. Real stabilizing requires structural reform, institutional renewal, and investment in people and productivity.

Structural Reforms is not an option, It is only route to sovereignty.

(QNO: 07)

Is the Climate Change or Pakistan's environmental-hazardous-development model that takes Pakistan to the top of V20? Argue in favor or against and recommend a strategy to mitigate environmental risks and enhance resilience.

(ANSWER)

Pakistan's Environmental Crises: A Man-made Vulnerability Beyond Climate Change

I: Introduction

Pakistan's recurring floods, droughts, and heatwaves are often blamed on climate change, yet the deeper cause lies in its environmentally hazardous and unsustainable development model. Poor governance, deforestation, unplanned urbanization and resource mismanagement have made Pakistan's vulnerability largely self-made. Pakistan's flawed development choices, not global forces alone, that places it among the V20 nat

II: V20 Context

The vulnerable 20 (V20) represents economies most at risk from climate change. Pakistan's inclusion reflects both global exposure and domestic mismanagement - an economy and ecology weakened by flawed development patterns.

III: Structural Roots of Environmental vulnerability

(i) Colonial Legacy and Post-Independence Neglect.

Pakistan inherited extractive land and irrigation systems emphasizing productivity over sustainability. Post independence planning continued the same resource-exploitative model, deepening ecological balance.

(ii) Hazardous Development paradigm

Rapid urbanization, deforestation, and industrializat expansion were pursued without Environmental Impact Assessment (EIA) or ecological zoning. This "growth-first" environment-later" mindset made development itself a driver of vulnerability.

(iii) Mismanaged water Economy

Despite being a river rich country, pakistan faces water scarcity due to inefficient irrigation, ground water depletion, and pollution. According to UNDP, 95% of fresh water is used for inefficient agriculture, and 30% is lost due to leakage.

(iv) Deforestation and Land Degradation

pakistan's forest cover has fallen below 4.5% one of the lowest in South Asia. Deforestation has worsened flash floods and soil erosion, particularly in KP and GB

(v) unplanned urbanization

Mega-cities like karachi and Lahore expand with environmental zoning. Concrete growth replaced wetlands and green belts intensifying urban heat island and flood risks.

(vi) **Industrial Pollution and Energy Inefficiency**
Industries discharge untreated effluents into rivers. Pakistan's energy system remains coal-heavy, furnace oil and inefficient, emitting over 220 Mt CO_2 annually (World Bank

(vii) **Agricultural Mis management**
Excessive fertilizer use, monocropping and poor irrigation increased land salinity. The Green revolution brough productivity but at the cost of soil fertility and water balance

(viii) **Institutional weakness and policy failure**
Environment institutions like EPA and Climate change ministry are underfunded and politically constrained. Implementation gaps persist b/w federal and provincial frameworks under the 18th ammendment.

(ix) **Socio-Economic Drivers of Hazardous Development**
~~to~~ Rapid Population growth (240 million) Poverty, and informal housing drive unsustainable practices - from ~~to~~ forest cutting to waste dumping - amplifying ecological fragility.

Climate Change as an Amplifier, not the ROOT cause

Global Climate Change Impact

Pakistan contributes less than 1% of global emissions but faces 5th highest climate vulnerability (German watch 2021).
Yes, global warming intensifies floods and draughts - but its Impact is magnified by local maladaptions.

(xi) The 2022 floods: A case Amplified vulnerability

The 2022 floods displaced 33 million people and caused $30 bn in damages. However, poor drainage systems, ~~each~~ encroachment of flood plains, and deforestation multiplied the climate shock's effects.

(xii) Climate chang ≠ Climate Mismanagement

The problem is not the rainfall intensity alone, but where and how Pakistan built its infrastructure. Encroachment along the Indus basin and unsafe settlement transformed natural phenomena into human disasters.

(xiii) Comparative example

Countries like Bangladesh with similar exposure show greater resilience due to planned adaptations, mangrove restoration proving governance matters as much as global warming.

Part III: Towards Structural Reform and Ecological Resilience

(xiv) Integrating Climate Adaptation into Development

Pakistan must shift from reactive disaster management to climate smart planning, embedding resilience in every sector - agriculture, energy & infrastructure.

(xv) Green Industrial and Energy transition

Promote renewable energy (solar, wind hydro) and phase out coal subsidies. Adopt circular economy models to minimize waste and emissions.

(xvi) **Water and Land Reforms**

~~[illegible]~~ Introduce water pricing, efficient irrigation technologies, and crop diversification. Encourage sustainable land use and restrict urban encroachments.

(xvii) **Strengthening Environmental Governance**

Empower provincial EPAs, enforce EIA compliance, and integrate climate governance into national planning. Ensure transparency in environmental spending and accountability.

(xviii) **Enhancing Regional Cooperation**

Collaborate with So Asian countries on water management, clean energy, and early warning systems through SAARC, and SCO frameworks.

(xix) **Financing Green Resilience**

Mobilize funds through the Green Climate Fund and loss & damage facility, while promoting public-private partnerships in forestation, waste management, and renewables.

(xx) **Promoting Public Awarness**

Foster a culture of sustainability through nation wide campaigns on water conservation, afforestation and ecofriendly consumption

V: Conclusion

Pakistan's VZO status arises more from its hazardous development model than global climate shifts. Climate change worsens but doesn't cause the crisis, lasting resilience needs sustainable planning, strong institutions, and eco-conscious development.