

Recommendations for Economic Revival and Industrial Development of Pakistan.



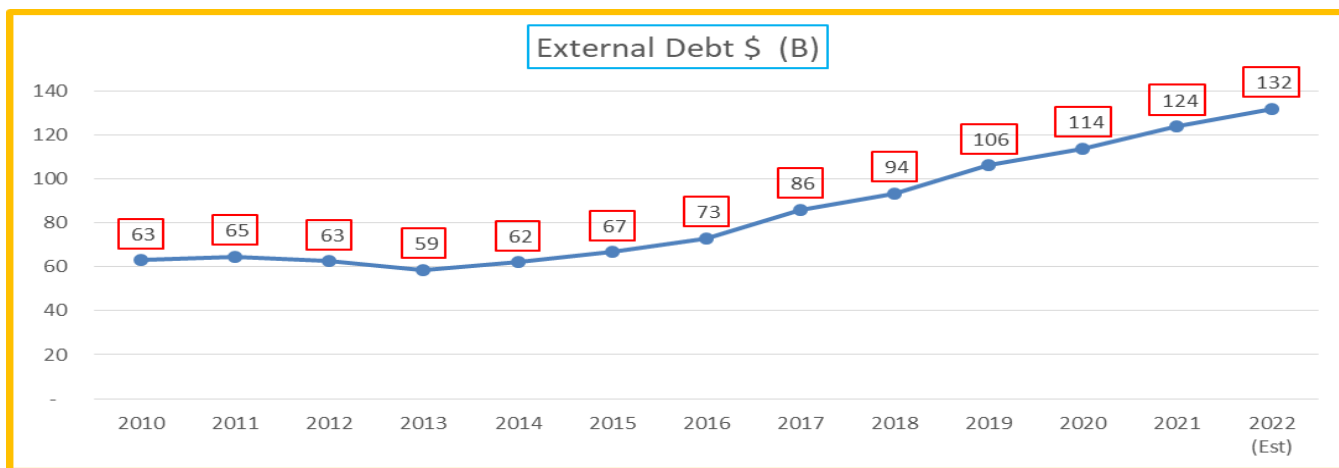
Most of recommendations, to address economic rival and industrial development, have been repeatedly appearing without fruitful results since decades because conducive environment with followings level playing field is missing;

- Imposition of agriculture tax and showing zero tolerance on vested interest of any of influential.
- Comprehensive policy for import substitute industry should be implemented.
- Patronization of new ideas, product innovation and ensure business opportunity for all.
- Research centers for next generation products such a Quantum Computers, IA, battery & fuel cell technology for feature vehicles and introduction of Nano, robotic & drone technology in industry.
- Promoting cottage industry for export and feeding the SSM & LSM industry.
- Construction of mini dams to stabilize the agriculture production and making Pakistan specialize in agriculture, IT and HR experts.
- Free and fair elections to induct the fresh blood to replace repeatedly imposed feudal lards.
- Pakistan should be expended beyond the boundaries of three chapter cities for allocation of equitable resources to ensure productivity.
- Strict the laws to invest in property and rental income culture from plazas.

It would be very hard task to ink comprehensive recommendations to address eight core macroeconomic issues in an article not more than 2,500 words. It's worthy to note that a recommendation under one head may be equally good to address one or more macroeconomic problems. All macroeconomic indicators, under consideration, are at its ever worst position as depicted in different graphs. Let us try to be very precise on all issues one by one and set aside the details to be furnished if required later on.

1. Huge External Debt.

External debt position is deteriorating on YoY bases and we reached almost at the point of no return. Mostly, the eternal debts are used to bridge up fiscal deficit, stabilization of exchange rate, trade deficit and, sometimes, to retire old debts. Preceding 12-years alarming history is depicted below.

