

# MINIMUM NATIONAL AGENDA FOR ECONOMIC DEVELOPMENT



WEBINAR – DECEMBER, 2020



**INTRODUCTION TO IQBAL INSTITUTE OF POLICY STUDIES (IIPS)**

Iqbal Institute of Policy Studies (IIPS) is an independent research institute with the mission to generate, track, and advocate public policies towards the achievement of sustainable development in Pakistan. In addition to taking on research projects for policy advocacy, IIPS has embarked upon the concept of swift research wherein it undertakes time bound research and compile reports for the attention of policy and decision makers.



Undertake quality research and policy analyses for sustainable national development



Serve as a collaborative platform for dissemination of research, exchange and dialogue



Build capacity and competence to respond to research and policy needs at national level



Develop viable connectivity between academia and industry for applied R&D



Conduct research on emerging technologies for industrial application



Support endeavours for socio-economic development through research and analyses



Undertake critical impact studies of policies and recommend solutions

Pakistan's struggling economy has been hit hard by the global pandemic. The prolonged global lockdown, travel restrictions, and closure of non-essential businesses has induced a supply and demand shock in the economy. With economic constraints steadily increasing, revenue mobilization can be crucial for improving Pakistan's fiscal sustainability. The economic situation of Pakistan calls for the development of sustainable economic policies which will create sustainable change in the country's weak economic system. Considering the current state of Pakistan's economy, IIPS organized a webinar to discuss the minimum national agenda for economic development in Pakistan.

**SESSION OBJECTIVES**

1. Highlighting the global economic challenges and outlook for Pakistan.
2. Present ideas for revenue mobilisation to help economic development in Pakistan.
3. Discussion on how to create a sustainable economic model for Pakistan.
4. To present sustainable economic policy initiatives for Pakistan.

## OUR DISTINGUISHED SPEAKERS

Iqbal Institute of policy studies, an independent policy research institute, conducted a webinar on the Minimum National Agenda for Economic Development. The webinar focuses on the challenges that are faced by the economy of Pakistan along with the underlying causes and proposed future strategies for sustainable growth.



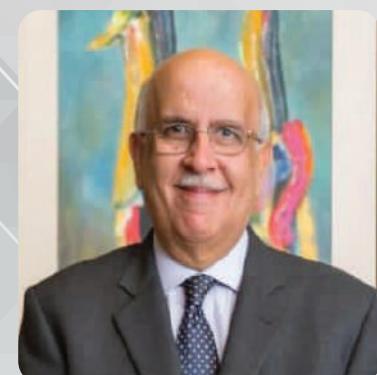
**Dr. Waqar Masood**

Former Secretary Finance



**Mr. Tariq Bajwa**

Former Governor,  
State Bank of Pakistan



**Dr. Shujat Ali**

Member IIPS Advisory  
Board



**Dr. Khaqan Hassan Najeeb**

Public Policy Advisor



**Lt Gen Haroon  
Aslam (Retd)**

President IIPS Advisory Board



The details of speakers and video of webinar may be found on:

<https://www.facebook.com/iipstudies/videos/1655098348004799/>

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[www.iips.com.pk](http://www.iips.com.pk)

**DR. SHUJAT ALI**  
**MEMBER OF IIPS ADVISORY BOARD**

Dr. Shujat Ali, Member of IIPS Advisory Board, pointed out the formidable challenges faced by the economy of Pakistan. The magnitude of challenges related to our economy not only require bold thinking at the policy-making level, but they also need decision making and on-ground action for economic stability. In the face of challenges which are short of an existential threat to Pakistan, politics and economics have to work together. The projected growth rate for Pakistan needs to be around seven to eight percent, but for the last year, this rate plummeted to 0.4 percent. Economic thinking should now become the basis for future planning in Pakistan. Although it had a central role in the first two decades of Pakistan's inception, it cannot be seen anywhere after that period. Professional economists are no longer central players in our policy-making process. Another major hurdle lies in our political class, not adopting this model of economic thinking. This disconnect should be removed as, without it, Pakistan will not achieve growth nor create jobs for the eradication of poverty.

Pakistan currently ranks 110 out of 141 countries on the Global Competitive Index whereas India ranks at 68. Majority of the countries which rank below us are African breadbasket countries. The Huawei Connectivity Index also paints a bleak picture with Pakistan ranking at 76 out of 79 countries with countries like Uganda and Tanzania below us. In matters related to ease of doing business, Pakistan ranks at 108 out of 190 countries while India is at a modest 63. Being a country with a population of 220 million, Pakistan has fallen from the status of a primary player in the Asian arena to the African league. Business as usual attitude has brought Pakistan to the stage where it is today. To get out of this trap, bold thinking and change of mindsets are required. According to the Pakistan Business Council, Pakistan needs less government and more governance. A culture of performance has to be instilled in the Pakistani youth.

