

# IGC/LSE Cities Conference

## Pakistan issues

London  
May 22, 2015

# A. context

- Slow economic growth. 3-4 percent in the last decade; lower growth in the last thirty years compared to the earlier growth of 6 percent.

Substantially lower private investment

Collapse of public investment under a long standing IMF stabilization program

Surging remittances

Exchange rate outcomes and management - Dutch disease?

The broader policy regime: fiscal, energy pricing, labor

- A severe energy crisis

The evolving economic structure:

Stagnant manufacturing

Stagnant exports (loss of international competitiveness)

## B. Urbanization in this setting

Urbanization continues at a high rate

Five, million plus cities growing rapidly in Punjab

Peshawar and Abbottabad clusters growing rapidly: security in rural areas a major factor.

What explains urbanization in Punjab?

What is the pattern of urbanization? Large cities vs smaller satellite cities?

## C. Impact

On wages and productivity? Need to understand the urban labor market; what kind of jobs? Which sectors? Impact on real wages?

On land value: location specific?

On contagion, crime and congestion?

## D. Policy response

- Labor market: increase the minimum wage
- Big push skills development program
- Selected sectoral focus: Garments
- Urban transport: MTBS (\$500m cos) in Lahore and Islamabad; planned for other cities
- Road widening in all major cities
- Police reform to tackle crime and terrorism; traffic wardens
- Efficient ambulance service
- Successful anti-dengue drive
- However, policy bias against manufacturing continues (GSP plus vs exchange rate adjustment)

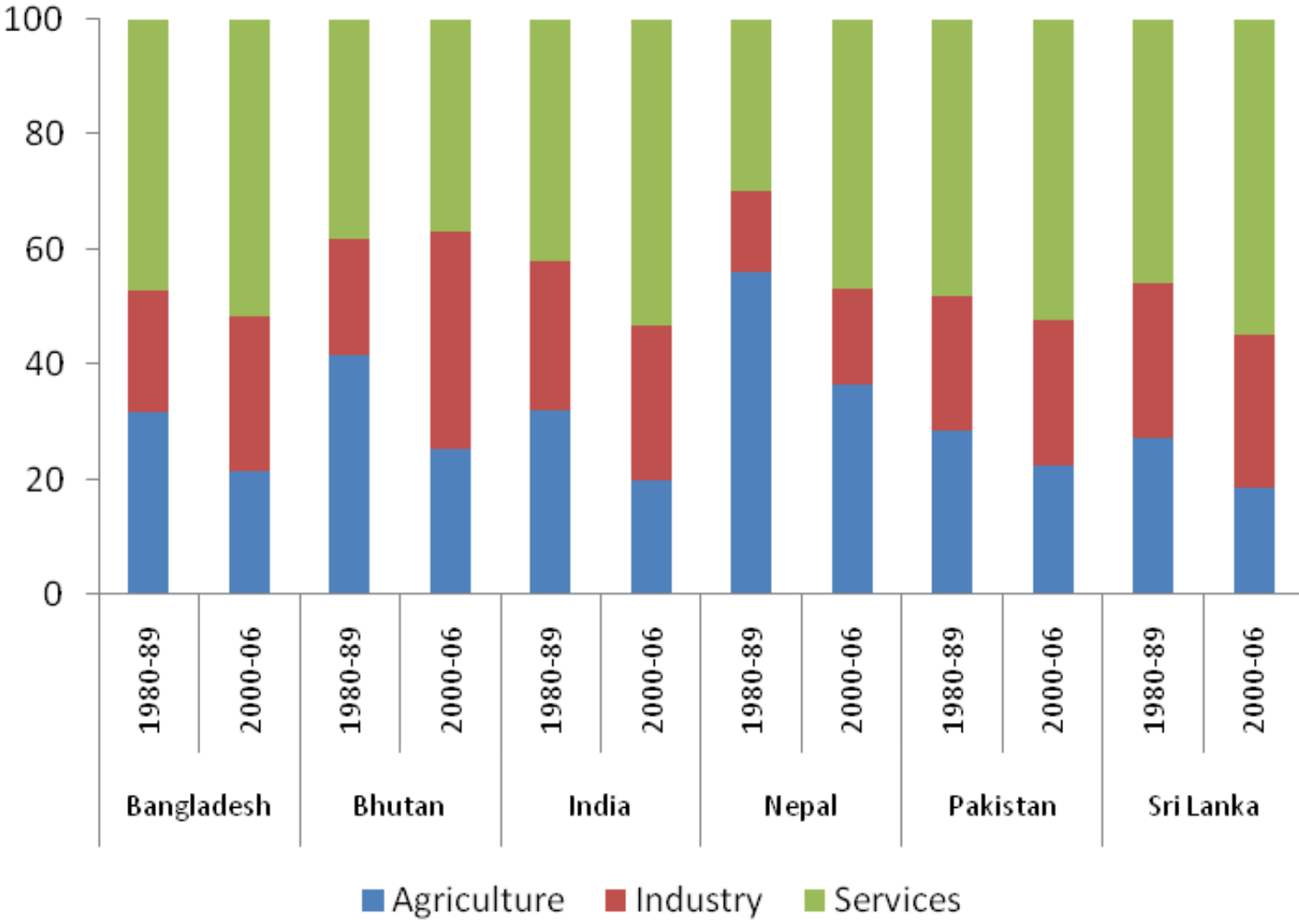
# Policy response continued

- Punjab growth strategy
- KP growth strategy
- National growth strategy
- All of them emphasize the importance of cities
- Challenge is to ensure consistent policy framework to support cities led growth
- Civil society takes a dim view of policy response to urbanization: Road widening projects challenged in courts
- Governance is the big issue: truncated devolution as cities are not self-governing

# E. How can IGC help?

- Has helped with provincial and national growth strategies but engagement on the cities component needs to be deepened.
- Has supported research on the impact of Lahore MTBS on the labor market.
- Assess impact of urbanization and identify policy interventions
  - Wage data could be analyzed to assess labor market impact
  - What is happening to the urban land markets? Land record data base
- Punjab census of dwellings and the detailed survey of small enterprises
- KP launching similar data gathering exercise and has asked for support in designing the census
- A lot more can be done

Changing Structure of GDP in South Asia





# Number of Terrorism Incidents

