CONSULTATION PROCESS-FRAMEWORK
FOR ECONOMIC GROWTH OF PAKISTAN

BACKGROUND BRIEF

Planning Commission of Pakistan

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Background Brief

Pakistan faces many challenges at the beginning of the second decade of the 21st century:

- Decades-long struggle with macroeconomic stabilization arising from unsustainable fiscal policies
- Pressure of demography
- Legacy of economic distortions
- Battering from external events, including earthquakes, floods and a continuing longstanding low intensity conflict
- A large and loss-making public sector that impedes market development
- Low and declining productivity
- Heightened expectations of the population for a better life from a democratic government.

Our growth experience of the last four decades has been volatile annual growth and declining trend in long run growth patterns. In addition, productivity growth (a measure of efficiency) has been low in comparison to our comparators. For the last four years per-capita incomes have not increased in real terms while double-digit inflation has prevailed.

Our growth policy has been based on public sector projects and arbitrary incentives–subsidy and protection. The project selection process has considerably blunted the efficiency of infrastructure development while the system of incentives has not allowed the development of a vibrant and competitive marketplace.

This growth strategy is a new approach to accelerating economic growth and sustaining it. It has been developed with world renowned experts and all the stakeholders following extensive research and consultation. Our consultations clearly identified the need to develop a coherent approach to growth that goes well beyond projects and targets public service delivery, productivity, competitive markets, innovation and entrepreneurship.

The strategy is based on sustained reform that builds efficient and knowledgeable governance structures, and markets in desirable, attractive and well-connected locations. It recognises the severe resource constraint that the country faces and therefore focuses on 'productivity'— improving the efficiency with which assets are used. Global indicators such as 'competitiveness' and 'cost of doing business' also highlight factors such as 'management', 'innovation', 'quality of regulation and governance' and 'research and development', as the more immediate constraints to growth. The thrust of this strategy, therefore, is to focus on the 'software' of economic growth (issues of economic governance, institutions, incentives, human resources, etc.) so as to provide an environment in which the 'hardware' of growth (physical infrastructure) could be expanded and made more productive at every level.

The strategy argues that growth drivers such as entrepreneurship and innovation could be greatly encouraged by reforming and strengthening institutions such as the civil service, legal and judicial framework, the taxation system etc. The strategy also proposes measures, such as a reform of the restrictive zoning laws, which have impeded the growth of domestic commerce and hampered the role of cities as generators of economic growth.

The aggregate of such programs would vastly improve the investment climate, reduce the cost of doing business, increasing the profitability of enterprises and encouraging them to expand. The strategy also focuses on the improvement of productivity by, for example, increasing competitiveness in the market by easing the entry and exit of firms. In short, the strategy aims to increase investment in the country and to make investment more productive. The strategy proposes special programs to support key parts of the population, such as youth, who suffer disproportionately from unemployment.

Targeting Growth

Around 68% of Pakistan's population is regarded as youth (under 30 years). Many of them are now coming into the labour force, increasing the size of the workforce by over 3 per cent annually. It is estimated that to absorb the youth bulge productively, Pakistan's real GDP needs to grow at an annual average rate in excess of 7 per cent. The strategy recognises that the country cannot jump immediately to these high rates of growth from the current low growth rate of about 3 per cent per annum.

- At the first stage, efforts will be undertaken to revive the economy to its short term potential GDP growth rate of about 5–6 per cent a year. If issues regarding energy governance are resolved and some credible macro stability reached–this could be achieved in a short time.
- The strategy also suggests deep and sustained reforms–in areas such as public sector management, developing competitive markets, urban management and connecting people and places—as a way forward for accelerating growth to above 7 per cent.

What Constrains Pakistan's Economic Growth?

Growth diagnostics point to two important constraints to economic growth:

1. Inadequate market development, (lack of competition, tax, tariff and policy distortions, entry barriers, government involvement, poor regulation, etc.), and
2. Lack of efficient public sector management to (a) provide core governance goods such as security of life, property, transaction and contract, (b) facilitate markets and investment with informed policy and competent regulation, and (c) promote deepening of physical, human and social infrastructure.

This growth strategy is informed by the latest in economic thinking and seeks to strengthen both government and markets. It is not a 'government versus markets' approach but a 'government and markets' approach. An efficient government underpins a vibrant market. Much of the proposed reform is to get the roles of government and market in balance to develop efficiency within and between the two.

