



POST SEMINAR REPORT

PAKISTAN'S ECONOMY; CHALLENGES AND WAY FORWARD

17TH September 2019

National Defence University, Islamabad



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Challenges and Way Forward

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Lieutenant General Aamer Riaz, HI (M)
President
National Defence University

FOREWORD

I t's been quite some time that Pakistan has been embroiled in an economic crisis. The past growth rate of 5 and 6 percent per annum growth, has now plummeted further. Changes in the global monetary trends, fluctuating oil prices, and reduced investor confidence have negatively impacted the country's already precarious economic situation.

One of the greatest economic challenges facing Pakistan is that of tax evasion and poor mobilization of domestic resources. In addition, the impediments the energy shortfall and widespread power outages have further hurt the industrial growth.

At present, Pakistan's system is ill-equipped to make changes to avoid future economic crisis. Therefore, it is vital for its policymakers to seek durable solutions and not short-term quick fixes. Therefore it is my hope that the conclusions and recommendations drawn through series of brainstorming sessions at NDU will help policymakers, devise a more durable policy on agriculture, livestock, fisheries and SMEs which would not only pull Pakistan out of its economic plight but also help the country achieve lasting growth.



Major General Asif Ali, HI (M)

Director General

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PREFACE

Pakistan for decades has been facing one crisis after the other. The country's economy has underperformed because it has been cash-starved and constrained by poor governance. In addition, major challenges which have hampered the economic growth include: rupee shortfall, FATF grey list, US condition of the CPEC loan repayment, depletion of foreign reserves, stagnant exports, high oil and other import bills.

The inflation rate is now touching a record high mostly due to rupee depreciation and rising energy prices.

To attract investment, Pakistan should ease customs laws and regulations, maintain peace in the country, and rebrand its international image as a desirable destination for tourism and industry. The unexploited domestic and export potential in textiles, agriculture, engineering and IT and opportunities in infrastructure development may help pull the country out of its current economic crisis.

An economic turnaround is projected, and the economy is already showing signs of improvement. The exports have increased while the trade deficit has decreased by 33.5% in the first three months of the current fiscal year. With other parameters showing positive results, the government has been taking every step, which it considers helpful to yield results, however, the nation needs to help facilitate the process for lasting results.

Seminar/ Brainstorming Sessions

Pakistan's Economy Challenges and Way Forward



Background

On the request of GHQ, NDU organized a one day seminar on “Pakistan Economy; Challenges and Way Forward” on 27 Jun 2019. After the termination of the seminar, it was realized that the subject can be further studied by NDU to take this exercise to a logical end.



Methodology Adopted

After an indoor deliberation, NDU decided to further brainstorm the whole Economic Sector under three different Sub Sectors from July to August. During these sessions, the decision makers were invited and the recommendations collected through these brainstorming sessions were proffered in front of them. 1st, 2nd and 3rd Sessions on “AGRICULTURE”, “INDUSTRIAL SECTOR” and ”ISSUES OF PRACTITIONERS” were conducted on 11 July, 8 August and 27 August respectively. On the request of participants another small session on AGRICULTURE was also conducted on 23 July. Subject specialist were invited from across the country and during discussion, equal opportunity was provided to all the participants to extend practical suggestions relating to overcoming the challenges faced to their respective sector in order to crystallize the thought process and finalize recommendations. As a sequel to the above mentioned brainstorming sessions, a final session in the form of a seminar was held on 17th September 2019, where all important decision makers including; Mr. Sahibzada Muhammad Mehboob Sultan Federal Minister for National Food Security & Research, Dr. Abdul Hafeez Shaikh Advisor to Prime Minister on Finance, Revenue and Economic Affairs, Mr. Syed Muhammad Shabbar Zaidi Chairman FBR, Mr. Abdul Razak Dawood Prime Minister’s Adviser on Commerce and Mr. Fakhar Imam Member National Assembly had been invited. Participants of the seminar were mostly the same individuals who had participated in their respective brainstorming sessions barring a few additional subject specialists. After President NDU’s opening remarks, Brigadier Masroor Ahmed (Retd), sponsor subject exercise, first made a presentation based on the recommendations collected during the brainstorming sessions after which an interactive session was held. The COAS gave the closing remarks to formally conclude the session. The contents of the presentation were based on the report discussed in subsequent paragraphs.



Opening Remarks

by Lt General Aamer Riaz, HI (M)
President National Defence University

In his opening remarks, President NDU welcomed the distinguished guests, civil society, academicians and the policy makers to the final session of the seminar, Pakistan's Economy: Challenges and Way forward.



He highlighted that; NDU is a premier research institute and economy is vital to a country's National Security, therefore, NDU was assigned the task to hold discussions with key stakeholders of the economy in order to help the policymakers devise a strategy and way forward. He also thanked the government functionaries who allowed NDU to conduct the seminar with an open mind.

He stressed that over a period of time, a trend has emerged in which every person appearing on television screens has become an economist. Managing the economy of a state like Islamic Republic of Pakistan, which is surrounded by so many threats, both; from within and outside, should be given to those with knowledge, experience and wisdom. 4 Pakistan has tremendous pluses. If these pluses are actualized, Pakistan has the internal strength to stabilize its economy. There is hope that one day Pakistan will not be at the receiving end of the economic aid but will be helping those in need. A self-sustaining, mutually complementary system is needed which supports the country's economy to grow rapidly.



Many other institutes have already worked on economy from different perspectives. Generally, when the economy is discussed, the agriculture sector is often overlooked and kept in the background. Given its importance, it should be given the utmost attention.

The government has right to collect revenue and it should be treated as a partner in the business. The government should facilitate businesses to grow and in an ideal environment, both parties have to work as partners. With the government's help, when businesses begin to flourish, its share in the form of tax would also increase. Therefore, we as a nation should overcome the psyche of evading taxes. Taxation and Economic reforms cannot happen overnight; therefore, the nation needs to be patient with the process and outcomes. He hoped that the discussion will bring about fruitful results.

In the end, he requested the worthy ministers to curtail discernable gap between academicians and research which is carried out in universities and hoped that it will be bridged sooner than later.



PART I
AGRICULTURE



General



Agriculture constitutes the largest sector of our economy. Majority of the population, directly or indirectly, is dependent on this sector. It contributes about 24 percent of Gross Domestic Product (GDP) and accounts for half of employed labour force. It is the largest source of the country's foreign exchange earnings. The main agricultural products are cotton, wheat, rice, sugarcane, maize, fruits, and vegetables, in addition to milk, beef, mutton, and eggs.

Focus

When Pakistan came into existence, 47% of the country's GDP was based on agriculture and today, it has come down to 19% direct and 19% indirect. Pakistan has a total area of 196 million sq km, out of which 49 million sq km is

under cultivation and 32 million sq km is under irrigation. The five major crops of the country; wheat, cotton, rice, sugarcane and maize, take up to 73% of the country's total agricultural land.

There are two ways to increase yield. The first strategy focuses on providing more cultivable land to the farmers, whereas, the second strategy focuses on increasing the capacity of the already existing cultivable land. The first strategy might not prove feasible due to the acute shortage of water the country faces. Researchers predict that Pakistan is on its way to becoming the most water-stressed country in the region by the year 2040. Keeping in view the scarcity of the resource, in this report, the strategy of increasing yields of the already existing cultivable land has been employed.

Given the importance of the agriculture sector, the Prime Minister has launched an Agriculture emergency program which covers all the vital sectors of agriculture. With reference to the emergency scheme, this report will therefore focus on the following:-

- Productivity and marketing of important crops.
- Livestock indicators.
- Fisheries.
- Water conservation, utilization and increase in productivity.



Productivity and Marketing of Important Crops

1. Ease of Doing Business

Productivity is one of the major issues of agriculture in Pakistan. Inefficiency and low productivity of our human resource have been a major hampering factor in the growth of the agriculture sector. The country's yield gaps are too high between the progressive farmer and the average. Our progressive farmers have been able to achieve results with the existing infrastructure and regulatory environment. The reasons why others haven't been able to achieve the same results include lack of capital for mechanization, knowledge of modern techniques, absence of formal credit and marketability at harvest. If these four factors are not addressed, the agriculture sector will not reach anywhere and the average farmer will not be able to produce the same results as a progressive one. Therefore, in order to achieve higher productivity and better access to markets, the following aspects need to be considered:-

• Incentives and Subsidies

Incentives are given to the agriculture community in order to supplement their income, manage the supply of raw material, and regulate the prices of the final product:-

Challenges

- Present government's step to slash tax on agricultural loans from 39 percent to 20 percent would not provide relief to the farmers but will benefit the banking sector as it will increase the bank's assets, notably their investment portfolio. The lack of incentives in the sector is marked by non-reduction in prices of

fertilizer, exploitation by middleman in agri-marketing and high input costs incurred by farmers.

Recommendations

- The government should extend subsidy support to its farmers to purchase farm inputs at par with subsidies given by the Indian government (\$250 per annum per farmer, blanket tax exemption; subsidies on fertilizer, seeds, energy and water for irrigation; low-interest loans; cheap crop insurance; high tariffs to block food imports; and price supports for more than 20 crops). This will provide level playing field to Pakistani farmers to compete with the Indian farmers on export end.
- In the current budget no relief has been provided to an average farmer. The 2% tax of fertilizer, instead of being waived, under value addition has been increased by a further 3%.
- All taxes imposed on electricity, fertilizer, diesel, pesticide, seeds, tractors, implements and devices used in agriculture should be reduced to a minimum.
- All countries, including India, have no duty tax on cotton. The cost of production of cotton in India is almost half than Pakistan. When Pakistan will import cotton on subsidized rates, the market value of local cotton is bound to reap losses to the local growers. This will give farmers no or low incentive to produce cotton locally.
- The textile industry which is the only buyer of cotton in the country monopolizes the market and suppresses the prices far below the international rates.



In these circumstances, it is imperative to timely announce the support prices of cotton in order to secure growers profitability, which is widely practiced in the neighbouring country for over 27 crops including cotton.

- Pakistan also needs to ensure price regulation of its products. The farmers are not given their due share and the price they get is not in parity with the international standards.

- **Mechanization**

Mechanization is the process of using agricultural machinery to mechanize the work of agriculture, thereby, greatly increasing the farmer's productivity. It not only includes the use of machines, whether mobile or immobile, small or large, run by power and used for tillage operations,

harvesting and thrashing but also includes power lifts for irrigation, trucks for haulage of farm produce, processing machines, dairy appliances for cream separating, butter making, oil pressing, cotton ginning and rice hulling. Unfortunately, in Pakistan, the concept of "mechanization" doesn't go beyond the use of tractors and few other machines. Thousands of small farmers still prepare their land, sow seed and groom and harvest their crops manually, or with the help of old-fashioned, non-electrical machines. And this is a major reason for the yield gaps and low farm productivity. In the last five years, banks have made larger loans to the agricultural sector. But only about 5pc of these loans, have been offered for the purchase of farm machinery, official statistics reveal:-



Challenges

- The use of machinery in farming is growing at a slow pace and the use of most modern, productivity-enhancing, machinery is still very limited. The reasons behind slow mechanization are many, which include: lack of policy direction, low bank lending for agricultural development and poor state of local agricultural machinery manufacturing.
- Availability of required machinery at the time of need at low rent at nearby places for small farmers is also a big challenge.
- Low investment in agriculture in general, and in mechanization in particular, according to a report of the Pakistan Institute of Development Economics.
- Production of farm machinery is not undertaken after a thorough research on market requirements adding that many locally produced machines are of poor quality or have short work-life and are, thus, uneconomical.

Recommendations

- If Pakistan does not introduce indigenous technology in the field, the cost of it will be exceedingly high for an average farmer. India got the technology from Israel and tailored it according to its needs. Pakistan needs another green

revolution and mechanization because widespread manual sowing is impossible on large areas.

