KARACHI: The Pakistan Business Council (PBC) has come up with a set of recommendations for the revival of industry, growth of exports, and reforms in the energy sector etc to put the country on a growth trajectory.

PBC chief executive Ehsan A Malik said in a letter to Federal Minister of Industries and Production Khusro Bakhtiar that his organization believes that the sustainable solution for creating jobs, promoting value-added exports and encouraging import-substitution is 'Make-in-Pakistan.' Jobs need to be created for the two million youth that annually reach employable age, besides the estimated 10 million jobless and under-employed. Skills need to be developed to add value to and diversify exports. Economic diplomacy needs to focus on gaining more favorable market access for our exports.

Ehsan highlighted some key reform measures for the energy sector and proposed that the Federal government to restrict its role to removing the existing bottlenecks in power transmission infrastructure and to ensure that the merit order in generation is maintained; Implement the terms of the MOU reached with IPPs to reduce the capacity charges and complete the renegotiation with those IPPs yet to be addressed; utilize excess generation capacity through marginal pricing to promote industrial use, also to generate economic activity; either privatize or transfer management of government owned Gencos (which are not due for retirement) to technically qualified private sector companies on an incentive for loss mitigation/incremental profit generation.

Facilitate this through adequate protection from NAB and build appropriate safeguards on asset stripping and forced dismissal of employees; Move to multi-seller/multi-buyer arrangements, allowing market dynamics to set the price for both generation and distribution of electricity; permit wheeling of electricity, establish power/energy commodity exchange(s) for transparent pricing, Retire all inefficient and costly generation plants in the public sector.

Pakistan's taxation regime needs fundamental reforms for sustainable growth of both the country and its tax revenues. These reforms are contingent on the political will to pursue those outside the tax base and must address the FBR's capability and capacity to implement. The reforms will take time to bear results. In the meantime, any short-term, knee-jerk revenue- seeking actions will undermine taxable revenue and hence, tax revenues in the long run.

The industrial areas around large cities are crowded, being encroached for housing, land is therefore expensive, and the areas lack basic utilities to allow industry to expand. Special Economic Zones that provide land at an affordable cost with 'plug and play' utility etc, facilities need to be expedited. Anomalies in taxation of SEZ enterprises which promise tax holiday yet levy minimum tax on turnover need to be addressed.

Private sector is crowded out by government borrowing. Commercial bank lending is primarily for short to medium term and banks are shy to take exposure to SMEs. Supply side factors - food shortages and higher utility costs threaten to raise core inflation which will lead o higher borrowing cost. The recent SBP TERF facility has demonstrated private sector appetite for investment at an affordable and predictable cost. Over Rs 400 billion has been availed for investment in plant and machinery and a further estimated Rs. 300 billion of investment has gone into land and buildings. With a sale to fixed asset multiple of 4-5, the interest cost subsidy will be more than offset by higher tax revenue and the positive multiplier effect of new livelihoods. Pakistan lacks development finance institutions that take long term equity stake and credit exposure. The country's exports will continue to be directed towards safer more evolved economies of the West, even if Pakistan needs to tap the higher-risk opportunities of the African and Central Asian markets to diversify and expand its exports. A credit guarantee institution is required to support development of the African and Central Asian markets.

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Without a long-term export policy or charter which is underpinned by a well-articulated industrial policy and led and regularly monitored by the Prime Minister, Pakistan's exports are unlikely to grow and diversify in a sustainable manner. The key building blocks for robust growth of exports are:

A 5-year National Charter for Exports owned and monitored by the Prime Minister will give exports the high priority that it deserves. This should shift the mindset of bureaucracy from ‘control’ to ‘empowerment.’ Long term policy, which brings all stakeholders on a common platform, needs to facilitate planning and encourage investment to build scale and improve competitiveness.

“PBC assures you [Minister of Industries and Production] and the Economic Advisory Council of its support. It also advocates a national consensus to be developed amongst all political parties and key stakeholders to put Pakistan on a string growth trajectory,” reads the letter.