**3rd Pakistan Prosperity Forum: Restructure, Reform, Growth**

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Islamabad

**Birgit Lamm (Director, Friedrich Naumann Foundation Pakistan)**

* Pakistan's quest for prosperity grapples with a challenging economic landscape —underscored by recent budgetary constraints, high inflation, and ongoing negotiations with the IMF (now in the 23rd package). Tackling these issues necessitates a concurrent focus on good governance and efficient administration.
* With a population growth rate of three percent, addressing these structural issues becomes urgent to ensure economic growth translates into tangible benefits for an expanding populace.
* To meet population demands and elevate living standards, Pakistan needs a growth rate of 6 to 7 percent. Anything below threatens both expansion and the crucial trickle-down effect.
* Meeting basic material needs is paramount for the well-being of Pakistan's population, particularly with inflation ranging between 30 to 40 percent. For a significant portion, affording three meals a day or covering electricity bills becomes a daily struggle, consuming a substantial portion of monthly income and leaving minimal room for savings.
* Political instability in Pakistan creates an unwelcome atmosphere for foreign investors, particularly in attracting crucial foreign direct investment. With businesses being agile and quick to relocate, relying solely on remittances from overseas Pakistanis is unsustainable for the nation's future financial stability.
* Ensuring a comprehensive perspective, Pakistan's economic strategy must engage academia, government officials, entrepreneurs, and SMEs. Recognizing that a significant portion of employment comes from self-employed individuals, often in the informal sector, addressing barriers to formalization is crucial for unlocking the growth potential of this substantial economic segment, comprising around 60 to 70 percent.

