CHAPTER 11

Way Forward
programs and initiatives of the government of Punjab.

These studies have not been widely disseminated or used in the planning and execution of WASH programs. There is a need for research on water, sanitation, wastewater, and solid waste management for the province. Evidence generated from this research can inform policy decisions.

- Long-term planning, engaging field experts, and dissemination of research findings:
  - Outsourcing incineration can be considered for waste management.
  - Engage and monitor the private sector in the delivery of essential services like ambulances and medical machines.
  - Ensure long-lasting, sustainable reforms in public health services.

Maternal mortality can be prevented if potential complications are managed properly. Some areas of further reforms include:

- Revising the size of benefits, especially for complex conditions like cancer, which may cost significantly more.
- Developing a management system for private hospitals on panels to ensure quality and adequate provision of services.
- Enhancing the Health Insurance schemes to cover more individuals.
- A separate allocation for teacher posts in pre-primary education to ensure adequate coverage.

Long-term planning will require support from the provincial government and development partners working on education reform in Punjab to drive change.

- Awareness campaigns: This calls for synergies between higher education and industries. Universities should align with the provincial higher education commission to promote awareness and provide policy directives.

Education sector requires a holistic overview:

- Revisit the Health Insurance schemes to ensure comprehensive coverage.
- Focus on quality as part of the roadmap approach to improve maternal outcomes.
- Promote a more efficient use of infrastructure to reduce hospital overcrowding.
- Enhance monetary incentives for teachers to attract and retain quality staff.
- Emphasize on quality assurance in training programs for teachers.

Meeting SDGs:

- There is a need for targeted interventions based on comparisons with other districts and provincial averages.
- Funding amounts for water/sanitation objectives should be split adequately to meet the needs of each constituency.
- Currently, the Punjab lacks data on several indicators required to measure progress.

Promote a more efficient use of infrastructure:

- Innovative models of BHU management can be adopted for some areas.
- This will prevent hospitals from being overburdened and drive and investigate drug activity.

Budgeting issues:

- It is necessary to prioritize different objectives within WASH. In particular, allocated budget growth at district level was less than anticipated.
- Districts will find it difficult to fund the increase in average rural population per BHU.
- Facilities are distributed unevenly compared to the population catchment area.

Medical professionals and experts will require additional support. A fair chance of upward mobility and reasonable salary packages should be considered essential requirements.

- Enhance monetary incentives for teachers.
- The minimum wage law does not apply to teachers in the private sector, as some do not consider it a full-time profession.
- Although provincial legislation covers teachers, it is not calculated for others.

A mechanism for systematic identification of learning challenges and other disabilities at the district education authorities can be established. This allows for the systematic reporting of cases and severity of disability for all children in and out of school, providing accurate numbers for planning.

- A key challenge is related to the alignment of the SDGs and WASH programs.
- Like previous years, little interventions were witnessed by the provincial government. For example, while the average number of students in all-girl schools in 2015-16 was 130.78 (up from 103 in 2014-15), the number of girls attending school at all was lower. This trend is reversed in the case of secondary schools.

Education targets: With timely and comprehensive data collection at the district level, an accurate picture of the quality of education on the ground can be established. Planning and implementation can be placed in the local education targets. A school with fewer than 100 students is considered under-utilized.
Way Forward

This chapter presents the way forward for the Government of Punjab and provides recommendations which can be useful in defining the path of success for Punjab while overcoming the existing shortcomings. More details and the analysis underlying them is provided in the individual chapters. The below set of principal recommendations provide an extensive coverage spanning a major portion of the Punjab’s economy and the detailed chapters provide the analytical evidence that support these recommendations.

Economic Management

Economic management is a dynamic process dependent on simultaneous working of several factors. The ‘policy’ is the guiding mechanism that knits all these factors and ensures sustainable impact. Punjab stands committed in ensuring its priorities in line with that of the Federal Government. Hence, over the next five years, the development priorities of Punjab will be aligned with the Sustainable Development Goals (SDGs) 2030, Pakistan Vision 2025, and Long Term Plan 2030 under China Pakistan Economic Corridor (CPEC) Framework. The Punjab of 2018 is significantly complex as compared to five years ago and this complexity is bound to increase further over the next five years. Thus, the government will continue to maintain its focus on improving provision of quality public services, investing in building competencies and skills in the public sector while ensuring inclusive participation of most vulnerable and disadvantaged groups of the society. All of this will be done by setting new levels of efficiency, obtaining value for money and being fully transparent and accountable. Hence, the development agenda of the province not only comprise of targeted tangible projects, but also firm policies and strategies such as the Punjab Growth Strategy itself, which will cast a rippling effect and help transform the governance in the province to contribute more strongly towards improving lives of its citizens.

Furthermore, competitiveness is one paramount aspect of economic management and to ensure Punjab economy becoming competitive a multitude of factors must come into play. These factors primarily include investments in modern infrastructure, human capital (provision of quality healthcare and technical modern education & skills development), financial management, enhanced role of the banking sector, value addition and lower input costs to increase productivity. Apart from this, the role of good governance is very important as it ensures effective institutional management which is a pre-condition for effective policy implementation and provision of a business friendly environment.