- From tractors and front-end loaders to wheat and maize thrashers to potato diggers, there is a long list of machines that are being produced locally as well. However, there's no exclusive policy package for this industry. There is therefore, a need of improved supply of electricity, some tax incentives and cooperation from government agencies to help consolidate this sector for production of high quality machinery.
- The federal and provincial governments periodically announce subsidy schemes for agricultural machinery but that is not enough. The country needs a well-integrated agriculture mechanization plan with a focus on local industry of machinery manufacturing and import of productivity-enhancing machines.
- In order to promote mechanization, the government should provide small scale farmers machinery on minimal rent. Big Growers in their areas provide machinery like (tractors, laser-land-levelers, bulldozers and other equipment) to small farmers for preparation or level their land. While the agriculture engineering department does provide bulldozers and levelers on rent, but there



are limited number of bulldozers and other heavy machinery to go around when compared to the number of applications. It is suggested that all type of agriculture machinery should be made available to farmers at minimum possible rent centrally under Government arrangements at union council level throughout Pakistan.

- Laser land leveling is leveling the field within certain degree of desired slope using a guided laser beam throughout the field. Unevenness of the soil surface has a significant impact on the germination, stand and yield of crops. However, traditional methods of leveling land are cumbersome, time consuming as well as expensive. Land Leveling through Laser Leveler is therefore, a proven technology that is highly useful in conservation of irrigation water. The technology should be made readily available to the farmers as it will optimize water use efficiency, improve crop establishment, reduce the irrigation time & effort required to manage crop.

2. Seed Pollution

Crop yields are directly proportional to the

quality of seeds. Quantity also matters. Farmers can't hit a certain crop size and per-hectare yield if they don't have enough seeds of a particular quality. In Pakistan, crop seeds of all kinds are generally in short supply. The quality of the bulk of them is far from the best. Therefore, per-hectare yields are low and large pieces of land produce small volumes of crops. That in turn, means a higher cost of production per hectare, bigger financial subsidies for farmers and still higher market prices of food grains, sugar, cotton etc. In the local economy, it has an impact on food inflation. In foreign markets, it makes our food exports less competitive. In Pakistan, farmers were provided with good quality maize seeds and from the year 2004 onwards, there has been a 133% increase in its growth. The 850 private seed distributors have no ethics and are manipulating the sector for profits only. If a farmer gets a good and suitable seed the results would definitely be more positive and encouraging:-

Challenges

- Pakistan has almost 850 registered seed companies where as India has only 70. The large plethora of companies has led to seed pollution.



- There appears to be no regulatory check on companies flooding the markets with impure seeds of different brand names to attract growers. No one checks whether the tag of the seed bag matches quality of seed.

Recommendation

- Seed mafia is operating without any rules and regulations. It is important to have strict policies that ensure these companies deliver results as claimed.
- The other challenge which has to be fixed on urgent basis is the seed distribution which is a hurdle for all crops and not only cotton.
- Government needs to invest in infrastructure and technology for seeds' varietal development so that indigenous seed is preserved and farmers are not left high and dry in case of any major viral attack on crop (farmers usually keep their own seed for crop sowing).
- High number of seed companies is the biggest impediment to development of seed market in Pakistan. We should promote only those companies which have research facilities, breeding programs, proper storage, and marketing facilities and can carry out farmer-awareness programs.
- At present total seed market of Pakistan is over PKR 20 billion while it has the potential of going up to PKR 220 billion. Research in seed can be of three types, one, to produce seed for higher yields having better germination, pure of any contamination and with strong vigor. Second is to develop hybrid seeds which can enhance production from 25 to 30 percent and third is to develop genetically modified crops. "Unfortunately, we are doing research in the first type of seed development but that too, of poor quality while later two types of seeds are totally ignored. We are not paying any attention to bringing in new technology bearing seeds to meet the requirement of ever increasing population.
- Pakistan should establish public-private partnership for agriculture research. The controlling authority should be with the private sector so the research institutes can carry out market driven research. The companies in research and development should be given incentives by the government.



3. Advisory Council

Advisory role is very important, in which the farmer is advised on matters related to nutrient profiling of soil, use of pesticides, the time to sow and harvest the crops, water management, climate change, marketing and cost of input due to which the farmers suffer. There is no advisory council to advise the farmers on matters pertaining to water management, sowing, harvesting, crop rotation and soil profiling:-

Challenges

- Nepotism and political influence hampers the hiring of right people in the already existing, Pakistan Agricultural Research Council. These people don't have field experience and knowledge due to which it becomes difficult to form a council with the right blend of people.

Recommendations

- Small-scale farmers are the most disadvantaged and vulnerable in Pakistan, as they tend to be poor, illiterate, lacking in basic

farm implements, and heavily dependent on purchased extension services and inputs. Therefore, extension of information should be done through TV/Radio programs. Workshops and seminars should be conducted periodically to educate the farmers. Professional training of farmers should be done in demand-driven technologies and these individuals should be encouraged to serve their communities voluntarily as extension workers.

- The advisory council should also have women participation in order to reach out the female farmers more effectively. In addition, the council should be reselected and formed every 5 years with merit based selection from among those who are actually doing the work.
- There needs to be a proper weather forecast system in which the meteorological department should predict rainfall and weather patterns a month prior so that the farmers can plan crop patterns accordingly. This will give precision to harvesting patterns.
- It is therefore of extreme significance that input providers are screened for quality and how much of that input is being translated into yield, etc.
- The Advisory Council should help the farmers understand and meet the requirements of sustainable farming practices. The council could address the knowledge gaps for developing the effective extension education strategies to promote synergies between the agricultural production and research centers.
- Mobile apps can be used in Urdu or local language with data inputs that will facilitate the assessment of the market value of the

products, make necessary steps and corrective measures to face the market situations. Applications based on remote sensing and geographic information systems should also be used to make weather predictions, water management and sowing patterns.

4. Lack of Research

Agricultural research plays a significant role in meeting production targets through technological innovation, inputs, and techniques:-

Challenges

- Research and development in agriculture sector is almost non-existent. The people being hired to run the agriculture department have no expertise in the field. The local/provincial government and universities are not working together due to which the farmer remains misguided.
- The research centers are under equipped and are not given enough financial assistance. The scientists have the potential but the process is slowed due to policy impediments and internal politics.
- Before the 18th amendment, the federal universities were under the president whereas the provincial are under the governor. These universities are now under the secretaries of their relevant ministries who are non-technical people. In addition, the bureaucratic system creates hurdles for smooth flow of research.
- Universities before the amendment (2010) were in charge of all three: research, teaching and extension. Now with the division all three have gone under different structures and don't work in coherence. Because of this, there are no demarcated objectives and the targets have become unachievable.



Recommendations

- Nepotism and political influence should be eliminated while hiring people at key posts. In addition, the education system needs to be more practical and skills-based so that the individuals have the necessary skills to perform at the job.
- Universities should be encouraged to generate resources and collaborate locally and internationally to reduce dependence on public funds. This can be done through partnerships with nonprofits and the private sector. In addition, an excellent way to generate revenue can be by using campus facilities for filming TV, film and commercial shoots.
- The universities are now under the secretaries of their relevant ministries who are non-technical people. Either the secretaries should be technical people or the previous structure should be implemented.
- The tenure track system should be re-introduced to evaluate the performance of professors. The system will push the teachers to take up projects and research and disseminate information for a more balanced approach. It will also evaluate an individual's performance and his/her promotion will be based on this.
- PhDs and universities need to extend their research to farmer for better results. The Government should enhance the R&D expenditure from 0.2% to 2% of its agriculture GDP. In addition, agriculture budget should be allocated to the Agricultural Universities.
- To develop a good variety will require at least a million dollars. It takes 7-8 years to develop a good variety after which the

federal seed certification registration authority requires 2-3 years of national varietal trials. This means, that during the seed trial, the variety gets leaked into the market and is introduced before its official launch. This is the reason why companies are not investing in seed research as it will be rather philanthropy and bring no gain to it. Today, a more enabling regime is needed which allows the private sector to come in. 14A lot of money has been wasted on molecular breeding and all the varieties that are being introduced right now have been produced through conventional breeding. Therefore, research areas need to be periodically monitored and evaluated.

5. Crop Zoning

Crop zones are geographic areas that are defined by climatic conditions, specifically minimum temperatures. Crop zones are mostly known as 'hardiness zones'. In each crop zone, a specific category of plant life is capable of growing, as defined by climatic conditions, including the plant's ability to withstand the minimum temperatures of the zone.



Unfortunately, in Pakistan crop zones have not been demarcated and the land is marked by two zones, namely; rice-wheat zone and the cotton-wheat zone. The highest yield output is received from the rice zone. Because cotton is terminated late in the country, wheat is sowed late, i.e. in December and therefore, results in low yield. If it is a focused and timely harvest, we can multiply our yields:-

Challenges

- Government has little power to influence cropping patterns across country, thanks to devolution of agriculture as a provincial subject under 18th amendment.
- The proposal may receive strong opposition from other major crop growers who have gained share in area on cotton's expense.

Recommendations

- There is a need to mark crop zones based on physiography, climate, land use, water availability, soil profile, proximity to industrial units and crop targets. Zoning of cotton will also help prevent cross farm contamination.
- Urban planning should be done in a way that the cultivable land is not destroyed or wasted. For this, the land mafia should be controlled.
- There is also a need to study Geographical Indication (GI) factors as well. GI would make Pakistan patent to the products it produces and allow it to export it under the brand name "Pakistan". The same breed when produced outside, will also allow the country to attain royalty rights. Therefore, crop zoning with reference to GI will help grow crops that are patent and have a strong export base.



6. Lack of Value Addition

Value added agriculture is a process of increasing the economic value and consumer appeal of an agricultural commodity. It is the production/marketing strategy which is driven by the customer needs and the preferences. "Value-added" is used to characterize food products converted from raw materials through processes that give the resulting product an "incremental value" in the market place either through higher price or expanded market. Examples of "value-added products" are Jams, Ketchup, squashes, cheeses and pre-cooked meats. Pakistan loses 10-30% of its produce every year due to lack of value addition. The size of global processed food industry is estimated to be valued around US \$3.5 trillion and accounts for three-fourth of the global food sales. Most of the growth is taking place in developing countries in Eastern Europe, Asia and Asia-Pacific, which are experiencing increase in population. The huge market in ASEAN countries alone, with over 550 million people, is a vast potential waiting to be untapped:-

Challenges

- Main challenges facing agro-processing industry in Pakistan are post-harvest losses due to a lack of storage and transport, inability to supply raw materials, inadequate cold chain facilities, poor funding, lack of investment in supply, lack of training facilities for farmers and processors, poor product quality, weak regulatory system, poor technical choices, lack of innovation, unequipped food analysis laboratories, inefficient market structure and lack of coordination links with academia, industry and research organizations. Since it is an alternative production and marketing strategy that requires a better understanding of the rapidly changing food industry and safety issues, consumer preferences and effective management, Pakistan lags in value addition because it has not tapped the potential of its markets or done research to target the right consumers.