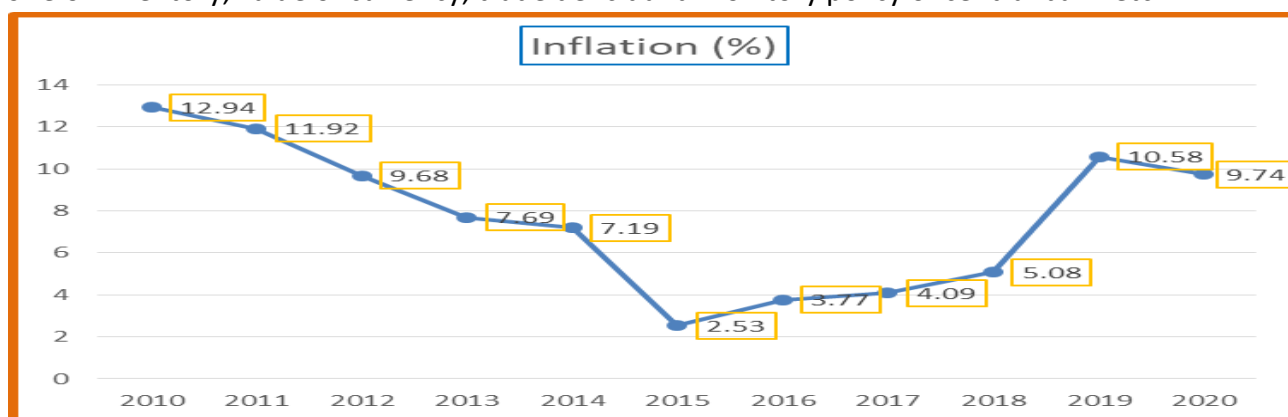


Recommendations: Apart from the Monetary Policy (Manipulation of Interest Rate & Issuance of bonds etc.);

- I. To curtail the nonproductive administrative expenditures of Ministries, National/Provincial Assemblies, Embassies, Defense & Other alike departments.
- II. All amenities provided to all employees of grade 20 & above, MANs and MPAs should be completely abolished except monthly salary and retirement benefits.
- III. To revive or privatize the loss making SOEs like PIA, PSM and PR etc. to avoid foreign loans for bailout packages that have been provided since long.
- IV. Using the External Debts for only revenue generating projects.
- V. Multiple taxes, broad based with low rate, to reduce the fiscal gap.
- VI. Incentive to foreign investors to induce them for FDI.
- VII. Prefer Bilateral and Multilateral external Debt over IMF's EFF with hard conditionalities.
- VIII. Strengthen national currency against Dollar and keeping interest rate at optimal low level.

2. Rising inflation.

Inflation, in whatever the type it may be, is a causative of too many problems that jolt the national economy. It may compel to change the interest rate, consumption pattern, investment decision, size of inventory, value of currency, trade deficit and monetary policy of central bank etc.



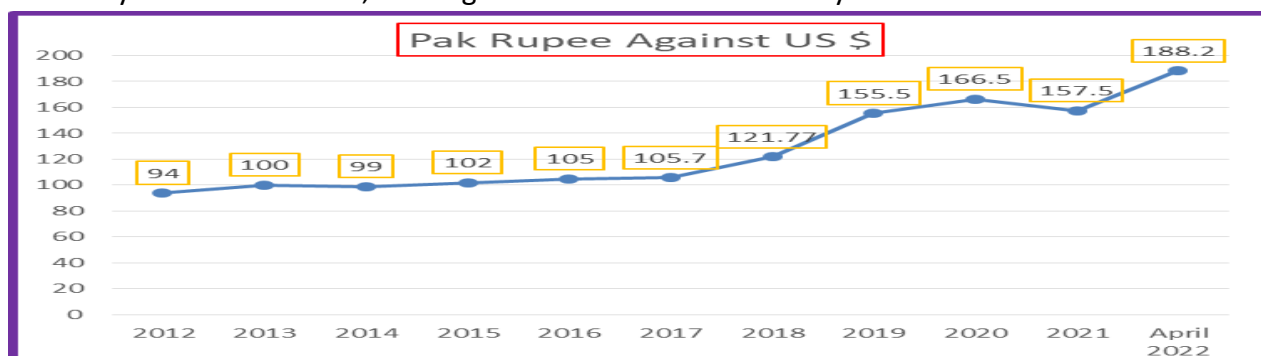
Recommendations: Apart from monetary Policy (OMO, CRR, LRR, MR and Credit Rationing etc.).

