



TRANSFORMING ECONOMY & SOCIETY

(This is an abridged version. The detailed document will be uploaded after the completion of the country-wide interactions, and consequent revisions.)

ISLAAH AGENDA

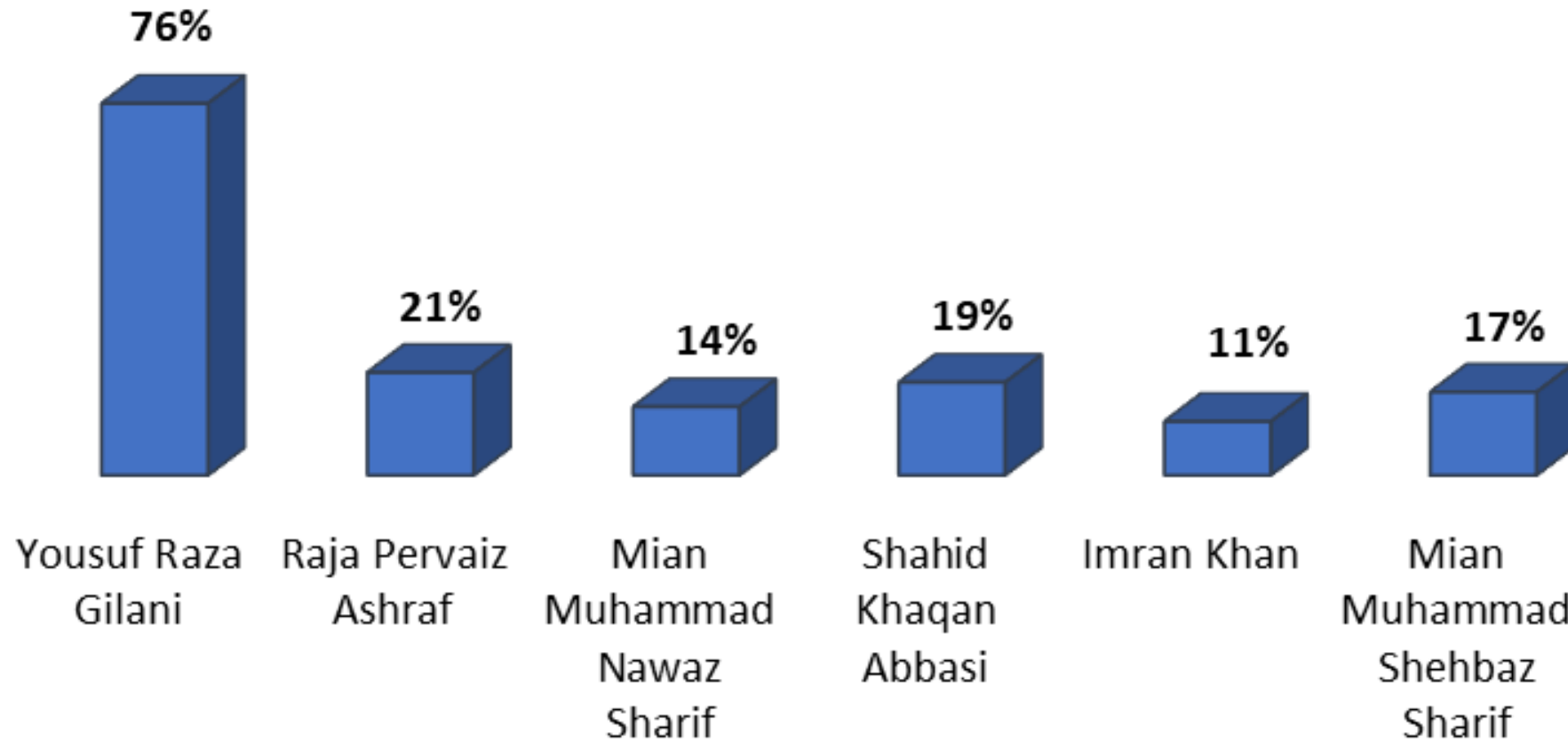
- 1- Much Needed Political Stability
- 2- Public Administration for the 21st Century
- 3- Trade and Openness: Competing Globally
- 4- Social Infrastructure
- 5- Cities – Engines of Growth
- 6- Energizing the Future
- 7- Developing Markets
- 8- Fiscal Management
- 9- Changing the Population Paradigm
- 10- Building a Cohesive Community and Society

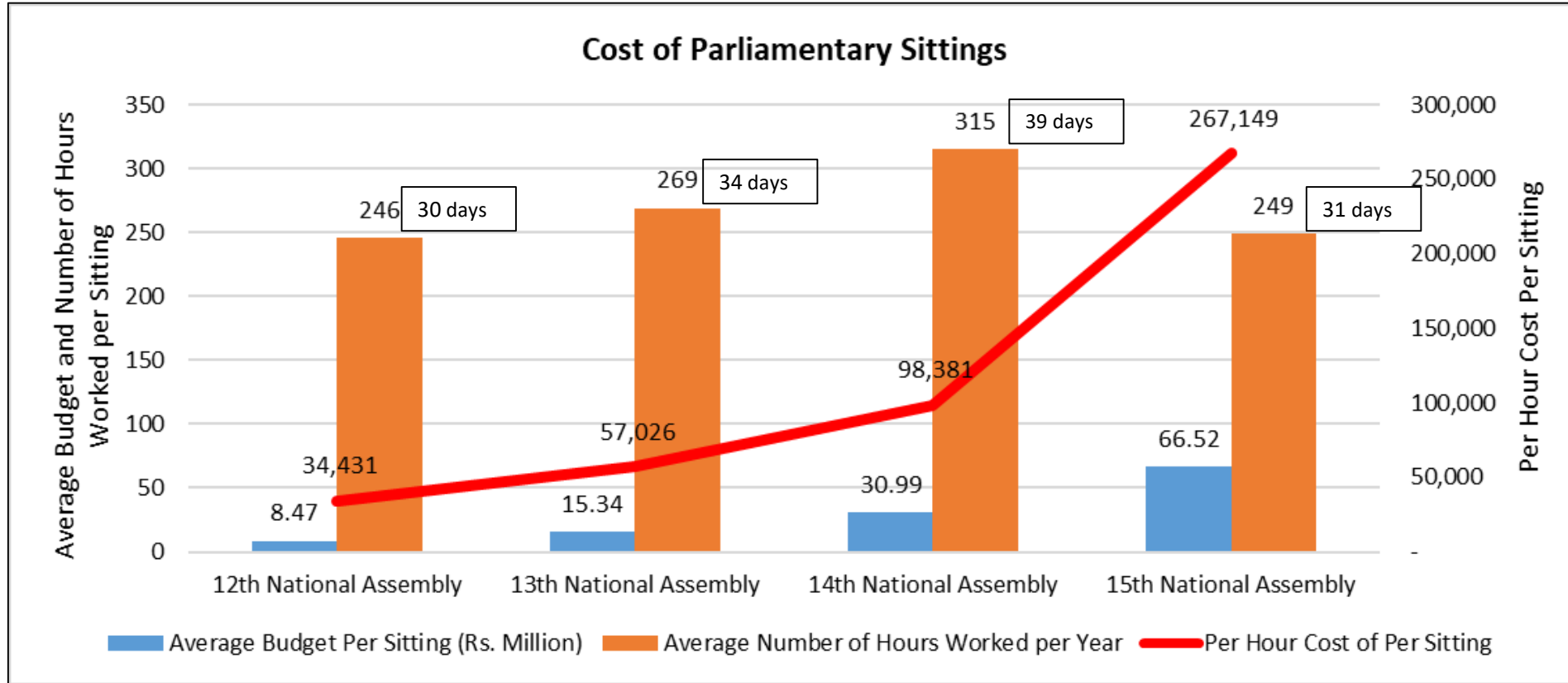
THEME-1

Much Needed Political Stability

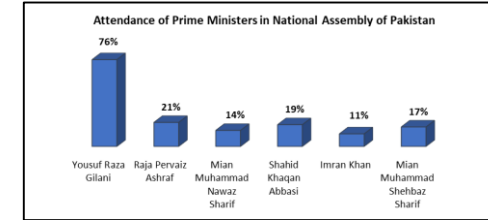


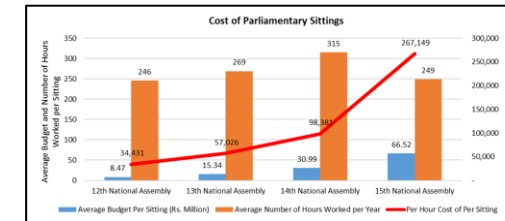
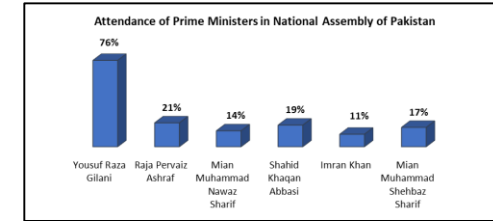
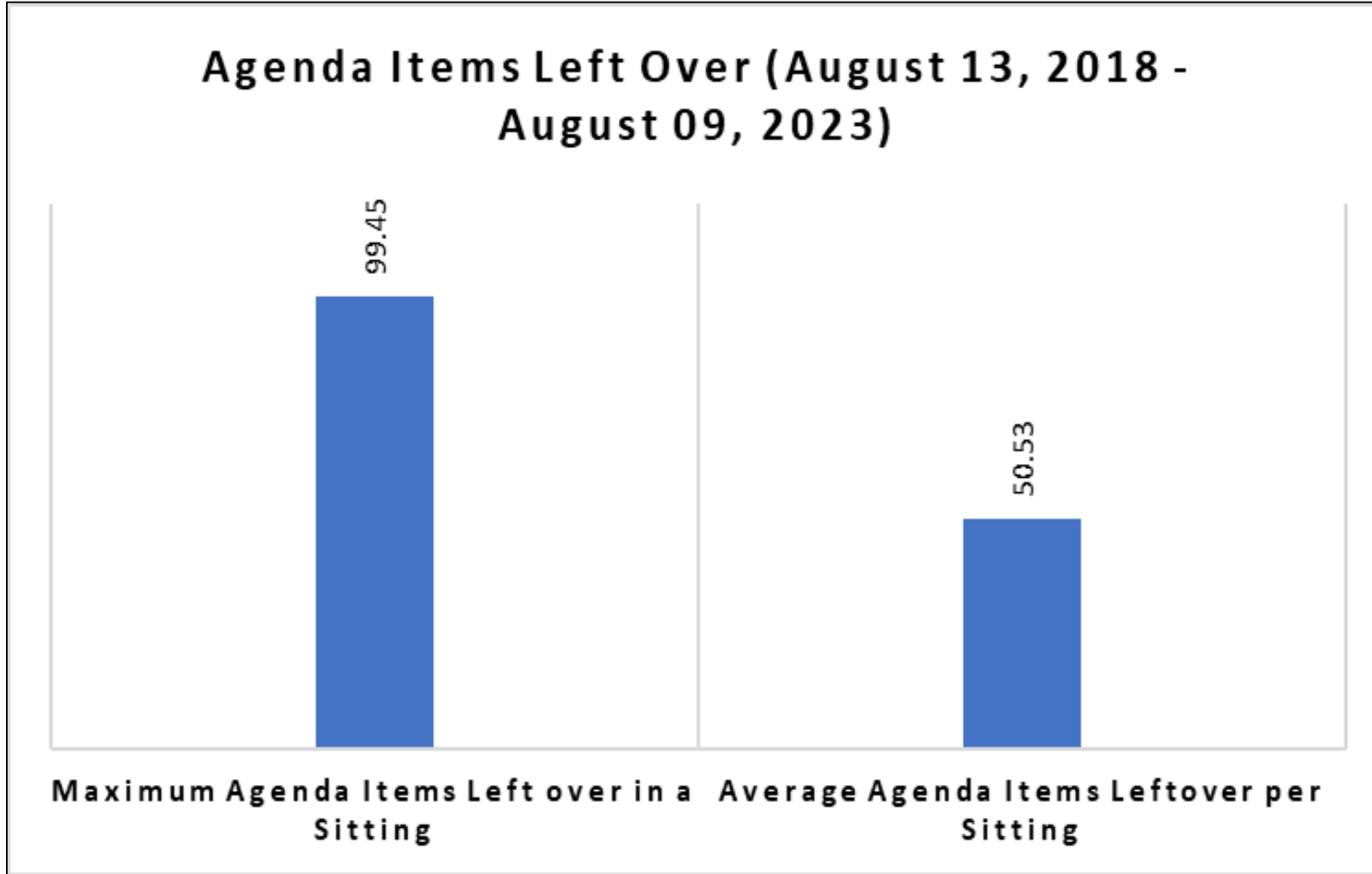
Attendance of Prime Ministers in National Assembly of Pakistan



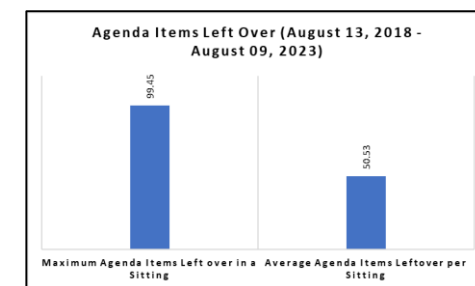
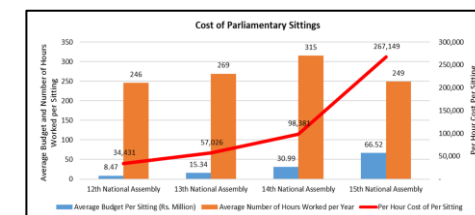
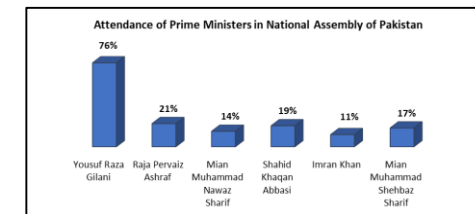


* 8 working hours constitute 1 working day





- Everything – the Senate, the President, and all levels of government – is decided in a **single general election**.
- Extravagant political campaigns, fueled by substantial resources, **exclude common citizens** from the political arena.
- Lawmakers, instead of prioritizing legislative activities, often exhibit a disproportionate **enthusiasm for development projects and securing executive positions**
- **Misuse of reserved seats** for women and minorities



PIDE's PROPOSED REFORM

Essence of Political Parties

- Increase the minimum support criterion to form a political party, say **50,000 registered members**
- Regular **intra-party elections**, once every 3 years
- **Ticket distribution** mechanism – collective decision, gender, minority...

Democracy in Action: The Crucible of Electoral Dynamics

- Reduce **constitutional term** to 4 years!
- Every year should be an **election year** – national, provincial, & local
- Every seat in the Parliament should be **contested!**
- Consider NOTA, **minimum voters' turnout/vote**, etc.
- Eliminate **interim government** practice
 - Ensure independence of the Election Commission of Pakistan
- No **contesting on multiple seats** OR runner's up wins!
- Reserved seats for **overseas Pakistanis**
- **KPIs** for Parliamentarians – attendance and participation in debates

Democratizing Election Campaigns

- **Campaigns expenditure** limits – Rationalize and enforce
- **Public debate** between candidates on issues and policy
- Electronic (EVM)/Online **Voting mechanism**

A More Democratic Legislative/Parliament

- Term and family **limits for parliamentarians** must be introduced
- Legislators must be **legislators only!**
- No **development funds** through a single member – Parliament decides
- Parliament must not be taken as a path to **minister-ship**
- Members of Parliament must attend all **parliamentary meetings**
- Governance through **Ordinance** should be stopped!

