Woodrow Wilson International Center for Scholars

Taking Pakistan into the 21st Century: The Economic and Political Challenges

Washington, D.C., July 24, 2002

Taking Pakistan into the 21st Century: Economic Challenges

By

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Pakistan's economic growth rate in the decade of the 1980's was 6.1%. It has steadily been declining ever since, hitting a low average of close to 3% in the last two years (see Annexure – A). The population growth rate was 3.06% in 1981 and has declined to 2.16% in the year 2002. The declining growth rate over the last twelve years has steadily increased the population living under subsistence level. As of today, at least one third of Pakistan's population is living below the poverty line.

The slowdown in growth can be attributed to adverse law and order, a worsening macroeconomic environment, serious lapses in the implementation of stabilization policies and structural reforms, frequently changing policies, poor governance and widespread corruption. These factors have discouraged foreign direct investment and encouraged flight of capital from Pakistan. This has led to a shrinking manufacturing base and non-optimization of yield in agricultural sectors (Annexure – B).

The declining growth rate is alarming. In order to ameliorate poverty and attain self-sustained growth, Pakistan must achieve growth rates of 5% within the next two years and higher rates thereafter. This is a tall order given the current economic scenario. Pakistan can achieve this either through a significant increase in domestic savings and investment or a substantial inflow of foreign direct investment. Either of these two materializing on a meaningful scale seems highly improbable in the near future, notwithstanding the improvement in external finance in the post 9/11 period which happened mainly on account of geopolitical factors. The fundamentals of the economy, such as the increase in exports, investment or business environment, did not improve. This is not to undermine the help that improvement in external finance, along with better management of the other macroeconomic parameters, can provide to growth. A mere improvement in external finance without higher growth levels will not be sustainable in the long run.

Macro issues like good governance, improvement in law and order, less corruption, better economic management, population control and greater expenditure on health and education are being addressed with varying degrees of success. There is an increased awareness for their need. These are major problems and their resolution is a *sine-qua-non* for growth and prosperity. A very concerted continuous national effort and commitment in this direction can bear results only in the medium to long term, as there would not be much headway in the short run. This makes it all the more imperative that earnest action on all these reforms must not be delayed at any cost.

The urgent need of turning around the economy quickly remains. The objective is attainable. A very focused effort with limited financial outlay is proposed.

Increase Productivity

Immediate attention should be paid to increasing the productivity of the existing manufacturing industrial and agricultural sectors. Waste and inefficiency in all industries are very high. Agricultural yields are very low. These deficiencies can largely be overcome in a short span of one to three years through vocational training, technical education, management and foreign technical consultancy. I cannot put enough emphasis on vocational training and technical education.

Groups of companies in one industry or clusters exist in very different industries in various geographical areas. For example, textiles are concentrated in Karachi, Faisalabad and Lahore. Marble and onyx are largely located in Peshawar and Quetta. Likewise, various parts of the country are suitable for different agricultural crops and commodities. The list of industries, agriculture and their main locations are appended as Annexure – C.

The idea is to set up vocational and technical education institutes at places where these clusters exist. These institutes of technical education with a charter of education and training should be comparable to the best international standards. Vocational training will continuously provide trained manpower to industry and agriculture. Technical education will improve the know-how. The faculty will impart training and education as well as act as a consultant on management and technology. This can and will rectify the most glaring deficiencies in operations and management, which are so rampant in Pakistani industry and agriculture. Productivity will improve; waste and inefficiency will decrease.

Companies and industries will become more competitive, lean, efficient and therefore more profitable. The quality of products will improve and with that our exports will increase, earning valuable foreign exchange. Up to almost 100% improvement in profitability is envisaged for many value added companies. These institutes located in different clusters will become the nucleus around which most competitive economic activity will flourish and production skills will improve. This will also generate investment in new small, medium and large enterprises. Thereby a propitious spin-off effect on the rest of the economy will take place.

Vocational and Technical Education

To begin with about 14 institutes in industry and 9 institutes in agriculture are proposed per Annexure – C. In some cases, land and buildings for such institutes exist but are not up to the mark. These may be taken over, refurbished, re-equipped and new faculty appointed. In other cases, new institutes will have to be set up. This may cost about US $30 million. The provision of excellent teaching faculty and modern and well-equipped laboratories are the keys to the success of the programme. Expatriate teachers will have to be engaged at international pay scales and the local teachers must be paid at par with the best schools in the country like LUMS and Agha Khan Medical College.

