BCPR

BNU Center for Policy Research

NAVIGATING PUBLIC POLICY

COMPILATION OF POLICY NOTES

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Beaconhouse National University
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BNU

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Vice Chancellor's Message

Beaconhouse National University (BNU) is proud to host the BNU Center for Policy Research, a think tank dedicated to bringing forth innovative, modern and creative research-based solutions to Pakistan's sociopolitical, economic, and environmental issues.

At BNU, we work diligently to equip students with the tools to become responsible and caring citizens and leaders in their respective disciplines. We seek to build synergies, not only within BNU but with peer institutions in Pakistan and abroad, and to create an intellectual environment where both teaching and research thrive – in ways that contribute to a prosperous, just and sustainable society in Pakistan.

The BCPR is accomplishing exactly this. It has added to the University's intellectual environment, urging students to engage with and think critically about crucial inter-disciplinary issues pertaining to international relations, diplomacy, governance, and climate change in a new light – as conscientious Pakistani and global citizens. Students have benefited from interactions with former and current ambassadors, foreign diplomats, policymakers, politicians, academics, researchers, and many other professionals who have taken great interest in inspiring students' curiosity about the world and how they can contribute towards its betterment.

BNU looks forward to further enriching the intellectually stimulating atmosphere of the University and fulfilling our responsibility to educate our students and the wider policy community through evidence-based research to create a prosperous Pakistan.

Dr. Moeed W. Yusuf

Foreword

In January 2024, BNU's Center for Policy Research (BCPR) initiated a project to prepare action-oriented Policy Notes in multiple key policy areas. The project's timing coincided with the general elections held on 8 February 2024. Written by eminent experts, the idea was to render these Policy Notes to the incoming government as sound advice for starting tangible work in these select areas. The Notes dealt with issues related to the economy, public policy, governance and Pakistan's relations with other countries.

The following topics and authors were identified after a deliberative process:

- Steps to Ensure National Reconciliation
  Javed Jabbar
- Global Multi-Alignment: How to Conduct Relations with Key Foreign Partners without Choosing a Partisan "Camp"?
  Aizaz A. Chaudhry
- Debt Juggernaut: Immediate Steps with the IMF and Other Lenders
  Hamed Yaqoob Sheikh
- Geo-Economic Paradigm: Specific Regional Connectivity Initiatives that Pakistan can Undertake, 2023-2028
  Haroon Sharif
- Increasing Pakistan's Non-Debt Raising Forex Inflows to $100 bn a Year: An Action Plan for Prioritizing Manpower Exports
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- Increasing Pakistan's Non-Debt Raising Forex Inflows to $100 bn a Year: An Action Plan for Prioritizing Specific Goods and Services Exports
  Tariq Ikram
- How Can we Leverage Strong Tailwinds of IT/ITeS and AI to Enhance Productivity at Scale and Increase Exports
  Badar Khushnood
- Framework for Improved Human Capital in Pakistan
  Mosharraf Zaidi
- Action Plan to Address the Pressing Issue of Out of School Children
  Muhammad Nizamuddin
- Shielding Our Future: Approach for Achieving a Drug Free Environment in Educational Institutions in Pakistan
  Sadia Nawaz Kahoot
- Beyond Climate Diplomacy: Specific Short and Medium-Term Domestic Steps to Adapt to Climate Change
  Imrana Tiwana

Tailored to maximizing the possibility of uptake by the bureaucracy and decision makers, the Policy Notes were kept concise and focused, presented in prose common to Pakistan's public sector, and accompanied by an action matrix that lists prescribed actions and timelines.

The Policy Notes were shared with relevant authorities including the Prime Minister's Office (PMO), Strategic Investment Facilitation Council (SIFC), and relevant Ministries and departments of the Government of Pakistan, policy influencers, and think tanks. The feedback on the Policy Notes and the process was positive.

Although a year has passed, the conclusions and recommendations contained therein remain relevant and ripe to become the subject of broader public debate. We have therefore decided to compile and launch the original notes in the hope that it will further galvanize government action and renew interests in greater intellectual discourse on these critical policy matters. BCPR envisions “Navigating Public Policy – Compilation of Policy Notes” a mere start – to be built upon and expanded to many other national policy issues in the future.

Ambassador (Retd.) Mansoor Ahmad Khan
Director, BCPR

BCPR Team

Ambassador Mansoor Ahmad Khan, Director. He holds Master's degree in Diplomatic Studies. Having joined the Foreign Service of Pakistan in 1992, Ambassador Khan served as a career diplomat for over three decades. His assignments included significant roles at the Ministry of Foreign Affairs, with diplomatic assignments in Pakistan's Missions in Harare, Geneva, Kabul, and New Delhi. He served as Ambassador to Austria and Afghanistan before retiring in August 2022. The state conferred Sitara-e-Shujaat on him in March 2023 in recognition of his distinguished services.

Dr. Zainab Ahmad, Research Fellow. She is Assistant Professor at the Seeta Majeed School of Liberal Arts and Social Sciences, BNU. Dr. Zainab previously chaired the Department of International Relations at Lahore Garrison University and has served as adjunct faculty at Punjab University and UMT. Dr. Ahmad holds a PhD in International Relations from Punjab University, with a dissertation on "Securitization of Water: Redefining Pakistan's National Security." She has published widely in HEC-recognized journals and is involved in various research projects, serving on advisory and review boards for multiple journals. Her research interests include water security, national security, regional security, the Indo-Pacific, and strategic communication.

Neha Malik, Research Associate and Project Coordinator holds an MPhil in Public Policy and Governance with distinction from CPPG, FCCU, and a Bachelor's in Economics from GCU. She was a Research Assistant at the National Institute of Public Policy and editor of the Students Quarterly at CPPG. Neha is currently the editor of *Policy Beacon*, BCPR's policy brief publication series.

Ayeda Hamed, Research Associate and Project Coordinator. She studied Politics and Russian Language and Literature at Princeton University and has gained experience working for research organizations in Bulgaria, Pakistan, and the U.S. Ayeda is currently pursuing her Master's degree at University of Oxford.

Shizra Huda, Research Assistant. She is in her final year pursuing a Bachelor’s in Social Sciences, majoring in Liberal Arts with a minor in Media Studies at BNU. Her academic interests focus on anthropology, cultural diversity, and the exploration of marginalized communities and intangible heritage.

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About the Authors

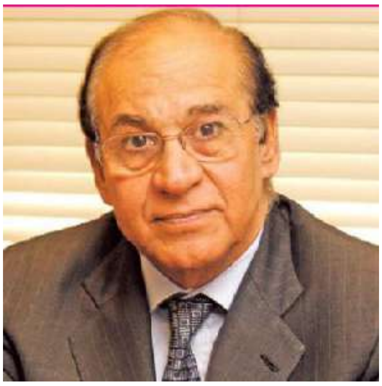
Javed Jabbar is a former Senator who has also served as the Minister for Information in Pakistan. He is a distinguished politician and public intellectual, known for his contributions to literature and film as an award-winning writer and filmmaker. His work encompasses a broad range of social and political issues, making him a prominent figure in Pakistan's cultural landscape.

Aizaz Ahmad Chaudhry is a former Foreign Secretary of Pakistan. Throughout his extensive diplomatic career, he has held several significant bilateral and multilateral assignments, including Ambassador of Pakistan to the United States and the Netherlands. Ambassador Chaudhry also served as Director General of the Institute of Strategic Studies and is currently Chairman of Sanober Institute, Islamabad.

Hamed Yaqoob Sheikh is a BS-22 officer of the Pakistan Administrative Service and has served as the Federal Secretary for Finance. With over 25 years of experience in the public and development sectors, he is currently leading an FCDO-funded business process reform program aimed at enhancing the Pakistani government's revenues and improving the investment climate, among other reforms.

Haroon Sharif served as Minister of State and Chairman of the Board of Investment. He possesses extensive international experience, having served as a former Regional Adviser to the World Bank. Additionally, he was Pakistan's Lead Representative for Industrial Cooperation in the Joint Cooperation Committee of the China-Pakistan Economic Corridor. Haroon is also Chairman of Pakistan Regional Economic Forum.

Kashif Noor is a senior officer of the Pakistan Audit and Accounts Service. He has served on important government posts. One of his key assignments during the recent years was as Director General of the Bureau of Emigration and Overseas Employment, providing extensive exposure and insight into Pakistan's human resource export potential.



Tariq Ikram is a former Minister of State, Chairman of the Export Promotion Bureau, and Chief Executive of the Trade Development Authority of Pakistan. He was also the first Pakistani CEO of Reckitt Benckiser (earlier called Reckitt & Colman).

Badar Khushnood is the co-founder of @Fishry.com, an e-commerce platform, and Bramerz, a digital media and marketing company. For over a decade he has consulted for Google, Facebook, and Twitter as their first representative in Pakistan. He currently serves as an Executive-in-Residence (EIR) at LUMS Business School. In 2022, he was elected Chairman of the Pakistan Software Houses Association (P@SHA) and served as the convener of the Asia Pacific ICT Association (APICTA) Awards.

Mosharraf Zaidi is the founder and CEO of Tabadlab, a think tank and policy advisory firm based in Islamabad, Pakistan. He has served as a Policy Advisor to the Ministry of Foreign Affairs and has led the prominent Alif Ailaan campaign, which aimed to address the education crisis in Pakistan.

Prof. Muhammad Nizam Ud Din was the Vice Chancellor of the University of Gujrat and currently serves as the Pro-Rector for Research at Superior University, Lahore. He has extensive experience with the United Nations, having held the positions of Director for the Asia and Pacific region and Director for Technical Policy and Development at the UN Headquarters.

Sadia Nawaz Kahoot is a consultant clinical psychologist and Head of BNU's Center for Counselling and Psychological Well-Being. She is also a member of the International Consortium of Universities for Drug Demand Reduction (ICUDDR).

Imrana Tiwana is the Head of the Initiative for Climate Change and Environmental Sustainability at BNU and Principal Architect at Imrana Tiwana & Associates. She is also the Convener of Lahore Bachao Tehreek and a Board Member of the Lahore Conservation Society and IWMB. She has represented Pakistan at UNESCO, ICOMOS, and INTBAU, and has worked with the Ministry of Climate Change on environmental initiatives.

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List of Action Matrices

List of Acronyms

- AI – Artificial Intelligence
- AIIB – Asian Infrastructure Investment Bank
- AJK – Azad Jammu and Kashmir
- BE&OE – Bureau of Emigration and Overseas Employment
- BoP – Balance of Payments
- BPS – Basic Pay Scale
- BRI – Belt and Road Initiative
- BRICS – Brazil, Russia, India, China, South Africa
- CAGR – Compound Annual Growth Rate
- CASA – Central Asia and South Asia Electricity Transmission
- CDA – Capital Development Authority
- CCI – Council of Common Interests
- CPEC – China-Pakistan Economic Corridor
- CPLCs – Citizen-Police Liaison Committees
- CSOs – Civil Society Organizations
- DHAs – Defence Housing Authorities
- EFF – Extended Fund Facility
- FATA – Federally Administered Tribal Areas
- FBR – Federal Board of Revenue
- FDA – Federal Development Authority
- FEDP – Federal Export Development Board
- FLFP – Female Labour Force Participation
- FPCCI – Federation of Pakistan Chambers of Commerce & Industry
- Fx – Foreign Exchange
- GB – Gilgit-Baltistan
- GCC – Gulf Cooperation Council
- GDP – Gross Domestic Product
- GDI – Global Development Initiative
- GHQ – General Headquarters
- GoP – Government of Pakistan
- HEC – Higher Education Commission
- IFI – International Financial Institutions
- IMEC – India-Middle East-Europe Corridor
- IMF – International Monetary Fund
- ISI – Inter-Services Intelligence
- IT – Information Technology
- ITC – International Trade Centre
- ITES – Information Technology Enabled Services
- KITAAS – Khaldunia Institute of Technology and Applied Sciences
- LDA – Lahore Development Authority
- MDBS – Multilateral Development Banks
- MoI – Ministry of Interior
- MoITT – Ministry of Information Technology and Telecommunication
- MOFA – Ministry of Foreign Affairs
- M/O OP & HRD – Ministry of Overseas Pakistanis & Human Resource Development
- MSW – Municipal Solid Waste
- NADRA – National Database and Registration Authority
- NAP – National Action Plan
- NAVTTC – National Vocational & Technical Training Commission
- NDB – New Development Bank

- NDC – National Defence College
- NFC – National Finance Commission
- NGO – Non-Government Organization
- NSC – National Security Committee
- NSP – National Security Policy
- OEC – Overseas Employment Corporation
- OOSC – Out-of-School Children
- PISA – Programme for International Student Assessment
- PEC – Pakistan Export Council
- PEDP – Provincial Export Development Boards
- PMO – Prime Minister's Office
- PSEB – Pakistan Software Export Board
- PTA – Pakistan Telecommunication Authority
- QUAD – Quadrilateral Coordination Dialogue: Australia, India, Japan, US
- RLNG – Re-gasified Liquefied Natural Gas
- ROZ – Reconstruction Opportunity Zones
- SBP – State Bank of Pakistan
- SCO – Shanghai Cooperation Organisation
- SEZ – Special Economic Zones
- SIFC – Special Investment Facilitation Council
- SME – Small and Medium Enterprises
- SMEDA – Small and Medium Enterprises Development Authority
- SOE – State-Owned Enterprise
- STPF – Strategic Trade Policy Framework
- STZA – Special Technology Zones Authority
- SWOT – Strengths, Weaknesses, Opportunities, and Threats
- TAPI – Turkmenistan-Afghanistan-Pakistan-India Pipeline
- TDAP – Trade Development Authority of Pakistan
- TIMSS – Trends in International Mathematics and Science Study
- TOR – Terms of Reference
- TTP – Tehrik-i-Taliban Pakistan
- TUTAP – Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan Electricity Interconnection
- UAE – United Arab Emirates
- WASH – Water, Sanitation, and Hygiene
- WI – World Imports

Chapter 1
Steps to Ensure National Reconciliation
Senator (R) Javed Jabbar

Need for National Reconciliation

National Reconciliation in the context of this note can be defined as a process through which divergent perceptions about past episodes and abiding grievances regarding historic and on-going inequities are fully articulated; where possible, responses by those seen as responsible, are provided and regrets or apologies are expressed for excesses or unlawful acts committed. Collectively, there is agreement never to repeat past aberrations, to respect fundamental rights, and to co-exist peacefully in a singular, stable, equitable, progressive Pakistan. National Reconciliation is an ideal worth perpetual pursuit.

For a country whose name was invented only 90 years ago in 1933 and which achieved independence in 1947 to then become first nation-state after Second World War to disintegrate in 1971, Pakistan has notably demonstrated over the past 52 years an indomitable will to survive formidable odds and to renew and revive itself. A sense of a distinct national identity termed as "Pakistaniat" has evolved expressed by reverence for the national flag and anthem, and fervent celebrations of national days. This persona comprises both positive and negative tendencies. From a nationally cohesive perspective, inter-provincial trade and mobility are robust; inter-ethnic marriages are increasing; migrations for livelihoods, both from rural to urban areas, and between provinces are increasing. Yet in 2024, as the country begins its journey over the next 23 years to reach the 100th anniversary of independence in 2047, several deeply troubling facts need to be urgently addressed.

Whether due to unprecedented inflation in the past 4 years, many economic downturns a resurgence of terrorism, militant violence and crime, there is widespread loss of faith in a stable, progressive future. Confidence in, and respect for institutions are at a new low. Notwithstanding respect for the armed forces as merit-based institutions which are also the bulwark against external threats, military intelligence agencies are seen as all-powerful entities that invisibly control non-military institutions and political events.

Alienation exists among many Baloch. There is lingering discord between pre-1947 Sindhis and sections of post-1947 Sindhis. Some Pukhtun communities, specially from the merged FATA districts are discontented. South Punjab resents dominance of Central and North Punjab. Corruption is rampant in the society. There is a disturbing decline in self-esteem and morale. Over 800,000 citizens, many of them literate, educated, skilled, have emigrated to other countries in 2023. The population growth rate remains the highest in the world while social and human development indicators place Pakistan among the lowest.

Whereas polarization is an abiding feature in most multi-party democracies, political alienation/ schisms have severely sharpened. The actual election results of 8th February 2024 general elections for which the Supreme Court and the Election Commission of Pakistan had removed the election symbol of a major political party, Pakistan Tehreek-i-Insaf, showed that this particular party bagged the largest share of votes and seats. The tensions and uncertainty in the post-8th February scenario have, therefore, further increased.

However, in recent decades, the nation has, at crucial times, proven its ability to transcend deep differences. With Indus Waters Inter-Provincial Agreement of 1991, various National Finance

Commission Awards specially the Seventh Award of 2010-15, and the 18th Constitutional Amendment of 2010, unanimity and consensus have prevailed over division and despair. Thus, challenge of moving on National Reconciliation in the next over two decades can be addressed with a minimal reservoir of pride in past achievements, and with determination and strength.

Plan of Action:

Ideally, the person elected to serve as Prime Minister in 2024 needs to follow the precepts of Nelson Mandela: leaving behind bitterness, anger and revenge. Instead, practicing empathy, respect, patience, compassion, willingness to adjust in order to accommodate other viewpoints, most of all, moral, ethical authority substantiated by actions. A leader of authentic stature can inspire reform/reconciliation to become a truly unifying national leader than a partisan political figure. Even if ideal qualities are hard to find and harder to sustain, some practical steps can be taken towards National Reconciliation. This Policy Note suggests steps to reduce friction/ mistrust and increase communication/cohesion within the state and the society.

Recommendation/Actionable Item-I: Initiation of a National Reconciliation Dialogue

A National Dialogue should be facilitated and monitored – without censorship – and its content noted to help shape reform, while being open to all. A special Cell should be created, using existing human and administrative resources in the Federal and Provincial Governments, or a leading university/independent research center can be commissioned to monitor, record, store, collate inputs provided by participants. Using the new capacity of Artificial Intelligence, and algorithms, the content generated can be summarized and uploaded on easily accessible websites to enable identification of principal themes, observations, proposals, etc. While the elected leadership is best placed to choose duration and subjects, the following suggestions could be given consideration:

Duration: Six months for public debate on a given subject.

Possible subject/s: 1. Lessons learnt/unlearnt, from history 1947-1971, 1972-2024?
2. What are the strengths and weaknesses of Pakistan?
3. Can diversity and unity strengthen each other?

The Federal Parliament/Provincial Assemblies should certainly serve as means for promoting National Dialogue, with effective use of news and social media for addressing clarity of the content. But it should also cover the views of a wide range of civil society organizations, (CSOs, NGOs) particularly those active in advocacy, professional associations, academia, the corporate/business sectors, youth, and citizens of all religious faiths, with special encouragement to enable the voices of the poor, the disadvantaged, and women to be stated and heard. The National Dialogue should thus be inclusive, participatory, free-flowing, and continuous. All contributors should be encouraged to express views about responsibilities, rights, obligations, and entitlements. The Head of State, the Head of Government, Heads of Provincial Governments have the foremost responsibility to initiate and encourage the Dialogue while Heads of all other forums and bodies listed earlier must also facilitate a mutually respectful, peaceful, and constructive discourse.

Recommendation/Actionable Item-II: Using the Council of Common Interests

To address the inter-institutional, intra-institutional, inter-provincial, intra-provincial spheres the Council of Common Interests, (CCI) with its Constitutionally mandated yet significantly under-used role should be invigorated to become, de facto, a “national” Cabinet working in harmony with the Federal Cabinet. CCI composition enabling Chief Ministers of provinces to participate under the chairmanship of the Prime Minister, and with other Federal Ministers is an appropriate forum to consider issues that arise from the Center-Province relationship as also the horizontal and vertical aspects of inter-institutional, intra-institutional, inter-provincial and intra-provincial affairs aerating differences and misperceptions. In what is surely the world’s most asymmetric Federation, a parallel – but not a conflictual body to the Federal Cabinet would greatly broaden and deepen exchange of views and facilitate consensus. With the Prime Minister presiding over both, the negative aspects of parallelism would be avoided.

As per Article 154 (3), the CCI has to meet every 90 days or when a province requests an urgent meeting. While there is no bar on the Prime Minister convening meetings more than once in 90 days, a Constitutional amendment could be considered for more frequent meetings, e.g. at least once every 60 days. Despite the passage of the 18th Amendment, the Federation continues to play a pivotal role, more so because the military is a federal institution unaffected by the 18th Amendment and exerts a strong influence on vital aspects of both domestic as well as external policies. There is also the continued existence of a huge bureaucracy at the Center. The existence of other forums such as the National Security Committee and the Special Investment Facilitation Committee does not diminish vast potential of the CCI, particularly as an instrument to promote regular dialogue and understanding. Concomitant with the CCI’s activism should come measures to upgrade the capacity of the Federal Ministry for Inter-Provincial Coordination.

