

traditionally manufacturing had the ability to absorb labour and there were few supply-side constraints to manufacturing because of the “reserve army” of relatively low productivity workers. Third, the absence of demand-side constraints—the size of the home market was not a constraint. Alternatives may exist within agriculture and services, but it is difficult to identify the sector that may fulfill the historical role of manufacturing.

Opportunities for productivity increase in agriculture exist, but it will not be a labour absorbing sector. The high productivity and tradable sectors (IT, finance, insurance, business outsourcing) have the right technological characteristics but are also very skill intensive and so may not absorb as much labour. Employment opportunities in services are relatively low productivity and are in the non-tradable sector. These opportunities will eventually run into demand-side constraints and will not be as potent an engine of growth as tradable services and tradable manufacturing can be.

Where will the good (productive) jobs come from? Instead of focusing on the most productive and most competitive firms (traditionally export champions) which are oriented toward the world market, developing countries may need to work with small firms that are producing for the home market. This will require a mix of interventions both on the demand and the supply side of the labour market to build firm capabilities. Industrial policy should focus on promoting higher quality jobs in small and medium-sized firms through employer-linked training policies, wage subsidies, customised business incentives, etc.

In thinking about a development strategy, growth policy and social policy have become one and the same. It is not possible to have growth without creating productive jobs and expanding the middle class. At the same time, structural factors behind poverty and social inequality cannot be addressed without creating good jobs for relatively low-skilled workers.

### *Allama Iqbal Lecture: Key Takeaways*

## **Opportunities in Khyber Pakhtunkhwa**

TAIMUR SALEEM KHAN JHAGRA

Typically, we do not think big enough and do not try to make a change or put to practice a big idea - this seems to be one of the reasons why Pakistan, despite all the potential, has not grown the way other countries have.

Here are the highlights of the initiatives of the KP government during around four years of political tenure. The key to growth, prosperity, and improving the job market is the availability and better use of financial resources. Recognising this, the province focused on increasing its revenues through the KP revenue authority—the province emphasised building its revenue-raising capacity by shifting control of the revenue authority from the excise department to the finance department, and by having new leadership at the helm in the Authority. Thanks to reforms introduced, the revenue generated by the KP revenue authority has increased manifold—from Rs.10 billion to Rs.27 billion in three years, which reflects significant growth. Just the revenue from sales tax on restaurants increased four

times during the last three years. Similarly, there is revenue growth from the Board of Revenue (from land transfer fees) and the Excise department.

The increase in tax revenue was achieved despite reducing the rates by increasing the tax base. The province tried to create this overall tax cycle where the government delivers services to people, and people reciprocate by contributing to the government. The distribution framework guarantees that local revenue is spent in the area from where it is generated so that people can readily see the effect of their contribution.

Several initiatives were taken to further improve governance. A new local government system has been launched, with powers devolved up to the village level. Issues, like absenteeism of teachers and doctors, especially in remote areas, have been addressed, and reforms have been implemented in the police department. Moreover, an innovative project like the ‘Billion Tree Tsunami’, was launched which has been now scaled up to the national level.

Bringing the change was not easy as the country faced multiple challenges—besides the overall economic crisis that the country faced, there was this once-in-a-century pandemic that wreaked havoc with the daily routine and business activity.

Following the focus on revenue growth, the province also rationalised the spending by prioritising the development spending. The provincial government revisited the development schemes and dropped projects worth Rs. 200 billion by establishing the right priorities – the money saved has been diverted to the high-priority projects. It is the political government that conceived the idea of rationalisation and made it happen.

The non-salary spending in the province has increased by almost 60 percent in the last two years (2020 & 2021), and this has started to show impact in the form of BRT service, better; roads, hospitals, and schools. The government also wants to cause a change in the job market, and attracting the PIDE’s conference to Peshawar was one of the important steps to introduce new ideas in this context.

Universal health coverage is a flagship project of the province whereby any person can have indoor hospital treatment to the extent of Rs. 1.0 million. With universal health coverage, the province has transformed both healthcare delivery as well as the health insurance industry. This has created a competitive environment for public and private hospitals as well as shown the way how the health service delivery may spread across the province over the next couple of years.

### *M.L Qureshi Memorial Lecture: Key Takeaways*

## **New Frontiers in Behavioural Science: Scarcity, Nudge, Sludge and Social Norms**

Cass Sunstein

Sludge—excessive time consumed in performing a task—imposes a burden on society. Administrative burdens, reporting requirements, paperwork requirements, waiting time, in-person appearances, and much more operate as a kind of an essential between

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