- I. Strengthen the supply side economics to increase AS (Aggregate Supply) to meet AD (Aggregate Demand) at lower prices. AS may be increase with inclusion of more arable land or increasing per acre yield or some combination of both.
- II. Supply side strengthen process starts from Agriculture to Production and then, finally, to Service Sector.
- III. Put control on prices to optimum minimum level to the point where danger of recession exists.

- IV. Reduction in non-urgent imports to avoid imported inflation.
- V. Subsidize the input to industrial zone to let the cost of production at lowest possible level.

3. Declining Value of Pak Rupee against US \$.

Value of currency depends upon either government policy of devaluation/revaluation or market forces causative of depreciation or appreciation of currency. Market forces, demand & supply, normally activated when government starts purchasing Dollars from market for debt service or to finance the trade deficit. Heavy trade deficit and excessive loans may be causative of depreciation of Pak rupee against Dollar. Depreciation / devaluation may or may not increase export but definitely increase inflation, existing debt and deteriorates many other macroeconomic indicators.

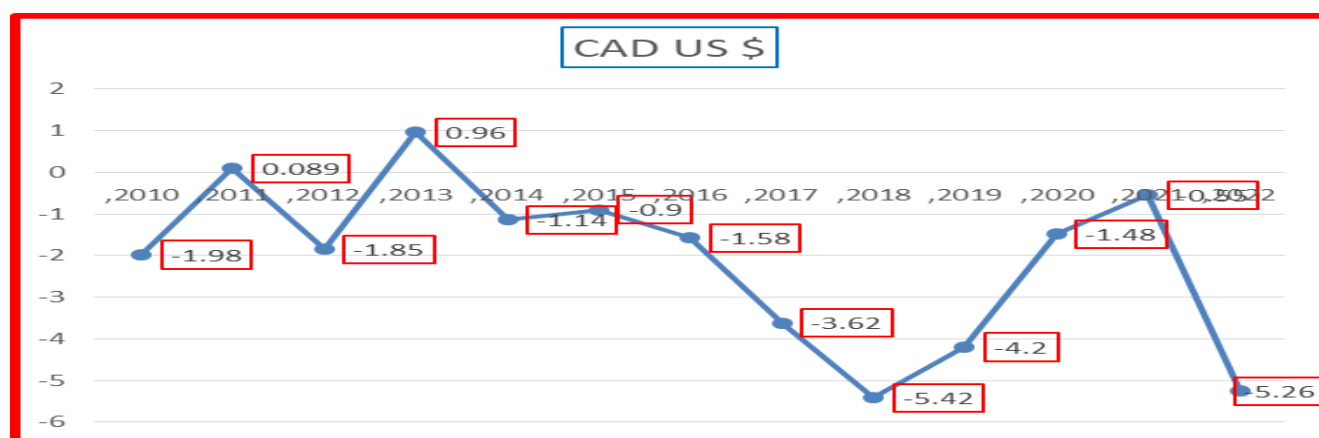


Recommendations:

- I. Implementation of fixed, flexible or market rate which ever suits to our economy and also be align with IMF's policies.
- II. Controlling the inflation through fiscal or monetary policy tools wherever possible.
- III. Reducing Current Account Deficit, the major killer of value of money.
- IV. Reducing the imports and enhancing the export of both tangible and intangible goods.
- V. Trade agreements with different integration at the world level like SAARC, RCD, Shanghai Corporation etc.

4. Current Account Deficit.

Current Account Deficit, CAD, is the difference of payment for imports and receipt from export. Imports & export include both visible and invisible goods. CAD is the most burning question of today's economy and politics.. Government is now making all possible efforts to control worst CAD in history of Pakistan.



Recommendations:

- I. **Import Substitution-Agriculture Products**; Pakistan can reduce CAD to extend of \$ 6/7 billion just after 3-years if zero tolerance policy is implement against owners for leaving their holding virgin. Total area of Pakistan is 79.6 million hectares while only 21.2 million hectares (27%) is cultivated.

