

PBC's "Dialogue on the Economy 2021"

A Synopsis

December 2021

“Dialogue on the Economy 2021”

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The Pakistan Business Council (PBC) organized an intensive 2 days of Dialogue on the Economy from 7-9 December in Islamabad with key government, diplomatic and multilateral decision-makers. This was attended by 70 participants from amongst PBC membership and culminated with a meeting of the PBC Board with the Prime Minister.

The “*Dialogue on the Economy 2021*” supplements other forms of the PBC’s advocacy and followed the successful model of a similar event in 2019 which provided a valuable opportunity, under Chatham House Rules of confidentiality and without the presence of media, to have an open discussion with key stakeholders. This year, these included the Ministers & Advisers in charge of the Ministries of Planning, Finance, Commerce, Investment, Industries, Food Security, National Security, CPEC, Climate Change; diplomatic heads from key countries: the US, UK and China; Country Representatives of the IMF and the World Bank. It also included the Deputy Governor of the State Bank of Pakistan and a member of the Economic Advisory Council. Additionally, to cover the future of growth, PBC invited leaders from the digital and venture capital sectors who shared their vision of the future. Given the need for responsible business, which PBC members stand for, we also included a session on sustainable growth, led by our Centre of Excellence in Responsible Growth (CERB).

In neither width nor depth, has PBC ever engaged with so many important stakeholders in such a limited time. Whilst it is difficult to reproduce everything that was covered (and Chatham House Rules prevent us from so doing), this synopsis is meant to share key take-outs for those who could not attend, in the hope that they would consider doing so in future. The first word of our name is “Pakistan”, so we work for what is good for the country. The other two words are “Business Council,” which implies the coming together of business for the mutual good of the country and business. We are grateful to those who did so on this occasion.

Ehsan Malik
CEO, The Pakistan Business Council

Role of Planning in Sustainable and Inclusive Growth

Asad Umar, Minister of Planning, Reforms and Special Initiatives

Key Take-outs:

- Quality of planning has suffered with shift of role away from the Ministry of Planning. The Planning Commission is to be revived.
- The Pakistan Bureau of Statistics is also to be restructured
- CPEC needs to change gears to attract private sector investment. SEZs are being expedited. PBC members should consider JVs
- LT plans on energy envisage 80% reliance on renewables



Geo-political developments: The Pakistan view

Moeed Yusuf, National Security Advisor

Key Take-outs:

- Economic security to be factored as the single most important determinant of national security in the strategy being developed.



PBC to provide inputs based on its Charter of Economy, Track 2 talks etc.

- Regular interaction between PBC and the NSA would strengthen the security paradigm
- Pakistan supports any government that has the support of Afghan people
- A stable Afghanistan is vital for Pakistan's security and for its trade with Central Asia
- Pakistan alone does not have resources to fund Afghanistan's immediate needs. Hence working to garner global commitments
- Pakistan's relations with the West are important and its close relationship with China should not deter.
- Perception needs improvement. Trade and investment are the best ways to do this. PBC will help.



**Geo-political developments:
How the International
Community views Pakistan
Angela Aggeler, US Charge
d'affaires and Christian
Turner, British High
Commissioner**

Key Take-outs:



- 60% of Pakistan's exports are to the US, UK and the EU. Hence even more important to maintain good relations with the West.
- Whilst the West understands Pakistan's need for CPEC, concerns cover debt and environmental impact.
- CPEC investment, though large, is only about twice annual inward remittances now running at \$30 Bn a year.
- The West still holds a larger percentage of Pakistan's FDI inventory.
- Cultural, linguistic and educational affinities are stronger with the West
- UK's FCDO and CDC and USA's DFC are keen to fund/invest in projects
- US is particularly keen to assist in agriculture
- PBC due to its mix of MNCs and local groups is an ideal counterpart for Western businesses



The Pakistan Economy Panel Discussion moderated by Muhammad Aurangzeb. Panel: Murtaza Syed, Deputy Governor State Bank of Pakistan, Esther Perez Ruiz (IMF), Najy Benhassine (World Bank), Mohammad Ali Tabba (Economic Advisory Council)

Key Take-outs:

- IMF's front-loaded targets exert a disproportional burden on existing taxpayers and honest consumers of energy.
- Unlikely that fundamental reforms to broaden the tax base and address circular debt will be achieved in the remainder 18 months of this programme. However, Pakistan needs the IMF to secure multilateral support.
- With imports neither high as % of GDP relative to Vietnam and Bangladesh, nor avoidable in the short to medium term, best for Pakistan to focus on exports
- Export incentives are not targeted to growing sectors, IT receives no rebates, the claim process is complex, goods lack



sophistication and ability to earn premium pricing.

