

The Business

Chief Editor

Irfan Athar Qazi

E-mail: editorthebusiness@yahoo.com
thebusinesslhr@gmail.com

Tijarat House, 14-Davis Road, Lahore
0423-6312280, 6312480, 6312429, 6312462
Cell # 0321-4598258

1st Floor Ahmed Plaza near Zong Office
Susan Road, Faisalabad, Ph: 041-8555582

ISLAMABAD / RAWALPINDI
N-125 Circular Road, Ph: 051-5551654,
5532761, Cell # 0300-8567331
KARACHI
3rd Floor Kehkashan Mall 172-I Block II PECHS
Opp Rehmania Masjid Main Tariq Road
Ph: 021-34524550, Cell # 0300-8251534

Fall in inflation

Briefing the Public Accounts Committee (PAC) the other day, the Governor State Bank of Pakistan, Dr Reza Baqir very clearly stated that the SBP was considering cutting down policy rate following a decline in inflation. The interest rate would reciprocate to the declining inflation that would go down in the coming days. Responding to questions regarding saving the interests of the savers and borrowers, the Governor stated that increase in savings and investment was the need of the hour but investors did not borrow massively despite very low interest rates in the past. Giving reasons for the recent inflation, he said that increase in the rate of inflation was the result of disruption in supply chain and depreciation of the rupee against the US dollar. As per SBP estimates, inflation rate is likely to remain in the range of 11.0-12.5 percent during the current financial year. Responding to other questions of the members of PAC, the Governor stated that growth in the large-scale manufacturing sector had resumed and inflation was likely to decrease in the coming months. The IMF is facilitating Pakistan in economic reforms and foreign exchange reserves of the country are improving that will help stabilise the economy as well as the market.

The briefing of the Governor on the economy to the PAC members, particularly on the relationship between inflation and the policy rate and some other important areas of the economy was, in our view, quite straightforward and in accordance with the economic reality now prevailing in the country. As all students of even elementary economics know, the policy rate of a country is very closely related to the rate of inflation. Higher the inflation rate in the country, higher will be the policy rate of the central bank and vice versa, and this tool of monetary control is also used to counter inflationary expectations and encourage or discourage the inflows or outflows of hot money.

Since the appointment of Dr Baqir as Governor of the central bank of Pakistan, he has been severely criticised for jacking up the discount rate to a very high level but this was not his mistake. He was only doing his duty to help stabilise the economy. Had he not done this, price stability would not have been achieved and foreign exchange reserves held with the SBP would not have been at a comfortable level of over \$12.5 billion. Anyhow, the statement of the Governor to cut the policy rate is likely to give a great relief to the business community and other borrowers of banks who have been agitating against high policy rate vigorously and persistently. The decision is also likely to reduce the debt servicing of the government and expand private sector credit which would serve to accelerate economic activity, and increase employment level in the country.

Public policy to counter COVID-19

MOSHARRAF ZAIDI

The stark advantage of having globally recognized professionals in government has rarely been exhibited than in the last several weeks as Dr Zafar Mirza has fulfilled his roles as the public health lead in this administration.

Dr Mirza's measured and compassionate approach during the Covid-19 crisis is the work of an individual deeply invested in the field he has been charged to lead. Luckily, Dr Mirza has not been alone. Elected leaders in both Sindh and Khyber Pakhtunkhwa have shown that good, competent leadership in times of crisis continues to be a Pakistani strength as it has been in recent catastrophes and crises, such as the earthquake in 2005, the floods of 2010 and 2011, and the IDP crises of 2009, 2014 and 2015. In Sindh, Chief Minister Murad Ali Shah has mobilized the full array of ministerial talent available to him – from Saeed Ghani to Murtaza Wahab to Azra Pechuho. Together, a coherent Sindh government has created both the public messaging momentum, as well as the functional preparation to try to manage Covid-19 damage. In Khyber Pakhtunkhwa, Finance Minister Taimur Khan Jhagra has offered a textbook lesson in clear, cogent public communication that engenders confidence that the state is prepared to take on the responsibility of protecting the lives of citizens.

Sadly, what Covid-19 is teaching us is that even the best prepared and most capable nation-states are powerless in the face of an unprecedented public health crisis. As the numbers escalate sharply in Pakistan this week, the instructive statistics are those coming from countries like Iran, France and Italy. A massive public health calamity has already arrived. There are only two things left to do now. Tie our camel and trust in Allah. At a March 3 cabinet meeting, exactly two weeks ago, Prime Minister Imran Khan made two important decisions that already have grave implications, and may have even

deeper and graver ones in the days to come.

