

Institutions, Policy, Reform and Research: A National Narrative-building Through Webinars at PIDE

Edited by
Hafsa Hina



**Pakistan Institute of Development Economics
2020**

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**A National Narrative-building Through
Webinars at PIDE**

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- *Speakers for sharing their knowledge and experience.*
- *Authors for writing the webinar briefs.*

FOREWORD

Public policy and social science research in Pakistan remain tentative, self-conscious and detached from the realities of Pakistan. HEC has adopted a mechanical approach to research: counting publications and impact factors. Rather than questions or focusing on key questions facing the country, researchers have not developed either a debate or a body of literature on issues such as:

- The decade of energy losses.
- The decaying colonial governance structure that remains unreformed.
- The legal, judicial and regulatory system that impedes investment and development.
- The overbearing permission/NOC/SRO system that obstructs market development and favours cronyism.
- The broken PSEs continue to bleed.
- Tax policy and administration that does not deliver needed revenue.
- Aid dependency not only for funds but also policy.
- Addiction to IMF adjustment programs without achieving durable stabilisation.
- The mess of city administration focuses on sprawl while preventing the development of productive dense, mixed-use development.

These are just some of the examples of the extremely important areas that need to be studied and researched in their minutest detail to lead policy and reform, but which have been ignored by our research community.

Aid has worked overtime, perhaps without design, to stifle local thought and assume the task of idea and policy leadership. In doing so, it has assumed money and aping the west are all that is required for the development. In this way, they ensured that Pakistani research remained committed to issues other than these critical areas.

Over the last year, PIDE has explored a variety of new areas in its research agenda. To draw upon local knowledge about important issues of the economy we held a series of webinars engaging people with knowledge and experience on subjects such as energy, cinema, city development and master-planning, civil service, legal and judicial reform, education policy, state of our democracy, tax policy and administration, the continuing saga of IMF programmes as well as market development and transaction costs.

Dr. Hafsa Hina and her colleagues have compiled key ideas from these webinars. We have compiled them in a book to help our researchers and students find new topics for research. This book, therefore, offers our economists to learn more about the Pakistan economy than most textbooks.

Dr. Nadeem Ul Haque,
VC, PIDE.

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Chapter 1: Economic Growth

1.1 Managing Growth with Stabilisation Series

1.1.1 Managing Growth with Stabilisation I

1.1.2 Managing Growth with Stabilisation II

1.1.3 Managing Growth with Stabilisation III

1.2 Banking, Finance and Economic Growth

1.3 Why Businesses Don't Grow in Pakistan?

1.4 Unpacking Investment Crisis in Pakistan

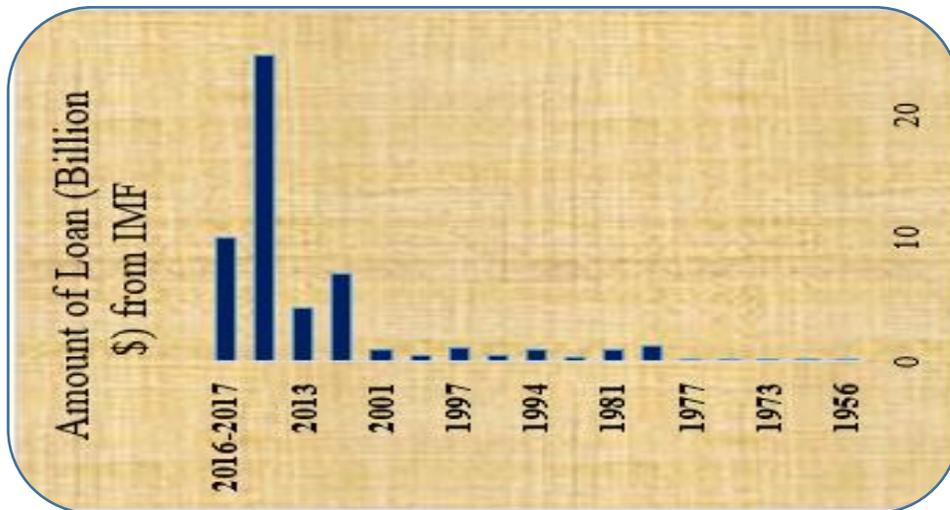
1.5 Accountability of White-Collar Crime in Pakistan

1.6 The Digital Leap: Financial Empowerment

1.1. Managing Growth with Stabilisation Series

Introductory Remarks by Dr. Nadeem Ul Haque

Pakistan has been struggling hard for stabilisation and strappingly relying on IMF programs for decades. Pakistan is extensively running after loans with the hidden conditions and now the state reflects that Pakistan is under pressure of approx. 53 billion debt. IMF internal evaluation report depicting that three things which lead towards austerity mainly include design failure, implementation failures related to government and institutional decay. Now the problem lies in the capacity issues especially in FBR, Ministry of Finance and Planning Division and finally the tax policy which is an absolute disaster of all. Considering the last program where offering a number of waivers, appreciated exchange rate, loss of reserves that built up debt during the program, increased energy prices and increased circular debt creating mess in the energy sector. Unfortunately, all these factors reflect the declining long run growth rate as well as investment rate i.e. Pakistan is lowest in Asia. Now the question arises that when and how we will be able to attain durable adjustments? What would be the ultimate objectives? Can our economic policy be able to refurbish all? Tax regime is happening at the cost of growth and employment. This is in fact a huge burden on the economy leading towards the declining GDP, killing investments and ultimately high fiscal deficit.



The series of webinar on managing growth with stabilisation enlighten us about:

- How Pakistan can achieve durable adjustment without going through austerity?
- What can be done to achieve growth acceleration even when developing a stable economy?
- What are the major mistakes made in the last three decades of adjustment programs in both design and implementation?

1.1.1. Managing Growth with Stabilisation-I

Key Messages

- Mr. Masood Ahmad explained the relationship between stabilisation and growth. He highlighted that economic stabilisation can have symmetric objectives but the COVID-19 shock encountered an unanticipated collapse in demand and output and all related response programs are working hard to stabilise an economy.
- Traditional objective of economic stabilisation is to restore macroeconomic stability by rebuilding foreign exchange reserves and reducing the current account as well as fiscal deficit. It can only be possible by enhancing the exports and reducing imports through change in exchange rate.
- Coming up to the current account issue, Dr. Masood argued that Pakistan has not enough exports. The fundamental problem associated with exports is that it totally relies in the hands of the family businesses of Pakistan and they don't want to let go of control.
- There are no consolidation or bankruptcy laws in such cases. Moreover, Pakistan's export industry has no FDI and that industry is only commodity-based; not supporting the mega-orders exports.
- So, Pakistan has to seriously re-think on exports, regenerate it and make our industry competitive. Third factor i.e., saving and investment rate which is also extremely very low. For this purpose, the financial sector has to be revamped. This could only be possible to start with a good implementation plan, forward road map, good governance and good implementation.
- The key points are that the IMF is effective in doing its job of inducing stabilisation but the track record of laying the foundation of sustained structural growth is very vague. Stabilisation is mostly being achieved through import compression resulting in well-restoring of foreign exchange reserves. Similarly, fiscal adjustment has heterogeneous impacts on growth depending on several other economic dimensions. Last of all, growth will come from structural reforms and a sense of ownership.
- In the case of Pakistan, there is a dire need to identify the constraints, stick to the fundamentals and chart a clear path with political willingness and accountability.

Speaker
Masood Ahmad, President, Centre for
Global Development, USA

At the end, Dr. Nadeem Ul Haque counter confirmed the saying of Mr. Masood that in Pakistan nobody is interested in growth and elite-captured people are the major hurdle hunters in the way of growth. The only point of concern is that when will the people of Pakistan start thinking and will demand growth. This is the only way that ensures Pakistan towards growth and stabilisation.

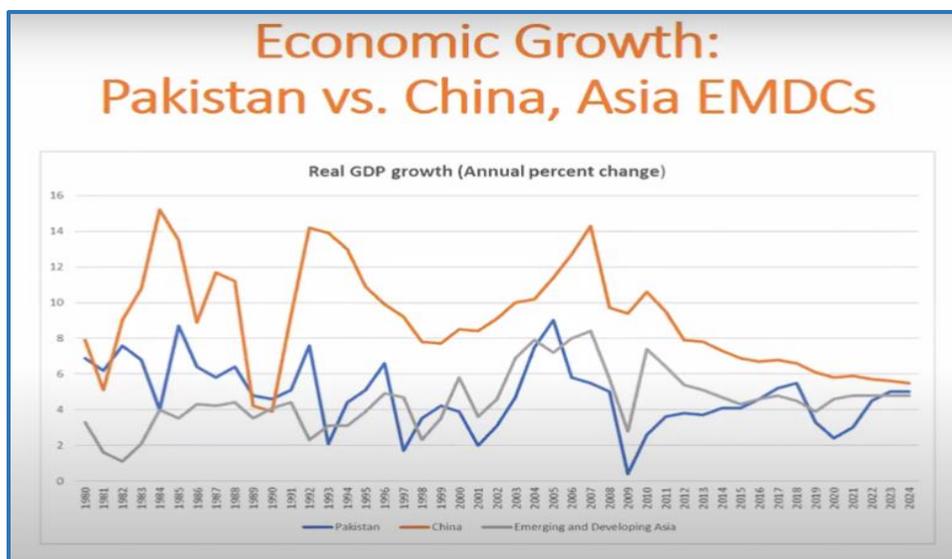
1.1.2. Managing Growth with Stabilisation II

The growth pattern of Pakistan is not stable rather fluctuating from the last few decades. For the first time in history of Pakistan, a negative growth rate accounts for -1.5 is projected by the IMF, after the year 1952 when growth rate declined to 1.8

percent due to exogenous shock to agriculture. Moreover, the projections of the IMF for the year 2021 and further are optimistic. In the past, as compared to China and other developing Asia, Pakistan could have done a great job. For instance, the GDP per capita of Pakistan was twice as high as of China in 1990, however, in 2018, the growth rate of both countries became closer as China moved faster.

Speaker

Dr. Adnan Mazarei, Senior Non-Resident Fellow, Peterson Institute for International Economics.



Key Messages

- There are a lot of factors which deteriorate the geopolitical, governance and economic incentive structure. Pakistan has not succeeded to control export diversification, except the year 1984, after that the declining trend again started particularly in agriculture and textile.
- Another factor contributing to the low rate of growth is the absence of Pakistan in global value chains. Although, Pakistan's participation in global chains has improved relatively to past years, as it was 22 percent during 1990-2015, while Vietnam was way ahead with 40 percent participation rate.
- The backward participation was negative as it stood at -2 percent indicating the decline in sophistication of Pakistan's exports. Whereas, the changes in forward participation was good but not significant as compared to other countries.

- Moreover, it also shows that other countries rely on inputs while Pakistan contributes in value-added.
- Pakistan goes through repeated macroeconomic instability and adjustment cycles and the major reason for this is more emphasis on stabilisation rather than growth. We often neglect the issue of growth because we repeatedly get confronted with cycles of stabilising and lack of reforms to address the roots of that instability.
- One of the main factors behind it is the over-reliance on geopolitical rents and IMF financial safety nets. The reason behind focusing on stabilisation rather than growth is the IMF programs that are more stabilisation and crisis management oriented rather than growth oriented.
- Unfortunately, whenever we have growth over 5 percent, we have gotten into macroeconomic instability or currency issues. We have been growing slowly because there are a lot of law and order issues in Pakistan and the state being has not been able to take care of the law and order situation. Similarly, in the past violence incidents of terror discouraged international businesses from coming to Pakistan.
- Pakistan has not grown as fast as other countries. So, there is an overall need to understand the non-convergence puzzle and focus on growth. This requires balanced breathing space from stabilisation.
- There is a dire need to identify the root cause of instability in growth. These instability cycles mainly, caused by excessive budgetary spending or other balance of payment problems.

To overcome this problem, there is a need for a social contract that delivers shared economy prosperity, which focuses on building economic strength, and less reliance on geopolitics. Government should cut down subsidies which were given to elites such as the power and gas sector and put them into health, education and research & development for long term positive growth to achieve economic prosperity.

1.1.3. Managing Growth with Stabilisation - III

Key Messages

- To achieve the growth with stabilisation, we need to focus on the key prongs of long-term strategy to manage the growth with stabilisation.
- The first is the whole area of progressive taxation reforms which has remained elusive last year and effort was made to broaden the tax base and remove some tax expenditures. But at the end, unfortunately, we were only able to achieve less than half of the initial growth rate that was anticipated.
- The second most crucial element in this regard is the rationalising of government size which is much embedded in the macroeconomic framework that has been presented by the IMF. Here, the issue is how to rationalise the size of government-particularly of the federal government after the 18th amendment.
- The next element is the export-led growth in which Pakistan unfortunately has a big failure to promote its export. It is quite surprising that the exports of Pakistan remained unchanged from the last seven to eight years. To support the long-run growth with stabilisation, the policy makers must consider how we accelerate exports, how do we diversify our exports beyond the traditional dependence on low value-added textiles and how do we ensure balance in our current account?
- Finally, in terms of individual and planning process and the strategy, it is extremely important that some key sectors should be identified, like agriculture, construction and so on. These sectors have strong backward and forward linkages and promote a measure of inclusiveness in the growth process.
- These are the few key issues which we need to focus to achieve the long-term strategy to manage the growth process with stabilisation. Furthermore, there are two most critical elements in a strategy i.e. mobilisation of resources, revenues and exports. Higher revenues and exports are very important factors for a medium to long-run strategy to achieve the higher rate of growth with stabilisation.
- The government has introduced a construction package by providing a wide range of supply including a tax amnesty and free environment. The issue lies on the demand side which is what the builders will construct if there is no need for housing in the country. If we want to follow a growth-led strategy then there is a need to focus the banking sector on developing housing finance which is very low around 0.6 percent.
- In the current system, we have some issues, for instance, we don't have low-cost housing and we didn't develop a proper foreclosure legal framework. As the government rightly identified the construction sector which has linkages and could become one of the focal points for growth strategy.

Speakers

Dr. Salman Shah, Advisor to the Chief Minister of Punjab on Economic Affairs and Planning & Development

Dr. Hafeez Pasha, Former Finance Minister, Govt. of Pakistan

- On the other side, tax is a huge documentation cost, so, the question is should our program be tax-led?
- This is the one of the fundamental concerns in the context of current program design which relies heavily on a big increase in the tax to GDP ratio, resultantly, which provide the resources for expansion particularly in development spending which ultimately accelerate the process of growth.
- The second issues in our tax system is that most of the taxes are collected from the traders. If we look at our neighbour India, only one city Bombay is collecting five times more property tax as compared to the total national property tax collected in Pakistan. Therefore, there is an urgent need for structural reforms in the current taxation system.
- In the present era, innovation and entrepreneurship are considered as major drivers of long run growth and stability. So, we need to focus on innovativeness and dynamism; our SME sector contributes a lot in the growth but unfortunately this sector has been hopelessly starved for credit and one of the ignored sectors in terms of credit financing.
- The third area is structural reforms. Now, in this strategy what would be the key structural reforms? As already mentioned, from the political economy perspective, there should be structural reforms in taxation system, preferential, input-output pricing that is one key area of structural reforms. Here the question remains, is it politically feasible?
- The other key area of structural reforms is the power sector in terms of merit order of plants.

To sum up, Pakistan is facing a lot of challenges to achieve long-term growth with stabilisation not limited to the taxation system, land management system and banking sector. One of the prominent challenges is the absence of growth-led strategies along with lower levels of human development, lack of innovation and technology and absence of the academic institutions in the planning process. Therefore, there is a need for structural reforms in the taxation system and to spend a prestigious amount of money in resource development and research & development. Furthermore, to achieve the higher growth, we have to promote and develop innovative SME sectors.

Prepared by:

*Hafsa Hina, Assistant Professor, PIDE
Abdul Khaliq, MPhil Scholar PIDE*

1.2. Banking, Finance and Economic Growth

Banking system plays a pivotal role in human resource building and economic development. If the banking system is not well organised and efficient, it creates obstacles and instabilities in economic growth and development. To understand the importance of the banking sector and its role in the economy, Pakistan Institute of Development Economics organised a webinar to get answers of some specific questions from the top bankers of Pakistan.

Speakers

Atif Bajwa, President and CEO, Bank Alfalah

Zubyr Soomro, Chairman, National Bank of Pakistan

Syed Salim Raza, Former Governor, State Bank of Pakistan

Alman Aslam, EX Corporate Consultant, Citibank

Shazad Dada, CEO, Standard Chartered Bank, Pakistan

Key Messages:

- If we talk about the banking system of Pakistan in terms of caliber, quality etc., they were far behind as compared to foreign banks in the past. There were some important factors which made foreign banks superior over Pakistani banks: delegation of authority, promotion of training and skills, and merit based system.
- On the contrary, in Pakistani banks, there were monetary issues, political games and the lack of above mentioned factors. However, after the privatisation of our banking sector, many foreign banks exited and our local banks hired people from the pool of foreign banks who were appropriate in terms of all the factors mentioned above.
- At present, our banking system faces serious hurdles in attracting talent both domestically and overseas for the public sector banks as well as for the private sector.
- Now the question is, why the public sector fails to attract the talent? And the answer may be that the governance standards have been influenced by the ability to choose the right team. Additionally, intervention of NAB, FIA and judicial activism in the public sector also create maladjustment to attract and retain talent.
- Conversely, in the private sector, decisions are made more professionally and the delegation of authority also exists. Although, it has been impacted by the *Seth*-culture as the bigger banks were more professional and benefitted by attracting talent. However, now there are more opportunities to attract talent due to the economic instability and pressure on banking jobs overseas throughout the Middle East and beyond.
- At present, the banking system lacks the concerted efforts to train employees as there is no shortage of talented people, they are only required to be trained. Since the foreign banks left, the national training grounds have reduced. Unfortunately, the domestic banking sector has not taken up that challenge and

did nothing in terms of training; in fact, there is a tendency to cut down the training budget.

- As long as government's fiscal deficits are there and they are the major borrower in the banking system, there is no incentive for banks to train people. First, we have to accept that we are behind and there is a dire need to promote in-house mentorship and learning culture.
- Local banks need to fill this training gap by spending a fair amount of money on it; otherwise, they will lose regardless of the public or private sector. Likewise, boards and the sponsors have to support this because it is a business and an industry where the long-term real assets are people.
- Similarly, age is another prominent factor which attracts talent in any organisation irrespective of the locale. In Pakistan, employees coming from foreign banking system are getting a lot of facilities and incentives as compared to the middle and lower tiers staff. This discrimination is discouraging the talent heading towards banking sector.
- In the current banking system, banks collect deposits from the customers and invest them into government papers and in return they earn a huge risk-free profits. When the interest rates decrease, they will be sitting on huge capital gains for the next four to five years and there are fewer incentives for banks to invest in human resources.
- Furthermore, there are two alarming developments in the last four to five years in the banking system. One is, our banking system is very small and only accounts for 33 percent of GDP as compared to India's 64 percent and Bangladesh's 47 percent part of GDP. Hence, against our small banking system, we have a massive ramp up in cash in circulation which is 43 percent whereas a decade ago it was 27 percent. We are not expanding the banking sector, we are doing debunking as cash leakage mutes the capacity of banking multipliers to expand deposits. To overcome this, fiscal policies have to take necessary measures and interest rates must not be in a soaring trend.
- The second unfavourable development in our banking system is our two-thirds deposits go to government securities and guarantees. Resultantly, there is no project financing and no product development.
- Competition is an essential factor for the growth and efficiency of any industry. In Pakistan, the smaller banks do not have the capability of raising deposits at the same cost at which the larger banks can because larger banks have bigger branch networks. The cost of network expansion is too high so the smaller banks cannot afford this. Likewise, the larger banks have the low deposit cost, they can easily lend to the large corporates as it is agreeable by everyone at the finite rates because of the low risk; vice versa is true for the smaller banks. Additionally, the state bank of Pakistan has vetoed the issuance of further banking licenses from the past 15 to 20 years, which is also a hindrance in the way of the competitive banking market.
- Besides, there is a perception about the banking sector that the deposits come from the rural areas and go to the urban areas through large corporates.

Admittedly, it's true, according to the numbers of state banks, 10 percent of the total deposits come from the rural sector and only 4 percent of that lend to the rural areas; this is clearly a mismatch. It's easy to blame banks for that, but we cannot neglect the fact that finding credible borrowers in those areas is not easy because they are not structured and also the local environment, commercial banks do not support them.

At last, the banks are not only the large user of technology but also the large investors. Unfortunately, in Pakistan, the banking sector is not so innovative because we lack talent development which is the essential element for innovation.

Prepared by:

Karim Khan, Associate Professor, PIDE

Abdul Khaliq, MPhil Scholar, PIDE

1.3. Why Businesses Don't Grow in Pakistan?

Preamble

Pakistan is the 5th largest country by population and according to the World Bank, 64 percent of Pakistan's population is under the age of 30. Moreover, the country is full of natural resources, with a vibrant population and myriad opportunities. But unfortunately, after 73 years of independence, we have not capitalised our resources and population to improve businesses in our country. On the other hand, our regional competitors and other countries have managed to grow very rapidly in a very short span as compared to Pakistan.

Dr. Nadeem Ul Haque started the debate with the basic statistics. He was on the point of view that data and facts speak louder than words. He backed his stance by advocating that we lack some basic measures due to which businesses do not thrive in Pakistan.

- Firstly, our credit to GDP ratio is extremely low, that is only 18 percent, while India and Bangladesh are far better than us. According to an approximation, they are 3 times better than us in this regard.
- Secondly, collateral-land value is locked in Pakistan. We have only 10 to 20 percent of land for collateral.
- Thirdly, we completely lack better bankruptcy laws.
- Fourthly, our government has high credit demand from the banking sector as compared to our competitors.
- Lastly, our investment to GDP ratio is very low.

The Speakers expressed their views on this issue that why Pakistan has not managed to improve its business environment in the presence of humongous opportunities for businesses growth.

Key Messages

1. The business environment has not improved in our country with the passage of time.
 - In 1986, our exports were 3.8 billion dollars and the exports of Vietnam were only 0.8 million dollars. But currently, Pakistan exports are only 24 billion dollars, while Vietnam exports have sky-rocketed to 264 billion dollars.
 - Pakistan has only managed to improve its exports 6 times, while Vietnam exports have grown exponentially by 330 times.
2. Apart from the export sector, we have failed to improve the market capitalisation of our large sectors like; OGDCL, MCB, Power sector, PTC, ENGRO etc.

Speakers

Atif Bajwa, President and CEO, Bank Alfalah

Waleed Siagol, CEO, Kohinoor Group

Alman Aslam, EX Corporate Consultant, Citibank

Mohsin Iqbal, Ex Country/ Regional Manager, Inter Corporation & Hewlett Packard

- The market capital of our large firms is about 2.8 billion dollars, however, in India it is 13 billion dollars. We have miserably failed to improve our financial, power and export sectors.
3. Some important questions were also raised like:
- Why have we failed to spur businesses growth in our country?
 - Is the culture not suitable for growth?
 - Does the mindset of people a hurdle?
 - Is the government failing to provide opportunities for businesses growth?
4. Some realistic answers to the aforementioned questions, which are adversely affecting businesses:
- The first barrier is the lack of professionalism in our business community. Our local businessmen do not invest in professionalism. On the other hand, international businesses giants invest heavy sums on improving professional ethics and environment.
 - Moreover, our local businesses are not adopting the modern ethos of businesses, by failing to establish good organisations and suitable environments. They are only busy in the blame game by blaming the government for not providing a feasible macro-environment.
 - Furthermore, we lack innovation and entrepreneurships. There is no trend of risk taking. They all are in the search of a golden way to boost their profits by avoiding risk. Contrarily, the trend is different in the international arena. Large businesses are investing hefty amounts on innovation and new ways of improving businesses growth.
 - Moreover, foreign firms hire their human resources on merit basis, which then prove their worth.
5. Apart from business community failures, the role of government is also not very supportive.
- The market is overregulated by the government.
 - Rent seeking is widespread. FBR policies are making barriers for a growth environment.
 - In the same manner, the corrupt and inept elements in FBR are making the survival of businesses difficult.
 - In addition to this, we also lack a vibrant legal system for businesses protection and still rely on old colonial laws.
 - Government is only supportive to elite groups, who actually run the governments. Perks and privileges are only awarded to a few selected ones, which further deteriorate the competitiveness of the market. New players cannot afford to enter the market, as entering needs linkages in bureaucracy, government and heavy bribes for the authorities.

Concluding Remarks

The list of impediments to businesses growth in Pakistan is very lengthy due to which we have failed for 73 years. But now it needs drastic reforms, if we want to create a viable and vibrant environment for businesses thriving.

- First, the government has to implement business friendly laws.
- Moreover, changes in monetary and fiscal policies according to the needs of circumstances will also be fruitful.
- In addition, stringent reforms in institutions will also help to develop good business practices.
- There is no doubt that providing facilities to the firms will enhance its productivity.
- Bringing good legislation and implementation will attract large businesses from abroad as well as from the local market. Without reforming the current faulty system, revival of businesses growth is near to impossible. We can only hope for the best and can struggle in the right direction to bring growth on the right track.

1.4. Unpacking Investment Crisis in Pakistan

Preamble

This webinar is conducted in continuation of PIDE investment series describing the key barriers to investment (lack of good policies and weak dispute resolutions), failure to build economic zones, expressing the Chinese perspective and lastly the opportunities and major challenges.

Takeaways

- (1) Long run growth of Pakistan is volatile and declining as compared to growth of China.
- (2) For this, the biggest problem is associated with thoughtful policy primarily at the domestic level.
- (3) In terms of investment, Pakistan is sitting at 15 percent as compared to the regional countries where China is leading with above 45 percent and this is indicating that Pakistan has zero or no investment and is actually taken as “replacement investment”.
- (4) Though, we have multiple policies but in reality there is no investment policy at all.
- (5) This situation laid multiple questions about
 - (a) What the Board of Investment is actually doing in Pakistan?
 - (b) Why it is not delivering appropriately?
 - (c) What FDI actually brings to the table and why don't we value domestic investment?
- (6) Furthermore, the key leading problems associated with this are unthoughtful policies, reactive policies, over regulations, confused, erratic and predatory taxation, bad judicial and legal system, costly, intrusive and unnecessary documentation and large footprint of government. Even with all these problems, a major concern is why everyone interested to come to Pakistan if there are no investment opportunities mounting for?

Speakers

Haroon Sharif, Former Minister of State and Chairman Pakistan Board of Investment
Almas Hyder, Chairman SPEL Group and Former President, Lahore Chamber of Commerce

Dr. Wang Zhihua, The Minister of Counsellor (Economic & Commercial), Embassy of the People's Republic of China, Islamabad

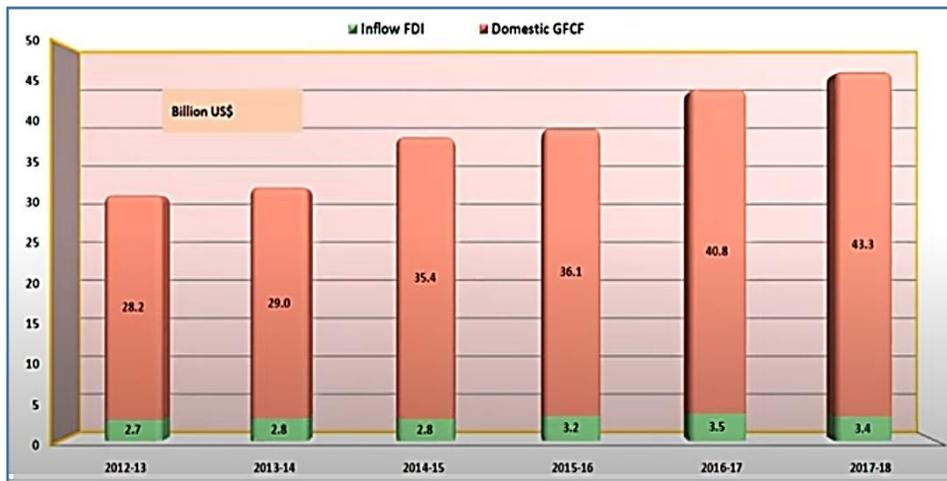
Ishaq Burney, General Counsel at the Qatar Financial Centre

Key Messages

Haroon Rasheed explained the graphs showing higher levels of investment to GDP ratio among the countries that have attracted foreign investment.

- (1) In this regard, two traits are very important; good policies to support it and be consistent with that especially looking after the existing investors who are actually doing business in your country.

- (2) Until or unless the institutions like the Board of Investment are empowered and the right to human resource will be given importance.



While discussing China as an investment champion and its experience in Pakistan, Chinese Ambassador **Dr. Wang** expressed his views as follows:

- (1) China is mainly relying on domestic investment rather than on FDI. But FDI is also taking part not only in growing capital specifically in exports but also giving excess to international markets. This will help to bring expertise in developing human capital.
- (2) Pakistani government has also made major efforts in doing business with ease and it is of no doubt that due to its geopolitical location and skilled human capital, Pakistan may attract FDI from the world toward it.

Ishaq Burney explained the Qatar Financial Centre (QFC) as a case study:

- (1) QFC is one of the world's leading and fastest growing business and financial centers, targeted both inwards and outwards investments along with that it offered common law based legal, regulatory, tax and business environment.
- (2) QFC has its own independent Courts resourced with judges of international repute to resolve the matters.
- (3) QFC has a very simple incorporation and licensing process and in terms of Pakistan, the Sialkot Chamber of Commerce is already an active partner of QFC.

Summarising the fact that the government is extremely complicated with massive problems in tax policy, regulations, interference of court and land acquisition for industrial states. However, on top of that issue remains the same as how to enhance the domestic investment that creates ease of doing business with competitiveness.

1.5. Accountability of White-Collar Crime in Pakistan

Preamble

White collar crime is defined for the first time by Edward Sutherland as “a crime committed by a person of respectability and high social status in the course of his occupation” spans corruption, bribery, tax evasion, securities fraud, bankruptcy fraud, bank frauds, offense against consumers, over/under invoicing of imports/exports, money laundering etc. These terms are very familiar in the context of Pakistan.

People who commit such crimes here think themselves very smart and not feel any guilt. Before going ahead, there are some basic questions that need to be addressed and PIDE has arranged a timely webinar to take the views of experts over such questions like;

- Do we know what is the precise nature and extent of white-collar crime in Pakistan?
- What is the impact on the quality of life and on economic, social, cultural and political development of Pakistan?
- How are we managing to deal with such problems?

The general perception remains very negative as elites continue to extract rents through collusion and money laundered to safe havens. There is a need to analyse and debate the political economy, governance, institutional weaknesses, fragmented legal framework and the prevailing international approaches towards curbing the white-collar crime.

Key Messages

Is it the white-collar crime or inefficiency which have spoiled the roots of the whole system? As we have lost billions of dollars, we have lost 5.5 trillion in energy and it seems complete inefficiency.

Dr. Shoaib Suddle replied that actually inefficiency is also a white-collar crime. If the top machinery is so incapable to run the affairs and waste the valuable resources without any know how, then it is a crime. Similarly, lack of expertise, failure to control and lack of meritocracy also led to white collar crimes. Everything is written in black and white in the constitution and it has drawn some boundaries but our civil servants break those boundaries every day. It is clearly evident from our score of transparency which is extremely low and its average is only 30. The actual reason is that our bureaucratic system which we have inherited is inefficient and pro- corruption.

Harron Sharif shared his thoughts about the white-collar crimes. Firstly, he argued that we have done a lot of regulation but the state failed to curb such crimes. Secondly, what are the loopholes in our political system which permit inefficiencies and provide

Speakers

Haroon Sharif, Former Pakistan’s Minister of State and Chairman Board of Investment

Dr. Ehsan Sadiq, Additional Director General, Economic Crime Wing.

Dr. Shoaib Suddle, Former Federal Tax Ombudsman

Ahmer Bilal Soofi, Former Federal Law Minister

rent seekers countless opportunities for corruption. Thirdly, there is paucity of competency. Our institutional setup is completely broken, it needs to be revived completely. Fourthly, there is immense collusion of state institutions and political systems which led to inefficiencies. Fifthly, everything in this country is politicised which is not good for the country and last but not the least, political populism is awfully harming the image of our country and first we need to put our house in order.

Whether laws and lawyers are providing safety to the white-collar criminals. Is our legal system faulty and need improvement? Why is the legal system so weak in our country? How can law minimise this problem?

Bilal Soofi replied that there are some loopholes in the law and need to be reformed, but the most important thing is efficiency. We are also facing the problem of legality and legitimacy. There are needs for such laws which are both legal as well as legitimate. We are not providing enough space to our entrepreneurs and we are expecting development which is not possible. He gives an analogy that our country is like a driver who has to pull the handbrake and push the accelerator so that his vehicle can move fast, but his all efforts will be in vain. Similarly, we want development and have hung the sword of Damocles in the form of accountability over the head of top machinery, how we can expect to progress in such a situation?

The experts also give some suggestions to curb the scourge of white-collar crimes. There is an immense need for a wide debate on the conflict of interests at every forum as there is very little understanding of this area and there is utter confusion which needs to be removed. Moreover, every regulator should be held responsible and it should be strengthening further for more efficiency. Similarly, civil services reform will also do its trick. Apart from this, companies' offices should be empowered so that everything can move smoothly on the track. Likewise, knowledge partnership should be developed with other jurisdictions and lessons can also be learnt from other countries in this regard. Furthermore, we should stop glamorising white collar crimes as it is a crime. Media should be stopped to promote this crime in the form of making movies on this subject. Also, strong checks and balances will help to restrict the growth of these crimes. New laws should be adopted according to the needs of our country. It is also strongly required that there is political will for the aforementioned reforms.

1.6. The Digital Leap: Financial Empowerment

Preamble

The growth in digitisation and internet connectivity has an instrumental role in bringing financial empowerment. The digital promise is a big promise for Pakistan as people face multiple challenges even in managing day-to-day digital activities such as opening an online account, easy transfer of money from a bank, or using a credit card for a transaction. This webinar discusses the state of digitisation and challenges faced by the government, financial institutions, and telecom operators in Pakistan.

Speakers

Farid Ahmed Khan, CEO FINCA

Aezaz Husain, CEO System Ltd.

Zouhair Khaliq, Co-Founder & Partner

Teamup Group

Digital Banking

Digital banking and internet banking have often been used interchangeably but the concept has evolved. Digital banking is a kind of bank that has tried to move most of its services on internet, away from brick and mortar structure in the form of a mobile app or the internet.

There is a wide spectrum of financial institutions that offer digital services. Digital banking emanated from the fact that there was a big push towards financial inclusion, providing customised services to customers, and banks to reduce the cost of services. Brick and mortar structures have become a drag and it was not allowing banks to fulfill its promises. With the advent of 3G and 4G, there was a push to utilise available internet and allow users to conduct services over the internet.

Digital Models Practiced by Financial Institutions in Pakistan

The model on which these banks are working is a **full-scale model**, a fully digital retail bank that provides software, hardware, a full suite of services and it is trying to cater to the needs of borrowers and depositors.

Secondly, there are restricted players who primarily use certain parts of these services, such as online payment platforms known as **marketplace banks** where consumers are provided services of shopping. These platforms act as brokers or aggregators such as Alipay, which provide a service of payments and allows customers to transact or do the shopping for the retailer as well as wholesaler.

The third model is a more **skeletal model** which is digital banking as a service provider where they act as a payment service, deposit service, or act as a third-party agent for someone who requires a platform. Customers use their license, platform, and access to the client. These are the different spectrums of the digital bank which are used globally. Each model has its unique characteristics, pros, and cons, and each depends on the regulatory environment, and types of customers served.

Digital Divide in Pakistan

There has been a growing digital divide in Pakistan. There are people who have access to the latest gadgetry and internet and have been able to transform their life and financial needs through the use of these platforms. On the other hand, there is a vast majority who do not have access to the means including expensive hardware, high-speed internet service, and no financial literacy and communication skills.

It has been observed that some part of the population actively embraced this change, whereas a large part is still trying to understand the phenomenon of digitisation. The Internet was supposed to be a great equaliser or would be a platform for everyone but unfortunately in the third world countries, especially in Pakistan, we have not seen a large number of players who are sensitive to the needs of the public and they have not been able to customise or offer their product for masses. Currently, all available services are biased towards elite strata of the society, high net worth individuals or at least have a social profile. This is an area that needs much attention to catch up with the rest of the world.

Digital platforms can provide the governments /NGO much needed space through which they can intervene directly for support and enhance service delivery to a larger population. Ehsaas cash transfer program is a successful example of digitisation of financial services which was able to provide support and services using branchless banking, mobile wallet and cellphone. Digitisation can make a significant impact on society in health and education if made prevalent and widespread.

Challenges Faced by Financial Institutions

The following hindrances make the adoption of technology difficult and give impetus to a cash economy:

- (i) Technology barrier, availability of software and hardware for digitisation.
- (ii) Language barrier, lack of basic financial literacy and communication skills.
- (iii) The value proposition is significantly low because people are reluctant to use internet banking.
- (iv) Cost is very high, charges are higher for internet-based banking than physical cash transfer per transaction.

Regulations Needed to Enhance Digital Banking

Regulatory push or input is required to incentivise banks and customers to use technology. These incentives include a taxation system, ease of documentation, and other related costs that are needed to adopt digital.

The banking system lacks interlinking in Pakistan, there is a need to link digital platforms like ATMs through an aggregator who can function as a middleman. Anti-money laundering laws prohibit the remote opening of an account, the central bank needs to determine a threshold and allow people to open accounts and transact so that people should not move away from digital banking. Moreover, consumer protection regulation must be ensured to increase trust in digital banking.

The Existing Situation of Technology in Pakistan

Although, there is a digital divide in Pakistan; nearly one-third of the population has access to the internet and technology. Out of 220 million people, 160 million people have mobile access and 82 million people are using 3G or 4G which implies an encouraging position, and Pakistan has to determine its next leap based on these facts.

There are three stages of digital empowerment, digital, digitisation, and digital transformation. Digital means being able to use technology first hand. Digitisation refers to generating, transferring, storing data and information on a cloud or a file on both sender and receivers' end. Digital transformation means that everyone who is using data can store it, refer to it and utilise it for any purpose and decision making.

Most of the emerging economies have successfully moved to the third stage which is digital transformation. We need to bring offices, homes, supermarkets, even *Kiryana* stores in this chain of digital transformation. This process gives them a whole new level of control over the information by doing better utilisation and trade that information, be it peer to peer, government to the citizen, or vice versa.

What we Need to Do for Digitisation

There are issues on the consumers' side as well as on the government's side. Firstly, the government does not have that capacity to operate digitally or use digitisation because the majority of offices and ministries are still working on files in a traditional way. There is a natural resistance to digitisation from the government because the transition is not easy and may not be comfortable to make policies and implement them immediately.

Secondly, 65 percent of the population is below age 30 and can safely be called digital natives who are comfortable in using all features of smartphones even in rural areas. Telecom businesses should push these people to adopt digitisation quickly. It is only possible if people from policy circles provide an enabling environment by providing technology and access across the country.

Thirdly, digital empowerment can be ensured by introducing alternatives of cash such as card payment or e-paisa. There are many issues and barriers that inhibit digital empowerment and these barriers exist at the government level, central bank level, and commercial banks level that requires a holistic approach across the board to ensure the use of digitisation. In this context, particularly, telecom operators are needed to be facilitated and neutrally provided the license to avoid possible threats and risks which our telecoms operators are facing now.

Policy Issue of Telecom Operators

One of the important issues that telecom companies face is "right of way". This issue usually emerge when telecom operators lay fiber optics to connect the base station; the owners of land take this as a revenue opportunity by demanding huge amounts making it difficult for telephone operators to deploy the network.

Secondly, telecom operators are the highest taxpayers in the country, take the example of credit where 30 percent of balance recharged by consumers directly goes to the government treasury. This policy also needs to be reviewed because none of these taxes adds up to facilitate the telecom industry.

In 2004, telecom operators contributed some percentage of their revenues for ICT and R&D to enhance connectivity by rolling out the network. Government needs to encourage such efforts and make it an urgent need to improve connectivity and networks in the country.

National Incubation centre has trained youth between age 20-35, invariably fantastic and with immense potential, who have already started e-business, e-education, e-commerce, e-health, agri-tech, AI, and machine learning projects. These youngsters are national assets who have the vision and capability to transform the future of Pakistan if supported and facilitated. Government does not have the capacity to create jobs for such a huge population base, but it can create a cadre of potential entrepreneurs who can create jobs in the future.

Is Pakistan Skill Deficient?

- The existing skills available in Pakistan are at a lower level and are not exportable. Pakistan has the lowest level of skills even below Vietnam, the Philippines, and Myanmar, as these economies have trained their people at the next level than ours in terms of software development and software management.
- Pakistan needs to declare this as a national education emergency and up skill people so that they can get the right skills to get a competitive job in the international market.
- An important concern that needs attention is to recognise and ease the process of opening an account for a young individual (a new entrant in the market) and establish a bank account. It is not just a digital issue but also a regulatory issue which is holding back the digitisation process. This will provide an enabling environment for the growth of digital technology in Pakistan and the realisation of digital Pakistan.

Financial Divide in Pakistan

The digital divide is reduced but more than that, the financial apartheid has become even stronger in traditional banking systems and the concept of financial inclusion is ignored in Pakistan. Banks have invested a lot in digitisation and the services have dramatically improved, for instance, online utility bill payment. But these services are available to those who hold accounts with banks. In Pakistan, only 15 percent of the economy have banking accounts and the rest is dependent on the pure cash economy.

Another important financial divide is the fact that microenterprises make nearly 50 percent of the economy but they are not formally banked. There are hundreds of undocumented businesses like corner shops (*parchon ki dukan*) and *Khokhas* need to be included in mainstream banking. The regulatory frameworks and policy-making severely inhibit this inclusion. The set-up charges are also very huge for small businesses that add up to the cost of business. Because these microenterprises have no access to formal institutions, therefore, they have to reach informal financial services which add to the cost of the consumer. The ability of digital technology to be used is not inhibited because of lack of technology, communication is cheap, technology is cheap, skills exist, and people are willing to use it but it is the government's attitude towards its use that is holding it back and nothing else.

Is Telecom Policy Going to Work?

One of the dilemmas in Pakistan about policies is that they are not implemented and the lack of mutual consensus among implementing bodies. Policies make sense when they are made to facilitate the system, but the case is opposite in Pakistan.

In the legal framework, there is a need for a change to enable companies to register their patents, to protect their intellectual property rights, and for people to conduct transactions electronically creating a repository of data and storage of information is an area.

Why is Pakistan not Able to Use Big Data?

There is no dearth of data, but this data is not used to facilitate consumers. Financial institutions and banks are those key players who can use consumer and microenterprise data to determine the creditworthiness of consumers and use it for decision making. It took twenty years for the State Bank of Pakistan to come up with a credit rating regulatory framework, but there is not a single rating agency in operations. Some of the firms use data for projections of their sales, and algorithms based on consumer preferences.

Chapter 2: Tax Policy

- 2.1 Economics of Tax Expenditures by FBR; A Debate for Reforms
- 2.2 Tobacco Tax Policies: Formation, Effectiveness, and Challenges

2.1. Economics of Tax Expenditures by FBR; A Debate for Reforms

Setting the Stage

The webinar starts with a short presentation on the topic of ‘Taxation and Economic growth: a review of evidence from taxation research’ by Sarah Nazammi. Sarah extracted the reasons for the increase in taxation by the donors which were; to increase the government collection for developmental purposes and secondly, to increase in citizenship and ownership with increased taxation. Furthermore, the reasons for the failure of the system were attributed to the non-competency of the state in terms of wise usage of the revenue and the motive of the government to increase taxes for repayment of the loans.

To present the working and viewpoint of PIDE about the taxation policy, Mr. Khalid Mahmood put forward the stance that tax policy is not growth inclusive rather it is business choking. PIDE Identified major issues through evidence-based analysis that include; illusive tax-to-GDP ratio, lack principles of fairness, certainty, efficiency and convenience, fragmented sales tax increase uncertainty, excessive documentation, tariff policy strangles growth, exemptions and concessions create confusion. PIDE recommendations for the Tax policy overhauling include; reducing with-holding tax regimes and excess documentation, reducing compliance cost, tax filing to be made mandatory, income tax should be universal and not fragmented, simplification of the tax code and learning from the evidence that exemption and concessions lead to loss of revenue and create confusion.

Speakers

Dr. Ikram ul Haq, International Tax Counsel

Ch. Muhammad Tarique, Member (Inland Revenue Policy), Federal Board of Revenue

Dr. Shahid Kardar, Ex-Governor, SBP and VC BNU

Key Messages

FBR Presenting the Tax Expenditure Report

Rationale and the need for the tax expenditure report were explained in start followed by the methodology used in estimating the tax expenditure and drawbacks of the tax expenditure. The rationale behind the tax expenditure was to improve transparency and accountability, good governance and to entail informed decision making. FBR is mandated by the Public Finance Bill 2010, to publish such reports and the need of the tax expenditure reporting is widely stressed out by the World Bank and IMF for fostering government budgetary and financial transparency. The methodology used for estimating the tax expenditure was ‘revenue forgone approach’ though, IMF suggested the usage of ‘VAT gap model’ approach for sales tax.

Narrowing the tax base, creating inequalities across the taxpayers, inappropriate use of discretion or the misuse of the tax expenditure, less transparency, benefits accrue disproportionately to middle and lower-income households, are some of the drawbacks of tax expenditure. It was further observed by the FBR that tax expenditure is not the crucial determinant in attracting the investments, rather it hampers the growth through creating inequalities.

Political economy perspective was highlighted and that exemptions are proposed by different ministries or stakeholders primarily for non-tax purposes. Due to the opaqueness of the tax expenditure, they are preferred over the incentives through direct spending or subsidies. Moreover, tax expenditure is not quantified by the sponsors, rather it is left for the FRB to quantify.

Furthermore, IMF views that Pakistan doesn't have the luxury of giving the tax exemption, pertaining to the economic situation and growth and tax code should not be used for any other purpose other than revenue generation.

Lastly, the tax expenditure numbers summary was presented to the panelists. In 2020, the tax expenditure was estimated to 1.150 billion in total, out of which 45 percent (518 billion) account for sales tax expenditure, 35 percent that is 378 billion for Income tax and 22 percent of the tax expenditure that amounts to 253 billion was estimated for customs. Further, it was observed with historical data that tax expenditure is rising over the years.

Dr. Ikram-ul-Haq's Viewpoint

Dr. Ikram-ul-Haq shed light on the legal framework of the tax expenditure and how these exemptions/concessions are the violation of the supreme law of the land. Dr. Ikram elaborated the legal constructs of Article 72 and Article 162 of the constitution of Pakistan which states that none other than the act of parliament can levy a tax or allow exemption/concessions. The Supreme Court has concluded that delegation of powers for granting exemptions and concessions given in the tax law clearly violates the law of the land and amending tax codes through SROs is unconstitutional.

Further, Article 162 was discussed and it was highlighted that the said article is continuously violated and no objection is raised from the major stakeholders -- the provinces in this regard. Moreover, article 162 debars even the national assembly to grant exemptions without the prior approval of the President of Pakistan. Dr. Ikram believed that power for allowing exemptions has been delegated unconstitutionally to executive authority by the parliament.

The exemption given to the IPPs since its inception in 1988 has been raised from 25000 million to 28880 million in the previous year was quoted as an example to elaborate the subject matter. Another example put forward was of 2012 where government officials of grade 19-22 were allowed monetised transport allowance. The SRO 569(I)/2012 further allowed them to pay only 5 percent tax on this allowance as a separate income block, creating inequality as for the rest of the officers it was amounting to 35 percent on the same allowance.

Replying to moderator's comments of branding Pakistani public as tax thieves, Dr. Ikram highlighted that 95 million mobile phone users in Pakistan pay 12.5 percent non-adjusted advance income tax, and has the highest ratio of tax in the telecom sector in the world.

Dr. Ikram suggested that all exemptions and distortions must be removed and simplifying the tax laws can improve the overall tax system. He further remarked that the gross violation must be stopped and the violations committed in terms of allowing exemptions and concessions through SROs must be revoked.

Dr. Shahid Kardar's Viewpoint

Dr. Kardar discussed the approach taken up by the FBR in estimating the report and pointed out that supposedly if we had collected the said amount of 1.1 trillion which is lost in terms of exemptions and concessions; would this collected amount be used for the purposes we intended them to use? And further, keeping in mind the history of FBR in the achievement of collection targets will this amount be collected? Dr. Kardar further pointed out the assumption of the said report identified as a loophole. Discussing the Tax expenditure Dr. Kardar viewed that few of the estimates need to be revisited which were thoroughly explained by him, further he suggested a classification of the tax expenditures and unrealistic assumption of no behavioural changes need to be rectified. Areas including property tax, interest expenditure against the dividend, and provincial GST require special attention and need to be looked at in the perspective of tax expenditure reporting. Moreover, for the fairer system of taxation, the tax expenditure needed to be reflected in the budget.

Discussion

In response to the questions and comments, Dr. Kardar concurred that PIDE research on taxation also suggested that to enforce lower taxes rates and remove all the exemptions and concessions. Further, it was acknowledged that the economic impact of the tax expenditure to be researched on and estimated for better understanding and clarity.

Dr. Ikram pointed out complexities of the current taxation system which make it complicated. The exemptions and concessions create confusions and ambiguity. Dr. Ikram and Dr. Nadeem both were of the view that the existing Tax policy needs to be simplified and stressed that the current taxation system is killing the transaction and is harming growth. All panelists agreed upon that growth-oriented taxation is need of the time, rather than a sheriff-Robinhood syndrome. Panelists urged that taxes be reduced as developed countries have reduced taxes over three times in history, while we kept on increasing the rates.

Ms. Reema, in response to the questions and comments, urged for collaboration on research and knowledge sharing. She further stressed that the government needs to find new avenues for revenue generation, so that burden on FBR for revenue generation and achieving the set targets can be reduced. While responding to a question related to numerous withholding taxes, Ms. Reema said that we have removed nine withholding taxes this year and are planning to remove 30-40 more, in the coming 3-to-4 years. Agreeing to the comment that the most of the withholding taxes are distortionary, but due to narrow tax base and defaulters, FBR rely on these withholding taxes which theoretically are distortionary. It was further said that presumptive taxes are mostly phased out and converted to minimum taxes, which will eventually be converted to adjustable taxes but that is only possible if the tax base broadens and people pay their taxes. In response to Dr. Ikram's comment on the FBR penalising its taxpayers, Ms. Reema stated that all global tax collection bodies had deterrence against un-abiding taxpayers.

In a closing note, the need for collaboration was stressed and taxation policy should be based on evidence-based decision making and growth-oriented by the panelists.

2.2. Tobacco Tax Policies: Formation, Effectiveness, and Challenges

Preamble

Tobacco is subject to multiple taxes in Pakistan including sales tax, corporate income tax and local tobacco. The federal excise duty (FED), which is primarily the instrument to discourage its consumption, is generally perceived as a major source to collect government revenue. In 2018–2019, the cigarette industry contributed 2.8 percent of total tax collections with the FED contributing 92 billion rupees. Nevertheless, in the South Asian region, cigarettes are the cheapest in Pakistan. A Pakistani consumer could buy 4.9 and 2.6 packs of Marlboro against the one pack price of the same in Sri Lanka and India, respectively. This is because the FED rates on cigarettes, especially for the second-tier, are lower in Pakistan thereby allowing the brands

to be shifted to the second tier, bringing the cigarette prices down. Reasons often cited for the reluctance to increase tobacco tax rates include the substantial volume of illicit trade and the potential loss of revenue to the national exchequer. Empirical evidence, however, suggests otherwise.

Speakers

Dr. Frank Chaloupka, Research Professor, Division of Health Policy and Administration of the University of Illinois at Chicago

Dr. Roberto Iglesias, Consultant of Campaign for Tobacco Free Kids, World Bank, the Framework Convention on Tobacco Control Secretariat and Pan American Health Organisation (PAHO).

Ch. Muhammad Tarique, Member (Inland Revenue-Policy) at Federal Board of Revenue.

Dr. Mahmood Khalid, Senior Research Economist, PIDE

Muhammad Sabir, Principal Economist, Social Policy and Development Centre (SPDC).

Key Messages

- Hundreds of studies on the impact of tobacco taxation both in terms of its impact on tobacco use and its economic impacts show that increases in tobacco taxes increases the tobacco prices which are very effective in reducing tobacco use i.e. a 10 percent increase in price will on average reduce overall consumption by about four and five percent in high income countries and low to middle income countries respectively.
- Tax not only increases the prices but also changes in the affordability of cigarettes. Brazil, most effectively reduced tobacco consumption through taxes and in Indonesia, the affordability of cigarettes was increasing due to reduced prices.
- So, if these effects of taxation are significant so will be the impact on health. France, where taxes were increasing in the 1990s and early 2000s, the prices were going up and consumption was coming down, which resulted in health benefits in terms of reductions in lung cancer and death rates.
- Tobacco taxes are also very effective in generating revenues given the inelasticity of demand and Ukraine benefited from it.

- The key conclusion is that increasing taxes is the most effective way of reducing overall tobacco use. Therefore, it really matters to understand the strength of tobacco tax systems.
- In Pakistan, affordability has changed very little over the last 10 years and the impact in terms of using the tax to reduce overall tobacco use. Pakistan has a lot of room for improvements in terms of raising the share of the excise tax in price and raising the overall share and as a result in reducing tobacco use.
- Cigarette tax scorecard evaluating tax systems and illustrates the strength of these systems effectively. Cigarette tax scorecard is ranked out of five-point scale with five as the highest possible score and zero as the lowest score. Pakistan is coming in just under one score on this scale. So, there is ample room for improvement and simplifications to the tax structure.
- Some of the economic arguments that are used against tobacco taxation is that an increase in tobacco tax will have negative macroeconomic effects by reducing jobs. Against this argument, what happens, is that we see more than offsetting gains in other sectors. Such as, people who consume tobacco products, now spend those resources on other goods and services. The government spends those increasing tax revenues into development projects. Therefore, the net impacts of tax increase is positive, in terms of reduction in tobacco use and positive impacts on employment in Pakistan.
- Another argument against tobacco taxation is that tax increases are going to have negative distributional effects and going to hurt the poor. But what we see again from studies from around the world as well as some of the emerging evidences in Pakistan, is that in the long-term, low-income populations reduce their tobacco use. In response to tax increases, they get improvements in health and reductions in medical care spending and they see improvements in productivity that lead to income gains.
- The last argument, that's particularly resonating in Pakistan, is that increases in taxes will automatically lead to illicit trade and tobacco products. But the global evidence shows the opposite relationship. Countries that have high taxes have relatively small market shares for illicit products and vice versa. The problems with illicit trade are related to governance, the presence of corruption, lack of effective enforcement mechanisms, and lack of good tax administration.
- Governments can control illicit trade through strong tax administration, effective tracing tracking and tracing technologies, prominent tax markings, control the distribution chain for tobacco products, strongly enforce their tobacco tax laws and imply strong penalties on those engaged in illicit trade.
- Although, tobacco is the 2nd largest enterprise in Pakistan, the macroeconomic indicators suggest relatively small employment contributions which demonstrate that when taxes are raised, tobacco consumption is reduced, resulting in economic gains not in economic losses.
- Ideally, tax policies should be formulated on the basis of certain evidence, rates need to be moved up or down and looking into the behaviour of tobacco consumption.

- In Pakistan, data analysis is required for formulating tax policies as far as tobacco is concerned. Generally, a lot of input is given by the FBI in case of tobacco.
- The basic objective of tobacco tax policies, especially FED on tobacco, is to reduce tobacco consumption. But it is also a great source of revenue. This sector has a revenue of around 400 billion rupees.
- Generally, federal excise duty and excise taxes are meant for discouraging consumption of certain quantities and are designated for health purposes. In Pakistan, we have a legal constitutional problem when we styled a certain tax and we earmarked that this type of taxation will be spent on a particular activity. The courts do not call it a tax, they say this is a fee. In Pakistan, the national assembly is the competent forum to pass taxation by their money bill.
- Further, to improve taxation, a new electronic gadget is introduced through which the production sites of various factories would be linked through the internet with a centralised control room and ultimately that would facilitate the federal board of revenue for real-time monitoring of production activities. If installed successfully, this will optimally address the issues of enforcement.

Chapter 3: Entrepreneurship and Innovation

- 3.1 Innovation and Entrepreneurship
- 3.2 Entrepreneurship and Innovation in Pakistan
- 3.3 Learning from Chinese Innovation and Entrepreneurship Model

3.1. Innovation and Entrepreneurship

Preamble

Every age has a hero; Troy, Achilles, Hercules, and Leonardo Vinci all were famous in different periods but today's innovators and entrepreneurs are the real heroes. The world is utilising those who can change, innovate, and are intelligent. Communities are enriched by intelligent people, having lots of dreams in their eyes and desires in their heart but they don't know how to transform their dreams into money.

The only source of transformation of dreams into reality is innovation and entrepreneurship. Innovation brings the ideas into the market and entrepreneurship discovers, evaluates, and provides opportunities.

Speakers

Ernesto Sirolli, Social Entrepreneur and Founder of Sirolli Institute

Imtiaz Rastgar, Chairman Rastgar Group of Industries

Zia Imran, Center for Economics Research in Pakistan

Athar Osama, Founder/CEO Pakistan Innovation Foundation & INNOVentures Global

Webinar Enlightens Us to Understand

- In the age of entrepreneurship and innovation, something that trendy is information about innovative models. The whole world wants to know what the “Silicon Valley Model” is.
- How is intelligence different from education?
- How we can meet the requirements of generalised entrepreneurship education?
- How the government can put its efforts to start the innovation process?
- How do you open up the economy to entrepreneurial support for intelligent people?
- How does the cluster happen: can the government build a cluster or not?

Key Messages

- The Silicon Valley model of entrepreneurship has captured the attention of the world. This is like an incubator for ideas of a community for reshaping the world. The Silicon Valley model of entrepreneurship is engaged in addressing the most compelling contemporary social and economic issues.
- The word entrepreneur stems from the Latin word “interprehendere” which means “the first among others” so the entrepreneur is the person who see opportunities where the others don't see.
- Innovation is all about intelligence but not education. Sometimes, well-educated people tend not to be able to see anything because they become specialists. There is a need to create an environment that allows the maximum number of people in the community to bring forward their talent. Their intelligence and elegance are necessary to create a better future for everybody.
- Most of the time, people keep their ideas in their hearts and minds; A society only has to do that so it becomes available to all those who have a capacity for

fulfilment. If once, we “shut up and listen” to those who lived behind their dreams, we will be able to ride in an idea.

- Small communities can earn more with minimal investment because of enterprise facilitators. They don't need infrastructure but the social impact is very great due to each enterprise facilitator is surrounded by volunteers.
- People from rural areas are more competent as compared to urban people because they live close to nature. Nature reveals its secret to the closer ones.
- Education and intelligence are two different things. Intelligence is in DNA and it is inherited from parents but education is a cultural veneer. All educated people may not be intelligent. Education is all about learning while intelligence is God-gifted.
- Government to simply support generalised entrepreneurial education to teach people based on three things: product, marketing, and finance.
- Wherever the government tried to build up the cluster, the cluster didn't come out. Clusters usually emerge accidentally, they come about organically. The government only facilitates them but they can never create them.

Suggestions

- Innovation and entrepreneurship are crucially important for countries like Pakistan. Dreams of becoming the centre of excellence cradle the new startups. The government has to provide a platform for encouraging people in transforming their dreams into reality.
- The government should focus on the introduction and implementation of mesmerising policies that can strive to emulate the public. Encourage entrepreneurship to harness the opportunities from a globalisation perspective.
- Create incubation centres like the “National Incubation Centre (NIC)” across the country to support and facilitate success through mentoring and networking by leading professionals, entrepreneurs, and investors.
- This is an ideal time for the development of the new approaches which can create a productive economic environment despite rent-seeking policies. The creation of a conducive entrepreneurship environment for the formation and growth of small-scale enterprises and growth-oriented innovative forms is a need of the day.

