



REPORT

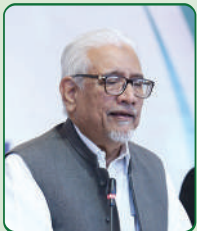
AERC ANNUAL INTERNATIONAL CONFERENCE

NOVEMBER 19-20, 2019



**The Economy of Naya (New) Pakistan: Emerging Challenges,
Prospects for Change and Road to Prosperity**

VENUE: SERENA HOTEL, ISLAMABAD



**APPLIED ECONOMICS RESEARCH CENTRE
UNIVERSITY OF KARACHI**



Asian Development Bank

The Annual International Conference 2019

The Economy of Naya (New) Pakistan: Emerging Challenges, Prospects for Change and Road to Prosperity (TENPECPCRP)

Annual International Conference 2019 organized by

**Applied Economics Research Centre, University of Karachi
(AERC)**

**November 19 - 20, 2019
Islamabad, Pakistan**

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AERC

Applied Economics Research Centre
(University of Karachi)

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The AERC, University of Karachi, was established in 1973. The major functions of the Centre are policy oriented Core/Academic Research, Contract Research for clients, post-graduate teaching and providing advisory services to the government. The Centre undertakes research on issues in applied economics with a focus on urban and regional economics, agriculture economics, human resource development, public finance, poverty, health and nutrition, industrial economics, trade, environment and gender issues.

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Report Design by Mr. Muhammad Waqas (*Webmaster, AERC*)

Acknowledgments

Applied Economics Research Centre (AERC), University of Karachi, like to extend gratitude to Asian Development Bank (ADB) Islamabad / Manila and Higher Education Commission of Pakistan (HEC) for the kind support and generous funding for the conference. We are very thankful to all speakers of the Annual International Conference 2019, for their time and positive contribution. The factual data, expert opinions, and investigative analyses shared by them not only advanced our knowledge on the subject matter but also contributed largely to the policy implications / recommendations and findings listed in this report. AERC would also like to pay kind regards to **Keynote Speakers** and **Panelists** for sharing their expert opinions. AERC Conference **Organizing Team** deserves appreciation for their tireless efforts and dedication to make the annual conference one of the successful events of the year 2019.

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EXECUTIVE SUMMARY

The Applied Economics Research Centre, University of Karachi continuing its legacy organized its yet another international level symposium. The two-day Annual International Conference 2019 on the most debated phenomenon within the country and across world “*Naya (emerging) Pakistan.*” In order to study the prospects of growth and challenges for the claimed emerging Pakistan, the Annual International Conference 2019, was themed as, “*The Economy of Naya (New) Pakistan: Emerging Challenges, Prospects for Change and Road to Prosperity (TENPEPCRP).*” The conference was organized by the Pakistan Society of Applied Economists of a key academic research institute and think tank, Applied Economics Research Centre (AERC), University of Karachi on November 19-20, 2019 at the Serena Hotel - Islamabad. The AERC Annual International Conference 2019, aimed at exploring the possible challenges, failures and achievements of the new government that has to face in order to bring about the CHANGE. Naya (New) Pakistan is a dream message not only of hope but of a promise by the Prime Minister for the deprived, the dispossessed, discriminated and for the people of Pakistan in general. The PM, Imran Khan promised that his government would lead us to higher echelons of life, he promised rule of law for all, justice for all, prosperity for all, education for all, health for all, well being for all, respect for all in the country and punitive action against crime and corruption of all sorts and without any discrimination. Through this event AERC created evidence-based awareness about past, present and future development trajectories of Pakistan. In the process of such awareness creation, the institution contributed to local-context-relevant customization of development and growth agendas and corresponding financing strategies. The conference provided an ideal forum of discussions among the national and international renowned academics, researchers, practitioners, policy makers and scholars.

The Annual International Conference 2019 included two keynote lectures. One on the climate change and the policies of the government to combat it while other on economic challenges of the economy and roadmap for future development. The lectures were delivered by the Federal Minister for Climate Change, Government of Pakistan and Federal Minister for Economic Affairs, Government of Pakistan respectively. The keynote speeches highlighted government’s will and policies to fight the emerging challenges to the economy and presented their plan for further development.

The panel discussions on the other hand discussed significant issues ranging from the road to Naya Pakistan is throng with pitfalls, international donor / development agencies and Naya Pakistan: past experiences and future expectations, prospects of Pakistan’s regional economic cooperation and integration and the policy imperatives and socio-economic uplifting of the marginalized population. The renowned panelists in the sessions concluded that the path leading to Naya Pakistan is not easy but when there is a will there is a way. Structural reforms and change must be anchored to a strong foundation of macroeconomic stability. Institutional reforms, viable and efficient growth strategy and overall peace and security in which all people and sectors of the economy can realize their potential is massive challenge for the Prime Minister’s Government. The parallel technical sessions dealt with the evidence based descriptive and technical studies. The papers presented in sessions looked into the impact of policies adopted by the former policy makers and room for improvement in the existing policies for the new government. The presenters made it evident through the research that Pakistan has great development potential in trade, human development, globalization and urbanization, CPEC, financial development and in socioeconomic revolution to tread on the road to prosperity. The speakers at the AERC Annual International Conference 2019, built consensus, that to frame grand strategy of economic growth of Pakistan on strong footings, the prerequisite is to strengthened political coalitions, as they are required to push reform agenda. Any reform that needs to be passed must be accompanied by legislative reforms by provincial governments. There must also be a clear political calculus on how to change and bring reform. All of this needs to be strategically thought out by the parliament. Rebuilding what was known earlier as the ‘steel frame’ of dedicated, competent and honest public servants is imperative to bring about ‘Naya Pakistan’ at all levels of the government. This is a major challenge and can only succeed if merit replaces the current system of personal loyalty to those in power, and security of service.

The conference was attended by the national and international academic scholars, eminent political and bureaucratic personalities, foreign delegates, think tanks, electronic & print media and students. AERC extend profound thanks to the Asian Development Bank (ADB) Islamabad / Manila and Higher Education Commission of Pakistan (HEC) for their generous contribution and sponsorship. The proceedings of the AERC Annual International Conference 2019 were divided into two lectures, four sessions of panel discussions and six technical sessions on various significant issues with the relevance to the theme. The details of the conference agenda and proceeding are given in the following pages.

AERC ANNUAL INTERNATIONAL CONFERENCE AGENDA 2019

DAY- 1 Tuesday, November 19, 2018 8: 10 am – 10:30 am Venue: Shamadan Hall	
8:10 am to 8:25 am	Reception and Registration
8:25 am to 8:40 am	Seating of Guests / Audience
8:40 am to 8:50 am	Arrival of Chief Guest
8:50 am to 8: 55 am	National Anthem
Recitation from the Holy Quran 8:55 am to 9:00 am	Mr. Haseen Shah <i>PhD. Scholar PIDE.</i>
Welcome Remarks 9:00 am to 9:05 am	Dr. Uzma Iram <i>Head of Conference, Applied Economics Research Centre (AERC), University of Karachi.</i>
Address by the Director 9:05 am to 9:15 am	Prof. Dr. Samina Khalil <i>Director, Applied Economics Research Centre (AERC), University of Karachi.</i>
Address by the Vice-Chancellor 9:15 am to 9:30 am	Prof. Dr. Khalid Iraqi <i>Vice Chancellor, University of Karachi.</i>
Guest of Honor 9:30 am to 10.00 am	Dr. Wang Zhihua <i>Minister Counselor, Chinese Embassy.</i>
Guest	Dr. Javed Ashraf <i>Former Vice Chancellor, Quaid-i-Azam University, Islamabad.</i>
Tea Break 10.00 am - 10.30 am 10:30 am – 11:15 am The Quaid-i-Azam Lecture by Mr. Malik Amin Aslam <i>Federal Minister and Adviser to the Prime Minister of Pakistan for Climate Change</i>	
Chairperson	Mr. Maroof A. Syed <i>President & CEO, Centre for Economic Research in Pakistan (CERP) / Director of Pakistan Strategy & Development, Evidence for Policy Design (EPOD-Harvard).</i>
11: 15 am – 11:30am	General Discussion
PANEL DISCUSSION 11:30 am – 1:30 pm	
Venue	Shamadan Hall
Theme	THE ROAD TO NAYA PAKISTAN IS THROG WITH PITFALLS
Chairperson	Dr. Nadeem Ul Haque <i>Former Deputy Chairman, Planning Commission of Pakistan & Vice Chancellor Pakistan Institute of Development Economics (PIDE), Islamabad.</i>
Panelists	Dr. Ashfaq Hasan Khan <i>Principal and Dean, School of Social Sciences & Humanities, National University of Sciences and Technology (NUST), Islamabad.</i> Dr. Waqar Masood Khan <i>Former Secretary Finance, Ministry of Finance, Government of Pakistan, Islamabad.</i> Dr. Nadeem Javaid <i>Former Chief Economist, Planning Commission of Pakistan, Government of Pakistan & Professor (Economic Policy & Strategy) Karachi School of Business & Leadership (KSBL), Karachi.</i>
Lunch Break 1:30pm – 2:30pm	

PARALLEL TECHNICAL SESSIONS 2:30 pm – 4:30 pm			
	Shamadan Main Hall	Shamadan Hall -1	Shamadan Hall -2
Chairpersons	Dr. Ateeq-ur-Rehman <i>Associate Professor, Kashmir Institute of Economics, University of Azad Jammu & Kashmir, Azad Jammu and Kashmir.</i>	Dr. Sajjad Akhtar <i>Former Director of Center for Research on Poverty Reduction and Income Distribution, Islamabad.</i>	Dr. Syed Hasnat Shah <i>Associate Professor, School of Economics, Jilin University, PRC, China.</i>
Theme	Trade, Economic Growth and Road to Prosperity Financial Development, Trade Openness, Technological Innovation, Energy Efficiency: Exploring the Dynamic Linkages for Pakistan. Dr. Samia Nasreen & Dr. Sofia Anwar <i>Department of Economics, Government College Women University Faisalabad, Faisalabad.</i>	Globalization, Political and Emerging Challenges Cost of Justice and Exclusion: An Empirical Analysis. Dr. Anwar Shah & Mr. Shoib Ahmed <i>School of Economics, Quaid-i-Azam University, Islamabad.</i>	Human Development and Naya Pakistan Macroeconomic Determinants of Maternal & Child Mortality: Evidence from SAARC. Ms. Zahrah Rafique, Ms. Saima Nazir and Dr. Uzma Iram <i>Applied Economics Research Centre (AERC), Karachi.</i>
	Exchange Rate Volatility and External Debt in Pakistan: A Case Study. Ms. Ambreen Zahra and Dr. Bushra Yasmin <i>Fatima Jinnah Women University, Rawalpindi.</i>	Was there a 'unique selling point' in the Economic Agenda of PTI – A Comparative Study of Election Manifestos of leading political parties in Pakistan. Ms. Saarma Saeed and Mr. Muhammad Salahuddin Ayyubi <i>Department of Economics, Forman Christian College, Lahore.</i>	Prevalence and Determinants of Childhood Diarrhea in Pakistan. Dr. Muhammad Ali <i>National University of Sciences and Technology (NUST), Islamabad.</i>
	Pakistan's Trade at Margins and Pak-China Free Trade Agreement. Mr. Imtiaz Ahmad and Dr. Zafar Mahmood <i>School of Social Sciences and Humanities, NUST, Islamabad.</i>	An Analysis of Exports Trend In Pakistan (1990- 2017). Mr. Muhammad Adnan Khan, Prof. Dr. Ghiasul Haq & Dr. Wajahat Ali <i>Sarhad University Peshawar, Peshawar.</i>	Child Mortality, Fertility and Poverty: A Counterfactual Analysis. Dr. Asma Hyder and Dr. Wali Ullah <i>Institute of Business Administration (IBA), Karachi.</i>
	Asymmetric Cointegration, Nonlinear ARDL, and the J-Curve: A Bilateral Analysis of Pakistan and Its Trading Partners. Dr. Javed Iqbal, Dr. Misbah Nosheen, Mr. Salahuddin and Mr. Gohar Panezai <i>Quaid-i-Azam University, Islamabad.</i>	Global gap Certification and Mango Exports in Asian Countries. Ms. Faizah Zia & Dr. Amjad Masood <i>Preston University Kohat, Islamabad Campus, Islamabad.</i>	Income Inequalities Among Earmers Engaged in Selected Occupations and Professions in Pakistan. Mr. Mirza Tahir Rahim, Mr. Usman Mustafa and Mr. Muhammad Shahid <i>Allama Iqbal Open University, PIDE, Islamabad and AERC, Karachi.</i>
Discussant	Dr. Abdul Waheed <i>Professor, Department of Economics, University of Karachi, Karachi.</i> Dr. Aamir Siddiqui <i>Research Economist, AERC, University of Karachi, Karachi.</i>	Dr. Iftikhar Ahmad <i>Assistant Professor, Pakistan Institute of Development Economics (PIDE), Islamabad.</i> Dr. Tehseen Jawaaid <i>Research Economist, AERC, University of Karachi, Karachi.</i>	Dr. Tariq Majeed <i>Associate Professor, Quaid-i-Azam University, Islamabad.</i> Dr. Adiga Kiani <i>Associate Professor, Federal Urdu University, Islamabad.</i>
	General Discussion	General Discussion	General Discussion
Tea Break 4:30pm – 5:00pm			

PANEL DISCUSSION	
5:00 pm – 6:30 pm	
Venue: Shamadan Hall	
Theme	INTERNATIONAL DONOR / DEVELOPMENT AGENCIES AND NAYA PAKISTAN: PAST EXPERIENCES AND FUTURE EXPECTATIONS
Chairperson	Her Excellency Ms. Windy Gilmour <i>High Commissioner of Canada</i>
Panelists	Ms. Melinda Good <i>World Bank Manager Operations to Pakistan.</i>
	HE Ambassador Ms. Androulla Kaminara <i>Delegation of the European Union to Pakistan.</i>
	Ms. Minā Dowlatchahi <i>FAO Representative in Pakistan.</i>
	General Discussion
Concluding Session	
Tea Break 6:30 pm	