**Session I**

**Shahid H. Kardar (Former Governor of SBP)**

* Nothing wrong with borrowing-creates opportunities for a more productive economy. Concern is funding of wasteful expenditures & low priority, poorly designed projects.
* Servicing of the external and domestic debts looks increasingly unsustainable. Our Gross Public Debt is 667% of Revenues, Av. 214% for more than 20 comparators.
* Our External debt is 232% of Exports, Av. 64% of more than 20 Comparators.
* What are the possible options available to renegotiate contracts-debt relief/restructuring of this debt, with issues like foreign currency Swap arrangements, deposits with SBP, bonds with a large number of holders and covered by New York Laws.
* Thus, debt restructuring is complex-no short-cut solutions. While 30 low-income countries are facing debt servicing issues, so far only 3-4 have sought restructuring, with negotiations lasting more than a year.
* $ 66.5 billion (more than 50% of total) added in the 1990s and between 2008 to 2018.
* Long-term (bonds and Loans $98 billion, other including Short-term $ 20billion).
* Average repayment period-6.5 years. 2023 repayment $16.4 billion plus interest charges $4.4 billion.
* Gross External debt 360% of Goods and Services, Public external debt 275% (35.5billion), Government external debt 221%.
* External Servicing of Public Debt, SOEs, Private & 20.8 billion (58.6% of Exports of Goods & Services) of which Government plus government guaranteed debt $18.7 billion.
* 48% of debt owed to multilaterals (IMF, World Bank, ADB)-excl. publicly guaranteed debt. Most at highly concessional rates, making them preferred creditors- lending cannot be rescheduled under present scheme of things. In recent years, 60% of aid/borrowing has been budgetary support.
* Share of bilateral including China-31% (excluding deposits with SBP and Swaps of SBP-approx. US$8 billion) of which debt of Paris Club members (China & Gulf countries not members) was rescheduled in 2001/02 -repayable in second half of twenty thirties (2030s). Remaining debts are Private (20%).
* 22% of Maturity<1 year, 32% between 2-5 years & 22%>10 years.
* Terms and conditions of Chinese lending not fully transparent. So far, Chinese rolling over repayments when they become due (around US$ 8 bn), but reluctant to accept losses on their lending portfolio. Another complication is how to categorize a Chinese lending institution- bilateral or commercial.
* According to Aid Data China’s funding to Pakistan until 2021 was US$70.3 billion (only 2% was in form of grants)-19.6% of GDP. The average interest rate on the loans was 3.72% with an average maturity period of just under 10 years (with a grace period of roughly 3.74 years).
* Share of energy related loans was 40% and general budget support 30% (referred to as Rescue Lending). Since 2017, Rescue lending has been the largest proportion of its financing, covered by a set of loan repayment safeguards-of which details are not available.
* Following the ravages of COVID and the stresses faced by low-income countries on account of war in Ukraine and the global environment of high interest rates there is growing recognition among multilateral institutions and several bilateral that some countries (including Pakistan) are under debt distress and need debt relief-including possibly a reduction in the face value of debt.
* The G20 Common Framework for Debt Treatment is such an initiative for heavily indebted countries. It has brought together the multilaterals, bilateral (including China) and private lenders-participation of all lenders to address creditor disagreements to provide timely and meaningful resolution-admittedly easier said than done.
* To date only Chad has got relief under this initiative. Negotiations on-going with Zambia & Ghana. Sri Lanka was upper-middle income country and got re-categorized as lower-middle income- didn’t qualify under this framework. Pakistan lower middle-income-could get the same treatment.
* Other countries also under debt stress are seemingly reluctant to suspend debt servicing payments, fearing the pain and downgrading of credit rating leading to loss of access to capital markets.
* It had a higher per capita income than S. Korea in 1960.
* Generous tax exemptions & expenditures running wild (esp. subsidies). Primary surplus in only 3 years since 1951. Result-unsustainable fiscal deficits (12.2% of GDP)-financed by foreign & domestic borrowings. So, huge public debt (128% of GDP) - interest payments 72% of revenues.
* External debt ($44.5 Bn.) 64% of GDP and Domestic 50%
* Efforts to address macroeconomic imbalances under 16 IMF programs not sustained (9 not completed)
* Central bank supported fiscal indiscipline (in our case through injections of Rs.12.8 trln-12% of GDP)
* Support to inward looking import substitution and very low levels of investment (7% of GDP)
* Overvalued exchange rate. Remittances flowing through informal networks (dual markets). Anti-export bias with domestically protected businesses resisting timely adjustments in exchange rate.
* Sri Lanka defaulted in May 2022. Owed $7 bn for the year- reserves were $1.7 bn
* 28% owed to multilaterals, 31% to bilateral & 41% commercial bonds & loans at an interest rate of 7.5%. China share of debt 20%. Negotiations began Sept 2022.
* After default economy contracted by 7.8% in 2022 and 3.8% in 2023. There were shortages of fuel, gas, medicines and many essential items and inflation was 67.4%
* All lenders (incl. domestic) asked to take 30% haircut. Progress on debt restructuring v. slow. Still no assurances of debt restructuring from bond holders (000s of them), Japan and India. But even after this restructuring interest costs look unsustainable ($4-5 billion per year-5% of GDP)
