



Consortium for  
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Policy Research

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# Punjab Growth Strategy 2018

## About the project

**Funded by:** International Growth Center (IGC)

**Key Counterpart:** Planning and Development Department, Government of Punjab

**Impact:** The Punjab Growth Strategy has officially adopted by the Government of Punjab as its own strategy document until 2018. The Chief Minister of the province has approved the document which was formally launched and released by the Government at a dissemination event in March 2015.

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## In brief

- There are key challenges to realizing Government of Punjab's vision of Punjab as a secure, economically vibrant, industrialized and knowledge-based province.
- Challenges to be addressed include ensuring skills development and higher productivity leading to export-led growth with private-sector led initiatives while improving overall law and order.
- Institutional realignment and improvement of industrial estates is key.

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## 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.**

The Punjab Growth Strategy 2018 aims to overcome the key challenges to realizing this vision. These challenges include: under-utilized 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.

### Objectives of Punjab Growth Strategy and Drivers of Growth

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 neighbors such as India and Bangladesh by reducing crime and improving law and order in Punjab<sup>1</sup>

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 improvements in productivity of resources and better functioning urban clusters.
- **Private Sector-led economic growth** that will require a revival of investment by the private sector.
- **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.

### Accelerating Economic Growth

#### Industrial Development, Investment and Skills for Productive Employment

**Industrial Development:** Within industry, the Growth Strategy emphasizes manufacturing and outlines the way forward: improvement in the functioning of industrial estates by providing critical infrastructure and creating clear property rights; reducing the cost of doing business particularly in the industrial clusters through improvements in the provincial regulatory framework. Government of Punjab 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<sup>2</sup> 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. Infrastructure (including industrial estates), sector-specific skills, trade policy and market access need to be strengthened to realize the full potential of this sector. An effective manufacturing strategy will seek coordination with a skills development strategy in order to exploit agglomeration synergies.

**Skills Training:** The Government's skills growth strategy promotes stronger market linkages and a greater alignment of training contents with the needs of the industry. This will entail: evidence-based planning, additional On-Job Trainings (OJTs), and a larger role for the private sector, both in terms of incentivizing the establishment and improvement of skill development training facilities, and planned utilization of trained workforce from industrial enterprises as trainers for imparting employable skills to the labor force. The Government aims to address critical gaps in skills

<sup>1</sup> A forthcoming study on "Crime, Policing and State Building" by Dr. Ali Cheema and others shows that Punjab's crime and security indicators are poorer than those of India and Bangladesh.

<sup>2</sup> Naved Hamid, Ijaz Nabi and Rafia Zafar (2014) "The Textiles and Garments Sector: Moving Up the Value Chain", Lahore Journal of Economics.

and to train around 2 million people in job-oriented skills by 2018, with an aim to foster a more employable youth in the province that helps create Better quality jobs.

### 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 that 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 that 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.

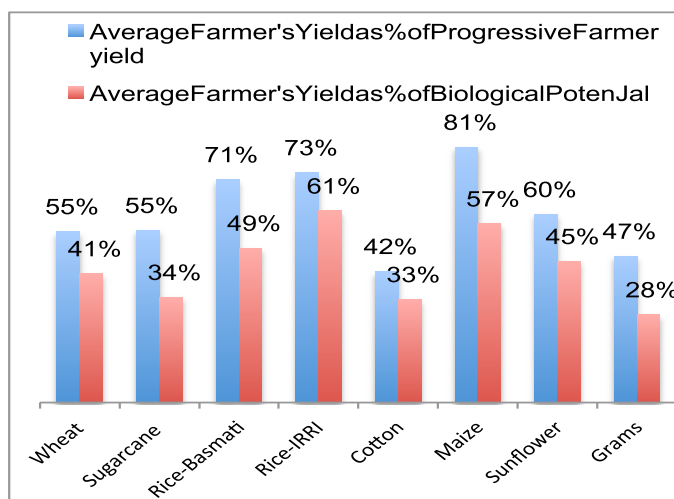
**Enhancing the resource envelope to finance urban development:** Improvement in urban areas will be difficult to achieve without increasing the available resources. International experience has shown that Urban Immovable property tax is a critical source of self-generated revenue for urban development, 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.

