

# NEWS LETTER

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It is estimated that loss and damage from climate change could cost developing countries a total of US\$ 290–580 billion in 2030 and reach US\$1–1.8 trillion by 2050.

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- Finance and Administrative Wing



**Shahid Javed Burki**

**Chairman**

The Shahid Javed Burki Institute  
of Public Policy at NetSol

## Pakistan has one of the world's more rapidly growing populations

On Tuesday, November 15, 2022, the world population crossed the 8 billion mark. The announcement was made by the United Nations. This threshold was reached earlier than expected even though there was a perceptible decline in the birth rate, especially in the more developed countries. The number of people in the

world is expected to peak at around 10.4 billion in 2086. Birth rates have fallen dramatically in most developed countries, but they remain high in many poorer countries which are least equipped to manage the impact of continued growth. In 2021, Japan saw its lowest number of births in over a century. Nearly 30 percent of its population is 65 years or older. An older population is “less likely to set up businesses, and more reliant on the state,” said Paul Morland, a demographer and author of the book, *The Human Tide: How Population Shaped the Modern World*. While the North America and Western Europe have made some adjustments in the age profiles of their population by admitting millions of migrants, Japan has kept itself close to foreigners. It will pay a heavy price for this demographic stance. Germany showed the benefits of large immigration. According to OECD that studied the consequence of Chancellor Angela Merkel’s decision to admit a million Syrian refugees into her country, there was an immediate positive impact of the policy. In 2021, the organization estimated that new workers that came into the country added 0.3 percent rate of growth to German GDP. Over the medium term, the contribution would increase to 0.5 percent.

By 2050, world population will increase by another 1.7 billion. Half of that increase will occur in just eight countries: Democratic Republic of Congo, Egypt, Ethiopia, Nigeria, Pakistan, the Philippines, Tanzania, and India. Pakistan, according to these estimates, is the fifth most rapidly growing country in the world. Its population has increased almost seven-fold since it gained independence 75 years ago. The country began its independent existence with a population estimated at 32 million. In 2022, it reached 221 million. The large population is subject to the effects of global warming. The rain and floods in the summer of 2022, killed an estimated 1300 people since good parts of the country in the lower reaches of the Indus River were flooded. But Pakistan was not alone in feeling the impact of global warming. India also suffered from a deadly, unbearable heat in the summer of 2022. The country has a population of 1.4 billion is set to pass China before the end of 2022 and become the world’s most populous country.

The increase in population over the next 60 years has renewed long-standing questions over how many people a warming planet can support. The 18<sup>th</sup> century demographer and economist Thomas Malthus predicted that population the rate pf population growth would outpace the world’s capacity to grow food. He predicted widespread famines in Africa and Asia. However, Malthus did not expect productivity increases that came to be known as green revolution. Pakistan was one of the countries where this revolution took hold and brought about impressive increases in the output of wheat and rice. “There are enough resources to feed the population today,” said Venessa Perez-Cierra, director of the Global Economic Center at the world Resources Institute. “But it’s just not evenly distributed. According to the World Food Program, some 828 million people – more than 10 percent of the world’s population – go to bed hungry.

Global warming would add another dimension to the pressure a growing population would put on the world’s resources. More than 75 percent of the planet’s ice-free land has been significantly altered by people, according to a 2020 report prepared by the World Life Fund. An estimated two-thirds of mammals, fish reptiles and amphibians have been lost in the last approximately 50 years.



**Shahid Najam**  
**Vice Chairman**

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## Climate Change: Responsible Journalism

Media has to play a key role in the fight against the environmental challenges and climate crisis which the world and indeed Pakistan, being one of the worst affected countries, is confronted with. Climate change, in recent years, has started finding recurrent manifestation in the frequency, intensity and spatial diffusion of extreme weather events such as floods, variation of temperature and heat waves, storms etc., as well as steady and slow occurrence of potentially disastrous changes including rise in sea level, ocean acidification, loss of biodiversity, land degradation and desertification. The diminution of planet's natural resource endowment and eco-system and the increased vulnerability of lives and livelihood of the people especially those living in the marginal eco-systems have already assumed appalling proportions.

