Pakistan Society of Development Economists

The 27th Annual General Meeting and Conference
13th – 15th December, 2011

Introduction and Abstracts of Papers
The 27th Annual General Meeting and Conference of The PSDE

13th – 15th December, 2011

**Theme:**

“Economic Growth and Development: New Directions”

**Sub Themes:**

- Macroeconomic Policies for Sustainable Growth
- Economic Reforms
- Competitiveness
- Entrepreneurship
- Poverty and Income Distribution

**Venue:**

The Marriot, Islamabad

**Host:**

Pakistan Institute of Development Economics (PIDE), Islamabad.

**Co-hosts:**

FORUM OF FEDERATIONS, HEC, USAID, and FES
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MESSAGE FROM PRESIDENT PSDE

The Annual General Meeting and Conference of the PSDE in December 2011 marks twenty nine years of a Society which has been path-breaking in getting together each year the leading economists from Pakistan and abroad to analyse, debate and present findings on critical national and global economic issues.

Pakistan’s economy over the past few years has been seriously hit by the global recession, energy crisis, domestic security issues and most recently by the devastating floods. To breakout of the resulting stagflation requires prudent economic management and decisive action. Pakistan’s underlying economic problems are however, not just cyclical but structural in nature. This is a fundamental reason for the recurring stop-go cycles the economy continues to witness over the last sixty years. Structural problems can only be tackled in a medium-term strategic economic framework which could lay the basis for higher, sustainable and inclusive growth.

Therefore this year’s conference on the theme of “Economic Growth and Development: New Directions” is both timely and relevant to Pakistan’s current economic impasse. It would deliberate on this critical issue while covering the sub-themes of Macroeconomic Policies for Sustainable Growth, Economic Reforms and Competitiveness, Entrepreneurship, and Poverty and Income Distribution. This Conference, therefore, provides us an opportunity to utilise both the national and international experiences and to contribute significantly to the current and medium-term policy agenda.

Looking forward to a very fruitful and rewarding conference.

Rashid Amjad
1. *Pakistan Institute of Development Economics (PIDE)*

The Pakistan Society of Development Economists (PSDE) is based at the Pakistan Institute of Development Economics (PIDE), since its establishment. PIDE is located at the Quaid-i-Azam University Campus, Islamabad and rests against the backdrop of the scenic Margalla Hills on the Potohar Plateau, within a short distance of the remains of Taxila, which once housed the world's oldest university.

PIDE, established in 1957, is an autonomous research organisation of Government of Pakistan dedicated to the acquisition and propagation of knowledge about Economics and other social sciences with a special focus on Pakistan. Economic research has changed over the years. New ideas and themes such as governance, institutions, globalisation, environmental economics and regulation have emerged. Technology has helped evolve newer methods of dissemination of research. PIDE has incorporated these new trends in its own research agenda and is endeavouring hard to direct national research in that direction. In addition to providing a firm academic basis to economic policy-making, its research also provides a window through which the outside world can view the nature and direction of economic research in Pakistan. The PIDE scholars also carry out research under intra-institutional or collaborative arrangements with several national and international organisations. Over the past 54 years, PIDE has earned an international reputation and recognition for its research. The Institute’s faculty has a rich and diverse background and the advisory committee consists of world renowned economists such as Nobel Laureate Robert A. Mundell, Lawrence R. Klein, Paul P. Streeten and Gustav Ranis.

**A Prestigious Degree Awarding Institute**

In the mid-1970s, the Institute was given the task to train middle and senior level government officials in the field of project appraisal, monitoring and implementation. The next major task undertaken by the PIDE was in the year 2000
when the Ph.D. programme in Economics was launched. The policy-makers felt that such a programme was necessary to build the indigenous pool of trained economists to assist in analysing the complex economic and social issues confronting the country. Since its inception, the Ph.D. programme has been going from strength to strength, with twelve scholars being awarded the doctoral degree in Economics during the first convocation of the Institute in 2008. The teaching programme was expanded to Mphil level in Economics, Econometrics and Statistics and Environmental Economics, and M.Sc. level programs in Population Sciences, Business Studies, Econometrics and Statistics and with a plan to start soon a 4-year undergraduate course in Economics.

PIDE’s first batch of Masters in Economics, Business Administration, and Population Sciences completed their degrees at the end of 2008-09. It was a proud moment for PI DE as its first crop of graduate students was offered employment in prestigious private and public sector institutions. Some of the graduates have stayed on and joined the M.Phil and Ph. D. Programmes.

PIDE’s Research on Contemporaneous Economic Issues

Besides operating on a two-year Programme of Work (2010-12) under a “Result Based Management System” with outcomes such as books, working papers, journal articles and others for academia and learned audience, PI DE has also developed a research package for day-to-day policy making and perception development about the state of the economy. These include: PI DE’s Budget Viewpoint, PI DE’s Macroeconomic Brief, PI DE’s Business Barometer, PI DE’s Inflation Expectation Survey, PI DE’s Policy View Point and more recently the PI DE’s Monetary Policy View Point.
PIDE MONETARY POLICY VIEWPOINT*

INTRODUCTION
There is a serious threat that the Pakistan economy could get entrenched into a prolonged and deep stagnation unless decisive and concerted action is taken by policy makers. There are clear signs that at least in the foreseeable future the economy will witness low economic growth and high double digit inflation - the classical characteristics of an economy in stagnation. The real challenge therefore is to draw up a co-ordinated strategic response to break out of stagnation by rekindling growth and checking inflation.

2. Pakistan Society of Development Economists (PSDE)

Pakistan Society of Development Economists was formed in 1982. The Society provides an institutional forum for professional and research development. It provides the basis for dissemination of the fruits of research among scholars, public officials and policy makers dealing with social and economic issues. The office of the Society is located on the premises of PIDE. The society’s current membership is around 700 members, which includes Nobel Laureates, administrators, academics and other members working in all the different continents of the world.
Objective

The principal objective of the Society is to strengthen the process of scientific knowledge in Development Economics by providing a forum for exchange of ideas generated on economic and social issues.

To achieve this objective the society:

• Encourages research in Development Economics;
• Organises seminars, conferences, and symposia;
• Collaborates in research with national and international organisations;
• Confers awards on scholars for outstanding contribution in general area of development Economics; and
• Perform all such acts, conducive to the attainment of the above mentioned objectives.

3. Annual General Meeting and Conference

The AGM and Conference offers an important platform to economic professionals, policy makers, businessmen and various schools of interested observers for exchange of ideas on the pressing economic and social issues facing the world in general and Pakistan in particular. The PSDE holds its Annual General Meeting (AGM) and Conference regularly. The AGM is an effort by PSDE towards the achievement of the objectives of the Society. The PSDE also arranges meetings, conferences and seminars on different topics throughout the year.
Highlights of the AGMs & Conferences:

- Presentation of research papers.
- Distinguished Lectures by Nobel Laureates and eminent scholars.
- Panel Discussions by experts and policy-makers.
- Technical sessions featuring latest research interests of the community.
- Interaction between researchers and policy makers on an informal basis.

The PSDE has successfully organised 26 AGMs and Conferences so far and the current AGM is the 27th in this series. The theme of this year’s Conference is “Economic Growth and Development: New Directions”. Eminent scholars from Pakistan and abroad will be attending and sharing their valuable knowledge and future vision on the critical issue of new roadmap for Economic Growth and its implications for Pakistan's economic development.
### Previous AGMs & Conferences at A Glance

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<td>Changing Perspectives of Economic and Social Development in Pakistan</td>
<td>Mar 17-20, 1984</td>
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<td>2nd AGM</td>
<td>Economic Development and Social Change in Pakistan: Problems and prospects</td>
<td>May 12-14, 1985</td>
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<td>4th AGM</td>
<td>Economic Development, demographic Change and International Migration: Pakistan’s Experience</td>
<td>Aug 1-3, 1987</td>
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<td>5th AGM</td>
<td>Growth, Employment and Human Capital Formation</td>
<td>Jan 4-6, 1989</td>
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<td>6th AGM</td>
<td>The Dynamics of Economic Development</td>
<td>Jan 8-10, 1990</td>
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<td>7th AGM</td>
<td>Economic Growth, Social Change, and Human Resource Development</td>
<td>Jan 8-10, 1991</td>
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<td>Jan 7-10, 1993</td>
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<td>Growth, Macro-Economic Stability, and Sustainable Development</td>
<td>Apr 2-5, 1994</td>
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<td>11th AGM</td>
<td>The Dimensions of Economic Development</td>
<td>Apr 18-21, 1995</td>
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<td>12th AGM</td>
<td>Macroeconomic Adjustment in the Era of Globalisation</td>
<td>Dec 14-16, 1996</td>
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<td>Pakistan at 50: The Development Experience</td>
<td>Dec 15-17, 1997</td>
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<td>Pakistan in the 21st Century</td>
<td>Jan 28-31, 1999</td>
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<td>Governance, Institutional Reform, and Economic Development</td>
<td>Nov 5-8, 1999</td>
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<td>16th AGM</td>
<td>Growth, Decentralisation, and Poverty</td>
<td>Jan 22-24, 2001</td>
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<td>17th AGM</td>
<td>Debt, Growth, and Poverty</td>
<td>Jan 14-16, 2002</td>
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<td>18th AGM</td>
<td>Regulation, Competition, and Information</td>
<td>Jan 13-15, 2003</td>
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<td>21st AGM</td>
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<td>Dec 19-21, 2005</td>
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<td>23rd AGM</td>
<td>Environment and Natural Resource Management: Issues and Challenges</td>
<td>Mar 12-14, 2008</td>
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<td>24th AGM</td>
<td>Economic Sustainability in a Globalised World</td>
<td>Mar 31-02, April 2009</td>
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<td>25th AGM</td>
<td>Investing in People</td>
<td>Mar 16-18, 2010</td>
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<td>26th AGM</td>
<td>Economic Growth and Development: New Directions</td>
<td>Dec 28-30, 2010</td>
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5. The 27th AGM and Conference of the PSDE  
ECONOMIC GROWTH AND DEVELOPMENT: NEW DIRECTIONS

“In this difficult economic scenario, a key challenge is to break out of stagflation and put the economy on a sustainable growth path...What is needed is a combination of macroeconomic policies and growth promoting reforms to remove supply side bottlenecks and encourage private investment”

PIDE Budget View Point: 2011-2012

A growing and influential body of research has come up with new insights on the process of economic growth and development. The new thinking shifts the focus away from the so called ‘proximate’ determinants of economic growth to ‘deeper’ determinants of economic growth emphasising institutional quality, entrepreneurship, and markets as the key drivers of growth and development. Many developing countries have embraced these ideas and have initiated economic reforms aimed at improving the quality of institutions to support a vibrant private sector-led economy that can form the basis of robust growth on a sustained basis. In Pakistan too, a fundamental shift in the development approach is clearly emerging, as manifested by the recently launched “Framework for Economic Growth” developed by the Planning Commission of Pakistan. The framework places the ‘software’ of the society— institutions, property rights, and markets—at the heart of the country’s development strategy and emphasises reforms to foster a dynamic private sector that is able to compete effectively in today’s knowledge driven global economy.

The theme of this year’s conference has been chosen to take the current dialogue on the new development thinking forward and to encourage research on future directions for policy reforms aimed at enhancing the country’s long-term growth prospects. The following is a brief on some cross cutting sub-themes of the Conference along with some suggestive questions for research.

1. Macroeconomic policies for Sustainable Growth
2. Economic Reforms
3. Competitiveness
4. Entrepreneurship
5. Poverty and Income Distribution
6. Programme - DAY ONE - Tuesday, December 13, 2011

Highlights:

- *Inaugural Session*

- *Invited Lecture I: The Mahbub Ul Haq Memorial Lecture*
  - Arguing Inequality: Reflection on a Societal Crisis

- *Technical Session I*
  - Growth and Entrepreneurship
  - Exchange Rate Dynamics
  - Environment and Energy

- *Panel Discussion I*
  - Economic Reforms and Competitiveness
INVITED LECTURE - I

Day: Tuesday, December 13, 2011
Time: 12:00 noon – 01:30 p.m.
Venue: Crystal Ball Room

THE MAHBUB UL HAQ MEMORIAL LECTURE

Speaker: Ashwani Saith
Dean
International Institute of Social Studies,
The Hague.

