

PAKISTAN @ 100: OVERVIEW AND ANALYSIS

The founder of our nation once stated that, “If we want to make this great state of Pakistan happy and prosperous, we should wholly and solely concentrate on the well-being of the people, and especially of the masses and the poor.”

A report titled, ‘The Pakistan@100’, was published by World Bank in early 2019 that discusses the current economic and financial situation of Pakistan and suggests the difficult decisions and extensive measures that the country must take if it aims to improve the lives of its citizens, keep up with the rest of the world, and become an upper-middle class economy by 2047, by the time it reaches its 100th independence day. As Pakistan enters its 72nd year of independence, all decisions made over this decade would determine Pakistan’s future. Whether Pakistan would further drown into the dark abyss its’ past leaders steered it towards, or if it would jumpstart itself and forcefully push itself out of this melancholic rut, all depends upon which path of politics our current and future leaders would drive us towards.

In its first 30 years, Pakistan was a sustainable economy. It grew fast and was considered to have a successful development. However, the incapability and incapacity of our rulers and their failure to make the optimal use of given resources, it now faces tough competition to match with the developed countries.

The World Bank report discusses four essential elements which were also taken into account by other countries on a similar path towards prosperity:

- Allocation of Resources:

According to several reports, countries are able to achieve higher rates of productivity by effectively allocating their resources. It is only due to the misallocation of both physical and human capital across and within sectors and firms, which results in the productivity differences. Not only this but, it has been observed that Pakistan’s agricultural productivity has not improved over the past 30 years. This is because growth has been driven by input and resource increases, such as water, rather than technical and technological change. Moreover, Pakistan’s economy includes a large informal sector, and it is estimated that between 25%-35% of the total economic activity is untaxed and undocumented.

Resources must be allocated to their most productive use for increased effectiveness and efficiency. This can be achieved through encouraging trade openness and investment between countries by reducing tariffs and supporting greater integration between Asian member countries, and through structural transformation, which is the shift from a labour-intensive and low productivity economy to a skill-intensive, high productivity economy. Pakistan, during its first 30 years, was the front page success story of Asia. However, Pakistan did not develop and increase its manufacturing sector as it did its agricultural sector, because of which today, both our agricultural and manufacturing sectors are lagging behind those countries similar income levels.

- Good Governance:

According to the World Bank report on Pakistan@100, a good governance environment is one in which the citizens have an open access to all information and mechanisms that are

necessary to hold political leaders accountable. Transparent and accessible records, accountability of public and political officials, appropriate monitoring and evaluation techniques, sufficient laws allowing Legislations' authority in terms of holding and handling all personal information of political officials and the ability of citizens to sanction political and public leaders and officials to sanction when service and policy delivery do not meet expectations are some methods of achieving good governance.

- Accumulation of human and physical capital:

For Pakistan, our greatest weakness, our colossal and ever-increasing population, is also our greatest strength. The 208 million, and growing, population of youngsters is the supreme asset, which used wisely can result in peace, prosperity and profitability. Currently, Pakistan's economic growth lags due to low private and public investment. This is poisonous for our Nation as it will increase unemployment and poverty. Therefore, the government must invest in its human capital as its utilisation is vital to simulate growth. However, it is important to understand as human capital enhancement requires investment at all stages in a humans life, starting from before birth of a child. This includes maternal health and well-being. It continues into early childhood development and schooling.

If Pakistan is to be recognized as a global force, it needs to adopt rapid reforms in various sectors particularly collection of physical capital such as tax collection – improving tax administration and ensuring harmony between provincial and federal government. Improving the tax system is an important step towards accumulation of physical capital. Improvement of tax administration and tax policy can be achieved by simplifying the system, making it efficient and taxpayer-friendly. Increasing our tax revenues and improving the tax system will aid in increasing public investment. An increase in public investment is a key step towards physical capital accumulation.

- Social and Environmental sustainability

From rapidly depleting water sources to growing inequalities across the different regions and income/social groups, there are increasing concerns regarding the sustainability of growth in Pakistan. Yale University ranks Pakistan on the EPI (Environmental Performance Index) 176th out of 180 countries in terms of air quality, and 140th out of 180 countries in terms of water sanitation. Only 36% of the Pakistani population has access to potable water and almost 20% of urban areas and 13.6% of rural areas have contaminated and impure drainage flowing directly into and adversely affecting the nearby environment. Low air and water quality profoundly influence on the economic growth as it has a direct impact of human health and lifestyle and therefore, labour productivity. Not only labour productivity, but poor sanitation and lack of potable water is directly linked with childhood stunting, which undermines human capital, and an increase in water-borne diseases such as cholera, typhoid, hepatitis, etc. As a result of this, according to a 2006 report by World Bank, 20%-40% of hospital beds were occupied by patients suffering from the above mentioned water-related diseases, and was responsible for one-third deaths. When it comes to social sustainability, persevering inequality and discrimination has threatened Pakistan's ability to make the most efficient and effective use of its massive labour force and, in turn, its growth and productivity. Although the poverty rate is expected to decrease over the fiscal year 2019

(using the \$1.90 international poverty line, poverty headcount is estimated at 3.1% in 2019, which is lower than the poverty count of 4% in 2015), growth is also expected to decrease due to governmental guidelines that tighten monetary and fiscal policies.



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