INTERNATIONAL
THE NEWS

10th June, 2019

12th Five Year Plan: Govt targets 5pc growth in GDP

ISLAMABAD: The government has envisaged average GDP growth rate of 5 percent, increasing exports from $24.8 billion to $34 billion, curtailing imports at $65 billion and creation of 10 million jobs during tenure of PTI-led regime under 12th Five Year Plan from 2018 to 2023.

According to executive summary of 12th Five Year plan approved by National Economic Council (NEC) which will be unveiled along with the upcoming budget documents for 2019-20 states that the NEC approved the average GDP growth target of 5 percent along with sectoral average growth rates of agriculture (3.2 percent), industry (5.1 percent) and services (5.6 percent) for 2018-23.

It seems that the 12th Five Year Plan envisaged stabilisation under the IMF programme that aimed at reducing imbalances on domestic and external front but on other hand this document envisaged to provide 10 million jobs. With low growth it is not known how the government will generate jobs opportunities.

Review of the 11th Five Year Plan from 2013-18: The 11th Five year plan missed most of the targets and failed to transform the economy into a vibrant and resilient economy. During the 11th Five Year Plan period (2013-18), the GDP growth remained relatively high (4.7% average over 2013-14 to 2017-18). However, this growth masks many inequalities like crop sector which employs 38% of workforce only grew by 0.8 percent on average during the plan period. The growth was primarily driven by higher private and public consumption beyond productive capacity of the economy. Pakistan’s consumption at 94% of GDP is highest in peer developing countries and even in South Asia. It was a classic case of growth without real economic development.

The growth was financed through; Higher imports to meet consumption demand leading to widening of trade imbalance. Subsidised imports through artificially lower exchange rate that eroded competitiveness of the economy and triggered deterioration of export orientation. Public investment increased and private investment continues to fall for 4 consecutive years.

At the end of the plan period, the economy was confronted with following problems; The jobless growth is evident from the fact that as it has created 5.7 million jobs whereas far lower growth in the preceding five years (2008-13) had generated 6.9 million jobs.

Unsustainable macroeconomic imbalances of extraordinary nature: Exports growth averaged only 0.3 percent during the 11th Plan period which is the lowest ever exports growth for any plan or 5 year period in Pakistan’s history. This resulted in highest ever trade imbalance in 2017-18.

Highest ever current account deficit of USD 19.9 billion or 6.3% of GDP fiscal deficit touched 6.6% of GDP even after parking over 6% outside the budget. Productivity and efficiency are not comparable with even regional countries.

The long-term work force is growing at 3.5%, which means the economy need to grow at sustained level of above 7% to absorb the new entrants in the job market. Unemployment is not exploding because labour participation rates are falling. Had the 2013-14 crude participation rate persisted in 2017-18, the unemployment could have been at 9.5%.

The existing high level of indebtedness seriously needs to significantly enhance debt carrying capacity, which could be increased through higher economic growth.

Fiscal performance during the 11th plan remained stressed because of inadequacy of revenue to finance growing expenditures because of high interest payments, untargeted subsidies, loss making PSEs, energy subsidies and security related escalation prompted more fiscal resources than the critical areas of the economy. Resultantly, unprecedented growth of expenditure surpassed revenue growth, leading to fiscal deficit of an extraordinary magnitude. Total debt and liabilities of the country has grown from 64 percent of GDP in 2013 to 84 percent by end-June 2018 which will exert financing pressure.

12th Plan period (2018-23): A fiscal adjustment has already been agreed upon with the IMF. External sector performance during the 11th Plan was driven primarily by windfall gains of lower oil and commodity prices which averted external sector solvency issue for three years. The lower oil prices had reaped benefit of around $32 billion in four years during 2014 to 2018. Exports on average grew marginally by 0.3 percent whereas imports subsidised by an overvalued exchange rate rose on average by 7.4 percent during the plan period. Net forex reserves of the SBP were almost halved in the last two years of the plan due to slight rise in the oil prices. This led to unsustainable external sector and the plan period ended up with highest ever trade and current account deficits and huge quantum of unpaid liabilities in the first year of the 12th Plan.

