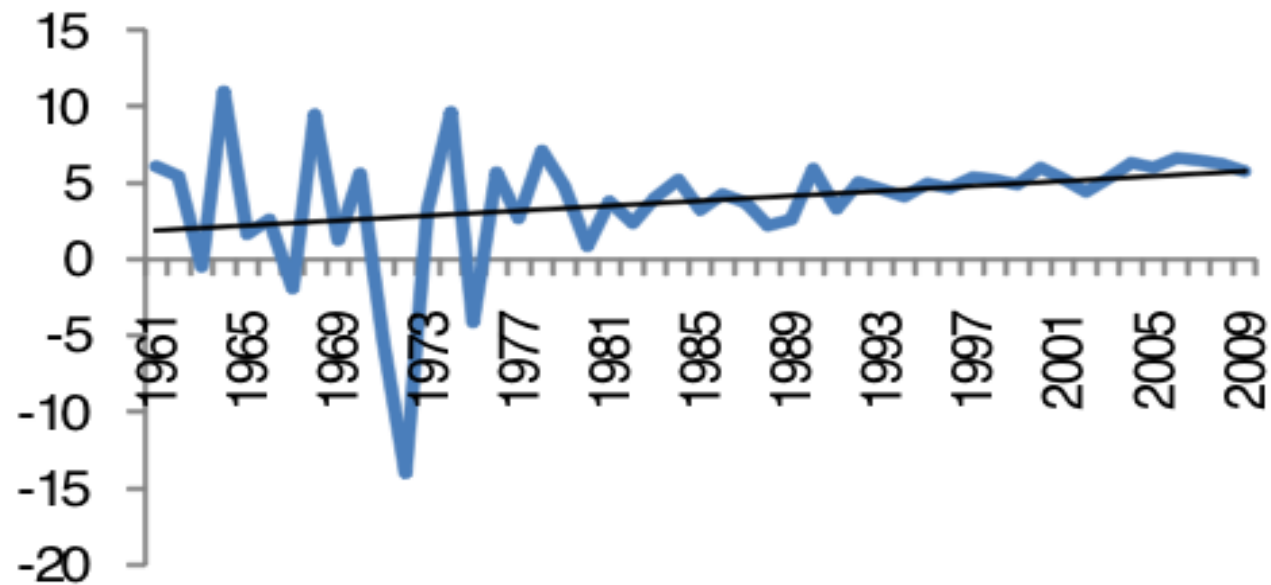


# Why Pakistan does not Grow?

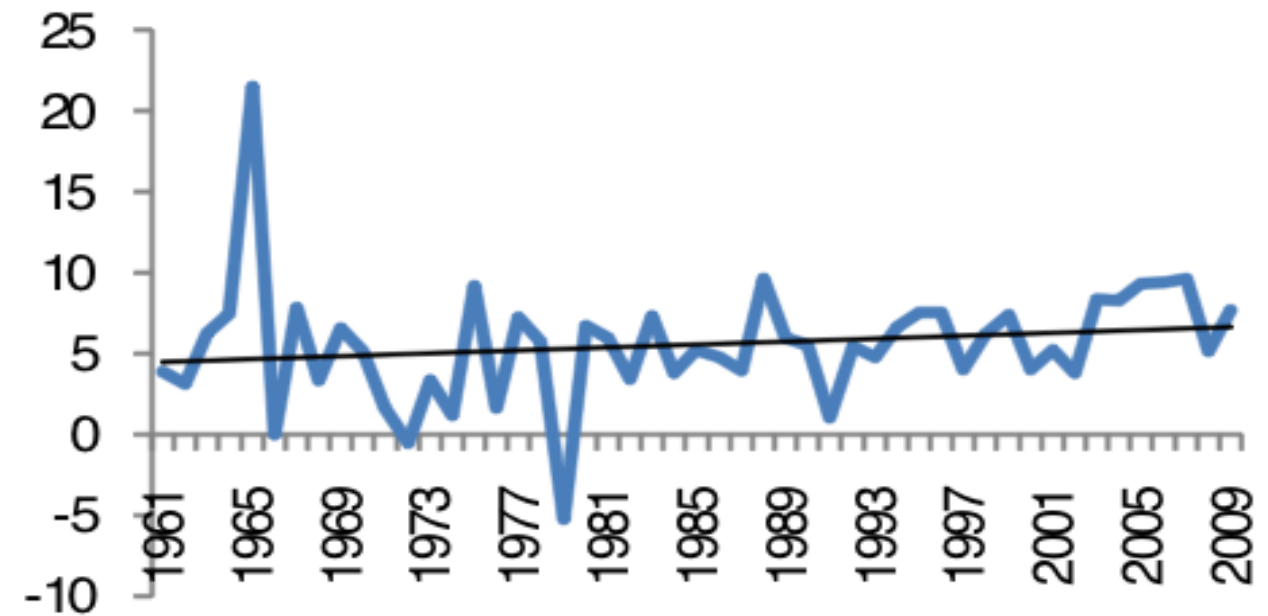
Dr. Nadeem ul Haq  
Deputy Chairman  
Planning Commission,  
Government of Pakistan  
Islamabad