3.2. Entrepreneurship and Innovation in Pakistan

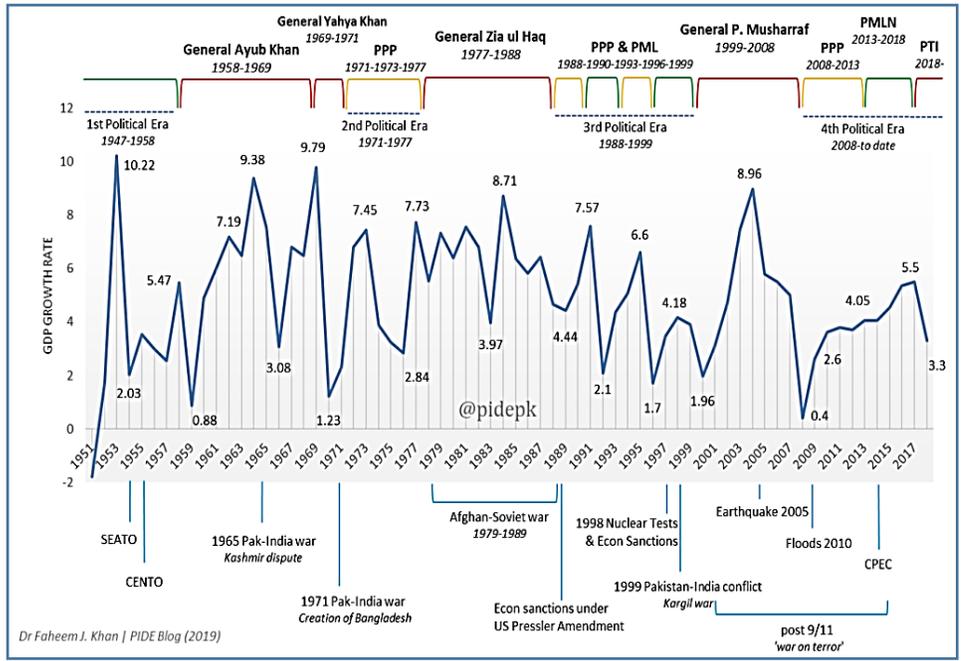
Preamble

To put the country on the road to prosperity, Pakistan badly needs to grow at a rate of 7-8 percent per annum for a long period. Innovation and Entrepreneurship being the primary drivers of economic growth, the objectives of the webinar are to understand; what is good entrepreneurship, key factor to promote entrepreneurship, what are its obstacles, and role of government.

Speakers
Yousaf Hussain, Entrepreneur, Angel Investor, Former CEO Ignite
Salman Wasay, Founder Chaye Khana
Monis Rehman, Founder, Rozee.pk
Rizwan Buttar, Chief Innovation Officer, ZOUQ
Asif Khan, Owner, Organic Farm
Salman Elahi, Blind Social Entrepreneur, Chairperson Binae Welfare Foundation

Key Messages

- (1) Entrepreneurship and innovation is a key factor in determining economic growth which is rightly emphasised by Nobel laureate, Paul Romer, in his model of innovation. According to this model, innovation accelerates productivity which in turn spurs economic growth.
- (2) In Pakistan, the growth rate of entrepreneurship and innovation is quite volatile and a long-term trend is also sloping downward. Studies show that to bring the country out of the debt trap, we need a growth rate of 7-8 percent which is -0.4 percent currently.



- (3) Encouraging innovation and entrepreneurship seems promising in this regard. Entrepreneurship generates income, so it's imperative to know what makes a good entrepreneur, what are the challenges faced by entrepreneurs in Pakistan and how these issues can be resolved.
- (4) Innovations are the ideas that are transformed into products and entrepreneurship is making leverage in arbitrage using innovation. Innovation is all about internalising ideas. Thinking locally will give immediate results. People who do something new in an easier and faster manner when there are other ways to do it as well. For example, in the transport sector, Uber or Careem are making a disproportionate advantage just through its technology leverage. This leverage effect can equally be utilised in any other sector.
- (5) Integrating the Agriculture sector with technology also has a huge opportunity for innovation. Connecting farms with metropolitan through technology would be profitable to farmers and cheap for city dwellers.
- (6) Entrepreneurship is not defined by the size of the firm. Small firms can also make huge profits using technology efficiently. Technology is a game-changer. It's not the question of how large a company is, rather how fast a company is and today smaller firms are more successful, efficient, and productive.
- (7) Neatly planned ventures and leverage in innovation are crucial for entrepreneurship but precise planning on 1, 5-year bases may not work in a highly innovating tech environment. Large organisations work in a structured environment but the innovation landscape changes frequently. Players and rules keep on changing as it is an iterative process. Incubators play a very important role in this paradigm. They help in learning and growing the innovative abilities of a community.
- (8) Looking for reasons for constrained entrepreneurship in Pakistan, it emerges that traditionally Pakistan is an agrarian economy that has a culture not used to the hustle, chaotic, and demanding environment of entrepreneurship. Apart from the cultural shift, entrepreneurship can be made a success by startups through anticipation in a structured way.
- (9) Concerning fundraising in Pakistan, we only need to encourage people to develop a problem-solving attitude. Solutions to societal problems that are scalable. In this matter, there is no distinction between literate and illiterate. 40 percent of the population of Pakistan is uneducated but with the technological diffusion, facts show that uneducated people are equally contributing. For example, a website, rozgar.pk, meant for posting ordinary jobs like cook, driver or gardener, etc. is visited by 30,000 people on average in a year.
- (10) There are obstacles for new startups as well like there is very tough scrutiny of venture capitalists, although they are interested to invest in Pakistan but they feel reluctant due to regulations on movement of funds, which are in dollars. We need to give good structure to them otherwise the foreign market will benefit from it. Another problem faced by businesses is regulatory uncertainty.

Takeaways

The government needs to take rigorous measures to address these issues. There were research organisations in Ayub Khan's era, conducting surveys on market-driven sectoral demand which was quite useful for entrepreneurs. Such initiatives should be reinstated to promote innovation which in turn would spur economic growth.

Prepared by

Nafisa Riaz, PhD Scholar PIDE

3.3. Learning from Chinese Innovation and Entrepreneurship Model

The webinar is organised by PIDE in collaboration with Pakistan Innovation Foundation

Preamble

For a couple of decades, China is moving forward in the right direction. They adopted a path of innovation that linked with prosperity, development, and welfare. The Chinese model is based on the axiom of only change is constant, for the implementation of the model, they designed their political system on flexible nodes that are capable to absorb sharp shocks. The capability of listening and changing made it possible to achieve double-digit growth. So, it is necessary to study the Chinese innovation entrepreneurship model with their national slogan “China dream”.

Speakers

Prof Naubahar Sharif, Hong Kong University of Science and Technology

Athar Mansoor, Civil Servant & Researcher on Chinese Science and Innovation at HKUST

Peggy Liu, Chairperson, JUCCCE

Athar Osama, Founder/CEO Pakistan Innovation Foundation & INNOVentures Global

Key Messages

- Humans have infinite possibilities to grow, innovation is one from them. The process of innovation starts gradually, various silos and disciplines of economy are set together to solve the puzzle of development.
- In Chinese model, the government trained mayors across the country “how to transform small and large towns into big cities”. Experts from the rest of the world are invited to cover every aspect of building cities having carbon-free transport, clean energy, and a sustainable lifestyle.
- Sustainability is a balanced formula for supply and demand forces. From 2010 to onward, China has given special attention toward infrastructure as a tool of sustainability.
- The axiom of constant change let China to grow. Dust of war, poverty, famine, drugs, death toll and lack of living facilities was removed by using day-to-day evolving policies.
- Investment in innovation opens new horizons of prosperity and creates job opportunities. Due to innovation, Shenzhen has become the financial capital of China. Innovation is all about the use of the heart and brain for dreaming and imagination.

Why Did China and the U.S Collaboration Fail?

China started a collaboration with the US on clean energy in 2007. About 60 MOUs were signed on state-level but no tangible outcomes were achieved. Following factors created hurdles in this collaboration:

- Language
- Culture
- Different definitions of success

Chinese Innovation System

The innovation system of different countries like China, Japan, Germany, and Sweden throughout history is backed by the governments. Government intervention is necessary for the development of an innovation system. Chinese are doing innovations because the government is taking a leading role.

The journey of Chinese innovation starts with an autocratic government. From the late 1990s, the government started to strengthen its innovation system and in 2020, innovation in China has taken dramatically on public and business levels. The struggle of three decades on three main factors has led China as a technological leader.

- The strong role of government
- Largest domestic market
- Scientific research

What we can Learn from China?

- Innovation in productivity and management has crucial importance for countries like Pakistan due to limited resources. As far as China's growth is concerned, they started their journey as imitators, not as an innovators.
- From 2006 to onward, Chinese government realised to include innovation as a part of the development strategy. It was essential to get rid of the trap of middle-income countries. During the 1990s, China was the largest recipient of FDI which played a central role in promoting regional innovation capacity. Pakistan should take into account FDI to grow. Entering into the collaboration provides a basis to compete with the world. Pakistan is entering into a new phase of development via CPEC and special economic zones.
- There is a need to improve absorptive capacity for significant spillover which will come from FDI, local firms, and organisations.
- Reliability on sufficient and effective linkages between foreign and domestic activities is required for deeper collaboration for industrial growth and technological up-gradation. By enhancing the absorptive capacity, technological gap between the local and international firms can be bridged.
- Pakistan has the largest population force. Through the facilitation of complementary assets by government productivity can be enhanced. Furthermore, creation of the linkages between academia and firms for the development of required skills is compulsory which China has created into their imitation to innovation process.
- The government should start prioritising technology, science, and innovation as main pillars for medium and long-term growth as China has done.
- Implementation of the Chinese method of production can enhance the output by three fold. Adoption of joint ventures and collaborative approaches with a mutual discussion of the government for absorptive capacity and complementary assets is a need of the day.

Chapter 4: Human Resource

4.1 Human Resource Management in Pakistan

4.2 Human Resource & Leadership Challenges in Pakistan

4.1. Human Resource Management in Pakistan

Takeaways

One of the country's success factors is how it manages its businesses and people. There is consensus among scholars that growth is all about humanity. If enterprises (irrespective of ownership status either they are owned publicly or privately) manage

talent in a better way they can conquer others as the West has done by managing their talent in a well manner. Unfortunately, in the past, we did not consider human resource as a key driver of success and it was a mess. However, now we are seriously thinking about how Pakistan is managing talent both in government and private sector.

Speakers

Paul Kijzer, CEO of the Talent Games

Monis Rahman, CEO Rozee.Pk

Challenges

- A complete disconnect between education and work practices
- Absence of Innovation in our HRM (Human Resource Management) system
- Difference in HRM practices among government and private entities
- Existence of power and misuse of power for side incomes due to low salaries.
- Less or no investment on staff development and reward mechanism
- Lower Salaries
- Merit less system
- Outdated Training system
- Promotion on a particular subject expertise – that would not grow the businesses
- Rent Seeking – especially in government sectors
- Skills mismatch
- Skills needed for a professional environment are completely missing in university graduates
- Standard work ethics are missing in Pakistani graduates as compared to the rest of world
- Talent is missing in Pakistan

Possible Solutions

- A substantial investment in R&D and HR innovation
- Develop real time data to figure out what are the skills needed in the job market
- Elimination of Reference and Influence both Seth and Political
- Meritocracy based systems
- Revamp the way to engage the talent with opportunities
- Train people with new means

Questions from the Floor

Q.1. What are some of the mechanisms that can be used to incentivise people? Is it a combination of management options or setting KPIs (Key Performance Indicators)? What should be done to enable the companies to grow from a small-scale level to a large conglomerate?

The only indicator that drives the success of an enterprise is the quality of leadership. First, to understand directions and strategic context. In addition, being able to carve a way forward. Secondly, their ability to engage and pick the right team and then subsequently engage them to make them part of the aim and mission. Moreover, give them freedom and support to achieve the goal. Furthermore, following steps could also be considered:

- Hold people accountable
- Constant communication and engagement
- Communicate with individuals in terms of how their job contributing

Q.2. What about the state of innovation in companies? Do they invest in that and is sort of the investment in the best talent in terms of R&D and innovation?

Unfortunately, R&D and innovation does not exist in Pakistan.

Q.3. What does innovation mean in the context of Human Resource? What is the scope for recruitment?

Yes, there is a lot of scope in terms of recruitment. For instance, through talent games people recruit not by filling resumes and having an interview but playing a game. Therefore, that game allows people to be assessed and as a result get significantly better insight in the candidate's capability in an unbiased manner. Interestingly, around 20 companies in Pakistan have taken that innovation and now are practicing in their recruitment sphere. However, there is a lot of innovation around how we can use HR technology to improve HR practices.

Q.4. Women as Leaders

Yes, women leadership play a climatic role in growth of enterprises that resultantly lead to country's development and growth. If men held responsible to report, women can also be. It leads to success—Vietnam is one of the examples.

Q.5. How do you (Paul Keijzer) see public sector HRM? What are the guidelines in terms of debate on civil service reforms?

In terms of government, Singapore is a role model for the world. The question is how did they do it from the 1960s onwards? The answer is they took a ridiculously small step: taking the right decision in terms of building a government service. That is more competitive and better to work forward. As far as Pakistan is concerned, people always look for shortcuts. It is always about a bird in the hand. Therefore, through shortcuts, we can never get a sustainable solution.

4.2. Human Resource & Leadership Challenges in Pakistan

Preamble

Pakistan is experiencing mysterious eczema. On the one hand, Pakistan is the fifth most populous country in the world, on the other side, we have fallen in the steep unemployment rate. Both the private and public sectors are facing multifaceted challenges in finding well-equipped human resources who have futuristic and visionary thoughts. The most baffling dilemma is that our educational institutes and organisations are producing clerks rather than leaders. Pakistan surprised everyone in terms of population demographics as the 43 percent of our population is under the age of 15 years and 53 percent between 16 and 64 years of age. Moreover, with 58 percent of literacy rate, still we are unable to find the right person for the right place, unfortunately. We are far ahead in terms of quantity and similarly far behind in quality. The *Parchi* (reference) culture and Seth culture in public and private sectors, respectively, destroying our economy, equally.

Speakers

Sheikh Imran ul Haque, Former MD & CEO PSO

Tahir Jawaaid, CEO Hub Power Services Ltd.

Dr. Khurran Tariq, CEO, Kay & Emms

Sadia Haroon, Director HRSI

Amjad Iqbal, EVP Talent Management & Culture PTCL

Key Messages

- At first, the meaning of human capital, human resource management and leadership was discussed. Human capital is defined as somebody who has a proven record of performance and has potential for the future. Whereas, human resource management is a set of HR policies and practices, organisational culture and talent repellent practices that enables human capital.
- In simple words, human capital is an asset that possesses knowledge and skills and source to achieve the organisation's objectives. Whereas, human resource management is an implementing machine of the businesses. Moreover, leadership is something that takes others along to accomplish a collective goal of the organisation.
- Human capital and human resource management practices play a vital role in the success of any organisation. When employees feel satisfied with human resource policies of an organisation, they give their best to increase the organisational performance. Moreover, skilled and updated human resources are necessary for an organisation's competitive advantage. However, human resource management can pose a greater challenge as compared to technology and capital management. Therefore, organisations also require an effective human resource management system.
- Similarly, leadership plays a very important rule in today's modern economy. As leadership is the process of influencing and supporting others to work passionately toward achieving goals and combine technical, human, and conceptual skills, which they apply at different organisational levels.

- However, unfortunately, leadership in Pakistan in both public and private sectors only focus on current job requirements. When we focus only on current skills, matches or job requirements, we compromise future requirements. That is why organisations developed their internal system more focusing on current job requirements, which create hurdles to move towards next level organisations; the visionary organisations.
- Therefore, focus has to be changed from current to the futuristic scenarios. There is a dire need to change the orientation approach, resultantly; all the system including HR policies & practices, process and culture will automatically align with the futuristic approach.
- Furthermore, the public sector organisation bears more autocratic leadership style while private sector organisations bear democratic leadership style in most. In addition, public organisation has good results for democratic and private has good results for autocratic. The biggest challenge for the private sector is Seth culture that is a hurdle in businesses growth.
- Besides, the main reason behind lack of visionary leadership in public sectors is remunerations. The public sectors are not paying the required amount of money, which creates bumps to attract and retain the talent in the sector. On the other hand, private sectors actually pay the handsome amount of money but glaringly all the decisions made on the dining table.
- In terms of hiring, the approach of the public sector is hectic. There will always be someone to come up with a reference. While in the private sector, people selected on merit but culture of the private sector not allowed them to make decisions independently.
- Moreover, in Pakistan the dilemma is our educational system is purely *Rattalisation* (cramming) based. The current education system is not creating leaders rather clerical staff. Institutions are not in the position to train students according to the need of the hour. We are producing nothing but a burden on the economy. Students do not possess the skills and knowledge that is required for businesses.
- In addition, our training structure is outdated, which requires the attention of respective stakeholders.

To recapitulate, our human resource, and leadership facing challenges of reference & Seth culture, outdated training system, Rattalisation based educational system, and skills mismatch. Furthermore, monetary gains, quality of life, and relevance of the experience are a few of the major challenges faced by the public sector to attract and retain talent. To bring effective human resources and leadership, we need to change the education system to align with the world standards, and the advancement in training and development is the need of the hour too. In addition, the public sector has to change salary packages to bring talent into the sector. On the flip side, the private sector has to allow professionals to make decisions independently rather than at the dining table. Besides, the government has to set the benchmarks for ministries and industries for performance evaluations and it must be research-based. Moreover, by enabling a competitive environment, we can achieve better outcomes. Finally, yet importantly, every profession should be considered respected regardless of its nature and level.

Chapter 5: Stable Economy and Politics

- 5.1 Aid, Development and the Lessons of History: Urban Reconstruction under Ayub Khan
- 5.2 Towards a Stable Economy and Politics!

5.1. Aid, Development and the Lessons of History: Urban Reconstruction under Ayub Khan

In the mid-60's, Pakistan's economy was known as bubble economy, because at that time the growth rate was significantly high as a lot of development projects were started including the Mangla dam from which Pakistan is still getting a major portion of energy. The major objective of this webinar was to discuss the development of Pakistan in the era of President Ayub Khan.

Speaker

Dr. Markus Daechsel

Reader of History at Royal Holloway
College, University of London

Key Messages

- Dr. Markus said that the major issue is the lack of trust of the government on the local contractors to build the projects. They hire foreign construction companies and contractors even though local companies have the ability to construct. At that time, the military was dominant as Mr. Ayub Khan came into power and argued that politicians are unable to solve Pakistan's problems. So, no one has any question about his actions.
- The Harvard Advisory group drafted Pakistan's first five-year plan and Doxiadis was responsible for the housing and settlements section within that plan. The first project which was given to Doxiadis was the establishment of *Korangi*. After the completion of this project within six months Doxiadis got a really big job, the Islamabad Plan for which Doxiadis lobbies excessively.
- Furthermore, his main points are:
 - Development discourse depends on politics and aid as much as on 'science'.
 - Development projects mean different things to different people.
 - Development is not inevitable.
 - Development history does not have to be a prison.
 - History is a great communicator.
- President Ayub Khan was not really interested in development discourse at that moment. Further, his regime was not subscribed to any particular version of what actually needed to be done. They were interested in demonstrating that they could get something done. So, executive capacity rather than policy was the main consideration. One of the aims to establish executive capacity is to be used for propaganda purposes. For sure, at that time, Doxiadis had a different propaganda objective which was to advertise himself as a development consultant.
- In the 1950s, Pakistani policy makers did not actually understand the role of their own country in terms of development. Moreover, he argued that Mr. Liaquat Ali Khan was the politician who really thought about what Pakistan needed.

- There is difference between reconstruction and development. Reconstruction is essentially a one-off effort to remedy a problem that has been inflicted by some kind of crisis. Whereas, development is a long drawn-out process for the next couple of decades.
- Policy that wants to improve economic and social wellbeing. Simply based on what are the objectives of the policy and then an open discussion of how these objectives can be achieved without any reference.

Conclusion

- Doxiadis was the right man, at the right time and at the right place and had a great role in urban reconstruction in Pakistan.
- Development projects can have different meanings for the Pakistan government and it meant something completely different for Doxiadis.

Pakistan did not involve in any idea of development in policy needs. So, there is a dire need to get involved in the idea of development in the first place.

Prepared by

*Abdul Khaliq, MPhil Scholar PIDE
Hassan Ahmed Nizam, MPhil Scholar, PIDE*

5.2. Towards a Stable Economy and Politics!

Preamble

From the last couple of decades, Pakistan is facing many challenges including economic and political instability, trust issues among institutions and constitutional amendments. Judiciary and parliament is not trustworthy anymore because of political instabilities and engineering which also leads toward economic instability in the country. The major aim of this webinar was to bring the economy and politics towards the stability in Pakistan.

Speakers

Wasim Sajjad, Lawyer, Politician and Former Senate Chairman

Irfan Qadir, Former Attorney General for Pakistan

Hasan Askari Rizvi, Pakistani Political Scientist Analyst

Key Messages

- Pakistan doesn't have a good system to run the state affairs. Each political party has a different mindset and policies for Pakistan. Not a single party wants to discuss the issues of Pakistan and what actually Pakistan needed rather to protect their self-interests. Moreover, Judiciary and executive, both are not working well on merit due to political interference. Members of all parties should sit together to discuss the problems and find solutions.
- Pakistan needs a system with least abuse. We have two types of systems -- Presidential and Parliamentary, but we didn't utilise any of these properly in the interest of Pakistan. All political parties just work for their own interests and try to dominate others. People must be elected according to the constitution and they must possess complete knowledge of the system.

Key Areas for Reforms

Constitutional Amendment

In this area following changes are needed:

- (1) The time for national assembly should be reduced from 5 years to 3-4 years.
- (2) The local government election should be held regularly (the elections should occur every year or after 2 years).
- (3) The women in the parliament should be selected indirectly by the parties and should not be elected members.
- (4) Article 62 and 63 should be revised.

Political Domain

Democracy become a part of the orientation of the people, the following measures could be considered:

1. Changes in education at the high school level.
2. Spend more money on health and education.

3. To give guarantee for the security of life. If the state provides full security, then the people will elect the right people.
 - Election is like a market competition. There are different parties which are in competition with each other. We want to change our election system, but it will create so many problems because most of the people in the country are illiterate and they do not want to change their party or to select people who are good for the country.
 - Four years' time is enough to judge the performance of any party. It should not take more than 3 years. Proportional representation works somewhere and somewhere not by creating a large number of problems which ultimately cause the breaking of the parties. Therefore, it is better to run a presidential system rather than proportional representation.
 - Most of the ministers do not have proper education and the feudal system still exists in Pakistan. Also, there is dynastic politics in Pakistan and the selected members come from the dominant parties. There are many people in the parliament who are relatives of each other and also of the president, so the reason behind this is that the people are selected by the president. In Pakistan, there is a monopolistic system, and the government transfers from one generation to another generation.
- There should be some limits on the size of the cabinet. In different countries, there are different numbers of secretaries of the president, for instance, in the US, the number is 15, in UK 22, while in our country it's around 51 secretaries. According to law, there should not be more than 14 ministers. Therefore, it is also needed to put some limits on the size of the cabinet and put some good rules for better governance.
- Reforms will not happen until the parliament wants. Because all parties think about their personal interests rather than the interests of Pakistan. Ministers should restrict themselves and don't involve in day to day activities. They must focus only on policy making.

Recommendations

- Elect those people who are educated and eligible to become part of the parliament.
 - Cut the roots of feudalism completely.
 - Make some reforms in the institutions.
 - Establish good relationships and coordination between different parties in the country and between the state and the people.
 - Make some laws and regulation which brings political stability in the country which will bring economic stability and increase the economic efficiency of our country.

Prepared by

*Vardah Sabir, MPhil Scholar PIDE
Abubakar Sadiq, MPhil Scholar PIDE*

Chapter 6: Trade

- 6.1 Textile Value Chain
- 6.2 Facilitating Pakistan's Trade: TFA & National Trade Facilitation Bodies-The Pakistan NTTFC
- 6.3 Export-led-Growth Channel of Development for Pakistan and Competitiveness of the Economy
- 6.4 Non-Tariff Measures and Export Competitiveness
- 6.5 Pakistan Tariff Bias: Anti-Export or Anti-Consumer

6.1. Textile Value Chain

Preamble

Textile design refers to the “fibres, yarns and fabric constructions and finishes. Textiles are one of the biggest industries and the single largest export earning sector of Pakistan. Pakistan is the 8th largest export of textile products in Asia, 4th largest producer and 3rd largest cotton consumer. Textile total share in Pakistan’s GDP is 8.5 percent, it comprises 46 percent of the total manufacturing sector and employs 40 percent of the total labour force. 5 percent of the total textile companies are listed on the stock exchange. Four hundred twenty-three textile industries are working in Pakistan and have a supply base for almost all man-made and natural yarns and fabrics,

including cotton, rayon and others. This abundance of raw material is a significant advantage for Pakistan due to its beneficial impact on cost and operational lead time.

Speakers

Shahid Sattar, Executive Director,
APTMA

Dr. Khalid Abdullah, Cotton
Commissioner

Anees Khawaja, Industrialist

Panelists

Wajid Rana, Program Leader, IFPRI

Mian Mehmood Ahmed, Ex-Chairman,
PCGA

Sheikh Moazzam Ahmed, CEO, SANIFA
Agri Services Limited

Bashir Ali Mohamed, Industrialist

Discussant

Dr. Amanullah Kassim Macheriya,
Director, Kassim Textile

Objectives

- Improved understanding of Pakistan’s total value chain, its problems and limitations and future policies for the total value chain.
- Our seventy-year-old textile sector has not seen such growth as compared to our competitors. From 2009-18, Pakistan’s textile grew 41 percent, while China, India, Cambodia and Bangladesh grew 65 percent, 69 percent, 434 percent and 201 percent respectively. Why did our competitors grow more than 50 percent during that time? What did they do and where do we lag?

Key Messages

- Shahid Sattar initiated the discussion by giving the overall view of the textile value chain, where Pakistan stands to its competitors.
- Pakistan is a country with a complete value chain from growing cotton to a known ultimate fashion apparel. In terms of value addition, \$1.5 kg/cotton is converted up to \$25 kg/product.
- Pakistan has very few companies with operations along the value chain, which means that yarn and thread are done separately, the fabric is woven separately, and apparel is made separately. There is very little vertical integration in this sector.

- The apparel structure is divided into two main parts: the production process and the second is logistic and sourcing. The production process is further divided into three subsectors, which includes inputs such as natural and synthetic fiber, trims (button, elastic & zipper etc.), and equipment and machinery. The second phase in the production process is components which include yarn and fabric production. After completing the second phase, the last phase of production begins, which is the final product. The final product process incorporates cutting, and sewing takes place. Highest value addition in raw material takes place in the final process.
- When the overall production process is completed, the logistic and sourcing phase begins, including distribution, sourcing and sales.

This part discusses the importance and challenges faced by the cotton sector.

- Cotton cultivation, production and yield have decreased over time despite showing growth. In 2011-12, cotton cultivation was 2.53 million hectares (MH) in Punjab & 0.26 million hectares (MH) in Sindh which reduced to 1.86 (MH) in Punjab and 0.65 (MH) in Sindh. A dramatic decline is seen in the production of cotton. The overall production in Pakistan in 2011-12 was 13.60 million bales which reduced to 8.57 million bales, showing a 37 percent drop.
- Global cotton yield has increased manifold, but Pakistan's yield is showing a year on year decline. For Example, cotton yields is a basic determiner, which means whether a farmer has made money or not shows a bad picture. Overall, yield 815 kg per hectare in 2011-12 is gone down to 580 kg per hectare in 2019-20.
- The overall decline in cotton production is due to poor seed plantation, no research support for farmers, major insect problems, unmanaged access to once in a lifetime transgenic cotton technologies, climate change, decreased profitability, outdated ginning technologies, and the list goes on.
- The ginning technology Pakistan has, is pre-world war-II, which harms the quality of our product. Cotton ginning is done through handpicking, which increases the risk of contamination.
- Cotton yield is becoming a big problem because of the decreased profitability factors. Cultivation of sugarcane has increased manifold because of the high-profit margin. In 2018-19, \$1.6 billion worth of cotton was imported, if the local capacity is increased, this amount would be injected to the local economy and an incentive for the farmers.
- In 2002-03, India decided to go for transgenic and hybrid cotton (genetically modified pet resistant cotton plant) which increased their production from 13 million bales to 40 million bales in a short span of 2 years.
- World trade is rapidly shifting from cotton to manmade fibre (MMF). A decade ago, the apparels were 70 percent cotton and 30 percent synthetic fibre, and now it's reverse—the apparels are 30 percent cotton and 70 percent synthetic fibre. Pakistan's consumption ratio of MMF to cotton is 30:70. Textile industry needs to focus from cotton to MMF because our products will not compete against the competitors, who are sourcing their MMF products, and it will limit the international market for us.

- The world's biggest textile market is the European Union worth around \$258.6 billion, followed by the USA, valued around \$114.1 billion. European Union gave Pakistan a special status according to which Pakistan can market their textile products there. This special status was given with some conditions like increasing sustainability, decreasing child labour and environmental degradation.
- Dr. Nadeem Ul Haque raised questions that why our cotton crop or agriculture basis of cotton is still not well established? Why yields and productivity are low, inputs availability is not topnotch? What is the role of the cotton committee to solve these problems?
- Dr. Khalid Abdullah said that every year an amount of around Rs. 90 to 100 billion is injected to the rural economy because of cotton production and related activities to cotton such as planting, boning, spraying, picking etc.
- Another advantage of cotton production is that every year, 4 to 5 million tons of firewood is produced, which eases the deforestation pressure. Additionally, 3 to 4 million tons are produced for poultry and livestock feed.
- Globally, 9.3 million metric tons of cotton is produced, which values \$16 billion. Pakistan's contribution is 10 million bales (a bale is a tradable ginned cotton and one American bale is equal to 400-500 pounds) and Pakistan's share, according to 10 million bales, is \$2.5 billion.
- Dr. Nadeem Ul Haque asked the panelist that we have discussed the textile sector's strength and opportunities so far, but what are the weaknesses of the textile industry? Textile is a 70-year-old industry, is Pakistan's textile industry competitive internationally? If not, why not?
- Mr. Aness Khwaja said our textile industry is not at a point where it should have, and it has multiple reasons. First, is that the government policies are not in support of industrialisation nor for export enhancing?
- Foreign investment is missing. Foreign investors are not taking any interest in Pakistan's textile because of the profitability issues. Two or three days of power cut in a week forced the investor or owner to invest in coal, gas and furnace oil plants for energy. Additionally, environmental sustainability separate investment is made. It's like a state within a state, to maintain that size and volume of exports and customer base.
- No innovation is taking place in the textile sector. MMF is in great demand in foreign countries, but we are far behind in that technology.
- There is greater mismatching in skills and the requirement of the industry. Skill development is an essential factor in the development of the textile sector. Unfortunately, after 2000, our institutes have not equipped themselves with the rise of modern and knowledge base skills.
- Amanullah Khan explained the reasons why Bangladesh is ahead from Pakistan in the textile sector. If a good costs \$6 in Pakistan, it costs \$5.50, which gives them a comparative advantage. This advantage comes from rebates from governments, lower labour cost and lower interest rates.
- Ijaz Khokar explained cartelisation in the textile sector. Cartelisation means if cotton supply in the market is short, the price increases at a phenomenal rate

whereas exporters have already floated the price for garments, apparels and home textile goods. As a result, the exporter exports goods at a loss. Ultimately, our textiles are no more competitive, and businesses are closed.

Conclusion & Recommendations

To gain maximum benefits from the textile, a few steps have to be taken: the government's involvement is necessary. An individual can influence or guide a group of people but not the whole sector. The government must devise policies which facilitate business. In Bangladesh, it only takes six months to install a complete setup for industry; on the other hand, in Pakistan, more than three years are spent on just making NOC's and clearance certificates. The policies should be sustainable for long term, not when government tenure is completed; the policies are changed.

Just like policies, sustainable power supplies should be provided no matter what it costs, because the industrialist has taken product orders, they have to meet deadline, which affects the future image and future orders, if not completed on time.

Keeping in mind the global trend of manmade fibre, more research and investment should be made on man-made fibre and reliance on cotton has decreased from 70 percent to 30 per cent in apparel.

There should be abundant supply of raw material that improves seed quality, introduces latest farming and picking practices, reduces contamination, and improves cotton quality—production of long-staple cotton: resulting in minimal reliance on imported cotton and enhanced overall exports.

6.2. Facilitating Pakistan’s Trade: TFA & National Trade Facilitation Bodies—The Pakistan NTTFC

Preamble

Realising the gaps and importance of the Trade sector, Pakistan initiated its national trade and transport facilitation program. National Trade & Transport Facilitation Committee (NTTFC), a public-private joint venture was established in 2001. The committee works in close coordination with Federal ministries, public sector organisations, chamber of commerce & industry and trade association. NTTFC is responsible to carry on efforts for enhanced trade competitiveness through improved trade and transport facilitation. TF Committee is currently reinvigorated by secretary planning.

Role of Internal Trade Centre (ITC) - ITC is a joint technical agency of WTO and UN. Reenergia and PIDE are collaborating with ITC on starting the implementation of the ReMIT program in Pakistan. ITC aims to promote international competitiveness in Pakistan. ReMIT is a revenue mobilisation project of ITC. Trade component is of main importance to bring up some mechanism for trade policy and trade facilitation. The purpose is to involve ministry of Commerce to help develop export strategies and action plans.

Speakers

Dr. Nadeem Ul Haque, VC, PIDE
Amer Durrani, President, Reenergia
Aisha Humaira, SWTO
Robina Athar, Additional Secretary, Ministry of Commerce
Mohammad Saeed, Senior Trade Facilitation Advisor, ITC
Jawad Agha, ITC & MoC
Tauqir Shah, ITC & MoC
Rasheed Jan Mohammad, Chairman Pakistan Shippers Council
Tasmeen Noorani, Former Secretary, MoC
Irtiqza Zaidi, Former Project Director, TTFP, MoC
Javaid Mansoor, Former Executive Secretary, NTTF
Abdullah Yousaf, Chairman of Public Sector Committee
Ahmar Bilal Soofi, Founder, President RSIL
Dr. Manzoor Ahmed, Chief Executive of World Trade Advisors
Babar Badat, President FIATA
Tariq Huda, Member Custom, FBR

Key Messages

- Enhancing Trade Facilitation (TF) through Trade facilitation Agreement (TFA) and acquiring real tangible outcomes. TF is not about inputs or outputs, rather it is about having real tangible outcomes.
- TF or TFA is about simplification/standardisation of custom formalities & procedures. This is an essence of border reduction costs other than tariff reduction costs. It’s about ownership at senior level and political level. We have huge ownership at ministry and bureaucratic level. The category A, B and C commitments are revised on political level.

- Fourth industrial revolution and digital trade is now a reality. Resetting Pakistan's trade facilitation is important. Resetting NTTFC is an idea for which, it needs to be decided where should be headquarter and funding mechanism. A real test will come in when the single window will come in.
- One window for NTTFC - A way forward. Best way forward to one window for NTTFC. For that three important pieces of advice were: think champions, ownership is a multi-effort and bring a simple product. Create and understand a body like NTTFC.
- TFA and ease of doing business is interlinked. TFA is in fact, facilitating a mindset, private -public dialogue/partnership. It's not about customs only but it is multi agency, multi stakeholders. TF commitment is binding commitment under article 24 and should be led and owned by ministry as it is currently done. It should be renamed as WTO & TF wing to build ownership.
- Research plays an important role and PIDE should be doing research as there are a lot of TF areas that need attention. Role of TF and reducing cost of business is well highlighted while the model of NTTFC has been recognised locally and globally. A sense of proper ownership must be created in NTTFC. The research is essential but it is not done. There are so many areas where research can be done to facilitate trade.
- Performing in the global value chain is important for Pakistan. The hallmark of the global value chain is the goods cross border many times. If there is inefficiency and red tape, no country will take interest in trading with Pakistan.
- Every year, Pakistan must send delegations to the WTO trade facilitation committee. Share your experience with others and learn from other countries.
- Amendments needed to facilitate TFA. NTTFC follows the TFA Cat A, B, C issues. In Pakistan, all program reforms have been pushed to category C and some sort of technical assistance is awaited, while other countries are committed to do everything by themselves. The current outlook requires some amendments to make things operational. The NTTFC must look in matters deeply as after COVID-19, things have changed a lot. It's important to see how exports and imports can be facilitated now by TFA.
- In earlier years, NTTFC was working well but in later years, the whole organisation suffered as there was a lack of fundamental understanding on the importance of TF in the public sector. There were operational and logistic issues within NTTFC. Dynamics of project and priorities must be understood for successful operational structure.
- Beginning of stakeholders' consensus is the appreciated effort of ITC, NTTFC, PIDE and Reenergia.
- There are anomalies in NTTFC and TF in Pakistan. Once things get clear, the cooperation is there too. This webinar is an effort to provide a plate for ITC, NTTFC, government of Pakistan and other stakeholders. To facilitate trade well, all organisations and stakeholders should come up with consensus.
- There are some suggestions like the presence of Mr. Irtiq Zaidi in Karachi is important, IT issues, security protocol issues should be resolved. Operational reforms are needed to get things moving. Meetings should be done regularly.

Operational body of NTTFC should be there and accessible. Stakeholders are there to support and assist Mr. Irtiq Zaidi.

- Importance of Public-Private partnership can bring fruitful results. WTO wing has a dominant role in TF as far as entity and structure is concerned. Some major issues are in the transportation side and even some issues are not covered in TF (e.g. agriculture). As far as structure is concerned, it can be archived well if the public private sector is participating. There must be some working groups and committees having trade bodies and transport bodies.
- NTTFC must have private sector representatives. If NTTFC meetings are not held frequently as it is difficult to bring everyone on table due to various engagements, then a flexibility must be built in e.g., a chairman can attend and the private sector can participate.
- Trade deficit and Fiscal deficit- A difficult arena. Export side and Import side both need to be watched again. Pakistan's economy is trapped in different macroeconomic and some political economy issues like trade deficit, fiscal deficit, closed Afghan borders etc. NTTFC should identify problems/gaps, involve public and private sectors. There is a need to identify gaps on the import and export side and NTTFC should come up with their recommendations. There are areas where imports are not necessary. By curtailing imports, Pakistan can solve taxation issues.
- Project duration needs to be extended to create impact as four years duration is not enough. Government should take interest in extending project life.
- NTTFC's role should be properly defined that whether it is a lobbying body, monitoring body or implementation body. Project management should not only focus on reports. Efforts were done to strengthen NTTFC, but it was not able to project itself to higher levels of government. The financing issue was there and will remain there until any endowment fund is established. Ownership issues also exist whether NTTFC is owned by M/O commerce or FBR but it doesn't matter that the office is in Karachi or in Islamabad.
- Implementation of decisions is a problem. Main issue with NTTFC had been that M/o Commerce couldn't give importance to the private sector so there participation was not there. The meetings were failed as the private sector's role was minimum and decisions were not implemented. If all funding is from M/o commerce, this means the private sector is not there, so the funding mechanism should be watched. There is a need to revise the system and the legal notification of Board of Directors (BOD) should be revised. Secretary commerce has no time to attend the meeting. Meetings could be done by involving the executive committee and private stakeholders. Executive committee should report to the secretary directly.
- Private Sector representation, ownership of NTTFC and working through Sub committees is recommended. NTTFC achieved a few things such as having a recommendatory role and bringing people together. The problem is in implementation of decisions and financing.
- Solution to fund release issues, logistics and statutory structure is needed. NTTFC was successful in earlier days, as it got new directions, projects were

renewed. It worked when a serious government attitude supported it's functioning. If it was important in 2001, then it's important even today. With e-commerce and business moving, we need to think about what is happening in Tax and e-commerce. NTTFC was able to succeed in legislation and legal matters. The problem is with release of funds and logistics. A co-operation should be there when meetings take place.

- Accountability of bureaucracy is important to ascertain that they are fulfilling their responsibility or not. Some decisions are solely done at political and bureaucratic level. There is a need to look for another kind of system which can encourage and facilitate trade in Pakistan.
- Domestic trade should be given importance. TF is viewed in donor terms. Having chambers of commerce, there is a need to change our culture. Having our own SROs, we may fail again.

Prepared by

Uzma Zia, Senior Research Economist, PIDE

6.3. Export-led-Growth Channel of Development for Pakistan and Competitiveness of the Economy

This Webinar is organised by PIDE in Collaboration with the World Bank

Preamble

From the last couple of decades, policies in policy conversation always remain missed in our national dialogue. The major problem with our system is the policy inconsistency and poor policy development. Our situation is getting worse as the government refuses to make policies and everything is done by the donors, especially, the tax policy. Resultantly, our governance system is declining all the time. Moreover, the exports and competitiveness of the economy are always a puzzle game for every government. There is no thinking about the competitiveness of the economy and export-led-growth channel of development for Pakistan in our policy design rather all the focus is on crisis management and stabilisation.

This webinar enlightens us to understand:

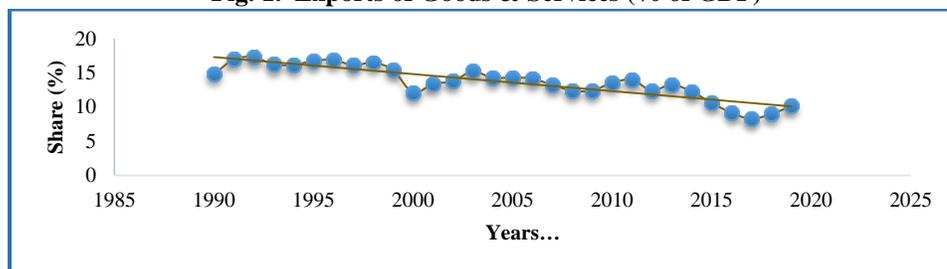
- What can be done to achieve the growth acceleration through export-led channels?
- What are the tools available to stimulate the export-led growth further?
- What are the incentives for the firms to become exporters?

Key Messages

Export-led Growth

Pakistan's exports show a downward trend from the last three decades as depicted in Figure 1. This decline in exports is a dominant issue despite the fact that we have had so many fund programs like every government. Also, we had five currency prices recently identified and those currency prices need to be looked at but everybody believes that export-led growth is significant. Regardless of plethora of advice and prescriptions, we are still coming down. The IMF 'BIG BOY' is riding us and our government running around a skeletal craggy landscape with loans but not quite knowing what to do about exports to break out of this trap.

Fig. 1. Exports of Goods & Services (% of GDP)



Issue Contemplation

We are familiar with all the reasons such as the low rate of per capita GDP and productivity growth, the rapidly expanding workforce about 1.7 million people every year, the stagnation of exports, decline in suboptimal levels of savings and investments, and persisting fiscal issues. However, we will focus on Pakistan's GDP growth rate. If the growth could surge into the high single digit range, many of Pakistan's problems near and far will appear less daunting as has been the case in China. If the growth remains where it has been in the past decade, the potential growth seems to be declined, both economic and social problems could worsen.

Policy Failure Distortions

There was a time when Pakistan's economy was a model for the Koreans, but now the Korea and Vietnam has twice the per capita GDP than that of Pakistan. This does not mean that they discovered a secret formula or they have rocket scientists and they achieved the resources which are beyond the reach of Pakistan but this is due to the policy action failures. When policy fails, exports share declines and leading with exports is the only way of sustaining a high growth objective.

Feasibility of Export-led-growth

Now the question arises, whether the export-led growth is feasible over the next two decades or more? Answer depends on three points:

- First, what was old normal during the last half of the 20th century (such as tariff barriers were lowered by multilateral trade negotiations and subsidies were established abroad) that facilitated the export-led growth.
- Second, prevailing and evolving global environment, which is less conducive to the new normal that Pakistan faces.
- And, the last point explores the kind of strategy that could enable Pakistan to export its way out of a low growth equilibrium which is where it has been stuck for a long time.

Export Diversification an Initiative of Export-led-growth

There are a number of stepping stones to export diversification into higher value activities that could initiate export-led-growth. They will need to be underpinned by a mix of industry, technology and urban policies. The four points will vigorously be pursued in tandem with the widely discussed fiscal, trade and exchange rate measures.

Firstly, Pakistan needs to begin narrowing the technology gap which is a major cause of export diversification. For instance, investment is required not only in public and private research, building the research capabilities of universities and consulting entities, but also in physical research infrastructure. The research spending should be in those sectors which derives more growth. In addition, there is no need for highly trained professionals because countries with less trained professionals have major innovations because they focus on research personnel, adequacy of physical infrastructure, the density of collaboration with researchers, and a supportive system of innovations. So Pakistan should focus on these areas; however, temporary shortage of technical skills can be

alleviated by attracting foreign workers by making adjustments to its visa policies and by improving education at every level, so these workers will make a major contribution to development.

Secondly, Pakistan needs a foreign direct investment for export led growth. As East Asian investment in textile, leather goods and food processing will not result in long run growth, so, Pakistan must attract few anchor firms like FDI that can partner with local businesses, inject capital, transfer technology, improve skills, and help firms to achieve scale.

Thirdly, in order to attract FDI, Pakistan needs two major economic zones. First, the government should consider designating the sealcoat as a special economic zone, and second, making it an industrial hub which can compete with other destinations in Asia.

Lastly, FDI, foreign workers and tourists will not flock to Pakistan as long people feel unsafe and basic services are inadequate; therefore, Pakistan should create a safe environment and improve the livability like Dubai and Singapore. Now, the question arises that is the government capable of comprehending this agenda. The answer depicts that there are many funds which are mostly spent on pure administration and spending on research is 1 percent or may be negative. Hence, FDI is always in conflict that is why we have not got the kind of FDI that china and Vietnam has got.

Government Capacity and Conflict of Administration

As the private sector gives productivity and export led growth. They work in an environment and this environment is given by the public policy and government, so the government has the capacity to do that. The only issue is that as we see the countries with more capital income have no conflict of administration to implement policies.

Issues Hindering the Export-led-growth

The issues that hinder growth over the years are:

- Uncertainty in business, macroeconomic uncertainty, and uncertainty in competition. All these uncertainties are due to the policy reforms adopted by Pakistan because Asian countries progress in credible reform that results in growth achievements.
- However, exports are special, according to **Gonzalo (considering Pakistan's data)** exporting firm's growth is greater than importing firm's growth; thus, for the increase in exporting firm's business environment should be improved.
- Besides, trade costs should be reduced. Likewise, the cost of export is also important because it reduces the incentives for firms to seek access to protect the export market.

Concluding Remarks and Recommendations

In retrospection, the government has a role to intervene in the market but the failure is due to "coordination failure". As the government may resort to subsidies, to price distortions and tariffs but does not solve the coordination failures. However, after solving the basic issues, the industrial policies and interventions in sectors to boost certain tradable sectors and exports in terms of playing field, macro stability, reduce trade costs, and non-distortive policy etcetera could be required. Furthermore, for policy

effectiveness, we can get help from East Asian experiences like Taiwan started making videos in the seventies video machine and they stop when they could not get market share in them and they stop all protecting, all interventions in the sector, so we can see a lot of success. Actually, we do not have enough dollars to finance imports for domestic consumption. As a result, we lower the growth and start creeping up this cycle. Therefore, there should be efficiency seeking investment. Similarly, we should use an export led model because many multinational companies are enjoying more production by selling at high profits due to protectionism and tariffs etcetera. In this pandemic, we should put the environment for production in order to become competitive and efficient enough. Lastly, exchange rate in Pakistan is asymmetric; it should be undervalued which would be helpful for export-led-growth strategy.

Prepared by

Naseem Akhtar, MPhil Scholar PIDE

6.4. Non-Tariff Measures and Export Competitiveness

This Webinar is organised by PIDE in Collaboration with the World Bank

Preamble

Any government regulation that is mandatory related to export or import of goods besides custom tariffs is considered as Non-Tariff Measures (NTMs). It influences the quantity and price of goods being traded. However, it is not easy to determine the exact impact of NTMs on trade. The NTMs are also called invisible trade barriers. This webinar focused on the role that NTMs have in facilitating or disrupting trade in Pakistan. The key objective here is to have a holistic understanding of the ground realities, what are the constraints and what can be done about it so that we can contribute to a very evidence-based policy making process.

Speakers

Dr. Samidh Shrestha, Market Analyst, ITC

Panelists

Dr. Aadil Nakhoda, Asst. Professor of Economics & Research Fellow at CBER, IBA, Karachi

Dr. Manzoor Ahmad, International Trade and Customs Expert

Fataz Rasool Maken, Chief (International Customs) FBR

Key Messages

- There are three types of NTM data available across the country: (1) Sanitary and phytosanitary¹ (SPS) and Technical Barriers to Trade² (TBT), (2) Regulatory Mapping, and (3) Business Surveys
- There are 12000 active exporters in Pakistan, most of them are concentrated in Punjab and Sindh as 7484 and 3152 respectively. The survey has interviewed more than 1200 companies, these are classified into different sectors, e.g., manufacturing, agriculture, etc.
- Difficulties with NTM, at surface level, are categorised into three major dimensions:
 - Effectiveness: it addresses how many and which companies face difficulties, how many companies from agriculture and how many from manufacturing this kind of issue can be seen.
- In general, regulations are the main cause. When we break it down by sector, we see the companies in the agricultural sectors are facing more difficulties. If we go at the product level, we see especially, the exporters of fresh food products are facing difficulties like exporters of meat, fruit and vegetable products. They

¹“Sanitary and phytosanitary (SPS) measures are quarantine and biosecurity measures which applied to protect human, animal or plant life or health from risks arising from the introduction, establishment and spread of pests and diseases and from risks arising from additives, toxins and contaminants in food and feed”.

²“The Technical Barriers to Trade (TBT) Agreement aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade. Through its transparency provisions, it also aims to create a predictable trading environment”.

are among the most affected ones. Another important thing we see among the exporters is that the affected rate is around 51 overall across the sector.

- NTMs highlights the type of burdensome such as technical or non-technical,
- Causes: concludes why the NTMs are burdensome.
- Different surveys revealed that 51 percent of Pakistani exporters face difficulties with NTMs across all sectors. The difficulties comparison shows that Pakistani exporters faced more difficulties with NTMs than the average rate of other South Asian countries.
- The exporters in the agriculture and manufacturing sector facing problems with measures while data reveal that 60 percent of agriculture and 47 percent of manufacturing companies facing difficulties. Agriculture sectors are further categorised into fresh food and processed food with the difficulty rate of 63 percent and 52 percent while manufacturing sector textile products (51 percent), clothing (50 percent), and leather products (45 percent).
- The NTMs burdensome that faced by Pakistani exporters had been categorised into foreign and local measures. The exporters' responses for the foreign measures are 55 percent and local measures are 45 percent which is very high when compared with other South Asian countries whose average rate is 20 percent. The local measures are further classified into export inspections (31 percent), export tax refunds (27 percent), other export-related measures (26 percent), export certifications 10 percent) and quantitative restrictions, licensing, and other (6 percent).
- The responses of exporters, on NTMs burdensome, are classified by the international classification of NTMs database. The ITC business survey also identifies the reasons for burdensome that affect the exporters. The exporters find that procedural hindrances are the major concern that makes compliance with NTMs difficult which contributes to 70 percent of problems. The regulatory obstacles are 12 percent of the problem that makes regulation difficult to comply with NTMs and 18 percent of difficulties due to both regulatory and procedural obstacles
- The domestic measures are on top of it, with a share of 45 percent of all the problems. One major chunk of problems come from technical measures and conformity assessments that address the quality and safety of the product. Domestic exporters are not able to cover all the parameters of the tests which are required by the countries, as a result, exporters normally have to send the product abroad to get this tested which adds to additional time and cost for the producers for the exporters for fresh food.
- Different countries require different types of halal certification and companies are not very well aware of what these requirements are and how to get them. Another important issue for the live animals and meat exporters is about traceability, basically without knowing the origin of the product, it's almost impossible to export to major markets.
- One other aspect is discussed here that when the products are open for minor inspection, there's been a lot of complaints that the products are not packaged

properly and they have been rejected when they reach the buyers so these are some of the issues regarding export inspection and from the custom side.

- One last aspect which we also look at is about gender because it's quite important for ITC and also for the World Bank about gender equality. We see that women employment in Pakistan is very low; only four percent of the employees are women in trading companies and also when it comes to entrepreneurship leadership in businesses, less than 10 percent of the companies are either managed or owned by women. So, around 51 percent of the companies that are led by men are facing difficulties in contrast to 66 percent of the companies led by women. We see that in general, women are facing problems not only regarding export process but they are facing difficulties in starting their own businesses.
- During the discussion, the main question arises that is it market failure or failure of the government that Pakistan's economy faces such issues about export and import. One of the argument is that it's government's failure as we have too many agencies. The government has to reduce the number of agencies and have them at par so that they should just see how many times a passenger or an export cargo is touched by our agencies.
- Another question discussed is compliance with sanitary and phytosanitary and technical barriers to trade is its advantages. Is it an additional cost or is it advantageous for the importers? Most companies consider it as an additional cost. Administrative costs tend to be a lot of a big challenge as shown in the report and then adaptation costs.
- The survey shows, most of these obstacles occur in Pakistan including delay in administrative procedures, high fees, and other charges, and lack of appropriate facilities.

Conclusion

It is concluded that:

- Beneficial businesses across countries are emerged by adapting and upgrading the quality of product.
- It is necessary first to focus on the domestic market and then to start exporting, there is not a huge difference between producing for the domestic market and producing for export markets. The difference remains in terms of profits or in terms of quality standards.
- Tariff structure only gives domestic firms protection to produce for the domestic market.
- The high growth targets can be achieved by efficiently supplying the inputs to domestic markets and then exporting. Otherwise, with low productivity, firms only survive in the domestic markets. So the key issue here is not the domestic market versus exporting but how to make firms more productive.

Prepared by

*Ghulam Nabi, Alumni PIDE
Saba Farooqi, PhD Scholar PIDE*

6.5. Pakistan Tariff Bias: Anti-Export or Anti-Consumer

This Webinar is organised by PIDE in Collaboration with the World Bank

Preamble

Dr. Nadeem Ul Haque **initiated** the discussion with the idea that for Pakistan exports have remained preoccupation from day one. He said that we wanted to export but we have never succeeded. Our exports to GDP ratio is quite low despite many efforts including commercial officers, development authority and a development of a whole commerce ministry whose job is to push exports.

Key Messages

Dr. Gonzalo Varelo

- Import duties are export taxes in disguise. In theory, they are levied on inputs, in practice, they are levied on imports but they have unintended consequences that are curbing and discouraging exports of a country.
- Pakistan collects about 16 percent of the taxes from import via custom duties, regulatory duties and sales tax. Altogether, on average Pakistan collects 20 percent of the taxes from imports that brings Pakistan on top of the list of countries in terms of the protection.
- In Pakistan, there is cascading in import duties, cascading means that import duties are higher for consumer goods and lower for intermediates and raw materials. Cascading is at the heart of the anti-export bias story.
- The intention of cascading is to promote industrialisation in the country in order to allow firms to import the intermediates and raw materials at relatively low rates but given them high protection on final goods. This ultimately increases the effective rate of protection more than 100 percent which induces the firms in Pakistan to sell in the domestic market.
- Import duties tilt incentives towards domestic market orientation because they reduce the profits of exporting relative to the profits of selling domestically.
- When upstream tariffs increase, the productivity of the firms decreases but exporters do not suffer much because they have access to refund schemes.
- This refund scheme, in which FBR refunds the exporters intermediate input duties, is quite complex, it takes a lot of time to refund. Resultantly, negative productivity effects for small exporters sustain but the large firms could handle it better.
- Pakistan is running a current account deficit for the last 20 years, in order to curb imports and to correct deficit, imports duties have been used, which

Speakers

Dr. Gonzalo Varela, World Bank, Pakistan Office

Panelists

Ahmed Fasih, Regional Trade and Policy Advisor, PREIA, DIA

Ehsan Malik, Chief Executive Officer, Pakistan Business Council

Mr Safdar Sohail, Executive Director, Sustainable Capacity Analytics and social Protection Resource Centre, Islamabad

ultimately created incentive for firms to sell domestically instead of exporting. So, this has not helped in lessening the current account deficit.

- Import duties are also anti-consumers or in actual anti-poor, they are like regressive taxes. The burden that the poor segments face of import duties is double than the richer ones bear.
- Keeping exchange rate overvalued for a long time and capital controls also act like fuel to fire for this anti- export and anti-consumer bias.

Ahmed Fasih

- There are different ways in which import tariffs have really hurt our export sector. Firstly, the reluctance to bring tariffs down increased our reliance on unilateral markets like the EU through GSP+. Secondly, our exports remained concentrated in very few sectors.
- Cambodia and Bangladesh are examples which are opening up their economies and also diversifying in order to spread their dependence and not to rely only on unilateral markets like the EU. Their exports are rising swiftly and it will be even faster in coming years that they will surpass Pakistan.
- Pakistan cannot do away with tariffs completely, but it is very important to rationalise and simplify them.

Ehsan Malik

- Pakistan needs to create jobs by promoting the export sector, more job creation will lead to increased disposable income and ultimately consumption will rise which then lead to more and more production. We want to increase consumption miraculously, but we are doing nothing to create jobs. We should be creating jobs in both export oriented industries and in the domestic market.
- Not only tariffs are high in Pakistan but also the tax rates are very high. Both of them are disproportionately affecting a certain section of the society. Like 20 percent of the GDP pays 56 percent of the total tax, so this is the extent of reliance on few. Pakistan has not been able to broaden its tax base for a long time.
- Manufacturing is the combination of material, some of them are imported and some of them are local, but there is conversion cost involved. Energy is very much important, we cannot rely on domestic raw input and intermediate inputs as well unless we can create them domestically which have been given protection since long ago. But no one can expect protection to remain forever.
- In Pakistan, we had 5 billion unemployed people before COVID, and the figure definitely has increased now, we need to create employment opportunities for them, otherwise, they will be roaming in the streets creating troubles.

Safdar Sohail

- In the first Strategic Trade Policy Framework 2009, it was claimed that we would strengthen the relationship between trade and development. One of that link was that we would make trade work for the ordinary people which would

then involve in removing those market distortions which have negative impact for the consumers.

- If there are market distortions then the state should intervene to rectify that, like in Pakistan, we have two bodies that are supposed to take care of the consumer welfare loss by the international trade; one is the national tariff commission and the other one is competition commission of Pakistan. But there is also a domestic ministry of commerce, so there required a coordination between these institutions, in order to handle the consumer welfare rightly.
- In state-market relationships, there are direct and indirect strategic action fields, when there is enough strength in an issue then the stability and continuity can change and the problem could be contested and then the reorganisation of the strategic action field impacts on the final outcome.

Conclusion

The whole webinar stressed the role of tariff elimination, considering its bias for exports and consumers. Import duties tilt incentives towards domestic market orientation because they reduce the profits of exporting relative to the profits of selling domestically. There are different ways in which import tariffs have really hurt our export sector. Firstly, the reluctance of not bringing tariffs down increased our reliance on unilateral markets and secondly our exports remained concentrated in very few sectors. Pakistan needs jobs that can be created by promoting the export sector, more job creation will lead to increased disposable income and ultimately consumption will rise which then lead to more and more production.

Chapter 7: Exchange Rate Management

7.1 Exchange Rate Management and Economic Growth

7.2 Exchange Rate Management: Past, Present, and Future

7.1. Exchange Rate Management and Economic Growth

Background: Importance of Exchange Rate

- External sector plays an important role in long run pattern of the macro economy of any country—especially developing countries.

Speaker

Dr. Abdul Jalil, Professor of Economics,
SBP Chair, PIDE

- It provides developing country an opportunity to grow—through more choices to consumers and more markets for producers.
- It provides the linkage to the rest of the world which is necessary for technological transfer from developed countries.
- Absence of external sector can put developing countries in the vicious circle of developing status.
- While presence of it advocates for the assessment, “how good we are doing as compared to the competing economies”.
- Exchange rate parity is considered as reflection of this relative performance.

ER appreciation reflects better performance of country as compared to competing countries and vice versa.

Motivation I

Exchange Rate only “A Partial Information”

- ER movement alone can depict the exchange market pressure only in free float exchange rate regime.
- According to IMF’s report on Exchange Rate Arrangements, only 29 countries in the world are following purely flexible exchange rate regime. Rest are following Managed Float ER Regime.
- In managed float, ER is only unmanaged part of the pressure as country manages through direct and indirect foreign exchange market interventions.
- In these cases, ER alone cannot represent the underlying exchange market pressures in that economy.
- This managed float leads to undervaluation of the exchange rate and overvaluation of the exchange rate.
- The management, generally, happens through central bank interventions.