- A comprehensive Agriculture Policy for Pothohar & Baluchistan should be designed to cultivate 100% arable land. There is a lot of arable which is not utilized due to absenteeism or some other reasons. They should be forced / given incentives to grow substitute products of imported edible items like pulses, vegetable, fruit, onion, tomato, sun-flower and soya been etc.
- Now a day, in Pothohar Plateau, only 2-3 crops per year are cultivated as compared to tradition of cultivating 12 crops. About 40% land is left virgin as cost exceeds revenue due to small holdings. Economies of the scale does not operate at small operation. Community Entrepreneurship Economic Model (CEEM) is available as a guidance to produce economies of scale to cultivate pluses, wheat, vegetable and raw material for production of edible oil where small holding exist in Pothohar and Baluchistan plateaus.
- To increase the cotton growing area to produce 16 million bales to meet local production requirement and to get rid of imported raw cotton.
- Export of value added finished goods should be exported instead of raw cotton bales.

II. **Export of non-Traditional food products;** Pakistan can reduce CAD to extend of \$ 2/3 billion just after 2-years if some attention is paid to these neglected food items.

- **Stevia** (Sugar / Tablets): Global market is \$ 637.1 million in 2018 and is projected \$ 1.2 billion in 2026. Pakistan has very conducive area, million hectares, in center Punjab to cultivate stevia both for local use as well as planning to export in Global market.
- **Maringa** / Soohajna (Used in Herbal Medicines & Food Items): The global moringa products market size was USD 7.08 billion in 2020. The market is projected to grow from USD 7.79 billion in 2021 to USD 14.80 billion in 2028. Maringa crop can be grown in six districts of central Punjab. Pakistan has nominal share in Global market.
- **Psyllium Husk** / Asphaghol: The Global Psyllium Products Market size was worth US\$ 215 million in 2021 and grow to US\$ 525 million by 2027 with an annual expansion rate of 6% between 2022 and 2027. Global demand is 2.2 million Tone and production is 1.9 million tone (India Production 0.6 million tons and earn Foreign Exchange on export while Pakistan produces 65,000 tone with nil export. Conducive arable land is available in western Punjab, Sindh & Baluchistan.
- **Water Chesnutt** / Sanggra: Also called supper food. Global Production is 20 million ton while demand is 30 million ton. Production trend is 1 ton per acre. Five million acres are required to produce 5 million ton having \$ 1 b export value.
- **Bahang**: Global export volume is \$ 34 b and will grow to \$ 50 b in 2030. Pakistan has \$ 3 b export potential if grown on 50,000 acre area available in Districts Haipripur, Chakwal, Jhelum and Rawalpindi.
- **Tea Plant**: Northern Areas is best suited to produce Tea Plants to reduce around \$ 1 b import bill. About 2.60 million acres required while 3.60 million acres are available to produce tea equivalent to imported quantity per year.