### 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<sup>3</sup>. Growth in agriculture sector improves the incomes of poor household groups substantially, as it is the most pro-poor sector in terms of growth<sup>4</sup>. Future increase in Punjab's agricultural output will come from increasing crop productivity. See Figure 1 to view the potential gains from improving crop productivity.

Figure 1. 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;
- improvement in agriculture extension and education;
- better on-farm water management<sup>5</sup>;
- improvement in 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;

<sup>3</sup> Enhancing agricultural growth results in more than proportionate increases in household income compared to growth in other sectors.

<sup>4</sup> 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.

<sup>5</sup> Of the water that goes into the national system only 61 percent reaches the crops.

- 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.<sup>6</sup> 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 emonitoring while encouraging farmers to use modern technology;
- adoption of revolving fund measures to decrease reliance on the 'gawala' system.

### Achieving Social Outcomes and Improving Human Capital 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 that 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.

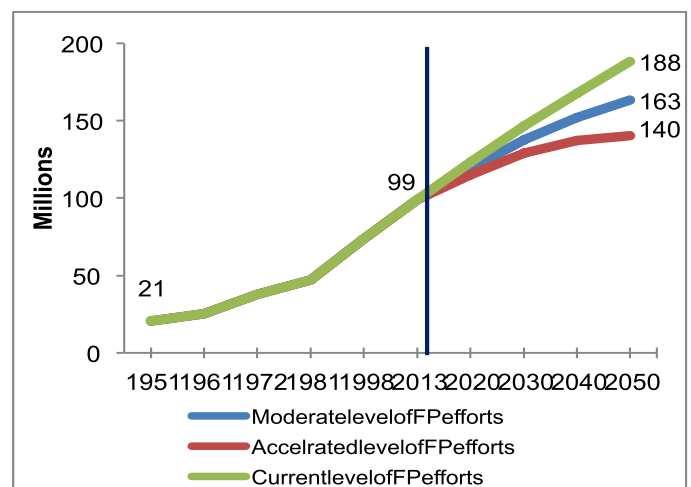
Increasing the supply of educational inputs will enhance the resource utilization of existing schools. Further measures will include utilizing cash transfer programs to enhance enrolment; enhancing publicprivate partnerships to improve the quality of education; and regulation and monitoring of school 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.

### 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 Figure 2. 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.

Figure 2. Population projections for Punjab till 2050, based on Family Planning efforts



FP: Family Planning.

Source: Population Council.

<sup>3</sup> Enhancing agricultural growth results in more than proportionate increases in household income compared to growth in other sectors.

<sup>4</sup> 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.

<sup>5</sup> Of the water that goes into the national system only 61 percent reaches the crops.

<sup>6</sup> There has been a growth of only 4.5 to 5 percent per year in recent years.



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 Worker (LHW) program<sup>7</sup> by improving their incentives, monitoring their activities and providing them with adequate supply of inputs. To meet the growing need for family planning<sup>8</sup> and for tackling inequality within the province<sup>9</sup>, engagement of Population Welfare mobile units, community volunteers and subcontractors will also be considered.

### **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: ensure uninterrupted supply of essential medicines at all public health facilities; create an extension program of basic drug information targeting vendors/pharmacists for infectious diseases, hygiene and family planning; create a system for the diagnosis of major infectious diseases<sup>10</sup> at primary health facilities; seek

improvements in the management of health system and outsourcing some parts to the private sector; link health provision with social protection programs to provide protection to poor households against large expenditures on health, through health insurance tools; establish a disease surveillance system using modern technology; and, increase 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.

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. Furthermore, Punjab's Growth Strategy is underpinned by Punjab's Medium Term Development Framework (MTDF) 2018.

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<sup>7</sup> There are only about 4 families per LHW per year resulting.

<sup>8</sup> 71 percent of the women in Punjab want to prevent unplanned pregnancy.

<sup>9</sup> The women in rural Punjab continue to have almost one child more than their urban counterparts while poor families have approximately two children more than rich families.

<sup>10</sup> TB, Hepatitis B and C, HIV/ AIDS, Malaria.