Exclusive Interview

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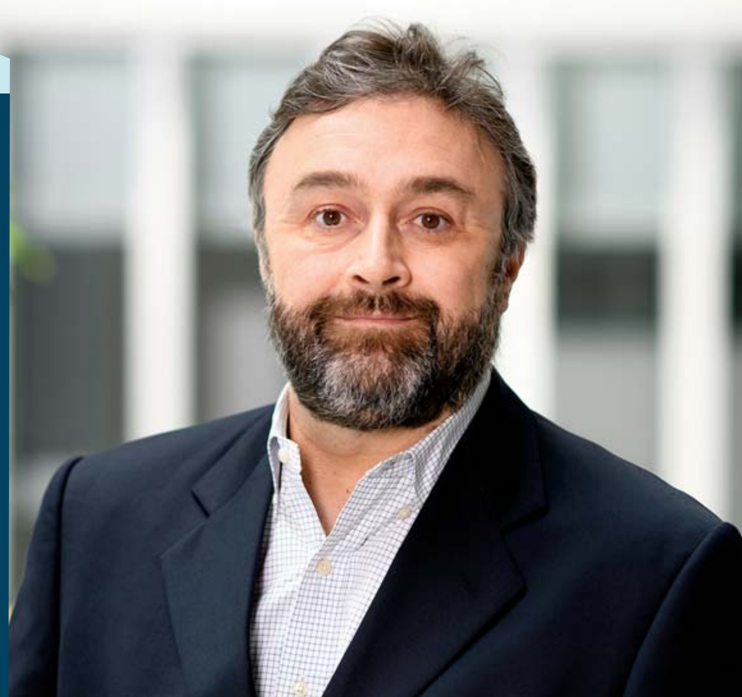

Mr. Najy Benhassine
Country Director for Pakistan
South Asia Region
The World Bank Group

ICMA: Pakistan values its partnership with the World Bank. Can you briefly tell us about the key areas or sectors in which the World Bank is supporting the economic development of Pakistan?

Najy Benhassine: The World Bank is supporting the Government of Pakistan in tackling a broad range of development challenges, with the underlying goal to help the country accelerate growth and development, build human capital, move out of its recurrent boom and bust cycles of growth and to reduce poverty. In the economic management space, our support focuses on two areas. The first is to enhance the policy and institutional frameworks for better fiscal and debt management, thereby supporting an improved and more stable macroeconomic environment. This includes strengthening economic policymaking, reducing fragmentation, improving systems, and increasing monitoring and transparency in areas such as revenue mobilization, debt management, power sector reforms, and the deepening of the financial sector. The second area focuses on increased competitiveness, particularly in terms of the regulatory framework to foster private sector growth and export competitiveness. The World Bank provides support for specific sectors as well, such as tourism, housing, agriculture, power, among others.

ICMA: What initiatives the World Bank has taken for Private Sector Development, which is one of the four priority areas of engagement of WB with Pakistan? How far has Professional Development come under this scope?

Najy Benhassine: Low and falling investment, in particular private investment which has been half that of South Asia, is an impediment to higher growth and Pakistan's graduation to upper-middle-income status. The Bank has been engaged on multiple fronts, both on the supply and demand side, to unlock private investment and promote private sector development in the country.

On the supply side, the Bank has a sizable portfolio of projects and analytics to enhance access to finance for Pakistan's private sector. The private sector cannot grow and deliver on its potential if it doesn't have the resources required for investment.

On the demand side, one of our flagship areas of support to the private sector is the implementation of the Pakistan Regulatory Modernization Initiative (PRMI) to simplify and automate regulatory compliance to make it easier for businesses to operate in the country.

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This initiative, which has shown significant results, builds on years of active engagement by the Bank to improve the regulatory environment in Pakistan, both at the national and sub-national levels. Interventions have been supported through projects at the provincial level that aim to improve the business environment for the private sector, in addition to budget support operations.

We have also provided more targeted support to the government to support its objective of catalyzing private sector-led growth in the country. This support includes projects and activities in the areas of agribusiness, trade and border logistics, energy efficiency, tourism, and other sectors that could help boost the economy.

The Bank is currently also designing a new generation of projects geared towards spatial competitiveness, SME development, and export competitiveness.

A strong workforce is of course critical to economic development. The World Bank has in the past supported several skills development programs in Punjab and Sindh. Going forward, we are also hoping to support a stronger labor force through foundational interventions in health and education in the early years. We work intensively to support the increased capacity of staff working in World Bank-financed projects through regular workshops on procurement, financial management, social and environmental safeguards, and many other areas.

ICMA: How well Pakistan has navigated through the COVID-19 pandemic and the initiatives taken by it for supporting the masses and the industry, especially in keeping the wheel of the economy moving?