# Growth Experiences Across South Asia

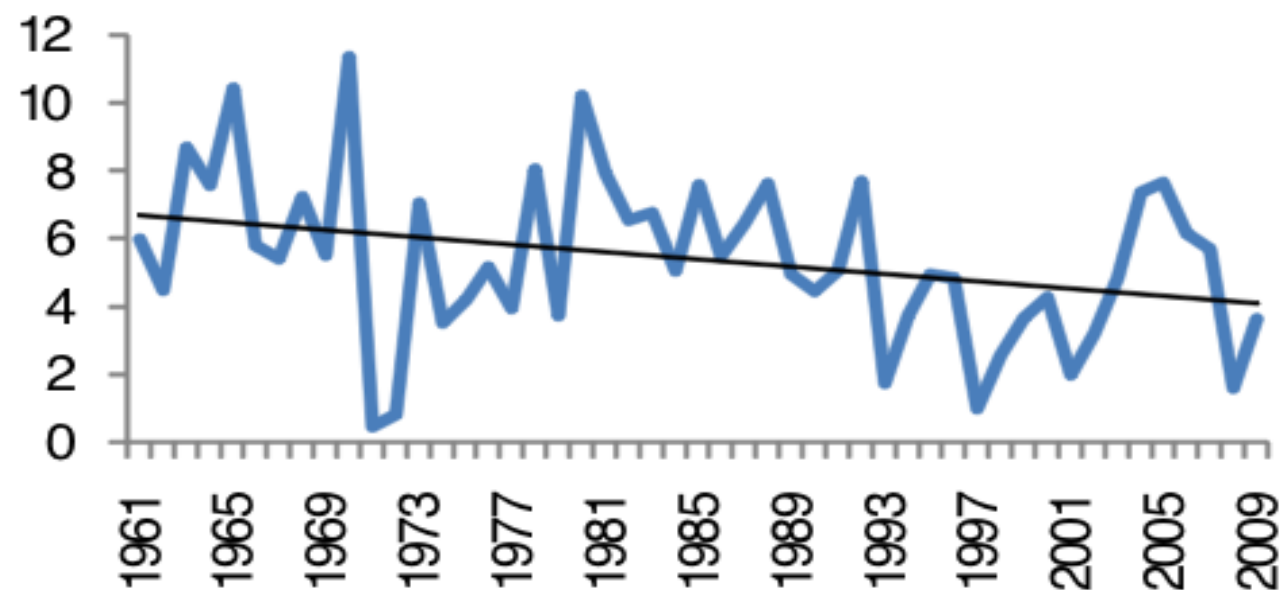
**Bangladesh**



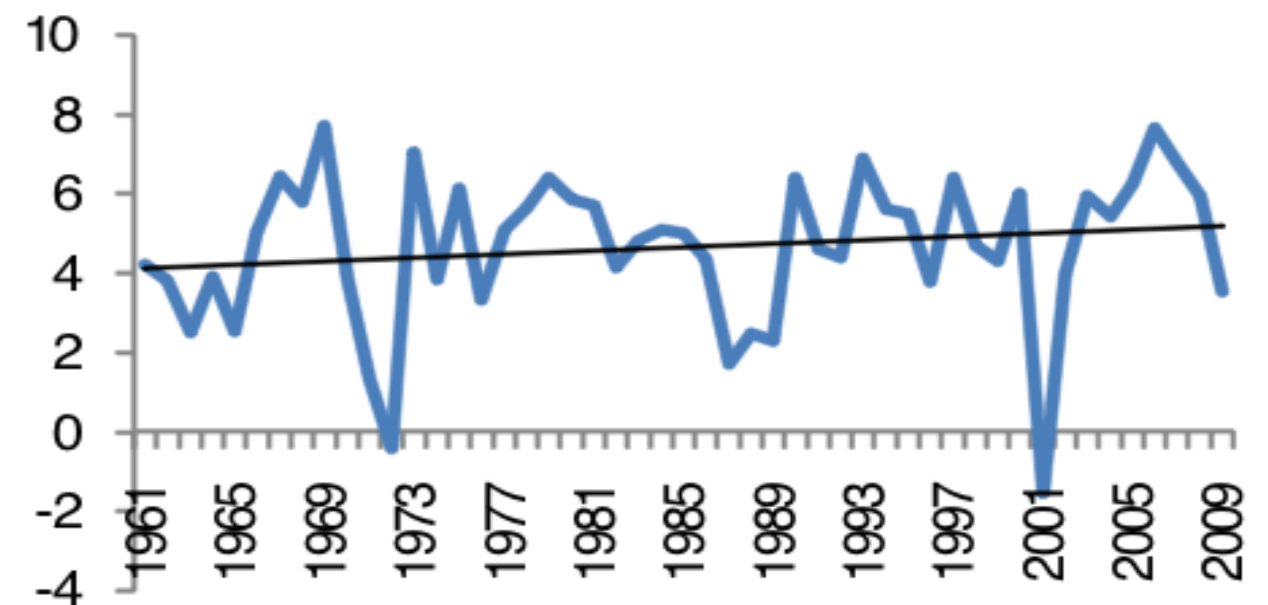
**India**



**Pakistan**



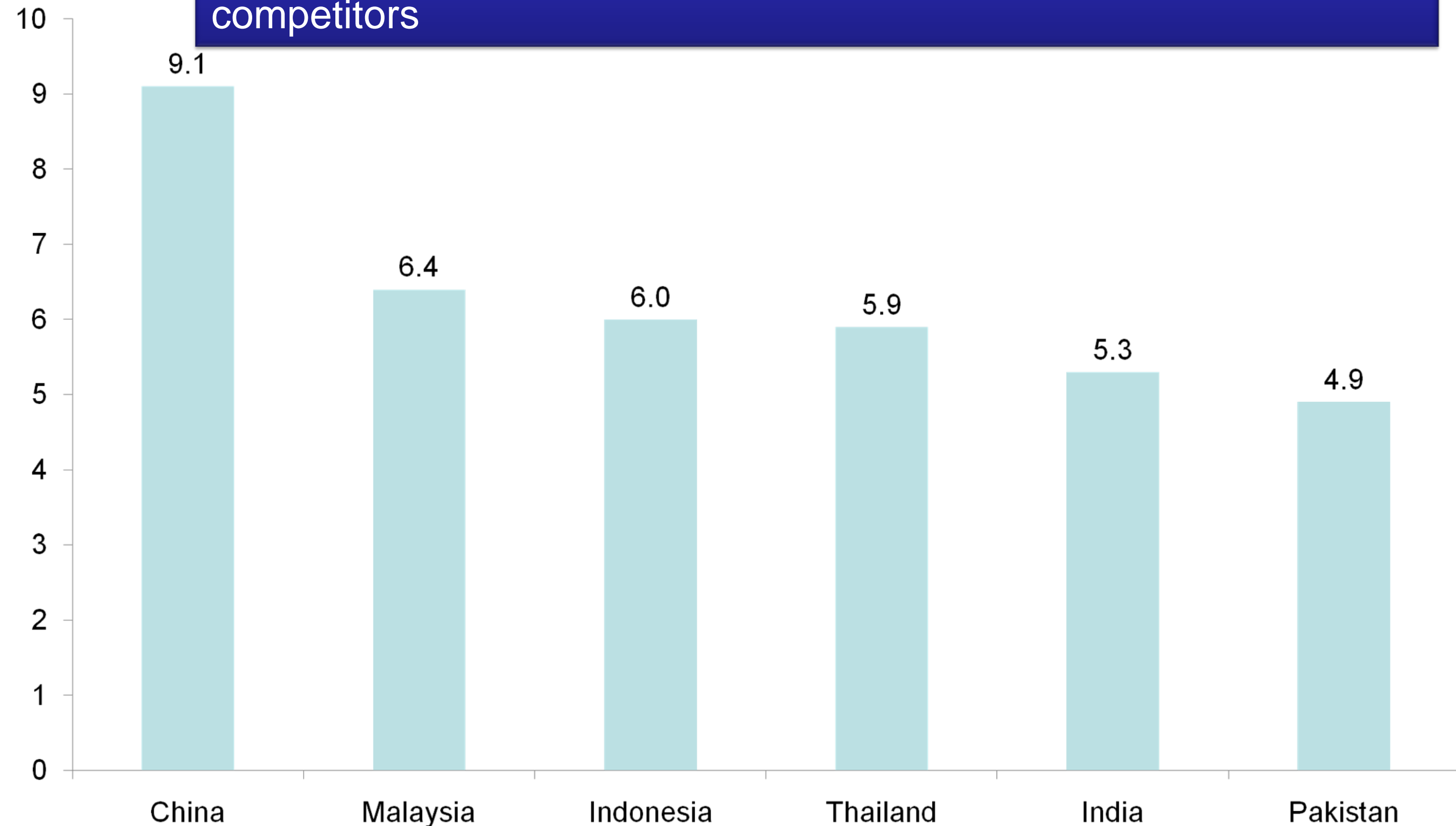