It states that the overhang of macroeconomic imbalances of extraordinary nature plus structural problems constrained long-term growth prospects of the economy. While going to 12th Five Year Plan the economic landscape is confronted with four critical problems such as regaining macroeconomic stability when widening output gap leading to inflationary expectations, fiscal retrenchment, external sector solvency issue and enhance effectiveness of social protection.

The 12th Five Year Plan is presented in the backdrop of serious macroeconomic imbalances and a huge structural deficit. A 39 months IMF adjustment programme will be implemented during the plan period. The principal objective of the 12th Five Year Plan is to ensure long-term sustainability of the economic growth with sufficient job creating ability to make the growth experience more inclusive. The focus of the plan will be to improve distribution mechanism of the economic development with effective social service delivery, productivity and efficiency. The growth strategy builds on the strength of fundamentals such as quality human capital, upscaling of technological capability, industrial competitiveness, sustainable agriculture, strategic trade policy framework, national SME policy, financial inclusion, social protection and, above all, an investment strategy for efficient resource allocation.

During the plan period, major thrust of the fiscal policy would be on domestic resource mobilisation. Wide-ranging reforms will be initiated to increase tax-to-GDP ratio and rationalise expenditure with the objective of containing fiscal deficit within manageable limits. Fiscal policy involves intensive PSEs reforms, public financial management reforms and debt management reforms besides tax policy reforms.

The monetary policy stance adopted during the plan period will not only be consistent with the growth and investment objectives but also target inflation to contain it to a single digit. Fundamental reforms to minimise government borrowing for budgetary support and addressing the financial losses of PSEs will be initiated to ensure sufficient availability of funds for the private sector expansion. Financial regulators will work to ensure international best practices. The objectives under the capital market development plan include strengthening the linkages between capital market and real sectors, diversification of investment alternatives, increasing participation of non-banking financial sector by extending outreach of capital market, facilitating ease of doing business, removal of inequality in taxation and strengthening the KYC/CDD framework for integration of the AML/CFT regime in overall capital market framework.

Given the above policy framework, the macroeconomic framework projects an annual increase of 11.3 per cent in the income per capita and an inflation rate of around 6 percent in the terminal year 2022-23. The plan targets an average annual growth of 5 percent, led by a dynamic and competitive large scale manufacturing (4.7 per cent) followed by a productive and innovative services sector (5.6 per cent) and a vibrant and modernising agriculture (3.1 per cent). Within agriculture, livestock leads the growth of the sector (3.8 per cent). The 12th Five Year Plan focuses on making agriculture more productive and efficient, diverse and safe, profitable and climate resilient. The plan objectives include: (i) improvement in agricultural terms of trade by 30 per cent; (ii) making Pakistan a net food exporting country; (iii) reduction of food insecurity by

30 per cent and malnutrition by 30-50 per cent; and (iv) enhancement of contributions from the non-farm sector in rural income for rapid rural transformation.

This growth would require the rate of investment to go up from 16.7 to 18 per cent of GDP, with private sector investment rising from 9.8 to 12 per cent of GDP and the public investment declining from 4.8 to 4.4 per cent of GDP. The plan envisages the national saving rate to rise substantially from 10.4 to 16.8 per cent of GDP and the reliance on net external inflows to decline from 6.3 to 1.2 per cent of GDP.

The external sector of Pakistan has been facing multifarious challenges, including fast depleting foreign exchange reserves, balance of payments crisis, upsurge in debt and stagnation in growth in general among others. The plan envisages a progressive growth in exports, which are targeted to increase from $24.8 billion in 2017-18 to $34.7 billion in 2022-23. It is also planned to contain imports wherever necessary, and the projections show them increasing from $56 billion in 2017-18 to $65 billion by 2022-23. The objective is to reduce deficit in current account balance 78.3 per cent during the plan period.