Topic: Arguing Inequality: Reflection on a Societal Crisis

Inequalities reflect hierarchies of power, and both tend to protect and reproduce their privileged positions regardless of the force of intellectual and ethical arguments against its unacceptable manifestations. Part of the reason lies in the difficulties of data and method, but they also arise from the theoretical frameworks used to evaluate the instrumental implications of alternative states of inequality. But even when some consensus can be achieved, it tends to break down at the final hurdle of disagreements at the ethical level on the intrinsic aspects of equality and inequality. Not surprisingly then, effective struggles against inequality are waged more in fields and on the streets than in academic journals.

As the evidence mounts of exceedingly high, and generally increasing, levels of inequality, so too do intellectual interventions that deny, dissemble, deflect or defend the inequality on both instrumental and intrinsic grounds. The power of these interventions lies usually less in their ability to illuminate than in their capacity to obfuscate; the effect in all cases, is to provide intellectual and moral legitimacy to prevalent inequalities. As exercises in persuasion, they are addressed to the opposition, viz., the silent majority, if not the vast masses, who, not by choice but rather by descent, find themselves at the wrong end of these inequalities, and to those who challenge the economic and social justification or desirability, especially of extreme, as well as the wrong kinds of, inequality. But simultaneously, as exercises of affirmation, the apologist argumentation speaks to those at the nirvana end of the spectrum, and attempts to create a climate of self-assurance, social esteem and moral legitimacy for the super rich, and to assuage and dispel any gnawing twitches of guilt that, heaven forbid, might have crept unnoticed into their minds through an unguarded route.

General Discussion

9
FIRST TECHNICAL SESSION

Tuesday, December 13, 2011

02:15 p.m. - 03:45 p.m.

A. GROWTH AND ENTREPRENEURSHIP

Venue: Crystal Ball Room - A

B. EXCHANGE RATE DYNAMICS

Venue: Crystal Ball Room - B

C. ENVIRONMENT AND ENERGY

Venue: Noor Mahal

Note: Abstracts reported in this section have been taken from the original papers and are being reproduced without editing.
The questions concerning the prevalence of poverty and the deepening gulf between rich and poor have always been the burning issues all over the world. These issues, irrespective of their causation factors, bear far reaching economic and political consequences. The federation of Pakistan displays complex regional diversities; the component units differ not only in linguistic, cultural, and demographic terms but also in the level of socio-economic development. Although the constitution of Pakistan guaranties equitable shares for all provinces in national resources, the level of growth across regions has not been uniform. During the past half a century, investment in physical and social sectors concentrated in selected parts of the
country, particularly in big cities. This practice has led to creation of economic disparities and a number of socio-political problems like terrorism, regional tensions, weakening of the federation and difficulty in consensus on issues of national interest. Growth theory provides a powerful analytical framework to analyse the issue of regional convergence. Given the assumption of perfect markets, the countries within a geographical region are supposed to converge overtime to a common steady state level of income, provided they are similar in other socio-economic conditions. Put differently, if countries differ significantly in these conditions, then each unit is likely to follow an independent growth path. This is also true for different regions within the same country/political entity. The objective of this study is to investigate empirically if there is any evidence of convergence across different regions of Pakistan. The study utilises the conventional analytical tools and time series data over the period 1979-2005 for the four provinces, disaggregated into rural and urban sectors. As expected, no evidence of absolute convergence could be observed obviously due to presence of vast differences across the provinces in terms of the growth determinants. In contrast, the income disparities across the regions exhibited a widening tendency during the period under reference. However, the data did support conditional convergence, which implies that different regions followed independent growth paths. The findings further indicate that certain socio-economic conditions are crucial to explain the persistence of income disparities. The question as to why the determinants of growth differ so widely across the constituent units of Pakistan inhibiting absolute convergence is often discussed at different economic and political forums. The study concludes with some policy recommendations that may improve the situation.

2. INFRASTRUCTURE AND GROWTH

Muhammad Imran (Research Associates in the Institute of Public Policy, BNU, Lahore)
Javeria Niazi (Research Associates in the Institute of Public Policy, BNU, Lahore)

Physical infrastructure stock development has many important direct and indirect effects to an economy. These effects operate through various channels. For example, through labour productivity gains resulting from improved information and communication technologies, reductions in time wasted commuting to work and stress, improvements in health and education, and through improvements in economies of scale and scope throughout the economy. On the supply side, there is both a direct channel (infrastructure capital stock serves as a production factor), and
an indirect one (improved infrastructure affects technological progress). From a demand side point of view, infrastructure provides people with services they need and want—water and sanitation; power for heat, cooking, and light; telephone and computer access; and transport.

3. WHAT DETERMINES INNOVATION IN THE MANUFACTURING SECTOR?

EVIDENCE FROM PAKISTAN
Mahreen Mahmud (Lahore School of Economics, Lahore)
Hamna Ahmed (Lahore School of Economics, Lahore)

The objective of this study was to explore the determinants of innovative activity for a sample of manufacturing firms in Pakistan. Operational definition of innovation used in this study refers to the introduction of a new product and/or process in the past three years by the firm. To account for simultaneity bias between innovation and various explanatory variables such as growth of the firm, trade status etc., the study uses characteristics of the firm prior to undertaking innovation. Size of the firm is found to be an important factor in determining the probability of innovating – large and medium firms have a much a higher probability of innovating than small firms. Interestingly, the advantage of a medium firm over a small firm is subject to the presence of that firm in a cluster. While a large firm is not subject to such constraints but the likelihood of innovating increases further when part of a cluster. Findings also suggest that firms which were exporting were subsequently more likely to introduce new products and/or processes.

4. INNOVATION AND FIRM-LEVEL PRODUCTIVITY: ECONOMETRIC EVIDENCE FROM BANGLADESH AND PAKISTAN

Abdul Waheed (Research Institute on Innovation and Technology Maastricht University, The Netherlands)

The labour productivity impact of innovation of manufacturing firms in Bangladesh and Pakistan, a highly neglected region for such studies compared with developed world, is studied in this paper by using World Bank Enterprise Survey data conducted in 2006. To achieve this end, we apply the Cobb-Douglas production function, augmented with innovation-related (and other expected sources of productivity) inputs in a three-equation simultaneous equations system – connecting R&D to its determinants, innovation output to R&D, and productivity to innovation output—and in a two-equation system—connecting innovation output to its
determinants, and productivity to innovation output – after correction for the biases attributable to the selectivity problem of R&D and to the endogenous nature of both R&D and innovation output. Our results reveal that Bangladeshi firms are more often innovators as compared to Pakistani ones; however, the productivity output appears to be relatively large in Pakistan. We are generally not able to reject the constant returns to scale assumption. In addition, our econometric analysis indicates a strongly positive influence on firm productivity of both material and capital inputs; moreover, the productivity effect of process innovation is straightforwardly positive, but product innovation seems to be less connected to productivity outputs. Finally, we notice that the traditional production inputs (material and capital) have more significant effect on productivity output as compared to non-traditional input factors (controls in our case).
1. TESTING THE HARROD BALASSA SAMEULSON HYPOTHESIS: THE CASE OF PAKISTAN
Sunila Jabeen (School of Economics Quaid-i-Azam University Islamabad Pakistan)
Waseem Shahid Malik (School of Economics Quaid-i-Azam University Islamabad Pakistan)
Azad Haider (School of Economics Quaid-i-Azam University Islamabad Pakistan)

For a small open economy of Pakistan, exchange rate is determined through the two alternative theories; the nominal theory of exchange rate named by Purchasing Power Parity (PPP) and the real theory known as Harrod Balassa Sameulson (HBS). According to the requirements of theories, two kinds of real exchange rate have been employed for the yearly data of 1972-2008. As, both of the theories are disputed at the ground of their long run relationship with real exchange rate, therefore, the VAR based Johson Co-integration approach has been utilised to see the long run relationships. PPP has shown less satisfactory results either in its form of absolute
version or relative version. Because, real exchange rate in Pakistan is a non-stationary process by Augmented Dickey Fuller unit-root test, predicting some pushing force behind the non-tradable sector. While favouring the PPP in tradable sector, the ADF and KPSS are indicating the presence of the HBS in Pakistan. On the other hand, the analysis of the HBS through co-integration is showing that relative productivity difference has an opposite relationship with relative non-tradable sector prices and with RER. However, the relationship between relative non-tradable sector prices and RER is much stronger and according to the theory. So, there have been incorporated some demand side and external factors to reduce the mis-specification of the simple HBS model. Therefore, in the extended HBS model, productivity difference, government consumption expenditure, terms of trade and world oil prices are appreciating the RER and money supply (a control variable) is pursuing depreciation in RER. So, these results yield some policy implications for Pakistan which can be useful for developing countries as well.

2. THE CURRENT ACCOUNT DYNAMICS IN PAKISTAN: AN INTERTEMPORAL OPTIMISATION PERSPECTIVE

Tahir Mukhtar (Assistant Professor at the Department of Economics, Fatima Jinnah Women University, Rawalpindi)
Aliya H. Khan (Professor at the School of Economics, Quaid-i-Azam University, Islamabad)

The intertemporal approach has become a basic reference in open economy macroeconomics for the theoretical understanding of the current account. Since the early 1980s there has been substantial growth in the literature using this approach to analyse the behaviour of the current account movements for different countries and time periods. The theoretical refinements in the approach have led most of the empirical studies in the literature today to apply the basic present value model of current account (PVMCA) and its extended version to examine the fluctuations in the current account balances of both developed and developing countries. Using data on Pakistan over the period 1960 to 2009 the present study finds that the basic model fails to predict the dynamics of the actual current account. However, extending the basic model to capture variations in the world real interest rate and the real exchange rate significantly improves the fit of the intertemporal model. The extended model predictions better replicate the volatility of current account data and better explain historical episodes of current account imbalance in Pakistan.
3. IT'S NOT YEN, EURO OR KOALA BLOC: GREENBACK IS STILL DOMINANT IN EAST ASIA
Francesco Barbera (School of Business and Globalisation and Development Centre, Bond University, Australia)
Ahmed M. Khalid (School of Business and Globalisation and Development Centre, Bond University, Australia)
Gulasekaran Rajaguru (School of Business and Globalisation and Development Centre, Bond University, Australia)

Given the nature of East Asia’s economic structure, interregional exchange rate stability is an essential requirement for regional economic integration. One way to achieve exchange rate stability is for the region to adopt an anchor currency. However, the choice of potential anchor is a major question for policy planners. This paper examines the role of 5 major currencies as a candidate for an anchor currency in the East Asian region. In particular, the paper examines the dynamic linkages between a selected sample of East Asian currencies (Indonesian rupiah, South Korean won, Malaysian ringgit, Philippine peso, Singaporean dollar and Thailand bhat) with each potential anchor currency (the Australian dollar, Japanese yen, euro and U.S. dollar) As an extension to the analysis, we also include the Chinese renminbi as an alternative anchor to identify its importance in the sample of Asian countries. Utilising the recently developed Yamamoto and Kurozumi (2006) technique, this paper does not find any support to the much debated emergence of a ‘yen bloc’, euro bloc, or ‘koala bloc’, which suggests that the Japanese yen, euro or Australian dollar do not play a significant role in the East Asian currency market. The empirical evidence brought forward in this paper suggests that the US dollar is still a dominant currency in East Asian region.