The Need for Productivity

Economic growth happens through the accumulation of labour and capital and through the efficient allocation of these assets—known as Total Factor Productivity (TFP). The contribution of productivity in the growth of Pakistan's GDP has been less than impressive. During the period 1960 to 2005, 80 per cent of the GDP growth rate in Pakistan was explained by capital accumulation and labour expansion and only 20 per cent by TFP. Labour productivity in Pakistan is growing at a comparatively lower rate than neighbouring countries. Research suggests several reasons, including market quality, poor governance, limited urban development, inadequate education, lack of competitive goods and factor markets, inadequate foreign competition and limited research and development capacity. Systems need to be built for monitoring and measuring productivity to motivate reform for sustained efficiency increases.

Building a Better Government

Our analysis and consultations have shown poor governance and dysfunctional markets to be among the most important reasons why growth in Pakistan has not achieved a sustained acceleration. Currently the government is an active player in every sector, as a direct market participant and competitor, obstructing private sector entry. The footprint of the government has been estimated to be as large as over 50 per cent of the national income, making it very difficult for the private sector to expand. Research by the Competition Commission of Pakistan has also established that government intervention is impeding the development of competitive markets. Better government should be established following a two-pronged approach a) reorienting the role of government–which focuses on an exit from markets and deeper deregulation, and b) improving public sector management–which includes reforming civil service, improving resource mobilisation, elimination of untargeted subsidies particularly to loss making public sector enterprises), efficient public investment through results-based management.

Deepening and Maintaining Openness

While announcing export promotion in some sectors, policy has relied heavily on import substitution in others. Consumers have paid the price for these policies, through taxation for export subsidies and through high prices and sacrifice of quality goods where import substitution policies prevail. Meanwhile, innovation and entrepreneurship have suffered as the incentives are skewed in favour of lobbyists (rent seekers) rather than reliance on competitive markets.

The growth strategy advocates liberalisation of trade and investment regime to be a critical ingredient for sustained economic growth that in turn creates jobs, and raises productivity and wages. Unfortunately heavy protectionism was reintroduced in Pakistan during the second half of 2000–10, which brought back distortions in the overall trading system. Major distortionary policies adopted include (a) reversal of tariff cuts and increased tariff dispersion, (b) reversal of a number of liberalizing reforms in agriculture, notably in wheat, sugar and fertilizer policies, (c) high and steeply escalated tariffs in specific industries, e.g. the auto-industry, following strengthened intervention by the EDB, (d) active use of WTO compatible regulations to restrict imports—including quasi-import licensing mechanism, (e) introduction and rapid expansion of anti-dumping practices, and (f) continuation of the long standing ban on imports from India.

The growth strategy recommends a) re-establishment of the unilateral trade liberalisation program, b) immediate abolition of the present system of distortive regulatory duties (SROs) that interfere with the tariff structure, c) maintain, *de minimis*, a neutral real exchange rate policy, d) immediate abolition of the ad-hoc system of quasi-import licensing being administered by EDB and various line ministries, e) thorough review of the economic justification for sectors/industries benefiting from above normal protection and/or subsidies, export subsidies, export taxes, and anti-dumping practices, and f) all economic policies including industrial and trade policies should be in line with the intentions defined in this growth strategy.

Vibrant and Competitive Markets

The growth strategy presents a clear road map for developing vibrant markets. Public enterprise reform and privatisation where necessary, will make space for increased entrepreneurship. Several markets require the government to move from producing and directly participating in markets to just regulation. For example, the current regulatory framework represses domestic commerce (retailing, warehousing, and transport) and construction and city development. Heavy government direct participation in agriculture, storage, transport, construction, to name a few, is stifling investment. Openness and city development combined with focused public sector management would go a long way towards developing innovative markets.

Creative Cities

Almost half of the world's population lives in cities, producing more than 80% of global GDP. Dense high-rise cities are more productive, more inclusive and offer more than suburban sprawls which our city-planning paradigm favours at the cost of agriculture and the environment. In order to make cities as hubs of commerce, our growth strategy proposes a) relaxing of zoning and building regulations to allow space for mixed-use activities, energy efficiency, and facilitate vertical expansion of cities, b) privatising unproductive state owned land, c) encouraging foreign developers to compete in the Pakistani market, and d) focusing on research and development in low-cost energy efficient construction techniques.