* Recently China Export-Import Bank reached a deal on China related debt-but no details available
* Some proposals (e.g Ulrich Volz and Marina Zucker-Marques “Multilateral Development Banks Must Participate in Debt Relief) argue that initiative to have any success will require multilaterals, bilaterals & private creditors to share debt relief burden on equitable basis under the framework of a debt sustainability analysis by the IMF (i.e. country would have to be in a Fund Program)
* Need for a set of fair rules that, for comparability, factor in the cost of lending of each participant/category of creditor. For instance, in the case of Sri Lanka the understanding is transparency and parity in debt restructuring treatment of major creditors, consistent with IMF’s debt sustainability analysis.
* Commercial lenders charging high interest rates to cover risks but still demand country pay up in full.
* In our case, it should be obvious that if multilaterals do not contribute to debt relief then enough debt will not be covered for creating adequate fiscal space for priority investments or new pressing needs.
* For Multilaterals to take a haircut is likely to require an increase in their equity.
* In the case of IMF, increased quotas can help, supplemented by deferment of its Surcharges.
* However, if fair rules are applied to the sharing of the burden of relief the multilaterals would suffer a smaller haircut than other lenders.
* But applicant seeking debt relief/ restructuring will be expected to present a broader domestic reform plan, showing how and where the debt restructuring fits into the proposed reform strategy. This would be a pre-condition for lenders to consider such a request-to demonstrate to the lenders a commitment to prevent the return of the conditions requiring debt relief.
* Rationalization of Government Expenditures, starting with the shrinking over-staffed Fed Government to reflect transfer of functions post 18th Amendment & right sizing & skilling of provincial governments.
* Finalize list of several agencies & autonomous orgs. to be wound up (duplication of functions, redundancy of purposes or uses for which established). Only a handful would be candidates for privatization.
* And then for the **two proposals** above:
  + Retire who have completed 30 years of service (protecting pension entitlements attained to date). If politically difficult put them in “surplus pool”-save on rent, utilities, cars, etc.
  + Surrender all vacant posts and all such positions (banning new recruitments
* Similar exercise to be conducted at provincial level
* Move to contributory pension systems for new entrants to Civil Service. For existing employees adopt it, protect pension entitlements to date. Redesign compensation structure, monetized perks.
* Prune size of conventional forces (3/4ths of pension allocations on them) & other non-combat expenditure (e.g. upgrading of posts to accommodate growing numbers of officer cadre, time & expenditure on protocols on routine visits of seniors).
* No additional projects in PSDP. Also, no intra-provincial projects & parliamentarians dev. schemes. Only donor assisted & on-going trunk infrastructure projects or nearing completion. Treat as sunk investment (and w/off) those on which less than 25% expand- incurred (most of it on salaries, vehicles and utilities).
* Reduce footprint of State in economy-distorting markets & raising cost of doing business by excessive regulation-lack of clarity why activity needs regulation.
* Phase out heavy protection to industries (motor vehicles, cement, sugar, polyester, etc.) -even FDI inward looking. Rationalize import tariff structure to make economy more competitive and enabling participation in global value-added/supply chains.
* Revamp tax structure. Tax income not transactions. Simplify-fewer number of taxes and rates. Similar treatment for same income levels irrespective of source -e.g. retail and wholesale, transport services, light taxation of capital gains in real estate (made haven for black money) and trade in equities & tax concessions to agriculture sector (subsidies on fertilizer, irrigation water & electricity for tube wells, support prices-wheat & sugarcane >global prices).
* Structural reforms in the Energy Sector, including renegotiations with IPPs (starting with Public Sector IPPs)-admittedly easier said than done.
* To seek a write down of the external debt or its /reprofiling will, for external lenders to accommodate the request, also require similar adjustments in domestic debt.
* Interest on domestic debt consumes 90% of the annual allocation for interest payments (2023/24-120% of Fed Govt Net Revenues). It has grown more sharply than other public expenditure, requiring mobilization of a primary surplus of more than 5% of GDP!
* Banks being the largest lenders to a bankrupt borrower will have to bear the burden of some pain. Debt reduction will bring down the cost of debt servicing creating a large fiscal space and help stimulate growth.
* The reduction (or liquidation) of this debt will require a gradual approach, involving a combination of significantly negative real interest rates, a moratorium/suspension of interest payments for some years, longer maturities and some write-down of its face value.
* A substantial reduction in face value will hit the capital base of banks (who are also likely to be under stress of non-performing loans). The restoration will require loans to them at concessional rates and a short-term relaxation of the SBP’s prudential regulations on capital adequacy.
* And to check a run on the banks a hefty withholding tax may be required to prevent large cash withdrawals. This may have to be supplemented by govt guaranteeing all deposits for a 2–3-year period.