- Pakistan levies high duties on finished goods. This protection incentivizes domestic sales though it could be argued that comparatively higher energy costs and poor infrastructure justify it.
- The recent 150 bps increase in the Policy Rate (with more on the anvil) was premised on expectations of high inflation and a rising trade deficit, even though most of it is supply-side in nature and specific steps had already been taken by the SBP to curtail consumer credit and limit the growth of money in circulation.
- The government lacks the capacity to implement reforms. PBC and others have provided the “why” and the “what” of the reforms but the “how” to implement is the missing piece.
- Investor confidence was hurt by the premature withdrawal of tax exemptions and the restoration of multiple levels of tax on inter-corporate dividends. Apparently, the latter was



premised on a (mis)perception of poor audit standards in Pakistan, notwithstanding that auditors are mostly the global Big-4 accounting firms.



CPEC
Ambassador Nong Rong of
China
CPEC2
Khalid Mansoor, SAPM CPEC

Key Take-outs:

- First phase of CPEC nearing completion
- Gwadar and ML1 Rail are critical pieces
- Focus shifting to private sector investment
- Labour cost advantage vs. China is the main premise but productivity is a constraint
- Investment not to be limited to China
- FTA with China offers significant tariff advantage to locate industry in Pakistan
- SEZ's progressing, CPEC Authority facilitating
- Scope in agriculture
- Central Asia to be integrated into CPEC



Sustainable Growth Presentation by Nazish Sheikha (PBC's CERB).

**Panel Discussion moderated
by Bashir Ali Mohammad
Panelists: Malik Amin, SAPM
Climate Change, Sonia
Becker, Foreign,
Commonwealth and
Development Office of UK,
Faryal Sadiq (Interloop);
Rizwan Diwan (Gatron)**

Key Take-outs:

- People, Planet and Prosperity are all driven by Purpose. Pakistan punching above its weight on UN Global Compact, UN Women Empowerment Principles, Alliance for Water Stewardship, Business Ambition for 1.5
- Artistic Milliner, Soorty and Faysal Bank initiatives on People shared
- Soorty, Interloop, Nestle, Novatex, Mehmood Group, Power Cement and Sapphire showing the way on Planet
- FrieslandCampina Engro, Dalda and National Foods acting on Prosperity
- Interloop's Purpose driven vision a good example
- LT consequences of not doing right by the



environment far exceed the costs of actions today

- Possible to achieve “profitable sustainability”. Example: plastics to yarn
- Imperative to unlock the unused female talent: PBC/ CERB/IFC Gender Diversity Awards to follow

Nazish Sheikha’s presentation link:

[Session on Sustainable and Responsible Growth in ‘PBCs dialogue with the Economy – 2021’ | Centre of Excellence in Responsible Business \(CERB\)](#)

Future of Growth

Panel discussion moderated by Farrukh Khan, MD PSX

Panelists: Ehsan Saya (Daraz); Tania Aidrus (ex SAPM Digitization); Zouhair Khaliq (Teamup); Asif Peer (Systems Ltd); Faisal Aftab (Zayn Capital)



Key Take-outs:

- IT and IT-enabled exports are a supply opportunity, not a demand constraint -- each \$1 Bn of IT exports requires 25,000 people; every \$1 Bn of call center business entails 50,000 people
- Pakistan is the new frontier for Venture Capital. >\$350 Mn inflow in last 12 months
- Intermediation platforms driving down cost, improving service quality, making business fitter and consumers happier.
- E-commerce and startups attracting quality talent;



incubators handholding,
Bricks and Mortar
businesses can also help
accelerate

- Government needs to digitize.
- Lessons to be drawn from why no Pakistan owned regional/global business emerged from the previous tech and telco waves
- PBC's advocacy led to SBP facilitating funds flow
- Local investors should augment foreign investment
- GEM listing on PSX provides another exit opportunity for sponsors & VCs
- Fiscal incentives to list need to be restored
- Digitization is promoting formalization of the economy
- Significant disruption expected in today's businesses
- Opportunity for supply chain optimization
- Data/ability to harvest it are critical success factors. NADRA could share database.
- "New" and "Old" businesses can shape policies together. PBC has an Associate Member category



daraz



Teamup Advisory



zayn
capital

On trade:**Razzak Dawood, Advisor to the PM on Commerce and Investment****Key Take-outs:**

- Tariff cascading will progress. Also considering reduction of tariffs on finished goods, but need industry view.
- Significant improvement in FTA with China but industry needs capacity and capability to benefit.
- Focus on Africa and Central Asia.
- New FTAs under consideration. PBC's advice requested.
- TDAP requires new leadership