**DR. SHUJAT ALI**  
**MEMBER OF IIPS ADVISORY BOARD (CONTINUED)**

Economic thinking is all about long term impacts. The planning commission of Pakistan has unfortunately taken a back seat in the planning process. Pakistan is facing three significant challenges which will impact its future. Climate change and agriculture have an important link. For the first time in Pakistan's history, wheat, sugar, and cotton are being imported. As agriculture is critical to the survival of the country, proper planning is required in this area. Pakistan has also ignored its export sector by implementing a policy to invest heavily in the domestic economy only. The world is also going through a digital transformation, and Pakistan remains an early starter in this arena. Politics and economics need to be aligned if Pakistan is to meet these challenges in the future. A minimum agenda of central economic thinking linked with political activity will serve Pakistan a bright future.

**DR. WAQAR MASOOD**  
**FEDERAL SECRETARY FOR FINANCE DIVISION**

Dr. Waqar Masood, Federal Secretary for Finance Division, stressed on the importance of a consensus-based approach towards sustainable development. Looking back just three decades from now, Pakistan has come a far way in deregulating and liberalising its economy. Trade has opened up, and trade barriers have come down significantly with the average effective tariff rate standing at around eight percent. But some issues remain at present which often lead to instability. A trend can be seen wherein a change in political governments often results in a blame game on previous governments for all the woes and problems of the economy followed by policy reversals in almost all areas of development. This hurts the already wailing consensus and drags back the country.

**DR. WAQAR MASOOD**  
**FEDERAL SECRETARY FOR FINANCE DIVISION (CONTINUED)**

The debate on socialism and communism has died down over the decades, and attention is now turning towards the poor and the rapidly increasing poverty. Equality is dwindling as people with money have too much of it, and tax collection remains at the minimal. Ten years have passed since the 18th amendment and the subsequent NFC awards, but both have not yet achieved their desired results. The situation calls for a fresh look towards the 18th amendment and reforms in its structure.

Growth depends on the level of investments being made in the economy. Since markets in Pakistan face a great level of influence due to foreign jurisdictions, investor confidence and trust remain low. Therefore, there is an urgent need to create an environment where investors feel safe with regards to their investment and dispute settlement. Another area which requires reforms is exports. The traditional approach of exporting primary goods has failed to increase Pakistan's exports, and value-added products are needed to boost the sector. Pakistan's strength lies in its population. With 63 percent of the population comprising of youth, it is an indispensable resource which can be used towards alleviating Pakistan's economic woes. But since a significant portion of this population is being wasted due to lack of attention towards early education, health, and proper family management, there needs to be an investment in human capital for future development. If the present rate of population growth, which stands at 2.4 percent is not controlled, Pakistan is projected to surpass the US population by 2034. Another problem stemming from overpopulation is misgovernance reflected in the rising crime rate of major cities like Karachi.



**MR. TARIQ BAJWA**  
**FORMER GOVERNOR STATE BANK OF PAKISTAN**

According to Mr. Tariq Bajwa, former Governor State Bank of Pakistan, a shortage of resources coupled with an attitude of living beyond means has greatly reduced Pakistan's ability to invest in human capital, health, education, and security. Pakistan continues to thrive on borrowed money, and according to the Pakistan Economic Survey and Pakistan Bureau of Statistics, 73 percent of federal resources were spent on debt servicing in the financial year of 2019. If the defence budget is added to this figure, then the government expenditure stands at 110 percent. Pakistan will not have a bright future if it continues to borrow for day to day expenses of the country. The Soviet Union is a prime example of a country with great military strength, but a weak economic situation ultimately led to its collapse as a global power. At present, the country is moving in a downward spiral with the current debt to GDP ratio standing at 83 percent and a fiscal deficit of 8.1 percent in the last two years. This situation is due to the fact that Pakistan has not been able to generate enough resources to match its expenditures. Most countries depend on tax revenues for their income generation, and in the case of Pakistan, 73 percent of tax revenue is generated by the Federal Board of Revenue (FBR). The current state of FBR is no less than a crisis as within a period of two and a half years, the institute has changed leadership five times. With the tax to GDP ratio dropping every year, the institution needs a strong leader with the authority to carry out reforms. An increase in the tax to GDP ratio by 15 percent can decrease the fiscal deficit to 2.5 percent.

In order to reform the Federal Board of Revenue (FBR), an organisational shift towards a more data-centred approach is needed. As FBR is a law based organisation, it was also recommended that it target the 20 percent individuals from which 80 percent of the revenue can be generated. Using this 80/20 principle, fewer resources can be used to generate the highest amount of revenue. Another measure suggested was the use of information technology to cut down the interface between the institution and the taxpayer.