**Sri Lanka**



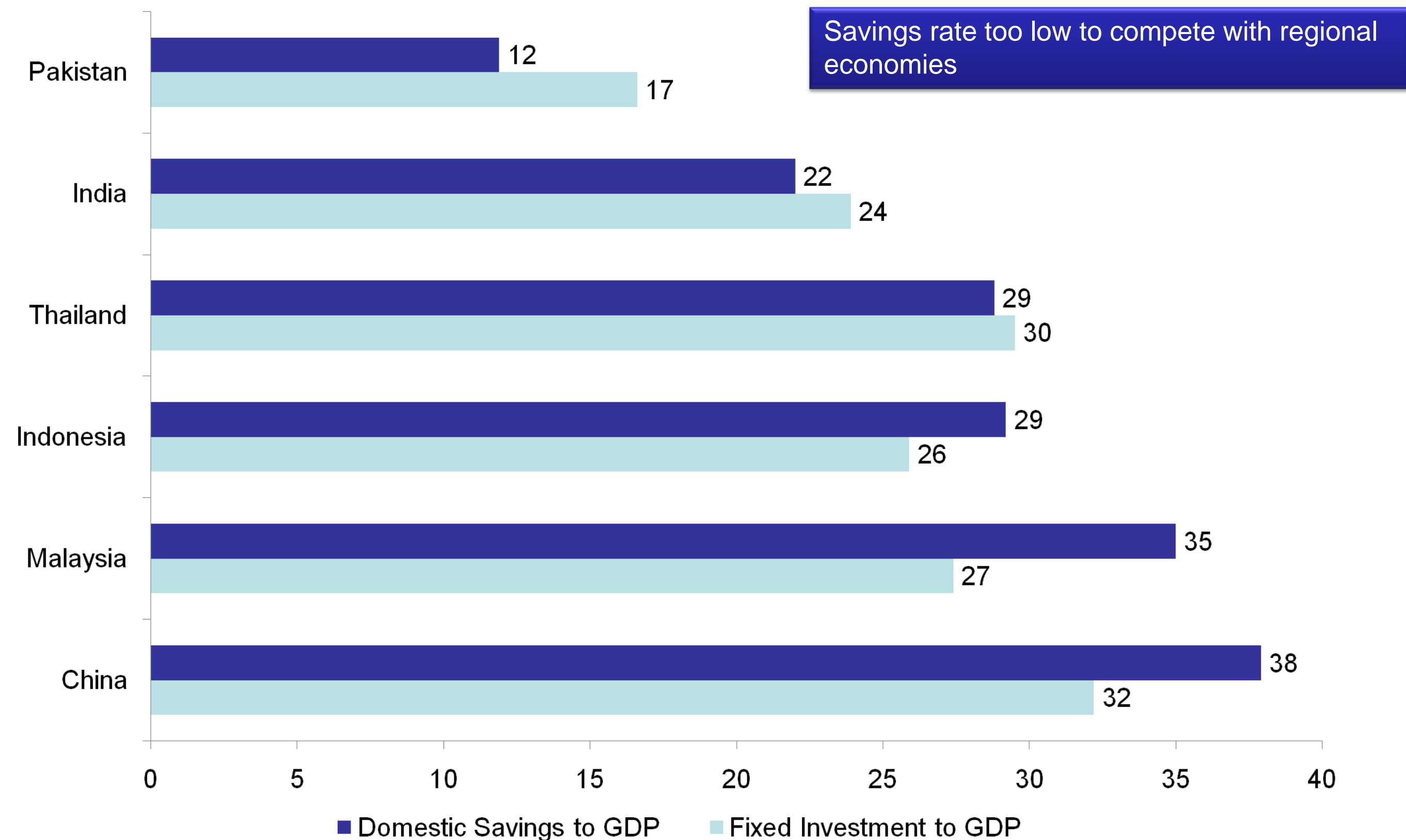
**Falling Competitiveness vis-à-vis Regional Economies**

# GDP Growth (%) 1971-2009

Lower long run average growth in comparison to regional competitors