4. ECONOMIC FREEDOM, EXCHANGE RATES STABILITY AND FDI IN SOUTH ASIA
Zafar Mueen Nasir (Chief of Research at PIDE, Islamabad)
Arshad Hassan (Head of Business Department at Muhammad Ali Jinnah, Islamabad)

This study empirically examines the role of economic freedom, market size and exchange rates in attracting foreign direct investment in south Asian countries for the period 1995-2008 by employing panel data analysis in fixed effect setting. Results clearly indicate the presence of significant positive relationship between economic freedom and FDI inflows in South Asian countries during the period of study. The
real effective exchange rate was having negative association with it indicating that depreciation in host country currency negatively influences the inflow of FDI to that country. Therefore, monetary policy should focus on providing stability to currencies of host countries. The model explains approximately 90% of total variation in FDI. The paper concludes that South Asian countries should make concerted efforts in devising polices that improve level of economic freedom. In other words, they should provide more investment friendly climate, trade openness, efficient monetary and fiscal policies and freedom from corruption. This can help to attract more foreign direct investment in the South Asian countries.
1. DYNAMIC RELATIONSHIP BETWEEN ENERGY AND ECONOMIC GROWTH: EVIDENCE FROM D8 COUNTRIES
Sarwat Razzaqi (Fatima Jinnah Women University, Rawalpindi, Pakistan)
Saadia Sherbaz (Fatima Jinnah Women University, Rawalpindi, Pakistan)

The oil embargo of 1970’s and its impact on major macroeconomic variables throughout the world attracted extensive research to examine the relationship between energy and economic prosperity. However, the researchers failed to establish a definitive direction of causality between the two variables. This study investigates the dynamic relationship between energy use and economic growth in the D8 countries. The evidence gathered through application of VAR Granger Causality, Johansen Cointegration and VECM proves existence of short-run and long-run correlation between energy use and economic development in all countries. The results supported either uni-directional or bi-directional causality in the long as well as short run for all the D8 countries except for Indonesia where non-causality was established between the two variables in the short run.
2. IMPACT OF ROOFTOP RAIN WATER HARVESTING (RRWH) TECHNOLOGY ON WOMEN TIME ALLOCATION IN HILLY AND FRAGILE AREAS OF BAGH AND BATTAGRAM DISTRICTS

Ajaz Ahmed (National Energy Conservation Centre (ENERCON), Islamabad, Pakistan)
Usman Mustafa (PIDE, Islamabad)
Mahmood Khalid (PIDE, Islamabad)

Fresh water availability remained a serious issue in developing as well as developed countries. Particularly, its significance is further enhanced in earthquake prone, hilly, and rural areas. Majority of the population in Pakistan is living in rural areas, where access to safe drinking water is very serious issue. In these areas most vulnerable segment of population is women, they are the ones who have to fetch water far from their dwelling units. In order to resolve the water crisis in Pakistan, government along with a number of private agencies (NGOs) are working in the field. Different approaches, techniques, and practices are being adopted to address this issue. Rooftop Rain Water Harvesting (RRWH) technology is one among them which is practiced in number of countries. This study assesses the impact of RRWH system with special reference to women time allocation in the hilly and earthquake affected Bagh and Battagram villages of Azad Jammu & Kashmir (AJK) and Khyber Pakhtunkhwa, respectively. Analyses are carried out using Ordinary Least Square (OLS) technique to quantify the results. The results reveal that RRWH technology is viable, time saving, women friendly and sustainable source of water supply, especially in the earthquake prone, hilly, and rural areas of Pakistan.

3. GREEN GROWTH: AN ENVIRONMENTAL TECHNOLOGY APPROACH

Rabia Manzoor (Student at PIDE, Islamabad)
Ghulam Samad (Research Economist at PIDE, Islamabad)

This research is focused on achieving green growth through an environmental technology approach. Developing environmental technology we examined four elements considering the enforcement of intellectual property rights (IPRs), research and development (R&D) expenditures, the size of the market capture by GDP and most importantly the environmental taxations. This study includes the 11 developed countries which are Austria, Australia, Canada, France, Japan, Finland, Germany, Sweden, U.K and U.S. Technology change can be better handled by panel data than by pure cross-section or pure time series. It can minimise the bias if we used the
aggregate individuals or firms. Estimation techniques depend on short panel or long panel. This study used the Pooled Least Square estimation techniques like Fixed Effect Model (FEM) and random effect model (REM) for both balance period of 2000-2005 and unbalanced period from 1995-2005. The study concluded the policy formulation in making developed’s climate resilient economies.

4. MACROECONOMIC EFFECTS OF GLOBAL FOOD AND OIL PRICE SHOCKS TO THE PAKISTAN ECONOMY: A STRUCTURAL VECTOR AUTOREGRESSIVE (SVAR) ANALYSIS
Muhammad Arshad Khan (Associate Professor Department of Commerce and Business Administration Government Post-graduate College, Muzaffarabad)
Ayaz Ahmed (Senior Research Economist at PIDE, Islamabad)

This study examines the impact of global food and oil price shocks and their transmission channels to selected macroeconomic variables including inflation rate, output, money balances, interest rate and real effective exchange rate for Pakistan using monthly data over the period 1990M1-2011M7. An empirical analysis is carried out by employing structural vector autoregressive (SVAR) framework. Generalised impulse response functions and generalised forecast variance decompositions are employed to track the impact of oil and food price shocks to Pakistan’s economy. The results suggest that oil price shocks negatively affect industrial production, appreciates real effective exchange rate and positively affect inflation and interest rate. Whereas, following food price shocks, industrial output increases. Similarly, interest rate and inflation rate responds positively following food price shocks. However, the variation in interest rate due to food price shock is relatively larger than that of oil price shocks. Generalised impulse response functions reveal that real effective exchange rate is most important source of disturbances following either oil price or food price shocks. Generalised forecast variance decompositions analysis also supports the findings based on generalised impulse response functions. The result clearly reveals that oil and food price shocks significantly affect output, short-term interest rate, inflation rate and real effective exchange rate. However, among all, real effective exchange rate has seen a dominant source of variations in Pakistan. This implies that supply-side and demand–side disturbances originated by external shocks are the major sources of inflation (stagflation) in Pakistan.
P A N E L D I S C U S S I O N - I

Day: Tuesday, December 13, 2011
Time: 04:15 p.m. – 05:45 p.m.
Venue: Crystal Ball Room-A

ECONOMIC REFORMS AND COMPETITIVENESS

Pakistan needs wide-ranging and deep economic reforms to sustain robust growth. Research in this area may focus broadly on the overall reforms agenda as well as specifically on some priority sectors such as energy, education, investment climate, institutions, and civil services. What ails the energy sector and how the sector may be revived? What changes are required in the education system to improve the state of human capital? How the investment climate, which among other things is a function of regulatory environment, be improved? To make contract enforcement efficient and property rights secure what reforms the administrative machinery and the judicial process merit? How the bureaucracy be made vibrant and efficient? What should be the entry and placement mechanism, compensation structure, and performance evaluation system for the civil service? Issues like generalist versus specialist civil servants and opening up the civil service for entry at senior levels also merit research and debate. The political economy of reforms also needs to be studied to have a better understanding of the potential challenges in pressing forward the reforms agenda and to identify ways to muster political support for the reform process.

Chairperson: Khalid Mirza
Former Chairman
Competition Commission of Pakistan
Islamabad
Panelists:

Gerardo Della Paolera
President
Global Development Network (GDN)
New Delhi

Abid Hasan
Former Advisor
World Bank

Sakib Shirani
Former Principal Economic Advisor,
Ministry of Finance,
Islamabad

Khaqan Hassan Najeeb
Director General, Economic Reforms Unit,
Islamabad.

General Discussion
I G C L E C T U R E
(by invitation)

Day:       Tuesday, December 13, 2011
Time:      07:30 p.m. – 08:30 p.m.
Venue:     Crystal Ball Room

Chairperson: Nadeem Ul Haque  
Deputy Chairman  
Planning Commission  
Government of Pakistan and  
Chancellor PIDE  
Islamabad

Speaker:   Surjit Singh Bhalla  
Chairman Oxus Investments  
India.

Topic:     Lack of Evidence in Policy Making in South Asia
7. Programme - DAY TWO-Wednesday, December 14, 2011

Highlights:

**Technical Session II**
- Labour Market and Wage Structures
- Fiscal Policy and Debt Dynamics
- Trade and Industry

**Invited Lecture II: The Allama Iqbal Lecture**
- A Global Green New Deal for Economic Recovery: Addressing, the Financial Climate, Food, Jobs and Development Crises Together

**Panel Discussion II**
- Inclusive Growth

**Invited Lecture III: Gustav Ranis Lecture**
- Financing Entrepreneurship: Challenges and Innovations
SECOND TECHNICAL SESSION

Wednesday, December 14, 2011
09:00 a.m. – 11:00 a.m.

A. LABOUR MARKET AND WAGE STRUCTURES
Venue: Crystal Ball Room - A

B. FISCAL POLICY AND DEBT DYNAMICS
Venue: Crystal Ball Room - B

C. TRADE AND INDUSTRY
Venue: Noor Mahal
SECOND TECHNICAL SESSION

A. LABOUR MARKET AND WAGE STRUCTURE

1. FACTOR UNDERUTILISATION AND ‘JOBLESS GROWTH’ IN MANUFACTURING: EVIDENCE FROM PAKISTAN

Sahar Amjad Shaikh (Research Fellow at Lahore School of Economics, Lahore)
Bisma Haseeb Khan (University of Cambridge)

During the past decade, Pakistan has experienced jobless growth with the employment growth in its manufacturing sector lagging behind the growth in its GDP. This is of concern as Pakistan’s growing labour force, lacking social safety nets and financial assets, rely on employment as their sole source of income. Thus employment is the main link between economic growth and poverty reduction. This paper aims to investigate the nature of this jobless growth by using the Levinsohn and Petrin (2003) methodology to estimate the production functions for the industries and calculate the extent of labour underutilisation in the manufacturing sector, with a distinction being made between production and non-production labour. Our hypothesis is that labour under-utilisation may be one of the driving factors behind this jobless growth. Finding lower than optimal employment for production and non-production workers across different industries and regions, it further tries to establish the possible links between factor utilisation, productivity and other industrial characteristics. Policy recommendations are made on the basis of this analysis.
2. MISMATCH BETWEEN EDUCATION AND OCCUPATION: A CASE STUDY OF PAKISTANI GRADUATES
Shujaat Farooq (Assistant Professor at National University of Science and Technology (NUST), Islamabad)

In this study, an attempt has been made to estimate the incidences of job mismatch in Pakistan. The study has divided the job mismatch into three categories: education-job mismatch, qualification mismatch and field of study and job mismatch. Both the primary and secondary datasets have been used in which the formal sector employed graduates have been targeted. This study has measured the education-job mismatch by three approaches and found that about one-third of the graduates are facing education-job mismatch. In similar, more than one-fourth of the graduates are mismatched in qualification, about half of them are over-qualified and the half are under-qualified. The analysis also shows that 11.3 percent of the graduates have irrelevant and 13.8 percent have slightly relevant jobs to their studied field of disciplines. Our analysis shows that women are more likely than men to be mismatched in field of study.

3. SCHOOLING IS ASSOCIATED NOT ONLY WITH LONG-RUN WAGES, BUT ALSO WITH WAGE RISKS AND DISABILITY RISKS: THE PAKISTANI EXPERIENCE
Asma Hyder (Assistant Professor at the National University of Sciences and Technology (NUST), Islamabad)
Jere R. Behrman (Research Associate of the Population Studies Center at the University of Pennsylvania, Philadelphia, USA)

Many studies document significantly positive associations between schooling attainment and wages in developing countries. But when individuals enter occupations subsequent to completing their schooling, they not only face an expected work-life path of wages, but a number of other occupational characteristics, including wage risks and disability risks, for which there may be compensating wage differentials. This study examines the relations between schooling on one hand and mean wages and these two types of risks on the other hand, based on 77,685 individuals in the labour force as recorded in six Labour Force Surveys of Pakistan. The results suggest that schooling is positively associated with mean total wages and wage rates, but has different associations with these two types of risks: Disability risks decline as schooling increases but wage risks, and even more, wage rate risks increase as schooling increases. The schooling-wage risks relation, but not the
schooling-disability risks relation, is consistent with there being compensating differentials.