Discussion

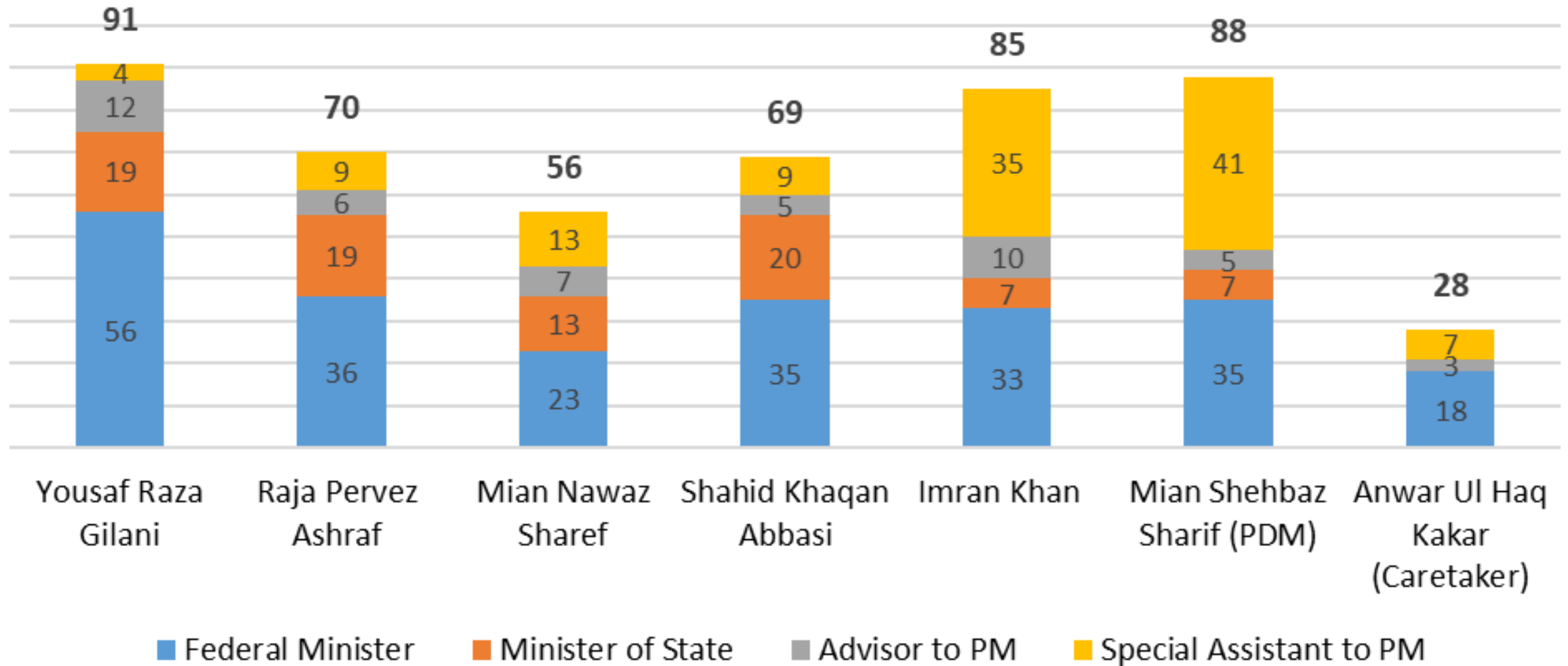
Q & A

THEME-2

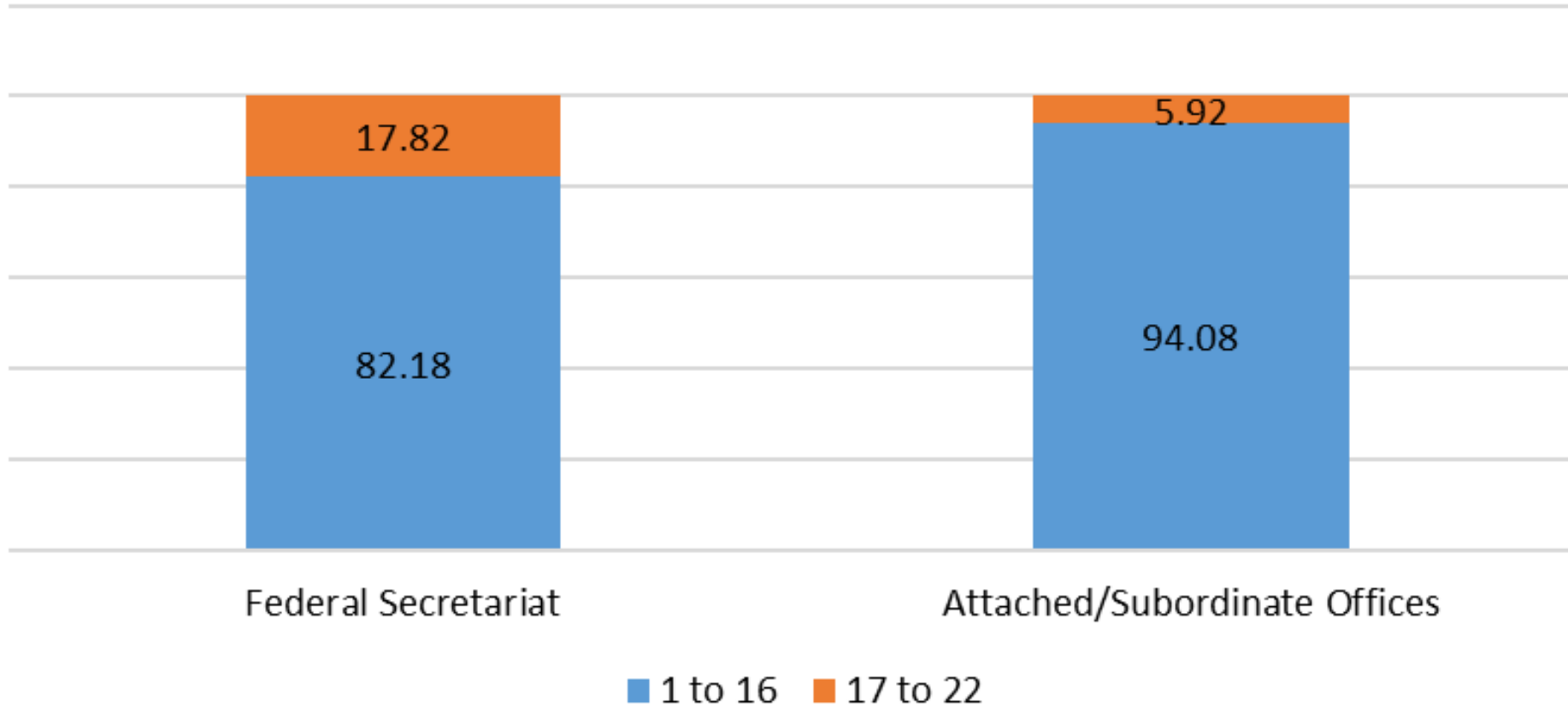
Public Administration for the 21st Century



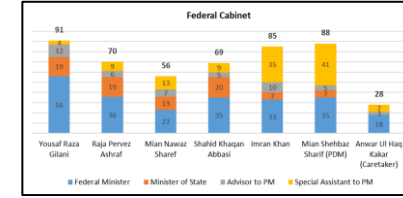
Federal Cabinet



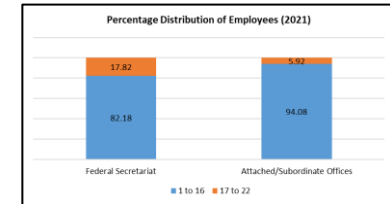
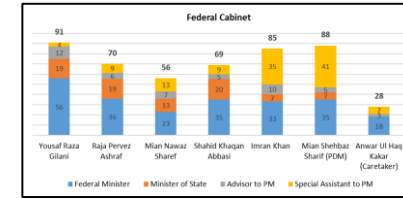
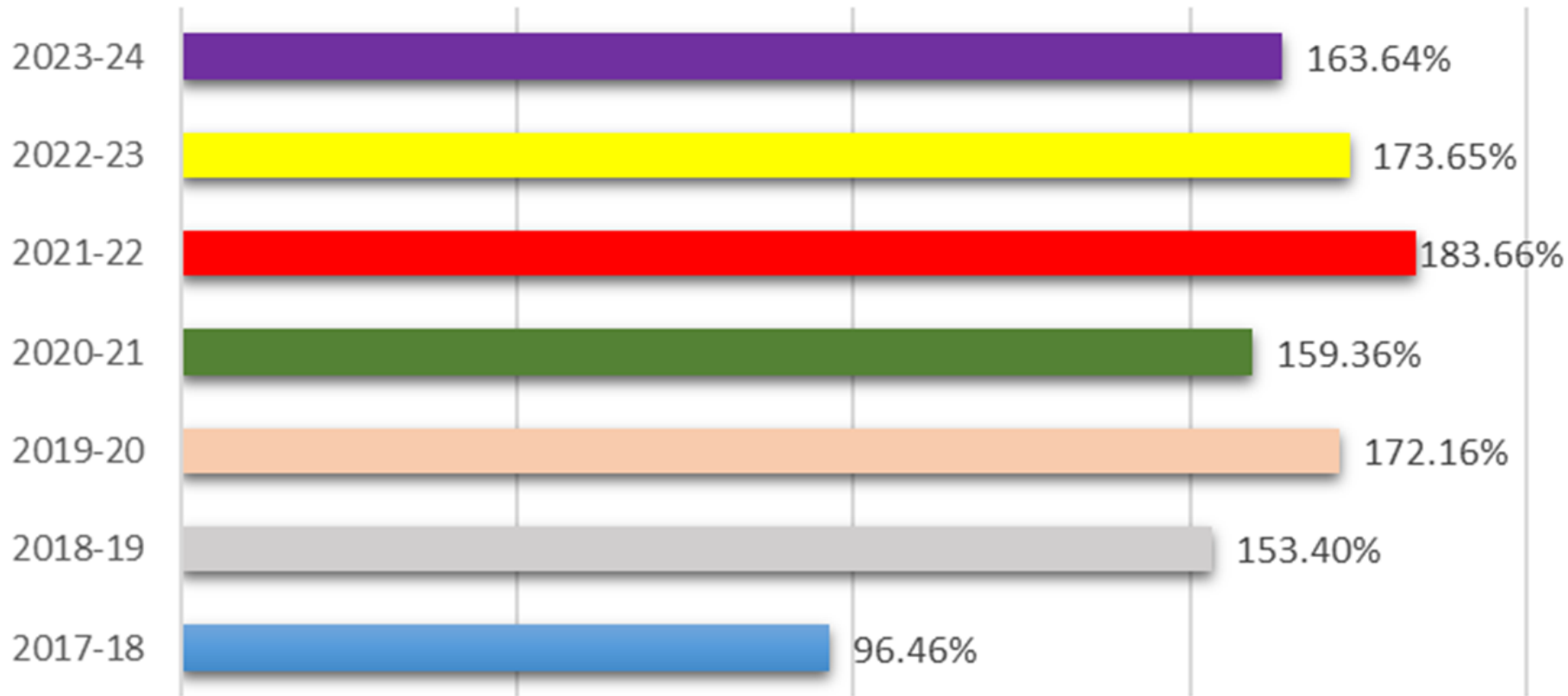
Percentage Distribution of Employees (2021)



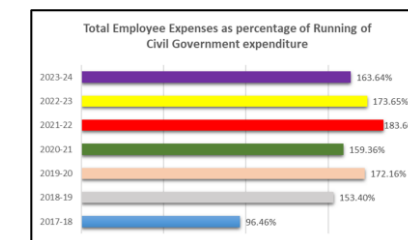
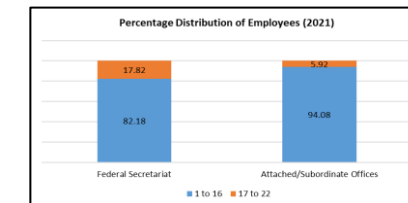
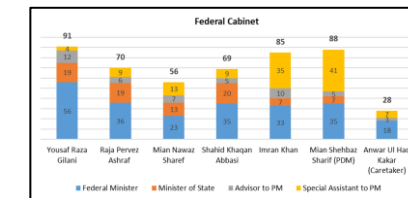
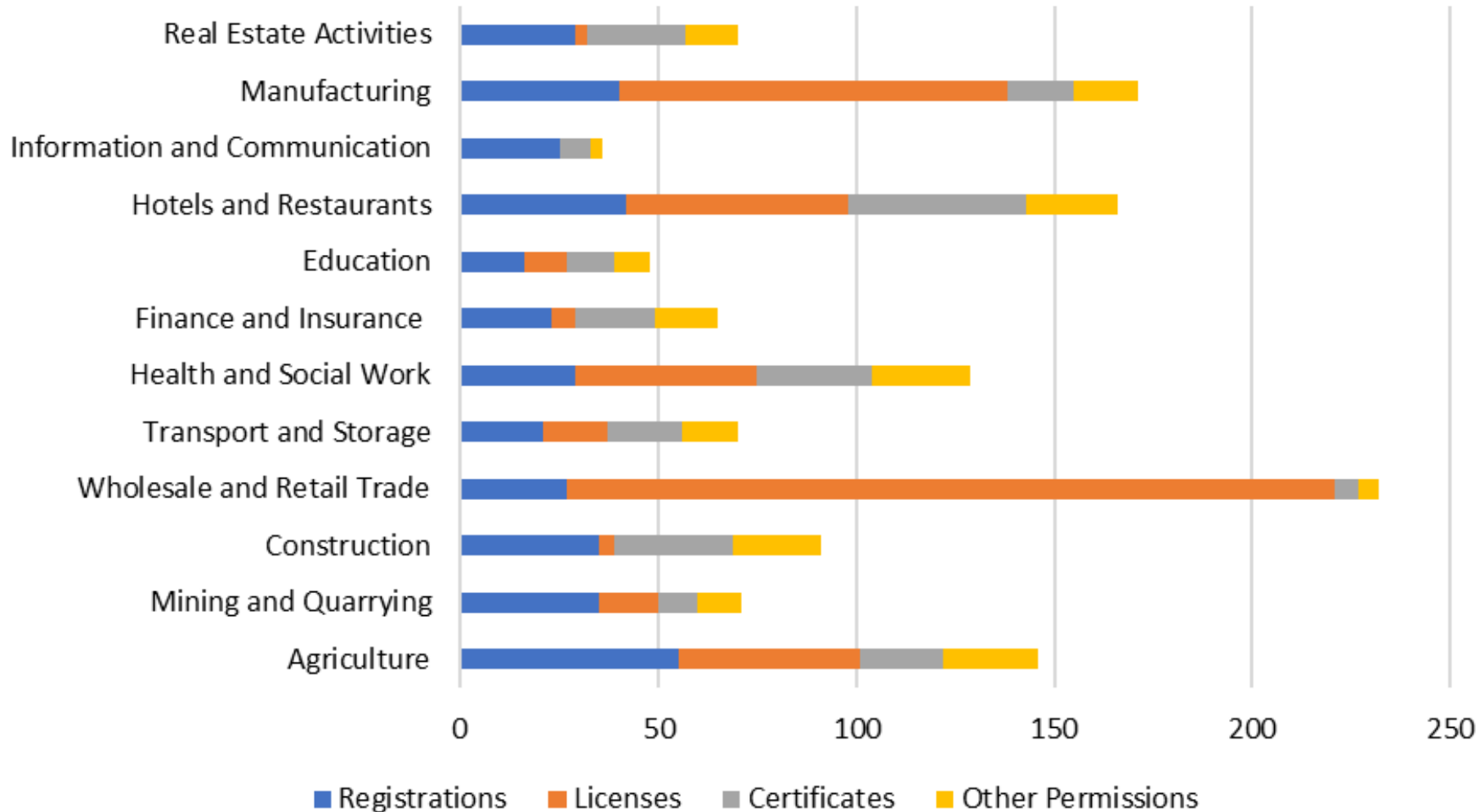
Total Federal Govt Employees 575,354



Total Employee Expenses as percentage of Running of Civil Government expenditure

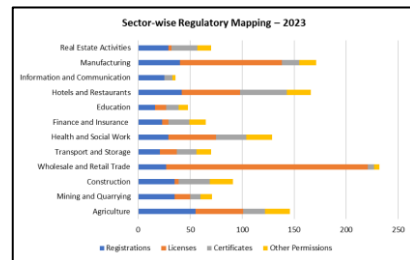
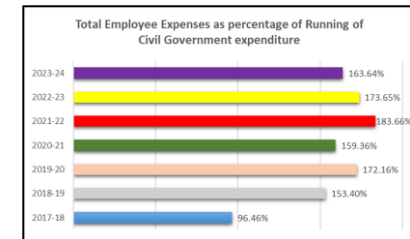
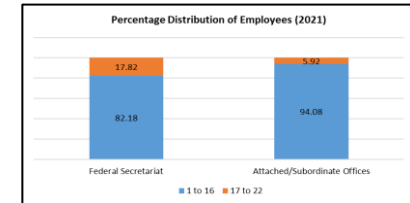
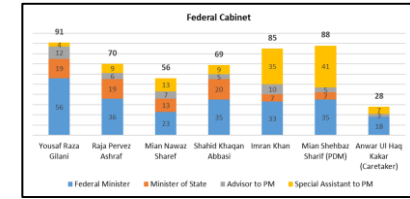


Sector-wise Regulatory Mapping – 2023



The **judicial system** is facing major constraints such as:

- Pendency and Adjournments
 - 2 million cases in pendency
 - 80 adjournments on average
- Easy “Stay-Orders”
- Lack of accountability
- Excessive costs of litigation
- Complex procedures



PIDE's PROPOSED REFORM

Small & Focused Cabinet

- Separation of Parliament and Executive
 - Limit Cabinet members from Parliament to 8-10; max 25 incl SAPM
 - Experts/Professionals should be inducted into the Cabinet

Civil Bureaucracy

- No generalist colonial examination – abandon the common CSS exam
- End tribes – PAS
- End perks – everything to be monetised
 - Market-competitive compensation
- Training based on Need Assessment
- Competitive promotions
- No lifetime career guarantees – Performance contracts

Public Servant

- End permanent jobs – offer contractual employment
- Financial assessment before hiring

Pension Reforms

- Switch to market-based salary structure (one-line salary, all incl.)
 - Market-based pensions (no Govt liability)
 - Pension fund management should be outsourced

Ministries

- Focus on policy and monitoring
 - Tangible targets along with KPIs
 - Induction of specialists/professionals
- All reports should be submitted to the Parliament, and they should be publicly available

Regulatory Framework

- Modernize Regulatory Framework – Technology
- Move from a command-and-control approach towards a market facilitation approach – No RLCOs

Judiciary

- Case management system – Digitize & and enforce timeline
- Amend procedural rules for swift disposal
 - Restrict interim appeals
 - Maximum limit on adjournments
 - Tighten the rules to obtain an injunction (stay-order)

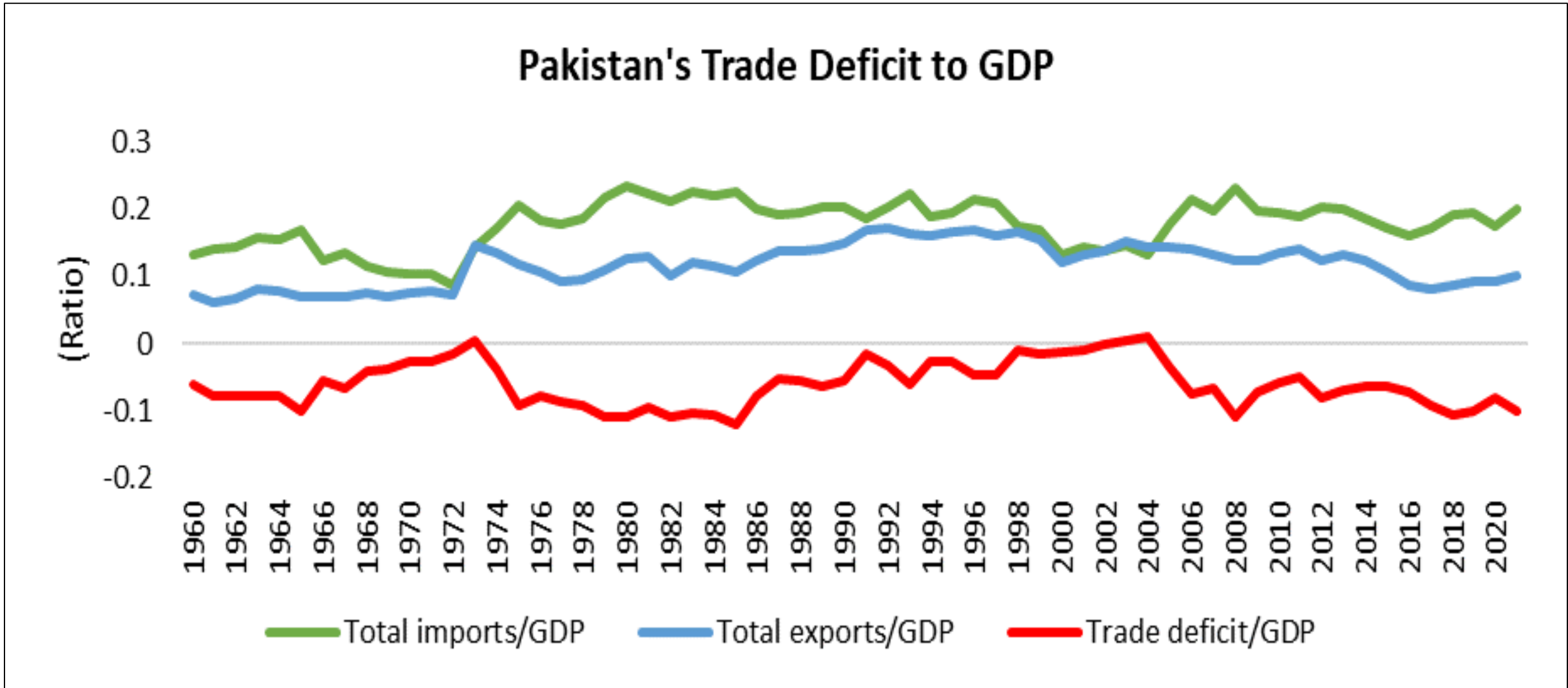
Discussion

Q & A

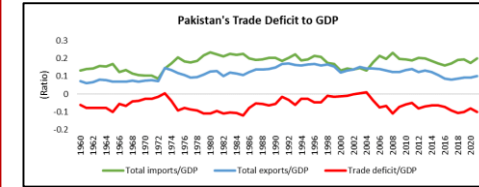
THEME-3

Trade and Openness: Competing Globally





- Import tariffs provide protection to many domestic industries in Pakistan.
- Local industries raise the prices of their products due to the protection from international competition.
- The motor vehicles industry is the most protected industry in the country.