First, the prime minister expressed displeasure at the proactive manner in which Dr Zafar Mirza had flown to the Pakistan-Iran border, to personally oversee the handling of the quarantine of at-risk Pakistanis returning from pilgrimage in Iran. He cited health being a provincial subject as the basis for his critique of Dr Mirza. Second, the prime minister presided over cabinet's rejection of Dr Mirza's proposal to import Rs760 million worth of emergency medical equipment deemed necessary to deal with Covid-19, or the 'coronavirus'. Both decisions merit revisiting. The National Security Council meeting on March 13 would have been the best place for this revision, but it is never too late to correct course.

To tackle the Covid-19 crisis, like all countries, Pakistan will have to generate public policy that balances its efforts, and limited resources across four policy outcomes: First, to limit the spread of the disease and minimize mortality. Second, to protect the overarching capacity of the public health system and enable it to cater to the already under-served demand for primary, secondary and tertiary health. Third, to prepare for the economic impact of the Covid-19 crisis on individuals, families and communities, and on the wider macroeconomic situation at large. And fourth, to find ways to reach a scientific solution to the Covid-19 crisis, including the search for R&D that delivers a vaccine and/or drugs to deal with Covid-19. Thus far, the government has made some important and difficult decisions that have not received the support they merit. Shutting Pakistani students and pilgrims from virus-affected areas in Iran and China was the unpopular but correct decision. The government needs to be supported in resisting cheap television ratings driven demands for free movement into the country. In the days to come, the NSC decisions to limit public gatherings, including school and wedding hall closures, will come under immense public pressure. Not only must the gov-

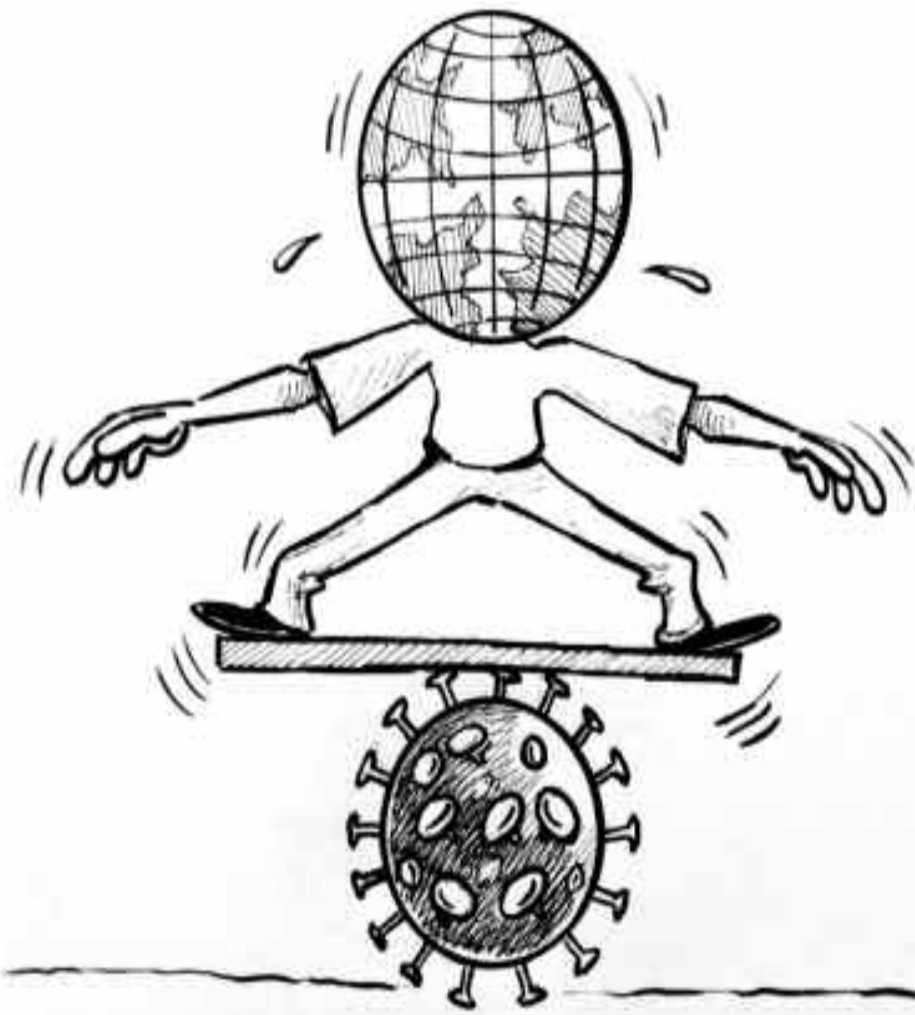
ernment be supported in upholding these measures, it must be pressured to do more to enforce social distancing. The only means of achieving the first policy goal – limiting infections and minimizing Covid-19 mortality – is social distancing. The second policy goal is to keep our hospitals and clinics (both public and private) up and running, so that, for example, pregnant mothers can deliver babies safely, gunshot wounds can be tended to safely, extreme food poisoning and victims of car accidents can be catered to properly, and cancer patients can be offered chemotherapy or surgery safely. In short, the public health system needs capacity to deal with the complexity of all the regular challenges it faces, as the number of infections of Covid-19 escalate dramatically. This requires, above all, capacity, which requires two things: money, and preparation. The cabinet must not only rescind its rejection of Dr Mirza's proposal for Rs760 million in emergency medical equipment, but must acknowledge its mistake, and must approve a much larger package to immediately enhance the number of functional ventilators across all cities and towns in the country. Ventilators require electricity, and technicians and maintenance staff – an entire array of expenditure that must be designed and approved forthwith.