Recommendation/Actionable Item-III: Introducing Question Hours
A third step is to make bi-weekly or weekly Prime Minister’s Question Hour in the National Assembly and Senate, and the Chief Minister’s Question Hours in the Provincial Assemblies, a part of the unwritten norms, as well as written Rules of Procedure.

Recommendation/Actionable Item-IV: Suggestions for political parties
Political parties, particularly those who form governments at the Center and in provinces, singly, or in coalitions, can exert a powerful role in fostering National Reconciliation by ensuring that: (a) the opposition parties are given space and opportunity to express their views within Parliament’s Houses; (b) quorum is observed for key discussions; (c) the PM’s/ CM’s Question Hour are used with due decorum/patience; (d) all registered political parties, whether represented in the elected forums, or not represented, are afforded opportunities for public meetings in a peaceful, orderly manner on National Reconciliation; (e) feasibility be examined for formation of a Political Parties’ Commission owned/managed exclusively by political parties but having representatives of civil society organizations e.g. bar associations, academic forums, to observe internal party elections, receipt of state funding in line with vote shares (like in Sri Lanka and Germany) to reduce dependence of political parties on informal, unreported, undocumented financing; (f) leading political parties invest substantially in enhancing their knowledge, comprehension, and capacities in the field of security issues, and subjects e.g., the way forward in the Kashmir dispute with India, on Afghanistan, Iran, China, the USA, the EU, Saudi Arabia, Türkiye instead of continued ceding of space to the military and other institutions; and (g) make use of research papers such as “How can we prevent future military interventions?” originally published by PILDAT in 2008, and also published in 2022 in the book by self, titled: “A General in Particular: Interactions with Pervez Musharraf.” Some, if not all, of the recommended measures remain valid today in 2024.

Recommendation/Actionable Item-V: Improving the governance-citizen relationship

The relationship of Governance and citizens is characterized by bureaucratic hurdles, red tape, bribery, delays. In view of the success of the Citizen-Police Liaison Committees (CPLCs) as in Karachi and elsewhere since of 1988, and other forums in some parts of the country where citizens and police have worked together with mutual respect and trust, the CPLC model can be replicated on a nation-wide scale. As the Police come under the purview of the Provincial Governments, this aspect is yet another priority that can be productively dealt with in the CCI. Public's faith in such apparatus should be ensured through the expansion of automated, on-line interfaces between citizens and official organizations, be these land revenue records, registration of properties, obtaining of permits, certificates, etc. on the lines successfully introduced by NADRA, FBR, Provincial Governments, and a few others.

Recommendation/Actionable Item-VI: Fostering religious tolerance

The stress on religious and sectarian relations' would need steps such as curriculum reform at all stages –school, college, university – to promote the concept of shared Pakistani national identity that transcends communal markers; teaching and publicizing of those Articles of the Constitution that guarantee fundamental rights and equality for all citizens; sensitization of primary school teachers in particular to the need for respect of all faiths; re-circulating previous declarations as in the Paigham-i-Pakistan initiative in which ulema and priests of all faiths participated; invitations to faith leaders to meet with Members of Parliamentary and Legislative Committees. Two other sets of supplementary measures could be: (a) Twinning villages, districts, towns in different provinces with each other, particularly those with differing religious or sectarian profiles, to create new bridges and bonds; and (b) Micro-democratic forums: going beyond union councils which normally cover populations of 20,000 or more, new forums of completely localized, immediately accessible inter-action for communities, in both rural and urban areas to bring people of diverse faiths and sub-cultures together.

Recommendation/Actionable Item-VII: Engaging Media/Social Media in Reconciliation

Dialogue would be vital with leadership and members of media bodies including All Pakistan Newspapers Society, Council of Pakistan Newspaper Editors, Pakistan Federal Union of Journalists, Association of Electronic Media News Editors, Pakistan Broadcasters Association and other to persuade individual professionals as well as owners to prioritise the theme of National Reconciliation, including projection of the proposed National Dialogue and balanced coverage. Dialogue should also be held with the Pakistan Advertisers' Society whose members comprise all major firms that invest billions in commercial messages placed in conventional and social media for support. In order to fully utilize the potential of social media in particularly engaging youth the new Government should commission one or more entities to substantially register presence in social media platforms of themes, subjects, discourse on aspects of National Reconciliation through podcasts, vlogs and blogs. Most importantly, content in media, conventional or social, should strive to be truthful, colourful, engaging, entertaining, non-frivolous and nontrivial. It must not be ritualistically preachy, chauvinistic, or propagandistic.

Recommendation/Actionable Item-VIII: Engaging CSOs and NGOs

Civil Society Organizations (CSOs) active on advocacy to safeguard human rights and Constitutional principles should be involved to conduct systematic, sustained programmes on aspects of National Reconciliation. A limiting factor may be the dependence of many CSOs on overseas' donor funding because generally Pakistani philanthropists are shy of supporting CSOs that take public stance on issues critical to the Government and other state institutions.

However, a mechanism can be evolved for contribution of the local as well as donor-funded CSOs and NGOs, rendering service delivery to thousands of communities in the fields of education, health care, capacity building and other subjects for also making contributions in the National Reconciliation Dialogue.

Recommendation/Actionable Item – IX: Reviewing the political-military relationship
The last but not the least important recommendation for the National Reconciliation Dialogue is the aspect of the political-military relationship. With four military interventions into the political domain totaling 33 years out of Pakistan's 77-year history, and despite the disavowals by the preceding Chief of Army Staff in late 2021 about the imperative need for the military to refrain from political intervention, there is an overwhelming impression among citizens about the military's continued dominance behind the scenes in ongoing political twists and turns. Viewed along with the weighty presence of the military in the corporate sector, e.g. the Fauji Foundation, and DHAs in all major cities, to many, this dominance is seen as a negative fait accompli. Yet the prospect of deep military engagement in the political sphere, through its intelligence agencies, is neither good for the military nor for the country as a whole. This engagement is also contrary to the letter and spirit of the Constitution, and the vision and pronouncements of Quaid-i-Azam Muhammad Ali Jinnah. The National Reconciliation will become fully authentic when the military practically ceases to intervene in the civil, political spheres and focuses exclusively on its primary Constitutional duties of protecting the state against external threats and internal subversion, and of assisting the civil Government in emergencies as it so capably does whenever it is required.

Action Matrix For National Reconciliation

Action	Focal Point/Secretariat	Timeline
The initiation of a National Reconciliation Dialogue	Prime Minister/Prime Minister's Office (PMO)	Announce the Dialogue within 30 days of the oath of the PM Duration could be 1-2 years or as required
Activate the Council of Common Interests (CCI) for National Reconciliation Dialogue	Prime Minister/PMO	Notification within 30 days of oath Duration 1-2 years till objectives are achieved
Introducing Question Hour	Speaker of National Assembly /Speaker's Office	Commence within 30 days of the oath of Parliament Frequency: Bi-weekly or monthly Duration: Term of Parliament
Suggestions for political parties	Speaker of National Assembly	Action may commence within 90 days of oath of National Assembly, Duration to depend on progress

Action	Focal Point/Secretariat	Timeline
Improving the governance-citizen relationship	Minister of Interior/Interior Ministry/Home Ministries in provinces	Action within 90 days Duration – full tenure of Parliament/Govt. may continue after next elections
Fostering religious tolerance	Prime Minister may designate a senior Minister or Senator	Action within 90 days of formation of Government Duration: 2 years
Engaging the Media/ social media for National Reconciliation	Minister of Information	Action may start with the announcement of National Reconciliation Dialogue Duration till completion of the reconciliation process
Engaging CSOs and NGOs	Cabinet Secretariat	Action may start with the announcement of National Reconciliation Dialogue Duration till completion of the reconciliation process
Reviewing the political-military relationship	PM/National Security Council	Action after quiet discussions with the stake-holders It should be a continuing but discrete process

Chapter 2

Global Multi-alignment: How to Conduct Relations with Key Foreign Partners Without Choosing a Partisan "Camp"?

Ambassador Aizaz A. Chaudhry

The world is undergoing a radical transformation. Assertive unilateralism, xenophobia, trade protectionism, and anti-immigrant sentiment are distorting global norms and values. Wars in Ukraine and Gaza, transnational terrorism, non-traditional security threats, like climate change, and emerging technologies, including AI, robotics and drones, are adding to the complexity of global geopolitics. The most notable feature, however, is the intensifying US-China strategic competition, which could divide the world into 'camps'. Although the leadership of the two countries has assured the world that their competition would not veer into conflict, there are lingering concerns that the US-China competition could create pressures for developing countries to choose one camp or the other.

Several other notable powers, including India and Russia, have also begun to flex their power potential. Gulf countries particularly Saudi Arabia have embarked on a socio-economic transformation. All major powers are now engaging in various multilateral partnerships to pursue shared interests. These multi-alignments (a series of parallel relationships including BRICS, QUAD, IMEC) are akin to exclusive clubs for multilateral cooperation.

Pakistan, too, would need to adapt its foreign policy to the evolving global and regional geopolitical order. Given the political uncertainties, economic crunch, and resurgence of terrorism, Pakistan needs to recalibrate its priorities to enhance its global and regional relevance. Post-February 2024 elections, if the country successfully achieves political stability, ensures continuity of economic policies, and firmly establishes law and order, Pakistan's profile and relevance could grow significantly given its wealth of natural resources and the geostrategic location of Pakistan.

Policy Recommendations

Keeping in view the global geopolitics, geoeconomics, and multi-alignments, the following section contain recommendations for the incoming elected government in the foreign policy realm:

1. **Managing relations with China and the US:**
   Pakistan should continue to exercise its strategic autonomy and maintain relations with all major powers based on its national interest. China is a close ally of Pakistan and has invested in the country, particularly through CPEC projects. The US is Pakistan's largest trading partner and a source of investments. However, in light of increasing polarization, balancing between US and Chinese interests has become an arduous task. Therefore, it is important for Pakistan to have a clear strategic direction to continue cooperation with the US on key bilateral and regional issues while systematically deepening engagement with China as a strategic partner.

   - **Relations with China:** Pakistan's relationship with China is broad-based, with considerable focus on CPEC, for the success of which China's renewed confidence would be essential to its success. The second phase of CPEC should focus on industrialization in order to creates jobs and helps reduce poverty. Special Economic

Zones should be created without further delay. The second area of focus should be agriculture, where the potential of increasing productivity is enormous and can ensure the country's food security. Technology cooperation should be another priority. In light of complexities and competition, associated with acquiring new sophisticated technologies, the US is not likely to share emerging technologies with Pakistan; however, China may be willing, given the right mix of policies and the goodwill that already exists between the two countries.

- **Relations with the US:** There is little possibility of structured engagement with the US in the short term given that the US has already chosen India as its preferred partner in South Asia in pursuit of its Indo-Pacific strategy. However, the US would still like to maintain ties with Pakistan as it would not want to push Pakistan further towards China. The US would also to coordinate with Pakistan on Afghanistan due to concerns about resurgence of terrorist entities. It would be advisable to focus bilateral cooperation on education, public health, agriculture and IT, all of which are important for the citizens – particularly the youth of Pakistan. China should be taken in confidence if the government takes any major initiatives with the US.

2. Geoeconomic Pivot

Pakistan should review all of its relationships through the lens of potential economic benefit for the country. To that end, we should make full use of the country's economic geography, which places Pakistan right in the confluence of three vast regions: South, West and Central Asia. The country must, work harder on North-South connectivity. In this regard, Pakistan should optimize the use of Gwadar port for Pakistan and China, and coordinate with China to consider extending CPEC to not only Afghanistan but also to Iran. To this end, our western borders must be stabilized. Special Economic Zones should be constructed in order to attract investments from domestic and foreign investors. The latter would come in only after the former has invested. As for East-West connectivity, much depends on the equation that would evolve between the political leadership of India and Pakistan post-elections.

3. Neighbourhood First

In light of the challenges associated with Pakistan's relations with its neighbouring countries, the new government should prioritize its neighbourhood first:

a. India: Post-elections in Pakistan and India, Pakistan should remain open to any initiative the Indian government might take to engage with Pakistan for limited bilateral cooperation, such as people to people contacts and trade in select items. It would help if a back channel is also established, particularly to stop anti-Pakistan activities by Indian intelligence. If the Indian government engages in earnest, a variation of the four-point formula could help resolve the Kashmir dispute. Avenues need to be explored for restoring the High Commissioners in both countries and starting the trade. In the contemporary geopolitical scenario, Pakistan's potential for facilitating North-South and East-West connectivity and regional transit between Central/West Asia and South Asia can be a mutual incentive for moving forward and progressively normalizing Pakistan-India relations in the coming years.

b. Afghanistan: Pakistan should maintain close engagement with the Taliban government in Afghanistan and reinforce that they should not use TTP as a leverage against Pakistan. Pakistan's decision about the formal recognition of the Taliban government should be contingent upon the Taliban's cooperation in stabilizing the Pak-Afghan border and not allowing the TTP to operate against Pakistan from Afghan soil. if the security and counter-terrorism challenges including the TTP issue are negotiated with the interim Afghan government as part of a comprehensive dialogue that also include trade and transit, the prospects of achieving harmony and cooperation would be much brighter. Pakistan should also negotiate the same customs duties on Afghan transit trade goods as are applicable on Pakistani imports. This will help curb smuggling and dumping transit trade goods in Pakistan.

c. **Iran:** Although the recent spate of tensions with Iran was diffused without a major impact on bilateral relations, the incoming government has to proactively reach out to Iranian leaders and institutions to address issues in a peaceful and amicable manner and move towards strengthening cooperation in security and economic spheres. Gwadar and Chabahar should be formally declared sister ports; bilateral trade should be enhanced through barter arrangements as well as joint border markets; ways to increase cooperation in the power and energy sector should be explored. Trilateral cooperation between Afghanistan, Iran and Pakistan needs to be channelized in border management, counter-terrorism and trade.

4. Climate Change

Of all the non-traditional security threats to Pakistan, climate change is the most alarming and existential. While Pakistan should remain engaged in international negotiations on this subject, it should not base its planning on the anticipated foreign funding, which is not likely to become available in the absence of the capacity to develop feasible project proposals. Pakistan should, therefore, mobilize and rely on our own experts and resources to mitigate climatic impacts.

Action Matrix For Global Alignment

Challenge	Suggested Action Plan	Responsibility and Timeline
The US-China competition could divide the world into camps	Maintain close relations with both, the US and China, predicated on the tangible economic benefits for Pakistan. Focus on CPEC projects. Create SEZs to attract Chinese, American and other investments. Enhance cooperation with the US in education, public health, and IT	MOFA may monitor developments and keep the leadership informed about policy choices viz the US and China. The National Security Committee (NSC) should meet periodically to review the global and regional developments

Challenge	Suggested Action Plan	Responsibility and Timeline
Geoeconomic Pivot	1. Pakistan needs to undertake serious efforts to become a regional hub. To that end, we should work for N-S and, if possible, E-W connectivity. 2. Operationalize Gwadar port to its full potential. 3. Establish SEZs for not only foreign but also domestic investment. 4. Consider, in consultation with China, prospects and benefits of extending CPEC to Afghanistan and Iran	MOFA in consultation with concerned economic ministries and provincial governments to propose options. Decisions by NSC within 2024
Modi's No-contact Policy	After elections in both countries, the newly elected government in Pakistan should remain open for any initiative that seeks to normalize relations by taking steps such as trade in select items, visa relaxation and religious tourism. If so required and agreed by India, it would help matters if a back channel is established to stop target killings by Indian Intelligence, alleviate bilateral tensions, and resolve the Kashmir dispute	Ministries of Foreign Affairs, Information, and Kashmir and GB to submit joint recommendations to NSC. Action within 2024.
Modi's heavy hand in IOK	1. Keep international community informed. 2. Merge GB and AJK with Pakistan as provisional provinces subject to final settlement of Jammu and Kashmir dispute	Ministries of Foreign Affairs, Information, and Kashmir and GB to submit joint recommendations to NSC. Action within 2024

Challenge	Suggested Action Plan	Responsibility and Timeline
Recent tensions with Interim Afghan Govt	1. Zero tolerance for TTP terrorism. 2. Negotiate firmly with Kabul with firmness. Keep the borders open. Look for political solutions rather than kinetic 3. Explore FM-level visit to Kabul and offer comprehensive dialogue	MOFA, MOI, ISI, and GHQ to prepare a plan for presentation to and decision by NSC. Action: Immediate
Engagement with Iran	Undertake a visit of FM to Tehran with high level security to facilitate for discussions to deepen comprehensive cooperation agenda	Ministry of Foreign Affairs may coordinate with Ministry of Commerce and NSC to discuss the details of the visit and engagement
Plan of Action to mitigate impact of Climate Change	1. Stay engaged with international negotiations 2. Rely on in-house expertise and mobilize communities to mitigate climatic impacts	MOFA, MOCC, NDMA to prepare joint plan and present to NSC for decisions. Action: Within 2024

Chapter 3

Debt Juggernaut: Immediate Steps with the IMF and Other Lenders

Mr. Hamed Yaqoob Sheikh

The Challenge of Fiscal Management

Pakistan's decision-makers have been profligate and have displayed an extreme lack of responsibility as far as its fiscal management is concerned. Government resources have been deployed without consideration for their socio-economic feasibility or sustainability and have mostly served inconsistent interests and issues—huge persistent investment in inoperable infrastructure is a common example. This sub-optimality is not limited to public investments only, the size of the government and its resulting administrative expenditure has grown without any affordability check.

Latest estimates suggest that cost of running the government nationally excluding defense and debt servicing is over US$ 10 billion. Part of this increase came when Pakistan was a beneficiary of the dollars flowing in for the war on terror, however, despite the drying up of these flows little or inadequate efforts have been made to increase the resource pool of the government. The control of political economy and policy influence of the elite interest groups have stalled efforts even to impose 'common sense' taxes let alone move towards collecting these. As the condition worsens, the cure is becoming expensive and painful with political governments shying away from taking critical decisions for fear of losing popular vote. Consequently, successive governments found it convenient to borrow more than act.

Pakistan's Debt Fiasco

While Pakistan's economy for the last three decades has experienced short periods of booms (mostly consumption fueled by additional borrowing) and busts, the situation today and the future outlook have never been this bleak. Pakistan's debt burden is worrisome and sovereign default is no longer a distant possibility. The size of overall Public Debt was US$ 219.60 billion at the end of last fiscal year. It grew from 63.9% (June 2021 to 66.6% (June 2022) to 68.2% (June 2023) of the GDP and has been growing at an alarming pace. The state of Pakistan cannot service its debt without borrowing. The IMF, World Bank et al as well as the credit risk agencies have been warning about this for a long time. The current credit risk ratings at 'CCC' (by Fitch) are a step shy of sovereign default.

It is no surprise that sovereign bond spreads have taken a beating and Pakistan cannot access the international financial markets. Moreover, while Pakistan has not taken the measures within its power to control the debt situation, the external environment is also fueling greater uncertainty. The overall debt servicing costs for developing and poor countries are expected to increase by 39% due to increased levels of debt and higher interest rates. Surging interest rates have heightened debt vulnerabilities in all developing countries, and in last three years, there have been 18 sovereign defaults in 10 developing countries which is higher than total defaults in the last two decades. This scary situation requires urgent actions and a mid to long-term path toward stability for Pakistan or face an even more painful default situation.

Unsustainable Revenue-Expenditure Gap

The real issue plaguing the country's economy is the increasing gap between expenditures and revenues. It has reached a stage where the Federal Government, after the transfer of provincial shares, is left with even less than the budgeted expense on 'Interest Payments'. The total collection of tax and non–tax revenues is estimated to be Rs. 12,163 billion. After the transfer of the provincial share of Rs. 5,276 billion, the Federal Government will be left with Rs. 6,887 billion whereas the budgeted estimate for 'Interest Payments' is Rs. 7,303 billion. The Federal Government will, thus, borrow even for the payment of interest on the principal amount borrowed previously. The actual volume of Interest Payments is likely to be significantly high because of the high policy rate. The fiscal imbalance caused by higher debt is seriously compromising Pakistan's ability to invest in climate proofing and shoring up which will dampen the GDP growth by 15-20% by 2050. A slower growth and enhanced climate risk will tighten economic spiral leaving limited or no breathing space.

Energy Sector Subsidies

In addition to debt servicing and administrative costs, the largest drain on the public exchequer is 'Subsidies' for the Energy sector. In the Power sector, an unbalanced tilt towards power generation through imported sources of fuel, rather than hydel and solar generation, exposed the country to volatility in international prices. Inadequate investment in transmission and distribution networks and losses due to it, coupled with subsidies of various kinds (exporting industries, agriculture tube wells in Balochistan and Punjab, etc.), misgovernance of the power sector especially distribution companies, etc. have increased the gap between expenditure on production and revenues. The gap was met through budgetary allocations and borrowings, which eventually resulted in the piling up of Circular Debt of almost Rs. 2,500 billion.