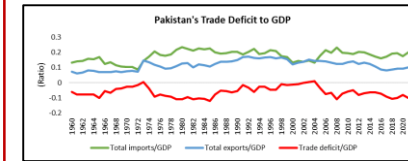


Top Global vs Pakistani Exports

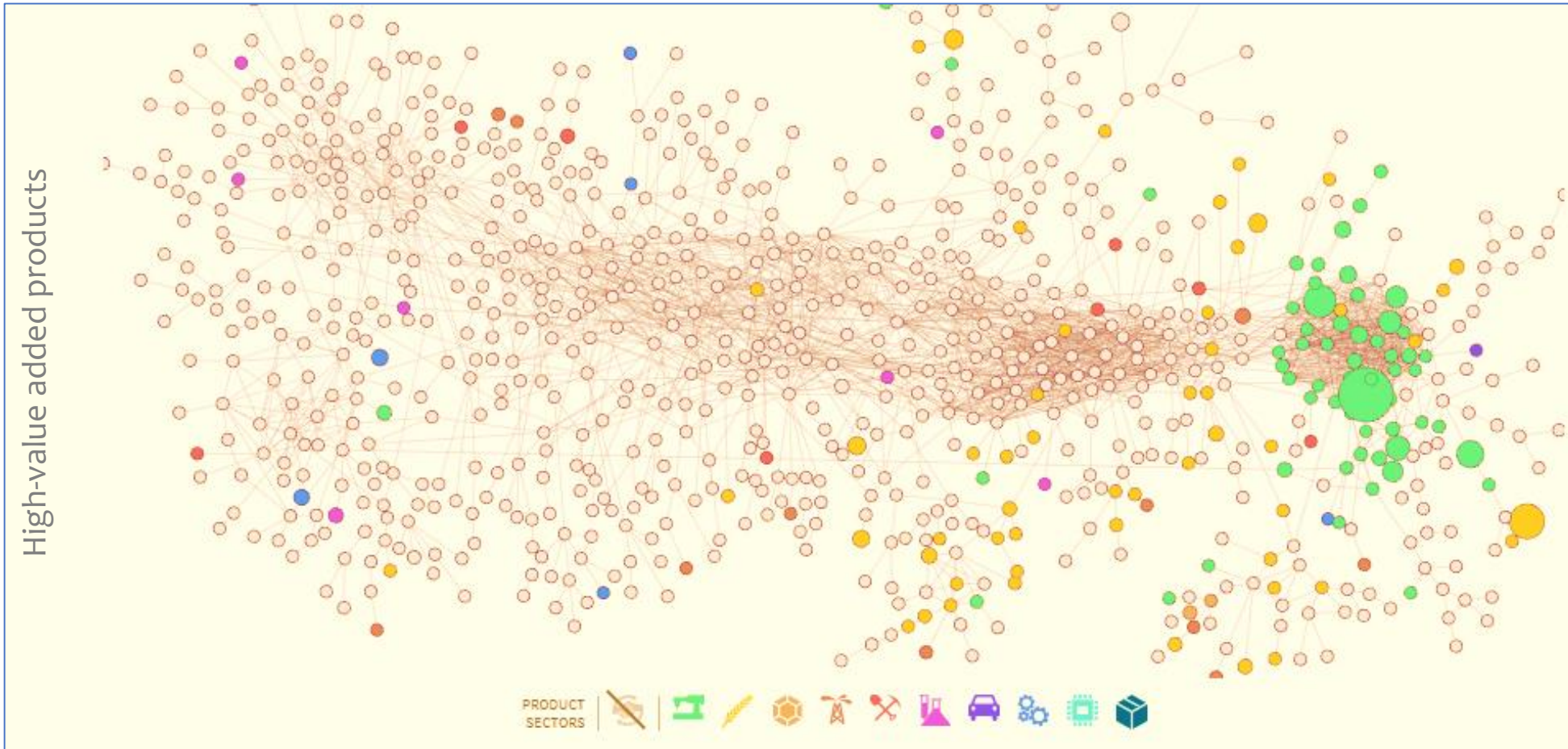
	Global Exports (USD Billion)	Share in Global Exports (%)
Miscellaneous Chemical Products	225	1%
Ores, Slag & Ash	254	1%
Furniture and Other Related Products	264	2%
Iron or Steel Articles	286	2%
Commodities not Elsewhere Specified	303	2%
Iron & Steel	328	2%
Organic Chemicals	385	2%
Optical, Cinematographic, & Other Related Products	591	3%
Plastics and Articles thereof	611	3%
Pharmaceutical Products	681	4%
Natural and Cultured Pearls etc.	716	4%
Vehicles other than Railway or Tramway Rolling Stock, etc.	1,282	7%
Mineral Fuels and Oils with Products	1,610	9%
Machinery and Mechanical Appliances & Parts	2,097	12%
Electrical and Electronic Equipments & Parts	2,775	16%

	Pakistan Exports (USD Billion)	Share in Pakistan's Total Exports (%)
Manmade Staple Fibers	0.30	1%
Meat & Edible Meat Offal	0.31	1%
Plastics & Articles etc.	0.34	2%
Beverages, Spirits, & Vinegar	0.35	2%
Seafood	0.37	2%
Optical, Cinematographic, & Other Related Products	0.38	2%
Edible fruit and nuts, etc.	0.42	2%
Salt; Sulfur, plastering Materials, Lime & Cement	0.42	2%
Copper & Articles etc.	0.44	2%
Leather Products & Related Items	0.58	3%
Cereals	2.21	10%
Textile Apparel & Accessories etc. (Not Knitted)	2.63	12%
Cotton	2.64	12%
Textile Apparel & Accessories etc. (knitted)	3.06	14%
Textile Articles, Sets, Clothing, Rags, etc.	4.28	19%

Source: PIDE (2023) based on UNCOMTRADE



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High-value added products

Low-value added products



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Export Category	Value of Exports (PKR)	Value of Exports (USD)
Iron ores and concentrates	1000000000000	1000000000000
Crude oil	1000000000000	1000000000000
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Crude oil	1000000000000	1000000000000
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Crude oil	1000000000000	1000000000000
Iron ores and concentrates	1000000000000	1000000000000
Crude oil	1000000000000	1000000000000

Figure 3.3: ...that are structured in cascading, providing high effective protection to domestic firms...

(Tariff cascading, top 20 in the world, difference between tariffs on consumer goods and intermediates, or raw materials)

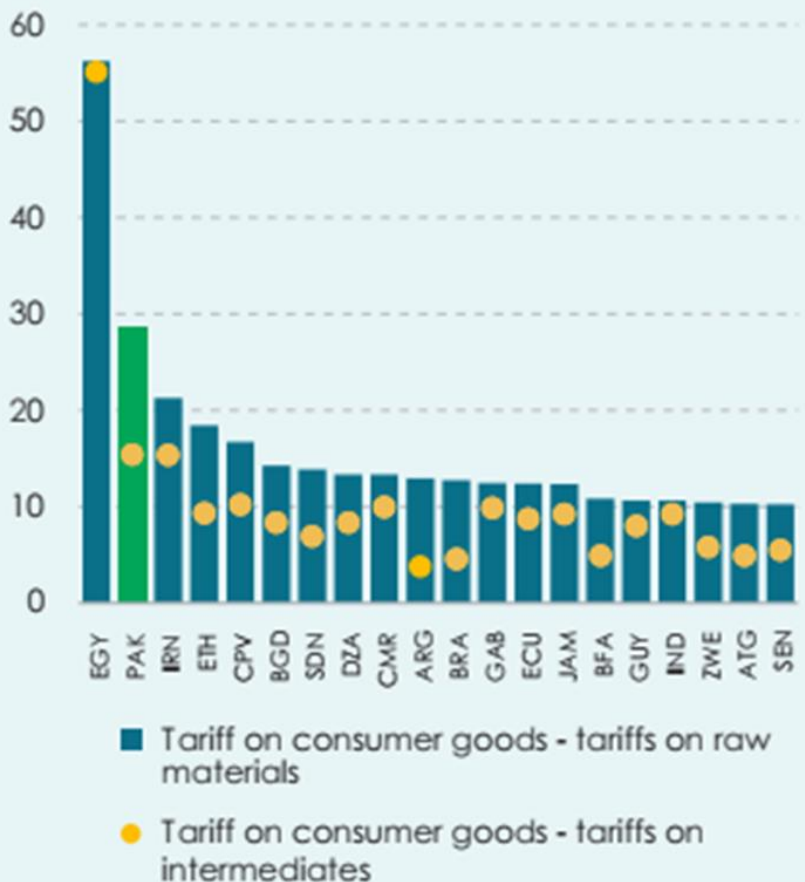
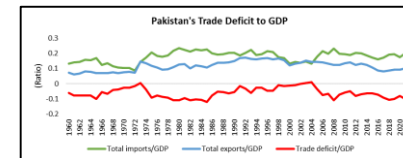
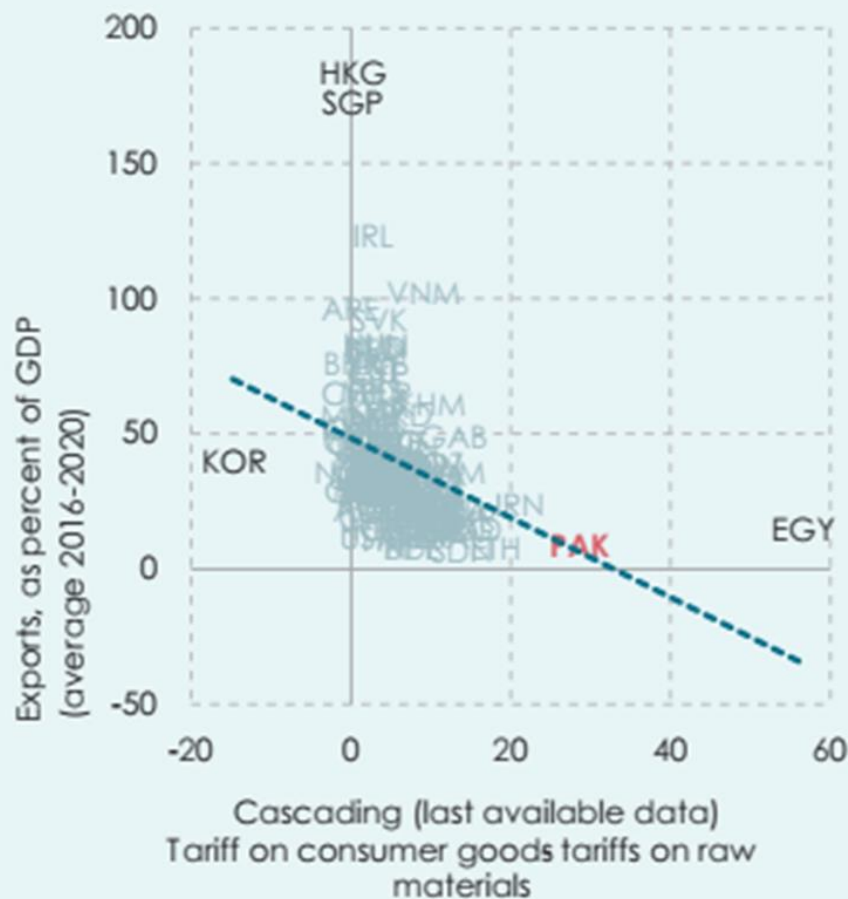


Figure 3.4: ...and that tends to be associated with lower export orientation

(Tariff cascading and export orientation)

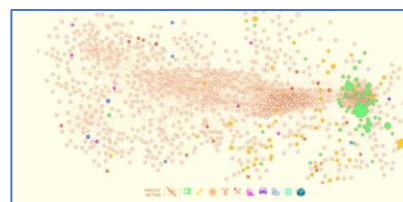


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1 AUTOMOBILES	5 MACHINERY
2 ELECTRICAL & OPTICAL	6 COOKING OIL
3 METALS	7 PAPER
4 RUBBER	8 BEVERAGE & TOBACCO

Top Global vs Pakistani Exports

Global Exports \$100 Billion	China's Global Exports %	Pakistan Exports \$100 Billion	China's Pakistan Exports %
Medicines (Chemical Products)	80%	15%	18%
Iron ores and concentrates	75%	5%	6%
Trucks and other motor vehicles	70%	1%	1%
Iron waste or scrap	65%	2%	2%
Iron waste or scrap of iron	60%	1%	1%
Iron waste or scrap of iron	55%	1%	1%
Iron waste or scrap of iron	50%	1%	1%
Iron waste or scrap of iron	45%	1%	1%
Iron waste or scrap of iron	40%	1%	1%
Iron waste or scrap of iron	35%	1%	1%
Iron waste or scrap of iron	30%	1%	1%
Iron waste or scrap of iron	25%	1%	1%
Iron waste or scrap of iron	20%	1%	1%
Iron waste or scrap of iron	15%	1%	1%
Iron waste or scrap of iron	10%	1%	1%
Iron waste or scrap of iron	5%	1%	1%



PIDE's PROPOSED REFORM

- Focus on **global value chain!**
- **Branding** & domestic markets
 - R&D – systematic study of marketing
- Remove **anti-export bias**
 - Minimize tariff cascading through trade policy reforms over 5 years
- End **import substitution**

Discussion

Q & A

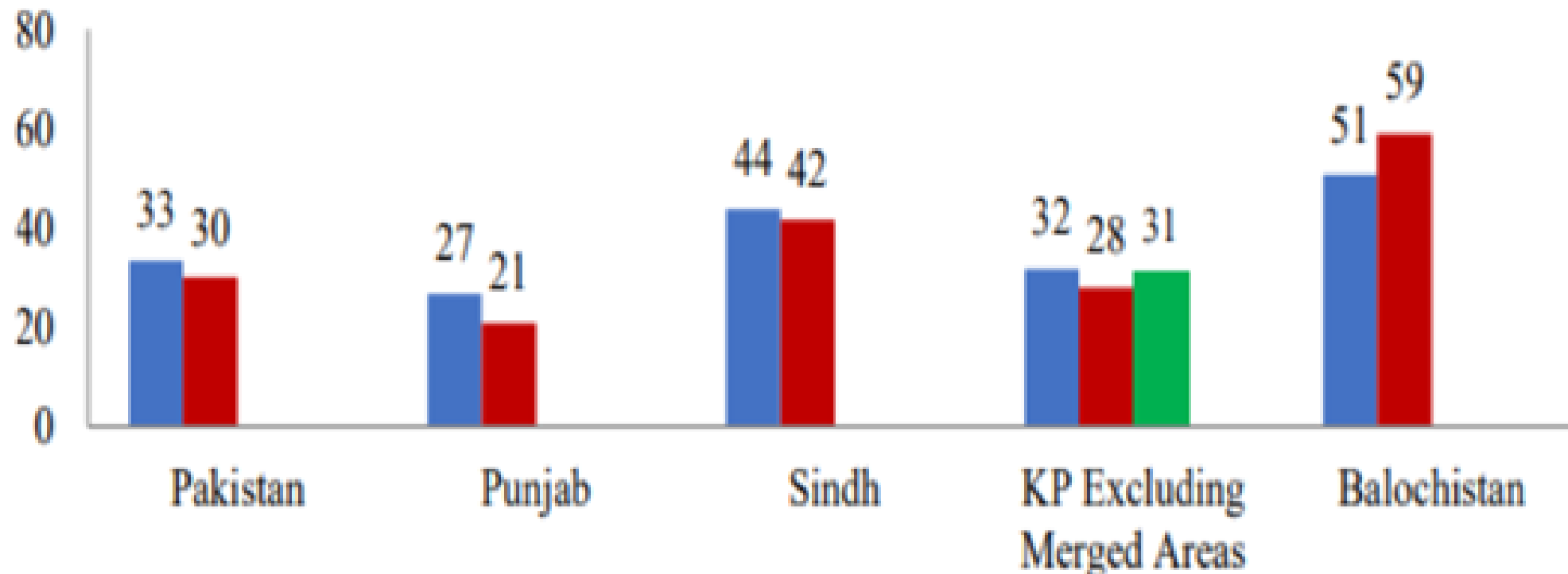
THEME-4

Social Infrastructure



Out-of-School Children, Age 5-16

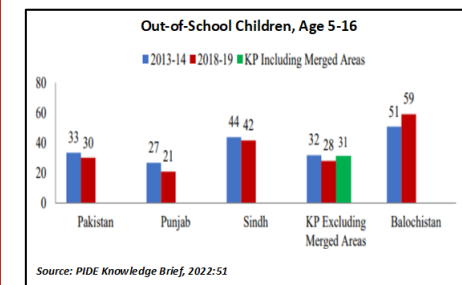
■ 2013-14 ■ 2018-19 ■ KP Including Merged Areas