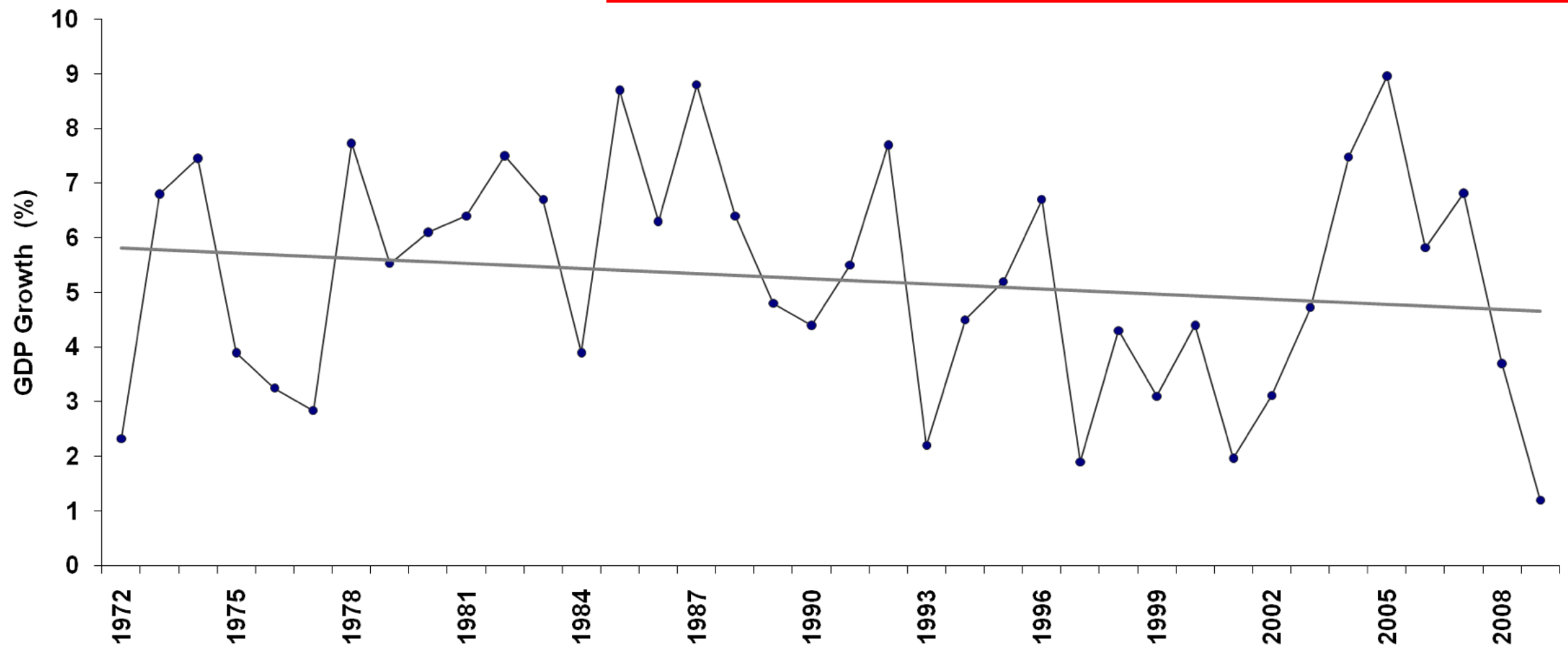


# Investment & Savings 1971 - 2009



# Current Trend of Economic Growth

- Growth volatility adding to uncertainty
- Falling long run potential growth rate
- Boom bust cycles in absence of reform