Moreover, with an increased focus on development planning and evidence-based policy making, the demand for statistical data, numeric evidence and analysis has also increased in the province. BOS and PERI being the chief organizations looking after these functions in the province, have a huge role to play. In order to improve economic management in the province BOS and PERI are to upgrade their capacity and develop work-plans that serve the current needs of economic management of the province. A key element to this is the production of user-friendly data and policy analysis. These institutes must be able to produce reliable estimates of GPP and of provincial investment following the methodology similar to that of the Federal Bureau of Statistics for Pakistan and “quick” (quarterly) estimates of GPP and other indicators of economic activity, using proxies if necessary. Focus must also be laced on strengthening data collection and analysis of the informal sector. More specifically, PERI and BOS must focus on the following:

- **Long-term planning, engaging field experts and dissemination of research findings:**

- **Outsourcing services:**

- **Health workforce:**

- **Inclusive Education:**

- **Targeted Interventions:**

- **Sector plan for Higher Education:**

- **Regional Disparities:**

- **Articulation of contracting-out policies need to be developed for high value services such as diagnostic laboratories:**

- **Use girls’ schools more efficiently:**

- **Increase enrolment:**

- **Increase district budgets adequately:**

- **Funding amounts for water/sanitation objectives should be split adequately. Furthermore, funding requirements related to the financial constraints – the amount needed lies above the development funds committed. It may**
Moreover, the share of services sector in the economy is now more than 60 percent. However, there is no government department that acts as a counterpart facilitator and a regulator of this sector. More recently, Punjab Revenue Authority has started an aggressive drive to collect taxes from the services sector, however, these efforts show a clear lack of strategic vision and policy on part of the government to develop the sector and, instead depicts a typical myopic view of building quick revenues. This stance may turn out to be detrimental for the sector with businesses moving out of Punjab to more friendlier regimes. In the interim, the private sector services industry may be merged or handed over to the Industries, Commerce and Investment Department. Moreover, the Industries, Commerce and Investment Department should initiate a dialogue between the sector and PRA to ensure an increased tax base at rationalized rates to spare the sector an opportunity to grow further.

The growth of labour force in Punjab and estimates of elasticity suggest that a GDP growth of 4.1 percent per annum may be sufficient to absorb the new entrants into the labour force. Adding an additional 2 percent per annum to GDP growth will work towards absorbing the existing pool of the unemployed. Hence, the report recommends that government may want to revise its growth target of 8 percent per annum as per the Growth Strategy 2018 to 6-6.5 percent per annum.

Public Sector’s Investment Focus

Public sector investments may be focused on areas of critical needs and gaps. More specifically the report recommends a continued or an enhanced focus on:

- **Nutrition and Population Issues**
  
  (a) Expand the scope and scale of the Punjab Population Innovation Fund (PPIF)
  
  (b) Initiate a holistic population programme with clear targets, stronger implementation and better monitoring
  
  (c) Expand the continuation of funds the nutrition programme and activities

- **Development of Human Capital**
  
  (a) Continue investments in the skills sector through PSDF, TEVTA and PVTC
  
  (b) Initiate programmes on skilling based on expected CPEC demands
  
  (c) Strengthen self-employment programmes to include skills graduates

- **Health, Education and WASH**
  
  (a) Ensure stronger monitoring, evaluation and assessments of investments. Move towards spending on pure public goods only and that too based on a robust VFM analysis.
  
  (b) Enable the health sector to focus on making choices of provision of basic or specialist services—identifying returns to investments. Fully incorporating the role of the private sector and not come up with interventions that will displace private sector. Promote extensive use of PPPs to leverage use of public’s money.
  
  (c) In Education, the returns are greater on activities focused on improving learning outcomes. The stock take should have a re-look at indicators and focus more on quality than only ensuring presence of infrastructure and teachers.
  
  (d) WASH sector offers the greatest potential of PPPs as user fees can be charged. The bridge provided by the transitioning local government system should be used to encourage more PPPs in the sector.

- **Agriculture, livestock and Rural Development**
  
  (a) The Kissan Package initiative is supported, however, its management and targeting must be strengthened to ensure that support reaches the target farmer.
  
  (b) It must also be ensured that the Kissan package is directed towards building farmers’ capacities and not to be used as a price subsidy to the consumers or profiteering by the middlemen can be the key driver of development and growth in the sector.
  
  (c) Ensure robust implementation of the Project Strengthening Markets for Agriculture and Rural Transformation
in Punjab (SMART Punjab). The programme will be supporting the Punjab Livestock and Dairy Development Board (PLIDDB) and Lahore Division Cattle Market Management Company for the constructive and leading role they are already playing in livestock production and marketing improvement. The programme will also focus on institutional strengthening and Smart Public Investments in the sector.

- **Infrastructure (Roads and Irrigation)**

  (a) Design an investment matrix for the province to include a suitable infrastructure as proposed: i) improve access to education and health services, ii) improve access to markets for farmers, by cutting costs, iii) facilitate private investment, and, ultimately improve jobs and income levels for many.

- **Industrial Competitiveness and CPEC**

  (a) A key tool managing this sector will be the up-coming industrial policy that will be unveiled in July 2017. The policy should be holistic vision of the Punjab – giving a major and driving role in the CPEC investments.

**Policy and Coordination Failures**

Punjab over the last 10 years has developed ‘three’ key macro-economic policy management and accelerating growth strategies. However, inter-departmental coordination, monitoring of implementation and developing data to assess impact have been weak. Hence, it is strongly recommended that policy implementation and coordination between departments must be strengthened. This will also require strengthening of P&DD’s analytical, monitoring and coordination capacities.

**Development Expenditure Post Devolution**

The data shows that allocations to sectors that were developed post 18th Amendment have increased but the expenditure levels have remained stationary except for infrastructure where the investments have been growing rapidly. Thus, a key recommendation emerging is that the government should strengthen its capacity to spend well, especially in key sectors such as health, education and WASH. The government must recognize that increased spending on creating infrastructure and urban assets will warrant higher future maintenance expenditures to sustain and maintain these. This may have strong implications on the design of future provincial taxes.

**Poverty Profiling in the Punjab**

The report observes that southern districts continue to lag behind in terms of provision of basic services such as education and health. The PFC award post local government elections is sensitive to these sharp disparities and similarly the tilt of the ADP has also moved in the favour of poorest districts. However, the trends of higher investment should continue for next several years to catch up on lack of spending in these areas in the past. The real issue with absolute poverty estimates is high degree of clustering around the poverty line. Hence, it is recommended that all social safety programmes may use a band approach to target the poor rather than to use stricter point / line estimates.

**Analysis of Social Sectors**

- **Health**

  - **Need for formation of inter-departmental coordination mechanism:** Long lasting, sustainable reforms in the health sector such as for population control, preventive healthcare and improving mother and child health etc. require cross-sectoral strategies and alignment between departments such as PWD, SED, WASH services, HUD&PH and urban unit etc.