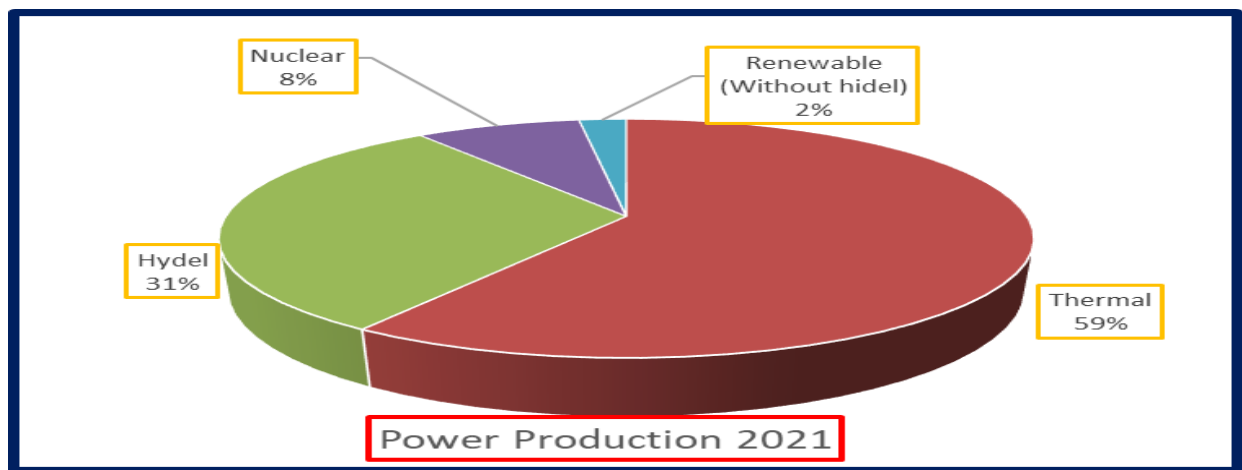
III. **Miscellaneous:**

- To increase the export of Qualified Human Resource (**Comprehensive Policy, already designed, is available**) to increase the remittances.
- To promote the tourism industry as infrastructure, to extend of road transport, has already been developed vide different CPEC projects.
- To restart the CPEC Project to ensure the Forex through FDI for remaining projects.
- Focus on renewable energy project to reduce the dependence on IPPs consuming high cost imported fossil fuel.

- Bring the Gawader port in operation to collect around \$ 5 b Tool Tax per year from China and other users.
- Plan local production of cell phone, laptop, industrial chemical, auto spare parts and electric goods etc.
- To offer special incentives to top business groups to invest in heavy industry to manufacture automobiles, manufacturing plant, locomotives, construction machinery and BMR related machinery on special order of local industrialists.

5. Energy Crises.

Different sources of energy, including hydro, wind, solar, biomass (from bagasse & molasses) and fossil fuel etc. are used for power production by GENCOs. Pakistan is using the costly energy source than other cheaper sources of energy to produce the power for industrial, commercial and household use. Despite of available capacity, we cannot produce the power according to market demand due to energy crises caused by global energy market as external factor and internal financial crises.



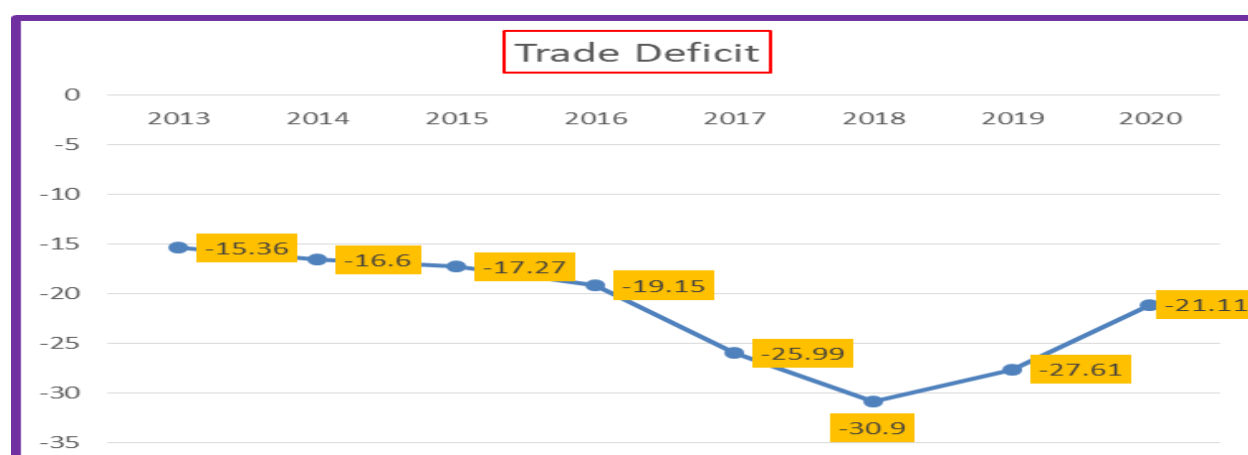
Recommendations:

- Shift more renewable energy share, solar & wind, for power production to reduce the dependency on IPPs consuming costly fossil fuel.
- Construction of more than one dams (Renewable Energy) should be planned at different places on the same river to take full advantage of hydropower generation-a main source of renewable energy.
- More micro-hydropower plants should be planned in different suitable places on streams to meet local requirement in hilly areas. Already 40,000 families are benefited.
- Install solar panels over the canal water to take twin advantages of protecting the water from evaporation and avoiding to engage the arable land.
- Developing policy and regulatory frameworks and implementation mechanisms that facilitate private-sector engagement in rural electrification.
- Policy to produce the energy from Biogas plant is strictly implemented in ruler areas, where animal dung is abundantly available, to reduce the stress on RLNG and Sui Gas.