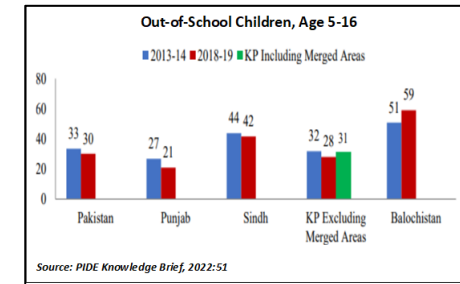
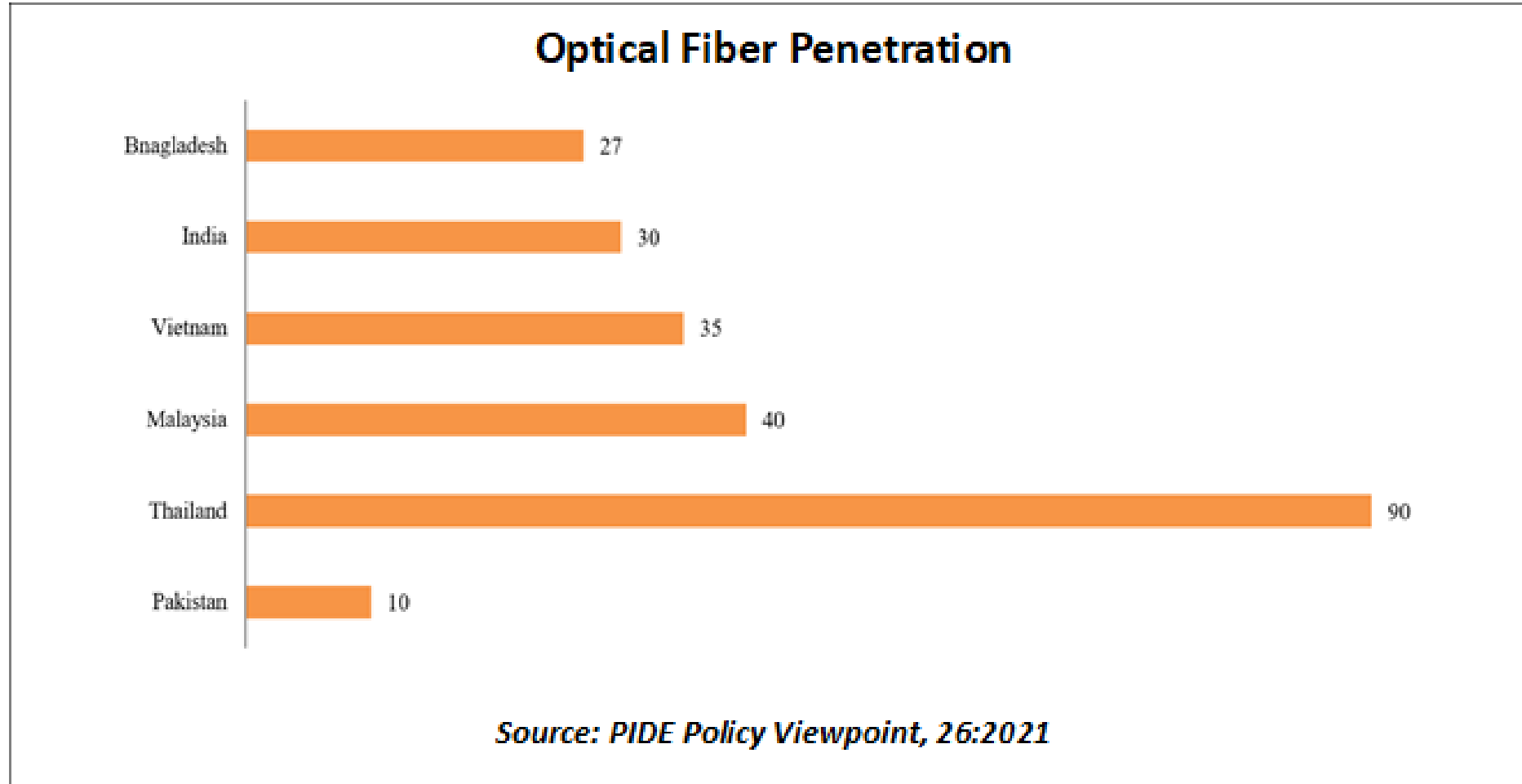


Source: PIDE Knowledge Brief, 2022:51

Average Size and Distribution of Faculty and Professors Per University by Province in Pakistan.

	No. of Universities	Professors in Social Science	Professors in other Disciplines)	Junior Faculty	Total Faculty
Azad Jammu & Kashmir (AJK)	3	0.33	3.00	128.67	132.00
(%)		(0.25)	(2.27)	(97.47)	(100.00)
Gilgit Baltistan (GB)	2	0.50	1.50	53.50	55.50
(%)		(0.90)	(2.70)	(96.40)	(100.00)
Balochistan	5	0.60	9.00	237.00	246.60
(%)		(0.24)	(3.65)	(96.11)	(100.00)
Islamabad	17	0.94	16.06	294.82	311.82
(%)		(0.30)	(5.15)	(94.55)	(100.00)
KPK	23	0.35	5.22	136.91	142.48
(%)		(0.24)	(3.66)	(96.09)	(100.00)
Punjab	35	0.89	10.94	202.17	214.00
(%)		(0.41)	(5.11)	(94.47)	(100.00)
Sindh	15	3.60	18.73	192.07	214.40
(%)		(1.68)	(8.74)	(89.58)	(100.00)
Total	100	1.14	11.14	197.96	210.24
(%)		(0.54)	(5.30)	(94.16)	(100.00)





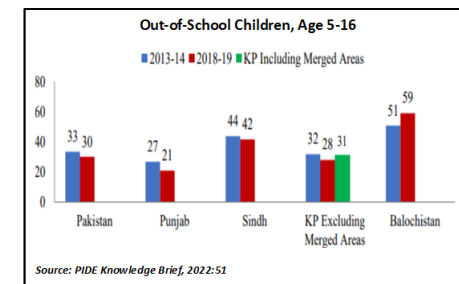
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POLICE

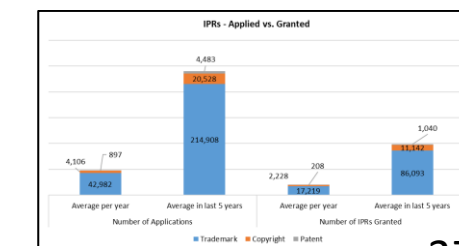
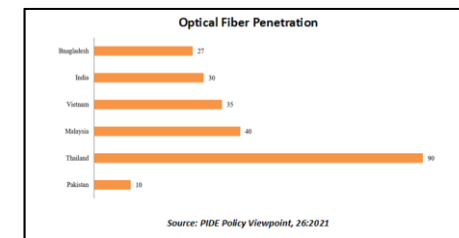
The patron-client relationship and politicization are:

- Hampering effective crime detection and prevention
- Leading to the emergence of a system of loyalty to individuals and political figures



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PIDE's PROPOSED REFORM

Educate: Nurturing Minds, Shaping Futures

- Move rapidly to learning through online and technology-based education
- Merit-based teacher hiring and training in contemporary pedagogies
- Community should own schools
- Develop a large-scale quality professor hiring program

Effective Police Reform

- To bring the police force under local government jurisdiction and dismantle centralized control
- Ensure operational autonomy by separating police functions from other roles such as protocol

Tracks of Pakistan Railways Progress

- Shift from ministerial control to a **corporate structure** – track and signaling, REDEMCO, and maintenance
- Non-core ventures, like manufacturing, should be abandoned
- Effective **utilization of assets** for raising revenues
- Move towards **digitalizing railways**

Connectivity for All: Bridging the Digital Divide

- The internet is a **basic right**
- Facilitate and contribute to the **penetration of optical-fiber**
- Should not see spectrum provision and release as revenue-seeking
- Good quality **tech devices** should be available for all

Discussion

Q & A

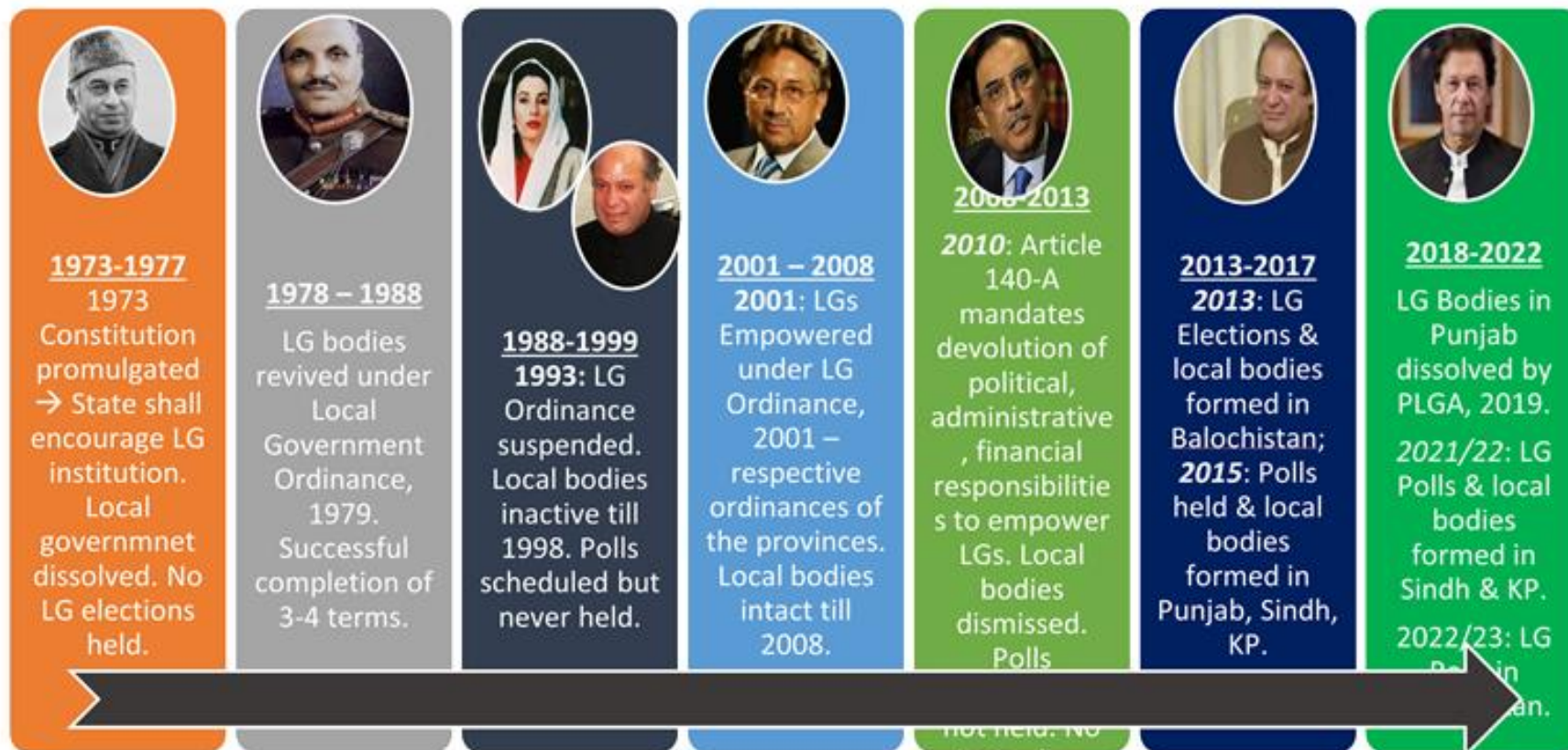
THEME-5

Cities – Engines of Growth



- Cities **heterogeneity** must be respected
- **Vibrant cities** are not possible with the existing governing structure
- **Local governments** are instrumental in delivering essential services
- **Decentralization** will only be achieved if the locally elected councils are given autonomy in their spending and planning decisions

Evolution of Local Government in Pakistan



Source: ecp.gov.pk/lq-elections; Rafique et al, 2020

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- Cities'

State of Water & Sanitation Services



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- Decentralization will only be achieved if the locally elected councils are given autonomy in their spending and planning decisions
- Cities'



PIDE's PROPOSED REFORM

Local Government

- Empowering **local governance**: No democracy without local government
- Local governments imply **local administration**, not just local politics/elections

Cities: the Engine of Growth

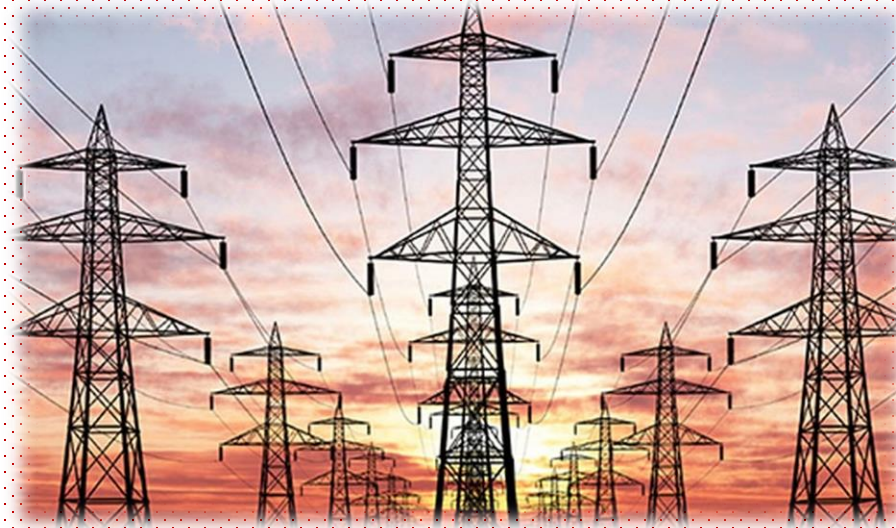
- Putting **economic geography** into policy/administration
 - Liberalize **zoning** that allows mix-use, density, and walkability
 - Facilitating **regulations** for the rental housing market
- To unlock **state-owned land/property** potential
 - Reduce government ownership of city-center land/property

