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IMF ignores industrial performance

ISLAMABAD: International Monetary Fund (IMF), in its first review under the extended fund facility and request for modification of performance criteria, has ignored the country's industrial sector's appalling performance of over 6 per cent negative growth.

According to the IMF, selected vulnerabilities indicators show that Pakistan's real GDP growth will be 2.4 percent in 2019-20.

The Ministry of Industries and Production which is responsible to encourage and support industrialization in the country, does not have any industrial policy but the incumbent Advisor to the Prime Minister on Commerce, Industries and Production, Abdul Razak Dawood has outsourced the formulation of industrial policy to Lahore University of Management Sciences (LUMS) which is being funded by the Asian Development Bank (ADB). Dawood is a member of the Board of Directors of LUMS. Other people are also working on a new industrial policy to be prepared on Malaysian Model.

About more than a decade ago, during Musharraf era, MoI&P had spent about a million dollars on the preparation of industrial policy funded by the World Bank and uploaded the draft on its website which was later removed.

Thousands of industrial units have been closed and many more face closure due to ''unfriendly'' policies i.e. high cost of doing business, regulatory hurdles and more recently fear of initiation of an investigation by National Accountability Bureau (NAB).

The new Industrial Policy will focus on import substitution, exports, technology, capital and risk-intensive sectors rather than on short payback, domestic consumption oriented industries that reap the demographic dividend of Pakistan's large and growing middle class.

Insiders told this scribe that Abdul Razak Dawood had given the task to Pakistan Business Council (PBC) but its CEO Eshsan Malik denied that his Association was working on this subject.

"We are not working on industrial policy. MoI&P has given this task to some other people. It is not reasonable for us to undertake the task as we represent industry. If we make any policy which favours industry unusually, it will be wrong," he added.

According to the PBC, tax burden needs to be evenly spread out with all sectors paying their due share. Manufacturing with a 12.1% share of the GDP cannot contribute 58% to the tax collection. Fiscal policy making should be separated from tax administration. Taxes should be on profits as opposed to any other proxies of profit, further the number of taxes need to be reduced and multiplicity of tax authorities be rationalized through the creation of a National Tax Authority. Tax rates need to be regionally competitive and brought down significantly to ensure that there is a level playing field between the formal and informal sectors.

A cascading tariff structure for imports where tariffs are highest on finished domestically produced goods while being lowest on raw materials and intermediate products is not available locally. This cascading tariff structure is essential if Pakistan is to become part of global value chains. Similarly, the National Tariff Commission has to take a more aggressive approach when it comes to protecting domestic industry; it needs to take inspiration from similar institutions in India, Indonesia and Turkey.

PBC has further recommended that policy should focus on import substitution, exports, technology, capital and risk-intensive sectors rather than on short payback, domestic consumption oriented industries that reap the demographic dividend of Pakistan’s large and growing middle class.