



Press Release
Planning Commission
Government of Pakistan

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For Immediate Release

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“Disconnected? Physical Capital, Social Capital and Connectivity for Economic Growth in Pakistan”
A report launched by Planning Commission of Pakistan

Islamabad, Wednesday, 11 January 2012: The Planning Commission has been charged with developing growth policy and managing the Public Sector Development Program (PSDP). The Framework for Economic Growth (FEG) which has been prepared by the Planning Commission through research and countrywide consultations has been approved by the National Economic Council (NEC). This strategy focuses on governance, urban management, markets, connectivity and youth and community engagement.

Planning Commission of Pakistan has launched a report “Disconnected? Physical Capital, Social Capital and Connectivity for Economic Growth Pakistan” to inform the process of Framework for Economic Growth Pakistan. The report is an effort to shape the basis for an argument for government and non-government entities to invest much more in exploring the role of social capital in the economy.

The report highlights Pakistan has suffered from a series of political, social and economic crises over the last several decades that encompass virtually all facets of public life. Whether government, private sector or civil society, public life is constantly in problem-solving mode.

Most potent and significant kinds of crises Pakistan faces (with alarming frequency) are economic crises. Economic crises tend to manifest themselves in a variety of ways, sometimes separately, and often jointly high inflation, high and unsustainable current account deficits, high unemployment, high poverty and most significantly slow and unpredictable economic growth.

Although physical infrastructure exists in significant quantity, the internal inefficiencies and poor governance often result in significant losses for state-owned enterprises like Pakistan Railways (PR) and Pakistan International Airlines (PIA). In addition to inefficiencies within these major industries, poor planning and rigid approval processes of development projects have led to the underutilization of public investment

This report explores connectivity as a platform for economic development; the role it plays in economic growth; and its contribution to Pakistan’s FEG. Connectivity supports trade, commerce and interactivity (via the exchange of information, ideas, methods and processes, goods and services, and transfer of funds), enhances productivity and economic growth. Connectivity may be viewed as a network of connections which could

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either be physical or social in nature. Physical connectivity facilitates movement of people, flow of information, goods and services and facilitates social and human resource connectivity.

On the other hand, social connectivity and building social capital have thus far not been considered as part of Pakistan's development plans to improve the quality of life. For example, investments in libraries, community centres, and recreation and athletic facilities, which facilitate the growth and development of social capital, were never a priority. Inefficient domestic transport systems combined with unfriendly zoning policies that restrict the use of dense cities reduce interactivity

Connectivity needs to be seen within a broader context, which moves beyond the conventional roads, railroad networks, trucking, airlines, computer networks, cell phones, fibre optic cables etc. to how networks enhance interactivity, with the efficient use of physical, human and social capital – and how these resources intertwine to produce desired outputs.

The simplest way to conceptualize the value of connectivity to economic growth is through the framework of what are traditionally seen as transaction costs. The easier it is for people to interact with each other, the more likely it is that they will do business together. This simplified model does not capture the vastness of the challenges to a modern economy, much less a transition economy like Pakistan's.

Pakistan's Framework for Economic Growth Pakistan will attempt to be bold, innovative and holistic about the future of the twenty first century Pakistani economy. The anticipated emphasis of the new strategy is on cities and urban spaces, on entrepreneurship and job creation, and on youth. Implementing the growth strategy will require serious efforts and sustained reform; a task needing an approach of learning and creativity.

Complete text of the report is available at Planning Commission's Official website on <http://www.pc.gov.pk/>

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