Najy Benhassine: Pakistan has had a strong response to manage the impact of the COVID-19 pandemic, which has had negative consequences for growth and poverty reduction. The Government of Pakistan announced timely relief measures to support the private sector and the population at large to weather the COVID-19 crisis. These were delivered along three channels: 1) Fiscal Measures (a fiscal stimulus package of PKR 1.3 trillion was announced in March 2020 it included both tax relief as well as expenditure measures), 2) Monetary Measures, 3) Regulatory Measures. With regards to monetary measures, the State Bank reduced the policy rate by 675 basis points to support economic activity and introduced several regulatory measures to protect financial sector liquidity and facilitate the private sector. Moreover, the successful use of micro-lockdowns to restrict the spread of infection and the equally successful rollout of the national vaccination program all helped to significantly mitigate the impact of the pandemic.

Nonetheless, the pandemic may adversely impact the country's stock of human capital, especially with disruptions in the provision of education services. Informal workers and women workers have also been heavily affected by job or income losses. The private sector was also hit hard by the crisis and ensuing lockdowns and restrictions. The World Bank has administered a series of business pulse surveys to determine the impact of COVID-19 on the private sector. These show that despite a marked recovery in recent months, the private sector is still not operating at pre-pandemic levels.

ICMA: What are the key challenges that Pakistan needs to deal with to move forward towards sustained economic growth?

Najy Benhassine: In the short term, Pakistan needs to ensure a stable macroeconomic environment, and implement reforms for a strong recovery from the impact of the pandemic. This includes addressing some of the key risks facing the country at this point, such as increasing levels of circular debt in the power sector, low export competitiveness, and insufficient revenue mobilization.

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At the same time, to ensure that growth both accelerates and sustains, Pakistan will need to address some deep-rooted constraints. These include low levels of human capital accumulation that include education, particularly for girls, high levels of stunting and infant mortality, among others. In addition, Pakistan will need to ensure that growth is increasingly greener, given its vulnerabilities to climate change and disaster.

ICMA: World Bank has projected that Pakistan's economy will grow by 3.4% in the current FY2022 whereas the Pakistan Government is much sure to achieve growth of over 5 percent. What is your viewpoint on this?

Najy Benhassine: The World Bank projections are from October 2021 and use data that was previously available. We are currently in the process of updating these, based on the re-based National Accounts data, released by the Pakistan Bureau of Statistics and other data that has become available since.

As per the revised GDP estimates (at 2015/16 prices), growth in FY21 reached 5.6 percent after a contraction of 1.0 percent in FY20. Economic activity rebounded in FY21 due to the Government's COVID-19 response which included expansion of the Ehsaas program, monetary loosening, financial sector support, and the national vaccination program. The challenge now is to sustain this recovery.

Historically, Pakistan has not been able to sustain high growth levels. The country's recurrent boom-bust cycles are caused by short periods of rapid consumption-fueled growth that have led to a sizable current account and fiscal deficits, that ultimately required policy tightening. Under-reliance on investment and exports to drive economic growth has contributed to these macroeconomic crises. There needs to be a structural shift in the economy for Pakistan to sustain higher growth - away from consumption-driven growth and toward investment and export-led growth. This will require stronger macro-fiscal management, an improved business environment, and reduced anti-export bias in trade policy, all reforms that will support this transition. At the same time, addressing gaps in human capital accumulation and supporting women's socio-economic empowerment will be essential to increasing growth in the medium and long term.

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ICMA: ICMA can be associated as 'Consultants' and 'Advisors' in World Bank-funded projects to ensure their cost competitiveness, efficiency, and Transparency? What do you say in this regard?

Najy Benhassine: We find that Management Accountants play an important role in the operations that we support. Financial Management Specialists are employed by implementing entities to ensure that funds are used properly, efficiently, and in a transparent manner. Specialists can also be employed as consultants or advisors to provide inputs on a range of technical issues, or to build the capacity of our counterparts. Management accountants can also help strengthen implementation through their roles in boards, and as management, accounting, and finance professionals for better reporting. Under the Companies Act, 2017 cost and management accountants can also serve as auditors for SMEs to improve and streamline SME accounting and reporting practices to build investors' confidence, and thereby support private sector development.

ICMA: ICMA and WB Pakistan may have some kind of MoU to take joint initiatives in the areas of research and training. What are your views on this proposal?

Najy Benhassine: We appreciate your offer for collaborating with ICMA. There are many ways of collaborating and partnering with various institutions without MOUs. This approach has produced tangible mutual benefits for the World Bank Group and its partners.

*The Editorial Board thanks **Mr. Najy Benhassine, Country Director for Pakistan, South Asia Region, The World Bank Group** for giving his exclusive interview for Management Accountant Journal.*