The third policy goal is to prepare for the economic shock of Covid-19. The depth of the economic crisis will exceed what happened globally in 2008-2009. There are five immediate decisions the government must make. First, it must not reduce gasoline prices, but instead use lower oil prices to pad its revenue (this will not play well on social media or television, but it is necessary to finance the remaining four decisions). Second, it must double the size of BISP payments. Third, it must revise monetary policy, with the specific intent of increasing small and medium sized business' access to credit. Fourth, it must announce and enforce a no-layoffs policy for all businesses. Finally, it must identify the worst hit sectors (such as travel and tourism)

and design large incentives that mitigate the impact of the Covid-19 crisis – one that is expected to have at least two quarters' worth of severe impact. The final policy goal of finding a vaccine is as important as any of the other three. The Sindh government's announcement of a prize for successful R&D in this regard was mocked by some. But hopefully Pakistan's scientists, as besieged as they are by the stupidity, bigotry and short-sightedness that defines the public discourse, spend less time on Twitter and more in their labs. The federal government must work with the Higher Education Commission and the Ministry of Science and Technology to design incentives for researchers.

Balancing and prioritizing between these four policy goals will be the most difficult test of Prime Minister Khan's leadership. There are two cross cutting secret weapons he must now deploy – both being quite exclusive (one to him, the other to Pakistan). The first secret weapon is PM Khan's ability to dominate the public discourse. He must do so by jumping headlong into the Covid-19 conversation, and engaging the challenge in a visible and aggressive way as only he knows how. A massive public communications campaign is already three weeks overdue. He must begin now. From personal hygiene, to social distancing, to managing pressure on hospitals and clinics. Pakistan needs visible, aggressive leadership of the kind PM Khan excels at. It must be deployed now. The second secret weapon is Pakistan's geographic and strategic intimacy with China. China has successfully (and miraculously) fought off the first wave of Covid-19. No country will be entertained more readily in the sharing of lessons from Wuhan, and resources from all over China than Pakistan. The China-Pakistan relationship is now poised to deliver its most historic victory to the people of both countries: a joint fight (and inshaAllah) victory against Covid-19.

That is how to tie our camel. After



Suffering of the invisible

MUHAMMAD HAMID ZAMAN

The official number of confirmed cases for Covid-19, as of Monday, March 16, is 94. To understand how widespread the epidemic in Pakistan is, we need to understand how many people have been tested. The National Institute of Health (NIH) says that around a thousand people have been tested. If this number is true then there is cause for concern as one out of every ten people tested is turning up positive. Testing in the private sector seems ad hoc and there is no real data available to fully understand the scale and scope in the country.

Beyond transparency in the numbers, there are other real challenges as well. From what has been said in the news media, testing is neither free (unless there is a government referral), nor straight forward for the common person. As per the federal minister, in a country of nearly 210 million, there are a total of 13 sites to get tested. By any standards, this is woefully inadequate. These 13 sites are unreachable for the majority of the country that does not live in major urban areas. But even if these 13 sites were fully functional, and worked round the clock, the financial burden on individuals to get tested is significant, and one that is going to be a deterrent. As a result, we will continue to underestimate the cases, and continue to increase the likelihood of our system to get burdened in ways it cannot handle. Then there are many who live in crowded communities, where social distancing is simply not possible. How will these people, who do not have the luxury of self-quarantine receive care?

Finally, the fact that we have closed schools, universities, and major events is a step in the right direction, and one that should have happened a few weeks ago. But with these closures, thousands will have no ability to make a living. The small shop owners, street vendors and the daily wage earners will be hit hard. They may or may not develop symp-



oms of the viral infection, but if they do, they will have even less money to come to the hospital and low incentive to get tested. Burdened by inflation and financial insecurity, these citizens are already hurting well before the virus has hit their homes and communities. They may not be in our official numbers, but they ought to be cared for with heightened sensitivity for their difficulty. So what should we do? There are things that the government ought to do, for example, be honest and transparent about the numbers, provide a clear and coordinated strategy among all provincial and local governments, and increase testing sites that offer free services for testing. Indeed, all 210 million cannot be tested, but those who feel there is a need (symptoms, travel history, coming in contact with others, elderly) should be able to get a test. As the virus spreads in the community, a very narrow case definition (based solely on contact with confirmed cases, or history of travel to China, Iran or a couple of other countries) will exclude others who ought to be tested. Testing should also be facilitated in sites that go beyond large hospitals in big cities.