Recommendations

- It is important to have processing plants at the site of production so that transportation costs are decreased. The government must encourage setting up processing plants through tariff incentives, accelerated depreciation of 100% and through turnover tax (not to be paid until the business becomes profitable). Agriculture needs to be turned into an organized sector and should be documented. This can only be done through value-addition. This will also ensure uniform price and the industry will work with farmers to yield results.
- There is a dire need to establish trading programs. Fresh products and perishable items should be exported to new markets like Qatar, Afghanistan, Emirates, Turkey and Iran. There is a need to exclusively process fresh farm products, especially those which are perishable. For this, food grade machinery should be reengineered.
- Thorough marketing research is critical to the success of most value-added businesses. Farmers are accustomed to marketing the type of products where there is always a buyer. For this universities should study consumer needs and behaviors and transfer the knowledge to farmers. This could be done through market surveys and other field research.
- Following should be ensured:-
 - Bulk handling and storage technology at farm levels
 - Credit by banks and financial institutions
 - Setup of "Food Parks" and "Technology Transfer Centers"
 - Develop cottage industry on priority basis
 - Establish small food processing units at district level
 - Encourage direct marketing of products by the farmers
 - Revise Pakistani food standards for quality of food products
 - Use of local material in packaging
 - Improving process efficiency and decrease in losses
 - Linkages between industry and research organizations
 - Focus on brand building
 - Both public and private sectors must cooperate by sharing responsibilities and coordination

7. Middleman

In rural economy, the farmer uses land and his labour power and the middleman provides

money to facilitate production. Without middleman's credit, over 80 per cent farmers would not be able to buy seed and fertilizer. They will not even be able to prepare their fields for sowing if the middleman does not provide money for the diesel. That is how ground realities define the role of the middleman and make him an essential part of the crop cycle:-

Challenges

- Without middleman's credit, over 80 per cent farmers would not be able to buy seed and fertilizer. Therefore, he uses his role to blackmail the farmers into submission. He produces following challenges to the Farmers/Government:-
- **Practice of Black Marketing.** Middle man creates the artificial demand for the products in the market by breaking the continuous supply of grains between farmer and industry. Middle man stores the huge amount of grains to ultimately create the artificial shortage of a specific product in the market.
- **Duplicate Products.** Middle man uses duplicate products of seeds, fertilizers and pesticide for illiterate farmers. The farmers totally rely on the middleman and accept all the products of middle man with open arms.
- **Selling Expired Goods.** A huge amount of expired products are being sold to small farmers without any rule and regulation.

Recommendations

- If our farmers are not stable financially, they can never contribute in the race of better yield from crops and the use of modern techniques. We have to support our farmers to improve the per acre yield and to feed the fast growing population of our country. For

this Government should take some important steps:-

- **Purity of products.** Government should make it easy and accessible the availability of pure seed, fertilizer and pesticides for farmers even at village level. Govt. can make it possible in collaboration with Zarai Taraqiyati bank or any other Government/private banks. In every union council government should establish branches and desks of this bank which provide farmers with all the sources (such as seed, fertilizers and pesticides) in the form of loan with a single thumb verification of their land, which is online now days.
- **Modification in Purchasing System.** At the end of each crop season, government must be bound to purchase the crop production of every farmer's crop with considerable rates announced by the govt. All the system must be very transparent and free from middle man. All the data of loan and the purchasing system of crops should be online. Every individual farmer can check the rates of all things which he gets as a loan and also the money he received at the end of all procedure from the bank branch.
- **Price Fixing Must at the Start of Season.** The announcement of wheat price in March when the crop is near harvesting, hardly works as an incentive. It is, therefore, necessary that the support price be announced for all the kharif crops in the month of January and for Rabi crops in August.
- **Cash Security.** Farmers really need the cash money of its yield for the sowing of next crop and for his children's needs.

Cash delivery in time can develop good link between farmers and government.

- **Strict Marketing Policy:** The government has to go for new marketing policy to cope with the challenge of new markets with special focus to streamline the role of middleman and introduce regulations, which bind the limits of margins. The small producers should be included in market committees. The government should also try to encourage direct linkages between farmers and business houses to increase profit margin for farmers.
- **Improvement in infrastructure.** Due to poor infrastructure, farmers often have difficulty in taking their produce to bigger markets and have to sell their produce at lower cost in the local markets. With improvement in infrastructure, they cannot be connected to wider areas which could help them make more choices to sell wherever they get a better price.
- **Vicinities.** Better access to bigger markets in near vicinities can provide

farmers with an opportunity to establish relations with bigger businesses and retailers. They would no longer have to rely on middlemen and get their right share of profit. Markets in the near vicinity would also reduce the cost of transportation.

- **Linkages.** Establishing linkages with factories, processors and retail chains would take away burden of middlemen off the farmers' shoulder. Not only would farmers benefit out of it but also factories, processors and modern retailers would greatly benefit since middlemen have been acting as a buyer and seller between the two ends and making more than 50 per cent of the profit.
- **Regulations.** Since middlemen have established networks in the market, they rule the market. The government should play its role as a watch dog in the market so that forces of demand and supply can act freely in determination of prices.
- **Redefining Role.** If implementation of above suggestions is not possible then both Punjab and Sindh governments



need to have dispassionate analysis of the role of middleman and his potential. It is not to suggest that the middleman should be left alone to exploit the farmers. They should be regulated in a way to reduce exploitative part. But in order to do that, the governments have to accept their role, and then re-define it.

8. Edible Oil

Pakistan has become the third largest importer of cooking oil after China and India. The country is importing edible oil worth \$2.5 billion. For decades the policy-makers have been trying to substitute this in order to save import bills. Even today, 70% of the country's locally produced edible oil is a by-product of cotton. Imports help the country meet around 75% of its domestic needs. In the first six months of 2018, edible oil imports accounted for 35 percent of food import bill of \$3.24 billion. Pakistan imports edible oil from different part of world such as Argentina, USA, Netherlands, Singapore, Malaysia, Norway and South Korea.

Challenges

- The main reason of the import is the lack of

awareness about oil seeds crops among the farmer community. Cultivation of major crops (wheat, cotton, sugarcane, rice and maize) is on large scale and there is a continuing ignorance to minor crops (oil seed). Shortage of quality seeds and market set up for oil seed crop, low yielding cultivars, insect-pest attack, diseases and weeds are the key hurdles to successful production of oil seed crop.

Recommendations

- There need to be strong policies which promote local edible oil production. India has the same problem but they changed their policy and the imports have gone down to 30% from 80% over a period of 25 years. Following their footsteps, Pakistan needs incentives and a sound price regulation mechanism.
- Evolution of early maturing varieties, stabilization of support prices, subsidies on seeds, fertilizers, and irrigation water and strengthening of the marketing system are incentives that may push the farmers to switch to oil seed crops.





Cotton/Sugarcane Production

1. Cotton Production

Agriculturalists and farmers are afraid that cotton production may decline further this year as the sector is plagued by wrong policies of federal and provincial governments. Cotton production and area under cultivation is also falling primarily because growers have shifted to sowing other major crops which guarantee minimum support price. In the previous fiscal year 2018-19, area under cotton cultivation dropped to 2.37 million hectares compared to 2.7 million hectares in the preceding year – a reduction of 12.1%. Production of the crop also witnessed a decrease of 17.5% to just 9.9 million bales during the last fiscal year. Government has set a target of 15 million bales of cotton for fiscal year 2019-20, which experts claim would be missed again by 4-5 million bales to meet its domestic needs. Additionally, production of cotton has also endured a hit from pest attacks. Situation of textile industries is worsening day-by-day due to lower availabil-

ity of local produce due to which, the industry had to rely on imports. For better understanding, tables comparing Pakistan's and China's cotton production yields have been attached as **Annexure A and B**

Challenges

- The key reason behind 30% reduction in cotton output is continuous decline in area of cotton production, non-availability of good seeds, low returns and lack of awareness in farmers regarding cotton production.
- Every year, nearly four million bales are destroyed by pink bollworm and white fly adversely affecting cotton production. Country lacked adequate technology to deal with these pests.
- Low support price and yield has forced growers to shift to maize, rice and sugarcane crops.

Recommendations

- All possible resources should be utilized for achieving cotton targets even if the existing



policies at Federal and Provincial levels have to be rectified.

- Cotton sector should be included in the “PM's Emergency Program to deal with agriculture” and special funds be allocated for improvement of this sector.
- Cotton growers are suffering losses. Need to introduce timely minimum cotton support price as is set for crops of wheat and sugarcane. The support price of cotton needs to be increased as well.
- Officers of the agriculture department should be regularly visiting different fields to check crops and resolve farmers' problems. National level seminars be organized at different places to create awareness and to convince farmers for growing cotton.
- Technical assistance and guidelines should be imparted to farmers with an objective to enhance cotton production, across the Country.
- The cotton crop should be insured and

government should offer interest-free loans to cotton growers in whole Pakistan.

- Government should offer subsidy on the cotton seeds, pesticides and fertilizers. Strict monitoring be done to ensure sale of quality pesticides and fertilizers in the markets.
- Foreign experts, academia, and researchers be engaged to get their input for the increase in cotton production. Additional funds be allocated every year for the agri-sector research.

2. Sugarcane

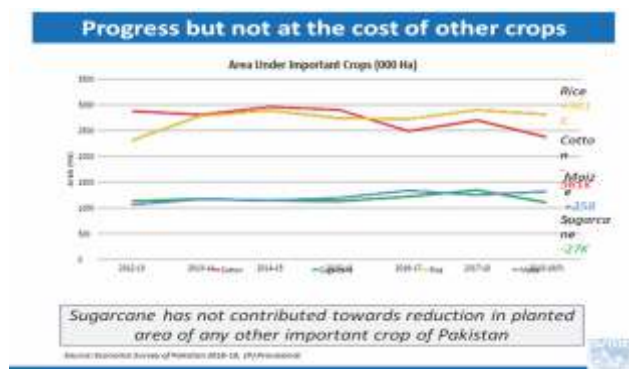
In the FY18-19 export permission has directly created an additional export earnings for Pakistan of roughly \$250 million in the last 12 months and opened up new partners for sugar trade such as China.

Challenges

- The biggest challenges are water availability

and profitability for the farmers.

- Progress but not at the cost of other crops.



Recommendations

- Sugarcane-A high value cash crop
- PSMA requests that current export regime should continue as it is.
- Same tariff free policy for export of sugar from Pakistan needs to be renewed by China for CY2020 with increased quantities (from 300K to 600K). In order to not lose the valuable Chinese export market and also not disturb local sugar balance, it is suggested to allow a quantity equivalent to the Chinese tariff free permission for CY2020 to be processed through a tolling mechanism by Pakistan's sugar industry.
- Bagasse should be made an essential part of the future energy policies of the country particularly the upcoming Renewable and Alternative Energy Policy.



- Furthermore, as surplus generation capacity exists in some of the sugar mills, CPP (Co-generation Power Policy) at appropriate tariffs should be continued for the benefit of the country.
- Improving research and dissemination methods to deliver highest quality sugarcane seed to the farmer will help immensely in improving yields and productivity.
- Developing and enforcing standards for inputs such as pesticides, weedicides and other farming products.
- Farmer education for best upkeep of crop and farming methods should be a top priority of government.
- FBR needs to amend clauses in the income tax ordinance to bring its rules in line with the policy which was given to sugar mills.
- In order to create a level economic playing field and to avoid distortion in efficient utilization of our agricultural raw materials (sugar cane), Gur sales must be subject to the same percentage of sales tax as sugar and its supply chain must also be taxed in line with sugar dealers and retailers.
- Work needs to be urgently started on simplifying and modernizing the provincial rules and regulations regarding the sugar industry by building consensus with the provinces at the Federal level.





- It is the third largest export sector of Pakistan in 2017-2018.

3. Horticulture

The word horticulture comes from two Latin words which mean “garden” and “culture.” Horticulture is the art and science of growing and handling fruits, nuts, vegetables, herbs, flowers, foliage plants, woody ornamentals, and turf.) Horticulture sector should be given prime importance in Pakistan Agriculture Industry as it is not only producing fruits and vegetables for local consumption but also generating foreign exchange through export of fruits and vegetables items.

Challenges

- Citrus, mangoes, potatoes, onions, apricot, cherries and cabbages are the primary export items from Pakistan and are highly recognizable all over the world. Since the low production of internationally favorite fruits like banana, apple, orange, grape and

strawberry can hardly meet the demand of the domestic market, export opportunities have squeezed further.