It is estimated that loss and damage from climate change could cost developing countries a total of US\$ 290–580 billion in 2030 and reach US\$1–1.8 trillion by 2050. As for Pakistan, the extreme flooding of 2022 has already caused unprecedented havocs and inflicted losses costing up to US\$ 40 billion dollars with 33 million people affected, 1,600 deaths, destruction of over 2 million houses, damage to 13,000km of roads and inundation of 18,000km<sup>2</sup> of cropland.

The humanity faces a collective challenge regardless of country or region and specificity of economic, political or geostrategic interests. The enormity of the

problem does not pertain to the future or posterity; it has a profound real impact for the present time in which we live.

The media and mainstream journalists cannot remain oblivious of the enormity of the problem. It has to play a major role in articulating and shaping the climate crisis narrative of environment and constantly strive to raise it as a top priority agenda item for the political leadership and policy makers to pay heed to with a sense of urgency and commitment to integrate climate change and its impact in the economic and sustainable development paradigm. The media, as a major actor in molding the public opinion, must assiduously educate and sensitize general public the shared responsibility to adopt environmental friendly behavior in their ordinary and work related engagements and activities. It must create a deep realization that climate crisis is no more an option, it is our individual and collective responsibility to deal with which we owe to ourselves and the generations to come.



**Kashif Anwar**  
President  
Lahore Chamber of  
Commerce and Industry

### Import Substitution and Development of Local Industry: The Only Hope of Our Economic Revival

Pakistan's imports have exhibited an abnormal growth in recent years. In 2021-22, the import bill surpassed 80 Billion Dollars. This has resulted in tremendous hike in trade deficit (48 Billion Dollars) and Current Account Deficit (17 Billion Dollars). Import substitution is one area which has always been neglected in the policy making. For ensuring sustainable economic development, there is a need to develop the local industry and move towards import substitution in the sectors like machinery, automobiles, electric vehicles, mobile devices, food, cotton and fertilizers etc. Import substitution will help to reduce our trade deficit and current account deficit.

Many emerging economies around the world are making use of their SME sector for enhancing the economic growth and are focusing on SME-centric economic policies for developing their local industry. We should follow the same path. To help the SMEs become competitive, they should be provided cheap energy (electricity and gas) in all the sectors. The cost of land for the industry, especially SMEs in the Industrial Estates has gone really high which needs to be reduced. The local industry faces multiple issues relating to taxation and dealing with multiple government departments. SMEs have to face Custom Duties, Regulatory Duties and Additional Custom Duties on the import of essential raw materials, components and machinery not produced locally

which need to be abolished. The Withholding Tax rates for the SMEs need to be reduced. The issues of pending refunds and multiple audits need to be addressed. Access to finance is a big obstacle for SMEs growth as they only get 6% of private sector financing. The commercial banks should be strictly obligated to create more space for SMEs for provision of low cost credit without collateral requirements.

Our country has suffered massively due to unprecedented floods. According to the estimates by the Government, the flood damage and economic losses are over 30 billion dollars. The sectors which have suffered the most include agriculture, food, livestock and fisheries with combined losses of around 3.7 billion dollars. There needs to be a renewed focus on developing and modernizing our agriculture sector so that our food imports which are around 8 billion dollars and cotton imports which are more than 2 billion dollars can be reduced significantly.



**Dr. Muhammad Ejaz Sandhu**  
**Director Operations, Education and Learning**

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### Education: The Ray of Hope

