**[What ought to happen in 2014?](http://tribune.com.pk/story/653285/welcome-to-2014-what-ought-to-happen-in-2014/)**

**Policy credib­ility has been a casual­ty for too long and needs to be establ­ished.**

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**Prime Minister Nawaz Sharif has set out the agenda for 2014 by focusing on** [**energy, extremism, economy**](http://tribune.com.pk/story/638330/nawaz-sharifs-three-es/)**, ‘trade not aid’ and governance. These are the right issues – very critical and linked together. But how can this agenda be implemented?**

For each of these issues, responsibilities should be assigned, performance indicators specified and accountability for results established. This will enable the prime minister to assess the performance of his ministers and secretaries.

Policy credibility has been a casualty for too long and needs to be established. Tough policy decisions have to be taken in consultation with stakeholders prior to the announcement. Once a decision has been taken then the rollback under pressure of different lobbies gives a wrong signal. Price increases of petrol, utilities, atta or medicines are not received well by the public at large and the media, but not allowing the appropriate adjustment in prices is a sure recipe for disaster. Scarcities will persist, new investment to expand capacity will not take place and the government will be blamed for shortages. It is better to bite the bullet now rather than prolong the agony over time.

**Energy**

We have to get to the roots of the problem by switching generation from furnace oil and diesel to natural gas. This would require priority allocation of gas to the power sector, allowing gas-fired captive power stations to supply power to other customers, improving the plant efficiency of public sector gencos, importing coal, finalising LNG imports and advancing the Thar Coal project to the next phase. The distribution companies should no longer be under the control of the federal government, but should be transferred to the provinces.

The recovery of dues from provincial departments will accelerate as the financial burden caused by theft and hefty distribution losses will have to be borne by them. The law and order machinery that belongs to the provinces will be activated into motion to act against the defaulters and offenders. The uniform tariff setting with all its side effects in the form of tariff differential subsidies will be replaced by companywide tariffs.

The long standing projects of import of Liquefied Natural Gas (LNG) and gas pipeline from Iran have to be finalised in 2014. Financing can be provided for them through private-public partnership. The pricing formula for exploration and development of domestic natural gas should be made competitive so that national and international firms find it attractive to invest in this sector.

**Economy**

The country must meet all the performance criteria agreed with the IMF for quarterly tranche releases. There is no room for slippages. Other inflows triggered by this program will not only boost foreign exchange reserves and stabilize the exchange rate but also induce private capital for investment badly needed to reignite growth. Without revival of growth, the country will remain trapped in a low level equilibrium and continued stagnation in living standards. The prevailing clouds of doom and gloom will not disappear. Mobilising domestic revenues to reduce dependence on State Bank’s borrowing and commercial banks’ borrowing should be the main thrust. Amnesties, concessions and exemptions benefitting non-tax-payers should be done away with. Databases on lifestyle spending of large tax payers who are evading, concealing, understating and not filing returns should be used to penalise these defaulters and initiate criminal action as prescribed by law.

Payment of Agriculture Income Tax (AIT) to the provinces should be made mandatory for those meeting the threshold requirement and made deductible from their income tax liability.

Surveys of new tax payers should be carried out in each region and incentive be given to tax officials for identifying and brining on roll additional assesses.

**Enterprises**

The recruitment of chief executives and the board of directors of sick public enterprises should be given priority and filled in as early in the year as possible. Those enterprises already placed on the privatisation list should go through a transparent process in which all the information is disclosed publically.

The main criterion for divestment should not be simple gaining fiscal space but efficiency in operations and Consumer welfare. The losses from the exchequer will turn into dividends and corporate taxes but production efficiencies will bring down the prices if a competitive market structure is assured. The [3G telecom licences](http://tribune.com.pk/story/652318/full-spectrum-3g-4g-or-5g-country-needs-to-find-solution/) should be auctioned without further delay to attain foreign exchange earnings and to upgrade the services.

**Local government**

Provincial governments should set up provincial finance commissions and make large allocations to the local governments which need to be strengthened on the lines of Khyber Pakhtunkhwa. Devolution of powers to the local tiers will improve access to services for the poor citizens.

**Governance deficit**

Whether it is administration of justice, access to basic services, protection of life and property, provision of electricity, water, natural gas, the root cause can be traced to poor governance and dysfunctional institutions. The gap between expectation of general public and the capacity of the state to deliver has to be bridged. Competence, merit and integrity rather than loyalty should become the criteria for key appointments. Successive governments have suffered because loyalists and sycophants in order to preserve their hold on power and pelf have indeed misled the rulers.

“All is well” has been the popular refrain which has done a lot of damage to the country and has to be shunned. The rulers ought to face facts and realities and not hesitate in taking unpopular decisions when warranted. They will realise that the implementation of their policies, programs and projects will pick up speed and services will be delivered to the people to their satisfaction.

In 2014, the government should begin reforming the civil services, restructuring the federal and provincial governments and introducing e-government. All the spade work has already been done and it is a matter of political will to execute those reforms. A plethora of overlapping and inconsistent rules and regulations, directives and instructions have conferred enormous discretionary power to lower level functionaries adding costs of doing business in Pakistan. Instead of allowing tax amnesties it would be preferable to streamline and rationalise these rules.

**Actions louder than words**

The prime minister’s public pronouncement that ‘trade not aid’ would form the plank of our future relationships with other countries in the world is most welcome but has to be translated into action. Pakistan had committed to grant the MFN status – now re-termed as Non Discriminatory Access (NDA) – to India by December 2012.

The prime minister should announce the granting of NDA without any further delay. The impact of this action on the perceived image of Pakistan will be highly positive. The international community will begin to recognise that Pakistan’s new leadership is behaving in a highly responsible manner. Normalising trade relations and people to people exchange will eventually lead to easing of political tensions between the two countries.

**US drawdown**

The year 2014 will also be crucial as the US troops withdraw from Afghanistan. A peaceful transition will ensure some relief for Pakistan in tackling ‘extremism’. But a ‘civil war’ situation in which various factions assert their supremacy in different parts of Afghanistan will create serious trouble for us. Two to three million refugees will cross the porous border and add unsustainable burden to our fragile economy. Pakistan’s domestic violence and sectarian problems will be intensified. It is in our strategic interests to play a constructive role in bringing about stability in Afghanistan.

The agenda enunciated by the prime minister in late December 2013 is right on the dot. What is urgently needed is systematic and consistent implementation of the components of this agenda in 2014. The overall national mood in December 2014 will, in that case, be full of hope and promise and not continued despondency and despair.

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