Exchange Rate Misalignment

- Misaligned currency means exchange rate that is inconsistent with satisfactory macroeconomic fundamentals of a country. If the currency is misaligned, then it may be overvalued or undervalued.
- **Overvaluation:** If the currency of a country is overvalued, then it makes the imports attractive and exports hard to sell. Currency overvaluation leads to an unsustainable current account deficit.

- **Undervaluation:** On the other hand, if the currency of a country is undervalued, it results in current account surplus. Undervaluation of currency can stimulate the economy to a higher economic growth level.
- **Central Banks Intervention:** The central Banks intervene in the foreign exchange market through buying and selling foreign exchange to keep local currency undervalue or overvalue.

Central Banks Intervene

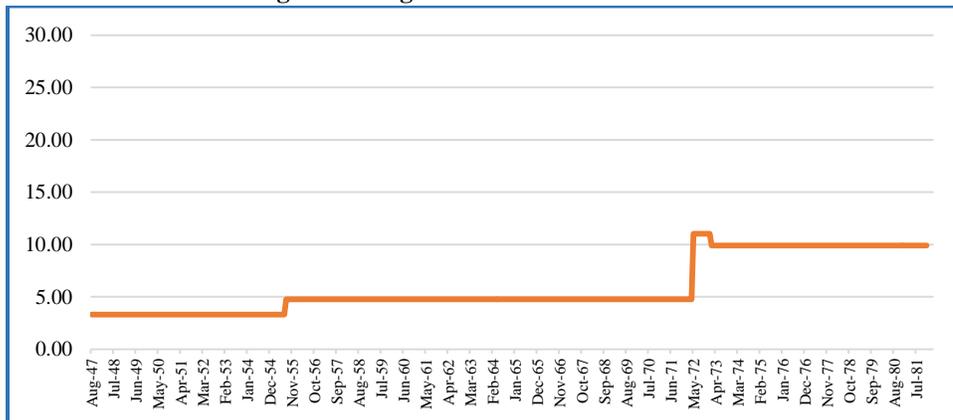
- For political reasons, developing countries tend to keep their currency overvalued.
- These countries keep on doing market interventions with an aim to protect exchange rate until the time they ran out of foreign exchange reserves to play with.
- Such overvaluations highly unsustainable given:
 - the low level of foreign exchange reserves and
 - deep-rooted structural external imbalances associated with the developing countries.
- Resultantly such countries have to face overshooting of exchange rate given:
 - the low level of foreign exchange reserves
 - bleak outlook of external account and
 - speculative attacks on exchange market.

Motivation II

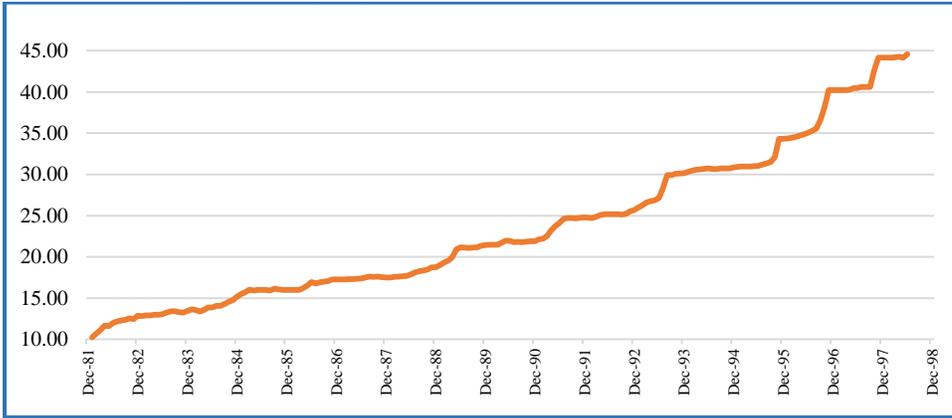
Pak Rupee is a Classic Case

- Pakistan remained under fixed ER regime till 1981.
- Adopted managed float in 1982.
- Adopted market based in 1998.
- But never allowed ER to take its market value.

Pakistan: Fixed Exchange Rate Regime 1947-1981



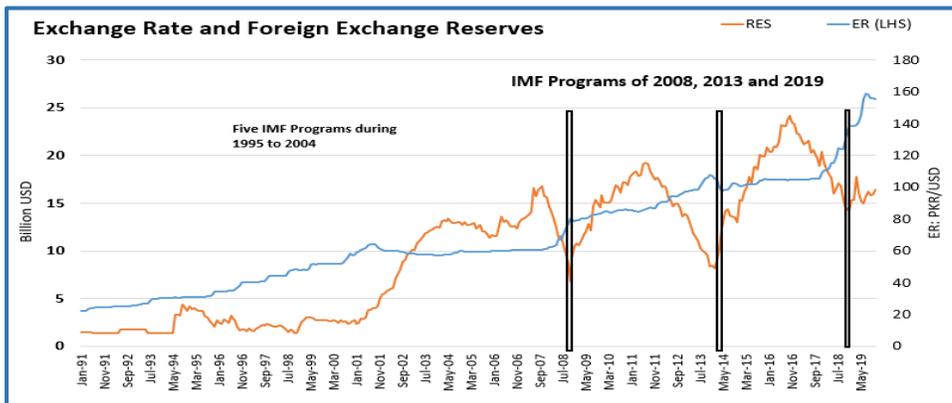
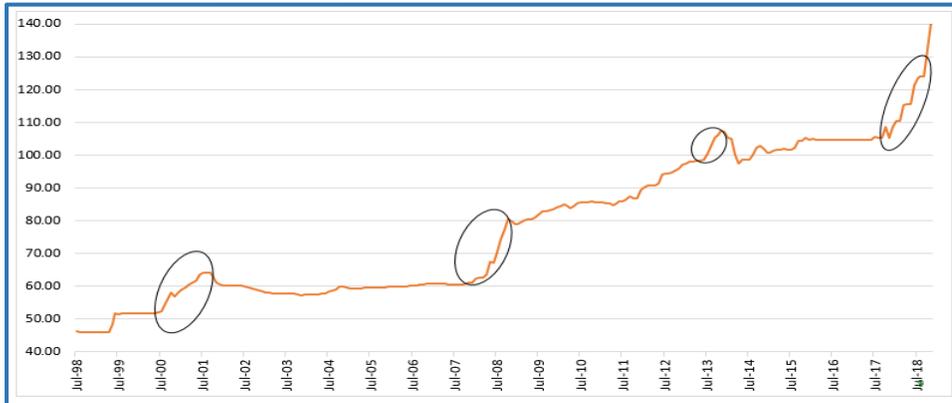
Pakistan: Managed Floating regime 1982 1998

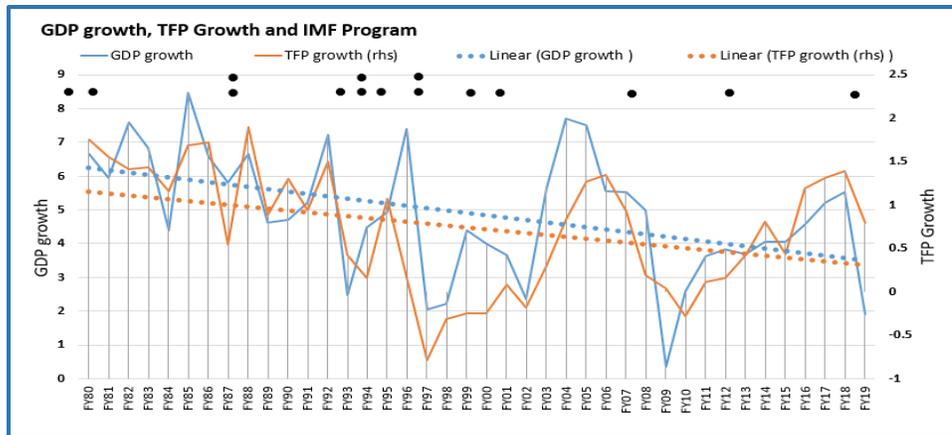


Under the managed floating regime, during January 1982 to June 1998, PKR depreciated, on average, by 0.75 percent per month. However, median of monthly depreciations was only 0.32 percent.

This indicates reluctance to adjust properly, leading to outlier monthly changes in conditions of external sector distress (i.e., when reserves were declining).

Market-based Regime during 1999---





Corrigible

- Overvaluation of exchange rate has been a norm rather an exception for Pakistan.
- Protection of ER has gone so deep in the mindset of policy makers that they injected billions of dollars just to keep exchange rate parity at their desired levels.
- However, every time country run into a situation of “country requiring bailout packages to make balance of payment sustainable”.
- Pakistan has recently approached international Monetary Fund (IMF) for the third time in the last decade i.e. 2008, 2013 and 2019.
- Surprisingly, the sequence of economic events in the preceding years of every program remains so similar.

Motivation III

- 2008 IMF Program
- Country managed ER around 60 – only 1.3 percent depreciation from 2005 to 2007.
- Despite \$8 bn *incremental* External Debt, reserves only grew by \$3 bn.
- Right before approaching IMF in 2008 – 32 percent depreciation and 44 percent decline in reserves.
- 500 bps increase in monetary policy rate.
- 2013 IMF Program
- Country managed ER around 87 – only 1.7 percent depreciation from 2010 to 2012.
- Despite \$5.7 bn *incremental* External Debt, reserves declined by \$2 bn.
- Right before approaching IMF in 2013 – 15 percent depreciation and 40 percent decline in reserves.
- 100 bps increase in monetary policy rate.
- 2018 IMF Program
- Country managed ER around 104 – only 3.5 percent depreciation from 2015 to 2017.

- Despite \$18.7 bn *incremental* External Debt, reserves only increased by \$1.5 bn.
- Right before approaching IMF in 2018 – 26 percent depreciation and 32 percent decline in reserves.
- 475 bps increase in monetary policy rate.

Key Messages

- Pakistan never allowed ER to take market value
- The State Bank of Pakistan intervenes to manage the exchange market pressure and exchange rate remained overvalued
- SBP poured a huge amount of foreign exchange reserves and faced BOP crises
- We approached IMF for multiple times to overcome BOP crises and economic growth compromised
- Therefore need to assessment of Exchange Rate Management of Pakistan

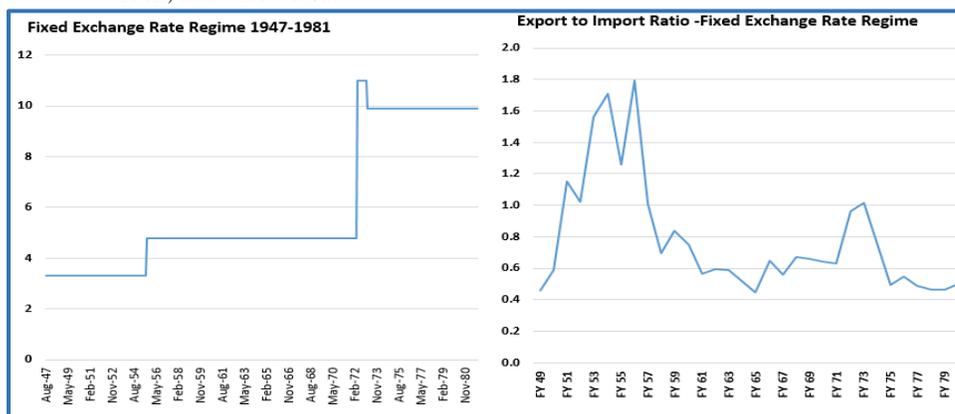
Assessment of Exchange Rate Management

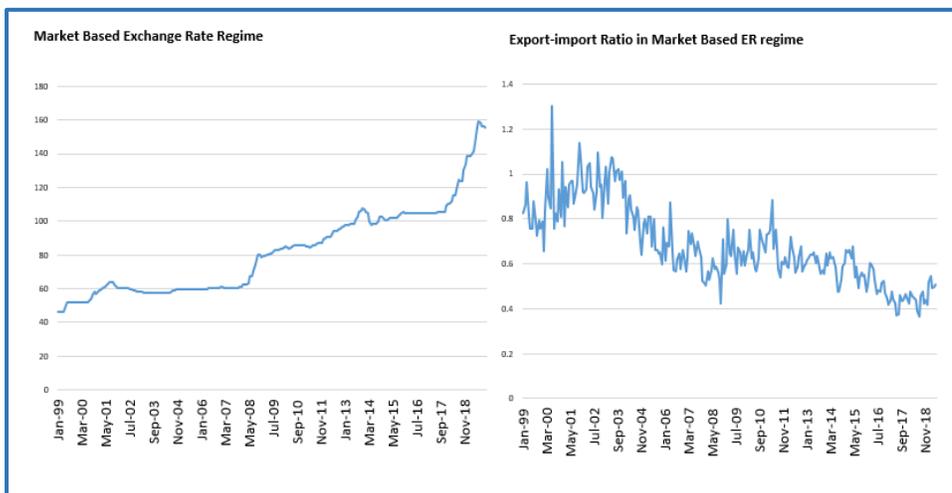
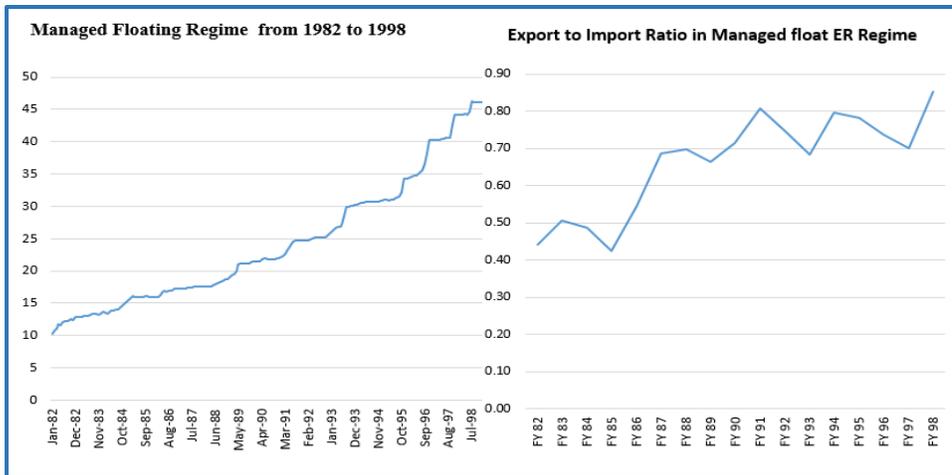
- We must need some indicators to assess the exchange rate management. We shall concentrate on three very simple indicators:
 - Export-import Ratio
 - SBP reserves to M2 Ratio
 - Measurement of Exchange Rate Misalignment

Assessment of Exchange Rate Management-I

Export to Import Ratio

- In order to assess an exchange rate regime, objectives of exchange rate management need to be understood and a suitable indicator, closely connected with those objectives should be available.
- I presume that a good regime promotes exports in such a way that the rate of growth of exports is higher than the rate of growth of imports.
- I, therefore, use the simple ratio of exports to imports to track the performance of each regime.
- Whenever export-import ratio goes down, trade deficit in terms of imports widen, and vice versa.

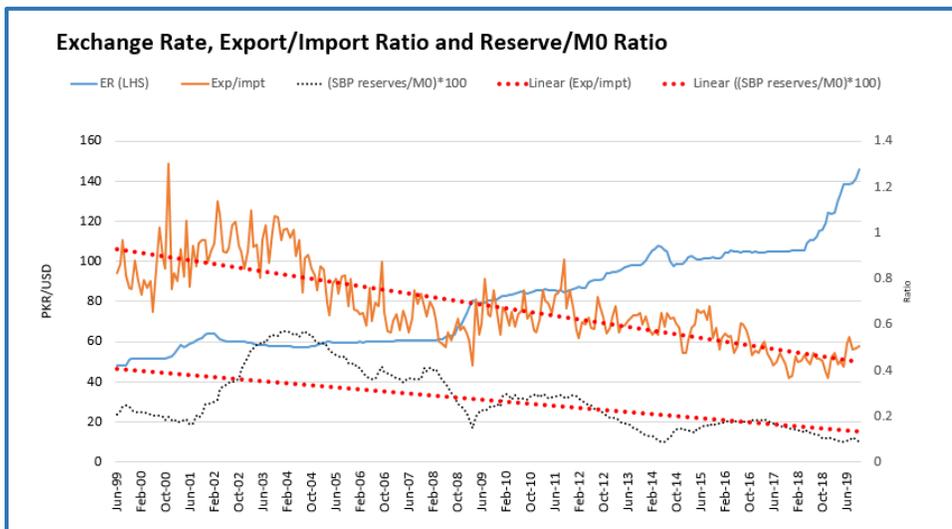
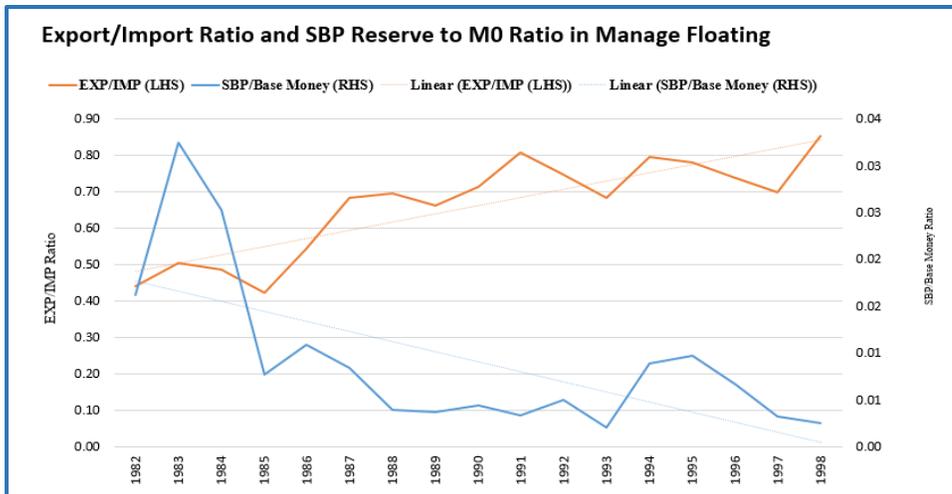




Assessment of Exchange Rate Management-II

Reserve to Base Money Ratio

- The ratio of central bank foreign exchange reserves to its base money (reserve money), is used to assess the sustainability
- When foreign exchange reserves of SBP are rising in terms of its base money, it means the money creation in the economy is also accompanied by increasing availability of foreign exchange.
- Rapidly falling values of this ratio indicate extreme stress on balance of payments, which require immediate remedial measures on many fronts.
- A rising ratio indicates increasing strength of BOP brought about largely by a credible exchange rate regime.
- What is also obvious is the fact that borrowed reserves temporarily increase this ratio, but cannot necessarily make it rise sustainably.



Takeaway

- In our simple assessment, the allegedly market-based exchange rate regime was found to be far removed from market mechanism.
- It has decreased export-import ratio significantly and caused the SBP foreign reserves to deplete and borrow externally to stabilise the exchange rate.
- It is also important to understand that in times of distress, immediate remedies lie in buildup of reserves through a combination of various steps, including external borrowing, restraints on domestic borrowing, and myriad of other adjustments under a reform package.
- Once, the economy is stabilised and reserves are built up, exchange rate management should not be tempered with unofficial or official caps.
- It should focus more on buying foreign exchange in normal times.

Measuring the Misalignment of Exchange Rate

- The difference between the prevailing exchange rate and the ‘equilibrium’ exchange rate is called the misalignment of the exchange rate.
- The measurement of the equilibrium exchange rate is not a straightforward task.
- The researchers provide various measures depending on the objective, focus, the conceptual framework, empirical methodology, and assumptions.
- Therefore, there are several empirical methodologies to measure the equilibrium exchange rate.
- These may be model-independent or model-dependent. In a nutshell, there is not an ‘equilibrium’ exchange rate.
- All measures provide different numbers for the equilibrium exchange rate depending on the period, methodology, and underlying assumptions about the macroeconomic variables.

However...

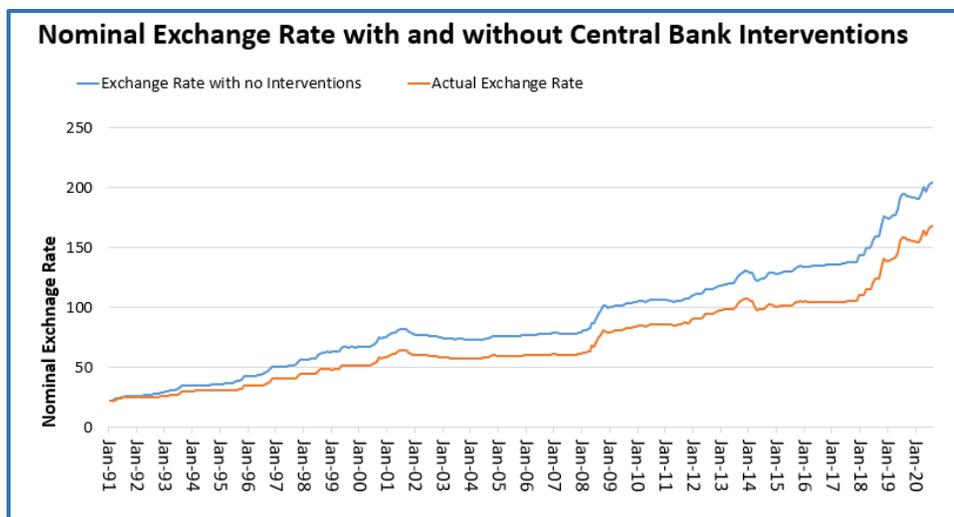
- Despite all the technical issues, there is almost a consensus that the real exchange rate undervaluation positively impacts economic growth.
- More specifically, Bhalla (2008) notes that each 1 percent sustained undervaluation may lead to 0.3 percent to 0.4 percent increase in economic growth.
- On the other hand, the overvaluation of the real exchange rate negatively impacts economic activities

Currency Misalignment in the Case of Pakistan

- We postulate that the State Bank of Pakistan (SBP) kept Pak Rupee overvalued, over the several years, through the central bank interventions in the foreign exchange market.
- Keeping this in view, we simulate a counterfactual exchange rate in the absence of central bank intervention.
- For this purpose, we propose a six variables structural vector auto regressive model (SVAR) macroeconomic model keeping the dynamics of Pakistan’s economy in view.

Structural Vector Autoregressive Model

• $y_t = \beta_{10} + \beta_{14}i_t + \beta_{16}e_t + \varepsilon_t^y$	Dynamic IS equation	1
• $\pi_t = \beta_{20} + \beta_{21}y_t + \beta_{24}i_t + \beta_{26}e_t + \beta_{27}E_t[\pi_{t+1}] + \varepsilon_t^\pi$	Dynamic Philips Curve	2
• $p_{sc}_t = \beta_{30} + \beta_{31}y_t + \beta_{34}i_t + \varepsilon_t^{psc}$	Credit Dynamics	3
• $i_t = \beta_{40} + \beta_{41}y_t + \beta_{42}\pi_t + \beta_{46}e_t + \varepsilon_t^i$	Monetary Policy Function	4
• $INT_t = \beta_{50} + \beta_{54}i_t + \beta_{56}e_t + \varepsilon_t^{INT}$	Intervention Equation	5
• $e_t = \beta_{60} + \beta_{62}\pi_t + \beta_{64}i_t + \beta_{65}INT_t + \varepsilon_t^e$	Exchange Rate Equation	6



Our analysis comes up with three main messages

- First, if the SBP does not intervene to support the foreign exchange market, the exchange rate would have been around 205 per USD at the end of August of 2020.
- The support of SBP kept the exchange rate overvalued for a long time.
- Second, our estimates show that the SBP has provided cumulative direct market support of USD 119 billion from January 1991 to August 2020. However, the support of USD 119 billion has yielded management of the exchange rate by only Rs. 36 to 40.
- Third, the overvalued exchange rate largely subsidised imported consumption and distorted the competitiveness of exportable items.
- This led to a higher trade deficit, balance of payment (BOP) crises, and ultimately the IMF bailout packages.
- This also suggests that if the SBP adopts a less protective exchange rate regime, we may avoid severe economic outcomes such as the depletion of foreign exchange reserves, BOP crises, and currency crises.

Prepared by

Abdul Jalil, Professor Economics, SBP Chair, PIDE

7.2. Exchange Rate Management: Past, Present, and Future

Preamble

Effective exchange rate management is crucial for the vibrant external sector and economic growth of a country. In this context, the present webinar is meant to understand the history, issues, and way forward in exchange rate management in Pakistan.

Speakers
Riaz Riazuddin, Former Deputy Governor
of SBP

Exchange rate policy is pursued primarily to raise the welfare of people through promoting exports, increasing the profit from exports, and boosting the manufacturing sector. It is the policy meant for currency management in such a manner that prevents currency crisis and stabilises the exchange rate.

Empirical findings on Exchange rate management

The empirical findings on exchange rate management in Pakistan suggest the following conclusions:

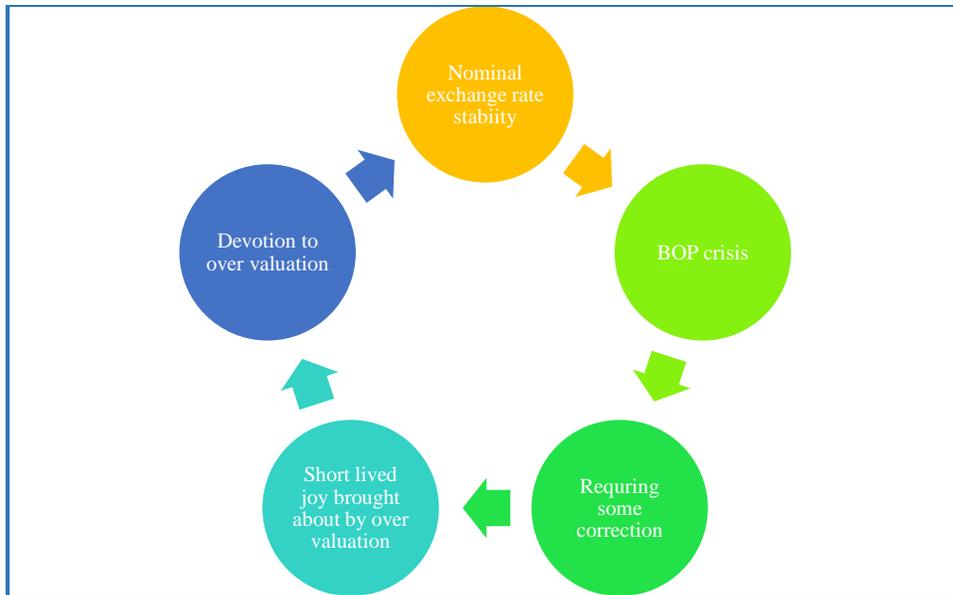
- The stance of the exchange rate should be kept undervalued as the overvalued exchange rate largely subsidised imported consumption and distorted the competitiveness of exported items which ultimately led to the high trade deficit, BOP crisis, and IMF bailout packages.
- In past, we have used reserves to defend the exchange rate but it's against macroeconomics fundamentals and has resulted in the loss of reserves repeatedly.

Now, in the light of these findings, one must think about the nature of exchange rate policies to pursue in the future. Before that, we briefly review our past exchange rate management policies.

History of Exchange Rate Management

Pakistan adopted a fixed exchange rate pegged with the UK pound sterling in August 1947. It was changed to the US dollar in 1971 but the fixed regime continued till 1981. After the failure of the Britten wood fixed exchange rate system, Pakistan adopted a managed floating regime in 1982 which continued till 1998 when a dual exchange rate regime was introduced for a brief period in the aftermath of the nuclear nation. With the unification of the dual exchange rate, the market-based system was introduced in 1999 which is still working at present.

The Exchange rate in Pakistan can be explained fairly by three phrases; fear of depreciation, fear of floating, and devotion to overvaluation. These phrases also signify cycles of BOP in Pakistan as follows:



Historic Policy Mindset

- In July 1949, the UK devalued the pound by 31 percent. All commonwealth nations depreciated their currency but Pakistan did not. Hence, Pakistani rupee appreciated by 44 percent against the pound. This policy move is motivated by the idea of import substitution strategy which worked well in the beginning. However, industrialisation at that time was highly capital intensive and led to few job creations. Then, Pakistan faced external financing problems ultimately the overvaluation led to the BOP crisis. Thus, import substitution did more harm than good to the economy.
- Overvaluation is deeply rooted in our economy and thus it's difficult to fathom the actual reasons behind it. In November 1967, the UK devalued the pound sterling by 14 percent but the Pakistani rupee did not devalue which resulted in an appreciation of the rupee by 16 percent against the pound sterling. In 1982, with the adoption of the managed floating regime, the export-import ratio increased from 47 percent in 1983 to 85 percent in 1999 yet the fear of floating kept managers from making the exchange rate more flexible. The floating exchange rate regime helped to adjust the exchange rate, but it was not of sufficient strength to prevent the BOP crisis. Although, a market-based regime is supposed to bring stability to the economy. Unfortunately, it did the opposite. The export-import ratio declined by 96 percent in 2003 to 46 percent in 2019. This regime proved to be worse than the managed floating regime. This does not mean that a market-based regime is inferior to a managed floating rather it refers to the improper implementation of a market-based regime.
- Addressing the present performance of the market-based regime in Pakistan, the report of the fiscal year 2020 shows that there is an appreciation in REER of 2.3 percent despite a nominal depreciation of 5 percent in NEER. One may ask, why

this depreciation in NEER was not enough to fully offset the real appreciating pressure of relative prices. Although, there is an improvement in the ratio of SBP reserve to base money from 21.5 percent in June 2018 to 27.6 percent in November 2020. But this is not enough to prevent the BOP crisis unless the real value of the Pakistani rupee is kept undervalued consistently for a long period.

The way forward to the exchange rate management is the proper implementation of the market-based regime with full operational and legal independence. The foreign exchange rate act grants SBP power to regulate the exchange rate but practically the ministry of finance influences the decisions. It is crucial for a well market-based regime that it is led by the SBP board of directors which requires a suitable amendment in legislation, prudent implementation, and clarity of long-run objectives.

Prepared by

Nafisa Riaz, PhD Scholar PIDE

Chapter 8: Financial Market

- 8.1 Financial Markets of 21st Century
- 8.2 Will Financial Markets in Pakistan Ever Develop?
- 8.3 Why is Pakistan's Capital Market, if we can call it that, stunted?

8.1. Financial Markets of the 21st Century

Preamble

Financial markets might sound confusing, but these basically exist to bring people together so money flows to where it is needed most. It is important to remember that the value of any investment can go down as well as up and getting good returns in the past does not always mean they'll be good in the future.

This webinar enlightens us to understand

- Market structure and the outreach
- Macro and capital markets in a Covid-19 world
- The role and significance of financial market

Speakers

Samir Ahmed, CEO of Knightsbridge Capital Pvt. Ltd

Akif Saeed, Financial Market Specialist and Financial Consultant

Maheen Rehman, Chief Executive of Alfalah GHP Investment Management

Market Infrastructure and Outreach

- There are around 250-350k investors that invest, and some are those who do double counting i.e. investing in the stock market as well as in mutual funds. With foreign portfolio investment, there is a robust regime, there are banks, mutual funds, insurance companies, brokers doing their prop book, pension and provident funds, NBFC and cooperates. 10 years back, there were 750 companies which got down because of market dividend, take overs, housekeeping by PSX and SECP.
- Market itself is a narrow representation of the economy as well as the business are concerned, and these come in a free float aspect. In markets, there are ready markets, cash selected derivatives but no trading in these. The role of the regulator is part of the market's overall structure and the regulatory environment is a major issue which needs to be addressed for the development of the market.
- SECP was created under SECP act 1997 and was operationalised in 1999. Its mandate has expanded much beyond. It had a mandate with capital market and corporate registry but over time insurance, NVFC, mutual funds, leaning houses later on private pensions, non-banking microfinance institutions and regulatory secured transaction registry has been added to SECP to regulate and oversee.
- The governance structure at SECP is the policy board and the commission. The mandate needs clarity as to what role it needs to take to fulfill its obligations. Since the inception, there have been 13 chairmen whereas just 3 commissioners have completed their terms under eligibility. So, due to lack of continuity, it is one step forward two step backward approach in terms of implementations of policies.
- Within the commission, there is a general approach since its inception, one organisation is divided into different commissions such as one team is looking at licensing, the other looking at insurance and so on.

SRO Culture

- Another area that is missing in the overall market landscape is the SRO culture. There is a legal mandate for exchanges to perform a certain function and market intermediary associations have a function to perform as well as oversight and compliance is concerned but that aspect is completely missing. This leads to tangling of SECP into very minor issues.
- Moving from mutualised to demutualised exchange, there are anchor investors consisting of three Chinese exchanges and two local financial institutions holding 40 percent of the exchange mutually, but still there are issues with board composition the size of board is concerned.
- There are a lot of technological revolutions from the outcry system to automated systems instead of physical shares, 85 percent team mutualised demutualised shares. A dividend facility and the e -voting facility. Technology is shaping up the capital market.
- In case of intermediaries, there are about two hundred and fifty brokers, four hundred at the time of integration. Few brokers are only listed less than 10 and among banks, only have subsidiaries as brokerage there are less than eight. For pure Brooklyn, there is no broker business model, there is a conflict when there is Brooklyn versus proprietary trading. There are no independent advisors, independent research houses.
- There is a need to have a national investor education program as the saving rate is low, taxes need to be consistent rather than favouring a class.

Macro and Capital Markets in a Covid-19 World

- Covid-19 has changed the world. While it is difficult to predict how the macros are going to work in the market. There is a global recession. As far as Pakistan is concerned, we cannot be immune to that recession. Looking at the success of lock down, is it working as the cases are increasing or it is causing more social and economic cost.
- The business economy is interrupted and a consumer sort of wave that very rapidly comes to an end globally and Pakistan is a very consumption driven society so the question arises how this change is moving forward or will it really change.
- The good news for Pakistan is that the current account does not look like it is going to come under much stress, unlike the last two years.
- As there are no significantly huge exports to begin with, if exports drop by a very conservative estimate about 30 percent, the current account will shrink over the rest of this year and can be stabilised next year.
- However, the bad news is which can be challenged and it has implications for businesses, the way businesses raise capital in future and what means they will go to raise capital for their business needs.
- The economies will become more insular. The IT industry has got a big opportunity which as policy makers need to look at to bring it into some consolidated framework.

- Globally, there is a trend towards destruction in space where crowd-funding has become much more viable specifically for small business, people here don't access business and the capital market due to very stringent regulations.
- The largest tech companies such as Amazon, Google, Facebook essentially arose in an unregulated environment and then later on moved on to more regulated.
- Dr. Nadeem Ul Haque stated that it is the self-created problem rather than blaming the corona. There was no market and there will be no market. We love to kill everything.

Pakistan Stock Exchange—Role and Significance

- In 2001, 747 companies were listed and since then, the number of companies is coming down. The national stock exchange has not listed any company since last one year. The number of investors in Pakistan is low just .1 percent of the population invests whereas in Bangladesh there are 2.8 million investors.
- The historical returns were high in the eighties and it could attract investors to come in and invest.
- Our markets are not more than 34 percent of the GDP in terms of size as of today, it is about 16 percent. Countries with high income capture GDP around hundred and twenty percent while the low and middle income countries about 50 percent, in comparison with India it is currently 40 percent.
- The key issue with PSX is governance. The mindset is still the same. The only way PSX goes into profit is when its dividends from its subsidiaries or affiliate companies are included. We don't have any product development and we are still stuck with same old shares.

8.2. Will Financial Markets in Pakistan Ever Develop?

Financial markets in today's world are important to economic growth. But, in the case of Pakistan, financial markets are non-existent. And a few financial institutions which exist in the country are in shambles. Also, there is no financial culture in this country. A non-banking sector in Pakistan is either non-existent or really small. For instance, development banks, investment banks, micro-finance banks, etc. are a small portion of the large economy. On the other hand, the government and policy makers have no stakes to develop or reform the existing financial sector of the country. Parliamentarians are not interested. They don't have any knowledge of finance.

Speakers

Khalid Mirza, Ex-Chairman SECP and CCP

Aftab Ahmed Choudhry, Ex Managing Director/ Chief Executive Officer, Lahore Stock Exchange

Historically, Pakistan is an agrarian society. Much of the economy of the country depends on agriculture. In the time of British rule in the Indian subcontinent, they did not develop any financial institutions in Pakistan. But built the financial sector in India like the Bombay stock exchange and Calcutta stock exchange. There was also a saving culture in India, but in the case of Pakistan, savings are non-existent. Usually, people do not invest.

If financial markets work, it is important to take some drastic measures.

Macroeconomic Stability

Economic stability is a prerequisite for economic institutions to grow. Pakistan has a chequered history. It has seen times of boom and other times of recession. Pakistan has not taken any steps to stabilise its economy. The economy is dependent on IMF loans. Pakistan has failed over the years to improve the financial sector of the country. So, it is indispensable to stabilise the economy.

Efficacious Financial Institutions

Most financial institutions are in bad condition. There is no implementation mechanism. Political interventions in financial institutions have crippled the whole financial system. For instance, politicians use SECP as their personal property. Financial institutions are not working properly. They do not have any framework to regulate the market.

Sound Corporate governance

Corporate governance is essential to regulate the market. And to ensure competition in the market. To provide an environment for business to flourish, and to attract investment in the country. Corporate governance is non-existent in the case of Pakistan. To deal with the changing time, Pakistan needs sound corporate governance.

Issues with Financial Sector

Monopoly

It is one of the biggest issues. The financial sector is mainly controlled by few government institutions. The government does not want to break the monopoly. And allow the financial sector to grow. For instance, the monopoly of the stock exchange.

Over-regulated Financial Markets

The government over regulation has crippled the sector. They do not have space to grow due to strict government laws and intervention.

Reasons Behind the Current State of the Financial Market

- (1) Total and complete apathy of government toward financial institutions.
- (2) The government intervention in the SECP
- (3) Poor recruitment policy and overstuffed SECP
- (4) Failure of enforcement of policies by SECP
- (5) Market manipulation
- (6) Market regulation
- (7) Flawed laws

Remedies

1. Transparency in the financial sector

No market manipulations, no outside influence on the financial markets. Let them operate independently.

2. Market place

The main focus of SECP should be market place and investors' protection.

3. Liquidity

We need to do very basic education and research on the liquidity in the country that where are the instruments to convert it into capital

Conclusion

In this state, where financial institutions are almost non-existent, and financial markets are being strictly regulated by the government. In such a scenario, the development of the financial sector is a pipe dream. The government must take necessary measures to ensure the smooth working of the financial institutions in the country.

8.3. Why is Pakistan's Capital Market, If We Can Call it that, Stunted?

This webinar is a great contribution in increasing the learning or thought process of a person from market financial analysts in sequence of previous financial market's webinars.

Introductory Remarks by Dr. Nadeem Ul Haque

- (1) Since 1965, Pakistan is extensively running after loans with the hidden conditions and now the state reflects that Pakistan is under pressure of approx. 53 billion debt.
- (2) One other alarming situation for Pakistan is that not only the long run growth is volatile over the decades but also it is constantly declining. Same is the situation with the saving rate and total investment rate that is the worst in the region.
- (3) Equity market which is quite shallow mentioning that out of 534 listed companies, 25 percent on defaulter's counter are not traded whereas, 40 MNCs and SOEs have a significant share of market capitalisation. However, it is equally acceptable that capital markets have no risk or growth capital.
- (4) Raising a concern that Debt-Government bonds are held by financial institutions with a closed club trading platform, so how can it be made more accessible especially to small investors?

Syed Ali Sultan expressed two major issues associated with it:

- (1) One is *Advance to Deposit Ratio (ADR)* issue; only 50 percent of debt is lending to the corporate sector such that most of the time, the government is paying higher returns compared to corporate borrowing.
- (2) Second one is *Capital charge perspective*; easy money to invest and earn with no capital charge. This creates a price anomaly between the corporate sector and government.

Naz Khan mentioned that:

- (1) Karachi Electric has been the largest private issue on the corporate debt.
- (2) Considering the holding of retail investors, there are 7+ million investors in National Saving Schemes contributing to Rs 4.2 trillion. So, institutional investors are primarily the retail investor and they are actually flourishing the debt market.

Speakers

Syed Ali Sultan, Group Head, Treasury & Capital Markets Bank Alfalah

Naz Khan, Chief Strategy, KE

Mohammad Ali Ahmed, ED & Chief Strategy Officer, EFU Life

Farrukh Khan, CEO, PSX

Muhammad Asim, CIO, MCB Arif Habib Saving & Investments

Habib-ur-Rehman, Director, Allas Asset Management: Pensions Savings

Amjad Waheed, Mutual Funds, CEO, NBP Funds

Zafar Masud, President, the Bank of Punjab

- (3) The main reason to use the corporate debt is the high financing need of the mega growth projects, which is beyond banking affordability. Therefore, they go to other institutional investors who lend the money with the same rate of return as the banks.

Mohammad Ali Ahmed explained that:

- (1) Life insurance and pension funds are one of the largest players in the capital market.
- (2) Life insurance companies focus on retail customers, and small savers through medium to long term insurance/ saving products as well as corporates.
- (3) Predominately, the need-based solutions are focusing on retirement, education, generic savings, mortgage, pure insurance needs etc.
- (4) Life insurance industry of Pakistan is a very small industry with only 8 major players that contributes Rs. 225 billion gross premium income in 2019 at 0.5 percent penetration rate to GDP.
- (5) Only two types of insurance companies are working in Pakistan; *with profit products* where investment risk is borne by the insurer, and *unit-linked products* based companies where investment risk is passed onto the customer to optimise equity portfolio performance.

Farrukh Khan put light on what holds Pakistan Stock Exchange both in terms of the number of listings as well as exceeding a small number of investors.

Conclusion

It is quite evident that financial markets can cause damage to some extent, but still have great importance. So, agreeing with the thoughts and point of concerns, shared by the keynote speakers' dialogue with chief shareholders is the only answer to clearly articulate the tax arbitrage arrangements and improve financial health of capital markets.

Chapter 9: Energy Sector

- 9.1 Energy Roundtables
 - 9.1.1 Circular Debt- An Unfortunate Misnomer
 - 9.1.2 Energy Investment and Planning
 - 9.1.3 Developing Electricity Market for Future
 - 9.1.4 Reforming Electricity Distribution Companies
 - 9.1.5 Electricity Pricing and Regulation
- 9.2 Fixing Power Sector Issues
- 9.3 Energy Innovations
- 9.4 The Gas System in Pakistan
- 9.5 Energy Efficiency and Conservation in Pakistan

9.1. Energy Roundtables

Preamble

- Circular debt has been with us for 12 years. Pakistan has suffered huge losses (cumulated loss of more than Rs. 5 trillion). We tend to hide behind the term circular debt without any clarity.
- Pakistan has lunched from an excess demand to excess supply of energy and has whimsically played around with the energy mix. While the world is moving to renewables, we are investing heavily in coal.
- We need to design a system where losses costs are minimised to produce energy competitively. Where prices are not made volatile by arbitrary taxation and regulation works for the poor. We need a competitive electricity market with minimum government interference.
- The sector experience shortages not due to lack of supply, but mostly because of the financial issues of the distribution companies (DISCOs). Weak governance and mismanagement are prevalent in the distribution sector.
- There is no clarity on how the energy sector is being regulated; whether we have state of the art pricing frameworks. NEPRA is the regulator, yet the final decision-making is done at the energy ministry.
- Energy roundtables focus on the following:
 - Circular Debt – An Unfortunate Misnomer.
 - Energy Investments and Planning.
 - Developing Electricity Market for Future.
 - Reforming Electricity Distribution Companies.
 - Electric Pricing and Regulations.

9.1.1. Circular Debt—An Unfortunate Misnomer

Challenges

- Circular debt is a power sector deficit; shortfall in inflows and outflows at the CPPA-G.
- It is because of inefficiencies, delays in tariff determination/ decision-making, taxation issues, administrative and governance issues.
- It is huge and increasing as there is no serious effort to curtail it. The only effort government made over the years is to increase consumer tariff; which in itself is distortionary.
- Uniform tariff and subsidies act as a disincentive for DISCOs to improve efficiency.
- Instead of increasing sales to minimise the impact of huge capacity payments, DISCOs have started revenue-based load shedding.
- There are no performance contracts with energy companies.

Speakers

Shahid Sattar, Former Member, Energy, PC
Ermeena Malik, Renewable Energy Consultant, World Bank

Tahir Basharat Cheema, Former MD, PEPCO

Ayesha Ali, Assistant Professor, LUMS

At the Table:

Syed Akhthar Ali, Former Member, Energy, PC

Waqas Bin Najib, Member, Energy, Planning Commission

Afia Malik, Senior Research Economist, PIDE

Amer Zafar Durrani, President, Reenergia

Rashid Aziz, Senior Energy Specialist (Retd.), World Bank

Vaqar Zakaria, Partner and Director, Hagler Barley, Pakistan

Younus Akhtar Ali, Former Member, Energy, PC

Way Forward

- Empower NEPRA to notify differential tariffs. The government must cover all costs not covered in tariff through subsidy.
- Power sector policies should be linked with the monetary policy and exchange rate policy.
- Depoliticise the DISCOs and allow an independent board with professionals as its members.
- Experts are required in the sector to understand the underlying issues and take appropriate and timely steps.
- Coordination between Federal, Provincial and Local governments is required to resolve the outstanding recovery issues.
- Smart technologies can be used to control non-technical losses.

9.1.2. Energy Investment and Planning

Challenges

- Absence of competitive bidding and non-transparent power procurement process has brought structural rigidity and hindrances to the creation of a competitive market.
- Generation sector did attract private investment but get stuck in the cost-plus model. Guaranteed capacity payments have increased the cost of generation.
- Decision-makers have always chosen short term fixes to avert crisis instead of a long-term well thought out strategy. Political expediency and short term goals resulted in long-term contracts; the end result is high prices for the consumers.
- The focus in planning strategies is on expanding generation capacity, with little focus on improving the energy mix and energy efficiency.
- Planning for generation expansion is based on only peak demand forecast, which is sometimes misleading. There is lack of spatial forecasting. That's why, investments to increase generation capacity are not complemented by equivalent investment in downstream transmission & distribution infrastructure.
- There is disconnect between various departments—leading to inconsistencies and less than optimal planning and decision making.
- Our energy planning strategies ignore the holistic view and focus only on the power sector. There are institutional disconnections and fragmentation in the priority of issues.
- If planning objectives are clearly stated, then there is a problem of implementation.
- Planning is done for the existing consumers and not for those who are un-served or under-served.

Speakers

Shahid Sattar, Former Member, Energy, PC
Ermeena Malik, Renewable Energy Consultant, World Bank

Tahir Basharat Cheema, Former MD, PEPCO

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Rashid Aziz, Senior Energy Specialist (Retd.), World Bank

Vaqar Zakaria, Partner and Director, Hagler Barley, Pakistan

Younus Akhtar Ali, Former Member, Energy, PC

Way Forward

- Distributed generation is the solution for those who are un-served or underserved.

- An integrated power sector planning is required. This approach must include accurately forecasting demand, adding generation capacity, improving transmission and distribution systems, increasing efficiency and bringing costs down and ensuring sustainability.
- We need good urban planners along with energy experts for energy planning.
- Coordination should not be limited to the energy sector, but serious consultation with other sectors as well.
- There is need for capacity building at the individual as well as at the institutional level.
- Policy-makers/ planners should have an understanding of the complex economic, political and environmental interrelations and uncertainties surrounding energy systems.
- Market liberalisation with private participation is an optimum solution provided accompanied by effective regulatory apparatus.
- Two parallel energy infrastructures are not financially viable. Move towards a single source of energy for every sector, in particular for the domestic sector.

9.1.3. Developing Electricity Market for Future

Challenges

- The electricity market is complex; it requires legal, financial and human capacity at every level. It requires healthy participants.
- We have moved from vertically integrated to the single-buyer model, but so far, failed in developing a wholesale market. There are private participants in the generation, but no competition due to guaranteed long-term contracts.
- Political and bureaucratic capture is so strong that it resists change. This capture discourages healthy participants to take part in the market and compete.
- Power sector (at present) do not satisfy the pre-requisites of a wholesale market.

Speakers

Shahid Sattar, Former Member, Energy, PC

Amer Zafar Durrani, President, Reenergia

Ayesha Ali, Assistant Professor, LUMS

At the Table:

Syed Akhthar Ali, Former Member, Energy, PC

Waqas Bin Najib, Member Energy, Planning Commission

Ermeena Malik, Renewable Energy Consultant, World Bank

Rashid Aziz, Senior Energy Specialist (Retd.), World Bank

Tahir Basharat Cheema, Former MD, PEPCO

Vaqar Zakaria, Partner and Director, Hagler Barley, Pakistan

Way Forward

- Existing generation needs to be broken down into smaller entities to minimise the generation complex in which we are currently locked.
- The sector needs to be financially viable first. Power sector with losses does not allow the market to move forward smoothly.
- Wheeling is the first step to move towards a wholesale market. Simplify wheeling of power that will be the prelude to efficiency and market development.
- NEPRA needs to ensure bilateral contracting and does not allow any entity to create hurdles in it.
- NEPRA allows generation plants with new equipment; if this condition is removed, generation costs will come down automatically, and these plants will also be available for competition.
- Competitive bidding (in future) requires a bidding plan. Without a bidding plan, market cannot be developed.
- We need professional management throughout the supply chain.
- We need compliant consumers—universities, media and other community institutions can play a role in creating awareness among consumers.
- Distributed generation offers avenues to create competition in the retail market.

9.1.4. Reforming Electricity Distribution Companies

Challenges

- Mismanagement and governance issues.
- DISCO employees (management) after corporatisation are company employees but they are still treated as government employees and get transferred quite frequently.
- In the DISCO boards, there is hardly any expert to guide DISCO management.
- DISCOs are not independent to take decisions; even for minor purchases, they need approval from the power division.
- For determining the sector's performance, the focus is only on two key performance indicators (KPIs), i.e., transmission and distribution losses and recovery rates; no consideration is given to reliability or sustainability of supplies to end-consumers.
- Though there is a difference among DISCOs based on two main KPIs used; when viewed in terms of sales volume, there is not much difference in performance.
- DISCOs performance is less to do with CEO incompetence and more to do with the socio-political environment, in which the company operates.
- Disharmony between federal and provincial governments is also affecting the efficiencies in the DISCOs.

Speakers

Sajid Akram, ADG Tariff, NEPRA

Tahir Basharat Cheema, Former MD, PEPCO

At the Table:

Waseem Mukhtar, Additional Secretary, Power Division (TBC)

Shahid Sattar, Executive Director, APTMA

Syed Akhthar Ali, Former Member, Energy, PC

Waqas Bin Najib, Member Energy, Planning Commission

Ermeena Malik, Renewable Energy Consultant, World Bank

Rashid Aziz, Senior Energy specialist (Retd.), World Bank

Way Forward

- Appoint experts on the boards of DISCOs and empower them to take tough decisions; make them accountable for their decisions.
- Invest in energy loss reduction programs, distribution infrastructure and grid augmentation.
- Invest in human resources to build the capacity of DISCOs.
- Not only capacity building of management; DISCOs also need trained technical staff.
- The distribution sector requires smart and effective regulatory structure; there should be a strong linkage between the regulator and the DISCO management.

- Make DISCOs a corporate entity with no government interference; the government should limit itself to policy-making.
- After the amendment in NEPRA Act in 2018, DISCOs are asked to come for separate tariff determinations for ‘wire’ business and ‘retail’ business. Keep the assets (wire business) in the public sector (DISCO ownership); maintain them to earn a reasonable profit out of it.
- Privatise or lease the ‘retail’ business.
- Before taking any decision, there should be a consensus among all, that is, not only power sector stakeholders but also academicians, politicians, judiciary etc.
- Divide large utilities into small units for better administration.

9.1.5. Electricity Pricing and Regulation

Challenges

- Our pricing system is based on load suppression model. This model was introduced when there was a shortage of energy and social welfare system was in place. After reforms, it should have changed, but we are continuing with it.
- In the generation cost-plus tariff, there is a lot of scope for improvement. But over the years, NEPRA has not come up with some good cost-plus formula.
- Both NEPRA and the government are responsible for the recent long term contracts with capacity payments. In 2005, NEPRA came up with power procurement regulation, which has no provision for long-term contracts. NEPRA has a strong advisory role under the law, but unfortunately, it is not exercising.
- NEPRA neither has the capacity nor the authority to take decisions which are assigned to it under the law. Similarly, NEPRA does not have the authority to check the inefficiencies of the DISCOs, as they are not independent corporate entities. They are under government control.
- The regulator does send an advisory to the government on various issues but is incapable of asserting its authority.
- After the amendment in NEPRA Act, 2018, a new law is in place. But how it is going to be implemented is not clear.

Speakers

Salman Rehman, Deputy Director, Tariff, NEPRA

Ameena Sohail, Energy Sector Lawyer, Managing Partner at Precision Advocates & Consultant

Tahir Basharat Cheema, Former MD, PEPCO

At the Table:

Waqas Bin Najib, Member Energy, Planning Commission

Ermeena Malik, Renewable Energy Consultant, World Bank

Shahid Sattar, Executive Director, APTMA

Rashid Aziz, Senior Energy Specialist (Retd.), World Bank

Syed Akhthar Ali, Former Member, Energy, PC

Manzar Naeem Qureshi, Power Sector Management Expert

Way Forward

- Our energy law making or policy making is flawed. It should be transparent and done after thorough consultations with all the stakeholders and local experts who understand the ground realities; and not at the behest of donors.
- For consumer tariff, the regulator must determine the actual cost of supply, which thus far has not been done effectively.

- Now there is excess capacity and the issue of capacity payments, there is a need for a new pricing regime, like for instance, the more you use the less you pay. This will encourage demand and also solve the issue of huge capacity payments.
- If nothing is done to lower consumer tariffs, people will eventually move towards other solutions, that is, renewables. This will have a devastating impact because of huge capacity payments.
- There is no simple solution to a complex power sector issues in Pakistan. It is the job of the regulator to come up with a new innovative formula that worked well for the sector as well as for the overall economy.
- NEPRA needs reform and capacity building to play a more effective role in the power sector, just like SBP is doing in the banking sector. NEPRA should act as a people's body and not as a government entity.

Prepared by

Afia Malik, Senior Research Economist, PIDE

9.2. Fixing Power Sector Issues

Preamble

The webinar featured senior stakeholders representing public and private interests. The discussion focuses on issues in the power sector and identifies keys to fix them.

Key Messages

- High circular debt equivalent to 42 percent of Pakistan's tax revenue per annum; it is rising by Rs. 500 billion annually. Poor governance of the DISCO's is one of the primary reasons for the circular debt.
- The government is not going to the sources of the problem, instead chooses for temporary fixes and bail out the inefficient DISCOs; while consumers are bearing the financial burden.
- Electricity tariffs in Pakistan are 26 percent to 28 percent higher than in other countries in the region. Although, energy purchase price has reduced over the years because of switching towards cheaper fuels, the capacity purchase price has increased mainly because of rupee devaluation.
- There is excess generation capacity in the country not because of low demand but because of revenue based load shedding of about 5000 MW in several areas.
- There are challenges in investing in transmission and distribution networks. Current regulatory framework incentivises generation companies while no incentives are there for transmission and distribution companies. There should be a balance in regulatory incentives given to generation companies and transmission and distribution companies.
- Each government comes in unprepared and makes ad hoc decisions. An integrated energy planning is required.
- Reforms introduced in the late 1990s were unplanned and remained incomplete. Strategically wrong decisions were made.
- Unsustainable fuel mix-- 60 percent or more of thermal resources and that too imported, hydro is only 30 percent. It should have been the other way, more hydro and other renewables.
- Lease out the major loss-making DISCOs or a set of feeders for 15 to 20 years. It is a more viable option than privatisation. This way, the assets would remain under government's control; as opposed to K-Electric, where assets are under the control of the private management. The leasing should be under the condition that whoever gets the contract, would commit to upgrade the system.

Speakers

Ahsan Zafar Syed, CEO, ENGRO Energy Limited

Shakil Durrani, Former Chairman, WAPDA

Syed Akhtar Ali, Former Member Energy, PC

Rashid Aziz, Senior Energy Specialist (Retd.), World Bank

Mahreen Aziz Khan, Chief Marketing and Communication Officer, K- Electric

- Government and the regulator have to ensure investments in the loss-making areas.
- Make PEPCO a holding company with representation from all DISCO's, managed by experienced professionals and not by the government officials. The holding company would act as a centralised decision-maker and manager for the DISCO's.
- Develop an electricity market. To start the process, bring in state-owned plants and soon-to-be-retired power plants under free-market trade.
- For competitive market development, all future generation contracts should be through competitive bidding, the preparation for these contracts should start from now.
- Bring DISCOs in the retail business along with other competitors from the private sector. However, competition should not be allowed without looking at the dynamics of the city. For introducing competition, rules have to be fair. If any competitor comes to Karachi, it should provide services to the high loss areas as well. Otherwise, the government should provide electricity services in high loss areas and allow competition in better performing areas.
- Regulatory certainty and policy consistency is critical for investor's confidence.
- Revise current regulatory framework.

9.3. Energy Innovations

Preamble

Dr. Nadeem UI Haque started the discussion by highlighting the importance of energy for human civilisation. He raised certain questions:

- How do we define energy innovations for Pakistan?
- Are innovations happening in Pakistan?
- Is there any demand for innovations in Pakistan?

Key Messages

- Globally, energy policies are designed to address the energy trilemma (supply inadequacies, demand inefficiencies and reduction in greenhouse gas emissions). The objective globally pursued is to achieve SDG Goal 7- access to clean and affordable energy for all. This is pushing for innovative solutions.
- Global trends suggest increased focus towards renewables, moving from the centralised energy management to the hybrid and off-grid management, electrical vehicles, storage technologies, micro and smart grids.
- The world's commitments towards SDG 7 for the reliable, affordable, sustainable, and modern energy access for all till 2030 has led to the increase in the share of renewables in the global energy mix; and an exemplary improvement in energy efficiency. Global trends suggest, almost 50 per cent of electricity in future would be generated from renewable resources.
- Globally, the government is a major player in energy investments.
- In Pakistan, there is no innovation. We are only following world trends. There is no commitment to achieving SDG 7.
- In Pakistan, there is an “unmet energy demand”, a market of about 80 to 100 million people. These people are largely in rural areas or in semi-urban areas with little urban footprint.
- Pakistan is one of the most energy-intensive countries with a highly inefficient use of resources. The cost of energy production is also very high as compared to other countries in the region.
- In Pakistan, the reason for not doing innovations and not integrating renewables with other conventional technologies is lack of resources, missing state ownership for energy innovations, governance issues, lack of institutional capacity and accountability, lack of collective thinking, issues relating to other sectors and above all “power beyond politics”.
- General perspective about innovation is that it is the application of new techniques along the entire energy supply chain. But in fact, innovation is an

Speakers

Mehroze Rafique, Staff Officer to Chairman, NEPRA & Future Energy Leader (WEC)

Amjad A. Awan, Former CEO, AEDB

Shahid Sattar, ED APTMA, Former Member Energy, PC

Sobia Baig, Head Energy Research Centre, COMSATS

Ermeena Malik, Renewable Energy Consultant, World Bank

Amir Durrani, President, Reenergia

enabler not just limited to technology. It includes new ideas, policies, regulatory frameworks, and new financial /business models. Innovation is also about providing access to clean, affordable and reliable energy in areas where there is unmet demand; and laying down the national grid infrastructure is not viable for the government.

