

PUNJAB GROWTH STRATEGY 2018

Accelerating Economic Growth And
Improving Social Outcomes



Government of Punjab



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EXECUTIVE SUMMARY

March 2015

Planning & Development Department

Government of the Punjab

Executive Summary

1. Punjab's Vision for inclusive growth

The Provincial Government envisions Punjab as a secure, economically vibrant, industrialized and knowledge-based province, which is prosperous and where every citizen can expect to lead a fulfilling life.

Punjab Growth Strategy aims to overcome the key challenges to realizing this vision. These challenges include: an underutilized manufacturing capacity and stagnant exports; low productivity of physical and human capital; unemployment, under-employment and skills shortages; slow progress on achieving the Millennium Development Goals (MDGs); and a difficult security situation.

2. Objectives of Punjab Growth Strategy and Drivers of Growth*

* These are government announced targets. The IGC panel of economists have engaged with the government to create the conditions for substantially improved economic performance on all of these targets. The actual achievements will depend on how well the strategy is implemented by the Punjab government.

The Punjab Government has outlined the following objectives to help achieve its vision:

1. Achieving 8% economic growth (real GRP growth rate) in Punjab by 2018
2. Increasing annual private sector investment in Punjab to USD 17.5 billion by 2018
3. Creating 1 million quality jobs every year in Punjab
4. Training 2 million skills graduates in Punjab by 2018
5. Increasing Punjab's exports by 15% every year till 2018
6. Achieving all Millennium Development Goals and targeted Sustainable Development Goals in Punjab by 2018
7. Narrowing security gap with regional neighbours such as India and Bangladesh by reducing crime and improving law and order in Punjab

The key drivers that will play a critical role in transforming Punjab and help us achieve the above objectives are:

- **Catalyzing Punjab's GDP growth** based on increasing the productivity of scarce resources via improving the investment climate (by upgrading infrastructure and addressing energy shortage), institutional and governance reforms and tapping into new sources of growth such as better functioning cities and urban clusters.
- **Private Sector-led economic growth** that will require a revival of investment by the private sector.

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- **Employment-intensive economic growth** that will require a focus on employment generation by revival of employment-intensive sectors and creation of quality jobs by addressing critical gaps in human capital.
- **Export buoyancy** to be driven by a focus on export-oriented economic growth.
- **Complete social sector coverage** to be embedded in quality provision of education, healthcare and social protection for the poor and vulnerable.
- **Effective security** through improved governance and law & order.

The Growth Strategy's objectives will be realized by focusing on key sectors that include: industrial development, cities and urban development, agriculture, livestock, skills, education, demography and population planning, and health.

Punjab's development priorities are fully aligned with those of the Federal Government, and the Punjab Growth Strategy 2018 and the Federal Government's Vision 2025 are an outcome of the same strategic thinking. Working with the Federal Government is essential for Punjab to achieve its objectives. Further, Punjab's Growth Strategy is underpinned by Punjab's Medium Term Development Framework (MTDF) 2018.

3. Accelerating Economic Growth

3.1. Manufacturing and Industrial Development

Manufacturing and Industrial Development: Industry is proven driver of economic growth. Within industry, the Growth Strategy emphasizes manufacturing and outlines the way forward: improving industrial estates by providing critical infrastructure (energy, effluent treatment), creating clear property rights and improving one-window facilitation; and reducing the cost of doing business particularly in industrial clusters by improving the provincial regulatory framework. The Government will work with the Federal Government to overcome the critical shortage of electricity, improve unfavorable trade policy hampering exports, improve restrictive international market access and enhance product quality and safety standards.

Research shows that the readymade garments sector has significant potential for further growth and employment generation due to its labor-intensive nature, low demand of energy and high value addition. To realize the full potential of this sector, infrastructure (including industrial estates), garments sector-specific skills, trade policy and market access will have to be strengthened. An effective manufacturing strategy will be fully coordinated with the Government's skills development strategy in order to exploit synergies and complementarities.

Summary Figure 1. Jobs created and price fetched by one bale of cotton as it moves up value chain

Product	Jobs	Value in US \$
Raw Cotton		119
Cotton Yarn	1.44	253
Towels		434
Cotton Fabric (Grey)		579
Finished Fabric	1.44	603
Garments	5.76	1481

Source: Ijaz Nabi and Naved Hamid (2013), “Garments as a driver of economic growth: Insights from Pakistan case studies”, International Growth Centre.