- Pakistani horticultural export items, especially Kinno, which has a large share in export, is facing quality issues. Countries like, Morocco, Egypt and Turkey have provided financial assistance to their horticulture sectors, which has likely to shrink the \$200m export of Pakistani Kinno in the international market.
- Mango, which is another leading export commodity, has also suffered due to low shipments to Middle East, Qatar and Oman.
- Pakistan's flower exports remained under Rs 180 million in the successive last two years each while Indian exports stood at almost Rs 1,900 million a year. World exports stand more than \$136 billion annually. Pakistan's cut flowers market is unorganized with no professional training in the field. In most cities, with large market potential, flowers are brought to wholesales



markets, which mostly operate in open yards. Other challenges include; inadequate refrigerated transport and storage facilities, lack of professional backup of delivery and supporting companies, which resort to the high cost of the technology and tedious phytosanitary certification and an unorganized domestic market.

- There is a downward trend in export of Kino and it is expected to worsen in the times ahead. The fruit has not only lost most of the international market but is also losing the residual demand because of multiple factors, such as diseases, lack of certification, high prices and a massive increase in the cost of business.

Recommendations

- Adaptation of modern agricultural practices, export oriented cultivation of varieties, changing the trend of supply led production to demand driven agriculture, encouraging value addition trends, catering international market demands and strengthening supply chain management will help the sector tremendously.
- National coordination should be increased to maximise effective promotion in export markets and address the issue of non-availability of skilled labour during harvesting.

- To overcome the challenges the flower industry faces; attention must be focused on: reduction in import duty on planting material and equipment and establishment of model nurseries for supplying genuine planting material; cooperative florist organizations should be established at regional level and training centers for diploma courses for training the personnel in floriculture should be setup.
- Three years back, Punjab government was warned that the citrus especially Kino business is sliding fast and may create social unrest. It ordered a detailed study and sought recommendations to avoid such a situation. Now these reports are gathering dust in government offices. There is a need to build an action plan based on those reports and execute it.
- For Kino exports, farmers feel that new trade and visa processes cause a delay and the government should rethink its policy priorities for the Afghan market which is almost a natural extension of the domestic market.
- Currently, orange varieties in the EU are already categorized into 'table oranges' and 'juicy oranges'. A similar distinction can be made between table mandarins and juicy mandarins. In the ethnic market segment, availability of Kino needs to be increased.
- Kino supplies are intermittent, and a regular demand-supply pattern is not established. Pakistan's Trade Offices in European countries can help overcome this problem by coordinating with importers to stagger their shipments during the entire season.

Livestock

1. Cattle Farming

Livestock is a subsector of Pakistan agriculture which contributes approximately 56% of value addition in agriculture and nearly 11% to the gross domestic product (GDP). It is a major portion of value added services to the agriculture sector. Cattle and goat farming in Pakistan is very common and popular. Goats are known as 'poor man's cow' because of their small size and having good capacity of producing milk and meat.

Challenges

- The livestock department is very small even though, livestock constitutes a large portion of our agriculture GDP. Unfortunately, not enough research or investment is being done in this sector.
- No big national or international investment have been seen in dairy, beef, mutton or carpet wool production. Most of livestock production system is still orthodox and rural subsistence oriented.
- We have a very limited number of highly trained graduates in animal production and

livestock product processing practices.

- Most of the highly trained scientific manpower (PhDs) are confined to their universities and only few are working in research and extension institutes. Livestock extension departments exist but on most occasions are being operated only for animal health cover. There is a little scientific coordination among various research organizations and agencies working to improve the food animal's productivity. Livestock production technologies developed at home do not reach the farmers because of poor extension services.
- Owing to the traditional ways of production, there has been no significant rise in meat production, and there are no incentives for the sellers to sell quality livestock due to established traditions.

2. Poultry Farming

Commercial Poultry in Pakistan was established in 1962. It is one of the largest agro based segment of Pakistan having an investment of more than Rs. 1,168 billion. With the continuous depletion of supply of red meat, poultry is the cheapest available animal protein source for



our masses. Poultry Industry generates employment and provides source of income to more than 1.5 million people of Pakistan directly & indirectly.

Challenges

- The general law and order situation in Pakistan has been a factor contributing to slower growth of the local poultry industry, especially in the last 10 years. Long hours of power shortage, especially in the extreme hot weathers, caused real damage to the growth of the poultry industry.
- Pakistan Poultry Association is receiving demands for Value Added Chicken products from a number of countries of European Union particularly Spain, France and also from Canada, Saudi Arabia and other GCC countries. Most counties want to ascertain whether the exporting country has regulations, which would enable their exporters to export disease free, safe, healthy and hygienic food, free of bacterial contamination, etc. Last year, the Saudi Government sent their inspection team to inspect the Poultry & Meat Processing Plants that were desirous of exporting to Saudi Arabia. They approved some poultry processing units and some meat processing units but laid down an observation that the Government of Pakistan had no regulations for inspection of slaughter houses for ensuring contamination free and hygienic food production. As such, though huge amounts have been paid by the processing plants, the exports are held in abeyance.
- Presently, soybean meal is not being produced in Pakistan and hence poultry sector meets its requirement by importing from abroad. In the Federal Budget 2014-15 Government introduced import duty @ 5% and sales tax @5% thereon, which increased the cost of production of poultry products tremendously. Soybean Meal is very rich source of vegetable protein and is being used as an essential poultry feed ingredient. It constitutes more than 15% of poultry feed. Poultry feed is major component, which is around 70 percent of total cost of production of poultry products.
- Worldwide, there are subsidies on export of processed chicken. Like European Union most exporting countries provides an export subsidy of 0.325 Euro cents per kg of frozen chicken exported. But Pakistan do not subscribe to the poultry provision of subsidies.



- The biggest foreign exchange earnings potential of poultry products, other than hatching Eggs and live chicks, lies in processed and ready to cook/ready to eat items. A poultry meat processing plant is highly capital intensive, and capital generated through bank loans carry a very high mark – up rate. The impact of high mark- up rate bears heavily upon the cost of production.

Recommendations

- Therefore, there is a need to build controlled environment poultry farms that will be able to overcome the critical summer situation. These farms when equipped with highly mechanized system of automatic chain feeding and nipple drinking systems make the environment quite conducive for poultry production.
- Pakistan has not been successful in producing specific pathogen free (SPF) chickens, and suffers from high feed prices along with poor quality feed containing high levels of mycotoxins. Local poultry farmers need consultancy regarding the selection of suitable sites for constructing poultry farms as previous clustering of poultry farms in a specific locality has created high disease occurrence.
- The industry has to control fluctuating prices and maintain a constant income, which means a move towards value added products. So, there is a need of sustained efforts to create awareness among consumers regarding overall quality and safety of value added products.
- To enhance the rural poultry egg and meat production, it is desirable to develop breeds with better egg & meat production and suitable to the local environment. Selection, development and conservation of indigenous poultry breeds and hybridizing with high producing exotic breeds will help us to develop high producing dual purpose breed for rural areas. These hybridized local genetic resources can be further utilized to develop our own dual purpose rural chickens, adjustable to the local environmental conditions.
- The export subsidy should be extended to processed (frozen) Chicken like other countries have subsidies on processed Chicken.



- While signing the bilateral trade agreements such as FTAs and MFNs with countries which have different regulations like China, Malaysia etc., it must be kept in mind that our industrialists must be relaxed as per their requirements regarding processes and products. For instant some importing countries require stunned poultry but here in Pakistan stunning is not allowed which add up 8.5% in its cost. Thus it needs a careful analysis of involved production procedures and the cost effectiveness. Likewise, no care is given to the import of chicken from other countries with respect to stunning and quality of meat.
- There should be some regulations for the inspection of slaughter houses by the Government of Pakistan for ensuring contamination free and hygienic food production.
- It is recommended to withdraw the custom duty and sales tax on the import of soybean meal, enabling poultry sector to keep supplying cheap poultry products to the masses. Moreover Commercial Importers are importing soybean must be treated at par and no custom duty, Income duty and sales tax be charged from them.
- It is suggested that as a financial incentive TDAP (Trade Development Authority of Pakistan) should share at least 50% of the



mark-up with the exporters to enable them to compete in international market.

- It is suggested that the benefit of duty draw back on the imported items i.e. grandparent chicks and soybean that constitutes between 10% to 12% of the production cost, should be passed on to the exporters of poultry products as exports rebate.
- It is suggested to take strict action against smuggling of many products from poultry industry so that those can be exported through proper channel.
- Halal poultry exports from Brazil are worth \$30 billion per annum. These exports are mainly imported by Saudi Arabia and other

oil rich Gulf countries. Pakistan being a natural halal producer can fetch this market in three years if the input taxes on poultry processing are refunded. Our country is still exporting some processed poultry products to Saudi Arabia, Doha and Qatar but the quantity is very low because the export prices are higher due to taxes that are not refunded.

- The main markets for Pakistani chicken products are Afghanistan, Iran, Turkey, Bahrain, Vietnam and Hong Kong. It still has the scope for exporting value added products, eggs from breeder stocks and day old broiler chicks but this needs to be realized to maximize its potential.



3. Ostrich Farming.

Ostrich Farming is a part of the livestock sector, particularly to cater to health conscious meat consumers. Demand for Ostrich meat has started rising in Pakistan in recent years due to zero percent fat, low cholesterol, richness of iron & protein and good taste. Few famous restaurants are offering Ostrich dishes, which has great demand from regular customers. Besides Ostrich meat, all other items like ostrich feathers, hide, fat, nails and eggs have a great demand in local and foreign market. Pakistan has imported more than 10,000 ostrich from abroad and presently Pakistan has about 4000 ostriches within 152 farms. Ostrich is newly emerging host in Pakistan for meat, skin and feathers. It is an opportune time for Pakistan to capture its share in the international market by rearing the ostrich commercially and launching its products both locally and in the international markets. Many by-products are produced from ostrich. These include ostrich leather and leather products, feather dresses, Ostrich Oil, Ostrich Oil beauty soap, Ostrich egg's shell Painting and Egg carving as decorate items.

Challenges

- Lack of breeders and high running costs are major factors contributing towards making it remain an untapped goldmine.
- Ostrich farms are usually set up in larger, open spaces. Each bird needs about a marla of land and requires 24/7 supervision.
- Certain constraints like high early mortality in chicks and difficult marketing etc. are weaknesses of this enterprise.
- Unavailability of day old chicks at country level and hatching facilities (Hatchery) is the

limiting factor for its growth as industry

Recommendations

- Ostrich meat is only sold in big hotels and restaurants. By opening shops that sell ostrich meat in every city and by inviting businessmen to participate in such a venture, the government can help market the business, thereby making its consumption a part of the norm.
- The government does not provide breeders with a subsidy. As a result, many face financial losses at the start. So, Subsidies for breeding stock and research grants for genetic improvement should be provided so that there will be high contribution for the development of new poultry industry (Ostrich industry) to lead the world.
- The ostrich farming offers an opportunity to develop a value added products market and is suitable for integrated rural development in Pakistan. The ostrich could be an important domesticated animal, but information about ostrich scientific farming structure is scanty. Therefore, deep scientific research is required for ostrich farming in the areas of nutrition; management, welfare, immunology and health, breeding and genetics and results should be implemented.
- Establishment of model ostrich breeding farm, hatchery and tannery in different zones of country.
- Awareness to the public regarding nutritional value of ostrich meat and eating habits and establishment of market for ostrich products.
- At present only breeding ostriches and day old chicks has market in country. Only large scale business is recommended because leather and feather products needed to be



exported to other countries.

- Government should declare an ostrich estate like it has declared in the case of poultry estates in the city and land should be given in this regard, to resolve many issues.

4. Halaal Meat.

At least 25 percent of the world's population is Muslim and they have specific food code if it comes to the consumption of meat. The global market of halaal meat is over 450 billion US (\$) and it has the potential to rise further in coming years. The demand for halaal meat is increasing not only in Middle East, but also in Europe and the United States. Halaal meat includes beef, mutton and poultry and is widely used in



food manufacturing, food retailing, restaurant chains and food service industry. It also a source of business for logistics handlers, shipping companies as well as monetary sources for banking and finance sectors.

