



Post Seminar Report

National Seminar

# Pakistan's Economy

Challenges and Way Forward

27<sup>th</sup> June 2019

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**Lieutenant General Aamer Riaz, HI (M)**

President  
National Defence University

# FOREWORD

**A**s the country's internal security situation continues to improve, the economic outlook deteriorates. The import and export imbalance, along with a rising public debt have had a direct impact on the country's GDP. As of now, Government spending is constrained due to fiscal consolidation efforts, whereas inflation remains high. Pakistan's financial deficit and weak external position is reflected by low international reserves. These challenges have not only stagnated economic growth but have had direct consequences on the country's sovereignty and security.

Despite facing cycles of highs and lows, the current state of economy is in shambles. The situation has forced the government to take immediate short-term steps to create a breathing pocket before going for long-term remedial measures.

Unfortunately, in Pakistan, there has never been a dearth of good policies, however, the implementation is severely hampered by political interference, corruption and lack of political will. It is the need of the hour to make tough decisions that are in the right direction in order to ensure sustainable economic development. I hope that this seminar will facilitate in achieving a consensus on a way forward that would help the policymakers not only get a clearer picture but also use them in order to steer the country out of economic gloom.



**Major General Asif Ali, HI (M)**

Director General

Institute for Strategic Studies, Research and Analysis

# PREFACE

As per the economic survey of Pakistan, trade deficit in the country has decreased by 7.3pc while the fiscal deficit stands at 5.5pc. Pakistan's economic growth has seen a sharp decline in the current fiscal year, touching 3.3pc, a nine year low. To make matters worse, Pakistan's rupee has depreciated around 44pc since December 2017, resulting in an increase in the debt servicing cost as well as inflationary pressure.

The economic woes of the country leave little space for public investment and social safety net and have direct consequences for the business community and the poor. For sustained economic growth, it is of utmost importance that the country achieves macroeconomic stability. It is therefore the need of the hour that the policymakers devise structural reforms that will ensure fiscal discipline and growth. In addition, there is an urgent need to have increased flexibility in trading policies, improved competitiveness and lower cost of doing business.

Together with the macroeconomic and microeconomic adjustments, all sectors of the country need to stand united for a more economically stable Pakistan.

# OVERVIEW OF GUEST SPEAKERS

## General Qamar Javed Bajwa, NI (M), COAS

General Qamar Javed Bajwa Nishan-i-Imtiaz (Military) was commissioned in 16 Baloch Regiment on 24 October 1980. He is a graduate of Canadian Forces Command and Staff College, (Toronto) Canada, Naval Post Graduate University, Monterey (California) USA, National Defence University, Islamabad. He has been an instructor at School of Infantry and Tactics, Quetta, Command and Staff College, Quetta and National Defence University, Islamabad. He has also been Brigade Major of an Infantry Brigade and Chief of Staff of Rawalpindi Corps. He has commanded 16 Baloch Regiment, an Infantry Brigade and has commanded Infantry Division in Northern Areas. He has also commanded Pakistan Contingent in Congo.



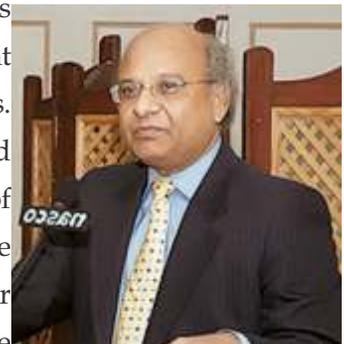
## Dr. Abdul Hafeez Shaikh

Dr. Abdul Hafeez Shaikh is an economist of international repute with over 30 years of experience in economic policymaking, management and implementation. His vast work experiences include his tenure at Harvard University, Cambridge and World Bank, where he served as country head for Saudi Arabia. As a senior official, he has advised 21 countries in Asia, Africa, Europe and Latin America. Mr. Shaikh has served as Minister for Finance, Planning and Development, Sindh, Member of the Senate of Pakistan and Federal Minister for Investment and Privatization. He holds a PhD in economics and has authored many publications including a book on Argentina.



## Dr. Ashfaq Hasan Khan

Dr. Ashfaq Hasan Khan holds a PhD degree in economics from The Johns Hopkins University in USA. He joined the Pakistan Institute of Development Economics (PIDE) in 1979 as Research Economist, where he held senior positions. He is currently the Principal and Dean, School of Social Sciences & Humanities and Director General of the NUST Institute of Policy Studies (NIPS) - a think tank of National University of Sciences & Technology (NUST), Islamabad. He is also the member of the Prime Minister's Economic Advisory Council. The Higher Education Commission (HEC) has appointed him as member of the Senate of the



Pakistan Institute of Development Economics (PIDE), Islamabad in recognition of his outstanding contribution to the field of economics and public policy. The President of the Islamic Republic of Pakistan has conferred him the award of Sitara-i-Imtiaz.

## **Dr. Salman Shah**

Currently, Dr. Salman Shah is an adviser to Punjab Chief Minister. He is former caretaker Finance Minister in the caretaker government of the Prime Minister Mohammed Mian Soomro. He holds a PhD in Finance and Economics from Indiana University, Bloomington's Kelley School of Business. Dr. Shah has also served as an advisor to the Prime Minister Shaukat Aziz on finance, economic affairs, statistics and revenues.



## **Mr. Syed Muhammd Shabbar Zaidi, Chairman FBR**

Mr. Zaidi is a senior partner in AF Ferguson & Co and has authored multiple books, including Panama Leaks: A Blessing in Disguise—Offshore Assets of Pakistani Citizens, A Journey for Clarity and Pakistan: Not a Failed State. He is well versed in Pakistan's tax laws and the key policy matters governing fiscal strategy, corporate regulations and foreign exchange regimes and has written extensively on the topics. He is currently serving as chairman FBR since May 2019.



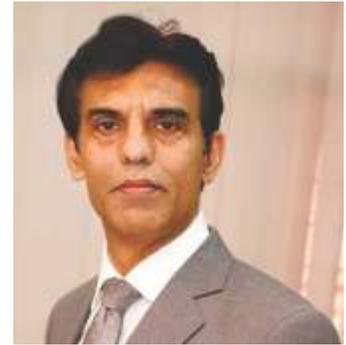
## **Dr. Farrukh Iqbal**

Dr. Farrukh Iqbal has been the Executive Director of the Institute of Business Administration in Karachi as of June 2016. Prior to that, he was at the World Bank in Washington DC where he served for thirty-three years in both technical and senior managerial positions. His areas of interest and expertise span a wide range of sectors and regions. Among sectors, he has conducted studies in such areas as economic growth and development strategy, small and medium industries, local government development, trade and investment policy, and health and education issues in developing countries. He has published five books and numerous academic articles and conference papers. Dr. Iqbal has a BA from Harvard University (1975) and a PhD in Economics from Yale University (1981).



## Dr. Abid Qaiyum Suleri

Dr. Abid Qaiyum Suleri has been heading Sustainable Development Policy Institute, Pakistan's premier policy research think-tank, since 2007. He is the member of different policy making forums and advisory boards, including Prime Minister's Economic Advisory Council; Pakistan Climate Change Council; and Trade Policy Advisory Committee of Ministry of Commerce. He is also serving on Government of Punjab's Agricultural Universities along with different committees/councils formed by Ministry of Planning, Development & Reforms and the Higher Education Commission of Pakistan among others. Dr. Suleri earned his PhD in food security from University of Greenwich, UK in May 2000.