No Long Term Thinking on Growth Strategy

# Growth n Dev

- Lost narrative
- Old approach. HD industry aid project
- What constrains our growth? Development? Investment?
- Suspicion of growth
- Policy failure or intellectual failure

Software v hardware

# 6 Killer 'Apps' of Prosperity

## Niall Ferguson – TED Talk

The West's 6 killer apps:

1. Competition
2. The Scientific Revolution
3. Property Rights
4. Modern Medicine
5. The consumer society
6. The work ethic

**The Killer Apps can be downloaded by any society –**



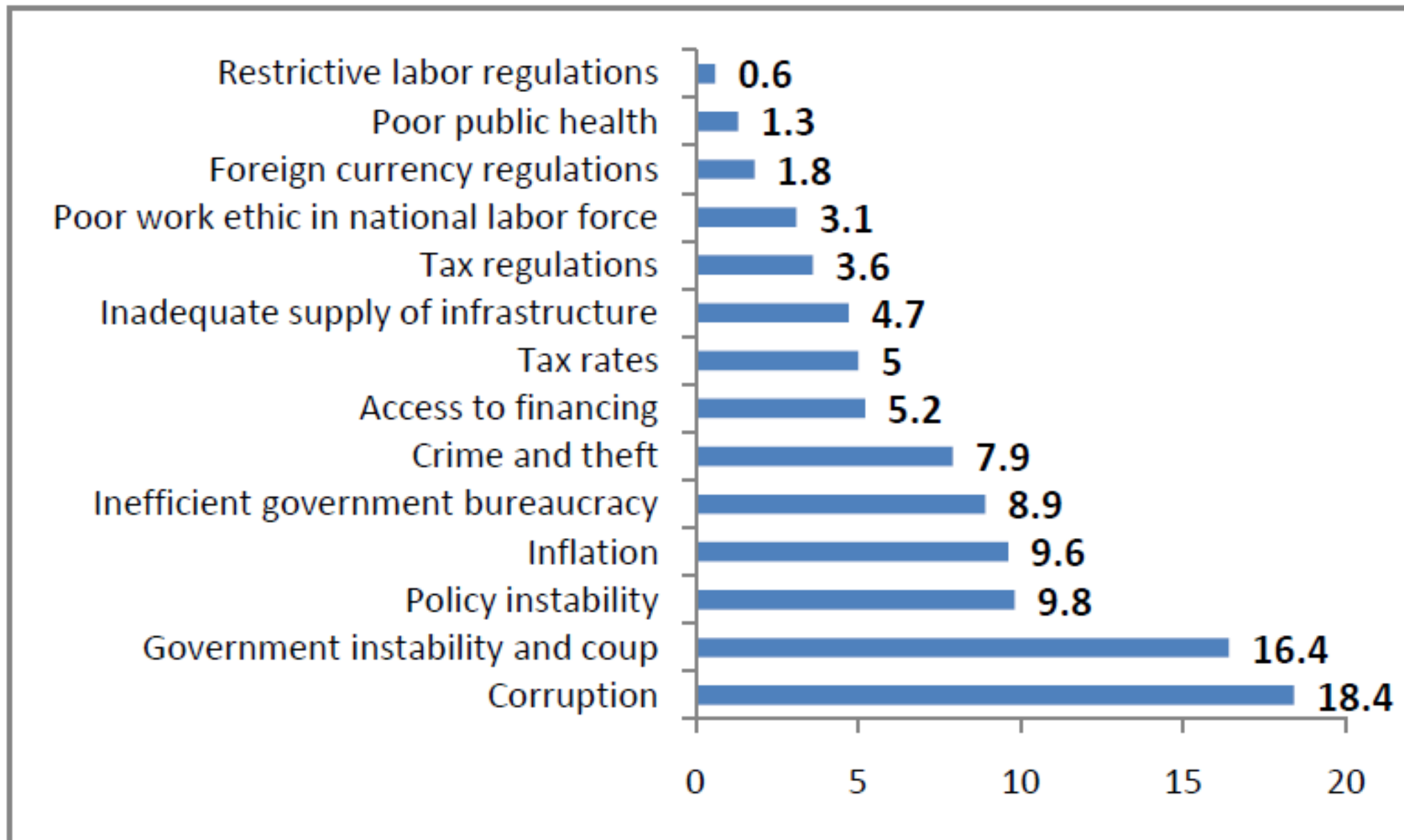
# The nature and role of state

# Nature of State

- Limited access
- Extractive
- Predatory
- Elite born of this seeks to preserve gains

