

The Awami National Party (ANP) considers evolving a political will and consensus imperative for setting an economic and institutional reforms agenda to effectively address the country's economic and energy crises. ANP's core economic team has proactively met with different stakeholders within the government to deliberate on different policy options and guidelines for enhancing domestic and foreign investment, improving balance of payment and trade and decrease fiscal deficit to generate more employment, reduce the cost of living for the average citizen and improve the quality of living by averting the impending threat of spiralling inflation.

The Party hopes that an intensive political process for economic review could provide the basis for building political will for taking difficult decisions vis a vis reducing the huge non development expenditures, widening the direct income tax net by including agricultural incomes, defence related businesses, real estate, taxing properties of defence personnel in cantonments and speculative markets etc., significantly improving tax collection and reducing leakages and inefficiencies in tax collection systems. Finally provide guidance in reducing the trust deficit by making the process of tax collection transparent and accountable. The frequent cuts in development budgets as means for addressing fiscal deficit must be discouraged and ensure the effective spending of development funds so that the people can get direct benefits from it through the provision of enhanced quality of education, a clean environment and clean drinking water, greater opportunities for meaningful employment eradicating poverty and inequality from the society. Political rights and freedoms have to be accompanied by advancement in the social and economic spheres. Poverty, disease and illiteracy have to be eliminated and social justice ensured.

The Party believes that the primary responsibility of the state is to ensure a better standard of living. It recognizes that persistently low budgetary allocations for development and social services have contributed to the low economic and human development in the country. To set the economic change agenda, it is important to analyse the actual and perceived reasons for the low spending on social sectors. These include government's revenue through direct taxes is one of the lowest in the world and there is a continued reliance on indirect taxation and heavy internal and external borrowing to meet government's expenditures. Inefficiency, mismanagement and rampant corruption mainly in the public sector, the external sector, the social sector, and the domestic private sector have contributed to lower productivity, lower economic growth, high income and social inequality, and thus led to high levels of poverty, illiteracy, and ill health.

High population growth, huge non development and military expenditures and last but not the least, heavy domestic and external debt servicing leave the government with very little funds to be spent on the social and development sectors.

Fiscal deficit has also resulted in high inflation as the government resorts to finance its deficit through printing more money and imposing more indirect taxes. High inflation has affected almost all aspects of our economic and social life ranging from increasing the costs of production and making our exports less competitive in the world markets. High unemployment, unchecked inflation, inequality in social and economic opportunities are also contributing significantly to the deteriorating security situation throughout the country

The bottom line is that the investment climate has to be significantly improved to attract more investors and businesses to do business and invest in Pakistan in order to generate employment opportunities, control poverty rates and raise standards of living. Moreover Industrial and agricultural productivity has to be improved through adoption of new technologies, more efficient techniques of production, human resource development, and low inflation. This will have the effect of more value added goods with lower prices, that in turn will make our goods more competitive in the world market, increase the profits of the industrialists and farmers, increase employment, and last but not the least, increase the supply of food and other consumer items in the country helping in eradicating poverty and improving the human development in Pakistan.

However, economic growth can only bring about prosperity and development in a country if the benefits of growth is equally distributed or in other words if growth is inclusive in character, otherwise only economic growth is not sufficient for the welfare and development of individuals and society. Pakistan's economic growth has not been transferred to all the sections of society and to all the regions of the country. Large social and income inequalities exist between different classes of the society, between male and female, between urban and rural, and last but not the least, between the four provinces of Pakistan. This is a main reason why most of the people are still poor, illiterate, and not having good health.

Following are key policy related points that Party is committed to for addressing the economic challenges:

- Economic growth with equity between different social classes, between genders, between rural and urban areas, and between the provinces is indispensable for eradicating poverty and improving the level of human development in Pakistan;

- Change the direction of the state from a merely security state into a democratically developing state. A process for review of the security and foreign policy should be initiated by the Parliament to enable the shift. Through the process a national political consensus must be evolved to deal effectively with militancy and extremism and restore peace and writ of the government throughout the country;
- Integration of FATA should be started with a comprehensive political, social and economic reform plan;
- Targeted killing in Karachi has had negative implications for the economy throughout the country and it is important that the root causes of the continued law and order situation be dealt as per law;
- Land grabbing in Gwadar and other parts of Balochistan must be stopped and Provincial resources must be developed in accordance with the will of the people;
- Focus on taxes that tap the wealth and incomes of the rich rather than burden the less well to do. Direct tax net should be increased and tax collection improved;
- Tax incomes from agriculture, real estate dealings, defence related business, property of defence personnel in cantonments and incomes from speculative markets etc. The constitution may be amended in the case of agricultural incomes to treat the income from it as any other incomes.
- The re-imposition of wealth tax should also be seriously considered;
- Similarly other taxes on similar lines should be levied or levied at higher rates. The most obvious ones are the tax on urban property, speculative markets etc.;
- Review government expenditures so that inefficiencies, waste and corruption are eliminated;
- The debt burden has crippled the economy as the country's foreign debt is composed of loans from major sources. Debt servicing has become the single largest item of expenditure in the government budget reflecting the combined impact of surge in the volume of domestic and foreign debt, rise in domestic interest rates and depreciation of rupee. The debt management strategy has ignored the efficient and effective use of the borrowed funds. The main reason for this being corruption, capital flight, adverse impacts of loans on domestic savings and spending on consumption rather than investment items.
 - Adhere to the fiscal responsibility and debt limitation acts;
 - Top priority should be given for payment of expensive debts to make the overall burden manageable;
 - Write off or reschedule payments to improve the repayment problem;

- Domestic savers and foreign investors should be encouraged to invest in the country;
- Maintain credit worthiness;
- Diversify borrowing by investing in both short and long term securities;
- Reduce trade deficit to a sustainable level and make special efforts to boost the country's exports and remittances;
- Being an agro based economy, the country's focus should be on the development of its agriculture and agriculture related businesses;
- Trade deficit should be reduced mainly through reducing the existing trust deficit;
- Expand regional trade in particular with Afghanistan. The present two main road links (Torkham and Speen Boldak) are insufficient to cater for the growing trade between the two countries. We need to build at least ten more roads and rail links with Afghanistan;
- Invest in different crafts in the socio economically backward areas of the country to enable workers to create employment;
- Expand the share of manufacturing sector from the present 19% of the GDP to almost 30% within the next 5 to 10 years. Provided necessary steps are taken to modernize the industrial sector; cost of manufacturing needs to be reduced and corruption levels cut significantly, decrease in export duty, and discourage speculative business of land, besides developing an infrastructure to bring back the economy on the right track;
- The government should assume responsibilities of creating the right kind of incentive structures to stop the decline in manufacturing output by focusing on quality of human capital formation and appropriate technological capabilities and increasing investment for industrial research and development;
- Large scale investment in energy sector in collaboration with the Provincial governments to kick start the development of hydel power, gas and oil in the country;

The bottom line for meaningful economic reforms is changing significantly the given status quo budgetary parameters with the objectives of making it pro people and pro growth.

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