**Rizwan Rawji (Member of PRIME Advisory Board)**

* Pakistan needs to adopt a longer-term horizon so that we create a stronger economic environment able to withstand economic shocks. Furthermore, these policies are implemented within the democratic process and the likelihood of the survival of the political process also increases.
* The idea behind the charter is based on the six pillars (Low flat tax rates on broad tax bases, spending restraints, free trade, sound money, deregulation, privatization) of supply side economics and this is all for one reason to accelerate and have sustainable economic growth rate in Pakistan. Supply side economics are taxes. To attain prosperity Pakistan needs an annual growth rate of + 7% but we have a population growth of 2.5 %.
* Government tax revenue is 10% of GDP, while expenditures stand at 20% of GDP. The government budget deficit is 8% of GDP, and the debt-to-GDP ratio is 80%, with a circular debt of 4% of GDP. Debt service to tax revenue involves external debt of 130 billion and internal debt of 40 trillion. Exports are 28 billion (8% of GDP), imports 55 billion (15% of GDP), and remittances at $27 billion. Foreign exchange reserves are $ 7.5 billion, with a money supply increase of 26%. Government borrowing and currency devaluation both stand at 26%, contributing to an inflation rate of 26%. The current payment crisis stems from fiscal issues, emphasizing the need to address previous fiscal policy challenges.
* The solution to inflation is to decrease the money supply growth and increase the supply of goods.
* The caveats are first of all political stability, strong political will, consensus of all stakeholders, bureaucrats, IMF (IMF never produced a growth programme for any country).
* Remove the 35% tax, implementing a flat 10% on personal income. Reduce corporate tax from 39% to a flat 20%. Limit sales tax to 5-7%, customs duty from 31% to 5%. Excise duty with customer behavior. With 5 million income tax filers and 3 million payers, these adjustments aim for simplicity and efficiency.
* Proposing a single income tax rate, combined sales tax, and customs duty for optimal revenue. No permanent additional taxes; address emergencies through dedicated funds.
* Post-18th Amendment, closing federal departments/ministries for devolved functions to provinces.
* Prevent waste of public land. Clarify property ownership via communal rights. Lease unproductive state lands for business ventures.
* Create NTA to simplify the tax code, replacing FBR. NTA reports to Parliament via the finance minister. Streamline provincial tax authorities. Appointments via public hearing by joint committee. No legislative role: elected representatives handle policymaking.