- In a resource-constrained Pakistan, there is an urgent need to reduce our dependence on imports and focus more on indigenous resources. We need to develop our own mechanism to use these resources. We need to develop our own technologies to reduce costs in generation, transmission and distribution.
- Our energy research institutes should develop those mechanisms, techniques etc. In Pakistan, we do have energy research centres, but they are working on their own. There is no collaboration between academia, the energy industry and the government.
- On the supply side, renewables do provide energy security but along with the development of storage capacity, micro and smart grid system for creating reliability in supplies.
- Digitalised systems optimise the power supply with minimum human intervention and maintenance.
- On the demand side, the solution lies in energy-efficient projects, to curb the wastage and misuse of energy at the consumer level.
- There is need to create awareness among those relying on non-conventional energy sources about growth and clean energy solutions. Distributed generation with the involvement of local communities, as pursued worldwide can help those with unmet energy demand. The national grid is only feasible for dense urban localities.
- Micro-grids for our rural areas or wherever it is required is more cost-effective, as compared to connecting those communities with the national grid. The localised energy grid solutions offer energy independence and efficiency. There is also a possibility to shut down some grids and make way for renewables.
- Globally, distributed energy projects are supported by the government. In Pakistan, the government should also support such initiatives. Our national thinking should broadly focus on all sectors and not just energy. That is, collective thinking on power generation fuel mix, pricing of energy sources, and in energy allocations—national priorities should lead.
- Electricity is heavily regulated because it is treated as a commodity that should be available to everyone at a reasonable cost. Now with new technologies, renewables, costs are also going down making electricity affordable. This demands a new regulatory framework.

The session ended with the comment from Dr. Adil Najam that the market is the only way forward.

Prepared by

*Amena Urooj, Assistant Professor, PIDE
Afia Malik, Senior Research Economist, PIDE*

9.4. The Gas System in Pakistan

Takeaways

Gas Sector Challenges

Demand Mismanagement

- Highly Subsidised Prices for some Sectors
- Politically Motivated Gas Allocation & Management Policies—Preference to Domestic Consumers
- Inefficient Use of Gas

Speakers

Arif Hameed, Former MD, SNGPL

Muhammad Arif, Member, Gas, OGRA

Shahid Sattar, ED, APTMA, Former Member Energy, Planning Commission

Sheikh Imran ul Haque, Former CEO, PSO

Insufficient Supplies

- Indigenous Resources Depleting
- LNG Imports Increasing
- Winters_ RLNG diverted to Subsidised Domestic Consumers

Inefficiencies

- Unaccounted For Gas (UFG) 7 times of world average; SNGPL (11.8 percent) & SSGCL (17.8 percent)_ 1 percent UFG costs around Rs 1.7 Billion
- Difference in Electricity & Gas Tariffs leads to Misallocation of Energy Resources

Over Regulated

- Consumer Prices are Government Controlled
- Uniform Pricing across Country
- All Operations (Upstream and Downstream) under Government Control

SNGPL & SSGCL

- No Business Model
- Monopolies with Guaranteed Rate of Return on Assets.
- No Mechanism to link their Financial Returns to their Operational Efficiency

Circular Debt

- Gas Companies Costs Going Up_ RLNG; Prices are much below Costs for Some Consumer Categories.
- High UFGs
- Delays in Price Notifications

➔ **No Competitive Gas Market**

Key Messages

Arif Hameed

- OGRA should take the lead to monitor the leakages and determine cost-effective prices for gas companies.
- No more gas allocation based on political preferences.
- Focus on the maintenance of the distribution network and install high-quality measurement devices to address the UFG issue. No more pipeline expansion.
- Despite having 42 percent of private shares in SNGPL, there is one independent director on the board. Remaining ten directors are from the government with no technical knowledge; they are reshuffled quite often.

Muhammad Arif

- OGRA will try its best to control for UFGs but needs cooperation from the government of Pakistan and the two gas companies.
- There are many efficient ways to resolve the UFG issue—lease out the particular area where there is a problem to a private party. Sell gas in bulk to the private company and let that company handle theft, collection, service and distribution.
- Profit-making companies e.g., OGDCL should not be privatised.

Sheikh Imran ul Haque

- Empower the regulator and regulator has to lead the competitive market development.
- Empower the two companies through independent board of directors; unbundling is good but it needs time.
- New business model for the gas companies and let the professionals lead.
- Recent buying of LNG in the spot market is more expensive than the Qatar LNG. There is an opportunity; as global LNG markets have turned. Re-visit the long-term contracts, as many other countries are doing and negotiate 25 percent of the contracted volume that is going to be available in the next few years.
- No need for two parallel energy systems for domestic consumers or for industry. Gas is not cheap anymore; it should be used where it can add value.

Shahid Sattar

- Prioritise exploration activities—not only right well-head prices but also minimum government interference.
- Outsource retail activities to a private company and SSGCL and SNGPL continue with the pipeline business.
- Competitive Market for Gas allows for the bilateral trading in the gas market.
- The add-ons to imported LNG in Pakistan are very high because of so many entities involved; this inefficiency also needs attention to minimise the final cost of LNG.

- Some balance is required in gas and electricity prices, to minimise the misallocation of energy resources.
- We need leadership to bring our energy system out of this existential crisis.

General emphasis on:

- Single independent regulator for all gas system activities-- upstream, midstream and downstream. No more government interference.
- In the guaranteed rate of return formula, there is an incentive to expand pipelines, while there is no incentive for maintaining the existing ones. There is a need to shift from the guaranteed return to efficiency-based returns. It is the job of the regulator to come up with the new mechanism.
- Consumer tariff should be on the cost of service basis for an efficient gas sector. A direct subsidy is a more effective tool—there is an option of BISP for life-line consumers and export promotion programs for the industry.
- OGRA has to take lead to make some structural changes in the system.
- Before unbundling we as a nation must agree on how to manage energy systems.
- Our political economy needs to be educated by our technocrats. There has to be a will & capacity to implement what is suggested by the technocrats.

Prepared by

Afia Malik, Senior Research Economist, PIDE
Saba Anwar, Research Economist, PIDE

9.5. Energy Efficiency and Conservation in Pakistan

Preamble

- Energy efficiency and conservation have not remained popular in our energy strategies. There is a lack of awareness of its overall benefits. PIDE arranged the webinar in collaboration with the National Energy Efficiency and Conservation Authority (NECCA) to highlight the significance of energy efficiency and conservation in Pakistan for sustainable and secure energy supplies for the future.
- NECCA has the mandate to initiate, catalyse and coordinate in all energy conservation activities in the economy. The authority primarily focuses on the inefficient use of energy in the industry, agriculture, transport, energy and buildings, which is putting huge pressure on the overall country's resources. NECCA is interlinking research and development and climate change obligations with energy efficiency and conservation strategy.
- Pakistan has the potential to save up to 10 to 12 million TOE of primary energy supplies. The authority is targeting to achieve 3 million TOE of energy saving by 2025 through various interventions in all the sectors. Besides, improvement in energy productivity can contribute up to 5 percent of GDP in the next five to seven years.

Speakers

Dr. Saddar Mohazzam, MD, NEECC

Dr. Nadeem Javaid, Former Chief Economist, PC

Dr. Sania Awais, MD, Punjab Power Development Board

Dr. Marium Jala, In-charge Department of Electronics Engineering, FJWU

Afia Malik, Senior Research Economist, PIDE

Required Interventions

- Replace the old public transport vehicles with new ones. The government can intervene by ensuring easy bank loans for those who do not afford to replace.
- Inspection and certification of old cars should be mandatory. In particular, cars which are ten or more years of age.
- Create awareness about how often CNG installed vehicles require inspection.
- Traffic congestion on roads is another source of inefficient use of fuel. Remove road barriers to minimise traffic congestions in areas where safe city cameras are present.
- Buildings are the major source of inefficient use of energy. Apply smart and innovative techniques to save energy, e.g., install smart lighting systems in buildings.
- Awareness campaigns to change the behaviour of consumers.
- Energy audit of various buildings like, industries, universities or office buildings should be done to minimise the misuse.

- The design of electric appliances, power plants, or motors used in industry etc. is critical to conserving energy—some minimum standards and their enforcement.

NECCA Initiatives

- Conversion of brick kilns to energy-efficient kilns for reducing GHG emissions.
- Standardisation and establishment of the accredited laboratories are going on in collaborations with various partners.
- NECCA has started the energy audits of captive power plant energy, to ensure the efficient use of scarce indigenous energy resources and to minimise fossil fuel imports.
- Authority has proposed new minimum energy performance standards in Pakistan. NECCA involved all the stakeholders while preparing performance standards _ for their awareness. It is in the mandate of NECCA to ensure that all in the market follow these standards.
- NECCA is putting the monitoring, verification and enforcement regime into place.
- NECCA will also establish energy tribunals to take care of grievances if it arises.
- Authority is working on building codes for conserving energy.

Prepared by

Afia Malik, Senior Research Economist, PIDE

Chapter 10: Smart Approaches to COVID-19

- 10.1 Smart Approaches to COVID-19
- 10.2 COVID-19 and Challenges for South Asian economies
- 10.3 Doing Health Policy Better
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10.1. Smart Approaches to COVID-19

Preamble

COVID-19 pandemic response, governments all over the world face challenging tradeoff, especially in developing countries like Pakistan. Using the scale strategy and smart control, government administrators must select whichever to retain their economies open and fear of thousands of lives or implement lockdown and hazard economic collapse. Distribution and production of the supply chain are more fragile. Moreover, the government of Pakistan also has limited public capacity and money to rely upon. Therefore, numerous states have lockdown; the burden to reopen is increasing and immense.

Speakers

Rashid Langrial, International Development Practitioner, Writer & Civil Servant

Dr. Rana Jawad Asghar, CEO, Global Health Strategies & Implementers

Dr. Saima Altaf, Public Health Physician

In this webinar, guest speakers speak about:

- How is the world keeping towards another great depression?
- What type of testing should be done?
- What type of data should be gathered?
- What is the nature and extent of the lockdown and reopening?
- What is working and what is not?
- What resources are needed?
- How should the government prepare for the future?

Key Messages

- There are many strategies but does our government have the capacity to do all of the COVID-19? Which is important to the strategy?
- This is not a single step game. It is a multi and cooperation stage process. Cost of deviation is very high.
- Lockdown is not going to prevent it because it follows a peak-trough model.
- Whenever there is a lockdown, cases start to decline, but when lockdowns are eased, cases start rising again.
- Prior studies of SARS outbreaks also confirm this correspondence to human behaviour.
- Furthermore, the challenge is that there is a lag between activities and payoffs. We are unable to synchronise our activity and payoffs.
 - Nature of spread is exponential. Incidence of the disease is always uneven. There is heterogeneity in the disease spread because the conditions are homogenous.
- Every country has a lockdown stamina. Beyond that, either lockdown will be lifted, or there will be a deviation. Both of which lead to an increasing number of cases.

- To apply lockdown intelligently, massive testing but a randomised sample. There should be circles, and testing should be done in circles.
- Circles are divided into categories.
 - Where there is not even a single case.
 - Where there are numerous re-counted.
- There should be pooled testing, as well as individual testing like Germans did.
- The test results denominate as green, yellow, orange, red zones reflecting the extent of spread.
- Moreover, the enforcement strategy of lockdown should be according to zoning.
- The implication of lockdown, defining the zoning and perimeter of a neighborhood, can be effective.
- The whole population does not need to have to be getting infected.
- Computer models are not applicable in pandemics, especially in those cases where key information is not available.
- PCR testing is not sufficient to determine that either you are infection-free or not -- anybody could be in the incubation period and may often infect the test.
- You cannot test the whole country; it could be done in cluster sampling.
- There needs to be an end to the panicking situation. If we dig deep into data, we know that the situation is not that bad as the situation is being panicked.

Suggestions

- Adjust the policies' effectiveness through reevaluation.
- Track COVID-19 dominance and socio-economic consequences in all communities each 2-3 weeks.
- Based on the dignified impacts, strengthen; decide to continue to the response of the future. Testing sampling and strategy should develop symptomatic testing to antigen and therapeutic testing.
- Furthermore, collect evidence-based responses relevant to health and socio-economic outcomes data for policies at each stage.
- In the current situation, adapt distancing strategy to minimising lockdown impacts of health and economy.
- At every stage, policy-makers gather evidence, plan smartly, evaluate the impact and refine their reaction.

10.2. COVID-19 and Challenges for South Asian Economies

Organised By Monash University, Australia

Preamble

South Asia, the world's most populous region, remains vulnerable to COVID-19. The necessary protection measures are severely impacting economic activity and millions face poverty. Effective policies are essential to forestall the possibility of worse outcomes, and the necessary measures to reduce contagion and protect lives are an important investment in long-term human and economic health. Working together offers the best hope for the region to succeed. This event aims to discuss how South Asia can ramp up its response to tackle the pandemic and economic crisis.

Speakers

Dr. Nadeem Ul Haque, VC, PIDE

Dr Selim Jahan, Director of UNDP's Human Development Report Office

Dr Swarnim Waglé, Chairman Institute for Integrated Development Studies (IIDS)

Dr Ganeshan Wignaraja, Executive Director, Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI)

Key Messages

Dr. Nadeem Ul Haque—Pakistan:

- COVID-19 has impacted the whole world, the South Asian region is just not an exception. It has created panic and uncertainties not just in Pakistan but across the world. Despite the surprisingly low rate of infections as well as deaths in Pakistan as compared to the USA and rest of the world, the impact has been significant on the economy.
- Pakistan underwent complete lockdown which was later scaled down to partial lockdown by the Prime Minister of Pakistan, in the wake of the harsh burden on the poor. Following the relaxation in lockdown, cases of infections rose but at a manageable rate, from about 400-2000. Still not posing any serious threat.
- The unprecedented negative economic growth of the country attributable to the badly impacted services sector as well the locked down manufacturing sector. Manufacturing sector remained shut down, leading to a massive shortfall in exports. The informal sector - the daily labour, small and medium industry and restaurants are badly suffering. As per the projections, poverty has gone up by 20-30 percent, and if this state of affairs continues, poverty is expected to be doubled.
- Pakistan is going through an IMF program, even before the pandemic, due to a shortfall of reserves, growth crunch and a ballooning fiscal deficit. But the terms of the program need to be renegotiated taking into account the post COVID-19 scenarios.
- “COVID-19 virus is deadly to elderly people with comorbidities”. Dr. Nadeem Ul Haque emphasised the term comorbidity as the ultimate problem of the South Asian region. The region has a comorbidity of never solving its problems, being

least integrated and passive for international coordination. One can blame COVID-19 for a lot, but we can't blame it for the fact that we are still one of the slowest growing regions in the world. COVID-19 will expose our comorbidities of failures in tackling our economic problems and will force us to engage in reform.

- Biggest problem of South Asia is not COVID-19 but the incapability of developing our economies for the 21st century. COVID-19 has shown that we couldn't impose lockdown like the rest of the world has done because we lack the systems to do so.
- COVID-19 is not the ultimate problem of Pakistan, it is just the tip of the iceberg compared to the deep rooted structural problems that we are just not ready to face.

Dr. Selim Jahan—Bangladesh:

- COVID-19 situation has two aspects in context of Bangladesh's economy. One is medical or public health aspect while the other is socioeconomic aspect of the challenges posed by the Covid-19.
- Garments industry is directly hit by the COVID-19 -- around 2 million workers of the garment industry lost their jobs. It can have socioeconomic implications in the short run.
- Declining remittances is another issue of concern as a result of layoffs in Middle Eastern countries. Absorbing those migrant returnees would be a challenge for the government.
- If the COVID situation prolongs, there could be food shortage in the long run as there are apprehensions of agricultural production coming to a halt.
- About the controversial nature of lockdown, instead of indulging into the unproductive debate of whether to save lives or to save the economy, we should prudently focus on finding ways to save lives as well as the economy.
- The prime challenge for Bangladesh's economy is to deal with poverty, especially in a post COVID-19 world. Esurience of food security and cash endowments remains a difficult challenge for the government despite coordination from NGOs and humanitarian groups.
- There is a need to rethink and revisit planning at the national level. The Annual budget of Bangladesh needs to have a fresh and dynamic approach to address the challenges posed by COVID.

Dr. Swarnim Wagle—Nepal

Extending the debate to Nepal, Dr. Swarnim Wagle asserted that the situation in Nepal is no different than the rest of the region. Initially, the number of cases were minimal. The surge in cases is attributed majorly to scale up testing and partly to infiltration through porous borders.

- The main avenues of impact of COVID phenomenon in Nepal are remittances, tourism and merchandise trade. The shocks from these avenues flew down to the mainstream economy, hitting the services sector which is about 60 percent of the

GDP. Almost every sector of the economy bore the brunt of the COVID-19 crisis with the exception of agriculture which is kind of shielded given the nature of job and social distancing there.

- Following the global growth contraction trend, initial projections for growth contraction for Nepal was about 2.3 percent i.e., a modest fall from 8.5 percent to somewhere around 6 percent. But the worsening situation of COVID-19 implies that growth may drop down to 0 percent if not dipping to negative given the negative growth story of Nepal on account of number of events like the deadly earthquake of (2015-16), the Indo-Nepalese blockade and the civil war of 2001-2002 among others.
- The tourism sector in Nepal which contributes the golden pie worth of \$2bn has been critically affected. There are nevertheless options to be explored like the much talked about Trans-Tasman bubble, being a part of which via air-link can resume some of the tourism traffic in Nepal.
- Remittances are a major source of foreign exchange for financing Nepalese import bill as well as a dependable means of poverty reduction. But remittance will sharply decline conditional on the host country's economic outlook. The problem can get worse when a large number of migrant returnees from Middle Eastern economies reach back home.
- COVID-19 hit the informal sector very badly, the government should come up with an economic package of cash handouts and utility reliefs. Proposing the needful, Dr. Swarnim suggested that brutal reallocation of resources from low priority areas to high priority areas is needed. Managing the fiscal gap exhausting all available options will remain an uphill task for the government.
- Dr. Swarnim wrapped up with the fact that there is going to be life after COVID, so we should prepare the seeds for planting in the next season. New and more dynamic sources of economic growth will be needed in the post COVID-19 world.

Dr. Ganeshan Wignaraja—Sri Lanka

- The health response to COVID19 in Sri-Lanka has been fairly good. There have been 52 cases per million and the mortality rate is below 1 percent. This management and containment of the outbreak can be ascribed to the overall good health care system of Sri Lanka and better management of quarantine centers with the joint efforts of civilian and military institutions. However, it is a well maintained argument that there is a dire need to scale up testing capacity in Sri Lanka, otherwise the figures of active cases are misleading.
- Effectiveness of lockdown was really limited. An expedient and more effective communication strategy needs to be in place for the lock downs.
- Economic growth numbers vary largely between commentators as the central bank is expecting a plus 1.5 percent growth this year, the IMF estimated -0.5 percent. On average, the number is one percent for this year.
- Challenges that Sri-Lankan economy faces posed by COVID-19 are multifarious. Exports have gone down 42 percent year-on-year which has served a blow to an already ailing economy. COVID-19 has rendered business

investment in a bad shape and investor confidence is low. There have been capital outflows resulting in risks to poverty and unemployment.

- The debt overhang and twin deficits have rendered small fiscal space, thus policy options for government are limited. Hambantota port in southern Sri Lanka and the industrial zone could be of some help. The fiscal stimulus part has been muted in Sri Lanka. Probably, all the measures taken together amount to less than 1 percent of GDP so far because of the debt overhang. In India, it is 10 percent of GDP and in case of Bangladesh, it is 5-6 percent of GDP. Furthermore, the stimulus has been on the monetary policy side and on the financial sector. Sri Lanka, obviously needs to adjust economically in the future to become much more flexible and agile in the post COVID-19 world.

Conclusion

The debate concluded with the suggestion that there must be increased testing for COVID19 because the number of infections reported are not reflective of true extent. It is noted that all the south Asian countries imposed lock-downs but the scope and effectiveness of these lock-downs varied greatly. What should be done to make these extreme measures more effective remains to be figured out? However, governments must look into the factors affecting scope and effectiveness of such measures and must brace themselves to face the realities of the post COVID-19 world and there must be some sort of mitigation and preparedness to counteract the challenges posed by the COVID-19.

10.3. Doing Health Policy Better

Preamble

To respond to a situation like COVID-19, a reasonably well-functioning health services system, technically and operationally is essential. This webinar brief enlightens the role of healthcare systems, its functioning, its effectiveness and related issues based on the system. Further, how can we design the healthcare policies better?

Speakers

Dr. Saima Altaf, Author, Physician and Public Health Specialist, Former Senior Advisor to USAID.

Key Messages

Dr. Saima Altaf elaborated and emphasised the importance to make the entire system efficient in terms of policy, program design, monitoring and evaluation. For doing so, she briefed it by categorising in four basic points:

- (1) One perspective is that ‘INDIVIDUAL—as a unit of concern’, whereas another perspective is ‘overall SYSTEM—as a unit of concern’.
 - Policymakers focus on determining Critical Health Indicator captured the trajectory of the service delivery system and ultimately the results.
 - Most of the time, if **system** itself is healthy, it keeps the individuals healthy and makes it easy to care for those who need medical services. System contains investment in clean water, sanitation, education, housing, nutrition and proactive health services and for this, incentivise the service providers to make career choices attractive. This results in the form of lesser sick people.
 - In terms of **individual** care, more investment needed in doctors, and hospitals—especially in Pakistan that gave poor and wretched results.
- (2) *Privatisation of healthcare Systems* – which seems to be not a good idea. As the entire New York healthcare system has been privatised and that system is unable to cope up with COVID Pandemic. This is just because privatisation let the system idle and in emergency, resources are not available to the government to manage the situation.
- (3) *Focus on Health Budget* – Though, it seems to be not very meaningful and helpful in providing health services. The US spends 18 percent of its GDP on healthcare, probably, the highest in the world while Denmark spends 10 percent leading to Finland spending 9 percent of its entire budget. However, their critical indicators are much better than the US. Considering Pakistan, it is adhering only 60 percent of the allocated budget in this head as un-utilised.
- (4) *Local Public Health Delivery System* – It is linked with the implementation phase such that administration and management at the community level. It is easy to organise this system by incentivising the local staff. This could benefit in the following manner:

- Delivering best healthcare facilities or services, environment health services, health education, to communicate behaviour change to the local people, especially in disadvantaged areas
- Like in Sri Lanka, Congo, Dharvi Slum outside Mumbai (where only 2000 people had infected from pandemic out of 100,000 population)

Pakistan's Healthcare System is completely unresponsive from so many decades. Pakistan has prioritised the health care of individuals rather than to develop a healthy system. As number of medical colleges, number of medical students and number of hospitals has been increased dramatically over the past 5-6 years, but despite all these facilities, Pakistan is unfortunately doing very little about Continuing Silent Epidemics e.g. Hepatitis, TB, Hypertension, Diabetes. Larger Critical Health indicators have so far been improved e.g. under 5 mortality rate, maternal mortality rate, patients to doctor ratio; but still have a status of poorest in the region. On the contrary, a critical indicator like neo-natal mortality rate is the poorest in the whole world and has a status of 'number 1' since 2018.

Pakistan is unable to build a local healthcare system just because of the robust management and administrative system. District hospitals, Tehsil hospital, rural health centers, and basic health units can help to provide facilities in far-flung areas but in reality, it does not exist. The need is to start from the very basic level and target the most vulnerable issues related to the healthcare system. Try to appoint the job on rotation with a proper monitoring and evaluation system. Try to strengthen the already built community-based healthcare system, just need proper management, monitoring and evaluation. It is better to involve all the stakeholders, especially the specialists of the field, in the policy making process to make it successful, functional and effective for the local people.

Concluding remarks mainly focus on the fact that the system is heavily suffering from inefficient thought processes in place, lack of ability to configure systemic thinking (heart of policy making), and dearth of ability to negotiate and debate on long-term policy. Along with that, a very little research was conducted despite the fact that already have established very good research centers. The only hidden reason is to desire to do and administer the system.

Prepared by

*Saleiha Sharif, PhD Scholar COMSATS
Dilavar Khan, Alumni PIDE*

10.4. The Post Pandemic World—A Political Economy Perspective

The COVID-19 is changing the world, especially, the status of global geo-political and power dynamics. While discussing the impact of uncertainty in future, most of the people argued that global order or disorder is very dependent on the fear of climate that pandemic has procreated. This webinar was organised to analyse and give remarks on the potential threats and opportunities at the global level and especially in perspective of Pakistan's economy.

Speakers

Anatol Lieven, Policy Analyst and Professor, Georgetown University

Maleeha Lodhi, Diplomat, Political Scientist and Former Ambassador to the UN, US and UK

Haroon Sharif, Former Pakistan's Minister of State and Chairman Board of Investment

Key Messages

- Maleeha Lodhi highlighted the five major features that have been characterising the global environment in both pre-pandemic and pandemic situations. These five features are as follows:
 - (1) Rising multipolarity with being refused vertically and horizontally between countries and within countries, as citizens become more empowered by more accessible technologies
 - (2) The resurgence of competition and tensions between the big boss such that US-China confrontation has become the most consequential geo political development. Like an example of highly intensified competition in the advanced technologies.
 - (3) Retreat from multilateralism in a rule-based international order witnessing the pronouncement of international agreements and treaties in fact the pandemic is in the paradox that created the need for Greater International solidarity and cooperation. Like a long list, of course of treaties, the US is pronounce an adjustment such as a nuclear deal, the Paris agreement on climate change, the open skies agreement and in terms of multilateral Institutions such as the UN human rights council in Geneva and most recently with WHO.
 - (4) The emergence of anti-globalisation sentiment, not all Western countries but many intend to remake Global supply chains, and this seems to reflect their intent to reduce their dependence on China, and plans are being considered to move toward setting up local hubs of manufacture and supply. Most importantly, populist leaders will use the health crisis to reinforce their policy preference for closed borders and come down against immigration and the freedom movement of labour that seen in recent decades the future course of the most important bilateral relationship between China and US.
- At the end, she marked this era as the one of history's most uncertain periods with anatomisation of the international system or taking place in an uncharted

territory that have not been here before. Therefore, this multiple directory repeater multilateralism has engaged the big two powers in a stand whose outcome will affect the entire world. The implications of Pakistan will be strategically, politically and economically affected which seeks good relations with both countries but also Pakistan is clear that its strategic future lies with China soil.

In addition to these above-mentioned factors, Harron Sharif added up three major factors as Globalisation versus Regional Cooperation, BRI future investments and record breaker tension between China and USA.

- China's share is likely to increase in the colonies of Latin America, Southeast Asia and in the Eastern Europe. However, the significant influence of China on these regions will be dependent on its investment in the state infrastructure, power and railway sectors. Finally, Mr. Leiven elaborated the US relationship with Middle East and especially with China. He expressed that Pandemic situation has accelerated the transition to a more fragmented world that mainly rely on the uncertainty of unifying ideologies of the international systems. The balance of power will dramatically shift from either of the two major countries.
- In the end, Dr. Nadeem Ul Haque concluded that whatever the impact pandemic has on political economic warfare of the world but surely, it has changed the human behaviour in terms of social distancing and developing a new form of doing business. Thus, the response of COVID 19 has been expensive with a great influence on budgetary priorities.

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10.5. Recovering from Pandemic

Preamble

Pakistan has been in financial trouble well before the start of the pandemic, relying heavily on loans to keep the fragile economy afloat, and now Covid-19 has added immense pressure. Pakistan's weak health infrastructure has also imposed a tremendous burden on the government to respond effectively to the health crisis. More than the virus itself, the greater danger Pakistan faces is

unemployment and hunger. The State Bank of Pakistan expects the economy to contract 1.5 percent this year. Widespread lockdowns are affecting the world's economy in technology, finance and trade. Government assumes the most pessimistic scenario that covid-19 is not going anywhere till March 2021 which is the worst case. According to the growth projection by M. Nasir, the economy will contract further, projected tax revenue would be 11.7 percent and the deficit would be around 10.4 percent. Inflation would be in between 6 percent to 9 percent due to the decrease in aggregate demand. There would be an increase in remittance but if the global slowdown continues, we could see a decrease in our remittances which will affect our trade balance. It will also increase poverty and unemployment. Crucially, everything depends on the policy actions that we take now. This webinar enlighten us to know about

Speakers

Dr. Nadeem Ul Haque, VC, PIDE

Dr. Akmal Hussain, Distinguished Professor, Sussex University, UK

Dr. Khalid Malik, Founder and Co-chairman, Global Sustainability

Dr. Muhammad Nasir, Senior Research Economist, PIDE

- What is happening to the world?
- How the world might shape up after covid-19?
- How to get out to covid-19?
- How do you look at Covid-19 recovery as if people matter?
- What are the vulnerabilities that were exposed by Covid-19?
- How can we improve our healthcare system in Pakistan?
- From where do we get this \$5 billion?
- How can Pakistan's government support pandemic recovery?

Key Messages

- Covid-19 would cause a drop of GDP by 5 percent globally and the World Bank has reported that 100 million more people will fall into extreme poverty.
- Pakistan will face severe recession due to Covid-19.
- This pandemic has brought opportunity to restructure the economy.
- This is the time to not worry about debt, this is the time to recover from sharp depression.
- Employing people to use labour intensive methods to reconstruct irrigation infrastructure, this would generate a large number of employment.
- Generate high rates of growth that are based on middle class and poor rather than elite.

- Lease government owned land out which is lying useless to property developers. Land would be developed and at the same time government will get money from the leasing out.
- Sell state owned entity which is taking blood out of your treasury.
- Money is not the problem, but uses of money, we are wasting on different projects are problem.
- We must make the economy for the people and by the people rather than economy for and by the elite.

Takeaways

Dr. Akmal Hussain

- Restructure an economy in a fashion that generates high rates of growth on the basis of talent come out of COVID-19.
- First, spend 5 percent of GDP which is around 2000 billion rupees on building health infrastructures on grassroots levels, upgrading basic health unit's and tehsil level hospitals. It could generate a large amount of employment.
- Second, the government needs to provide universal provision not just of healthcare but of education and social protection to people who are living under the poverty line. 45 percent of the population that is poor has to be provided support and opportunities for developing their talents and opportunities for employment. Social protection includes not just unemployment benefits, it also includes state pensions.
- Third incentive that can be taken, is to design agriculture growth strategy that shifts away from traditional elite farmer strategy towards the small farmer strategy. Small farmers have the greatest potential for increasing yields if government incentive policies through high quality inputs, credit and technologies. It not only improves water wastages but can also diversify the agriculture economy towards dairy farming and livestock production for exports. There is a need to establish small farmer development cooperation in every province which would be owned by poor but run by professionals.
- Fourth, support of small scale manufacturing enterprises could produce high value added goods. Government needs to establish a common facility center for the small industry sector.
- If the government takes these incentives, it would generate high rates of growth on the basis of talent and enterprise of the people. This growth will be driven by the people rather than by the elite only and it would be an export oriented economy.

Khalid Malik

- It is easy to subsidise the rich but very difficult to support the poor.
- Developed countries now committed 10 percent to 20 percent of the GDP to covid-19 around 10 trillion dollars but developing countries are unable to manage more than 1 percent of GDP for Covid-19 recovery. It should be increased to at least 5 percent of its GDP.

- Covid-19 brought the opportunity to restructure our cripple healthcare system.
- Pakistan can be put in a very different trajectory by focusing on small farmers.
- Debt doesn't matter when the economy is declining; Pakistan needs to focus on increasing aggregate demand and growth rather than debts because if the economy is growing then any level of debt can be managed.
- Covid-19 is very big crisis if we take advantage of this, we can lay very different kind of economy in Pakistan.

Muhammad Nasir

- Covid-19 exposed vulnerabilities in our export sectors, health sector and education sector.
- Health vulnerability: we have less number of ventilators and not enough ICU beds.
- Education vulnerability: most of the students are not attending online education due to lack of access to technology whether it is laptop or internet. Closure of educational institutions already affected more than 20 million pupils and literacy rate would suffer.
- Job vulnerabilities: people were laid off and 18 percent or 19 percent employees can work remotely. Youth unemployment would increase which would cause social unrest.
- Local government system is not good enough to identify the most vulnerable who can be helped even through Ehsaas program. Government needs to increase its spending on Covid-19.
- Government needs to monetise future loss. To increase spending on Covid-19's recovery, the government needs to generate more revenue by improving its tax collecting mechanism. Budget has been allocated to almost every sector but they do not spend it efficiently as the Punjab education sector only spends 60 percent of allocated every year. Pakistan needs to follow the Iran model, where every village has its own health house and education house.

10.6. Microfinance in Times of COVID-19

Preamble

Microfinance is the endowment of small-scale financial products and services to poor individuals and households. The focus is to provide financial services to low-income households to improve their income and standard of living. Low-income households typically have limited access to conventional services

provided by mainstream banks and other financial institutions. The professed promise of microfinance is to bridge this gap by reaching out to low-income households and fighting against poverty and vulnerability. Microfinance aims to improve the incumbent standard of living. In our country's landscape, around 6 million people are now active borrowers under microcredit, and the growth is imposing like 20 percent is grown over the last year.

In terms of covid-19, microfinance clearly says that there is continuity of business for clients. Microfinance is the easiest way for low-income people to access. And also provide relief to the poor people through **The Ehsaas** program and other **NGDs** (National Growth and Development Standards) projects. Microfinance lies between 16-35 percent poverty alleviation, and **The Ehsaas** lies between 35-60 percent. The pandemic has definitely affected the borrower. This pandemic's impact is definitely on borrowers, and they need relief, which is extended by **SEC** (Securities and Exchange Commission) and **SBP** (State Bank of Pakistan).

The purpose of this webinar is to educate about microfinance in COVID-19 pandemic days. What is finance? What would be the magnitude of this microfinance in Pakistan? What types of institutions are working there? What are their landing channels? How can they elevate poverty by using microfinance? Why do we need it for the provision of small-scale products to poor individuals and households? What would be the impact of this microfinance on the livelihood of the people and their living standards? How poverty affects microfinance? What would be the service charges? How COVID impact the diversification of people's income-generating activities? What is the impact on human capital? Why and how are they making so much money at the cost of impoverished people? Why not include those community-based organisations who are well known and well aware of the situation over there that who is poor and who is not poor? How is the interest rate determined by the regulatory bodies?

Key Messages

The main points of the webinar are enlisted as:

- In Pakistan, microfinance institutions' funding systems are divided into client level, intermediate level microfinance, banks, and fund providers to microfinance institutes and commercial banks.
- The impact of covid-19 on the micro finances inclusion, which is disenfranchised in few cities across Pakistan.

Speakers

Dr. Nadeem Ul Haque, VC, PIDE

Dr. Nasir Iqbal, PIDE

Syed Mohsin Ahmad

Mehvish Muneera Ismail

Shahzad Ali Rana

- Under the people's assumption, they would need more money, and they would come to microfinance institutes. There are many options for regulators to assess it with modern techniques.
- Microfinance is like a credit card. It is not a silver bullet. It is not something that can do magic for you to achieve anything, COVID-19 pandemic notwithstanding.
- The microfinance client has 7.2 million households, which are approximately the sum of 45 million populations covered.
- In agriculture, crops and livestock are relatively less impacted because the asset is there.
- The micro-enterprise market presents an immense opportunity to help to achieve financial inclusion. Not only does this segment account for 90 percent of total economic enterprise, but they also make up about 30 percent of the GDP.
- Moreover, these enterprises contribute over 25 percent of earnings, 13 in exports and employ 78 percent of Pakistan's non-agricultural labour force.
- Around 90 enterprises working as micro-enterprises.
- If we have to expand the portfolio of these are the target group, and one lac 70,000 borrowers are getting a loan from these micro-institutions are running their enterprises. Because they have very impressive portfolios.
- The basic aim of microfinance is to expand income opportunities.
- The cost of doing business for microfinance banks in microfinance institutes is very high.
- These microfinance costs range from 15 percent to 30 percent in terms of other services charges and the interest rate.
- The impact of microfinances on poverty we find the max result will create a poverty trap. However, the cost of microfinance is higher than other service charges.
- There are three types of microfinance which are microcredit, micro saving, and micro insurance.
- The branchless banking system is growing in Pakistan; branchless banking means to address some of the problems with lowest level income people who have limited access to other financial institutes, so for a solution, there much other microfinance exist in the society like easy-paisa, etc. which manage the problems of low-level income people.
- Another impact is the diversification of income-generating activities, many people invested, and the relative cost is high. Hence, if they consume the loan, then they live in a debt pair.
- Furthermore, the State bank of Pakistan regulates microfinance, and their good relation with the regulators and the CCP (Central Counter Party) is the regulator of landing microfinance companies.
- Microfinance provides complete details to the borrower, now we are close to 7 million borrowers, and 40 million are deposit accounts.
- The job creation in micro finances in average level 0.15, which are 15 to 16 million job creation, is there in Pakistan through our microfinance services.

Suggestions

Three microfinance inclusions need to improve the nature and characteristics of the poor people, add additional services and cash transfer, and think about the monitoring processes and institutes to give loans to those poor people. The microfinance institutes need to follow these models to improve the human capital.

- (1) BISE (Business Incubation for Self-Employment) model: business incubation and asset transfer for self-employment among the poor.
- (2) DC (Direct Cash model) model: direct cash up business for urban poor people with some business coaching.
- (3) PWP (People Work Program Model) model: public work program to create temporary income and at the same time address environmental poverty.

There is a need for penetration, and that can do Microfinance Institution (MFI) and Non-Financial Public-Sector (NFPS). There are also required restructuring loan processes for a longer time period than one year. There are some basic requirements for capital adequacy maintaining as a micro-finance bank. There are proper formulas in place of risk-weighted average to take in the rest of managing processes. Relaxation capital adequacy rate would allow greater flexibility to the bank and the given liquidity crunch to do more lending processes. This is the right time to do more lending. The small enterprises were affected mostly in the pandemics, requiring reopening and covering their rent to landlords. We also need to focus on what microfinance banks in the institute are doing in the time of COVID-19 that we would not have otherwise been able to do if we were not regulated, the way we are, if we were not providing the kind of services to that strata of society.

Prepared By:

Amila Rafique, MPhil Scholar PIDE

10.7. Innovative HR and Business Strategy Responses to the COVID-19

Preamble

In the lives of common people and the business sector, tremendous stimuli have been caused by the COVID pandemic. It has major implications for talent management because we have seen a very different world over the last 4 to 6 weeks. In the workplace, human resource (HR) is key to catalysing changes and supporting companies. Organisations must reconsider, rethink and reimagine how they deliver services, foster talent and strengthen their businesses through HR strategy and thinking. Moreover, Complex issues including leadership development, employee support, shifts, benefits, pay, and strategic partnership across the organisations. Due to the pandemic, sudden lockdown forces us to change our working habits and lifestyle, which will stay with us for the next few months or years.

As macroeconomist Robert Solow's Growth model, it all depends on human capital for its development and growth. We are a talent-rich country but, unfortunately, a deployable talent deficit country.

This webinar enlightens us to realise what we have done to reach the growth acceleration. Why should business strategy matter in the COVID-19? Is COVID a temporary phenomenon? To attract talent, what steps are necessary at the policy-making level? Where opportunity lies? Do we have deployable capital? Why are the best people trained here and then sent overseas like Shaukat Aziz, Junaid Rabbani, and Atiq Raza? Why is Pakistan a talent repellent country? Why are we not being able to develop and nurture continuously? How do we create a platform for collaboration? How do we manage talent which is working remotely? How can we help the situation through innovative HR strategies? How can we analyse these insights?

Key Messages

- Human resource management is a big issue in the country.
- We have no institutions that properly deploy and utilise the talent of our youth.
- The main reason for talent to leave Pakistan is that opportunity exists for most people outside the country. So, they go to other places in the world seeking better opportunities.
- The government of Pakistan has no capacity to hire professors from western countries. Even the government cannot hire 200 top-quality computer scientists in any city in Pakistan.
- We have lost the ability to convert the talent into deployable and have deficient talent utilisation.
- Unfortunately, in Pakistan, there are limited business groups. So, people have more of a rent-seeking mindset.

Speakers

Atyab Tahir, CEO Master Card

Ahmad Ali Zia, CEO, People & Business Partnering, HRSG and Former HR Head, Unilever & GSK

Malik Ahmad Jalal, CEO & Founder, AzCorp Entertainment

Amer Durrani, CEO, Reenergia

- In Pakistan, people have many skills and talents but lack discipline.
- We have a limited or no check and balance process performance evaluation system. Especially, the performance management system is totally scolding up.
- The speculations for deployable capitals are the absence of will work, not skilled appropriately, and the independent spirit absence.
- Higher education universities are working like business organisations. That is why, they cannot create critical thinking in deployable students.
- We have not been able to produce students who were dynamic enough to take the role.
- Pakistan is a country where there is no demand for ideas, no demand for brilliance, and no demand for outboxes.
- Moreover, 100 agencies of Pakistan's government have no ability to take leadership responsibilities in the country.

Recommendations

COVID pandemic has put HR in a very different perspectives. We have moved from an era of HR transformation to HR disruption, and now we are entering the age of HR invention. The world is going to work in terms of developing our human potential. We are still behind a lot of progressive countries. This is a major challenge that we see for HR professionals in this country because we have to fill the gap very quickly, but we need to actually speed up and get used to taking the lead in the HR practices that will have to grow with going forward. Paul Romar said that "Growth is nothing but talent." ANGRO and ICI are both international heritage, and they are a talent for creating engine forces. A high valued ethics person needs to come forward, and we need to create a network across the industry. We want to make a platform, where we can have the deployable talent, and provide them to the organisations and create a network where people who have had the good fortune of working inside big organisations and who have deployed themselves. We have managed to export excellent talent into the Master Card universe. The talent is harnessing the right way in the right opportunity. It has the ability to contribute effectively and positively. We have to continue to work towards building those opportunities both in the private and public sectors.

10.8. Navigating People & Business through COVID-19: Gearing Up for the Future Way of Work

Preamble

This webinar enlighten us about

- (1) How business is looking at the on-going pandemic and is there any chance of recovery for businesses?
- (2) How to achieve the desired growth level and how to bring in more investment?
- (3) What is the impact of the Covid-19 on the employees and what it predicts for the youth of Pakistan in terms of employment?
- (4) Why do businesses seek protection?

Speakers

Irfan Wahab Khan, CEO Telenor, Pakistan

Moqem Ul Haque, Chief Commercial & Group Strategy Officer PTCL

Muhammad Aminuddin, CEO, TPL Insurance

Taimoor Shah, COO, Shifa International Hospital

Sadia Haroon, Director HR Planning, HRSI

Khurram Tariq, CEO KAY & EMMS

Key Messages

- The CEO of Telenor, Mr. Irfan Wahab Khan, anticipated a mixed reaction to the on-going pandemic, with a brief shock at the start of the pandemic and then recovery as seen across the different sectors. The strong customer base of the company as it stands firm with 46 million customers, and the urge to connect; helped the telecoms to overcome the situation. The first quarter was marked as sluggish because of the uncertainty prevailing in the market and customers were mainly focusing on optimisation of spending. The major affecters were the SMEs.
- Mr Irfan broke the company's response to the pandemic into three major phases; Protection, Preserving and New Opportunities. As customers and employees are the major stakeholders, and the worst affecters of the pandemic, the immediate response was to protect and shield the customers and employees from the severities of the pandemic. Followed by preserving the business cash-flows and strategising to reduce the hit. The focus was diverted to tap into the newer opportunities that have risen due to the current situation and new business models were developed to strategise the growth. E-learning, e-health, e-commerce and digital payments played a vital role in the stabilisation of the businesses.
- Answering to the question, 'How we develop, if we don't have internet connectivity?' by the moderator; Mr. Moqem-ul-Haq stressed that there is a long way ahead of us, in terms of internet access as the numbers for broadband penetration within Pakistan shows that only 2.5 percent of the household is covered while the global average is 50 percent. On the other hand, mobile 4-G penetration is satisfactory with 50 percent of the population having access. Mr

Moqem viewed the performance of the telecom sector satisfactory in terms of a greater level of connectivity and customer requirement, as indicated by the recent survey conducted by Mckinsey.

- Rising higher demand during pandemic has created a rift between the demand and supply, which adversely affects the value chain. To address these issues, not only investment is relevant but also structural relevant changes need to be done on a priority basis. In this regard, the government has taken three prime initiatives: first, raising the capacity of Pakistan Submarine Fibre to 6-8 times higher incoming 3-4 years, which has a large impact as global connectivity is a call of the time. Second, to connect the Tehsil Headquarters across the country, enabling 6-8 times more bandwidth, immediately on a sustainable basis. Third initiative coming across is the new licensing regime for the fixed-line. As the Right-of-the-way is the core issue, as to how to convert this 41 step procedure into one-window operation.
- Highlighting the positive side of the equation, Mr. Muhammad Aminuddin, CEO, TPL Insurance, appreciated the telecom sector for the sustainable and best delivery of the services. In the time of pandemic, when businesses needed to reach out to their customers, called for a greater demand for connectivity and Telecom sectors successfully came up and fulfilled the needs countrywide.
- Rebutting the general perception that the healthcare business is recession-proof; Mr. Taimoor Shah, COO, Shifa International Hospitals, explained that healthcare business suffered in the face of pandemic, terming it as recession-proof but not healthcare proofed. The hospital saw a steady decline in numbers of patients even after the Covid wave had passed, despite treating Covid patients, the closure of the OPDs, reduction in elective procedures and demotivated staff, led to 50 percent reduction in the operational capacity. Elaborating the digital strategy of the business, Mr. Taimor had the viewpoint that the covid-19 accelerated digital transformation, and motivated the business in setting up the virtual platform for the out-patient. The lesson learned from the pandemic, healthcare businesses has adopted comprehensive digital strategies to facilitate and to outperform the competition.
- Sadia Haroon as Director HR explored the multifaceted challenges faced by the employees in different sectors across the country. She raised the issues about the salary cuts, sacking of the employees and lack of objectivity in the business market in terms of employee retention and future planning. She expressed her concerns over the ill-preparedness of businesses to the new challenges and lack of skill and talent in the overall workforce.
- Mr. Khurram Tariq, CEO of a textile manufacturing firm termed the pandemic as a blessing in disguise for the textile industry in terms of the volumetric increase in export orders, favourable State Bank policies which erased the cash flow issues and the new line of products like masks, PPEs and other medical-related products that weren't produced before.
- Answering the question raised by moderator on how to bring in more investment into economy and how to attain a desirable growth rate, the panelist pointed out few of the major observations and recommendations, which include; a

comprehensive growth plan, adopting technology, strategically setting out the priorities at the national level as well as on sectoral basis, developing and building a knowledge economy, mentoring and guiding our labour force which calls for strategic forecasting and investment, aligning provincial and federal authorities upon agreed set of goals and removal of the roadblocks, red tape and bureaucratic hurdle in ease of doing business.

- Following the question, the discussion was directed towards the lack of national digital policy. To elaborate further, Mr Irfan and Mr. Muqet explained multiple reasons: the most vital of them was the non-conducive environment, ambiguity on part of the government on setting the national strategic goals, and disruptive role of the regulators. It was further highlighted that auctioning of the spectrum is a vital step for the boosting investment in the telecom sector.
- Panelist agreed upon the fundamental issues at helm of the policymaking and planning and pointed out the lack of objectivity in terms of setting the vision. Further, the decision-making process was regarded as biased towards the output productivity rather than taking gauge of the inputs. Secondly, domestic productivity as part of the supply chain for the input is not considered while making policy, which renders the policy inefficient.
- Competitiveness against Protection argument, when raised by moderator, was rebutted by the panelist as out of the date practice and believed that current global settings competitiveness is considered essential for the growth of the sector and economy as a whole. Moreover, answering another question about Pakistan having a very low number of companies that crosses the billion mark in terms of financial worth, the businessmen pinned the root cause as the non-conducive environment and lack of demand for the particular products.
- The greater need for Industry- academia collaborations was stressed out and was presented as the solution for lack of trained and skilled labour force. Further, it was highlighted that human development should be catered under the corporate responsibility umbrella and businesses need to come forward for the nurturing of the youth.

The ending note of webinar stressed-out technology is just enablers while the other segment of the economy needs to be aligned for sustainable growth. To build a stronger agile economy, the need for the collective effort was stressed. Nurturing hope and positivism in the youth of Pakistan for a better future to come.

10.9. Doing Ethnography in the Times of COVID-19

Preamble

COVID-19 has challenged academic communities in terms of conducting fieldwork research and analysing field data. Yet, the interface between academia and technology is scaling up research activities across the globe. Academics, especially, those trained in the field of anthropology, are devising methodological and analytical

Speakers

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Rao Nadeem Alam, QAU

Shama Dossa, Habib University

Laila Rajani, Research & Development Specialist

Amen Jaffer, LUMS

frameworks to conduct research, online. This webinar brings experts in socio-cultural anthropology who will provide in-depth details about digital ethnography and explain the usage of alternative paradigms for conducting ethnographic research.

Key Messages

- Covid-19 has disrupted the sociological set up globally. New dimensions of social integration are changing our social interaction. In the present scenario, the importance of ethnography has increased manifold for the academic community. Ethnography is one of the methods used by sociologists for data collection. It is a type of social research involving the examination of the behaviour of the participants in a given social situation and understanding the group members' interpretation of such behaviour and thus it heavily relies on "participant observation". Another feature of ethnography is prolonged stay in the field usually for a year to closely observe the day, month, or annual cycle of the community. An ethnographer is also vulnerable to risk like contracting contagious diseases etc. Risk is the part and parcel of ethnographic research. Ethnography is not only used with primitive people rather it can be used in a contemporary setting as well. In ethnography, digital tools are also used to enrich the data.
- In the wake of pandemic crises, though it's important to take measures to control the spread of the virus from the lens of a social scientist, the pandemic offers an opportunity to observe the social, cultural impacts of such crises on society. Ethnography can be used in multiple disciplines. It can be used by the public health sector to better understand the social fabric of the community they are dealing with. It can be used as a means to certain ends like in academics it can be taught to undergrad students how to conduct effective research through the interview-based method. For the research, students of MPhil and Ph.D., it offers a new paradigm for research through cyber ethnography.
- To make digital ethnography a success during the time of COVID-19, it is essential to address the issues like authenticity, reliability, authority, reflexivity, lens, positionality, kinesic, and kinesthetic. As digital ethnography is an emerging alternative for field research, it is crucial to ensure embedding all the

features of real-time research in this virtual paradigm with help of super Homosapien “technology”.

- One of the dimensions of ethnography is netnographic research. The difference between digital ethnography and netnography is that netnography only consists of social media as a tool of research whereas digital ethnography is not just about being online. It includes family spending time together watching or listening to television radio etc.
- The procedure used in research through netnography comprises using social media to propose the project before the targeted audience, delivering questionnaires of qualitative nature using Google forms, and receiving responses through email or WhatsApp communication. The researcher then makes the data from the information provided by the respondents. There are also different softwares available like MAXQDA to interpret complex information.
- There are certain limitations of digital ethnography as well. Ethnography is primarily related to “emersion” or penetration into a certain community and observing the behaviours subject to certain conditionality but in digital ethnography, the researcher can’t experience the local norms. Without realising the local setup, it may turn out that key aspects of the community are missed out. Further, it is not a new phenomenon rather a fluid one to cope with the current situation.
- Nevertheless, there are certain unique features of digital ethnography also. The flexibility of strategy is an added aspect of digital ethnography. The researcher can engage with multiple respondents simultaneously. In this framework, the concept of boundary and time is different from the traditional setup.

In short, Ethnography can be used in ways that benefit the community. Particularly, using the same framework to study the role of government in molding society and what policies could be effective considering the sociological aspects of the community.

Chapter 11: Social Protection

11.1 Financing the Social Protection

11.1. Financing the Social Protection

Preamble

Social Protection is a human right grounded in the right to social security and enshrined in the Universal Declaration of Human Rights (1948). Under the international human rights law, it is obligatory to provide a minimum level of protection. Despite significant efforts to improve social protection, many countries face challenges in terms of

Speakers

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coverage, implementation, and financing. The objective of this brief is to explore the approaches and financing issues associated with targeting the poor and providing assistance to all. It will further give an insight into the international practices that can help to bring reforms in the social protection system and shape the future of the social protection system.

Overview of Current Social Protection Programs

Social protection has become increasingly important around the world, particularly, in the current era of COVID -19. It has not only created a devastating health challenge but also an unprecedented economic shock, with consequences on poverty and inequality by impacting existing social protection systems and affecting the global economy. These shocks have led to a need for increased social protection on a large scale in new forms and with new people than it was before COVID.

There was a massive expansion in social protection programs around the globe due to the COVID crisis. 169 countries including Pakistan have enacted or expanded social assistance measures as a response. In expanding programs' access and benefits, many countries utilised the existing systems they had in place, illustrating how important investment in social protection systems and institutions is. Some of the examples are in Kenya, authorities used the existing flagship "Inau *Jamia*" to target elder, orphans, and other vulnerable groups. Similarly, Brazil allocated more funds to their main social program to enhance coverage through "*Bolsa Familia*", an existing Familia protection program.

Programs and systems are designed/redesign to support the anticipated challenges ahead:

This can be divided into three main categories

- Program Scope
- Safety nets and targeting
- Delivery and Digitisation

The guiding principle, considering the long-term impact and prospects of evolving the current crisis, we need to continue to adapt and build programs and systems that are dynamic and flexible as the crisis evolves.

1. Program Scope

- Many countries have emerged out of lockdown, but it may happen again in the future therefore, countries need to build resilient programs keeping the uncertainty in consideration. The lower economic growth leading to lesser tax collection competing with budgetary needs on health and education has further built pressures on governments to make the best use of the available resources.
- Social protection during lockdown needs to be more intense or even can be universal transfer programs to ensure lockdown work: Complete lockdowns are extremely costly, and this is particularly true in emerging economies like Pakistan, where many of the poor people live hand to mouth. There is certainly a need for government intervention to provide assistance and cash transfer programs for basic needs and help the poor survive on a humanitarian basis as well as from a public health policy perspective to get the lockdown work.
- On the other hand, when countries move out of lockdown, targeted programs become more important. Even with the higher rates of targeting error, the overall welfare level of the poor is substantially higher under targeted programs than under universal programs. This is because emerging economies have less of an ability to protect progressively tax back the transfer from the rich than developed countries do.
- In economies, where people do not pay income tax, a universal transfer program affects the distribution; therefore, targeted transfer programs are better because as we go up the distribution, we expect a less targeting error.
- Effective targeting can be evaluated by comparing with and without lockdown periods. One thing, the government may want to consider is to develop a strategy in which social protection programs are tied to the public health response automatically. Different regions are categorised according to the severity of the lockdown pandemic/ shock and these different phases can be linked to the social protection component. On the other hand, once the lockdown is eliminated, the transfer program will automatically go away. This makes the decision apolitical about giving transfers considering the economic situation. We need to design a transfer system and the generosity of the program could be linked to the public health situation in a data-driven well-defined way.

2. Safety Nets and Targeting

- Many countries considered existing targeting data they had for the existing programs and tried to build and expand it in various ways
- But as we move to the new normal, the major concern is how should nations be investing in developing targeting that is appropriate in the new era. Many countries have a unified database which is the basis for all the targeted programs.

Issues with Proxy Mean Test

- Most of the worldwide databases are based on the proxy mean test (PMT), a system of constructing a statistical proxy based on a permanent component of consumption. A proxy system through which an individual's permanent income is observed by using durable goods as proxies. This is a reasonable measure for targeting long-term poverty programs, but two associated implications are important to be considered. Firstly, permanent income proxies indicate long-term decisions based on long-term income, and temporary shocks are not accounted for, therefore there is a high probability of excluding new vulnerable people or transitory poor.
- PMT is static and data is updated infrequently, and the goal of these programs is to target poverty but the data for shocks are not included, therefore, exclusion is highly expected.

Community-based and self-targeting can improve flexibility in identifying the poor without increasing targeting error.

(i) Community-based Targeting

This approach gives each is given a fixed number of slots based on the poverty level to local community institutions to identify beneficiaries. This reduces exclusion error because the community is responsible to identify additional slots for the poorest of the poor who are missed by proxy mean test. This exercise has been experimented in Indonesia and it worked well and captured the local understanding of poverty and reduced exclusion error and fewer complaints regarding the list of beneficiaries.

Community targeting led to much higher community satisfaction better-selected households that self-identify as poor and chose slightly different characteristics of a household than PMT.

(ii) On-demand Application or Self-targeting

The idea is to allow people to apply to be included in the beneficiary list. This will help the government to include those who were missed in PMT.

Based on studies, it has been observed that this process has improved service delivery to the poor who need assistance. This brings in all the poor who are missed due to geographic constraints or other matters. The evidence has helped in reducing inclusion and exclusion errors.

(iii) Novel Source Data

The current crisis has posed us to an important issue of obtaining data and verify, therefore it is needed to find alternative sources of data, leveraging new sources of administrative data that capture shocks. These alternative sources can be cell phone data, electricity use data, and bank account data.

3. Delivery and Digitisation

The current crisis has reinvigorated the move to digital enrolment and payment systems. Examining national health insurance in India it was found that while many

people want to enrol in programs when offered help with a web-based system, actual enrolments were much lower. This is due to the lack of discretion in the system to fix information regarding national identification number.

The move to digital payment improved targeting, however, it has mixed results in India depending on the flexibility of the system to reduce leakages and improved benefits.

State of Existing Social Protection System in Pakistan and Key Challenges (Dr. Shujaat)

Social protection is gaining significance around the world and safety nets are an integral part of inclusive growth strategies in many developing countries. Over time, there is more spending on social protection programs with the highest in Latin American countries and lowest in South Asia (0.9 percent of GDP).

Latin American countries have rigorous SSN and mostly are conditional cash transfer programs for education, health and related activities. Whereas in South Asia, most of the programs are unconditional cash transfers which are need-based or reactionary as a response to an emergency.

Pakistan has a long history of social safety net programs and it is in the transition phase of implementing a social safety net program that can help to fight poverty. In the 1980s and 1990, PBM and Zakat were established as need-based interventions. In 2001, MF was established but all the programs lack sufficient resource availability, program coverage, and systematic targeting mechanism. The limited budget of zakat and Baitulmaal was limited and stagnant. No distinct welfare impact of microfinance initiatives on poverty alleviation. The emergence of BISP (2008) as the biggest SSN in Pakistan laid the formal foundation of the SSN program in Pakistan, both in terms of coverage and financial resource availability. The initial phase relies mostly on unconditional cash transfer programs covering 5 million poor from 2008 to 2019. UCT alone might not be sufficient for poverty alleviation but it is showcased as an achievement due to various reasons. Firstly, all the recipients are women as women are the most vulnerable group. Secondly, it has been owned by the government with a budgetary allocation of 34PKR billion. Currently, it stands on an enhanced 208 billion PKR. Thirdly, the very strong presence of donors and development partners around the 8-10 budget is contributed by donors.

BISP has an innovative payment disbursement payment system that ensures transfers through a biometric system which ensures the financial inclusion of the poor and vulnerable. There was an existing registry, therefore, the government targeted 17 million families (45 percent) of the population through the provision of Ehsaas emergency cash transfers.

Challenges and Opportunities

- (1) Firstly, after 2010 constitutional amendments, provinces have established social safety protection initiatives which cause duplication and exclusion at some level. There is a need for coordination at the federal level and provincial level to effectively pool the resources and clear distinction of roles and responsibilities of various government tiers.

- (2) The spending by the private sector on philanthropic activities is manifold than the government resources which can be tapped by establishing a public-private partnership to accrue the best results with better coverage, transparency, innovation, and management.
- (3) Social safety net programs require a lot of flexibility on targeting because the nature and causes of poverty can vary from chronic poor to transitory and the type of intervention varies with different forms of poverty.
- (4) SSN is not the magic bullet to target all the social issues. For example, such as the prevalence of malnutrition which is stagnant for the last many years, and the lack of equitable health services, nearly 30 percent of the children are out of school, this is particularly high for Balochistan. SSN alone cannot address all issues, although BISP has extended its *Waseela-e-Taleem* program by providing cash assistance to the children of poor families to encourage enrolment and retention. Without an improvement in access and quality of education incentives alone can't improve enrolment.
- (5) There are untargeted subsidies in Pakistan, such as 50 billion to utility stores. These subsidies can be targeted for better utilisation of resources. It is necessary along with SSN programs there must be an improvement in socioeconomic structure to include poor in acquiring education, skills, entrepreneurship. Access to opportunities can do what cash transfer may not in moving out of poverty.

Proposed Social safety net Interventions (Dr. Nasir Iqbal)

Evidence supports the idea that there is always a need for social protection programs across the globe, be it universal or targeted depending on the financing availability. In Pakistan, 50 million people are struggling in different forms of poverty, such as, income poverty, education poverty, health poverty, environmental poverty. Therefore, keeping the dynamics of Pakistan in consideration, the proposed program should not only focus on income poverty by providing cash transfers, rather we need to redefine scenarios to optimise resources to maximise the welfare of the poor.