DAY- 2	
Wednesday, November 20, 2019	
Venue: Shamadan Hall	
9:30 am – 10:30 am	
Sir Syed Ahmad Khan Lecture	
By	
Mr. Muhammad Hammad Azhar	
<i>Federal Minister for Economic Affairs, Government of Pakistan</i>	
Venue	Shamadan Hall
Chairperson	Dr. Jawaid Ashraf <i>Former Vice Chancellor, Quaid-i-Azam University, Islamabad.</i>
10.30 am - 11.00 am	General Discussion
Tea Break 11:00 am – 11:30 am	
PANEL DISCUSSION	
11:30 am – 1:30 pm	
Venue	Shamadan Hall
Theme	PROSPECTS OF PAKISTAN'S REGIONAL ECONOMIC COOPERATION AND INTEGRATION
Chairperson	Mr. Sakib Sherani <i>CEO Macro Economic Insights & Member of the Economic Advisory Council, Government of Pakistan, Islamabad.</i>
Moderator / Panelists	Dr. Safdar Parvez <i>Director, Asian Development Bank (ADB), Regional Cooperation and Operations Coordination Division, Central and West Asia Department, Islamabad.</i>
	Dr. Nadia Tahir <i>Managing Director, Quality Assurance Agency, HEC, Islamabad.</i>
	Dr. Imtiaz Ahmad <i>Economic Adviser, Ministry of Finance, Government of Pakistan, Islamabad.</i>
	Dr. Syed Hasanat Shah <i>Associate Professor, School of Economics, Jilin University, PRC, China.</i>
	General Discussion
Lunch Break	
1:30pm – 2:30pm	

PARALLEL TECHNICAL SESSIONS

02:30 pm – 4:00 pm

	Shamadan - Main Hall	Shamadan Hall - 1	Shamadan Hall - 2
Chairpersons	Prof. Dr. Samina Khalil <i>Director, Applied Economics Research Centre (AERC), University of Karachi, Karachi.</i>	Prof. Dr. Usman Mustafa <i>Chief, Project Evaluation and Training Division, Pakistan Institute of Development Economics (PIDE), Islamabad.</i>	Dr. Fazal Husain <i>Joint Director, Pakistan Institute of Development Economics (PIDE), Islamabad.</i>
Theme	Environment, Urbanization and CPEC	Socioeconomic Revolution and Religiosity	Macroeconomic and Financial Development
	Innovation and Urban Sprawl: Empirical Evidence from Pakistan. Dr. Adiq Kiani <i>Federal Urdu University, Islamabad.</i>	Impact of Culture on Female Labor Participation: Role of Religion & Religiosity. Ms. Fatima Subhani and Mr. Muhammad Ibrahim <i>Pakistan Institute of Development Economics (PIDE), Islamabad.</i>	The Random Walk Model of Pakistan's Real Estate Market: An Empirical Investigation. Prof. Dr. Khalid Mustafa <i>Department of Economics, University of Karachi, Karachi.</i>
	Nexus Between Income Growth, Technological Development and Production Footprints: A Case Study of Pakistan (1980-2018). Mr. Muhammad Imran Khan and Dr. Muhammad Rafiq <i>Pakistan Institute of Development Economics (PIDE), Islamabad.</i>	Life satisfaction and religiosity: A case study of Muzaffarabad. Mr. M. Rafaqat, Dr. M. Tariq Majeed and Dr. Anwar Shah <i>Quaid-i-Azam University, Islamabad.</i>	Estimating And Forecasting Term Structure of Interest Rate: Which Three Factor Affine Model Is The Best? Ms. Fatima Sadik and Dr. Wali Ullah <i>Institute of Business Administration (IBA), Karachi.</i>
	Linking Individual Opinions with Policy making: A Special Focus on Climate Change and Environmental Issues in Punjab, Pakistan. Mr. Muhammad Faisal Ali, Dr. Sobia Rose, Prof. Dr. Muhammad Ashfaq, Prof. Dr. Sarfraz Hassan <i>Institute of Agricultural and Resource Economics, University of Agriculture, Faisalabad.</i>	Transforming education system and social safety nets: A theoretical discussion in the light of Naya (New) Pakistan Manifesto for Change and Road to Prosperity. Dr. Ayesha Serfraz <i>Institute of Administrative Sciences, University of Punjab, Lahore.</i>	Fiscal Decentralization and Health Outcomes: Empirical Evidence from Districts of Punjab. Ms. Mehr-un-Nisa and Prof. Dr. Samina Khalil, <i>Lahore College for Women University, Lahore.</i>
	Capacity, Constraints and Potential of Districts along CPEC: The Case of Punjab. Ms. Sana Ajmal, Ms. Lubna Hassan and Dr. Iftikhar Ahmad <i>International Islamic University, Islamabad.</i>	Factors Affecting International Outsourcing Decision: Evidence from Plant-level Data of Pakistan's Surgical Instruments Industry. Sidra Nazir and Dr. Zafar Mahmood <i>School of Social Sciences and Humanities, National University of Science and Technology (NUST), Islamabad.</i>	A Nexus of Public Expenditure on Human Capital and Economic Growth in Pakistan. Dr. Manzoor Ahmed and Ubaid Ullah <i>Faculty of Management and Social Sciences, Lasbela University of Agriculture, Water & Marine Sciences, Lasbela.</i>

Discussants	Dr. Bushra Yasmeen <i>Dean of Social Sciences, Fatima Jinnah Women University, Rawalpindi.</i>	Dr. Uzma Iram <i>Research Economist /Assistant Professor, Applied Economics Research Centre, University of Karachi, Karachi.</i>	Dr. Miraj-ul-Haq <i>Assistant Professor, International Islamic University, Islamabad.</i>
	Dr. Syed Ammad Ali <i>Research Economist /Assistant Professor, Applied Economics Research Centre, University of Karachi, Karachi.</i>	Dr. Asma Hyder <i>Associate Professor, Institute of Business Administration (IBA), Karachi.</i>	Dr. Anwar Shah <i>Assistant Professor, Economics Department, Quaid-i-Azam University, Islamabad.</i>
	General Discussion	General Discussion	General Discussion
Tea Break: 4:00pm – 4:30pm			
PANEL DISCUSSION 4:30 pm – 6:00 pm			
Venue		Shamadan Hall	
Theme		THE POLICY IMPERATIVES AND SOCIO-ECONOMIC UPLIFTING OF THE MARGINALIZED POPULATION	
Chairperson		Dr. Fazal Husain <i>Joint Director, Pakistan Institute of Development Economics (PIDE), Islamabad.</i>	
Panelists		Mr. Omer bin Zia <i>Asian Development Bank (ADB), Islamabad.</i>	
		Mr. Kiyoshi Taniguchi <i>Principal Economist, Asian Development Bank (ADB), Islamabad.</i>	
		Dr. G. M. Arif <i>Former Joint Director, Pakistan Institute of Development Economics (PIDE), Islamabad.</i>	
		Dr. Vaqar Ahmad <i>Joint Executive Director, Sustainable Development Policy Institute (SDPI), Islamabad.</i>	
		Ms. Fizzah Zaheer <i>Akhuwat - Islamic Microfinance, Lahore.</i>	
		Dr. Jawaaid Ashraf <i>Former Vice Chancellor, Quaid-i-Azam University, Islamabad.</i>	
		General Discussion	
Tea Break 6:30pm			



“THE ECONOMY OF NAYA (NEW) PAKISTAN: EMERGING CHALLENGES, PROSPECTS FOR CHANGE AND ROAD TO PROSPERITY (TENPECPCRP)”

Naya (New) Pakistan is a dream message not only of hope but of a promise by the Prime Minister Imran Khan for the deprived, the dispossessed, the discriminated against, for the people of Pakistan. Prime Minister's vision is a New Pakistan; Prime Minister's slogan is Change. Change for the betterment, Change for a secure and prosperous Pakistan. The Prime Minister's party showcased its first written declaration (Manifesto) of principles, policies and objectives, before winning public mandate to rule the country in 2018. This document promises, infuses hopes and instills aspirations of a country which will take along every inhabitant of Pakistan on the road to prosperity and inclusive economic growth.

The annual international conference, 2019, of the AERC, University of Karachi, which is one of the prominent academic institutions and think tanks of the country aims at stimulating evidence-based policy debates and policy formulation, participation in the monitoring and evaluation of policy implementation programs, potentially leading to policy reviews. Through this event we want to create evidence-based awareness about past, present and future development trajectories of Pakistan. In the process of such awareness creation, we will contribute to local-context-relevant customization of development and growth agendas and corresponding financing strategies. The outcomes of such engagements depend on a number of factors including relationship building in the research-to-policy-to-action spectrum. Pakistan has historically seen periods of sustained growth such as by opening up new frontiers like canal colonies that sustained growth for 5 decades, followed by industrial revolution and then green revolution. All of these factors played an important role in pushing growth forward. We know that in the past few decades, Pakistan had experienced a trend growth rate of 5 and 6 percent per annum growth, which has now plummeted to around 3 percent where as Pakistan should be looking towards a growth rate of 8 – 9 percent. It is fundamental that we start thinking about the drivers that can create structural change within Pakistan. In this regard it is also essential to look at the micro dynamics of macro level issues.

The IGC has rightly pointed out that it seems as if Pakistan's economy is stuck in a state of Multiple Equilibria and in order to get out of this exceptional adjustment needs to be made. Overall public sector net growth is essential for any long-term sustainable growth in Pakistan. Private sector must accompany and not replace the public sector. Furthermore, any resultant growth will be impacted by how the transition happens and whether for instance it is accompanied with devaluation, balance of payments problem etc. therefore it is critical that the transition is less painful. World Bank in its latest Report titled, Pakistan@100: Shaping the Future, argues that Pakistan's young and growing population of 208 million is its greatest asset. Pakistan can and should turn its large youth bulge into a demographic dividend that drives economic transformation. Achieving that requires a large and diverse set of reforms. This report recommends immediate reform priorities that address identified constraints to accelerating and sustaining growth over the medium and long term. Pakistan@100: Shaping the Future builds on a comprehensive framework including essential elements for a growth strategy that other countries have successfully followed: The Manifesto of Prime Minister's political party also includes the following priority elements to bring about fundamental and sustainable economic growth in Pakistan.

Accumulation of physical and human capital, which will require both increasing public and private investment; **allocation of resources** to their most productive use, through structural transformation and openness to trade and investment; **environmental and social sustainability**, to ensure that the unsustainable use of finite resources does not constrain growth in the future, and that everybody can benefit from and contribute to growth; and **a governance environment** that supports growth and successful implementation of necessary reforms.

The pre-requisite to frame grand strategy of economic growth of Pakistan on strong footings is to strengthened political coalitions, as they are required to push reform agenda. Any reform that needs to be passed must be accompanied by legislative reforms by provincial governments. There must also be a clear political calculus on how to change and bring reform. All of this needs to be strategically thought out by the parliament.

OVERVIEW OF THE AERC ANNUAL INTERNATIONAL CONFERENCE 2019

REPORTED BY: MS. JAVARIA

The Applied Economics Research Centre, University of Karachi organized its Annual International Conference 2019 on the theme, *“The Economy of Naya (New) Pakistan: Emerging Challenges, Prospects for Change and Road to Prosperity”* on November 19-20, 2019 in Islamabad. Annual International Conference is now a regular academic feature of the Applied Economics Research Centre, University of Karachi. The core objective of this conference was to explore possible challenges and failures the new government has to face in order to bring CHANGE. Naya (New) Pakistan is a dream message not only of hope but of a promise by the Prime Minister for the deprived, the dispossessed, and the discriminated and for the people of Pakistan in general. Through this event the AERC created evidence-based awareness about past, present and future development trajectories of Pakistan. In the process of such awareness creation, the institution intended to contribute to local-context-relevant customization of development and growth agendas and corresponding financing strategies. The conference provided an ideal forum for discussions among the national and international renowned academics, researchers, practitioners, policy makers and scholars.



The Applied Economic Research Centre, University of Karachi as an institute continue to bridge the gap between policy making and policy implication and also aims to contribute in strengthening institutions. This year as compared to the last conference we received a large number of research/technical papers. However due to the limitation of time and space we were able to incorporate only 24 quality researches, that were presented. Two keynotes speeches and four panel discussions on various significant issues by our honorable Federal Ministers, distinguished speakers, discussants and renowned practitioners were highlights of the conference.

The day 01 of the conference included technical sessions and lectures on significant and relevant issues pertaining to the economy of Pakistan. The first session of the day was the Quaid-i-Azam Lecture on, “The Impacts Climate Change Policies adopted by the PTI Government to combat the vagaries of Climate Change”, by Mr. Malik Amin Aslam, Federal Minister and Adviser to the Prime Minister of Pakistan on Climate Change, chaired by Mr. Maroof A. Syed, President & CEO, Centre for Economic Research in Pakistan (CERP) and Director of Pakistan Strategy & Development, Evidence for Policy Design (EPOD-Harvard). The next was the Panel Discussion on the theme “The Road to Naya Pakistan is Throng with Pitfalls” chaired by Dr. Nadeem Ul Haque, Former Deputy Chairman, Planning Commission of Pakistan & Vice Chancellor Pakistan Institute of Development Economics (PIDE), Islamabad, while the panelist of the session included Dr. Ashfaq Hasan Khan, Principal and Dean, School of Social Sciences & Humanities, National University of Sciences and Technology (NUST), Dr. Waqar Masood Khan, former Secretary Finance, Ministry of Finance, Government of Pakistan and Dr. Nadeem Javaid, former Chief Economist, Planning Commission of Pakistan, Government of Pakistan & Professor (Economic Policy & Strategy) Karachi School of Business & Leadership (KSBL), Karachi. The day 01 of the conference after lunch was followed by the parallel technical sessions on themes like Trade, Economic Growth and Road to Prosperity, Globalization, Political and Emerging Challenges and Human Development & Naya Pakistan chaired by Dr. Ateeq-ur-Rehman, Associate Professor, Kashmir Institute of Economics, University of Azad Jammu & Kashmir, Azad Jammu and Kashmir, Dr. Sajjad Akhtar, former Director of Center for Research on Poverty Reduction and Income Distribution and



Dr. Syed Hasnat Shah, Associate Professor, School of Economics, Jilin University, PRC, China respectively. The session was followed by second panel discussion of the day on the theme “International Donor/ Development Agencies and Naya Pakistan: Past Experiences and Future Expectations” chaired by Her Excellency Ms. Windy Gilmour, High Commissioner of Canada while the panelist of the session included HE Ambassador Ms. Androulla Kaminara, Delegation of the European Union to Pakistan, Ms. Minà Dowlatchahi, FAO Representative in Pakistan and Ms. Melinda Good, Operations Manager for Pakistan at the World Bank, Islamabad.