Gas is not different. Despite knowing fully well that national gas reserves were dwindling fast, pipe network was expanded, and shortfall was met through imported gas (RLNG). Successive governments deliberately kept price of gas low even when international prices were substantially high. Subsidized gas was provided to domestic consumers and exporting industries, fertilizer companies, etc. with government parking the burden in petroleum sector companies. Leakages, theft, governance of Sui companies, etc. led to massive gap between revenues and expenditure, which was met through budgetary allocations or through borrowing from the banking sector, with the result that the gas sector Circular Debt is greater than power sector and growing at an alarming pace. As committed to the IMF, the government has started to pass on the cost of production to the consumers. This has hugely increased the cost of living, production as well as runaway inflation.

State Owned Enterprises (SOEs)

The government owns a large portfolio of commercial and non–profit State Owned Enterprises (SOEs). Except for petroleum and gas exploration sector companies, almost all SOEs are either dependent on government support or are only able to only meet their expenditures. The hemorrhaging from PIA, Pakistan Steel Mills, Pakistan Railways, and Pak Post is totally unnecessary and requires bold decisions without politicking about their future. The government should step out of the commercial sector and divest or privatize SOEs as it is not the business of government to run businesses. Another cause of worry is the rapidly growing expenditure on 'Pension'. Rs. 761 billion is allocated in FY2023–24 for pension, out of which 74% of the burden of pensions, Rs. 563 billion, pertains to the retirees of the Armed Forces. The expense on pensions is growing geometrically and has already surpassed the allocation for 'Running of Civil Government', which is the cost of managing the entire federal government machinery across the country.

Exploring the Way Forward

The Federal Government is out of choices. In the short term, it has resorted to borrowing from the domestic market as access to the international financial market is almost precluded. This is fueling spiraling inflation as the government / SBP is pumping more and more money into the system. “Despite a notable improvement in market sentiment since June, risks to debt sustainability remains acute given large gross financing needs and scarce external financing. The government’s borrowing requirement must continue to fall, and that a ceiling on government guarantees remains a key tool for limiting debt risks outside the general government perimeter.”

The external sector is perhaps even more alarming. As the IMF noted: ‘However, policy slippages, insufficient financing or elevated gross financing needs, realization of contingent liabilities and downward risks to the baseline could all undermine the narrow path to debt sustainability. With low reserves and scarce market financing, FX payments will remain a persistent challenge, and real interest rates have become an adverse driver of debt dynamics, with interest absorbing more than half of general government revenue.’

Though remittances have been healthy and growing, the gap between imports and exports is increasing and investments have just not worked. The COVID shock, the Ukraine war, and now trouble in the Middle East have kept the prices of our imports, including petroleum products, cooking oil, coal, and other inputs, high. The import bill is, therefore, increasing every year. Unfortunately, the exports have not kept pace with imports for well-known reasons. On top of that, repayments of international loans and bonds are also a substantial burden. The result is a yawning external account gap. The State Bank of Pakistan has been managing the imports and outflow of foreign exchange. The unannounced control and uncertainty in provision of foreign exchange has created unease for existing and prospective foreign investors. The inflow of FDI has been marginal in the last couple of years.

The following Action Matrix outlines steps for the incoming government for overcoming Pakistan’s debt burden in the short and medium through prudent fiscal management and pave the way for long-term sustainable growth.

Action Matrix For Debt Management

Recommendation	Actions	Timelines
1. Expenditure Control		
End expenditure on devolved subjects on both current and development side	i. Review PSDP to identify projects relating to devolved subjects and hand over to provincial governments, without assigning priority	Immediate
	ii. Same exercise for Recurrent Budget	Immediate

Recommendation	Actions	Timelines
SOEs Reforms	i. Grant to SOEs contingent on submission of a business plan approved by Board and Minister. ii. Fully implement SOEs reforms including establishing Central Monitoring Unit in the MOF and reporting as agreed with the IMF. iii. Board of Management / Directors of all SOEs to be reconstituted with professionals. iv. Expedite / complete privatization of PIA, PSM, etc. v. MOF to report on SOEs performance annually to the Parliament.	Immediate Immediate Immediate Immediate Medium Term
Rightsizing of Federal Government	i. Instruct Federal Ministries to abolish all vacant posts. Ban new recruitment. ii. No new government entity to be created. iii. Assign targets to Federal Ministries to reduce number of posts. The plan should be implemented phase wise iv. Transfer posts relating to devolved subjects to provinces.	Immediate Medium Term Medium Term Medium Term
Reduce Subsidies	i. End untargeted subsidies including agriculture, energy, Utility Store, etc. ii. All subsidies to be based on National Socio-Economic Registry.	Immediate Medium Term
Fix the Energy Sector	i. Fully implement Circular Debt Management Plan ii. Diligent implementation of WB and ADB policy loans for energy sector	Immediate Immediate

Recommendation	Actions	Timelines
Pension Reforms	i. Initiate Contributory Pension Scheme for all new entrants ii. Stop hiring on regular/permanent basis. Move towards contractual mode	Immediate Medium Term
2. Revenue Mobilization		
Broaden tax base	i. Retail, real estate, agriculture income, etc. need to be brought into tax net. ii. Retailers, professional service providers, real estate and un/under taxed sectors to be brought in tax net. iii. All incomes to be taxed equally principle should be adopted.	Immediate Immediate Immediate
Digitization	i. Implement Roadmap for IT tools including POS, track & trace, etc. ii. Use Artificial Intelligence to identify taxpayers. Initially FBR, PRAL, NADRA, SBP, provincial Revenue authorities / boards, excise & property data may be used.	Immediate Medium Term
3. Debt Management		
Implement / follow Debt Management commitments. (PFM Act, FRDLA, etc.)	i. Strictly observe liquidity targets and borrowing plan. ii. Improve forecasting of liquidity requirements and borrowing from the market.	Immediate Medium Term
Develop alternatives, instruments, markets, etc	i. Access capital markets through stock exchange and other means. ii. Explore Islamic instruments including Sukuk	Immediate Immediate

Recommendation	Actions	Timelines
4. Investment & trade		
Use instruments like SIFC more effectively to implement key enabler	i. Establish sector level platform funds financing large vertical investments. ii. Encourage private investments through consistent policy support and addressing time sensitive constraints. iii. Launch an aggressive industrial policy addressing issues such as land lease, etc. iv. Sectoral investment frameworks proving at least 10-year policy consistency. v. Address climate finance governance and capability challenges to attract investments in climate change through international funds. vi. Venture into climate to debt SWAP	Immediate to Medium Term
Eliminate Discretionary Trade Measures	i. Eliminate all discretionary SROs and gradually eliminate the 5th Schedule. ii. Deploy EDF financing to address export measures against export targets for the private sector	Medium Term Immediate

Chapter 4

Geo-Economic Paradigm: Specific Regional Connectivity Initiatives that Pakistan can Undertake, 2023-2028

Mr. Haroon Sharif

Over the past two decades, many developing countries and emerging economies in various parts of the world have adopted approaches involving huge spending on mega-infrastructure projects contributing to regional connectivity and development. However, this has also had serious implications particularly excessive and often unpayable loans and debt liabilities causing complex challenges in the national economies at macro and micro levels. This has compelled the countries to adjust their approaches so that while mega- projects remain part of their larger and longer-term economic vision, their debt-related burdens are effectively contained. The fundamental factor emerging in this debate is that the success of regional connectivity is dependent upon the level of productive private investments around strengthening the economy.

The way forward for Pakistan in regards to infrastructure and regional connectivity is rooted in pragmatism, sound economic policies and sustainability. This Policy Note attempts to undertake a holistic assessment of the situation and suggests an optimal way forward for the period 2023-28.

Ten years of Belt and Road Initiative (BRI) and China-Pakistan Economic Corridor (CPEC)

In recent years, China-Pakistan Economic Corridor (CPEC) has been highlighted in international media and faced internal criticism, being labelled a debt trap, climate hazard and a strategic intervention rather than an economic development initiative. Both China and Pakistan have struggled to deal with this media campaign. One of the main reasons for the lack of strategic communication is the over politicization of CPEC in domestic politics and media.

CPEC has been one of the key connectivity initiatives of the six BRI corridors. The BRI's extent is huge: in ten years, cumulative engagement breached the USD 1 trillion mark with about USD 596 billion in construction contracts and USD 420 billion in non-financial investments. In Pakistan, over USD 30 billion worth of infrastructure projects have been completed including Gwadar port, power projects and roads connecting Pakistan and Western China with financing arrangements comprising Chinese investments at 65%, concessional loans at 26%, commercial loans at 6% and grants at 3%.

The overall bilateral debt of China to Pakistan has exceeded USD 20 billion. External payments for the repatriation of profits, capacity payments and debt servicing of CPEC projects have been putting pressure on the Current Account along with repayments of non- Chinese loans and commitments. China has been providing temporary relief by placing deposits in Pakistan's budget, but to be economically viable Pakistan's exports must grow by over 15 percent annually to meet these obligations while remittances must increase by a significant margin, to meet these obligations.

The already low level of trade between Pakistan and its immediate neighbors is exhibiting further decline. Trade volumes between Pakistan and its Eastern and Western neighbors are less than USD 5 billion (Afghanistan USD 1.8 billion; India 1.35 billion; Iran less than 500 million). With an increase in essential commodity prices, higher transportation costs and a rising risk premium, regional trade offers a viable option for reducing pressures on consumption of a large population. Fresh thinking is required by Pakistan and its neighbors to disassociate trade from historical conflicts.

Although work has started on the development of five new Specialized Economic Zones (SEZs), the pace and quality of development has not met the international standards required to make these globally competitive. As a result, most of the Chinese companies looking for relocation of operations have moved to more suitable destinations like Cambodia. The local investors have also shown mixed response to these facilities due to policy inconsistencies, higher cost of doing business and security concerns. It is important for Pakistan to address these anomalies and smartly leverage the potential of the private sector rather than focusing only on government-to-government deals.

Constraints on Boosting Regional Trade

One of Pakistan's major economic challenges is its inability to promote regional trade. Trade with China has also not grown favorably for Pakistan. As of November 2023, China exported USD 1.5 billion and imported USD 310 million from Pakistan, resulting in a positive trade balance of USD 1.23 billion in China's favour.

The Free Trade Agreement (FTA) with China needs revision to preserve the comparative advantage of Pakistani exports with selected tariff quotas to safeguard against material damage to Pakistani manufacturers. Import tariff rates will also have to be rationalized gradually to enable Pakistani companies to participate in the global supply chain.

Pakistan's Deepening Economic Fault Lines

Several countries are experiencing severe debt stress due to global economic shocks and internal weaknesses. Pakistan is no exception to this; the debt servicing burden has become unsustainable with a high risk of a continued macro-economic instability. The current Stand-By Arrangement (SBA) with the International Monetary Fund (IMF) is likely to convert into another Extended Fund Facility (EFF) for the next three years.

Due to prevailing uncertainties, high inflation and declining investments, the projected economic growth is much lower than what is desired and downside risks to the economic outlook remain exceptionally high. According to various estimates, the real GDP growth is projected to reach only 1.7 percent in FY24 and 2.3 percent in FY25. The continuation of a low growth scenario is risky in many ways as it may lead to further social fragmentation in a country where 150 million are below the age of thirty and looking for sustainable economic opportunities.

The investment climate remained jittery and failed to revive investor confidence for the much-needed expansion of the production base for jobs, higher value addition and technology transfer. The creation of the Special Investment Facilitation Council (SIFC) has sent positive signals for government-to-government deals with the Middle Eastern investors. However, space needs to be created for the private sector to partner with regional pockets of funding and technology for productive joint ventures.

Chronic budget deficit is worrisome as it does not leave any room for targeted development spending, and increases debt and inflationary pressures. The government will have to find fiscal space by restructuring the power sector, handing over State Owned Enterprises (SOEs) to professional managers, cutting down the size of the government and diverting infrastructure financing to the private sector.

The key challenge remains: the structure of Pakistan's economy has not changed for more than three decades. The current structure, dominated by services (e.g. real estate, trading), cannot address the much-needed export competitiveness, job creation and value addition. Focused policy interventions are necessary to change the structure of the economy to address the binding constraints to Pakistan's medium term economic revival.

Changing Regional Dynamics

Insofar as South Asia is concerned, China, India, and Pakistan hold the key to the future of this region after the withdrawal of the US led alliance from Afghanistan. This triangular strategic relationship is likely to become more complex unless China and India define the parameters of a new regional order.

The regional transition is also becoming increasingly relevant and important for Pakistan due to the evolution of new economic corridors connecting China, West Asia and Central Asia. The implementation of the BRI, opening up of Saudi Arabia and other Gulf economies, and the withdrawal of US led forces from Afghanistan have tilted policy thinking more towards regional economic partnerships. China's Global Development Initiative (GDI) and Saudi Arabia's Vision 2030 documents place a special emphasis in regional development on sustainable grounds.

Pakistan has reached out to the oil rich countries of the Arabian Gulf for investment in various sectors including energy, mining, communication and agriculture. This has generated considerable interest in Saudi Arabia, Qatar and UAE. Saudi Arabia is actively looking to diversifying its economic base by partnering with regional economies in South and Central Asia. If managed properly, these investments could potentially have a major impact on the stability of the region.

Unfortunately, the security situation on both the Eastern and Western borders of Pakistan remains a cause of major concern for regional investors. The tensions with Afghanistan regarding increasing incidents of terrorism and the forced evacuation of illegal Afghan nationals from Pakistan led to the closure of borders and trading activities. Recent cross-border escalation with Iran has also sent negative signals to regional investors looking for opportunities near the Gwadar port and in Balochistan. India is already engaged with Iran in expanding trade and transit connectivity including upgrading Chabahar and to marginalize Gwadar's role. These challenges necessitate efforts to work towards an evolving an approach of regional harmony by bringing economic interaction to the core of regional connectivity.

Practical Steps for Pakistan's Economic Integration with the Region

While for many years Pakistan has continued to project the primacy of geoeconomics in its governance framework, a major policy shift in this direction was brought about by the launch of Pakistan's first National Security Policy (NSP) in January 2022. The policy made an attempt to move away from the conventional security thinking and highlighted the need to augment economic security to achieve improved human and traditional security outcomes. By articulating economic security as the central pillar, it emphasized the geoeconomic paradigm as one of the avenues to strengthen the country's economic potential and supplement its efforts to address its geopolitical challenges.

Policy Recommendations

For a medium-term economic revival and growth strategy, Pakistan must take concrete steps to gain from BRI connectivity and tap into investment from the Middle Eastern Sovereign Wealth

Funds. Opening up trade with all neighbors will bring significant mutual benefits. Presenting Pakistan as part of the larger regional market will require certain policy shifts and a smart sequencing of priorities. The following is a set of recommendations for the government:

1. Pakistan needs to open up space for the private sector to leverage the potential of regional connectivity beyond China and Pakistan. This is in line with the BRI investments trends where private capital is rapidly replacing state-led infrastructure development. It is a well-established fact that infrastructure connectivity alone does not revive and scale up economic growth unless it is complemented by policies that attract private capital and promote inclusive sustainable development. This is the need of the hour for China and other countries making infrastructure investments in transport, energy, agriculture and mining sectors. A targeted economic diplomacy initiative in partnership with key bi-lateral partners is necessary in this regard.

2. With the emergence of strong regional Multilateral Development Banks (MDBs) and Development Funds, the Government needs to come up with a financing and risk mitigation strategy for regional projects. This will not only give comfort to neighboring countries looking for investments in Pakistan but will also reduce some of the debt burden through loan SWAPS for public goods projects like climate change adaptation. There have been some important changes in the international financial architecture which could have a profound impact on Pakistan's future financing requirements. This includes the establishment of new International Financial Institutions (IFIs). Some of the new institutional initiatives include Eurasian Economic Union (2015); BRICS New Development Bank (NDB); Asian Infrastructure Investment Bank (AIIB); and PRC's New Silk Road Fund. There is a clear scope for a regional multi-lateral bank for climate financing.

3. Pakistan needs to look beyond physical infrastructure connectivity to reduce the debt burden and to focus on the revival of growth. In addition to CPEC, there are several other mega regional infrastructure projects in various stages of development and implementation, that are not showcasing any worthwhile progress due to geopolitical sensitivities. Some of these include the Trans-Afghan Railways Project, Turkmenistan-Afghanistan, Pakistan-India (TAPI) gas pipeline, Central Asia and South Asia Electricity Transmission (CASA), Turkmenistan-Uzbekistan-Afghanistan- Pakistan Electricity Interconnection (TUTAP) and Pakistan-Afghanistan-Tajikistan Expressway. While maintaining engagement with the stakeholders on these long-term strategic connectivity projects, it is time to prioritize incentives for private investment to leverage the existing infrastructure, SEZs and border trade with immediate neighbours. This will not only create jobs but will also lead to higher productivity and exports. Concrete measures are required to speed up the creation of SEZs in Sindh, Punjab and Islamabad. The current governance structure of SEZs needs revision; these should be delegated to provinces with private sector management. A joint venture partnership framework should be offered by SIFC to a private sector led consortium to partner with successful SEZs in China, UAE and Qatar. This will give a strong signal about the government's intention to attract private investments from China and the Middle East. The message of deregulation of state-led interventions is critical for attracting the interest of private investors. A financial sector consortium should be incentivized to announce a financing package for joint ventures in these SEZs. Habib Bank and Pak- China Investment Company are well positioned to lead the financing arrangements.

4. Pakistan’s information technology base needs to be prioritized to scale up knowledge products in partnership with leading technology companies in China, UAE, Saudi Arabia and East Asia. There are too many layers of government involved in developing the IT sector. The development of a world class SEZ for technology should be taken out of the control of Ministry of Information Technology and placed under Special Technology Zones Authority. A consortium of local and international technology companies should be invited for negotiations to build, own and manage and international technology city in the outskirts of Islamabad. This will not only create jobs but will boost Pakistan’s exports in a much shorter time frame as compared to the traditional manufacturing sectors.

5. Energy transition is vital for the economy of Pakistan. Several international investors have shown interest in setting up solar energy projects in the country. The government should open up this sector and start offering projects to international investors that offer secure returns. For instance, incentives for the solarization of all universities in Pakistan. The most important component here will again be an independent and strong private sector led governance structure with the support of the state.

6. The agriculture sector offers great potential for employment, food security and exports. There seems to be a case of acute shortage of fertilizers in Pakistan in the coming years. SIFC should prioritize this sector and encourage foreign investment in a consortium led by key Pakistani fertilizer companies like Fauji, Engro and Fatima Fertilizers. Chinese and Saudi companies are keen to invest in this sector. In addition, an economic zone for climate smart agriculture will gain great traction for foreign investors.

7. Would establish an efficient land border posts system to facilitate trade with all neighbours. It will be worth a while to consider strategic partnerships with global port management companies with a solid track record of customs and trade facilitation. Learning from the regional best practices, such as the modernization of land ports to facilitate trade is crucial to enhance economic partnerships with neighboring economies, especially in West and Central Asia. Given the lack of experience within the state system, a public private partnership with regional port management companies will help restore the confidence of traders and investors.

8. Development of border areas near the Western ports have been talked about for a long time. A regional economic zone near the border will be crucial to add value to Afghan exports and eventually handling trade logistics for Central Asian countries. A model like Reconstruction Opportunity Zones (ROZs) for border areas with Afghanistan needs to be considered (The US was considering such a zone in Pak-Afghan border areas between 2005-7 period, but it could not materialize due to intensified Taliban insurgency at that time).

9. A private logistics company should be launched, preferably in partnership with countries like Saudi Arabia, UAE, Qatar, Türkiye or Uzbekistan to manage the logistics of regional trade and transportation to set up network of warehouses, cold storages and hotels alongside the SEZs. The most important aspect of these projects is to open up space for regional expertise and investments.

10. At a strategic level, the Shanghai Cooperation Organization (SCO) gained momentum while SAARC became totally dysfunctional. It is critical for Pakistan to identify and support a regional private sector led economic platform which could reach out to key partner countries and financial institutions by offering viable projects in the manufacturing,

agriculture, services and infrastructure sectors. The proposed structure will closely work with SIFC to create space for investments by local, regional and international investors.

11. SIFC should lead institutional reforms to streamline investment facilitation and to enhance capacity to bring much needed structural policy shifts to make regional connectivity work. Organizations like the Board of Investment, Privatization Commission, Trade Development Authority of Pakistan and Industrial Cooperation with China should be merged as one body with SIFC performing an oversight function. This new setup should have space for top level professionals with delegated powers and adequate legal protection to undertake economic transactions. The state bureaucracy has time and again failed to deliver on this front and the new government should take steps to insulate private economic transactions from traditional ministries. Many changes will also be required for the re-orientation of the Foreign Ministry to act as the leaders of economic diplomacy.