## Mr. Almas Hyder

Almas Hyder is an Entrepreneur, Engineer and Chairman of Synthetic Products Enterprises Ltd (SPEL), a public listed company. He has served on the Boards of many Government, Education, Training, Development and Policy-making Institutions, including National Transmission and Dispatch Company Ltd (NTDC), Engineering Development Board (EDB), Pakistan Industrial Development Corporation (PIDC), Punjab Small Industries Corporation and Punjab Skill Development Fund and Lahore Knowledge Park Company. Mr. Haider is a Certified Trainer for Entrepreneurship Development Program. He is the Chairman of Engineering Development Board, Ministry of Industries and Production and is the President of Lahore Chamber of Commerce and Industry.



# Executive Summary



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## FINDINGS

- Economic strength is a prerequisite for national security.
- Pakistan has produced great policies on paper; however, unfortunately, the implementation of these policies has been very weak. Poor economic governance and economic mismanagement have brought the economy at the current stage.
- A slow economic growth has resulted into rising unemployment and poverty, widening income inequality, a large fiscal and current account deficit which is leading to a rising public and external debt, an export and import imbalance and unpaid bills.
- 39% of Pakistan's population lives in urban areas. This shows that a large population is moving from the agricultural sector towards urban areas for jobs. Therefore, Pakistan is transitioning from a rural to an urban economy.
- The country's agriculture system is premised on wheat, maize, cotton, rice and sugar cane. There's a dearth of high-value added crops in the agriculture sector.
- The high percentage of youth in the country is a good omen; however, it poses challenges of a different

sort. The population of individuals aged between 10-24 years stands at 66 million, which accounts for 32% of the total population.

- The sociological literature does connect high rates of joblessness and unemployment amongst youth to larger societal problems.
- Every youth bulge leads to an elderly bulge. In future, the elderly bulge, may pose to be a more critical problem for the country.
- The challenges facing the country's economy can be summed up in 7 F's which are; Food crisis, Fuel crisis, Fiscal crisis, Frontier wars, Fragility of climate, Functional democracy and Fertility. These challenges are not only interconnected but are also mutually non-exclusive.
- There is a very low tax base in the country therefore; the government relies on revenue generation from indirect sources. A large chunk of the country's economy is undocumented which makes tax collection more difficult.
- The country's exports have been on a decline, primarily, because Pakistan is not a value addition market with almost negligible investment in research and development.
- An entrepreneur, foremost requires a place to setup his working space which unfortunately is not readily available in and around urban centers.
- All enterprises work under a regulatory environment i.e. they function as per laws. Under these regulations, in case of minor deviation, the business men face heavy penalization.
- In Pakistan, in order to start a business, one faces many challenges. This is because of the weak and complex structure of the regulations and discretionary power of the individuals holding the office. Pakistan, for the longest time has had a system, where by law, one can keep his/her assets outside the taxation system.
- The FBR (Federal Board of Revenue) faces capacity issues which hinder its performance.
- The presumptive taxation system has disconnected the country's taxation system from real economic activity.
- Transparency, accountability, internal corruption and malpractices in the FBR are the biggest challenges that we face today and should be tackled at the earliest.
- Today's IMF is a ruthless institution and is one of the primary reasons why the economists and experts are critically arguing to not refer to the IMF.
- If Pakistan reviews its economic challenges, there are several reasons for the accumulation of circular debt. There is a need to talk about public sector enterprises, the issue of low income tax collection, trade imbalance and the issue of the over value of exchange rate.
- The constitutional hurdles in the country also impede economic growth.



## RECOMMENDATIONS

- Economy is a very difficult subject; therefore, one should not politicize it.
- Pakistan should adopt structures of incentives, economics and governance from countries like China and Korea that have been successful in achieving economic progress.
- Keeping the youth bulge in view, Pakistan requires 3-4 million jobs every year for the next 30 years. If the government starts designing appropriate policies, Pakistan can easily become the factory of the world in terms of industrialization and value added business.
- In order for rural economy to survive, it has to become more efficient in terms of output and labour productivity so that it does not lose the labour.
- It is time Pakistan's agriculture sector switches from low to high value added products. For this, institutions are needed that could deliver results.
- In view of renewed economic objectives, Pakistan needs to shift its focus on governance. For this, there needs to be change in the orientation and institutional capacity of the government departments in the province.

- Given our history, the line of action that has to be devised should focus on a growth rate of more than 6% in order to absorb the young.
- The economy needs to be documented in order to generate revenue. Macroeconomic stability should not cause instability at the micro level. There needs to be a clear mention of social allocation finance in the current budget because otherwise, the nation will face the brunt at the micro-level.
- Perception management plays a vital role in economic progress. This should be used to build the trust between the state and the nation and between states.
- The government needs to follow Vietnamese or Korean model where they simplified or eliminate unnecessary policies in order to make the environment more conducive for business.
- In order to promote ease of doing business, the government needs to reduce bureaucratic hurdles, remove inefficiencies and bring civil services reforms.
- In order to improve the country's tax system, the presumptive regime is being gradually abolished and measures are being taken to curtail the powers authorized to tax collectors.
- There is now a dire need to focus on sustained economic governance, institutional strengthening, a well planned investment strategy, promotion of economic growth, job creation and poverty alleviation.
- Linking CPEC with Central Asia will provide the country access to the economic blocks like Central Asia Regional Economic Cooperation (CAREC).
- It is important to achieve fiscal discipline which will play a key role in promoting economic growth.
- There is a dire need to bring a halt to devaluation. If the government cannot earn dollars, it could save it at least.
- Economy is a very difficult subject; therefore, one should not politicize it. A political consensus based on charter of economy should be formed for which the government would have to tone down its stance against the opposition. In order to make economic progress, the nation has to work together for better results.



15.05

11.05

08.05

04.05

02.05

# Opening Session



## Opening Remarks by President NDU, Lt General Aamer Riaz, HI (M)



In the opening remarks, President NDU welcomed the distinguished guests and participants at the National Seminar titled “Pakistan's Economy: Challenges and Way Forward”. He highlighted the importance of the subject within the country and its relevance globally by linking it to national security and global integration.

The less you know, the more you talk. This is what is happening currently, to the country's economy as everybody is talking about it without any requisite knowledge. Pakistan's economy from a layman's perspective has seen many ups and downs. When Pakistan came into being, it practically had nothing and there were almost no industries. The agricultural base was also in primitive stages. However, at that time the country was blessed with a highly motivated nation and a world class bureaucracy.

In the late 50's, the country had one of the best

economic policies. In the 1980s the economic growth of the country remained remarkable. Pakistan was ranked as the ten fastest growing economies of the world. Economic indicators showed, that soon, it would acquire the status of a developed nation. Unfortunately, that did not culminate into reality. The decades from 1950-1970, marked the rise of agricultural growth and industrial revolution in Pakistan. During the same period, there was a major issue of food security in the country. Adding further to the problems was issue of the disputed waters. Water flowing to Pakistan from rivers that emanated from the Indian occupied Kashmir was blocked by the Indians. All these issues were resolved due to the consistency in policies at government level.