Challenges

- The halaal meat industry of Pakistan has been working as unregulated sector for years with no central authority to give accreditation. It created problems for the halaal meat exporters because government certificate is a legal requirement in many countries where the Pakistani businessmen intended to export meat.
- Pakistan ranks 19th in the export of Halaal meat with a share of only 0.25% in the global Halaal meat market. Moreover, Pakistan is continuously losing its share in the booming world halaal meat business despite its close proximity to the Middle East, one of the largest meat markets.
- The major constraints of meat industry in Pakistan are lack of modern abattoirs and processing units. Major meat sold in local market is still sold in open market as well as slaughter houses lack proper sanitation system and untrained staff practicing animals slaughtering on floor producing unhygienic condition

hence causing serious health hazard.

Recommendations

- The industry needs modern and hygienic slaughter houses that can meet international standards for export of chilled or frozen red meat to the countries where demand for halaal meat is growing.
- Pakistan can be competitive in this trade by strict monitoring of traceability issues and diseases i.e. Foot and Mouth Disease, Tuberculosis and some other zoonotic diseases etc. Therefore, proper vaccination programs and disease prevention systems should be implemented to reduce losses to maximum.
- Proper legislation and implementation needs to be introduced to both small and large scale production system in the country.
- The government should hold mega shows and exhibitions across the world in order to provide local entrepreneurs, business houses dealing in food products especially the exporters of mutton, beef, poultry and allied industries with the opportunities to showcase their products.
- Institutions like Punjab Halaal Development Agency (PHDA) must also be established in other provinces in order to formalize the Halaal sector through Halaal certification, business projection, capacity-building, and compliance regime of Halaal food safety standards together with branding the country as a hub of Halaal products.
- The focus should be on livestock production. Pakistan's Halaal meat industry lacks proper sanitary conditions, trained staff and fast adoption of the international standards and practices. Being a Muslim country and member of the Organization of Islamic Cooperation (OIC), Pakistan can play a major role in the global Halaal meat industry growth provided the Arab Gulf countries could prove a potential growth market for the country's Halaal meat, livestock and poultry products.



Fisheries

General

Fisheries are one of the most neglected sectors of the country. The exports of sea food from Pakistan is on constant decline for the last few years, mainly due to decrease in catches and the absence of incentives offered by the government for this 100% export based industry with earnings in Foreign Exchange to the tune of about USD 450 million. The sector is growing at 1.5pc annually as opposed to the 6.8pc and 9.5pc in India and Bangladesh. Aquaculture, fresh water farming and marine fishing are the main components of seafood in the country. The challenges facing the sector are:-

1. Sea Food

Challenges

- Lack of incentives, non-conducive environment for business, lack of skilled labor, poor technology, poor market linkages and lack of trade facilitation.
- It is the most neglected in terms of logistical support from Government, bad hygiene, broken roads, lack of water and electricity in main Karachi Fish Harbour.
- There are no direct or indirect incentives to this 100% export oriented industry, such as rebates, etc.

Recommendations

- **Zero Rated Facility to Fisheries Sector**
Like five export oriented industries (textile, leather, marble, sports goods and surgical goods) fisheries may also be given the status of a zero rated industry. If more incentives are offered, the exports would

certainly increase and may also attract foreign joint ventures. There will be an increase in export of semi-finished seafood products together with the value added products if incentives are offered.

- **Conducive Business Environment** This includes direct and indirect taxes, legal issues, regulations and federal and provincial levies. The challenge to this is the up gradation of the Basal Metabolic Rate (BMR) plants. Plant and machinery used in production of fresh seafood like plate freezer, blast freezer, condensers, trays, food chemicals and compressors should be allowed to import without tax and duties as currently, it is not clear of tariffs.
- **Skill Development** This is related to untrained staff as the labor is not properly trained. Technical education for food safety and seafood production should be added as a subject. If the labor is trained, it will help in attracting buyers.
- **Technology** This includes lack of technology up gradation, technology transfer, consultancy, lab facilitation, standardization and productivity. The main problem facing fisheries under this is that of food certification. The government needs to approve a full financial support for certification fee and make requisite arrangements. This will increase the trade volume and enhance international sales.
- **Trade Facilitation for SMEs** This aspect is related to non-existent seminars and exhibitions that would help to put the product out in the market. If trade facilitation steps are taken, or at least made at par with ASEAN countries, Pakistan could get better returns and increase its volume of exports.

- There is a need to focus on exports of processed fish rather than fresh and frozen products. This can be achieved through by increasing the capacity of the existing fish processing plants in the country. This can be done by ensuring the increase in the raw material fish catch as raw material.
- The markets provision of cold storage facilities, better hygienic conditions and adequate communication facilities at local fish markets can enhance fish producers share in consumer rupees.
- Saudi Arabia had temporarily banned exports of Pakistan Shrimp. The recent enlistment of a single company from Pakistan's Exporters in the last 10 months, this has created the monopoly. Pakistan's

embassy in Riyadh should intervene on war footing and get pending enlistments done with Saudi Food and Drug Administration (SFDA). There is unfortunately, an extremely slow response from Commercial Councilor Saudi Arabia and he should be made responsible for the follow up.

- European Union (EU) is world's second largest buyer of seafood. Pakistan has been banned since last 10 years and still faces it, except two companies out of which only one is exporting. This has led to a monopoly in trade with the connivance of authorities. There is a need to get Pakistani exports resumed and other companies approved through Diplomatic Channel. There is a need for focused efforts in this regard, because, if



Pakistan's export quality was not meeting EU's standards, then how is one company exporting despite the ban.

- There is a US ban on export of Shrimps from Pakistan to US because of Turtle Extruder Device (TED) issue since last 3 years. It is a simple case which can be solved by Diplomatic efforts; however, it has been grossly neglected since last three years.
- Value addition in Seafood should be promoted by Government by giving incentives in terms of land and Economic Facilities.

2. Aquaculture

Aquaculture in Pakistan is developing With the exception of trout culture; virtually all

aquaculture currently carried out in Pakistan is pond culture of various carp species. Pakistan has not yet begun any coastal aquaculture operations although there is good potential all along Pakistan's 1100 km coastline. Efforts have been made in the past to start shrimp farming along Sindh coast, which did not succeed, the main constraints being the non-availability of hatchery produced seed and a lack of expertise. The challenges to the sector include:-

Challenges

- Lack of coordination among institutions including government, Non-governmental organizations, Research, institutes and Universities.



- Shortage of national and International research projects as well as experts, especially in the areas of production system, fish nutrition, fish diseases and fish genetics.
- Limited budget for basic research and development projects.

Recommendations

- Shrimp seeds must be produced at the local level. Individuals should be trained in shrimp farming so that the industry can develop and succeed.
- There are appropriate fisheries institutions, from provincial to federal level, but due to lack of coordination the aquaculture policies are not implemented properly. Therefore, it is essential to collaborate and support government as well as private sector to ensure the aquaculture development
- Most of the statistical data reported by the institutes are often the contradictory. Therefore, the comprehensive information gathering tool should be developed to generate the baseline data on aquaculture in order for a better understanding in fish nutrition, bacterial and viral diseases and genetics.
- Budget should be increased with focus on research in the sector.
- Invest in technological innovation and transfer. Aquaculture is a young industry, decades behind that of livestock farming. Improvements in breeding technology, disease control, feeds and nutrition, and low-impact production systems are inter-linked areas where science can complement traditional knowledge to improve efficiency.
- Most aquaculture regulations and certification schemes focus at the individual farm level. But having many producers in the same area can lead to cumulative environmental impacts such as water pollution or fish diseases even if everyone is following the law. Spatial planning and zoning can ensure that aquaculture operations stay within the surrounding ecosystem's carrying capacity and can also lessen conflicts over resource use. Norway's zoning laws, for example, ensure that salmon producers are not overly concentrated in one area, reducing disease risk and helping mitigate environmental impacts.
- A variety of public and private policies can give farmers incentives to practice more sustainable aquaculture. For example, Thailand's government has provided shrimp farmers operating legally in aquaculture zones with access to free training, water supply, and wastewater treatment. The same can be applied in Pakistan.
- Advances in satellite and mapping technology, ecological modeling, open data, and connectivity mean that global-level monitoring and planning systems that encourage sustainable aquaculture development may now be possible. A platform integrating these technologies could help governments improve spatial planning and monitoring, help the industry plan for and demonstrate sustainability, and help civil society report success stories and hold industry and government accountable for wrongdoings.
- Growth of Aquaculture Farming should be promoted as it is the future of seafood exports from Pakistan.

Water Conservation, Utilization and Increase in Productivity

1. Water Contamination.

More than 50m people in Pakistan are at risk of arsenic poisoning from contaminated ground water. This is based on a study that was recently published in the journal Science Advances, based on samples from 1,200 wells across the country. Therefore, Ground water contamination is a serious threat to crop production and human health.

Challenges

- Main challenge is uncontrolled industrial sewerage contaminating ground water.

Recommendations

- A national campaign should be launched to control industrial and sewage contamination of groundwater. In addition, factories should be fined for polluting underground and ground water resources.

2. Irrigation Network

Pakistan's irrigation network is marked by deteriorating infrastructure, shrinking of capacity to divert water from river to farm gate

(conveyance efficiency), deferred maintenance and lack of storage capacity. In addition, the old methods of irrigation with flood water are still being used by the farmer who wastes about 50 to 60percent of water. For better understanding of Pakistan's irrigation network crisis, a table depicting the country's future irrigation water shortfall has been attached as **Annexure C**.

Challenges

- According to international studies, Pakistan faces around 50 million acre feet of water deficit in the agriculture sector, and by 2030 this will reach up to 83 million acre feet. Even if the government builds a dam of the capacity of 10 million acre feet, there still will be a requirement of 73 million acre feet to be met. The constraints in efficient utilization of irrigation water are small water streams, soil with high/ low infiltration rate, uneven topography and unreliable water supplies.

Recommendations

- In order to compensate for the deficit, Pakistan needs a dam till 2030 and regain 50% of irrigation network efficiency. Research points out that the efficiency of irrigation systems has a major role in producing more food and making irrigated



agriculture cost-effective. This can be done through improvements in institutional organization and involvement of the stakeholders. In order to achieve irrigation efficiency, Pakistan needs to line its canal system and invest in on-farm water management such as:-

- Sprinklers
- Drip-irrigation system
- The Irrigation Department is over-staffed and needs right-sizing. Corruption, political interference and social problems are the main hindrances, which need to be addressed seriously.

3. Water Conservation

Water is becoming a scarce commodity in Pakistan. The country gets its water supply through the underground water reserves, Himalayan glaciers and via monsoon rainfall. However, due to lack of water storage capability and unsustainable groundwater utilization Pakistan is running dry. According to a recent report by the International Monetary Fund (IMF), Pakistan ranks third in the world among countries facing acute water shortage.

Challenges

- Global warming and climate change have affected the monsoon season and annual rainfall received. The annual water available has reduced from 1,500 cubic meters per capita in 2009 to only 1,017 cubic meters in 2019. Lacks of funds, politicization of the issue and unplanned urbanization have aggravated the problem.

Recommendations

- Water conservation emergency has become need of the hour. For this, the government should support drip irrigation system and

other efficient irrigation networks. Factory waste water should be recycled and reused in the agriculture section.

- The most effective counter strategy against the decreasing water table will be to establish a network of small hydro-dams all over Pakistan, specifically in Sindh.
- In efficient irrigation, water management is the most vital aspect which is lacking in Pakistan as there are no managers. In order to understand the system, it is important to know the on-farm practices. In Pakistan, very little practical work has been done.
- Rain water harvesting is a technique of collection and storage of rainwater into natural reservoirs or tanks, or the infiltration of surface water into subsurface aquifers (before it is lost as surface runoff). Dams and lakes should be made for harvesting the rainwater. The process will include storage of water in these reservoirs through drainage systems in order to direct water into them. Water collected in dams is mostly used for irrigation purposes or treated and then distributed for domestic use. Unlike ponds, measures should be put in place to reduce the amount of water draining into the ground. Rooftop harvesting can also be used to utilize the rainwater falling on the roof of a building into containers or tanks.
- The small dams should be made at an elevated level so that the delivery system is based on pressurized gravity flow. This will naturally supply the fields with water.