  - **Outsourcing services:** Outsourcing non-clinical services and lab/ diagnostic facilities can be explored as the first point of upscaling private sector engagement. These require:

    (a) Articulation of contracting-out policies need to be developed for high value services such as diagnostic laboratory support, ambulance services or the provision and maintenance of advanced medical machines to effectively engage and monitor the private sector;

    (b) Non-core clinical services such as janitorial services, dining, parking, security, hospital waste and hospital incineration can be outsourced to the private sector;

    (c) Mechanisms to encourage and involve private sector in providing preventive health services should be devised.
• **Awareness campaigns**: Another area to explore for private sector involvement is engaging with media on awareness campaigns and using innovative partnerships with technology houses to pilot innovative e-Health services and projects.

• **Focus on preventive and promotive healthcare**: Punjab should renew focus on preventive and promotive care via devolved vertical programmes, social mobilisation, educational interventions and behaviour change promotion. Increased expenditure on preventive and promotive care reduce costs of treatment and create fiscal space to counter non-communicable and some infectious diseases that have re-emerged and/or are endemic.

• **Minimise frequent changes in health management**: Frequent changes in Health Department’s management can impact progress of the health sector reforms’ program during its early implementation.

• **Health workforce**: Health sector lacks an effective mechanism for Human Resource (HR) planning and development across departments. HR policies should lay out a medium- to long-term path to provide the sector with skilled, motivated and accountable health workers. The government has begun hiring allied health professionals, constituting skilled technicians and workers in the medical field to support consultants to manage patients.

• **Increase district budgets adequately**: While the overall budgetary allocation has increased, district level budgetary allocations have not increased sufficiently to meet new project targets. Budget growth at district level was less than 10% in 2016-17 compared with allocations in 2015-16. Districts will find it difficult to fund the increase in salaries and will require aid from the province to procure medicines in case allocations are not enhanced.

• **Increase focus on primary healthcare**: A stable primary healthcare system will ensure patients are not compelled to go to secondary health facilities for minor problems and are able to receive appropriate treatment closer to home. This will prevent hospitals from being over-burdened. Innovative models of BHU management and operations such as those being implemented in Sheikhupura and Hafizabad may be adopted for some 600 non-performing BHUs.

• **Improve child mortality and maternal health**: Maternal mortality can be prevented if potential complications are discovered and treated in time. Increasing the capacity of LHV’s to undertake antenatal care will make easier for possible birth-related problems to be identified by the antenatal care supervisor (LHV or midwife) who could then refer cases to a doctor on an as-needed basis.

• **Revisit the Health Insurance schemes**: The first health insurance program of its kind in Punjab needs to be managed properly. Some areas of further reforms include:

  (a) Revising the size of the benefits especially for complex conditions such as cancer as they cost on average much higher than the maximum allowed amount;

  (b) A management system has to be devised for private hospitals on the panel to ensure quality, adequate provision of services and ensure value for money;

  (c) Given the lack of healthcare facilities in rural areas, provision of health cards can bring a massive influx of patients into urban government-run hospitals already overworked, under-resourced and inadequately staffed. The insurance program should feature an element of primary care and public awareness initiative instead of funding secondary and tertiary care.

• **Regional Disparities**: There is wide variation in the number of primary health care facilities per district in terms of average rural population per BHU. Facilities are distributed unevenly compared to the population catchment area due to various reasons. This means there are more doctors per facility in some areas at the expense of others and it also means that the administrative (monitoring) workload of district officers is uneven.

• **Strengthening Family Planning**: In view of the substantial levels of unmet need of family planning in Punjab and the limited resources available, a strong focus on improving access to quality family planning services would be a more effective and practicable short-term strategy for increasing contraceptive prevalence. Governments should launch, in collaboration with the private sector, a transformative communication strategy targeting all stakeholders, engage men with family planning information and services, undertake youth-friendly approaches to reach the next generation with family planning information, encourage PPPs and advocacy, and mainstream ownership of the family planning mandate in the health system. The direction of reforms under PPIF support this.

Improved supply of medicines should be underpinned by a comprehensive drug control regime. Health departments should design a regulatory framework to monitor and investigate drug activity from initial reporting to final inspection. Supply of medicines can be improved by enhancing provision of cold chain equipment to districts,
Education

• **Education sector requires a holistic overview:** To cater the schooling needs of all the children between the ages of 5 to 16 years, under Article 25-A, schooling facilities need to be made available at all levels - primary, middle and high. This is a critical component of transition from the primary-level focus of the MDGs, to the more holistic SDGs. In Punjab, however, over 70 percent of the schools are primary and the province caters to a limited number of children beyond primary. Enrolment drops drastically after the primary level but more steeply in the case of girls.

• **Align priorities and integrate the strengths of key stakeholders:** Creating synergies between all government and development partners working on education reform in Punjab will be essential to drive change through mutually determined goals to transform the quality of education in the medium term where the government drives the reform agenda with the help of its partners (key departments, private development partners, and civil society organizations). The roadmap approach and the Growth Strategy help to provide the same metrics to track progress, and are constantly used as a basis to evaluate and improve their service delivery. A continuation of this process will be a key.

• **Increase enrolment:** If Pakistan wants to witness 100 percent primary enrolment by 2030, it will have to increase its rate of enrolment by four times the current level. In addition, non-formal schooling is a good way to target females for education, as is increasing the number of secondary schools where their enrolment drops.

• **Leverage partnerships:** Punjab must leverage innovative partnerships with the private and civil society sectors to enroll and retain children who are most unlikely to go to schools because of supply side constraints, demand side barriers, or disabilities. Innovative public-private partnerships and public-community partnerships should target children who were previously marginalized, and help these students stay in school.