Management

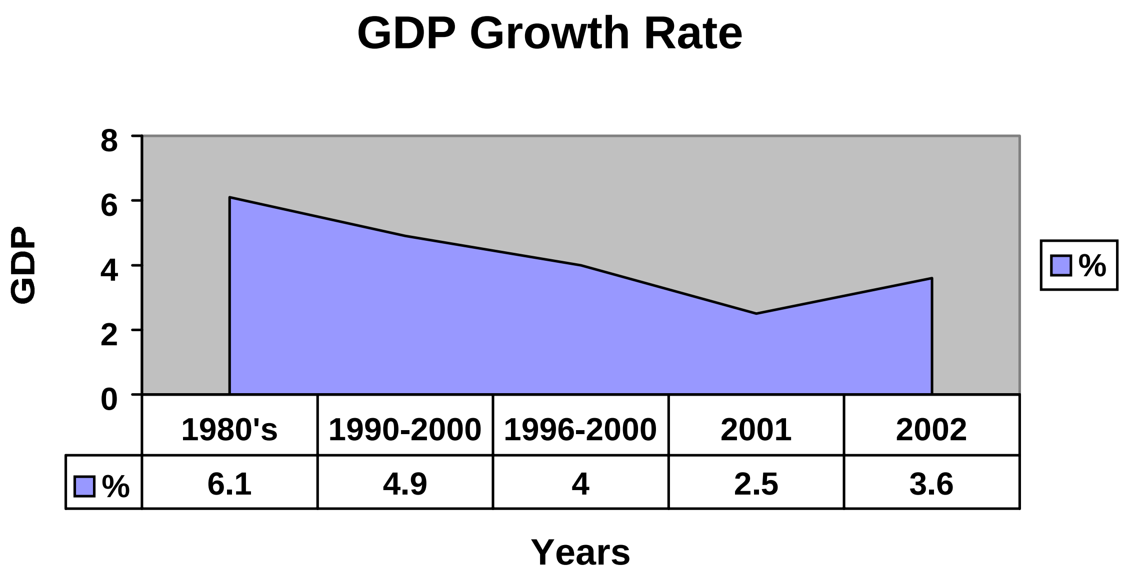
Management of these institutes should be entrusted to a group of enlightened individuals with a track record of selfless devotion to the cause of education like the deans of LUMS and Agha Khan Medical College. These individuals from the private sector may be asked to spearhead and supervise the programme. They will hire outside administrators and educators from within the country and outside the country to implement the scheme. Stakeholders in various clusters may be associated with the management of the schools only in an advisory capacity.

Cost

A liberal cost estimate is US $30 million for capital expenditure and thereafter a cost of US $20 million recurring for three to five years. With the passage of time, as Pakistan's faculty gets trained, the recurring expenses will come down to about US $10-12 million. Funding may be raised through stakeholder associations, the government of Pakistan, multinational agencies and donor countries.

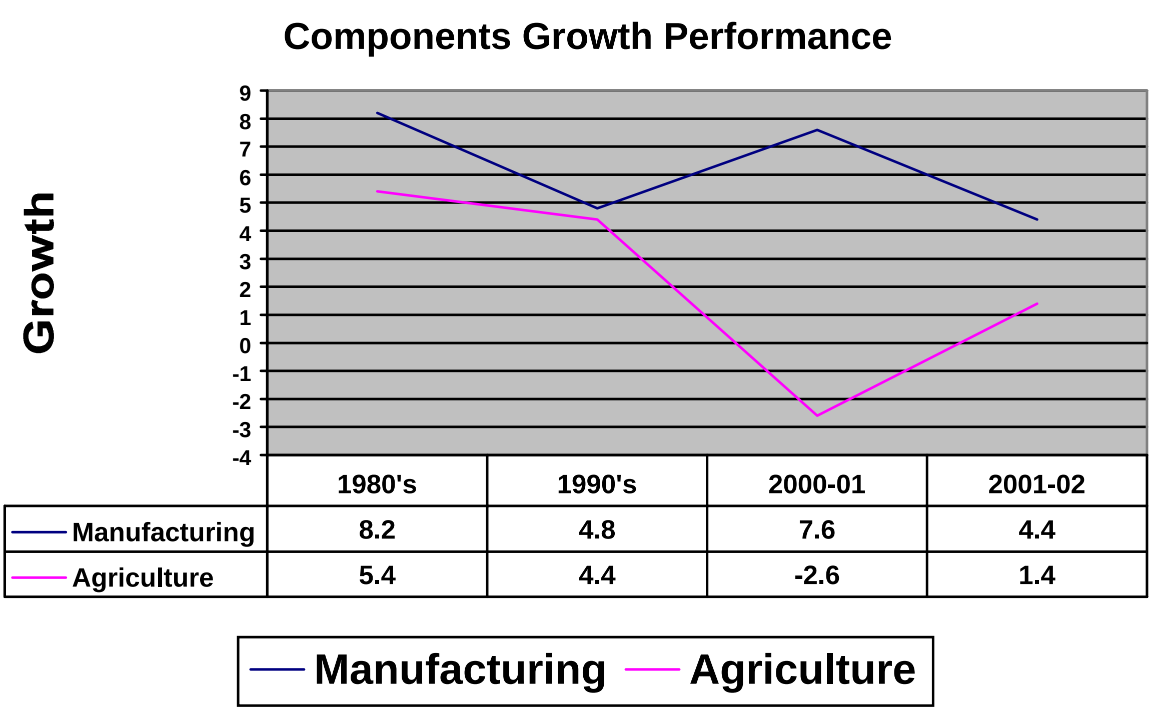
The time span to implement such a proposal could take anywhere from six to eighteen months. It will make up the greatest handicap in our industrial and agricultural operations and management, give the quickest boost to the economy, and give the country a competitive edge in the global economy. After all, a country's greatest asset is its people.

Annexure – A



	1980's	1990-2000	1996-2000	2001	2002
%	6.1	4.9	4	2.5	3.6

Annexure – B



	1980's	1990's	2000-01	2001-02
Manufacturing	8.2	4.8	7.6	4.4
Agriculture	5.4	4.4	-2.6	1.4

Annexure – C

INDUSTRY

Sr. No.	Product	Location	Institutes
1.	Textiles	Faisalabad, Karachi, Lahore	3
2.	Leather	Karachi, Kasur, Sialkot	3
3.	Surgical Instruments Light Engineering	Gujranwala, Sialkot	2
4.	Hand Made Firearm Manufacturing Light Engineering	Peshawar	1
5.	Woodwork	Abbottbad, Gujrat	2
6.	Information Technology	Islamabad, Karachi, Lahore	3
		TOTAL	**14**

AGRICULTURE

1.	Agriculture, Food, Fruit	Faisalabad, Gujranwala, Hyderabad, Multan, Peshawar, Quetta	6
2.	Dairy	Sahiwal, Sheikhupura	2
3.	Fisheries	Karachi	1
		TOTAL	**9**