**Make-in-Pakistan****Presentation by Ehsan Malik, PBC ([Click for presentation](#))****Panel Discussion moderated by Ehsan Malik**

Panelists: Razzak Dawood, Advisor Commerce, Khusro Bakhtiar, Minister for Industries and Production; Azfar Ahsan Chairman Board of Investment; Arif Habib and Atif Bajwa

**Key Take-outs:**

- Despite progress, significant room remains

to accelerate “Make-in-Pakistan”

- Imports as % of GDP not high; exports are low
- Challenge (and opportunity) to grow exports exponentially, Vietnam a model
- Competitive energy and productivity are key
- Sufficient scope for import substitution
- Vietnam be emulated in market access and export-led FDI
- Export basket and destinations need broadening
- Scale via consolidation will enhance competitiveness
- Rebates should be simplified and better targeted towards faster growing lines
- Significant scope to add product sophistication to command better price
- Pakistan under-represented vs India in Africa
- PBC least happy on energy tariffs and unpredictable fiscal policies including reversal of protection from multiple taxation of inter-corporate dividends and incentives to list.



Grow More

Panel discussion moderated by Samad Dawood Panelists: Syed Fakhr Imam, Minister for Food Security; Ali Khan (Pakistan Dairy Association); Abrar Hasan (Neymat Collateral) and Abdul Ghaffar (ICI Seeds Division)

Key Take-outs:

- Dairy & Livestock are 60% of agriculture and merit at least same focus as crops.
- Considerable scope for higher milk & meat yields. Formalization will drive down cost and improve quality
- Agricultural land encroachment: Horticulture, incl. olives a major opportunity for vertical growth
- Oilseeds and pulses need concerted focus
- Ecosystem involving multiple players – food companies, banks, transporters, warehousing, collateral financiers, farm machinery providers and farmers can drive up productivity and improve farm economics: Red Chili, Naymat and HBL Agri examples.
- Land levelling to optimize water use. Need more mechanization & agritech



- Optimal seeds require intellectual property protection
- Kamyab Kissan and Kamyab Jawan to help rural economy.
- Government needs to deregulate and stop setting farm prices



Key Note Speech by Shaukat Tareen, Finance Advisor

Key Take-outs:

- PBC is THE premier business body - government will look to it to bridge its capacity gaps.
- Commodity cost cycle is reversing – trade deficit will be manageable
- Government committed to sustainable development
- Industry to be revived through restructuring
- Industrialization will be promoted through a Private Equity Fund
- IT and services export will receive enhanced focus



Meeting of the PBC Board with the Prime Minister and his team

Key points conveyed to the PM:

- PBC does not make demands. It advocates change through meaningful dialogue based on sound research.
- The PBC's "Dialogue on the Economy 2021" successfully engaged a wide range of ministers, diplomats and multilaterals.
- National security paradigm must give economic security the highest priority. PBC is providing input to the National Security Advisor. Also, its *Charter on the Economy* makes a case for consensus to support continuity of policies to uplift the lives of people.
- With >60% of exports to USA, UK & EU, good relations with them, as well as China are desirable.
- Despite economic challenges, there are some strong positives including an acknowledgment by *The Economist* on progress by Pakistan to get back to normality after the pandemic.



SOLVENCY IS THE FOUNDATION OF AUTONOMY



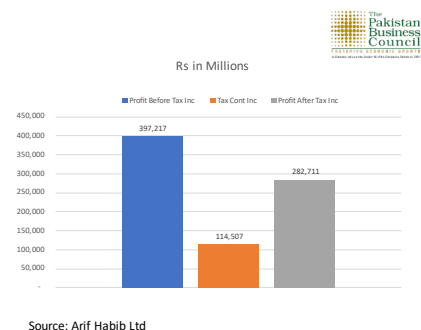
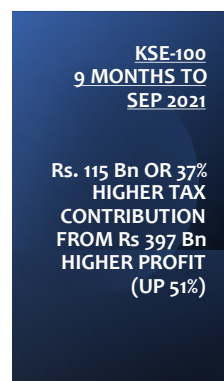
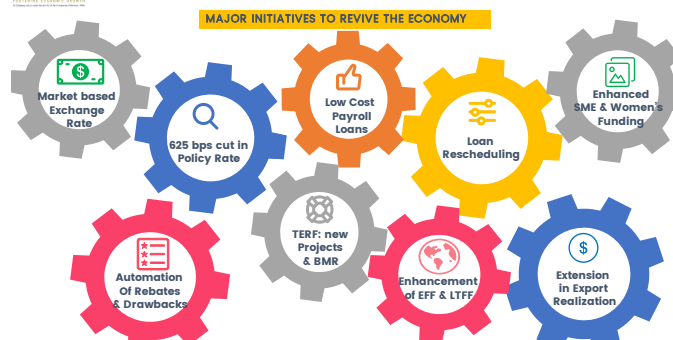
- The Pakistan Pavilion at Expo 2020 is also a good accomplishment. PBC members contributed 65% of private sector funding.
- Thanks to various stimuli and bumper crops, the economy is on a growth trajectory, rural and corporate sectors are doing well but inflation is hurting the urban lower middle class.
- Corporate profit in 9M to Sep '21 is up 51% and Rs. 115 Bn additional direct tax has been generated. This, besides indirect taxes.
- 65% of increase in imports in Jul-Oct '21 was due to commodity cost cycle. Fortunately, oil price is declining. As vast majority of imports are unavoidable, other than some actions to manage the optics on luxury imports including CBU cars, the measures already taken by the SBP should quell demand.
- Agriculture and exports should be the government's main priorities for inflation control and to rebalance the current account.
- Exports require regionally competitive energy. Local industry too will benefit