Four packages are developed to redefine SSN programs, which are outcome-based programs that maximise the outcome.

- (1) The first one is the employment-intensive package, which ensures the employability of youth.
- (2) Secondly, an education intensive package that ensures transfer meant for education.
- (3) Thirdly, health packages targeting elderly, young, or disabled members in the household to provide health care.
- (4) Fourth is the food intensive package for families seeking basic needs.

Instead of running multiple programs parallel and spending money on unconditional cash transfers, we need to design the programs on the basis of the needs of the poor through proper selection criteria. This will help us to maximise the outcomes and provide an opportunity for people to include themselves in the programs according to their needs. People seeking employment should be included in the program related to

employability and so on. The packages are meant to enhance the efficiency of the programs. We need to revisit the system of social safety net programs to align with the needs of the poor keeping the budget /financing constraints in consideration.

Financing Unmet Social Protection Needs

What is Unmet Need?

The failure of social and neglect of institutional work base security which has accumulated over time as unmet social protection needs which could be helped somewhat through social assistance programs. These unmet needs need to be addressed by making medium term and long-term planning.

Following are some important basic questions that need to be responded to in a better way by conducting academic research to improve social safety net mechanisms in Pakistan.

- Distinguish between institutional social protection and Universal Basic Income
- Are social assistance and social security regimes being mutually exclusive or complementary and which should be foundation stone?
- How do you define unmet social protection needs? Is National Socio-Economic Registry an answer?
- Which are the key components of institutional arrangements in a national universal social protection system?
- Should the government not contribute to the social security of workers and enlarge the scope of social security to all the employees and owning through mandatory contributory savings towards social security in Pakistan.
- Can we take old age and severe cases of disability of exclusion inclusion exercise?
- How much does health count in a universal social protection? And provision of health through its private sector is a way out?

Alternative Options to Finance/ Expand Social Protection

Social protection programs are usually financed by the government funds, however, other means of expanding fiscal space could be useful. Standard ways are raising funds globally include reallocating public expenditure, increasing tax revenues, lobbying for aid and transfers, using fiscal and foreign exchange reserves and borrowing or restructuring existing debt.

Some of the innovative ideas and possible solutions supporting conditional cash transfer,

- (1) **Social Impact Bonds**—contract with public sector whereby it pays for better social outcomes
- (2) **Diaspora bond**—adopted in developing countries for specific impacts, health or education agenda
- (3) **Product red**—giant brands can join hands to create line of products contributing to a particular cause
- (4) **Debt swaps**—changed debt into towards improvement in education or health sectors.
- (5) Tax unhealthy food items, Sin tax on socially unacceptable items can also contribute towards

Pakistan can use these innovative ideas for financing of social safety nets such as social impact bond, Diaspora bond, Product red (with leading textiles, *Gul Ahmed, Khaadi*), debt swaps, tax unhealthy items, tourism consumption tax, and blue bond contributions towards climate change.

Need of proper institutional arrangements. EOBI are severe cases of disability. Resource requirements are not very bad. Institutions cover a tiny amount of social security. 75 percent of Pakistan’s older people have no social protection whatsoever and they are more vulnerable.

Ehsaas Program—Sania Nishtar

An Overview of the Ehsaas Program Structure

Ehsaas is the Government of Pakistan’s umbrella initiative to address poverty and inequality. Ehsaas is a whole-of government multi-sectoral and multi stakeholder coordinated initiative—the biggest and boldest pro-poor program ever launched in the country. Its objectives are to:

- Address elite capture and make the government system work for equality of opportunity
- Provide effective and comprehensive safety nets for the marginalised and the vulnerable
- Create livelihoods and jobs for the poor
- Invest in people for human capital formation; and
- Lift lagging areas

Ehsaas is a multicomponent and multidimensional program with more than 140 actions and initiative plans, some of which are process centered, programmatic and everything is knitted together in theory of change. The strategy explains how policies and programs fall under its various pillars and how they are linked with time bound outcome-based goals. Classification is to look at mandate play out in terms responsibility under ministries are Poverty Alleviation and Social Safety Division.

Another way of classifying Ehsaas program is through initiatives that resonate with different constituencies with different vulnerable groups. In the Ehsaas ecosystem, designed not just interventions for different target groups but responsibilities are also aligned and all of them are mashed together in theory of change.

Branding of Ehsaas Program



Ehsaas' Digital Infrastructure, Which Was Leveraged to Execute Ehsaas Emergency Cash

A new **biometric payment** system was deployed in 2019. Two commercial banks were selected through a competitive procurement process. The payment system has approval of the central bank and other agencies; it combines a limited mandate account with a savings wallet.

A new demand-driven socio-economic **desk-based self-registration system** was also established in 2019; the demand side SMS and web service developed as part of this exercise was leveraged for Ehsaas Emergency Cash.

A new wealth-profiling **data analytics mechanism** was established in 2019 to exclude serious inclusion errors and false claimants in social protection lists, using Pakistan's ability to triangulate varied personal information using unique national identities as the peg. This wealth profiling system was used for Ehsaas Emergency Cash.

In addition, a massive reform of the implementation agency, BISP was undertaken in 2019. Amongst other things, this included fundamental changes in information technology safeguards and digital monitoring of the payment system.

A hybrid targeting approach was adopted, combining emergency assistance for the known vulnerable with demand-based support for the "new poor". Requests were sought through an 8171 SMS short code service and web-portal. Data analytics enabled eligibility ascertainment, using unique national identification numbers, and drawing on the National Socio-economic Registry and wealth proxies (travel, taxes, billing, assets ownership data and government employment status). The system was end-to-end data-driven, fully automated, rule-based, transparent, and politically neutral. Payments were biometrically verified. Verifications were performed on several databases.

A total 139 million requests of which 66 million were unique. 16.9 million Individuals were declared eligible; over 14.8 million individuals collected their payments and 175 billion had been disbursed. Payments to those with biometric failure and the next of kin of dead beneficiaries will continue for a month beyond that date.

Many challenges were encountered during the disbursement process. The largest social protection operation in the country was rolled out with lockdowns in effect, public transport suspended, and risk of disease spread looming. Additional challenges related to issues of logistics, connectivity, liquidity, cyber-attacks, biometric failures, and limitations of data-driven messaging. A whole of government approach and real time evaluation helped to successfully address these challenges with speed. Fiscal measures were adopted to incentivise retailers to work in a difficult environment; communication measures were taken to address low financial and digital literacy.

During the first interaction with labourers, it was noticed that many did not have 'balance' on their phones and hence could not text despite wanting to. As a response, the 8171 SMS service was made free of charge for the public and the cost was borne by BISP, the implementing agency. This involved negotiations with many agencies that were involved in sharing the SMS fees. By the second week of operations, the SMS service was made free.

Because of **low financial literacy**, many people simply did not know how to read or understand text messages and could not comprehend responses properly. Public appeals were made through national press conferences seeking volunteers to assist.

Instructional paid advertisements were also run on national television and in newspapers by the Ministry of Information and Broadcasting.

A **valid CNIC** was a requirement for receiving cash, and therefore, in the initial week, those with expired cards couldn't withdraw money as NADRA offices were closed due to the COVID-19 situation. After the first week, card validity was unconditionally withdrawn to facilitate access to emergency cash for all eligible persons.

Why were payments not made into digital accounts in Ehsaas Program?

According to the current regulations from the state bank of Pakistan, controlled general accounts and audit general account, money can be put into a limited mandate current account by the government and only the government can draw money. Beneficiaries can withdraw money after biometric verification and then can be moved to the beneficiary's saving account. Currently, the government has no authorisation from SBP, CGA and AGP to put money directly into the beneficiary's account. And even if authorisation was permitted, the merchants were closed or saving wallet was not available. The retail architecture was set up. It would have been easier to put money, but the merchant was not available.

Summary

In an emergency, the government has to rely on existing systems that are in place. Learning from the current experience, the likelihood of crisis re-emergence is inevitable, therefore, we need to invest in targeting infrastructure now which should be more dynamic as compared to the pre-COVID era.

Prepared by

Nazia Hassan, PhD Scholar PIDE

Chapter 12: Health and Pharmaceutical Industry

- 12.1 Pakistan Pharmaceutical Industry: Growth, Challenges, and Issues-I
- 12.2 Pakistan Pharmaceutical Industry: Growth Challenges & Issues II
- 12.3 The C-Section Epidemic in Pakistan

12.1. Pakistan Pharmaceutical Industry: Growth, Challenges, and Issues-I

Preamble

The quality of drugs is a crucial issue in the health sector of Pakistan. We have 772 pharmaceutical firms in Pakistan. In Pakistan, 80 percent of the drugs are domestic while 20 percent are imported from different countries like China. The domestic drugs capture around 60 percent of the market share. Most of the domestic firms produce generic drugs which are the cheaper version of original drugs. In 2018-19, around 200 million dollar domestically produced drugs were exported from Pakistan.

Speakers

Ayesha T. Haq, Executive Director, Pharma Bureau

Shaikh Qaiser Waheed, Ex-President, Pakistan Pharmaceutical Manufacturers Association

Dr. Saima Altaf, Author, Physician and Public Health Specialist, Former Senior Advisor to USAID.

Razaullah, Professor, Islamic University
Shahid Mehmood, Research Fellow, PIDE

Some Incidences Due to Shortage of Drugs and Low-quality Drugs

In Pakistan, the pharmaceutical industry faces a lot of challenges. Low quality pharmaceuticals and shortage in the supply of drugs are found as main challenge in studying important drugs, during the crises of 2011 internally exiled people, earthquake of 2005, and floods of 2010. The two main incidences of low-quality drugs have taken national and international attention in 2011 and 2012.

The first incidence was reported in December 2011, which was related to cardiovascular drugs which took around 230 lives. Similarly, in 2012, the expired cough syrup took many lives. The first case shows that the public health laboratories of medicine quality control were not capable to find the presence of any harmful substance like pyrimethamine in the drugs of cardiovascular. Similarly, in the second case, high amounts of lethal levomethorphan were not found on time in inferior quality samples of dextromethorphan cough syrup. Such major crises highlighted the inefficiency of health system and the issues of pharmaceuticals quality were identified as the major problem in the country.

Problems/Issues of the Pharmaceutical Industry

Some of the issues/problems faced by the industry are following:

- In Pakistan, many people talk about the increase in the prices. The reason behind the increased prices of the drugs is the government. This industry is overregulated by the government. Everything is decided by the cabinet and they give no chance or opportunity to the drug industry to set their own pricing policies.
- In Pakistan, many people face the shortage of medicines. The reason behind this is that most of the firms export medicines and sell the remaining drugs domestically at a higher price which are not affordable for the poor people of the country.

- There is a lack of R&D in our country. In 2019, no new molecule is approved by the government, that's why, no new medicine is coming to the market. If it comes to the vaccine of COVID-19, it will be India who will produce vaccines not us due to lack of R&D.
- The registration time of the firms is very long in Pakistan.
- We have too much human capital in our country, but the pharma industry still lacks quality human capital which causes the shortage of good medicines.
- Only 26 federal inspectors are present in the country to check the quality of medicines produced by 772 firms.

Recommendations

- The pharmaceutical industry of Pakistan should be less monitored or regulated by the government and allow them to set their prices policies because they are producing the basic need of sick people. In Pakistan, there are 24 multinational drug companies which capture around 44 percent of the market share. The reason is that they produce cheaper and low-price drugs, and they are setting their own policies and are less regulated by the government.
- We need an FDA approved lab to produce good quality medicines and produce vaccines to combat the current pandemic.
- We should increase the quality human capital in this industry to produce drugs according to our needs.
- Media should not be allowed to spread false news about the drug industry. They have taken many charitable initiatives which are ignored by the media.
- There is a need for a comprehensive multidisciplinary National Action Plan which involves a variety of investors to fight against the poor-quality drugs in the country.

12.2. Pakistan Pharmaceutical Industry: Growth Challenges & Issues-II

Preamble

The first webinar on the topic of pharmaceutical issues discusses the fundamental and structural issues that underpin the pharmaceutical industry in Pakistan.

Dr. Shahid Mahmood set the stage by posing the questions at the panel, briefly going through the issues which include;

- (1) Will there be consistency in policy or will it be the SROs that govern the policy? Dr. Shahid put forward the example of pricing issues and pointed out for 5 years two pricing mechanisms side by side were used, until and after the intervention of the Supreme Court that the industry and DRAP settled upon the formula for pricing.
- (2) When will the decision-making process become de-centralise, so that important decisions like pricing, are no longer a political decision rather a consensus between all the stakeholders?
- (3) When we will see a more open dialogue between the government regulator (DRAP) and the Industry?
- (4) Does the Government/Regulator have a long term plan for increasing the investment in the sector and addressing the long-standing issues?
- (5) About 770 drug manufacturing units but still is there an issue of drug shortage in the country? Why? Has ever DRAP looked into this matter and assessed why these shortages occur?
- (6) Recurring incidence of sub-standard medicine – What kind of step industry and regulator must take to stop these instances?
- (7) The last question was about R&D and innovation in the pharma sector. Dr. Shahid mentioned that under the 1976 Act, a central research fund was created which charges gross 1 percent revenue from the pharmaceutical sector, but despite the establishment of the fund since 1976, state of infrastructure is not commendable, only 12 drug testing labs all around the country and not a single one of them is FDA approved, which is the gold standard at international level and this raises the concern for accountability and transparency of the fund.

Speakers

Asim Rauf, CEO, Drug Regulatory Authority of Pakistan, Ministry of National Health Services Regulations & Coordination

Ayesha T. Haq, Executive Director, Pharma Bureau

Osman Khalid Waheed, CEO, Ferozesons

Salman Berney, Former CEO of GSK, Former Chairman, Pharma Bureau & Former President OICCI

Khalid Mehmood, CEO of Getz Pharma

Shahid Mehmood, Research Fellow, PIDE

Key Messages

- Mr. Salman Berney first made the introductory remarks by responding to the comment of the moderator about the multinationals companies in Pakistan. Mr. Berney explained that multinationals firms have contributed a lot to the

pharmaceutical industry in Pakistan, pioneering the manufacturing of drugs, though over the time, companies have altered their business model which may not be beneficial for Pakistan. Multinational manufacturers produce about 50-55 percent of the drugs by volume and 40 percent value, and usually, the drugs manufactured by the multinationals are below the average market price in terms of the unit price of these drugs. Burney stressed that multinationals are very much part of the landscape of Pakistan pharmaceutical industry.

- Mr. Burney explained that having 770 units in the industry doesn't necessarily mean that is a good notion to gauge the industry potential and growth. The small firms to keep the international standards and meeting the competitive prices had to cut the cost, chipping off the corners, which leads to sub-standard manufacturing. Almost, 80 percent of the value is manufactured by 70 key units in the industry and the rest which make up to about 700 units produce the rest. Mr. Burney highlighted the inconsistency in the policy and termed it as a 'consistent price control policy'. He was of the view that the major problem that industry is facing is consistent price control and there are no efforts to drive a policy that is beyond price control. Furthermore, he pointed out that the rationale for price control is flawed, and excessive price control is killing the industry. In any country, the prices depend upon the threshold for affordability at some level of prices; whereas, in Pakistan, price regulation is irrational and not giving the breather to the producer, which leads to sub-standard manufacturing, shortages and smuggling to neighbouring countries.
- In an attempt to explain the toll manufacturing, Mr. Berney said that it is necessary to toll manufacture because not every company can manufacture every type of drug or the dosage, yet for some reason, toll manufacturing is not possible in Pakistan, and the one of the most important reason is that toll manufacturing policy was changed in the late '90s, and toll manufacturing was stepped aside.
- In the concluding remarks, Mr. Berney said that despite having an innate advantage of having a large number of population and heritage of the pharmaceutical industry, which many markets don't have, still, we are not able to leverage the opportunities, as countries like Bangladesh. Mr. Berney pointed out the huge potential that could be nurtured through the logical and sane decision making and analysis.
- Mr. Osman explained that the industry is working below its potential and the reason largely lies with the inconsistent policies. Commenting on 770 units in the industry, Mr Osman believed that the regulator is either not equipped with the mandate or the capacity to focus on the technical regulation of the companies and drugs. Mr Osman seconds Mr Berney on the subject of heavily politicised pricing policy but mentioned that it has also overshadowed all other issues.
- Mr. Osman pointed out the difficulties at the drug registration front, particularly in the case of new drugs. Mr Osman appreciated the positives of the government and the regulators in taking steps and measures but also stressed on the timely execution of the decisions. The delay in the approvals of the new drugs results

fatally on the masses of Pakistan, and they are left deprived of the necessary advanced medicines.

- Commenting on the innovation and expansion in the industry, Mr. Osman stressed that the only obstacle we face is the regulatory environment. In an attempt to expand the industry, downstream or upstream, the regulatory environment has to at least enable it. Leading the argument, Mr. Osman mentioned that today we have 24 multinationals in the country, the collaboration and partnership with these companies will bring in new waves of innovation but only if the regulatory framework allows it. Furthermore, he thought that fast registration of the drugs is crucial for the people as well as for the industry.
- Miss Ayesha, Executive Director of the Pharma Bureau concurred with the remarks made by Mr. Osman and Mr. Shahid. She highlighted the issue of inconsistent policies that lead to multiple issues in the industry. She stressed on the need for a consistent policy so that business could flourish. She highlighted the huge potential in the market, she raised a question that despite having 230 million people, large urban middle class and qualified human resource, why multinationals are not investing? And identifying the reason as the inconsistent policy and unsupportive regulatory framework. Furthermore, Miss Ayesha pointed out that the accessibility of the medicine, timely execution of the decisions, respecting the time frames, assigning of the quotas, were the major issues pharma industry is facing.
- DRAP representative in response to the questions and comments posed by the panelist, the followings points were presented:
 - (1) Referring to the number of units quoted in the pharmaceutical industry, the DRAP representative informed that the number has been reduced to 629, for not meeting the international standards.
 - (2) Commenting on the pricing issues, the DRAP representative said that the pricing decision is approved by the Federal Government. Furthermore, DRAP has made/proposed numerous amendments in the rules and law to harmonise with international standards and secondly to bring DRAP more proactive facilitation mode.
 - (3) The pharmaceutical industry in Pakistan has shown a growth of 11 percent in 2020, while the international market growth is 7 percent.
 - (4) Stressing on the innovation and advanced technology, not only in terms of technology, research but also in terms of capable human resources. DRAP was of the view that most of the industry in Pakistan is basic and conventional.
 - (5) On the aspect of the supply chain, Pakistan heavily relies on APIs (Active Pharmaceutical Ingredients) which are imported largely from China and India. In an attempt for Pakistani industry to push through these, API needs to be manufactured locally, which calls for industry to industry partnership, investment and government support policy.
 - (6) Another important aspect which is crucial for the development of the pharmaceutical industry in Pakistan is the development of the chemical industry, which acts as the baseline for the pharmaceutical industry.

- (7) Correcting the statement earlier said about the number of accredited labs, four labs in total are accredited with WHO. Furthermore, DRAP is in the process of accreditation with international bodies, and by 2021, DRAP aims to be accredited by WHO.
 - (8) In response to the question raised by Shahid Mahmood and Moderator about R&D, DRAP elaborated the only bottleneck is the drug research rules 1978. DRAP has proposed an amendment which benefits the two domains; a) up-gradation of the labs, b) academic research and projects. Until and unless the amendment is enacted, DRAP can't use the central drug research fund.
 - (9) On the aspect of the shortage of drugs, highlighted few of the issues, which industry face including uncertain delays in the import of APIs, delay in allocations of quotas, unavailability of the drug due to pricing factor. Furthermore, DRAP is working with the patient welfare association to make the easy availability of orphan drugs to the patients.
 - (10) In response to Mr. Osman's comment about the delays in registration of new drugs, DRAP has created separate cues for new group formulation and generic drugs and has adopted international regulation of common technical documents for streamlined and rapid action.
 - (11) In response to the comment about the growth of the industry, DRAP viewed that industry-academia interaction, industry-industry, government role, and development of the chemical industry is far more crucial than ever.
- Panelist raised the question of clinical trials, and in response of that, Mr. Berney elaborated that fairly good and quick regulatory turnaround is crucial for clinical trials, and the reason for India exploiting the opportunity despite Pakistan being the foremost in having most accredited clinical trials centres in terms of patient recruitment particularly for oncology research due to lagging regulatory response. DRAP commented that it has all the rules and regulation in line for the clinical trials which are in accordance with international standards. All clinical trials of stage I, II, III and IV, can be conducted in Pakistan with support of DRAP.
 - Regarding the industry-academia linkage, Mr. Osman believed that unless the industry comes out of the micromanagement of the issues with regulators, the focus can't be shifted to research and development. The regulator needs to provide a conducive environment for the industry to invest in the R&D.
 - Mr. Berney in response to the average size of the company in the industry, said that having 70-80 units of the world-class standard is far better for patients and economy of the industry as well. Miss Ayesha concurred with Mr. Berney's point of view and added that 98 percent of the market is under 100 companies while 600 companies hold only 2 percent of the industry and that is the problem. DRAP took a defensive stance with the argument that not all small-sized companies are sub-standard.
 - In the closing note, panelist stressed out the autonomous role of the DRAP which was termed as the crucial for streamlining of the industry and issues.

12.3. The C-Section Epidemic in Pakistan

Preamble

When medically indicated, the intervention of cesarean section (C-Section) delivery in childbirth saves mothers' and babies' lives. However, its medically unnecessary use can have negative future reproductive consequences for the mothers. The most recent report of the Pakistan Demographic and Health Survey (PDHS) shows a rapid increase in C-Section delivery rates. Current rates exceed the World Health Organisation recommendations, suggesting that Pakistan is part of a trend worldwide of having C-Sections for non-medical reasons. Pakistan Institute of Development Economics organised a webinar on the said issue, and here are the following takeaways.

Speakers

Dr. Batool Mazhar

Professor of Obstetrics & Gynaecology
Department, MCH Centre, PIMS,
Islamabad.

Dr. Samia Altaf

Public Health Specialist and Former Senior
Advisor to USAID

Dr. Saman Nazir

Medical Sociologist, PIDE

Key Messages

Dr. Saman Nazir

- Pakistan Demographic and Health Survey (PDHS) shows a rapid increase in C-Section delivery rates from 14 percent in 2012-13 to 22 percent in 2017-18.
- C-section rates >10 percent are not associated with a reduction in maternal or neonatal mortality.
- High rates are concerning because of 1) major surgery, 2) high fertility in Pakistan, 3) resource exploitation 4) medical malpractice.
- Doctors are either doing it for financial gain/ time management or accommodate women's choice for medically unnecessary reasons.
- The speaker's research shows that medical risk factors, population characteristics, and community are important determinants of the formal health care system's utilisation.
- Medical risk factors are significant predictors of both facility-based delivery and having a C-section
- Controlling for these medical risk factors, Pakistani women who deliver at a private health facility are more likely to have a C-section
- This finding is concerning and suggests that the private health sector in Pakistan is over-medicalising childbirth. The finding of the research calls for clinical medical audits.

Dr. Batool Mazhar

- C section rates are high in Pakistan. The private sector has high C-Section rates either driven by money or fulfilling the demands of patients.
- Patients are not ready to take any risk. There is defensive obstetrics in health facilities- people don't let doctors give a fair trial for spontaneous delivery.
- Increase in institutional deliveries does not result in high C-section rates; instead, it reduces maternal mortality rates. We want safe deliveries in both public and private hospitals, and we need accountability.
- Accountability is difficult to establish in the Pakistani fragmented health care system. We need a system that we can make accountable for both the public and private sectors.
- Public hospitals have very high C- Section rates. However, they are mostly referrals and come from remote areas and private health facilities- because even private hospitals do not want to take a case that ends up in misshape.
- A C-Section in a public hospital costs the government of Pakistan up to 180,000. The Government of Pakistan has to tell people how much they are spending on people. C-Section cost at a private-sector costs more. The doctor who delivers the baby should charge the same in case of either mode of delivery. The time given in spontaneous delivery by a doctor is considerably high compared to the doctor's time in operating C-Section.
- In maternal and neonatal health, we do not need more research, but we need action. We need clinical system research.
- Every C-Section that is not urgent should have a second opinion. We need to make a policy and need to implement it. Every intervention needs evaluation and regulation.
- We are using the WHO approved criteria for auditing the C- Section. The Ministry of Health and Society of Obstetricians and Gynaecologists of Pakistan are training people at provincial and federal levels, GB, and encouraging facilities to start doing this. Private hospitals are needed to implement this auditing.

Dr. Samia Altaf

- Doctors are psychologically looking to see the crisis to carry the procedure i.e. C- Section— because financial incentive is such. This happens all over the world.
- Most of the hospitals have regulations to monitor the standards; the real issue is proper implementation.
- Are we calling it the medicalisation of childbirth? It is a little problematic. We should see C-Section in a larger framework, but there are areas where C-Section is desperately needed in Pakistan.
- Medicine is a profession like any other profession, and there is a political economy aspect to it. Medical services are also part of the economy. Doctors should earn money. However, what is important is that regulatory and monitoring systems should be such that outcomes should favour citizens.

- Private hospitals work within the given regulatory system. They do not work in vacuums. Private sector provides 60-70 percent of the maternal care service. The system of accountability should be across the board. Moreover, health authorities should involve private hospitals in auditing systems.

Prepared by

Saman Nazir, Medical Sociologist, PIDE

Chapter 13: Demographic Dividend

- 13.1 Idleness and Mental Health Problems—Challenge to Pakistan's Demographic Dividend
- 13.2 Revisiting Demographic Dividend

13.1. Idleness and Mental Health Problems—Challenge to Pakistan’s Demographic Dividend

Preamble

Attitudes of the persons towards work differ between societies, which depends on the several factors responsible for the formation of personality traits of the persons. The absence of a positive and productive attitude leads to idleness, which keeps an individual in a state of inaction. It is observed that the idleness and lack of will to work among youth is increasing day by day in Pakistan. According to ILO, the Not in Employment, Education or Training rates in the country were declining before the

2009 crisis and are rising ever since. Additional to idle youth is that of “empty labour”, which means to indulge in all activities at work, other than work resulting in falling labour productivity and stagnant total factor productivity in Pakistan. Low employment rates are thus not the only issue, but labour being unable to perform to their maximum capacity is too. If ignored in this age group, the nature of procrastinating and staying idle can come up with a trade-off that proves to be detrimental for Pakistan, which has 30 percent of the youth aged between 15 and 29 years. Pakistan Institute of Development Economics organised a webinar on the issue that seeks to breakdown the concept of youth idleness into its causes/determinants and its consequences based on the emerging personality traits, consequences of such behaviour, changing trends, and way forward to get better insights for the policy-making.

Speakers

Dr. Safdar Sohail

ED, Social Protection Resource Center

Mr. Amer Zafar Durani

President, Reenergia

Dr. Arifa Saboohi

Former PAS Officer

Professor. Rizwan Taj

Head of Psychiatry PIMS/Consultant

Psychiatrist

Mr. Syed Javed Hassan

Chairman NAVTCC

Key Messages

Mr. Amer Zafar Durani

- Pakistan has access to the demographic dividend about 2 million people in the age bracket of 15-19 are in the labour market in the next two decades.
- We should ask the question how do we keep youth productive and deployed rather than keep them employed.
- We need to ask to have a dividend. Can we cash it?
- What are the obstacles? Low investments, poor health, education, low deploy ability, cultural and language barriers, and low female labour force participation.
- What are the likely threats if we do not cash this dividend?

Dr. Safdar Sohail

- Social protection has two elements- health protection and financial protection.
 - In the context of social security, we hear less about adolescents/ youth less as one would expect in education, in training, and in the job market.
 - There is a surge of intellectual disabilities among the youth and women, which actually develop developmental disorders like autism, Down syndrome, and develop psychosocial disorders. This surge was across the classes.
 - Adolescent wellbeing in itself is a major topic in social protection.
 - There is a significant chunk of youth that are out of the labour force. There is a population in training or education, but there are missing populations, which we call idle. We need to rethink how we collect and present data.
 - Conclude: We face three sets of problems-
- (1) The quality of young people coming to the job market is low. This can be linked to stunting but also because of psychosocial issues due to poverty and inequality prevailing in the society.
 - (2) On job performance of youth
 - (3) Why so many people even do not want to work?
- Phenomena of youth idleness should be looked at sympathetically, as pressures are creating these intellectual disabilities.

Professor Rizwan Taj

- 15-24 are the years of age when things change. Many influences affect youth, including genetics, environment, role models, the spectrum of disabilities, relationships, opportunities, religion, culture, media, economics, injures both emotional and physical and abuse.
- There are pressures on youth, including academic, personnel, previous baggage, financial, physical, and insecurities about the future.
- Five basic personality traits that matter in employment are neuroticism, extroversion, and agreeableness, openness to experience, conscientiousness, and honesty.
- Conscientiousness is very important in product work that includes efficacy, organisation, responsibility, and goal direction. There is no one size fit all.
- Mental health is an integral part of an individual capacity to lead a fulfilling life, including forming relationships, studying, working, prose leisure interests, and making day-to-day decisions about the future.
- What helps in painting good mental health-relationships, good role models, positive reinforcements, stable home environment, opportunities for a good education, education attainment, and retention, protection, or absence negative influences?
- What is required? Personality development is as essential as getting grades.
- Recommendations—student needs mentorship, linking with professionals, screening, lifestyle advice, extra-academic activities, strong good relationships,

training teachers on mental health, positive use of social media, mental health in the curriculum, awareness programs, etc.

Dr. Arifa Saboohi

- Talks about three aspects of the psychological quality of youth.
- Speaker presented a general profile of the civil servants.
 - Average age 24-28.
 - Age of induction matters for bringing attitudinal change.
 - Mostly, 70 percent of inductees have previous work experience.
 - Graduates from the reputed private universities (LUMS, NUST, IBA) are on the rise. Over the years, the number of inductees from the middle, lower-middle-class, and women increased.
- Personality traits/ attitudinal profile of civil services inductees
 - Most of the selected candidates are extroverts and confident, sociable. Nevertheless, traits like leadership, willing workers of a team, openness to new ideas, intellects that seek knowledge, diligence of commitment, or conscientiousness vary among candidates.
 - The first thing we notice is a lack of discipline- it is possible to instate discipline in students, but when they go to work, they quickly adapt to work culture- which generally does not promote self-discipline.

A study conducted by the CSS academy on batches from 2008-2010 shows that toppers of the exam also do not have well-rounded personalities. What is lacking, they are not willing in the best effort in team work.

- There is a tendency to find an easy way out—generally, a lack of curiosity to seek out knowledge.
- We found mental health issues among officers—severe enough among a few that they have suicidal thoughts. Mental health issues become so great that the CCS academy is engaging with Psychologists for services.
- The phenomenon of being idle or not willing to work - to a large extent is by large the organisational structure that prevails at the public sector, and it is demotivating real workers, makes a lot of people cynical. Government incentive, and punishment structure is not such that it does not motivate an officer to become diligent.
- Performance evaluation reports or attitudinal evolution reports are only considered at promotion time, but not at work.
- A number of people leave civil service who once were motivated because of these issues.

Mr. Syed Javed Hassan

- In Pakistan, 4 million young people enter the labour market every year. Less than one million get any training.
- The state is very negligent about the issues of youth. NAVTCC is involved in youth training. There is a little consideration about what students themselves want.

- Among youth that take technical training, drop out is very high. Essentially there is a lack of motivation.

Central planning does not know best.

- We design experimental nontraditional courses and the traditional ones at NAVTCC, and we got a higher response application. Students say they want particular training because there are jobs available. There is a high level of interest in what students want to learn.
- We, as policy makers, think we know best about youth. Nevertheless, we need to unlearn that. We need to learn from youth and need to learn from their world view without judgment.
- Most of the students think they have wasted time in universities, and short courses would be better.

As policy makers and planners we need to ask how and why we are demotivating the youth.

Prepared by

Saman Nazir, Medical Sociologist, PIDE

13.2. Revisiting Demographic Dividend

Preamble

With a population of 207 million and growth rate of 2.4 percent, Pakistan is one of the youngest countries in the world. More than 60 percent of its population is below the age of 30, with around 30 percent between the ages of 15 and 29. Most of these young people are either on the cusp of entering into the labour force or are looking for gainful employment which they cannot find. The biggest challenge is therefore to absorb these young people into the labour market to gain the economic benefit of the young age structure, in other words, to realise the potential demographic dividend. The economic boom of the East Asian economies was, *inter alia*, due to a change in the age structure of their populations. All those economies invested heavily in the education of their youth, provided affordable public healthcare facilities and the enabling infrastructure, and encouraged industrialisation. Their economies grew and fertility declined. However, as opposed to the East Asian economies, youth remains mostly idle and fertility is not declining in Pakistan; it is stalled.

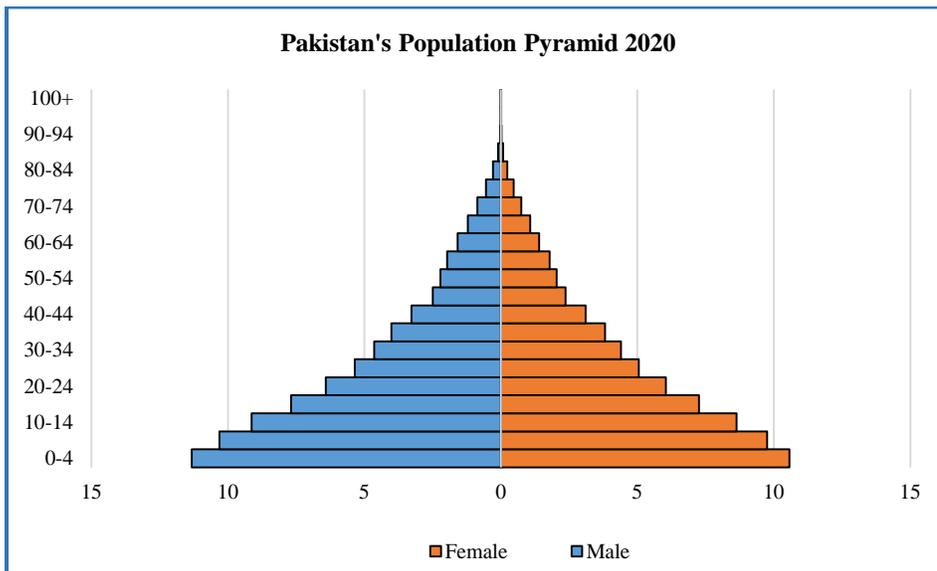
Speakers

Dr. Durr-e-Nayab, Joint Director PIDE

Dr. Zeba Sathar, Country Director,
Population Council

Dr. Attiya Innayatullah, Former Federal
Minister for population and Development

Dr. G.M.Arif, Former Joint Director PIDE



Fertility decline is a prerequisite to reap the economic benefits or in other words, capture the demographic dividend. However, as Arif and Afzal (2020) put it “a missed opportunity can lead to a demographic disaster if the unemployed working-age population becomes ‘forced dependents’—a probable scenario for Pakistan”. Without

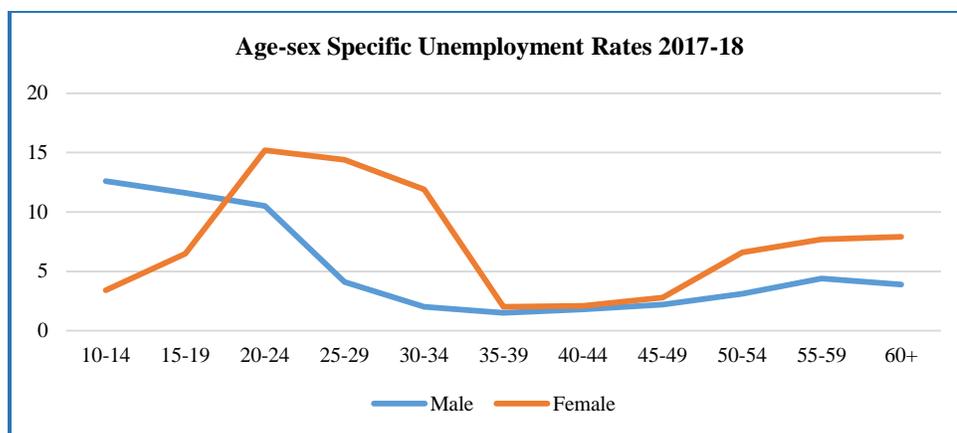
reducing fertility, the likelihood of the working-age population to become economically productive is slim and their becoming dependent population more likely. Therefore, the question staring the policymakers in their face is ‘Can Pakistan reap the demographic dividend with high fertility?’

The webinar on “Revisiting Demographic Dividend” helps us to understand:

- Is population growth good for us or bad for us?
- What is the relationship between population growth and the economy and vice versa?
- For how long demographic dividend will remain for Pakistan?
- What challenges Pakistan has in reaping the demographic dividend?
- What would be the impact of technology on demographic dividend in Pakistan?

Key Messages

- Demographic dividend is inherently transitory in nature due to lack of prior planning; Pakistan has almost wasted the first 30 years of the opportunity demography has offered it.
- Economic growth is shaped by demographic changes in the coming years and will depend on the ways policies and institutions respond to the challenges and opportunities the future holds. Time is running out to put appropriate policies in place, the absence of which may result in large-scale unemployment, immense pressure on health and education systems, in short, a socio-economic crisis may take place making the demographic dividend more of a demographic threat.
- Population is inevitably the common demand denominator for any progress in any sector. Although, there has been a sharp decline in the fertility rate in the 1990’s, however, since 1998 fertility rate is still very high. To add insult to injury, the contraceptive prevalence rate is declining which is opposite to what it should be at this time. Moreover, population planning programs suffered in the past largely due to the lack of political will.
- Pakistan has failed to recognise the important role of human development in its economic growth. About 40 percent of new entrants into the labour force of age 15 to 24 have either no education or less than primary education.
- Labour supply and absorption which is key to reaping the demographic dividend.
- Increasing number of people entering working ages in the country can act as a double-edged sword, if they do not enter the labour force the very logic of demographic dividend is defined but if they do become economically active it poses a big challenge to the country’s economy to provide them gainful employment. This is quite improbable in the absence of sound economic policies and educated and skilled workers, with its poor current educational state training and educating the ever-increasing population for a changing economic scenario is another test confronting the country (Nayab, 2008).
- According to the Labour Force Survey 2017-18, unemployment rates for females are double than that of males. It is quite high as compared to young men.



Source: Labour Force Survey 2017-18.

- The unemployment rates are highest for the 20-24 and 25-29 and then they start declining after around 34 years of age. For all ages except for the 15-19, the unemployment rates are much higher for females for every age than they are for males again.
- Since the demographic dividend is all about the youth bulge and the age structure but the unemployment rate by age and sex shows that the much talked about youth is the one that is suffering the most.
- People have degrees but there are not enough jobs for them, and this dilemma is faced by both the employer and also for those who are looking for employment.
- To make the demographic opportunity a reality, the need is to focus on health including that of children, reproductive health with enhanced family planning supplies and services.
- Along with focusing on health, investment on education and skill development is imperative to reap the demographic dividend. Education and training are vital to providing productive employment, but it should not be education just for the sake of increasing enrolment rates instead education should be of quality, it should be of relevance and it should be linked to the economy of today.
- Coordinating population and economic policies magnifies the size of the potential dividend and enhances the likelihood of its being captured. Such coordination is especially crucial because there's both promise and peril embodied in an aged structure that has a relatively large share of the working age population.
- Large cohorts of prime-age individuals can be a recipe for social and political instability where unemployment rates are high.
- Our young population remains unskilled and uneducated. In addition to this, we are going to need about 36 million jobs in the next 10 years which seems impossible under the present economic conditions of the country and if we fail in equipping our young generation with skills, education, and employment then we will be making them incendiary material for internal security.

Prepared by

Saima Bashir, Research Demographer, PIDE

Chapter 14: Cities

- 14.1 Cities for Humanity and Development
 - 14.1.1 Cities for Humanity and Development -I
 - 14.1.2 Cities for Humanity and Development- II
 - 14.1.3 Cities for Humanity and Development- III
 - 14.1.4 Cities for Humanity and Development- IV
- 14.2 Urban Mobility is More Than Cars and Expensive Metros!
- 14.3 What is Smart about Smart Cities?

14.1. Cities for Humanity and Development

Background

Pakistan has some of the largest cities in the world, with currently Karachi, having over 15 million inhabitants; Lahore having about 12 million people; and about 20 cities, in total, having populations of above a million. The rapid urbanisation that the country has seen has also brought about its share of issues with the current urban landscape dominated by a shortage of urban space; automobiles induced congestion and uncontrolled urban sprawling due to policy emphasis on single-use family housing units.

To increase awareness and create a dialogue on issues that affect the country's cities, Pakistan Institute of Development Economics (PIDE) recently organised a series of webinars entitled 'Cities for Humanity & Development'. These webinars brought together international experts, urban planners, and other related professionals in discussing the issues that are faced by both cities in general and more specifically by cities in Pakistan.

Discussion Questions

- How can effective and inclusive cities be planned?
- How city development determines economic and social welfare?
- How to control urban sprawl?
- How to manage inclusive cities for all?
- What is the relationship between automobiles and city planning?

14.1.1. Cities for Humanity and Development-I

Key Messages

- Given the backdrop of the COVID-19 pandemic, the panelists discussed how cities which have been important drivers of economic growth in both developing and developed economies may be seen problematic given the dangers of close-proximity and densely populated urban living during a pandemic.
- The panelists agreed that even though the COVID-19 pandemic has created unprecedented conditions, yet once the situation normalises, cities are still going to be main drivers of economic growth due to the infrastructure and the high productivity zones that they provide.
- On the issue of how the pandemic has affected cities in developing countries, where often social distancing is difficult, Dr. Nadeem Ul Haque stated that policymaking including urban policy has been largely determined by foreign donor consultants in Pakistan, who have often benefited at the expense of local researchers and policymakers.
- The local capacity gap has been further highlighted during the current pandemic. While donor consultants have a part to play, their involvement should not come at the expense of local practitioners and researchers being sidelined. Well thought-out urban planning that keeps local realities in mind can only come about through involvement of locally informed policymakers.

Speakers

Nadeem Ul Haque, Vice Chancellor, PIDE

Anthony Venables, Professor Economics,
Oxford University

John Thwaites, Professorial Fellow,
Monash University

14.1.2. Cities for Humanity and Development-II

Key Messages

- Dr. Haque started the webinar by listing the issues that affect Pakistani cities. He mentioned that how Pakistan has over the years followed the much-critiqued model of North American urban planning that leads to congestion, sprawl, and car-based mobility.
- Furthermore, he pointed out that the country has strict zoning laws that inhibit mix-use of land and has led to a shortage of urban space, exclusion of the poor, and diminished growth of commercial business activities.
- Ken Greenberg mentioned that the relationship with “automobiles” and how it affects urban spaces is not only peculiar to Pakistan but is rather a part of a much larger debate in the urban planning and design literature. This dependence on cars/automobiles not only leads to congestion and sprawl but also carries health concerns for populations that do not walk as often as they should.
- He further stated that the 20th century North American model of urban growth that Pakistan seems to be following has largely been abandoned by recent urban designers in North America. According to him, North America is “working through a major paradigm shift from a mid-20th century land-use segregated, auto-oriented configuration to a more sustainable, compact, mixed urban future.” More and more young people in North American cities now prefer to live in walkable urban spaces.
- The Toronto-based urban designer also mentioned that from his own experience, mix-use of urban space i.e. simultaneous use for commercial, residential, and other purposes is a viable solution for curbing urban sprawl and creating less congested cities.

Speaker
Ken Greenberg, Urban Designer,
Greenberg Consultants

14.1.3. Cities for Humanity and Development-III

Key Messages

- Brent Toderian started by stating that although he has not visited Pakistan, having listened to the issues that Pakistani cities are currently facing, he sees many parallels between Pakistani cities and the cities that he has worked in both developed and developing countries.
- He stressed the importance of creating cities where people are not dependent on cars for mobility. Furthermore, he went on to describe how the need is for planners to create urban spaces that include more “interactive streets” i.e. streets on which people can walk and engage with businesses and other activities. These interactive streets are important ingredients for creating what he branded as “doing density better”.
- The increased emphasis to create urban spaces of high density can lead to planners often ignoring that density in-itself is only a number, and it is actually how this density is internally configured, which is the key to creating urban spaces that are interactive, not-congested and amenable to vibrant commercial and residential activities.

Speaker

Brent Toderian, Former Chief Urban Planner, City of Vancouver

14.1.4. Cities for Humanity and Development-IV

Key Messages

- At the outset, the session addressed a concern why the cities in developing countries are devoid of addressing the humane needs of urban populations and planners prefer gentrification.
- Ms. Woo suggested that cities must opt for the agenda to bring humanity and development at the core of city planning and that this precisely has been her struggle throughout her own career.
- She emphasised that in order to plan cities for humanity, influencers and key stakeholders need to keep all segments of population in mind given their respective heterogenic needs, characteristics and civic requirements.
- The cities must have civic capacity to speak and campaign for the cities to be more inclusive. Cities should be thought of as collections of actions and the culminations of many decisions over the periods of time. In such a scenario, strong commitment to championing the city rights for the entire population and not just one segment is a fundamental part of making inclusive cities that are drivers of growth and welfare.

Speaker
Leslie Woo, Chief Planning Officer,
Metrolinx, Toronto, Canada

14.2. Urban Mobility is More Than Cars and Expensive Metros!

Key Messages

What should be the ideal vision of urban transport policy?

For this, first we have to study the urban transport policy progression and how it evolves globally. Nowadays, the urban transport system is accessibility based which evaluates the system on the ability of both people and business to access the desired services and activities (Litman, 2020). Accessibility is the main driver of cities growth and development.

Speakers

Dr. Murtaza Haider, Professor Ted Rogers School of Management, Ryerson University, Director Regionomics Inc.

Muhammad Rizwan, Senior Transport Engineer, Parsons, UAE

What should be the aim(s)/objective(s) of the urban transport policy?

- Urban transport system that provides equal mobility opportunity for all segments of the society.
- Access to opportunities, jobs, and amenities needed for cities to serve as engines of growth.
- Connected cities with multiple mobility options, strictly discourage reliance on a single mode.
- Integrate transport with urban planning to reduce commuting distances and optimise expenditures.
- Smart technology-based initiatives to lead decision-making of transport development processes.
- Explore potential revenue sources for urban agencies to avoid dependence on higher tier governments.
- Improve environmental parameters significantly by regulating transport-related causes of climate change and global warming.
- Design of urban streets to be safe, with universal challenges and deliver quality projects in time.
- Increase contractor skills to deal with the urban challenges and deliver quality products in time.
- Standardisation of urban transport operations like licensing, vehicle fitness testing, automated violation monitoring, parking management, and congestion pricing, among several other operations.

Urban Development Practices: Global VS Local

GLOBAL	LOCAL
<ul style="list-style-type: none">• Connected/compact Cities• Cross sector collaboration• Create jobs through mix used development• Shorter trip lengths• Maintain healthy lifestyle• Minimise carbon footprints	<ul style="list-style-type: none">• Sub Urban Sprawl• Focus on Car's speed/LOS• Focus on single unit housing only• Loner trip length due to lack of facilities• Reliance on motorised vehicles• Noise and air pollution from motorised vehicles

Mobility or Accessibility Options

There are different options of mobility available to the public such as motorised and non-motorised. Motorised transport modes consist of private cars, motor bikes, buses, BRT, metro and paratransit. On the flip side, non-motorised modes include bicycle, walking and e-bikes.

- Streets or ROW consist of 60~90 percent of Public space in city & Pak cities will be on the higher side (90 percent) due to lack of other public spaces.
- How we manage streets determine the shape of the city.
- Streets or Right-of-Way (ROW) are public spaces that connect people to facilities.

Transport Planning in Pakistani Cities

According to the population census 2014, and Pakistan Bureau of Statistics 2017, the population of Pakistan will be doubled by 2050. However, unfortunately, urban transport is in crisis from the last decades. Further, tremendous upsurge in the use of private vehicles is adversely impacting the mobility options. Therefore, local governments need to have a realistic plan to fulfil future mobility needs. So that cities can be both livable as well as engines of growth. The following measures could be considered while making transport planning for cities.

- **Investment** in transport infrastructure to be smart, effective and based on people's needs while considering several alternate scenarios.
- **Integrated planning** is needed to minimise urban travel distances and long-distance trips to be strictly discouraged and to optimise the heavy investments in transport infrastructure.
- At **Pre-development** stage, the urban planning to target integrated communities or sustainable districts, so maximum trips happening in developments are served within developments and to limit the impact on urban transport infrastructure.
- At **Post-development** stage, (For existing urban areas and downtown) urban planning process to continue evaluating the land use pattern and identify shortages in specific facilities causing the significant number of long-distance trips. Mitigate the shortage of specific urban land use by adding the required urban facilities and revision in regulations where needed.

Urban Transport Issues in Pakistan

- Urban transport is not considered as a specialised discipline in most civic agencies.
- Civic agencies lack capital, human resources, vision, skills and are bound by legislation.
- No local standards or design guide for urban planning, transport planning and street design.
- Lack of diverse projects experience for clients (gov, public), consultant and contractor side.
- No leading urban infra firms like AECOM, JACOBS, KEO, PARSONS are available to fill the technical gap in urban and transport planning.

- Limited number of firms lacks competitiveness, quality resulting in sub standard output.
- Project based approach (which is always short term).
- Even on the technical side, people with construction or structure background are leading processes. Highway design engineers are not well aware of urban street design.
- Professional engineering license not mandatory to practice engineering/ planning.



- To recapitulate, Pakistan has a very high rate of urbanisation and when the population in cities rises around 8 to 10 percent per annum, the burden on any planning authority also increases. Resultantly, the service delivery becomes difficult. Therefore, we should develop secondary cities to decrease the pressure on existing cities.
- In Pakistan, the transit issue is not from demand side failure, but it is a supply side failure. On the supply side, the government and private entrepreneurs do not want to provide the proper transit to the people. The reason behind this is the lack of information about transit from both people and institutions.

Prepared by

Abdul Khaliq, MPhil Scholar PIDE
Haseeb Hassan, MPhil Scholar PIDE

14.3. What is Smart about Smart Cities?

Preamble

Smart cities are increasingly popular in the global south as 21st century solutions to the management of urban infrastructures systems, data and information about territories and populations. It has shaped entrepreneurial initiatives and increased competition across cities and

Speakers

Dr. Ayona Datta, Professor in Human Geography, Director of Postgraduate Teaching (HG), Department of Geography, University College London

nations in mediating urban interventions through technology, leading to top- down and universalised notions of seeing the city from above. This webinar will examine the social and cultural consequences of the smart city particular on gender, social class and spatial justice. It will argue that we need to reimagine the smart city from below as made of critically conscious citizens claiming their right to knowledge through technology. The smart city from below to cultivate right claiming citizens who use the opportunities and innovations of technology and digital space to make cities, nations and global corporations accountable and transparent. The popularity of smart cities is surging particularly in the global south as modern solutions to data and information related to the territories and population, and administration of urban framework. It has formed business dynamism and accelerated competition among cities and countries in considering urban involvements via technology, leading to top-down and global ideas of observing cities from above.

Key Messages

- Smart city is the integration of technology with a strategic approach to sustainability, cost reduction, citizen's well-being and economic development. Moreover, a smart city is actually an aggregation of utilities, supply chain, vehicles, homes, metering, health, security, equipment and so on.
- To get a more accurate concept of smart cities, let us move to the academic definitions of a smart city. The first critique in this regard is Hollands (2008), as he discussed the use of technology and that too conceived in four different ways. To initiate with the first way that is the application of technology in a wide range of urban systems. Secondly, he talked about the embedding of ICT (Information and Communication Technology) in the city. Moreover, he emphasised on the radical transformation of urban life through technology. Another thing, he highlighted, is the use of smart technologies to bring cities together to enhance innovation and smart growth.
- The next academic definition of smart cities is presented by Dirks and Keeling (2009). According to their definition, a smart city is one that deploys technology to revolutionise the core systems (inhabitants, businesses, transportation, communication, water and energy) and optimise the returns from limited resources.
- In addition to the above definitions, Townsend (2013, 2015) also gave us a new perspective of smart cities. He said smart cities are the places where information

technology is combined with infrastructure and architecture, everyday objects and our own bodies to address the social, economic and environmental issues.

- However, these concepts of smart cities are not new; there is a very long and strong genealogy of the smart city that has led us to this point and going forward from this point. We used to talk about digital revolution and embedding of smart technologies within cities. One of the first ideas that technology has a relationship with urban form came from Fathy (1991), on telicity where they talked about telecommunication technologies that shape urban form.
- The next work in this regard is of Castells (1996), where he presented the idea of informational cities. In his work, he talked about cities and regions transformed under the combined impact of a restructuring of the capitalist system and technological revolution.
- Furthermore, Dutton et al. (1997) gave the idea of a wired city that what happens to a city if it gets wired not only because of communication system and physical material changes but also due to social, political and cultural changes.
- Likewise, Graham and Marvin (2001) provided an important idea of connecting cities through information and communication technology (ICT). Moreover, they particularly talked about premium network space, which is of great importance for us to understand.
- Additionally, Komminos (2002) talked about an intelligent city that software systems can be used for efficiency and innovation. This leads us to another idea regarding intelligent cities provided by Shin (2009) in which he said everything is connected to everything. According to Shin, people are also connected to the networks like mobile phones, apps, and track and trace software and so on. Moreover, he puts forward this idea that a city is no longer just wired or informational but people, their thoughts and experiences are also a significant part of these networks.
- Before describing what is smart in smart cities, we would like to make it clear what is meant by the word “smart”. The word smart can be misunderstood as people sometimes think by smart people means clever people; this is not what it exactly is. We do not want people to be clever as clever people can often not do the right things. All we want is intelligent people who are critically conscious and who have the knowledge of how cities work and who have the capacity to intervene into these systems to make them more democratic and transparent. In this regard, Batty (2013) said that smartness lies in the active and democratic participation of communities in e-government through information technology.
- The argument we make regarding smart cities is that cities cannot be run with the help of big data; they need deep data that is real understanding of the complexities of everyday lives in communities.

**What have digital technologies done? What is the technology that is used by people?
And how do people use technology rather than asking them to use technology?**

We can analyse the role of technology through two distinct aspects: gender digital divide and ownership & possession.

Gender Digital Divide

Gender divide means if men and women have never been equal users of technology. Likewise, it is not just women who do not have as many phones as men have, but it is also how women use these phones is very important. If we look at statistics in India, around 71 percent mobile users are men and remaining are women and a mobile phone which is connected to the internet is most likely owned by a male.

Ownership and Possession

When we talk about ownership and possession, we look at the following indicators:

- Proportion of youth and adults with information and communications technology skills, by type of skills.
- Proportion of the individual who own a mobile phone, by sex.
- Proportion of population covered by a mobile network, by technology.
- Proportion of individuals using the internet.

How do we make this community visible in digital space?

We can make this community visible in digital space through:

- Writing the city from its margins.
 - City as text.
 - Embodied and effective data on the city.
 - Oral history.

What technology actually does to enhance safety in a way that can be sold and bought by urban authorities?

Safety is enhanced by:

- Focused on CCTV surveillance, command and control centres, GPS, drones, police presence.
- Ignore the temporality and social/ cultural nature of violence and surveillance over women and marginal bodies.
- Creation of an online safe space actually became a really exciting and enriching experience for all of us.
- Time mapping is also helpful for the safety of anyone at any place.

Conclusion

To recapitulate, smartness is not about increasing technologies, but knowing how to do more with less. Moreover, it is not only about optimising the use of technology but also the investment in technology. More precisely, it can be empowering and progressive, for instance, if we know that there are people being left behind so the ways to bring the maintenance system are not by telling them to follow the line but by finding other ways in which they can collaborate with each other. Additionally, cities know how to provide facilities like safe drinking water, public toilets, and safety and so on. For having more insight about smart cities, pictorial illustration can be seen below.

Chapter 15: Informal Economy

- 15.1 Voices of the Poor: How we excluded them from life in Cities
- 15.2 Engaging the Informal Sector—A Proposal for State and Non-State Engagement
- 15.3 Introduction of Legislative Bill for the protection of Street Vendors' Rights
- 15.4 Settlement of Street Vendors in Public Spaces of Urban Pakistan
- 15.5 Street Vendors in Islamabad—Voice from the Ground

15.1. Voices of the Poor: How we Excluded Them from Life in Cities

Preamble

The purpose of this webinar is to listen to the poor and to learn how they are systematically excluded from the commerce, mobility, jobs, education, housing, community, public space and many other opportunities to social mobility and life.

Speakers

Those who are seldom heard.

Organisations that represent poor commerce, living and community

Umer Gilani

Tooba Syed

Key Messages

- According to Naveed Abbasi, representative of *Khokha* Association, there are 485 listed *khokhas* in Islamabad. These **local khokhas** provide living to almost 30 to 40 thousand people from the last 40 years in the capital city. However, from the past seven years, CDA is creating hurdles for these people, such as canceling their legal licenses issued by CDA previously. Even after highlighting this issue in the national assembly, CDA is not reinstating their licenses. Moreover, Covid-19 outbreak made their situation even worse; they are under constant fear of fulfillment of their daily expenses and the educational expenses of their children as well. Unfortunately, they are not even able to fulfill their basic necessities, resultantly, most of them started begging and even involved in criminal activities. Furthermore, these *khokhas* and local *dhabas* are basically a part of our country's culture; hence, they should be provided with proper facilities. A campaign of this kind was launched last year but it could not reach its destination due to their expired licenses. From the last few months, CDA has had a practice of demolishing their *khokhas* and restoring them from time to time and that too without any legal notice. Now, the *khokha* association is requesting the government to revise their master plan and add the refurbishment of the *khokhas* and *dhabas* in this plan as well.
- Now turning to another issue, as president of **private schools network** Muhammad Afzal Babar highlighted that since Islamabad city's establishment until 2006, there was no legislation for private school sector. The reason behind it is very clear; CDA had to allot the areas to various offices, housing, and other government departments in different sectors and sub-sectors of the capital city; so, there was not enough space for private school's registration department. Moreover, after Islamabad came into being, the era of nationalisation has started since 1971 which also proved as a hurdle in the way of legislation for the private sector. If we talk about the current scenario, different land mafias purchased the lands in nearby areas of Islamabad from lower-class people and developed housing societies there and they did not allot any place for government institutions. Instead, they sold the plots which were allocated for public schools to build elite schools to flourish their personal businesses. The irony is that they purchased this land from lower-income communities and their children are deprived of basic educational facilities because they cannot afford the fee of

elite schools. Furthermore, in the times of pandemic, just as every other sector faced a plethora of issues, the educational sector is no exception particularly the institutions which are working to provide education to lower-income communities. Unfortunately, the present government made promises to bring change in the country through education also neglected this sector. Undoubtedly, the private schools network is working as a helping hand of the government by providing quality education to thousands of children which otherwise is a state responsibility., In Islamabad, 80 to 90 percent private schools are operating in rented buildings. Owners of these schools remained unable to pay rents and also the salaries to staff. Currently, the government announced a substantial fund for the lower-income community but there is zero percent share for private schools network which is completely unjust. It is high time to focus on these private schools which are not only providing education to lower-income community's children on an average fee but also a source of employment to hundreds of people.

- By the same token, according to the representative of public transport taxi service, there are 45 to 50 thousands **taxi drivers** in Islamabad. They are also paying taxes to the government at almost 7 to 8 various stages. To demonstrate, first of all, they have to visit the excise office along with their fitness certificate of vehicle to get route permit and also for the endorsement of the vehicle. Besides, they have to get a driving license from Islamabad traffic police. On the other hand, some private cab companies, such as, Careem and Uber are providing their services illegitimately in Islamabad and Rawalpindi, with the help of internal involvement of our authorised bodies. Due to these private companies, thousands of public taxi drivers are not able to sustain their livelihoods. Similarly, there are limited numbers of bus stands in Islamabad with no apparent facilities; some travel companies like Al-Sadat also made a contract with CDA and they have to pay millions of rupees every three months. Due to the COVID-19 and lockdown, their businesses are facing a severe downfall and they are unable to pay the agreeable amount to CDA for which they also got some legal notices from CDA. In slightly different words, there are 8 to 9 bus stands in different areas of Islamabad; however, most of them are impounded by CDA for which they are charging from public transport drivers instead of facilitating them. Hence, the public transport association is demanding for the government's cooperation so they can provide good and economical transportation facility to the citizens.
- Now, if we talk about **guest houses in Islamabad** which were not only accommodation facility for many people but also a source of employment for many others. However, in 2013, CDA decided to consider it as a commercial activity instead of a housing facility, and now it is illegitimate to build guest houses in homes—violation of which may result in cancellation of allotment. Currently, some house owners are operating guest houses secretly because most of them terminated their leases. Likewise, there are around 70 different private hostels mostly built in houses in Islamabad for students particularly for university students which are a great solution for student housing. Recently,

CDA issued legal notices to these private hostels with the allegation of non-conformable businesses. Therefore, the government should reconsider its regulation policies about street vendors and small businesses in residential areas due to the fact that these are also a driving force for economic activities and growth.