Connecting to Compete

Commercial activity requires dense well-connected cities and communities. Connectivity is critical stratagem of the growth framework. While our PSDP has built physical infrastructure, given significant fiscal constraints, private investors should be encouraged to participate in development projects. In this regard, rules pertaining to project approvals, land acquisition and NHA Act must be revisited in line with promoting public-private partnership. Government should also consider its current policy of rewarding the loss-making enterprises such as NLC, Railways, and PIA etc. for their inefficiencies through consistent subsidies. Competition should also be encouraged at the domestic level by limiting regulators' role to regulating, e.g. CAA should not be responsible for running the airports but should concentrate on policy formulation and its implementation. Commercial routes, whether railroad or aviation, where multiple operators cannot operate due to congestion or some other limitations must be auctioned instead of giving a preferential treatment to any individual operator. In order to facilitate businesses, the country's custom posts should be automated so that clearance time could be reduced. Custom processes at dry ports should be computerised in order to reduce congestion at the seaports.

Pakistan will have to keep pace with trends in international connectivity. This will require strong efforts. Government should also pass electronic signatures act which should provide legal cover to the use of digital IDs. The use of ICT services, if encouraged across the board in the public and private sectors can greatly reduce the costs related to transport and logistics.

Youth and Community Engagement

The youth bulge is becoming eminent in coming years and it will change the age structure of the labour force over the next couple of decades. More than a third of youth currently lives in urban areas and their share is expected to reach 50 per cent by 2030. Compared to other growing economies of the region, Pakistan has a relatively large proportion (32%) of uneducated youth mostly with no vocational and life skills, who end up in elementary occupations or remain either unemployed or inactive. There is a need to provide for their health, education, and livelihood, and engage them in activities which convert their latent energy into positive outcomes for family, community, state and the global community. This is only possible through provision of quality basic and college education, market led skills development, instituting National Youth Service Policy Reforms, redesigning and rezoning cities to create space for youth, promoting nano- and micro-youth enterprises at local level through targeted youth entrepreneurship programs in major civic centers, promoting youth citizenship through civic engagement, promotion and continuum of youth sports and activities that encourage and support the development of active and engaged young people, National Youth Volunteer Services, programs to foster youth reproductive and general health, and establishment of Youth Service Learning Program with the help of educational institutions and civil society that integrates community and social service with academics.

Implementation: Results Based Management

"Who will implement?" is probably the most frequently asked question in Pakistan. This is so, because many good policy proposals and plans have been prepared but were never actualized. Our consultations have shown us that one reason implementation is poor in Pakistan is because plans are expected to be implemented by the very system that needs change. More often, there is no process or system in place for making change happen. The new vision for economic growth will require:

- Periodic identification of emerging constraints to economic growth through research and dialogue with all sectors and stakeholders
- Consensus building through extensive consultations on the reforms and programmes that will be required for alleviating these constraints
- Building a system for measuring productivity and public service delivery
- Developing and monitoring quantifiable plans regularly

Under the post-18th Amendment milieu, the Planning system will exercise control over the development process through:

- Consultation, setting medium-term and annual development objectives for the government and for relevant ministries
- Identification of key economic reforms that are required for these objectives, development of quantitative indicators (which can be monitored) for these reforms and monitoring and reporting on them to government and the people
- Specifying government- and ministry-level reporting requirements for development results and their costs, to ensure accountability and track progress
- Strengthening the capacity of ministries and, by interaction and evaluation, ensuring that their strategies and services support national development priorities
- Developing capacity of planning system to act as an institution that develops and oversees the government's reforms agenda

Six critical changes have been identified that need to be introduced to strengthen the linkage between the Planning Commission and government performance. These are:

1. Strengthen the Medium-Term Development Framework (MTDF) and the Medium-Term Expenditure Framework (MTEF) for setting medium-term priorities in line with growth strategy and reforms agenda
2. Support a unified results-based budget preparation process
3. Decentralize responsibility for projects to line ministries
4. Redefine the Planning Commission's role and processes in respect of major capital projects
5. Establish a results-based monitoring and evaluation system.
6. Planning Commission should lead the reform and change process through identification and advocacy of critically required changes in policies.

