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**Beyond ideas**

We need to reconcile with a key fact: in some areas of the economic domain, the big ideas quiver is pretty mature. In these areas, policymakers have to be smarter with the micros – the nuts and bolts of the economy. That simply is hard work. It entails building a country’s own game plan of execution and delivery beyond revolutionary ideas. It is about the political and technical expertise to get the things done. Simply put, countries have to do their own heavy lifting.

In Pakistan, the word ‘reform’ carries a lethal potency and often lulls critical minds. Each time Pakistan faces a crisis; there is a clarion call for more reform. Quite often, economic decisions, however damaging to the economy and people's wellbeing, and with little impact of repairing the actual problems, are carried through as reform. They are thrust on unsuspecting people. The greater loss is that an incumbent government consumes its precious political and social capital in pushing revenue measures of electricity, gas and new taxes – leaving little capital to carry out the hard tasks.

Tax administration, public services delivery, regulatory environment and divestment are all largely in the domain of execution and delivery rather than big ideas. Hard work is needed for execution. In the tax arena, countries need to create a faceless, automated and risk-based revenue authority to achieve a higher tax-to-GDP ratio. This holistic, systemic, end-to-end approach with a focus on policy, people, processes and technology will lead to significant improvements in productivity and compliance. Pakistan’s case is no different.

For Pakistan, this will require a radical overhaul of the legacy system towards full modernization with emphasis on improved risk management to minimise tax avoidance and evasion and reduce the existing tax gap. This the only way for domestic revenues to double, debts to stabilize and Pakistan to be self-sufficient. It is this area that the economy is finding hard to deliver.

Pakistan today needs more competence and expertise. It is yearning for people who will speak their minds and provide unbiased analysis, as well as specialists who can manage, and accelerate, the process of change and restructuring. Revenue upgrading through new taxes cannot be construed as reforms when a country is running on 50 percent tax compliance. If everyone were to comply with the existing tax laws of the country and pay their share of due taxes, the tax-to-GDP and nominal revenue could double in a matter of years.

Another opportunity for crisis-driven action has been lingering in the divestment domain. Whereas news laws of managing State Owned Enterprises (SOEs) and creating a triage of documents by the government are all good work, they work on the periphery, at best to create information. In 2013, we wrote the first-ever corporate governance rules for SOEs, specifying a code of conduct for SOEs to perform. Beyond these documents, we remain weak on internalizing an ideology of using the family silver to its best, rather than letting it decay.

Divestment can have large long-run benefits once money-losing SOEs are removed from the government’s broader fiscal responsibility basket, and are forced to become more efficient and competitive with the involvement of the private sector. This kind of privatisation has to be accomplished whole-heartedly, not just by selling minority stakes that do little to force greater efficiency of operations.

Again, experts who can design the mechanisms for structuring these privatizations are needed, and the biggest challenge is whether the country is able to recruit them from a local and a global pool. Privatization law requires that 90 percent of these proceeds are used to pay back expensive debt. This creates more fiscal space as debt-servicing costs reduce. It is likely that a serious intent of divestment can spur a virtuous cycle of higher investment in the economy.

Pricing changes are likely to keep raising the cost of doing business and will keep making life harder and harder for the average Joe. They can adversely affect competitiveness of businesses. No amount of money can fix a lack of competitiveness nor is there enough fiscal space for the government to subsidize. Progress comes when established ideas see the light of day and solve even partially elephant-like issues.

Economic recovery post-Covid in many countries has shocked on the upside. Smart folks are not thinking of a lasting global scarring. Human ingenuity has found new ideas that are based on innovation, technology and digitalisation. These ideas need to be translated in Pakistan. Our deeper policy settings in these areas can be altered. This is necessitated as Pakistani businesses remain in the most fundamental bottleneck of low productivity and are further hurt by the recent spurt of higher input costs.

E-commerce is the next trade frontier in Asia. Digital platforms are expanding the reach of micro, small and medium-sized enterprises and opening up opportunities for those in lower-tier cities and rural areas. These digital consumers represent a whole new market. The world is undergoing the largest technological transformation in history – disrupting old ways of doing things, reducing costs and increasing productivity.

Pakistan’s economy needs to do the same with its 5.2 million Small and Medium Enterprises (SMEs). On the private-sector side, innovation, scaling up and boosting productivity are the real challenges – and not employment per say. Here the SMEs are looking for new ideas, technology upgrades and financing. They are looking for a connectivity platform to be part of the global value chain of the world.

Covid-19 has churned new ideas of doing business. Countries need to seriously consider the disruptive innovation taking place. This has longer-term consequences and impacts that could be exponential in nature. They have the potential to reduce costs, boost economic activity, generate income, create jobs and reduce inequalities.

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