3.2. Skills and Job Creation: Punjab’s Skills Strategy

The Government recognizes that human capital enhancement is a critical path to “quality employment” for citizens, and skills training is an important tool for this. Our Skills Strategy is based on the following features: a) ensuring adequate supply of demand-relevant, good quality skills training opportunities; b) implementing and mainstreaming measures that lower the cost of accessing these skills training opportunities and c) maximizing the return to skills training opportunities through complementary interventions that strengthen linkages of trainees with jobs and markets. The Strategy sets itself the target of training 2 million workers by 2018 and to achieve the challenge of improving the economic and non-economic returns to skills training.

The Skills Strategy represents a radical break from the past and proposes a ‘new model’ of skills training that builds on recent innovations in Punjab. Its main features include the following: a) developing a ‘market’ for skills training to ensure a supply of skills; b) developing best-practice curriculum and teaching and learning resources, through ‘knowledge partnerships’ with private sector; c) providing incentives to the private sector to engage in supply of skills training; d) creating a link between skills provisions and the need of priority sectors and high employability-high growth clusters and value-chains; e) institutionalizing mechanisms to elicit demand for skills; f) restructuring public sector institutions to substantially increase their efficiency; g) reducing the cost of accessing training opportunities for both men and women; and h) strengthening job and market linkages by introducing integrated programs. See Figure below.

Summary Figure 2. A New Model for Skills Training in Punjab



3.3. Enabling Cities to become engines of growth

Cities and towns have an important role in making Punjab competitive for investment and development by benefitting from a skilled labor force. Urban areas create jobs and attract investment that helps economic growth. Punjab is facing an urban transition, with cities facing a number of chronic problems which hold back their ability to reach potential. The Growth Strategy proposes a range of areas to improve the economic vibrancy and livability of cities and towns, which the Government aims to implement. The Government shall endeavor to increase private sector investment in urban areas, and help reduce the chronic shortage of housing, infrastructure and public services.

Reforms and interventions: These proposed interventions include: building a modern system of land records, especially in urban areas, to improve the functioning of land markets; reforms to increase density such as creating a framework for multiple ownership premises, amending building control regulations and promoting mixed land use; conducting regional planning centered around cities to develop critical regions of economic growth; and institutional realignment and capacity building of civic agencies to provide equitable and improved infrastructure and services vital for attracting private sector investment.

Priority areas of public investment: The Government will also invest in infrastructure to provide basic services which are lacking in urban centers. Priority areas include: providing adequate public transport via well-connected network of mass transit such as MetroBus as well as conventional buses to improve the mobility of people. An endeavor shall be to make the

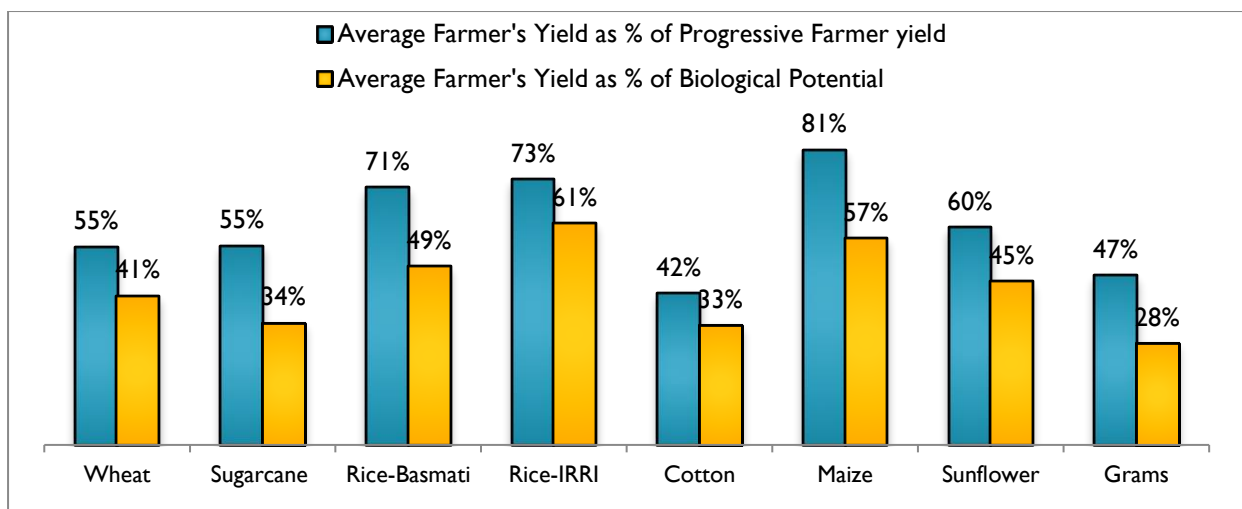
transport convenient for the poor; provide clean drinking water and sanitation / solid waste management service and to improve public health in urban areas.