ANNEX-I

BREAKING OUT OF OUR PAST

At the beginning of the second decade of the 21st century, Pakistan faces many challenges: decades-long struggle with macroeconomic stabilisation arising from unsustainable fiscal policies, pressures of demography, legacy of economic distortions from previous policies, battering from external events, including earthquakes, floods and a continuing war, low and declining productivity and heightened expectations of the population for a better life from a democratic government. A bold new approach is needed to seek sustainable and inclusive development and this must be done bearing in mind the resource constraint arising from our difficult fiscal situation.

The last four decades have experienced volatile annual growth and a declining trend in long run growth patterns. In addition, productivity growth (a measure of efficiency) has been low in comparison to other countries in the region. For the last four years the real per-capita income has not increased, while double-digit inflation has prevailed. Our growth policy has been based on public sector projects and arbitrary incentives– subsidy and protection. The project selection process has considerably decreased the efficiency of infrastructure development, while the system of incentives has not allowed the development of a vibrant and competitive marketplace.

Pakistan needs to achieve high and sustained GDP growth as soon as possible. The size, growth, and age distribution of the country's population demands this. Every year Pakistan adds the equivalent of a New Zealand to its population; every two years, a Switzerland; every three years, a Greece; every four years, a Chile or a Netherlands; and every five years, an Australia. And of course, while it adds these populations, it does not add the assets and institutions of these countries. Pakistan's GDP needs to grow at an annual average rate in excess of 7 per cent in order to absorb the new additions to the labor force and to start cutting into the ranks of the currently unemployed. The most important step is to sustain this growth for a number of years. The growth strategy argues that this can be done through continued improvements in governance, institutional reforms, and focused efforts to augment human capital. This is precisely what fast growing economies have done and is the direction towards which Pakistan must move.

ANNEX-II

RETHINKING OUR GROWTH PARADIGM

Development planning in Pakistan started in the mid-1950s; growth strategies since then have followed an essentially similar pattern. They focused on the arbitrarily set growth and investment rates; provided more or less detailed projections for investment by the public sector with some rather general indications of that by the private sector, even though the latter was described as the major engine of growth and; relied on the government playing a lead role through sector picking and market controls. It is perhaps not surprising that the plans had only limited success. Of the nine Plans that have been prepared so far, only the Second Five-year Plan (1960–65) managed to meet a significant number of its macroeconomic targets.

Growth diagnostics point to two important constraints to economic growth: Inadequate market development, (lack of competition, tax, tariff and policy distortions, entry barriers, government involvement, poor regulation, etc.), and lack of efficient public sector management to provide core governance goods such as security of life, property, transaction and contract; facilitate markets and investment with informed policy and competent regulation; and promote deepening of physical, human and social infrastructure.

This growth strategy is informed by the latest in economic thinking and seeks to strengthen both government and markets. It is not a ‘government versus markets’ approach but a ‘government and markets’ approach. An efficient government underpins a vibrant market. The strategy is based on sustained reform that builds efficient and knowledgeable governance structures, and markets in desirable, attractive and well-connected locations. It recognizes the severe resource constraint that the country faces and therefore focuses on ‘productivity’-improving the efficiency with which assets are used. Global indicators such as ‘competitiveness’ and ‘cost of doing business’ also highlight factors such as ‘management’, ‘innovation’, ‘quality of regulation and governance’ and ‘research and development’, as the more immediate constraints to growth. The thrust of this strategy, therefore, is to focus on the ‘software’ of economic growth (issues of economic governance, institutions, incentives, human resources, etc.) so as to provide an environment in which the ‘hardware’ of growth (physical infrastructure) could be expanded and made more productive at every level.

In short, the strategy aims to increase investment in the country and to make investment more productive. While physical investment will be required for growth, such investment can only happen in an enabling environment.

ANNEX-III

HUMAN CAPITAL, PRODUCTIVITY AND INNOVATION

Economic growth happens through the accumulation of labour and capital and through the efficient allocation of these assets—known as Total Factor Productivity (TFP). The contribution of productivity in the growth of Pakistan's GDP has been less than impressive. During the period 1960 to 2005, 80 percent of the GDP growth rate in Pakistan was explained by capital accumulation and labour expansion and only 20 per cent by TFP. Labour productivity in Pakistan is growing at a comparatively lower rate than neighbouring countries. Research suggests several reasons, including market quality, poor governance, limited urban development, inadequate education, lack of competitive goods and factor markets, inadequate foreign competition and limited research and development capacity. Systems need to be built for monitoring and measuring productivity to motivate reform for sustained efficiency increases.

