

REFORMING GOVERNMENT OF PAKISTAN (GOP) POLICIES FOR ECONOMIC GROWTH

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It is a well established factor that economic growth of a country depends on Government policies. There is no viable alternative to this adjustment except policy reforms, which requires concerted action. Longer the Government waits to implement its development plan, the harder the task will be, the success of which lies in reforming policies, conducive to the environment. It is essential that our country improves the conditions for its own interactions through policy reforms in order to benefit from global economic conditions.

The hindrances in economic growth are well known to all and needs to be redirected in a way that process of economic growth is accelerated. The major factors are lack of will and fixing wrong priorities most probably to safe guard their vested interests, as a result of which we failed to produce long term and sustainable development over the past 57 years.

The economic growth of Pakistan remained sluggish over the last three decades. Whatever economic progress we made was absorbed in devaluation of currency, population growth and inflation thus increasing the basic poverty level from 20% to 35%. To assess the situation correctly, let us look at the GDP growth rate of Pakistan, South Korea and U.S.A. over the past two decades.

Country Year	GDP/Capital U.S\$		Increase in GDP/Capital U.S\$
	1980	2000	
Pakistan	310	405	95
South Korea	1600	6000	4400
U.S.A.	12000	28000	16000

It may be pertinent to note that GDP per capita of South Korea was less than Pakistan in the year 1960 which has risen to U.S\$6000 today compared to Pakistan GDP/Capita of US\$405. Our exports today are U.S\$ 12.0 billions compared to South Korea exports of U.S\$ 172 billions, which by any stretch of imagination is not a enviable achievement, still our Rulers had been making tall claims and beating trumpets of their success. Evidently our Rulers had a short vision regarding development and economy of the country. From the above, one may realize GDP of Pakistan is hardly a fraction of what U.S.A and Korea have achieved over the same period, which evidently is achievable provided we proceed in a planned manner and fix our target based on GDP/Capita to improve our Socio-economic conditions, otherwise we will bring more poverty to our country by bringing 80% people under this net within a short span of time and then situation will not be controllable. We are

just toeing the policies of IMF for Poverty Alleviation and social action programmes, which are not only short term measures but also non-productive and under no circumstances will result in sustainable economic growth. We are a poor nation of 140 million people and can not afford non productive investments. We must initially spend every penny where there is a reasonable return to make investments sustainable. In short if we want to progress we must think of changing our priorities and develop our energy and mineral resources in line with, to meet the planned targets.

In the year 2003, Pakistan made an impressive stride in the area of economic development. Mr. Shaukat Aziz Finance Minister took some positive and concrete steps to boost economy through promotion of construction industry. Although the progress made is commendable but does not fall under the category of long term sustainable growth. Achievement of higher energy and sustainable economic growth demands change in investment priorities, which in my humble opinion should be set as under:

INDUSTRIAL SECTOR

- i) To boost industrial growth, financing through Banks should be facilitated on affordable terms and conditions as Government of Pakistan (GOP) successfully did in case of Construction Industry. This change in policy reforms is the need of the day for reversing de-industrialization. The Bankers should offer medium and long term financing for small, medium and large manufacturing units on easy terms and conditions. At present large collaterals demanded by Bankers and lengthy GOP approval procedures are discouraging manufacturing sector for any investment in Pakistan. For this reason share of manufacturing sector (excluding construction related units) is drastically reducing.
- ii) GOP is eagerly looking for a foreign investments in Pakistan to boost economic growth rate. Foreign investment will follow a suit of local investment which requires consistency in CBR import, export policies, special incentives for investment and a peaceful environment which must be addressed in a corrective manner through reforms in policies. First, the domestic entrepreneurs should be encouraged to invest through lucrative policies and only then foreign capital will follow suit of local investment. A total tax holiday for the new entrepreneurs for the first five years will prove to be a strong catalyst to fetch local and foreign investments.
- iii) Primary and secondary education along with training to produce skilled workers be given top priority which will help to improve quality of industrial production.
- iv) Top priority should be given to export oriented Industrial growth particularly value added goods of Electronics, Engineering, Chemical, Food processing and IT (hardware and software) products. Electronic and IT Industry can play a leading role for generating export earnings

increasing GDP substantially. Unfortunately Pakistan industry is a victim of low productivity, poor quality, over regulations, inefficient infrastructure, political instability, insecurity, higher cost of energy and unbearable rate of interest on credits etc. All these problems need to be addressed. GOP must remove all bottlenecks for smooth operation of the Industry and provide conducive, enabling environment for development and growth of the industrial sector, particularly export oriented industry should be given credits at a very low rate i.e. not more than 6% rate of interest for its survival under the prevailing WTO and globalization scenarios. Korea did the same thing and its chunk share comes from export oriented industry.