# Doing Business in Pakistan

## The Most Problematic Factors for doing Business



Source: World Economic Forum, Global Competitiveness Report 2010-11

# The Role of the State

- Government is in every sector as a **direct market participant** obstructing private sector entry and impeding the development of competitive markets
- Untargeted subsidies
- Inefficiency in resource mobilization
- Poor service delivery
- Weak legal institutions
- Existence of monopolies

# Government Footprint in the Economy

	Govt. Share in Sector (%)	Sector Share in Economy (%)	Govt. Share in Economy (%)
Agriculture	43.06	20.91	9.00
Manufacturing	11.90	18.70	2.23
Transport and Communication	73.38	9.99	7.33
Electricity and Gas	77.63	2.20	1.71
Wholesale and Retail	7.90	17.20	1.62
Health and Education	49.26	12.29	7.17
Public Admin and Defense	100.00	6.60	6.60
Finance and Insurance	45.50	4.50	2.03
Construction	75.00	2.51	1.88
Ownership of Dwellings	100.00	2.70	2.70
Mining and Quarrying	79.60	2.40	1.91
Total		100.00	44.17

Adding Regulatory Burden (tariff, wage controls, non-tariff barriers etc)  
the size of the government intervention is around 60% of GDP

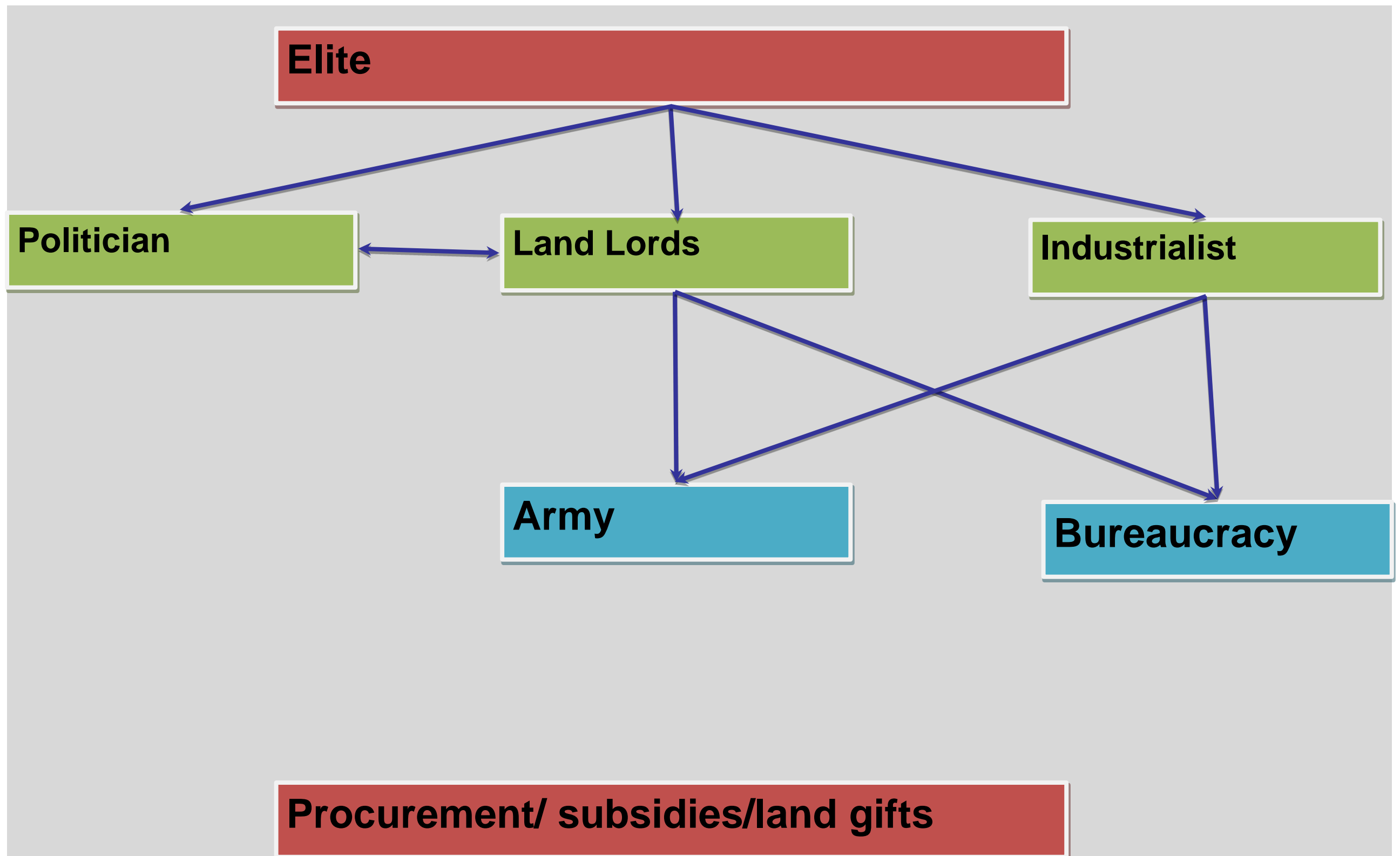
# Government Controls

- PSEs
- Regulations
- Markets
- Openness
- Taxes. Presumptive
- City space. Construction
- Commodities



# Political economy of rentseeking

# Mobility





# Success Norm

- Capture. Tariffs..protective regime
- Rent seeking
- Quasi licensing
- Government functionaries. Gifts and other rents. Perks. PLOT CULTURE. CAPTURING PRIME CITY SPACE. USE ISB HOUSING RESEARCH.