The education is to be the force of development. The expense on education has hardly ever crossed 3% of GDP as no development plan can proceed further without raising this figure to 6%. It must be the top agenda item for every government, without any compromise. At present the literacy rate of Pakistan is 73% as compared to 97% of China. One can understand from this gap where one needs to invest the most. Now Pakistan has around 22.8 million children that are out of school, 2<sup>nd</sup> highest in the world, showing the extreme dearth of primary schooling and enrollment. Student teacher ratio is 44:1. In comparison Sri Lanka has 16 students for one teacher. Sri Lanka has a literacy rate of around 99%, showing higher number of teachers a sign of preparedness for eradicating illiteracy. For 22.8 million students who have no teacher we need to create 570,000 more jobs for teachers at current rate if we were to fully educate our children. The vocational and technical teachers required for this dropout ratio are around 2.3 million meaning around 60,000 new jobs for technical and vocational teachers. One must understand that in order to reduce the dropout rate after primary to secondary school enrollment, early vocational training must be provided so that parents after primary have an incentive to continue the schooling for youth. Those who have a tendency to dropout should have a technical and vocational skill program right after primary education. This vocational-cum-technical training should come for one year, in areas of coal, copper mining, power plant operations, converting agricultural produce to value added products such as jams, juices, dairy processed

food etc. This is in addition to other technical training. New technical and vocational centers must operate in areas adjacent to mines in Sindh and Balochistan and in rural areas producing citrus fruits, livestock produce such as meat and dairy products in Punjab and Khyber-KP. The initiative should be a joint venture of the state and the community donors and businessmen. The enrollment of these centers should be jointly supported through scholarships of the community and by students themselves. At the same time the state must spend from rural development programs in these centers.

Higher education must be more technical and instead of sending our students abroad and spending our foreign exchange in foreign education, local facilities in technical institutes must be established. The higher education commission must bring foreign teachers in technical areas from abroad to educate our students rather than spending fortunes of hard-earned money on sending our students abroad who rarely return. It is also proposed that the business-people in industrial areas must be bound to establish one university each accompanied with technical training centers in every industrial area of the state. The land and other infrastructure may be provided by the state while giving tax relief to investments in this regard. Ensuring quality education must be the responsibility of the private sector. Joint monitoring teams of private practitioners and state field experts could serve as the watchdogs for the purpose of quality assurance. The focus in higher education must remain in producing more technically skilled human resource such as engineers, doctors, and scientists so as to have surplus manpower in these areas. They will not only meet the local demand, but surplus work force can also be exported to foreign countries. It is a notable fact that the foreign remittances this year have been around \$ 31 billion. By the export of knowledge workers, the foreign remittances could double by 2030. Private sector scholarships should ensure enough resources so that the higher education remains either free of cost or highly subsidized.





**Aiman Adnan**  
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### Saving our Youth Differently

Having met an old friend in the past few days, I realized how badly the youth, irrespective of gender and social class, requires psychological counseling for emotional neglect and psychological beating they have faced at some point in their lives. Although, I firmly believe that people from all generations- the baby boomers, X, Y and Z require psychological help – either professional or through any other means- to resolve their unprocessed traumas, let us for now only focus upon the Gen Y or the Millennials who have become victims to and are earnestly trying to escape the generational traumas.

The Gen Y is typically born between the years 1981-1995, and has had the peak of its childhood in the 2000s. It has grown up on some of most renowned and widely recognized media creations i.e. The Lion King, The 101 Dalmatians, The Matrix, The Harry Potter series and etc. Being independent thinkers, entrepreneurial, competitive, result- oriented and sometimes at a loss of finding its way in the world, this generation is in its mid-20's to late 30's. These people are innovators and value collaboration, flexibility and work- life balance. However, like in the case of all others, an unbridled ambition sometimes gets the best of them.

One phenomenon that has come to the fore is that many in this generation have started to question their relationships at home – some going to the extent of feeling resentment towards their elders for limiting them psychologically and damaging them emotionally through either neglect or excessive strictness at home. In this article, traumas developed at place other than

home (molestation, relationships, workplace & street harassment, bullying at school, cruelty, marital rape & etc) could have been mentioned but according to many religions and sociological perspectives, the basic unit of the society is the nuclear family- home. Hence, the trauma that they feel is real - it is manifested in their relationships with others and how they view the world around them. The silver lining to this cloud is that many of these young people are recognizing the need of what has been denied to them for one reason or another domestically - psychological therapy. Most also know the difference between seeing a psychiatrist and a psychological therapist- and prefer seeing a therapist rather than the former as they simply want to be heard, empathized with and guided accordingly rather than being directly inundated with anti-depressants. The anti- depressants are like the anti- biotics (one also in turn requires the use of pro-biotics to cancel out the detrimental impacts of the anti-biotics), they are surface level sedatives that don't stimulate the deeper level healing of the soul. Most of them are saving themselves from becoming clinically depressed by reaching out. Now this may seem very odd to those who have had a constant and mature human interaction with their family members, grandparents or any other well-wisher. But those who don't pay the price with their well-being, opportunities and sometimes with their precious lives.