Conclusion

The above interventions are a departure from traditional state led infrastructure development. The new government should avoid large new projects and focus on the expansion of existing industrial base by facilitating regional and international joint ventures. A few successful interventions (no matter how small) will give a clear signal to investors eyeing other markets. Pakistan must smartly leverage the potential of the private sector rather than focusing only on government-to-government deals.

Action Matrix For Regional Connectivity Initiatives

Action	Focal Point	Timeline
Establish a single body merging BOI, Privatization Commission, TDAP and CPEC Authority headed by a professional for efficient implementation	PMO; SIFC	Within two months of formation of govt
Adopt a focused Plan of Action for economic revival and promoting regional connectivity in line with ground realities, economic compulsions and a people-centered approach	SIFC Sect.; MOPD&SI, BOI, provincial govts, and other relevant stakeholders	End June 2024
Evolve a financing and risk mitigation strategy for regional projects involving local, bilateral and multilateral components	SIFC, MOPD&SI, MOF, BOI, CPEC Authority & stakeholders	End June 2024
Plan prioritizing private investments in SEZs for export-oriented growth through consortium	MOPD&SI, MOF, provincial govts, SEZs, HBL & stakeholders	Launch of Plan by August 2024

Action	Focal Point	Timeline
Establish a land border management structure on PPP and with devolved procedures (specific to each border crossing)	MOI, border authorities, provincial govts, stakeholders	Launch by August 2024
Prepare a framework for establishing SEZs in key areas along the border with Afghanistan (on the model of ROZs) for to promoting local cross- border trade	MOPD&SI, MOI, MOF SAFRON, BOI, prov. govts, stakeholders	By end of 2024
Establish a private logistics company for regional trade, transport, warehouses, cold storages and hotels	SIFC Sect; MOPD&SI, BOI, provincial govts, stakeholders	By end of 2024
Monitor a review of Pakistan's engagement in mega-regional connectivity projects such as TAPI, CASA-1000, railway projects etc.	PMO, SIFC, MOFA and stakeholders	On continuous basis
Make SCO as the preferred regional platform for Pakistan's regional connectivity drive	PMO, SIFC, MOFA, stakeholders	By June 2024

Chapter 5 A

Increasing Pakistan's Non-Debt Raising Forex Inflows to $ 100 bn a Year: An Action Plan for Prioritizing Manpower Exports

Mr. Kashif Noor

Pakistan's Manpower Export Potential

As the 6th most-populated country (242 million), Pakistan is the second largest manpower exporting country in South Asia with over 11 million workers abroad. Migrant workers are an important source of remittances and foreign exchange mainly from GCC countries like Saudi Arabia, the United Arab Emirates, Oman, and Qatar. European countries are also a leading destination, but pose a challenge due to illegal migration or trafficking as Pakistan ranks 10th among nationalities for illegally crossing a Schengen border and 8th among applicants for asylum in the European Union (EU). Legally, Pakistan has evicted about 2 million emigrants in the post-COVID period; with almost a million of them removed in 2023 with USD 24 billion worth of remittances. The decline in remittances since 2021 is likely to persist in 2024. With unemployment reaching 8% due to a prolong economic recession, domestic instability, and security challenges, a concerted effort to boost the manpower export should be among top priorities of the new government.

Challenges to Migration

The phenomenon of global migration faces complex challenges. Large-scale displacements caused by conflicts and humanitarian crises and increasing flows of illegal migrants are putting pressure on legal migration from developing countries to the developed world. In the United States (US) and Europe, migration is likely to be a central theme in the electoral processes of 2024. Political Right-wing and populist parties are extensively campaigning against accepting new immigrants. The dual challenge for developed countries, therefore, is to adopt a politically tougher stance against migrants while practically allowing the inflow of skilled labour due to their ageing population.

Fundamental transformation underway in the working environment and tools is also affecting labour migration. Automation and 'thinking machines' are replacing human tasks and jobs, changing the skills that organizations are looking for in their workforce. These momentous changes present significant organizational, talent, and HR challenges at a time when business leaders are already wrestling with unprecedented risks, disruption, and political and societal upheaval. Competition for the right talent is fierce. Moreover, 'talent' no longer means the same as it did ten years ago; many of the roles, skills, and job titles of tomorrow are redundant today.

Utilizing the Opportunities

The challenges are also yielding opportunities. For instance, Gulf Cooperation Council (GCC) countries have started massive investments in developmental projects under their vision for the future to reduce dependence on black gold. This opens avenues for developing countries like Pakistan in labour recruitment, despite ongoing focus on Gulfization. However, there is a significant reliance on latest technology and advanced skills which may crowd out our workers – unlike the past when there were more opportunities in various trades. The starting of Skill Verification Process (TAKAMOL), for new and old workers, appears to be a step in this direction and is likely to be followed by other GCC countries. Furthermore, the lack of female participation in the overseas workforce is a multi-faceted issue that requires creating awareness to increase their contribution to the socio-economic development of Pakistan.

The massive investment in GCC countries post-COVID presents new opportunities. To capitalise on this, the government must require a comprehensive approach. First and foremost, it is essential to convince foreign employers of the availability of appropriately skilled labor through a less-regulated, digitized recruitment process. This requires establishing a digital regulatory setup with full legal backing through amendments to the Emigration Ordinance of 1979. It will also need capacity building of the officials of the Ministry of Overseas Pakistanis and Human Resource Development (M/O OP&HRD), both in Pakistan and abroad. The Bureau of Emigration and Overseas Employment (BE&OE) has developed a portal for the registration of foreign employers on its website so that the intending emigrants may be hired either directly or through Overseas Employment Promoters (OEPs) by registered employers depending upon their requirements. BE&OE has created linkages between Overseas Employment Corporation (OEC) and National Vocational and Technical Training Commission (NAVTTC) to available jobs on BE&OE website and data of the trained job seekers maintained by NAVTTC. Awareness campaigns are needed to guide intending emigrants through print, electronic and social media, radio, website, and short mobile messages.

M/O OP&HRD has signed bilateral agreements and MOUs with a number of destination countries. It needs to devise a country-wise strategy and activate joint committees to maximize opportunities for workers. The Country Specific Strategies, clearly defining the roles and responsibilities of each relevant stakeholder in boosting Manpower Export in these countries, need to be approved by the Federal Cabinet to promote the workforce deployment to these countries. The strategy should also address the issue of irregular migration through implementation of anti-human trafficking and smuggling laws without exception, thereby increasing confidence among destination countries, especially the Western and EU nations. Moreover, in order to tighten enforcement and uphold a zero-tolerance policy with respect to emigrants' complaints, penalties under Emigration Ordinance/Rules of 1979 need to be made more stringent.

The European Commission presented a new Skills and Mobility package in November 2023 to help address "critical labour shortages". Cornerstones of the proposed measures include recommendations on the "recognition of qualifications of third country nationals" and Europe on the move, which aims to boost intra-EU mobility, and the establishment of an EU Talent Pool. This enables candidates from non-EU countries to register their experience, skills, qualifications, and contact details to be matched with existing vacancies. Notably, the Talent Pool should not be limited to highly qualified workers but open to all essential skill levels. Once a match is made, candidates would still have to go through Member States' national admission processes. One of the major objectives of the Talent Pool is to support small and medium-sized enterprises, which lack the extensive networks of multinational companies, to recruit from abroad. The Commission's proposal will be negotiated by the European Parliament and the Council throughout 2024 and will thus only take effect in subsequent years.

This opportunity needs to be addressed in the strategy being devised by M/O OP&HRD as the EU will particularly seek to cooperate with countries with compatible or at least comparable educational and training standards, along with high degrees of formal and practical qualifications. European governments have five principal fields of action to meet the demand for migrant workers: First, the opening of labour markets and lowering of legal thresholds for the access of qualified candidates. Second, contractual and practical cooperation with countries of origin to facilitate and manage labour flows. Third, active recruitment policies and programs in countries of origin. Fourth, the creation of skills, training or talent partnerships with countries of origin to enhance the pool of skilled labour that has obtained the necessary formal and practical qualifications to perform on European labour markets. And fifth, a further mobilization of available potentials, i.e. facilitating and promoting the access of resident migrant populations or their further qualification with regard to required skills.

The Way Forward

In view of the foregoing, the need of the hour is to develop a country specific strategy to maximize potential opportunities. This requires regulatory reforms, adapting technology to streamline the recruitment process loopholes, regular interaction with the destination countries to upskill the human resource as per their requirements, create awareness about the benefits of safe and legal migration, and providing avenues for remittance through legal channels. Following four-R strategy is proposed:

REACH: Establish connections with the governments and businesses of host countries to understand their requirements and devise seamless processes to fulfill them.
RESOURCE: The resource needs to be skilled/upskilled as per the requirements of the host country by providing Establish connections with the governments and businesses of host countries to understand their requirements and devise seamless processes to fulfill them.
REPOSE: The worker needs to be provided gainful employment by government ensuring his/her protection against exploitation in both Pakistan and destination country under a robust regulatory framework.
REAP: Benefits of safe/legal migration can be reaped by the country and worker equally by providing avenues of legal remittance and utilization of these hard-earned remittances in a productive manner.

Action Matrix For Prioritizing Manpower Exports

Strategy Pillar	Action	Primary Implementing Institutions	Secondary Implementing Institutions
Reach	Sign agreements with Countries of Destination (CoD) for skill verification of Pakistani workers	MOFEPT NAVTTC	MOFA, MOOP & HRD, BE&OE
	Contact authorities and potential employers in CoD for employment opportunities for Pakistani manpower in all sectors. This can be done through demand trades demand trades along with their skill requirements for preparation of productive workforce to meet future requirements of CoD labour market.	MOFA, Pakistan Missions	MOOP&HRD, BE&OE

Strategy Pillar	Action	Primary Implementing Institutions	Secondary Implementing Institutions
	Establish regular contact with CoD to facilitate intending emigrants for their visa processing, consular services, attestation of degrees etc.	MOFA	MOOP&HRD, BE&OE, OEC
	Efforts to remove work visa restrictions for Pakistani workers	MOFA, Pakistan Missions	MOOP&HRD, BE&OE
	Collaborate with international bodies like City & Guilds and Pearson to devise programs recognized in CoD for productive workforce	MOFEPT, NAVTTC	MOFA, Pakistan Missions
	Establish Activate joint committee to identify skills and certification requirements for CoD	MOFA, Pakistan Mission	MOFEPT, NAVTT
	Create Awareness regarding availability of jobs in CoD	MOOP&HRD, BE&OE, OEC	MFEPT, NAVTTC TEVTAS
Resource	Develop online linkages between Pakistani employment seekers and Employer	MOFA, MOOP&HRD	OEC, BE&OE, NAVTTC
	Impart int. level certification/ training in trades in demand/ development in COD for customized training programs by relevant institution	MONHSR&C, MOIT&T, MOFEPT, MONFS&R	MOPD&SI, PMC PNC, PSDB, NAVTCC, TEVTAS, PARC
	Enhance students scholarship/ exchange programs	MOFEPT, HEC	MOFA, Missions
	Increase number of graduates in the required field	MOFEPT, HEC	MONHSR&C, PMC, PNC, PSDB, Pasha, NAVTCC, TEVTAS, PARC
	Increase Language proficiency among University Graduates	MOFEPT, HEC, NUML	Universities
	Initiate language training for the skilled workforce	MOFEPT, NAVTTC, TEVTAs	MOPD&SI
	Imparting Soft skill training	NAVTTC, TEVTAs	BE&OE, OEC

Strategy Pillar	Action	Primary Implementing Institutions	Secondary Implementing Institutions
	Convincing CoD authorities to conduct skill tests (Category-specific evaluation and language skill tests) in Pakistan	MOFA, MOFE&PT, Pakistan Missions	MOOP&HRD
Repose	Sharing of data of workers for protection and welfare	MOOP&HRD, BE&OE, OPF, CWAs	FIA, SBP
	Insurance scheme for death, disability or loss of job	MOOP&HRD, BE&OE, OPF	Pakistan Missions, CWAs
	Linkage between Pakistan and destination country for sharing of data of workers for protection and welfare	MOFA, MOOP&HRD, BE&OE	MOFA, Pakistan Missions
	Establish and activate a joint committee	MOFA, Pakistan Mission	Foreign Missions, MOFA, Pakistan Missions
Reap	Score Card-based reward system and other incentives for inward remittances (NRLP)	M/O Finance, SBP, FBR	MOOP&HRD
	Increased presence/outreach of Banks in CoDs and provision of hassle-free services to remitters as an alternative of Hawala/Hundi etc. and Crackdown on Hundi/Hawala networks	M/O Finance, SBP, FBR	M/O Interior, FIA MOOP&HRD

Chapter 5 B

Increasing Pakistan's Non-Debt Raising Forex Inflows to $100 bn a Year: An Action Plan for Prioritizing Specific Goods and Services Exports

Mr. Tariq Ikram

The Challenge

The Current state of economy has ham strung Pakistan's socio-economic development. Two fundamental needs – adequacy of local currency and foreign exchange (Fx) in short to medium term – are critical for meeting expanding requirements of education, health, justice, infrastructure, and institutionalised governance are a major challenge. Any effort to increase GDP growth rate above 3% worsens Balance of Payments (BoP) due to insufficient Fx inflows. Unfortunately, Pakistan is struggling with both a budget deficit and the BoP sliding into a perpetual borrowing from 'Peter to pay Paul'. Sources of Fx in short term – exports, remittances and debt – and in the longer term FDI continue to decline. Exports have not kept pace with the country's growing needs, causing higher debts with unacceptable socio-economic/political ramifications. The external debt reached USD 126.942 billion in 2022 (320 % of exports), increasing debt servicing from 16% to 42% of exports. Continuation of progressive borrowing would further restrict the space for socio-economic development increasing pressures on security and sovereignty of Pakistan. This Policy Note focuses on approaches to increase exports both in goods and services as a substantial source of foreign exchange that can address the quantum of the challenge.

Pakistan's Exports Potential

In 2022, the world imported a total of 5598 HS Codes (HSCs) at the 6-digit level, with a total value of USD 25 trillion. This figure does not yet include services sector. Pakistan already exports 33,98 (57%) of these HSCs with the world demand at USD 18.5 trillion. Among these, 10,22 are exported consistently at a level of USD 500,000 per annum per HSC, with total value at USD 9.4 trillion. Pakistan exports many items in this category including textile, leather, sports goods, carpets, surgical equipment and engineering goods, metals, medicaments, to name a few. Geographically, Pakistan already exports to 107 countries out of 232 in ITC's data base for 2022. Therefore, the challenge is not that Pakistan has little to export but to grow its share in the World Import (WI). This requires a nuanced approach aimed at value addition, leading to higher market shares and higher prices. Clearly the issue is not to increase Pakistan's export footprint, but to increase countries and customers of its exportable products.

To identify country's exportable surplus, it's important to underline that most of the production units work at 20% of their capacities. Increase in the production results from windfall opportunity, where incentives play a crucial role in boosting exports. The evidence lies in a progressive and manifold increase in Pakistan's exports during 2000-2008 in textiles, rice, leather goods, surgical goods, fruit and vegetables, chemicals, medicaments, engineering goods, cement/clinker, gems and jewelry, meat, and furniture. Thus, exportable quantum would be created by exporters when they see potential and returns in exports, appropriately led and facilitated by the government.

In current scenario, the cost of energy is more than it ideally should be, but other factors, such as lower manpower costs, can play a compensatory role. In realistic terms, in many sectors, even a 20% higher cost compared to competition will mean only a 2% disadvantage which can be addressed using low manpower costs. A marginally higher price negotiated with the buyer can also cover the deficits. For instance, the World Bank report indexing Pakistan export prices against best world prices, ranking four of Pakistan's products (rice and three textile and apparel) at 43, 83, 84, and 86 implies that the issue is less about the cost of doing business and more of how to obtain suitable prices from customers. This needs R&D to benchmark products fetching higher prices leading to value addition of products compared to competitors.

In view of serious economic challenges, identifying Pakistan's export targets in goods and services for next five years is a complex exercise. At this stage, more important than immediate financial projections is the focus on providing a ballpark figure to aid the development of national strategy and policy initiatives that are easily understood by stakeholders, especially the exporting community. To estimate Pakistan's potential exports, this Policy Note considers only those 10,22 HSCs have been taken into account where current exports are already in excess of USD 500,000 per annum per HSC. For these items world import was extrapolated for year 5, based on the respective Compound Annual Growth Rate (CAGR) over the last 5 years' world import. A target market share percentage was then applied to the world import figure for the fifth year, based on current share and expected growth, depending on the level of current exports.

Pakistan's total export potential, as statistically calculated, is USD 122.037 billion in year five, this will be a market share of 0.98% of the World Imports (WI) of these 10,22 HSCs (current 0.33%) and a share of WI of 0.40% (current 0.12%). It must be noted that not all sectors are likely to respond to promotional stimuli. However, even a 50% shortfall means potential of USD 60 billion. Combined with exports of services (USD 10 billion each for IT and Tourism, and other services), plus remittances, Pakistan can easily look at inflows well ahead of USD 100 billion. The objective of the potential exercise, as mentioned above, is to get a strong feel for the like size of the prize versus Pakistan's needs and the sectoral and geographic priority to pursue.

Table: Growth in Pakistan's Export Potential

	Market share in year 2022	**M S in 2027**	**World Import 2022**	**World Import 2027**	**Pak Export 2022**	**Exp Potn'l USD 000's**
All HSCs USD 000's	0.12%	0.40%	24,830,061,443	31,478,970,761	31,175,923	122,601,020
500+	0.330%	0.98%	9,385,963,794	12,514,735,070	30,979,524	122,037,893
300-500	0.0052%	0.01%	1,308,892,432	1,635,819,105	68,599	186,141
100-300	0.005%	0.01%	1,782,980,749	2,831,339,739	81,841	278,154
50-100	0.0012%	0.00%	2,013,601,615	2,647,725,502	24,930	53,539
0-50	0.0005%	0.00%	3,955,805,386	5,344,500,285	20,968	45,231
0	0.000%	0.00%	6,382,817,467	6,504,851,060	61	62

The Way Forward - Export Strategy

A critical need is to have an export strategy in place that provides clarity on achieving the objective through a nationally unifocal effort and mindset, missing in the approach for some time. The current Strategic Trade Policy Framework (STPF-2020-25) lacks both strategy and customer-centric approach. The following paragraphs outline the proposed strategy for this Policy Note.

A. National Export Vision:

In pursuit of Qaid-e-Azam's vision for a sovereign, progressive, tolerant, and efficient welfare state, Pakistan has to pursue an export-led growth through the creation and leveraging of the strengths and opportunities of its goods and services, history, and culture. Globally aligned, aiming to achieve self-sufficiency of Fx and socio-economic growth and development for its people. The vision must be firmly anchored in concepts of sustainability, national cohesion, and justice, always confident of brighter future.

B. Mission Statements - Short to Medium Term:

The following mission statements reflect the platforms the country will use and leverage to achieve the vision:

- Head of State/Head of government and federal/provincial institutions must prioritize export-led growth.
- Focus on existing export sectors and geography to gain larger volumes/share of respective sectors in the world import.
- Take steps to progressively add new products and services to exportable potential through incentives.
- Identify, address, and leverage challenges and opportunities of prioritized sectors.
- Leverage Federal and Provincial structures to ensure aligned, unifocal and effective implementation.
- Ensure, monitoring, measurement of progress of initiatives, learning, and adapting innovative ways.
- Understanding among stakeholders of export enhancement strategy and initiatives.
- Recognize/reward successful export initiatives by the government and private sector.

C. Strategy:

Based on SWOT analysis of Pakistan as an exporting country, the following summarized strategy is proposed:

- Maximize market shares of HSCs with exports of Traditional Products: over USD 500,000 per annum in top 30 countries
  (a) Increasing customer bases in top 20 existing markets
  (b) Expanding in next 10 largest markets
- Maximize market shares of Non-Traditional Products comprising of HSCs where Pakistan's exports are in excess of USD 500,000 and services sectors, IT and Tourism, in respective 20 countries by: (a) Maximising customer base in existing top 10 markets, and (b) Expanding into next top 10 markets
- Grow services export of IT and Tourism through strategies developed by GoP and Private sector to estimated potential of both USD 20 billion per annum in the next five years
- Geographic focus shall:
  (a) be maintained on Traditional Markets i.e. USA, EU and Mid East, Iran, Afghanistan, and China in sync with sectoral aspirations in traditional and non- traditional items.

(b) Special focus through ‘market storming’ to be made on three of our currently weak market share countries/regions i.e. Africa, Central Asian Republics, Russia with battery of all Traditional Products and major exporters and major importers at destination.