The day 02 of the Annual International Conference 2019 started with the Sir Syed Ahmed Khan’s lecture on the theme, “Current Economic Scenario of Pakistan”, by Mr. Muhammad Hammad Azhar, Federal Minister for Economic Affairs, Government of Pakistan, chaired by Dr. Jawaid Ashraf, former Vice Chancellor, Quaid-i-Azam University. The panel discussion on the theme, “Prospects of Pakistan’s Regional Economic Cooperation and Integration”, was chaired by Mr. Sakib Sherani, CEO Macro Economic Insights & Ex-member of the Economic Advisory Council, Government of Pakistan, while the panelists included Dr. Safdar Parvez, Director, Asian Development Bank (ADB), Regional Cooperation and Operations Coordination Division, Central and West Asia Department, Dr. Nadia Tahir, Managing Director, Quality Assurance Agency, HEC, Dr. Imtiaz Ahmad, Economic Adviser, Ministry of Finance, Government of Pakistan and Dr. Syed Hasanat Shah, Associate Professor, School of Economics, Jilin University, PRC. The AERC Annual International Conference was followed by the parallel technical sessions on the themes; Environment, Urbanization and CPEC; Socioeconomic Revolution and Religiosity; and Macroeconomic and Financial Development, chaired by Prof. Dr. Samina Khalil, Director, Applied Economics Research Centre (AERC), University of Karachi, Prof. Dr. Usman Mustafa, Chief, Project Evaluation and Training Division, Pakistan Institute of Development Economics (PIDE) and Dr. Fazal Husain, Joint Director, Pakistan Institute of Development Economics (PIDE) respectively. The last Panel Discussion of the day was on the theme, “The Policy Imperatives and Socio-Economic Uplifting of the Marginalized Population” chaired by Dr. Fazal Husain, Joint Director, Pakistan Institute of Development Economics (PIDE) while the panelist of the session included Mr. Omer bin Zia, Senior Economist at the Asian Development Bank (ADB), Mr. Kiyoshi Taniguchi, Principal Economist, Asian Development Bank (ADB), Dr. G. M. Arif, former Joint Director, Pakistan Institute of Development Economics (PIDE), Dr. Vaqar Ahmad, Joint Executive Director, Sustainable Development Policy Institute (SDPI), Ms. Fizzah Zaheer, Akhuwat - Islamic Microfinance and Dr. Jawaid Ashraf, former Vice Chancellor, Quaid-i-Azam University.

The two day AERC Annual International Conference 2019, successfully ended after engaging academia, practitioners, bureaucracy, foreign delegates and scholars on one platform. The esteemed keynote speakers and noted delegates and academia critically analyzed the past policies formulated and implemented. The learned panelists also shared their suggestions for the prosperous and thriving economic and social development of Naya Pakistan. The AERC conference put forwarded pragmatic guidance and solutions to mobilize a change that will bear the capacity and strength to reform the economy of Pakistan in a way that the masses of this country can get rid of economic hardships.



DAY 01

INAUGURAL SESSION

The two-day Annual International Conference of the Applied Economics Research Centre, University of Karachi on the theme “*The Economy of Naya (New) Pakistan: Emerging Challenges, Prospects for Change and Road to Prosperity*”, was organized at the Serena Hotel in Islamabad, from November 19-20, 2019. The inaugural session of the AERC Annual International Conference included Dr. Wang Zhihua, Minister Counselor, Chinese Embassy in Islamic Republic of Pakistan as Guest of Honor, Dr. Javed Ashraf, former Vice Chancellor, Quaid-i-Azam University as Special Guest, Prof. Dr. Khalid Iraqi Vice Chancellor, University of Karachi, Prof. Dr. Samina Khalil, Director Applied Economics Research Centre, University of Karachi and Dr. Uzma Iram, Head of Conference, Applied Economics Research Centre, University of Karachi.



Dr. Wang Zhihua

Dr. Wang Zhihua, Minister Counselor, Chinese Embassy in Islamic Republic of Pakistan, as Guest of Honor at the conference extended his good wishes to the AERC, University of Karachi, for arranging international level symposium on the theme related to the emerging economic dynamics of the country. Dr. Wang said that the term Naya Pakistan has been associated with development and sustainability in the economy; it would be therefore interesting to hear various opinion on how far Pakistan’s economy and its people have actually developed and sustained. He further added that the facts

and data of Pakistan’s economy show that the economic situation of the country has improved during this year with narrowed current account deficit and relative stability in exchange rate and ease of doing business has improved. The improved economic conditions give further room for development and progress and open new horizons for the business community. Dr. Zhihua said that China looks forward for the growth and development of Pakistan’s economy and firmly believes that country would continue to prosper under the current government setup of Prime Minister Imran Khan. He also added that China look forward to continuing close ties with Pakistan through economic and trade cooperation and wishes that CPEC phase one gets completed within the allocated time as promised by both the governments. Dr. Wang said that China hopes to expand the existing projects, channelize new investment ventures and increase the industrial, civil society and agricultural association. Dr. Zhihua in his concluding remarks invited the academia to initiate proposals that can link education departments of both the countries and promote cultural exchange programs.



Dr. Javed Ashraf

Dr. Javed Ashraf, former Vice Chancellor, Quaid-i-Azam University, in his inaugural speech appreciated the efforts of the Applied Economics Research Centre, University of Karachi, for taking the initiative of organizing international conference in the capital city of the country. Dr. Javed said that all universities across Pakistan must revise their curricula to improve their rankings. He also said that it is advisable to rectify the existing policies for the faculty and staff to produce meaningful and engaging contents that would increase the overall standing of higher education in Pakistan. Dr. Ashraf also

said that instead of setting up new universities government should finance the deficit of existing universities and introduce policies that can fuel the higher education standards and must try to reallocate education budget to primary education at least to achieve 100 percent literacy rate across Pakistan.



Prof. Dr. Khalid M. Iraqi

Prof. Dr. Khalid M. Iraqi, Vice Chancellor, University of Karachi, acknowledged the presence of the distinguished speakers and congratulated Prof. Dr. Samina Khalil, Director Applied Economics Research Centre for organizing the AERC Annual International Conference 2019. Prof. Iraqi said that the economic success and progress relies fundamentally on fair and clear economic policies. In any country, economic policies are supposed to take care of the economic and the associated social welfare of every citizen. In past decades, Pakistan has experienced large gaps and grey areas in the

sphere of economic policies and its implementation. Both internal and external factors have influenced the economic system of the country enough to turn it ineffective in terms of deliverance in favor of the masses.

Dr. Iraqi expressing his views over the present socio-economic situation of the country said that it is indeed a point of satisfaction and firm hope that the present government under the dynamic and visionary leadership of Prime Minister Imran Khan is determined to improve the quality of life of common people. He added in that direction, important measures are being taken to transform Pakistan into a welfare state and people of Pakistan into a self-reliant and respectable nation. Efforts are also in progress to make the environment and conditions in Pakistan conducive to attract investments, particularly from expatriate Pakistanis, to support country's economy. Prof. Dr. Khalid M. Iraqi concluding his discourse said that it is essential to understand that the important role a stable economy can play in socio-political life in the highly competitive economic environment that prevails in the world at present. There are multiple aspects of economy ranging from agriculture, water, education and population to local government and empowerment, poverty alleviation, gender equality, financial accounts, industrial growth, agriculture growth, IT industry growth, trade margins, energy sector expansion and national security must all be catered together in order to grow sustainably and inclusively.



Prof. Dr. Samina Khalil, *Director, Applied Economics Research Centre, University of Karachi*, in her inaugural address said that Naya Pakistan is a dream slogan that Prime Minister Imran Khan Sahab promised to the nation during the campaign of national elections in 2018 and in his various addresses and speeches to the people of Pakistan from several platforms. He promised that his government would lead us to higher echelons of life, he promised rule of law for all, justice for all, prosperity for all, education for all, health for all, wellbeing for all, respect for all in the country and in the whole

world and punitive action against crime and corruption of all sorts and without any discrimination. All of these are pledged to be accomplished through participatory, responsive, equitable, inclusive, efficient and effective System of Governance. She further added that we trust that if this dream is realized we will definitely see the dawn of New Pakistan. We have no doubt in our minds that Naya Pakistan is destined to be a developed, prosperous, successful and respected nation in the world. Prof. Samina suggested that the pre-requisite to frame grand strategy of economic growth of Pakistan on strong footings is to strengthened political coalitions, as they are required to push reform agenda. Any reform that needs to be passed must be accompanied by legislative reforms by provincial governments. There must also be a clear political calculus on how to change and bring reform. All of this needs to be strategically thought out by the parliament. Prof. Dr. Samina Khalil further said that rebuilding what was known earlier as the 'steel frame' of dedicated, competent and honest public servants is a prerequisite to bringing about a 'Naya Pakistan' at all levels of government. This is a major challenge and can only succeed if merit replaces the current system of personal loyalty to those in power, and security of service. Dr. Khalil said that AERC is in Islamabad as academics, researchers and educationists. As the educated, conscious, aware and concerned part of the civil society we know that the time has come to support the long overdue goal of a 'Naya Pakistan' in which people from all walks of life can play a dynamic and meaningful role in nation building. Concentrating resources on a few key objectives, starting with healthcare and education including university education, technological innovation and monitoring the results are the key to success.



Dr. Uzma Iram, *Head of Conference, Applied Economics Research Centre, University of Karachi*, in her welcome address said that it is her great honor, and pleasure, to welcome the guest at the Applied Economics Research University of Karachi, Annual International Conference. She said that this is the first time that AERC is here in Islamabad which is the capital city of Pakistan. Islamabad is the city of net contributor to the Pakistan economy, the city of policy makers, the city of decision makers, the city of Prime Minister, the city of federal ministers, the city of hope for the nation as a whole. Applied

Economics Research Centre take the opportunity to brought out the idea of Naya Pakistan through this platform for all of you to discuss about the issues/challenges/solutions/resolutions for possible way forward and combines them through the keynotes speakers, distinguished lectures, invited talks and technical research papers. Dr. Iram added that AERC has brought together great and rich diversity of authors and speakers from universities, government and industry around the globe to share ideas and new perspectives on a wide range on trade, economic growth and road to prosperity, globalization, political and emerging challenges, human development: environmental concerns, socioeconomic issues, macroeconomic issues in the context of Naya Pakistan.

QUAID-E-AZAM LECTURE

The first session of day 01 of the conference was the Quaid-e-Azam lecture on climate change policies adopted by the PTI Government. The keynote speaker for this session was Mr. Malik Amin Aslam, Federal Minister and Adviser to the Prime Minister of Pakistan for Climate Change while the chair for the session was Mr. Maroof A. Syed, President & CEO, Centre for Economic Research in Pakistan (CERP) and Director of Pakistan Strategy & Development, Evidence for Policy Design (EPOD-Harvard).



Mr. Malik Amin Aslam

Mr. Malik Amin Aslam, *Federal Minister and Adviser to the Prime Minister of Pakistan* on climate change, Government of Pakistan, said that changing climate patterns is affecting the biodiversity of the earth. Mr. Aslam said that Pakistan is among 10 countries affected most by climate change, according to the 2018 Global Climate Risk Index. He continued and said that Pakistan contributes less than 1 percent of the world's greenhouse gases blamed for causing global warming, yet its 200 million people are among the world's

most vulnerable victims of the growing consequences of climate change. Mr. Malik added that less developed and developing countries in general are more prone to the phenomenon of climate change. Pakistan has been one of the most affected countries vulnerable to climate change. Pakistan, because of its geographic location has been frequently affected from heavy monsoons in the past. Over the past 20 years, Mr. Aslam said that; if we look at the extreme weather events in Pakistan, heavy rain falls and flooding has severely affected the lives and livelihoods of our people. Floods have badly affected the agriculture sector which has compromised the GDP targets too. In the past, heat waves and possible cold waves have also posed a threat to the people. The nation is facing ever-rising temperatures, drought and flooding that threaten health, agriculture, water supplies and hopes for development of a society that ranks in the bottom quantile of nations, based on income per person.

Mr. Malik added that according to a 2012 World Wildlife Fund report Pakistan is in a geographic location where average temperatures are predicted to rise faster than elsewhere, increasing 7.2 degrees Fahrenheit (4 degrees Celsius) by the year 2100, therefore, there is an urgency to be prepared to combat the challenge of climate change. The estimates alarms that in coming years 25 percent of Pakistan's population would get affected by climate change and Pakistan's average temperature is also expected to rise by more than 1 percent than the rest of the world. Mr. Aslam discussed that many cities in the country are getting affected by the aftermath of climate change and increased air pollution especially Lahore, Peshawar, Islamabad and Karachi. He further added that the WB report states that the cost of environmental degradation is high in Pakistan, the country losses almost 09 percent of its GDP because of environmental degradation which has increased by 03 percent in a decade (2006-16). He said that 50 percent is because of air pollution while water pollution and land degradation share is 20 percent and 30 percent respectively in the increased cost of environmental degradation. Mr. Aslam further added that the economic cost of climate change is relatively high for Pakistan as it is variably gets affected by it even after not being a contributor towards it.