SOME STRONG POSITIVES



SBP'S MULTIPLE STIMULI



from lower tariffs.

However, IMF's conditions will have the opposite impact.

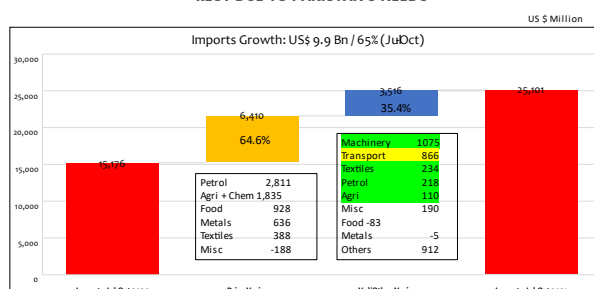
- Pakistan has good opportunity to grow exports of IT and IT-enabled services but this requires substantial investment in human resources.
- Of foremost importance to investors is predictable policies. However, premature withdrawal of fiscal incentives and reintroduction of multiple taxation on intercorporate dividends are retrogressive steps that need to be reversed. These work against consolidation, scale, competitiveness and formalization of the economy

PM and Team's Response:

Mr. Shaukat Tareen: "PBC is the country's premier business body and given its capabilities and resources, it will be the main 'go-to' institution to help the government meet its capacity gaps. We have agreed with PBC to have offsite sessions on key measures to address the ease and cost of doing business. The issue of

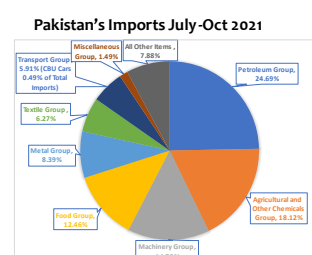
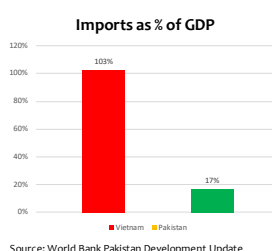


COMMODITY COST DRIVING IMPORTS REST DUE TO PAKISTAN'S NEEDS

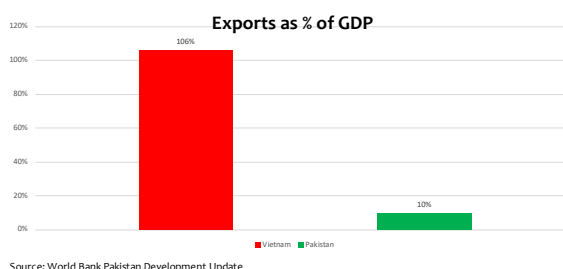


IMPORTS ARE MOSTLY UNAVOIDABLE

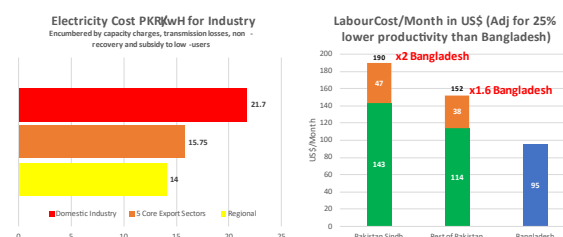
and not high as % of GDP relative to peers



THE REAL ISSUE IS: LOW EXPORTS



UNCOMPETITIVE CONVERSION COST



intercorporate dividends will be addressed as part of this dialogue.”

