

# THE NEWS How to break a vicious cycle [Part – IV]

By Ishrat Husain

June 24, 2022

Medium-term agenda: First, devolve administrative and legal powers and financial resources to elected local governments for delivery of basic public goods and services responsive to the specific needs of the population at village, town, city and metropolitan level.

The 2021 ordinance enacted in Punjab and Khyber Pakhtunkhwa with some modifications should be implemented and elections held under these laws. Empirical studies have demonstrated that people are willing to pay taxes, fees, cess if they can see the results of utilization within their local environment. Lahore, Karachi, Faisalabad, Peshawar, Quetta and Islamabad can mobilize sufficient resources from property taxes to take care of their growing urban needs as Tehran and Mumbai are doing – and they won't require any allocation from the national or provincial pool.

Second, substitute food and agricultural imports by increasing productivity of small and medium farmers, diversification of manufactured exports, transiting from resource based low technology to medium technology products, moving away from sunset products to sunrise where the global demand is showing a secular upward incline. This should be accompanied by reduction in the cost of logistics through a Single National Window, integration into global value chains, attracting export oriented foreign direct investment in Special Economic Zones, investing in quality upgradation and standards, skills and on-job training and brand acquisition or development. Pakistan's share in world exports should rise to at least 0.5 per cent from the current 0.1 per cent.

Third, reduce the tax burden on organized sectors and compliant taxpayers by eliminating withholding taxes, advance taxes, minimum taxes, super taxes and other distortionary taxes; rely on evidence based tax assessment, electronically conducted tax audit and tax appeals; promote alternate dispute resolution mechanisms; simplify tax codes and facilitate taxpayers through non-

intimidating means; raise taxes and non-tax revenues from provinces to at least 4 per cent of GDP.

Fourth, bring down the debt-to-GDP ratio from the present high level of 80 per cent to 60 per cent by a combination of consistent primary surplus generation, reduction of direct and guaranteed loans to the state-owned enterprises, single treasury account, broadening the investor base for government securities from bank centric to non-bank institutions, high net worth individuals and tapping an expanded retail savers base. On the external front, non-debt creating flows – exports, remittances and FDI – should be able to reduce the gap between outflows and inflows and thus the need for non-concessional, commercial and short-term borrowing. Reliance on multilaterals would bring down the average weighted cost of external loans.

Fifth, incentivize the banking system to raise private sector credit to GDP ratios to the levels comparable in South Asia; develop debt capital markets to raise funds for large projects with longer tenor; simplify and make equity market flotations cost effective; set up private equity, venture capital, angel funds for both startups as well as expanding enterprises; enhance development finance capabilities for SMEs, agriculture, low-cost housing

Sixth, make optimal use of special technology zones, IT parks, national incubation centres, accelerators and entrepreneurship centres. Invest in training, certification and accreditation of human resources required for IT and IT-enabled services; relocate technology firms within university campuses on the lines of South Korea for direct linkage between academics and the industry; hold a spectrum auction; facilitate right of way, local manufacture of smart phones, extending internet connections and enhancing connectivity to Balochistan, Gilgit-Baltistan, merged districts of KP, rural districts of Sindh through a Universal Service Fund.

Seventh, bring all government departments and agencies onto an e-governance platform with e-office suite for communication within and outside and exchange of information, shared databases, automation and digitization of all business processes, G2P payments, uploading of all government forms and information filled dynamic databases.

Ninth, invest in emerging technologies and revamp science and technology institutes and university research departments to make them performance-oriented with competitive grants based on international peer reviews and contribution to local problem-solving applications. There should be regular exchange and collaboration with reputed research organizations in developed countries and China. Start STEM courses right from the middle-school level; provide publicly funded scholarships to obtain PhD degrees in these subjects and post-doctoral training in leading universities abroad; upgrade testing, quality control and standards through a network of private and public laboratories with international accreditation.

Tenth, reconfigure the existing training and skills institutes such as TEVTA, skills development funds and similar initiatives to produce the human resources that are employable and are in demand and would be in demand in the future both within the country and overseas.

Eleventh, raise female labour participation rates from 25 to 40 per cent by public financial support for girl children from primary to high schools. Enhance the volume of scholarships for girls at college and university levels; introduce reservations in government service across the board with relatively high starting salaries along with daycare facilities at the workplace, flexible working hours and liberal maternity and earned leave.

Twelfth, reorganize the civil services by abolishing the artificial distinction between CSS cadre officers and non-cadre and ex cadre officers who are mostly specialists in their respective fields. The recruitment, training and career progression of the latter is being brought at par with those who are from the CSS . Positions in special higher pay scales MP and SPSS have been opened up to induct specialists into the Government. Many positions in the secretariat should also be earmarked for specialists.

Thirteenth, implement the Renewable Energy Policy and National Power Policy to move towards the goal of 60 per cent generation from solar, wind, hydro and nuclear sources and reducing the share of fossil fuels. Make the competitive market model work with multiple buyers and sellers with

government-owned NTDC charging the wheeling charges. Deregulate gas pricing and unbundle SSGC and SNGPL.

Fourteenth, minimize government interventions, regulations and footprint from production, distribution and trading in the productive sectors and allow competitive markets to function. Professionalize the regulatory agencies that should protect consumer interests, prevent collusive practices and cartelization rather than get involved in micro-management and set prices of wheat flour, sugar, electricity, gas, petroleum products, and non-essential drugs.

Fifteenth, use Ehsaas's National Socio Economic Registry for targeted subsidies to the poor segments of the population through unconditional cash transfers , conditional cash transfers for girls education, nutrition, scholarships for undergraduate and graduate education ; concessional tariff for electricity, wheat flour, gas , fertilizers etc. Implement the National Financial Inclusion strategy to provide bank credit to the disadvantaged and marginalized segments particularly the females and youth and to the backward areas of the country through digitization of payments

Long-term agenda: Climate change: mitigation and adaptation strategies, particularly to meet the challenges of water, food, energy nexus. Reduction of CO2 emissions through forestation, electric vehicles, renewable energy.

Technology: transfer, absorb, assimilate and apply new technologies for education, health, agriculture, governance.

Demographics: population control along with encouraging out-migration to countries with rise in ageing populations.

Investment in human capital: transform the youthful labour force into a trained, stable, skilled workforce with greater emphasis on female labour force participation.

Urbanization: the majority of the population would be living in towns, cities and metropolises by 2030. The reallocation of labour from low productivity to

high productivity activities can be stifled if the urban sprawl is allowed to set in. Thus, careful planning and enforcement would be required.

Regional inequality: underdeveloped districts throughout the country would be provided technical knowhow, infrastructure and connectivity. Human capital and financial resources to mitigate the existing disparities.

Concluded

The writer is the author of 'Governing the ungovernable'.