# The State

- Whether dictatorship or democracy
- Stability of bureaucracy
- Eg FS FM and SBP stable
- System if delivery stable
- Seeks mobility

# Understanding the state

# Bureaucracy Strikes Back

- Perks, plots, projects, procurement, proliferation and boards
- Control all forms of distribution, markets, cites
- Lack of professionalism, service delivery and accountability
- POA/boards
- Control of cites and land

# The geography of development

# Current State of Cities

Lack of understanding and capacity to  
manage urbanism

Unregulated urban property market  
Housing development catered to elite and not  
need based

Low density and anti-mixed land use

high transport costs  
due to lack of public  
transport

Poorly designed  
civic architecture

No city centres

Lack of sports and  
recreation  
facility for poor

High commercial fee  
hinders upcoming  
entrepreneurs



Lower Income Citizens

# Islamabad Monetization and Investment Potential

## Value of Govt. owned land in Islamabad

- **17235 government owned houses covering 864 acres of land** (G-6,7, 8, 9,10, **F-6,7,10**, I-8,9) exist in Islamabad
- Market value of 864 acres is Rs. 233.3 billion

## What Can be done ?

- Limit linear expansion and incentivize vertical housing
- Construct underground/overhead pedestrian crossings to allow mobility across avenues and highways
- Allocate bicycle lanes on streets
- Shrink/Limit construction until density sufficient for public transport to be feasible.



# Barkat Market – Lahore

(Designed for Car Use)





# Barkat Market – Lahore

## (Designed for Car Use)

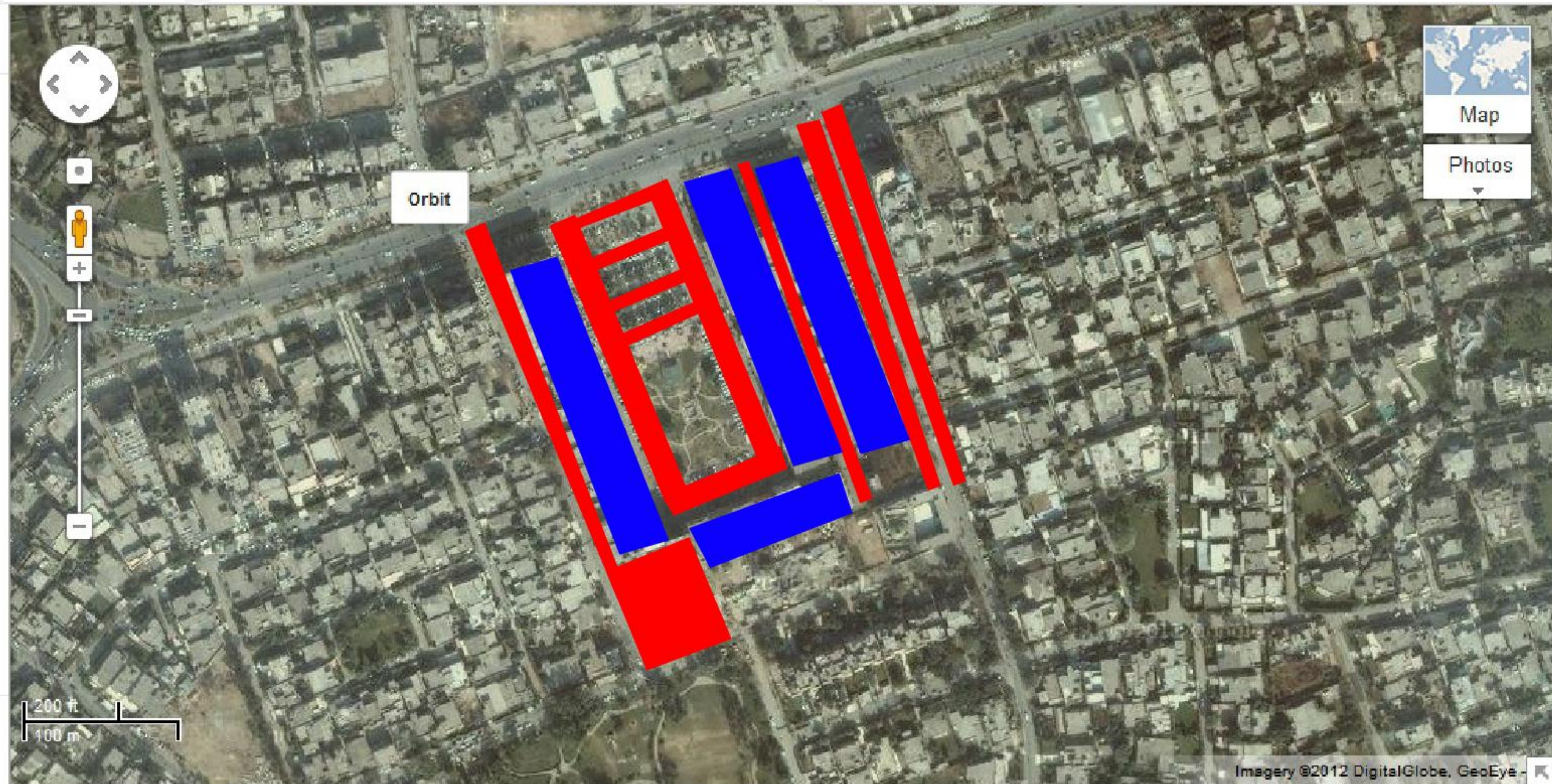


PARKING – TRAFFIC - CONGESTION



# Barkat Market – Lahore

## (Designed for Car Use)



COMMERCIAL AREA LIMITS CUSTOMERS BY LIMITING MOBILITY      Parking/Road area = Commercial area!



