



# ECONFEST

This March, the Pakistan Institute of Development Economics spearheaded the first ever Economics Festival in the country's history. EconFest was jointly organized by the Pakistan Institute of Development Economics (PIDE), Research for Social Transformation and Advancement (RASTA), and the Pakistan Society of Development Economists (PSDE).

The topics of discussion were policy; reforms; building brands and franchising; foreign aid; taxation; local government; law, justice, and economy; the urgency of economic reforms; and other important topics.

Talking about branding and franchising in Pakistan, both are still in the earlier stages. However, there is great potential for building Pakistani brands that can create a name for Pakistan in international markets and also contribute to exports. However, many problems stand in the way of brand creation. The most critical issue that Pakistani brands and commerce face is the inconsistency of policy. Whenever a government or even a minister changes, the policies change which wastes businesses' investment.

Related to the above, the session on 'Sludge' covered the myriad bottlenecks in the way of business creation and engaging the public sector more broadly. Pakistan, it seems, has become Permissionistan - a permission based economy.

Countless permissions are required from different government agencies which amount to an invisible tax on transactions. The cost of regulations has deteriorated the investment climate of the country, acting as a disincentive for entrepreneurship and commerce in general. PIDE estimate, through various Sludge Audits, that this License Raj could cost as much as 40% of GDP.

Another important issue that Pakistani brands face is that of intellectual property rights. As far as e-commerce and online advertising are concerned, there are mainly two platforms for advertising, i.e., Facebook and Google, which are very expensive. Moreover, business-to-customer (B2C) transactions are concerned, there are issues of warehousing in international locations, returns, and payment mechanisms.

Next, the session on education was one of particular

concern to our audiences at the event – most of whom were students enrolled or having recently graduated from Pakistan's higher education landscape. Unemployment among the educated youth has been on a constant rise and the quality of education has only declined over time. Empirical information from various studies has also shown that very few jobs of high quality are being created – which is linked to supply side pathologies. All this means very little opportunity for youth in the country. What is more, emerging technology is now

disrupting every sector of society including education. Our panel discussed how rapidly changing technology and globalisation should impact our education system and bring it to par with other countries in the region and, over the long run, the globe at large. This is crucial if we wish to incubate our human capital, a pivotal aspect of economic prosperity.

Naturally a large proportion of all this is linked to governance arrangements, the most basic unit of which constitutes local bodies which ensure the platforms that can signal information from the lowest rungs of society that authorities may then act upon. Indeed, many scholars have argued that there is no real democracy without local governments. In our session on LGs during EconFest, we covered the following salient questions:

- How and what kind of LGs should we get?
- Are LGs compatible with the inherited colonial structures? If not, what reform is required?
- How should financial and operational powers be devolved?
- How should cities and metropolitan areas be treated differently than
- rural areas in defining the role of LGs?
- What election systems should be used?

In the session on taxation for development the panellists said that because the tax system is complex, individuals prefer to invest in real estate. However, even if the tax system is simplified, the real reason real estate is an attractive investment is that it allows people to park their undocumented. The businessmen participants in the session argued tax collection in Pakistan is low because the system is complex and tax officials are overly focused on rent-seeking behaviour.

The former Chairman of FBR, Shabbar Zaidi, claimed that the reality is that only 300 corporations pay the bulk of the collected taxes. He said that there is a lot of wealth is parked in the real estate sector because it is undocumented and low tax rates are low. He said that land records are missing and inaccurate land records which contributes to low tax collection.

In the discussion on tech for change, a pertinent dialogue on the digital and technological landscape of Pakistan took place. The participants presented a holistic overview of Pakistan's tech realm and focused on the tech-related challenges in Pakistan. The panel discussed issues of design and interface, and the role of societal norms that contribute to the digital divide in Pakistan. They said that the current digital and technological infrastructure is based on Western models, and the usage is predominantly designed along the lines of western life. In Pakistan, the digital divide is a huge problem across social structures such as gender and class. The design and interface of the technology infrastructure are gender-blind and non-inclusive. The panel discussed the prospects of digital and financial inclusion through socially sensitive and contextually embedded tech solutions such as microfinancing and digital wallets. The discussion included the role of government and policy in designing interventions to incentivize digital inclusion.

Another crucial session in the conference was on foreign aid and its effectiveness. Foreign aid's contribution to economic growth and development is contested worldwide, as per several academic studies on the matter, and Pakistan appears to be an aid-addicted country, with every subsequent government adopting a Fund program from the IMF with little success. Instead of reform and well thought out policy, successive governments have chosen to beg for aid. There are about 40+ official donors in the country, all of whom confront policy-makers on a regular basis with their contrasting and competing priorities, overlapping project activities, and choice of aid modalities and instruments. Our policy capacity is incapable of dealing with the complexity of the aid delivery system. At the conference, we covered the following salient themes under the umbrella of foreign aid:

- Is Pakistan an aid-dependent country?
- What have we achieved with the help of development partners?
- What is the true cost of foreign aid?
- How to improve the effective value of foreign aid?

Next, the session on population and demographic transition was a pertinent one. Moderated by Dr. Durre Nayab, Joint Director PIDE, the discussion delved into how population growth can impact the economy in a negative or positive way depending on institutional arrangements. Growing populations tend to be linked with increased welfare to a certain point – beyond which the opposite holds true. Beginning with Thomas

Malthus, this has been a long standing debate around the world for a long time. What we do know is that population growth must be accompanied by societal development that is capable of harnessing the capabilities of each subsequent generation. Without this, disaster takes place. The conventional view is that population can be controlled by fiat. In reality, however, family size is a choice, and varies with societal and economic development. Where does Pakistan stand on this?

Pakistan, since its inception, has struggled with notions of identity. PIDE's recent survey led by Dr. Durre Nayab, titled BASICS (Beliefs, Attitudes, Social Capital, Institutions, Community and Self) has sought to make sense of this conundrum – and one of the sessions (The Question of Identity) at EconFest was dedicated to it. As per the study, Pakistan has very low social capital, i.e., community sense, trust and the ability to collaborate. We have always struggled to establish a national identity. Data shows that we are fragmented and not engaged at a civic/political level – with a mere 3% of citizens claiming to be part of a club or voluntary association of some kind. What are the reasons for this and how it can be changed? The panellists attempted to break down the question, located at the roots of our socioeconomic and political trouble.

One of the most interesting sessions of the second day was an open mic session titled “Naukri Dou Ya Visa Dou” (give me a job or give me a visa) in which the youth were allowed to voice their views, concerns, and problems. Students spoke about the lack of jobs in the market. The industry cannot absorb the number of graduates being churned out of universities. Students also highlighted that educational curricula are not up to date with the needs of the industry. Universities are not equipping students with the skills needed in the fast-paced market. They spoke about the need for conducive conditions for entrepreneurial ventures. Students also highlighted the structural flaws that inhibit self-employment. Young graduates revealed that they were earning more through freelancing on the internet than they could ever earn through a job. The emotional and psychological burdens of having to move outside Pakistan were discussed. The students and the youth said that nobody wants to leave their homes, rather it is the inequality that they are running away from. Some students also highlighted the need to revisit our work ethic. It was highlighted that with the kind of attitudes our students embody, they would neither get jobs, nor visas. It was a heated and passionate discussion, filled with emotions, good dialogue, insights, ideas, and bitter hard facts. PIDE remains among thought leaders that initiate debate and open up academic discourse to real voices.

We hope all of you who attended the conferences had fun and found the sessions insightful. Stay tuned for more of the same: we do not intend on slowing down any time soon!