4. Climate Change

Pakistan lies in arid and semi-arid region and is severely facing rising temperatures. Temperatures are predicted to rise by 3 degrees by 2040 and up to 5-6 degrees by the



end of the century. Monsoon rains will be drastically reduced but have a much higher intensity. Droughts and floods are predicted for the whole of South Asia. Climate Change is therefore impacting the country's agricultural output by its effects on seeds, fertilizers used, weed infestation, shortage of irrigation water, drought and seasonal variation of rainfall, inadequate research efforts and inefficient extension services with respect to climate change and agricultural crops. The 2010 floods dislodged 20 million people and caused one of the biggest floods in Chenab over a hundred years. Therefore, precipitation, rainfall and melting of glaciers will have long-term implications for the country:-

Challenges

- According to the IPCC (inter-governmental panel on climate change) and World Bank, South Asian countries particularly Pakistan, Bangladesh, and India are predicted to be highly affected due to the rise in tempera-

ture which will reduce the cereals production 4-10% by 2100. In addition, the changing climate patterns are having a negative impact on seed maturation rates. Therefore, incentives will not work if the threat of Climate Change is not tackled.

Recommendations

- In this regard, efforts are required equally at all levels with government level investments in the development and adaptation strategies / policies. Institutions need to play their role in building adaptive capacities.
- Research needs to be done on the subject and the information should be disseminated to the farmers for results.
- Poor households are often unable to reap the benefits of Climate Change policies or incentives; therefore, the ministry should provide them with access to credit, loans or social networks.
- Policy framework needs to be restructured

to include women in the climate change adaptation and mitigation strategies. The decision making processes should be more gender inclusive.

- There is lack of authentic scientific data in Pakistan on impacts of climate change on the country. Therefore, for critical analysis, the ministry should conduct scientific

studies for data collection.

- No awareness on climate change has been made at the grassroots level and the ministry needs to use TV/Radio to disseminate information.
- There is a need to dismantle fossil fuel based energy sector; therefore, it is time to shift towards clean energy sources.



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علم الإنسان والبيئة



PART II

LARGE INDUSTRIES AND SMEs



General

The industrial sector is the second major sector of Pakistan's economy. It contributes to almost 25% to the country's GDP. The industrial sector plays an important role in the development process of any country.



Focus

Pakistan has all the potential to grow as a developed industrial nation. Unfortunately, despite being rich in natural resources, the country has been going through major challenges and issues which have hit the industrial sector. The report will therefore focus on key issues which include:-

1. Human Development Index
2. Consistency in Policies.
3. Image Building of Pakistan
4. Provision of Basic Infrastructure
5. Ease of doing business
6. SMEs



1. Human Development Index

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: health, education and standard of living. Pakistan ranks at 150 on the Human Development Index (HDI) for the year 2018. It ranks at 150, with a per capita income (PCI) of \$1,570. However, Pakistan is blessed with the resources and the capacity to enhance its economic progress.

The need is to start investing in its education sector for better results. For this, it is important to train and develop skills of people and then ultimately provide them with the necessary connectivity. Vocational education training provides career and technical education to students. These individuals are prepared as trainees for jobs that are based upon manual or practical fields such as trades, occupations, and vocation.



Challenges

- Education is a key component for economic progress. Unfortunately, our current literacy is 60 percent, least in South Asian countries. About 25 million children are out of school. More importantly, on grass root level, thousands of schools are lacking very basic facilities such as sanitation, water, electricity, boundary walls etc.
- Less than one percent students in Pakistan, against 16 percent around the world, get technical training due to shortage of technical and vocational schools and lack of funds and resources. Efficiency of labour is thus very low due to use of backward and orthodox technology.
- There is huge shortage of skilled manpower. This is because the relation between industries and technical institutes is very weak. It is further aggravated by lack of data base of skills. This hampers the forecasting system and makes it difficult to train labour in specified areas.

Recommendations

- At least 10% of total schools in Pakistan should be vocational and technical schools or should provide technical training to students. The skilled labour would work in own industries and can also be exported to friendly countries to bring in foreign exchange in the form of remittances which would benefit the economy.
- Ensure public-private partnerships with schools which would provide free vocational education from class 6th to class 10th, with the provision of Rs 500 per child, free books, scholarships and workshops on vocational and technical training.



- The participation of women in technical education should be expanded. Pakistan is far behind other countries in terms of female employment; therefore, women from class 6th-10th should be trained to become an integral part of the economy.

2. Consistency in Policies

Consistency in policies is a fundamental requirement for industrial well-being. It is a huge barrier in the way of industrial advancement. In the history of Pakistan, there was a policy of import substitution, in the early 1950s. There was a trend of industrialization in the 1960s. The policy of Nationalization was adopted in Z. A. Bhutto's period and Zia-ul-Haq adopted the policy of Privatization. Therefore, due to the inconsistency in policies, the investors are always hesitant to make investment in such situations.

Challenges

- The daily wages of workers is yet another issue facing Pakistan as the labour gets paid very low as compared to regional countries like Bangladesh, India and China.

- IMF-supported stabilization programme, via, its fiscal policy has often focused on development expenditure and a tight monetary policy to reduce the current account deficit. These policies, which include regular increases in utility charges and elimination of all subsidies, not only have contributed directly to increased unemployment and poverty but also curtailed purchasing power and the demand for industrial products.

- It has become difficult for Pakistan's industries to pay a great amount of money in export taxes and maintain business simultaneously. At present, the government is focused on making policies that collect money with no objective of giving returns to industrialists.

Recommendations

- IMF or no IMF, the government needs to devise a roadmap/strategy for the industries and stick to it, regardless of the trends or pressures.
- Investors are in dire need of the incentives for which they need stability of policies so that their investments can reap profits without any formidable threat or challenges. It is important to do a cost benefit analysis of the resources available so that development based on sectors can be prioritized.
- There is also a need to develop policies which ease exports. This includes making way for zero rated tax exports since in the global market, it is the consumer who pays all the taxes.
- Water is the main raw material for which the industries have to pay the most to WASA. In Bangladesh, there is no cost on the water. Facilitation is therefore the key to industrialization.



- SEZs should be established in various parts of the country. For the federal government to undertake its role as a planner and regulator, the government must vest these powers at the federal level in a SEZ Authority (SEZA) or similar institution. At operational level, provinces/regions should be represented on the SEZA boards as an integral part of the decision-making team as crowding in local investment in addition to international alliances with industries and services is equally important. The landlord should be the part of the ownership [for dedicated purpose] of the land where the SEZ is proposed.
- The daily wages of the workers need to be regularized and set at par with the international standards. This will not only eradicate poverty but will also have an overall, positive impact on the HDI.
- Communication and technology sectors should be given more preference because in forthcoming years, all the economies will be measured through technologies. India earns lots of money through its IT industry.



- There is a dire need to bring a halt to devaluation. If the government cannot earn dollars, it could save it at least. Pakistan should adopt an aggressive import compression policy by identifying 8 to 10 items that can be banned for at least a year to save dollars.
- Government should make an effort that all political parties sign a Charter of Economy. They must agree on certain economic policies and reform agenda for the better future of Pakistanis as no political party alone can undertake difficult economic reforms.

3. Image Building of Pakistan

Challenge

- Terrorism had been a huge stumbling-block for economic growth in Pakistan. Since 2002, we are a war-torn country. The State Bank of Pakistan report indicates that Pakistan lost \$118 billion while fighting war on terror. According to Global Terrorism Index, out of 163 countries, Pakistan stands 5th worst hit. This has long been a reason

for Pakistan's negative international image which has limited the foreign investment in the country.

Recommendations

- There is a dire need to develop a positive image of the country. In order for the international market to invest in Pakistan, it is significant to shed the negative image of corruption and threat perception that surrounds the country.
- The industrial growth has not balanced and a majority of the industries are located in Lahore, Shaikhupura, Faisalabad and Karachi only. Peace stems from economic prosperity therefore, sustainable peace in the country will never be attainable if there is no equal industrialization in all parts of the country. Pakistan needs to stop neglecting regional trade opportunities. It is time to engage in trade with countries like Iran. This will improve Balochistan's situation, likewise, improved trade relations with Afghanistan will bring peace and stability in KPK.

- Indian lobby has penetrated deeper in USA, both; diplomatically and economically. It needs to be understood that lobbying for diplomatic and economic clout works best for long-term and gives excellent results.
- It is important to shift our focus to new industries such as; tourism, technology and defence and strategic industries. It is important to know that it is not the countries that buy products but people, the large chains and the retailers. Therefore, in order to market products internationally, one should focus on the retailers, chain owners, etc. and not the governments.

4. Provision of Basic Infrastructure

The regular power outages have troubled the industrial sector. In addition, gas, electricity, transport, roads, railways network and communication are not available up to the requirement of industrial development.

Challenges

- The cost of production in various industries is determined by the relative cost of raw materials, the utility prices, the interest rate structures and productivity of labour. In Pakistan, all these elements have progressively deteriorated.
- Price of electricity in Pakistan is almost double that of neighbouring countries because of leakages, theft of power and cross subsidization of different consumer groups at the cost of industrial and commercial consumers.
- The cost of credit is higher than in other countries of South Asia mainly because the high proportion of defaulted loans add at least 4-5 per cent to the average interest rates charged by the nationalized commercial banks. This constitutes a high real interest rate of

almost 10 per cent.

- The biggest challenge to Pakistan's industrial sector is that of economic infrastructure where the facilitating framework is missing. The country lacks infrastructure like railways, ports and road networks and in the overall quality of services sector.
- The biggest problem which startup face right now is of financial assistance. In order to start any defence contract, one has to give the companies in advance 20% bank guarantee, and 5% performance guarantee which sometimes becomes impossible to achieve.

Recommendations

- Withholding tax on the proceeds of exported raw material should be reduced from 1% to 0.5%.
- Initiatives such as regionally competitive electricity and gas prices for exporting industry and rationalizing import duties on raw materials to reduce cost of doing business.
- There is a need to enhance regulatory duty on about 1900 items in order to improve the revenue collection.
- It is important to create a credit line to provide loans to the industry at a subsidized rate of five-six per cent for purchasing machinery and equipment.
- The state bank should make a financing policy especially for startups. There is also a need to have an indigenization policy in defence for manufacturers, especially for start-ups.

5. Ease of Doing Business

Ease of doing business is an index pub-



lished by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country:-

Challenges

- There exist different types of laws in the country. These can be divided into federal, provincial and the local government's law. The amalgam of so many laws have made it difficult for the industries to function smoothly.
- Entrepreneurs and start-ups require a place to set up their offices. Unfortunately, these spaces are not easily available and those which are available exceed capital costs. For this, special zones should be created around urban areas that provide entrepreneurs with a place at affordable rates for managing their business.
- All enterprises work under a regulatory environment i.e. they function as per laws. Under these regulations, in case of minor deviation, the businesses face penalization.
- Unfortunately, the tax rates are projected to go further up which will negatively impact the ease of doing business in the country.

Recommendations

- Unfortunately, it is easier to do business in Russia as compared to Pakistan. As Vladimir Putin held office in 2013, he gave instructions to cut down on the rules and regula-

tions in order to help the business community for ultimate economic expansion. The targets he set were met by his team. Pakistan, following Russia's footsteps requires structural changes which can be done by making a committee on economy that reports directly to the Prime Minister so that only he is the ultimate decision making body.