But there are other things that citizens ought to do as well. Local organising can make a difference between life and death for the most vulnerable. We should reach out to the support staff in our workplace and our homes, pool in resources so that hourly and daily wage earners can stay at home and still get paid, and create ways to provide non-perishable food items to those who are in need. We take great pride in having a culture of caring – let us see it in action for those who are not part of our official statistics.

Unrealistic commitments



MOHAMMAD ZUBAIR

In an interview to a private television channel recently, Minister for Planning Asad Umar said that the promise to provide one crore jobs still holds true – even though none will be provided in the first two years of the government.

According to the senior PTI leader, the economic plan unleashed before the elections talked of promises over a five-year period. As such, the PTI still remains committed to one crore jobs in its five-year term. Fair enough but this does raise some fundamental questions.

With one third of the term already gone, is suggestion that 3.3 million jobs will be created every year over the next three years? Also consider that approximately 2.5 million Pakistanis will have lost their jobs between August 2018 to July 2020. So technically the government will need to create not just 10 million

jobs but 12.5 million jobs over the last three years of its term. That's more than four million jobs per year for three consecutive years. The re-commitment at this stage seems even more unrealistic than the original commitment of one crore jobs. When the plan was announced in July 2018, the economic conditions were far better than where we are today. The economy had been growing at reasonable growth rates closing at 5.8 percent at the end of fiscal 2018 and was projected to grow over six percent in fiscal year 2019. In spite of the healthy state of economy then and the projected growth in the following year, it still did not make any sense to promise one crore jobs over the following 5 years.

However, with the PTI taking over, the economic conditions started to deteriorate with the growth rate plummeting from 5.8 percent to around three percent – rather than going up over six percent as was projected. This year, the growth rate is expected to go down further to around 2.4 percent. With plummeting growth rates, we could only expect massive job cuts; which has been the case so far. If we are to accept that the government's commitments need to be assessed over the five-year period, we would then assume that they are also committed in providing 50 lakh housing units. Again with one third of the term already gone, we would assume that in the remaining 41 months, 50 lakh units will be built – assuming the process starts immediately. That's obviously not possible considering there is no concrete infrastructure, no financing model yet, no legal framework and not even the team to support the gigantic

task. Let's assume the entire framework is ready in the next six months (almost an impossibility). That will leave around 35 months in which to construct five million housing units.

This comes to around 150,000 housing units every single month. Not even a diehard PTI supporter can bet on such a figure. It will be incredible even if the government is able to construct one lakh housing units by the end of its tenure. Does the government even understand the magnitude of the task ahead? Is the comprehension of the economic challenges properly understood? Preparing an unrealistic economic plan was bad enough but recommitting the delivery after 19 months of dismal performance is even worse.

And this brings us to the main concern about the government. They need to understand that employment opportunities are created as a result of sustained economic activity. And sustained economic activity is a consequence of significant investment and a positive economic environment – both factors missing since August 2018.

Also, economic growth has to far exceed the population growth rate to ensure additional job opportunities. With the kind of population growth in Pakistan, the economy must grow in excess of six percent in order to create approximately 15 lakh or more jobs per annum. That kind of economic growth is not happening in the next two fiscal years. In fact the projections remain abysmally poor with growth projected around three percent. Rather than the employment opportunities, such dismal economic growths

would possibly end up with far more job losses as has been the case over the last 19 months. Contrary to reality, the PM has been made to believe that 2020 will be the year of economic growth that will enable job creation on a large scale. Accordingly, the PM has been going around the country and sharing his thoughts. Like the economic promises that he was made to commit to before the elections, this time around as well, he will be made to regret the commitments and then the famous U-turns. But this will be far more embarrassing than the pre-election promises. Not that there is any justification for not keeping the pre-election promises but having learnt the limitations during the last 19 months, it is no good to make false promises at this stage.

It's not just about one crore jobs and 50 lakh housing units. There were promises in every sector – education, health, dams, public transport, agriculture, industry, services, public sector enterprises, railways, FBR, power distribution companies and several others. We have seen no progress in any of the above sectors and it seems the government has already given up within the first 19 months. The above sectors are important but none compared to the promise to provide one crore jobs and building 50 lakh housing units. The PTI won the elections on such slogans but in the process betrayed the trust reposed by the people of Pakistan. As a minimum, it must stop re-committing the promise to provide one crore jobs and 50 lakh houses.

The writer is former governor Sindh and former minister for privatisation.