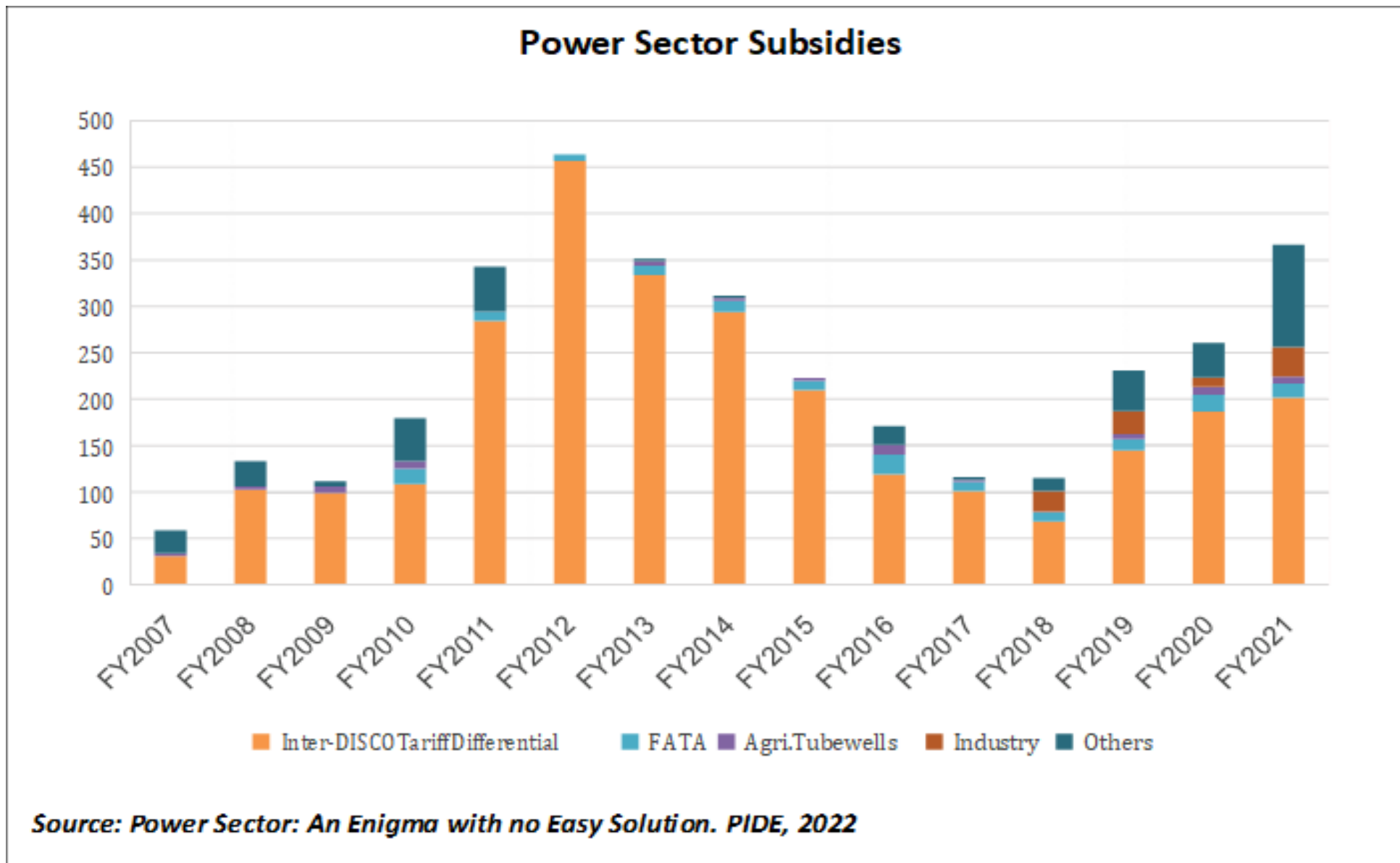
Discussion

Q & A

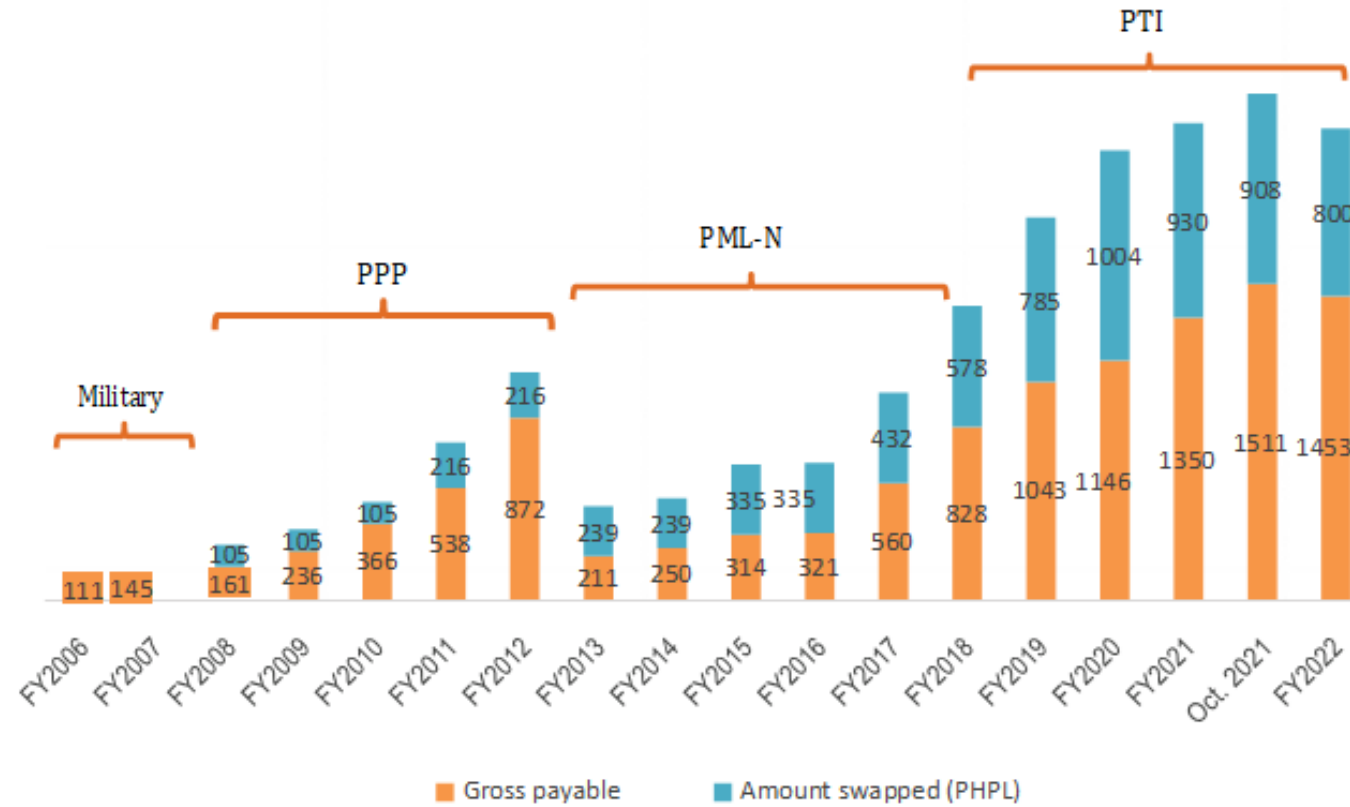
THEME-6

Energizing the Future

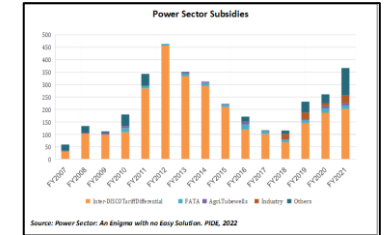


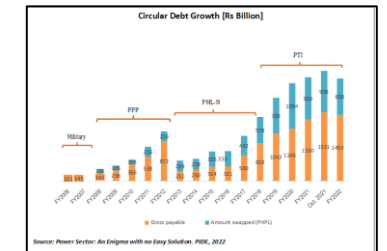
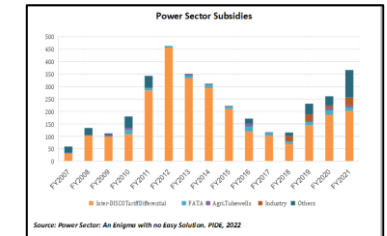
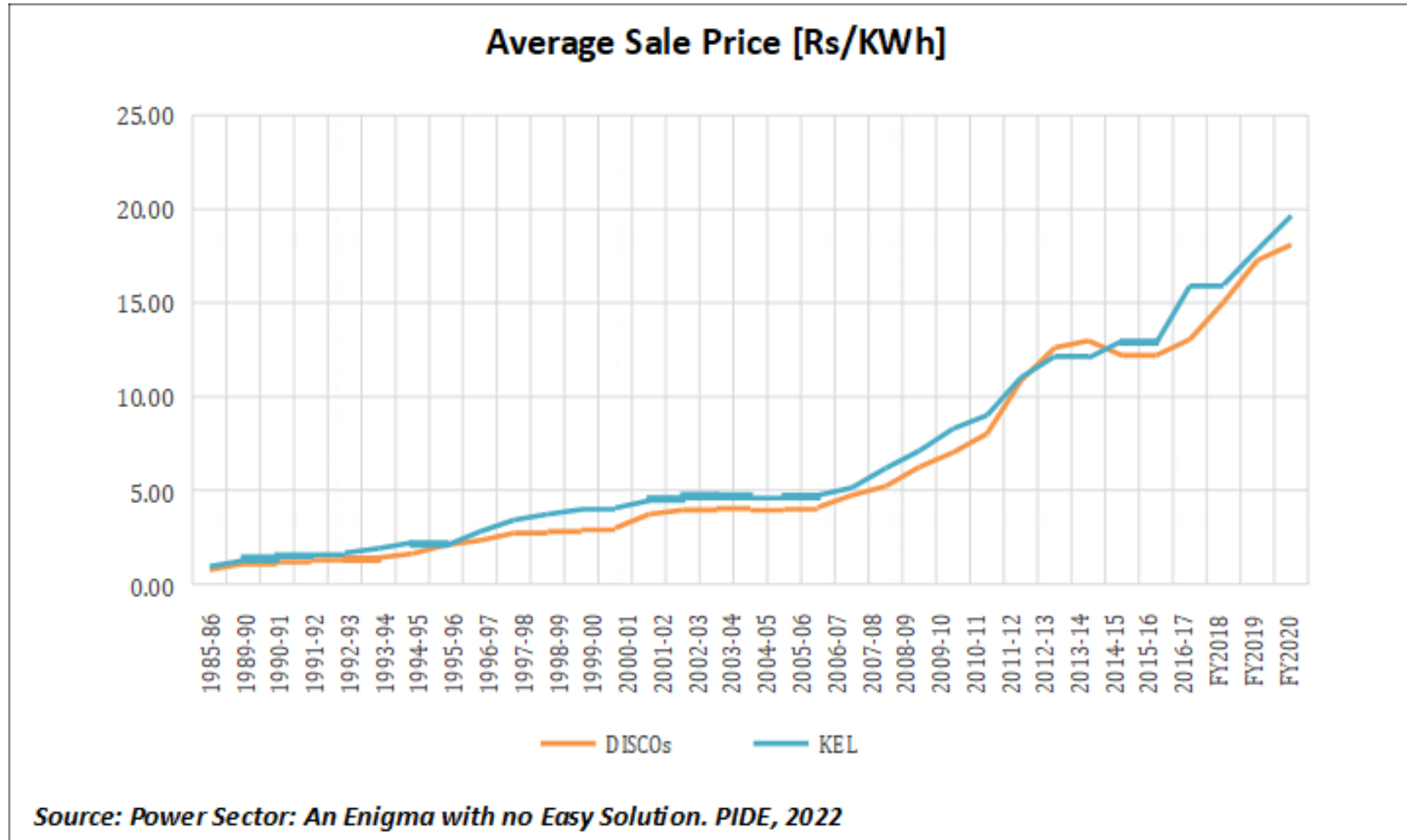


Circular Debt Growth [Rs Billion]



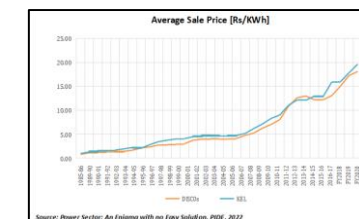
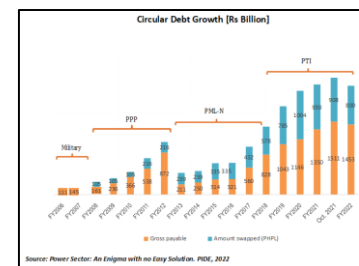
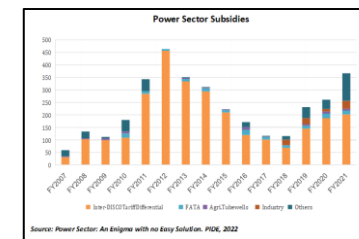
Source: Power Sector: An Enigma with no Easy Solution. PIDE, 2022





Gas

- Excessive government interference and over-regulation in the gas sector, leading to an inefficient allocation of resources and cross-subsidies
- Gas pricing does not reflect its actual value
- OGRA has limited autonomy



PIDE's PROPOSED REFORM

Powering Progress

- Revise the **uniform tariff policy** for efficiency
- Electricity is **not a public good**
 - Subsidy through BISP
- **Digital Electric Meters** – Pay-as-you-go!
- **Off-grid solutions** – Remote areas

Effective Energy Regulation

- Shut down entities with **overlapping functions** to reduce administrative and regulatory burden
- NEPRA should be allowed to fulfill the **independent regulatory role**
- Parliament should appoint, monitor, and hold the authority **accountable**

Decentralize Energy Companies' Management

- Make a Power Commission comprising professionals for necessary linkage across the supply chain
- The role of the Ministry of Energy must be clarified to justify its existence
- Boards appointed should be through the proposed Power Commission
- Commercialization and not privatization of power companies

Market-based Oil and Gas Sector

- Only increasing gas tariffs will not be sufficient – Market-based pricing can also control the misuse of gas
- Allow third-party access to LNG imports – the government should leave
- The gas distribution sector must adopt a multi-seller distribution model

Effective Oil & Gas Regulation

- A **single regulatory authority** with adequate regulatory powers is necessary
- No political or judicial **interference**
- OGRA must enhance its **capacity** to monitor, enforce, and regulate
 - Set refining standards and be capable of monitoring and enforcing these

Petroleum Pricing

- Complete **deregulation** of petroleum pricing
- IFEM needs to be **discontinued**

Discussion

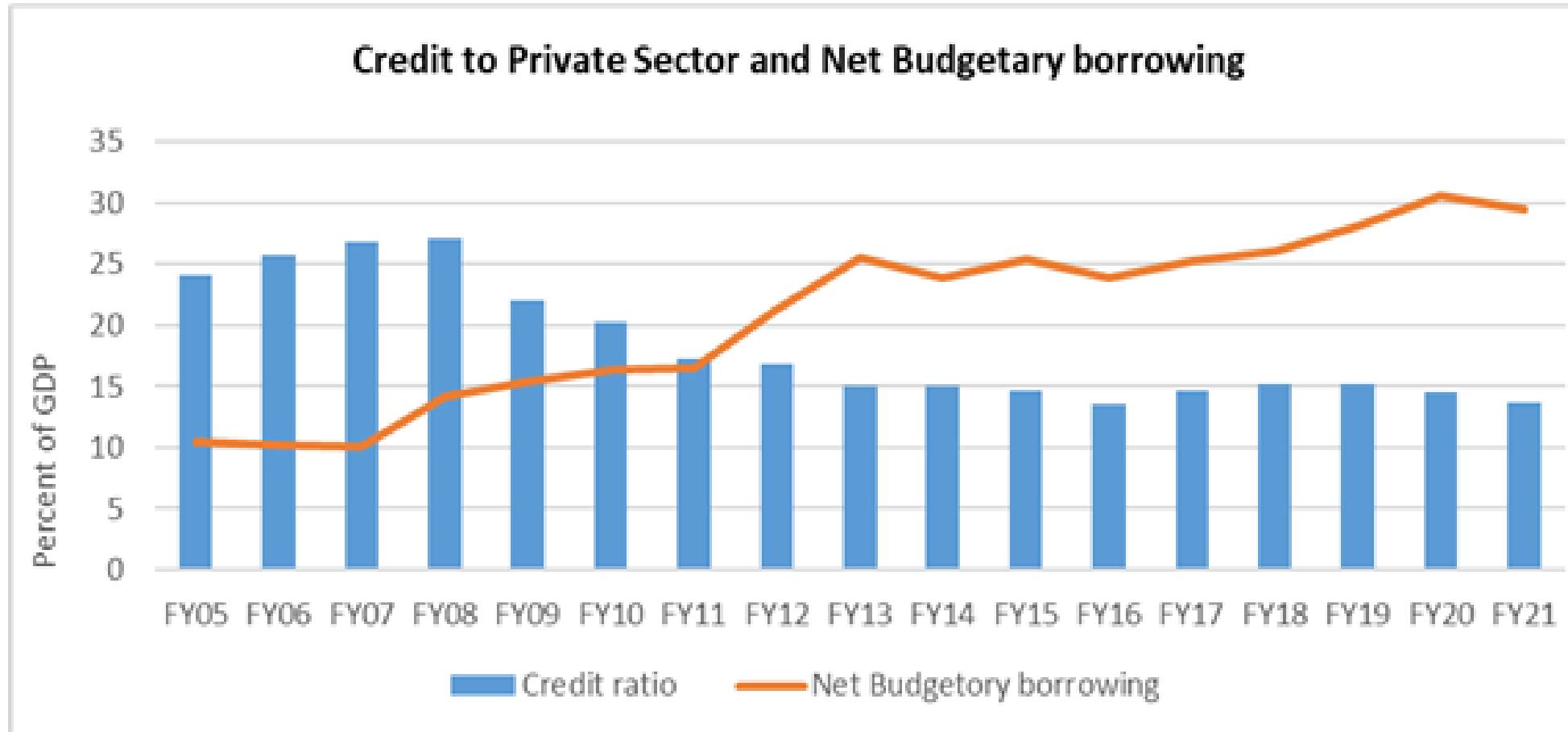
Q & A

THEME-7

Developing Markets



- Mercantilist-centric – Undermining **local markets**
- Stuck in the **Haq-HAG model**
- Lack of focus on **opportunities and investment**



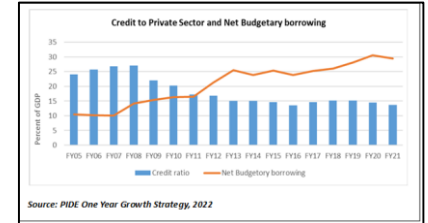
Source: PIDE One Year Growth Strategy, 2022

Real Estate Market

Losing potential revenue and creating black money

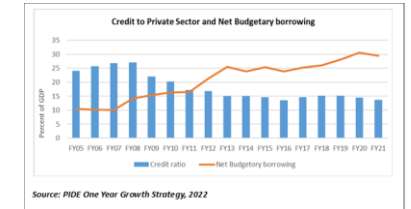
Property	Market Value (Asked Price)	FBR Evaluated Price	DC Rate Price
Property-1 (Block A)	41.50	21.00	6.12
Property-2 (Block D)	16.50	9.18	2.67

	Potential Revenue	Realized Revenue	Tax gap
Property-1 (Block A)	2.61	0.87	1.73
Property-2 (Block D)	1.03	0.38	0.65



Agriculture Market

Support prices are leading to agriculture stunting



Source: PIDE One Year Growth Strategy, 2022

Crops	Profit (Rs./acre)*			Yield (maunds/acre) (2019-20)	Increase in Profit (Rs./acre) in 2019-20 with base 2017-18	% change in profit in 2018-19 with Base 2017-18	Percentage change in 2019-20 with Base 2017-18
	2017-18	2018-19	2019-20				
Wheat	13206	9765	10974	31	-2232	-26	-17
Maize	13,490	15,620	19,809	72	6,319	16	47
Sugarcane	35,280	30,870	35,280	630	0	-13	0
Basmati Rice	79,680	82,080	106,432	32	26,752	3	34
Irri Rice	30,732	37,492	44,148	52	13,416	22	44
Cotton	10,384	22,000	14,938	22	4,554	112	44

Property	Market Value (Asked Price)	FBR Evaluated Price	DC Rate Price
Property-1 (Block A)	41.50	21.00	6.12
Property-2 (Block D)	16.50	9.18	2.67

	Potential Revenue	Realized Revenue	Tax gap
Property-1 (Block A)	2.61	0.87	1.73
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Source: PIDE Knowledge Brief, 72:2022

PIDE's PROPOSED REFORM

Need for a Real Estate Market

- Abolish multiple **price administration** practices
- An online multiple-listing model – an **auction mechanism**
- **Development Authorities** should be responsible for ensuring good practices in housing societies
 - Ban the open file practice!
 - Encourage private housing societies along with the surety that private developers are not involved in Ponzi schemes, instead have clear contracts
 - Reorganize the real estate agents' market by encouraging knowledgeable and registered agents
- **Land acquisition** rules should be revised – public purpose/market price⁶⁵

Developing Agriculture Input Market

- Reduce **government footprint**
- No fixing of minimum **support price**
- Allow the **private sector** in procurement, storage, and transportation
 - Adopt and implement SBP's storage model
- Revamp seed registration and marketing mechanism by allowing **brand registration**
- Price **irrigation** water according to use

Financial Markets

- Promote **financial deepening** by discouraging investment in government securities
- Simplify the **regulatory framework** in the banking sector that is transparent and allows new entry easily
- New **investment products** required, including commodity instruments, REITs, hedge funds, etc.
 - Options, futures, and swaps must be introduced in the Pakistani stock market
- Adopt changes that improve **investor-friendly regulations** in the stock market
- Simplify the **Initial Public Offering (IPO)** process