Pakistan must change its economic direction to make sure that we take this challenge as an opportunity to mitigate the climate change for itself and rest of the world. The Government of Pakistan is seriously working towards combating it; they have been involved in making change in this sector at institutional as well as policy implication level. Given the time frame the GoP is working on the 5-point green agenda to combat the challenge of rising temperature and climate change. This 05-point agenda includes 10 billion Tree Tsunami, Plastic Ban, E-Vehicle policy, Clean Green Index and Recharge Pakistan throughout the country. Pakistan is the first country in the world that has fulfilled its pledge under Bonn Challenge to plant billion trees. The E-vehical policy is in implementation phase, it would reduce the emissions by 60 percent and would also decrease the cost of running the car, and it will also reduce the oil import and would open the new horizons for this industry within the domestic economy. The government has imposed ban on plastic bags across the country and successfully running it in Islamabad while the rest of the provinces are still adopting and implementing the policy. The CGP index takes into account the amount of solid and liquid waste and is currently analyzing how they can be treated as asset instead of liability. The CGP index would shortly be launched in 20 cities where on the basis of the indicators of CGP index the performance of cities would be

judged and further treatment will be outlined. ADB will be funding this project to support cleaner environment. Mr. Malik Amin Aslam in his concluding remarks added that the present government also aims to achieve climate-resilient development for the country through mainstreaming climate change in the economically and socially vulnerable sectors of the country.



Mr. Maroof A. Syed

Mr. Maroof A. Syed, *President & CEO, Centre for Economic Research in Pakistan (CERP) and Director of Pakistan Strategy & Development, Evidence for Policy Design (EPOD-Harvard)* and chairperson for the session, in his introductory remarks said that he is impressed by the present government's initiatives to combat climate change. Mr. Maroof said that Pakistan is 7th most vulnerable country to climate change. It is important to adapt economic policies to fight climate change. He said that in Pakistan, every year there are 135,000 deaths that occur due to air pollution. Mr.

Maroof said that Lahore witness worse smog every year but Karachi remains among top 20 cities in terms of smog, but its effect is offset to some extent because of the sea breeze. He further added that we must respond to the changing environmental conditions before it becomes near to impossible to deal with it. Last year only climate change caused economic cost of 384 million dollars to Pakistan. Mr. Maroof said that there must be a policy formulation to combat climate change that should be free of electoral governments so that it can transcend any electoral implication. Mr. Maroof said that a policy framework on climate change in his opinion should constitute on three things; quick win, analytics of data and legacy. Ban on plastic and reforestation are some of the important quick win measures that has already been adopted by the government. He also added that our government must embrace the fact that data should be made public so the academic and research institutions are able to analyze the data to enhance and augment capacity of the State on climate change issue. Emissions standards in Pakistan is Euro 4 on papers, however in real practice it is Euro 2 while the world has moved to Euro 6. The difference between Euro 4 and Euro 2 is the 10 million parts per Sulphur versus 1,000 parts per Sulphur in air so data and its analysis is needed to fight climate change. Legacy on the other hand is more transcends electoral cycles, we research centers and academia need to look beyond any single government and setup. We must look at the legacy we are leaving, we need to analyze what world we are leaving for our children, what air they would breathe in and what water they would drink. We must come out of this misnomer that there would be a perfect policy that would achieve its 100 percent targets at first go, policies are inherently imperfect. Constant collection of data and diagnostics and iterating and perfecting of policies is the dire need of time to achieve maximum results. In his concluding remarks Mr. Maroof A. Syed said that present government has good intentions and agenda to fight this challenge which must be paired with political will and analytics and there must also be a partnership between academia, researchers and policy makers for efficient results.

PANEL DISCUSSION

THE ROAD TO NAYA PAKISTAN IS THROG WITH PITFALLS

The first panel session of Day-01 of the AERC Annual International Conference 2019 was on the theme "The Road to Naya Pakistan is Throng with Pitfalls." The session was chaired by Dr. Nadeem Ul Haque, Vice Chancellor Pakistan Institute of Development Economics, Islamabad while the panelist included; Dr. Ashfaq Hasan Khan, Dean LUMS, Dr. Waqar Masood Khan, Former Ministry of Finance, Government of Pakistan and Dr. Nadeem Javaid, Former Chief Economist, Government of Pakistan.



Dr. Ashfaq Hasan Khan

Dr. Ashfaq Hasan Khan, *Principal and Dean, School of Social Sciences & Humanities (NUST)*, expressing his views said that Pakistan is currently undergoing multidimensional economic changes and these challenges are a result of decades of misgovernance and mismanagement that brought the country at the current level. Dr. Khan added that there is an overwhelming consensus among national and international independent economists that Pakistan's economy has never been in such a bad shape as it is today. It is true that in history no government inherented the economy in a bad shape as this government has, which means that common people have high expectations from the present setup. The present

government without realizing the economic capacity of the country raised the bar of expectations. There is a general perception that instead of addressing macroeconomic challenges, it has further worsen the situation because of weak inexperienced team. The challenge which the new leadership is facing today, includes; the low investment rate both domestic and international which has slowed down the economic growth. Because of 3.3 or 3.4 percent per annum average economic growth of last 10 years, we have inculcated the problems of unemployment and poverty and large fiscal and current deficits which has resulted in unsustainable rise in public and external debts. Dr. Ashfaq further added that there are issues of unpaid government bills, presently, there is about 2.5 trillion rupees unpaid government bill which are parked outside the budget. Power sector issues and scale based progress under CPEC are the real challenges for the Pakistan's economy. Dr. Khan said that in his opinion there are four major challenges the economy of Pakistan is facing today; balance of payment, budget, debt and slower economic growth. Balance of Payment belongs to lower foreign exchange reserves was a serious challenge when PTI government took over.

The government in his best judgement decided to knock the door of IMF for 22nd time in our history. The world has changed over time but the policies of IMF are still the same of 1980s volume of stability policy. The standard old stabilization instruments include tight fiscal and monetary policies, flexible exchange rate, devaluation of currency and adjustments in utility prices. IMF principally believes that it is the excessive demand that has created difficulties and this is the fundamental flaw in the policy options imposed. The same policy from IMF for whatever the problem may be becomes one of the major reasons behind choking of the economy. In Pakistan these set of IMF policies has been successful in reducing the current account deficit roughly from \$20 billion to \$13.6 billion last year and this year it is expected to come down to \$7 billion. This phenomenon is natural as when you choke the economy, the economic activity will slow down and thus the requirement of import will reduce curtailing down your current account deficit. As claimed by the government, the stabilization in the economy has achieved but it will take time to catch the pace of growth. Dr. Ashfaq added here that according to his calculations Pakistan has incurred huge cost of roughly around \$30 billion to achieve stabilization. The process of stabilization has suffocated the economy and has led to slowdown in the large scale manufacturing sector, unemployment rate is on the rise, recession, exports did not spark despite assets devaluation and inflation has peaked in the economy. The bottom line is that Pakistan has been transformed from low cost economy to very high cost economy. The available options to rectify and correct the damage includes resetting of the IMF program which includes rationalization of fiscal targets, scaling down of revenue targets to not more than 4,400 billion that would still give 17 percent growth which is commendable keeping in view the present economic situation, freezing public sector budget to last year level; there are enough possibilities to grow at current expenditure and lastly reducing discount rate and no more devaluation of the currency. The high interest rate discourages investments and attract hot money from international market just like in the case of Egypt. Select import policy must continue which would mean to identify the non-essential imported items and either increase duty on it or ban it altogether. Exports and bonds are also needed to be promoted and practiced and lastly revival of agriculture sector and housing and construction sector of the economy. Dr. Khan said that under CPEC not even a single mine has become functional so far. Lastly, politics must not be played on Karachi, the city must be developed as it is financial hub of Pakistan and the instability in the city will cause economic distress in the entire country.



Dr. Waqar Masood Khan

Dr. Waqar Masood Khan, former Ministry of Finance, Government of Pakistan articulating his discourse on why we repeatedly need to go to IMF said that we may curse IMF as much as we want to but do we really have the capacity to stabilize the economy without foreign assistance. Pakistan has negative net exports with limited exports to the rest of the world and high imports, the economy cannot print the international currency on its own to finance its expenditure and thus the need to go to IMF emerges. However, it is not a difficult task to not to go to IMF for assistance by managing the

income in terms of tax and non-tax revenues and expenditures in terms of current and development expenditures and living within the means rather than living beyond the means. Pakistan go to IMF every time due its own faith with fiscal imprudent and profligate spending and creating phenomenal liabilities in terms of purchasing power parity and foreign demand. Dr. Waqar further said that for the first time in country's history the deficit was due to failure in collecting revenues, tax revenues in particular and because of the devaluation of currency. Dr. Khan said that stabilization in the economy has been achieved but there remains the danger of

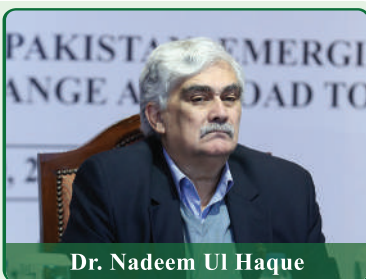
recession in the economy as the discount rate is high, production has substantially declined causing a slowdown in the economic activity, unemployment and poverty and food inflation are also increasing causing a great socio-economic chaos in the economy. He said that hope still remains but the government must rationalize its targets especially tax revenue targets, large scale manufacturing production targets to sincerely seek the expansion of the economy.



Dr. Nadeem Javaid

Dr. Nadeem Javaid, *former Chief Economist, Government of Pakistan and Professor of Practice (Economic Policy & Strategy), KSBL*, presenting his views said that taxation, BOP crisis, austerity, inflation and stabilization are some of the key areas on which the policymakers have been debating upon since 1970s. The large scale manufacturing industry is at its worst at the moment, economic growth recession is there pointing some serious threat to common man life. Dr. Javaid said that Pakistan is currently facing immiserizing growth which means that we are giving more goods and

receiving less from the international market which is justified because of the huge devaluation of the currency. Dr. Nadeem further added that it is the 23rd time Pakistan is seeking assistance from IMF but even after that Pakistan is unable to rectify some of its basic infrastructure problems. The vicious circle of falling in IMF trap includes high taxation into new crisis and then IMF program. The road to Naya Pakistan is challenging and difficult with unrealistic targets. Economics can be divided into two subdomains; techno-economic subdomain and socio-economic subdomain, Pakistan from past 3 to 4 decades has been entangled into techno-economic subdomain where the policymakers are working on taxation, revenue and austerity which is the root cause of adopting IMF plans. Today hardly inline ministries have 5 to 6 percent budget for social delivery while in 1970s it was more than 20 percent, so the question here remains how we can accept a social change where change in itself is a revolutionary process. The locus of change would be deep down in the society where government's policy action impact would be much delayed, the bottom quantum of income looks at these changes as cosmetic changes rather than the real changes. There are two approaches to solve the persistent economic problem; expenditure approach and evolutionary approach. Governments are usually busy in managing the number to please the IMF reviewers which in real would bring no social change. Dr. Nadeem while concluding his talk said that in his opinion keeping in view Pakistan's economic condition, the best approach would be to combine both the aspects. In Pakistan decision making is troublesome, the issue needs to get approval at three tiers creating hurdles for thriving businesses. The revenues and taxes has one to one relationship with flourishing and thriving economy which the present setup has overlooked. The new projects feasibility analysis is carried out on single point outcome which is generating high cost and cost execution problem. Industrial sector is contributing 13 percent to the national GDP, the federal government has also levied heavy taxes on the production which is reducing the potential output while services and agriculture sector that contributes to around 85 percent in GDP remains the subject of provincial government. Pakistan needs persistence to change and action inertia and cognitive inertia where under action inertia the bureaucracy is just maintaining the status quo.



Dr. Nadeem Ul Haque

Dr. Nadeem Ul Haque, *Vice Chancellor Pakistan Institute of Development Economics, Islamabad* and the chair of the session reviewing and summarizing the session said that leaders showcase what the society has to offer. Dr. Haque said that unfortunately Pakistan has the history of repeating the same mistake over and over again with zero learnings. He said repeatedly suggesting the same policies and options is a status quo in itself which needs to be changed.



PARALLEL TECHNICAL SESSIONS

Under the theme “The Economy of Naya (New) Pakistan: Emerging Challenges, Prospects for Change and Road to Prosperity” the Applied Economics Research Centre, University of Karachi welcomed academia, practitioners, scholars and experts to present their researches on various sub-themes. The Parallel Technical Sessions on the Day 01 of the AERC Annual International Conference 2019 was conducted on the themes; Trade, Economic Growth and Road to Prosperity, Globalization, Political and Emerging Challenges and Human Development and Naya Pakistan.

TRADE, ECONOMIC GROWTH AND ROAD TO PROSPERITY



Dr. Ateeq-ur-Rehman



Dr. Abdul Waheed



Dr. Aamir Siddiqui

The session on the theme Trade, Economic Growth and Road to Prosperity was chaired by **Dr. Ateeq-ur-Rehman**, Associate Professor, Kashmir Institute of Economics, University of Azad Jammu and Kashmir while the discussants of the session included **Dr. Abdul Waheed**, Professor, Department of Economics, University of Karachi and **Dr. Aamir Siddiqui**, Research Economist, Applied Economics Research Centre, University of Karachi. The session included papers on various aspects of Trade, growth and prosperity ranging from, “Financial Development, Trade Openness, Technological Innovation, Energy Efficiency: Exploring the Dynamic Linkages for Pakistan”, presented by Dr. Samia Nasreen, “Exchange Rate Volatility and External Debt in Pakistan: A Case Study”, presented by Dr. Bushra Yasmin, “Pakistan’s Trade at Margins and Pak-China Free Trade Agreement” presented by Mr. Imtiaz Ahmad and “Asymmetric Cointegration, Nonlinear ARDL to J-Curve: A Bilateral Analysis of Pakistan and Its Trading Partners” presented by Dr. Javed Iqbal.