**Session II**

**Fawad Hasan Fawad (Federal Minister for Privatisation)**

* Public sector reform faces a fundamental challenge as stakeholders, including bureaucrats and judiciary, often prioritize reforms for others, not themselves. The essence of reform lies in a deliberate, wide-ranging change in processes, systems, and structures within public sector organizations, aimed at enhancing overall performance.
* Public sector reform evolves with the times, necessitating a dynamic definition. What was crucial in the 1960s, 70s or even three years ago may now be irrelevant in the rapidly changing landscape of the 21st century. Flexibility to current needs is most important in defining effective public sector reform.
* Despite the longstanding acknowledgment of the public sector's underperformance, its size has not only persisted but significantly expanded over the years. Currently, the federal government alone manages 207 state-owned enterprises, with 87 classified as commercial enterprises.
* Between FY 2017-18 and 2020-21, Pakistan injected 2.542 trillion rupees into state-owned enterprises, underscoring the financial burden they pose. As we consider reforms, it's crucial to identify what should be excluded from the reform agenda.
* Anything which increases the size of the public sector's footprint cannot be considered to reform anything.
* Anything which increases the public sector's footprint cannot be called public sector reform. Anything which essentially aims to increase the power of state functionaries at the expense of the common people, whether it is the power of somebody sitting in the Ministry of Industries to give a permission or a license, or it is the power of a tax man who has failed to perform for the last three decades, for decades.
* anything which either provides or tries to stretch the exclusive domain of state to do certain businesses, it cannot be considered reform and that would exclude only two things, one the absolute authority and exclusive authority to the use of guns, and the second the exclusive authority to tax. Other than that, there can't be a system. In a government which is functioning in a capitalist system,, everything else has to be open, and any reform or any effort or any measure that tries to restrict this domain to either one institution of the State or a couple of institutions of the State or excludes tries to exclude all others from I doing that it cannot and it should not be considered as a reform.
* An increase in the size of bureaucracy cannot be considered a reform.
* Agriculture is now a subject of the provincial governments.
* Tax sector reform serves as a critical case study in understanding public sector reform and identifying impediments to the desired growth and prosperity we aim to achieve.
* Given the opportunity, the presentation on the Federal Board of Revenue's performance exclusively utilized data provided by the FBR, without seeking input from businessmen, industrialists, traders, or DFIs operating in Pakistan.
* During a period when the annual tax target was 1,980 billion rupees, an analysis of FBR-provided data revealed that 93 percent of Pakistan's tax collection is either voluntary or withholding, as acknowledged by both the Chairman.
* The Federal Board of Revenue collects a mere 7 percent of the total revenue, approximately 200 billion, despite extensive powers granted to tax collectors across various units and special taxation units. The focus on achieving numerical targets, without a fundamental change in mindset, remains a challenge for tax reform in Pakistan.
* While it's often claimed that taxpayers in Pakistan can't touch big business, it's essential to note that tax authorities do possess statutory powers to address all sectors, including major corporations.
* From FY 2013-14 to 2015-16, FBR's audit section issued recovery notices ranging from 150 billion to 275 billion, with specific amounts cited as 150 billion in FY14, 175 billion in FY15, and 275 billion in FY16. Despite issuing recovery notices totaling 600 billion from 2013 to 2016, the actual collections were minimal: 750 million, 2.5 billion, and 1.6 billion in the respective years, highlighting a significant gap between issued notices and effective recovery.
* Governments often highlight an increase in the number of taxpayers in budget speeches, showcasing growth from 400 thousand to 1.8 million. However, the critical aspect remains undisclosed the number of filers who effectively contribute by paying taxes is rarely provided.
* Over the past three years, the tax burden on genuine taxpayers, especially corporate entities, has increased by an average of 40 percent. This has accidentally disincentivized corporate taxpayers, leading to a trend of corporatization and encouraging non-filers. Additionally, in 2016, despite being a prosperous year for agriculture in Pakistan, the tax landscape faced challenges.
* Reform must enhance the government's capacity to regulate sectors contributing to outflows; simultaneous action is crucial.
* As prosperity grows in sectors like banking, private sector involvement leads to diminishing losses, improved financial inclusion, and a gradual rise in bank profits.
* In the past three years, an environment conducive for unchecked actions emerged, especially in the banking sector. Despite touted reforms in the State Bank of Pakistan, there was a lack of intervention. The recent step by the caretaker government signals a positive beginning, emphasizing the crucial role of the government as an effective regulator when business activities require oversight.
* Essential reforms for Pakistan's path to prosperity include bureaucratic reform. Key elements: reduce the size of federal and provincial governments while enhancing the role of local governments.
* The first and the foremost is bureaucratic reform and the second thing is tax reform. It's crucial to bureaucratic reform to reduce the tier in both federal and provincial governments. The emphasis is on maximizing efficiency by minimizing unnecessary layers, as the current system often lacks value addition in the decision-making process. Regardless of foreign investments or support, the lesson from the past three decades is clear: sustainable progress hinges on effective tax collection.
* Rather than focusing on increasing the tax-to-GDP ratio from 8 to 15 or 18 percent, it's essential to prioritize effective and efficient tax collection within the existing ratio.
* Recovering 8 percent of the actual GDP, estimated at 1.2 trillion instead of the reported 300 billion dollars, is crucial for effective tax measures in Pakistan.