- In Pakistan, in order to start a business, one faces many challenges. This is because of the weak and complex structure of the regulations and discretionary power of the individuals holding the office. The government needs to follow Vietnam's model where they simplified 77% of their business regulations while entirely eliminating 8.8% in just three years. Similarly, South Korea simplified 21.7% of its regulations while eliminating 48.8% in just 11 months.
- There is a dire need to have a single regulatory body to overlook and monitor the industrial sector. The trade bodies have to make better negotiations with the government so that there are no more impediments in the future.
- The rule of law needs to be equal for everyone. For this, clarity in rules and regulation is required. The role of the government is facilitation under which, allow market forces

to make policies and the government should play the role of a facilitator

6. Small and Medium Enterprises (SMEs)

In most countries, SMEs constitute more than 90% of all enterprises and significantly contribute towards economic growth. Nations all over the world give huge importance to this sector for the purpose of stimulating economic growth. Most of the high-income nations acknowledge the importance of SME sector in supporting their economies. Due to their immense importance to the economy, countries all over the world have been enhancing their support to SMEs through developing and implementing an integrated SME Development Framework, which clearly lays down roles and responsibilities of institutions to support SME development in a holistic manner. The importance of the SME sector can be gauged from its contribution to the world's leading and emerging economies. Countries such as Japan, China, Brazil, India, Malaysia and Sri Lanka among others have heavily relied on SME development for economic growth, through adoption of intensive policies and strategic private sector development. A host of international agencies/organizations such as WB, ADB, ILO and the UNDP have started support initiatives in the SME sector within the last ten years.

SMEs are one of the largest and the most important sector of Pakistan's economy. SMEs play a key role in shaping national growth strategies, employment generation and social cohesion by improving standard of living of vulnerable segments of society. To further fortify the efforts in strengthening SMEs sector, the government enacted the SMEs Policy 2007; the policy aimed at providing a long-term framework for the advancement of SMEs sector and a sound implementation mecha-

nism which could provide an environment conducive to the economic growth of the whole country. The scope of the policy covered areas pertaining to ease of financial accessibility, spurred human development, technological up-gradation and a healthy business environment – all these facets of the policy are directly intertwined with a thriving SMEs sector which has unlimited potential to turn around the economy of Pakistan. Following steps are suggested for improvement in this sector:-

➤ Legislative Environment

- Assessment of existing regulations in terms of regulatory burden imposed on SMEs and estimation of the compliance costs of such regulations.
- Formulation of new investment friendly policies in the consultation with private sector.

➤ Institutional Strengthening

- Comprehensive institutional review for further institutional strengthening should be conducted for identification & prioritization of SME support institutions.
- Strengthening of SMEDA in terms of technical and financial resources & expanding SMEDA access at district level.

➤ Sector Development Strategy

- Sector development process should be adopted on continued basis.
- Through private sector consultation, priority sectors along with detailed diagnostic studies should be undertaken. The priority sector may include; Minerals, Tourism, Logistics, ICT, Gems & Jewellery, Horticulture, Construction, Fisheries, Dairy & Livestock, Textile, Leather,

Engineering and Energy.

➤ **Access to Finance**

- Credit Guarantee Scheme for SMEs sector must be prioritized and synchronized with priority sectors through initial government seed money.
- Equity participation fund should be initiated to identify, facilitate and finance high growth potential of small and medium enterprises.
- Government should reduce mark-up on the existing SME financing and government may take the burden of excess mark up out of this facility. Introduce low mark-up financial products for SMEs.

➤ **Women Economic Empowerment**

- Initiate “Start Your Own Business” Program to cater to business development needs of young graduates and informal/inexperienced women businesses.
- Women Business Program should be initiated to ensure proper business expansion and their inclusion in formal financial system.

➤ **Youth Entrepreneurship Development**

- Development of industry and academia linkages for internship and apprenticeship programs.
- Business Angels and Mentors Network programs should be developed to provide business mentoring, sector specific expertise and facilitate linkages with markets and entrepreneurial finance.
- New business/technology incubation

services should be developed at the academic institutions where innovative and sustainable startups can be initiated with limited support.

➤ **E-Enablement of SMEs**

- Web based platforms may be developed that provide online business opportunities and value added services to SMEs by building partnerships.
- The information interchange programs should be developed that act as a hub of business information interchange through functional B2B trade Portal, Business information Portal and a variety of value added products and services.

➤ **Technical and Vocational Education and Training (TVET) Sector Development**

- Implementation of the National TVET Policy
- Updated, market oriented and demand driven curriculum, introduction of new training disciplines and a robust monitoring & evaluation system should be developed for public sector TVET.
- Public Governance and Management in TVET sector should be aligned based on international best practices. .
Private Sector Engagement in TVET

➤ **Ease of Doing Business.**

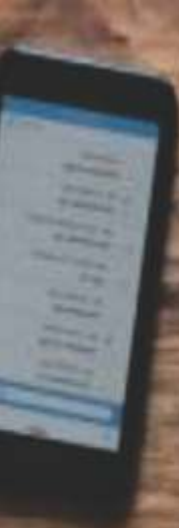
- Development of conducive regulatory framework for SMEs with focus on lower taxes, incentives for women entrepreneurs, one window facilities at federal and provincial level for facilitation of investors etc.

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PART III

ISSUES OF PRACTITIONERS





General

During this session, leaders of various market committees, trade unions, real estate, transport, stock and currency exchanges and representatives of FBR were invited. The focus of participants remained on dealing with Tax issues. They were of the view that the tax system is not fair. It was highlighted that the tax collection and formulating economic policies are two different things and should therefore, be dealt separately. Corruption in the tax collection system has further aggravated the problem.

Challenges

- The business sector does not function alone as industries and business work together. Devising a way forward, accountability is the key to improve the system. The biggest problem for the industry and business is FBR. The business community wants to pay the tax, but there is no system and no respect for tax payers. Sometimes, even fake cases are initiated only to harass the businessmen. The officers who initiate

those cases are never held accountable.

- There is a very low tax base in the country therefore; the government relies on revenue generation from indirect sources. A large chunk of the country's economy is undocumented which makes tax collection more difficult.

Recommendations

- The country has a tax potential of Rs.8000 Billion and therefore, the target of Rs.55 Billion is not unachievable. Last year's budget had 60% indirect taxes whereas; this year it has been 62.5%. In order to identify the tax evader's, technology should be used.
- Simple 'Fixed Income Tax Regime' (FITR) to retailers, avoiding direct dealing with tax inspector and detailed documentation, may be introduced. Small business community is ready for this tax. Introduction of FITR in Pakistan is a very old requirement, which somehow has not seen the light of the day so far. However, presently the GOP and Chairman FBR are serious to break the long outstanding deadlock. In order to implement



'FITR', out of the box solutions are required. Therefore, the GOP would have to show understanding and flexibility to take appropriate decision, so that we can achieve a business friendly environment, enhance tax base and generate sizeable revenue in the country.

- It was also suggested that this tax may be calculated on yearly “turn over basis” instead of “area basis” as announced by FBR.
- Rather than highlighting the punishments for non-tax payers, the government should give incentives to the investors and businessmen.
- Harassment of businessman should be stopped and the fake cases dropped. For better transparency, FBR should be made accountable.
- All Major taxes i.e. customs duties, regulatory duties, sales tax, further sales tax, excise duty, withholding tax (mostly) are collected at Manufacturers/importers level. According to experts, 40 percent of our

economy is undocumented. It means the manufacturers and importers are not producing the genuine sales documents and are evading above mentioned taxes up to 40 percent. There is therefore a need to devise fool proof mechanism to collect such taxes which have been evaded at Manufacturer/import level rather than striving to fix the traders who have to pay only income tax@ 0.25% to1.5% on their turnover.

- The above mentioned, minimum turnover tax (0.25% to1.5%) is also not being collected, as the trader having good profit always shows his net profit less than minimum turnover tax to qualify in the turnover tax regime. On the other hand the trader who makes less profit even makes loss, is mandatory for him to pay minimum turnover tax. Therefore, the traders should only be liable to pay income tax on actual profit according to the stipulated slab rates which are up to 35% on the profit he gains.
- Traders are compelled to not show the actual turnover as the above mentioned two sectors issue are less sales invoices,

consequently, traders maintain the account books accordingly.

- Sales tax registration. The entire trade chain has nothing to do with sales tax payments. However, traders are compelled to get registered in the name of documentation which is totally unnecessary, as the traders pay required sales tax at manufacturer/import level whenever the purchase is made.
- In case of the purchase of MRP (Minimum Retail Price) items, a whole sales tax of 17 % is paid while for Non MRP items; extra 3% sales tax is also paid.
- Smuggling is now referred to as "CARRY". Maximum smuggling is done through ports and borders. Goods are often wrongly declared with the connivance of customs

and other institutions. This not only causes damage to the local industry but also affects revenue collection as well. With appropriate steps, it can be curbed at ports and border level.

- The recent drive to inspect the 3.1 million retailers (commercial electricity connections) has led to the mockery of the system by opening avenues for graft by inspecting authorities, thus, badly eroding confidence of the business community.
- Participants and FBR both requested NDU to facilitate in coordination and reaching to some decision in formulation of FITR during negotiations between FBR and leaders of various trade organizations. ISSRA/NDU is helping in this regard and there is a hope to reach to some practicable solution.







Interactive Session

In the interactive session, the participants debated and asked questions about a number of issues. These include: NFC award and provincial autonomy; grievances of farmer community; slowdown in Pakistan's economy; FBR's negotiations with traders; and, water conservation issue of Pakistan. It was clarified that:-

The purpose of 18th amendment and NFC award was to empower the provinces, both administratively and financially. This promotes fiscal decentralization and lessens the scope of the Centre to manage the fiscal deficit and undertake fiscal prudence. Now it is difficult to alter the NFC award due to political issues. People require fulfillment of basic needs such as education, clean drinking water and municipal services. The provinces are in a better position to fulfill these basic needs of the people. The issue is not which powers and finances can be taken back from the provinces. The real issue is how the provinces undertake these responsibilities in a wise manner. The provinces need to spend their money with fiscal prudence. The provinces need to spend their money in the right places



for maximum gains and also need to increase their revenue collection. Therefore, federation alone cannot make a difference in the provinces, provinces themselves will have to take the responsibility to improve the lives of their population.

Among the audience there were several people who represented the farmer community. A few of them voiced their grievances with the policies of the government which they believed were hurting the farming sector. Among these issues were poverty of farmers (access to market), lack of financial services, backwardness of agriculture techniques, support prices not being announced and irrigation water management. To these grievances it was responded that the government envisions bringing the rural areas of Pakistan at par with small industrial areas by promoting horticulture. For financial services private banks have their own policy and they demand huge collateral for loans. This is why the government in promoting institutions likes ZTBL to finance the farmers. The government will announce support price to regulate crop cultivation and support the farmers. The Minister for National Food Security and Research Sahibzada Mehboob Sultan highlighted the importance of water for agriculture and the overall economy. He reiterated that we need to utilize water wisely and increase the

output from our current water usage. For this we need research on seeds and other farming techniques to increase per acre yield.

Regarding the current economic slowdown, questions were raised about the short term sustainability, job losses, optimistic revenue targets and government's negotiations and their output with the trade unions. It was opined that the domestic tax collection has increased significantly. Factually, there are no job losses, the industries are shifting and now focusing on value added products. There is also the need for the rationalization of PSDP. In this context, reducing the size of the government will help reduce the expenses. Also, the government needs to complete projects in time.

Regarding the trader's shutdown and the negotiations, Chairman FBR Mr. Shabbar Zaidi reiterated that everyone would have to pay taxes and all the transactions would be documented. The trade unions have demanded a fixed tax scheme for small traders and negotiations are underway for that. It is a complex system we need to reach to an agreement on how to define a small trader. The mechanisms governing the amount and method of taxation are being deliberated upon. The negotiations with trade unions are under way and the government has pledged not to take any action against the small traders until we reach to a conclusion. It was hoped that soon this issue would be amicably resolved.

Pakistan is a developing country and gets its water supply through underground water reserves, Himalayan glaciers and via monsoon rainfall. However, due to lack of water storage capability and unsustainable groundwater utilization at the user's end, we are running out of our available water reserves. If we link water with Pakistan's sovereignty, as an agrarian country, it would not be wrong. Pakistan has the best canal system of the world but due to wrong policies, huge quantity of water was wasted every year into the sea. Thus, there is a dire need to establish water reservoirs to store this precious natural resource for future generations.