4. THE IMPACT OF TRADE LIBERALISATION ON WAGE INEQUALITY: CASE OF PAKISTAN

Zara Salman (Lahore University of Management Sciences (LUMS), Lahore)
Mariam Javed (Lahore University of Management Sciences (LUMS), Lahore)

This paper examines whether trade liberalisation played a role in shaping the wage structure of Pakistan in the late 1990s and early 2000. It uses manufacturing workers data from LFS supplemented by external information to analyse the impact of trade liberalisation. In general, the results show that trade liberalisation, measured through import penetration ratio, export penetration ratio and relative prices of each industry, not only impacted wages but also increased wage inequality across skill levels from 1996-97 to 2005-06. The econometrics analysis confirms that increase in import penetration raises skilled premium while simultaneously reducing unskilled premium; a result in contention with the findings of the Stolper-Samuelson Theorem.
SECOND TECHNICAL SESSION

B. FISCAL POLICY AND DEBT DYNAMICS

1. IMPACT OF PUBLIC DEBT ON THE ECONOMIC GROWTH OF PAKISTAN
   Naeem Akram (Centre for Poverty Reduction and Social Policy Development, Islamabad)

   Over the years Pakistan has failed to collect enough revenues to finance its budget. Consequently, it has been facing the problem of twin deficits and resultantly to finance their developmental activities government has to rely on public external and domestic debt. The positive effects of public debt relate to the fact that in resource-starved economies debt financing if done properly leads to higher growth and adds to their capacity to service and repay external and internal debt. The negative effects work through two main channels--i.e., “Debt Overhang” and “Crowding Out” effects. The present study examines the consequences of public debt for economic growth and investment in Pakistan for the period 1972-2009. It develops a hybrid model that explicitly incorporates the role of public debt in growth equations. As the some variables are I (1) and other are I (0) so Autoregressive Distributed Lag (ARDL) technique has been applied to estimate the model. Study finds that public external debt has negative relationship with per capita GDP and investment confirming the existence of “Debt Overhang effect”. However, due to insignificant relationships of debt servicing with investment and per capita GDP, the existence of the crowding out hypothesis could not be confirmed. Similarly, domestic debt has a negative relationship with investment and per capita GDP. In other words, it seems to have crowded out private investment.
2. ARGENTINA: ECONOMIC RECOVERY AND TAX IMPROVEMENT AFTER A DECADE OF DOBLE CRISIS
Miguel Angel Asensio (Professor UNL, Argentina)

The case that we have presented quite briefly, corresponding to an economy in evolution after a major breakdown, involves various aspects and extremes. It is well know that each economy and society owns particular profiles which in turn generate quite different ways for their advance and recovery. Argentina’s economic development has suffered major interruptions during the second part of the 20th Century and in the beginning of the present one. In the long term, the country has lost very important positions in a comparative analysis, not to speak if we compare its international situation in the Bicentennial with respect the First Centennial. In such a way, in 1913, the country was among the first ten considering its per capita GDP. At present it is close to the sixtieth position.1

3. IS CONSUMPTION PATTERN HOMOGENEOUS IN PAKISTAN: EVIDENCE FROM PSLM 2007–08
Ashfaqe H. Khan and Omer Khalid (NUST Business School and Microfinance Network, Islamabad)

This study has analysed consumption behaviour of households across the four provinces of Pakistan using recent household survey data of 2007-08. It is found that the consumption patterns are not entirely homogeneous across all four provinces and also diverge across the urban-rural sectors within each province. The study has also examined the role of remittances in determining the level and distribution of household consumption expenditures, across all four provinces, by comparing the consumption behaviour of those households who received remittances versus those who did not. We found that households receiving remittances spent proportionately more on education in all four provinces; while they spend proportionately less on food and drinks and transport and communication. In terms of the other expenditure categories, differential impact of remittances is observed across provinces.

4. ECONOMIC, POLITICAL AND INSTITUTIONAL DETERMINANTS OF BUDGET DEFICITS VOLATILITY IN SELECTED ASIAN COUNTRIES
Attiya Y. Javid (Professor of Economics at PIDE, Islamabad)
Umaima Arif (Staff Economist at PIDE, Islamabad)
Asma Arif (Lecturer, Economics Department, Wah University, Wah)

1Of course, the map of the World has suffered major changes, including some fragmentation of empires and countries, comparing one situation and another, which has it influence in the result.
In the present study the economic, political and institutional sources of budgets deficits are analysed for two regions South Asia and ASEAN countries for the period 1984 to 2010. The results reveal that high income, rising inflation and large budget to GDP ratio are associated with budget instability, where as a strong inertia in budget deficit volatility exists. The exposure of more external shocks make the budget deficit more volatile, however, countries with high population growth have less volatile budget deficits. The results indicate that high level of political stability and democracy and improvement in social and economic condition reduces the budget deficit volatility. High corruption and low institutional quality lead to more fluctuations in the budget deficit. The results suggest that political and institutional factors have a direct impact on fiscal instability beyond the economic reasons to affect fluctuations. The results of the current study leads to important implication that by improving the quality of institutions, creating situations for economic stability and moving towards democratic regimes would ensure more stable fiscal deficits and resultanty positive effect on the long term economic growth

5. IMPACT OF JUDICIAL EFFICIENCY ON DEBT MATURITY STRUCTURE: EVIDENCE FROM JUDICIAL DISTRICTS OF PAKISTAN
Attaullah Shah (Institute of Management Sciences, Peshawar)

The debate over ‘why capital and bond markets remain under-developed in Pakistan’ is more than two decades old. Several conceptual papers have highlighted causes responsible for the underdevelopment of these markets; however, not enough empirical evidence exists to support the theoretical claims. This paper tries to fill in this gap. Specifically, this paper draws on the recent developments in the area of law and finance to develop several hypotheses related to maturity of corporate debt and judicial efficiency. These hypotheses are tested using data of 370 firms listed at the Karachi Stock Exchange (KSE) and 27 districts high courts of Pakistan over the period 2000 to 2006. Results indicate that corporate debt-maturity decreases with the inefficiency of judiciary. Furthermore, results show that worsening judicial efficiency has greater negative effect on debt-maturity of small firms than on debt-maturity of large firms. Similarly, worsening judicial efficiency negatively affects debt-maturity ratios of firms with fewer tangible assets than debt-maturity ratio of firms with more tangible assets.
1. RELATIVE EFFICIENCY OF DECISION MAKING UNITS PRODUCING BOTH DESIRABLE AND UNDESIRABLE OUTPUTS: A CASE OF TEXTILE PROCESSING UNITS IN PAKISTAN
Samina Khalil (University of Karachi, Pakistan)

This paper aims at measuring the relative efficiency of the most polluting industry in terms of water pollution in Pakistan. The textile processing is country’s leading sub sector in textile manufacturing with regard to value added production, export, employment, and foreign exchange earnings. The data envelopment analysis technique is employed to estimate the relative efficiency of decision making units that uses several inputs to produce desirable and undesirable outputs. The efficiency scores of all manufacturing units exhibit the environmental consciousness of few producers is which may be due to state regulations to control pollution but overall the situation is far from satisfactory. Effective measures and instruments are still needed to check the rising pollution levels in water resources discharged by textile processing industry of the country.
2. GROWTH AND FINANCING BEHAVIOUR OF FIRMS OF TEXTILE INDUSTRY IN PAKISTAN: A PANEL DATA ANALYSIS
Ijaz Hussain (Assistant Professor, School of Social Sciences, Beaconhouse National University(BNU), Lahore)

High economic growth, extremely low nominal interest rate and negative real interest rate gave a boost to financial leverage (gearing ratio) of the textile sector to its peak in 2005. Firms are now facing the consequence of high gearing. An explosion in their financing costs along with removal of textile quota from 2005 onwards and later on an acute energy crisis hampered their profitability and ability to repay their debt. This in turn contributed to non-performing loans which is now is likely to pose a big challenge for financial sector and push economy into another crisis. Most of the previous studies including a very few on capital structure of Pakistani firms focus on understanding only the firm specific determinants of financial leverage and completely ignore macroeconomic or institutional factors. Findings of this paper prove that all firm specific determinants including profitability and efficiency, growth, risk and collateral excluding size significantly influence corporate financial leverage of textile industry in Pakistan. Overall economic growth and nominal cost of debt among macroeconomic variables also have significant impact on corporate gearing. However, impact of equity market environment is insignificant. Negative sign with the composite measure of profitability and efficiency implies that banks are compelled to fund inefficient and unprofitable firms because demand for loans comes more from inefficient and unprofitable firms. Positive sign with growth and size and negative sign with risk is indicative of the fact that banks prefer to lend to growing and bigger firms rather than riskier firms.

3. DETERMINANTS OF EXPORTS OF PAKISTAN: A COUNTRY-WIDE DISAGGREGATED ANALYSIS
Naseeb Zada (International Islamic University (IIU), Islamabad)
Malik Mhammad (International Islamic University (IIU), Islamabad)
Khan Bahadar (International Islamic University (IIU), Islamabad)

Given the importance of international trade and export performance in economic growth, this study attempts to examine the determinants of exports of Pakistan, using a time series data over the period 1975-2008. A simultaneous equation approach is followed and the demand and supply side equations are specified with appropriate variables. We country-wide disaggregated analysis of Pakistan versus its trade partners and the estimation strategy is based on two
approaches. First we employ the Generalised Methods of Moments (GMM), which is followed by the Empirical Bayesian technique to get consistent estimates. The GMM technique is believed to be efficient for time series data provided the sample size is sufficiently large. In case of small samples, the estimates might not be precise and might appear with unbelievable sign and insignificant magnitudes. To avoid the sample bias and other problems we employ the Empirical Bayesian technique which provides much precise estimates. The factual results obtained via the GMM technique are a little bit mixed, although most of the coefficients are found to be statistically significant and carry their expected signs. In order to compare and validate these results, the Empirical Bayesian technique is employed. This offers considerable improvement over the previous results and all the variables are found to be highly significant with correct sign across the countries concerned with the exception of a few cases. The price and income elasticities in both the demand and supply side equations carry their expected signs and significant magnitudes for the trading partners. The findings suggest that exports of Pakistan are much sensitive to changes in world demand and world prices. This establishes the importance of demand side factors like world GDP, Real exchange rate, and world prices to determine the exports of Pakistan. On the supply side we find relatively small price and income elasticities. The results reveal that demand for exports is relatively higher for countries in NAFTA, European Union and Middle East regions. The study recommends more concentration on the trade partners in these regions to improve the export performance.

4. A STRATEGIC FRAMEWORK OF LIBERALISING TRADE IN SERVICES FOR PAKISTAN
Ahmed Gulzar (Research Scholar at PIDE, Islamabad)

For a long time, services were considered non-tradable in the literature of international economics. However, the sector has emerged with profound importance on the basis of strong underpinnings. Technological advancement, financial constraints and limited options, and regulatory changes have greatly expanded the range and scope of trade in services especially in the context of increasing share of knowledge intensive products at the world market. Services now account for a substantial and rising share of output and employment in the economy of Pakistan and its trading partners. However, it is argued that the growing share of services in the economy of Pakistan and its trading partners has not translated into a significant increased share in their over-all trade. Pakistan is heading towards liberalisation of trade in services through unilateral, bilateral, multi-lateral agreements under the
broad framework of WTO. Recently, in the wake of trade liberalisation in EBOPS services among Pakistan’s trading partners; Pakistan has received request lists from its trading partners in the context of national treatment and market access under four modes of cross-border supply of WTO framework. In this regard, the opportunities as well as risks associated with trade liberalisation depend primarily on the relative competitiveness among the trading partners. It is, therefore, essential for the policy makers to design such a trade policy which not only helps in promoting domestic services industries but also open up new opportunities of employment generation and economic growth and development with a guarantee of peace and stability within and across its neighbouring countries. In this connection, this research paper develops a strategic framework of liberalising trade in services in 12 categories of services with 26 partner countries of Pakistan using various economics tools (RCAI, TII, TCI, TBI) and econometric models and techniques (OLS, PLS, 2SLS) by using panel data on annual and quarterly frequencies.
INVITED LECTURE – II

Day: Wednesday, December 14, 2011
Time: 11:30 a.m. – 1:00 p.m.
Venue: Crystal Ball Room

THE ALLAMA IQBAL LECTURE

Speaker: Jomo Kwame Sundaram
Assistant Secretary General,
United Nations.

Topic: A Global Green New Deal for Economic Recovery:
Addressing, the Financial Climate, Food, Jobs and
Development Crises Together

If we look at the Post-Asian crisis and learn few lessons from there; we see that there is V shaped recovery contrary to IMF prognosis, as IMF policy advice came with conditionalities and it slowed recovery. There was continued financial liberalisation, inflows were coming but at high costs of sterilisation with modest gains. Further there were reserves build-up for ‘self-protection’ which further reduced net gains – although it may reduce vulnerability. But what we saw in US financial crisis from 2007 as sub-prime crisis lead to a credit crunch with asset price deflation and recession following it. Earlier asset price bubbles due to 1990s’ financial deregulation, e.g. 1999 repeal of Glass-Steagall Act and aggressive monetary easing sustained. Thus following 2001 downturn: pro-cyclical; it greatly increased US household debt-income ratios financed by Asian savings. Finally now there is a crisis over-investment and recovery dilemma. Where cheap credit may lead to over-investment, with under-utilised capacity and private sector reluctance to invest. So there is a need of cross-subsidised public investments, incentives to induce private investments in renewable energy and small holdings of agricultural lands. In that context the paper proposes Global Green: a New Deal of economic recovery; where national stimulus packages are identified for Infrastructure: which is today’s jobs but tomorrow’s capacity. Where adaptation is the same as development potential and mitigation through renewable energy, e.g. public transport, etc is also one of the future infrastructure built today.