Given the sad state of affairs, to begin with, it should be mandatory for the all schools in Pakistan- the public and private, to create a position for at least two psychological counselors for the well fare of the youth. The same should be done at the work places to ensure a better mental health of the employees to enhance their productivity and restoring their lost creativity, spark and dynamism. If we keep on treating mental health as taboo, we will keep on losing effectively contributing young members of the society, remarkable talent, and sources of economic growth. However, it has to be ensured that the entire exercise is also founded on moral guidelines as well

so to keep the normalizing the culture of drugs, liquor and free- sex at bay. It has to be a concerted effort on the part of the civil society, the media, the LEAs, the government and the community in order to make counseling accessible, affordable, credible and rewarding.



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## AI: Promising or Dangerous

In the recent history of humanity, artificial intelligence (AI) has significantly altered a lot of things. If we examine the development of AI globally, we discover that nearly everything around us is becoming AI embedded and how quickly it has advanced. Some individuals consider artificial intelligence to have the potential to be both beneficial and damaging to society. Modern technology has unquestionably been a power for good, enabling people to live better lives, increasing productivity, advancing medical and scientific knowledge, and revolutionizing societies. On the other hand, it also poses a threat to humanity, with data theft, cyber-attacks, and privacy risks all on the rise. Since artificial intelligence is the technology of the future and will revolutionize the world, several nations are investing in this domain.

USA and China, the two global superpowers, are leading the race among nations spending heavily in artificial intelligence, followed by Japan, the UK, and Germany. China's expanding internet economy, industries' transition to data analytics, and, if it successfully implements policies and strategies, AI trends, will play a significant role in the country's AI boom. USA has a plenty of resources, but they are dispersed and the potential isn't fully harnessed, which

many predict will force them to fall behind China in the race by 2030, despite USA possessing the tech giants including Amazon, Apple, and Microsoft.

Additionally, fragmentation and separation within nations are being encouraged by digital technology. The growth of hate, criminality, terrorist recruitment, cyber wars between the countries the invasion of Afghanistan by US-led Western forces, the use of drones to assassinate an Al-Qaida leader, use of Stuxnet computer worm to compromise Iranian nuclear programme. Similarly online platforms have developed into channels for spreading disinformation, and no one is held responsible for the falsehoods, hate speech, privacy risk for example the Cambridge Analytical Scam, or deception they convey and the phenomenon of digital wildfires that are hardly ever extinguished and endanger society. The persistent feedback loops of data on social media platforms that encourage and reflect conspiracies and extreme political views, bias, and turn it into authoritarianism will weaken democracy in a country.

However, AI also has a significant number of positive effects on the world, as it may enhance productivity and significantly enhance the decision-making process by evaluating massive volumes of data. AI also helps the environment by lowering emissions, mitigating the effects of greenhouse gasses (GHG), and eliminating already-existing emissions from the atmosphere.

AI is here and bound to impact us in the most disruptive manner, if we as humans are not able to develop international ethical standards for the use of AI, some social scientist fear that AI will be more destructive to mankind than the invention of atomic bomb as its uncontrolled use can destroy the very fabric of human society.