Concluding Remarks

In retrospect, for a **living and vibrant city**, it is inevitable to have hustle and bustle in the city and it would only be possible when we have street vendors, khokhas, local dhabas and so on. Similarly, the home based small businesses play a crucial role in city life because they provide quality facilities on economical rates so everyone can enjoy the perks of being in the city; certainly, not everyone can afford five-star hotels and restaurants. Additionally, these things are important not only from an economical perspective but also from a social point of view; cities are habitat of people not only of cars, roads and infrastructure.

Prepared by

Ayesha Aitque, Alumna GCUF

15.2. Engaging the Informal Sector—A Proposal for State and Non-State Engagement

Preamble

Engaging the urban and informal sectors is critical, especially within a COVID environment. Dr. Faisal Shaheen has discussed his dissertation which explores the water and sanitation service delivery contents in Dhaka, Karachi, and Mumbai in terms of informal sector engagement. These mega cities have been overwhelmed by increasing demands on limited service delivery capacity as growing clusters of informal settlements. Best practices for engaging informal sectors in South Asia are proposed and used specific approach called process mapping through social policy analysis.

Speakers

Dr. Faisal Shaheen, Manager of Information System, City of Toronto and Senior Lecturer at Ryerson University

Key Messages

- Municipal water service utilities belong to public service frontlines and closest to the bottom of the intergovernmental organisational structure.
- Chronic disconnections exist in all three countries, where upper tiers of the state persistently fail to create an enabling environment for lower tier state actors and municipal service delivery machinery.
- These disconnections are the persistent colonial impressions on the bureaucracy, Neoliberal policies and the appropriation of public resources by organised crime and their backers, urban elites.
- It is useful to disassociate the various state and non-state actors that are part of mapping water and sanitation policy.
- The success of non-state actors is attributed to support from lower tier state actors.
- A complex political economy of upper and lower tier actors, rooted in unresolved land ownership and elite interests is disabling the capabilities of lower tier state actors to extend services to the urban poor.
- States should acknowledge and recognise the dialogue with cooperatives and collaborate with informal sector partners.
- Informal sector is surrounded by the departments with overlapping agendas and mandates. In essence, the oscillation of leadership between democratic government and the influence of military regimes rules them.
- Identify partner interests, local institutions and informal sector associations, which all play a role in the health and well-being of the informal sector and of course urban society.
- Karachi's urban resource centre has set the model for engaging the informal sector over many decades to use regular dialogue to resolve and propose solutions to issues.

- There is a need for stakeholder communication and monitoring.
- Street vendors, electricians and service providers require permits from the municipal government to operate. The process of permit issuance should be very simple and easily manageable.

Prepared by

Qaiser Shahzad, MPhil Scholar, PIDE

15.3. Introduction of Legislative Bill for the Protection of Street Vendors' Rights

Preamble

This webinar enlightens us about the rights and problems of street vendors. It is necessary to know about the street economy and public space to understand the concept of street vendors or *Jabri Faroosh* and their rights.

- Street Economy: “Exchange of goods & services in ‘public space’; it includes with or without a closed & fixed space, with or without a bench & a vehicle, sitting, standing or walking on the streets or by staying fixed at a place in the street.” *Jabri Faroosh*, *Rairiwala* or *Thelewala*, the vernacular term for ‘Street Vendors’.
- Public Space: “An area or place that is open or accessible to all people, regardless of gender, race, ethnicity, age or socio-economic status.”

Speakers

Sania Nishtar, Special Assistant on Poverty Alleviation and Social Safety to the PM of Pakistan, with the status of Federal Minister, & BISP Chairperson

Syed Zeeshan Ali Naqvi, Deputy Mayor, Islamabad

Zia Bandy, Development Consultant & Initiator of Street Vendors Protection Project

Ahmed Bashir, Author of Street Vendors’ Protection Bill and Partner, Ahmed Bashir & Associates

Umer Gilani, Partner, Law & Policy Chambers

Naveed Abbasi, President, Khokha Association Islamabad

Key Messages

- Street Vendors have remained the essential part of the urban economy around the world. They are not only the provider of livelihood to the middle and low income mass segment of the society, but it is also a major employment source of urban poor.
- Developed nations like the US and UK give proper attention and facilitation to street vendors through proper channels.
- Street vending is an opportunity and opportunity cannot be controlled and defined by the government. This opportunity needs cities and an open environment.
- An effort is initiated by a group of development practitioners in Islamabad for protecting the street vending rights through a legislative process. As per conservative estimates, street vendors number anywhere around 15,000 to 25,000 in Islamabad. A legislative bill and strive for its subsequent implementation may provide some sigh of relief to this hapless and wretched segment of the society. Most common notions about street vendors are mentioned below:
 - Street vendors are under-regulated.
 - They desire informality.

- They do not pay taxes.
- Street vendors cause congestion.
- They engage in criminal activities.
- They contested public spaces for market activities in street and state.
- Street vendors create a threat for retailers.

But these are common thoughts about street vendors, it may not be true at any space. If the government facilitates and regulates them properly, they pay taxes that will generate revenue.

- Street vendors, mostly in urbanised cities like Lahore, Karachi, Peshawar, Quetta and Islamabad are facing the problem of harassment, bribery and nobody could recognise them.
- There is no space for poor or street vendors. Moreover, there is a dichotomy between development authorities and municipalities because land is in the hand of development authorities and licenses are issued by municipalities in Pakistan.
- Street vendors are out of 1.5 percent of urban population but still:
 - There is a lack of information about street vendors' population in Islamabad.
 - There is a lack of survey engagement.
 - There is an arbitrary government structure for street vendors about licenses, their space and how to work.
- Street vendors play a very important role in providing livelihood in different cities. So, there is a need to announce short and long term policy engagement for them.
 - In the short run, there is need of organisation for street vendors that ensure their rights because almost that labour force is not educated and they didn't know their rights and regulation.
 - Law making and urban planning are long term projects to fulfill their needs and rights but it's necessary to protect street vendors' employment activities.
- It is recommended that there must be an institute like NADRA that will register all khokhas for documentary/registration. With insignificant mobilisation power, street vendors remain at the mercy of formal regulators and informal grabbers of urban space, so it is necessary that Municipal Town committees are established in different cities that will handle the problems between traffic police, CDA and khokhas to ensure the rights and regulations between them.

15.4. Settlement of Street Vendors in Public Spaces of Urban Pakistan

Preamble

Life of street vendors have never been easy in Pakistan, but indeed in most of the jurisdictions across the world, especially in developing countries. Despised by the state and society elite, street vendors are constrained to operate in a continuous environment of fear and

Speakers

Arif Hasan, A famous Architect, Planner, Activist, Teacher, Social Researcher & Writer
Chairperson of Urban Resource Center & Orangi Pilot Project

uncertainty on account of eviction. Any judicial and administrative relief are far and few and have usually proved to be short-lived for street vendors. Buoyed by the elite support and prevalent prejudice against street vendors, any administrative move, for the removal of street vendors from the public space, has relatively remained a smooth affair. Persistent repression has created its own survival dynamics among the street vendor community. They have worked out their space in the ecosystem through bribery to city administration and often with collective action of protest or buying-in of local power brokers. Its sustenance depends upon the resilience of their negotiation skill in an unequal power equation with city regulators. Question of the day remains about the modus operandi of settling or unsettling of street vendors in public spaces of urban Pakistan.

Urban development under ‘master plans’ and ‘projects’: The reality of our cities is that we don’t build inclusive cities; we build single-family houses that dot the continuous urban sprawls in cities. Despite such sprawls, there is a shortage of almost 10 million units (the difference between demand and supply). Schools and businesses are located within houses that aptly reflect the state of poor urban planning and the ensuing shortages.

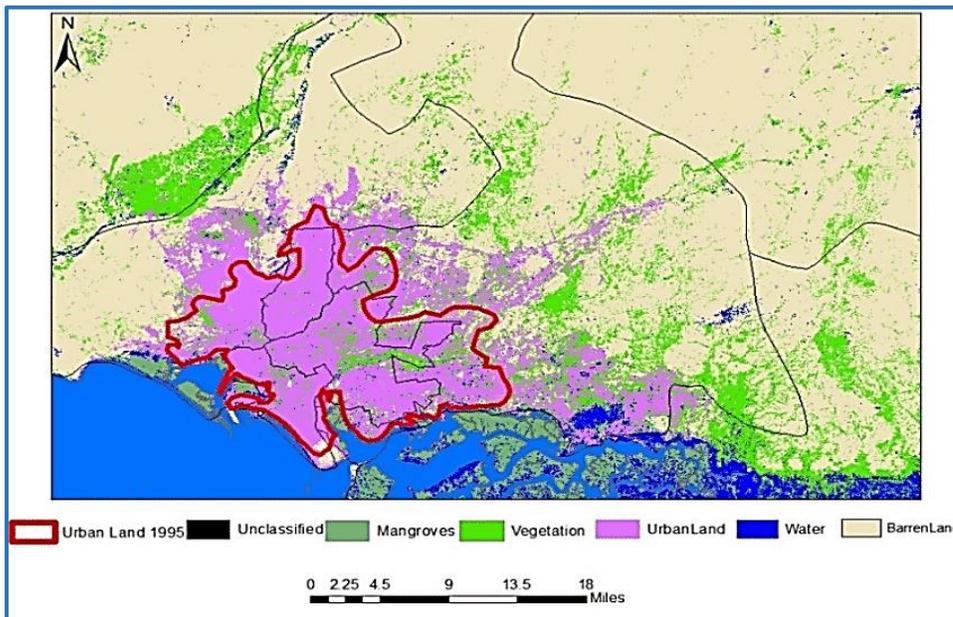
Islamabad’s Development under ‘Master Plan’

Islamabad’s original master plan, designed by Greek architect Doxiades, envisioned removal of majority of the villagers from their land. That meant removing majority of 54,000 villagers from their area to develop various sectors of the capital. They were to be compensated as per the average market rates. However, till this day, the issue of evictions to develop sectors has led to prolonged legal challenges and recurring physical altercations between settlers and CDA. The challenges range from dispute over the amount of compensation to the legality of official documents pertaining to ownership of a particular land (*khasra*), which have been tampered with frequently (along with other related documents) over time to make matters even more complex.

One major reason for the poor urban planning is the filtering down of the colonial ‘bungalow’ mentality that found favour among the elites. But this love for bungalows and urban sprawls led to other issues like the deficit of residential and other facilities, leading to informal settlements all over Pakistan. Above all, we never seemed to have any city planning that could address the delivery of essential services in a manner that is efficient

and economical. This is despite the fact that by law, city planners are required to come up with ‘master plans’ every decade for city development. But what we tend to find is that these ‘plans’ are poorly researched, and infuse speculation rather than any worthwhile commercial activity.

What is missing in all these plans is a vision for cities and for revamping our thought structure on city development. There’s a need for encouraging higher densities (include density table). There need to be changes in the by-laws and regulations that on street economies, street vendors and not anti-mixed use! Above all, we need institutions that indulge in research. At the moment, there’s no research but just concentration on ‘development’ that basically brings in rents. This ‘developer lobby’ is quiet strong in Pakistan, pushing development plans that are based on urban sprawls.



Given the state of affairs and the plight of our various ‘housing policies’, the situation in cities like Karachi is such that where there used to be only a single story house, now it hosts almost 5 to 7 stories! Such developments don’t need any government approval as an informal developer reaches out to owners/ residents and agrees to build these under certain terms. But at the same time, as a reflection of bad policy and speculative activity wrought on by these ‘master plans’, large swaths of land are lying empty in cities like Karachi and Faisalabad. Some years ago, a survey in Karachi revealed that there were 60,000 empty apartments and 300,000 empty plots, despite a very high demand for residential accommodation. The accompanying graph, made from LANDSAT data (Burhan Ahmed, ‘Urban Heat Island in Changing Climate’, 2015), clearly reflects the extent of Karachi’s urban sprawl beyond its demarcated boundaries, a good reflection of the poor performance of institutions dealing with urban land issues. The situation has only gotten worse after then, with other cities also displaying similar patterns of sprawl.

The PMs Initiative for building 50 million housing units is one such exercise in futility of our housing policies. It is just not feasible given the paucity of land and other ground realities (like financing). The poor would just not be able to afford it. Even if land is provisioned at the peripheries, people are very likely to move back to where they were (as has happened before). It would, therefore, be a miracle even if 50,000 housing units can be built!

‘Developer’ lobby, rents and the IFIs: Why is there no recognition of these developments (5 to 7 stories instead of 1) at the government level? The reason is that developers and decision makers view this issue from the perspective of monetary benefits rather than a human need issue! Given the unmitigated urban sprawls, land near to city centres is much more valuable than ever. Simply put, if there were to be a policy of regularising this kind of a development and agreeing with residents to pay for them over a certain time period, the chance to claim rents would go baggy!

Despite a strong ‘developer lobby’, why do we see little of their presence? For example, none of them is listed at the stock market. Pakistan’s development landscape holds the answer, because most ‘developers’ can afford to indulge in small scale and informal projects rather than large projects. This small-scale development in itself is driven by economies of scale in smaller level operations (lesser management issues, availability of small level contractors and raw material suppliers, etc.). There is no law or regulation that binds them to land development that can, in the end, result in positive externalities bestowed upon the public at large under such development initiatives. This particular aspect also explains why, for example, we don’t see many tower cranes in the cities! Since the developers are satisfied in their earning through small level schemes, there is little (if any) pressure upon them to go for large-level projects. Other aspects, like rental laws that are squarely in favour of renters, also discourage projects that require heavy investment over longer periods of time.

Over the last 25 years, we’ve basically replaced proper planning with ‘projects’, which are devoid of any criteria. More often than not, International Financial Institutions (IFIs) advice these projects that have proven to be failures, basically because there was no research behind these plans on city characteristics like socio-economic make-up. The end result of these projects is that the perks (cars, & monetary perks) are distributed among consultants and project administrators, who then are always on the lookout for newer projects that can bring in further monetary rewards. The failure of these projects and plans are testament to the fact that they are divorced from the ground realities existing within a city. Also, institutional actions under the pretext of law could have negative repercussions. For example, the spate of demolitions carried across Karachi under Supreme Court orders (dated 2018) affected the lives of 60 to 70,000 poor people.

Street Vendors—Large economic impact, but no entitlement: When it comes to street vending, urban development policies have been very unfriendly. Mr. Arif Hassan has been doing work on it since 1986. Of late, institutions like PRIME and PIDE have taken up this issue too. In 2001-02, a team led by Mr. Arif Hassan published a study titled ‘Hawkers of Saddar Bazar, Karachi’. It informed us that the issue was just not limited to hawkers only, but a whole lot of people like importers, suppliers, transporters, etc., were connected to this eco-system/street economy, supporting all these people. As much as 70

to 72 percent of Karachi's employment is in the informal sector. There are 202 formal markets in Karachi, with informal and street economies built around these formal markets. These informal economies, it was found, bestow certain advantages upon the formal market activity. For example, shopkeepers were in favour of having hawkers in front of their shops (and located within their area) since it attracted customers, who like dealing with hawkers given that there is relatively good chance of getting a bargain. There is, however, a price to pay! The hawkers have to pay bribes between Rs. 700 to Rs. 1,000 per day to government officials (police, development authority officials, etc.). A 2015 study on hawkers in the Saddar area of Karachi found that they paid a massive sum of Rs. 67 million per annum to officials as bribes.

Why do people take to hawking since it's not considered respectable like the regular 9 to 5 office jobs? Not many people wanted to, but there weren't many choices! Most hawkers took it up after losing a job, while a smaller percentage took it up because they felt it offered them freedom and flexibility in terms of working. Other reasons include the small investment amount needed to start/own a business, plus hawking serving as an additional source of income. The take-home earnings ranged between Rs. 500 to Rs. 2,500 after paying bribes. The supply chains are vast, spread all over Pakistan, which shows the vast scale of this kind of business.

In the 60s, the government actually encouraged hawkers to set up stalls to tackle growing unemployment in Karachi. Past mayors like Naimat Ullah and Mustafa Kamal allowed building cabins in the city. The policies of removing street vendors under 'removing encroachments' did not work because ultimately the street hawker's came back to where they were displaced from. The recent demolitions under the Supreme Court's orders of 2018 resulted in 3,300 shop demolitions, owned by about 900 hawkers of which 82 were women. The worst affected were the food chains like dry fruit shops. It also led to a fear among entrepreneurs when they were threatened with disappearances in case they launched the resistance movement. While there are no official estimates of the loss inflicted by these demolitions, a rough estimate based on average income of Rs. 1000 per day implies a loss of Rs. 46 billion per annum, which is considered an understatement given that these estimates do not consider the losses realised by supply chains.

It's not just monetary losses but social losses too since social relations between customers and hawkers are built over many decades and years. There is also huge loss in terms of removal from high income areas where aside from inclusivity, it provides choice to consumers. For example, as a result of recent demolitions in Karachi, commuters/customers decreased by almost 50 percent! Most of the removals were concentrated on Empress Market, despite the fact that many allotments were legal (one allotment dated back to 1898!). The calls for regularisation of hawkers and other such arrangements have remained unheard, and the reason given for non-regularisation (hygiene issues, etc.) does not necessarily stand the scrutiny of available evidence.

As far as street economy is concerned, Mr. Zia Bandey started work based on two precedents: India and Liberia, where they have laws regarding street vending. There is an attempt to gather evidence on street vending, so that it can be forwarded to the government for making laws regarding regularisation of these issues. Laws, however, should be based on clearly defined criteria, otherwise institutional weaknesses over time mean that laws lose their efficacy. Then there is the issue of identifying locations for

settling hawkers and informal businesses in a manner that they are not subjected to demolitions later on.

In this regard, the role of local governments is critical. Institutions like Karachi Development Authority (KDA) have the authority to issue permits to hawkers, but are constrained for various reasons. Since there is no functional local government in Pakistan, this issue would remain unresolved.

Prepared by

Shahid Mehmood, Research Fellow PIDE

15.5. Street Vendors in Islamabad—Voice from the Ground

Preamble

PIDE has been raising the voice for the inclusion of the poor. And street vendors remain a potent manifestation of these excluded segments. It has rolled up its sleeves by teaming up with Ehsaas, the premier poverty alleviation initiative in the country. Purpose is to establish an evidence-based support for the government to streamline governance and livelihood of street vendors in Pakistan. And PIDE has also ventured in action through a pilot project, whereby it has conducted the first street vendors' survey in Islamabad on their profile development. This webinar is meant to present the voice from the ground of both regulators and regulates of the local street economy.

Speakers

Sania Nishtar, Special Assistant on Poverty Alleviation and Social Safety to the PM of Pakistan, with the status of Federal Minister, & BISP Chairperson.

Dr. Shahid Mahmood, Member, Planning, CDA.

Shafaq Hashmi, Chief Officer, MCI.

Syed Zeeshan Ali Naqvi, Deputy Mayor, Islamabad.

Zia Bandy, Senior Fellow, PIDE.

Fazal Hayat, PIDE Student and Coordinator of Street Vendor's Survey Team.

Bedar Bakht, Mureed and Muhammad Sajid, Voice of the Unheard; Street Vendors from Karachi Company, Islamabad.

Survey Findings

Survey discovers that Market trumps Law in the Street Economy

- Zia Bandy, a senior fellow at PIDE, has led a 6-member team for conducting a street vendors' survey in Karachi Company area of G-9 Markaz, a major commercial hub of Islamabad. Methodology comprises of face to face interviews with a structured questionnaire. 302 street vendors were reached out for the survey, out of which 198 consented for participation in the survey.
- Over 95 percent of the street vendors were migrants from mostly backward regions of the country. KPK tops the origin list with 43 percent vendors coming from the province, among which terror-affected areas of agencies have greater presence. Survey also corroborated the general observation about the presence of Afghan street vendors. 6 percent of the street vendors were Afghan nationals.
- 8 percent of the street vendors were below 18-years of age. Youngest among them was 15-year old, whereas there is a possibility of more under-18 street vendors, as a number of young street vendors didn't have CNIC. Over 10 percent vendors were in the age range of 50-years and above, with oldest being 70-years of age. If the age factor is linked with the years in vending, then, it appears that a significant number of vendors have started vending at a much younger age.

- In terms of educational attainment, two-third of the street vendors were under matric, with 29 percent vendors were totally illiterate. Poverty and large households limit the affordability and the focus of number of youngsters for education or skill development. In the initial age, street vending emerges as a reluctant livelihood option for most, which eventually becomes the life-long vocation for many.
- Over half of the street vendors are residing within 1-2 kilometer radius of their workplace and commute by foot daily. This majority is mostly living in pool accommodation with 4-5 persons sharing a single room. Others are mainly living in far-flung slums or low lying areas of Islamabad and Rawalpindi, using local transport or motorcycles to commute to their workplace. Long commutes become a necessity for those vendors, who are living with families, as they can only afford living in slum areas.
- Length of vending period reflects tenacity of street vendors, despite all the frequent eviction campaigns to uproot them. Around a quarter of the street vendors are vending in the Karachi Company area for 14-years and more. Most experienced street vendors have been vending for 30-years. Survey did find that during the course of their vending career, a large number of street vendors have been vending in different locations in both Islamabad and other cities.
- Majority of the street vendors have been frequently evicted and their material confiscated by the city authorities. It takes at least 3-weeks to retrieve their carts and material from the government after paying penalties and incurring a loss of 50 percent to 100 percent over the material. Reviving their livelihood, after these evictions, has resulted in heavy indebtedness for many of the street vendors. Number of them have become patients of hypertension, blood pressure and other diseases.
- Not a single street vendor possesses any vending license or authorisation from the city authorities. However, the street economy of Karachi Company is alive and running around with all the fickleness about its existence. It has well-established supply chains spread through to suppliers located across the country and even overseas. Formal shopkeepers are providing shop-front public spaces to vendors on rent inclusive of electricity charges. It is alleged that lower staff of city authorities have a regular underhand payment flow from street vendors. Ecosystem is much stable, resulting in high footfall and sales for the whole market. It may defeat the purpose of urban design of dedicated sideways for pedestrian traffic and car parking, but is serving the local economy well.
- Survey data also include information on income, investment, vending categories and financial formalisation. It is further analysed for causal linkages and a detailed survey report will be published soon by PIDE.

Dr. Sania Nishtar, Special Assistant to Prime Minister on Poverty Alleviation Ehsaas will be utilising survey findings in formalising its policy response for street livelihood.

- Dr. Nishtar mentioned that the Prime Minister, Imran Khan, has shown his concern on the plight of street vendors in the country. He desires government initiatives for the betterment of this neglected and exploited segment of the

society. Ehsaas is on the task and is pleased to collaborate with PIDE on the issue. She did mention about the various recent meetings and communication between Ehsaas and the PIDE team on the street vendors' initiative, where she herself and the Secretary, Ehsaas were personally involved. She applauded the PIDE's efforts in creating a knowledge base on street economy and conducting the street vendors' survey in a very short period. She is looking forward to the survey report to plan the next steps for the engagement on street livelihood.

- She indicated that the government is cognizant of the rentier component of the street economy in Pakistan. However, it wants to proceed with implementable solutions while taking into account the constraints of the operating environment. It requires multi-stakeholders' engagement with consultations on the necessity of a law change or introduction of bye-laws and regulations within existing legal framework. As the proposal for the reform firms-up, she will present it to the Prime Minister and if required, to the federal cabinet. She reiterated government commitment to the cause for the betterment of street vendors.

**Syeda Shafaq Hashmi, Chief Officer, Metropolitan Corporation Islamabad (MCI)
Municipality resources are limited for managing the high influx of street vendors.**

- Syeda Shafaq has informed that under the local government act, MCI is the authority for the issuance of vending licenses in Islamabad. Till date, it has issued over 300 vending licenses, but pressure for the issuance of new licenses is enormous. And it understands well that the existing governance regime of street vendors is in need of reform to cater for the changing realities. However, till the change is not made in the legal framework, municipal administration is bound to implement the existing law. Municipality has limited resources to monitor the movement and emergence of street vendors in different parts of the city. It is the influx of poor people coming to the city in search of livelihood and they find easy refuge in street vending. Municipality look towards PIDE for the research support, which enables them to design effective intervention for managing street vending in Islamabad.

**Dr. Shahid Mahmood, Member-Planning, Capital Development Authority (CDA)
Vending inside markets cannot be supported, however vendors can be accommodated in separate vending spots or zones.**

- Dr. Mahmood remains of the view that vending in the market creates nuisance for formal shopkeepers, pedestrians and car parking. It creates unfair competition for the shopkeepers, who are paying thousands of rupees in rent and taxes, which are not paid by the street vendors. These street vendors occupy the public space meant for pedestrians and car parking. And existing laws don't allow street vending in the markets, hence all the ongoing such vending is illegal and needs to be removed. He did recognise that irrespective of its illegality, vending is on in many markets of the city, where vendors are sitting in connivance with government staff or shopkeepers. Even if CDA would like to legalise the street vendors in the market, it needs to work out the criteria of qualifying street vendors and their numbers that can be accommodated in the given market.

- CDA is presently more focused on working out the alternative of establishing vending spots for moveable vending vehicles in different public spaces of Islamabad. Process is still going on and he welcomes the research support of PIDE for making the system more inclusive for urban poor to participate.

**Sardar Yasir, President, Islamabad Chamber of Commerce & Industry (ICCI)
Business Community is looking to support a conducive regulatory and operating environment for street vendors.**

- Sardar Yasir did elaborate on the ICCI efforts on collaborating with CDA and MCI for the phased removal of unauthorised vendors from all the main markets of Islamabad. However, ICCI also cared about the livelihood aspect of street vendors. He suggested a more participatory approach for the arrangement of alternate vending zones for the relocated vendors. ICCI is giving a number of suggestions to city authorities for the establishment of dedicated vending markets for perishable and general products in different parts of the city. He remains of the view that zoning compliance should be effected for the existing markets, hence removal of vendors to bring markets to their original form to cater for pedestrians and others. However, space may also be created for vending zones in the existing master plan of the city for the protection of the livelihood of street vendors.

**Bedar & Arif, Street Vendors from Karachi Company, Islamabad
Attainment of legal status remains the main demand, for which street vendors are willing to pay regular government charges & comply with its regulations.**

- Both the vendors have been vending in the Karachi Company area for over 11-years. They informed them about their plight in vending, where most of the vendors have only vending as their main livelihood source. They get little empathy from the system, where they have to bear all the agony to feed their large families. After every eviction, they have to resurrect their business, most often by taking loans. In absence of any credible livelihood alternative, they have to work on streets. If the government gives them a legal status, then they will be willingly taking care of the cleanliness of their surroundings and invest in their business.

Key Takeaways

- (1) Street vending remains more of an economic issue than legal matter; it is the reluctant option for the urban poor with all the stigma attached with it.
- (2) Greater participatory approach is required for the optimal solution of street livelihood with the involvement of government, street vendors, trade bodies, academia and civil society.
- (3) Government needs to recognise street economy as an integral part of the local economy, which is contributing in job creation, investment flow, food security and consumer support.
- (4) Academic institutions should provide more research support to the government organisations on street economy.

- (5) Street vendors have the capacity to meet substantial portion of government commitment for creating 10 million jobs in the economy; it remains a more economical option for inducing microenterprises.
- (6) Existing urban planning is more anti-poor in orientation, which is impeding livability of the cities, as urban poor are negotiating their path with the resultant haphazard urban outlook.
- (7) Street economy provides colour and dynamism to the social life in city centres, while inducing the inclusion element.
- (8) If developed countries are allowing vending in front of their King Palaces, President Houses and Parliaments; then vending should also be permitted on Constitutional Avenue, Islamabad.
- (9) Vending is here to stay, as it is in every part of the world; it is better that government should regulate it with an open approach, while addressing legitimate concerns of other stakeholders.
- (10) Labour department of ICT Administration could play a supportive role in identification of legitimate candidates for street vending.

Chapter 16: Civil Sector Reforms

- 16.1 Our Administrative Mess
- 16.2 Civil Service Reforms
- 16.3 Structure of Civil Service Reforms
- 16.4 The State of Civil Service Reforms
- 16.5 Civil Service Training

16.1. Our Administrative Mess

Background

Pakistan got civil services of colonial origins. It was just magistracy and revenues and nothing to do with development. Our development was taken over by the foreign consultants at the beginning of our history.

Pakistan's civil services become incompetent in the provision of basic public services after several years of maladministration, political manipulation and corruption. General public of Pakistan considers most of the civil servants as corrupt and unapproachable; also, the bureaucratic process as burdensome and unjust. Further, less capability and improper

functioning of the bureaucratic system impair the governance; military interventions and extremists also destabilise the democratic system of the state. To make it correct, the civilian government must pay attention to the transformations that can modify civil services into more competent and responsible institutions.

Pakistan made a couple of commissions to do reforms. The question really is why such reforms have never happened successfully. Why there is turf battle between different groups such as DMG, Commerce, and PAS etc. We have created these groups that are constantly bickering and fighting.

- When it comes to the issues of the civil services. Pakistan actually does have a pretty well established consensus within the elite about what kind of civil services it wants. Basically, we want civil services which are highly responsive to the elite's needs and aspirations. That can be controlled through relatively small numbers of highly placed officials belonging to a single or couple of service groups.
- Before discussing the concerned question first we have to understand the structure of civil services as it is today. We all talk about the professional cadres. If we look in a broader sense, the civil services include physicians, teachers, and engineers all are professional cadres except the PAS.
- For example, if a civil servant joined the audit and account service, it means the civil servant is a professional and specialist in that service. Likewise, same in case of foreign services and same goes for the other services. They all are special cadres in the sense that they are recruited for a particular service as they are trained for that service so they continue in it.

Question#1: Why there is turf battle between different groups such as DMG, Commerce, and PAS etc.

- As far as the infighting is concerned, it would be true for any organisation and to some extent it is not bad. If we look at any sector in Pakistan whether it's

Speakers

Moazzam Janjua, Local Government Representative.

Tariq Malik, President, PMS Association.

Salman Shah, Economist and Former Minister, Finance.

Shahid Kardar, Economist and Former Governor, SBP.

Tariq Bajwa, Former Secretary, Finance and Governor SBP.

Ilhan Niaz, Associate Professor of History, QAU.

cabinet or professional organisation or private sector. That can also be healthy as it promotes some sort of competition.

- Civil Services act as an implementing machine of government's policies. When Pakistan became independent in 1947, Muhammad Ali Jinnah removed the section 10 of independent act which was about civil services. As Muhammad Ali Jinnah's vision about state was very much clear that Pakistan would have a federal form of governance, wherein powers will be divided between federation and provinces.
- After that, Pakistan did not inherit any kind of civil services structure which causes the infighting among the service groups. In 1954, during the regime of Governor General, Malik Ghulam Muhammad, CSP rules were made. It is very interesting to know that the CSP rules were made through an agreement and without any law support. These rules are still followed by the state which creates obstacles in delivering effective governance. We should develop civil services on the basis of the constitution. If we take a look at the constitution of Pakistan, there are two or three significant things:
 - Pakistan's constitution described the federal form of governance in which one main thing is the federal legislative list and all other matters transferred to the provinces after the 18th amendment. One of the most important things is the subject which is treated as the basis of civil services. As civil services will execute the subjects. For instance, if the subject belongs to the federal government, then it will be executed by the federal civil services and if the subject is provincial, then the provincial civil services will deal with it. This is one of the biggest constitutional anomalies, which is still prevailing and it impacts the governance very badly.
 - For example, if the federal servants start to work in tehsils, districts or provincial departments, then they will not come under the provincial law as they belong to the federal government. Moreover, if the provinces are unable to hold accountable their civil services, then the concerned political government will face challenges to govern effectively. As the first fundamental position is that the implementing machine should work under the concerned government in terms of law, rules and regulation. Therefore, there is a dire need to abolish this biggest constitutional anomaly.
- If we talk about the matter of general cadres, yes it is one of the major issues in our civil services. The world is moving towards specialised cadres. So, we need to restrict the general cadres; however, the benefits of general cadres cannot be denied. To proof, if we limit the general cadres and make them more professional, they can perform better.
- Nowadays, there is also debate on the HR of civil services and a task force made for reforms. But unfortunately, they are also not considering and solving the basic issues of the civil services which are the core issues of governance rather focusing on HR aspects. They are trying to improve HR, training of civil servants and also the induction process. These all aspects are important; however, currently there is a need to resolve the basic problems of civil services such as civil services must respond to the constitution. If it does not happen then

governance will be difficult. So, constitutional alignment should be the first priority.

- If we look at the question of how many services are required, the answer is that the constitution of Pakistan defines the three types of governments: federal, provincial and local. As the governments are of three types so the services also should be of three types.
 - Federal Civil Services could deal with federal subjects.
 - Provincial subject must be dealt with by the provincial civil services.
 - Local services deal with local subjects.
- All these services must be complementary to the elected executive either it is district, provincial or federal. They should be answerable to the respective political government and legislature in terms of administrative accountability, financial accountability and even criminal accountability. Therefore, the first step which should be taken is that civil service should be responding to the constitution and based on the structure provided by the constitution of the country. After that, the issues of human resources and others must be considered.
- Rather we promote and support the local governments we are trying to crush. Unluckily, this afflicted service does not have constitutional protection. Now, if we observe by historical perspective, the municipal act of 1911 empowered the local governments to appoint their own officers and officials along with determining their pay and perks. However, in 1964, through the municipal administration ordinance of 1960, a local council was formed at the provincial level. By the help of that local council, they claw back the powers from the local government to the extent of officers.

Question#2: How can we achieve a good HRM? Why HR and Compensation remain colonial?

- If we talk about public sector organisations such as establishment divisions or SA&G departments of provinces they are not modern HR organisations but traditional 1950s and 60s.
- Colonial culture attracts the people to join the civil services, especially people from the rural areas want to join the Police Services Pakistan (PSP) and administrative services not due to the salary and perks but due to social capitalisation. If we eliminate the colonial structure of civil services, we can achieve a better HR in civil services.
- Unfortunately, we will be surprised to know that there is no such type of terminology in local government services about the training. In case of local government, we do not have a training setup.
- Hence, there is great need to emphasise on the training of civil services at all levels. Besides, there should be a core syllabus and based on the evaluation. Different institutions like PIDE and LUMS can do this, we should involve every stakeholder. This is our weak area and needs to be addressed.

- Additionally, training is one of the core elements of any recruitment. To improve the service delivery, there is need to focus on the following:
 - ICT skills,
 - Law understanding,
 - Decision making skills.

Question#3: Is there any Research\Thinking\ Problem Solving?

- In public sector organisations, there is no research work and no post-performance based evaluation reports. If we look at 1970, there were their own research & development, publication departments which worked efficiently and effectively. However, in the 1990s and onwards, research functions were outsourced to the donor agencies.

Question#4: Why can't we abolish public service commissions?

- There is no harm in having public service commissions if they are properly empowered. One of the things that we had to do in Pakistan after independence was to restrict most of the powers of the public service commissions. Most of the members of the commission work for the pleasure of the government. So, they lost their autonomy.

Question#5: Why are there no reports on education, sanitation, traffic? Why is there no data? Why the concerned authorities don't give any type of required data?

- Because we do not have any centralised department which can provide data. Basically, this is the job of local government and if we have a strong & functional local government, then all these functions can be done by a central department but now this is not possible due to the involvement of many departments.

Question#6: What has to be done to improve the service delivery of Civil Services?

- First, constitutionalise it and establish it according to the constitution of Pakistan,
- Secondly, service delivery can be improved by restricting and transforming the general cadres into special cadres.
- Further, the promotion must be competitive and a performance audit must be done by the third party.
- Devolve and decentralise it to the level of local governments. Local governments employ their officials and officers according to their resources and needs.
- If we want the civil services to deliver development then we already have a blueprint in the form of the 1962's pay and services commissions. We should start to implement by doing necessary changes based on present situations with political will.

Conclusion

- To recapitulate, glaringly, not only the influential people and state but also the civil service employees are responsible for this condition of civil services. Now, the concern is that how in future, they will allow this department to work independently against their motives.
- In addition to the above explained point, there is no doubt that human resource management is an issue of civil services. Hence, there is a need to tackle the obstacles in the way of their training, and also they should be provided with market-based salaries. Furthermore, there is a need to uphold the specialists and experts both in coaching and ranks along with decentralisation. As PIDE had already learnt from Dr. Ishrat Hussain's earlier seminar that all these measures are a substantial part of the ongoing reform.
- Nevertheless, an undeniable point which arose from this discussion is that the structural elements that are crucial for an actual transformation are still not included in the ongoing process. Structural elements such as practice of appropriate accountability of the employees of civil services and the steps for effectual decentralisation.

16.2. Civil Service Reforms

The Need for a Wide Debate

- Research over the last five decades across many countries points to the state of institutions being the most important determinant of economic progress and development. Critically, success depends on ensuring good systems for government policy development, M&E and management of community, cities and organisations. Several Nobel's have been awarded for this research.
- PIDE's series on institutional reform is important to generate a national debate on this important notion of getting the government right.
- The discussion on any such institution should therefore not be seen as a critique. Instead, this should be a regular subject of public policy research in all our universities.
- Civil service is a key organisation for any age, any country, any organisation and therefore a key determinant of the country's success in everything including recordkeeping, security, policy, M&E and economic development.
- Civil service reforms are a central subject for development in Pakistan. Unfortunately, there is a lack of understanding of civil service. Institutions are important for economic development & growth. Reforms are not only changing names of things but the connections are important. We have to connect with the actual public sector, organisations & institutions. We need to connect with matters, edifice of civil service and the notion of reforms.

Speakers

Shahid Hafiz Kardar, Ex-Governor SBP.

Humaira Zia Mufti, National & Internal Security Specialist.

Mosharraf Zaidi, CEO, Tabadlab

Dr. Saima Zehra, Director General, NIMS, Karachi.

Dr. Sameen Mohsin Ali, Asst Professor, LUMS.

Tariq Mehmood Awan, Coordinator, All Pakistan Provincial Civil Services Association.

Fazail Mudasar, Coordinator, Punjab.

Muhammad Taqi Ramzan, Coordinator, Balochistan.

Farah Ikram Qazi, Coordinator, KPK.

Dr. Zahid Shar, Coordinator, Sindh.

The Debate is not Intended to Vilify

- When we discuss civil service, it is to review the workings of an institution and not against any one group. Every state organisation is trying its best and often doing good work under difficult circumstances. So is the civil service.
- However, every state institution, especially the civil service must be kept under constant review and probably in a state of reform to improve key systems and processes which underpin national productivity.

Efforts but little Reforms

- Largely, people felt that we have been too slow in reforming our inherited colonial institutions. Reform, while it is a continuous and slow process, has not really taken roots in Pakistan.
- Micro Civil service reforms were there as some assignments were given by the Government of Punjab for specific purposes. NCOC and public companies are representative of shorter version of reforms. NCOC worked well and is appreciated.
- In Pakistan, previous efforts done were meant for a certain cause. Executive problems were dealt and were taken as national reforms. In fact, they were tweaks only and not the civil reforms. Similarly, urgency of what is needed e.g. tax efforts and fixing FBR should not be considered as civil reforms.

The Role of the Civil Service

- The role of the civil service needs clarification. Largely, people felt that the civil service has become an instrument for maintaining the status quo for whichever faction is in power.
- The role of the civil service should be to manage the social contract and public goods while facilitating transactions and their record-keeping.
- Civil service is also a broad term which includes most people employed by the government including police, judges, professionals, education employees etc. UPS has applied similar rules to all.

Decentralisation, Autonomisation and Professionalisation

- The main issue that everyone talked of is the extreme centralisation of the way our current civil service structure is formed. The federal civil service at the pinnacle of which is PAS, controls almost all areas of governance—cities, educational institutions, regulatory agencies and many other areas of governance. The PAS acts as a central pyramid at the heart of the executive.
- Received wisdom of the operation of the executive suggests that there should be a clear separation between policy development and M&E, regulation, and implementation.
- Efficiency requires that effective service delivery be closer to the people. Thus, more local government is required but remains elusive.
- Similarly, efficiency requires that regulatory and delivery agencies (universities, hospitals etc.) should be independent and professionally staffed.
- Above all, ministries are for M&E and policy development. They should stop running PSEs, attached departments, implementing policy, taking transactional decisions and regulating markets.
- At a minimum, we need clear separation between the federal, provincial and local civil services not the current pyramidal structure that exists.

Policymaking, Record Keeping and M&E

- “Who makes policy” remains a confusion in our thinking. Currently, civil servants think policy is made by the politicians. In reality, most of our policy originates in donor conditionality.
- Democracy through elections and consultations develops a general will which have to be translated into legislation and policy. The bureaucracy has to do the work of policy development for the cabinet decision. It should not be merely using donor work.
- M&E of the economy was done by the civil service even in the colonial days and it is lying in the India office library. Record-keeping of the civil service in those days served as M&E and is still used by research. Have we given up M&E?

Regulation

- Regulation is a professional research and M&E job and should be totally outside the purview of the ministries for it to work effectively.

Perks, Privileges and Power

- Perks, privileges, and power need to be rationalised as they are non-transport and distracting from the goal of public service.
- Bureaucrats and politicians may not support each other, but the reality is, they cannot survive without each other.

Reform Efforts

- Too much tweaking leaving the old colonial system of centralisation and confusion in place. Reform is seen only as improving performance and some processes leaving key issues alone.
- Reform is always envisaged to keep the pace too slow, blaming it on politics. But it seems, it is more a matter of politics within government service than political will.
- There is limited research on the civil service and the public sector make no data available for such research.
- Sustenance of colonial superstructure which creates incentives that aligns interests of various aspects of the state of judiciary and provincial civil service or military or part or parcel of that. Any exit from the system, politicians or technocrats become allays of the existing system to sustain the stethoscope and to prevent reform. Everyone talking about reforms is an allay. No occupational group is bad. Our civil service is an absolute asset.
- Reforms should not be group specific. Making people friendly reform is important where there is improved service delivery and increased transparency. Reforms are not giving undefined powers to bureaucracy.

Stakeholders

- Civil servants are a mirror image of society at large. Important stakeholder is the civil servant himself. Karachi and Lahore are like mini states and still run by DC. They need good governance. State has to change now. Lateral entry was not supported.

Clarity and Timeline for Reform Agendas

- Purpose of civil service reform must be clear. If the reform agenda is for the monopoly of one group, then it has no sense and purpose. Reform must target development and growth in the economy through service delivery.
- Reform is a slow process and cannot be achieved in one or five year. It may take a longer period. The question is how much more time we will take to bring suitable reforms?

Recruitment and Mobility

- Why should recruitment be a once in lifetime event with a guaranteed career?
- Should there be lateral entry?
- Should there be more mobility into and out of the civil service?
- Previously reforms were partially implemented. Were studies problematic? Were institutions not fair?

Prepared by

*Nadeem Ul Haque, VC, PIDE
Naseem Faraz, Research Economist, PIDE*

16.3. Structure of Civil Service Reforms

Reform Commissions but Little Implementations

- There is no disagreement to have the civil service reforms. Looking back, since the 1950s we have had large recommendation reports and commissions to reform the federal civil service? But no commission has been formed to implement the reform recommendations. Reports have shelf life. Last report was done nearly a decade ago. To keep the civil service right, a major need is to move forward for implementation strategies.
- Question arises, how can we bring clarity and move forward to improve the civil service structure? One should admit that there is a connection between reports recommendations and implementation strategies.
- The reform agenda must understand what we need now. Do we need good governance? Are we looking for better public service delivery? If we really want to move forward with the reform agenda, we need to have some kind of governance charter, on which all stakeholders can agree. There must be consensus of the provincial and federal governments.
- Further, currently several forums are working on civil service reforms including the donor agencies. We must have the homegrown reforms agenda that must understand the underground realities.
- We need to have a very effective implementation strategy, governance charter, where we can move forward. Reforming civil service does not necessarily improve the whole society. For that purpose, you need to improve the working conditions and political culture of politicians.
- Lastly, successful reforms can be expected only if we implement fresh recommendations at the entry level. Those will be joining first time they will be most willing to take whatever the TORs set. There will be no resistance in accepting the new rules and regulations.

Speakers

Shahid Hafiz Kardar, Ex-Governor, SBP.

Nargis Sethi, Former Secretary Cabinet, Secretary Defense, Principal Secretary to PM of Pakistan

Dr. Saeed Shafqat, Professor & Director, FC College

What should be the Role of Government?

- An important question asked, what should be the role of the government in the society. First, the government should not be in the running of government-owned enterprises.
- Second, what the government should pay for, and should do. For example, security, justice, etc. because you need them.
- Third, what the government should finance, but should not do. The best example is the provision of education or the education system. A responsible state should make it sure that everyone must get education. But delivering education should not be the government's purpose.

- Fourth, it should be known fact that which level of government? An effective service delivery like social and economic services. Under these conditions, the government should do strategic direction, standard setting, policy formulation, monitoring and evaluation but nothing beyond that.
- Fifth, where should the policy be made? In the absence of a donor, policy is made by the secretary at provincial level. Provincial level power to PAM instead of secretaries.
- Sixth, need for unbundling through the dedicated autonomous bodies. This would include the recruiting people directly from the market by the body or organisation.

Career Streams and Career Path

- There are too many designated layers which look after the same purpose. Simply through looking at business prophecies for certain business, the civil service layers should be reduced.
- The technical skills, professionalism and experts are needed in current civil service. The professional skills, competition, open up the competition, and no career path should be guaranteed as it is happening in the current structure.
- The Unified Pay Scales are unfair. Despite having different levels of skills, officers of the same grade receive the same salary, the skills are not paid off. You cannot induct good talent under this system. The compensation should be linked to skill and professionalism.
- The compensation structure should be rationalised and capable of reducing the inequality. This can be addressed by monetising them.
- The policy is made at the level of civil services. Has anyone done research on this aspect? Has the government ever thought about research for any policy making?

Policy Making

“Who makes policy” remains a confusion in our thinking. Currently, civil servants think policy is made by the politicians. In reality most of our policy originates in donor conditionality. We must have the homegrown reform agenda that must understand the underground realities.

Prepared by

*Nadeem Ul Haque, VC, PIDE
Naseem Faraz, Research Economist, PIDE*

16.4. The State of Civil Service Reforms

Preamble

Weak institutions, flawed democracy, over-regulated markets, and competence of the civil services are the key challenges to economic growth in Pakistan. Without good institutions and public sector delivery, we cannot accomplish economic development in the country.

Speakers

Dr. Ishrat Husain, Advisor to Prime Minister on Institutional Reforms and Austerity with the Status of Federal Minister.

PIDE has generated an extensive national debate on civil service reforms to suggest policy guidelines to the government. Dr. Ishrat, *Head of National Task Force on Institutional Reforms* has provided his detailed views on the current state of the Civil Service Reforms. A three-fold approach will shape the civil services structure.

(I) Economic Governance Reforms

The first approach is going to look at the few key economic governances such as the State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), Federal Board of Revenue (FBR), Pakistan International Airline (PIA), Railways, and the Competition Commission that are crucial to promoting the private sector development and economic growth in Pakistan.

These institutions need a lot of revamping both in terms of processes and human resources, and technology adoption which enables the service provider to be able to reach the general public without much interaction between the government functionaries and the person physically. Initially, this approach is going to be applied to the selected institutions and the most important of them is the FBR. Unless we try to reorder the FBR structure, processes, human resources, and information technology, we will not be able to bring the change. We will remain dependent on donor agencies.

(II) Restructuring the Federal Government

The second reform approach is looking at how many organisations were working under the divisions/ministries. We have no functional and legal classification of these entities. We didn't know why they were established, and what they are doing now.

To proceed with the restructuring, a survey has been carried. The survey findings reveal that 440 different organisations can be divided into 16 types of entities: autonomous, councils, and so forth. The reforms have divided these 16 entities into six categories that would be retained by the government. Then, there will be only two types of organisational structures. One, the autonomous bodies, and second would be the executive bodies. The philosophy behind this organisational structure was that there will be a clear distinction between policy making, implementation of policies, and regulatory functions. The regulation of function will be completely independent of the ministries because the citizens of Pakistan have the right to approach an independent agency.

The operations will be carried out by autonomous bodies that have their board of directors with no interference from the ministry or the executive department which will give the task to carry out their functions. Therefore, this will be the two types of the 330 entities that will be grouped under this. The remaining 110 entities either be privatised or liquidated, merged, given to provinces, or liquidated because some of them are no longer performing the functions for which they were established. This approach has been established already, and now part of the structure of government.

(III) Complete Value Chain Reforms

The third approach is going to focus on the complete value chain restructuring. The following all the 6 components are interrelated. (1) induction/recruitment (2) training (3) performance management (4) career progression/career planning and promotion (5) compensation and benefits (6) retirement. All have to be worked together to make the capacity and competence of the Civil Servant matched with the job requirement.

(1) Induction and Recruitment

For induction and recruitment, the new system is trying to create the clusters. For example, for financial services, if you qualify for financial services that include accountants or commerce and trade or taxation, you must have an elective paper in finance and economics to become part of this civil service. Similarly, if you want to opt for police, you have to take two electives in criminology and criminal procedure courts. If you want to bow into foreign services, you will take exams in diplomacy and international relations. Therefore, bringing the partial specialisation along with the general starters' requirement for induction.

(2) Civil Service Training

On the training, one can be surprised that out of 29000 employees, there are 23 000 employees belonging to specialised groups such as economists, engineers, doctors, professors, accountants, etc. They have been treated as second-class citizens in an era where knowledge and innovation are going to drive economic growth. There is no career planning and no training for them, so Cabinet decided for the first time to have the training and organised training. Just like general cadre, their promotion would be linked to performance and training. Ideas of training will be designed by the professionals. The officer will have 5 weeks of work in a generalist environment and spend 5 weeks in specialised academies and training institutes for which they belong.

(3) Performance Management

Annual Performance Report (ACR) is subjective and must be replaced by the new performance evaluation policy. According to new policy, performance evaluation is based on the agreement between the Prime Minister and Minister of charge, then the agreement between the minister of charge and secretary.

The performance evaluation report will be based on certain objectives with certain indicators that will be measurable, verifiable, and quantifiable, they will be signed by the officer and the supervisor at the end of the year. If there is any disagreement on the

evaluation, it will be escalated by the independent board and an applet board that listens to both sides and decides what the final rank and performance would be.

Only 20 percent would be rated as outstanding, 60 percent will be given average/satisfactory, and below average. This is the bell curve which is decided by ministries. Some of the ministries already carried this out as pilot bases because this is not an easy task. You have to write the job descriptions and then you have to each objective have two to three performance indicators.

The defining of the indicators is not an easy task. This design of performance evaluation would reduce the subjective evaluation that currently places 80 percent as outstanding while the performance is average or satisfactory in the current setup.

(4) Career Planning, Compensation, and Promotion

In the new system, all the cadres and non-cadres are on equal footing. There is no monopoly of one cadre or any particular service group. All the positions of secretary, joint secretary, deputy secretary should be reserved based not on one exam, now it should be open up for everyone. They should be competitive, so that, they can be accommodated on the equal level of footing in the level playing field.

Promotion will be held based on three indicators: (i) performance report which will carry 40 percent, (ii) what will be the training outcomes are 30 percent, and (iii) central selection board headed by the chairman of Federal service commission with all top civil servants, chief secretaries, some secretaries, and heads of cadre sitting in collective judgment on the performance evaluation. Now seniority will no longer be a criterion for this kind of promotion.

(5) Compensations and Benefit

PIDE has been assigned to come up with a study as to what the compensation would be. The unfortunate situation is that grade 1-16 constitutes 95 percent of the workforce and they take away 85 percent of the total wage bill. Now, with the support of e-governance and automation, we should be freezing all clerical jobs. For example, in the current, 71000 clerical vacant jobs have been abolished.

The salary saving from this would be used to boost the salaries of officers who are not getting decent wages in the current setup.

Further, there are too many variations in allowances and perks and benefits, and there are too many exceptions. There is a mismatch between performance and compensations. The PIDE study would help to monetise the benefits and also create a structure where there is fairness and equity. It is essential to go away from the Unified Pay Scales. We must introduce the scarcity premium for the professionals for which we have the shortages. Then re-align the salary structure based on the premium discount on the norm. If you look at the SBP, the starting salary at SBP is 85000 which is equivalent to Standard Chartered and Unilever offer to students from the top universities.

(6) Retirement and Pension

Government just introduced the directory of retirement and there is huge resistance which is understandable. There is early retirement scheme after completing 20 years, if officer is not performing well, because of his below-average performance or training and not suitable for

continuation of the job or if he/she is superseded three times then he/she will be given the opportunity to improve but they are not able to improve, they will be asked for early retirement.

Pension is becoming an explosive liability for public finances. Government just forms the pay and pension commission in which we want to migrate from the pay-as-you-go system to the defined contributed system. Where officers would contribute to the pension fund, where the officers pay some amounts, and the government makes major contributions. Then contributions would be invested by the managers.

During the discussion, several concerns were raised over the reform approaches.

- ***There is extreme centralisation. Federal, provincials, and local level services are merged at this stage.***
 - In the current system, there are two issues: one is constitutional interpretation which needs to be clarified. There are three types of civil services: Pakistan, federal, and provincial civil service. The provincial civil service is 4 times higher than the federal civil services. Second, under the quota, more than 650 out of 1700 officers have already been sent to serve the provinces where they belong. If the interpretation of Article 240 in the constitution of Pakistan is clarified, if the Supreme Court orders to dissolve the Pakistan Civil Service, the role of Pakistan Civil Service will be completely abolished.
- ***Will the National Executive Service (NES) end up in an imbalanced federation?***
 - The NES and PES will abolish the monopoly and quota of PAS or CSP. How would NES work? After reaching grade 19, they will compete before the respective public service commission. It will have its share of both generalists and specialists. There will be four groups: one will be the economic group, second technical group, third, social development group, fourth will be the PAS general cadre. This approach is giving an equal share to each segment.
- ***Centralised government, how much centralisation is needed, given the consequences and outcomes.***
 - The government is going away from centralisation. Local governments are going to be established under the new laws at least in KP and Punjab. This system would have elected mayors and chairman of the district councils, they can appoint their staff from wherever they want. They can bring in it from either the private sector, federal government, or the provincial government. This step would empower the lower tier of government where there is interaction between citizens and the government. Health, education, sanitation, water supply, and similar are the motives of the local government department. Provincial governments have 3 million appointees of their own. If the Pakistan Service is abolished, then the provinces would be entitled to appoint their chief secretaries and IGs. The federal government is shrinking. Except for certain positions like chief secretary, and IG police which is being manned by the Pakistan service, the numbers are reducing gradually.

- ***Is the DCs and Commissioner System going to be abolished?***
 - Under the new local government structure, the DCs and Commissioner can be abolished by the provincial government only. If all Pakistan civil service sustains, the DCs and Commissioner would have limited authority even under the new law in KP and Punjab. Yet, the laws in Sindh and Balochistan are under centralisation and too much power to the provincial governments, and DCs and commissioners.
- ***How long would it take to take-off? How can we ensure transparency in the system? How can we ensure decent compensation? Why does the NES have a quota system?***
 - FPSE would conduct the exam of NES to ensure transparency, and NES has no quota system. Some of the reform implementations have started already. For example, the training part has already started and the performance part is signed by the 25 ministers and prime minister. As long as compensation is concerned, we are waiting for the compensation study and the pay and pension study to raise the salary to introduce the comparative salary structure by reducing the subordinate staff.
- ***What would be the rule of game for promotions?***
 - A certain proportion will be the outstanding performance, there must be some percent will be promoted. The principal accounting officer will be the managing director. The secretary would focus on policy development. They will not have a role in day-to-day operations. The secretary will not play a role in promotions, and promotion policy would be entirely based on merits.
- ***How to handle the disgruntlement between civil society and civil service. Is there any efficiency that is part of the rules?***
 - Under new rules, these malpractices will be under control.
- ***Why are there various tribes?***
 - Two models: British model for cadre and specialised cadre and US model for non-cadre based on position competition. Under new laws, the performance and evaluation mechanisms are changing. The disparity of representation between the generalist and specialist will be abolished, it will end the tribes and monopoly of generalists.
- ***Why can't we involve universities, professors, and educational institutes in civil servant training?***
 - For training, educational institutes will not be used, but resource persons from universities will be asked to teach at the training institutes. A mixed model approach where generalists and specialists would be adopted. The officers will attend 5-weeks of training in their specialised field and 5-weeks of training in the generalist environment to reduce the monopoly of the generalists. Because

there is disconnect between the teachers and practical needs. This issue is both of supply-side and demand-side.

Above discussion provides a precise overview of reforms. However, it is not the linear path. The implementation of these reforms is not that straight forward. There are a lot of skeptics and a lot of people who do not believe in reforms because it disturbs the status quo. Therefore, a big battle ahead to bring institutional changes in Pakistan.

Prepared by

Naseem Faraz, Research Economist, PIDE

16.5. Civil Service Training

Preamble

The previous webinars on the topic of Civil Service Reforms concluded that the major problem of current civil services is policy inconsistency and poor policy development. Our situation is getting worse as the government refuses to make policies and everything is done by the donors. Resultantly, our governance system is declining all the times. The training of civil servants always puts a question on productivity.

Speakers

Mr. Mohsin Shandna, Special Secretary, Finance Division.

Dr. Sepali Sudasinghe, Additional Director General, Sri Lanka Institute of Development Administration.

Dr. Samina Zehra, Director General, National Institute of Management, Karachi.

Dr. Fahim Jehangir Khan, Senior Research Economist, PIDE.

Key Messages

- First of all, in the past, there was an aversion to write anything on paper. There was no training after passing out from the academy or until the servant wanted to take the advanced course which was required for the promotion. Further, there was no specialisation criterion but now this trend has been changed.
- If we look at the intake, it also has been improved to a great extent. A considerable number of foreign graduates is joining civil services. However, here the main concern is that what about the domestic graduates as foreign graduates are always preferred over domestic. Is it not the responsibility of the state to equip the domestic graduates with skills equivalent to the foreign graduates?
- In addition to above, the major problem with our programs is that they are too general. We should make our programs more challenging or at least divide them into smaller groups.
- Besides, if we observe the civil services of Sri Lanka, they change their training structures from time to time according to the need of the nation. Although, a new model of training is in the designing phase. The present model of training is based on different aspects, such as, mandatory training, ongoing and on request training courses and training about current issues. Moreover, in Sri Lanka, the Master of Public Management is a mandatory requirement for civil services.
- Additionally, they are responsible to train the executives of the country. They have four categories for them:
 - The induction training as a basic training of graduates or newly appointed individuals.
 - Class III and Class II for policy implementers.
 - Class I and Special Grade training for policy makers.

