



FES session in the Karachi Literature Festival 2018

Session title:

**Launching of 3 Books on
Socio-Economic and Governance Priorities for Pakistan**

Three books on socio-economic and governance priorities for Pakistan, written by eminent economists and subjects experts were launched in the 9th Karachi Literature Festival at the Beach Luxury Hotel on Saturday. The session was hosted and supported by Friedrich-Ebert-Stiftung, the oldest political foundation of Germany, in association with Sustainable Development Policy Institute (SDPI) Pakistan.

The panel of experts in the session comprised of Dr Hafiz A. Pasha, former Federal Minister and a distinguished economist, Sakib Sherani, former economic adviser to government, and Dr Vaqar Ahmed, leading economist, Deputy Executive Director at Sustainable Development Policy Institute (SDPI), Islamabad. The session was moderated by Mr. Abdul Qadir, program coordinator and advisor at Friedrich-Ebert-Stiftung.

The moderator, Mr Abdul Qadir, while giving the introductory remarks said that the FES was working on the paradigm of 'economy of tomorrow', which was inspired after the global financial recession of 2008. He said that the financial crisis of the world were not purely financial in their nature, although the manifestation of them was financial. He said that at the basis of the financial crises were ecological and social crises that snowballed to form an intense financial crises. "Due to the global financial crisis of 2008, all the economic theories and models were discredited, which led to a new dialogue on rethinking the economic policies by keeping in view the supreme vision and long-term goals of the societies", he said. "One of the elements of economy of tomorrow is that the economics was not a discussion of economists, but also of general public, which is what FES was achieving through hosting this session", he said.

Expressing his views at this occasion, Dr Pasha said that in last 15 years, not only Pakistan had lost its growth momentum due to a multitude of reasons including war on terror and electricity shortage, but also, it was facing a growing rise in inequality among its citizens. Quoting the statistics from his research, Dr Pasha elaborated that the cost of war on terror, which Pakistan had to bear, was much higher than the statistics provided by the Government of Pakistan. He said that the original cost incurred to Pakistan because of instability caused by war on terror was nearly \$180 bn, whereas the official statistics stood at only about \$123 bn. "This cost is much higher than what we have received in aid from the US and other countries", he said while referring to the statement of US President Donald Trump, in which he had said that the US had "foolishly given \$33 bn to Pakistan".

Revealing other telling statistics about the state of Pakistan's economy and how different factors affect the living standards of people, Dr Pasha explained that the toll that power shortage had taken on Pakistan's economy was nearly Rs. 1575 bn or \$16 bn. "It has not only affected our exports, but has also tremendously affected the lives of common people, since almost 1 million jobs were eliminated due to continuous shortage of electricity", he said. Expanding further on unemployment situation in Pakistan, he said that in last 3-4 years, the government had created only 700,000 jobs, whereas almost 1.5 mn youth had joined the workforce. "The government always provides the manipulated figures when it comes to its performance", he said, adding that almost 4 mn male youth of the country was idle, neither working nor studying, which was a fodder for extremism and crime.

Sakib Sherani, panelist at the session, discussed the causes of downfall of the Pakistani economy, and was of the view that it was going downhill in the long-run. He said that not only Pakistan was lagging behind the other countries of South Asia in human development indicators, with the exception of Nepal, Bhutan, and Afghanistan, but also, its economy was performing less than half of its performance in 1960s to 1980s. He lamented the fact that Pakistan's spot in Human Development Index (HDI) was 147th, whereas its spending on education stood at 177th in the world. Discussing the channels that could help in bringing Pakistani economy back on track, Sherani said that collecting the taxes was only factor that could help in achieving the goal. He said that 73% of the country's tax collection was paid by industries, whereas almost 5-6 mn members of elite class evaded tax, which, otherwise, would greatly contribute towards the economy. "Even the tax that is collected, is not used on health and education, but it is siphoned off through useless contracts and projects", he said, adding that unless the teachers were hired on merit, merely increasing the education budget would not help.

He was of the opinion that the government's policy of predatory taxation, i.e, resorting to increasing the taxes instead of increasing the tax net, was not helpful in achieving the

national tax-collection goals. “This policy has increased the incentive of evading the tax because we are now burdening the people who were already taxpayers”, he said.

In his remarks, Dr Vaqar Ahmed cited his survey that was conducted with 4000 enterprises of Pakistan. According to the survey, he said, the Pakistani enterprises were facing four major issues which hampered their competitiveness. These issues included weak rule of law, legal and judicial reforms, civil service reforms, and corruptions in institutions of economic governance. He said that resolving these issues was a prerequisite for increasing the competitiveness of Pakistani companies, because lack of implementation of institutional reforms and increased corruption meant increased cost of business.

Talking about CPEC and its potential impacts on Pakistan, he said that what China was doing for Pakistan through the CPEC projects, was not a new phenomenon, as the United States had given us such endowments in the 1950s and 1960s as well. “What we really need to see is that when Pakistan receives such endowments, how well do we bring these to use”, he said. Dr Ahmed, while giving his recommendations for uplifting the economy, said that there was a strong need of synchronising Pakistan’s different economic policies, and reforming the tax collection. “Currently we have a trade policy, that aims at promoting the exports, whereas we have a fiscal policy, that is not export-friendly”, he said. He said that industries in Pakistan had to pay taxes to 13 different institutions, each with its own set of laws, which made it difficult for the companies to do the business.

Responding to a question about Bangladesh’s advantage over Pakistan in economy, Dr Pasha said that there were mainly two reasons for Bangladesh’s edge over Pakistan. The first, he said was concessions that Bangladesh received due to being a lesser-developed country, and secondly, due to lower wages of labor and prolonged hours of work that they were forced to put in. “It is not an advantage of productivity, but merely an increased output that is acquired through gender-based exploitation of labor and underpaying them”, he said. Sherani, while continuing Dr Pasha’s answer, said that Bangladesh had developed a consensus on national development paradigm, and no matter what the country’s domestic political scenario was, exports and business activities were never halted, which he emphasized was something Pakistan should adopt.

The books launched included Growth and Inequality by Dr Hafiz A. Pasha, which highlights the how a decade-long recession in Pakistan has amplified inequalities and exacerbated social and political instability, which in turn has weakened the prospects of long-term growth.

Second book that was launched was titled Institutional Reform in Pakistan: The Missing Piece of the Development Puzzle by Sakib Sherani, which emphasises that without a recognition of the institutional roots of its problems, and in the absence of a robust, wide-ranging reform effort, the country's economy as well as its politics will remain mired in not being able to meet the needs and expectations of its citizens.

The third book that was launched was titled Pakistan's Agenda for Economic Reforms by Dr. Vaqar Ahmed. The book aims to provide a non-technical understanding of weak economic growth in Pakistan, and serves an interesting introduction to policy makers, journalists, and civil society organizations engaged in research and advocacy work to enhance accountability and economic governance in the country. The session was attended by students, journalists, bankers, and people from all walks of life in large numbers.