

Appointment of competent people on merit to ensure economic revival

LAHORE: When economy is in stress it is very easy to criticise than suggest a way out. The country's micro economy would be badly bruised, but let us remember that nations have risen from the ashes numerous times and so can we.

After World War II, the situation in Germany was so bad that a person, who gave a loan to his friend before the war to buy a Volkswagen, could not even buy a matchbox when he was returned the loaned amount.

Though Germany was completely denuded economically by the Allied forces about 83 years ago, today it is the strongest economy in Europe. More recently, the inflation in Indonesia was so high after Suharto that a bag full of Indonesian currency was just enough to buy a loaf of bread.

Today, the same country is one of the better performing economies of the world. In 1999 the debt to GDP ratio of Indonesia was 100 percent. Today it is less than 34 percent.

These examples should give us hope. Our inflation is high, but much below the mega inflation faced by countries like Germany and Indonesia.

Our debt to GDP ratio at over 72 percent is also high but much less than the peak achieved by Indonesia. The question now is how to move forward?

Our economy is at the lowest ebb in our history. The blame for this state of affair can be attributed to the rent seeking culture promoted by the past governments.

But the present government cannot escape the devastation it caused due to its incompetence that accelerated the economic downfall. However, let us leave aside the blame game. The fact of the matter is that this economy needs major overhaul.

Revamping of economy is not linked to the International Monetary Fund package, because we have seen the fate of our economy after numerous similar IMF packages. The improvement would come from within.

The basic requirements in this regard include appointments on merit and through proper process. This government might have inducted competent individuals recently, but not in a transparent manner.

Lack of transparency breeds suspicions and gives rise to many conspiracy theories. Even earlier appointments at regulatory level were based on the whims of the ruling party just as was the case in previous regimes.

The second requisite is the rule of law. The economic rules enacted by the legislature both for public and private sector should not be violated at all.

Contracts have to be given on merit and transparency. Renowned economist Atif Mian has rightly pointed out that if contracts are awarded to a company that arranged the finances as well (in case of CPEC) and that too at low interest rate of say two percent, this does not give real transparency.

He said it is possible that the contractor deploys equipment with 80 percent efficiency (because we accept the parameters offered by the contractor while equipment with full efficiency would be more productive).

Then in that case the interest on loan would be over 27 percent, because we are paying two percent interest of 80 while 20 have already been siphoned off that has reduced the efficiency as well. Full transparency and no deviation from rules and regulation would completely eliminate the element of graft from the economic system. This will also established the writ of government in economic affairs.

Full transparency and adherence to rule of law would also eliminate power and gas theft and the corruptive line losses. The recovery of bills would be 100 percent as connections would be disconnected at first default, which is practiced globally.

Most of all the government would have to show political will to confront rent seekers, corrupt and vested groups however strong and influential they may be. Past corruption should be accounted for, but preference should be given to plug the ongoing corruption that is bleeding the economy to near death.

The entire energies should be diverted to stop all excesses of the bureaucrats and police. Businesses that are cheating the exchequer must be apprehended through transparent and updated technology.

The courts would have to announce verdict in one or two hearings if the government presents irrefutable technological evidence.

If these measures are sincerely undertaken, growth would slow down, which is already is very slow with slim chances of going up in the next two years. This government thus has the opportunity to take tough transparent measures without bothering about growth.

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