• **Improve learning outcomes:** Evidence from learning assessments indicates that government effort and resources are leading to improved learning but there is still much to do to raise standards. There is a need for more and better trained teachers and school leaders/administrators to improve the effectiveness of schools by making use of the increased range of available performance data and resources. This is particularly important following the creation of District Education Authorities.

• **Focus on those at risk of dropping out:** While the government should be concerned about those that are not going to school at all, it must also pay attention to those that are at a risk of dropping out. Data is required for understanding who is benefiting, who is excluded, links between teaching, learning and disadvantage and ways in which reforms impact classrooms, schools and communities.

• **Focus on Early Childhood education:** There should be a separate allocation of teachers for pre-primary education in the public sector. Children that do not have good experience at early childhood education are more likely to drop out at early years of schooling or show minimal achievement.

• **Increase number of lower secondary schools for girls:** While almost all tiers of schools in Punjab have a higher number of girls’ schools, this trend is reversed in the case of secondary schools.

• **Address Regional Disparities:** Provincial statistics on education mask considerable regional disparities. Allocations should be based on the needs of each constituency. Districts with lowest gender parity in number of schools, teachers and enrolment are all from South Punjab: Dera Ghazi Khan, Muzaffargarh and Rajanpur need focus to pull up the province’s overall rankings. Despite the need, some districts are hugely disadvantaged in terms of budgets allocated to them. It is essential that need-based budgeting be undertaken in the province where allocations should be based on actual needs of the districts. Non-salary budget is essential for meeting day-to-day expenses of schools.

• **Sector plan for Higher Education:** Reforms for Higher Education in Punjab need to be embedded in a sector specific clear policy to replace the only applicable National Education Policy of 2009. To bring focus to the resources allocated for higher education and transform the sector to align it to the needs of the market and the skill set required by the youth, a dedicated 3-5 year sector plan must be developed. More clarity is needed in demarcation roles of the higher education department and the provincial higher education commission in terms of where they get their policy directives.

• **Linking education institutions to market:** This calls for synergies between higher education and industries
department. The link between employability and graduation can only be strengthened if there is collaboration between industries department and HED on devising curriculums in sync with industries demands.

- **Promote a more efficient use of infrastructure:** An effective utilization of the educational infrastructure can be assessed in terms of student-teacher (1:46), and teacher-institution (1:3) ratios at primary school levels. Ideally, on average, there should be 40 students in a primary school classroom. This requires a total enrolment of 200 students per school. A school with fewer than 100 students is considered under-utilized.

- **Use girls’ schools more efficiently:** Schools catering specifically to girls are used less intensively than those for males. For example, while the average number of students in all-girl schools in 2015-16 was 130.78 (up from 103 in 2005-06), it was lower than the average of 148.79 (up from 128 in 2005-06) for males. This difference was wider than the difference in the size of the two types of schools, and suggests that female enrolment could be significantly increased without incurring additional construction costs.

- **Meeting SDGs:** Currently the Punjab lacks data on several of the indicators required to measure progress for education targets. With timely and comprehensive data collection at the district level an accurate picture of the quality of education on the ground can be established and planning and implementation can be placed in the local context and progress can be effectively monitored over time. This approach also underpins the roadmap approach and governments are gearing up for that. For some indicators raw data are available but the value of the indicator is not calculated while for others primary data are not collected at all.

- **Enhance monetary incentives for teachers:** The minimum wage law does not apply to teachers in the private sector, as some do not consider it a full time profession. Although provincial legislation covers teachers.

- **Make progress on RTE Laws:** Like previous years, little interventions were witnessed by the provincial governments in Pakistan vis-à-vis the implementation of right to education (RTE) laws during year 2016.

- **Inclusive Education:** A mechanism for systematic identification of learning challenges and other disabilities at scale needs to be put in place. Internationally developed and validated survey modules that help identify the nature and severity of disability for all children in and out of school can provide accurate numbers for planning.

- **Focus on quality as part of the roadmap approach:** The targets set often focus on short-term results and do not necessarily have a direct link with quality of services provided. While the road maps aim at tracking performance of teachers, their promotions and salaries are still being managed through routine, seniority-based criteria with fixed salary increments.

- **Improve teacher’s hiring:** Every selected teacher must undergo a rigorous training for six to nine months before starting actual teaching. The duration of training and the courses should be decided after consultation with experts. A fair chance of upward mobility and reasonable salary packages should be considered essential requirements of a decent career. Moreover, a sequential refresher and upgrade should also follow along career progression.

### WASH

- **Budgeting issues:** A major issue highlighted when looking at the budgeting numbers outlined in the report are related to the financial constraints – the amount needed lies above the development funds committed. It may therefore become necessary to engage international donors or to redirect development funds allocated to other programs, towards WASH if the stated objectives are to be achieved. Another important concern is related to the throw forward of on-going schemes. The development portfolio already has a large volume of throw forward, while new schemes are added constantly.

- **Targeted Interventions:** It is necessary to prioritize different objectives within WASH. In particular, allocated funding amounts for water/sanitation objectives should be split adequately. Furthermore, funding requirements across regions and districts need to be identified appropriately. For example, certain regions and/or districts might require a more targeted water policy but not a targeted sanitation policy as they may already have good filtering programs at home. This is made clear in section 3.3.3 which looks at well-being rankings across districts and highlights the need for targeting interventions based on comparisons with other districts and provincial averages.

- **Alignment of SDGs and WASH:** A key challenge is related to the alignment of the SDGs and WASH program. The implementation and successful achievement of SDGs require institutional level changes, and progress against them has been slow. There may be a need to align the WASH objectives in a manner consistent with the goals of sustainable development as outlined by the United Nations, and in light of recommendation (2), target these schemes towards SDGs tailored to the provincial and district-level requirements.
• **Long-term planning, engaging field experts and dissemination of research findings:** It is also recognized that government priorities are often driven by political expediency and advocacy of international and national partner’s based on research and evidence. While a number of research institutes and universities in Punjab have conducted research on water, sanitation, wastewater and solid waste management for the province, evidence generated from these studies has not been widely disseminated or used in the planning and execution of WASH programs. There is a strong need for identifying a water and sanitation research agenda that feeds into the development of new programs and initiatives of the government of Punjab.