General Discussion
INCLUSIVE GROWTH

It is well recognised that economic growth is a necessary but not sufficient condition for poverty alleviation, and that economic growth is often accompanied by rising income inequalities. The broader question for research and debate is that how can public policy be geared towards fostering private sector led growth while at the same time ensuring that the growth is broad-based and inclusive. More specifically, how can the vulnerable segments of the society be protected in a market-led model of growth and development? What measures are required to make the existing social safety nets more effective in terms of their coverage and scope? How can the international best practice models such as conditional cash transfers and employment guarantee schemes be usefully replicated in Pakistan? Research may also focus on the role of micro credit and skill development programs in empowering the poor households.

**Chairperson:** Qazi Azmat Isa  
Chief Executive Officer/ Managing Director  
Pakistan Poverty Alleviation Fund (PPAF)  
Islamabad.
Panelists: 1. Sania Nishtar
Founder and President
Heartfile Organisation
Islamabad.

2. Andrea Vermehen
Senior Social Protection Specialist
SASHD, Germany

3. Asad Sayeed
Collective for Social Science Research
Karachi.

4. Ahmad Jamal
Senior Section Head
Pakistan Poverty Alleviation Fund (PPAF)
Islamabad.

General discussion
INVITED LECTURE - III

Day: Wednesday, December 14, 2011
Time: 04:00 p.m. – 05:30 p.m.
Venue: Crystal Ball Room

GUSTAV RANIS LECTURE

Speaker: Asim Ijaz Khwaja
Professor
Harvard University.

Topic: Financing Entrepreneurship: Challenges and Innovations

The Global Competitiveness Index 2010-11 ranks Pakistan 123rd out of 139 countries in terms of overall competitiveness. The need for improvement is but obvious. Research in this area may focus not only on identifying the key constraints but also on finding innovative ways to improve productivity and competitiveness of Pakistani enterprises in all productive sectors including manufacturing, services, and agriculture. Other research issues may include the role of physical infrastructure, the regulatory environment, and the policy framework in shaping the overall competitiveness of the economy.

General discussion

Highlights:

• Technical Session III
  - Governance and Institutions
  - Monetary Policy and Inflation
  - Poverty, Inequality and Inclusive Growth

• Special Session
  - Honouring Parvez Hasan

• Panel Discussion III
  - Entrepreneurship

• Invited Lecture IV: The Quaid-i-Azam Lecture
  - Household Balance Sheets, Aggregate Demand and Unemployment
THIRD TECHNICAL SESSION

Thursday, December 15, 2011

09:00 a.m. – 11:00 a.m.

A. GOVERNANCE AND INSTITUTIONS

Venue: Crystal Ball Room - A

B. MONETARY POLICY AND INFLATION

Venue: Crystal Ball Room - B

C. POVERTY, INEQUALITY AND INCLUSIVE GROWTH

Venue: Noor Mahal
1. WHAT DRIVES THE QUALITY OF INSTITUTIONS IN ASIAN ECONOMIES? DIRECTIONS FOR ECONOMIC REFORMS.
Muhammad Nadeem Javaid (Lahore University of Management Sciences (LUMS), Lahore)
Muhammad Naveed Iftikhar (Ministry of Finance, Islamabad)

This study attempts to construct a comprehensive indicator of institutional quality for eleven Asian countries and then identifies its potential determinants. Our penal data regression results show that, a raise in the efficiency of the tax system, per capita income, international openness, level of education of the population and a decrease in the level of indebtedness have the potential to improve the institutions of the respective countries in short run. In addition to this a decrease in military spending and an increase in the number of checks over the political elite have further prospects to improve the quality of the institutions of the countries of the sample in the longer run. However, there is no straight jacket to fit to all; as quantile analysis shows that an increase in GDP per capita, tax collection and a decrease in military spending have better potential to enhance the institutional quality in Bangladesh, India, Sri Lanka, Pakistan, Philippines and Thailand, whereas a decrease in indebtedness and an increase in the level of education, international openness and tax collection have better potential to enhance the institutional quality in
Singapore, South Korea, Malaysia, Indonesia and China. A notable fact is that adult literacy rate, a proxy of education system, does not have any potential to influence the institutional quality of the above mentioned first set of countries. It necessitates that these countries should re-examine and refurbish their education system to make it deliverable.

2. CONSEQUENCES OF POLITICAL INSTABILITY, GOVERNANCE AND BUREAUCRATIC CORRUPTION ON INFLATION AND GROWTH: THE CASE OF PAKISTAN
Adnan Haider (Research Analyst Monetary Policy Department, State Bank of Pakistan)
Musleh ud Din (Joint Director at PIDE, Islamabad)
Ejaz Ghani (Chief of Research at PIDE, Islamabad)

This paper presents a theoretical model with micro-foundations that captures some important features of Pakistan's economy which have emerged in sixty-four years of its history. A comparison of Pakistan’s economic performance during different regimes shows that macroeconomic fundamentals tend to show an improvement during the autocratic regimes as compared with those prevailing during democratic regimes. In particular, periods of autocratic regimes are typically characterised by low inflation, robust growth and low level of bureaucratic corruption due to better governance. In contrast, the economic performance during the democratic regimes has been observed to worsen with weak governance and high levels of corruption, high inflation due partly to reliance on seigniorage to finance public spending, and lackluster growth. Using annual data from 1950 to 2011, computational modeling is carried out by applying Markov-Regime switching technique with maximum-likelihood procedures. The estimation results based on empirical modeling setup are supportive of the above stylised-facts and also confirm the implications of the theoretical model.

3. PREDATION, INSTITUTIONAL QUALITY AND ECONOMIC GROWTH
Sajawal Khan (State Bank of Pakistan)
Idrees Khawaja (Associate Professor, PIDE, Islamabad)

This study develops a theoretical model to examine the impact of predation on aggregate output and aggregate consumption. Using game theoretic framework we show that predation, reduces aggregate output and per capita consumption. Predation occurs when some agents enjoy comparative advantage in predation. Given predation
under comparative advantage of some agents, a larger part of the aggregate output accrues to the predators. We also demonstrate that given inequality of endowments, the poorly endowed enjoys an incentive to predate. The payoff of the well endowed from production and predation is the same. Therefore the well endowed has no incentive to predate. If the well endowed still predates this would be owed to his comparative advantage in predation rather than inequality \textit{per se}. Large endowments are only one of the numerous sources that afford such comparative advantage. Good institutions like rule of law and effective government tame this comparative advantage. It is due to this kind of taming, that despite significant inequality in some economies, the level of predation observed is relatively low. Institutional quality thus determines the level of predation. We also show that redistribution from well endowed to poorly endowed will not only increase per capita consumption but will also be a ‘Pareto improvement’.

4. DOES CORRUPTION AFFECT ECONOMIC GROWTH?

Muhammad Aman Ullah (The University of Auckland, New Zealand)
Eatzaz Ahmad (Dean, Faculty of Social Science, Quaid-i-Azam University, Islamabad, Pakistan)

Using panel data on International Country Risk Guide corruption index, institutional quality, political stability indexes and a number of state variables for developed and developing countries, this paper explores linear quadratic empirical relationship between corruption and economic growth. The empirical literature that noticed a linear relationship between corruption and economic growth failed to differentiate between growth enhancing and growth reducing levels of corruption. The analysis based on Generalised Method of Moment estimation shows that decrease in corruption raises the economic growth rate in an inverted U-shaped way and this result is robust with respect to alternative specifications of the econometric relationship.
1. MONETARY POLICY ANNOUNCEMENTS AND MARKET INTEREST RATES IN PAKISTAN: AN EVENT STUDY APPROACH
Habib-ur-Rahman (SZABIST, Islamabad)
Hasan M. Mohsin (PIDE, Islamabad)

The objective of this paper is to analyse the impact of monetary policy announcements on market interest rates at different nine maturities (1-Week, 2 Week, 1-Month, 3-Months, 6Months, 9Months, 1-Year, 2Years & 3Years) in Pakistan. The Event window of 11 days and an estimation window of 250 days have been used for analysis. The ARCH effect is analysed in market interest rates at each maturity by using Breusch Pagen ARCH Test. The study also applied GARCH model where ARCH effect was observed to forecast the normal rate. However we did not find significant evidence of ARCH effect in market interest rates at (1-Year, 2-Years & 3-Years) maturities. The ARIMA model was applied to calculate the normal rates from estimation window (t-250). The abnormal rates were calculated by taking the difference between actual and normal/estimated rates. Then abnormal returns were aggregated as Aggregated Abnormal Rates (AAR) within event window and
Cumulative Abnormal Rates (CAR) across the event window. The AAR & CAR at 28.8731 showed an impact of monetary policy announcements on market interest rates at different nine maturities. Null hypothesis of zero abnormal returns was rejected since the results were found in critical region under normal distribution.

2. **AN INQUIRY INTO THE POLICY OF INFLATION TARGETING IN THE PRESENCE OF FISCAL IMBALANCES IN PAKISTAN**

M. Ali Kemal (PIDE, Islamabad)

Theoretically fiscal imbalance can create severe problems for central bank to control inflation under the policy of inflation targeting. Following Blanchard (2004) the two most important linkages were tested in this study, i.e., increase in real interest rate depreciated the currency and depreciation in real exchange rate leads to increase in prices. VAR model is used to check the short run association among variables. It is concluded that real exchange rate is not significantly associated to the real interest rate in the short run. Moreover, exchange rate pass through effect to prices is not present in Pakistan's case. Thus inflation targeting can be a policy to curtail inflation. However, we need to see the association between the interest rate and inflation, since interest rate is the main variable used to control inflation. Furthermore, State Bank needs to reduce the inflation to at least single digit level so that it is easy to control.

3. **FORMAL SECTOR PRICE DISCOVERIES: RESULTS FROM A DEVELOPING COUNTRY**

M. Ali Choudhary (State Bank of Pakistan)
Saima Naeem (State Bank of Pakistan)
Abdul Faheem (State Bank of Pakistan)
Nadeem Hanif (State Bank of Pakistan)
Farooq Pasha (State Bank of Pakistan)

We present results of 1189 structured interviews about price-setting behaviour of firms in the manufacturing and services sector in Pakistan. Our discoveries are that frequency of price change is considerably high, lowering the real impact of monetary policy. The remaining price stickiness is explained by firms caring about relative prices and the persistence of shocks. The exchange-rate and cost shocks are more important than financial and demand shocks for both setting prices and also the readiness with which these pass-through to the economy. Firms with connections with the informal sector, especially through demand, have a lower probability of price adjustment.
4. RELATIONSHIP BETWEEN TRADE OPENNESS AND INFLATION: EMPIRICAL EVIDENCES FROM PAKISTAN

Sehar Munir (M.Phil Fellow at International Islamic University, Islamabad (IIUI))
Adiqa Kausar Kiani (Associate Professor, Federal Urdu University of Arts, Science and Technology, Islamabad (FUUAST))

This study empirically verifies the existence of significant relationship between inflation and trade openness for Pakistan using annual time-series data for the period of 1976 to 2010. The basic objective of this study is to examine the Romer’s hypothesis for Pakistan with real agriculture value added, real exchange rate, real gross domestic product, financial market openness, money & quasi money and used trade openness, import openness and export openness ratios separately as explanatory variables with inflation rate as dependent variables. For this purpose, we have used multivariate Johansen (1998) and Johansen and Juselius (1990) Maximum Likelihood Cointegration Approach and a Vector Error Correction Model (VECM) and the expected empirical findings shows that there is a significant positive long-run relationship between inflation and trade openness, which rejects the existence of Romer’s hypothesis for Pakistan.
THIRD TECHNICAL SESSION

C. POVERTY, INEQUALITY AND INCLUSIVE GROWTH

1. ON MEASURING INCLUSIVENESS OF GROWTH IN PAKISTAN
   Saima Asghar (National Defense University, Islamabad, Pakistan)
   Sajid Amin Javed (School of Economics, International Islamic University
   Islamabad, Pakistan)