In the 1970s, the socialist democracy and nationalization took place. It took the steam out of the country's industrial growth. Bureaucracy was treated differently and the constitutional protection was taken away. With this, the backbone of governance began to grow weak. Further, in 1979, the Soviets marched into Afghanistan and massive changes began to occur at the geopolitical front. This had direct consequences for Pakistan in the form of refugee influx, international pressure and a deteriorating security situation. In the 1980s, Pakistan was heavily sanctioned. With successive setbacks and problems, Pakistan began to lag in the regional and global integration process. While this all was happening, bureaucracy began to lose its thrust and the policies became inconsistent.

Pakistan has produced great policies on paper, however, unfortunately, the implementation of these policies has been very weak. In the 1990s, the security situation began to slide. The years, 2001-2006, were a respite for Pakistan as the economy began to grow, owing to heavy investment. Unfortunately, this phase was short lived. Ever since then, Pakistan has been standing on quicksand.

The current state of economy can be attributed to a number of reasons which include lack of consistency in the government's policies and the political inexpediency that took over.

The government has the resolve, courage, will and the ability to take difficult decisions. The difficult decisions have now become a necessity and are a very difficult balancing act with numerous facets.

Despite all the problems, there is still great hope. Pakistan has the population, great experts, natural resources and the brains to pull it out of crises.

Political stability, consistency in policies and patience is needed to bring an end to economic turmoil.

In the end, he went on to mention how NDU was fortunate to host very eminent scholars, practitioners and experts and hoped that the discussions at the seminar would yield fruitful results.





# Session-I

## Pakistan's Economy: Challenges and Way Forward



Mr. Ashfaq Hasan Khan, Principal and Dean, School of Social Sciences & Humanities (NUST) chaired the session, titled, "Pakistan's Economy: Challenges and Way Forward". The panel of five made five presentations, which were followed by a keynote address and an interactive discussion.

## **Welcome Remarks by Chair: Dr. Ashfaq Hasan Khan**



The chair opened the session by highlighting how the country is facing multidimensional economic challenges. The chair emphasized on how poor economic governance and economic mismanagement have brought the economy at the current stage. There is an overwhelming consensus amongst the independent economists within and outside the country that Pakistan's economy has never been in such a bad state.

It is equally true, that never in the 70 years of the country's history, any incoming government has inherited an economy which is so weak. The government is trying its level best to address the challenges. These challenges include: a slow economic growth which has resulted into rising unemployment and poverty, widening income

inequality, a large fiscal and current account deficit which is leading to a rising public and external debt, an export and import imbalance and unpaid bills.

The power sector of the country is more important than the finance sector as it is the epicentre of our economic challenges. The unattended power issue over a prolonged period is a major challenge the country faces. CPEC is an opportunity for Pakistan but the nation has not been able to gain from it.

Therefore, in light of the challenges, the Seminar, Pakistan's Economy: Challenges and Way Forward will focus on areas, which include: economic governance, youth bulge and unemployment, ease of doing business and key challenges to the economy.

## **Economic Governance in Pakistan vis a vis Global Trends by Dr. Salman Shah**

Pakistan has the potential to achieve economic dominance but unfortunately, the country has not been able to taper it, primarily due to poor governance. In this regard, Punjab's spatial strategies are of immense significance. In order, for any strategy to be successful, one has to change the governance structure. If the structure is dysfunctional, one should not expect even from a well chalked out strategy to produce results. Despite having very good policies, the implementation system in the country is very weak.

At present, the world seems to be deeply entrenched in a race of nations, with each nation striving to make a better life for its citizens. Economics is a long term business, therefore, short-term strategies don't work. In the last 50 years, Korea has increased its per capita income by 184 times and during the same period, Pakistan has been able to multiply it by only 11 times, only because of bad governance.

If the governance structure in Pakistan is in a



better shape, the economic outlook of the country will begin to look positive. If we look 20 years back, Pakistan's and China's per capita income stood at the same level. Today, China's economy is the second largest in the world. If compared, in the last 20 years China's economic progress increased by 17 times whereas Pakistan's increased by only 3 times. The real question that arises here is, does Pakistan want to change its economic status quo?



In Asia, in the economic race, there are four main countries, namely; Vietnam, Pakistan, Bangladesh and India. One of these countries is destined to break the race. Pakistan should adopt structures of incentives, economics and governance from countries like China and Korea that have been successful in achieving economic progress.

At present things look gloomy, but over a longer time period, a good strategy of governance is bound to give results. Stabilization may take up to 30 years but with a simultaneous reform program, Pakistan shall make steady progress.

In the governance rankings monitored by global institutions, Pakistan in most categories is at the bottom of the pack. In logistics performance we are at 122 whereas, China is at 20. In the globalization index, Pakistan stands at 113 whereas China is at 21 and in global enabling and trade index, Pakistan stands at 122. These rankings are report cards which depict the deplorable state of governance of the country. With the passage of time, Pakistan has gone down and it is time to reverse that trend. The three aspects which the country can use to its advantage are:-

- In an aging world, Pakistan has a large young population which provides the country with a large human capital.



- From 1979 onwards, the region has been very hostile. Starting from the Soviet invasion of Afghanistan, the region has witnessed periods of turmoil with terrorism now becoming a major threat. If the regional issues are resolved, Pakistan's geographical location can be used to its advantage and the country can truly acquire the status of Zipper of Asia.
- Pakistan has abundant resources which can add to its economic profile.

Around these competitive advantages, Pakistan has three main issues to deal with:-

- Bad Governance
- Creating institutions which work and deliver results
- Bringing investment in the country

If these issues are resolved, Pakistan can use its advantages to become one of the leaders in the race of nations.

In the population pyramid, at the bottom is youth with the elderly occupying the top slot. This trend is likely to continue for the next 30 years or so. Most of Pakistan's population falls in the working class category. Currently, the Labour Force Participation (LFP) rate stands at 50%. This shows that the females are not really participating in the labour force and if it happens, LFP would go up to 80%. Keeping the youth

bulge in view, Pakistan requires 3-4 million jobs every year for the next 30 years. If the government starts designing appropriate policies, Pakistan can easily become the factory of the world in terms of industrialization and value added business.

39% of Pakistan's population lives in urban areas. This shows that a large population is moving from the agricultural sector towards urban areas for jobs. Therefore, Pakistan is transitioning from a rural to an urban economy. In order for rural economy to survive, it has to become more efficient in terms of output and labour productivity so that it does not lose the labour.

Pakistan's strategic location gives it the advantage of becoming a connection point for Asia. If linked with the concept of factory of the world, Pakistan is likely to become the domineering economy of the region.

Keeping this in view, Punjab developed its spatial strategy with special focus on prosperity, job creation, economic growth and a long-term strategic plan. The aim was to identify economic nodes, gateways and corridors in order to enhance the competitiveness of the cities while adding agricultural and industrial value to the province.

Historically, when the British added the irrigation network to Punjab, they devised their

administrative structure around it. The development of the agriculture sector led to the creation of jobs and infrastructure. To yield results, this strategy of the British, needs to be moulded and built upon as per the current trends.

Pakistan needs to be transformed into a market economy and for that the markets have to function really well and the production centers need to be outstanding. It is therefore, time to address issues related to governance, urbanization, human capital, energy and infrastructure.

The country's agriculture system is premised on wheat, maize, cotton, rice and sugar cane. There's a dearth of high-value added crops in the agriculture sector. It is therefore being recommended that Pakistan's agriculture sector switches from low to high value added products. For this, institutions are needed that could deliver results.