**Dr. Nadia Tahir (Economist)**

* The downsizing in Pakistan and the type of planning commission we have there create a disconnect, resulting in the wastage of resources.
* In all developing countries the size of the Govt is almost 30 to 40% and in Pakistan it is 20% of the resources. The government expenditures have to increase when there is an increase in per capita income. The elasticity of income per capita has to be greater than 1 when we are making extra spending on public service, unfortunately in Pakistan it is flat. The size of the public sector and the spending is not promoting growth.
* The proposed actions would reduce 25% of the wage bill and recommend abolishing 12 corporations and privatizing 20 out of 105 corporations of the federal government.
* Financing is a critical issue, and we need to rationalize the ministry and division structure (18 ministries and 24 divisions). This will save 25% of the wage bill, as it did in 1997.
* We should strive for a minimal government, establish a surplus pool, and enhance the capacity of each ministry. Each ministry should have a mission and vision statement, along with performance indicators. In 2000, the findings were almost the same as in 1997.
* We should have 10 ministries, which is quite sufficient to manage the affairs of the federal government. All these downsizing exercises categorically recommend that state-owned enterprises have to be privatized. There is no need for the federal government to engage in commercial production. Industries and commerce may be merged into trade and industries.
* Defense is the second largest expense (1.7% of GDP) and development is the fourth largest expenditure (1.7% of GDP)
* To collect the 4%, we rely on the Federal Board of Revenue (FBR), which is unable to compel filers to submit their income tax returns. Despite having the necessary data, they have failed to ensure tax compliance.
* The 18 Amendment emphasizes provincial control over planning and development. This calls for a re-evaluation of the role of centralized civil services. Planning role needs to be modified. Planning commission continues to be centralized and prepares plans and appraises schemes for approval.
* Budgeting a fiscal deficit of 6.5% for the FY 24 shows there is no political will to reforms.
* A cabinet should comprise no more than 10 ministries for specific purposes, leading to savings in hard-earned income and the elimination of subsidies. We should refrain from borrowing excessively and compromising on our agendas. The gap between expenditures and revenue is continuously increasing due to the ongoing expenditures on straight land.
* There are some recommendations, including continuous downsizing, accountable service delivery, budgetary integration, privatizing production units, and monitoring post-privatization.

**Session III**

**Wahaj Siraj (CEO Nayatel (Pvt) Ltd)**

* With 130 million broadband users, including 110 million 4G users, the telecom sector generates 800 billion Rupees annually. Contributing over 400 billion Rupees in taxes, this success is rooted in openness and collaboration, benefiting both the Federal Government and provinces.
* The success of Pakistan's telecom sector, with 130 million users and annual revenues of 800 billion Rupees, relies on openness and competition. Multiple operators have prevented outages, inefficiencies, and excessive price increases for consumers. The sector's ability to resist passing on price hikes reflects its commitment to affordability, ranking among the world's lowest average revenue per customer at 230 rupees per month. Competition in the telecom sector fosters innovation and continuous improvement.
* In Pakistan, the government's inclination towards business despite losses poses a dilemma. Monopolies hinder innovation and stifle competition. Private sector businesses, generating wealth, face challenges due to the government's persistent involvement in business activities.
* Private sector businesses generate wealth and pay taxes, which should ideally be invested by the government in education, health, infrastructure, justice, and citizen safety. However, the government's significant investment in its own businesses, often competing with and having preferential treatment over private businesses, poses challenges for the private sector. Despite this, some private companies, like Naya Tel, manage to survive and thrive.
* Surviving and thriving in a hyper-competitive environment, businesses benefit from competition, which keeps them alert, and customer focused. The government's role should be limited to regulation, staying out of direct business operations. However, in Pakistan, compliant businesses face a disadvantage, contrary to global trends where adherence to laws and regulations is typically rewarded.
* In Pakistan, compliant businesses face challenges, with regulations often working against them. Overcoming this barrier requires a shift in the mindset of regulators and policymakers, moving from a trigger-happy approach to becoming facilitators and enablers for compliant businesses.
* The prevalent use of stay orders in Pakistan's business environment reflects a status quo society. With dozens of stay orders against taxation and regulators, the country operates on an old colonial mindset. To progress, it's crucial to shift towards a society that encourages innovation and breaks free from the status quo. Now, in this crisis, is the opportune time to adopt progressive practices aligned with global trends.
* Competing in positive aspects is essential; the culture of non-compliance (NOCs) must be discarded. Emphasizing the importance of direction over speed, it's crucial to focus on creating a competitive, innovative, and open business environment, even if challenging, as this transforms difficulties into opportunities for great nations.