6. Trade Deficit & Low FDI Inflow.

The difference of payment on export & import of tangible goods only. Our Tangible goods export is about 50% of such import. Trade deficit of Pakistan is always bigger than the Current Account Deficit. Trade Deficit is primary gap that is reduced with foreign remittance and other items

constituting the overall CAD. Low FDI is result of too many factors including bad performance of nation on economic front, long stay in Grey List, political instability, taxation system, ambassadors fix political task only and weak foreign policy.



Recommendations:

I. Export of tangible goods.

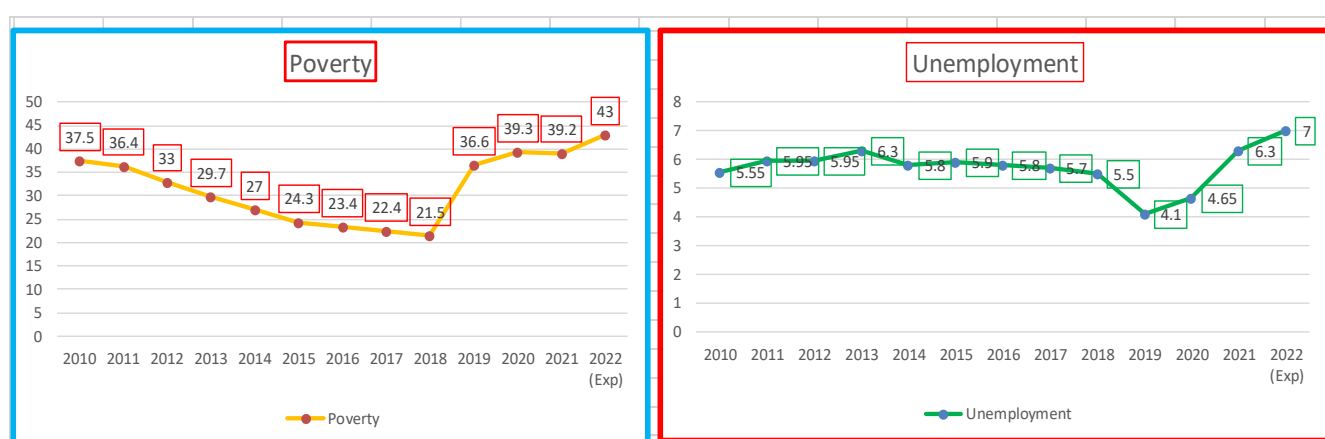
- Searching new market, probably to tap the African countries, for export of goods.
- Reducing input cost & improvement in quality to make the export competitive in the market.
- Positioning the African countries to export edible items produced under CEEM model.