Human capital and resulting productivity are vital determinants of economic growth. Besides other factors, health has also been regarded as crucial in fostering growth. However, fragmented health system and relatively poor health status in Pakistan require a process of reforms so as to have an optimum impact on growth.

The Government needs to decouple the implementation of knowledge-driven innovation policy from the rest of its bureaucratic skeleton. It needs to form a flexible, innovation-centric, autonomous body to orchestrate, implement and gauge the innovation strategy. Such a National Innovation Agency (NIA) must be guided by thinkers, innovators and corporate leaders, who are able to form alliances with the private sector, and be able to bring in foreign expertise and capital.

ANNEX-IV

BUILDING A GOVERNMENT FOR THE 21ST CENTURY

There is now general agreement that a well run government complements an efficient and competitive market. Poor governance and dysfunctional markets are among the most important reasons of why growth in Pakistan has not achieved a sustained acceleration. Hence it is critical to build a focused government that complements an efficient competitive market.

The government is currently an active player in all major sectors, as a direct market participant and competitor, obstructing private sector entry. The footprint of the government has been estimated to be as large as over 50 per cent of the national income, making it very difficult for the private sector to expand. Research by the Competition Commission of Pakistan has also established that government intervention is impeding the development of competitive markets

There is a dire need to reorient the role of government-the government must concentrate on protecting public interests and rights, providing necessary public goods, enforcing laws, punishing exploitative practices, operating with transparency, accountability and reduce the government's footprint in markets. This may well be a counsel of perfection, but it is the direction in which the government must move.

The process of generating wealth in a society may be divided into five main areas: policy, regulation, ownership of assets, financing of assets and production/management of assets. The government will increasingly confine itself to the first two segments, i.e. policy and regulation. The remaining functions, in line with global practices, will be left to the market. Similarly, sectoral policies must not foster sector picking and should lay down rules of the game that facilitate a level playing field for all. Government should also be careful with regulations in order to ensure minimum level of economic freedom to all citizens. Excessive regulation hurts business milieu. A clear appraisal is required as to which sector should be regulated and to what limits.

Better government can be established following a two-pronged approach a) reorienting the role of government–which focuses on an exit from markets and deeper deregulation, and b) improving public sector management–which includes reforming civil service, improving resource mobilization, elimination of untargeted subsidies (particularly to loss making public sector enterprises), efficient public investment through results-based management.

ANNEX-V

DEEPENING AND MAINTAINING OPENNESS

With the approval of the New Growth Framework of the Planning Commission by the National Economic Council (NEC), we look towards bringing Pakistan's trade in line with global best practices and outline our plans and recommendations in the trade sector.

In Pakistan's current economic milieu, markets remain heavily regulated; with a high degree of government involvement in most markets. Regulation in many markets is not professionally organized and informed by research leading to contradictory and cumbersome regulation - often this ends in regulatory capture. The country's position in world trade has barely changed over the past three decades, despite numerous opportunities to expand exports, especially manufactured goods, in developing countries. Trade openness has not improved. The country's average trade-to-GDP ratio in the late 2000s was roughly the same a decade earlier.

The growth strategy considers openness in trade a critical ingredient for self-sustained growth, that creates jobs, and raises productivity and wages associated to higher private investment. Openness stimulates to be internationally competitive with reduced and minimum government intervention or assistance. Openness allows reaching new markets, and brings other benefits like knowledge and technology, two central channels for innovation and competitiveness, either though foreign direct investment, education, networks and experience.

The strategy aims for a flourishing export sector supported by further reductions in the anti-export bias and improved logistics, thus regaining the trade liberalization path.

ANNEX-VI

COMPETITIVE AND VIBRANT MARKETS

Traditionally, Pakistan's growth strategy has been confused, while announcing export promotion in some sectors, it has relied heavily on import substitution in others. Consumers have paid the price for these policies, through taxation for export subsidies, high prices and sacrifice of quality goods, where import substitution policies prevail. Meanwhile, innovation and entrepreneurship have suffered as the incentives are skewed in favour of lobbyists (rent seeking) rather than competitive markets.

Domestic commerce, despite having a share of over 30% in Pakistan's GDP and employing about 20% of the total work force (Economic Survey of Pakistan 2009-10), has never seen systematic and focused reform effort by the public or private sectors. In the case of agricultural markets and manufacturing and industry, the over-involvement of the government has often distorted prices, leading to constrained productivity and discouraged private sector involvement.