   Using social opportunity function approach, this work assesses, firstly, the change
   in and access to education and employment opportunities available to the population and
   secondly, how equitably these opportunities are distributed. Opportunity Index (OI) and
   Equity Index of Opportunities (EIO) are calculated to measure and quantify the extent of
   progress made in these two most important socio-economic components of development.
   Based on data, extracted from Pakistan Social and Living Standards Measurement
   (PSLM) Surveys of 1998/99 and 2007/08, the present work finds that growth process has
   resulted in increased inequalities both in education and employment opportunities over
   the study period. Average opportunities available to population increased for education
   while a decline in average employment opportunities is documented in 2007/08 as
   compared to 1998/99. OI registered an increase for primary and secondary levels of
   education. EIO improved at primary level, remained stagnant for secondary level and
   decreased for literacy rate over the time. Moreover, EIO for employment opportunities,
   suggesting equitable distribution for employment and paid employment, registered a
   decrease and opportunities distribution turn inequitable when calculated based on average
   monthly income earned. Findings of the paper suggest that policies should be focused to
   actively engage the marginalised groups of the society in growth process through
   improvement in higher education and more equitable distribution of opportunities.
2. MACRO LEVEL DETERMINANTS OF POVERTY: INVESTIGATION THROUGH POVERTY MAPPING OF DISTRICTS OF PAKISTAN
Farah Said (Centre for Research in Economics and Business, Lahore School of Economics, Lahore)  
Tareena Musaddiq (Lahore University of Management Sciences, Lahore)  
Mahreen Mahmud (Centre for Research in Economics and Business, Lahore School of Economics, Lahore)

The study explores the spatial patterns of poverty in Pakistan through two dimensions: asset accumulation and basic needs. For this purpose Pakistan Standard of Living Measurement 08-09 is employed to construct an Asset Index and a Basic Needs index, at a district level, through the use of household level indicators. The study finds a clear north south divide, with particular concentration of better off districts in the north east of the country. Additionally, regression analysis is carried out to help identify the macro level factors contributing towards the observed pattern. Results reveal infrastructural and industrial development to be significant factors behind a district’s well being. This indicates that public policy directed towards developing deprived districts should be centered on these factors, specifically expanding road networks, and incentives for industrial development in those districts.

3. ASSESSING POVERTY WITH NON-INCOME DEPRIVATION INDICATORS: PAKISTAN, 2008-09
Haroon Jamal (Social Policy and Development Centre (SPDC), Karachi)

The approach to measure poverty in terms of financial deprivation has been widely criticized in the literature of welfare and wellbeing. It is argued that to understand the complex phenomenon of poverty or to evaluate household or individual wellbeing, a multidimensional exercise is imperative. This research quantifies the level of multidimensional poverty in Pakistan using latest available household data of Pakistan Social and Living Standard Measurement Surveys. Multidimensional poverty in terms of the popular FGT (headcount, poverty gap, poverty severity) indices is estimated for the year 2009. Indicators of human poverty, poor housing and deprivation in household physical assets are included in estimating poverty in multi-dimensional context. For assessing the inter-temporal consistency in the methodology, poverty indices are also developed for the year 2005.
4. DOES ECONOMIC GEOGRAPHY MATTER FOR PAKISTAN? A SPATIAL EXPLORATORY ANALYSIS OF INCOME AND EDUCATION INEQUALITIES

Sofia Ahmed (PIDE, Islamabad)

Generally, econometric studies on socio-economic inequalities consider regions as independent entities, ignoring the likely possibility of spatial interaction between them. This interaction may cause spatial dependency or clustering, which is referred to as spatial autocorrelation. This paper analyses for the first time, the spatial clustering of income, income inequality, education, human development, and growth by employing spatial exploratory data analysis (ESDA) techniques to data on 98 Pakistani districts. By detecting outliers and clusters, ESDA allows policy makers to focus on the geography of socioeconomic regional characteristics. Global and local measures of spatial autocorrelation have been computed using the Moran’s I and the Geary’s C index to obtain estimates of the spatial autocorrelation of spatial disparities across districts. The overall finding is that the distribution of district wise income inequality, income, education attainment, growth, and development levels, exhibits a significant tendency for socio-economic inequalities and human development levels to cluster in Pakistan (i.e. the presence of spatial autocorrelation is confirmed).
HONOURING PARVEZ HASAN

Parvez Hasan received MA and Ph.D. degrees in economics from Punjab University, Lahore, and Yale University, USA, respectively. He is a former Chief Economist of the World Bank. He retired in 1996 after serving in various senior positions in East Asia, Middle East, and Central Asia regions of the World Bank for over twenty-five years. Prior to joining the World Bank in 1970, Parvez Hasan was the Chief Economist and Secretary, Ministry of Planning, Government of West Pakistan (1965-70), Economic Adviser, Saudi Arabian Monetary Agency (1961-5), and Deputy Director of Research, State Bank of Pakistan (1960-1). Mr Hasan was awarded the Order of Merit by the Korean Government in 1996 for his services to the Korean economy. His publications include Korea: Problems and Issues in a Rapidly Growing Economy; Deficit Financing & Capital Formation: The Experience of Pakistan; Korea: Policy Issues for Longer Term Development (co-author); and Malaysia: Growth and Equity in a Multi-Racial Society (co-author). His latest book published in 2011 is titled “My Life, My Country: Memoirs of a Pakistani Economist”.

Chairperson: Abdul Hafeez Shaikh
Federal Minister for Finance
Government of Pakistan
Islamabad.

Speakers: Rashid Amjad
President, PSDE
Vice-Chancellor, PIDE
Islamabad.

Naved Hamid
Professor and Director
Lahore School of Economics
Lahore.
PANEL DISCUSSION - III

Day: Tuesday, December 15, 2011
Time: 12.00 noon – 01:00 p.m.
Venue: Crystal Ball Room

ENTREPRENEURSHIP

Entrepreneurship is considered as key to private sector development and economic growth. The main features of entrepreneurship, in the Schumpeterian sense, are innovation and risk taking. The questions then are: what constrains entrepreneurship in Pakistan and what measures are required to encourage entrepreneurship? How to foster a competitive environment in which entrepreneurship can thrive and rent-seeking is discouraged? How to minimise the presence of inherently risk-averse public sector in the marketplace so that more space is created for private enterprises? How can venture capitalism be promoted in Pakistan to provide the necessary financing to the promising start-ups?

Chairperson: Rashid Amjad
President, PSDE
Vice-Chancellor, PIDE
Islamabad.

Panelists: 1. Azam Chaudhary
Dean
Lahore School of Economics
Lahore.
2. **Zafar Mueen Nasir**  
   Dean, Business Studies and  
   Chief of Research  
   PIDE, Islamabad.

3. **Thomas Morris**  
   Chief Economist  
   USAID  
   Islamabad.

4. **Shoaib Z. Malik**  
   Director  
   Kausar Group of Companies

5. **Omer Saeed**  
   Chief Executive  
   Service Industries Ltd.  
   Lahore.

**General discussion**
INVITED LECTURE – IV

Day: Wednesday, December 15, 2011
Time: 01:45 p.m. – 03:30 p.m.
Venue: Crystal Ball Room

THE QUAID-I-AZAM LECTURE

Speaker: Atif Mian
Associate Professor,
University of California, Berkeley

Topic: Household Balance Sheets, Aggregate Demand and Unemployment

U.S. households accumulated debt at an unprecedented pace between 2001 and 2007. In the aftermath of the housing downturn, deleveraging by highly indebted households is the most important factor responsible for the current economic slump. The deleveraging process has led to sharp drops in both aggregate demand and employment. We argue that meaningful policies aimed at facilitating debt-reduction for under-water homeowners in the short run, and replacing non-contingent debt with contingent-debt in the long run are essential for a robust and sustained recovery.

General discussion
9. List of Chairpersons, Speakers and Discussants

Chairpersons
Ahmad Masood Khalid  Hina Rabbani Khar  Mushtaq A. Khan  Sarfraz K. Qureshi
Akhtar Hassan Khan  Javaid R. Laghari  Nadeem Ul Haque  Syed Nawab Haider Naqvi
Ashfaq H. Khan  Khalid Mirza  Qazi Azmat Isa
Ather Maqsood Ahmad  Miguel Angel Asensio  Rashid Amjad
Gerardo Della Paolera  Muhammad Irfan  Rehana Siddiqui

Speakers
Abdul Faheem  Azad Haider  M.Idrees Khawaja  Saima Naeem
Abdul Waheed  Azam Chaudhary  Mahmood Khalid  Sajawal Khan
Abid Hasan  Bismah Haseeb Khan  Mahreen Mahmud  Sajid Amin Javed
Adia Kausar Kiani  Eatzaz Ahmad  Malik Muhammad  Sakib Shirani
Adnan Haider  Ejaz Ghani  Mariam Javed  Samina Khalil
Ahmad Jamal  Farah Said  Miguel Angel Asensio  Sania Nishtar
Ahmed Gulzar  Farooq Pasha  Mudasar Nazir  Sarwat Razzaqi
Ahmed M. Khalid  Francesco Barbera  Muhammad Ali Kemal  Sehar Munir
Ahmed Masood Khalid  Gerardo Della Paolera  Muhammad Aman Ullah  Shohaib Z. Mailk
Ahmed Rafay Alam  Ghulam Samad  Muhammad Arshad Khan  Shujaat Farooq
Ajaz Ahmed  Gulasekaran Rajaguru  Muhammad Imran  Sofia Ahmed
Aliya H.Khan  Habib-ur-Rahman  Muhammad Nadeem Javaid  Sunila Jabeen
Andrea Vermehnen  Hafiz M. Yasir  Muhammad Naveed Iftikhar  Tahir Mukhtar
Arshad Hassan  Hamna Ahmed  Musleh ud Din  Tareena Musaddiq
Asad Sayeed  Haroon Jamal  Nadim Haneef  Thomas Morris
Ashwani Saith  Hasan M.Mohsin  Naeeem Akram  Umaima Arif
Asim Ijaz Khwaja  Javeria Niazi  Naseeb Zada  Usman Mustafa
Asma Arif  Jere R. Behrman  Qazi Azmat Isa  Waseem Shahid Malik
Asma Hyder  Jomo Kwame Sundaram  Rabia Manzoor  Zafar Mueen Nasir
Atif Mian  Khalid Mirza  Rashid Amjad  Zara Salman
Attaullah Shah  Khan Bahadar  Saadia Sherbaz
Attiya J. Yavid  Khaqan Hassan Najeeb  Sahar Amjad Shaikh
Ayaz Ahmed  M.Ali Choudhary  Saima Asghar

Discussants
Adnan Haider  Ijaz Nabi  Muhammad Waheed  Zafar Mueen Nasir
Ahmed Masood Khalid  Lubna Shanaz  Mushtaq A. Khan  Zafar Shaheed
Ahmed Rafay Alam  Mahmood Khalid  Najam us Saqib
Ejaz Ghani  Muhammad Ali Kemal  Naved Hamid
Iftikhar Ahmed  Muhammad Nasir  Omar Siddiq
10. Encouraging Students’ Participation at the AGMs

The PSDE and PIDE encourage students from all over Pakistan to participate in the Annual Conference. The PIDE took the initiative for the first time in 2006. A monetary incentive is also given to out-station students to ensure maximum participation from all over Pakistan. Students enrolled in Masters or M.Phil degree programmes are given a stipend of Rs.1,000 per conference day while students enrolled in PhD programmes are offered Rs.1,200 per conference day. So far the result of these efforts has been very encouraging and the number of students participating at the AGM has been increasing every year. In 2006, 90 students registered for the AGM, while in 2008 around 200 students and for 2009 around 54 students attended the conference. Participation in conferences provides students with an opportunity to learn from the quality research presented on the critical and current economic issues. The AGM also gives these students a platform to interact with leading local and international researchers and policy-makers.
11. Research at PIDE

During 2010-11, the Pakistan Institute of Development Economics (PIDE) continued to make impressive strides through its cutting edge research. In addressing the contemporary issues, PIDE is usually at the forefront. It is a research institute devoted to theoretical and empirical research in Development Economics in general and on Pakistan-related economic issues in particular. The theoretical, empirical, and policy-oriented research at the institute has greatly influenced the literature on development economics as well as policy formulation in Pakistan. In addition to providing a firm academic basis to economic policy-making, its research also provides a window through which the outside world can view the nature and direction of economic research in Pakistan. Looking at the multidimensional nature of the socio-economic issues, the research agenda of PIDE is organised carefully so that it can address all relevant issues in detail. Experts at PIDE undertake their projects as part of the annual research agenda under intra-institutional or collaborative arrangements with several national and international organisations. PIDE staff extends their academic excellence not only at PIDE’s forum but also with various other domestic and international institutions. Overall, sixty one studies were completed during 2009-10. As it can be seen from the following table:

<table>
<thead>
<tr>
<th>Theme</th>
<th>Internationally Recognised Journals</th>
<th>Working Papers</th>
<th>Books/Chapters in Books/Conference Papers</th>
<th>Research Reports/Other Publications</th>
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<td>1</td>
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<td>Environment and Natural Resources</td>
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<tr>
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*Include papers submitted to international journal.
Research work published at PIDE during 2009-11 is as under:

Periodicals

*The Pakistan Development Review*
- Volume 49, No. 3 (2010).
- Volume 49, No. 2 (2010).
- Volume 48, No. 4 (2009)
- Volume 48, No. 3 (2009).