**Agriculture and Rural Sector in the Punjab**

The Government of Punjab must take the following steps to create facilitative markets in agriculture, particularly in the case of wheat:

- Existing private grain elevators being utilized for other commodities may also be utilized for wheat, with the government offering long-term contracts for elevator utilization.
- Use flexible wheat storage options like silo bags until more permanent storage options can be constructed and utilized.
- Innovative approaches for collateralized lending mechanisms could help expand post-harvest financing for producers, traders, processors and other agribusinesses (Baldwin, Bryla and Langenbucher, 2006).

Private sector profitability for wheat storage can be ensured by taking the following steps:

- Government policies should not be announced in haste. Due to the absence of a second player, private marketing firms made abnormal profits in the early reform period which had an adverse effect on food security. Ideally, competition amongst private firms should bring abnormal profits to zero – this will ensure that the engagement of the private sector lowers government costs of procurement while not compromising on the government’s objective of food security.
- Selling of strategic reserves at subsidized price serve as a major disincentive to flour mills to enter in the private storage market. Therefore, the government needs to gradually increase the release price relative to the procurement price so that the incentives are present for millers to stay in the storage demand. Alternatively, the government can consider exiting the market gradually and let the demand supply adjust the price.
- Ban on intra- and inter-provincial movement of wheat conflicts with the dual objective of food security and farm income stabilization. This policy goes against the interests of wheat farmers because excess supply in wheat surplus provinces pushes harvest price down. Such a policy is also harmful for the interests of consumers in ‘wheat-deficit’ provinces because it pushes their price upward.

To improve the sector’s export competitiveness and growth, the following policy changes are recommended:

- A move towards a simplified, uniform low tariff, with the sales tax also applied uniformly to both imports and domestically produced goods. Provincially levied taxes should also not discriminate between foreign and domestic goods.
- Evaluate the feasibility of a varying tariff pegged to the moving average of international commodity prices. This could be an alternate measure to stockholding of commodities which will likewise safeguard farmers from sudden changes in world prices.
- Evaluate the feasibility of gradually phasing out the fertilizer subsidy which poses a large fiscal cost in addition to driving negative effective rates of protection.
- Remove quantitative restrictions on exports (although in some cases these restrictions may help in value addition by decreasing input cost for downstream industries).

The government of Punjab can leverage the opportunities presented by CPEC by focusing on the following areas:

- Examining and negotiating existing tariff structures with China, and ensuring that they are at least at par with those faced by other countries and trade associations such as ASEAN (Advocacy with the federal government).
- Evaluating non-tariff barriers including Sanitary and Phytosanitary (SPS) requirements imposed on goods sourced in Pakistan.
- Addressing existing market distortions that adversely affect both the volume and direction of trade and encouraging market based reforms in the agriculture sector.
• Using CPEC cooperation and technical expertise to improve infrastructure networks, particularly those focusing on irrigation, water supply and post-harvest storage and marketing.

• Institutionalizing public-private partnerships, especially in post-harvest storage, handling and marketing.

• Incentivizing exports through informational interventions (an alternate to direct price and quantity-based interventions).

**Industrial Sector Competiveness and Skills in the Punjab**

• Business environment, including regulatory governance and access to finance, is also a high priority area and one for which Punjab must undertake urgent reforms in order to encourage domestic and foreign investments and allow firms to be globally competitive.

• Having a skilled and educated labour force, including higher and technical education, is crucial in building a resilient, high value-added industrial sector. Specific recommendations on education can be found in the relevant chapter. Developing vocational skills has been an important item on the Department of Industries’ agenda since the Punjab Growth Strategy and evidence-based programs have been rolled out to provide skills. It will be important to continue to monitor the interventions, and use the evidence to scale up those interventions that have been successful. It is also recommended that PSDF should now graduate out of its traditional role of disbursing ‘subsidy’ to becoming a market leader in coordinating the skills market. Institutional reforms at TEVTA are much needed to delineate the functions of skills regulation and training provision.

• The provision of industrial land is an important tool for industrial development, and PIEDMC, FIEDMC and PSIC need to ensure a demand-based system where developed land, connected to utilities, is readily available for domestic and foreign investors to locate their industrial units. Past experience has been that while the land is acquired, it is not ready to use, which results in poor colonization, or speculative purchases. The industrial parks authorities need to develop a sustainable system that ensures provision of land at a low cost to serious investors while deterring speculative investors. A more aggressive PPP methodology may be applied.

• There is a dearth of good quality, regularly collected data on industries in Punjab. This data are required for responsive, evidence-based policy making. Regular, good quality data on provincial exports, FDI and industrial output, and firm level data on outputs and inputs would enable researchers to analyze trends such as labour productivity and GPP; identify areas that need facilitation, and track the impact of policy interventions.

**Business Environment**

• Some common recommendations apply across the nine Business Environment Reform functions (mentioned in Chapter 4):

(a) Government departments need mandates that consider the impact of their functions on businesses. Businesses need to be facilitated in meeting regulations, and rent seeking should be curtailed through an effective incentive system for employees;

(b) There needs to be a better coordination and data sharing between the different departments;

(c) Policy needs to be based on better evidence; involving the private sector at all stages through a proper private public dialogue system, in which the private sector believes there is a real appetite across government for positive change.

• While there are problems in all nine Business Environment Reform functions, the problematic ones are tax policies and administration, labour laws and administration and overall quality of regulatory governance. Specific short to medium term recommendations for these functions are:

(a) Tax policies and administration

i) Use a single tax ID by a single tax collection agency to ensure no duplication;

ii) Enhance transparency in PRA procedures and communicate all applicable taxes and their rates on a website;

iii) Align tax policy between FBR and Government of Punjab and expedite refund claims resolution of over taxation cases.

