

# Part-II

Q.4

Instructions

## 1- Introduction

1. Give numbering to headings

2. Do not write lengthy paragraphs. Write medium sized paragraphs with headings.

3. There should be around 15 headings for 20 marks question.

4. Draw figures/diagram/flowchart where needed.

5. Start new question from fresh page.

6. Each answer should start with Introduction and end with Conclusion.

7. Give more weightage to expressly asked part/s of the question.

8. Change colour scheme for references to give them more visibility.

9. Manage time well.

10. Wide page borders are discouraged. Should be reasonable.

11. Avoid writing wrong references.

## 2- Structural challenges of Regulatory Governance in Pakistan

## 2.1- Politicization of Institutions

In Pakistan over the years regulatory institutions have become heavily politicized. This has been done by selective non-merit based appointment and over staffing. This has impeded regulatory service delivery.

## 2.2- Loss of Institutional Autonomy

Regulatory institutions have lost the autonomy to exert their influence and power. This has led to dependency on other institutions. Hence, rendering regulatory governance <sup>exercise</sup> ineffective.

## 2.3- Absence of Enforcing Power

Regulatory institutions lack enforcing power. This absence of enforcement capacity in regulatory institutions have rendered regulatory body ineffective in maintaining competition in the market. As a result, various cartels have emerged in sugar, wheat and cement sectors who set market price on their own whim.

## 2.4 - The Problem of Overlapping Mandate

In Pakistan many regulatory institutions are performing single overlapping functions. For instance, Mandate of National Accountability Bureau and Federal Investigation Authority are overlapping. This leads to confusion and policy paralysis.

## 2.6 - Regulatory Capture by Vested Interest

In Pakistan various sectors like sugar, wheat and cement are heavily cartelized. This is because they hold key positions in policy formulation. Resultantly, this influence has led to increased influence over public policy making where taxes, and enforcement mechanisms remain limited.

## 3 - Impact on Accountability, Good Governance and Development of Institutions.

### 3.1- Emergence of Distorted Market

In Pakistan due to weak accountability institutions distorted markets have emerged. This has led to tax evasion and poor service delivery. As a result, good governance have become a distant dream.

### 3.2- Absence of Performance Based Accountability Measures

Regulatory Institutions in Pakistan lack absence of performance based accountability measures. As a result, accountability became elusive ridden in poor enforcement and regulatory oversight.

### 3.3- Uncertainty in Policy Making

Weak regulatory oversight creates uncertainty in policy making process. This is because elite capture and elite influence formulate rules for personal benefit. This hinders new entrant about investment.

### 3.4- Poor Economic Investment outlook

Absence of regulatory governance leads to poor investment outlook. Foreign investors become hesitant about investing in a country that has weak regulation. As in case of conflict, long duration of court cases deter them from investing.

### 3.5- Poor Service Delivery

Similarly, regulatory institution ensure service delivery remain best. However, where regulatory institutions are weak service delivery become poor. As a result, education, health and social outcomes become poor.

### 3.6- It leads to environmental degradation

Weak environmental oversight exacerbate environmental degradation. In the 2025 floods, encroachments <sup>in swat</sup> were made on river beds this made human health, property and environment in danger. Hence, leading to poor governance that endangered all citizens.

### 3.7- Exacerbate Erosion of Public trust

Poor regulatory governance frameworks exacerbate erosion of public trust. As weak regulation means absence of enforcement and protection. This resultantly lower public trust.

### 3.8- Foster Development of Informal Economy

Weak regulatory environment foster in the development of informal economy. This is done by evading taxes, documentation and corruption. Hence, exacerbate informal economy over documentation and public service delivery.

## 4- Conclusion

Regulatory governance is the bed rock of good governance. However, issues of institutional politicization, absence of enforcement capacity and overlapping mandates have led to emergence of distorted market and cartelization. Therefore, regulatory institutions must be empowered via enhancing enforcement and financing to ensure public welfare.

## Q#2

### 1- Introduction

Since inception Pakistan has received substantial donor funding from various states, institutions and international governmental body. These state hold immense sway of influence over the policy making process. Proponents argue that external assistance has led to poverty alleviation, increased institutional capacity and infrastructure development. Meanwhile, opponent view external assistance of weakening state institutions by aggravating aid dependency syndrome. Hence, leading to poor selective governance framework that have led to poor implementation and service delivery.