Market-based Media

- Abolish the **Ministry of Information and Broadcasting**
 - Ban government advertisement expenditure
- **Media:** independent of other businesses
- **Competitive cable industry** – PEMRA role

Invigorating the Automotive Market

- Impose a flat tax and offer tax incentives based on **export performances**
- Promote entry of **electric vehicles**

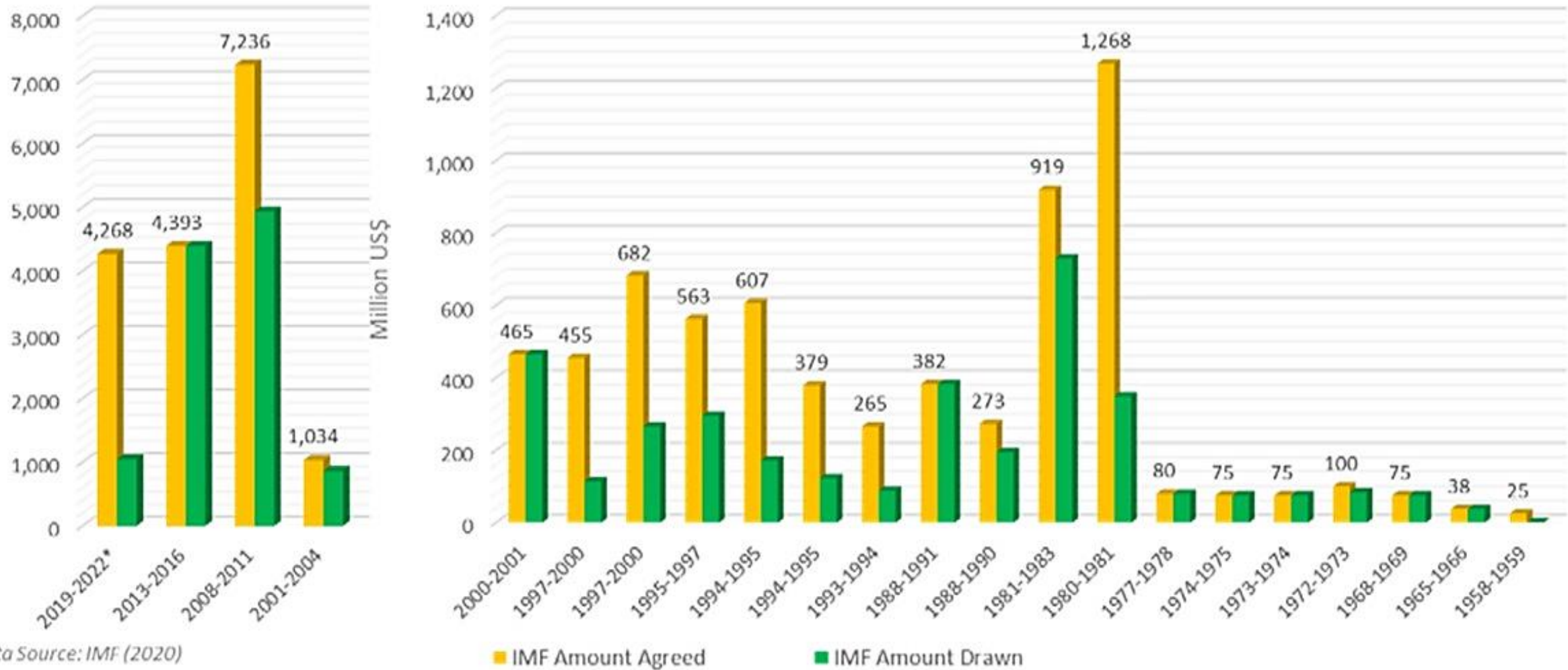
Discussion

Q & A

THEME-8

Fiscal Management

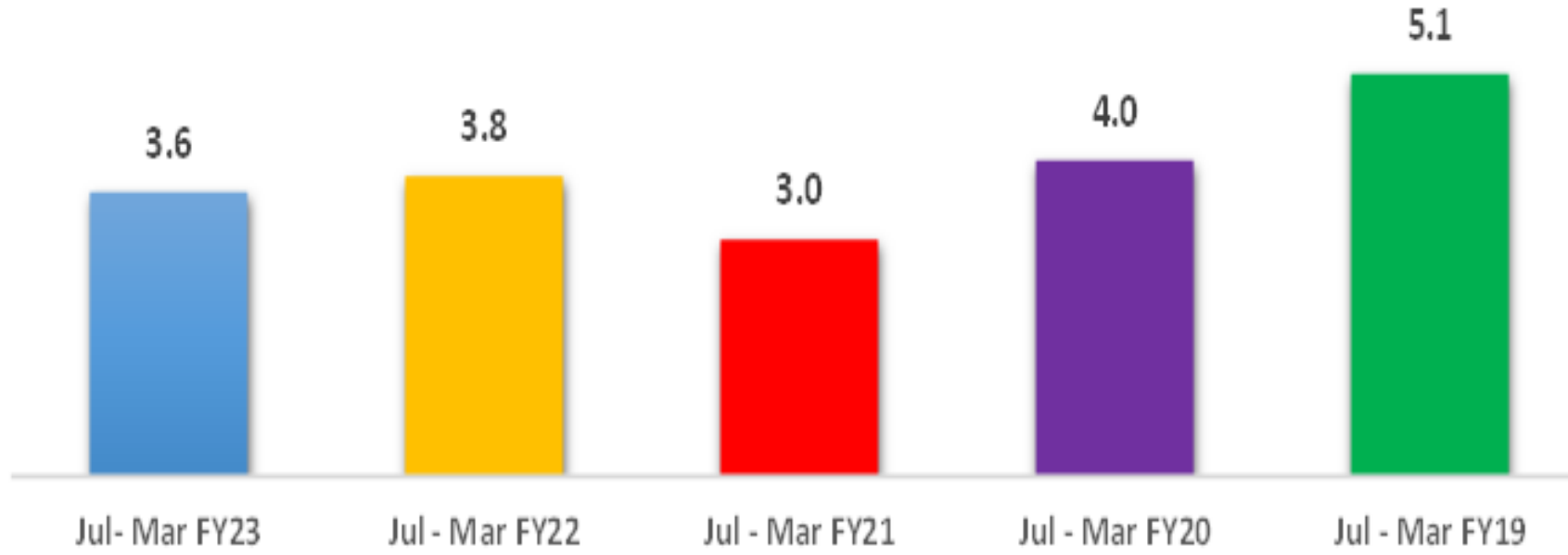




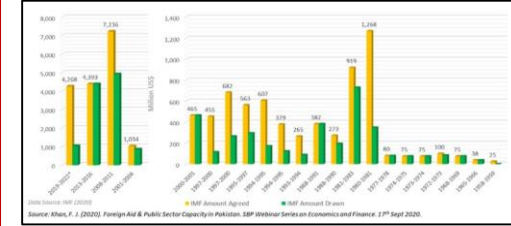
Data Source: IMF (2020)

Source: Khan, F. J. (2020). Foreign Aid & Public Sector Capacity in Pakistan. SBP Webinar Series on Economics and Finance. 17th Sept 2020.

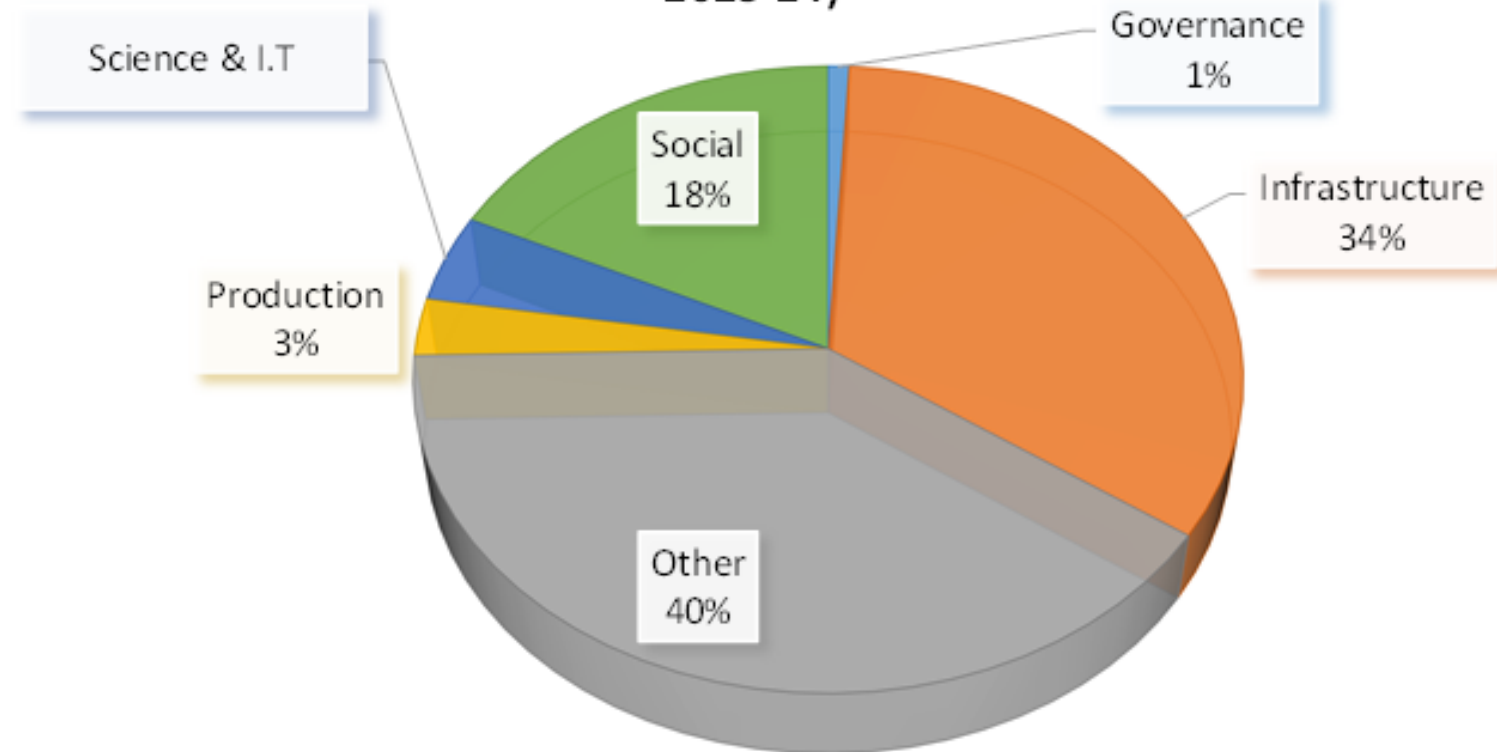
Fiscal Deficit (% of GDP)



Source: Economic Survey of Pakistan

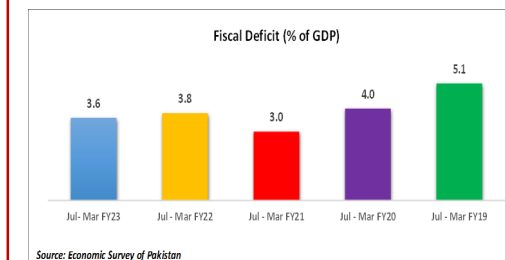
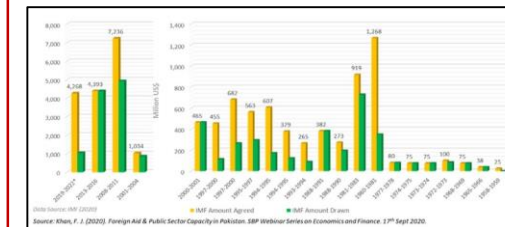


Sector-wise Distribution of the PSDP Funded Number of Projects (FY 2023-24)

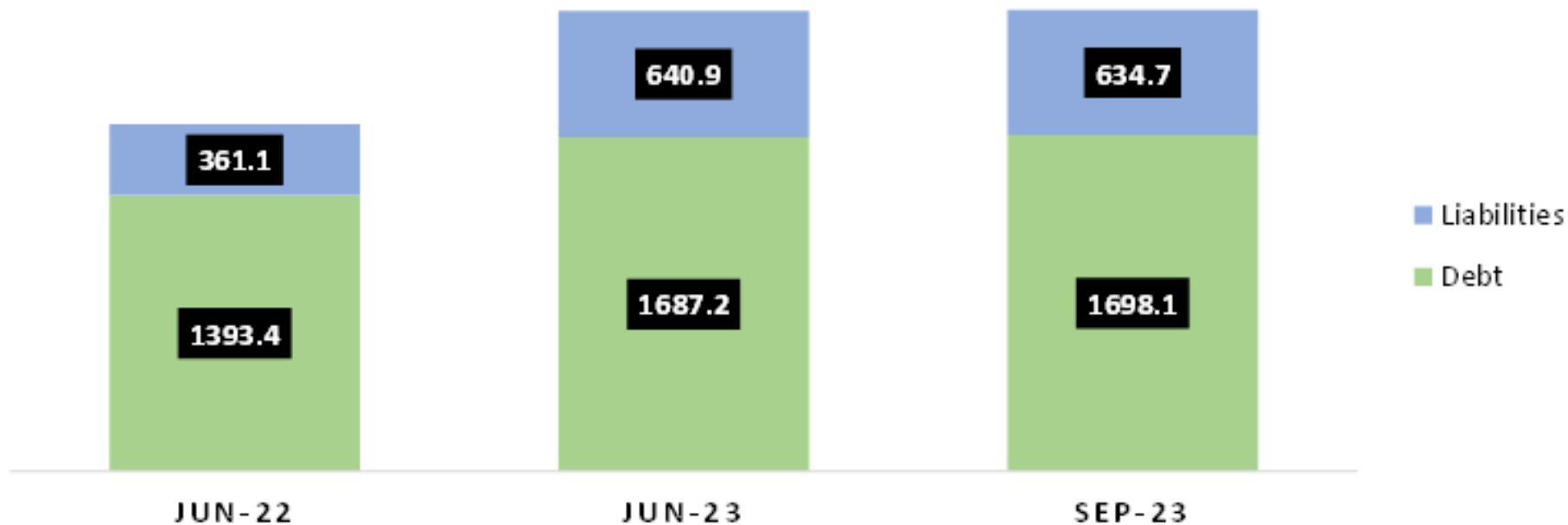


Source: PSDP dashboard – can be accessed at www.pc.gov.pk

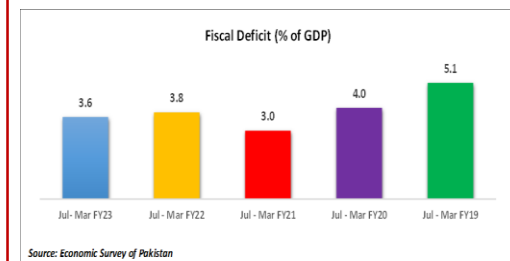
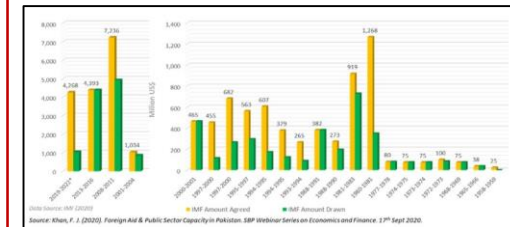
Total 62% Brick and Mortar



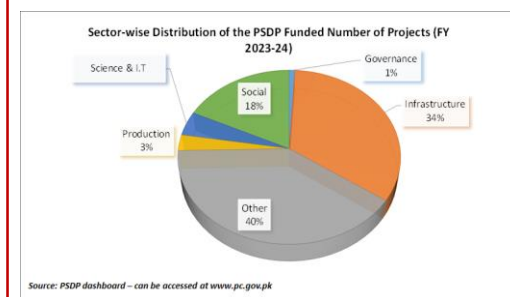
Outstanding Domestic Debt of Public Sector Enterprises (Billion PKR)