(b) Labour laws and administration

i) Publish a short labour code compliance booklet and checklist of laws by Labour Department;

ii) Simplify labour laws regimes;
iii) Develop intermediaries for interaction between labour officials and businesses with inspections regime based on risk profile of different industries;

iv) Provide exemptions for low risk industries and third party validation for medium risk industries;

v) Ensure online availability of inspection reports to enhance transparency.

(c) Overall quality of regulatory governance

i) Combine all inspections into a single regime, in the long run, as practiced globally with time bound government service delivery to businesses, with consequences for non-compliance;

ii) Develop relevant legislation for labour, environment, provincial taxes, land, construction permits and utility connections.

CPEC and Investment Climate

• Punjab will need to ensure readiness for the changes expected due to CPEC in order to ensure that positive impact on the economy is maximised. Having a good regulatory environment with stable policies and an improved business environment are general recommendations that apply just as well to adjusting to the changes that are expected due to CPEC. Some specific recommendations are:

(a) Develop sector-specific investor fora to ensure that investors are able to identify and act upon favorable opportunities. This includes opportunities for both inward and outward investment, as both facilitate technology acquisition and growth;

(b) Undertake public-private dialogue to inform the government of the market pulse and provide timely feedback for any corrective action on part of the government;

(c) Provide targeted incentives to support desired policy outcomes. For Punjab, this may include tax incentives for provincial taxes; subsidized credit; industrial parks and export promotion zones or other forms of land lease; guarantees or special purpose vehicles to subsidize high-risk finance; subsidized skills development interventions; and business facilitation;

(d) An industrial observatory / intelligence unit may be established in the Industries Department;

(e) Coordinate with federal government to renegotiate the Free Trade Agreement (FTA) with China to take full benefit of industrial cooperation under CPEC;

(f) Tighten the regulatory and safeguards regime and strengthen capacity to implement environmental regulations. It is expected that CPEC will also lead to industry relocation from China to Pakistan, and it will be important to ensure that environmental safeguards are in place to regulate this new industrial activity;

(g) Build capacity of local industry so that they can take maximum benefit of these upcoming investments. It is also critical that any new industry, especially in sectors supported by government, should focus on technology transfer and strengthening of local business. Efforts should also be made for upstream and/or downstream integration of local partners;

(h) Align all public investments with CPEC and ensure readiness for local industrial clusters to take benefit of upcoming developments.

Services Sector

A vibrant services sector is the key to maintain sustainable growth in the Punjab. It is critical that private-sector led development strategies in Punjab encompass the services sector, and envision a strategic role for it. The key recommendations made by the report include:

• A Services Sector Plan covering the next five years must be developed in much the same way as the Agriculture and Industry Sector Plans, with a special focus on the implications of CPEC.

• A Services Sector Vision and Roadmap must be included in the next five year Punjab Growth Strategy.

• An apex body/ focal department must be created for the services sector in Punjab, which would view the sector holistically to capitalize on the synergies across the diverse services sector activities. In the interim Department of Industries may be mandated to address the needs of the services sector.

• Following the success in the education and health sectors, the Punjab government has shown serious intent for using public-private partnerships (PPPs) in transport, storage and IT. This trend must continue.
• As the share of services in provincial GDP is largest for Punjab, the province must be at the forefront of a drive to map the services sector, starting from the compilation of a directory for all service establishments (urban/rural) at the district level.

• A services sector census must be undertaken at the same time as the CMI, including at the very minimum questions on input usage (energy, raw materials, capital and labour), value addition, and volumes. In addition, data on value of sales to the commodity-producing sectors (manufacturing and agriculture) would also be required to quantify inter-industry linkages.

• A separate census of all informal services sector activities is also required to provide representative data at the district level. The latter will prove difficult and have data coverage and non-response issues, but these could be resolved over time.

• Data discrepancies due to different classifications and reporting systems (ISIC/PSIC, IMF/SB) make data triangulation impossible. Punjab should initiate a process of data collection that is as detailed and comprehensive as possible following international accounting and reporting standards.

• Punjab may create an independent body— with stakeholders from both the government and the private sector—to review (in the short-run) and eventually recommend (in the long-run) quality standards for the services sector.

• By increasing the tax rate, which is applicable onto the existing base, the tax authorities must weigh the trade-offs in terms of further decreasing an already narrow tax base even further. Provincially, the move to include services in the tax net is a positive step, but must be done in a phased manner, with time-bound relaxations (but not exemptions) and applying sustainable rates. The 16% tax on total value of service may turn out to be detrimental over the longer run.

• It is recommended that provinces may withdraw all taxes that contribute less than 1 per cent of provincial tax revenue.

• Punjab may merge all tax collection bodies with the Punjab Revenue Authority to ease tax-payer burden, increase transparency and reduce administrative costs.

• Punjab government may invest in the service ecosystem through training, academia-industry linkages and encourage international technology sharing.

• The Punjab government may build local capacity to improve services trade data collection and to allow evidence-based export strategies. The Punjab government should negotiate better market access in international markets for services as actively as it does for primary commodities, particularly in GATS modes 2 and 4.

(a) A provincial Services Export Development Fund must be created.

(b) A provincial Services Trade Development Council with high capacity, resources and industry linkages is required. This dedicated agency would intermediate between government and the private sector, and try to raise the profile of the services sector.

**CPEC and Services Sector**

• The Punjab government must increase its provincial/district road network density in underdeveloped areas, build interchanges to allow district access to the corridor link those interchanges to the network of provincial and district roads.

• Punjab government could develop satellite towns near interchanges on the western route of CPEC.

• Evidence suggests that rail is cheaper than roads for carrying cargo over distance exceeding 500km, and given the physical distances between Punjab and the rest of the country. This means that rail should be the primary mode of freight cargo for Punjab.

• At the same time, Punjab must encourage the use of co-modal transportation systems comprising of rail and road through a comprehensive Punjab Trucking Policy.

• Establishing inland container depots (ICD) and freight stations in Punjab to bring port services closer to shippers.