ENERGY SECTOR

Pakistan energy situation will enter a crucial stage with passage of time if available indigenous resources i.e. hydel potential and coal reserves are not harnessed well in time and non-conventional energy sources are not developed. The gap between energy demand and supply will start widening and by the year 2050 we shall hardly be meeting 30% of the proposed estimated demand if we continued our development on the same pace as we did in the past.

Like industry policy, the energy policies framed by GOP are also defective and are mostly based on the imported ideas from the financing agencies and not on ground realities and local environment. The result is disproportionate increase in power cost compared to other developing countries which is detrimental and curbing normal rate of growth. To make power affordable to all disciplines without hampering its growth rate, following suggestions are made for consideration of GOP.

- i. God has blessed Pakistan with huge reserves of coal in Thar and other parts of the country which can produce 60,000 MW of power for 100 years. GOP should put in their concerted efforts to exploit this natural resource for power production on first priority. Exploration and development of indigenous energy resources including construction of large hydel dams be intensified.
- ii. Because of earlier depletion of oil and gas resources, their costs in the near future are likely to increase exponentially and investment on IPPs based on gas and furnace oil is not a wise step. Direct gas use in the industrial sector is a much cheaper solution rather than utilizing it through power generation.
- iii. Research and development of renewable energy be intensified for solar, hydrogen and wind energies to secure our future. Research projects should be assigned to Engineering University students as a part of their curriculum.
- iv. Forestry and livestock expansion be made as a national policy to increase non-commercial resources of energy.

- v. IPPs on Build, Own & Operate (BOO) basis should be offered to private sector on International competitive basis and not on price negotiation basis against a single quotation as is being presently practiced by Private Power Infrastructure Board (PPIB). National Transmission and Despatch Company (NTDC) should also be allowed to construct one or two power houses to create a healthy competition with the private sector.
- vi. NTDC should be allowed to operate on single buyers model as is presently being practiced to keep it a profitable unit responsible for expansion of transmission system to meet the future power requirements. GOP under a defective policy intends to expand transmission system on BOO basis under the private sector which will make power very expensive similar to induction of IPP's under Benazir's regime. GOP is therefore cautioned not to take such steps against the national interest under pressure of financing agencies.
- vii. In a bid to make distribution units of WAPDA (DISCO's) profitable for successful privatization, PEPCO proposed induction of two part tariff for domestic and commercial consumers, under which policy, consumers would pay for the sanctioned load as well as electricity consumption in their monthly bills. According to the proposal, with a sanctioned load of 20KW, a consumer would pay a capacity charge of Rs. 4,800 monthly whether any energy is consumed or not. To my knowledge billing system based on capacity charge is not used for the domestic consumers anywhere in the World. Such a system if introduced will create unrest among the domestic consumers due to imposed capacity charges which will be an additional financial burden.

AGRICULTURE SECTOR

There is a vast margin for improvement in our agriculture outputs, which can substantially be raised in a short span of time provided GOP streamlines its policies to encourage and assist agriculturists with reasonable returns on their investments. GOP must control rising prices of agriculture inputs, improve management for marketing of farm products and implement National Drainage Program to encourage increase in agricultural growth. Power may also be supplied to agriculture tubewells at a subsidized rate the differential cost should be borne by GOP. This will have a great impact to improve socio economic conditions on our rural population.

TOURISM

Bharia Town Developers be assigned tourism development in the Northern Areas instead of Housing Schemes which will improve tourism, a vital factor in boosting economy.

In case GOP wants to boost its economic growth, there is no viable alternative except to streamline and channelize its policies for healthy growth and proper

development of its economy by directing all its feasible resources in sectors of industry, energy, agriculture, primary and secondary education, training for producing skilled workers, tourism etc as stated above.