In view of renewed economic objectives, Punjab needs to shift its focus on governance. For this, there needs to be change in the orientation and institutional capacity of the government departments in the province. At present, there are 40 departments under the Chief Minister with 200 associated entities, and none of them is focused on economy. It is time to shift these departments to a performance oriented setup from an administrative one. The Punjab government is now trying to reform the management of these institutions with each having a chief coordinator. This will not only deliver results but will also allow the strategy to be carried forward in future.

## **Youth Bulge in Pakistan: Economically Productive or a Liability by Dr. Farukh Iqbal**

When it comes to the country's youth bulge, there seems to be a sense of gloom surrounding it. In reality, youth bulge culminates into something very positive. It's a phenomenon in which the child mortality rate begins to decline faster than

the total fertility rate.

The high percentage of youth in the country is a good omen; however, it poses challenges of a different sort. The question here arises, why is everyone worried about it if it translates into something positive?

The negativity surrounding the high percentage of young population stems from the fact that when these young individuals enter into adulthood, they make certain choices based on job and economic prospects. Some of these choices are unwise and negatively impinge on the society in the form of social problems. This can therefore lead to political agitation, extremism and national security issues. The sociological literature does connect high rates of joblessness and unemployment amongst youth to larger societal problems. Therefore, one cannot have a large population of the young underemployed. The foreboding, therefore, makes sense in light of low economic prospects.

However, not everything seems bleak. There is also talk of demographic dividends. This means, that once you have a large chunk of the young population entering the labour market,



you have a large number of working people supporting a small number of non-working people. In other words, there will be a low dependency ratio only if a high percentage of the young has sound job opportunities. The talk surrounding the youth bulge has been around for a long time and it therefore, trickles down to what is known as economic prospects.

In Pakistan, the population of the youth has been growing since the 1970s. Our total fertility rate stood at 5.3% in the mid-1990s. As of now, it stands at 3.4%. Therefore, over a period of two decades, there has roughly been a steady decline of 1.5% each year. Around the same time, the child mortality rate stood at 140 deaths of children aged under 5 out of every 1000 born. At present, this has also dropped to 75 with the rate of decline standing roughly at 2% a year. The child mortality rate thus, continues to outpace the decline in the total fertility rate which is why the bulge is growing. This bulge will work itself out in the coming decades as the total fertility rate catches up.

In Pakistan, the population of individuals aged between 10-24 years stands at 66 million, which accounts for 32% of the total population. The percentage is comparatively large, which is why it is mostly said, Pakistan has a relatively

young population. Whether this is a dividend or a disaster depends on policies of economic growth, employment and human capital accumulation.

Given that the youth bulge has been around for decades in the country, it is important to ascertain Pakistan's experience. In the 30 years before 1990, Pakistan's economic growth stood roughly at 6% and 30 years ever since the 1990s, it has dropped down to 4%. Pakistan was thus able to manage the first wave of the youth bulge with a growth rate of 6% while the current wave is faced with an economic growth of 4%, which is projected to remain the same in the coming few years. Therefore, as compared to the past, the current wave of youth will be more difficult to manage. However, it needs to be borne in view that employment rate should not be regarded as a parameter of social welfare.

If we agree with the hypothesis that the youth bulge has been around for the last four decades, the question arises, why worry, when it can resolve itself out, as it resolved in the past as well? The answer to this is that the past should not be used as an example to resolve current issues since in the past, a lot of human talent was wasted and the country's human capital potential was not fully utilized.



Given our history, the line of action that has to be devised should focus on a growth rate of more than 6% in order to absorb the young. CPEC and China offer a new opportunity that did not exist 20 years ago. Until Pakistan gets integrated into the global value chain, China will continue to look towards South East Asia for business.

Every youth bulge leads to an elderly bulge. In future, the elderly bulge, may pose to be a more critical problem for country. Statistically speaking, 4% of our total current population is considered elderly i.e. those who are above the age of 65. This is going to rise to 7% by 2045. This raises concerns regarding how Pakistan will absorb such a large population of the elderly especially when the economy is in such a dire state. If the problem is not looked into, it is likely that these elderly will plunge into poverty and face grave social issues.

## Key Challenges to Pakistan's Economy and Way Forward by Dr. Abid Qaiyum Suleri

The challenges facing the country's economy can be summed up in 7 F's. These are:-

- Food crisis
- Fuel crisis
- Fiscal crisis
- Frontier wars
- Fragility of climate
- Functional democracy
- Fertility

These challenges are not only interconnected but are also mutually non-exclusive i.e. one can't expect to achieve an end result by addressing one issue only. Therefore, while formulating policies, one needs to look into objectivity and relativity. Some chronic issues facing Pakistan's economy include; energy circular debt, low tax base, low productivity, trade imbalance and an undocumented economy. This results into a focal deficit

and balance of payment issues. This in turn leads to a trust deficit, which is between people, people and the government and states.

From January 2007 to March 2008, the prices of oil doubled from \$55 to \$110 per barrel with the average price reaching \$85/barrel. Since 2008 was a pre-election year, the doubled oil prices were not felt by the consumers because the government began giving subsidies and therefore, attempted to absorb the shock on its own.

There are three types of energy losses, namely; generational losses (where the cost of generation is more than the selling price), transmission losses and distributional losses. The situation worsened from 2011-2014 as global prices of Brent ranged between \$90-95 per barrel. Due to floods in 2010 and 2011 and the deteriorating security situation, the government did not pass on the impact of the raised prices to the consumer which resultantly led to an energy circular debt. Therefore, if the government continues to not pass the impact of fluctuating oil prices to the consumer, it will lead to a bigger circular energy debt. During the last five years, the prices of Brent have begun to decline, and the energy companies in the country have been reporting a profit. Recently, a summary has been





approved to increase the electricity prices. This is because the total energy circular debt for March this year has been \$15 billion.

In public sector enterprises, recruitments are done to please the political constituencies. As a result, these profit earning organizations are bearing losses only because, there has never been the concept of right man for the right job. The problem is further aggravated because of lack of political consensus in reforming these enterprises.

There is a very low tax base in the country therefore; the government relies on revenue generation from indirect sources. A large chunk of the country's economy is undocumented which makes tax collection more difficult. The budget that was drafted during the last government's tenure was not only based on unrealistic objectives but also unrealistic assumptions. This led to a greater fiscal deficit, the brunt of which Pakistan is still facing. The country has a tax potential of Rs.8000 Billion therefore, the target of Rs.55 Billion is not unachievable. Last year's budget had 60% indirect taxes whereas, this year it has been 62.5%. This means that this year, reliance will be on direct taxes from the tax evaders. In order to identify the tax evader's,

technology should be used.

The country's exports have been on a decline, primarily, because Pakistan is not a value addition market with almost negligible investment in research and development. The trading system of the country is still based on the workings of East India Company and there is a dire need to revamp the system.