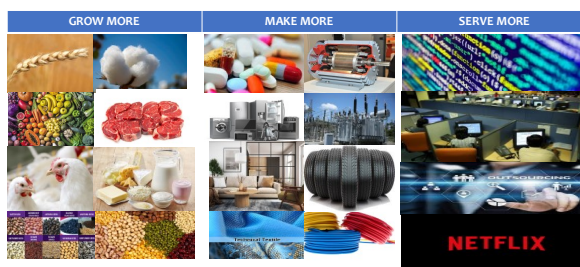
Mr. Hammad Azhar: “This is the first time that a business body has come to you Mr. Prime Minister without demands. They are offering help which is most welcome. The point about energy cost is noted and this and intercorporate dividends must be taken up with the IMF at a suitable time. PBC is modest on its contribution to the economy. In current tariffs there is cross subsidy too”.

Mr. Khushro Bakhtiar: “In replacement of TERF, the SBP should look at offering exchange rate cover on offshore borrowing to fund import of machinery.”

PM's Comments: “I encourage wealth creation by the private sector because it fuels employment, exports, import substitution and generates tax revenues to invest in socio-economic development. I am delighted to see PBC's focus on Make-in-Pakistan. This is the only way we will regain our sovereignty. I am happy that PBC wants to support and my team wants to rely on its resources. Let's work in partnership for the good of

SUBSTANTIAL SCOPE FOR MAKE-IN-PAKISTAN

For employment, exports and import substitution



TWO MAJOR INITIATIVES TO REDUCE COST AND MAKE IT EASIER TO DO BUSINESS



- Pakistan Customs initiative to cut the time and cost of clearing consignments.
- Digitization and elimination of paperbased processes
- Integrates the work of 70 authorities
- Average time saved 10 days
- PBC represented by nominee on the Board



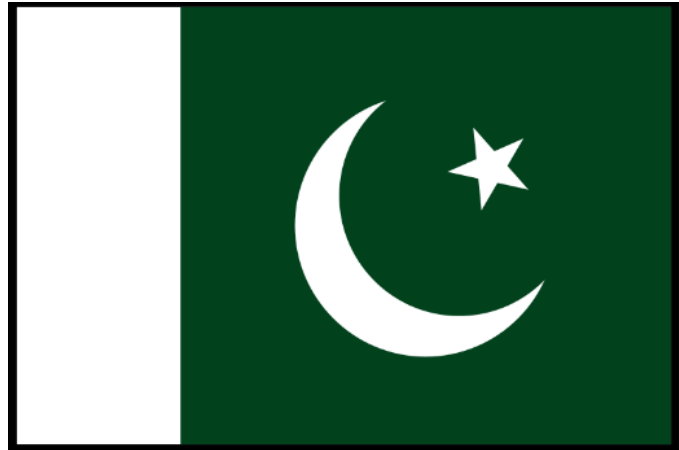
PAKISTAN REGULATORY MODERNIZATION INITIATIVE

- Modelled on World Bank's Regulatory Guillotine
- Aims to improve the entry and operating environment for business
- Focuses on simplification and automation of the regulatory framework at federal, provincial, and district levels
- PBC on the Steering Committee. Provider of largest number of issues to tackle

PROGRESS ON "MAKE-IN-PAKISTAN" THRUST



the country. I look forward to regular interaction with you. Hopefully, our economy will stabilize and we will not have to make heavy compromises on growth in the future.”



Saquib Shirazi, Chairman PBC and Muhammad Aurangzeb, Vice Chairman planned the Dialogue, introduced the speakers and summarized the proceedings.



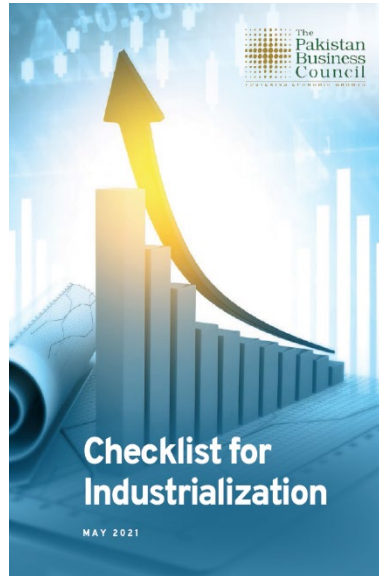
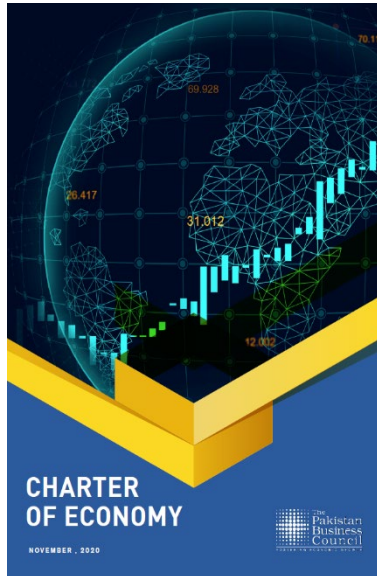