Short and medium term reforms must cover three broad areas. First, city zoning laws and building regulations must be reformed to allow land use to respond to market demand. Second, since openness and competition bring international quality goods to the market agricultural markets should be deregulated. And third, our legal and judicial framework must be made supportive of the complex needs of market development. The monitoring role of the Competition Commission of Pakistan (CCP) needs to be strengthened in order to reduce chances of collusion or hoarding in the market. Similarly the Securities and Exchange Commission of Pakistan (SECP) plays an integral role in regulating the market and it should build up its capacity and strengthen its role, especially when catering to new businesses.

It is only through minimizing the heavy government footprint from markets that the private sector can be allowed to function competitively and efficiently, emphasizing the role of markets as a major driving force behind economic growth.

<u>ANNEX-VII</u>

CREATIVE CITIES

The spatial changes within Pakistan have left the distinction between urban and rural areas irrelevant. Moreover increased mobility of goods and factor services across regions has posed immense pressures on the physical infrastructure in Pakistani cities.

Creative cities provide facilities and encourage interactions amongst people of various age and ethnic groups as they are the hubs of knowledge, innovation, creativity, and institutions. Pakistan needs to focus on developing city centres that become hub of commerce and business, and cater to increasing population and compete globally.

The current state of cities in Pakistan is abysmal where the urban population of 52.8 million is escalating at a rate of 3 percent a year. The city dwellers do not have much say in the running of the city. A great deal of involvement by government bodies is apparent in taking managerial and administrative decisions. Furthermore, lack of affordable space and poor commercial laws has hindered the growth of cities. 80-90% of children, which constitute 50% of population, have little space; they have no libraries, no community centres, and no play grounds. Yet, we have a number of golf courses. These children are not being socialized; as Wellington said *"*The Battle of Waterloo was won *on the* playing-fields *of Eton".*

In addition, rapid population growth is pushing demand for affordable housing in Pakistan. The housing backlog has increased from 4.3 million in 1998 to an estimated 7.6 million in 2009. Lack of affordable housing has forced the poor to dwell in *katchi abadis* that lack decent housing facilities such as water, gas and sanitation. At present, an estimated 50 percent of urban population in Pakistan resides in such squatter settlements.

Globally, rental housing caters to lower and middle-income groups. However, due to the rental laws being unfavourable to landlords, investments in rentals is low which has led to a very small rental market (only 6%) in Pakistan.

Some of the main issues are highlighted under 3 broad categories below:

Commercialization

- Cities lack dense mixed-use areas with few developed distinct downtowns or city centres.
- Current zoning laws, commercialisation policies and high commercialization cost hinder entrepreneurship.
- Commercial development is discouraged by punitive taxation.
- Excess demand for office space, retail outlets, housing units, schools, leisure places and libraries.

Land and housing

- Expensive and complex land administration system.
- Restrictive zoning and building codes.

- Unproductive use of state land (40 percent of land is owned by government agencies).
- High cost and regulations in construction sector.

Community Development

- Insignificant number of libraries, training institutions and youth development centres for people to gain knowledge and communicate.
- Education system not catering to market demand.
- Job centres are non-existent.

ANNEX-VIII

CONNECTING TO COMPETE

Connectivity is traditionally seen in physical terms; i.e. road or railroad network, trucking, number of airlines, computer network, cell phone penetration, copper wire and fiber optic cables. The New Growth Strategy considers connectivity in a broader context—specifically, how networks enhance interactivity with efficient use of physical, human and social capital and how these resources are interwoven to produce desired outputs.

In terms of physical connectivity, Pakistan scores 1.53 out of 10 in the use of Information and Communication Technology (ICT) and the poor transport sector is costing Pakistan about 5% of GDP. Human capital connectivity too remains poor due to the monopoly of civil service groups (CSP) which keep domestic and international professionals away. Social Connectivity is not well understood in Pakistan, and its vital role in improving people's welfare has thus far been ignored- very limited numbers of active libraries and community centres. Poor connectivity has led to disintegrated markets, lethargic cities and an abundance of youth with unemployable skills.