II. Increase in FDI.

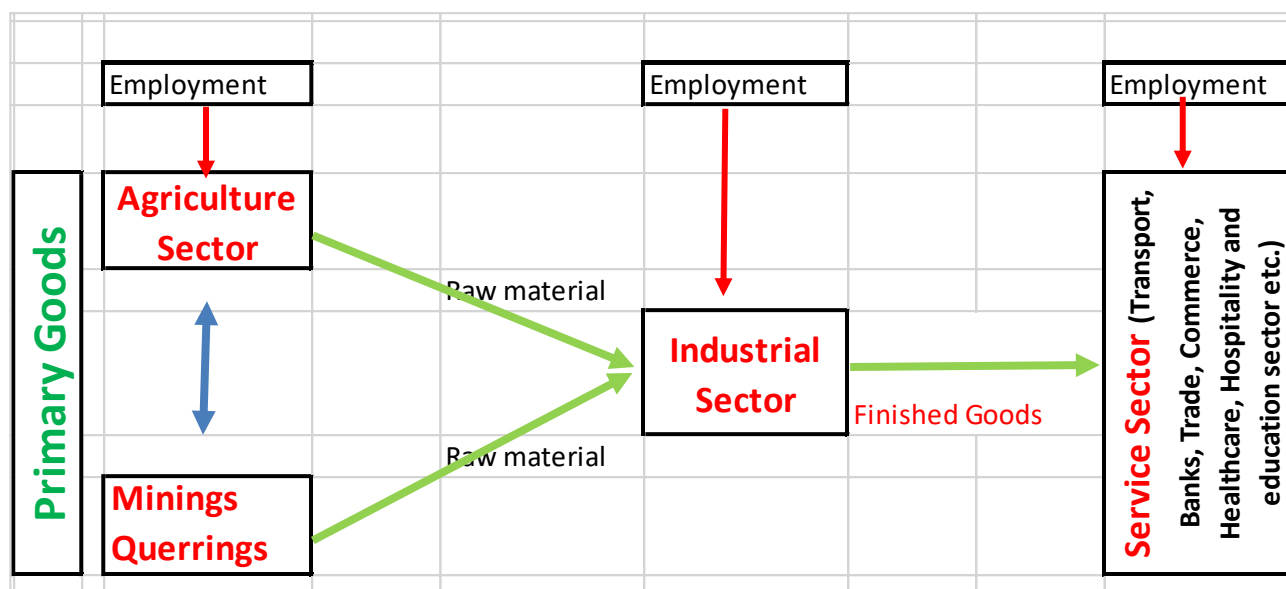
- To ensure political stability.
- To ensure the continuity in economic policies after completion of 5-years tenure of outgoing government.
- To get rid of FATF grey list at earliest by adopting the measures to ensure Pakistan is free of terrorism financing or money laundering.
- Pakistan do not have Geo Political concerns with all countries and, therefore, ambassadors do commercial activities to bring FDI where no such concerns exist.
- Special incentive be offered on foreign investors to bring FDI.

7. Poverty and unemployment.

Unemployment always generates poverty having direct relationship. Data shows that unemployment decreased from 6.3% in 2013 to 5.7% in 2018 that dragged down the poverty level from 33% to 21%. Unemployment increased abruptly from 2018 to onward that pushed poverty from 21% to beyond 40%. Still the position is not under control.

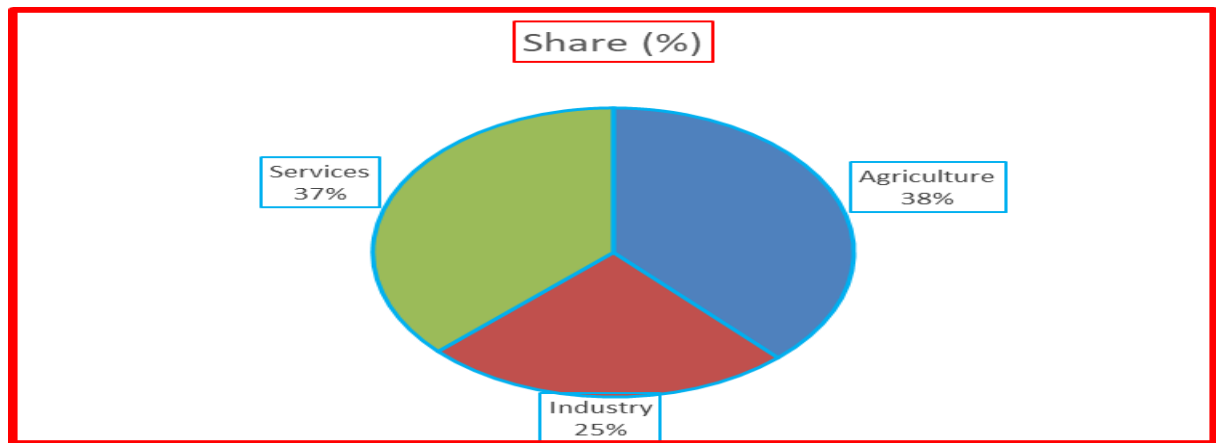


Agriculture, Industrial and Services are three major sectors that accommodate the entire labor force of country. Agriculture sector produces primary goods or raw material to industrial sector. The more the raw material, more will be production activities in industrial sector. Mass production will demand a bigger and efficient service sector for onward distribution of goods / services to EMPLOYEES / INHABITANTS. More activities in all three sectors will absorb a huge labor force and consequently the unemployment would be reduced that will drag the poverty level down. These all three sectors give returns against the services of employees in term of wage, pay, salary or fee. More return will reduce the poverty level.