- Strengthen outreach through:
  - (a) enhancing Commercial Counsellors leadership/HR skills and competencies in G2G and B2B trade/investment promotion.
  - (b) alignment of resources for strategic sectoral and geographic focus and priorities.
- Energise TDAP by improving its Act and undertake capacity building.
- Aggressively pursue international trade alliances:
  - (a) sharply focus on top 50 destinations for exports prioritised by dollar returns
  - (b) build capacity in Ministry of Commerce.
  - (c) Follow up on existing agreements to ensure maximum returns.
- Strengthen export Culture based on a structured and professionally developed plan.
- Strengthen dispute resolution and ensure its communication among local and international export stakeholders.
- Strengthen and encourage women entrepreneurship in exports.

D. Implementation:

1. **Organizational Structure:**
   Government
   - The ‘Demand effect’ by the PM and, the ‘accountability’ of delivery by Ministries to
   - the satisfaction of GoP’s customers, i.e., exporters.
   - Ensuring visibility of the importance of exports and pursuit of generating Fx at head of state level. Establish an Export Secretariat in PM’s office, headed by a Federal Secretary level officer to steer the entire export process.
   - Immediate, extensive capacity building of TDAP be immediately undertaken.
   - Board of Investment to work in tandem with TDAP for attracting and facilitating export-oriented investments in addition to its mandate.
   - SMEDA must plan its initiatives to support the development and facilitation of vendors of the top 10 exporters in the Traditional and Developmental sectors as identified in the strategy. These vendors may or may not be exporters themselves.
   - Provincial Export Development Boards (PEDB) must be set up in each Province or existing export or investment committees chaired by CMs with structured ToRs

   Private sector
   - Chambers of Commerce and Industry, FPCCI, provincial and sectoral Chambers
     - (a) Focus on prioritized Traditional and Developmental sectors defined by respective HSCs in order to facilitate exporters in context of all elements of the export eco-system
     - (b) Various export related committees must have as ex officio members the top exporters
   - Sectoral Councils-
     - (a) Already established in Ministry of Commerce must be immediately transferred to TDAP.
     - (b) TORs for these Councils and annual work plans with KPIs, monitored quarterly.
   - Pakistan Export Council (PEC): All-Pakistan Export Council managed and funded by 45 top exporters.

2. **National/Provincial KPIs:**
   - Developed by TDAP for Pakistan, approved by FEDB, based on the national strategy.
   - Each province develops its implementation plans and time bound KPIs.

3. **Communications:**
   - Strategy/plans to be extensively communicated to local/international stakeholders
   - Ensure two-way communication and continuous reviews.

4. **Facilitation:**
   - Export Eco-system
   - Facilitation system for exporters based on items and stages crucial for specific sectors.
   - Base level facilitation for all with varying needs of larger to small exporters.
   - A deeper dive into facilitation for whoever needs it sharply in focus with the strategy.
   - Policy Initiatives:
     (a) Understanding markets, products, customers and strategizing.
     (b) Product plant certification and social environmental compliance
       - ➢ Scheme for sharing cost of plant and equipment for social and environmental compliance in exporter facilities
       - ➢ Communal compliance initiative by TDAP, focused for strategic sectors with payback of 10 years through usage charges paid by exporters
       - ➢ Mentorship scheme for SME Vendors of large exporters and women entrepreneurs.
   - Marketing and Promotion
     (a) Market access: capacity building
     (b) Scheme for brand development and acquisitions abroad
     (c) Re-prioritizing TDAP's promotional initiatives in alignment with the export strategy
     (d) Revamping of structure and working of Commercial officers abroad
     (e) Branding Pakistan scheme
   - Payables and default/conflict management
     (a) Credit and default risk management insurance by Exim bank/insurance firms
     (b) Guidance on the subject available to exporters and importers locally and abroad
   - Finance
     (a) Disseminate schemes for exporters Finance, conventional and Islamic.
     (b) Schemes focus to provide running finance to exporters of Niche segments of Traditional and Developmental sectors
     (c) Launch a Rs. 10 billion special finance scheme for fixed asset investment aimed at capacity enhancement/ BMR, repayable over 10 years.
     (d) Promote the message that export potential from developmental sectors is three times higher than from traditional sectors.
   - Liquidity – Export refunds
     (a) Government must manage budgets, excluding the option of retaining refundable funds of exporters
     (b) Develop IT-based application for auto refund system for all duties and taxes direct or indirect to the exporters after the shipment.
   - Manufacturing Space
     (a) Facilitate exporters to ensure capital investment in productive assets as opposed

to brick and mortar or just land.

(b) Develop implementable procedures for buy back unutilized lands.

(c) For new land/acquisition land must be only leased not sold to prevent land grabbing.

- Warehousing

  (a) Introduce facilities managed by professional ware housing companies internationally with local collaboration, at least one in an industrial estate.

  (b) Create public private partnership for funding these initiatives.

- Risk management. A product covering risk of payment default is required
- Logistics and infra structure.

  (a) Work on modernizing port facilities, air facilities road transportation, carney and TIR facilities and railway transportation.

  (b) Increase warehousing space at airports and bonded transportation facility from airport to airport.

- Export Culture.

  (a) Invest funds and energy in stimulating an export culture. Peter Drucker's saying 'culture will eat strategy for breakfast' means having the right and supportive culture is imperative for increasing export. Sialkot culture is a living example. It has to be replicated into other models.

  (b) Develop a comprehensive and multi-dimensional culture management plan.

- Recognition and Rewards

  (a) Develop reward/recognition programs for exporters in various categories. For example, if objective is to increase customer penetration of exporters in traditional market (e.g. textile in the US), the criteria has to be number of new customers established by the exporter and not just the total value or increase in the value of his total exports.

Action Matrix for Promoting Exports of Goods & Services

Action	Focal Point/Secretariat	Timeline
Establish a dynamic institutional mechanism to steer the process for increasing exports	A Federal Exports Secretary based in PMO may head the Export Secretariat to coordinate with M/O Commerce, TDAP, FEDB, PEDBs, and other stakeholders including private sector	Announcement during first two weeks of the formation of the government
Launch a strategy for growth of exports to $100 billion in next five years in traditional and non-traditional products and services with progressive increase on a year-on-year basis and develop a reliable export quantum	Secretary Exports to formulate a comprehensive strategy in coordination with all relevant stakeholders including private sector	Strategy may be launched within 45 days of the formation of the government

Action	Focal Point/Secretariat	Timeline
Launch policy in IT and tourism sectors to realize potential of $ 20 billion export per annum	Secretary Exports in PMO/ TDAP and IT and tourism related bodies	Launch the policy in 90 days after formation of the government with a focused action plan
Launch initiative to build trade alliances focusing on top 50 export destinations	Secretary Exports in PMO/ TDAP/FEDB/PEDBs/private sector	Launch the initiative within 90 days of the formation of government
Develop Implementation mechanisms to achieve growth of exports in traditional and non-traditional products	PMO/Secretary Exports may designate responsibilities to specific bodies/stakeholders for implementation of various elements of the strategy	Within 60 days of the formation of government
Monitor and review progress in market shares of traditional and non-traditional products and services in existing markets and new markets	PMO/Secretary Exports/ TDAP	Focused review after every quarter and a major review after completion of every year throughout the tenure of the government
Systematically strengthen export-related institutions, Embassies / Commercial Counsellors through competent appointments and capacity building	TDAP to be the main focal point in this process in coordination with other relevant stakeholders	Concrete measures in first six months and the process should continue throughout the tenure of the government
Organize G2G and B2B events and Pakistan's focused participation in exhibitions for growth of exports in selected items from the exportable quantum of Pakistan	TDAP to be the main focal point in this process in coordination with other relevant stakeholders	Prepare a year wise schedule of the planned events for next five years and it should be widely publicized
Establish Pakistan Export Council	TDAP and Chambers	90 days
Evolve a structured and professionally developed Action Plan for inculcating desired export Culture in Pakistan	TDAP/FEDB/PEDBs/Private sector stakeholders	90 days
Action Plan to strengthen women entrepreneurship	TDAP in coordination with relevant organizations	90 days

Chapter 6

How Can We Leverage Strong Tailwinds of IT/ITeS and AI to Enhance Productivity at Scale and Increase Exports

Mr. Badar Khushnood

Pakistan's IT/IteS Potential and proposed Plan of Action

Growth of Information Technology (IT), IT-enabled Services (IteS) and Artificial Intelligence (AI) have become crucial for increased productivity, targeted marketing and promoting businesses and exports. The size of global IT market in 2024 is estimated to be around $9 trillion and, at current trends, is projected to increase to around $12.5 trillion by the year 2028.

While in the past two decades many emerging Asian economies such as India, Bangladesh and Vietnam and many others have become significant players in IT/IteS exports, Pakistan has continued to struggle in using IT as engine of economic and social sector growth. In 2023, Pakistan's IT/IteS exports stood at a paltry $2.78 billion. The key challenges in the growth of IT sector in Pakistan in recent years have been looming political instability, declining economy, policy inertia in creating conducive conditions for mainstreaming of IT education and awareness in the society and regressive bureaucratic/regulatory frameworks.

As the new government has assumed office following the 8th February general elections, Pakistan modestly estimates to grow its IT/IteS export revenues to $10-18 billion by 2028 and transform Pakistan into a global IT hub with a commensurate increase in the domestic industry over $6 billion per annum. An increase of activity, capacity and capability of the IT/IteS sector is likely to have spin-off benefits for the associated industries and economy at large.

If the government has to achieve and surpass this target, it would require to institute an integrated and wide-ranging programme of interventions and reforms for substantive growth in the areas of IT, IteS and AI. Towards this end, the government will need to have a strategic vision and the whole of government approach to create conditions for stimulating the growth of IT/IteS in the society as well as economy of the country. Simultaneously, the focus has to be on ease of doing business by changing the rigid and cumbersome regulatory frameworks that have been counterproductive to growth of a modern economy into facilitative and supportive mechanisms for reliable IT-based operations. In order to be competitive in the global market, the government will also have to provide relief in taxes and duties to the firms operating in the fields of IT, IteS and AI.

It's important to emphasize that in order to expand IT-related services and products, the government will have to work towards creating a culture which is different from the traditional manufacturing and services sectors. The facilitation ranges from availability of IT hardware such as computers, laptops, mobiles etc. to uninterrupted internet access and services. For instance, large-scale growth of e-Commerce requires not only assured technological services but also dependable online payment mechanisms conforming to international standards.

Adequate policy framework for IT, IteS and AI has to involve broad-based consultations including leaders, government officials, private sector comprising local and international companies and civil society representatives with a view to ensure that rights of citizens and users are preserved. In this endeavour, it would also be useful to consult the best practices being employed by different countries and regions.

The following Action Matrix outlines a comprehensive set of measures for increasing IT/IteS based services and exports of Pakistan. The Matrix also stipulates recommendations for expediting approval of the AI Policy through an inclusive and transparent consultative process. An effective implementation mechanism and direct oversight of the Prime Minister will be crucial for the desired outcome.

Action Matrix for Strategic, Regulatory & Budgetary Measures for Growth of IT/IteS & AI Sectors

Topic	Description	Proposed Reform (Departments)
Section A: Strategic Measures/Policy Framework		
Annual Strategic Policy Review led by Prime Minister	To steer the strategic direction of Pakistan's IT/IteS and AI policies, this once-a-year review may be chaired by the Prime Minister (PM) and should involve all stakeholders including public and private sector entities, donors, and international companies for ensuring overall direction of the policies. Additionally, special meetings to take crucial decisions may be chaired by the PM, as required.	IT may be declared as a strategic industry. **(PM, MoITT, All stakeholders)**
Policy Consistency	Policy inconsistency has been the main challenge. The focus of the IT/ITeS and AI policies and their components should be to ensure consistency for rationally aiming at the larger picture of the global and regional developments & processes in the industry. The objective of the policy and regulations should be to engage the foreign clients and progressively deepen their engagement in Pakistan's IT industry.	Policy continuity for IT/ITeS & AI policies must be ensured and prioritized, irrespective of changes in government. Policies - existing and new - should be implemented and executed with full support of the state. **(PMO, MoITT, Cabinet, Provincial Reps, Industry)**
Special Technology Zones (STZs)	The existing IT industry in Pakistan, which predominantly comprises SMEs, faces significant challenges related to the ease and cost of doing business. Special Technology Zones (STZs) were approved in August 2020, and the launch of STZA took place in January 2021. However, despite a lapse of three years STZs have not been enabled for IT/ITeS industry. This delay has become a key factor in hindering growth and competitiveness of the industry. Urgent action is required to operationalize the STZs policy.	i. Ensure IT/ITeS industry representation in STZA Board of Governors ii. Introduce STZA one window at LDA, KDA, CDA, KPKDA, FDA, etc. iii. Implement one window for Zone Enterprise/Developer license (45 days). iv. Rent regulation on government-issued land

Topic	Description	Proposed Reform (Departments)
		v. Incorporate STZA benefits in relevant in Income Tax Ordinance 2001, Sales Tax Act 1990 and Customs Act 1969. vi. Enable STZA benefits for the entire IT industry (Virtual zone concept). vii. Prioritize STZs within master plans and land development regulations. viii. Public-Private Infrastructure Enablement & Development ix. Amend tax laws in the upcoming finance bill of 2023 to operationalize: (1) Exemption on sales tax on services and (2) Custom duty exemptions on import of capital goods manufactured locally. **(MoITT, STZA, IT industry)**
Forex retention & utilization	Liberal approach for foreign currency retention is vital for IT/ITeS & AI growth as the IT companies have unique operational needs for payments for services, servers and advertising to Google, YouTube etc. lacking local alternatives. Current FE Manual restrictions of retention of 35% proceeds compelling exchange of remaining FE at fluctuating dollar rate cause uncertainty. 100% retention of inward foreign currency would increase forex inflows as current policy framework is impeding Pakistan in achieving anticipated IT/ITeS forex inflow target of $5 billion. Difficulties in payment processes make Pakistan an infeasible destination and create an unfavorable business environment for both local and foreign companies. Other regional countries including Bangladesh, India, Vietnam and other countries in South East Asia are offering more attractive conditions.	Immediately reinstate 100% Income Tax Exemption from export income for IT and ITeS companies for 5 years: i. 100% retention in foreign currency for international income allowed. ii. 100% retention in foreign currency for international equity allowed by foreign residents for investment in Pakistan (inward remittance). iii. 100% of retention of foreign currency for international and local VC / PE funds. With a condition, the fund should at least be deployed 70% in IT/ITeS companies/ startups within 3 years.

Topic	Description	Proposed Reform (Departments)
	It is essential to address this crucial impediment.	iv. 50% of the foreign currency amount received in a year is to be repatriated without limitation. **(MoITT, SBP, PSEB, Stakeholders)**
Re-invigorate e-Commerce & its implementation framework	The existing e-Commerce framework lacks an implementation & coordination framework. The National e-Commerce Council established few years ago needs to be revived under the PM's supervision and its functional departments at Ministry of Commerce.	Revival and re-invigoration of a robust e-Commerce coordination and implementation framework (PMO, MoITT, Provinces, SBP, IT industry)
Section B: Ease of Doing Business / Enabling Environment		
IT & ITeS Tax Reforms Committee	The absence of a standardized definitionor IT/ITeS, companies causes challenges in communicating with the FBR regarding tax-related matters. For instance, in July 2021 the implementation of the Tax Credit Regime left tax exemption certificates to the discretion of tax officers with limited understanding of IT/ITeS industry. At the moment, standardization of definitions and establishment of tax dispute resolution committee are pressing needs.	Establish a resolution committee consisting of experts from the private sector and relevant public departments to review and approve taxation policy and reforms for IT/ITeS companies. **(PSEB, FBR, SECP, SBP)**
Auto Issuance of Exemption Certificate for Payments to Non-Residents	Discretionary provision of FBR law providing for diligence in payments to non-resident entities results in inordinate extended delays or at times open-ended time in CIR.	Exemption certificates for payments to non-residents be automated within 30 days needed for diligence. **(FBR)**
Clarification on Non-Applicability of Super Tax on Export Proceeds of IT & IT-Enabled Services	Super-Tax introduced in Finance Act 2022 needs clarification. As per FBR Income Tax Ordinance, Supertax is not applicable under 100% tax credit regime for FY2021-22 & under final tax regime for FY2022-23 for export-oriented firms. But practically IT/ITeS firms continue to receive super tax notices.	FBR must issue a notification explaining the non-applicability of super tax on export process both for FY 22-23 and FY 21-22. **(FBR)**
Company Accounts	IT/ITeS companies receive unwarranted notices from FBR hindering ongoing business as well as impeding new registrations.	FBR should not be allowed to cease the accounts of registered IT and ITeS companies without signed authorities from Joint IT & ITeS Tax Committee. **(PSEB, FBR)**

Topic	Description	Proposed Reform (Departments)
Company Registration: Single Window Operations	The registration process for new companies is unduly cumbersome, requiring numerous steps and approvals.	Allocate budget for an integrated platform to provide single window operations for IT firms in registration/post-registration. **(SECP, FBR)**
Startup Definition	Conflicts in the definitions outlined in tax laws and the Companies Act lead to inconsistent benefits for startups depending on the applicable law. Also, current startup definition set by SECP doesn't include certain startups having potential for scaling. Consequently, these startups are excluded from government facilities or schemes designed to support them.	Revise startup definition as per global standards with a turnover limit of PKR 350 million and company age of 5 years or less. The exemption period for startup also needs to be increased from three years to five years. **(SECP, FBR, SBP)**
Labour Laws	Labor laws were created for low-wage factory workers and are not relevant for knowledge workers. Outdated laws (developed in 1976) for the latest structure of the economy, w.r.t processes, eligibility criteria, and compliance procedure.	Add, amend & improve laws from the "knowledge economy" perspective in addition to traditional "industrial economy." Review all Acts as per the latest requirements with respect to processes, eligibility criteria, and compliance procedure. Simplify/update labor laws amending restricting clauses for physical registers and operational timings. Automate the manual processes. **(EOBI, Social Security, PSEB, MoITT)**
Simplify the EOBI for IT Companies	EOBI Act to safeguard interests of low-paid factory workers cannot be replicated to IT Industry which has its own contributory mechanisms. EOBI teams often harass IT employers, discouraging companies from hiring interns.	Update EOBI policy for IT companies. Establish a standard protocol for inspection visits and audits. Exempt from EOBI if the company is already providing life insurance, provident fund/ gratuity, and such perks. **(EOBI, PSEB, MoITT)**

Topic	Description	Proposed Reform (Departments)
Simplify the Social Security Laws for IT Companies	Social Security compliance for health and other services should not be applicable to IT/ITeS sector due to higher levels of earning and insurance facilities.	Update definition of workers/policy to make firms responsible for health insurance packages of professionals not falling in low-wage worker category. **(Social Security Depts, MoITT)**
Section C: Cost of Doing Business		
Income Tax	Tax exemption commitments vital for growth in IT/IteS sectors have undergone abrupt policy shifts causing uncertainty among IT companies & lack of confidence in investors. Fiscal incentive of 100% tax exemption until 2025 was changed in 2021 to a tax credit regime which was revoked in 2022 introducing a Final Tax Regime. IT industry operates differently from traditional industries, and if policies change frequently, companies withdraw/ relocate to countries with favorable business climates. Consistent policies ensuring conducive environment on ground are essential for growth of IT/ITeS.	Immediately reinstate 100% Income Tax Exemption from export income for IT and ITeS companies for at least 5 years, **(FBR, SBP, PSEB)**
Exemption for VC Investments for IT/ITeS Sector	Exemption of profits/gains on Venture Capital (VC) funding of entities in Pakistan is set to expire in 2025. Already it faces serious issues: it is raised outside Pakistan; it is high risk; it's long-term as under 15% investments scale into profitability. If exemption expires in 2025, 29% gain tax will discourage investments. Extending exemption on profits & gains will encourage investors and lead to growth of tech industry. To bring clarity on income earned by VCs, term 'profits & gains' need to be replaced with "any income" to ensure exemption on all returns including profits and capital gains are exempted.	Exempt income of venture capital funding into startups until 2030 (or at least 7 years), with the current rate of 29% being reduced to zero percent (currently implemented until 2025). The word profit & gains need to be replaced with any income. **(FBR)**