• The government should provide import subsidies for transport firms which upgrade and modernise their trucking fleet, as this would not only increase capacity, but also help maintain the quality of existing and new roads.

• Punjab should propose services sector parks (retail parks, science parks, and IT parks) to benefit from CPEC.
Tourism Sector

• To improve federal-provincial coordination and alignment, federal government should establish a dedicated Tourism Cell in Ministry of Inter-Provincial Coordination for relevant regulatory and policy issues (Punjab should strongly advocate for this). Furthermore, Government of Punjab should create an Inter-Provincial Tourism Coordination Working Group to coordinate with other provinces aligning critical policy issues and effectively undertaking advocacy efforts with federal government on key institutional issues.

• In order to strengthen public sector capacity for tourism sector management in Punjab, the Government should adopt a cross-departmental oversight mechanism to ensure synergies across various initiatives. Such mechanism can be created through establishing high-powered Punjab Tourism Council, a stakeholder-led management structure to facilitate tourism in selected thematic areas rather than traditional public sector-led approach.

• There is also a need to deepen the diagnostics within the universe of allied provincial line departments to support wider reforms in tourism sector. While the Punjab Tourism Council would provide an apex platform to synergize operations across various departments and agencies, a detailed institutional review study should be undertaken with special reference to tourism sector for departments like Auqaf, Environment, Local Government, Forest and Wildlife etc. Additionally, on an immediate basis, there is a need to establish a Heritage Tourism Cell in Auqaf Department to take stock of various heritage sites managed and devise a plan for promoting tourism.

• In order to support private sector-led growth, the Government should develop adequate capacity to promote private investment in the tourism sector, through restructuring of TDCP and other measures. Moreover, to increase private investment in tourism sector, there is a need to create a pipeline of potential investment opportunities.

• There are a number of existing constraints to private sector investment in tourism and other sectors that should be addressed through a tourism investment policy. Through the tourism investment policy, there is a need to enable optimal use of public assets and land; facilitation of private investors; providing tax guarantees; and offering effective ADR platforms.

• Moreover, the proposed tourism investment policy should especially focus on financial arrangements for successful completion of mega projects, supporting tourism sector.

• On the regulatory side a number of laws will have to be amended to provide for both high standards and robust enforcement mechanisms.

Infrastructure, Urban Development and Environment

Management of existing infrastructure in Punjab is equally important as development of new infrastructure. Government of the Punjab should map/profile its existing infrastructure, and develop an appropriate strategy with adequate budgetary allocations, for the effective management of existing infrastructure. It is also important for the GoP to have its “Provincial Infrastructure Maintenance Strategy (PIMS)” and “Infrastructure Maintenance Budgeting Guideline”. These two should guide the Government actions on the maintenance of the existing infrastructure in Punjab.

Over 40 percent of the annual development budget is allocated to urban and infrastructure development. More prudent investments can add into existing stocks of public infrastructure that are sustainable, high performing, cost-effective, resource-efficient and environmentally-friendly. For this, the pre-feasibilities for mega infrastructure projects need to be done very carefully, with more precise estimates on social and economy returns. In addition, international best practices and infrastructure designs and models need to be consulted while designing the architect of such projects. It is also important that regular monitoring and evaluation of these major development projects should to be done to assess the impact and sustainability of these initiatives, and to document learning from these for future programming. It is also critical for the Punjab to have its “Guidelines for impact evaluation of large infrastructure projects”.

Productivity enhancement is the key to sustainable economic growth, with substantial social and environmental benefits. It is important for Punjab to focus on productivity enhancement of its labor force particularly youth, information technology and communications, financial and capital markets and industrial technology.

It is essential to develop modern and efficiently managed urban centers to serve as engines of growth for provincial economy. This can be achieved through: supply of potable drinking water and its efficient use; provision of effective and efficient sewerage and drainage system; environment friendly disposal of sewage; safe and efficient roads infrastructure; provision of solid waste management services; strategic planning for growth of cities on scientific lines including efficient land use planning and regulatory building controls.
Information Technology in the Punjab

- **Leverage IT for productivity enhancement**: As emphasized in Punjab’s IT Policy, the Punjab needs to leverage information technology and communications for enhancing productivity enhancement of private sector inputs i.e. labor, management and capital etc. For this, PITB and Urban Unit, as two central entities in Punjab, should promote research and innovation in the use of information technology.

- **Institutional arrangements for ICT in Punjab**: The Goal 10 of the Punjab IT Policy emphasizes on utilization of ICT for a more efficient transparent and a green governance model in Punjab. The Policy further suggests a number of measures to build capacity of government departments for sharing responsibility for implementation of Punjab IT Policy, including development of a uniform IT Cadre in the provincial services for implementation of ICT based initiatives in a better and coordinated manner.

- **Adoption of Punjab IT Policy by provincial and districts/ local governments**: This can only be done by creating greater synergies and complementarities within government functions, especially between administrative departments and PITB for IT innovations. The Punjab IT Policy, 2016 suggests that all government departments to prepare ‘5-year IT plans’ with yearly deliverables containing information of investments envisioned in IT infrastructure, training of individuals and automation processes etc.

- **Funding for IT Policy**: It is evident that public investments in IT pays off, only if planned and managed well. The budgetary allocations, in Punjab, from last 7 years indicate continued increase in allocations of budgets for IT initiatives, which is a good sign and an indication of government interest and commitment to leverage IT for public and private sector development. It is however important to estimate the overall productivity of public investments in IT in bringing efficiency savings within public sector service delivery and also in leveraging private sector investments and growth. At micro level, the IT Policy indicates the need for government departments to budget their IT needs on a yearly basis.

- **Effective monitoring and evaluation of Policy implementation**: The effectiveness of the IT Policy, 2016 will be ensured through its implementation in Punjab. It is therefore important that, as Policy itself suggested, a detailed Policy Action Plan along with its monitoring and evaluation mechanism should be developed soon. The monitoring of IT Policy and its Action Plan should involve periodic review of implementation of policy commitments. Subsequent evaluation should involve assessment of impact of Policy interventions against its strategic objectives of improvement in productivity of public sector service delivery and creation of conditions for broad based private sector led economic development.