Enhancing the resource envelope to finance urban development: Improvement in urban areas will be difficult to achieve without increasing the available resources. International experience has shown that Urban Immovable property tax is a critical source of self-generated revenue for urban development, whereas it is an under-utilized resource in Punjab. The Government aims to improve the administration and coverage of this tax and rationalize its application in a fair, equitable and efficient manner using modern tools.

3.4. Improving Productivity in Agriculture and Livestock

Agriculture sector: Agriculture is central to economic growth and development in Punjab. Its contribution to national agricultural economy is overwhelming. Growth in agriculture sector improves the incomes of poor household groups substantially, as it is the most pro-poor sector in terms of growth¹. Future increase in Punjab’s agricultural output will come from increasing crop productivity. See Summary Figure 3 below to see the potential gains from improving crop productivity.

Summary Figure 3. Yields for Average farmers in Punjab as compared to Progressive farmers and biological potential



Note: Progressive Farmer Yield for Grams is for Irrigated. Rice (Basmati and IRRI) yields are for Paddy.

Source: Agriculture Department, Government of Punjab

Agricultural productivity will be increased via:

- substantial improvements in the quality of agriculture research;

¹ According to a World Bank study of 42 countries from 1981 to 2003, “GDP growth originating in agriculture benefits the poorest half of the population substantially more,” compared to the more well-off population.

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- improving agriculture extension and education;
- better on-farm water management;
- improving the quality, availability and use of agriculture inputs such as seeds, fertilizers, pesticides, machinery and credit.

The Government will also seek to focus on the following:

- creating better value chains by creating and preserving value at the farm level and improving connectivity of farms with markets;
- promoting high-value agriculture;
- better use of energy for agriculture;
- improving land resources and environment, by tackling water logging and improving soil quality, and mitigating the impact of climate change;
- increasing the area under cultivation;
- implementing critical regulatory and institutional changes to improve the business climate in agriculture and facilitate the private sector to establish agriculture markets.

Livestock sector: The Livestock Sector has been performing well below its potential. Research has shown that overcoming the weaknesses of this sector can reduce income variability and provide better employment for women. The Government will create a policy environment that helps farmers by smartly deploying public investments in core public goods and inducing private capital in the sector.

To improve service delivery under this sector, the Government will seek to do the following:

- increasing per animal productivity, via a number of measures including genetic improvement, cross breeding and compliance to international standards;
- increasing the coverage and results of extension services
- improving animal husbandry;
- improving regulation in livestock sector and the functioning of livestock markets, and focus on transformation of livestock business from subsistence to commercial ventures;
- developing and implementing a Livestock Export Strategy
- providing nutritious food and improving the quality of semen;
- bringing livestock farmers into formal sector through collective services
- adoption of modern techniques such as e-monitoring while encouraging farmers to use modern technology;
- adoption of revolving fund measures to decrease reliance on the 'gawala' system.

4. Achieving Social Outcomes and Improving Human Capital

4.1. Education to enhance human capital

A better educated workforce results in adoption of more efficient production technologies and improved labor productivity. Education is a means for economic mobility, especially for the poor and a necessity for Pakistan which has a large young population. The Government will focus on demand-side interventions to increase the demand for education amongst the poor and vulnerable groups.

