The following policy recommendations were passed at The State of the Pakistan Economy: Issues and Challenges in the 21st Century held at the IOBM on 27 and 28 September 2016:

Agriculture

- We should use the agricultural sector to bring about food self sufficiency and catering to the raw material needs of domestic industry, rather than export of agricultural products from the country.

- Increasing agricultural output and productivity growth with greater reliance on organic production rather than on Genetically Modified Organisms (GMOs). This would be a cheaper and healthier alternative to the problem of food insecurity which does not entail import of seeds, fertilizers and insecticides. Since it does not require these high tech inputs, organic farming does not require large amounts of water. It also does not use up the country's foreign exchange earnings. Organic farming would therefore be a cheaper and a healthier alternative.

- The government should give small holdings of hitherto uncultivated land to landless peasants in areas where water is not a serious problem. Small loans from commercial banks can take care of seed, natural manure and natural insecticide requirements. Produce of such organic farms should be for the home market in Pakistan and not for export.

- A free market for organic foods and agricultural raw material in the Shanghai Cooperation Organization (SCO) region is being proposed. Since many countries in the region have vast agricultural lands and ample irrigation water, the SCO region can produce agricultural produce and make the area self sufficient in organic agricultural products.

- Labeling Law needs to be passed without further loss of time so that consumers can distinguish between GMOs, hybrid and organic agricultural products.
Many fruits and vegetables are perishable and modern technology and trained manpower for fruits processing needs to be acquired from our friends in the region.

Industry

- The Government of Pakistan (GOP) should formulate an industrial policy that is industry cum area specific, i.e. incentives to be tied to the natural resources of the region. For example, only fuel, mineral, fruit and vegetable processing industries locating in Baluchistan, KPK, Northern Areas should be eligible for these incentives. This way we can tie up industrialization to the resource endowment of the country, which will ensure that even after these incentives have been withdrawn, we will have a viable industrial structure in the country.

- The role of Securities and Exchange Commission of Pakistan in promoting greater competition in the industrial, financial and service sectors needs to be enhanced and strengthened.

Income Distribution

- Better distribution of income and assets to be brought about through:
  * Land reforms
  * Infrastructure development projects, e.g. China Pakistan Economic Corridor (CPEC)
  * Greater share of local population in natural resources.
  * Growth of agricultural, industrial and service sector employment opportunities
  * Provision of health and education services to the lower income groups
  * Micro finance availability.

Physical Infrastructure

- Medium term solutions entail development of renewable energy resources like wind and solar. Long term solution involves increasing the share of hydel, coal and nuclear sources in total power generation.

- Establishment of a CPEC Authority comprising of both civilians and armed forces personnel who should be vetted thoroughly to ensure that foreign nationals and Pakistani
nationals on the payroll of foreign governments are not allowed to serve on the authority. Pakistani nationals who are honest should be selected to serve on the authority. The authority should include technical personnel who have knowledge about state of the art technologies and their availabilities. The establishment of this authority will enable the army to provide the guarantees that the Chinese are asking for.

- CPEC spillovers should be passed on to countries in the region, for example, railway and road networks be extended from Pakistan to Iran, Central Asia and the Russian Federation (and Afghanistan when peace is restored there) which will bring them closer. This will bring prosperity to the region and strengthen CPEC protagonists. A road connecting Gwadar to Charbahar will be far more economical than building Charbahar port, bring the two Muslim brotherly countries closer and bring peace and prosperity to them.

Natural Resources

- Policy for natural resource exploration should be transparent. The government should invite bids for exploration and award the contract to the lowest bidder to get the feasibility done. Call for mining bids and award the contract to the co giving the lowest bid. And the same procedure needs to be followed for processing and converting the minerals into products.

- Market the products manufactured using our natural resources and not the minerals extracted in raw form.

- Share of the local population in natural resource projects is extremely low. This needs to be raised substantially in order to improve inter regional and inter personal distribution of income in the country and remove a sense of exclusion in the local population.

Debt, Public Revenue and Expenditure

- Government borrowing for budgetary support should be discontinued. This will not be necessary if we have lean governments with simple life styles. It will also be unnecessary if Pakistan gets its goods and services sold at market rates, instead of the current practice
of making these available free of cost or low rates and the windfall falling in the hands of those negotiating the deal.

- The revenue and expenditure side of public finances need to be revisited with a view towards increasing government revenues and reducing non development expenditures.

- The major focus of the government on the revenue side should be on increasing the percentage of direct taxes in total taxes. This can be brought about through increasing direct taxes, widening the tax net rather than increasing the incidence on those in the tax net and increasing the incidence on wealthy Pakistanis.

- On the expenditure side current expenditures related with providing perks and privileges to the government need substantial pruning. Bearing in mind the current situation in the country defense expenditures cannot be reduced. The government must formulate a debt management strategy with a view to ensure that debt servicing does not derail the rate of growth of the economy. Annual Development expenditures need to be increased substantially.

- Borrowing for development projects can be done depending on the viability of the project.

Privatisation and Liberalisation

- GOP has to use its discretion to ensure that increased linkages as a result of globalization have a positive impact on Pakistan.

- Privatization process needs an unbiased third part evaluation team which should continue to monitor the performance of SOEs in the post privatization period.

- GOP should negotiate harder with foreign governments and international organization to ensure that more benefits from foreign aid accrue to Pakistan.

- GOP should realize that its audience is the people of Pakistan and not governments in rich countries or the international financial institutions.
- GOP should pursue different goals that coexist and try to achieve them simultaneously, rather than pursuing some (privatization) at the expense of others (strategic, health, etc)

- The privatizations policy of GOP should distinguish between strategic and non strategic sectors. For non strategic sectors full or partial privatization may be used.

- GOP is advised to start with restructuring and privatization of loss making non strategic units. Starting with privatization of profitable units will increase budget deficit.

- Strategic sectors should not be privatized. If there are loss making strategic units they should be restructured. This entails identifying profitable and loss making activities. For example, if the main activity is profitable, but ancillary activities are loss making, these ancillary activities may be privatized, but control over the main activity needs to be maintained. Partial privatization can also be resorted to.

- GOP should use its position to benefit the poorer segments of the Pakistani population, rather than teaming up with big foreign companies, creating misgivings about government motives.

- National interest is not a dirty word can be gauged from the behaviour of countries in the region and across the world.

**Governance Issues**

- Role of the Government to be denoted by quality rather than quantity. The government should play the role of a regulator, a supporter, a promoter and an enabler. There might be reduction in the role of the government in certain areas, but a concomitant increase in its role in other areas.

- The practice of elevating Pakistanis with foreign links to leadership positions has failed miserably as these people have used their positions to the detriment of the country. The entire caretaker setup and permanent setups or officials holding important positions should be vetted for their links to foreign countries if the country has to be saved and made prosperous.
- Checks and balances have to be enforced to check corruption specially in the health and education sectors.