

Addressing the Challenges to Build Private Sector Competitiveness in Pakistan.



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History of Private Sector in Pakistan

- The private sector led the remarkable development of Pakistan's economy from 1947-1972. This private led growth model was different from the one pursued by India where the state was put on the commanding heights of the economy.
- In Pakistan, the private led growth was financed mostly by (a) internally generated savings but also (b) by generous incentives provided by the state.
- The size of the private sector reduced significantly and that of the government increased greatly after the Great Nationalizations of 1972 and 1974.
- The process of privatization was begun in 1991 and gathered pace in the 2000s. However, much remains to be done as several important utilities are in the hands of the public sector incurring heavy losses.
- The private sector is dominated by very small enterprises – they have remained small primarily because of the regulatory system in place.

SITUATION ANALYSIS

Global Competitiveness Rank and Score for Pakistan

	Global Competitiveness Index 2013-14	
	Rank (out of 148)	Score (1-7)
GCI 2013-14	133	3.41
Basic Requirements	142	3.27
Efficiency Enhancer	104	3.64
Innovation and Sophistication factors	78	3.48

Basic Requirements (GCI) and Efficiency Enhancers

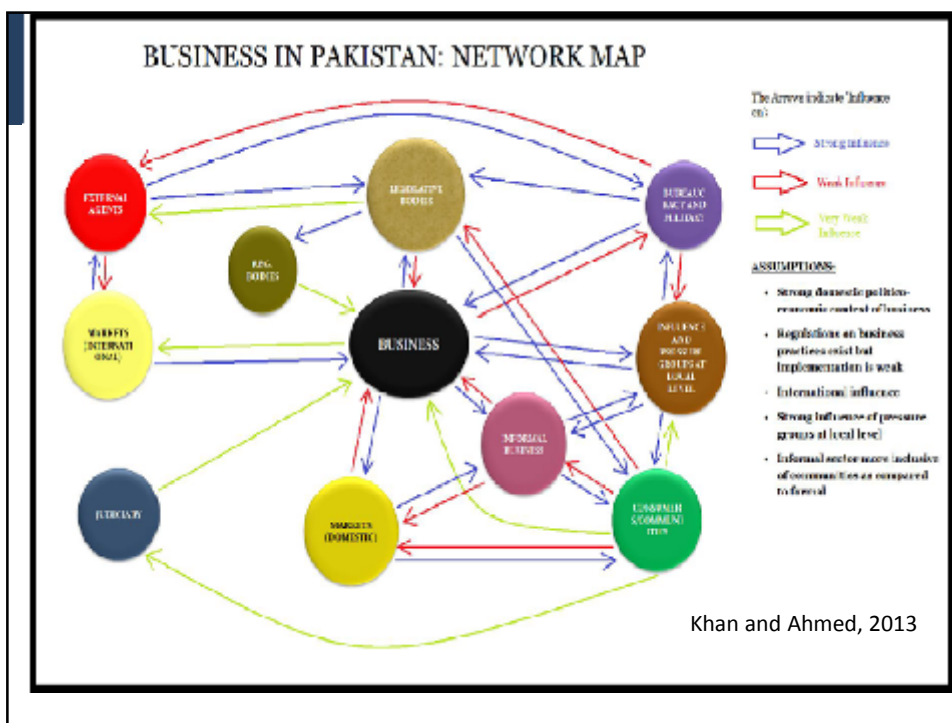
	Basic Requirements 2013-14			Efficiency Enhancers 2013-14	
	Rank (out of 148)	Score (1-7)		Rank (out of 148)	Score (1-7)
Institutions	123	3.23	Higher Education and Training	129	2.67
Infrastructure	121	2.27	Goods markets efficiency	103	3.99
Macroeconomic environment	145	2.89	Financial Market readiness	67	4.04
Health and Primary Education	128	4.26	Market Size	30	4.70

Innovation and Sophistication factors		
	Rank (out of 148)	Score (1-7)
Business Sophistication	85	3.83
Innovation	77	3.13

Binding Constraints to Private Sector Led Growth in Pakistan

Challenges to Private Sector Led Growth in Pakistan (Burki et al., 2010).

- The huge political, governance and geostrategic challenges faced by the country permeates daily life and prevents development opportunities from being realized
- Highly Volatile and downward sloping economic growth.
- Macro-economic instability and,
- Poor Capital Markets.



SCOPING STRATEGIES

Industrial Policy Analysis and Way Forward (Hussain and Ahmed, 2012)

- Revisiting Institutional Coordination
- Reducing regulatory burden on the industry
- Physical space for industries to function
- Connectivity (e-governance and ICT)
- Efforts for Diversification and trade liberalization
- Friendly environment for Investment
- Revamping Competition Commission

Scoping Strategies for Challenges in Literature

- The kinds of industrial policy needed in the current international setting are clearly different from the traditional forms of inward-looking industrialization strategies (Sanjaya Lall, 2004).
- Collective efficiency gains of clustering namely passively acquired external economies and actively generated joint action benefits, are central to competitiveness (Nadvi, 1999).

The Main Findings of the Task Force study on Pakistan

1. Rationalization and expansion of the fiscal base – aim to increase tax to GDP ratio from the current 9% to 17% over a period of 5 years
2. Develop an institutional and analytical framework to guide the process of fiscal decentralization
3. Remove anti-export bias in the management of the economy and move towards export-led growth

The Main Findings of the Task Force (cont'd)

4. Develop the firms by (a) rationalizing the regulatory system (b) providing it with better access to institutional finances, and (c) improving its technological base
5. Implement a well-financed program to improve and develop the infrastructure base of the economy
6. Improve the educational and skill base of the economy.

Recommendations

Recommendations for Private Sector Competiveness Development

- Macroeconomic stability, financial sector deepening and Resource Generation
- Develop an export oriented approach to Economic Revival and Sustained Development
- Developing land and labor market
- Modernization of Business Laws
- Infrastructure Development

Recommendations for Private Sector Competiveness Development (cont...)

- Energy Policy and Green Technology
- Strengthening Public Goods for Upgrading Technology and Skills
- Create sufficient public governance accountability to prevent capture and failing interventions

Regional Solutions for Private Sector Growth

- Strengthen Business to Business relationship
- There is a need to develop competition laws compatible with the countries of South Asia to form a regional competition forum, which would help promote the competition culture.

ODI, 2011:

- NTBs surveillance and Monitoring.
- Upgrading and Conforming to Technical Standards

Thank You



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