GLOBALIZATION, POLITICAL AND EMERGING CHALLENGES



Dr. Sajjad Akhtar



Dr. Iftikhar Ahmad



Dr. Tehseen Jawaid

The session on the theme Globalization, Political and Emerging Challenges on the other side was chaired by **Dr. Sajjad Akhtar**, former Director of Center for Research on Poverty Reduction and Income Distribution while the discussants of the session included **Dr. Iftikhar Ahmad**, Assistant Professor, Pakistan Institute of Development Economics and **Dr. Tehseen Jawaid**, Research Economist, Applied Economics Research Centre, University of Karachi. The session integrated research papers on various features of globalization and changing dynamics. The session included papers on, “Cost of Justice and Exclusion: An Empirical Analysis”, by Dr. Anwar Shah, “Was there a ‘unique selling point’ in the Economic Agenda of PTI – A Comparative Study of Election Manifestos of leading political parties in Pakistan”, by Ms. Saarma Saeed, “Global gap Certification and Mango Exports in Asian Countries”, by Ms. Faizah Zia and “An Analysis of Exports Trend in Pakistan (1990-2017)”, by Muhammad Adnan Khan.

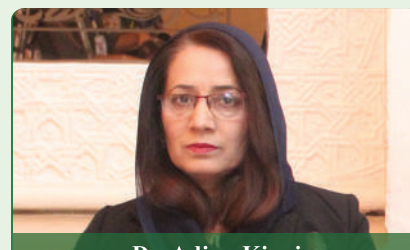
HUMAN DEVELOPMENT AND NAYA PAKISTAN



Dr. Syed Hasnat Shah



Dr. Tariq Majeed



Dr. Adiq Kiani

The simultaneous technical session on Human Development and Naya Pakistan was chaired by **Dr. Syed Hasnat Shah**, Associate Professor, School of Economics, Jilin University, PRC, China while the discussants of the session included **Dr. Tariq Majeed**, Associate Professor, Quaid-i-Azam University and **Dr. Adiq Kiani**, Associate Professor, Federal Urdu University, Islamabad. The session discussed the prospects of human development and growth in Naya Pakistan. Research paper includes, “Child Mortality, Fertility and Poverty: A Counterfactual Analysis”, by Dr. Asma Hyder, “Income Inequalities Among Earners Engaged in Selected Occupations and Professions in Pakistan”, by Mr. Mirza Tahir Rahim, “Macroeconomic Determinants of Maternal & Child Mortality: Evidence from SAARC”, by Ms. Zahra Rafique and “Prevalence and Determinants of Childhood Diarrhea in Pakistan”, by Dr. Muhammad Ali.



PANEL DISCUSSION

INTERNATIONAL DONOR/ DEVELOPMENT AGENCIES AND NAYA PAKISTAN: PAST EXPERIENCES AND FUTURE EXPECTATIONS

The last session of the day 01 was on the theme “International Donor/ Development Agencies and Naya Pakistan: Past Experiences and Future Expectations”. The session panalists included representatives from donor agencies like International Monetary Fund, Food and Agriculture Organization and World Bank. The session was chaired by HE Windy Gilmore, Ambassador of Canadian High Commission in Pakistan.



Ms. Windy Gilmore

Her Excellency Ms. Windy Gilmore, High Commissioner of Canada in Pakistan and session chair for the session in her introductory remarks said that from donor’s point of view, working for Pakistan’s development and progress, all the donor agencies share different perspective. Canada and Pakistan have 60 years long development co-operation with focus on people-to-people contact, visa and immigration, street corporation program and political program. All these programs form four major development assistance program with 35 Canadian Dollars or 3 million USD assistance a

year which is parallel to assistance elsewhere in the world. Ms. Gilmore said that at the moment Canada is offering Feminist Interaction Assistance Policy which means that empowerment of women at institutional and governmental level so that the vulnerable sector get representation and participation rights at all the levels. Ms. Windy said Canada’s experience of working in Pakistan has been positive for most of the years, there are governance and corruption challenges with limited role of civil society but then there are some successes too. Pakistan is the first country in the world to adopt Sustainable Development Goals (SDGs) at parliamentary

level and to form task forces on different agendas, the country has also established an SDG support unit at the Planning Commission. Pakistan is also trying to put efforts in mainstreaming the SDGs at all the levels. Ms. Gilmour further added that Canada is involved in working at different levels; federal, provincial, municipal and district level so we're familiar with the working challenges in the country but for success the responsibility must be shared by all. Canada is also working on making development through legislation especially through amendments in women rights, child rights and family rights and bringing them into practice. Ms. Windy added that Pakistan currently faces the challenge of use of data and technology to address the developmental challenges. It is crucial to have good baseline data to make right projections and analysis for those who are truly vulnerable. Canada only support and form evidence based policies and evidence based programs and progress. Canada's approach is a feminist approach of the data, therefore, will be of key importance to analyze how access to services is divided among genders. Ms. Windy Gilmour in her concluding remarks said that Canada is particularly skeptical about the shrinking space for civil society in the country, one of the reasons for this is complex legislation and bureaucracy, the civil society partners in development challenge don't really know how to get registered and operate transparently in the country. She said that the international donor support has been helpful to Pakistan in general with industrial revolution, science and technology and academia with some major developmental challenges including lack of access to health and nutrition facilities.



HE Ambassador Androulla Kaminara

Her Excellency Ambassador Androulla Kaminara, *Delegation of the European Union to Pakistan*, said that for all the donor agencies it is important to have a baseline that would give a brief about before and after situation of interventions, indicators, reliable statistical system and the results that would tell you how impactful the intervention was. Ms. Kaminara added that donors must be aware of the interventions of the other donors and their programs. It is a complex process to be able to identify the indicators collectively for development measures across the globe. EU has invested in

07 years program with 600 billion euros, currently the most popular programs of EU in Pakistan are development of co-operation and humanitarian aid while people still want us to do more but we would not until we see the results of the money spent. With EU support for 2019-2021, more than 4.5 million pregnant women and children have received nutrition, 45 million poor Pakistanis have been supported and about 2,025 people are accepted to be trained through 20 different training and vocational programs including police trainings. For effective results, the donor programs must not collapse but rather support one another through donor coordination structure. The EU 7 year program is expected to be completed by 2024 which focuses on rural development, education and good governance. Currently EU is negotiating on the next 07 years programs and budgets with priority on green deals dealing with climate change, digitalization, sustainable growth and job, migration and government peace and security and women empowerment.



Ms. Melinda Good

Ms. Milanda Good, *Senior Operation Manager at the World Bank, Islamabad*, said that Pakistan's business cycle trajectory is a combination of boom and recession, on one hand there is investment in real sectors, increase in human capital and GDP per capita and growth in national income, while on other hand it has democratic pressures that leads to wrong decision making. Ms. Milianda further added that Pakistan's current account deficit has recently reduced, the policymakers and institutions should make long term plans that ensures that the country is moving towards upward trajectory. Recently, the

investors around the world are showing interest in investment ventures in Pakistan. She said that Pakistan needs to make its regulations easy for promoting investment and increasing ease of doing business. She further suggested that Pakistan must take measures to promote women employment through training and skills development.



Ms. Mina Dowlatchahi

Ms. Mina Dowlatchahi, *FAO representative in Pakistan*, expressing her views said that FAO is not exactly a funding agency but a specialized agency of UN. She said there is a paradigm shift in development is looked at and is measured in Pakistan. The development programs of the country are focusing on the drivers of the poverty, food insecurity and low literacy rate for example. Pakistan excellent researches which are helping to analyze the current situation especially of the agriculture sector. Pakistan doesn't have lack of data and research on climate change, malnutrition and food insecurity

but doesn't have strategical direction. For effective policy making and evaluation all the statistical reports must be on the same page, in Pakistan poverty differs from WB to PBS and other sources. Although Pakistan's economic growth is constant but stunning has not gone down, 36 million people in Pakistan are still food insecure. FAO in Pakistan has helped the Food Security Ministry to setup food security and nutrition center where we are trying to create a network of knowledge to analyze not only the food production but also how Pakistan is transforming to eradicate hunger and malnutrition. Programs in the country are directed to cure acute malnutrition but not the chronic malnutrition. Ms. Mina added that maybe Pakistan needs more creative institutions and system, also the policies at different levels must align to the federal policies. The structural problems of the country include poor access to knowledge, inclusion and participation. Pakistan must modernize and digitalize the system to bring transparency and transition in the economy.



DAY 02

SIR SYED AHMED KHAN LECTURE

The Day 02 of the AERC Annual International Conference 2019 started with the Sir Syed Ahmed Khan Lecture where as the chair of the session was Dr. Javed Ashraf, Former Vice Chancellor Quaid-i-Azam University, while the keynote speaker for the session was Mr. Muhammad Hammad Azhar, Federal Minister for Economic Affairs, Government of Pakistan.



Mr. Muhammad Hammad Azhar

Mr. Muhammad Hammad Azhar analyzing the current economic scenario of Pakistan said that in his opinion Pakistan's economy is facing three main structural problems which in turn are causing more structural problems such as; revenue and expenditure gap, saving and investment gap and import and export gap. Pakistan has this chronic problem of overspending each year consolidated fiscal deficit bloats beyond manageable level that led the federal government to debt collecting spill which in turn have its own manifestations like crowding out and upward pressure on exchange rate.

Mr. Azhar lamented that Pakistan suffers from low tax to GDP ratio which is around 11 percent while our neighboring countries have gone beyond 16 percent. Pakistan has a very narrow tax base as most of our economy is undocumented. Pakistan collects more than 45 percent of its tax revenues on imports but that does not mean the authority collects it through custom duties but in fact through each successive budget the authorities have successfully levied a disproportionate incidence of taxes on imports even on essential imports items and food items Neighboring countries whereas are collecting 20-25 percent of taxes at import stage while Pakistan is collecting beyond 45 percent which has made our goods uncompetitive in international market and prone to smuggling. The first step towards global competitiveness is to take this incidence off from import stage and broaden the domestic base. Presently, the tax collection is going at 15 percent which is not because of imports but despite import compression. Mr. Hammad said that the growth in taxes is qualitatively different from the growth in taxes in past 10 years; present tax collection is led by domestic tax collection. Taxes are economic stabilizer of the economy. Pakistan has the structural constraint of low tax-to-GDP ratio. Because of persistent fiscal space and low tax-to-GDP ratio the government has to keep injecting the cash flows which further slowdown the growth. Expenditures on the other side have great implications on the economy, post 18th amendments, 60 percent of collected revenues were transferred to provincial government for spending with no fiscal responsibility of collecting and managing taxes on their own or participation to control federal debt burden. Provinces now are responsible for collecting sales tax on services and agriculture

but their contribution towards national tax collection is negligible. Mr. Hammad said that in his opinion, this is one of the main structural issues the country is facing which needs to be addressed. The current governments hope to produce surplus at provincial budgets which would help to lessen the deficit at the end of the fiscal year. The Federal Government has also decreased taxes on 1,600 tariff lines which constitute about 3 to 4 thousand products that are industrial inputs while the custom duty is decreased from 3 to 0 percent despite huge fiscal pressures and tax targets.

Mr. Hammad Azhar while continuing his talk said that the second structural problem of Pakistan economy is saving and investment gap. The current investment rate in the country is presently hovering around 16 percent while it used to be around 22 percent in early 1990s while India's investment rate currently is 30 percent. Investment is the single most important factor to determine your domestic factor productivity and efficiency. Investment is the wealth driver but unfortunately Pakistan has the lowest investment rate in South Asia and Asia. The main reason behind this is that throughout 90s and early 2000 we maintained negative real interest rates in the economy. Pakistan basically disincentivize people who save. Lack of documentation and financial intermediaries is yet another reason of low saving investment ratio as Pakistan's capital markets are not fully developed. Mr. Azhar said that in his opinion it is in the national interest that interest rates should be kept positive. The difference between saving and investment is equal to the current account deficit which is equal to \$20 billion in financial year 2018 while when PTI government took over it was projected that the current account deficit will reach to \$24 billion, but the PTI government managed it to only \$13 billion. The SBP data showed that after 04 years Pakistan had a current account surplus in the month of October 2019. He further said that there will be no sustainable growth in the economy until investment rate is high which is critical at the moment.

Mr. Hammad Azhar expressed his opinion on third structural constraint of gap in imports and exports. He said that Pakistan's exports has grown in dollar terms from \$45 billion to \$60 billion while in absolute terms they have shrunk from 13.5 to 8.5 percent of GDP for the period 2013-2018. For a sustainable growth in economy, the increase in imports must be financed through exports earnings, remittances or foreign direct investment which is not happening at the current period of time. In past five years, exports shrunk with almost no growth in remittance and little foreign direct investment. Ideally to finance the current account deficit of \$20 billion through non-debt instruments the exports have to grow correspondingly. One of the reasons behind the decline in exports is over-valued exchange rate. Estimates show that in five years over \$30 billion over blown away to artificially keep the exchange rate at the level. The over-valued exchange rate was subsidizing consumption imports in the country. The current government has stopped intervening in the currency market, the export volume are growing, the exchange rate has become stable and imports of non-essential are also declining in Pakistan currently. Mr. Muhammad Hammad Azhar in his last remarks said that saving-investment gap, import-export gap and revenue-expenditure gap are the bottlenecks which are hampering the growth of Pakistan. He said that other structural issues consist of circular debt, electricity shortage and low crop yields compared to regional averages, shrinking share of SMEs sector. The government is taking initiatives and reforms such as high interest rate, aggressive tax drive, market driven exchange rate to stabilize the economy and supporting provincial governments to resolve the chronic problems of the State.