- By the same token, the foreign training of civil servants on the expenses of government is no more relevant. There are some areas of training worth considering for improvement. The main concerns from the civil servants are:
 - Is the training just a box that needs to be checked for promotions?
 - Are we able to equip trainers with modern drivers of change?
 - Do we prepare these civil servants for service delivery challenges?
- With regard to the first question, there is a myth that mid-career and senior career courses- participants only come because this is the mandatory requirement for promotions. This is not the truth as according to the recent changes in promotion policy, the training outcomes accounts for 30 percent weight.
- Moving to the next question, there are well organised ICT governance courses for mid-career and senior career management. There is a lot of emphasis on evidence based decision making. They focused on creating scenarios and simulation forms where they actually discussed things, planned things, did their own research and came up with practical solutions. During the whole life cycle of civil servant training, there is a lot of emphasis on finding solutions to practical problems.
- As far as the debate for general or special training is concerned, the government is already moving towards cartelising the generalised period of training by a few weeks and instead of having them in academy they will be sent to their respective institutes for a few weeks of specialisation training.
- Also, adaptational aspects of training are significant and the reforms should be specialisation oriented. In addition to the previous point, there should be linkages development with parent organisation and training impact analysis is also a must. Parent organisations must come to training institutes with feedback to improve the training courses.
- Furthermore, if we talk about the importance of training for civil servants. It needs to be tailored to meet the organisational objectives and bring out the best among the individuals not only limited to equipping them with external tools but also with internal tools.
- Similarly, universities are ill prepared because of space and core staff. We have been able to gather top class faculty who can come and deliver lectures. They are both civil servants and specialists. As they have ideal spaces and they should be allowed to utilise them.
- If we talk about the funding, the amount against the training paid by the government is very minimal and in that amount universities cannot manage the training.
- Glaringly, universities have their own objectives and contributions in knowledge. However, the training programs are job related and different from the universities program. At first, we have to differentiate the academic and training programs and need to build separate institutes for training and academic purposes.

- Another point of view is that only the civil servants can train the junior civil servants.
- In support of the above-mentioned point, job training is important in recent days and it is the organisational responsibility. This 14 weeks training program should have been divided into two parts. Civil servants have to spend 10 weeks for general training and 4 weeks for specialisation training which is on job training after every 10 years. Further, there should be specialisation training which might be a step towards the right direction.
- Apart from the local training opportunities, these civil servants have foreign training opportunities such as short-term, medium term and long term, from which most are donor funded. For instance, only during the 2015 and 2019, eleven-hundred civil servants received foreign training mostly short term.
- Moreover, the training structure of MCMC and SMC more or less is the same. This is more discipline oriented than development of skills, knowledge generation and analytical thinking. There is more emphasis on listening than interaction, exchange of ideas and learning from experience.
- Last but not least, it is apparent that there is a clear disconnect between training and work environment. As the nominations of these civil servants are not based on skill requirement or technical need, they rather are based on seniority of officers. Therefore, every entry into training programs should be through a qualifying exam.

Chapter 17: Foreign Aid

17.1 Foreign Aid to Pakistan

17.1.1 Understanding Complexities and Constraints

17.1.2 Politics of Foreign Aid to Pakistan

17.1.3 Role of Development Partners in Collective Development Outcomes

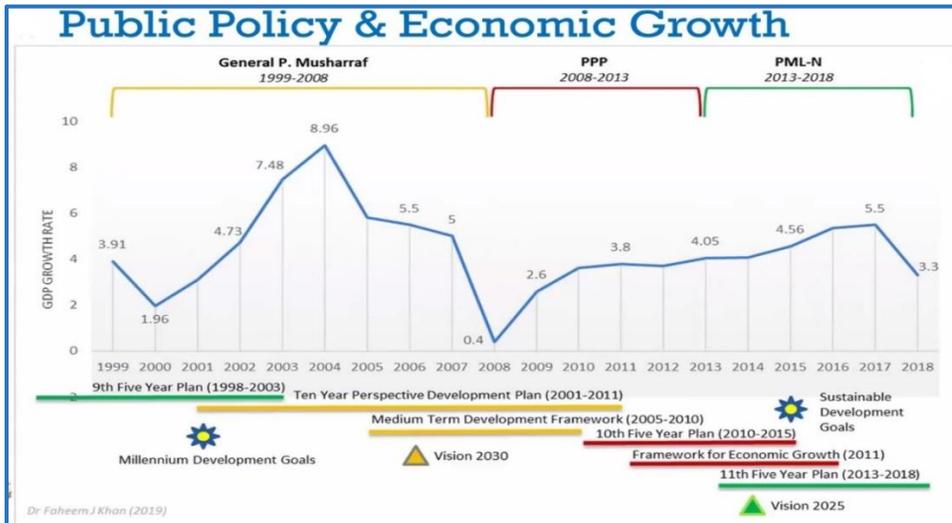
17.1.4 Foreign Aid and Policy

17.1. Foreign Aid to Pakistan

Dr. Nadeem Ul Haque

Takeaways

- Through International Monetary Fund Programs, Pakistan accumulated 53.3778 billion \$ loan.
- Impression of the IMF is to keep Pakistan addicted to aid and let them not grow up.
- Aid is there but the long run growth of Pakistan is declining overtime.



Source: Faheem Jahangeer Khan (2019).

- Pakistan has the lowest investment rate in the region, which is 15 percent of the GDP and declining.
- There is policy inconsistency, poor policy development, and transaction costs are very high; Seth mentality in public and private sectors of Pakistan, no market development, energy problems, cities and governance problems. (Views of the experts from the PIDE series of round tables and webinars).

It seems all of our policies are made outside the country.

Aid is now the new Governance of the world (Dambisa Moyo).

Government responds to aid and not responds to local democracy. So the questions for the panelists are:

- Is aid helping Pakistan?
- If all policies are made outside the country, then why do we need research and universities?
- Who controls our thought industry?

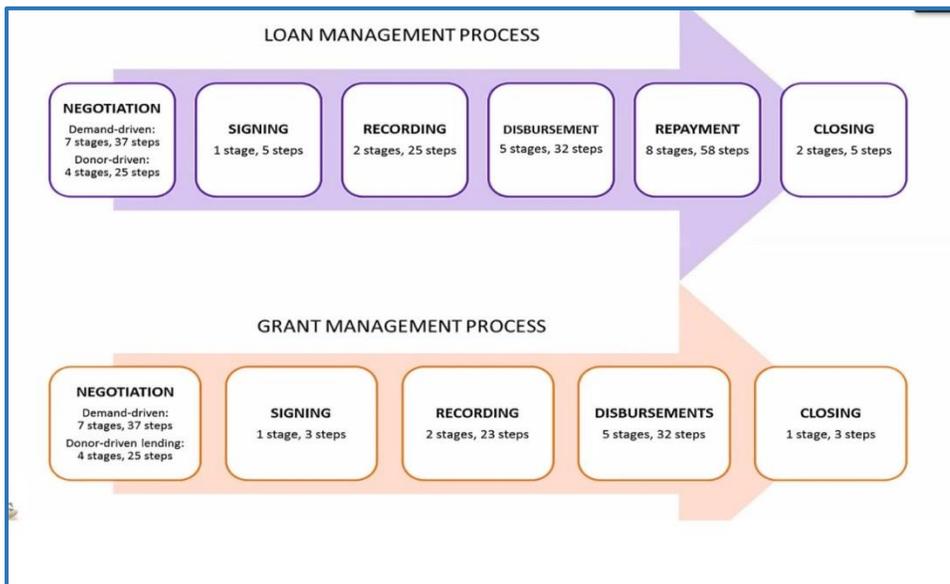
17.1.1 Understanding Complexities and Constraints

- The evaluation of foreign aid outcomes dominates the aid debate and the practical working of the aid policy processes was not focused much.
- Aid delivery systems have transformed considerably, as today, there is a huge number of development partners and actors in aid delivery systems.
- According to OECD data, there were 153 international donors which provided official development assistance to 146 countries in 2017.
- In 2018-19, there were 34 bilateral donors, 33 multilateral donors which are managing more than 2,000 project activities in Pakistan.
- A loan management process involves 6 phases and around 25 steps whereas the grant management process involves 5 phases and around 13-16 steps.
- Negotiation, signing, recording, disbursement, repayment and closing are major phases in the loan management process.

Speakers

Faheem Jehangir Khan, Senior Research Fellow, PIDE.

Waqar Masood, Former Secretary, MoF.
Nasruminallah Mian, Head Country Program Unit, Pakistan Resident Mission, ADB.



Source: Faheem Jahangeer Khan (2020).

- Other than Medium Term Development Framework (2005-10) no program completed its time period as they were either not implemented or implemented halfheartedly, or they were slashed by the new regime.

- In the absence of clear and comprehensive planning, we left space for donors to influence our decision and we have moved away from policy planning to project execution.
- There is a considerable shortage of technical skills in the public sector in Pakistan. There is also a severe shortage of research and management skills.
- There is a shortage of specialists and professionals and there is underutilisation of existing trained and experienced staff in the public sector.
- Placement of trained individuals on non-specialised assignments is the major reason which undermines the benefits of foreign training in Pakistan.
- Presence of multiple donors and aid proliferation imposes burden on recipient governments.
- Multiplicity of donors and aid channels increase transaction costs, duplication of project activities and weak donor-donor and donor-government coordination.
- There are too many development partners in total and too many in each country, with overlapping mandates, complex funding arrangements and conflicting requirements for accounting and reporting.
- Problems of multiplicity of aid include sharp increase in the number of new aid projects, drastic decrease in average project size, substantial increase in administrative costs and multiple foreign missions & delegations.
- Donors give small amounts of money but they want to be visible everywhere. They are not very much bothered about the outcome, instead they want to keep their presence alive. This actually undermines the value and effectiveness of foreign aid.
- Donors compete with each other for visibility and quick success, and in doing so, donors treat the limited public sector capacity of the recipient countries as a common-pool resource.
- Structural Adjustment Program was the first program which brought a new type of assistance to Pakistan which was previously unknown. That was the day when policy was handed over to these donor agencies.
- We have virtually no bilateral assistance of the type that used to come from the Paris Club and the only thing that is happening is China which is assisting us with a fairly large amount.
- It has become a national character that we have stopped thinking for ourselves and we are unable to discipline ourselves.
- One of the area is very important and that is the financial cost of delivering the development loans and grants.
- Donors engage with the policy and under their system they don't want to take any responsibility for that engagement if the policy fails.
- Pakistan needs to very carefully think about a model of external financing. We need to take ownership of aid business and development assistance bills whether it is from the west or from any other country.
- Country cannot grow on the external flows and external ideas and that is something Pakistani government and bureaucrats have to understand.
- Technical assistance has negative returns.

- Public policy formulation processes should be more streamlined and form priorities.
- Foreign currency is a requirement, so aid is good, but not utilising due to unclear public policy process.
- Pakistan should enable the capacity on behalf of people, organisations or institutions to absorb that aid, deliver it, and get the economic returns instead of financial return.
- Donor agencies influence government policies while presenting their research and the government didn't involve local think-tanks into the process and huge amounts of aid go back to their country.
- There is research which proved that the local consultants are better than the foreign consultants.
- The government and the development partners should get benefits from each other while understanding complexities and Pakistan should stop taking the dictation from the donors.

17.1.2. Politics of Foreign Aid to Pakistan

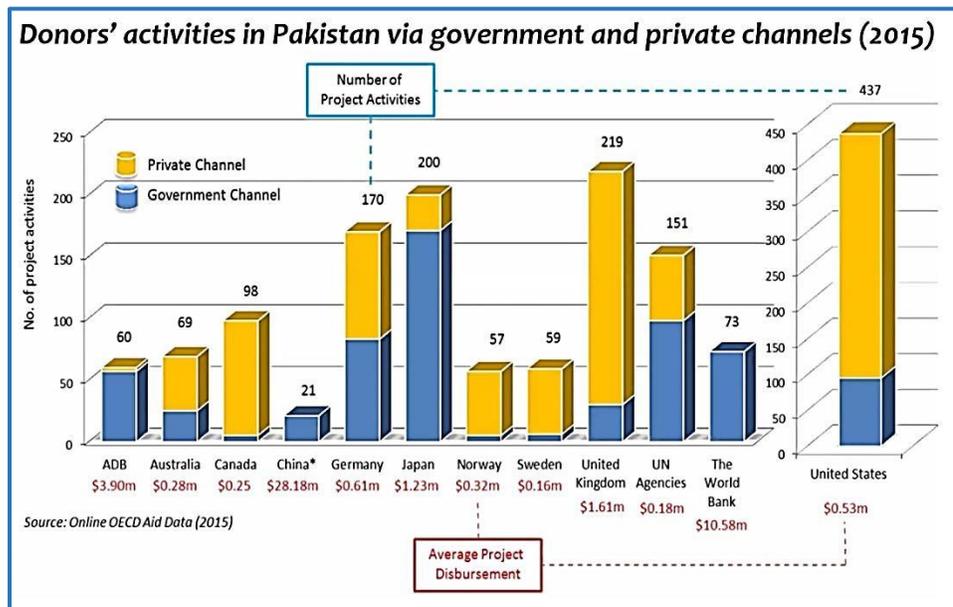
- Aid is a political concept and a sort of intervention that has consequences in the developing countries.
- There are some unrealistic expectations around aid that it will change the economic conditions of a country.
- One should look at what type of aid Pakistan received and how the aid disbursed?

Speakers

Robin Lynn Raphel, American Former Diplomat & Expert on Pakistan.

Hussain Nadim, CEO, The Nerve Center.

Sibtain Fazal Halim, Former Secretary, Economic Affairs Division, GoP.



Source: Faheem Jahangeer Khan (2020).

- Pakistan is too much dependent economically on the United States.
- US donors have good intentions and want equal development for the security and the development but still there are many problems and challenges.
- Everybody who gives aid wants to enhance their influence, and similarly, the US also wants to influence Pakistani public and advance the impression that the US cares about the people of Pakistan.
- Aid money is a part of the deal to gain influence.
- There are different views about how the aid money should be spent.
- Every time, ideas are discussed between the US and Pakistan, there is no clear prioritisation from the Pakistan's side.
- Is it to help the poor or is it to gain foreign policy influence?

- Influence for the US is not necessarily the bad thing as other big countries are also influencing the others.
- Donors know how to build roads, how to build the power plants for energy efficiency; but when it comes to education, health or non-infrastructure type of interventions, then the results are not there.
- Aid didn't bring the social change and social progress in Pakistan, and this is a big part of the problem.
- Aid disbursement becomes another problem when the aid is channeled through the government to NGOs.
- The political government and the military establishment of Pakistan believe that the aid is very effective.
- The theories of how to bring social change and economic progress are changing very swiftly.
- Pakistan lacks in its own thinking, planning and functioning. Pakistan achieved very little but on the other hand, the US achieved its full benefits by providing aid.
- Aid has remained a low priority area for researchers in Pakistan, and literature on aid effectiveness is very scant in the country.
- Military aid is utilised in the right direction but on the civilian side, the absorption capacity of aid is not satisfactory which should be improved in future.
- Ideas matter in this world. We have failed to develop ideas and institutions in our country. We have given up the space of developing ideas to donor agencies.
- Physical infrastructure does not matter but social infrastructure matters (Paul Romer).
- It's up to us to study our own system and our own ability to absorb the aid, and for that, we need to change the model and systematic thinking.

17.1.3 Role of Development Partners in Collective Development Outcomes

Background of donors funding to NGOs

- What gives legitimacy for a development agency to work through non-state Actors?
- In Early 90s, a lot of assumptions associated with NGOs, like they are cost effective, their ability to deliver, community driven and more innovative, and on the other hand, states are very corrupt.
- Donor agencies provide financial support to NGOs. NGOs strengthen civil society and the civil society further strengthen the democratic institutions.
- Civil society is a very dense concept and is used by donor agencies.
- Civil society is good because it brings people together by building trust and people can do many things collectively without relying too much on their respective governments.

Speakers

Masooda Bano, Professor of Development Studies, University of Oxford, UK.

Javed Ahmed Malik, Country Rep, Democracy Reporting International, Pakistan

After 2000 in Pakistan

- A considerable number of studies show that NGOs are a distinct form of voluntary organisation closely related to aid. They have no voluntary members.
- State-NGO collaborative models show that locally embedded organisations are more effective. (i.e. Edhi, Al-Shifa and Shaukat Khanum)
- Donors know the literature and reality but still want to fund NGOs to promote their agenda or certain kind of western concepts of feminism in Islamic countries.
- How does money come to NGOs to promote certain agendas?

From the Last 10 Years

- Donors accept the critique and collaborate with the states (providing incentives to government officers or leaders).
- Donors will bring innovation with the help of state and the state will implement at a large scale.
- All this happens due to funding. If funding is stopped, then all this collaboration will disappear.
- Still there are some good examples of NGOs working in Pakistan. (Education, Health and Sanitation).
- Extrinsic motivation is the one in which people do everything only for money, while intrinsic motivation is the one in which people participate and act for the welfare of their community or for the reward from GOD.
- When the aid comes, then the motivation of leaders start changing from intrinsic to extrinsic and inner motivation erodes.

- Instead of providing material incentives, donors should target the local organisations.

Where Do We Stand Now? Did We Get Independence?

- Under development is the main problem of our country and the question is what are the hurdles? Is it the International Aid or the weak implementation capacity of the state?
- We are not bad at making policies. We are bad at delivering those policies.
- We should take responsibility to deliver our own development.
- But the delivering capacity in our own structure is very limited.
- Pakistani people should also have the ability to convert the money into successful programs.
- Most elected governments couldn't come up with the local government structure. Now in Pakistan, we don't have a locally elected local government.
- Bureaucracy doesn't have the ability to build institutions.

General Points

- We shouldn't make the aid community our enemy.
- Sometimes aid is the political agenda rather than education and health being the criteria.
- Parameters are set by the donors but there should be state commitments and donors should follow those commitments and then set the agendas.
- Now, there are many restrictions and paper work for NGOs and they are being closely monitored and controlled in Pakistan.
- We never got independence from the foreign and commonwealth office and from the state departments.
- Real scrutiny should come from the parliament because they have the mandate, authority and parliamentary committees.
- In the long term, we are not getting anything. Internal reform should happen and how to build the state capacity and political will is the real concern.
- Fault lies within us and we have to wake up!

17.1.4. Foreign Aid and Policy

- Pakistan may want higher quantities but has little or no control on the quality assistance.
- Government tends to believe that anything that is coming in grant assistance is free money and we must be able to utilise them and that creates the parallel universe of the donor system.
- Aid system in Pakistan is controlled by the authorities which do not sit in Pakistan.
- The Economic Affair Division has become a post- office sort of authority in Pakistan and other ministries are also desperate for money.
- There are people and institutions in the system which are benefitting from the aid only and in the long run, this type of assistance will be damaging for the governance structure of Pakistan.
- Government should really step in and make regulations for the terms of assistance and should not expect more from the donor money.
- A country must have control over what is going inside, what type of projects are being implemented and who is the implementing agency.
- Aid cannot be used efficiently without the personal interest of the people sitting at responsible positions.
- The Ministry of Finance is perhaps like a black hole. You keep on putting in work but nothing will ever come out of it.
- People, parliament and ministries of Pakistan should come up with their priorities for immediate and long term projects to be financed by international aid.
- At the moment, the Benazir Income Support Program (BISP) is a very good example. This is a well-designed welfare program and now donors can come up with the assistance.
- These types of projects will overcome the donor's idea of controlling the system.
- Use the foreign aid or assistance only, not the ideas. Ideas should come from within the country. Priority should be the country instead of individual benefits.
- Reforms need to be done at the ministry level and for the government procedure of accepting financial aid.
- Students should do the right research and propose solutions to politicians. Domestic research will stop the implementation of donor ideas in our country.

Speakers

Hina Rabbani Khar, Member of the National Assembly of Pakistan/ Former Foreign Minister of Pakistan/ Former Minister of State for Finance & Economic Affairs.

Chapter 18: Judicial Performance

18.1 Case Management as an Approach to Improve Judicial System

18.2 Judging the Judges: Dynamics of the Pakistani System of Justice Delivery

18.1. Case Management as an Approach to Improve Judicial System

Key Messages

- Much judicial and legal work relates to economic transactions which are increasingly becoming more complex.
- Contract enforcement for these transactions requires effective and rapid judicial review for the resources to put to best use.
- Dr. Nadeem Ul Haque started the debate that economics recognises that without good institutions we can't go anywhere; we can have all the money in the world, we can borrow whatever we like, but ultimately it's our institutions that determine our economic performance.
- After elaborating the problems of court and judicial system, Dr. Nadeem Ul Haque highlighted various issues like weak institutions, flawed democracy, over-regulated markets, tenure of elected governments, voting laws, aversion to merit, competence of the civil servants, mismanaged energy sector etc.
- Coming back to the actual agenda of debate, Dr. Nadeem Ul Haque stated that every institution is important, but one institution that is markedly important everywhere in the world, is judiciary.
- The law is administered through courts. In Pakistan, law is inconsistent, complicated, and over-regulated which hinders the ability of the judiciary to interpret it.
- For a long time, economists have been talking about the rule of law declining as the law becomes confused.
- The quality of institutions is declining due to the poor state of dispute resolution.
- In Pakistan, judicial processes are slow and often unaware of the economic consequences of their decisions.
- Dr. Nadeem Ul Haque gave examples of two countries, Poland and Ukraine. Poland has better institutions and has more engineers than lawyers, while Ukraine which has bad institutions has more lawyers than engineers.
- We cannot grow if our investments do not grow. The investment to GDP ratio in Pakistan is around 15 percent and decreasing, so if a law court system doesn't improve, investment will remain stunted, and we will not grow.
- Pakistan has a long history of loan programs through which the IMF and donors are in control and we are stuck in a craggy landscape because of the fluttering mess that has been created through weak or say no institutions. We have been on dollar crutches since 1950 because of the institutional mess.
- The first speaker for the webinar, Dr. Osama stated that 95 percent of our court's attention is focused on the meta-constitutional and high-profile political cases and there is hardly any conversation about everyday cases in courts. We are operating in the 21st century with a 19th-century system.

Speakers

Dr. Osama Siddique, ED, Law & Policy Research Network (LRPN)

Waqas Mir, Partner Axis Law Chambers

John Lipton, Expert on Judicial Reforms

- The problems in the judicial system are the result of an absence of an effective case-flow management system, which is an idea and set of culture and a specific set of prescription which seems to have worked all around the world.
- Case-flow management means that if there is a problem, it doesn't necessarily mean that it should end up in court. Pre-trial communication should be made between both parties to explore any possibility of resolving the case before it ends up in court. Second, if a case is filed and it is a serious matter, the system should determine the time frame of the case and strict penalties should be introduced if any case deadline is violated.
- It also involves hard administrative support, pre-trial conferences where the judge meets both parties to evaluate the case, and refers the case to the concerned or expert judge so that the decision can be heard on time.
- Moreover, the docket system and case track system should be used to monitor the speed of the case, reducing the load burden on judges will shift the low pace case to fast pace case, and eventually, the load on courts will reduce.
- On a visit to the Lahore High Court, Dr. Osama became aware of the fact that the Pakistan court system has already developed a case-flow management system. Unfortunately, there is virtually no awareness or use of the system, and it does not appear to be working.
- Drafted rules for the case-flow management haven't been notified and we have not still come to actual realisation about the gravity of the situation. One of the main reasons for this is the entire discussion around the courts is so nuanced.
- Dr. Nadeem Ul Haque concluded that we absolutely need to bring in a modern management system to the court.
- Dr. Waqas described the effects of the existing (old-school) laws that prevail in the judicial system. It makes life really difficult for the clients and lawyers, in which cases are pending for years and years.
- As there is no pre-case scheduling, one feels obligated not to complain about any delay for fear of upsetting the judge who will hear the case.
- Also, the people are not in the position to file a case because the entire system runs on a faulty management system as no one in the system can tell about the time required for resolving the case.
- The recommendations proposed in the case management report are hard to implement because strong push back is expected from the bar given that there is an entire economy that hinges on delaying proceedings.
- All these problems and issues also deter foreign clients from picking Pakistan as an arbitration venue.
- Dr. Osama further added in the debate that the government can help the judicial system because it has more experience. They can have a data-sharing arrangements and joint communication systems.
- The judiciary needs to hire administrative professionals through a competitive process because judges are overburdened.
- To handle the pushback mentioned by Dr. Waqas, one way forward was not to ruffle feathers at the start and not take too many people.

- The discussion from the floor highlighted that Punjab has notified and implemented a modern case management system, but the system suffers from discontinuity across changes in judicial leadership, lack of training of staff, and unwillingness to commit to a reform process that will take considerable time.

The debate concluded with the suggestion that if we want to change the judicial system, we need to bring in a new management system and reduce the load on judges. ICT can play a role in helping identify whether a case is legit or is it frivolous or mischievous, as well as in case tracking, pace, and docket management.

Prepared by

*Muhammad Aqeel Anwer, Lecturer, PIDE
Usman Qadir, Senior Research Economist, PIDE*

18.2. Judging the Judges: Dynamics of the Pakistani System of Justice Delivery

Preamble

Dr. Nadeem Ul Haque opened the second webinar on the judiciary and Justice system with a tribute to the famous US Supreme Court Judge, Justice Ruth Bader Ginsburg, for her extraordinary efforts on promoting women's rights, wage discrimination, healthcare, and the environment. When discussing the justice system, Dr. Nadeem discussed how justice delivery could only be possible with good quality judges.

Speakers

Dr. Osama Siddique, ED, Law & Policy Research Network (LRPN)

Sara Malkani, Lawyer, Legal Adviser at Centre for Reproductive Rights

Asad Jamal, Lawyer, Partner Axis Law Chambers

Dr. Nadeem stressed the importance of institutions. PIDE has initiated debates on institutions in Pakistan (bureaucracy, democracy, education, and more) as every institution is very weak. If we do not develop our institution, the country will not grow. The judiciary is a part of our institutions, and is important because it deals with property rights, which cannot exist without law or a justice system. Poor policy development, inconsistency including poor judgment have caused a lot of harm to our justice system.

Key Messages

- Dr. Osama in his opening statement said that the judiciary has been treated like a sacred cow in Pakistan when it comes to open conversation and open discourse. When the judiciary is looked upon from an institutional standpoint (the structure, how it has been historically governed) that has a huge impact on the outcome.
- Another important facet of the judiciary is the sociological standpoint, ultimately it is the people, their background, their class preferences, and their education, which has a bearing on all kinds of things.
- Dr. Osama started the discussion by asking where our judges come from. Before one gets to the legal appointment, one should look at legal education, which determines the quality of judgment and efficiency of justice disseminated in our courts.
- Ms. Malkani shared her thoughts about the quality of education by pointing out that the minimum education required to be a judge in Pakistan is an LLB. The quality of lawyer's education is now being enhanced through external programs that are affiliated with the University of London. These programs are more popular in Karachi and Lahore, even more so given that the Pakistan bar council also recognises these as a prerequisite for becoming a judge at a lower level. But still, it does not alter the local dilemma of the judiciary system.
- There is varying quality of education available and access to quality education which depends upon class background and whether it is a private or public institution. There is quite a bit of variation in the education of judges and competency in education. Judicial academies also have a role in the training of

judges, and it is their job to keep the judges up to date. Unfortunately, it does not appear judicial academies are playing their part in grooming of judges.

- Dr. Nadeem Ul Haque suggested it is our education system or the ecosystem of the law which hinders the quality of judgment. Law is a profession where you have to keep yourself up to date because each and every case is different. So the question is why do we complain about the legal education system?
- Dr. Osama highlighted the problem of a governance mechanism looking at law schools, their curriculum, and their pedagogy. Other big problems are the dichotomy between private and public law institutions. The problem with privately owned institutions is that they are owned by lawyers who would prefer to maintain the status quo so they will be resistant to reforms or changes in the prevailing system. Another problem is the pushback to the public-owned law school because the opposition of active law students to martial law has become the biggest reason they are being discriminated against.
- To join as a professional lawyer is not much difficult and resultantly the number of lawyers enrolled over the last 5, 10 years have increased manifold. When there are so many people in the profession, it is difficult to introduce new rules, standards, and regulations.
- From the economist's perspective, Dr. Nadeem Ul Haque felt that when there are more lawyers, their fees will decrease through competition, and when competition will also help select the best lawyer, what is wrong with that.
- Mr. Jamal said that there should be more controls and stricter restrictions than the one which is present now, which should help to exclude the incompetent and poorly educated lawyers from the system. As far as the number of lawyers concerned that there should be more lawyers and less will be the fee, that's not true, because all lawyers are not equipped with the analytical tools necessary to serve the litigant.
- Dr. Nadeem Ul Haque raised the question of how we can select the best judges from the market.
- Ms. Malkani said that there are several tests which must be passed by law students to become a judge. But how rigorously the authority examines the ability of judges to think critically is still a myth. Most of the time, they are asked about the laws or codes which is not necessarily the best way to test critical skills of a law student. Cases are of dynamic nature that need dynamic judges and up to date modern solutions.
- Mr. Jamal raised the issue of whether the higher judiciary is in a position to monitor the district bar judiciary as they are doing now? There is a high proportion of manipulation of appointments, and transfers from one district to another, which is used by the higher judiciary, but that is scandalous, and it is the place where the system starts to rot.
- Dr. Nadeem Ul Haque asks the host how we can take the matter of appointments from the senior judges without affecting their freedom. How can we fix it?
- Dr. Osama said one big problem with the judiciary is the high centralisation of power which means that the rest of the stakeholders are not taken into account and the other big problem is opaqueness which means no one knows what goes inside the judiciary system.

- Against the backdrop of the issues raised, Dr. Nadeem Ul Haque questioned how we can bring about reform in our judiciary system?
- Mr. Jamal said that if we want to bring reform in the judiciary, we have to start from basic education which should enable our students to think critically and creatively not just for the law field but in every field of life. When they enter law school, we must provide them with an environment where they can think independently and that is where the culture of independence will prevail; they should not be bothered by the higher judiciary. Otherwise, we will remain in this crisis.

Concluding Thought

The debate concluded with the opinion that if we want to change our judiciary system, we must equip them with the tools of knowledge, and creativity. The judicial academies must update judges with a modern dynamic atmosphere. Low-quality institutions should be banned, and an atmosphere of research must be initiated and encouraged, only then we will be able to overcome the blunders of past.

Prepared by

*Muhammad Aqeel Anwer, Lecturer, PIDE
Usman Qadir, Senior Research Economist, PIDE*

Chapter 19: Education

- 19.1 Future of Higher Education in Pakistan
- 19.2 The Education Paradigm in Pakistan: What is it, What Should it be?
- 19.3 Role of Government in Education
- 19.4 Public Private Partnerships in Education
- 19.5 Is Technology the Panacea and are we Using it?
- 19.6 The National Unified Curriculum: What? Why?

19.1. Future of Higher Education in Pakistan

Organised in collaboration with IBA

Preamble

Pakistan is facing huge challenges when it comes to higher education. This is most starkly visible when we consider the fact that the number of students enrolling in institutions of higher learning has reached unprecedented levels, and yet the quality of education has not been upgraded.

Speakers

Dr. Nadeem Ul Haque, VC PIDE

Dr. S Akbar Zaidi, ED/ Dean IBA, Karachi

Dr. Zain Ul Abidin, DG Research & Development Unit, HEC

Sheeren Mustafa, Civil Servant, Government of Sindh

Key Messages

- Dr. Zain-ul-Abidin, Director-General at the Research & Development Unit of the Higher Education Commission (HEC), was quite optimistic about the future of higher education in Pakistan. He emphasised that the level of exploration in the field of education has already brought to our attention many deep-rooted issues such as the relevance of educational programs being offered and their quality. ***However, any such efforts remain handicapped by a relative paucity of resources for education. Currently, the budget allocated i.e. Rs. 77.262 billion in the federal budget 2019-20, which is now 20.5 percent reduced, has significantly affected the quality of education in Pakistan.***
- China's development model, often cited in developing countries, relied on a heavy state investment in education – including the ability to generate top-quality research. Now, Pakistan's HEC is working hard to develop and run educational programs that are oriented towards being relevant to industries and developing the most vital skills.
- We simply cannot achieve these designated goals unless universities start working as anchors of change in society. It is often hoped that they might produce policy-makers up to the ministerial level – and yet, for instance, we often struggle to find a single economist who could be assigned the role of finance minister.
- ***Pakistani society's class divides are reflected most strongly in educational access and opportunities. Our very standards of education are divided: with students of British O/A levels often seen as brighter than the students of the state's own Matric/FS.c system. This culture creates a dichotomy in society – and in the final analysis affects educational outcomes and the possibility for research. Those who received a better and more marketable education simply move out of the country, leading to the oft-mentioned brain drain.***
- Asymmetries and inequalities in access to education are seen just as much in a gender gap. One of the participants at the webinar highlighted a study in which it was claimed that even with an education up to merely Matric level, Pakistani

women would be much better equipped to handle maternity-related health problems and infant mortality.

We need a uniform education system – which could be a solution to the problems of our education system. But before any strategy can work, we need a change of mindset from the policy-makers down to the basic units of society.

Prepared by

Alweena Ahmed, MPhil Scholar PIDE

19.2. The Education Paradigm in Pakistan: What is it, What Should it be?

Takeaways

- Every new government has a new education policy as well as a new IMF program. We seem to be as confused about education as we are about macroeconomics.
- Experts and officials spend too much prescribing and telling kids what education should be. Ideology, citizenship, nation building dominate. What students and parents want remains low priority in the eyes of educators who sit in committees to make education policy.
- Children invest with their time and money to pick up market skills for increasing lifetime earnings. In this way, education allows for professional development and social mobility. But this aspect appears to be not very important in the eyes of our education policy makers.
- Cost of students in terms of their time and efforts is never taken into account. They are supposed to do what is prescribed and love it. Education is not seen as a voluntary effort but more like a draft.
- Teaching mostly unrelated to students experience hence alien to them. Poor children become street smart and possess survival skills but they are not allowed to build on them.
- Exploration curiosity and creativity are instinctive in kids. Rather than build on those our experts in committees focus on prescribing ideologies and prescriptions beyond their interests.
- Digital world has made Facebook and WhatsApp accessible to illiterate people. Most knowledge is now available to everyone in a tablet or a mobile phone which is now available to most.
- The structure of schooling remains fixed in most educators' minds—concrete schools—the way, they were with their teachers. And yes, lots of teacher training. Whereas, another view pointed to greater use of online resources like Khan Academy and Coursera, and less reliance on teachers.
- There was disagreement on the language issue. There was strong support for learning in local language whatever it might be. But then, in this day and age, with visual and internet resources, do we need to be hung up on language.
- Diversity in approaches to education allows experimentation and choice. While there is some diversity in the system, policy is always seeking to unify and kill difference. There was agreement, we need to allow 1000 flowers to bloom. Policy must resist the urge to unify!

Speakers

Dr. Qurtatulain Bakhteari, Founder, IDSP

Dr. Neelam Hussain, Founding Director,
Lahore Grammar School.

Key Messages

- There is too much prescribing and expectations from students that students don't like and accept which results in huge drop outs.
- Experiential flexible learning is at a minimum while considerable focus remains on building citizens or religion. But at the cost of students—providing students unemployable skills — which reduces demand for schooling.
- Teaching mostly unrelated to students' experience, hence little root taken.
- Teacher training considered to be very important though there was some disagreement on can teachers be trained.
- There was talk of diversity in the system but it was also noted there was push to unify by all! At least I feel we need far more diversity but our government keeps pushing us towards uniformity.
- Why kids can't explore and develop curiosity, learn through experience? I have observed that people are unclear on this.

Prepared by

Nadeem Ul Haque, VC PIDE

19.3. Role of Government in Education

Key Messages

- Everyone expects and demands from the government to establish a quality welfare state along with provision of quality education to masses. Surprisingly, this wish is strongly held even though there was widespread agreement that the government is incapable of doing the task. Few fully understand that without a comprehensive reform of the government, overloading the government with tasks is not going to work.
- There was agreement that the decentralisation and diversity in education delivery down to the school level was necessary and critical to the development of higher education.
- Definition of an education policy proved to be very difficult. Education for all is important, but how and with what instruments is unclear.
- Yet Pakistan has had at least 14 education policies—one every 5 years—and no real evaluation of any policy. Leading educationists felt that these policies were hasty jobs without much research. Some said they had never read a policy document. Clearly, policies have not worked and have not been based on research.
- M&E of education is either done by donors or by foreign NGOs.
- Government ministries run schools which is contrary to the commonly held view of experts that the system should be decentralised and diverse. Commentators want ministries to mainly focus on M&E and based on that develop long term policies if there is a need as evidenced by data.
- Regulation of education is frequently demanded, but again like policy, it is thought to be done by a benign all-knowing government capable of looking after all. We must recognise that the regulation requires good M&E and research to back it up.
- Both regulation and policy must be based on outcomes such as skills achieved, job market placements and learning outcomes and not inputs such as curricula, hours of schooling and funding as in our policies.
- There was a strong minority opinion that the government should not be in the business of either providing education or developing or publishing textbooks. The delivery of education can be market based with a strong targeted subsidy by the government. M&E and research-based thoughtful regulation could achieve the objective of improving learning outcomes.
- Schools need to be run by local communities and parent organisations and certainly not the federal or the provincial governments. But then, we have yet to evolve a participatory culture as evidenced by the limited participation in our debates.

Speakers
Shahnaz Wazir Ali, Education Trust Nasra Schools
Dr. Faisal Bari, Assistant Professor, LUMS

19.4. Public Private Partnerships in Education

Key Messages

- The largest public private partnership (PPP) provider stressed that demand for quality education among parents and students is very much there, and parents (even from low economic status) are well aware of the importance of education.
- The role of the government cannot be marginalised as even if a child has zero money, he or she has the right to education. We must recognise that PPP is the only way forward.
- The *mohalla* schools need to be supported by the government under the PPP initiative and this can bring a major change.
- In creating an effective model, the key question is how to incentivise all profit-based or non-profit private schools to conform to quality delivery. Mr. Zia Akhter Abbas pointed out four impediments that do not let PPP actualise its potential in Pakistan, (1) ideology across political parties on it are different and (2) when consensus comes on the builds then public education delivery institution takes it as their failure which becomes a hurdle besides (3) low expenditure per child in public schooling due to cost constraints and (4) absenteeism of public school teachers. Further, he added that the potential of poor people is much more than the privileged children given they are street smart. But whether they will actualise this potential depends on how much investment is done on a child. If only 1500 PKRs are spent on them, then they may not be able to compete with children that have 50000 per month spend on them, in terms of education in spite of being more in potential. NGOs such as TCF have contributed a lot to social mobility through providing education to the poor since they did not compromise on quality.
- Private school chain in Pakistan is not just about profit but about providing quality education to students.
- The government should focus on the evaluations of learning outcomes and if the government wants to regulate annual school fees of the private sector that should be linked to learning outcomes of private schools.
- Mr. Kasim Kasuri also highlighted that there are two models in public-private partnerships in Pakistan. The one in Punjab withdrew their teachers and let the private sector not just take over the public school infrastructure but allowed to hire their own teachers and the second that was done elsewhere was to give the public schools and their teachers of the public sector under the private sector to run. In his experience, the performance was only better when the private sector could hire their own teacher.

Speakers

Riaz Ahmed Kamlani, EVP TCF

Seema Aziz, Founder, Care Foundation

Kasim Kasuri, CEO, Beaconhouse

- In the private school partnership model, the government should collaborate with low-cost private school providers rather than investing in more infrastructure.
- In collaboration or limited PPP, government need to register all sorts of private schools from high to low-cost schools, and teachers should collaborate with low and medium-cost schools in many ways such as in the provision, and teachers training, etc.
- The private sector coming in the public sector can fix the education problem efficiently, but we need to realise that if such a policy is indeed taken at primary and secondary level, then this will imply for tertiary level too.
- Dr. Neelum Hussain suggests that our education system should try to give not just IQ to students but emotional intelligence as well. And finally, the government should not put boundaries on learning in the name of regulation that is a massive mistake in the era of the internet.
- Mr. Mosharraf Zaidi, with experience of Taabadla and Alif Alaan Campaign, stresses that all education campaigns should be focused on enrollment and cognitive learning, but in his view, PPP is not much of partnership in Pakistan but more an attack on public schools. This attack at some level is justified given the public sector has failed to deliver. But we need to acknowledge that the public sector despite its failure carries a huge bulk of the poor population. So terms of PPP conversion need to move from attack on public sector schooling to real partnership.

19.5. Is Technology the Panacea and are we using it?

Key Messages

- The digital age has and will continue to lower the cost of data delivery and analysis. Education is the transfer of information from teacher to student.
- Using digital technology can customise and individualise education.
- Education delivery which has been regimented in the past and based heavily on communication of content can now be deconstructed to improve quality for each and every student.
- “Flipping the class-room” is now very possible along with developing sharper skills at an individualised level.
- Technology does not replace the teacher or schools but accommodating it means that the process of education needs to be re-imagined.
- Mainstreaming technology in education will allow greater flexibility in delivery. School attendance can be more flexible, skills can be monitored at a fine level, teachers can be focusing on problems and details and the entire system can be managed from the individual to the macro level.
- School space and teachers remain important because space is equalising and offers extracurricular education. But there is no reason to maintain the 5-day and 8-3 routine. With technology, space use can be reimagined and run more intensively (i.e. more shifts).
- Currently, families are spending about Rs.750 billion on school fees, another Rs. 350 billion on tuition fee after school hours, and about 300 billion on transport.
- With technology, tuition after school could be substantially reduced and reducing school attendance to less than 5-days a week could save on transport costs.
- In current pedagogy, about 1.4 trillion rupees are spent in the private sector and about a trillion in the public sector. The quality of this schooling is on average lower than international levels and the variability of this quality is large.
- In the current system, adoption of technology remains low despite the many advantages listed above.
- Cost of developing and delivering content remains quite low. Experts suggest that content, testing and data analysis could be developed and maintained in relatively cost-effective ways.
- Delivery of education through technology will therefore lower costs of education substantially and release the huge burden that families are undertaking.

Speakers

Zulfiqar Qazilbash, Development
Consultant

Mahboob Mahmood, Founder, Knowledge
Platform

- There is a large number of tech entrepreneurs who have started development in this area, and they are seeking to disrupt the education system. However, in India, there are proportionately far greater numbers of efforts in this direction than here. The government is more supportive of these efforts in India.
- Tech adoption seems to be higher in small entrepreneurial schools that need to save costs. The government and the larger chains appear to be less flexible in adopting change in their teaching methods to involve technology.

19.6. The National Unified Curriculum: What? Why?

Key Messages

- Minister for education, Shafqat Mahmood, strongly re-enforced the Prime Minister's and the government's commitment to education whereby he pointed that the centrepiece of current policy is the development of the Single National curriculum (SNC).
- In this context, the honourable Minister stressed the need for SNC as a necessary action for ensuring equity given without doing away with the current system that offers an advantage of quality English education to elites and a disadvantage of lesser-quality Urdu education to poor, can only lead to polarisation in capabilities for the poor.
- Further, it was pointed out that the government is flexible, and ready to adapt and change the SNC as per people's opinions for which various consultative initiatives and mechanisms are already functional.
- The consensus so far achieved in the parliament includes that as per SNC, first five years will uniformly be in the mother tongue, and that some Islamic teaching will be part of the curriculum with allowance for minorities to get their own religious instruction. For management of SNC, it has been agreed that the Interprovincial Education committee is going to meet regularly.
- In response to conference findings that school governance, decentralisation and diversity as worthy goals, the respected Minister also agreed in principle but explained that in practice these goals have been found as politically and administratively very difficult to implement.
- In response to findings from the PIDE discussion on how use of technology presents an opportunity for Pakistan to improve high quality education accessibility for all, the Minister informed the audience that government's intent to actively consider use of technology by backing EdTech and setting up procurement mechanisms for the purpose.
- Shedding light on educational challenges emerging out of COVID, the Minister informed that the government is deliberating on how to create support for small private schools that have been adversely affected.
- People noted that recent digital revolution as well as emerging trends in the labour market, require a disruption in the education system. The current status quo with only the establishment of the SNC will not be enough.
- Everyone agreed that the 5-day round table had raised valuable new issues and was worthwhile. However, it was also noted that several groups were absent including bureaucracy, political leadership, leading education thinkers, and representatives of leading educational institutions.

Speakers

Shafqat Mahmood, Minister of Education & Professional Training, Pakistan

- Schooling in isolation does not create a culture of learning. As pointed out by many, the reading habit is not being cultivated in our universities. What is needed is the development of a culture of learning. Such a culture will only happen when leaders of society are willing to engage in debate. Webinars is a great opportunity. Those in policy making positions and knowledge creation must find the time to attend.
- It was concluded that there is a dire need to extend the discussion on education and learn how to develop a learning culture in Pakistan.

Prepared by

Nadeem Ul Haque, VC PIDE

Chapter 20: Competition and Market

20.1 Competition and Markets-I

20.2 Competition and Markets-II

20.1. Competition and Markets-I

Preamble

Competition is a vital component for any vibrant market and economy and without competition growth and productivity is like chasing a wild goose. Unfortunately, the economy of Pakistan is in doldrums and there are various reasons behind this weak state of economy. Businesses in our country are not thriving. There is an acute

shortage of investment. The lack of trust deficit of investors and the market make the situation most gruesome. In order to highlight these problems, PIDE arranged a series of webinars to discuss the prevailing problems in the market competitiveness in the country.

Dr. Nadeem Ul Haque argued that the long-run growth in the country is falling. Our savings rate is extremely low as compared to our regional competitors. Investment is awful and it is not more than the poor African countries. **There is paucity of competition in our market**, government intervention is visible everywhere. There is no hunger for growth and productivity, our tax policies are destructive. We have a volatile fiscal policy and our regulatory policies are very bad. There is no dearth of minibudgets and reactive policies. Research and development are missing, people are only thinking about their profits only. Regulators are completely captured and non-professionalism of regulators is widespread. Stock market is very weak and a few strong people have held onto it.

Key Messages

In the aforementioned situation why is there need for a regulator? Khalid Mirza, former chairman of SECP and CCP replied that in order to enhance the commercial and economic activity and promote economic efficiency and to protect the consumers, the Competition Commission of Pakistan (CCP) was the need of hour. However, he added that CCP is not a regulator but rather it is a quasi-judicial agency whose sole aim is to promote competition in the market and provide a level playing opportunity to all the participants and to discourage cartelisation and promote competitiveness. Another panelist, Joseph added that we need regulators and competition commission because they are like a referee, if there are two teams in the ground without a referee, then there will be no discipline in the game. In the same manner, competition commission is providing a level playing field to all players in the market. The commission discourages collusion, monopoly and cartelisation by using stick and carrot approach. Moreover, the CCP is not interfering in the market; it only keeps a vigilant eye on different actors in the market, to maximise the chances for competitiveness.

On the other hand, Dr. Nadeem Ul Haque argued that the **market is competitive and it can take care of itself** by its own mechanism. The situation is exacerbated by the repeated intervention of the government in the market. It is evident from the sugar

Speakers

Khalid Mirza, Former Chairman, SECO, CCP and SECP Policy Board.

Joseph Wilson, Former Member of CCP & Adjunct Faculty of Law, McGill University.

Waqas Mir, Expert on Competition Law & Partner Axis Law Chambers.

market, automobile sector, agriculture market and so on. Everywhere, the government intervention makes the situation worse. Fixing the number of players in any industry and implementing MSP (Minimum support price) make the market less competitive. The panelists completely agreed with Dr. Nadeem Ul Haque that there should be less government intervention in order to promote competitiveness. The members of the Competitive Commission argued that the government does not implement their recommendations. They have elaborated it by an example that they have put forward some recommendations some years ago for competitiveness in sugar industries but the government had not given any heed towards it and if that recommendation were implemented, the recent sugar crisis could have been averted.

However, the competition Commission has remained unsuccessful in countering and clipping the market abusing power of some big players as the new cement cartelisation report of cement industry indicates. The cartels manipulate the market and they are the actual price makers and ultimately consumers bear the brunt. The list of impediments to competition and thus economic growth is very lengthy due to which the country failed on the economic front for many years. But now, it needs drastic reforms, if we want to create a viable and vibrant environment for competitive markets. First, the government has to stop the unnecessary intervention. Moreover, changes in monetary and fiscal policies according to the needs of circumstances will also be fruitful and there is no need of reactive policies which we are currently doing. In addition, stringent reforms should be made in the form of deregulation. There is no doubt that providing facilities to the firms will enhance their productivity. Bringing good legislation and implementation will attract large businesses from abroad as well as from the local market. Without reforming the current faulty system, revival of businesses growth and bringing competition in the market is a herculean task. We can only hope for the best and can struggle in the right direction to bring growth on the right track.

20.2. Competition and Markets-II

Preamble

In this webinar, Dr. Nadeem Ul Haque invited the attention of panelists to the markets, that why our markets are not vibrant? Why are there cement cartels? What are the facts behind sugar, wheat, oil crisis and collusion of Banks? What is wrong with our markets? Do we need a competition commission or deregulation commission? Countries

like Australia have productivity commission which deregulates the economy. Similarly, Britain has also deregulated its economy. On the other hand, Pakistan is making new regulatory bodies like the Competition Commission of Pakistan. Is this a sanity? Why is competition still absent in our markets? Why does the government interfere in every sector of the economy? Why do we not leave the market to take care of itself?

Speakers

Rahat Kaunain Hassan, Former Chair, CCP

Shaista Bano, Acting Chair, CCP

Ikram ul Haque, Former Member, CCP

Maleeha Mimi Bangash, Ex Founding Member, CCP

Key Messages

One of the panelists argued that collusion of large players in the market has become a norm in the country. In order to provide a level playing field, to break the cartels, to prevent collusion, to enhance productivity and efficiency, the formation of Competition Commission was inevitable. But it is still significant and debatable that how much efficient the commission is. Although, Pakistan is in a transition phase, however there have been improvements in many areas like the telecom sector and the banking have done very well. To make a favourable environment, the CCP is ensuring competitiveness and providing level playing opportunities by removing the entry barriers and abolishing other hurdles.

Dr. Nadeem Ul Haque asked very valid questions that have put the cart before the horse. Markets are not working properly in our country and we are bringing new regulators. We have **not given any opportunity to a single sector to flourish freely**. Everything is regulated such as real estate, sugar industry, wheat market, automobile sector, textile sector etc. On the contrary, the proponents of regulation argue that it makes the market better, but if it is the case then why does Pakistan lack good free markets? Why is there low foreign investment in the country? Why are there bureaucratic hurdles and entry barriers to the new players? Why do small businesses not flourish? Are there some ambiguities in our laws? On this, Senator, Musaddiq Malik, replied that the Competition Commission is completely paralysed. He recalled that once he had sent some cases related to the violation of competitiveness and the commission felt paralysed and were not able to take some action. He was also of the view that there is extreme collusion in our market. Apart from this, he also added that we do not give value to the free market as the government relies on bureaucrats who decide the number of players in any sector. If bureaucrats can solve all the problems, then there is no need for markets. He advocated free entry and exit to the market and argued that why there are only 17 or

18 sugar industries in Pakistan and why not 18 thousand. He advocated that the market decides who is efficient and can survive. Let the fittest must be given a chance of survival. There is no need for protectionism. Elite capture is everywhere and it is evident from any sector and needs to be abolished.

Another panelist added that our economy is nosediving. Our markets are not working properly. Lobbies are very strong in this country and their final decision holds. No one cares about the welfare of consumers. A small coterie of elites is reaping the whole benefit. Take the example of the pharmaceutical industry. The main purpose of drug regulatory authority is to keep check and balance on the quality but the scenario is different here. DRAP is fixing the prices according to the wishes of lobbyists and at the end of the day, cartels are victorious in their goals.

Protectionism in the market is a big curse. It destroys the market efficiency completely. The crystal-clear example is that of the automobile sector. Our government is protecting them. The result is not a secret. What kind of vehicles are they producing? If the imports of vehicles were made easy then the manufacturers could have faced some competition in the market and the situation would be completely different. If the markets are left to work freely, then there is no need for any protection, but our bureaucrats are enjoying the license raj along with perks and privileges in such a system.

If we want to make the markets free and more competitive then the government has to stop interfering in the markets. Moreover, it should also be ensured that bureaucrats are not involved to run the affairs of market related policy. Protectionism of industries should be completely abolished then the market can flourish. In addition, deregulation of markets should be made on priority basis. Input should be taken from the academics and universities. There should be no blue-eyed ones and all the players should be provided the same playing field. In such a situation, our markets can thrive and competition can be ensured.

Chapter 21: Important but Neglected Sectors

21.1 Retail – The neglected Sector

21.2 Sugar Industry in Pakistan

21.3 Pakistan Railways or Pakistan's Railways

21.4 The Survival of Cinema and Television Industry in Pakistan

21.5 Under-Developed Real Estate Industry in Pakistan

21.1. Retail – The Neglected Sector

*This Webinar is organised in collaboration with
Chainstore Association of Pakistan (CAP)*

Preamble

Despite expanding during the last decade, the retail sector in Pakistan lags far behind than most other countries of the region.

Dr. Nadeem Ul Haque highlighted some points that why the retail sector of Pakistan is so much neglected. Why are there limited chain stores, especially not listed in the stock exchange? What are major hindrances

in true growth of the sector, especially the organised one? And how does the COVID 19 situation alter the way the retail sector works in the country?

Speakers

Asfandiyar Farrukh, Senior Vice Chairman of CAP

Yasin Paracha, Director Retail Business Council

Wasif Butt, Vice Chairman, CAP and Director, MariaB.

Key Messages

In response to these highlighted points, Mr. Asfandiyar Farrukh (senior Vice Chairman of CAP) explained that:

- (1) Retail sector in Pakistan is very large i.e. 18 percent of the total GDP and comprises 16 percent workforce.
- (2) The astonishing fact is that the retail sector is contributing exactly the double of total exports of Pakistan i.e. 8 percent of GDP and resulted in form of Rs. 7 trillion of GDP.
- (3) There are three major sectors of retailing including Grocery and FMCGs, Fashion and Electronics and special daily retailers. All these categories are further segregated into organised and unorganised ones. But the alarming point is that more than 90 percent of total retail in Pakistan is done under unorganised segments.
- (4) The organised sector (brands and chain stores) in Pakistan is very small but trying to increase from the last decade. It is increasing 20-22 percent annually. Among all these factors, price aspect is very important and exclusively associated with manufacturing.
- (5) As far as manufacturing is concerned in Pakistan, local manufacturing mostly involves the import-based retail, so it has greatly changed the entire value chain of the industry.

Yasin Paracha (Director Retail Business Council), shed light on the following:

- (1) Is domestic industry fully integrated with the retail industry or model is mainly of imports? In response to this, he said that currently the local industry is partially integrated with the retail industry due to its inefficient production capacity.

- (2) While considering the last few decades, Pakistan is unfortunately not well developed in the value chains of the retail industry. The main reasons are:
- (a) Firstly, more relying on imports is the easiest approach to move forward.
 - (b) Secondly major/ huge differences lying in the organised and unorganised sectors along with associated minimal cost pushed the industry to move towards imports.
 - (c) Lastly, the cost of imported products especially from China are much lower than the local products manufactured in Pakistan.
- (3) But the scenario has changed little bit from the last few decades when international brands came to Pakistan and tried hard to find local manufacturers.
- (4) A local retailer faced difficulty in managing the supplies according to their wishes. Like regulatory bodies' roles, land and space constraints, cultural aspects, lack of education and services provided to local people and much more.
- (5) Similarly, gross margins for genuine businesses are much lower than the international business.
- (6) In order to enhance and flourish the industry, there should be proper taxation and documentation procedures to be adopted.

While concluding the discussion, Dr. Nadeem Ul Haque opined that bad regulations, and inconsiderate thought processes in Pakistan have badly damaged this industry. The only solution is to go for a documented economy, formulate appropriate policies, break the lobbies and develop the trust to flourish the retail industry of Pakistan.

21.2. Sugar Industry in Pakistan

Preamble

Pakistan is the 7th largest country in terms of sugar production and export and is ranked 8th in its consumption globally. Since 2010-11, Pakistan consistently has surplus sugar production and has earned USD 2.3 billion through exports. Despite the biggest producer and consumer, the sugar industry of Pakistan is highly regulated and protected. Despite surplus production, most of the time, the market is short of sugar supplies, and prices surge abnormally to a level where general masses can't afford it.

Key Questions

- What is our sugar Industry?
- Does the sugar industry require special regulation?
- How does growing sugarcane weigh compete against other crops?
- How can we explain the difference in the cost of production and ex-factory price?
- Is there cartelisation in the local sugar market?
- Does the local sugar industry has international linkages?
- Is the sugar industry in Pakistan a political industry?
- In general, it is believed that the sugarcane production is taking over the cotton crop area, and sugarcane production is expanding to fulfil the need of sugar mills at the expense of the cotton and related industries.

Takeaways

- Mr Adil started the discussion by presenting the agenda of why the sugar industry has a particular set of regulations, unlike rice or cotton.
- Unlike any other crop, sugarcane is a very high volume crop, which means if one hectare of farm produces two tons of wheat, the same area has 60 tons of sugar, but the raw material for sugar crops is not storable. Once the raw material is harvested, it must be processed immediately. This process minimises the role of middlemen like any other food industry.
- Sugarcane crop is climate-resilient which means that while other crops are affected by the climate's vagaries, sugarcane is resilient, so farmers use it as insurance.

Legal Structure:

- The regulatory structure which governs the sugar sector is the Sugarcane Act which dates back to the pre-independence 1934.
- Then the Factory Control Act was introduced in 1950, which protects the farmer.

Distortions at Mills Level

- The new entry has been restricted in the sugar industry by introducing License Raj as a barrier because each new entrant requires a NOC from the province.

- Domestic industry is protected through 40 percent customs duty on sugar import, which means that whenever there is a shortfall in the domestic market.
- Geographical Barriers: Crop zone changes with changing climate patterns, but the ban on milling plants' shifting discourages competition.
- There are several distortions at the farm level. First is the mandatory crushing law, which bounds mills to buy sugarcane from farmers within its zone as long as the transaction is made on minimum-certified sugarcane prices. The second distortion is the support price; the minimum notified price that mills need to pay to farmers but need to de-couple sucrose recovery (raw material quality) from its pricing.
- Risk Return distortion: The provincial government notified at the beginning of the season based on the recommendation by Agricultural Policy Institute, MNFS&R; creates a guaranteed return, against minimal risk covered through farmer's crop insurance.
- Mr Aamer Hayat explained the psyche of the farmer. He said that our farmers don't care about the water scarcity and how to use this; the only thing a farmer cares about is how much he will invest and how much he will earn from that?
- Coming to sugarcane farming, if the agronomy conditions are right, the farmer is free from the hassle for two to three years because of the self-growing nature of the crop. The farmer had to plant seed once and for the next two to three years; he just had to harvest the crop.
- The minimum support price at which mills have to purchase raw material favours the farmer. It helps as an insurance for the farmer against the other crops such as wheat and cotton etc.
- Along with sugarcane farming, most farmers are involved in the livestock industry as a side business. Reason for being involved in the livestock's side business is the astounding amount of forage left to the farmer, which they use as food for the animals.
- Southern Punjab, initially was the cotton belt of Punjab but when sugar industries were established in that region and when industries started supporting farmers from thirty to forty percent in inputs, the cultivation of cotton was exchanged with the sugar.
- Dr. Nadeem Ul Haque asked how water prices affect the sugarcane industry whether the pricing has a significant role or not and what will be its prospect in the future?
- Abdul Waheed said it's totally fallacious to say that farmers don't know the value of water, and it is water which played its role from shifting from cotton to sugarcane.
- Dr. Shahid Afghan said that the Sugar Development Board (SDB) was established in 2014 and the board is funded by the sys fund. A 10 percent fund is given to the board for the facilitation, support, and strengthening research and development on sugarcane crops. SDB has all the stakeholders from the sugar mills association, secretary agriculture, secretary food and industry, director research and extension are all the board members.