### 2- Historical Overview of Donor Funding in Pakistan

Pakistan has received significant amount of donor funding since its inception. During the cold war era, it received military assistance as well as USAID from United States. This led to development and

Supported local economies to grow. Thereafter, external support was given through International financial institutions like the International Monetary Fund (IMF), World Bank and Asian Development Bank (ADB). These institutions sway immense influence in policy making process of Pakistan. For instance, Pakistan has been to IMF 25 times for external financing needs. Hence, showing Pakistan's dependency over financial institutions and states.

### 3- How External Assistance Strengthens State Institutions to govern effectively

#### 3.1- Transfer of Technical Expertise

External Assistance leads to transfer of knowledge and technical expertise.

For instance, Pakistan under IMF program has enhanced tax collection targets which it was previously missing.

#### 3.2 - Helped Institution to reduce Poverty alleviation

External assistance and support play a pivotal role in reducing poverty. For instance, USAID program has reduced poverty

in distant areas of Pakistan. This is done by fostering skills and innovation in local communities.

### 3.3- Support Infrastructure Development

Similarly, external assistance has played a key role in infrastructure development in Pakistan. Various institutions like ADB financing projects have led to establishment of schools and <sup>water</sup> filtration plants that help local communities.

### 3.4- Built climate Resilience and support

External financing projects have helped Pakistan ameliorate climate crisis. For instance, IMF Resilience Fund of \$11.3 Billion will help Pakistan shift to climate adaptation and mitigation in face of climate disasters.

### 3.5- Enhance Capacity Building

External financing enhanced capacity building of Pakistan's institution. This is done by building technical expertise and workshops by external institutions that increased efficiency in governance systems of Pakistan.

9- External Assistance has weakened Pakistan's state institutions to govern & formulate policy

4.1- Increased Dependency on Aid

External Institutions have increased dependency on aid, as they are easy to get. Hence, it has fueled dependency syndrome in Pakistan. As a result, governance has become poor.

4.2- Weakened Domestic Capacity

It has deteriorated domestic institutional capacity. As domestic institutions are dependant on external financing, their domestic capacity to govern and ensure service delivery has become poor.

4.3- Inable to Adapt to Crisis

Foreign funding, grants and aid have made domestic institutions redundant to change. As a result, in the face of calamity they fail to adapt. For instance, Pakistani institutions failed to stop the effects of 2022 floods as they lacked capacity and financing.

As a result, one third of Pakistan was inundated.

#### 4.4 - Exacerbate corruption and Elite Capture

External financing and dependency on it exacerbate corruption phenomena. Moreover, elite capture becomes elusive and a permanent phenomena when a nation is dependent on aid, grants and debt.

#### 4.5 - Hinder Long term Development and Stability

Dependence on external financing hinders state capability to ensure long term development. Therefore, stability and growth became elusive. For instance, prominent economist argue that since 2023 Pakistan is trapped in a stabilization phase and is not able to generate growth due to IMF policies. Hence, it hinders long term development needs and fails to ensure stability in a system.

#### 4.6 - Leading to poor governance outcomes.

Pakistan dependence on external financing has skewed its opportunities to invest in social sectors. Pakistan rank poor on human development index similarly 28 million children are out of school in Pakistan according to UNDP. Hence, showing poor outcome due to high debt.

#### 4.7 - Massively increasing level of debt

External financing via instruments like debt has curtailed Pakistan's governing capacity. As per the Ministry of Finance Pakistan has \$126 Billion of foreign debt. This massive accumulation of debt has curtailed Pakistan's capacity to govern effectively.

#### 4.8 - Exacerbating Erosion of Economic Sovereignty

Foreign financing has weakened Pakistan's erosion of economic sovereignty. Continuous dependence on aid, grant and debt has led to loss of Pakistan's economic sovereignty. Thus Pakistan failed to ensure good governance for all.

## 5- Conclusion

You discussed both sides.  
Give your final assessment  
in one paragraph whether it  
is beneficial or not.

Pakistan reliance on external financing for its development need has created both wins and losses. As external financing has led to better climate resilience, infrastructure development and transfer of technical expertise. On the other hand, it has led to aid dependency syndrome, loss of sovereignty, and high accumulation of debt. Therefore, efforts must be made toward self-reliance and mutual concerted approach be adopted on issues pertaining to collective challenges.