Topic	Description	Proposed Reform (Departments)
Dividend Paid by Start-Ups & Export-Oriented IT Companies to be Given Exemption	Current 15-25% tax on dividends discourages sole/ AOP business (start-ups and exporters of IT/ITeS) from transitioning into corporates. The 2nd stage taxation is a major hinderance in bringing FDI into these entities and exemption would encourage FDI into Pakistan instead of being parked outside.	Exempt the dividend tax for startup and IT & ITeS companies **(FBR)**
Custom Duty	High custom duties on imported hardware cause inflated equipment costs and currently IT firms are obligated to bear 100% overheads when importing hardware that ultimately increases export revenue. It impedes investments in the IT sector in Pakistan. A facilitative customs regime to provide impetus to IT industry is required. High custom duty on hardware also reduces investment in hardware, adversely impacting competitiveness of IT firms. Neighboring countries have introduced incentives, like under India's Customs Tariff 2021, IT imports are exempt from custom duty. IT imports, re-export items or components of value-added manufacturing for subsequent export must be 100% exempt from all import duties, GSTs & other levies or taxes.	Remove duties, sales tax on laptops and other IT Hardware for PSEB-registered IT/ITeS companies involved in production of IT/ITeS related software, solutions, services, product, consultancy, and hardware. Remove duties, sales tax, & other levies, taxes from items which are imported in Pakistan for re-export after modification. Items to be used as sub components or components of a technology/ IT solution/platform resulting into value added manufacturing for further export must be declared exempt of all duties, GST, other taxes, and levies. **(FBR, PSEB)**
Exemption of Software to be Restored	Discrepancies prevail between federation and provinces on exemptions. Tax officers view software as goods and charge sales tax. The exemption by federal govt would enable the provincial authorities to charge sales tax as services. FBR can also collect such sales tax under ICTO 2001 on services.	Exemption of software to treat Software as services. **(FBR)**
Section D		
Addressing Internet/ Social Media Blockades	Internet blockages/slowdowns, cause losses of USD 3-4 million a day along with damaging the reputation of the country in attracting international IT firms. Uninterrupted internet access is vital for growth of the IT industry, employment, technological advances & foreign investment.	Prevent future blanket bans of internet/social media. Issue a policy directive against internet ban including taking buy in from MoITT and PSEB before such bans are put in place. **(MoITT, PTA, MoI)**

Topic	Description	Proposed Reform (Departments)
Human Capital: Skills Development	A strategy entailing skill development initiatives is needed to transform unskilled and semi-skilled workforce into advanced, high-value skilled workforce with higher export yield per worker. The strategy should include introduction of IT in school curricula and a vast network of quality vocational training centers.	Allocate PKR 3 bn for PSEB and PKR 11 bn for province-driven skill development initiatives, with local & international associations. Develop a 5-year skill development roadmap. Create public-private training institutes that offer industry-driven training programs for reskilling and upskilling the workforce **(PSEB, MoITT, Prov. IT Boards)**
Human Capital: IT Graduates	The growing demand of off-shore services and local companies in Pakistan suggests the need to have an increased number of skilled workforce. This challenge pertains to both, the quantity and quality of graduates. An estimated 100,000+ jobs exist in the IT industry. With only 25,000 graduates being produced by our universities on an annual basis, this represents a grave situation requiring strategic planning to increase the supply.	Steps to increase IT graduates over 100,000 p.a.: i. Re-launch Outreach Rural Support Program with 20,000 scholarships to rural areas. ii. Launch awareness programs about high-potential career opportunities in the IT/ ITeS. iii. Offer different types of degrees of varying durations (2-year associate & 1-year micro degrees). iv. Launch short-term conversion programs for graduates of other subjects to transition to the IT sector. **(PSEB, MoITT, Provincial IT Boards, HEC)**
Industry/ Academia Linkages	Foster partnerships between academic institutions rendering IT education and IT companies to ensure curriculum relevance and provide practical exposure. Promote the development of IT clusters where businesses can share resources and collaborate on projects.	The Federal Government may launch a proactive approach of industry-academia linkages with involving relevant provincial stakeholders **(MoITT, PSEB, Provinces, IT industry)**

Topic	Description	Proposed Reform (Departments)
Definition of e-Commerce	The current e-commerce policy of Pakistan is overly broad and inadvertently captures social networking platforms like FB, whose primary business is not e-commerce. In view of constrains in transactions like connecting buyers/ sellers; payments, delivery/logistics, it is operationally unfeasible for social media companies to comply to policy requirements. The platform does not play a direct or active role in any leg of the sale or transaction; the types of goods or services being offered or sold, the manner in which the sale takes place and the terms of payment and delivery, are typically handled directly by or between the users of platform.	Accordingly, the definition of “e-Commerce Platform” can be modified as follows: “Retail e-commerce platform operator” shall refer to any person, partnership, or corporation, the primary business of which is to operate an online platform with fully integrated payment and logistics systems, principally intended for parties to conduct retail e-commerce; provided that, this term does not include operators of online platforms principally meant for use as social media, content sharing or communication.” **(MoITT, FBR)**
Regulatory Framework – New Entrants	It’s vital to take all possible measures to automate the processes for facilitating the IT industry and reducing human discretionary measures.	Automate process and eliminate manual process: i. Automate the registration with other provincial tax authorities and simplify the procedures. ii. Automate registration with other relevant authorities (EOBI, etc.) iii. Automate process of registration of partnerships and changes in particulars. iv. Reuse of recorded data – create linkages between the departments v. Simplify notarization process - Provisionally allow (and process notarization within next 3 months). The requirement may be automated and instead of original documents to be posted to Pakistan, a confirmation email from relevant Embassy may suffice.

Topic	Description	Proposed Reform (Departments)
		Moreover, provisional incorporation (though conditional) of subsidiary may be allowed till such Embassy confirmation so that the foreign entity can start its operations. vi. Automate and integrate embassies. vii. Institute Know-Your-Approvals module for Pakistan to provide easy access to information. **(MoITT, MoFA, FBR)**
Digital Nomad Visa	A liberal policy of digital nomad visa making it easier for IT professionals to visit and work in Pakistan would greatly stimulate IT industry in the country. In recent years many countries in Europe and Asia have resorted to this practice resulting in phenomenal economic gains.	A liberal digital nomad visa policy may be deliberated and approved on priority basis, preferably by June 2024. **(MoITT, MoI, MoFA, IT industry)**
Review of Cybercrime Regulations	The current cybercrimes regulations are repressive. A new regulatory framework may be evolved with a balanced human rights approach, active involvement of civil society and consultation with key international players/practices.	Institute an inclusive consultation process for revision of cybercrime regulations and its implementation framework. The process may be completed by end of 2024. **(MoITT, MoI, FIA, Provinces, IT industry)**
IPR Protection	A credible IPR protection system is an imperative for the growth of IT and digital economy.	Develop a credible IPR protection system according to international and regional best practices. **(MoITT, MoC, IT industry)**
Open Government	The government departments have to open their data to the public for R&D purposes.	An Open Government approach may be declared and implemented. **(PMO, MoITT, Cabinet, Provinces)**
Section E - Expedite Adoption of a Robust AI Policy		
Comprehensive Review of Current Draft	The review of the draft should be completed through an inclusive and transparent IT-based process (WhatsApp group) involving relevant officials, civil society actors & IT industry stakeholders.	The Review should be completed on priority and AI Policy may be approved by September 2024. **(MoITT, IT industry)**

Topic	Description	Proposed Reform (Departments)
Responsibility-Accountability Matrix	The AI policy should define technologies, scope and quantified responsibility-accountability matrix for clarity on future steps and implementation.	Roles of regulatory agencies, such as MoITT, COE-AI, NIDP, and ADR, should be clearly defined. **(MoITT, IT industry)**
National Commission on Personal Data Protection (NCPDP)	As stipulated in the Policy, NCPDP creation by 2024 faces hurdles due to current politically charged environment.	The PM will have to press Ministry of Law and Justice to overcome the hurdles and ensure approval with legal safety nets around commercial and personal information. **(PM, MoITT, Cabinet)**
Workforce of AI Trainers	The goal of raising 10,000 trainers to train a million IT graduates by 2026 requires expansion of matching commercial and technological AI infrastructure	Focus on raising a strong AI trainer workforce **(MoITT, Provinces, IT industry)**
Standardization of Data	Standardization of data will allow tech companies to train models through a sandbox-based licensing approach under Centers of Excellence, e.g. Pakistan has eight driver licensing authorities compared to UK's one. Large datasets in health, education, utilities opened to tech companies, if executed appropriately, would have massive impact.	Standardization of data may be made a central element of the AI Policy for growth of tech industry and improved public service. **(MoITT, Provinces, IT industry)**
AI Education and Awareness	AI awareness, digital literacy and online safety should be included in school, college and university curricula.	Relevant AI bodies envisioned by this draft Policy should work with the Ministry of Federal Education and Professional Training, School Education Departments, and HEC to ensure AI education, with an emphasis on ethics and privacy integrated into curricula. **(MoITT, MoFEPT, Provinces, IT industry)**
Avoid Excessive Regulation	The tendency of proliferation of regulators has been impeding the growth of IT sector in Pakistan. The same has to be avoided in AI.	SOPs/guidelines be developed to demarcate jurisdictions of multiple regulatory stakeholders overseeing AI development, regulation and implementation. **(MoITT, IT industry)**

Topic	Description	Proposed Reform (Departments)
Audit of AI-Related Funds	In establishment of AI-related funds, emphasis should be placed on transparency, accountability and sustainability.	Annual audits by independent auditing firm should be made mandatory. **(MoITT, FBR, IT industry)**
Human Rights Audits	Human rights audits should be mandated at the design stage, which must include an impact assessment on the development and potential use of that technology.	An annex of prohibited AI practices based on universal practices should be included in the provisions relating to human rights audits. An accessible and independent reporting mechanism should be made available to citizens. **(MoITT, MoHR, IT industry)**
Privacy Conditions	Conditions on the use of AI in public service delivery such as law enforcement should ensure privacy of citizens. For example, the use of 'real time' remote biometric identification systems should be prohibited, unless certain limited exceptions apply.	The final AI policy should contain necessary civic safeguards for citizens' rights and privacy. **(MoITT, MoHR, civil society, IT industry)**
Regional Comparative Studies	AI use models are evolving around the world. In the finalization of its AI policy, it would be useful for Pakistan to learn from best practices in different models, particularly in regional countries such as Bangladesh, Sri Lanka, Vietnam and India.	A comparative regional study of AI laws and regulatory framework may be undertaken focusing on the countries in the region and Muslim countries with emerging economies. **(MoITT, IT industry)**

Chapter 7

Framework for Improved Human Capital in Pakistan

Mr. Mosharraf Zaidi

Framework for Improved Human Capital

Reforming Pakistan's human capital landscape is an urgent demographic and economic imperative. This starts and ends with a wholesale reform of the education system—transforming it from what it is into what it needs to be: learning-centered.

Goal

The goal of a framework for improved human capital by 2030 is to transform the myriad systems of education in the country that lead to better economic opportunities for individuals, families & communities, and result in stable (and improving) economic indicators for the country.

Purpose

The purpose of a successful framework for improved human capital by 2030 is to comprehensively improve learning outcomes for the maximum number of citizens in the shortest period possible. The standard for how this will be measured needs to be anchored in whether more Pakistanis can swiftly secure and sustain high value roles in the global economy or not. As of today, Pakistan's stock of human capital features a tiny sliver of high-end, globally competitive skilled labour, and a massive stock of low skills or no skills labour. An effective framework for improved human capital will deliver Pakistanis sought after both as entrepreneurs that drive economic growth at home, and as skilled human capital that enjoys competitive advantages in the global skills market.

Outcomes from the Framework for Improved Human Capital

To achieve the purpose of a framework for improved human capital by 2030, Pakistani public policy will need to pursue four intermediate (and intimately connected) outcomes that help build the institutional commitment and public sector habits that will enable Pakistanis to achieve their human capital potential— individually and collectively. In short, there can be no fix for the "education system" by focusing only on the obvious and directly linked elements of that system.

There are four areas that are essential to achieving a rapid, sustainable and measurable improvement in Pakistani human capital: child nutrition, literacy, learning outcomes and labour force participation. These four areas represent a gradation of human capital. Each is described in detail below.

Pakistani public policy will need to be centered around these four outcomes for the next seven years to actualise a successful framework for improved human capital by the end of 2030.

Outcome 1: Nutrition - Stunting Rate below 20%
Outcome 2: Literacy - Literacy Rate above 85%
Outcome 3: Learning - Survival Rate to Matriculation above 80%
Outcome 4: Employment - Female Labour Force Participation Rate above 60%

These four outcomes are ambitious, but not unrealistic.

Outcome 1: Nutrition

Nutrition forms the foundation for human capital because Pakistani children, on average, have now spent decades trying to compete in the global skills market, not only without the basic skills they need to survive, but also absent the cognitive capabilities they need to apply any knowledge or skills that state, society and families are investing in them. The reason for this gap, above all, is stunting. Stunting is when a child is too short relative to the child's age. Specifically, the WHO defines stunting as "the impaired growth and development that children experience from poor nutrition, repeated infection, and inadequate psychosocial stimulation. Children are defined as stunted if their height-for-age is more than two standard deviations below the WHO Child Growth Standards median". Current rates of stunting across the country are above 40%. Reducing stunting by half, to below 20% is essential to solving Pakistan's human capital crisis.

Outcome 2: Literacy

Pakistan has had stagnant literacy rates of 60% or below for the entire 21st century. Pakistani leaders have regularly and consistently leaned into positive narratives about the importance of education, and made substantial investments in the school, college and university infrastructure without addressing the yawning and growing gap between the lettered and un-lettered Pakistani. The result is that successive generations of unlettered and innumerate parents have tried to support their children to be literate and numerate. This uphill battle is hardest for the least resourceful and thus least capable demographic of the country—the poor, and especially illiterate females. Increasing literacy rates was conceived, quite correctly, as a wider whole-of-society challenge, almost autonomously from the formal education system—and all four provinces therefore have literacy departments, separate and distinct from education departments. The result however has not been a prioritisation of literacy for children, nor for adults. Instead, it has resulted in a deprioritisation of literacy at large.

Re-centering this vital feature of human capital is essential in the fight to secure improved human capital for Pakistan. An increase in literacy rates from the current 58% to 85% before December 2030 is not achievable without a focus on adult literacy—and the engagement of adults past the school age with the notion of human capital—will be central to ensuring the success of this framework for improved human capital.

Outcome 3: Learning

Meaningful improvements in learning outcomes in the medium to long term will require setting the benchmarks for Pakistani school children at a level commensurate with the ambition of Pakistani parents and leaders—for the country to be globally competitive. This means, Pakistan will need to invest in global standards like PISA and TIMMS (which Pakistan scored poorly in, in its first appearance in 2017).

In the interim however, immediate and urgent steps are required to alter the overall quantum of quality that the various systems of education in Pakistan are generating. Survival rates to matriculation are extremely low—in part because of a supply side problem—there just are not enough middle and high schools in the country to absorb the full complement of Class I (five, six, or seven-year-olds starting school) students in the system. The current survival rate to Matriculation is 51% for male students and 48% for female students. The target of retention of students so that the survival rate to Matriculation, i.e. Class X reaches at least 80% represents a massive change. Among the other key drivers of survival rates is the perception that staying in school just is not worth the effort, nor the opportunity cost of eschewing employment opportunities, nor the net quantum of skills that accrue to matriculated students. Matriculation or the completion of a full ten years of schooling is an important, though not sufficient metric for academic achievement. Content and curriculum reform that alters what is tested during the "matric" exams, and how that testing is conducted are critical to altering and improving "learning outcomes". This outcome can rapidly alter, in the short term, the net quality of labour, the quantum of skilled and semi-skilled labour, and the potential for a rapid escalation in the net human capital stock of the country.

Outcome 4: Employment and specifically the degree to which the contributions of half the population (i.e. females) are reflected in Pakistan's formal economic data regime and indicators will be critical.

Female Labour Force Participation (FLFP) data for Pakistan are among the lowest in the world, and low even in the South Asia region, which suffers from historically low regional averages in this metric. An increase in this vital metric of human capital is possible—as evidenced by the remarkable and rapid advances made in FLFP rates in countries like Bangladesh over the last four decades, and Saudi Arabia over the last decade. Even within Pakistan, which had a FLFP rate of 11% in 1990, there has been a doubling over the last three decades, with the current FLFP rate at 23%. But this single metric represents a major barrier to rapid accumulation of human capital. Moving the needle on the participation of women in the economy represents a game-changing, almost transformative potential outcome for Pakistan. For every ten percent increase in the FLFP, Pakistan is likely to generate approximately 7 million new jobs.

More working women in the country will also guarantee three related outcomes that are likely to serve the objective of improved human capital in the country for the mid to long term.

a. An immediate boost to overall GDP numbers—with increased household incomes, increased domestic consumption and possibly, higher overall national productivity (especially if this happens in concert with Outcomes 1, 2 and 3).
b. A likely reduction in fertility numbers for the country, and down the road, a more stable and sustaining population growth rate. This can and should be seen as a positive externality from improved FLFP rates but should not be overly emphasized as a core objective for tactical reasons.
c. With greater FLFP rates, two other important data points will see a substantial increase in Pakistan—financial inclusion and smartphone ownership. On both these metrics, unsurprisingly, Pakistani women rank far behind global, developing country and even regional averages. Perhaps most of all, the impact of a more economically engaged and empowered Pakistani woman is the impact this will have on future generations of Pakistani families—notwithstanding all the challenges and complexities this will introduce for society and for culture and subcultures. Working mothers, seeking better economic outcomes will work with their partners and families at large to raise young Pakistanis—boys and girls both— with many more tools than what has traditionally been available to the stay-at-home mother in low income, lower middle income, and middle-income households.

Framework for Improved Human Capital

Process and Systems Indicators

The path to generating the four key outcomes (nutrition, literacy, learning and employment) of a framework for improved human capital by 2030 is daunting. Pakistan's public discourse, the state of its public sector motivation, and the cumulative damage done to institutional coherence through years of unaccountable governance have all converged to damage the system-level capability of the Pakistani state to set ambitious targets and establish clear and meaningful pathways to achieve them.

In recent years, perhaps the most impactful example of this deeply compromised capacity was the system-level response to the Covid-19 pandemic. Basic hospital enrollment data was difficult to collect, collate and analyse because of fragmentation and discontinuity between local civil service administrators, provincial vertical departments (such as health), and the federal government at large. These kinds of challenges can be addressed during an emergency-like scenario, as the global pandemic was—but represent more vexing structural challenges to the achievement of long-sought after, and long-elusive goals like improved human capital. The intermediary conditions that Pakistan has to meet on the path to improved human capital are an altered "politics of education", a shift in the focus of the system to learning outcomes (foundational learning for ten-year-olds, literacy and skills for the rest of the population) and the centering of the government school as the epicenter for learning.

To increase the likelihood of meeting the outcomes of the framework for improved human capital, there are at least five process and systems indicators that will help leaders measure whether or not progress is being made (or even possible). All five are inescapable elements of reform.

In short, there is no short cut, short circuit, or magic formula through which improved human capital can be achieved. These five process and system indicators will define the difference between success and continued Pakistani failure.

- Indicator One: People Power: political ownership of the human capital agenda, ideally through parliamentary adoption of a framework for improved human capital
- Indicator Two: Financing: pre-assigned human capital targeting revenue
- Indicator Three: Subsidiarity: Meaningful autonomy for elected local governments
- Indicator Four: Teachers: protecting teachers from the existing political economy of the permanent "civil service" and public sector employment
- Indicator Five: Benchmarking: aligning learning outcome targets with international standards and benchmarks, including PISA and TIMMS.

Each of these key metrics can be tracked and monitored, provided there are robust plans in place to achieve the vital tweaks, changes and reforms required to achieve the four outcomes for this framework for improved human capital in Pakistan.

People Power

To demonstrate sustained political ownership, Pakistani leaders will need to adopt human capital improvement as a legislative imperative, to align with the constitutional provisions that assign education as an inalienable right for Pakistani children—both in principle and in practice.

Financing

To demonstrate that any legislative and policy level commitment is meaningful and will endure, Pakistani leaders will need to establish financing mechanisms that design much improved incentives for subsidiary tiers of government to deliver key outputs in pursuit of the framework outcomes. New and improved financing mechanisms will need to have two key features to qualify as being serious and meaningful:

a. To pre-assign revenue to finance human capital improvement. This could range from specific, time-barred levies that afford new expenditure assignment exclusively to the federal government, to nationwide taxes that become part of the wider NFC award and are dedicated to education by the respective provinces themselves. The critique against such assignments will be the already substantial share of provincial budgets that education takes up. But the so-called large allocations for education are large only in absolute terms—not in terms of the actual education and learning outcomes challenge, nor in terms of the proper metric for measuring national effort toward education (which is cumulative annual public sector spending on education as a share of GDP).

b. The second feature any improved financing for human capital will need to have is direct incentivisation of independently measured or verified outputs and outcomes. The design of such incentives will need to be inclusive of teachers, who need to be rewarded for achieving extraordinary results, and focused on schools. Awards for high performing teachers and schools should not be exclusively financial—but must include progressively better access to local and global learning resources, training opportunities and engagement of Pakistani students with the world's most interesting and advanced learning opportunities.