Public Sector Development Programme (PSDP) is among the most important policy instruments to pursue socioeconomic targets and goals set by the government. The PSDP is formulated by adopting inclusive, consultative and participatory approach to put economy on a sustainable and high growth trajectory. The plan envisages an investment of Rs10,581 billion (Federal PSDP, Rs5,000 billion including Rs1,000 billion for innovative financing and Provincial ADPs, Rs5,581 billion) in the Federal/Provincial ratio of 47:53. In the National Development Outlay, social sector has been accorded highest priority with planned investment of Rs4,543 billion (47 per cent), followed by infrastructure sector, Rs4,329 billion (45 percent), productivity enhancement, Rs472 billion (5 percent), science and information technology, Rs179 billion (2 percent) and governance, Rs124 billion (1 percent).

De-industrialisation has continued since 2008. During the last decade, large-scale manufacturing lost 2.1 percentage points of its share in GDP. It is not thus surprising that the Total Factor Productivity (TFP) growth has decreased substantially during the period 2008-15 to 0.6 from 2.4 per cent in the 1980s and 1.8 percent in 2000s. The share of manufactured exports has also declined from 18.8 per cent in 2012-13 to 16.6 percent in 2017-18, which implies erosion of 2.2 percentage points share in total exports.

The plan will adopt an industrial policy that coordinates effectively between private and public sectors and supports an incentive structure that encourages competitiveness. Pakistan’s industrial policy hinges upon SME sector development by targeting infrastructure, skill training, development of common facilities, and technology investments. To provide impetus to the SME sector and enhance its competitiveness, a separate SME development policy will be designed to boost their productivity and build their capacity to gain an edge in the international market. In the mining sector, there are many projects in various stages of implementation from grass root level through exploration, evaluation to development and utilisation stages. The 12th Plan aims to focus on various aspects of mineral.

The digital economy is reshaping the economic and industrial landscape. The 12th Plan would be aiming to accelerate the pace of wealth creation through high-tech software exports and “gig economy”, improving productivity through disruption of traditional processes, providing responsive citizen services, creating conducive environment for entrepreneurial activities, and further developing telecommunications sector by adopting 4/5G and broadband. On the exports side, the plan has set a target of $10 billion exports of ICT and high technology products and services, $5 billion revenue generation through freelancing and “gig economy”, certification of high quality 50,000 4IR graduates and increasing the workforce with 50,000 graduates coming out of universities. This will enable more than 10,000 start-ups per year. Also, Special Economic Zones (SEZs) and EPZs focused in IT exports will be established.

The population of Pakistan is presently about 212 million and current estimated growth rate is 2.2 per cent. The objective of the 12th Plan is to reduce population growth rate from 2.2 per cent to 1.8 per cent by the year 2023. The plan strategy focuses on controlling high fertility rate by involving all stakeholders. The plan also envisages the revamping of Lady Health Workers (LHWs).

Education is the major contributor to socio-economic development. Under the 12th Five Year Plan, resources for this vital sector will be enhanced to improve the quality and delivery of education. These include developing a standardised curriculum and development of national standards for education, emphasis on training of teachers and the use of better teaching-learning methods.

Knowledge and technology based economy will strengthen Pakistan's capability to innovate, adapt and create indigenous technology, design, develop and market new products, thereby providing the foundation for endogenously driven growth. The 12th Plan interventions include: establishment of 5 Science, Technology and Innovation (STI) parks, enhancing number of Technology/Business Incubators from 30 to 50 and increase percentage of Hi-tech exports from less than 1% to 4% of exports. Science & Technology sector will be revamped with new KPIs and initiating 5 mega initiatives like indigenous electric car, BT cotton varieties, manufacture of indigenous satellites and their spare parts and clean water technologies. Focused interventions suggested by "Task Force on Technology Driven Knowledge Economy" will also supplement the initiatives under the 12th Five Year Plan. The "Fourth Industrial Revolution (4IR)" will fundamentally alter the way we live, work, and relate to one another. Focus will remain to excel in emerging technologies like artificial intelligence, robotics, big data, cloud computing, cyber security and internet of things. The higher education sector must respond to the enormous challenge of up-skilling and re-skilling of youth as the country struggles to provide employment for 4-5 million young people seeking to join the workforce every year. The enrolment of higher education is projected to enhance from 3.2 million to 5.8 million and number of universities will increase from 192 to 207.