Dr. Javed Ashraf

Dr. Javed Ashraf, former Vice Chancellor, Quaid-i-Azam University the chair for the session expressing his views said that the present government has taken some serious steps for the stabilization of the economy but the economy was in dire need of such policies. He said that people take advantages from the government services but are not ready to pay their due share. Economy is suffering in terms of low saving and investment and persistent gap between the two. He said that the retaliator however does not know that in long run the steps taken by the government would be beneficial

for the country. He said that devaluation of currency has led to enormous inflation in the country with hike in food inflation but again this might be the time of need and country's economy would thrive in the long run. Dr. Javed comparing USA economy with Pakistan's economy said that USA has successfully decreased taxes from 90 percent to 28 percent and still managed to thrive. He further said that the government should take the loans until rate of borrowing is less than the rate of return, in Pakistan the dilemma is that loans are not spent wisely and ultimately the rate of return becomes low. Dr. Javed also said that Paksitan's main issue is lack of

accountability and corruption, no government fought corruption like the present government which is commendable. However, he thinks initiatives must be taken on population control, population is growing relentlessly which would suffocate the economy. He also said the government must also shift the resources from higher education to basic education so that the literacy rate can increase and assist in economic growth. He also added that the government also need to consider the hot money that is attracted towards Pakistan's economy due to high interest rate. Dr. Javed Ashraf suggested that the government should take advantage of low oil process globally and attempt to fully capitalize the potential of the economy through most productive ventures.

PANEL DISCUSSION

PROSPECTS OF PAKISTAN'S REGIONAL & ECONOMIC COOPERATION AND INTEGRATION

The first panel discussion of the second and last day of the AERC Annual International Conference 2019 was on the theme "Prospects of Pakistan's Regional & Economic Cooperation and Integration" chaired by Mr. Sakib Sherani and coordinated by Dr. Safdar Parvez, Director, Asian Development Bank (ADB), Regional Cooperation and Operations Coordination Division, Central and West Asia Department, other panelists included Dr. Nadia Tahir, Managing Director, Quality Assurance Agency, HEC, Dr. Imtiaz Ahmad, Economic Adviser, Ministry of Finance, Government of Pakistan and Dr. Syed Hasanat Shah, Associate Professor, School of Economics, Jilin University, PRC, China.



Dr. Safdar Parvez

Dr. Safdar Parvez, *Director, Asian Development Bank (ADB), Regional Cooperation and Operations Coordination Division, Central and West Asia Department*, presenting his views about regional corporation agenda and its relevance for Pakistan, said that as a regional development bank ADB holds regional corporation agenda close to its heart. For a country like Pakistan, the country is confronting the macroeconomic and development challenges for which homegrown solutions are needed. ADB strongly believes that regional cooperation serves as an added incentive to promote sustainable growth,

expand opportunities, create jobs and diversify exports and markets. He said that together the national and regional actions can provide the foundation for prosperous Pakistan. However, he added ADB often feels that the regional agenda is either neglected by the policymakers or subordinated due to political and security conditions by higher order delegates. He said that regional cooperation is simply defined as the policies, ways, projects and actions that bring countries in the region and outside the region closer. Regional Cooperation helps in broadening the trading markets and fighting the shared challenge such as of climate change, water contamination and security. Dr. Pervez said that regional co-operation and integration is effective as sub-regional programs are enabling closer coordination and collaboration among participating countries. While multi-country RCI projects need to be promoted to realize more cross-border benefits and infrastructure connectivity needs to facilitate linkage to better trade facilitation processes and regional trading arrangement and agriculture value chains projects need to include better market access. He also said that trade facilitation needs to be enhanced to reduce trade cost, incorporating best practices and international standards. Multisector approach is more effective in facilitating border area development and economic corridor development. Dr. Safdar said that the driving principal for regional co-operation under CAREC includes economic and financial stability, trade, tourism and economic corridors, infrastructure and economic connectivity, agriculture and water and human development while the operational principals include aligning with national strategies and supporting SDGs and COP21, expanding operational priorities selectively, deepening policy dialogue based on CAREC's standing and ability to deliver quality knowledge services, integrating the role of the private sector and civil society and building an open and inclusive CAREC platform. In his closing remarks he said that regional corporation holds potential for Pakistan's economic growth and development prospects in the areas of capitalizing on opportunities in CAREC region, reforms and opening up of Central Asia, improvements in connectivity and trade facilitation, large potential for transit trade and revenue generation and prospects for peace and stability in Afghanistan.

Dr. Nadia Tahir, *Managing Director, Quality Assurance Agency, Higher Education Commission*, said that all economic model confirms that Pakistan should engage in trade within the region. Dr. Tahir added that it has been claimed that trade within Asia has increased but South Asia still remains the least integrated region in the



Dr. Nadia Tahir

world. She said that trade cannot take place until there is financial integration in the economy. Pakistan has no channel to explore central Asian markets, and the country is heavily relying on Gulf countries for trade. World Bank in its report has established the fact that it is more expensive for Pakistan to import from India, China and Afghanistan than to import from USA, Egypt and EU. She further added that the cost of moving containers in Pakistan is high with no reliable transportation system with high issues in railway sector making it an unsafe way to transport goods. Dr. Nadia said that from the first lesson we have learnt is to trade, but the question remains what to trade. Pakistan has lowest tariff regime in South Asia. The country must put an end to unleashing revenues through tariffs. She said that Pakistan is importing Tomato from Iran rather than exporting food to China, who is the largest importer of the food items. She said that Pakistan has no standard policy to import and export within the region. Pakistan lacks the pre-inspection and pre-shipment policies and value chain which is increasing the overall cost to industrialist. Dr. Nadia Tahir in her closing remarks said that Pakistan is importing machinery equipment by 30 percent while manufacturing goods 12-15 percent and rest of the consumer goods. So without addressing the micro issues like pre-shipment policy, value chain, health standards, cost of transportation, Pakistan cannot trade not only in the region but also outside the region.



Dr. Imtiaz Ahmed

Dr. Imtiaz Ahmed, *Economic Adviser, Ministry of Finance, Government of Pakistan*, in his discourse said that it is important to analyze the key features of regional integration dynamics, situational analysis of Pakistan and measures to get maximum socio-economic benefit from regional corporation. He said that there is a strong realization among countries about the regional integration. Qatar and Saudi Arab are trying to diversify their economies and reduce their dependence on oil. South Asia is a geographically diverse region with young population, high poverty rate and low human development formation with limited restricted visa regime and lowest trade margins within. South Asian economies as per ADB must spend 7 percent of their GDP to develop soft and hard infrastructure to facilitate trade up to 2030. Cross border facilitation must be addressed to promote trade of goods and services within the region. Belt and Road Initiative provides an ideal opportunity to enhance connectivity and cross border integration. Trade, regional connectivity and tourism are the key areas for economic corporation and integration. For Pakistan to catch the pace of growth regional integration is crucial which depends on domestic, regional and global factors. Dr. Ahmed further added that Pakistan didn't fully utilize its geostrategic and geopolitical location for promoting connectivity. The country reveals low level of connectivity and participation in global chain. Pakistan's trade openness is 27 percent of GDP which is much lower than even from the Central Asian economies, while Pakistan's trade with Asia is 40 percent, 19 percent with China and 3 percent with Japan and total of 10 FTAs with rest of the world. In his conclusory remarks Dr. Imtiaz Ahmed said that Pakistan can play central role in ensuring regional economic co-operation with internal reforms and through external opportunities.



Dr. Syed Hasnat Shah

Dr. Syed Hasnat Shah, *Associate Professor, School of Economics, Jilin University, PRC, China* while expressing his views said that Pakistan tariff rates are lowest in the region, rather in the world. Pakistan is trying to promote the trade regionally but is facing a failure. Pakistan is the part of many trade unions and organizations with no real impact on trade volumes and trade diversification. Pakistan joined many organizations such as SATO for aid not for booming the trade volumes. Dr. Shah further added that Pakistan failed to focus on long term structure and emphasized short term trade goals. Pakistan is not connected locally, cities are not connected within but the country is looking for regional and global connectivity. The new world is talking about productivity and complementary and dynamic comparative advantage but Pakistan is still lacking behind and struggling with basics. The country lacks physical infrastructure and poorly manages the land, sea and air routes. The institutions in the country are also of low standard imposing high cost on business while the people to people connectivity is also limited in the country. Chronic capitalism is also prevailing and curbing efficiency through marginalizing the private sector in the country with zero research and development in the region particularly in Pakistan. Pakistan-China

free trade agreement was signed to enhance trade but Pakistan failed to optimize the agreement and has been able to utilize only 5 percent of it. Pakistan can connect to Central Asia using BRI and increase its trade and integration. Dr. Hasnat in his closing remarks said that Pakistan should continue with pragmatic and focused approach to increase its trade and regional connectivity rather than being part of every trade agreement.



Mr. Sakib Sherani

Mr. Sakib Sherani, CEO Macro Economic Insights (Pvt) Ltd. and the chair for the session while concluding the session said that donors pressurize to open up the economy, Pakistan's exports have shrunk from 13 percent of GDP to 7 percent of GDP. Pakistan did not open up its economy strategically but rather as the policies given by different donor agencies such as World Bank and Asian Development Bank. India, Bangladesh and other countries opened up their economies strategically to support their export sector through importing the raw material. In 1990s India and Pakistan's export composition was more likely the same but today India's exports are 19 percent of its GDP and Pakistan's is 7 percent of GDP. Mr. Sherani in his closing remarks said that the economy's objective, therefore, should be opening up of the economy strategically which should inculcate the aim of promotion of export sector and bringing investment and FDI into export sector.



PARALLEL TECHNICAL SESSIONS

Under the theme "The Economy of Naya (New) Pakistan: Emerging Challenges, Prospects for Change and Road to Prosperity" the Applied Economics Research Centre, University of Karachi welcomed academia, practitioners, scholars and experts to present their researches on various sub-themes. The Parallel Technical Sessions on the Day 02 of the AERC Annual International Conference 2019 was conducted on the themes; Environment, Urbanization and CPEC, Socioeconomic Revolution and Religiosity and Macroeconomic and Financial Development.

ENVIRONMENT, URBANIZATION AND CPEC



Prof. Dr. Samina Khalil



Dr. Bushra Yasmeen



Dr. Syed Ammad Ali

The session on the theme Environment, Urbanization and CPEC was chaired by **Prof. Dr. Samina Khalil**, Director, Applied Economics Research Centre (AERC), University of Karachi, while the discussant of the session included **Dr. Bushra Yasmeen**, Dean of Social Sciences, Fatima Jinnah Women University and **Dr. Syed Ammad Ali**, Research Economist, Applied Economics Research Centre, University of Karachi. The session included papers on various aspects of environment, urbanization and CPEC ranging from, "Innovation and Urban Sprawl: Empirical Evidence from Pakistan", by Dr. Adiq Kiani, Federal Urdu University, "Nexus Between Income Growth, Technological Development and Production Footprints: A Case Study of Pakistan (1980-2018)", presented by Mr. Muhammad Imran Khan, "Linking Individual Opinions with Policy making:

A Special Focus on Climate Change and Environmental Issues in Punjab, Pakistan”, presented by Muhammad Faisal Ali and “*Capacity, Constraints and Potential of Districts along CPEC: The Case of Punjab*”, presented Ms. Sana Ajmal.

SOCIOECONOMIC REVOLUTION AND RELIGIOSITY



Prof. Dr. Usman Mustafa



Dr. Uzma Iram



Dr. Asma Hyder

The session on the theme Socioeconomic Revolution and Religiosity on the other side was chaired by **Prof. Dr. Usman Mustafa**, Chief, Project Evaluation and Training Division, Pakistan Institute of Development Economics (PIDE) while the discussants of the session included **Dr. Uzma Iram**, Research Economist, Applied Economics Research Centre, University of Karachi and **Dr. Asma Hyder**, Associate Professor, IBA Karachi. The session integrated research papers on various features of the socioeconomic revolution and religiosity. The session included papers on “*Transforming education system and social safety nets: A theoretical discussion in the light of Naya (New) Pakistan Manifesto for change and road to prosperity*”, by Dr. Ayesha Serfraz, “*Life satisfaction and religiosity: A case study of Muzaffarabad*”, by Mr. M. Rafaqat, “*Impact of Culture on Female Labor Participation: Role of Religion & Religiosity*”, by Fatima Subhani and “*Factors Affecting International Outsourcing Decision: Evidence from Plant-level Data of Pakistan’s Surgical Instruments Industry*”, by Ms. Sidra Nazir.

MACROECONOMIC AND FINANCIAL DEVELOPMENT



Dr. Fazal Husain



Dr. Miraj-ul-Haq



Dr. Anwar Shah

The simultaneous technical session on Macroeconomic and Financial Development was chaired by **Dr. Fazal Husain**, Joint Director, Pakistan Institute of Development Economics (PIDE) while the discussant of the session included **Dr. Miraj-ul-Haq**, Assistant Professor, International Islamic University and **Dr. Anwar Shah**, Assistant Professor, Economics Department, Quaid-i-Azam University. The session discussed the prospect of macroeconomic and financial development. Research paper includes, “*The Random Walk Model of Pakistan’s Real Estate Market: An Empirical Investigation*”, by Prof. Dr. Khalid Mustafa, “*Estimating And Forecasting Term Structure Of Interest Rate: Which Three Factor Affine Model Is The Best?*”, by Fatima Sadik, “*Fiscal Decentralization and Health Outcomes: Empirical Evidence from Districts of Punjab*”, by Mehr-un-Nisa and Prof. Dr. Samina Khalil. “*A Nexus of Public Expenditure on Human Capital and Economic Growth in Pakistan*”, by Dr. Manzoor Ahmed.



PANEL DISCUSSION

THE POLICY IMPERATIVES AND SOCIO-ECONOMIC UPLIFTING OF THE MARGINALIZED POPULATION

The last Panel Discussion of the Day 02 of the AERC Annual International Conference 2019 was on the theme; “The Policy Imperatives and Socio-Economic Uplifting of the Marginalized Population”, chaired by Dr. Fazal Husain, Joint Director, Pakistan Institute of Development Economics (PIDE) while the panelists of the session included Mr. Omer bin Zia, Senior Economist at the Asian Development Bank (ADB), Mr. Kiyoshi Taniguchi, Principal Economist, Asian Development Bank (ADB), Dr. G. M. Arif, former Joint Director, Pakistan Institute of Development Economics (PIDE), Dr. Vaqar Ahmad, Joint Executive Director, Sustainable Development Policy Institute (SDPI), Ms. Fizzah Zaheer, Akhuwat - Islamic Microfinance and Dr. Javed Ashraf, former Vice Chancellor, Quaid-i-Azam University.