**MR. TARIQ BAJWA**  
**FORMER GOVERNOR STATE BANK OF PAKISTAN (CONTINUED)**

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**DR. KHAQAN HASSAN NAJEEB**  
**PUBLIC POLICY ADVISOR**

Dr. Khaqan Hassan Najeeb, Public Policy Advisor, stressed on the need to look towards developed countries to find a common denominators which enabled them to become successful in working towards the development of their people. Since Pakistan's major problems stem from poverty and debt, there should be a single high agenda for growth. Pakistan has faced a fair share of issues in the past ranging from price tinkering, shortages in the economy, destabilisation, and a massive number of external programs and projects. Sustainable reform efforts are needed to get out of this vicious cycle. Taking a look towards the energy sector, Pakistan has a surplus of electricity supply but struggles to maintain efficiency in production and distribution. Bringing down the cost of electricity production by introducing renewable sources of energy like solar and wind will create the opportunity to invest in revamping of distribution networks and transmission lines.

**DR. KHAQAN HASSAN NAJEEB, PUBLIC POLICY ADVISOR  
(CONTINUED)**

At present, the government seems to be the only buyer for electricity produced in Pakistan, and this greatly reduces energy efficiency for the market and ultimately affects productivity. As only 25 percent of the people in Pakistan have access to natural gas, electricity remains the primary source of energy for Pakistan. Therefore, the issue should remain at the heart of sustainable growth moving forward. Another major sector which should be tackled is agricultural productivity. Pakistan currently yields 50 percent less compared to the world's best in four major crops. Water wastage is directly linked to this low production. Pakistan's canal intake stands at 104MAF and canal outflow at 58MAF. Nearly half of all of Pakistan's water is wasted. With processes like canal lining and supply chain management Pakistan can significantly increase the productivity of its agricultural sector.

The third area which requires urgent attention is labour productivity. The fourth industrial revolution is bringing massive change all around the world, and Pakistan needs to make use of this by encouraging reform and innovation. Pakistan hosts 5.3 million small and medium enterprises (SMEs) which account for 95% of all industry. These SMEs are the future and will become Pakistan's factory for growth. Specific objectives also need to be made clear in terms of SMEs, such as supply constraints, market access, business environment, and finance. Countries like Vietnam have a competitive advantage in the manufacture of semiconductor-based products and Pakistan should follow a similar model by exploring electromagnetic based products and electric cars. Developing brands which are recognised worldwide will provide a much-needed boost to Pakistan's exports. Real democracies cannot work without the concept of distributive justice. Real sustainability lies in inclusive growth. Taking all the provinces on board, Pakistan needs to first work towards generating revenue for future growth. Automation in tax collection, harmonised national tax strategy, and risk-based audit are some measures which can be taken to enhance the Federal Board of Revenue's (FBR) ability in collecting tax and providing a more transparent system. A system of land tax must be introduced as people living in Pakistan pay a minuscule amount compared to what people in other countries pay as land tax in major cities. The economy must be understood beyond the daily noise one hears in the news. Growth lies beyond infrastructure development in ideas and organisation.

## KEY TAKEAWAYS

- The magnitude of challenges related to our economy not only require bold thinking at the policy-making level, but they also need decision making and on-ground action for economic stability. In the face of challenges which are short of an existential threat to Pakistan, politics and economics have to work together.
- Economic thinking should now become the basis for future planning in Pakistan. Although it had a central role in the first two decades of Pakistan's inception, it cannot be seen anywhere after that period.
- Pakistan currently ranks 110 out of 141 countries on the Global Competitive Index whereas India ranks at 68. The Huawei Connectivity Index also paints a bleak picture with Pakistan ranking at 76 out of 79 countries with countries like Uganda and Tanzania below us. In matters related to ease of doing business, Pakistan ranks at 108 out of 190 countries while India is at a modest 63.
- Politics and economics need to be aligned if Pakistan is to meet these challenges in the future. A minimum agenda of central economic thinking linked with political activity will serve Pakistan a bright future.
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- Only 25 percent of the people in Pakistan have access to natural gas, electricity remains the primary source of energy for Pakistan.

## KEY TAKEAWAYS

- Growth depends on the level of investments being made in the economy. Since markets in Pakistan face a great level of influence due to foreign jurisdictions, investor confidence and trust remain low.
- The traditional approach of exporting primary goods has failed to increase Pakistan's exports, and value-added products are needed to boost the sector.
- If the present rate of population growth, which stands at 2.4 percent is not controlled, Pakistan is projected to surpass the US population by 2034.
- A shortage of resources coupled with an attitude of living beyond means has greatly reduced Pakistan's ability to invest in human capital, health, education, and security.
- With the tax to GDP ratio dropping every year, the institution needs a strong leader with the authority to carry out reforms. An increase in the tax to GDP ratio by 15 percent can decrease the fiscal deficit to 2.5 percent.
- In order to reform the Federal Board of Revenue (FBR), an organisational shift towards a more data-centred approach is needed. FBR should serve as a collective institution where disputes related to tax can be resolved. Unless there is reform in the Federal Board of Revenue (FBR), Pakistan will have weak chances of resource mobilisation for effective and sustainable development.
- Countries like Vietnam have a competitive advantage in the manufacture of semiconductor-based products and Pakistan should follow a similar model by exploring electromagnetic based products and electric cars.