PAKISTAN BUSINESS COUNCIL “DIALOGUE ON THE ECONOMY 2021”	
7th Dec at 19.30	Dinner with Asad Umar, Federal Minister of Planning, Development and Special Initiatives Theme: Smarter planning for sustainable and inclusive growth Venue: Nazara
8th Dec All Sessions at: Kehkashan - I Lunch at: Kehkashan - II & Dinner at: Sheesh Mahal - II	
9.00-9.30	Opening remarks – Chairman, Vice Chairman and CEO, PBC
Geo-political developments affecting Pakistan	
9.30-10.25	<i>The view from Pakistan:</i> Dr. Moeed Yusuf, National Security Advisor (For PBC members only)
10.25 – 10.45	Stretch Break
10.45-11.25	<i>The view from abroad:</i> Dr Christian Turner, British High Commissioner, Ms. Angela Aggeler, US Charge d Affaires.
Pakistan & the World Economy	
11.30-12.55	<i>Panel discussion moderated by Mr Muhammad Aurangzeb, Vice Chairman PBC</i> Panelists: Mr. Najy Benhassine, Country Director, World Bank; Ester Perez Ruiz, IMF Resident Representative; Dr Murtaza Syed, Deputy Governor, State Bank of Pakistan; Mohammad Ali Tabba, Member of the Economic Advisory Council
13.00-14.25	Lunch. Key speaker: Khalid Mansoor SAPM CPEC on accelerating private sector investment as part of CPEC2
Sustainable and Responsible Growth	
14.30-14.45	Highlights of measures taken by PBC members (Nazish Sheikha, PBC/CERB)
14.45-15.45	<i>Panel discussion moderated by Bashir Ali Mohammad, Chairman Gul Ahmed</i> Panelists: Malik Amin Aslam, Advisor to the PM on Climate Change; Faryal Sadiq, Interloop; Rizwan Diwan, Gatron;
15.45 – 16.00	Break
The Future of Growth: “from bricks and mortar to digital”; “from goods to export of services”; and “from today’s startups to tomorrow’s listed companies”	
16.00-17.30	<i>Panel discussion moderated by Farrukh Khan, CEO PSX</i> Panelists: Zouhair Khaliq, Tania Aidrus, Asif Peer (CEO Systems Limited); Faisal Aftab (Zayn Capital); Ahsan Saya (Daraz)
19.30-21.30	Dinner with Razak Dawood, Advisor to the PM on Commerce and Investment
9th Dec All Sessions at: Shamadan - III Lunch at: Shamadan - I & II	
“Make-in-Pakistan”	
9.00-9.20	The MiP Scorecard – CEO PBC
9.20-11.00	<i>Panel discussion moderated by Ehsan Malik, CEO PBC</i> Panelists: Razak Dawood, Advisor to the PM on Commerce and Investment; Khusro Bakhtyar, Minister for Industries and Production; Hammad Azhar, Federal Minister of Energy; Muhammad Azfar Ahsan, Chairman BOI; Mohammad Ashfaq Ahmed, Chairman FBR.
11.00- 11.20	Break
“Grow More in Pakistan”	
11.20-13.00	<i>Panel discussion moderated by Samad Dawood</i> Panelists: Syed Fakhr Imam, Minister for Food Security; Ali Khan, CEO Friesland Campina Engro Foods, Abdul Wahab, ICI, Abrar Hasan, Neymat Collateral
13.00-15.00	Lunch and keynote speech by the Finance Minister
Meeting with the Prime Minister	
Time/VenueTBC	Call on the PM, then conclude