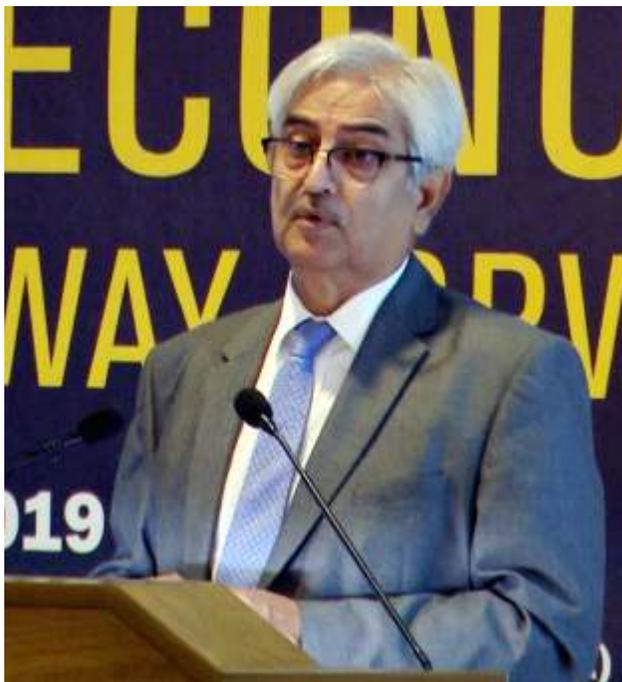
The rate of dollar is increasing by the day and the numbers are hard borrowed. Billions of dollars have been sold in the open market from 2013 - 2019 in order to keep the market stable. In the times of pressure, State Bank of Pakistan has always sold dollars in the open market in order to stabilize prices. The maintenance of exchange rate can however, only be done if you have earned currency from exports and remittances. If the country does not have enough dollars, the overvaluation may lead to increased debt. The overvaluation of rupee may also cause subsidization of imports, ultimately leading to the destruction of the local industrial base. In other terms, the economy has been dollarized.

The net total budget is Rs. 6 trillion with the federal budget deficit touching Rs3.56 trillion.

Even though, the government is claiming to receive provincial surplus, it is unlikely it will be able to do so. The government is facing debt service and retirement costs up to Rs 40.2 trillion with the defence costs of the country touching Rs. 1.15 trillion.

The government's indecisiveness regarding the IMF therefore pushed the economy in a limbo and aggravated the country's economic woes. The IMF agreement is based on assurance from government to rebalance current arrangement in the context of the upcoming National Finance Commission. Therefore, rebalancing of arrangements will be based on political consensus. With provinces being run by different political parties on different political agendas, it will put the federal government in a weak position.

The economy needs to be documented in order to generate the revenue. Macroeconomic stability should not cause instability at the micro level. There needs to be a clear mention of social allocation finance in the current budget because otherwise, the nation will face the brunt at the micro-level. Perception management plays a vital role in economic progress. This should be used to build the trust between the state and the



nation.

Economy is a very difficult subject, therefore, one should not politicize it. A political consensus based on charter of economy should be formed for which the government would have to tone down its stance against the opposition. In order to make economic progress, the nation has to work together for better results.

## **Ease of Business and Entrepreneurship in Pakistan** **by Mr. Almas Hyder**

The theoretical definition of entrepreneur starts with a person entering into business that could play out like a gamble. Every entrepreneur finds a gap in the market, so that he can introduce something in the market to be sold. This not only creates employment opportunities in the society but also generates wealth.

The lack of availability of spaces in urban areas for entrepreneurs makes it difficult for start-ups to set up their businesses. Because of this, many businesses start illegally. The mentality surrounding business in Pakistan is that profit making is perceived negatively and it was during the Bhutto's regime that profit making was demonized. This psyche needs to be changed and it will take time.

All enterprises work under a regulatory environment i.e. they function as per laws. Under these regulations, in case of minor deviation, the businesses face penalization. The ease of doing business in the country has become extremely important for entrepreneurs as Pakistan faces heavy competition.

The Chinese business community prefers other countries over Pakistan for investment, because Pakistan does not have the land where they can invest in and because tax rates of the country are the highest in the region. This deters foreign investment reaching the country.

Unfortunately, the tax rates are projected to



go further up which will negatively impact the ease of doing business in the country. The indicators which constitute ease of doing business include; starting a business, obtaining permit, access to electricity, registering a property, gaining credit, protection of minority rights, paying taxes, cross Border trade and resolving insolvencies.

The government has well drafted policies that protect investors but the country is severely lagging with regards to the rest of the indicators.

In the year 2015, Lahore Chamber of Commerce decided on promoting ease of doing

business under which, there were regular press releases aimed at creating awareness to facilitate businesses. Ease of doing business is therefore crucial for improving the regulatory environment as it lowers the transaction costs. The Prime Minister himself is now talking about it, which if implemented, can help Pakistan gain ranking. Policymakers need to clearly define objectives and improve the efficiency of the regulations in areas vital to the economy.

Unfortunately, it is easier to do business in Russia as compared to Pakistan. As Vladimir Putin held office in 2013, he gave instructions to cut down on the rules and regulations in order to



help the business community for ultimate economic expansion. The targets he set were met by his team. Pakistan, following Russia's footsteps requires structural changes which can be done by making a committee on economy that reports directly to the Prime Minister so that only he is the ultimate decision making body.

In Pakistan, in order to start a business, one faces many challenges. This is because of the weak and complex structure of the regulations and discretionary power of the individuals holding the office. Here government needs to follow Vietnam's model where they simplified 77% of their business regulations while entirely eliminating 8.8% in just three years. Similarly,

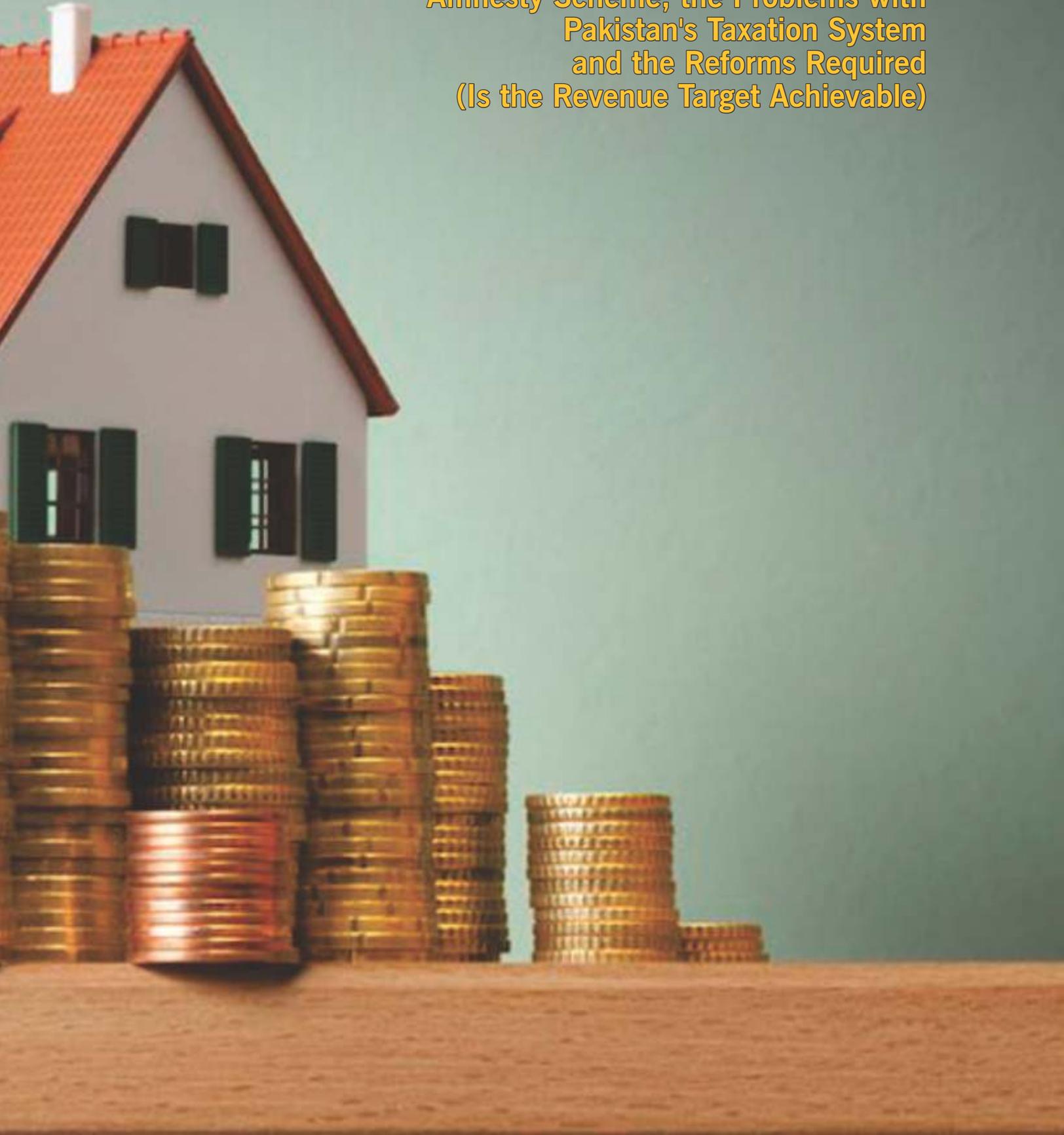
South Korea simplified 21.7% of its regulations while eliminating 48.8% in just 11 months.