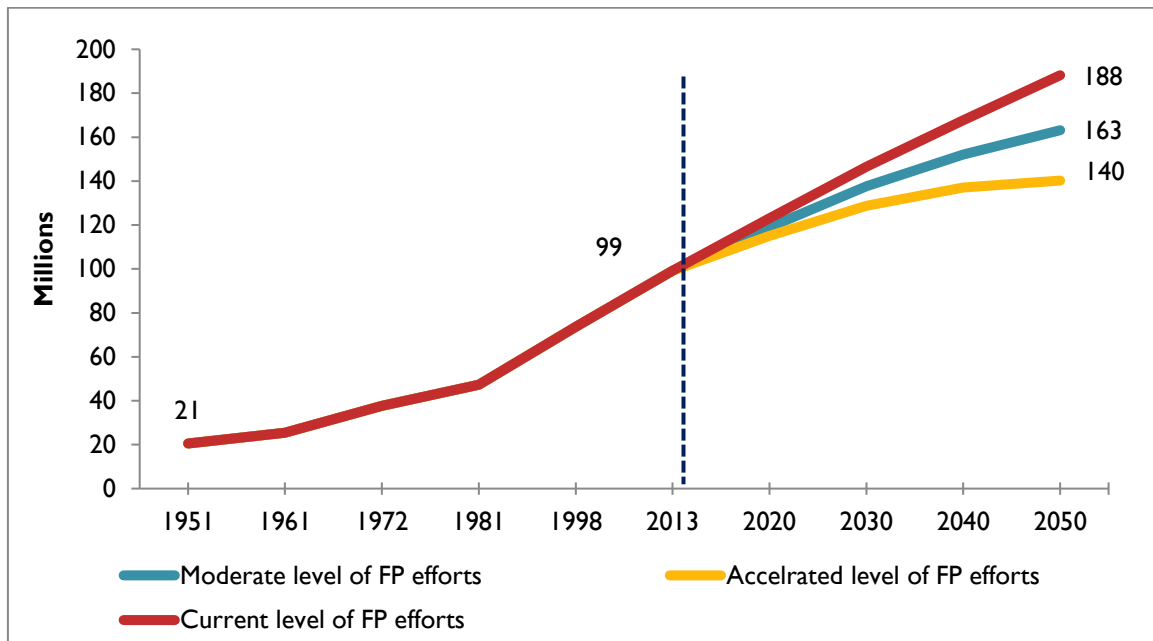
The resource utilization of existing schools will be enhanced by increasing the supply of educational inputs. Further measures will include utilizing cash transfer programs to enhance enrolment; enhancing public-private partnerships to improve the quality of education; and regulation and monitoring of school performance. To improve the quality of learning, the Government will empower the District Education Authorities as per the Punjab Local Government Act 2013.

It is also critical to ensure that students remain in school beyond primary level, because the economic benefits of education are positively related to the number of years of schooling. Similarly, a large number of secondary school graduates often do not enroll in tertiary education and instead they step into the labor market. These students may be trained in work-related skills, and the schools may also provide them with the options to undergo vocational training.

4.2. Demography and Population Planning

Punjab's population has increased five times in the last 60 years, and is estimated to be close to 100 million today. A majority of Punjab's population is under the age of thirty. Experts contend that there is an opportunity for economic growth by reducing the fertility rate and consequently the population growth rate. Future fertility levels, contingent upon family planning efforts, will determine whether the population of Punjab will rise to 140 million or 188 million by 2050, as shown in Summary Figure 4 below. Investing in a rapid fertility decline through a strong family planning programme could make a difference of 48 million more people in Punjab by 2050.

Summary Figure 4. Population projections for Punjab till 2050, based on Family Planning efforts



FP: Family Planning. Source: Population Council

To achieve this objective, the Government will aim to: increase resource allocation for an accelerated fertility decline by strengthening the Population Welfare Program; ensure contraceptive procurement and availability; undertake capacity building of the Population Welfare Department while expanding the coverage of the department to uncovered areas.

The Government will also seek to improve the performance of the Lady Health Worker (LHW) program by improving their incentives, monitoring their activities and providing them with adequate supply of inputs. To meet the growing need for family planning and for tackling inequality within the province, engagement of Population Welfare mobile units, community volunteers and subcontractors will also be considered.

4.3. Focusing on Preventive Health

Investment in health leads to economic growth, because a healthier workforce requires less time off and is related to lower population growth. The Government seeks to prioritize preventive healthcare relative to curative healthcare, given the significant gains possible from improving the preventive health system. The Government also seeks to do the following: ensuring uninterrupted supply of essential medicines at all public health facilities; creating an extension program of basic drug information targeting vendors/pharmacists for infectious diseases, hygiene and family planning; creating a system for the diagnosis of major infectious diseases at primary health facilities; seeking improvements in the management of health system and outsourcing some parts to the private sector; linking health provision with social protection programs to provide protection to poor households against large expenditures on health, through health insurance tools; establishing a disease surveillance system using modern

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technology; and, increasing investment for improving water, sanitation and hygiene services, especially in rural areas where open defecation and absent sewerage systems are a major problem.

The Government will dedicate significant resources to reducing infant and maternal mortality and Maternal Neonatal and Child Health interventions.