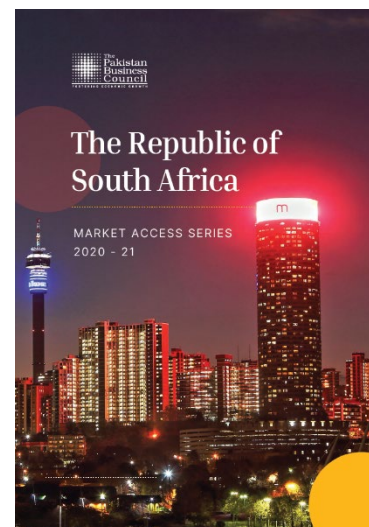
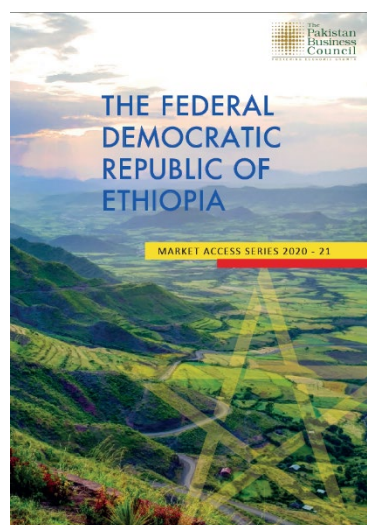
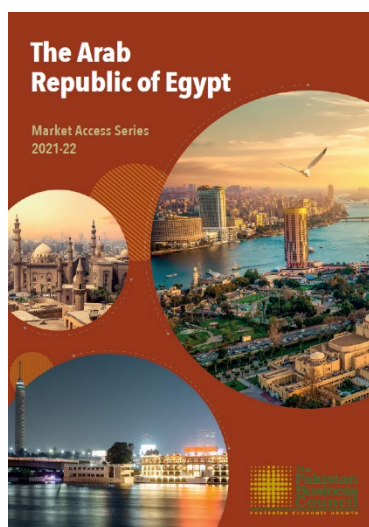
PBC's Recent Studies

General Advocacy:

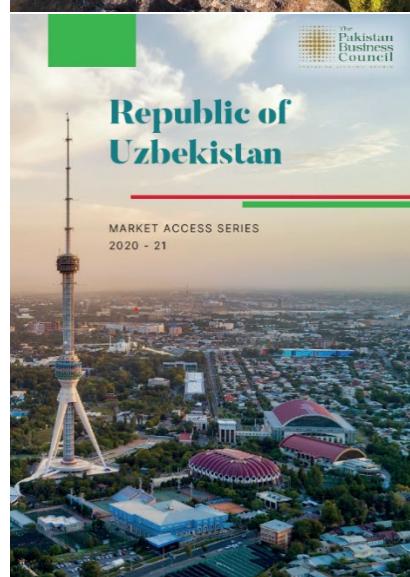
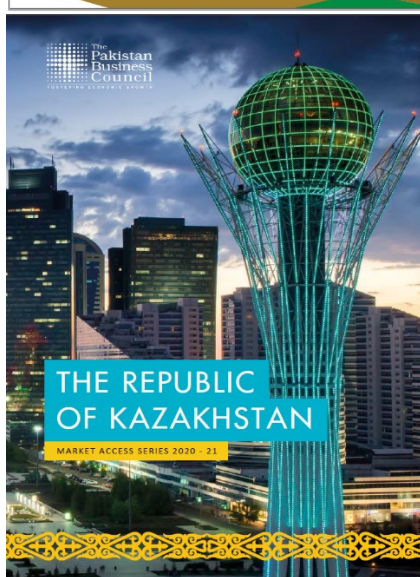
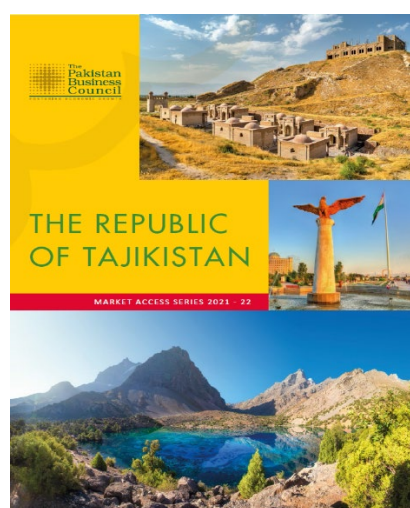


Market Access and Country Reports:

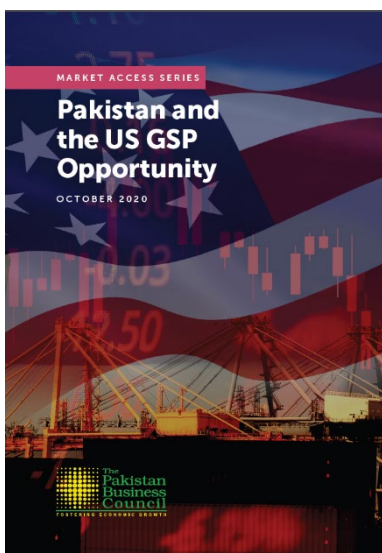
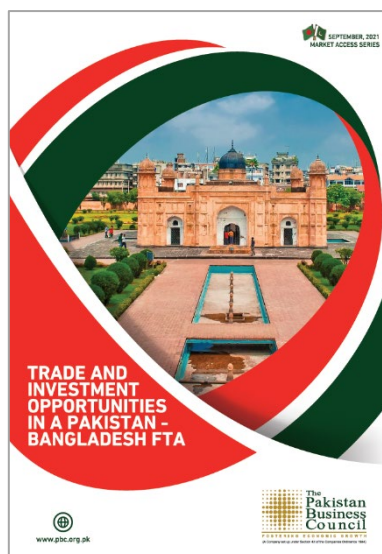
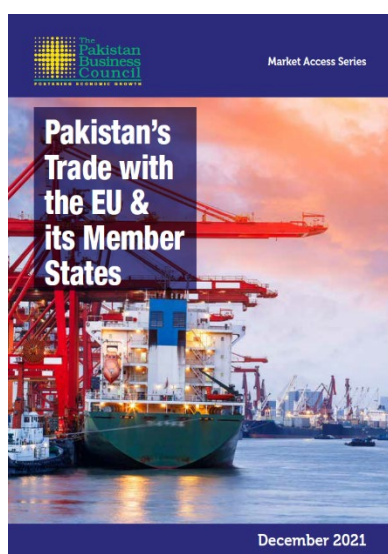
Africa:

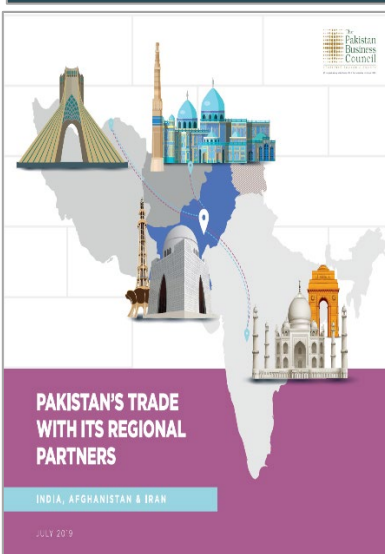
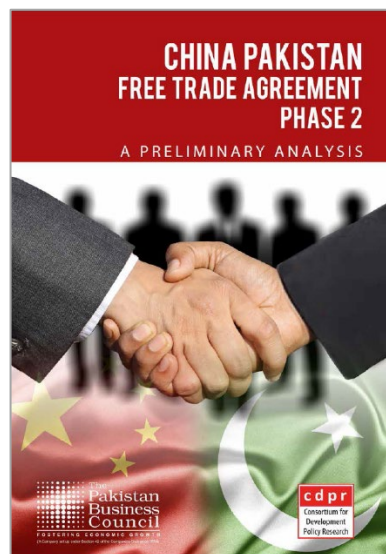
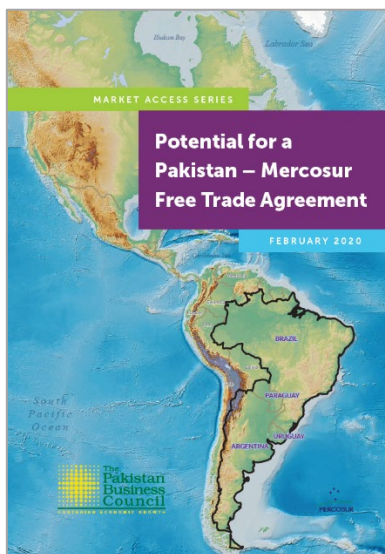


Afghanistan and Central Asia:

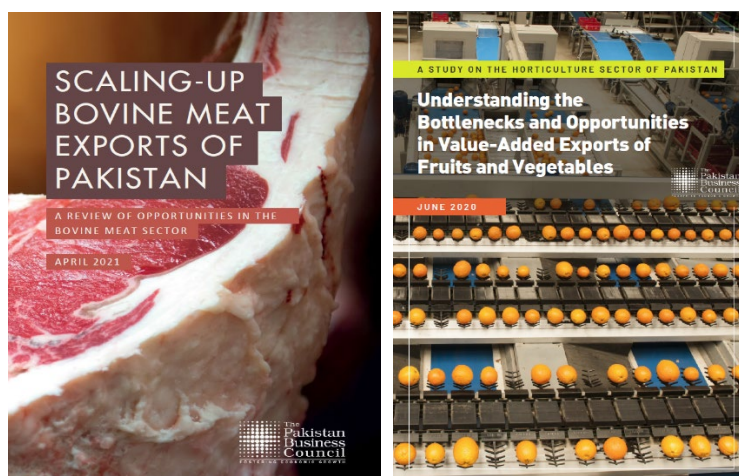


FTAs/Trade Agreements:





Make-in-Pakistan Series – Agriculture:



Make-in-Pakistan Series – Other Sectors including Services:





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