Pakistan has total imports of \$60 billion while the total exports stand at \$23 billion. There is a need to manage the exchange rate in order to create opportunities for exports on quick basis. There is need to ease the taxation system which is very complex. In addition, business terms need to be simplified for better understanding and interest rates need to be brought down so that growth can be encouraged. For businesses to flourish, the government and the business community need to work together for an economically stable Pakistan.

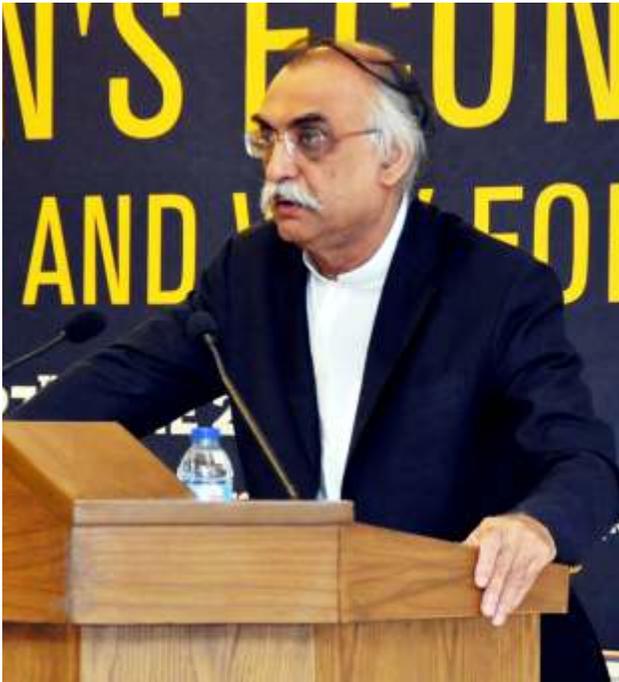


# Session-II

Amnesty Scheme, the Problems with  
Pakistan's Taxation System  
and the Reforms Required  
(Is the Revenue Target Achievable)



## Amnesty Scheme, the Problems with Pakistan's Taxation System and the Reforms Required (Is the Revenue Target Achievable) by Mr. Syed M. Shabbar Zaidi



In Pakistan, the terms, asset declaration and amnesty schemes are often used interchangeably. There, however, is a fundamental difference between the two. Amnesty schemes emanate from the income tax office and provide relief from the income tax ordinance whereas; the asset declaration is a wider law which gives you concessions from wrongdoings in foreign exchange and the taxation system.

Today's the asset declaration schemes are governed under a separate law of asset declaration ordinance 2001 which is set to be made into asset declaration ordinance 2019. This ordinance is in compliance with FATF rules and regulations.

There are three fundamental reasons behind the government's asset declaration scheme, which include:-

- Only Indo-Pak has had the system of Beynami law under which it was considered legal for any individual to own an asset in another person's name. The income tax ordinance has never accepted Beynami law, and under section-19, it has always been mandatory to declare your ownership. The law, prohibition of Beynami Act 2017 which is also one of the preconditions of FATF, was never implemented. As per law, the government has the right to confiscate assets which are owned under Beynami and the individual may also face charges which could lead to imprisonment. Therefore, the prudent strategy was to introduce rules for asset declaration as a transition phase before directly holding people accountable. The purpose is therefore, to not collect money but introduce a transition towards the Prohibition Act.
- Pakistan, for the longest time has had a system, where by law, one can keep his/her assets outside the taxation system. This is because the asset record is not linked with an individual's earnings.
- The implementation of taxation system in the country has not been as forceful as it should have been. The income tax section 114 says that any company registered in Pakistan, regardless of doing business or not, has to file tax returns. Currently, out of the 100,000 companies in Pakistan, only 40,000 are tax filers. In addition, section-114 further states that any individual who owns a house of 250 sq yards or more or own a flat, regardless of earnings, has to file tax returns. Unfortunately, nobody in Pakistan does it.

Therefore, the ground reality is very bleak. Through the asset declaration scheme, the



government aims to reform the system so that revenue through tax can be generated. This brings one to the question that what are the basic problems of Pakistan's taxation system.

Pakistan's taxation system has been spoiled by two legislations which exist in the country. The laws; Protection of Economic Reform Ordinance 1992 and the Foreign Currency Account Protection Ordinance 2001, allow individuals to bring in and take out money, outside the realm of taxation system. It allows Pakistan's money to be converted to dollars through money changers and remitted into any foreign account without any record keeping. The taxation system therefore, has had no foreign exchange linkage with it.

Another factor in the de-linkage of the taxation system with the country's economy has been the presumptive taxation system which was introduced in 1990. The thought process behind this law stemmed from protecting businessmen from harassment by the tax department. This led to a disconnection of real income from the presumptive income. Hence, the country's taxation system was disconnected from real economic activity.

Therefore, the government has now introduced laws in an attempt to undo the presump-

tive tax regime. The business community has concerns and the government through laws and regulations is trying to ease out harassment concerns of the business diaspora so that the powers of the tax officers are curtailed. Even the FBR (Federal Board of Revenue) faces capacity issues which hinder its performance. Therefore, the policymakers are trying their level best to eradicate these for a more transparent taxation system.

The manner with which the Afghan transit trade is being conducted has been detrimental for the country's taxation system. The items imported for Afghanistan are being used in Pakistan and the containers are often left unopened on issues related to delay in delivery which ultimately results in smuggling of items.

In order to improve the country's tax system, the presumptive regime is being gradually abolished and the powers being given to tax officers are being contained. The containment of power will be achieved through automation. In case of sales tax registration, there are impediments on every step. In order to overcome such issues and that related to harassment, everything will become automated. This new system will also diminish the role of the tax officer and filer interactions as much as possible.