The 12th Plan makes a shift from curative to preventive and primitive care to attain the SDGs targets and assure provision of healthcare to all on equitable basis. The plan aspires to develop a comprehensive and accurate health information system with incorporation of innovative technologies for informed health policy and planning decision-making. Preventing hunger and improving nutrition will be integrated as an explicit objective in 12th plan. The nutrition targets have been aligned with the plan objectives and World Health Assembly Targets 2025, which will catalyse the process to achieve SDGs 2030.

Employment is the critical link between economic growth, poverty reduction and income inequality. The main objective of the 12th Plan is transformation from low wage/low productivity trap to high wage/high productivity level. The plan focuses on creating 10 million jobs. The job creating ability of the economy will be enhanced through vibrant SME sector strategy, housing policy, ICT, skills, tourism and leverage opportunities emerging from CPEC. The programmes/schemes for youth aim at socio-economic uplift of youth through better education, sports, better health, encouraging creativity and entrepreneurship. The youth programmes will be revamped with increase in number of beneficiaries and financial allocations. Special emphasis will be given to madrasa students, special and differently abled youth and young population of under developed districts.

During the next five years, the full potential of tourism sector will be explored for socio-economic growth. New tourist destinations will be developed throughout the country and the existing sites will be upgraded. Tourism will be dovetailed with culture and the archaeological and historical sites will be developed as tourism products. The role of the public sector will be of regulator and creating an enabling environment for the private sector to come forward. The institutional mechanism will be strengthened and the relevant laws, rules and regulations will be up-dated. Liberal visa regime will be expanded.

The 12th Plan aims at digitalisation of production and transmission infrastructure of state run television. In order to harness the growth potential of media sector, government will facilitate the private sector through providing enabling environment. Soft image of the country will be propagated. Training academies will be strengthened. The media related acts, rules and regulations will be reviewed. Appropriate policies will be adopted to conserve and promote the rich and diverse cultural heritage of Pakistan.

Pakistan continues to fall in low per capita energy consuming countries. After witnessing a decade of supply side crisis, energy sector began to show progress. Establishment of an integrated energy planning regime, roadmap for open access and competitive markets, preferential development of renewable energy, enhancing efficiency of distribution sector and ensuring universal access to modern energy services through

Sustainable Energy for All (SE4All) programme would be the key initiatives to pursue during the 12th plan. Policy reforms for addressing the sectoral issues of enhancement in indigenous oil, gas and coal production, refining capacity, and rationalisation of fuel consumption in major sectors would be initiated. Efforts for attracting foreign investment through open competitive bidding as well as on government to government bilateral cooperation would be crucial. The federal and provincial collaboration needs to be streamlined with clear roles and responsibilities for exploiting the indigenous oil and gas potential.

The prime resolve of the 12th Plan is to prioritise and line up investments for water sector such as building new storage facilities and increase system efficiency for water conservation. It stresses the gradual reduction of conveyance losses of the existing irrigation system and to increase existing water storage capacity by immediately starting construction of the Diamer-Bhasha Dam Project having 6.4 MAF live storage. Mohmand Dam has been inaugurated. In addition, medium dams having storage capacity of at least 2 MAF will be constructed. This task will be completed by 2030. The total Federal share for water sector plan will be Rs.561 billion. The 12th Plan takes cognizance of these grim realities of irrigation system and would implement the National Water Policy, follow Integrated Water Resources Management approach and address climate change concerns.

The transport and logistics sector claims 33 percent of the PSDP and contributes 13 per cent of the GDP. The major drivers of national communications planning for the 12th Plan period are focused on rural connectivity, feeder routes and development of the necessary ‘software’ (i.e. trucking policy, axel-load management and tariff rationalisation, fleet up-gradation, accession to the TIR convention, artificial intelligence and technology adoption, electric vehicles, sustainability etc.) that can leverage the ‘hardware’ developed in the 11th Plan. In the 12th Plan, the main focus would be on the development of multimodal/integrated transport system. The targets include 9.6 per cent increase annually in road network length and density and increase in the freight share of railways to 6 per cent from the present is 3.3 per cent. Key international indices would also be monitored. The required investment is about Rs.1388.3 billion.