Commercial activity requires dense and well-connected cities. Urban planners need to provide adequate space for infrastructure. While PSDPs have built physical infrastructure, given significant fiscal constraints, private investors need to be encouraged to participate. Rules pertaining to project approvals, land acquisition and the NHA Act must be revisited to promote public-private collaboration. Railway technology and equipment are obsolete and should be unbundled. Domestic competition in aviation too should be facilitated by limiting the role of the CAA. Successful computerization of custom posts will help reduce congestion and enhance transparency. The enactment of an electronic signatures act is vital in providing legal cover to the use of digital IDs. The use of ICT services, if encouraged across the board in the public and private sectors can greatly reduce costs and spur domestic commerce. Openness and competition in civil services recruitment are needed to reduce valuable human capital flight and enhance connectivity within the domestic talent market.

ANNEX-IX

YOUTH AND COMMUNITY ENGAGEMENT

A vibrant and evolving community is based on high intensity of interaction, exchange of information and practice of new ideas. However, for communities to grow stronger, the mere provision of more schools and hospitals is not enough. Youth and communities grow if provided space to conceptualise and actualise their ideas. What is most important today is to provide youth, education with opportunity.

With almost two-thirds of the population below the age of 30, Pakistan is going to experience a youth bulge in coming years which is likely to change the age structure of labour force over the next couple of decades. More than a third of youth currently lives in urban areas and their share is expected to reach 50 percent by 2030.

Compared to other growing economies of the region, Pakistan has a relatively large proportion (32%) of uneducated youth mostly with no vocational and life skills, who end up in elementary occupations or remain either unemployed or inactive. The poor quality of education has resulted in polarized education systems, disconnected and producing two different types of individuals. Moreover, our youth appears to lack entrepreneurship skills. Only 8.3% percent of the youth cohort is reported as self-employed outside agriculture.

If properly engaged, our youth can contribute to both the economic and social development. This is only possible through provision of quality basic and college education, market led skills development, instituting National Youth Service Policy Reforms, redesigning and rezoning cities to create space for youth, promoting nano- and micro-youth enterprises at local level through targeted youth entrepreneurship programs in major civic centres, promoting youth citizenship through civic engagement, promotion and continuum of youth sports and activities that encourage and support the development of active and engaged young people, National Youth Volunteer Services, programs to foster youth reproductive and general health, and establishment of Youth Service Learning Program with the help of educational institutions and civil society that integrates community and social service with academics.

ANNEX-X

RESULTS BASED MANAGEMENT

Governments around the world are under pressure to evaluate their own performance. In Pakistan, the system of evaluating performance is based on utilization of resources (human, financial and material) and hence rewards and penalties are linked directly with use of resources. While the public is interested in arrival and departure times of trains, the government's planning, budgeting and monitoring processes revolve around procurement and maintenance of locomotives and payment of salaries and allowances. While the monitoring of use of resources can address the 'economy' perspective, government's efficiency and effectiveness perspectives remain unanswered. Put simply this means there is no system for the public sector to learn from its own experience, positive or negative. Hence there is little or no focus, incentives and accountability around achievement of results.

The Planning Commission intends to execute its growth strategy using the Results-Based Management (RBM) approach, a system through which the government can ensure that its processes, products and services contribute to the achievement of desired results (outputs, outcomes and impacts).

Hence, the Planning Commission plans to introduce / further work on processes that ensure that results are the focus of government's policies, plans, budgets, monitoring and evaluation mechanisms. In doing so, the Planning Commission intends to take a three-step strategy: 1) Concentrate its planning functions on the national strategic level and analyse challenges and define directions for the nation as a whole, and not just for the public sector, 2) Provide stronger guidance to the ministries and departments within a framework of increasingly decentralised planning and service delivery as line ministries / departments develop their strategic and service delivery plans based on the principals of RBM 3) Establish and maintain a system of monitoring and evaluation of the results achieved through the utilisation of public resources by the government as a whole.

Progress is noted in the Federal Government through implementation of Medium-Term Budgetary Framework, which as part of its components, also helps line ministries develop medium-term output-based budgets. The Planning Commission plans to; 1) guide ministerial rolling-plans as per outcomes, outputs and inputs in line with growth strategy, 2) guide ministries in defining results and performance indicators, 3) encourage ministries to establish output-based monitoring mechanisms, 4) undertake regular evaluations of priority sectors, and 5) report performance of the government to Cabinet on regular basis. Enhancing focus on results through these reforms is likely to act as an incentive for initiation of civil services reforms.