In Pakistan, there are 3, 41,000 industrial



connections which means, the earnings from each of these industrial units has to be on medium to large scale. Out of these, only a few thousand are registered. FBR only has 5,000 registered retailers whereas in reality they are 31,00,000. The FBR is therefore trying to map the statistics for a clearer picture.

The whole tax paradigm from 1990-2018 has suffered due to de-industrialization. With the number of industries in the country decreasing and trade increasing, trade still remains outside the realm of taxation system. The FBR is now relying on data collection in order to improve the system. The process may take time but one should never lose hope.

## **Wrap up Including Recommendations by Chair/Moderator of Session-I, Dr. Ashfaqe Hasan Khan**

In his wrap-up remarks, the chair highlighted the strong linkage between a country's economy and national security. He quoted the British Historian, Paul Kennedy, according to whom, "A nation's military strength rests on its economic strength". He further went on to quote, Robert McNamara, former US Defence Secretary, who said, "Security means development and without development there is no security".

Therefore, economic strength is a prerequisite for national security. Currently, Pakistan faces multidimensional problems, the top most

being the challenge of low economic growth. As per government statistics, out of the country's educated youth, 20% is unemployed and in every five graduates, one is unemployed. This not only leads to poverty but also gives way to income inequality.

Pakistan's current account deficit is large which has resulted into accumulation of a high public and external debt. If summarized, Pakistan faces three key economic challenges:-

- The biggest crisis facing Pakistan's economy is that of balance of payment which is because of imports multiplying rapidly and the exports seeing a steady decline. Pakistan has an overall low level of Foreign Direct Investment (FDI) due to which there is an unsustainable rise in public and external debt.
- The budget crisis poses another challenge as there is less than satisfactory growth in revenue, primarily, due to senseless expenditure.
- Revival of economy and job creation is one of the biggest challenges facing Pakistan. As the country's investment faces a decline, Pakistan has had a very slow economic growth which currently stands at, 3.8%. Rising unemployment, particularly that of the youth has created grave challenges. From the year, 2006 to 2008, our economy was creating 1.9 million jobs on average each year which went down to 350,000 jobs each year during the last 2 years. The exponential rise in unemploy-

ment is also a leading cause of social unrest.

There is an on-going debate in the country on the government's decision to go to the IMF. Some imminent economists and experts are of the impression that the government should not have gone to the IMF because out of the nine countries that have gone to it, Pakistan has been its client for the longest time and this will be the country's 22nd tenure.

From the year 2000 onward, Pakistan has had four IMF programs in which three were successfully completed and while one was suspended in 2010. The annual report of IMF in 2018 stated that Pakistan's economy had performed really well and won't be requiring its support. Unfortunately, in September of the same year a debate had kick started whether to go to the IMF or not.

The changing geo-strategic environment and FATF have also had an impact on the country's economy. Under such conditions, Pakistan should not make the mistake of taking money from the IMF to payback Chinese loans. Today's IMF is a ruthless institution and is one of the primary reasons why the economists and experts are critically arguing to not refer to the IMF.

At present, Pakistan has an accumulated external debt of \$105 billion. Out of this, a debt of \$75 billion was accumulated during the 90s and from the period 2008 to 2018. This is 72% of the total external debt of Pakistan which has accumulated since its inception. Unfortunately, this high percentage was during the same time the government went to the IMF.

The current budget of the government is in the right direction but the speed is too fast. According to a study by the World Bank, Pakistan has potential to collect tax revenue of around Rs. 8000 billion but a meagre force of 26,000 individuals to collect this sum is a major impediment.

There is now a dire need to focus on sustained economic governance, institutional strengthening, well planned investment strategy, promotion of economic growth, job creation and poverty alleviation. Every year, 1.5 million individuals enter into the job market and to meet the growing demands, Pakistan needs to create at least 3 to 4 million jobs per year. In order to do this, it is important to invest in human capital especially the youth as it is the country's asset. There needs to be a renewed focus on planned urbanization, which will not only promote economic growth but also help strengthen the urban infrastructure.

CPEC has great potential in bringing economic stability to the country but the pace of implementation and progress has been very slow. Linking CPEC with Central Asia will provide the country access to the economic blocks like Central Asia Regional Economic Cooperation (CAREC). This will ultimately lead to economic growth and job opportunities in Pakistan. Through CPEC, Pakistan can play the role of a bridge between Central Asia and South Asia.

In terms of ease of doing business, Pakistan's condition will remain worse unless work is done to improve the ranking and reach the 50th spot from its current 149th. For that the government needs to reduce bureaucratic hurdles, remove inefficiencies and bring civil services reforms.

Youth bulge is another challenge which is often debated as a demographic dividend versus a demographic burden, the answer to which depends on how the government invests in the country's human capital in terms of education, health and skill development. Like Japan, Pakistan also needs to structure its economy in a manner so that when this youth enters old age, it does not burden the economy.

If Pakistan reviews its economic challenges, there are several reasons for the accumulation of circular debt. There is a need to talk about public

sector enterprises, the issue of low income tax collection, trade imbalance and the issue of the over value of exchange rate. It is important to achieve fiscal discipline which will play a key role in promoting economic growth. Therefore, there needs to be a focus on fiscal deficit reduction for sustained fiscal discipline and fiscal consolidation.

For growth in private sector, there is need to eliminate burdened regulations. One cannot open business in a country because of overloaded regulations. There is a need to reduce these burdened regulations by simplifying the rules and regulations.

There is a dire need to bring a halt to devaluation. If the government cannot earn dollars, it could save it at least. Pakistan should adopt an aggressive import compression policy by identifying 8 to 10 items that can be banned for at least a year to save dollars.

The government should also formulate policies which will minimize pressure on the poor or middle class. The government and the nation need to work together to minimize the challenges and to achieve targets.

## **Keynote Address by Dr. Abdul Hafeez Shaikh**

In his keynote address, Dr. Abdul Hafeez Shaikh, Advisor to Prime Minister on Finance, Revenue and Economic Affairs mentioned that before any comparisons are drawn between Pakistan's economy and that of the world, one should remember that the country has consistently been at war since it gained independence. Pakistan has been embroiled in the Kashmir conflict, Cold War, the war of 1965 and 1971, the US-Soviet War, the War on Terror and now the on-going Hybrid War. In order to discuss economic recovery and deficit, it is important to first realize that Pakistan has a troubled neighbourhood where it is fighting for its sovereignty, peace and dignity.

The Business community now wants predictability in policies with a framework where their future is secure. With the on-going challenges, it seems difficult to predict the economic outcomes but one must not lose hope.

Historically, there has never been a smooth transition of power between governments as there has never been any sound mechanism which would allow the new Prime Minister to take on previous policies instead of formulating new ones. While the opposition tries to dethrone a government, it creates havoc in the country's economy which ultimately leads to a slowed growth. Due to this, any growth trend in the



country has not lasted for more than 4 years. Comparatively China has had a growth trend which is now 35 years old. We as a nation need to ask ourselves, why Pakistan has never had a prolonged economic growth? The periods of economic abundance in the country are marked by western assistance, therefore, one need to review the policies and the implementation mechanism.

One should also review why Pakistan has been unable to do business with other countries. Due to this, there has been low foreign investment in the country. It is important to change the country's international perception and have flexible policies in order to attract business.

Pakistan should also follow economic models of Malaysia and Singapore for better results. If as a nation we can't sell our product in the international market, the country's FDI will never go up from \$2 to \$3 billion a year.