Mr. Kiyoshi Taniguchi

Mr. Kiyoshi Taniguchi, *Principal Economist, Asian Development Bank (ADB)*, expressing his views on development policies for marginalized people said that having adequate food is an important factor for economic growth in terms of human development. ADB in Pakistan is currently focusing on three dimensions for 2020-2024; economic corporation, human development and social protection and private sector development. In past, ADB’s assistance was more towards infrastructure while now the shift is towards social protection. Mr. Taniguchi said that the focus would be more

towards education and health sector for marginalized and disadvantaged group. He further said that cash transfers is an effective tool to motivate children to go to school but it can be helpful to set aside demand side issues but cannot solve supply side issues which the government must exclusively work on. Mr. Kiyoshi further said that learning from Indonesian experience, Pakistan must also develop independent think tanks that can analyze the impact of an interventions made and challenges and issues the program is facing.



Dr. G. M. Arif

Dr. G. M. Arif, *former Joint Director, Pakistan Institute of Development Economics (PIDE)*, said that the economic literature establishes that marginalization, deprivation and social exclusion are the similar terms. People who are deprived of different opportunities and rights belong to certain social class, ethnicity or religious group, education standard and employment level. These factor sometime classifies people who belong to these group(s) as marginalized or socially excluded. Dr. Arif said that it is important to analyze the policies that can bring these marginalized groups

into the mainstream. Giving these group right of equal participation and opportunities can help to bring them in economic activity and thus end the deprivation from society. The indicators of marginalization in Pakistan includes food insecurity, multidimensional poverty and unemployment. There has been improvement in all these indicators over time but despite that about 15 to 40 million people still can be classified as deprived with high unemployment in youth and less than 10 years of education. He further added that despite of improvements still 18-20 percent population is food insecure and one quarter of population is living below poverty line. Dr. Arif further added that over the time urban rural gap has widened to 6 times from 3 times in the past. He said that marginalized class is mostly situated in rural areas of the country especially Balochistan which is lagging far behind all the other regions. Dr. G. M. Arif in his closing remarks said that the current economic slowdown and double digit inflation can pave way for poverty to come back in Pakistan and if poverty bounce back it will revert all the efforts of the government in past many years.



Dr. Vaqar Ahmed

Dr. Vaqar Ahmed, *Joint Executive Director, Sustainable Development Policy Institute (SDPI)*, expressing his views said that it is important to highlight four aspects of marginalization and deprivation; first how marginalized is defined in Pakistan? what is the share of state for marginalized? can fiscal policy address the marginalized sector challenges? and lastly the way forward. Dr. Ahmad said that Ministry of Human Rights has taken national action plan for human rights in the country. He added that it is surprising to see that in prioritization exercise of SDG, none of the

province picked social justice, a key pillar in sustainable development goal in their agenda while it was taken up by the Planning Commission. Dr. Vaqar said that State acts on external pressure, the biggest progress Pakistan was able to make in uplifting the marginalized was when EU review committee was coming to Pakistan for GSP plus status. Pakistan has legal commitment on labour with robust legislation. State is picky about what to include in child labour and what not to. Like we do not recognize child help at homes as marginalized but social justice literature treats it clearly as violation of child rights. He also added that Pakistan employment trend report 2018 states; declining share of workforce in agriculture sector, high share of informal and casual work and practice and coordination at workplace go unnoticed. Usually, policies to address these challenges is through fiscal policy which has great limitations and apprehensions. The macroeconomic framework shows that until 2022 Pakistan would have a slow economic growth and high inflation, weak investment regime, expended tax effort but under decreasing economic activity and high fiscal deficit which unable big push spending space to address labour market issues. Dr. Vaqar Ahmed in his closing remarks said that a transparent mapping of marginalized or marginalized by rural community is needed. He added that targeted interventions of the government like Ehsas program can only be functional through SDG integration framework, role of local social enterprises as they have the capacity that other agents lack and lastly inequality in all its form must be prioritize. He added that Pakistan needs evidence based policy making for effectively capitalizing its challenges and opportunities.



Mr. Omer Bin Zia

Mr. Omer Bin Zia, Senior Project Officer at the Asian Development Bank (ADB), said that the ADB has its long term development strategy named as Strategy 2030 which aims to eliminate hunger and poverty through social protection and interventions in other social areas as key operational area among other areas. Mr. Zia said that ADB is currently negotiating to increase its support on social protection to Pakistan. ADB aims to develop country partnership with Pakistan on education, health, poverty and financial inclusions. He added that ADB as practitioner looks marginalization through

poverty scorecards developed by BISP through national economic and special registry. He said that the PMT used in the method of identifying marginalized is clear as it analyze the socio and economic status of individuals and assign score accordingly. ADB has been actively engaged in Pakistan for social safety net with a decade long engagement in BISP; it has also provided assistance to those who are truly marginalized and left out because of non-holding of national identity card. ADB also help BISP in better financial management and building research capacity. All development institutions must have policy department where they should formulate the evidence based policies and new programs. Mr. Omer Bin Zia further added that BISP is not alleviating the poverty, it is just preventing the marginalized sector from falling into poverty trap. He said that conditional cash transfers however can have an inter-generational impact on poverty with future returns. In his conclusory remarks he said that, to curb poverty and other social and economic evils for marginalized class it is important to have policy pressures from both the levels, bottom and top. At bottom level it may include conditional cash transfers but at the top level it consists of employment opportunities and access to resources.



Ms. Fizzah Zaheer

Ms. Fizzah Zaheer from Akhuwat, shared her perspective and experience on working first hand with the marginalized sector. Ms. Zaheer said that in 19 years of Akhuwat's work experience independent as civil society organization and with the government, there are fundamental issues in what development means in Pakistan. She added that development policies must be formulated with clear agenda and must be long term to see what results they can achieve at the end. She also said that financial inclusion is the key for human development. Income generation, she argued, basically is the

driving force of uplifting and upbringing of marginalized and deprived class of society. The current market system does not cater the needs of the marginalized sector, rather focuses on catering the demand of rich or specific sector of the economy. The fundamental flaws in the financial system creates major hurdles in the economic uplifting of the marginalized, thus, the need of time is to discuss and implement models that make inclusion of these groups possible. She said that we must also need to redefine marginalization as currently transgender, women and children are considered vulnerable. There is an emphasis on human development but there is a missing linkage between objectives, research, practice and policy. She said that the organization has

worked with largest number of transgender and has worked in war areas such as FATA and Gilgit Baldistan to uplift the social welfare of the marginalized sector. Ms. Fizzah Zaheer in her closing remarks said that Pakistan needs a cohesive and inclusive agenda that can target the uplifting of all the socio-economic classes of society instead of focusing on few.



Dr. Javed Ashraf

Dr. Javed Ashraf, former Vice Chancellor, Quaid-i-Azam University, presenting his submission in front of the house said that economic growth is crucial in uplifting the marginalized sector and curbing poverty. China, India and Vietnam all have developed and uplifted the deprived social class tremendously, Pakistan must learn lesson from these economies. Dr. Ashraf added that Pakistan must safeguard the rights of minorities as mostly minorities is the marginalized class in the country. Sharing his experience, he said that he was the Dean of a business school in a Catholic University in USA but in Pakistan minorities cannot be on key positions. He said that accepting diversity and ending discrimination is the way forward. The educational system must also transform into skill development instead of degree awarding institutions. Dr. Javed Ashraf concluding his talk said that Pakistan can replicate with alterations as per the demand. The successful idea of Grameen Bank adopted by Mr. Yunus for helping marginalized sector to start small business setups.



Dr. Fazal Husain

Dr. Fazal Husain, Joint Director, Pakistan Institute of Development Economics (PIDE), concluding the session said that institution and governance is the key to resolve and handle social and economic issues. Pakistan unfortunately has low working capacity. The government at present has many economic challenges because of which the pace of handling the social challenges has slowed down.



CONCLUDING STATEMENT OF THE ANNUAL INTERNATIONAL CONFERENCE 2019

BY: PROF. DR. SAMINA KHALIL (CHIEF PATRON)



Prof. Dr. Samina Khalil

We have no doubt in our minds that Naya Pakistan is destined to be a developed prosperous and successful nation in foreseeable future.

Key indicators depicting that road to Naya Pakistan has many challenges to face:

- Economic growth rate has hit a nine-year low of 3.3%; inflation has turned into a double-digit demon at 10.3%; key interest rate has soared to an eight-year high of 13.25%; at Rs160 to a dollar, our currency has depreciated by 32%; there has been crash after crash at the stock market.
- Both domestic and external debts have winged into historic highs.
- An unprecedented Rs5.5 trillion tax-collection target has resulted in unbearable rise in electricity, gas and fuel prices which have turned consumer items costlier. The government's claims of ensuring ease of doing business have also fallen flat.
- The accountability drive is giving rise to political uncertainty which is also adding to the economic troubles. Governance in the context of reforming bureaucracy, depoliticizing the police, and tackling corruption is a challenge that is only complicating with time.
- And on legislation matters, the government's performance leaves much to be desired.
- Not a good first year in Naya Pakistan though, PM has all the potential to live up to the people's expectations and turn things around.
- Previously the country achieved a GDP growth of 5.5% in FY18, a 13 year high. However, this growth of 5.5% was achieved at the cost of widening macroeconomic imbalances as manifested in a five-year high fiscal deficit and a record high current account deficit in FY18
- The fiscal year witnessed a muffled growth of 3.29%, against the target of 6.2%, on the basis of 0.9%, 1.4% and 4.7% growth in agricultural, industrial and services sectors respectively. Each sector is discussed in more detail below

The Agriculture Sector: The agriculture sector grew by 0.85% compared to 3.81% last year. The crops sector has witnessed negative growth of 4.4% during FY19 against a positive growth of 3.83% during FY18. This is mainly due to negative growth (-6.6% in FY19 vs 3.57% in FY18) in important crops due to decline in production of cotton, rice and sugarcane

The Industrial Sector: During FY 19, the provincial growth in industrial sector has been estimated at 1.40% as compared to 5.8% growth in FY18. This is mainly because of decline in growth to 2.06% (6.13% growth in FY18) in large scale manufacturing sector while mining and quarrying sector has witnessed a negative growth of 1.96% (3.04% growth in FY18).

Services Sector: Provisional estimates show that the services sector posted a growth 4.71% during FY19 against growth of 6.43% in FY18. Wholesale and Retail Trade sector grew at a rate of 3.11% in FY19 versus a growth of 7.51% in FY18. Transport, Storage and Communication sector has registered a growth of 3.34% against growth of 3.58% achieved in FY18.

Shrinking current account deficit: Pakistan's current account deficit declined to USD 579 Million in the first month of the current fiscal year as compared to 2.13 billion as compared to last year showing a contraction of 73%. This contraction is attributed to the Government's agreement with the IMF on implementing tough measure for bailout of 6 billion dollars

Sharp decline in trade deficit: The country's trade deficit shrank by nearly 38% in the first two months of the current fiscal year, driven largely by a decline in imports of non essential luxury items.

Highest fiscal deficit in three decades: The non tax revenue sharply dropped because of the massive depreciation of the exchange rate.

Average High inflation: Average CPI for the first quarter of the current FY was 11.51 % compared to an average of 5.6% for the same period last year. The Devaluation of Rupee and the relative inelasticity of the country's fuel demand are major contributors to the high inflation rate during the year.

TWIN DEFICIT

Trade deficit

- Pakistan's trade deficit was recorded at \$5.73bn with a ~34.85% reduction during the first three months of FY20.
- Exports increased slightly to \$5.52bn during 3MFY20 compared to \$5.37bn in the corresponding period of FY19.
- Meanwhile, imports were recorded at \$11.25bn, a contraction by ~20.59% compared to the same period last year.
- The constant decline in the trade deficit shows the effectiveness of the Govt. policies to curb the bloated trade deficit as imports have plummeted despite paltry growth in exports proceeds.
- Pakistan should concentrate its efforts towards export led growth to effectively tackle the crises of trade deficit. Otherwise, this stability in balance of trade will be temporary and is likely to reverse in the future.
- The decline in imports is mainly due to the imposition of regulatory duties on luxury items and automobiles.
- Moreover, the government also slapped a ban on import of furnace oil last year, in addition to a number of policy interventions including improved energy supply, import substitution drive, economic stabilization, and currency devaluation.

Current Account Deficit

- The external sector continued to show significant improvement with a sizeable reduction of around 32% (or 1.5% of GDP) in the current account deficit during FY19.
- The trend continued in the first month of FY20 as well.
- Specifically, driven by an encouraging 11% growth in exports and a contraction of 25.8% in imports, the current account deficit declined to \$579mn in July 2019 compared to \$2,130mn in the same period last year.
- CAD is currently estimated to be around \$0.24bn during the first quarter of the ongoing fiscal year.

Inflationary pressure

- Despite seeing one of the most aggressive monetary tightening policies in Asia since 2018, the Consumer Price Index for September 2019 increased by 0.75% over the previous month and increased by 12.55% over corresponding month of the last year i.e. September 2018.
- The recent price hike is driven by the Country's inelastic demand for mineral products which leads to a pronounced exchange rate pass-through to domestic prices. Further, Electricity and Gas prices have also been raised by the Govt. in an attempt to curtail the budget deficit.
- The persistence of inflation with tight monetary policy has had sharp negative bearing on the Country's economic growth. Similarly, the hiking prices will have negative consequences for employment and poverty levels.
- The economy is expected to suffer from stagflation; with unemployment expected to rise following relatively weak performance on the economic growth front

CURRENCY

- PKR/Dollar: During the period FY19, PKR devalued by around ~30% against the USD.
- Since the beginning of the ongoing fiscal year, the rupee has remained stable; rather gaining 2.3% value against the dollar during the first quarter.
- The rupee had broken its record low against the USD to reach Rs154 in the open market and Rs153.5 in the

interbank market on May 21.