CLOSING REMARKS

Closing Remarks

by General Qamar Javed Bajwa, NI (M), COAS

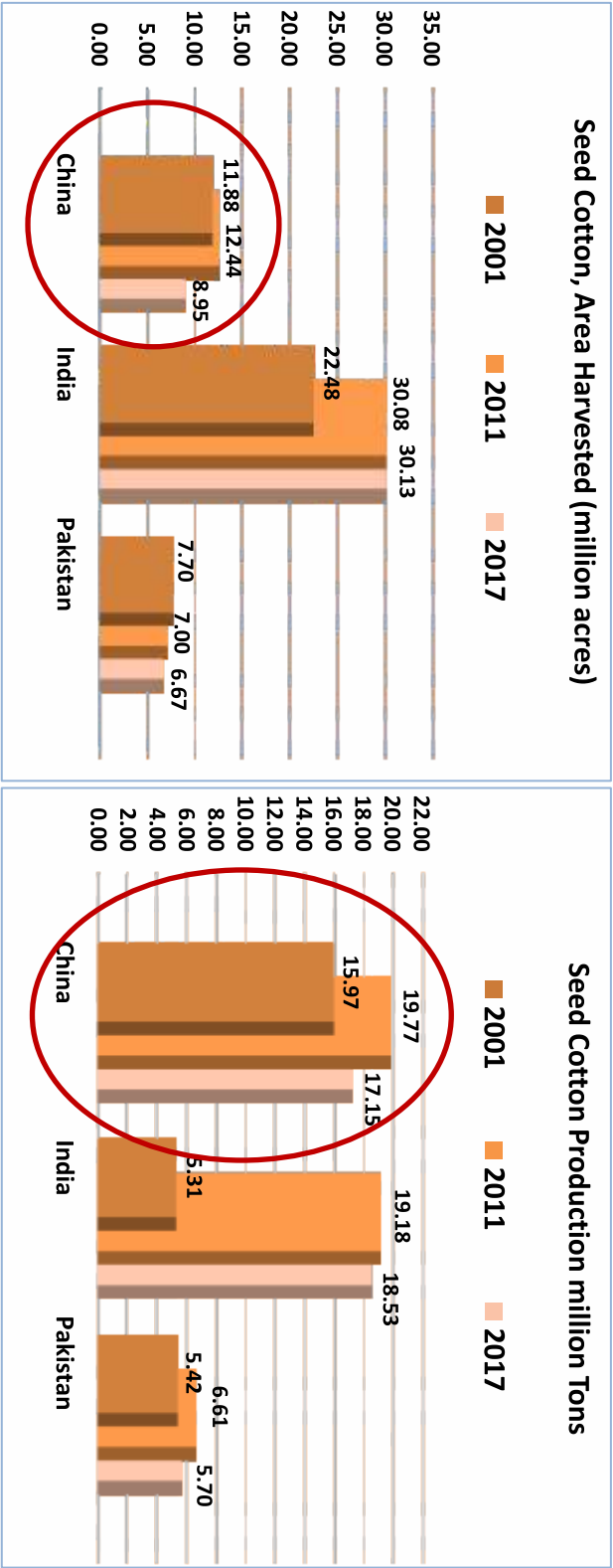
In his speech, the COAS mentioned how Pakistan's inability to adapt to changing economic trends has made it more vulnerable to external and internal threats. This has direct economic consequences for the country in the form of dwindling foreign exchange reserves, low exports, high inflation, growing fiscal deficit, and current account deficit.

Right now, Pakistan finds itself facing a dire macroeconomic crisis. It is spending more on imports than it receives through exports, with its current account deficit having risen from \$2.7 billion in 2015 to \$18.2 billion in 2018. Policy makers should therefore, assist the government for sustainable economic growth by appropriately addressing the challenges the country's economy faces. Pakistan needs to ensure an investment-friendly environment that attracts more foreign direct investment (FDI), instead of relying on foreign aid. According to the World Bank's Ease of Doing Business report, Pakistan ranks 136th out of 190 economies. To improve this ranking and draw more investment, Pakistan should ease customs laws and regulations, improve the security of the country, and rebrand and boost its international image as a desirable destination for investment and tourism. In the end, the COAS thanked the honorable ministers for gracing the event. He thanked NDU for undertaking the exercise and making it reach its logical end. He extended his profound gratitude to President NDU for successfully conducting this in-time academic discourse on a topic of vital importance and hoped that the recommendations will help the policymakers in devising an economic strategy that would pull Pakistan out of its economic plight.



ANNEXURES

China's Cotton Productivity Is Almost Three Times Higher Than India & Pakistan



— Pakistan needs to follow the China's Cotton productivity growth model

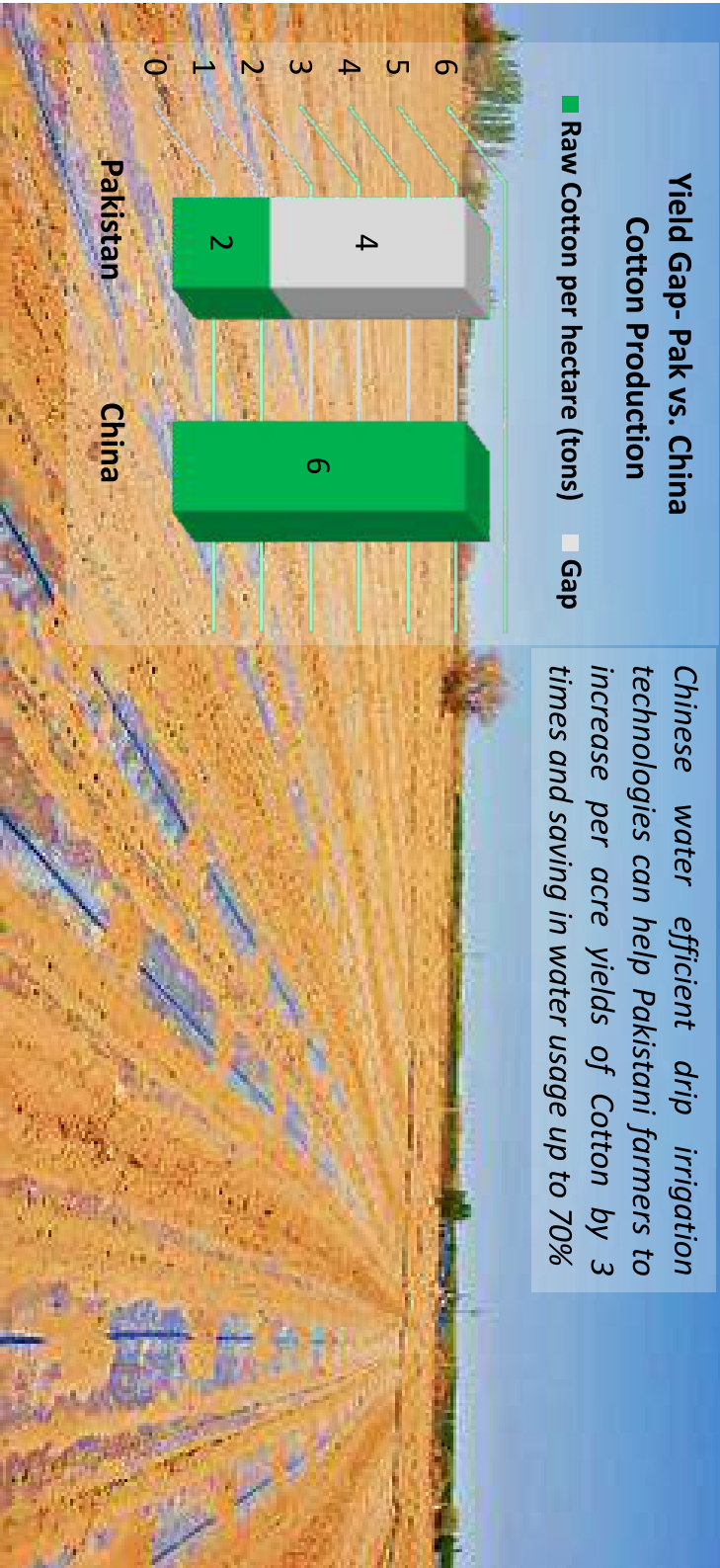
Source: FAOSTAT | World Bank

ANNEXURE-A

Chinese Agricultural Development Technologies

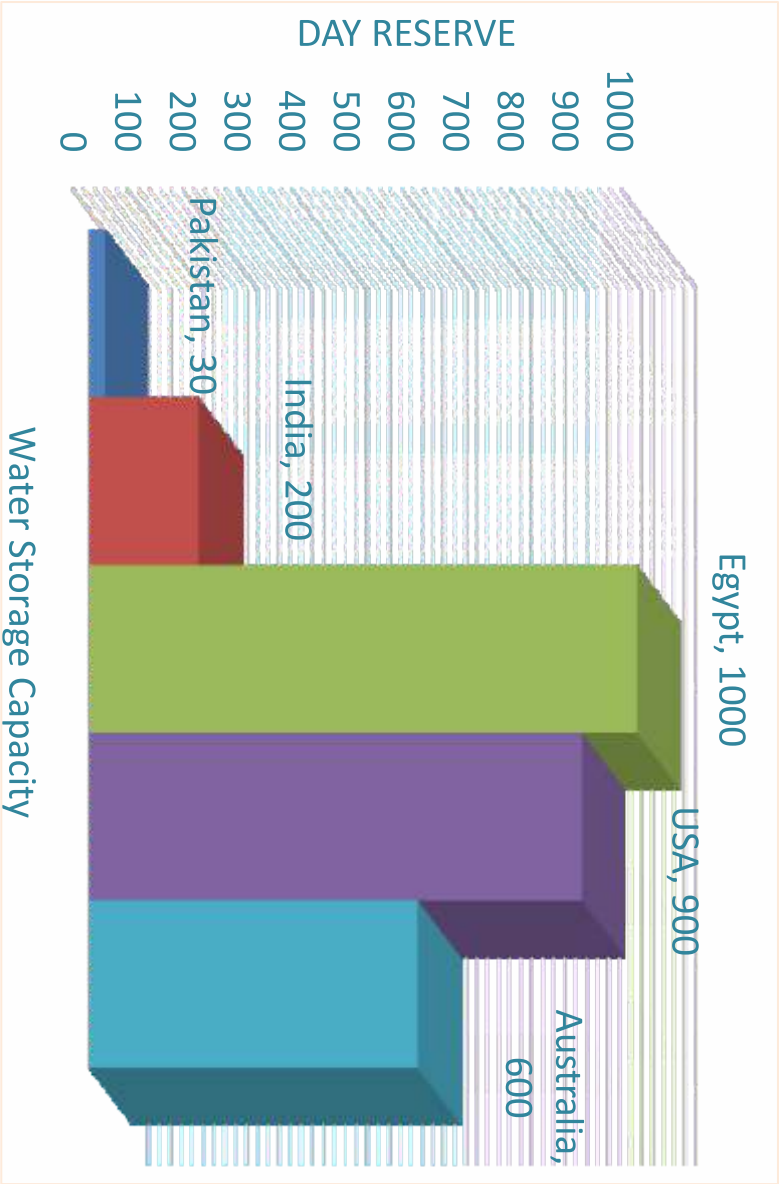
Converting Deserts into Productive Lands

China Is Getting 6 Ton/ Hectare Raw Cotton
from the desert area of Shihezi, Xinjiang



Irrigation Water Crisis in Pakistan

Shortfall of about 40 million acre feet by 2020



Year	Population (million)	Water Requirements (million acre feet)	Water Avals (million acre feet)	Shortage
2015	184	168	140	-28
2020	220	175	135	-40

ANNEXURE-C

Source: World Bank | IRSA | Economic survey of Pakistan

PICTURE GALLERY

















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