**Samra Naz**  
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The Shahid Javed Burki Institute of Public Policy at NetSol

The Shahid Javed Burki Institute of Public Policy at NetSol (BIPP) is in process of implementation of Shahid Javed Burki Scholarship Program. On 28<sup>th</sup> October 2022, a meeting was held in Punjab Higher Education Commission (PHEC) office Lahore with beneficiary's universities. Prof. Dr. Shahid Munir, Chairperson PHEC, chaired this meeting. Dr. Bushra Mirza VC Lahore College for Women University (LCWU), Dr. Muhammad Ashraf, Rector University of Lahore (UoL), Dr. Muhammad Mumtaz Ali Khan, Director PHEC, Baquee Bin Haneef, Treasurer University of Health Sciences (UHS), Dr. Muniza Qayyum, Dean Fatima Jinnah Medical University (FJMU), Babar Yaqoob Fateh Muhammad (VC Operations BIPP), Dr. Muhammad Ejaz Sandhu (Director BIPP), Samiullah (Consultant BIPP), Farzana Shahid (Consultant BIPP), Samra Naz (Knowledge Management Manager BIPP), and Aiman Adnan (Research Fellow BIPP) participated in the meeting and discussed the modalities of the new scholarships.



In the month of October, Express Tribune featured an editorial of Mr. Shahid Najam (Vice Chairman BIPP) in their newspaper. The article titled “Sovereignty or servitude: nation at the crossroads” where Mr. Najam strongly articulated that Pakistan cannot afford to procrastinate the decades-old ambivalence between sovereignty and servitude. Please visit the following link to read full article: <https://tribune.com.pk/story/2382041/sovereignty-or-servitude-nation-at-the-crossroads>

In his December editorial “The governance failure — an existential risk” Mr. Najam stated that the failure of public sector governance at all levels and across all institutions (political, judicial, executive, etc) continues to afflict the country and exacerbate the enormity of development challenges — peace and security, poverty and hunger, ignorance and disease and achievement of the national development goals. You can read the full article at: <https://tribune.com.pk/story/2388926/the-governance-failure-an-existential-risk>

A new episode of BIPP’s Policy Hub series was also released in the month of November. You may watch Dr. Muhammad Ejaz Sandhu (Director BIPP) sharing his views on Digitalization of Health System in Pakistan by using the following link: [https://www.youtube.com/watch?v=q\\_poxUobKg](https://www.youtube.com/watch?v=q_poxUobKg)







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### “Interest Free Banking System”: Is it a fall in eyes?

The Finance Minister of Pakistan announces that The Government of Pakistan is up to put into practice the interest free banking system under the Islamic laws from 2017, where the government will draw out it's appeals is odds with the Federal Shariat Court's April decision of stamp out Riba in 5 years from Banking system. How can Islamic Banking completely be implemented in 5 years span? However, Pakistan needs implementation of Islamic banking for both religious and constitutional values.

Islamic Banking is Interest free banking and is laid on the Islamic laws and principles. Sharia'h comprises of all the sayings, ratifications and acts which are divine guidance of Islamic laws and policies. And then comes the juristic interpretation of these Islamic laws and policies by Islamic Scholars. This interpretation is summary of The Holy Qur'an, The Sunnah, Ijma' and Qiyas. Which are sayings of The Allah, acts of The Prophet (PBUH), consensus of The Fuqaha and Anology respectively? All types of Riba (interest rates) are completely banned in Islam.

#### **Islamic banking and the present Economic situation of Pakistan:**

If we go through the overall banking system present in the economy of Pakistan, there is so much liquidity in it. And it is because of not enough fund deployment capacity. It is a fall in the eyes if we say that Interest free banking will be implemented within 5 years. This transition will be slow and gradual. It can't be done like a snapping game. It will take years to be fully implemented.



For getting more investments, some policies can be made and just marketed for a targeted group of people who avoid un-ethical and un-social activities. In this way, government and banks can attract Muslims and such people who avoid such activities towards investment. Islamic banking works through investments, trading and also by providing services related complaints. Here, Government of Pakistan and Banks have to gradually shift from conventional banking towards Islamic Banking. Like, there should be more investment policies for people to invest and also policies which give loans to general public on low interest rates. By this, flow of cash will be continued and excess liquidity will remain in control. So, economy will be sustained. Alongside, there should be a part of investments which banks will use to earn profits by acting as lender for the general public. And banks will get the money back in installments without Riba on it. Gradually, banks should increase services according to Islamic laws and tones down the conventional banking system.