- **Learning and adoptive approach to IT Policy**: The context of the Punjab province is changing quite rapidly, because of internal and external factors. The Punjab Economic Growth Strategy is valid till 2018, and thus the priorities of the political government for the province. The new Government, after elections, will bring a fresh Strategy for the Punjab province. Similarly, there are advancements in the IT technologies and also the economies are emerging with new sectors and dynamics. It is important to be mindful of these evolving contexts and thus the need for learning and adopting Punjab IT policy to remain relevant and effective.

- **Keeping in view the existing power generation and transmission system, financial constraints and line losses of DISCO’s due to theft and other factors, it is recommended that power generation and distribution licenses should be issued to SEZ’s and Industrial estates and subsequently the same should be allowed for the industrial clusters/ semi-formal sectors so that the sustainable and smooth electricity can be ensured. In Punjab, most of the industrial estates have heavily invested in their own distribution networks yet they are dependent on DISCOs. By issuing the power generation license to industrial estates and/or permission to purchase bulk electricity directly from NTDC will boost the industrial activities in Punjab.

- **Establish an Energy Planning and Monitoring Unit to undertake the planning, coordination and monitoring of the GOPb power development program. It should be entrusted with overseeing the planning activities of future projects and carrying out a regular review of the ongoing projects.**

- **Processing delays are being faced in most projects and the related causes should be analyzed and corrective measures should be taken.**

- **With respect to the smaller hydro and solar PV plants being installed, the alternative of feeding the power to the already overloaded distribution networks at 11 or 33 kV should be considered. This strategy would reduce the costs of the power plant evacuation on arrangements as well as the cost of power distribution in the surrounding areas.**

- **With respect to hydro power development in irrigation canals and barrages some generic rules and guidelines should be developed as per discussions with the central design of the irrigation department so that the approval process can be streamlined and delays eliminated.**
• A suitable program for distributed solar for individual homes need to be developed. Subsidies should be replaced by repayment schemes over extended periods and a program of support and follow up established.

• A clear policy decision should be taken on future proposed coal and RLNG based plan for ensuring cost effective consistent supply of fuel source.

Public Sector Resource Management and Governance

• Institutional strengthening of finance and planning departments in Punjab: The Finance Department (FD) and Planning and Development Department (P&DD) are the two central departments for the Government of the Punjab. The overall development agenda in the province is led by P&DD, whereas FD manages the finances to pursue this agenda. The rest of the departments, at both provincial and district levels, align their priorities with the mandate of the two central departments. Thus, it is important to build the institutional and HR capacity of P&DD and FD so that they can effectively perform their functions. Some areas of capacity building include: i) strategic priorities setting processes, ii) development of models for socio-economic development, with impact estimations, iii) tax policy and its administration, iv) and evidence based budgeting, etc.

• Top-down approach to budgeting – motivated by development priorities: There is a greater need to change the budget development approach, by shifting from bottom-up to a top-down approach, driven not only by resource availability but also by the priorities of government. For Punjab, this means better framing of Punjab's governance and PFM arrangements that are essentially driven by the social and economic priorities of the Punjab province, rather than with the narrow focus of monetary considerations. This approach requires well aligned and coordinated governance and institutional arrangements, where whole machinery of the Government is aiming towards same objectives of development.

• Linking policy, planning and budgeting: Government of Punjab has taken several measures to improve and strengthen linkages of Punjab's budgeting with its policy and planning. These include development of an overarching Economic Growth Strategy, corresponding sectoral plans, medium-term budgetary framework and budget strategy paper. All these documents provided a framework and a mechanism to align budgeting with growth objectives in the province. The reflection of this effort, however, can only be seen at the provincial level, especially in planning and development department and finance department; as this has not been effectively translated in other provincial administrative departments and the districts in Punjab. There is greater need to build ownership, commitment and capacity of provincial government departments and districts level governments (local governments) to align their plans and budgets with the overall provincial priorities. Important initiatives proposed are: i) provincial governments departments to improve alignment of their sectoral/development plans with the Punjab's Economic Growth Strategy. This requires administrative dept. to consider strategic focus, adopt approaches and share targets of growth strategy; and, ii) district level local governments (authorities – education and health, metropolitans and municipals etc.) needs to devise their development plans in line with provincial policy and priorities.

• Increase focus on medium-term budgeting: There is a greater need to shift the focus of the budget to more strategic and policy based aspects, supported by the introduction of a medium term rolling budgetary framework. A central purpose is to align public sector expenditures with Government’s strategic priorities within the resource constraints defined by Government’s commitment to fiscal discipline, which should be elaborated in its Medium Term Fiscal Framework (MTFF) and, ideally, supported by an act of Parliament. This approach will replace the current input focused, bifurcated (as between recurrent and “development”) and somewhat disorderly process with one which begins at the highest political level with a debate, and the reaching of a consensus on, fiscal targets and strategic priorities over the medium term.

• Allocate resources to development priorities: The long-term objective here should be to put in place a whole-of-government MTBF in Punjab. The first core element will be to establish a mechanism for engaging all the key players, including the Cabinet and the CM, in a dialogue regarding priorities and allocation of resources within the aggregate resource constraint. This will: i) reduce fragmentation and ad hoc decision making; ii) establish the importance of some investments over others – based upon their relevance and contribution to the economy; and, iii) provide greater predictability of both policy and funding over the medium term.

• Take measures to promote budget transparency and accountability: After Punjab’s Right to Information Act (RIA) 2013, there has been great improvement in budget related openness and transparency. However, there are two important factors that GoPb still needs to consider for further improve budget accountability and transparency. Firstly, budget should be classified and linked with outputs and performance targets – so that citizens understand and correlate public sector spending with results, and secondly, government should develop budget execution reports to present its progress of spending and achievements. Both initiatives will empower citizens, and related groups, for more accountability and transparency in Punjab.
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