Recommendations:

- Total area of Pakistan is 79.6 million hectares while only 21.2 million hectares (27%) is cultivated. More areas should be brought under cultivation to accommodate more labor force. The activity of both industrial and service sector directly depends upon the level of activity of agriculture sector.
- All seasonal crops should be cultivated according to the food security assessment for local demand and export targets.
- Rain fed mini dams should be constructed in entire Pothohar to utilize entire arable land of 0.77 m ha (1,902,670 acre).
- Use of advanced technology should be declared mandatory to increase the per acre yield.
- Tree plantation should be seriously addressed to increase the area from 4% to 10% in the first phase.
- All types of raw material should be ensured to local agro-based industry to avoid the import.
- Mining and quarrying should be declared a separate industry to use the full potential of it.
- Banks should be activated to provide loans to establish the import substitution industry.
- More tax-free industrial zones should be established for exports purposes.



8. Inefficiency of Public Sector Enterprises (PSEs).

There are 212 PSEs ranging from small to big size incorporations including PSM, PIA, Railway and PTV etc. Most of the entities are incorporated under Companies Ordinance 1984 and few of them have been created by the enactment of Parliament. Following are the reasons that the giant SOEs are making losses;

- Inefficient, nonprofessional BOD appointed by the all political governments.
- Lack of legislative & regulatory framework (17 ministries are handling these 212 SOEs – commercial, public interest companies, Not for profit organizations).
- Weak internal control to run the operational and financial affairs
- Poor Governance & non transparency.
- Inefficient & nonprofessional human resource.
- Weak marketing plans.

Secondly, privatization is not a tangible solution as evident from privatization of PTCL and KES. Profitability of both the enterprises have been declined and sustained loss to government in term of less payment of tax to national ex-chester.

Recommendations:

- Address all the problems stated above to make enterprises profit making entities.
- Entities can be privatized, in worst condition, to avoid government bailout package.

commendations' direct impact on different macroeconomic indicators									
Recommendations	Huge External Debt.	Rising Inflation.	Declining Value of Pak Rupee	Current Account Deficit	Energy Crises.	Trade Deficit & Low FDI Inflow.	Poverty and unemployment.	Inefficiency of (PSEs).	Industrial Development
Huge External Debt.									
Use of External debt as revenue generating Activity	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	X	Increase
Incentive for FDI.	Decrease	X	Decrease	Decrease	X	X	Decrease	X	Increase
Rising inflation.									
Strengthen the supply side economics (AS)	X	Decrease	X	X		X	Decrease	X	Increase
Reduction in non-urgent and substitutes of imports	X	Decrease		Decrease		Decrease	Decrease	X	Increase
Declining Value of Pak Rupee									
To control the inflation	X	X	Decrease	Decrease		Decrease	Decrease	X	Increase
Trade agreements.	X	Decrease	Decrease	Decrease	X	X	Decrease	X	Increase
Current Account Deficit									
Production of Import substitution of edible items	X	Decrease	Decrease	Decrease	X	Decrease	Decrease	X	Increase
Production and Export of non-Traditional food products	Decrease	Decrease	Decrease	Decrease	X	Decrease	Decrease	X	X
Export of qualified HR	Decrease	X	Decrease	Decrease	X	X	Decrease	X	X
Energy Crises.									
Shifting from IPPs to Renewable energy.		X	X	Decrease	Decrease	Decrease	Decrease	X	Increase
Biogas culture in rural areas to replace imported energy	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	X	Increase
Micro hydro plants to replace power generated by IPPs	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease	X	Increase
Trade Deficit & Low FDI Inflow.									
Search for new export market	Decrease	X	Decrease	Decrease	X	Decrease	Decrease	X	Increase
Poverty and unemployment.									
Increase the arable land for export of commodities	X	Decrease	Decrease	Decrease	X	Decrease	Decrease	X	X
Inclusion of Pothohar Plateau to produce economies of scale	X	Decrease	X	X	X	x	Decrease	X	Increase
Inefficiency of (PSEs).									
Different measures	Decrease	X	Decrease	Decrease	Decrease	Decrease	Increase	Decrease	X

The End