**Zehra Shallwani (CEO Dastaan Tours (Pvt) Ltd)**

* In 2019, Forbes labeled Pakistan one of the coolest places to visit, and in 2020, it was recognized as the third-highest potential adventure destination. Despite these accolades, tourism contributes only 2.9 percent directly to GDP and 7.3 percent indirectly. These figures have remained stagnant since 2017.
* Despite global tourism recovering to pre-pandemic levels, Pakistan hasn't experienced the same resurgence as Saudi Arabia, which, according to the UN World Tourism Organization, is a highly attractive destination. Saudi Arabia sees tourism as the next economic driver, prompting reflection on why Pakistan isn't capitalizing on this opportunity.
* Despite the government's effort to prioritize the travel and tourism sector, Pakistan ranks 128th out of 140 in total and 123rd in terms of the enabling environment. Visa facilitation is also challenging, standing at 135th globally. The hindrances, such as the requirement of no objection certificates (NOCs) for various reasons, including a recent introduction for photography (NOCs), hinder foreign tourists in Pakistan. Despite claims of E-visas for 150 countries and on-arrival visas for 50 countries, the process is not as smooth as portrayed. Foreign tourists face challenging questions like "How did you meet the tour operator," creating obstacles in the visa application process.
* In 1990, Pakistan introduced its first tourism policy, but due to issues like a lack of stakeholder identification, financial constraints, and coordination problems, it couldn't materialize effectively. In 2010, another attempt was made, but the 18th amendment hindered its implementation, transferring responsibilities to provinces without adequate capacity building. In 2019, Punjab took the lead, followed by KPK in 2015; however, both lacked a vision that considered local communities for effective tourism interventions.
* The National Tourism Policy mentions expert working groups, the National Tourism Coordination Board (NTCB) with private and public sector membership and emphasizes the executive role of the Pakistan Tourism Development Corporation (PTDC) without property ownership or business involvement. It also advocates for the establishment of Provincial Tourism Boards.
* The Department of Tourist Services was transferred to the provincial level, and despite lacking a registration process for social enterprises, the company had to register as a private limited for-profit entity. The existing acts for hotels, restaurants, guides, and travel agencies from 1976 haven't seen any additions or updates.
* The Department of Tourist Services, while transferring to the provincial level, acted as a regulator to curb informal economies, addressing taxation challenges where one percent tax is automatically deducted from payments received from abroad.
* In international exhibitions, Pakistan's presence is mainly overshadowed by India, Nepal, and Sri Lanka. Limited marketing efforts use traditional methods, lacking modern technological tools. A notable exception was Balochistan's exhibition at ITB Berlin in March, where, as the first woman-led travel company, we showcased the region using virtual reality Oculus Glass to offer a unique experience of Mohenjo-Daro, a UNESCO World Heritage Site, as it might have appeared 5,000 years ago.
* Despite the enormous potential in the 6.8 trillion dollars virtual reality market, there has been no response from investors or overseas Pakistanis over the past three years. The vision has faced challenges in gaining traction and support.
* Obtaining the DTS license for the tourism and hospitality sector has been a challenging and cumbersome process, hindering the ease of doing business in a sector crucial for economic growth, especially considering Pakistan's vulnerability to climate change.
* Implementing a 15 percent sales tax poses a challenge, discouraging domestic tourists who opt for informal services. To address this, we must integrate the informal economy into taxation, with a focus on reducing tax burdens, particularly for young and emerging entrepreneurs.