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**Manager Finance and Operations**  
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### Monetary Policy Rate:

The State Bank of Pakistan announced its new monetary policy on Friday, 25th November 2022, and increased the interest rate by 100 basis points (bps) to 16 percent. This decision was aimed to ensure that elevated inflation does not become ingrained.

BIPP's Investment Policy has been revised since last month to get maximum return on Investments.

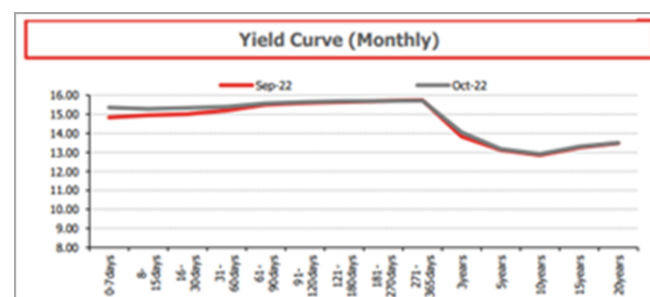
### Economic Review & Outlook

The Current Account posted a deficit of \$2.2 billion for 1QFY23 as against a deficit of \$3.5 billion during the same period last year. For the month of September, the CAD shrunk to \$316 million as against \$1.15 billion in Sep 2021, largely on the back of shrinkage in the trade deficit due to a decline in imports. Remittances shrank 12% during Sep'22, mainly due to volatility in PKR. Furthermore, the country received \$1.5bn from Asian Development Bank under BRACE program to support the government's efforts to deal with the adverse impacts of devastating floods, supply chain disruptions, rising energy, fuel prices, and inflation on the poor and vulnerable. As a result, foreign exchange reserves jumped to \$14.6bn from \$13.3bn at the end of September'22.

### Money Market Review:

In the last monetary policy decision held on October 10, 2022, SBP maintained the policy rate at 15%. The motive behind the status quo was expected moderation in domestic demand and lower import bills expected for the month of October. Inflation for the month of October clocked in at 26.6% YoY, mainly due to a surge in Food prices because of

widespread floods that have devastated crops and farmlands and also because of quarterly adjustments in built in electricity tariffs. Food and Housing index contributed 91% of the overall MoM change. Secondary market yields for short-term instruments up to 3 months increased by an average of 29bps, while yields from 6M to 12M increased by an average of a mere 1bp. For longer tenors, the yield for 5 and 10 years increased by 6bps each.



### Stock Market Review:

Benchmark index i.e. KSE-100 remained steady throughout the month as it posted a return of a mere 0.33% during the month of October to close at 41,264.66 points. The average daily volume increased by 1.7% on a MoM basis as it clocked at 95.8mn compared to the previous month's level of 94.19mn. Foreigners remained net buyers, as the net foreign inflow during the current month amounted to US\$14.37mn compared to a net inflow of US\$14.59mn in September, where the buying was concentrated in Technology and Communication (US\$18.35mn) while there was net selling in Commercial Banks amounting to US\$4.94mn. Key developments during the month include a) PTI commenced a long march toward the capital creating more political uncertainty) Pakistan was removed from the grey list of FATF after 4 years, c) SBP maintained a policy rate at 15% citing already implemented measures sufficient to curtail overheating of the economy, d) Inflation for the month of October rebounded to 26.6% compared to 23.2% in September. An increase in electricity prices due to quarterly adjustments and a hike in food prices were key reasons for the upsurge in inflation.



Policy for Present, Gains for posterity,  
Reducing Deficit, Producing Results

## Mission Statement

BIPP's mission is to improve the welfare of the citizenry with particular emphasis on identifying policy measures that will lead to inclusive, people-centered growth with equity, political stability and sustainable development besides fully harnessing the potential for regional and global integration of the country. BIPP primary areas of interest encompass social, economic, environmental and political development and security, trade and foreign policy-related issues.

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