# Energy and Living Space

- Change mindset prioritizing home ownership that leads to suburban sprawl lifestyle. High-rise apartments needed to reduce consumption-area/person.
- Must not confuse **city which is a mass of connected people** with its structures.



β MIXED USE STREETS

# Understanding Complexity

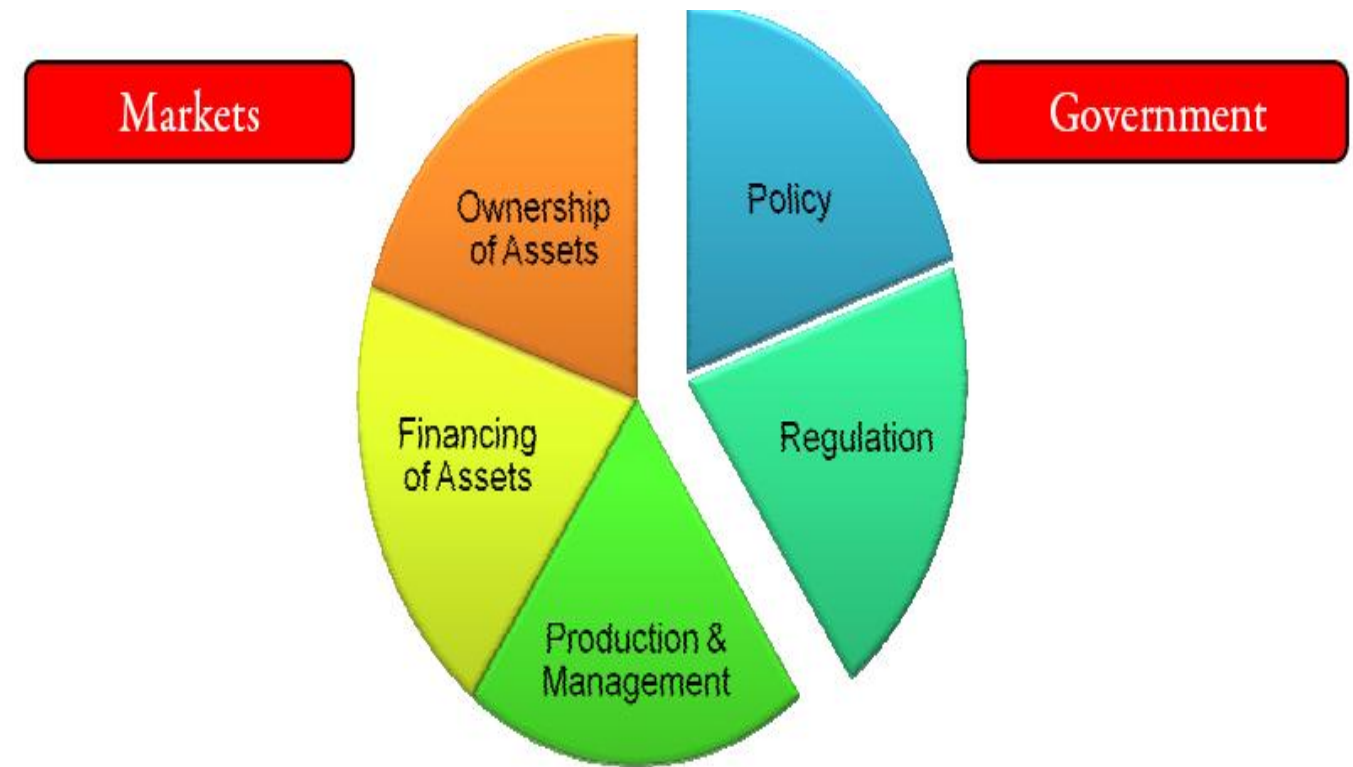
# Framework for Economic Growth, Pakistan



# Where Change Begins

- Minimum set of Reforms

- Cascading
- Unleashing a chain
- Csr/management
- Dereg
- Openness
- Urban
- Build community



# Same Group Controls

- Cities, markets, PSEs governance
- Bureaucracy
- Closed shop
- Perk as exclusion
- 3 prongs
  - Deregulate markets
  - Deregulate cities
  - Monetize and open
- Can only do civilian and Islamabad. Will cascade

# City deregulation and exclusion

- Density, high rise walk ability and mixed use
- No cars
- Middle class and poor in cities rich suburbs
- Govt functionaries brought down to earth
- Mobility through competition and innovation



# What should Urban Policy Contain?



- ⑩ Places in cities where economic activity can take place unhindered
- ⑩ City centres should be vibrant and give residents the ability to interact, share ideas and carry out business and trade
- ⑩ Density, high rise walkability mixed use

# Ending exclusion-- an open access order

- Migration into cities
- Cities for merchants
- Cities for middle class
- Production etc
- Local.....Autonomous identity etc.

Thank You