CEPI PAKISTAN COMPETITIVE EXAMS PREPARATORY INSTITUTE

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2026 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT

Roll Number

ECONOMICS, PAPER-II

TIME ALLOWED: THREE HOURS	**(PART-I MCQs) MAXIMUM MARKS: 20**
PART-I (MCQs) : MAXIMUM 30 MINUTES	**(PART-II) MAXIMUM MARKS: 80**

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ■ on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. In Pakistan, "economic development" is best reflected by:
(A) Only increase in GDP (B) Increase in per capita income with better health and education
(C) Increase in exports only (D) None of these

2. Which indicator is most commonly used to measure the overall development level of Pakistan in UN reports?
(A) GDP deflator (B) Human Development Index (HDI)
(C) Consumer Price Index (CPI) (D) Both (A) & (B)

3. Pakistan's early Five-Year Plans mainly followed which development strategy?
(A) Export-led industrialisation (B) Services sector-only strategy
(C) Both (A) & (B) (D) Import-substitution industrialisation

4. A major objective of economic planning in Pakistan has been to:
(A) Eliminate all imports (B) Reduce inflation
(C) Reduce regional and income inequalities (D) Abolish private property

5. Land reforms in Pakistan were primarily intended to:
(A) Increase land revenue only (B) Concentrate land in a few hands
(C) Reduce large landholdings and protect tenants (D) Abolish small farms

6. In the 1970s, industrial policy in Pakistan was marked by:
(A) Large-scale privatisation of SOEs (B) Nationalisation of key industries and banks
(C) Complete withdrawal of the state from industry (D) None of these

7. A common short-run measure used by Pakistan to correct Balance of Payments problems is:
(A) Increasing foreign exchange reserves through exports only (B) Banning all imports
(C) Fixing the exchange rate permanently (D) Devaluation/depreciation of the rupee

8. Foreign aid to Pakistan is often criticised because it can:
(A) Eliminate structural poverty by fully offsetting domestic resource constraints
(B) Reinforce aid dependence and increase the country's external debt vulnerability
(C) Leave macroeconomic policy formation entirely unaffected by donor conditionalities
(D) None of these

9. A key challenge in Pakistan's energy sector is:
(A) Excess generation capacity with zero losses (B) Imported fuel costs
(C) Both (A) & (B) (D) High transmission and distribution losses and circular debt

10. A major reason for low literacy rates in Pakistan is:
(A) Persistently low public investment in education coupled with systemically poor service delivery
(B) Excess educational infrastructure in rural regions leading to underutilisation
(C) Universal and disproportionately high female participation in formal schooling (D) None of these

11. Which of the following is a major current issue of Pakistan's economy?
(A) Unstable population growth (B) Persistent energy shortages and high inflation
(C) Huge surplus in budget and trade (D) None of these

12. Pakistan's development planning is hindered mainly because of:
(A) Overabundance of skilled planners (B) Weak implementation and project monitoring
(C) Zero political involvement (D) Both (B) & (C)

13. The concept of redistributive justice in Pakistan's development stresses:
(A) Reducing inequalities through fair access to opportunities (B) Increasing tariffs on imports
(C) Expanding foreign borrowing (D) None of these

14. Major cause of rural poverty in Pakistan is:
(A) Excess mechanisation (B) High-tech farming everywhere
(C) Small landholdings and low productivity (D) Both (B) & (C)

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15. Industrial development is constrained by:
(A) Very high R&D spending
(B) Full competition and zero market failures
(C) Both (A) & (B)
(D) Energy shortages and high production costs

16. Nationalisation in 1972-77 led to:
(A) Greater private sector expansion
(B) Heavy public sector involvement in banking and industry
(C) Immediate efficiency gains
(D) None of these

17. Weak export performance is due to:
(A) Low diversification and reliance on textiles
(B) High-value technology exports
(C) Declining global food demand
(D) Both (A) & (B)

18. Workers' remittances matter because they:
(A) Increase public sector employment
(B) Improve current account and support consumption
(C) Reduce money supply
(D) None of these

19. FDI inflows remain low due to:
(A) Very low returns
(B) Policy uncertainty and security concerns
(C) Excess skilled labor
(D) Both (B) & (C)

20. Inflation in Pakistan is often driven by:
(A) Very low money supply
(B) Falling global commodity prices
(C) Currency depreciation, supply shocks and energy prices
(D) Both (A) & (C)

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PART-II

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.

Q. No. 2. Evaluate how corruption, rent-seeking, and weak regulatory frameworks distort economic incentives in Pakistan. Illustrate with examples how these distortions affect investment climate, tax collection, and public expenditure efficiency. **(20)**

Q. No. 3. Describe major changes in Pakistan's agricultural policies from 1950 to the present. How have land reforms, Green Revolution strategies, and rural development programmes shaped agricultural growth and inequality? **(20)**

Q. No. 4. Explain the evolution of industrial policy in Pakistan. Discuss nationalisation, the rise of development finance institutions, and the shift towards export-led growth, evaluating their impact on industrial performance. **(20)**

Q. No. 5. Analyse how Pakistan's export structure, import dependence, and foreign aid flows affect its long-term economic development. What policy changes are needed to reduce external vulnerability? **(20)**

Q. No. 6. Critically examine the unemployment situation in Pakistan. Why has the unemployment rate remained high despite various policy initiatives? Discuss with evidence and provide recommendations. **(20)**

Q. No. 7. Climate change has become a macro development challenge for countries like Pakistan. Explain how environmental degradation affects economic growth, poverty, and long-term productivity. Suggest policy options that align environmental sustainability with development objectives. **(20)**

Q. No. 8. Write short notes on any TWO of the following: **(10 each)** **(20)**
a. Agrarian Structure and Underdevelopment in Pakistan
b. Role of Foreign Aid in Pakistan's Economic Development
c. Government Finance and Public Sector Governance in Pakistan

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