- However, during the last week of May, the PKR regained Rs1.42 in its value against the greenback, bouncing back from State Bank of Pakistan's mid-rate of Rs150.90 to Rs149.53 in the interbank market.
- The Pakistani currency recovered to ~Rs156 during the first quarter of the ongoing fiscal year and later rose to a four-month high against the USD to Rs155.98 on October 14, 2019.

Outlook:

- Currency devaluation was inevitable because of several reasons including increased CAD, debt servicing, and lower FDI which led to decreased foreign exchange reserves and an artificial cap on the value of dollar.
- These policies lead to a record high of twin deficits. The IMF wants a free float exchange rate with zero intervention from SBP. Pakistan's currency appears to have stabilized at a level that allows the C/A deficit to shrink dramatically, and this should be supported by a global recession.
- Along with Egypt, Pakistan has the smallest export exposure in EM, but it does better than Egypt from falling energy prices. Despite significant devaluation, the WB still sees the Pakistan rupee overvalued by the end of September by approximately 4.8%.
- The World Bank has shown the Real Effective Exchange Rate (REER) at 104.8, whereas the recent downward trend in the USD value against PKR supports SBP's contrary view of the Country's currency being under valued at a REER of 92.7 for the month of August.

FOREIGN DIRECT INVESTMENT (FDI)

Current situation:

- Foreign investment is on a downward trajectory. Foreign direct investment (FDI) halved to \$1.73bn in FY19 compared to \$3.47bn in the preceding fiscal year.
- Total foreign investments plunged from \$5.7bn in FY18 to \$249mn in the preceding fiscal year.
- This sharp decline is owed to a massive drop in foreign public investments by ~141% in FY19 to -\$1bn.
- The falling trend of FDI into the country, which has plunged by over 58% during the first two months of the current fiscal year, is a cause for concern.
- In the first quarter of the ongoing fiscal year, FDI from China reduced to 18% of overall inflows as compared to 57.3% in the corresponding period of the preceding fiscal year.
- This is mainly due to completion of early harvest project under the CPEC.
- The State Bank of Pakistan's data shows that slowdown of inflows from China have brought down the overall FDI figure, as inflows from Beijing during July-August fell to \$28.9mn compared to \$216mn whereas inflows during August clocked in at \$33.4mn
- However, China continues to lead the direct investments table followed by UK and Malaysia. In terms of sectors, construction sector recorded a decline of ~100% to \$1.4mn in the first two months of the current fiscal year, a drop from \$106mn in the same period last year.
- The first quarter of FY19 recorded the highest net FDI in the Oil and Gas exploration sector, attracting net FDI of \$21.3mn, followed by Automobile, Textiles and Electrical Machinery.

Outlook:

- For the enhancement of FDI, the government has under taken different initiatives at the international level.
- The Govt. plans to set up nine Special Economic Zones (SEZs), out of which, three are listed as priority projects, including Dhabeji SEZ. Saudi Arabia has signed seven MoUs worth USD20bn across several sectors including oil, mining and energy. Agreement to be signed with China for the upgradation of Mainline-1 (ML-1).
- Some other huge foreign direct investments are all in the pipeline like USD5bn investment by UAE in oil refinery project.

THE POLICY IMPERATIVES AND SOCIO-ECONOMIC UPLIFTING OF THE MARGINALIZED POPULATION

- Despite the episodic and relatively low growth over the last two decades, Pakistan has made considerable progress in reducing poverty. Government's latest estimates show that headcount poverty in the country has declined from 61.3 percent of population in 2001-02 to 24.3 percent in 2015-16.
- This signifies that whatever modest growth, Pakistan was able to achieve in this period, has been relatively pro-poor.
- Moreover, this notable reduction in poverty is made more remarkable by the fact that this was achieved during the period of only marginal improvement in human development indicators.
- One area of concern in this otherwise remarkable poverty reduction performance, is that poverty reduction has been stronger in urban areas thus exacerbating the urban-rural income inequality.
- Urban poverty declined from 18.2 percent in 2013-14 to 12.5 percent in 2015-16 (5.7 percentage points reduction), whereas rural poverty fell from 35.6 percent in 2013-14 to 30.7 percent in 2015-16 (4.9 percentage points reduction).
- This has caused poverty to be mainly a rural problem as presently 82 percent of the poor live in rural areas. The role of targeted poverty interventions in the form of social safety nets has been salient in achieving this outcome.

The Ehsas Program:

- On March 27, the Prime Minister announced the launch of the "Ehsaas" program, with the objective of to reducing income and social disparities; investment in people; and uplift of lagging districts.
- Ehsaas aims at creating a 'welfare state' by countering elite capture and leveraging 21st century tools—such as using data and technology to create precision safety nets; promoting financial inclusion and access to digital services and creating jobs in quick win areas.
- Ehsaas is about girl's education, the economic empowerment of millions of women, investments in human capital and much more. The welfare state envisioned under Ehsaas aims to exploit synergy between human capital development, economic progress and wellbeing.
- The program's approach centers on tapping whole of government for solutions; ensuring joint federal-provincial leadership; and mainstreaming the role of the private sector through an approach which will provide a level playing field on the one hand and foster locally relevant innovation on the other.
- The program's premise is grounded in the importance of strengthening institutions and good governance. Its principles resonate with the spirit of the sustainable development agenda.
- Ehsaas' poverty reduction strategy is articulated in four pillars: making the government system work to create equality, safety nets for the disadvantaged segments of the population, jobs and livelihoods, and human capital development.

* The Framework of the program centered on four pillars:

*** Making government work for equality:**

- The most important action under this pillar is to make a constitutional amendment to redefine basic needs (food, clothing, health, education and housing) as a fundamental human right.
- In addition, the pillar aims at increasing allocation for social protection in the 2019-20 budget by Rs 80 billion. This will be enhanced to Rs 120 billion in the 2020-21 budget.
- Moreover, a new ministry, Ministry of Social Protection and Poverty Alleviation Coordination, will be created to address the current fragmentation of social protection programs.
- Benazir Income Support Program, Pakistan Bait-ul-Mal, Zakat, Pakistan Poverty Alleviation Fund, Trust for Voluntary Organizations, the SUN Network, Center for Social Entrepreneurship, etc. will all come under the umbrella of this new ministry. This consolidation of social protection program under "one administrative roof" will help create one-window operation for social protection.

* Govt official policy framework.

Social safety nets:

- Presently 39 percent of country's population lives below the poverty line, with 24 percent classified as severely poor i.e. those who cannot afford to satisfy their basic food and non-food needs.
- The government intends to better identify these poor for targeting of its social protection programs. In this regard, the government will develop a new National Socioeconomic Registry to identify the poor.
- This registry will have multiple validation using surveys and big data analytics. This will ensure that no poor is left out of the registry.
- Two new social protection programs are being introduced—Kifalat and Tahafuz.
- Executed through the Benazir Income Support Program, the Kifalat program will ensure financial and digital inclusion of around 6 million women through the one woman one bank account policy.
- The cash support from the Kifalat program will be indexed to inflation thereby protecting the support from erosion of inflation. The Tahafuz program will involve one-time economic support to help the population which may be undergoing hardship due to external or internal shock.

Human development:

- Human capital development is a significant contributor to the wealth of a nation. In this digital age, accelerations in technology require countries to urgently invest in their people if they hope to compete in the economy of the future.
- Human capital development necessitates prioritizing investments in early years—tackling malnutrition, preschool or early education, protecting children from harm; ensuring access to quality education, skills and jobs; long-term commitment to Universal Health Coverage, and measures for empowering women and girls.
- Jobs and livelihoods: As mentioned above, job creation is one the key objective of government economic reform program. As such, Ehsas program aims at creating employment opportunities by working in partnership with private sector.

Benazir Income Support Program (BISP):

- BISP will continue to be the biggest cash transfer program. It will continue to provide unconditional conditional cash transfers to low income households, particularly those belonging to the poorest quintile and the groups most vulnerable to natural disasters and policy shocks. Similarly, BISP will continue with its conditional cash transfers for furthering education and health objectives of the government.
- After the success of its unconditional cash transfer program, BISP has also started providing conditional cash transfers, particularly for primary education. Waseela-e-Taaleem program started in partnership with provinces, supports primary education of 4 to 12 years old children of BISP beneficiary families conditioned upon for their enrolment and staying in school. Each beneficiary child receives a cash transfer of Rs 750 per quarter upon meeting the admission verification in 1st quarter and attendance requirement of 70% in subsequent quarters till completion of the primary education. So far, over 2.2 million children in 50 districts of the country have benefited from this program.
- Being aware that stabilization and structural adjustment policies are likely to have an adverse short-term impact on the wellbeing of the poor and vulnerable segments of population, the government intends to strengthen the national social safety nets by expanding its coverage, streamlining the conditional cash transfers and establishing appropriate graduation programs.
- The government has taken several initiatives to expand the coverage of social safety net programs beyond their traditional areas and to improve their effectiveness. The first in this direction is the appointment of a globally acclaimed professional to head BISP.

Other initiatives include:

Anti-stunting nutrition program: To reduce the proportion of stunted children in the country from 44 percent to 30 percent the government is starting a nutrition program with BISP. The program will target

2 million children in ages of 6-23 months and 2 million pregnant or lactating women.

Expanding the coverage of Waseela-e-Taaleem program: The program is to be expanded to enroll 9 million out of school children from the poorest families over the next four years; and expansion of program from 50 districts to 154 districts.

Income enhancement through asset transfer: This initiative will help 3 million poor beneficiary households of BISP and Pakistan Poverty Alleviation Fund (PPAF) to graduate out of poverty through provision of assets like livestock, enterprise, house, etc. During 2019, a pilot program, covering 100,000 households, will be completed.

Insaf health card: After its acclaimed success in Khyber Pakhtunkhwa, the government is launching this health insurance scheme across the country. Under this scheme, a poor patient can get medical benefit of Rs 500,000 through any public health facility.

Low cost housing: The government intends to provide low cost houses to 160,000 beneficiary families of BISP and PPAF. For this, interest free loans will be provided to these families from the Rs 5 billion revolving fund set up by the government specifically for this purpose.

GOVERNANCE REFORMS

The underpinning of the structural reforms proposed in Section (1) to (4) above lies in the Governance Reforms. Behind every crisis or policy failure the weak administrative capacity of the institutions implementing these reforms has proved to be the major inhibiting factor. The capacity has deteriorated over time and the Government is fully convinced that Civil Service reforms and enhancing the efficiency and transparency of Government departments and agencies is the sine qua non for achieving the desired results envisioned in the structural reform program outlined in i) to iv) requires an efficient administration comprising well trained civil servants. The Prime Minister has set up a Task Force to recommend changes needed to achieve such administration. The principles on which reforms would take place have been endorsed by the Cabinet and are summarized below.

CIVIL SERVICE REFORM

- Open, transparent merit - based recruitment to all levels and grades of public services with Regional Representation as laid down in the constitution. Instead of one general examination for all cadre services, the candidates would be given option to appear at tests for any of the four different clusters with specialized domain
- The present system of Confidential reports which are highly subjective would be replaced by Objective based Performance evaluation with key performance indicators. Promotions and career progression for all public sector employees would take place on the basis of performance and training outcomes.
- Compulsory systematic training at post induction, mid-career and senior management levels would be offered to all civil servants in cadre and non-cadres to enhance their competencies in managerial skills as well as specialized fields.
- Equality of opportunities for career advancement would be provided to all employees without preferences or reservations for any particular class.
- The concept of Superior Services would be replaced by equality among all cadres and non-cadres of public servants in terms, conditions, training and career advancement.
- Compensation package would be revised from time to time to provide a decent living wage including decent retirement benefits to all civil servants.
- Security of tenure of office would be ensured for a specified period of time except if the officer is found guilty of malfeasance, misconduct.
- Opportunities would be provided to induct professionals and technical experts from outside the regular civil service on contractual basis to fill in the gaps in the skill sets unavailable in the Ministries and departments.

ENHANCING THE EFFICIENCY AND TRANSPARENCY OF GOVERNMENT

- E-governance would be introduced in next two years in all Ministries and government agencies to ensure transparency, efficiency and convenience to citizens in their transactions with the Government.
- Introduction of e-government would be accelerated with local area network connectivity, websites, data bases, electronic filing and tracking, all correspondence through emails forming a minimum package for all Divisions/s/ attached departments/ autonomous bodies.
- It is realized that Technological solutions, hardware and software applications are easy part of the process, but the most difficult aspect would be the Training and a change in the culture,
- Attitude and practices E-government would be driven by business needs rather than crafted as an elegant technical solution.
- All laws, rules, regulations, circulars, guidelines issued by any Government ministry/ department/ agency would be made available in its most up dated version to the general public free of cost in a user-friendly manner on web page and in electronic and print forms at public places.
- Service standards with timelines for each type of service rendered at the District, Tehsil and Union level will be developed, widely disseminated and posted at public places in each department.
- Rules of business at the Federal, Provincial and District Governments will be revised to make them simple, comprehensible empowering the Secretaries/ Heads of Departments/ Local Government Officers to take decisions without multiple references, clearances and back and forth movement of files. Post-audit of the decisions taken will be used to ensure accountability rather than prior clearances.
- Attitude and practices; e-government would be driven by business needs rather than crafted as an elegant technical solution.
- All laws, rules, regulations, circulars, guidelines issued by any Government ministry/ department/ agency would be made available in its most up dated version to the general public free of cost in a user-friendly manner on web page and in electronic and print forms at public places.
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- Rules of business at the Federal, Provincial and District Governments will be revised to make them simple, comprehensible empowering the Secretaries/ Heads of Departments/ Local Gov Officers.



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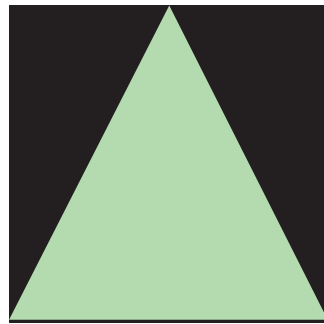
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