PIDE Working Papers (2010-11)


(14) PIDE Working Papers 2011: 69 “A Dynamic Macroeconometric Model of Pakistan’s Economy” by Muhammad Arshad Khan and Musleh ud Din


(17) PIDE Working Papers 2011: 72 “Foreign Aid and Growth Nexus in Pakistan: The Role of Macroeconomic Policies” by Muhammad Javid and Abdul Qayyum


PIDE Business Barometer

- PIDE Business Barometer No. 7 (2010).

News Letters

1. “Macroeconomic Brief” No. 2 (2011)

Books

5. PIDE Monograph Pension System Reforms for Pakistan: Current Situation and Future Prospects by Umaid Arif and Eatzaz Ahmed (2010)

Collaborative Research

A number of studies have been completed at PIDE in collaboration with various international organisations, including the World Bank, Committee for International Cooperation on Research in Demography (CICRED), Asian Development Bank (ADB), International Labour Organisation (ILO), Asian Development Bank Institute (ADBI), World Economic Forum, United Nations Educational, Scientific, and Cultural Organisation (UNESCO), etc.
12. Training at PIDE

The Project Evaluation and Training Division (PE&TD) is one of the important components of PIDE. As its name signifies, the Division is mainly concerned with project evaluation and training. It is now well recognised and emphasised by local as well as international organisations that projects must be result oriented i.e. output must be linked with outcomes. The project evaluation process ensures the effectiveness and efficiency during all stages of a project. The projects should be well documented and lesson learnt be incorporated in new projects. Keeping in view the significance of projects, PE&TD planned, coordinate, and organised training related to project management which includes project planning, appraisal, monitoring and evaluation.

Training and Human Resource Development is not only imperative for project but also play a vital role in the economic development. Therefore, the PE&TD aims to fulfill these requirements that are necessary for professional development and economic growth of the country. Division is organising specialised training courses/workshops for in-service officials like development practitioners working in public, private sector or non-governmental organisations. Trainings increase knowledge, enhance skills, bring
positive change in attitude and contributes to the capacity building. It is a continuous process which is necessary for the effective and efficient application of the designated duties or preparing/running any project or programme. The Division also provides special tailor made training courses parallel with its regular training programmes throughout the year. In the recent past, this section has remained successful in attracting various trainings projects from UNDP, World Bank, P&DD, IUCN, ADB, GTZ, DFID, SDC, USAID, BHC, etc.

PIDE provides its participants with the state of the art technology to make the process of learning interesting, accommodative and comfortable. PIDE is situated at a beautiful scenic view at the foothill of Margala Hills in the Quaid-i-Azam University Campus, Islamabad. It has modern, up to date and well equipped lecture and seminar rooms. The air conditioned lecture rooms have overhead projectors and facility of audio/video conferencing. With state of the art computer lab and internet facilities, participants are induced to do their practical exercises. PIDE library is famous for its rich collection of international books, reports and articles. It also provides number of search engines, which help a lot to the trainees for completion of their assignments. It encourages healthy participatory approach during sessions, special emphasis on practical and field trips, and encouragement of computer applications. Training programme engages experts both from government as well as private sector. Emphasis is laid upon team building and group work.

Upon the successful completion of the training course, the trainees are given the training material in the form of CDs/manual, handouts, PIDE souvenir and a group picture along with the course completion certificate. The training normally consists of four sessions of one and a half hours, which also includes one practical session.

<table>
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<th>No.</th>
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<td>Two-weeks “Project Monitoring &amp; Evaluation” (PM&amp;E)</td>
<td>(July 12-23, 2010)</td>
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<td>2</td>
<td>One week “Result Based Management “</td>
<td>(December 6-11, 2010)</td>
</tr>
<tr>
<td>3</td>
<td>Two-weeks “Project Preparation and Appraisal” (PPA)</td>
<td>(January 3-15, 2011)</td>
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**TRAINING PROGRAMME COMPLETED – 2010-2011**

**TENTATIVE ANNUAL TRAINING PROGRAMME – 2012***

<table>
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<td>January 16-28</td>
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<td>Result Based Management</td>
<td>April 09-14</td>
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<td>3</td>
<td>Project Monitoring and Evaluation (PME)</td>
<td>July 09-21</td>
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<td>4</td>
<td>Project Preparation and Appraisal (PPA)</td>
<td>September 10-22</td>
</tr>
<tr>
<td>5</td>
<td>Effective Communication Skills (ECS)</td>
<td>November 12-17</td>
</tr>
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</table>

*Note: PIDE also offer special tailor made courses on demand basis.
13. PIDE Degree Programmes

The teaching and education programmes at PIDE are a major investment in human resource development to attain the goal of a globally competitive, knowledge-driven economy. PIDE’s PhD programme, which commenced in 1999, is aimed at imparting a full range of knowledge, awareness, and expertise in Economics to meet the challenges of the new millennium, as well as equipping students with the analytical tools necessary for policy-oriented research.

The Institute was given degree-awarding status in November 2006. Thereafter regular classes of the Master’s and the MPhil levels were also started in the Department of Economics, Department of Business Studies, Department of Econometrics and Statistics, Department of Environmental Economics and Department of Population Sciences. Recently three new MS/Mphil programs in Development Studies, Finance and Economics and Econometrics and Statistics has also been introduced.

### Academic Departments

<table>
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<tr>
<th>DEPARTMENT</th>
<th>DEPARTMENT HEAD</th>
<th>PROGRAMMES Offered</th>
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<tbody>
<tr>
<td>Department of Economics</td>
<td>Dr. Ejaz Ghani</td>
<td>Masters in Economics</td>
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<td></td>
<td></td>
<td>MS in Finance and Economics</td>
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<td></td>
<td>Ph.D. in Economics</td>
</tr>
<tr>
<td>Department of Business Studies</td>
<td>Dr. Zafar Mueen Nasir</td>
<td>Masters in Business Administration (MBA)</td>
</tr>
<tr>
<td>Department of Econometrics and Statistics</td>
<td>Dr. Abdul Qayyum</td>
<td>Masters in Econometrics and Statistics (MES)</td>
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<td>MPhil in Econometrics and Statistics (MES)</td>
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<td>Dr. Durr-e-Nayab</td>
<td>Masters in Population Sciences (MPS)</td>
</tr>
<tr>
<td>Department of Environmental Economics</td>
<td>Dr. Rehana Siddiqui</td>
<td>MS/Mphil in Environmental Economics</td>
</tr>
<tr>
<td>Department of Development Studies</td>
<td>Dr. Sofia Muntaz</td>
<td>MS-Development Studies</td>
</tr>
</tbody>
</table>
Faculty

PIDE is distinguished by its outstanding human resources. Its international reputation helps to attract leading economists of the country. It has the privilege of housing the largest number of PhDs and MPhil/Master degree holders of Economics under one roof as compared to any other university/organisation in Islamabad. The faculty is engaged in diverse research in applied areas including econometrics, governance, finance, monetary policy, development, labour, macroeconomics etc.

Features

- Highly qualified and experienced faculty
- HEC approved Supervisors
- State of the art computing and internet facility
- Scholarship, teaching and research assistantships available for deserving students
- A breathtaking campus location in the foothills of the Margalla Mountains
- Well furnished and air conditioned classroom

Scholarship

- Merit and need based scholarships are available for deserving students.

Career Development at PIDE

PIDE students have also the opportunity to intern within PIDE and with a wide range of organisations based in Islamabad and across Pakistan. Students also have the opportunity to take up the position of teaching assistants/Research assistants at PIDE. In addition, PIDE Placement Office also provides assistance to students to explore different career opportunities.

Highlights of the Academic Departments

1. Department of Economics

The Department of Economics is the leading teaching department of PIDE enjoying a world-class reputation. PIDE’s greatest asset is its highly accomplished faculty with a majority holding Ph.D.s from renowned universities around the world. The Faculty won international recognition during the year as according to June 2010 ranking by REPEC, seven of the top ten economists of Pakistan are based at PIDE. Over the years, the Department has witnessed a growing interest in its academic programmes:
the total number of applicants increased from 464 in 2008 to 585 in 2010. The PhD/MPhil programme in Economics at PIDE remains at the forefront of higher education in Pakistan. The programme offers high quality specialised training with emphasis on theoretical and empirical research. A unique feature of this programme is the active interaction of students with top level researchers that allows the students to develop their analytical skills under the supervision of leading experts.

2. Department of Business Studies

The MBA programme at PIDE is quite demanding and requires of students solid preparation for each class session. Teaching sessions are interactive; diversified work experience and creativity are highly valued during in-class discussions. Some of the development skills that our programme provides are improved time management, a network of contacts that will outlast the management career, and increased motivation at work as things start to make sense. Above all, the learning and reflective habits developed will ensure that even long after graduating, those with the MBA degree will be outperforming those without it.

3. Department of Population Sciences

As the Government grapples with a range of problems having population dimensions, there is an urgent need to train population scientists who can tackle these issues professionally in a rapidly changing environment. In response to this need, PIDE has established a two-year degree programme in Population Sciences (MPS).

PIDE’s MPS programme offers students an in-depth understanding of the complexities of population processes, including fertility, family planning, morbidity, mortality, migration, urbanisation, demographic dividend, family formation, and the relationships between such processes and the broader socio-economic context. The MPS, while maintaining its core of basic demographic description, includes new areas such as, reproductive health, HIV/AIDS, aging, adolescence, gender and the environment. The MPS provides a balanced academic and professional training in theory and research. The Department of Population Sciences prides itself in an outstanding faculty having doctorate degrees from universities of international repute, including the Australian National University, Australia, Michigan University, USA, and Cornell University, USA. The Department also offers short courses around the needs of particular groups/individuals interested in enhancing their work performance and skill base without completing the whole degree programme.
4. Department of Econometrics and Statistics

The discipline of Econometrics and Statistics is the key to an understanding and analysis of theories of economics and their constituent components. Over the years, this role has been fortified due to the active infusion of mathematical, statistical and computational methods in the subject matter of Economics. Econometrics is distinguished from statistical analysis more generally by its use of economic concepts and theories as basis for empirical investigation.

The Department of Econometrics and Statistics at PIDE offers for the first time M.Sc degree in Econometrics and Statistics in Pakistan. It is a new, but emerging discipline, in Pakistan. The M.Sc in Econometrics and Statistics at PIDE aims to focus on teaching and research in econometric theories, methodological and conceptual issues and the relevant statistical methods applied to socially relevant economic issues and policies. The Econometrics and Statistics programme offers a well balanced training in quantitative methods, economic theory and applied economics. These include basic econometric theory, applied econometrics, probability theory, statistical methods, sampling, time series analysis, financial econometrics and micro econometrics. There is an emphasis on the application of econometrics and statistics, through exercises and seminars, to policy issues and empirical questions. The rigor of analysis, empirical validation of economic hypotheses and contributions to business and public policy have been the main pillars which strongly emphasises the need for this discipline. The programme enrolled its first batch in 2008.