Subsidiarity

Pakistani public schools are overwhelmingly managed through a centralised human resource and financing mechanism that mirrors the colonial legacy machine bureaucracy that shapes the entire public sector. Oft-maligned, this bureaucracy is generally poorly resourced and constantly exploited by a range of stakeholders. The system offers no incentives or guidelines, neither to provincial bureaucrats nor to their local administrator colleagues on how to run human capital focused school systems, literacy programmes, nutrition enhancing efforts, or maternal and neonatal health projects. The system's ability to run any of these kinds of efforts, even in individual silos, is extremely low. It is almost entirely incapable of running them in concert. For the most part, this incapacitation of the public sector is a product of the mirroring of the wider administrative and public finance paradigm across specialised verticals like education.

There are many tweaks that can help make Pakistani public sector schools better run than they currently are. All of those tweaks are likely to be more effective in scenarios that concertedly seek to increase school autonomy through much greater local control over schools. This will mean that, for example, instead of schools having teachers and budgets assigned to them by machine bureaucrats located hundreds of kilometers away—schools would have the ability to identify the human resources—teachers and staff—that they require locally.

Localising the management and running of public sector schools would also mean that the basic cost center in the public sector education landscape would shift from the behemoth education departments—constructed as machine bureaucracies designed to manage the people they employ rather than achieve learning outcomes for children—to schools that serve as centers for community-driven learning outcomes. Effective schools that deliver meaningful learning outcomes for the children that communities entrust to them cannot be run in the absence of direct stakes and interests being invested in the school. Representative and financially capable local governments are the only mechanism that can generate such a regime for public sector schools.

The most oft-deployed critique of this routine demand for greater local control over key community assets in Pakistan, such as government schools, is that there isn't enough local capacity to deliver quality education. But this critique falsely assumes that the existing system is delivering quality (it is not) and that such localisation necessarily means that the federal and provincial governments are ceding all control by autonomising the day to day working of schools (they are not). By instituting incentives-based financing instruments against independent verification of outputs and outcomes, provincial and federal governments will enjoy the power to reduce or increase financing for schools based on the burden they carry and the results they deliver.

The principle of subsidiarity is an essential element of delivering improved human capital in Pakistan. Any plans that seek to achieve substantial improvements in nutrition, literacy, learning and employment without significant changes to the local governance regimes in place in Pakistan's provinces and regions will fail.

Teachers

Pakistani public sector teachers are currently assured permanent lifetime employment in the same pay grade and promotions structure as the entire public sector—a system referred to as the Basic Pay Scale (BPS). Association and alignment with the BPS cause three substantial structural challenges for those invested in improving the quality of learning in Pakistan. First, teachers end up being the "property" of provincial governments—and subject to assignment by the provincial governments. So Pakistani public-school teachers are the ones that are assigned to serve anti polio campaigns, to serve as anti-dengue workers helping manage the spraying of swamps and ponds with anti-mosquito oils, and to serve as mobilisers for quasi political events in service of sitting prime ministers, chief ministers and ministers. Most importantly, teachers serve as the backbone of Pakistani elections—a massive logistical effort every five years that exposes teachers to political exploitation and blackmail (and conversely exposes political workers and bureaucrats to the whims of teachers with political associations and ambitions).

Ultimately, protecting Pakistani teachers and students from the vagaries of the political and bureaucratic machinations external to the improvement of Pakistan's stock of human capital requires a clean break between the public sector cadre of teachers and the BPS system. But this is almost always seen as a frontal attack on the permanence of teachers' employment status, and the guaranteed (unfunded) pensions that they are entitled to. Any programme that seeks to secure the public sector cadre of teachers must therefore be invested in job security and pension security for Pakistani teachers. Teachers' unions are central to this conversation and cannot be treated merely as proxies for various political parties. The separation of the teaching profession from the BPS system is a vital systems and process indictor, that, if handled wisely, can do more for improved learning outcomes than any other single system and process effort.

Benchmarking

How will Pakistan know that it has made real, globally competitive and robust progress in improving its stock of human capital? The only way to be certain of such progress, and to warn against an absence of progress is to benchmark the Pakistani student against global standards. Both the PISA and TIMMS standards are recognized as instrumental in determining the quality of learning outcomes at the country level. Pakistan participated in the TIMMS assessment in 2017—and the results from that exercise can serve as a valuable baseline against which system and process indicators in this realm can be set.

Conclusion

Countries with much less going for them have achieved accelerated economic power through a dramatically improved stock of human capital in short periods of time. The task before those that are seized with the way forward for Pakistan is not impossible, and off course, not unprecedented.

Action Matrix For Improved Human Capital Goods & Services

Indicators	Process	Timeline
People Power	Adopt human capital improvement as a legislative imperative, to align with the constitutional provisions that assign education as an inalienable right for Pakistani children in coordination with provincial governments.	Within four months of government formation
Adopt a Plan of Action	Adopt a Plan of Action to implement the policy for securing following outcomes by 2030 in coordination with provincial governments: Outcome 1: Nutrition - Stunting Rate below 20% Outcome 2: Literacy - Literacy Rate above 85% Outcome 3: Learning - Survival Rate to Matriculation above 80% Outcome 4: Employment – Female Labour Force Participation Rate above 60%	By end of 2024
Financing	Establish financing mechanisms that design much improved incentives for subsidiary tiers of government to deliver key outputs. Pre-assign revenue to finance human capital improvement. This could range from specific, time-barred levies that afford new expenditure assignment exclusively to the federal government, to nationwide taxes that become part of the wider NFC award and are dedicated to education by the respective provinces themselves. Establish direct incentivisation of independently measured or verified outputs and outcomes.	To be in place before end of 2024
Subsidiarity	Increase school autonomy through much greater local control over schools. Representative and financially capable local governments are crucial to achieve this.	Policy to be approved before end of 2024
Teachers	Invest in job security and pension security for Pakistani teachers in consultation with teachers ‘unions. Separate the teaching profession from the Basic Pay Scale system.	By end of 2024 announce comprehensive policy/plan for 2024-2030 period

Indicators	Process	Timeline
Benchmarking	Benchmark the Pakistani student against global standards e.g. the PISA and TIMMS standards. Pakistan participated in the TIMMS assessment in 2017—and the results from that exercise can serve as a valuable baseline against which system and process indicators in this realm can be set.	Policy/Plan to be approved by end of 2024

Chapter 8

Action Plan to Address the Pressing Issue of Out-of-School Children

Mr. Prof Dr. Muhammad Nizamuddin

Gravity of Out-of-School Children Crisis

In the midst of grave political and economic crises, the imperative is clear—swift and effective action to fill the widening gaps in the social sector development. One of the areas requiring transformative ideas and action plans on urgent basis is to address the pressing issue of Out-Of-School Children (OOSC) in Pakistan estimated to be 26 million, 11% of the population, as per the government recorded figures. The urgency of this matter cannot be overstated. Looking ahead, with a population projected to reach 270 million in five years, and a birth rate of 2.55%, the number of OOSC could escalate to a staggering approximately 57 million. If there is no serious effort to effectively deal with the challenge of OOSC, no significant improvement can be expected in increasing the country's literacy rate (hovering at around 60 percent).

Speed School Programme

This looming crisis calls for an ambitious and sustainable five-year plan that helps bring the OOSC back to education through a Speed School Programme based on Literacy and Numeracy Foundational Learnings. These programmes have been innovative and transformative in African and South Asian Countries (Ghana, Ethiopia, Somalia, Burkina Faso, Nigeria and Mali, Nepal and Bangladesh) providing OOSC an opportunity for basic education access. The ground-breaking Speed Schools Programmes sparked interest in learning and have made significant impact on lower secondary education dropout rates.

Acknowledging the willingness of both public and private sectors to contribute, the challenge lies in bridging the gaps in inclusive foundations. It would be imperative to focus on two targets, which are the primary source behind Pakistan's lag in education indicators:

1. Non-enrolled (Children who have never been to school)
2. Drop Outs (Children who dropped out of school due to unforeseen reasons)

Each of the above groups can be targeted with a group-specific model with the core principle of foundational learning applied through Speed Schools and Digital Learning through an effective Speed School Programme steered by the government. Speed Schools are a revolutionary concept in education, designed to swiftly reintegrate OOSC into the learning environment, especially in regions facing literacy challenges. The core principle revolves around providing free access to key subjects, focusing on literacy and numeracy— the universal formula of Key Foundational Learnings. This approach not only ignites children's interest in learning but also significantly improves their reading and numeracy skills.

A noteworthy example comes from the Center for International Education at the University of Sussex, UK, whose groundbreaking research led to the implementation of Speed Schools in Ethiopia. This initiative successfully brought back over 200,000 OOSC to classrooms, addressing the critical issue of dropouts in lower secondary education. The ripple effect of this program extended to Ghana, where an additional 250,000 children benefited from the transformative impact of Speed Schools. By providing aspirations for advanced studies beyond basic education, Speed Schools have proven to be catalysts for positive change, offering a tangible solution to the global challenge of educating children who have been left behind because of non-access to formal education systems.

Digitization of Curriculum

Keeping in mind the dropouts from the school and with an insight that they have already developed learning (literacy and numeracy) skills, there would be a plan to digitize the national curriculum with easy-to-understand videos for the further pursuit of their education. Our planned digitization of the curriculum is aimed to make education accessible to all and free, and any time as per their ease. The education digitization will be backed up by skills assessment tests of the students after completing every chapter. This practice is quite common now as seen in Google, Khan Academy and Coursera courses, etc. which enable students to seek quick and free access to learning along with certified approval of the skills assessment passed. These best practices can be suitably replicated among the Speed School Graduates in Pakistan offering a true universal education system for all.

Funding for OOSC Programmes

In recent years, the issue of the OOSC has progressively received increasing attention at government level as well as by other organizations working in education sector. It is pertinent to note that recently Minster of Federal Education initiated an Education Challenge Fund of Rs. 25 billion to tackle the growing number of 26 million OOSC. It is important that the incoming government should evolve a coherent approach to rope in provincial governments to increase the funding for OOSC-related programmes across the country and also energize private organizations and NGOs working in the education sector to contribute in funding as well as efforts to overcome this lingering challenge of increasing number of children remaining out of schools.

In order to effectively strategize and implement the targets, an expert Team at Khaldunia Institute of Technology and Applied Sciences (KITAAS) has developed the following action plan for addressing the challenge of OOSC in Pakistan:

A.C.T.S - Activate. Collaborate. Transform. Society

a) **Activate a Holistic Approach to Deal with the Challenge:**
   The approach should include following measures:
   i. Launch a cohesive plan for OOSC along with implementation and monitoring programmes on a longer-term basis. The research should include reconfiguring data analytics of statistics in order to follow short term and long-term future trends.
   ii. An effective approach on OOSC will need targeted research to be conducted on families of OOSC and dropout children for clarity of challenges and formulation of solutions.
   iii. Divide OOSC into Non-Enrolled and Drop Out categories and create a shortened 1-year Speed School curriculum based on the African and South Asian Models.

b) **Collaborate for Operational Success of the Adopted Strategies:**
   i. Induct and propel opportunities for public and private collaboration through a unique "Own-a-Speed-School Program'', inviting and encouraging private sector corporations to own and support regional Speed Schools.
   ii. Leverage brand activism and corporate social responsibility programs in order to create funding and create supportive infrastructure for Speed Schools.
   iii. Introduce and encourage incentive driven competition between private sector entities

in anticipation of improved quality education and training of staff and skilled personnel.

iv. Pursue and propel government incentives such as tax rebates in order to attract private sector participation.

c) **Transform the Approaches Using Contemporary Tools and Technologies:**
   i. Welcome and embrace digital transformation at all layers of educational reforms.
   ii. Collaborate with telecom companies to facilitate free of cost downloadable Speed Schools Syllabi.
   iii. Using digital platforms and tools for Speed Schools Syllabi in order to make education universally and continuously available including but not limiting to revision material, refreshers, and skills assessment tests etc.

d) **Engage Society Through Community-Based Approach:**
   i. Focus on the importance of a progressive and universal school syllabus for regular and Speed Schools under the Federal Government and the need to have both in synchronization.
   ii. Look into the potential of community spaces such as Parks and Mosques for setting up Speed Schools.
   iii. Introduce contemporary skills learning courses for women in IT and handicrafts within Speed Schools, making way for a win-win outcome.

Pathway to Success:

A general outline of the actionable plan and road to success is presented below.

i. Conduct a baseline survey in order to research and understand ground realities and circumstances of the OOSC.
ii. Formulate and develop Speed School Curriculum customized to the needs of OOSC.
iii. Train teachers to ensure smooth and quality Speed School education.
iv. Propel digitalization of Speed School Curriculum to make learning resources free/affordable and accessible.
v. Establish efficient management systems for effective Speed School implementation and functionality.
vi. Conduct pilot Speed School projects for real-world testing.
vii. Foster and encourage community engagement.
viii. Design and market public outreach campaigns for awareness.
ix. Set up evaluation systems and bodies for quarterly monitoring and feedback-based improvement.
x. Evaluate annual performance to measure successful outcomes of the Speed School initiative.

Conclusion

In addressing multiple challenges faced by Pakistan's educational sector, it's important to walk the talk and launch effective and combined strategies on pressing issues such as rapidly increasing OOSC in all parts of the country. Therefore, development of a strategic framework based on a 5-year roadmap within a Public-Private Collaboration-driven plan with Speed Schools at its core is the need of the hour. The governmental endorsement and support of the Speed School Program will be crucial for contributing required resources as well as in incentivizing private sector entities with a view to make Speed Schools the catalyst for a brighter educational future.

Chapter 9

Shielding Our Future: Approach for Achieving a Drug Free Environment in Educational Institutions in Pakistan

Ms. Sadia Nawaz Kahoot

The crucial role of educational institutions in shaping up the future of our next generation is undeniably vital. Drug use in educational institutions poses a significant threat to the safety and development of the nation. Pakistan is one of the most populated and youngest countries in the world. It is also one of those countries with the highest risks of drug and tobacco use among its youth. A substantial body of research indicates that the adolescence phase is the most vulnerable for youngsters to get involved in drug use because of the various family, social and academic stressors. In Pakistan, where youth comprise around 64% of the country's population, we bear the brunt of alarmingly high level of tobacco and substance use among students mostly between the ages of 18-25 years. Recent studies reveal that the onset period of this issue as a daily user, majorly typically around the age of 18, 19, which is the transitional period for students from college to universities. Because of the unaddressed problems, easy access to drugs and a lack of execution of anti-drug rules in the universities, there is a high rate of on-campus substance/tobacco use. The scope of this problem is huge, statistics indicate that 25-44% of university students have reported the use of illicit drugs and it's on the rise. There are multiple factors that are contribute to this issue. Some of the most common ones are socio-economic disparities, experimentation with different substances and smoking at a young age, lack of parental supervision, susceptible campus environment, peer pressure and multiple easy access modes to obtain drugs.

This is a now or never situation where we need to fight the malaise of substance and tobacco use in educational institutions in Pakistan on a war-footing basis. To combat this issue, it is essential to implement comprehensive policies and strategies that addresses prevention, intervention, and support. We need to adopt a holistic approach that necessitates the involvement of educators, parents, students, policymakers, mental health professionals and law enforcements agencies. This encapsulates the delaying of the onset or initiation of drug use altogether as a primary step. Preventing students who are just beginning to experiment with drugs from becoming an addict before the matter gets worse would be another dimension. In the third phase, we will be focusing on providing support to students to eliminate dependence on drugs. So, our vision should be to adopt a strategy that covers all known aspects to effectively curb this problem. Pakistan being a signatory to several international drug treaties is obligated to take all the necessary steps to track all the facets to ensure public health prevention, care and rehabilitation regarding drugs.

A Multidimensional Structure: To accomplish the much-needed goal of drug eradication from educational institutions in Pakistan, it's important to cater to all the various factors that contribute to drug use and rapid rise of this issue. Research suggests that parental expectations, academic pressures, bullying, peer pressure, easy access to drugs and lack of appropriate counseling services are some of the key factors of substance use among the youth. To alleviate these pressures, drugs become a viable and quick source of relief for students. Its deplorable that we don't have a well-sourced and colluded structure to train our youth how to manage life stressors in a healthy way. Parents, policymakers, educators, law enforcement organizations, mental health professionals, social and electronic media, and youth ambassadors are significant pillars of a multidimensional structure which will help to form an effective and long-lasting approach to combating drug use in educational institutions.

Approach: The proposed approach focuses on raising awareness and education, implementing school policies, ensuring parental and community involvement, strengthening professional and law enforcement collaborations, and establishing a robust support system for the affected and at-risk students.

Objectives

1. **Prevention:** To raise awareness among students regarding the life altering hazardous effects of drugs use through educational programs.
2. **Intervention:** To establish an internal system in educational institutions for the early identification and addressing of substance use issues in collaboration of toxicology laboratories (drug screening) and law enforcement agencies.
3. **Support:** To provide professional rehabilitation services to support students who have somehow developed a dependence on any kind of substance.

Current Challenges

1. **Lack of Awareness:** Many students and parents have limited understanding of the repercussions and signs of substance use.
2. **Insufficient Policies:** Existing school policies are not revised and updated and are also inconsistently enforced.
3. **Unacceptance and Stigma:** There is unacceptance among general population regarding substance use. Due to social and cultural stigma, this issue is highly stigmatized which prevents students from seeking help.
4. **Resource Constraints:** Schools often have limited resources to implement comprehensive drug prevention and intervention programs.

Strategic Approach

1. **Admission Criteria**
   i. Mandatory Drug Screening: For secondary, higher secondary and above grades, include drug screening as part of the admission criteria.
   ii. Medical and Psychiatric History: Obtain a family medical and psychiatric history to screen students for susceptibility to potential substance use.

2. **Steps for Prevention**
   i. **Enhancing Awareness Through Curriculum:** Integrate drug education into the school curriculum, focusing on the dangers of drug use and positive coping mechanisms.
   ii. **Assessment Survey:** conduct a needs assessment survey among teachers, students and parents to understand the challenges and expectations to address the issue.
   iii. **Workshops and Seminars:** Organize regular workshops, seminars and distinguished lectures for students, educators and parents on addressing drug use, improving mental health and handling the stigmas related to this problem.
   iv. **Training and Peer Education Programs:** Establish a system to train educators and students about recognising, evaluating and educating others about the risks of drug use.

3. **Improving School Policies**
   i. **Policy Review and Update:** Conduct a comprehensive review of existing school policies on drug use and update them to reflect current best practices.
   ii. **Consistent Enforcement:** Ensure consistent enforcement of drug policies across all educational institutions.

iii. **Random Drug Testing:** Implement random drug testing for students during the academic year, particularly those displaying unusual patterns. Ensure that the process respects students' privacy and legal rights.
iv. **Clear Communication:** Ensure that these school policies on drug use are clearly communicated to students, parents, and staff.

4. **Increasing Community and Parental Involvement**
   i. **Parental Workshops:** Conduct workshops for parents at different levels to educate them about the signs of drug use, predisposing factors, and how to cope with it.
   ii. **Community Partnerships:** Form partnerships with community organizations like hospitals, rehabilitation centers and field experts to provide additional resources and support.
   iii. **Parent-Teacher Associations:** Strengthen parent-teacher associations to facilitate better communication and cooperation.
   iv. **Support Groups:** Establish support groups for struggling students to foster a sense of belonging and shared well-being.

5. **Strengthening Law Enforcement Collaboration**
   i. **School Resource Officers:** Place trained school/university resource officers in educational institutions to handle drug-related issues. Build an internal wing of volunteers, scouts and trained personnel in educational institutes for scrutiny.
   ii. **Law Enforcement Training:** Collaborate with law enforcement on how to trace the supply-chain network of drugs in educational institutions.
   iii. **Data Sharing:** Establish data-sharing agreements between schools and law enforcement bodies to monitor and address drug use trends.

6. **Providing Robust Support Systems**
   i. **Counseling Services:** Ensure the availability of professional mental health counseling services in schools to provide support to students struggling with drug use.
   ii. **Rehabilitation Programs:** Develop rehabilitation programs tailored for students to facilitate recovery without breaching their confidentiality and privacy.
   iii. **External Professional Support:** Develop a collaborative network of external professional help to support the reduction and elimination of drug use in students.
   iv. **Support Groups:** Create support groups for students affected by drug use to share experiences and coping strategies.

7. **Ethics Review Committee**
   i. **Internal Review:** Form an internal ethics review committee to ensure strict implementation of the ethical framework.
   ii. **External Review:** Institute a system of regular external review to ensure compliance with standardized ethical practices.

Monitoring and Evaluation

Identification of Key Performance Indicators (KPIs) and regular progress reports will ensure a robust monitoring and evaluation framework to ensure the effectiveness of the proposed strategies. Feedback from students, parents, teachers, and other stakeholders will be collected and analysed to make necessary adjustments.