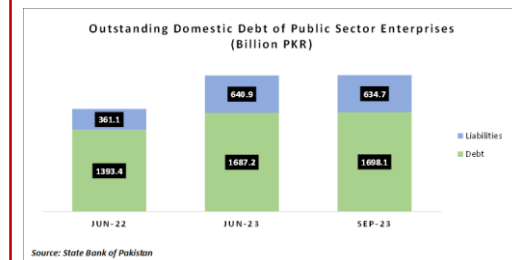
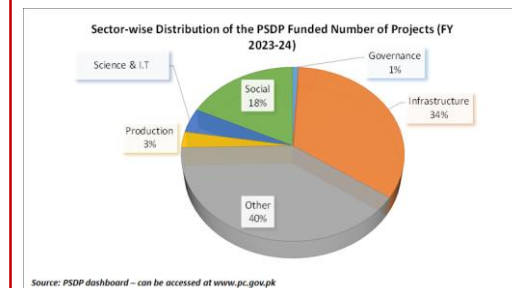
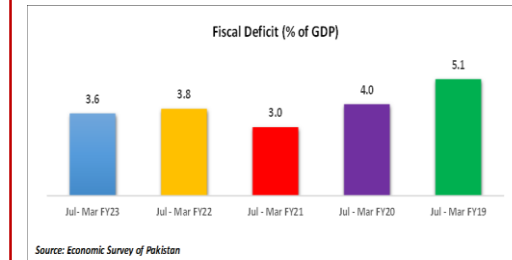
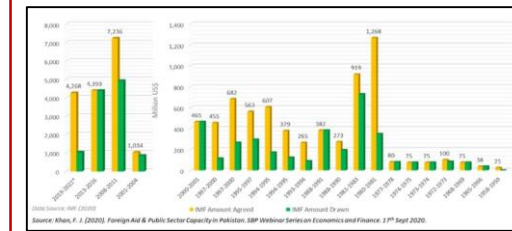
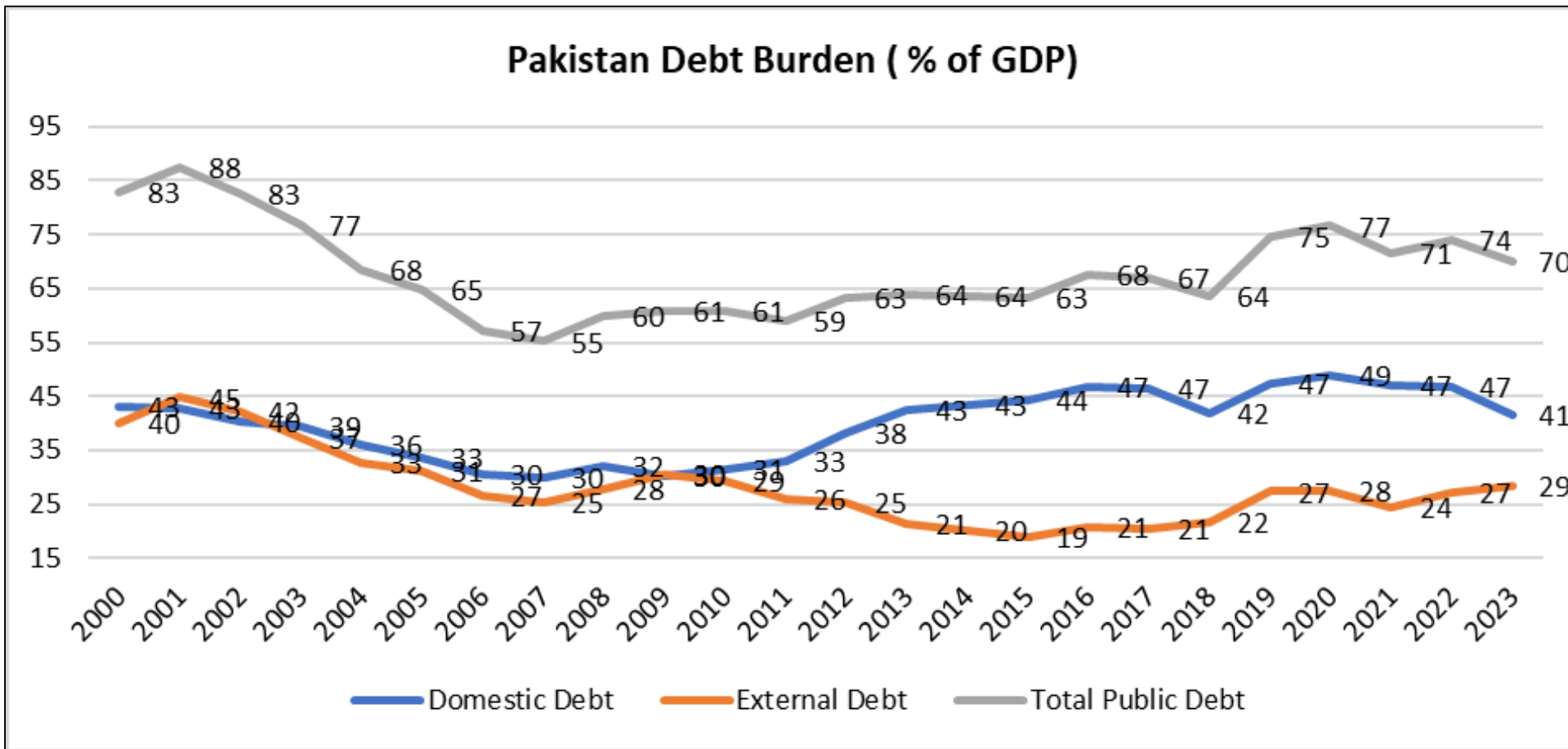
Source: State Bank of Pakistan



Source: Economic Survey of Pakistan



Source: PSDP dashboard – can be accessed at www.pc.gov.pk



PIDE's PROPOSED REFORM

Architecting Growth through Strategic Economic Planning

- Need strategic **long-term planning**
- Independent **Growth Commission** – no generalists!
 - Focus → Investment, exports, and productivity

Budget-Making: Beyond a Number Balancing Exercise

- Independent **Budget Unit** in the Parliament – no generalists!
 - Minimum 60 days for the budget process
 - No mid-term budgets
 - No discretionary budget to the Chief Executives

Path to Prudent Debt Management

- Autonomous **Debt Agency**
- Adhere to **fiscal rules**

Public Sector Enterprises Management

- PSEs must have a budget constraint, **no bail-out**
- A **corporate set-up**, including an independent Board of Governors
- Performance must be reviewed against **defined KPIs**
- Independent hiring – **No political interference**
- **Rapid closure** if necessary

Donors, Consultants, and Civil Servants – Do they have ‘Skin in the Game?’

- **Local Research, Local Solutions**

Public Investment Management

- **Suspension of new PSDP-funded projects for 10 years**
- **Portfolio cleaning** – Close inefficient projects/programs
- **Enough brick-and-mortar** – focus on Human Capital/Software
- **Only mega federal projects**
- **Independent M&E**

Tax Policy for Growth

- **A simplified tax policy** and implementation
- **Minimize compliance cost**
- **Universalize income tax - no exemptions for any sector**
- **Rationalize tax concessions**
- **Better tax management** – low and simple taxes, better collection, high growth

Discussion

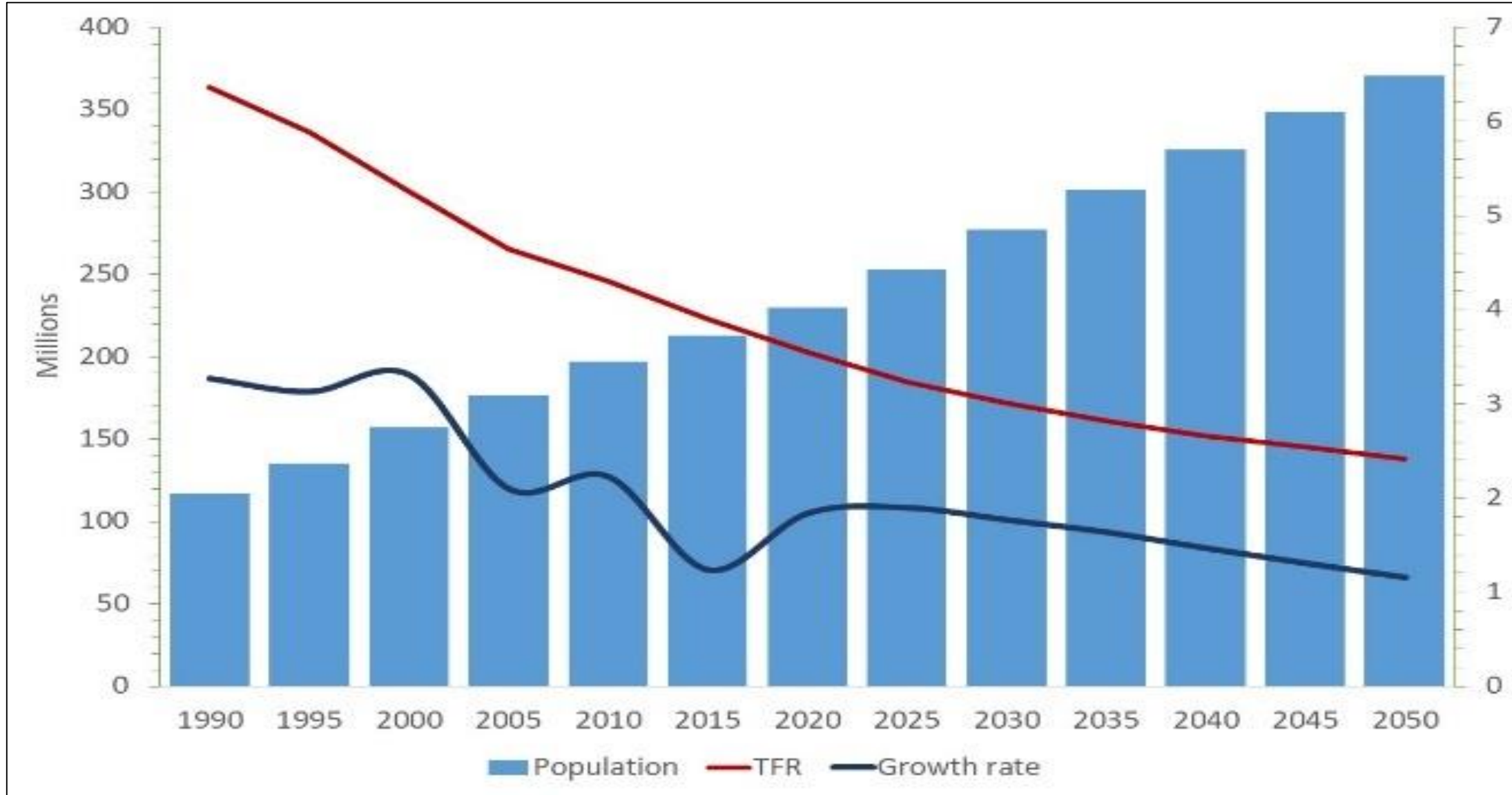
Q & A

THEME-9

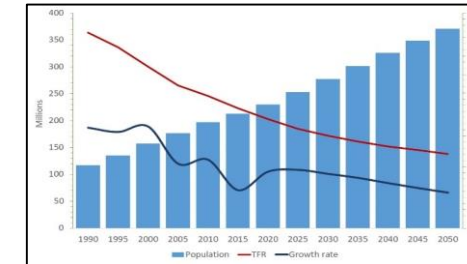
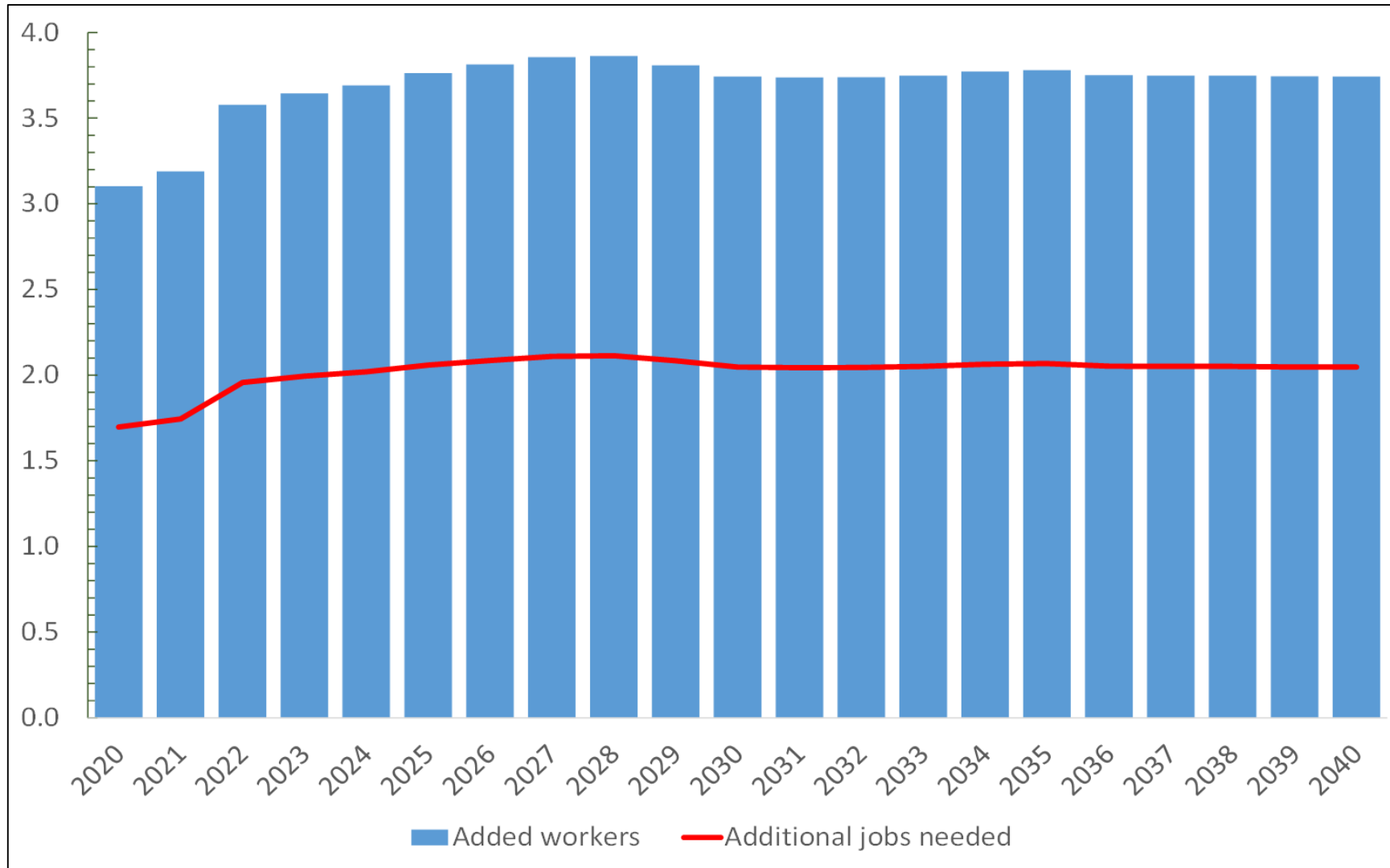
Changing the Population Paradigm



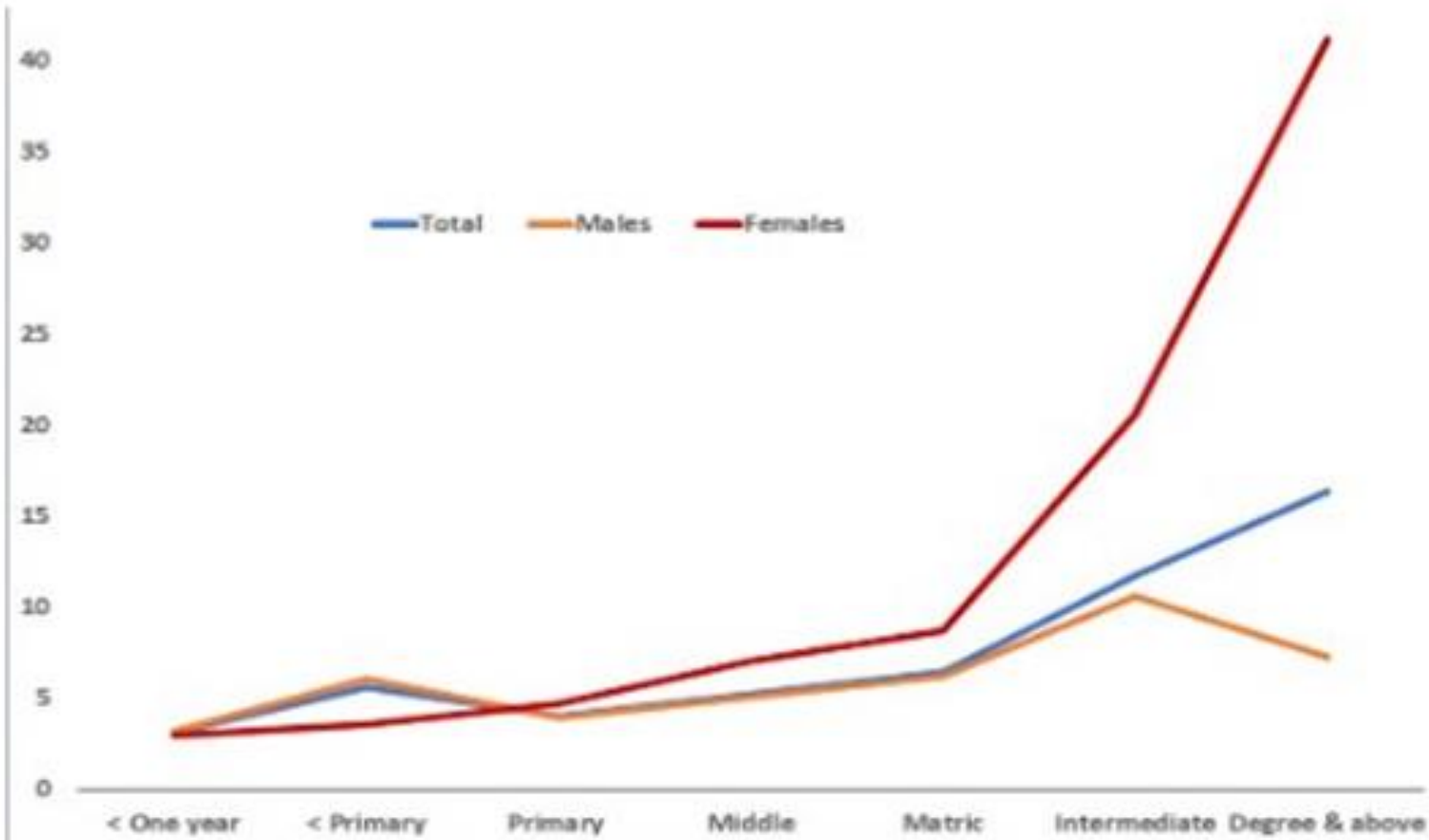
Population Growth (millions), its Rate (%) and Total Fertility Rate: 1990-2050



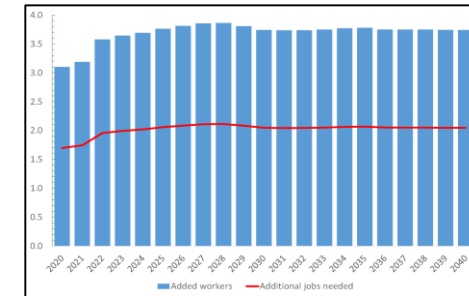
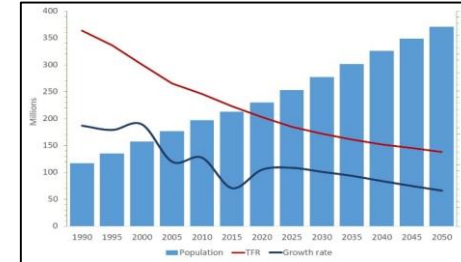
Number of Working Age People Added Each Year and Jobs Required (millions)