5. MS Environmental Economics Programme

For sustainable economic development, profound knowledge of the issues of the environment and resource use are critical. The aim of the teaching programme in Environmental Economics is to create awareness and train the students, researchers and practitioners to conduct research, using the concepts and tools of economics, on issues related to Environmental Economics and Climate Change.

The teaching curriculum focuses on developing the role and application of economic approaches for environmental issues, essential features of the market mechanism to control environmental degradation for sustainable economic development, the nature and treatment of environmental effects in economic reasoning and decision-making, and the application of environmental policy instruments based on economic analysis. The course work is based on contemporary environmental management approaches (e.g. ecological modernisation, ecological economics, and industrial ecology) with substantial (physical) economy dimensions.
Keeping in view the current lack of awareness and knowledge of environmental issues, the MS Environmental Economics Programme is designed to:

- Impart a sound understanding of the nexus between the economy and the environment;
- Teach major concepts and theories to explain and describe the economic behaviour of human beings and its impact on the environment.
- Outline and contrast the major economic schools of thought on the environment, and highlight the weaknesses of each market system (especially with regard to environmental aspects) and discuss the associated role of the government in the economy.
- Supply high quality personnel to the federal and provincial governments, to educational institutions, to research institutions and to the private sector.
14. Centres of Excellence

The new initiatives that the institute has undertaken in the past year is the establishment of four Centers of Excellence:

(1) Centre for Environmental Economics and Climate Change
(2) Economics of Conflict, Security and Development Centre
(3) Food Security Centre
(4) Centre for Population, Health and Social Policy

These Centers are expected to focus on research related to their specific field and for providing a policy input to the government, an activity that is part of the Institute’s charter

I. Centre for Environmental Economics and Climate Change (CEECC)

Efficient use and conservation of environmental resources are critical for long term sustainable economic development and for the survival of mankind. Rapid degradation of these resources has raised several critical concerns, viz., the water scarcity/insecurity and pollution, air pollution, waste management, deforestation, inefficient use of energy, loss of biodiversity and climate change. The change in atmospheric concentration of greenhouse gases (GHGs) has affected the global climate. Carbon dioxide CO2, Methane (CH4) and nitrous oxide (N2O) emissions have increased sharply in recent years due to human activities. For example, currently 56 percent of the GHGs emissions are a result of fossil fuel use and 17.3 percent are a result of deforestation and decay of biomass. The global consequences of climate change include decline in agricultural productivity, increase in water shortages, deforestation, loss of biodiversity, adverse impact on ecosystem, and on health.

Thus, environmental degradation and climate change are becoming critical in the debate on sustainability of economic development and maintaining quality of life. Keeping in view the importance of these issues and to bring the researchers and students closer to the frontier of knowledge the Centre for Environmental Economics and Climate Change (CEECC) is established at Pakistan Institute of Development Economics, Islamabad, Pakistan.

Vision: Creating best alternative applied solutions to Human-Nature interactions

Mission: Conducting and facilitating research through the applied CORE: Conservation, Optimisation, Reduction and Exploration
The main objectives of the CEECC include:

1. Conduct and supervise research on key issues of environmental degradation and climate change.
2. Disseminate the results of the research among the researchers and policy makers.
3. Set up an academic programme in Environmental Economics.
4. Establish a data bank on environmental indicators.

II. Economics of Conflict, Security and Development Centre (ECSDC)

The Center for Economics of Conflict, Security and Development has been established to develop high quality research and encourage debate and discussions on critical issues of conflict and security and their role in the development process. The Center aims to carry out policy-oriented research on various socio-economic dimensions of conflict including poverty and social justice, income and spatial inequalities, human displacement, reconstruction and rehabilitation, and governance. The Center collaborates with the government, international bodies, research centers and non-governmental organizations to create awareness and initiate dialogue on vital issues of conflict and security and how these can be tackled to promote peace and prosperity.

**Vision:** Create a prosperous and equitable society through peace, harmony, and human security.

**Mission:** To conduct policy-oriented research and to promote debate and discourse on issues of conflict and security.

**Goal:** To work towards achieving durable peace and greater development of conflict-ridden regions.

The key objectives of the Center are to:

- Promote peace and harmony through inter-disciplinary research and dialogue.
- Assess the socio-economic cost of the conflicts.
- Design and propose security strategies and policies for sustainable peace and development.
- Provide a platform for exchange of ideas, sharing of experiences, and collaboration among key stakeholders.
- Provide advisory services in the design and implementation of confidence building measures that are a pre-requisite for conflict prevention and its resolution.
- Develop a sound knowledge base for policy making.
- Create a databank for academics, researchers, and students.
III. Food Security Centre (FSC)

A strong upward trend in world food prices, resulting from supply and demand imbalances, has been observed over the past few years. It has put millions of people at risk of food insecurity and poverty across the world. Despite the recent decline in oil and food prices in the international market, food security has become a serious concern in many developing countries. Pakistan is not considered a food-secure country either. The Government of Pakistan also realises the importance of food security and attaches a high priority to it in policy formulation and development plans. The situation demands a comprehensive analysis of different dimensions of food security, continuous monitoring of its indicators, as well as consideration of policy options. However, the analysis of food security is a complex exercise involving multidisciplinary expertise and diverse data reporting by a range of organisations and agencies. The compilation of required data and convenient access by users, through close coordination of the relevant institutions/organisations, is a prerequisite for a comprehensive analysis of the issues and sound policy formulation. The newly established Food Security Centre (FSC) at PIDE will develop such collaboration, build a data bank, conduct research on issues related to food security, and provide the guidelines for designing a food policy.

Vision: An all-time food-secure society at the national, household, and individual levels.

Approach:

(1) To conduct research focused on better understanding of food security issues and to provide guidelines for designing policies aimed at making Pakistan a food-secure country.

(2) To establish a food data bank at the FSC and to link it to other data sources to provide user-friendly access to researchers, policymakers, and other national and international stakeholders.

(3) To collaborate with global agencies and centers and exchange information and ideas on food security.

(4) To extend technical support to social scientists and other scholars and facilitate their research on food security in Pakistan and other relevant areas.

(5) To provide a forum for informed public debate regarding food security and to encourage dissemination of research findings and sharing of experiences.
IV. Centre for Population, Health and Social Policy

A new centre of excellence, Centre for Population, Health and Social Policy (CPHSP) is being established at PIDE. The objective of the Centre is to focus on health holistically and health economics especially. The Centre will carry out its objectives through both research and teaching. Using a multidisciplinary lens, with emphasis on that of economics and demography, the Centre would carry out policy oriented research in the field of health.

The PIDE’s initiative has found a very willing and enthusiastic partner in the Gesellschaft für Internationale Zusammenarbeit (GIZ). Since 2009, GIZ has been engaging stakeholders and partners from federal and provincial level to shape the social health protection institutions in the country. In their collaboration with PIDE they want to invest in the development of professionals who are better equipped to understand health holistically and have the ability to make economically informed health policies.

Approach

The CPHSP would have two academic clusters- Health Economics cluster and Population and Public Policy cluster. The Health Economics cluster aims to produce professionals well-versed in the application of economics to health and health care, including aspects like: efficient use of government resources, individual health institutions; public health interventions; assess the macroeconomic relationship between disease, development, poverty, and globalisation; and assess health systems performance and advise governments and policy makers accordingly.

While the Population and Public Policy cluster would include subjects related to population processes, epidemiology and health, population economics and how they are related to public policies. This new degree programme will replace the existing Masters in Population Science programme.
15. *The Pakistan Development Review (PDR)*

PDR Started at the Pakistan Institute of Development Economics as Economic Digest in 1958, The Pakistan Development Review (PDR) has been published by the Institute regularly since 1961, with only a short pause during 1971-72. For several decades now, it has been a refereed international journal of Economics and related social sciences. The journal is issued quarterly and, with a fair mix of topics, regularly contains original (theoretical and empirical) contributions to Economics, in general, and on Pakistan’s socio-economic problems, in particular. Nearly every issue carries contributions by scholars from Pakistan and overseas. The Review’s Editorial Board consists of thirty-six outstanding scholars in the field of Economics and various social science fields.

The contents of the PDR are abstracted/indexed regularly by several works of reference including the International Bibliography of the Social Sciences, Econlit, eJEL, JEL on CD, World Agricultural Economics and Rural Sociology Abstracts, Agricultural Engineering Abstracts, Asian-Pacific Economic Literature, Ekistic Index of Periodicals, Wheat, Barley and Triticale Abstracts, Tropical Oilseeds, Rice Abstracts, Population Index, International Labour Documentation, Bibliography of Asian Studies, Geo Abstracts, CABI, IOOR Virtual Library, and Current Issues. Occasionally, the PDR publishes special issues. For example, the Summer 1979 issue was devoted to a symposium on ‘Shadow Pricing’, while the Summer, Autumn, and Winter issues of 1980 were devoted to a symposium on ‘The State of Development Economics: Models and Realities’.

The journal’s large subscriber list includes universities, libraries, and individual addresses in all parts of the world. Electronic access has been made possible by placing nearly all of the information about our publications on the PIDE website [http://www.pide.org.pk](http://www.pide.org.pk) and by allowing Internet links. Articles published in *The Pakistan Development Review* (PDR) from 1989-2011 are now part of the REPEC website. About 1136 PDR articles have been uploaded on the REPEC website ([http://econpapers.repec.org/article/pidjournl/](http://econpapers.repec.org/article/pidjournl/)). This placed PIDE at the top of the ranking list of economic institutes in the country.
EXTRACTS FROM THE CONSTITUTION OF THE
PAKISTAN SOCIETY OF DEVELOPMENT ECONOMISTS

ARTICLE 5

5.3  Membership: There shall be a select category of Members of the Society. The minimum criteria of eligibility for election as Member of the PSDE are:

(a) Previous *ex-officio* membership of the society;

or

(b) Master’s degree in Economics, Business Administration, Public Administration, Agricultural Economics, Statistics Econometrics or Economic Demography and/or an evidence of proven scholarship in these areas of specialisation.

5.4  Election of Member: All persons satisfying the minimum eligibility criteria as specified in Article 5.3 may apply for Membership on the prescribed form after having their nominations duly proposed and seconded by any two *Ex-officio* Members/Members of the Society, provided that no such application shall be required of a former *Ex-officio* Member of the Society who may enroll as Member on payment of the prescribed fee at the invitation of the Council. Election to Membership shall be decided by a simple majority of the Executive Council at a constitutionally valid meeting.
# Membership Form

**PAKISTAN SOCIETY OF DEVELOPMENT ECONOMISTS**

Registered Office:
Pakistan Institute of Development Economics,
P.O. Box 1091,
ISLAMABAD – 44000

**MEMBERSHIP FORM**

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**ACADEMIC QUALIFICATIONS** (Give details of highest degree(s) obtained)

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For conditions of eligibility for Membership, see reverse.

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For conditions of eligibility for Membership, see reverse.
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16. CALL FOR PAPERS

*The Pakistan Development Review*

(Quarterly)

**Introduction and Scope**

*The Pakistan Development Review* is an international journal of research in social science fields published by the Pakistan Institute of Development Economics four times a year: Spring, Summer, Autumn, and Winter. *The Pakistan Development Review (PDR)* has been published by the Institute regularly since 1961, with only a short pause during 1971-72. For several decades now, it has been a refereed international journal of Economics and related social sciences. It publishes original contributions to empirical and theoretical aspects of social science subjects. The journal is issued quarterly and, with a fair mix of topics, regularly contains original (theoretical and empirical) contributions to Economics, in general, and on Pakistan’s socio-economic problems, in particular.

**Editorial Board**

The *Review*’s Editorial Board consists of about Thirty-Six outstanding international scholars in the field of economics and various social science fields who actively participate in refereeing papers submitted for publication in the *Review* and also in other related activities.

**Submission Guidelines**

Manuscripts of articles, notes, review-articles, comments, rejoinders, and book reviews—in English only—should be sent in triplicate to the Editor, The Pakistan Development Review, Post Box 1091, Islamabad-44000, Pakistan. Hard copies should be accompanied, wherever possible, with a standard diskette (preferably in MS Word). E-mail queries regarding submission may be sent to publications@pide.org.pk. Each request for a book review in the journal must be accompanied by two copies of the relevant book, which should be submitted to the Book Review Editor.

Manuscripts would be accepted for consideration on the understanding that they are original contributions to knowledge in social science fields.

More detailed instructions are available on the official website www.pide.org.pk

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