Another issue Pakistan faces is that of having multiple governments. The structure allows for simultaneous running of federal, provincial and local governments. This creates a blockade for the international business community to smoothly do business in the country. There is a major problem in Pakistan of not hiring the Right man for the Right Job. A person, serving in the police department is posted in the airlines department. Such job postings create disharmony within institutions and make it difficult to have a sustained governance structure.

The constitutional hurdles in the country also impede economic growth. When the finances are divided between provinces, the federal government is barely left with a small percentage of the total amount which makes it difficult for the government to manage the overall economic affairs of the country.

The current government has inherited about Rs40.2 trillion of debt which it has to return with an additional very high interest. This leaves the government with very little to run country. The government should therefore do the following to improve budget outcomes:-

- There is a need to secure the external front. The current account deficit has touched its peak with the gap between imports and exports widening. The focus should therefore be to bring down the current account deficit. This can be done by bringing down the imports and enhancing the exports. In the last two years of the previous government, exports declined massively. Therefore, the current government is making efforts to secure funds from friendly countries like Saudi Arabia and Qatar. Even though, the IMF issue has been politicized, overall, the decision was

for the better and will soon reap results.

- Revenue mobilization is vital for economic stability and fiscal discipline. The nation has to support the government by paying taxes and for better performance of public sector institutions.
- Austerity is another measure which is of grave importance. We as a nation need to learn to live within our resources. Pakistan has to payback a debt of 2.9 trillion rupees. Therefore, the civil government's budget has to be brought down. The step taken by the armed forces to not seek more share in the annual budget needs to be applauded. Deduction in salaries of the top ranked government officials needs to be supported as it will help achieve austerity.
- After taking relevant measures, government will save Rs. 500 to 600 billion. It is important to demarcate and define which sector deserves more financial assistance and is therefore, more deserving of the money. In Pakistan, the industrialists or the business community and the poor are the most deserving of financial help from the government. For the poor, government has doubled the social safety net program from Rs. 100 billion to Rs. 191 billion. The government has also made an arrangement whereby, Rs. 216 billion have been put aside to protect the lower income user of electricity. Rs. 100 billion has been put aside for FATA to ensure its development. In order to help the businessmen, the government has provided subsidy on electricity, fuel and gas. In addition, loans have been made easily available and the tax on raw materials has also been reduced. The government has made a list of zero duty items, in which, 1666 raw material are included.

In the current environment, where corruption is rampant, poverty is high and geo-strategic landscape is rapidly changing, the government is



taking all the measures it can to boost businesses and economic growth in the country. A little patience is needed to gain results.

### Closing Remarks by COAS, General Qamar Javed Bajwa, NI (M)

Chief of the Army Staff, General Qamar Javed Bajwa NI (M) in his closing remarks expressed that there can be no sovereignty in the absence of economic sovereignty and while the country is going through a difficult economic situation, everyone needs to fulfil their responsibilities so

that the initiatives taken by the government succeed in the future.

He stressed on the importance of development and quoted the Chinese example, which pursues economic development as a priority and regards other issues as secondary, which often get resolved due to economic interdependence. Therefore, the country's economic development will help resolve the long standing issues.

History tells us that economic interdependence has been able to dilute spats between nations. Countries do not develop in isolation as they need external collaborations. Investments,



trade activities, joint ventures and economic alliances are an essential part of the path towards national, regional and international economic development. Pakistan is ready to open up and we are aiming to take Pakistan from a security oriented nation towards a development oriented nation. We have to adapt with the ever changing economic trends and fast pace development taking place around us.

The link between security and economy cannot be denied, and both directly complement each other. Pakistan's efforts for restoring regional peace will lead to better trade connectiv-

ity and enhanced regional security. Countries cannot develop individually; it is the region which develops. For our region to develop we need to have greater regional connectivity among all neighbours.

There are examples in recent past when other countries also confronted similar challenges and they came out successfully after taking difficult decisions. Therefore, despite all the bleakness that surrounds the economy, Pakistan will also successfully wade through these challenges. However, in difficult times, no government can succeed without the support of its nation.

There is now a dire need to revert Pakistan's economic orientation from a consumer economy to a production and export based economy. This would ensure the net financial gains and will consolidate the economic uplift in a sustainable manner. Problems related to doing or starting a business need to be addressed and call for immediate policies that would make the environment conducive for the business community.

Transparency, accountability and internal corruption and malpractices in the FBR are the biggest challenges that we face today and should be tackled at the earliest. This would put the tax system in place and increase federal tax collection mechanisms. The FBR should ensure honesty and good practices of its own staff from top to bottom. This internal transparency and accountability would ultimately benefit the whole taxation and revenue system of the country which is presently in shambles.

The NFC Award should be abolished as it is a major hindrance in the debt reduction process for which only the federal government is responsible. In countries having a federal structure, it is the central government which controls the main fiscal instruments (taxation, spending and borrowing) to maintain stability in the country. The provincial allocation of huge funds will not help the national debt reduction as provinces do not have the liability to bear Defence expenses or national debt payments. The logical and effective resource allocation is therefore a must, in order to manage the fiscal deficits and national debt of the country.

Rupee devaluation is very harmful for our economy hence it should be controlled. The country's policies are unfortunately, not properly projected. The information important for economic activity and investments should be disseminated through public awareness tools like print and electronic media. This will ensure the investor's confidence and create an environ-

ment free from insecurity and misinformation for businessmen.

Agriculture, industries and services all are a crucial part of the overall economic rejuvenation of the country so each sector should be given its due share in terms of policy reforms, accountability and implementation in the long run. Corruption, black economy, nepotism, malpractices and dishonesty should be tackled at national level with vigour so that there remains no hindrance in the way of our national economic development. Value addition is important for increasing export in the country and this sector should be given attention on emergency basis. This will ensure the increase in national exports and reduce import dependent mechanisms.

In the end, COAS urged that improvement with other countries is also important for economic development and Pakistan is improving in this regard. We are hopeful that the current policies and mechanisms being worked on by the government will put the economy on a fast track of uplift and rejuvenation.





## INTERACTIVE SESSION

In the brief interactive session, the participants talked about issues related to formulating a national economic policy and improving the agriculture sector, exports and taxation systems. It was opined that it was high time that Pakistan should formulate a comprehensive national economic policy. In this context it was proposed that a consultative meeting including all the stakeholders should be organized in the near future at NDU.

It was also highlighted that there were a number of flaws with Pakistan's agriculture and export systems that needed rectification. For instance, agriculture, the backbone of Pakistan's economy and a profession for about 70% of the country's population had no improvement measures in the current budget. Moreover, for long, Pakistan's export sector has been declining due to low or no state encouragement for local industries. Thus, the agriculture, which is the key to Pakistan's

economy, is in a dire need of improvement which can be done through incentives. This also includes: prior planning and proper consultation of different crops in agriculture, improving the quality of export materials and maintaining the international standards of exported goods. Additionally, electricity and gas facilitation to local industries should also be given.

The participants also highlighted the flaws in the taxation system including: complexity in tax filing, corruption of FBR officials, and issues with tax refunds. It was opined that FBR was in the process of improving the tax filing system. Regarding the delay in refunds it was told that it was due to two reasons: first, officers used to mishandle the refunds; second, FBR did not have the funds to return. Now FBR is working on both issues simultaneously: on first, FBR is taking steps to fix and weed out corrupt officers and on the second, bonds are being issued.



# Picture Gallery













# THE TEAM





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