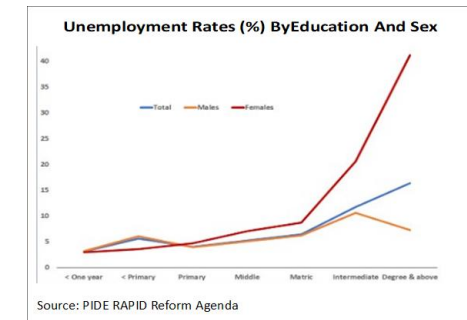
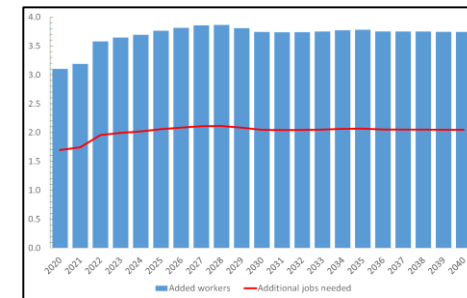
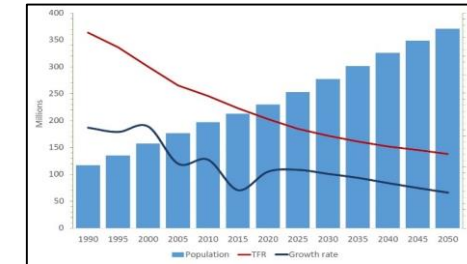
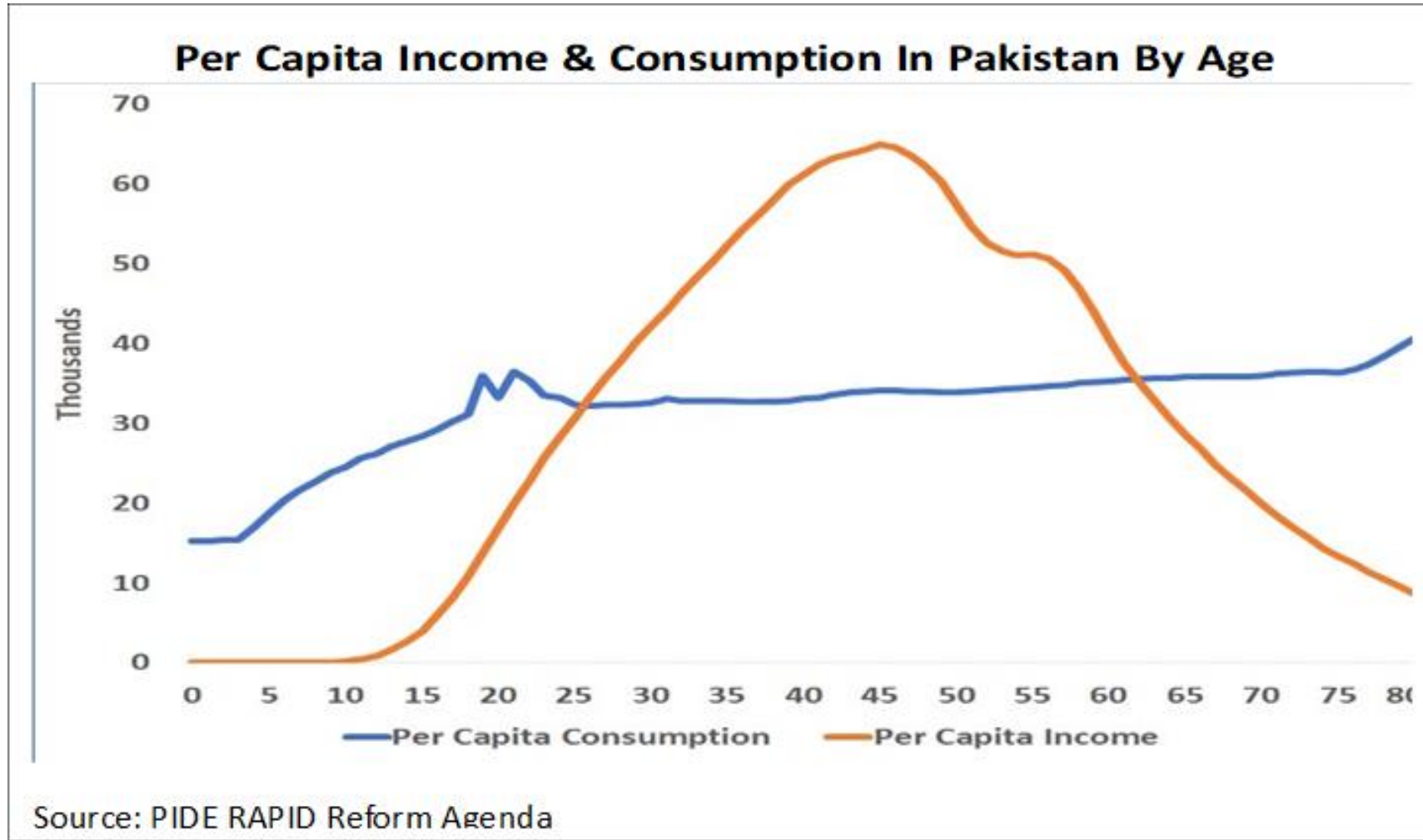


Unemployment Rates (%) By Education And Sex



Source: PIDE RAPID Reform Agenda





PIDE's PROPOSED REFORM

- The population paradigm in Pakistan needs to come out of the “*Malthusian Trap*” – it cannot co-exist with the notion of a “**Demographic Dividend**”
- The issue is not of population size per se, but its **quality** – skills, education, health, employability, mindset, etc.
- **Opportunities** – economic, employment, personal development, etc., need to be focused on, not worrying solely about the numbers – India and China having populations of over a billion are now considered a billion-plus markets, and not overpopulated countries
- Population growth will go down once the **opportunity cost** of having children increases, and that will happen with socio-economic development

Discussion

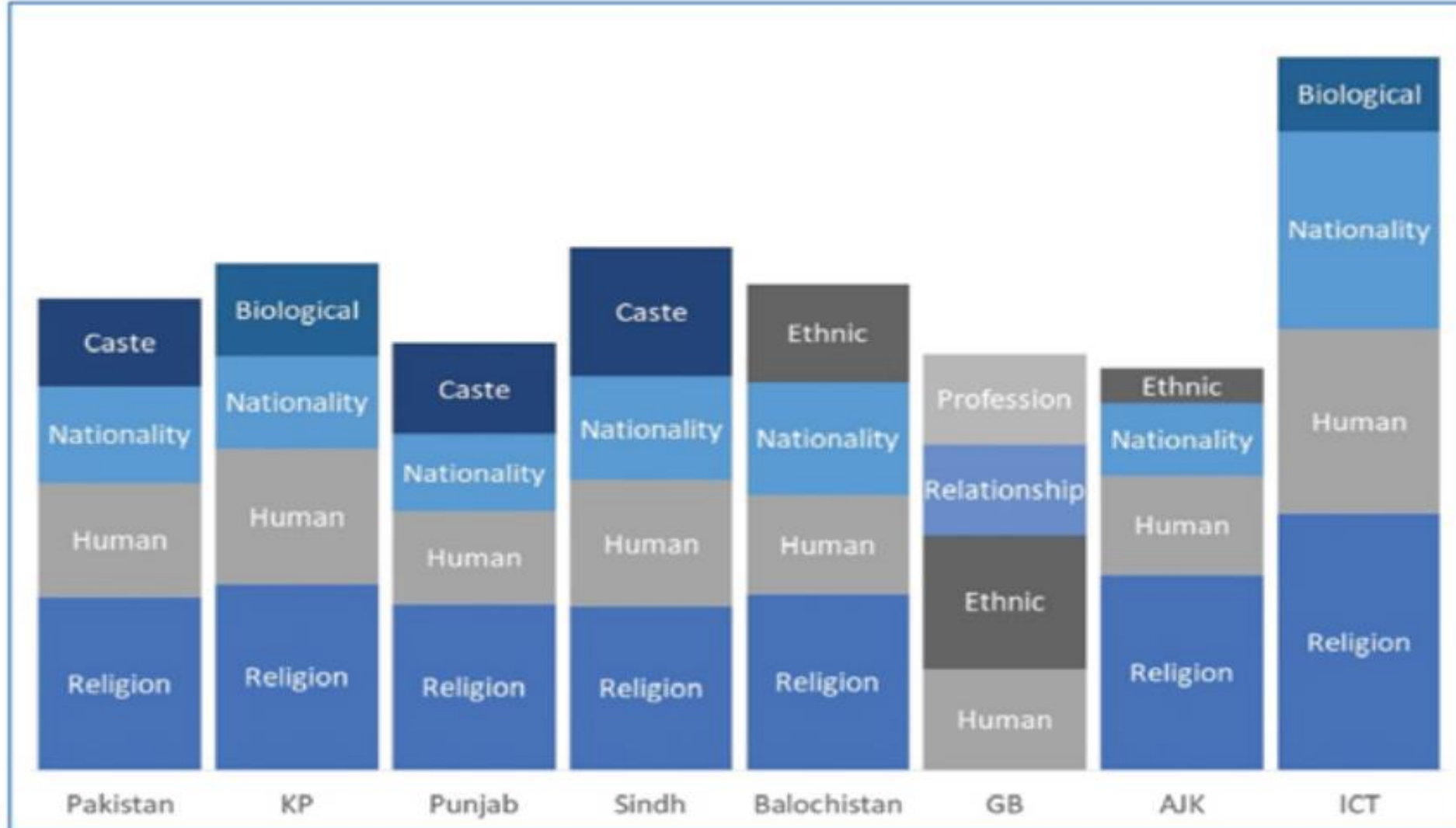
Q & A

THEME-10

Building a Cohesive Community and Society



The Four Most Reported Identities



Membership of any Club/Organisation (%)

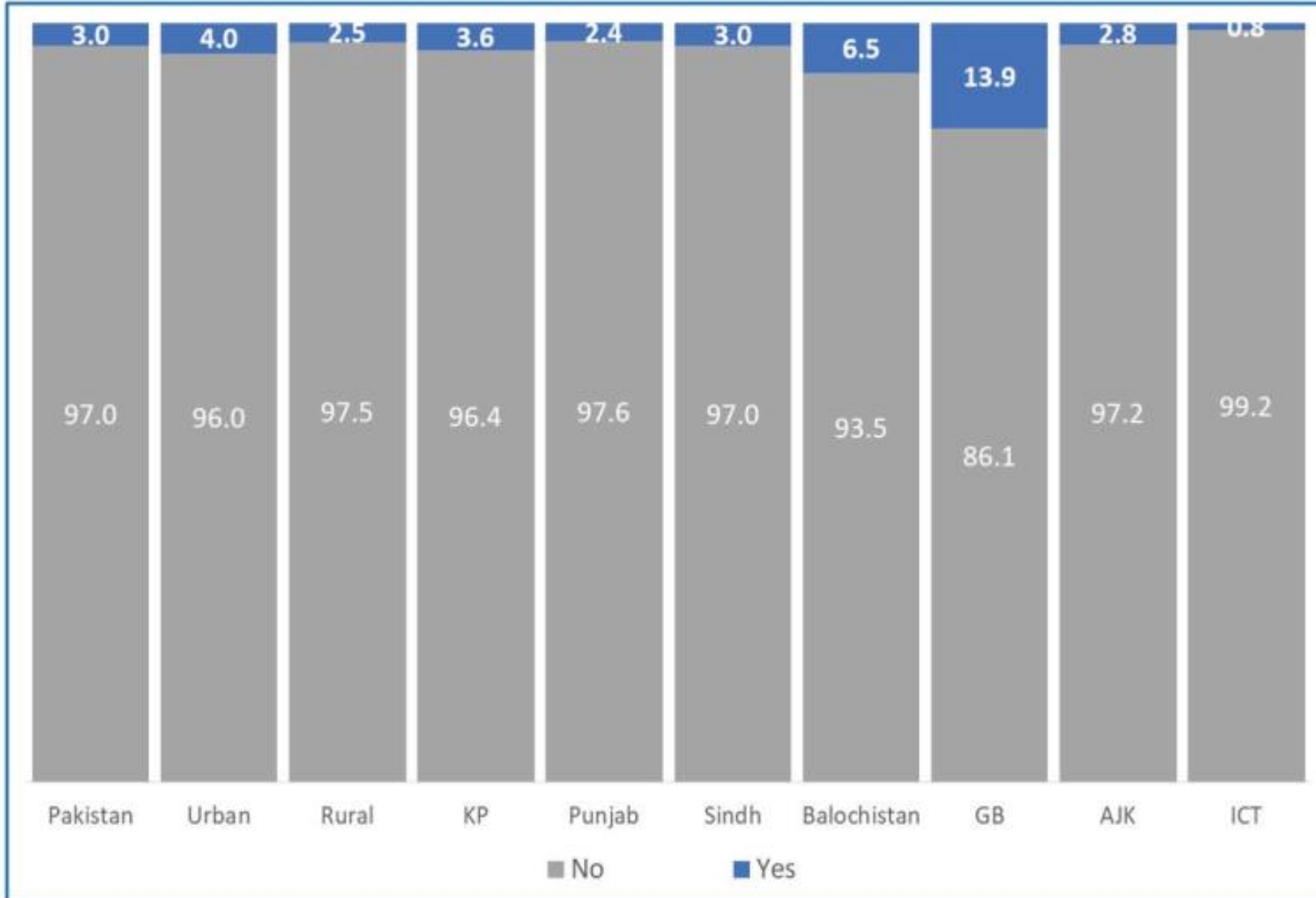
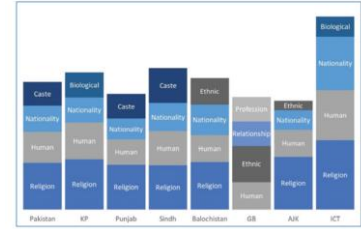
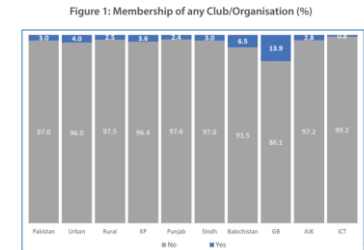
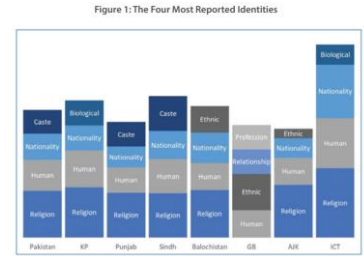
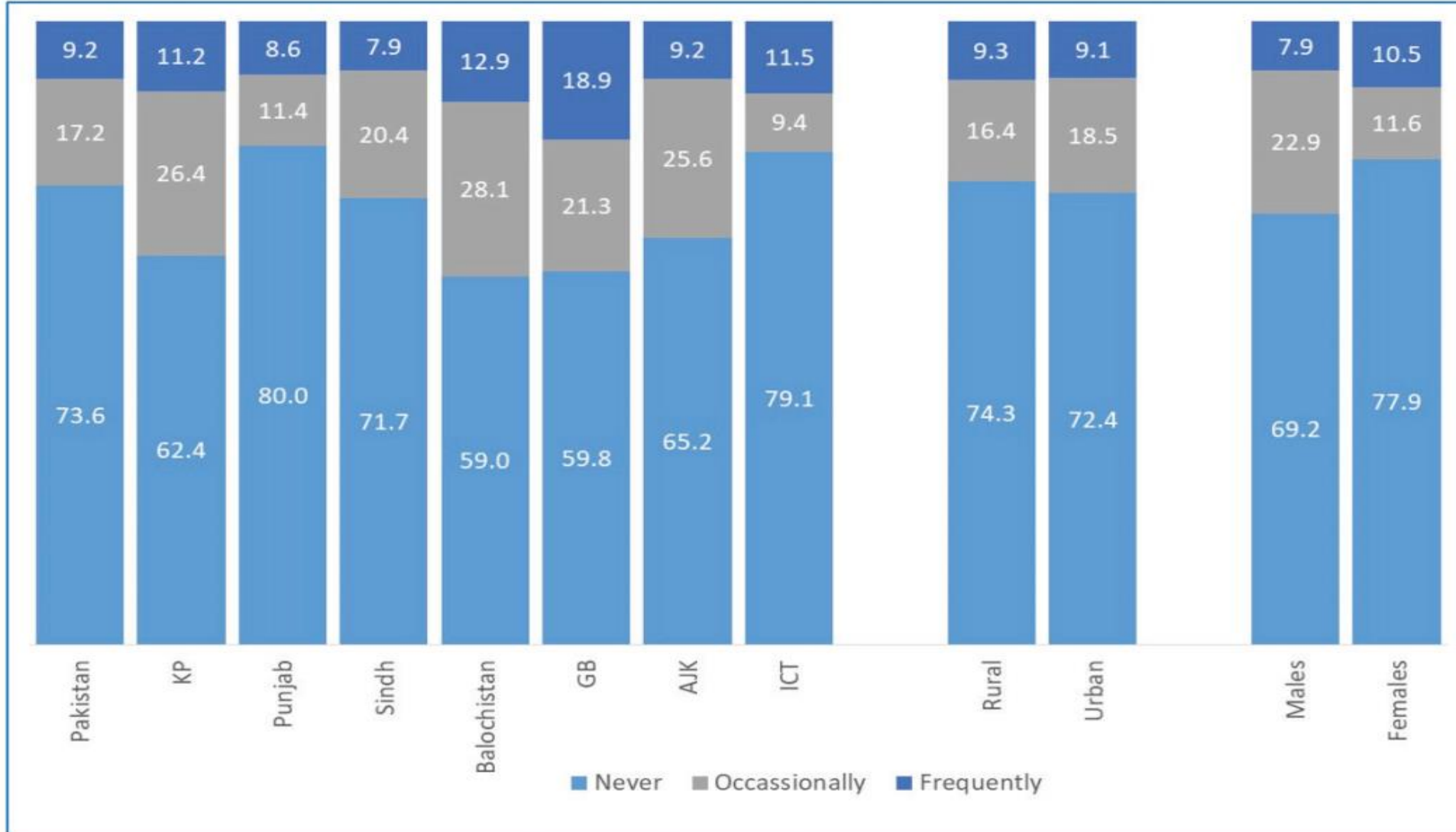


Figure 1: The Four Most Reported Identities



Frequency of Volunteerism by Provinces, Region and Sex (%)



PIDE's PROPOSED REFORM

Local government – Role for Building Community

- Community Centers
 - Functional with frequent activities
 - Use of schools/colleges/universities/mosques spaces
 - Neighborhood/Community leaders – shared values and responsibilities
 - Festivals – public engagement opportunities
- Libraries

Good Childhood

- Child-centered activities – Awareness
- Parental-intervention; Opportunities

Discussion

Q & A

املاح

Rethink | Reform | Revive