The China Pakistan Economic Corridor (CPEC) will serve as a corridor with multiple doors connecting China with Central Asia, Middle East, Africa and Europe. The entire project is expected to be completed in fifteen years in three phases, i.e. from 2013-2020, 2020-2025 and 2025-2030, respectively. At present 22 projects worth $29.5 billion are under implementation. In the previous five years (2013-2018), the focus areas were largely energy and infrastructure.

The 12th Plan (2018-2023) has these priorities: trade and market access, industrial development and global value chains, socio-economic development and poverty alleviation, agriculture modernization and marketing, Gwadar Oil City and blue economy and regional connectivity and third-party participation.

Over the last decade, Pakistan’s poverty headcount has witnessed a persistent decline both at national and regional levels. CBN based poverty declined from 50.4 percent in 2005-06 to 24.3 per cent in 2015-16, while multidimensional poverty declined from 55.2 per cent in 2004-05 to 38.8 per cent in 2014-15. The 12th Plan envisages implementation of a comprehensive poverty reduction strategy based on human resource development, employment generation and effective and coordinated social protection mechanism with a special focus on rural poverty. The strategy also envisages leveraging technology, markets and potential within the communities to work for the poor. The plan will take forward the consolidation of social protection initiatives under one umbrella – the Ehsas programme - through instituting necessary framework and regulation so that all levers of poverty reduction are aligned towards achieving the poverty reduction targets.

While Pakistan struggled to meet the MDGs partly due to lack of awareness and government ownership, the SDGs got early political commitment and national ownership. Pakistan has committed to submit its Voluntary National Review (VNR) by mid-2019 to highlight the country’s progress. Establishment of SDGs related expenditure tracking system, preparation of CSR framework, preparation of SDGs Evaluation Framework, launching of SDGs Dashboard, SDGs Implementation plan and identification of financial gaps f are the major plan activities.

Social protection is viewed as a key investment in human capital and in breaking inter-generational poverty traps. A National Child Protection Programme (NCPP) will be initiated in collaboration with provincial governments to reach out to abused children, street children and the drop-outs from schools and help rehabilitate them. Women empowerment to protect them against discrimination, exclusion, and deprivation and end their vulnerability to violence, sexual abuse, harassment and severe impact of economic shocks will also be strategised in the plan.

Good governance is one of the most important factors in eradicating poverty and promoting development. The 12th Plan emphasizes strengthening of institutions, fostering markets and initiating reforms in the areas of the judicial system, civil service, tax administration, procurement, financial management, regulatory framework, property rights and the PSEs. During the plan period, the governance reform scheme – with objectives of sustained high and inclusive growth, improved economic fundamentals, competitiveness and bridging various divides that continue to fragment society – could only be achieved if there is a significant improvement in the quality of governance.

A major objective of plan is equitable development of all areas of Pakistan to ensure inclusive and sustainable growth through active participation of the people in less developed areas. A block allocation of Rs356 billion is envisaged for Azad Jammu & Kashmir, Gilgit Baltistan & merged districts of KP. Based on the incidence of multidimensional poverty, 67 less developed districts have been identified all over Pakistan. A sum of Rs360 billion has been earmarked for equitable regional development and Rs8.62 billion for rural development.

Climate change is one of the major challenges to humanity. The most critical targets of the 12th Plan are the 10 billion tree tsunami, provision of landfills in the major urban centers, reduction of GHG emission, air and noise pollution control along with solid waste management to make Pakistan clean and green. Vehicular Emission Standards will be improved and share of renewable energy will be increased to 10 percent by 2023. Efforts will be made to achieve SGD 13, 14 and 15 pertaining to climate change, the plan concluded. --

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