TIME TO DEREGULATE

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Regulating authorities across the globe are meant to facilitate the smooth sail of their organizational activities, facilitating investment and innovation. To understand the nature of the regulatory authorities functional in Pakistan, it is pertinent to realize the fact that in Pakistan, people take the word "authority" too literally. Semantics play a very significant role in Pakistan, like if the word is attached to an organization, it means to have an "absolute control". Therefore, the regulatory authorities are prone to exercise their rules to create friction for retardation, making tasks and business burdensome. The regulators, in general, believe that their job is to put barriers. In the case of Pakistan, we are over regulated. As per PIDE Sludge Audits, there are "122" regulatory authorities at federal level. Pakistan is one of the federation states in the world, with three (03) tiers of regulations (federal, provincial and local), having overlapping of various regulations. This layering of regulatory authorities becomes liability accounting for 39% of GDP as the cost of regulations. The presence of regulatory authorities is not an issue, rather their presence in a "control obsessed society" like ours have posed grave consequences. Besides, over-regulations, chain of beneficiaries is a somber factor making people to prefer working in some public sector than to run their own businesses. Each desk in the hierarchy has its own price in the name of the regulation costs. In Pakistan, the regulations are taken as "revenues resources". That's why regulatory authorities are too reluctant to be digitized for transparency and good governance.

Likewise, the government's footprint through its direct interventions amounts to more than 67% of the GDP. Therefore, the over-regulations and government footprints are two of the major barriers to investment and innovation. Rent-seeking and retarding the market development are the products of barriers imposed by the regulatory authorities in terms of permit processes, licensing requirements, environmental regulations, documents attestation etc. Various regulations are paper-based, requiring the official permissions. This makes the process time consuming and opens venues for bribes. Some organizations have worked to reduce regulations to improve the "ease of doing business". They have either reduced the regulations, or have established one window to deal with minimum delay.

Besides, the presence of multiple regulatory authorities for the same sector results in overlapping. For instance, for clearance and approval of the imported fuel, Pakistan Standards and Quality Control Authority (PSQCA) and Petroleum regulatory authority both pay separately for the test of the samples to the same laboratory. This overlapping adds up to the cost of the same commodity/service owing to over-regulations. Likewise, the cabinet committee on state owned enterprises (CCoSOEs) and cabinet committee on Privatization (CCoP) serve the same purpose. The presence of multiple ministries and regulatory authorities for the same domain shows the bad governance system in Pakistan, where the political interests are served at the cost of national interests.

For a smooth sail, the need is to reform the governance mechanisms of these regulatory authorities. In the face of current over regulated system, even the advocacy to have a laissez faire model cannot be beneficial in Pakistani context, since we already have various cartels and monopolies in sugar, textile, steel and other businesses. This un-reined approach can create chaos in the market. The need is to strike a balance between laissez faire and over-regulated authority structures to enhance an efficient and effective milieu for doing business in Pakistan. Admittedly, there should be some regulation domains like security, health, safety and environment. But for doing business, the need is to ease the market by lessening the government footprints in the market. We can learn from the world around how some countries facing the same issues like ours have addressed these problems. For example, in the 1990s India was struck by very slow growth. The academia, researchers and the relevant stakeholders realized the need to end the "license raj" and ended up in the demolition of thousands of unnecessary purposeless regulations. The need to modernize the regulatory mechanisms is also the hue of the day.

One main reason for over regulations in Pakistan can be attributed to the disregard towards the local-though industry. No one heeds to the concerns raised by the local research for local issues, for instance, as proposed by PIDE. There is no mentor for the local thought industry in Pakistan. Reliance on foreign technical assistance in local policy making is the offspring of the foreign aid, since it is believed that Pakistan has no such capacity. Think tanks, academia, and researchers are not interested in generating a debate to improve the conditions for economic growth. However, PIDE is among one of the institutes that has been trying to generate this debate to draw the attention of the stakeholders towards the significance of local research to solve the indigenous problems.

An effective tool to ensure that adoption of only necessary regulations is Regulation Impact Evaluation". The concept has been introduced only at the "training" level in Pakistan. It has not been operationalized so far. The international practice is that the countries have organizations like the Office of Regulatory Affairs (ORA) in the USA to evaluate the need, implementation and the impact of any regulation before its approval. While, there is no regulation management system in Pakistan. The need is to revive the bureaucracy system, once established to serve the legacy of the British colonial system. Now it is the time for civil service reforms. After induction, the bureaucrats should be trained to get specializations. So that they should compete to show their capacity for promotions and afterwards to serve a sector more efficiently. The culture of "jack of all, master of none" can work no more, if we really want to ensure a stable economic growth in Pakistan. Similarly, the induction in regulatory authorities should be merit based; nor only specified for the retired bureaucrats or forces personnels. Key performance indicators should be in place to evaluate the performance of a regulatory authority. Inertia on the part of the regulators also makes them resistant to change in the governance mechanism. They don't want to leave their comfort zone to modernize the regulations for national interests.

There do exists some examples that have succeeded to minimize red-tapism to a greater extent, like, establishment of "Pakistan Single Window" by the Board of Investment (BOI) for facilitating the international business environment in Pakistan. Pakistan Trade facilitation Score is 71% in 2023, showing an improvement from 57% in 2021. Establishment of one window and one stop service center shows how minimizing undue regulations can attract trade and investment to a country.

In short, the absence of rule based regulatory mechanism in Pakistan has created tedium in the system. In Pakistan, there is no such practice of rule-based regulations. PIDE proposes to allow rule-based and competitive regulations, where the beneficiaries could get maximum benefits. Rule based regulations can be implemented effectively through a monitoring mechanism. PIDE has been putting its endeavors to generate a nationwide debate on reforms as manifested in PIDE Reform Agenda. Similarly, PIDE's previous study on effective protection has been translated into the review of the taxation structure, showing PIDE's role in evidence-based policy making. PIDE is not only the proponent of reforms, but tries its best to translate its agenda to be voiced nationwide.

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