Evaluation Methods
Surveys and Questionnaires: Conduct regular surveys among students, parents, and teachers to assess the effectiveness of the programs.

Focus Groups: Organize focus groups with various stakeholders to gather qualitative feedback.
Data Analysis: Analyze data on drug use incidents, policy violations, and program participation to identify trends and areas for improvement.

Conclusion
Addressing drug use in educational institutions requires a comprehensive and coordinated approach. By enhancing education and awareness, improving school policies, increasing community and parental involvement, strengthening law enforcement collaboration, and providing robust support systems, we can create a safe and healthy environment for students to thrive. The implementation matrix ensures that the proposed strategies are executed effectively and monitored for success. Together, we can shield our future and ensure that our students have the best chance to succeed academically and personally.

Action Matrix For Drug Free Environment in Educational Institutions

Strategy	Policy Recommendations	Timeline	Responsible Parties	Indicators of Success
Education and Awareness	Integrate drug education into curriculum	2025	Ministry of Education	Number of schools implementing curriculum changes.
	Organize workshops and seminars	Immediate Action	School Administration	Attendance and feedback from workshops.
	Establish peer education programs	Immediate Action	Educators, Student counsels	Number of peer educators trained.
School Policies	Review and update policies	2024	School Boards	Number of policy updates
	Ensure consistent enforcement	Ongoing	School Administrators	Reports of policy violations
	Random Drug Testing	Immediate Action 2024	School Administrators	Reduced number of positive cases.
	Clear communication of policies	Ongoing	School Administrators	Awareness among students and parents

Strategy	Policy Recommendations	Timeline	Responsible Parties	Indicators of Success
Community and Parental Involvement	Conduct parental workshops	Ongoing	Parent-Teacher Associations	Parent participation and feedback
	Form community partnerships	2024	School Administration	Number of partnerships formed
	Strengthen parent-teacher associations	Ongoing	Educators, Student counsels	Attendance at PTA meetings
Law Enforcement Collaboration	Place school resource officers	Immediate Action 2024	Police Department	Number of officers placed
	Provide law enforcement training	2024-2025	Police Department	Training completion rates
	Establish data-sharing agreements	Ongoing	School Boards, Police Dept	Number of agreements established
Support Systems	Enhance counseling services	Immediate Action 2024	School Administrators	Number of counselors hired
	Develop rehabilitation programs	Immediate Action 2024	Health Department	Enrollment in programs
	Create support groups	Immediate Action 2024	School Counselors	Number of support groups formed
Ethics Review Committee	Regional internal and external experts team	Immediate Action 2024	Educators, mental health professionals, policy makers	Improved effectiveness of anti-drug structure

Chapter 10

Beyond Climate Diplomacy: Specific Short and Medium-Term Domestic Steps to Adapt to Climate Change

Ms. Imrana Tiwana

There is a critical disconnect between perception, projection and ground realities, creating an imbalance in the interface between people, climate and nature. This disconnect is hugely visible due to the incrementally increasing degradation caused by radical climate change in Pakistan. The dynamics involve international commitments, national policies and governance mechanisms, in keeping with NDC and NAP targets for short and medium-term domestic steps. At the outset we invoke Article 9 & 14 of the Constitution of Pakistan, The Right to Life & Dignity. The state being the custodian to uphold the provision of basic human rights to all its citizens, as an inclusive, equitable and successful democratic system.

Pakistan faces an acknowledged severe **'Climate Emergency'**, with a population of 242.4 million, its forest cover is 4.91% compared to a minimum requirement of 25%, GDP loss for climate mitigation was 11.1 % in 2020, and this will increase by 10% by 2030 if no mitigation measures are made. Climate mortality rate in 2022 was 7.17 deaths per 1000 inhabitants. Between 2030 and 2050, climate change is expected to cause approximately 250,000 additional deaths per year. Over 40% of children under the age of five have stunted growth. The country's deforestation rate is 0.5% per annum, the highest in the world. Pakistan is now in the water scarcity red zone, one of the most polluted countries in the world, due to urban rural migration patterns, it is projected to become an urban-majority country by 2030 with more than half of its forecasted 250 million living in cities. Albeit the issue has been imminent as an impending physical, human health and socio-economic disaster for over 30 years, very little has been addressed on the ground, producing less than 1% emissions we are in the top 7 vulnerable countries facing its impact. We are confronting challenges in every sector due to ineffective mitigation, adaptation and action. It is imperative to create a radical integrated strategic framework and implementation nexus for climate mitigation and adaptation, connected at all levels.

Approach:

The suggested approach is based on 'Crosscutting Sectoral Responses and Interventions'. The Policy Note makes policy recommendations and outlines necessary and feasible actions in an Action Matrix at Annexure A and a proposed Pilot Model at Annexure B.

Sustainable Integrated Strategic Framework

Urbanization:

Undefined, ad-hoc urban system dynamics and governance mechanisms, responsible for severe and irreversible environmental degradation, include urban sprawl, industry, transport, air etc. Lahore being the most polluted mega city in the world, water, road networks, industrial zones, unplanned green to brown conversions, waste management, population densities, breakdown of infrastructure and illegal schemes have shattered the myth of planned sustainable cities, integrated solutions are required.

Air -Fuel - Renewables & Transportation:

In the past two decades, Pakistan has witnessed a sharp rise in vehicle ownership leading to chaotic traffic congestion according to the Urban Unit, more than 6 million registered vehicles are responsible for 83% of Lahore's overall emissions, due to substandard Euro 2 fuel. Pakistan is also the world's third-most polluted country in terms of air quality. Air pollution exacts a high health and economic toll, in 2019, 235,000 premature deaths were attributed to air pollution exposure in Pakistan, reducing average life expectancy by almost 5 to 7 years. A 2016 World Bank report states economic loss from air pollution in Pakistan in 2013 was US$47.8 billion, 5.8% of GDP.

Waste Management:
According to the ADB, Pakistan generates 28 million tons of municipal waste annually, which is 71,000 of solid waste per day, increasing by 2% every year. Open disposal is the most common technique used for municipal solid waste (MSW) management due to the absence of sanitary landfills and waste treatment plants in Pakistan. Medical waste, water, solid, industrial and others if not disposed adequately, can potentially harm micro-organisms and cause air and water pollution, land degradation, climate change, and methane and hazardous leachate emissions, leading to severe disease.

Carbon - Fossil Fuels & Industry:
Pakistan emits 0.8-ton carbon emits by average person, 200.20 million ton per year. The share of CO2 emission is 0.54%. The reduction in emissions is set to be achieved through an improved energy mix, green transportation, and a pledge to build no new coal power plants and ban use of imported coal for energy generation.

Public Health - Air Quality:
Pakistan is the world's third-most polluted country in terms of air quality, exacting a high health and economic toll, facing a humanitarian health emergency due to impacts, like agriculture, nutrition, food, chemical exposure, reproductive health and waste management, water borne diseases and management, WASH, heat, malnutrition, malaria, diarrhea, pulmonary and heart diseases and heat stress, glacial melts, earthquakes, floods and natural disasters.

Agriculture - Water/Energy/Disaster Nexus:
Rivers, wetlands, and aquifers in Pakistan are heavily polluted as they receive untreated sewage and industrial effluent, along with poorly managed solid waste, agricultural runoff and drainage with high concentrations of agro-chemicals and salinity. These environmental outcomes from mismanaged water resources create multiple public health hazards. About 26% of Pakistan's total land area is under cultivation and is watered by one of the largest irrigation systems in the world. The food system is one of the biggest threats to nature, causing 70% biodiversity loss, 24% emissions, 75% deforestation, 34% of land use, 69% of water, due to unsustainable irrigation channels. Climate change risks in the sector include reduced crop yields, increased water stress, and reduced livestock productivity. Rising temperatures will add to the already growing demand for water, pushing it to a projected 60% increase by 2047, with the largest volumetric rise coming from agricultural water demand. It is predicted that there will be a 3°C temperature rise by 2040 and by the end of the century temperatures are predicted to have risen 5-6°C in Asia. Such an effect causes wheat to lose 50% of its productivity.

Financial Methodologies:
Necessary Steps: Mainstreaming climate risk management and resilience needs into planning processes and public financial management systems, such as through screening for climate

risks and budget tagging. To ensure that all future investments and development activities are climate resilient. Introducing innovative financing mechanisms for closing the financing gap for adaptation and resilience, in the form of concessional loans and grants through instruments like monetization of natural capital, green and blue bonds, debt for climate and nature swaps, equity financing, and results-based climate finance. Creating a growing potential to monetize the emission reductions in the form of carbon credits. Mainstreaming federal with provincial green growth programs and fiscal frameworks will be crucial for success of adaptation initiatives.

Policy Recommendations

1. Establish an autonomous body in the MOCC, with counterparts in the four provinces, GB and AJK to coordinate, integrate and flesh out the above recommendations and ensure that implementation mechanisms are in place and followed through.
2. Involve CCI in coordinating budgetary requirements, and integrate government implementation structures.
3. The action Matrix at Annexure A outlines necessary steps/measures to be taken by the government
4. Proposed Pilot Model at Annexure B outlines all components of a green sustainable, inclusive and equitable city – Eco-City Smart Sustainable Integrated Growth Model – The Modular City (Prototype- Pilot Lahore – To be replicated as pilots in one city of each province, AJK & GB) – All Sustainable, Green, Climate Adaptation Inclusive Components are placed within the defined city boundary – Modular Community based – Public Private Partnership Model.

Action Matrix For Climate Diplomacy

Intervention Area	Time Frame	Policy Recommendation	NDC & NAP Commitments
Urbanization	Immediate Action (2024-2025)	1.1 Database and map/GIS spatial structures within Pakistan. 1.2 Climate Policy on Defining City Boundaries for Sustainable Urban Development 1.3 Define urban, rural, industrial, protected, natural and agricultural zones. 1.4 Enforcement and Compliance: i. Building Codes ii. Green Bonds iii. Public-Private Partnerships	Land-use change & forestry: 2016 onwards, continued investments in NbS through the largest ever afforestation program in the history of the country-the Ten Billion Tree Tsunami Programme (TBTTP)-will sequester 148.76 MtCO2e emissions over the next 10 years. The estimated project cost of about US$800 million is being met nationally from indigenous resources as an unconditional contribution.

Intervention Area	Time Frame	Policy Recommendation	NDC & NAP Commitments
	Necessary Steps 2024	2.1 Investing in Ecological Restoration-Creating Regenerative National Greening 2.2 Stakeholder Engagement: Community Consultations 2.3 Public Awareness Campaigns 2.4 Designing a Master Plan with a network of soft pedestrian integrated connectors and cycling lanes.	
	Recommen-dations (2024-2025)	3.1 Sustainable integrated plan of development: i. Spatial planning for climate resilience ii. Integrate land-use planning guidelines iii. Coordination with transportation plans iv. Cross-Sectoral Integration 3.2 Create Secondary and Tertiary Cities and SEZ Networks 3.3 Integrated Rapid Mobility Plan 3.4 Green Building/Spatial Codes/ Ecological Mitigation Adaptation Bye-laws 3.5 Climate-Responsive Infrastructure: Green Infrastructure 3.6 People Friendly Walkable/ Cyclable Cities.	

Intervention Area	Time Frame	Policy Recommendation	NDC & NAP Commitments
Air Fuel Renewables & Transportation	Immediate Action (2024-2025)	1.1 Levy Heavy Taxes on private cars. Tax rebates on Renewable Public Transport. Create Car Free Zones - Enforce a Congestion Charge in heavy traffic zones as in London - proposed 10% per year 1.2 As per the approved EV Policy make a 1-to-3-year road map to transition to EV's in the private and public sector - proposed 10% per year 1.3 Public Transport: make an immediate 1-year road map to Immediate Action (2024- transition 3 wheelers to EV, starting February 24 2025) 1.4 Subsidies and tax rebates are given in the first 2-year period. 1.5 Ban Diesel for heavy vehicles and plan conversion to renewables within a 1-to-4-year period - proposed 18% per year 1.6 Private vehicles should convert to EV within a 1-to-6-year period proposed 10% per year 1.7 Clean Energy Subsidies: Supporting clean energy initiatives.	Renewable Energy: By 2030, 60% of all energy produced in the country will be generated from renewable energy resources including hydropower.
	Necessary Steps	2.1 Reduce vehicles, increase public transport, and clean fuel and transition to 30%-proposed 5% each year 2.2 An autonomous Cell within the EPD be created for Capacity Building/Monitoring of updated vehicle emissions 2.3 Systematically reducing the number of vehicles, Renewable Energy Deployment: Easing regulations to promote clean energy.	By 2030, 30% of all new vehicles sold in Pakistan in various categories will be Electric Vehicles (EVs).

Intervention Area	Time Frame	Policy Recommendation	NDC & NAP Commitments
	Recommen-dations (2025-2026)	3.1 As per the Oil Refinery Act phase out Euro 2 fuel- introduce Euro V, VI, VII Zones incrementally, immediate to mid-term. 3.2 Create a Decarbonization and Emissions Reduction Cell (DERC) at the Federal and Provincial levels - immediate February 24 3.3 Declare National Euro 5 Zones	
Waste Management	Immediate Action 2024	1.1 Urgent actions will focus on implementing key policies outlined in the National Waste Management Act, introducing Extended Producer Responsibility (EPR) policies, and providing tax incentives for businesses embracing waste reduction practices.	
	Necessary Steps (2024-2026)	2.1 Reduce Energy Consumption: i Mitigate Greenhouse Gas Emissions ii Promote Sustainable Construction Materials iii Enhance Indoor Environmental Quality iv Establishment of Material Recovery Facilities (MRFS) v Community Recycling Centers	
	Recommen-dations (2024-2025)	3.1 Development of Green Building Codes & Standard 3.2 Capacity Building - Compliance & Certification: Training Programs: Incentivize Innovation. 3.3 New Modular Community Based Public Private System Integrate green building principles into Municipal Master Plans	

Intervention Area	Time Frame	Policy Recommendation	NDC & NAP Commitments
Fossil Fuels & Industry	Immediate Action 2024-2025	1.1 Renewable Energy Integration: Green Transport Initiatives: Implement fuel efficiency standards. Encourage public transportation.	Recharge Pakistan: By 2030, the project envisages the education of flood risks and enhanced water recharge at six sites in the Indus Basin, building resilience of 10 million people, as well as strengthening vulnerable ecosystems.
Carbon Pricing	Necessary Steps (2024-2025)	2.1 Transitioning from Fossil Fuels to Renewables, Hydro, Solar and EV 2.2 Fossil Fuel Subsidy Reduction: Phasing out subsidies for fossil fuels.	Coal: From 2020, new coal powerplants are subject to a moratorium, and no generation of power through imported coal shall be allowed, shelving plans for two new coals fired power plants in favor of hydro- electric power and focusing on coal gasification and liquefaction for indigenous coal. The policy sets the specific target of at least 20% regeneration by 2025 and at least 30% by 2030
	Necessary Steps 2024	2.1 Afforestation and Reforestation: Develop policies to protect and restore degraded ecosystems.	
	Recommen-dations 2024	3.1 Carbon Pricing and Trading. 3.2 Establish a National Carbon Trading. 3.3 Debt-for-Nature Swap Programs: Explore and negotiate debt- for-nature swap 3.4 Blue Carbon Conservation: Implement policies to protect and restore coastal ecosystems 3.5 establish a decarbonization and emissions reduction cell DERC	
Public Health and Air Quality	Immediate Action 2024-2025	1.1 Cleaning Water Channels and Rivers 1.2 Transitioning out Plastics	
	Necessary Steps 2024-2025	2.1 Limiting chemical exposure of farmers	
	Recommen-dations 2024-2025	3.1 Clean Fuel 3.2 Ban Diesel	

Intervention Area	Time Frame	Policy Recommendation	NDC & NAP Commitments
Water/Energy/ Disaster Nexus	Immediate Action	1.1 The food system must adopt sustainable mechanism	
	Recommen-dations 2024	1.2 Activate the 'Living Indus Project' with immediate effect	
Agriculture	Necessary Steps 2024	2.1 Ban Crop Burning - Implement Waste to Energy Mechanisms 2.2 Create sustainable products from residue	
	Recommen-dations 2024-2026	3.1 Policy Recommendation: Climate-Resilient Agriculture: Promote climate-smart agricultural practices. 3.2 Pakistan would need to adopt climate-smart crop management. 3.4 Awareness: Education, embedding the new narrative of human capital and wellbeing related to Climate Change.	

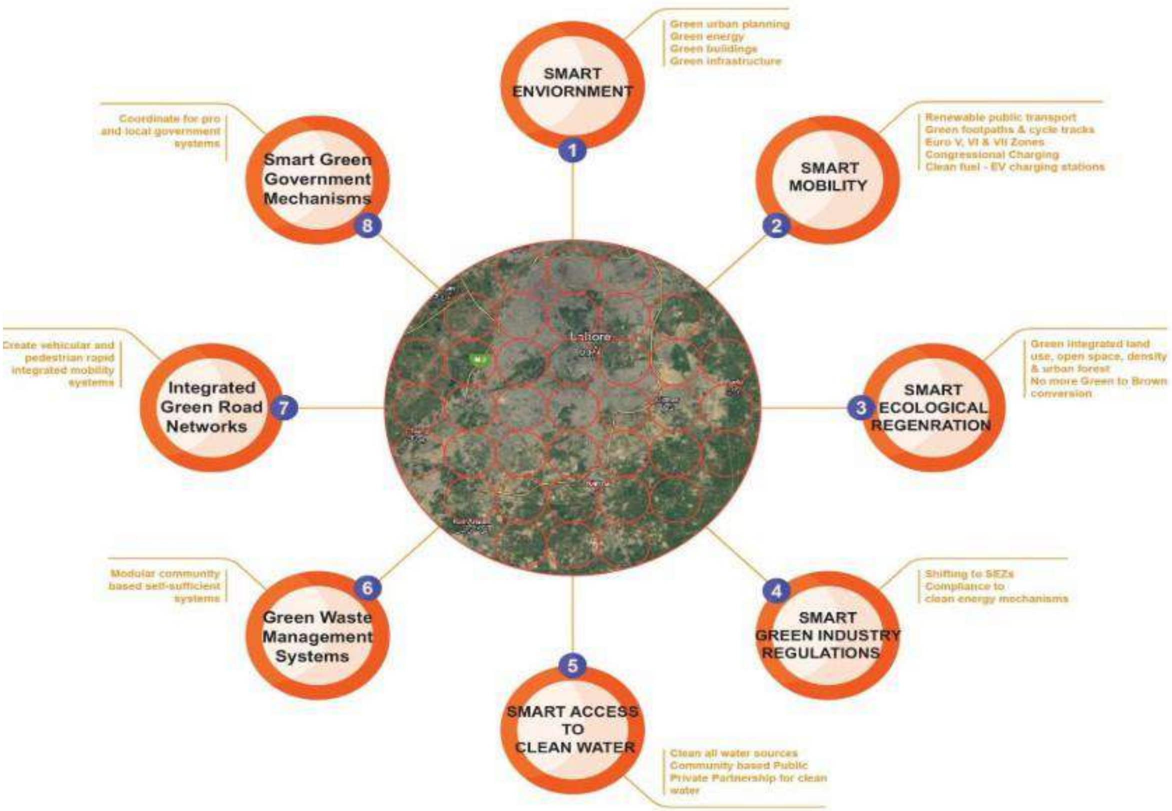
Annexure – Proof of Concept

Proposed Pilot Model: That Fully embraces all Recommended Policy Components of a Green, Sustainable, Inclusive and Equitable City

'Eco-City Smart Sustainable Integrated Growth Model – The Modular City'

Prototype: Pilot-Lahore – To be replicated as a pilot in one city of each province, AJK and GB

All Sustainable, green, inclusive components placed within the defined city boundary, following a modular, community-based public-private partnership model



Proposed Pilot Model/Module – Selected Positive Climate Mitigation Impact

Existing Position	**Pilot Model Positive Climate Mitigation Impacts**
Lahore has lost 75% of green cover in the last 10 years	40% increase-Green Area – 5% a year regeneration & carbon absorption
Densities: 90% live in 10% area: 10% live in 90% area	Zoning & Boundaries will create a Balanced Sustainable City for all
Lahore Temperature increased 10% in 10 years	5% Temperature will decrease in 5 years and continue downwards
83% Air Pollution caused by Vehicles	This Model can bring Vehicular Emissions to 0%-Clean Fuel/Renewables
Decreasing Vehicular Registration	10% Traffic Decrease in 5 years
60% Rise in Ocular, Pulmonary, Heart, Cognition etc.	Over 60% decrease in diseases
Urban Areas increased by 23 sq km a year in the last 10 years	City Boundaries define efficient integrated management systems

**The Modular Method enables public private/community based efficient homegrown immediate implementation mechanisms*

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