- The funding for the sugar development board is acute, and it cannot support large scale research. The benefit of R&D program will help to initiate full-scale breeding program to get better varieties, advance agronomic practices, amend the fertigation (imbalance between fertiliser and irrigation), and eradicate the main problem of pests and infestation.
- Several infectors in sugarcane, which reduce yield and quality, are insect pests that reduce 22 percent of the production, form soil texture 17 percent yield is affected, and late-maturing yield reduces 13 percent yield. Furthermore, if water stress is 20 percent, 10 percent yield is affected, and the list goes on.
- The sugar market crisis is not only present in Pakistan but also a global phenomenon, and the sugar industry is highly volatile. Dr. Shahid said that in his 30 years of career, he has never seen four to five consecutive years which are beneficial for farmers as well as for the industries.
- Argentina has declared its sugar industry as a super protected industry, which means when the final product of sugar is produced, and it costs Rs 100, for example, the farmer is given Rs 60, and Rs 40 is left with the sugar-producing industry.
- The cost of production is very high in Pakistan because of inadequate supply of mechanised farming and harvesting, for which sugar mills have to come forward as a service provider, to not reduce the cost of plantation and harvesting but also to reduce the loss incurring from the old traditional methods of harvesting. This practice is being observed in Japan, Thailand, Brazil and many other parts of the world.
- The non-mechanised plantation and harvesting add an additional cost of Rs 50 per 40 kg. This extra cost acts as a multiplier, and with the introduction of technology, this cost can be reduced to Rs 15-20.
- The critical step that is being proposed by the SDB is regulation of both sale and purchase price of the sugarcane on available data. There is a greater need for the breeding of the sugarcane product. Despite a more significant industry, there is no breeding mechanism and research available in Pakistan.
- Nauman Khan pointed out the importance of sugarcane in Pakistan economy. Every year, Rs 300-400 billion worth of sugar is sold. The sugar industry employs about 100,000 people directly.
- The sugar industry is blamed for polluting the environment, especially ethanol production as a side product. When the revenue is compared to the pollution, it is the least compared to other industries.
- The industry has been revolutionised by giving interest-free loans to the farmer worth around Rs. 5 billion, resulting in a thirty percent increase in cultivation area, the yield has been increased by 74 percent, and production showed an upward growth of 125 percent from 2009-10 to 2016-17.
- Sugar sales have been slow since June 2019 due to the CNIC condition. The government now requires sugar mills to obtain CNIC numbers of buyers. Approximately, 72 percent of sugar sales in the domestic market are made to unregistered parties, i.e. small traders, non-regulated segments of the economy who are not willing to provide their identification (CNICs).

- Axle Load Restrictions: The NHA has reduced Axle Load approximately by 50 percent, resulting in increased transportation costs. Since June 2018, the Punjab government has consistently notified a retail sugar price which was Rs.5-10 below the market and used it as an excuse to harass and arrest shopkeepers and wholesalers of sugar. Other provinces are starting to follow suit.
- The imposition of sales tax at 17 percent on sugar is a too harsh act in a country where sugar is considered an essential and sensitive food item, the highest rate ever imposed in Pakistan's history.
- The industry crushes sugarcane for 3-4 months but has to hold and sell the sugar over 12 months. When coupled with provincial governments' requirement to pay the farmers within 15 days of crushing cane, it can only be achieved by heavy borrowing from the banks through a pledge of sugar. Increased markup rates have added roughly Rs.3 to Rs.4/Kg in cost of sugar.

Competition or Cartelisation in Sugar Industry:

- Dr. Nadeem Ul Haque asked the members of the Competition Commission that is it a competitive industry? Should it work under market principles? Should it be under protection?
- Khalid Mirza said that it is an industry regulated by the government in several ways. It is not clear when they bring in regulations and when they let regulation go. In past, there were 78 sugar mills, politically owned by both sides of the house, and it was quite over-regulated and overprotected, and the profits were relatively high.
- The problem from the competition point of view is that it is highly cartelised. Because of the political status, the mills can influence the government and do whatever they want to; and at the same time, whenever it is necessary, they allocate territories to themselves and act as if it were outside the market forces.
- The simple formula to eradicate this cartel structure is to let the market forces prevail and let the market decide how much to import or export. All the government has to do is maintain the required reserves to prepare for the market's unforeseen shortage or fluctuation.
- Shahzad Hussian suggested that the sugar market should be deregulated and the minimum support price should be abolished, and the market forces decide the cost. The legislative framework of 2009 should be reviewed, which is quite outdated.
- The sugar price should be based on the recovery percentage, which means the sucrose content, not the weight of the sugarcane content.
- When the industry is deregulated, the supply and demand determines in the duration whether the businesses are believed whether they have to remain/stay in business or leave and what to produce.
- The sugar crisis audit report suggests that the cost of sugar is not relevant while determining the price; these are the forces of the market that have to choose the price.
- Dr. Nadeem Ul Haque raised the question that if deregulation is the solution to the sugar industry's problems, then why are we not deregulating it?

- Numan Khan said that there are more mill owners in the parliament than outside which is one of the biggest reasons hindering the deregulation process.

Conclusion

- The expansion of the sugar cane production area is not responsible for replacing the cotton area. Instead, inefficient cotton processing methods make cotton a less viable crop relative to competing crops (rice, maize, and sugarcane). The price of support for sugar cane is just notional because the government does not buy sugar and, thus, there is no system in place to implement it. Sugarcane is sold above the price of aid if there is a shortage and below the price of aid when there is a surplus. License Raj limits new entrants to the sugar industry. It causes cartelisation and only contributes to a rise in the profitability of sugar mills. Similarly, barriers to trade, such as import tariffs, need to be eliminated or simplified. Both of these steps can lead to an efficient allocation of resources in this sector and an improvement in the well-being of local consumers. The market quota and incentives have been used to unload the surplus supply of sugar and cover the gap between supply and demand. However, the government failed to take a timely decision in the light of the information available, which led to the recent sugar crisis. Therefore, the deregulation of the sugar market is therefore extremely necessary for the promotion of free trade structures where price signals can be effectively transmitted to all stakeholders in order to attract investment and increase productivity.

21.3. Pakistan Railways or Pakistan's Railways

Preamble

From the last few decades, Pakistan has invested a lot in building roads which lead to high demand of cars in public. The National Logistic Cell (NLC) took away all the freights because of road pathways. So, roads took away passengers and freights from Pakistan Railways (PR). The crisis in PR started in the 1970s and continues to this date. The passenger

traffic has reduced, freight traffic has truncated and revenues have scaled down while working expenses have soared. PR is merely an employment agency with a huge amount of capital with large land. The major aim of organising this webinar was to have an insight of PR and its situation in international context.

Speakers

Richard Bullock, Transport Analyst & Investment Planner.

Mohammad Ashfaque Khattak, Advisor, Center of Excellence in Railway Engineering.

Amer Zafar Durrani, President, Reenergia

Background of Pakistan Railways

PR had a series of ups and downs, mostly down over the last 40-50 years. From 2011-2015, it was placed on starvation, almost disappeared and had a severe effect on finances. Now, PR is recovering as passenger traffic is getting strong and freight traffic positive as well. But still, a long way to become a sustainable business to manage itself in the long term. Short finances lead to cut on maintenance because labour is fixed and fuel is fixed. Cutting maintenance cost over and over again ended in a maintenance crisis, PR had plenty of those.

Governance

Governance means the institutional arrangements between the railways and the government. PR works under the ministry of railways as a federal government department. The world is moving towards a new governance system while PR follows a 30-40 years old system. Few ministries of railways are surviving in south Asia, and India is the biggest among them. Even though, China has abolished the ministry of railways which was very strong and handed it over to the ministry of transportation, the aim is to separate the government governance role from business management. PR needs well defined aims, specified management freedoms and most importantly an independent board with qualified people having professional skills.

PR as Business

- About 40 percent of passengers travel under 100km but this has reduced from about 60 percent just 10 years ago. Conversely, about 30 percent of passengers now travel more than 500km, compared to under 15 percent a decade ago. ML1 project will attract more medium and long distance passengers but at what fare and with what financial impact on PR? PR freight rates are about 65 percent of

the average for developing countries. Passenger tariffs, although higher than the other south Asia railways are also about 60 percent of the average developing country rate on a PPP basis.

- Labour in PR is improved as employment has fallen and as traffic units have increased. India, with its heavy freight traffic and well loaded passenger services, have highest labour productivity in south Asia but there are also many worse than PR.
- The revenue from passenger services is more than operating cost but not enough to cover the depreciation. Thus, it is unable to contribute anything to the cost of infrastructure if it is to continue as a long-term business.
- The revenue from freight services its operating cost as well as the depreciation that ensure its long-term sustainability. It is also possible to contribute a small amount to the cost of infrastructure. This arrangement works when both are in public-sector will become difficult as private operators appear.
- Pensions are a very hefty amount (about 30 billion in 2017-18), 10 percent higher than the actual wage bill, as they are being paid to previous employees. If they only needed to cover current employees, the cost would probably be closer to Rs5 billion only.

Recommendations

- A robust PR is a must for the growth rate of 5 to 6 percent.
- Public governance needs to develop new policies and railways law to structure PR for the 21st century. A good management and PR structure is to be built in order to increase real skills. Funding framework and transport operations need insight improvement as well.
- Automatic monitoring systems should be developed as we are using old instruments where a person inspects tracks manually, 70 percent revenue is consumed in salaries where the right operational budget is only 10 percent.
- The ML1 will increase the capacity of the railway tracks from 32 trains each way in 24 hours to 170 trains, it will bring the manpower in full swing.
- Assets like infrastructure, the rolling stock and the human resource must be used efficiently to operate train operations.

21.4. The Survival of Cinema and Television Industry in Pakistan

PIDE organised a webinar on the survival of the cinema and television industry in Pakistan in which experts from the film and television industry shed light on the constraints faced by the film and TV producers in producing and financing their creative contents. The speakers also focused on film taxing, film financing, spaces and zones of single and multiplex cinemas, and intellectual property rights.

Speakers

Sarmad Sultan Khoosat, Filmmaker and TV Director

Kanwal Khoosat, Film Producer and TV Director

Pir Saad Ahsanuddin, CEO, Cinemax

Kamran Lashari, Pakistani Civil Servant

Mehreen Jabbar, Filmmaker

Faris Kermani, Producer/Director

More specially, the webinar aimed to respond to following questions:

- How the pandemic has affected the cinema/TV industry globally and in Pakistan?
- Whether and OTT platforms are an option for Pakistani media content, especially films and television dramas?
- How single and multiplex cinemas have been impacted and what future holds for such cinematic avenues?
- Are Pakistan's creative industries ready to be digitised?
- In what ways, can cinema and the television industry contribute to the development and growth of the country's economy, and how has it been impacted by the pandemic?

Key Messages

The takeaways of the webinar are explained in the following text:

- Statistics show that Pakistanis search for movies more than economics, cars, politics, and cricket, reflecting that movies are of critical interest for Pakistani population. Hence, in terms of economics, the demand for movies is visibly high, yet the market is dull and devoid of interest on institutional and artistic fronts.
- Worldwide, cinema provides a vibrant market for generating growth, value and employment.
 - (a) For instance, in 2019, the Hollywood industry absorbed 2 million people in the job market.
 - (b) In 2019, 400, 000 businesses were supported by Hollywood in America.
 - (c) Revenue generated by Hollywood was 35.5 billion USD and more than 1 billion tickets were sold in the US in 2019 with more than 10 million cine-goers.
 - (d) Similarly, the share of British film and TV to the UK economy was 60 billion UK pound in 2019. In Britain, it's usually 3 billion UK pounds a year.

- (i) The exports from independent production companies is 1.25 billion pounds.
- (ii) BBC itself sells its own programs and earns 2 billion pounds a year.
- (iii) Britain also employs around 100, 000 people and provides a trained pool of technicians, cameramen, sound recorders, set designers and cinematographers to American film industry.
- (iv) BBC, Channel 4, and BFI invest in films; three solid sources of film financing in Britain.

Hence, it is important for Pakistan to internationalise its content to sell its filmic and TV content in the international market.

- Pakistan's film content has suffered due to lack of creativity, adherence to Punjabi films propagating *gandassa* culture, Punjabi machismo, and violence. Moreover, General Zia's strict regulations in relation to censorship, film certification, distribution, and execution, further deteriorated all forms of art in Pakistan, let alone films. Moreover, the entertainment tax also witnessed exacerbate rises due to which many cinema owners converted their buildings into shopping plazas as it seemed less uneconomical for them. Recently, in the last 2 decades, a rejuvenation of cinema has occurred with production houses showing greater interest, investors pulling in money, and directors such as Shoaib Mansoor and Sarmad Sultan Khoosat making films on themes which resonate to Pakistani society. The situation, though better, still is devoid of concerted and consistent support from the government of Pakistan.
- Pakistani films have not only suffered due to lack of financing on film production design and shooting but also on account of shortage of funds for marketing and promotion. If a film requires 70 percent of its budget for marketing and promotion, and if that budget is unavailable then its promotion is not practically possible unless the film's content is very strong to pick its pace through word-of-mouth publicity. Moreover, the success of films and hence industry is contingent on the conglomerate of different industries working in cognizance with each other and networking to bring in multiple film distributors and exhibitors. This networking has been missing for the Pakistani films.
- The idea of industry for films is missing in Pakistan because the elaborate sense of structure, integrity, and design is lacking. Lack of support from any form of government in Pakistan has been the biggest challenge even during the golden era of Urdu film production in Pakistan, which was primarily thriving on its own. Hence, film creativity defined with respect to narrative styles, aesthetic quality, screenplay articulations, tone, tonality and characterisations, and musicality were compromised.
- Pakistan had 1160 screens in 1965 which has decreased to 25 screens in early 2000s, highlighting that Pakistan has lost 98 percent of cinema screens in over 30 year. Pakistan also used to produce 1950 films a year and was the 5th largest film industry in the world. Pakistan banned to the screening of Indian films in 1965 that led to destruction of the film industry. In 2005, the decision to allow screening of Indian films increased competition in the country by increasing

footfalls in the cinema halls. This increase has also translated into spillover impacts for Pakistani films. Despite improvements, the country's ban to screen Indian films in 2019 has shrunk the market once again. Hence, proliferation of Pakistani film industry has been hampered due to politics in the country. Moreover, the cost of running a film on screens has also increased because of taxes, import duties, and electricity. Furthermore, each year, film theatre owners (single-screen and multiplex screens) have to go through the process of attestations and obtain NOCs from 17 different governmental organisations.

- Lack of creativity in Pakistani films is also the result of films made in similar genres. Strict adherence to one genre is decided on the basis of commerce and economics. The genre earning most box-office returns becomes the only funding opportunity from the financiers obstructing other genres to expand and grow.
- According to UNESCO (2017)³ Pakistan has one of the lowest screen to population ratios. Given the population of Pakistan, 5000 screens and seating capacity of 200 people are needed. Hence, the public and private sectors need to build physical infrastructure for films.
- Training, education, screening of student films, conducting film festivals, workshops, and seminar series are also mandatory for creating film societies and for encouraging fresh talent into the film trade.
- Establishment of film school can also be very effective in this regard. On the part of filmmakers, it is also important to encourage their inclusion in filmmaking. Also critical is the need for advanced learning of modern technology such as animation and CGI/special effects.
- In National Archives, there exists lacuna when it comes to finding a database for filmic materials in Pakistan. These archives must include all the information of the films in textual and pictographic expositions. Concerted efforts on the part of both public and private sectors will be efficacious in this regard.
- In 2018, Pakistan's first film and broadcasting policy was framed by the Ministry of Information, Broadcasting, National History and Literary Heritage. The policy proposes fiscal incentives, regulatory framework, and production designs of cinema and TV to facilitate cinema and drama production in Pakistan.
- The role of government must go beyond announcing Pakistan's first film and cultural policy in which allocation of funds for film studios and filmmaking academy is guaranteed. It is also important to see the outcome of exempting duty on the importation of film equipment and sales tax on films. Hence, more granular research is needed to reflect on the impact of governmental film and cultural policy.

³ <http://uis.unesco.org/en/country/pk?theme=culture>

21.5. Under-Developed Real Estate Industry in Pakistan

Preamble

- Real Estate Development is an important part of economic activity and wealth creation the world over.
- Real estate is a huge market in every country. More millionaires were being made by real estate till 1980. Real estate activity drives the GDP of a country, especially in its early stages of growth, and provides ample employment opportunities.

Speakers

Muhammad Ejaz, CEO, Arif Habib
Dolmen REIT Management Ltd.

Adil Kamal, Head of Business
Development, Zameen.com.

Rashid Bashir, Managing Director and
Partner, Chohan Estate.

Questions to Ponder

- Pakistan's real estate is fragmented and underdeveloped. Why is real estate development confined to 'plots' and houses in Pakistan?
- What is the regulatory framework for the sector? Is this sector over-regulated or not regulated at all?
- What are the processes that a Real Estate Developer must go through in Pakistan in doing his/her business?
- How does this sector finance itself and why REITs are not common in Pakistan?

Key Messages

- Real estate is a major sector of an economy, like the United States, where the market is around \$30 trillion which is 150 percent of the GDP.
- In contrast, real estate is considered unproductive and a cesspool of black money in Pakistan. Pakistan is often alluded to as Plotistan.
- Pakistani peoples are being brainwashed that real estate is the epicentre of wealth. They should invest in real estate and wait for the astronomical return to materialise.
- In reality, our markets, including the real estate market, do not function well because of inconsistent policies, high transaction costs, and the '*seth*' mentality of the businessmen.
- Mr. Adil from Zameen.com contextualised the high returns associated with the real estate with the historical phenomenon where land was bought at a minimal price by ancestors, which were later sold at huge profits by their next generations. In his view, upward soaring prices of land was a historical trend.
- The real estate market is a cash-based market, and not based on supply and demand. In Pakistan, anyone with cash in hand wants to save that money in the best possible option, and often finds investing in plot as the most profitable. This dilemma exists because of lack of awareness about other investment opportunities like the stock market.

- Mr. Rashid Bashir highlighted the unskillfulness of the real estate agents by emphasising the lack of training and guidelines for the realtors. The realtors don't have knowledge about the residential and the commercial area bylaws, which creates problems for the investors and buyers equally. It is essential to train realtors before they step into this profession, the way it happens in developed countries.
- There is no mechanism for pricing the real estate market. In the 21st century, we are still following medieval pricing mechanisms where price is set by the Deputy Commissioner office called DC Rate. Mr. Bashir quoted an example where a plot in Karachi is worth around Rs. 28 Billion and the price which is given by the Deputy Commissioner office is Rs. 0.2 million which is astonishing. This difference between the market rate and DC rate provides an avenue to whiten the black money.
- Pakistan, with a burgeoning population has an unmet demand for land/plots. A deeper issue plaguing the sector is the complex land ownership structure. Mr. Adil identified uncertainties on account of clear land titling as a major hurdle in development of the real estate market.
- Development authorities across the country have different procedures. Cantonment areas have different rules and regulations for purchase of land. Civic authorities have a different system altogether. A person interested in buying land has to obtain an allotment letter issued by the Divisional Authority. The process can take ages due to the outdated system of the 'Patwari' who keeps the land records in books. Since all the land records in Pakistan are not computerised, manual checking of records is a tedious and time-consuming process. Once, the record is checked, the next step is to get NOC from the courts to make sure there is no case filed against that land, which then allows the prospective buyer to purchase a piece of land.
- Another problem with the real estate market in Pakistan is that it predominantly builds single-family houses. Investment in vertical housing is little, which has led to an extreme shortage of affordable housing. The "Naya Pakistan Housing Package" has incentivised vertical buildings. It remains to be seen how it pans out in the near future.
- Former Chairman FBR, Mr. Shabbar Zaidi pointed out that a large portion of our economy is undocumented, and these undocumented taxpayers are the potential buyers/investors of high-end commercial property, but due to undeclared income, they do not participate in the healthy real estate market.
- Mr. Shabbar Zaidi elucidated the mechanised mafia systems which never let the system to digitise the real estate market. We will not have a healthy and prosperous market unless and until we eliminate the registry system. The government has spent billions of funds to digitise the system but could not succeed due to the mafias.
- On licensing of realtors, it was mentioned that there is no licensing system from the government side in America. There is a self-licensing mechanism in the brokerage market. Companies like Zillow serve the full lifecycle of owning and living in a home: buying, selling, renting, financing, remodelling and more.

Zillow has a living database of more than 110 million U.S. homes – including homes for sale, homes for rent and homes not currently on the market, as well as estimated home values, rent estimates, and other home-related information. Why can't we have such a system in Pakistan?

The next part of the discussion was regarding the formal Mortgage sector. Where is the banking sector which caters to genuine buyer and what about the mortgage finances?

- Interesting data was shared by Zameen.com that they tried to be a catalyst between potential buyers/customers and the bank. Initially, they referred 19,000 potential cases to banks that were interested in mortgaging their properties, out of which 6,400 files were qualified but eventually only 1 file was granted loan for the housing finance. These laws and regulations are so harsh and strict, which monstrously margin out the end user who ultimately changes his or her preferences at the end.
- The mortgage financing to GDP ratio in Pakistan is only 0.5 percent, which is 4 percent in the neighbouring countries, and is highest in India where it stands at 10 percent. This low percentage is because nowhere in the world housing finance is done by the commercial banks, which is the case in Pakistan. House Building Finance Corporation (HBFC) is a specialised unit which deals with mortgage finance in Pakistan but is working sub-par as compared to its counterpart in India.

When discussing the black money parked in the real-estate sector some important points were made.

- One way to improve land utilisation is that if a person is holding a land and no construction or productive work had taken place in two or three years, a channel should be set in motion so that he should be liable to sell that land or start some productive work on it which will help to maintain the supply side.
- Offline payment systems are missing in Pakistan mortgage financing, which means if apartments or flats planned to be built in a certain area, our banks show no interest in financing such projects until some real construction takes place.
- The question of 100 million worth of buildings was put in front of the speakers. Why does Pakistan not have a building worth \$100 million?
- The speakers opined that we cannot have high-worth buildings in Pakistan unless we have confidence in policies, regulations, and the businesses which can absorb such investment. The dilemma with the real estate market in Pakistan is that due to cumbersome laws, the land developers hesitate from investing in large commercial buildings like Burj Khalifa. There is little demand for such projects and hence no development. For example, the Coke factory is set up in a house, our schools and offices are in houses, they do not demand modern setups. In this scenario, how can buildings be built?
- Shifting from a 'plot market' to real estate development lies with the government. They have to intervene and facilitate the market. Like in Morocco,

the city of Casablanca was expanding like Lahore. To control the horizontal expansion, the government incentivised the builders by reducing the taxes on vertical construction so much so that vertical construction started on every main avenue to curb the demand for space.

- Thinking that we can grow without a real estate market is a big myth and Pakistan has been living with myths for the past 50, 60 years. Real estate will always be there because people need to live and work and that needs spaces. The problem with our society is that we don't have space for offices, houses, schools, clinics and so and so forth.
- We build our offices, schools, clinics in houses because our planning system has failed. Regulation is the problem, not the market.

The important points highlighted in the webinar are that the 'Patwar' system should be abolished, DC rate should be abolished too. Let the market set the price. The role of commercial banks should be limited in mortgage financing and institutes like HBFC should be revived and incentivised for mortgage loans and a stimulus package for housing finance. The builder should invest 30 to 40 percent of his money in the project which will guarantee the success of the project.

Prepared by

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Chapter 22: International Relations

22.1 Decolonising the Discourse in International Relations

22.1. Decolonising the Discourse in International Relations

Preamble

Islamabad Policy Research Institute (IPRI) organised a webinar on “Decolonising the Discourse in International Relations”. Usama Zamani started the discussion by saying that for many decades now the decolonised world has been decolonised in form nevertheless it still remains to be colonised in substance. To this end, it is important to discuss prospects of decolonisation of narratives. International relations as a discipline also remain dominated by discourse shaped primarily by western experience and intellectual ideas.

Speakers

Dr. Erik Ringmar, Professor, Ibn Haldun University, Istanbul, Turkey.

Dr. Nadeem Ul Haq, VC, PIDE.

Raymond O. Baidoo, Research Analyst on Decolonisation, Nigeria.

Dr. Aisha Ahmad, Research Student on Interdisciplinary Investigations of Law in Global South, Oxford University

Key Messages

Dr. Erik Ringmar

The process of decolonisation has been incomplete, yet something remains to be done because independence is gained on western terms and this will always be problematic. If you make yourself independent on someone else’s terms, you will never truly be free.

- There was a western bias built into the post-colonial world from the very beginning. So, once independence is gained on European terms then whatever you will do always just reinforce the logic of dependency. The model of a sovereign European state has been very badly applied outside Europe, in some cases, it worked out but in many cases it didn’t.
- Nationalist leaders were granted independence by the European colonial powers under a deal, the deal was that they were supposed to create something European but they never really managed to do this. Instead, they got control over considerable economic, political and military resources which resulted in corruption, civil wars and incompetent state. The game was set up in such a way that non-European newly independent countries could never win.
- Political systems in most parts of the non-colonial world were functioning on basically two levels: a local level and a universal level. When a colonial state comes in, it rejects the local and universal rather it inserts itself in between the two levels by calling themselves sovereign and by demanding complete obedience.
- Europe is not an example of a sovereign state rather it is an example of a failed state, it is very obvious from the European experience of the World War I and II. Then in the 80s and 90s, they realised that they can’t be an actor in global politics unless they pooled their resources and sovereignty to combat global problems and issues.

- The speaker suggests that we need to use the force of globalisation in a post-colonial setting in such a way that we can get away from the trap set by European colonial powers, and also we can come back to a more traditional, local and universal level as well as in accordance with the forces of globalisation.

Dr. Nadeem Ul Haque

- Per capita income from the year 1500 onwards shows great divergence, that is, Britain and Europe took off whereas China, India and all others remain behind. Where did Europe take off? They took a leap into the dark, they put their faith into entrepreneurship and innovation. There was nobody to tell them that they can't do that but they actually took the risk.
- The lesson to be learned from Europe is, what actually matters is innovation and also the ability to set up competitive markets. There are a lot of things that developing countries like Pakistan cannot do with aid because we remain too busy copying. We are told that a foreign consultant will come and tell us what to do; the role of the government here is to serve the foreign company instead of developing a good legal framework, as we have ADB and WB which give us laws.
- The aid which we get is not much, it is only 7 to 10 percent of our government expenditures. The aid industry comprises 34 bilateral donors and 33 multilateral donors which means 67 officers in Islamabad and they are running 2000 projects. They have got NGOs and consultants around them. On the other hand, the Planning Commission of Pakistan doesn't have the budget to hire a single consultant. It is a myth that funds come to Pakistan's government— in fact we receive 30 to 40 cents of a dollar while their contractors take rest of 60 to 70 cents.
- Instead of thinking about growth and employment, we go to the IMF and consider it as our success. Our ministers and governor of the central bank relieve themselves of any responsibility of taking decisions considering it easy to say that IMF did this. But what is the result of this intervention? Our long run growth rate, productivity and investment are coming down despite the huge aid that we have got.
- Our narrative is the Haq/HAG model (Mehbob ul Haq and its Harvard Advisory Group) given in 1960. Model was to do more brick and mortar and chase aid. We are still using that model; we haven't changed or rethought because we are too busy in doing our foreign policy, economic diplomacy and to look for money in order to build roads and metros and all this is done without worrying about productivity.
- Economic narrative in the world has changed as Paul Romer said that simple hardware is no longer important for development rather it is the software (ideas) that matters more. Ideas will lead to development but we can't have ideas because we are busy copying the donors instead of doing innovations.
- If we do not start thinking for ourselves and we cannot have a narrative of our own, then by definition, we are still living in a colonial state.

Raymond O. Baidoo

- The exploration and innovation brought the European to the bank of Africa and other parts of the world, initially for trade then colonialism then independence and now neocolonialism. So, the question is what are the manifestations of it in Africa? First manifestation is the partitioning of the continent without regard for the ethnic differences, religious differences and their historical experiences. This has led to very weak states because different ethnic groups don't see themselves as one so they lack the legitimacy to be a state ultimately they can't carry out the obligations of the state. For example, collection of tax, a lot of African states do not have the capacity to levy tax and to execute those tax levies on citizens.
- Another manifestation is putting in place structures to usher in neo-colonialism. Colonialism was put in place for a reason, the paramount reason was economics. The European being intelligent people have discovered that if we put in place structures that will ensure the economic dependence of these colonies for a very long time, they have to be economically dependent on us and we have to continue tapping the resources. So, what did they do? They put minorities of Africa in positions of power and then the majority will be discriminated against. When colonial masters left the majority in these states wanted to take over power and tried to pay back all the years of inequalities and discrimination. So how can you develop and how can you build a state if you are in a constant state of conflict?
- Colonial masters left behind commodity export dependent economies, they didn't build industries in Africa rather they export raw material from here to their industries in Europe and America. There was no transfer of knowledge and technology.
- Speaker believes that Africa is not still actually independent rather it is independently dependent. So very important is that Africans must pursue knowledge and in fact knowledge should be glorified.

End Remarks

Developing world including Pakistan and Africa need not to imitate the development models of the so called European sovereign states rather for the purpose of development, there is a need to be completely decolonised and to use the force of globalisation in a post-colonial setting in such a way to get away from the trap set by European colonial powers. They should have their own economic narrative based on ideas and innovations. There is a dire need to pursue knowledge and peace in order to progress in real terms.

Chapter 23: Book Launch

23.1 Uncivil City: Ecology, Equity and the Commons in Delhi

23.2 The Politics of the Misgoverned

23.3 Why has China Grown So Fast for So Long?

23.1. Uncivil City: Ecology, Equity and the Commons in Delhi

Perspective on how Delhi is captured and run against the commons

This book is about a set of common threats cities are facing in South Asia. An incident took place in January, 1995 when a young boy was beaten to death by the elite residents of Ashok Vihar while defecating in the park. His death was the culmination of a long-standing battle between two different sets of residents serving different purposes.

Speakers

Amita Baviska

Professor of Environmental Studies and Sociology & Anthropology, Ashoka University and Institute of Economic Growth, Delhi, India.

Two sets of processes unfold as a result of this incident, each one extraordinarily powerful, to remake the urban landscape of Delhi at the turn of the century. Firstly, the Supreme Court of India ordered the closing of all polluting and nonconforming industries in cities, throwing out of work 2 million workers employed in 100000 industrial units. Secondly, Delhi High Court's ordered removal and relocation of Jhuggi settlement on public land, an order that would lead to the demolition of Jhuggi and displacement of 3 million people. These processes were setting motion by public interest litigation, environmentalists and consumer rights groups. This led to an emerging social power which is termed is **Bourgeois Environmentalism**.

Bourgeois Environmentalism, which emerged as an organised power, is a set of cultural sensibility that drives collective action in pursuit of urban order, safety, and health. Looking at the history of urban planning in Delhi, it was found that segregation was a product of deliberate design meant to be benevolent, its inherent biases lead to perverse outcomes. This special segregation created a special apartheid imagination. The majority of well-off Delhi citizens ignored a large chunk of the population living in Jhuggi who are in contact with this segment of society on a daily basis. Delhi's urban upper class remained socially incurious and especially oblivious to where and how the working-class is living unless they were obtruded by the working class.

Although citizens share problems, there was no working-class movement in Delhi and the most vulnerable section of the society was voiceless in decision making and they were vilified and victimised by the proposed solution. Those who were the best place to address ecological issues, the upper class, were blind by their privilege, unable to acknowledge their complicity in creating a mess that they were in.

How cities can create the ecological capacity to sustain a life worth living has become critical. The majority of the world population is living in cities, campaigns, and discussion around city planning are little aware of ecological issues and justice.

This book tells us about how the city has changed and where might its future lie?

Delhi was meant to be a planned city, where state monopoly over the regulation of space was meant to promote the public interest. An enlightened state would guide urban growth moulding it to the ideals of a modern city. These ambitions about special land social order were thwarted by internal conflicts that subverted state capacity and the shared complexity of the modern world.

Slums have emerged not as a violation of the masterplan but as an inevitable outcome. Despite this paradox, an idea of a planned city still prevails, and it provides a fertile ground for people's aspirations as well as for the structural violence that poor people and migrants experience in the city.

Bourgeois environmentalists approach the court to seek decisive action and impose special order that they think is important for their social wellbeing while the government officials use the plan as a weapon that empowers to extract rents and displace people. Instead of being a forceful good, the plan has reproduced privileges of existing social elite as well as the vulnerability of migrant worker's labour, workers specifically poor. Looking at the bourgeois environmentalist discourse around water and air pollution has evoked the idea of public interest and persuaded courts to shut down factories as well as firms and streets of Delhi.

A series of sweeping court orders have ended Delhi's industrial life. Liberalisation has opened up the prospects of lands to be converted into real estates. Large manufacturers have benefited by redeveloping land available by the closure of industries, but small firms could not survive. Neither the court action nor the processes of political bargaining have served to secure environmental goals. What they have achieved is the surge of distress for industrial workers who have lost their jobs and were not being able to represent their interests at the court level. Seeking what is good for Delhi in a manner that silenced the substantial portion of the city's underclass, bourgeois environmentalists have added epistemic violence to the structural violence of the masterplan. Part of the city commons air water and streets embodied a form of shared urban living that includes everything. The idea of the aspiring world-class city which Delhi has tried to be in the last 25 years has tried to get rid of anachronistic elements, like rickshaw, and cows. Environmental bourgeois initiatives have tried to create an urban border with the help of courts which have come unstuck because of the failure of courts or elites to understand the interdependence of the city. For example, a cycle-rickshaw is important for travel within short distances at economical rates. Initiatives to get rid of cows, cycles, rickshaws, and street vendors none of them serve either ecological or social justices, these actions come from social elites who tend to ignore their consumerist lifestyle and toxic enchantment for personal vehicles which has disproportionately contributed to pollution. The conflicting and contradictory interest and actions that result in an unruly republic of the street is unjust.

How do we acknowledge the presence of non-living human beings in the city?

The neglected Yamuna River populated by lower-income groups came into the value of the real state economy in the late 1990s. Once a part of cities commons become commodified and enclosed excluding those who deserve them the most making a place of capital accumulation. Other than campaigns from farmers, the major challenge to the kind of commodification and transformation comes from the river from periodic flooding and powerful pulses. So nature is active and powerful is the agent is setting conditions for what cities can be and how they work.

There are contrasting and yet convergent voices on the urban environment and how Bourgeois Environmentalist discourse might be replaced by other plans of nature such as the working class.

People (elite) approach courts to avoid messy political processes of dealing with municipal counsellors and coming together with people socially beneath them. Judicial activism has the problem that its actual outcomes have never matched its intentions. It penalised the wrong people who are poor and push environmental problems somewhere else. None of these court orders have created long-term administrative capacity and accountability and they don't substitute for difficult work of understanding the dynamics of urban life but also shaping them through a democratic procedure.

What are other options that can improve cities ecologically sustainable and socially just?

If the way of going through the judicial channel is flawed so is the faith in the administrative place. The alternative that people think of is smart cities' mission. A smart city is an ambiguous term as analysts think that making cities smart seems to cheaply focus on improving efficiency not rather on equity by employing corporate consultants to offer solutions based on Information technology. These measures are heavily weighted towards securitisation and surveillance of the population and design to sideline the questions of democratic accountability. They need closer and critical scrutiny as it offers opportunities in terms of new apps, design, and CCTV cameras but potentially ignores the idea of the urban environment.

How are cities organised and run?

When the government of newly independent nation-states imported models of urban design from affluent industrial countries, they failed to accommodate local, political, economic, and cultural forms. This mismatch between the organic urban settlement and the imposed model of imported modern cities has led to the proliferation of unintended cities. People who are left out of city plans have made their settlement with available modest resources. These informal dwellings are affordable, and accommodative for common people according to their needs and working conditions. They embodied ingenuity and entrepreneurial energy. They take away control over land and housing from a state into the poor. They are only handicapped by the fact they are illegal settlements. If formal and legal recognition is given, such places can be bases for the democratic process of city-making from the bottom.

The government should support such an effort of self-provisioning trusting innate abilities to devise a solution that works best for them. Legalising such a settlement would remove the stigma of criminality and the burden of uncertainty for the working class to live under. But such a reprieve runs the risk of consigning a city's working-class into second class citizens. There is a double standard at work when some people enjoy good neighbourhoods and advocate the perpetuation of substandard dwellings in the name of poor peoples' rights.

Advocacy of informality also ignores an ecological vision that respects basic principles and obligations to future generations and other living beings applies. It requires rigorous debate and sustained collaboration between different citizens and experts, administrators to move cities towards environmental sustainability.

Environment and environmental issues require enabling rules and regulations along with experience and expertise to champion social justice in the present yet doing so without sacrificing the causes of those without a voice. This claim of speaking for a future generation has so far been provocative of bourgeois environmentalists who stood by and shrugged at the denial of rights displacement of poor people. Taking away from them that privilege of speaking for the future and nature can only be done by news alliances. It requires a challenging range of social relations, respecting the cultural logic of informality, and recognising housing rights.

Environmental justice requires a more expansive and inclusive process of decision-making which the ground of housing doesn't guarantee. Neither populist policies nor authoritarian dictators have served the cause of ecological justice. A new conversation about the commons-based on the core criteria of citizenship and civility is required.

Citizenship, where the working class has used informal ways of city-making, are keenly aware that informal ways are no substitute to substantiate form of citizenship. People do not want to stay below the radar of state surveillance. They strive to recognise and invest a lot to obtain the legal title and formal document to prove the identity that allows them to enter civil society. The realisation of being deprived of citizenship is a form of discursive disenfranchisement. Priorities and concerns of the working-class are left out and are regarded as illegal by those in power to determine what citizenship should be.

Civility is most of the urban struggle is around citizenship rights as promised by the constitution and supposed to be provided by the state. The state has consistently let down poorer citizens when it comes to securing those rights. Efforts and initiative are needed to transform liberal values in Indian society, how caste and class continue to permeate in the society is the issue of civility. The promise of equality and justice is considered to be intrinsic to the urban form. The texture of everyday life woven out of an encounter with strangers and interdependency with those different from oneself was supposed to generate new solidarity based on a shared experience of being city dwellers.

Ironically, modern cities that were meant to foster freedom from ascribed identities and facilitate new forms of association have grown into Ghetto's re-inscribing caste relation, violently excluding the poor, powerless, and stigmatised.

We can move towards greater civility through mutual respect, reciprocity, neighborliness, and bring about radical change by being aligned with democratic principles. In the uncivil city, the commons can be a model and metaphor for creating a shared space for politics to be open and accommodating to the needy and the vulnerable, to stand fast against the bullying of bureaucrats and encroachment of their businesses, to believe in the value of something that grows when it share and to keep alive the hope that city making can be based on social and ecological justice.

23.2. The Politics of the Misgoverned

Overview of the Book by Dr. Azhar Hassan Nadeem

This book offers a comprehensive analysis of the state of political institutions, the military establishment, and political parties in Pakistan. It provides a nuanced understanding of the practices of disenfranchisement by theocratic governments in the country which has relegated the people to the margins of their society. The main ideas presented by the author are as follows:

Speakers

Dr. Azhar Hassan Nadeem

Former Inspector General, Punjab Police, Pakistan

Discussant

Dr. Iftikhar Ahmed, Assistant Professor, PIDE

Fahd Zulfiqar, Lecturer, PIDE

- Two theories on the inclusive institution by Douglass North and Acemoglu and James Robinson provide the theoretical framework for the book. Douglass North addressed why the same strategies fail in certain countries and succeed in others? It is because economic reforms are not in accordance with the social and cultural fabric of society and there is a lack of equitable law implementation. Thus, trying to bring reforms without changing other parameters results in failure. Acemoglu and Robinson in their theory on why nations fail also presented that the economies which have inclusive institutions are likely to grow in a sustainable manner. On the other hand, the economies that have extractive institutions, lag behind.
- The volume provides an in-depth account of the political history of Pakistan, focusing not only on national politics and foreign policy, but also on their congruence with subnational systems of governance, the criminal justice system, bureaucracy, the electoral system, and the police. It discusses challenging issues plaguing the country such as the continued dominance of the military, lagging economic development, lack of accountability within political institutions, sectarianism, and terrorism.
- Social, political, and economic scenes left polluted due to Extractive institutions. There are no inclusive institutions. Increase in opportunities in the recent past but still, Pakistan ranked in top ten lawless countries of the world. The superior judiciary, criminal administration system, political parties, civil & military bureaucracy, local government, and civil society failed to play their role in determining citizen-state relations especially through 1999-2017.
- Pakistan requires a complete overhaul of its social contract. A new social contract and institutional reinvigoration are needed. A new narrative with equal contribution from all people on the land of Pakistan, without discrimination, in economic, cultural, social, and political development will make a truly inclusive society.
- The supremacy of law and the constitution above all state institutions. The executive, judiciary & military establishment remain within the constitution.

Human and civil rights, the sovereignty of representative institutions, civil-military, judiciary-executive relations will have to be corrected. But leaders will not be immune from the law.

- The education system needs to be remodelled as a source of cohesion, development, and growth. The same syllabus for all needs to be introduced. Unity, social justice, cooperation, and respect need to be promoted instead of discrimination based on religion, culture, and ethnic considerations.

Discussant Remarks

Dr. Iftikhar Ahmed

- The book is very precise and eloquently addresses the problems of Pakistan. The book summarises different elements from the history of Pakistan which makes it difficult to govern. It is a good collection of different events. The author discusses all the important players in power and their interplay as well. It tells the reader why and how we landed in our current situation.
- The first chapter discusses how political incompetence paved the way for military rule. The irony is that the same events are happening today after 73 years which shows the incompetence of political parties to solve their differences through dialogue. Further, the differences which should be people-centric are also confusing in the present situation.
- The second chapter presents a great synthesis of theory and events happening in Pakistan. Every critical event is accounted for and thus hurdles to growth are acknowledged. It explains how markets and governance are rigged and rolled back for marginal personal gains of the ruling elite.
- It's unfortunate that we still have a glimpse of incompetence like untargeted subsidies, overvalued currency, ill-planned market interventions, nepotism, and mistargeted spending priorities.
- Another chapter through the judiciary, criminal justices also highlights all the important junctions. Although, it misses many important events which panelist refers to blunders by judiciary like the mishandling of Zulfiqar Ali Bhutto's case, and how matters of purely economic nature like sugar case, Reko diq case are taken to court through extra-judicial manner.
- The book however ignored individuals who grew greater than institutions by fair or unfair means. Then the book also misses the way politicians educate the masses. Lastly, the general public's apathy is also untouched.

Fahd Zulfiqar

- The book is quite relevant for all the disciplines of social sciences. The book rightly highlights the pluralistic legal system. Although, the author mentioned the need for an inclusive institution, the manner in which it can be done is critical even among the conventional school of thought in economics. Further, it seems that the critical academic aspect of civil societies is missing which

includes the conditionality and agendas imposed by foreign donors. Lastly, the kind of social contract mentioned by the author seems skeptical.

Conclusion

There is a dire need to enhance national dialogue to educate the masses as Dr. Azhar's book has offered the opportunity to understand the political aspect of the fragility of our economy.

Prepared by

Nafisa Riaz, PhD Scholar PIDE

23.3. Why has China Grown So Fast for So Long?

Preamble

The webinar is about the fascinating history of China. Immediately after the Second World War, China's life expectancy dropped dramatically and the streets were full of corpses. Resultantly, China lost massive human capital that was an essential ingredient of economic development and growth. However, in the late 1940s and mid-1970s, they invested enormously in health, education, research & development, and judicial system, to do reforms for strengthening the state and rule of law that led the foundations of China's development and growth.

Furthermore, whole system is based on transformation of people rather than policies. They facilitate their people particularly in doing business, but, unfortunately, in case of Pakistan, government is overregulated at all levels (federal, provincial, and local) instead of playing the role of facilitator. If we look at the statistics in the late 1970s, their growth rate was 9 to 10 percent per annum, which was the highest in the world. Besides, their share in global trade shows an increasing trend from the last couple of decades. That is a fascinating process of China's expansion in terms of economic development and growth. This webinar enlightens us about the rationales of China's sustained economic growth from the last thirty years.

Author/Keynote Speaker

Dr. Khalid Malik, Founder and Co-chair of the Global Sustainability Forum, Rome, Italy

Discussant

Saeed Afridi, International Relations, Security & Energy Scholar with a focus on Central Asia

Fascinating Facts about China

- Chinese development policies are run by engineers. They look at how much labour is coming into the market and how many jobs they have to create to keep them employed to overcome the fear of instability.
- China is doing well to tackle the problem of poverty. Due to their vigilance, the poverty rate dropped dramatically from 20 to 15 percent in 1984, and currently, it is only 0.5 percent. According to statistics, only thirty million people are poor but they are rapidly changing the scenario by throwing money at it.
- In the early 19th century, China was producing one-third of the world's output and in Mao's period, China's share in global output reduced by 5 percent.
- In all states, governors and vice governors are responsible for all kinds of development plans. Furthermore, they have a grip on all types of economic statistics and encourage the participation of the general public if it is related to development.
- Appreciably, they have developed a poverty reduction centre to facilitate the poor people. This is one of the showcases of China to mesmerise the world to think about this kind of initiative. Undoubtedly, these are eminently replicable things.

- Furthermore, they have clarity in terms of role and responsibilities. For instance, if an organ of the state is responsible for the implementation of the State's agenda, then the organ only acts as an implementer. They are not allowed to interfere in policy making. However, glaringly, in Pakistan, we do not have clarity in policy making and implementation. Our policies are made poorly and are inconsistent.
- Last but not least, they focused on industrialisation from the 1950s and they developed one of the most productive industrial sectors around the globe. Moreover, they introduced one market mechanism in China: one market, one product. Most importantly, they developed independent SEZs to give a boost to the economy.

How is Transformation Happening in China?

China faced a downturn for a long period, and therefore, every citizen must be an active contributor to the prosperity of China in any means. In addition to the above mentioned fact, Chinese governments did extensive reforms in all sectors of the economy that now gave them a competitive edge over the countries.

- At the time of reforms, they realised and believed that development is not a short-term phenomenon rather it is the transformation that required at least 20 to 30 years. To do reforms, Gan Shi Ping follows the foundations developed by Mao by utilising methods of modernisation. This was one of the initial efforts made by the Chinese people to bring long-term development by reforms.
- Pragmatic gradualism which allowed a process to take time for transformation because they have to go deep down which cannot happen overnight. To continue the growth process, China had never undertaken macro policies but they always experiment with the values.
- To meet the requirements of the modern age and transforming economy, the Chinese government restructured their bureaucracy. Several mayors and section officers were changed to their incompetency. This institutionalisation changes open new horizons of prosperity.
- Finally and yet most importantly, they connected every region across the country. At first, they linked the agriculture sector through a wide spread of roads that connected the people and agriculturists to the market efficiently. In other words, they developed and modernised their agricultural sector to accumulate economic development and growth. Moreover, the government motivated the people to invest in capital investment: public infrastructure by giving them incentives. Similarly, they encouraged private and domestic investment that stimulated their development, now, if we look at statistics, nearly 70 percent of the growth is led by the private-owned firms, and the Chinese economy is two-thirds of the private sector and they operate in the alignment of State's mission.

How Did it Happen?

When it comes to the question how did it happen? The answer is only the seriousness of real development and growth. Initially, they focused only to increase the

economic growth rate but later on, they worked extensively on other dimensions of development: education, health, service delivery by public servants, and so on. They accomplished all this by doing extensive reforms particularly in financial sectors and civil services. They developed comprehensive performance evaluation mechanisms especially for civil servants to improve the governers standards that ultimately boost the economy.

Time to Learn from China

As far as Pakistan is concerned, we should learn from the Chinese as they transformed their economy and burnt the candles at both ends to achieve this status.

We should develop key performance indicators (KPIs) for every sector of the economy to track the activities. We should introduce performance-based promotions rather than on the basis of years of experience. Moreover, the following measures could also be considered by the stakeholders:

- As the capabilities are the roots of the development. Therefore, initiating social policies such as education and health along with economic policies could help us to boost economic development and growth. Also, there could be free entry and exit in the market for every person.
- For efficient service delivery, we must do civil services reforms as the Chinese did. However, it is holistic and decades are required to show results but for the sake of prosperity, it is compulsory.
- Unfortunately, our current leading mindset is hawkish and media attention seeker. Therefore, to achieve sustained growth to develop a learning mindset and competitive ecosystem is the need of the hour.

Chapter 24: Miscellaneous Issues

- 24.1 Prime Minister's Construction Package
- 24.2 10th National Finance Commission Award Improving Lives of Citizens and Strengthening the Federation
- 24.3 Public Procurement Regimes in Pakistan
- 24.4 Experience of Prof. Gustav F. Papanek in Pakistan

24.1. Prime Minister’s Construction Package

Key Messages

- Defining the construction industry, the panelists agreed on the broader definition of construction that recently assumed in media and policy circles. The construction industry, as per participants, must include the simultaneous planning of non-constructed amenities including having public spaces.

Speakers

Dr. Noman Ahmad, Academic Urban Planner

Abdul Hafeez Sheikh Pasha, Bismillah Group

Wasim Hayat Bajwa, Director General of Federal Government Housing Authority

- Dr. Noman Ahmad, an academic urban planner from Karachi, noted that the package clearly lacked the ideas about geographic spread as a result of construction. He further warned against the auxiliary concentration in 10 large cities having more than 54 percent of the urban population of the country. Abdul Hafeez Sheikh Pasha of Bismillah Group welcomed the announcement with careful anecdote that the package is a ‘time bomb’, and most projects shall not be completed in the discounted time by 2022. He also emphasised the need of installing loan packages by financial institutions for daily-wage workers of industry through their contractors as custodians.
- The Director General of Federal Government Housing authority, Wasim Hayat Bajwa clarified that, through its various initiatives, the Naya Pakistan Housing Authority is open to collaborations such as to provide land for construction; get land from private partners for construction and building its own projects.
- The fixed taxation regime shall encourage the investors to invest in the construction industry with per square feet tax-surcharge and withholding taxes only for the large corporations or suppliers including that of steel. However, the double tier taxation regime of provincial ticketing and federal taxation must be addressed as to bring clarity to developers.
- The participants however dismayed over the timeframe needed to get the necessary approvals and preparedness of FBR to green-signal the investments.
- With respect to the efficiency of the package, the participants raised the pertinent question of construction value chain; the extent to which the effects of this package be rippled into affiliate industries.
- Dr. Nadeem Ul Haq, VC, PIDE opined that we are in desperate need to deregulate the construction industry, along with reducing the number of regulatory authorities which impeded ease-of-doing business. Dr. Haq further added that there is obfuscation in the commercial usage of resident properties and vice-versa.
- Like most markets in Pakistan, archaic regulations have seldom been reviewed while PIDE has long maintained that we need to re-imagine our markets. The

construction industry is a very good example of how a leading sector is destroyed by excessive regulation. PIDE has also argued (and in 2011, the Planning Commission accepted this argument in FEG) that the path to high sustainable growth has to include a period of building in Pakistani cities. And this building has to be complex construction within cities not sprawl.

- To make this happen, several ideas that we have examined and proposed are:
 - (a) Make cities cohesive and defined. The promise of local government eludes us. But even with local government, we have to ensure that cities have coherent jurisdictions and even defined areas. Lahore, for example, is divided into almost 5 overlapping jurisdictions (CHECK) and Karachi into 7 (CHECK). Moreover, there are no defined city limits and mere plot making stretches cities in strange directions.
 - (b) Flat is the unit of living in large cities: Whereas in all large cities, the unit of living is a flat, in most of our cities (except perhaps Karachi) planners are holding on to the notion of a single-family home with a garden to be the norm. Surprisingly, these planners remain unaware that with city sizes running into millions, the poor cannot be accommodated in such single-family homes. It is for this reason that they developed a social housing program for the poor in the rural areas around Lahore (Ashaina). The same mistake is now being made in the NPHA.
 - (c) Density gradients: Let city centres densify through development of flat living in high (10 or more floors) or midrise (less than 10 floors) buildings. And allow for mixed use there. Density gradually reduces as distance from city centres.
 - (d) Deregulation of cities: It should be emphasised that contrary to popular belief, the planner has no tools to develop clarity on where and what to build. Worldwide, people are moving away from rigid planning of cities that is happening in Pakistan. More and more cities are now developing loose guidelines that allow markets to take decisions on usage, height and cityscape.
 - (e) Mobile cities with limited cars: If we want serious development and construction, our paradigm on how city mobility has to change. The current paradigm of excluding the poor is based on the use of cars and the paradigm of the suburbia.

24.2. 10th National Finance Commission Award Improving Lives of Citizens and Strengthening the Federation

Introductory Remarks by Dr. Nadeem Ul Haque

- The National Finance Commission (NFC) is a resource-sharing mechanism between the federal government and federating units.
- It was constituted under Article 160(1) of the 1973 Constitution. It is mandatory to constitute and hold the NFC meeting every five consecutive years.
- The purpose of the award is to:
 - (1) Review the collection of revenues by the Centre from provinces.
 - (2) Redistribute vertically between the federal and the provincial governments, as well as horizontally among the provinces.
 - (3) Smooth and equitable fiscal transfers from Centre to provinces that may lead to the development and prosperity of all federating units.

Speakers

Dr. Nasir Iqbal, Associate Professor, PIDE.

Noor ul Haq Baloch, Finance Secretary, Balochistan.

Amer Zafar Durrani President, Reenergia.

Ali Khizar, group Head, Business Recorder.

Hasan Khawar, KPK SEED, Team Leader.

Jawad Majid, Member Advisory Board, CGSS.

Key Messages

- (1) One of the panelists argued that over the time, the divisible pool has expanded due to heavy reliance on indirect taxes as well as improvement in the collection. The population is the sole distribution criteria, adopted in all NFC awards from the divisible pool. That has raised friction among the provinces, necessitating the inclusion of other potential variables.
- (2) Other participants termed the NFC Award the most progressive in the history of the country.
- (3) On the contrary, another expert termed it a political award and backed his argument by giving the rationale that during the last two military regimes of Ziaul Haq and Pervez Musharraf, no NFC award was successful. In the Zia era, two attempts were made in 1979 and 1985, but they remained inconclusive. Similarly, Musharraf era awards of 2000 and 2005 were also inconclusive.
- (4) In 2010, a democratic government succeeded in reconstituting and formulating the 7th NFC award acknowledging the demands of the smaller provinces for the first time in the history of the country.
- (5) Ali Khizar argued that the current rift between the Sindh government and the federal government is also being attributed to the NFC Award and 18th Amendment. The Centre wants the provinces to contribute from their share for federal expenses.

- (6) Moreover, the federal government heavily relies on budget deficits, which means burgeoning debts and further pushing the economy into shambles. The situation is already exacerbated by low revenue collection and thus the pie is shrinking day by day.
- (7) Panelists raised some core questions which needs to be addressed like:
- Is the demand of the federal government justifiable?
 - Is the federal government biting off more than it can chew?
 - Will this award be able to see the light of the day or its fate will be similar to the previous 6 awards?
- (8) The answer is no, the federal government has still not abolished the different ministries which fall in the domain of provincial governments like health, education, environment, tourism, development, irrigation and public welfare.

Concluding Remarks

- If the federal government wants to make the 10th NFC award a success, then it has to switch off its political mode and follow the true spirit and principle of federation.
- It has to reduce its unnecessary expenses and cut its coat according to its cloth, otherwise, it will crumble under the weight of its own extravagance.
- There should always be a room for negotiation and various options should be taken into consideration before finalising this award as we have not reached the point of no return. Sane decisions will create a win-win situation for both center and provinces, remaining adamant will push both to further financial mess.

24.3. Public Procurement Regimes in Pakistan

Preamble

Government procurement or public procurement is the procurement of goods, services and works on behalf of public authority such as government or government agency. Here, authority means the public procurement regulatory authority established under section 3.

“Goods” means articles and objects of every kind and description including raw materials, products, equipment, machinery, spares and commodities in any form and includes services incidental to installation. Transport maintenance and similar obligations related to the supply of goods if the value of these services does not exceed the value of such goods.

One other concept that is used here is “misprocurement” that means public procurement in contravention of any provision of this ordinance, any rules regulations, orders or instructions made there under or any other law in respect of, or relating to, public procurement.

Government procurements accounts for a substantial part of the economy globally as well as Pakistan; the United Nations sustainable development goal is for “responsible consumption and production” states in targets 12.7 as “promote public procurement practices that are sustainable, in accordance with national policies and priorities.”

Speakers

Dr. Waqar Masood Khan, Former Federal Secretary for Finance Division

Dr. Junaid Alam Memon, Assistant Professor, PIDE.

Key Objective of Webinar

- What is the Public Procurement Regulatory Authority (PPRA)?
- Why is PPRA important?
- What are the reasons and role of PPRA?

Key Messages

- General financial rules were applied to all types of procurement before procurement regimes and those rules were segregated and complex. People do not have the information on the rules, it was a time when it was easy to make reforms.
- PPRA rules were made after the two years of the PPRA ordinance 2002. These rules were made so that other countries would understand that Pakistan has well-defined procurement regimes. Moreover, interestingly, people always talk about PPRA rules not law.
- Disappointedly, after 2004 no change was made in PPRA rules until now. However, on many occasions the need for changes was felt as in the previous webinar Ms. Hina Rabani Khar argued that our procurement regimes destroyed our procurement.

- Moving to the next point, if anyone tries to create an encumbrance in the sense that if you do not, it is considered an offense. Therefore, this law does not have an offense.
- One of the key issues is that the main procurement regime is not defined not even in the principles. Besides, there is no connection between the parent law and the rules. They defined corrupt and fraudulent practices. Moreover, there is no use of the entire set of rules. There is an inconsistent framework in the rules.
- Courts have held that miss procurement is an offense punishable under NAB laws and corrupt practices laws of FIA. Thus, this creates uncertainty on the part of those engaging in procuring. As we all know that nowadays everyone is afraid of becoming part of procurement.
- Finally and yet most importantly, the public accounts committee is a watchdog to monitor and evaluate this whole business. Moreover, under this regime, every procurement is subject to audit.

Observations of the Discussant

The discussant has made the following observations:

- (1) It does not address what and when there is a single bid. As internationally, there are good practices for a single bid.
- (2) There would be absolutely no negotiations with the winner. However, there are occasions when we depart from this principle and give it to the winner.
- (3) The government makes procurements and such procurements are approved at the level of the Economic Coordination Committee (ECC), for instance. As the framework allows only up to 10 percent of the quantity that has been purchased to be additionally procured within the limits. This is one of the areas where conditions could be imposed, for example, three months period for 10 percent, 2 months for 20 percent, and so on.

24.4. Experience of Prof. Gustav F. Papanek in Pakistan

This webinar was organised to learn about the experience of Prof. Papanek in Pakistan and how does he see the evolution of policy in Pakistan. Prof. Papanek influenced Pakistan enormously. He was born in Vienna, Austria and completed his PhD from Harvard University. After doing his PhD, he joined the US army and spent two years as a soldier voluntarily. Thenceforth, he joined the US Department of Agriculture. After serving in the agriculture department, he joined the aid program as Chief Economist for Asia and spent two years in the aid program. These two years were the wonderful time of his life. Later, Republican Party came into power and fired all the staff and argued that the state department is full of communists and incompetence. This is how Professor Papanek lost his job. At that time, he was the father of two kids having no job. Then he went to Harvard University and asked them to help him. Surprisingly, at that moment, Harvard University was putting together an advisory board for Pakistan and offered him to join the team. This is how the journey of Prof. Gustav F. Papanek began in Pakistan.

Key Messages

- The situation of Pakistan was worse and at that time, the manufacturing industry was contributing only 1 percent of the national income and Pakistan was considered a country with peasants and soldiers in 1951. Only one textile industry was in the West Pakistan and three were in East Pakistan.
- He visited India to know how they were doing well and some officials of India told him that Pakistan is going to rejoin India because it was not a viable state with no industry, no bankers and just producing cottons for mills in Ahmedabad, Bombay etc.
- At that time, Pakistan only had one agriculture economist and Pakistan did not have any good statistics on some important issues like they didn't have any figures about the investment rate. However, people of Pakistan have turned out to be very sensible and flexible. Economic incentives were working well and Pakistan had a very small group of merchants mainly trading domestic grains and other staples. Further, everything was imported. Industrial goods were imported from India and Pakistan did not produce any matches, soaps, or kitchen related items.
- The first trade conflict between Pakistan and India was the devaluation of currency. India devalued its currency from 3.3 to 5.2 rupee to the dollar and Pakistan refused to devalue the currency. This is how the trade between Pakistan and India came to a halt and suddenly everything which was imported from India was stopped.
- At that time, Pakistan didn't have enough foreign exchange and it became scarce and was rationed by way of import licenses. So, it became more profitable to produce some of these goods in Pakistan.
- Professor Papanek found a fifty to hundred percent rate of return on producing some of these industrial goods after doing a survey of industrialists.

- After giving high export subsidies, Pakistan became a major player in textiles in the world market. Pakistan achieved really remarkable progress from 1954 to 1965.
- The major and first responsibility of the Harvard Advisory Group was to develop the first five years plan for Pakistan. The major issue was which direction to be opted either the industrial development goal or agriculture. The other issue was the unavailability of data to create a sensible input-output table for planning.
- But by that time, some Pakistani economists came back who knew about the input-output table. This was the latest and most widely discussed innovation in economics. So, at that time the input-output table was the basis of planning.
- Further, Dr. Nadeem Ul Haque added that there was another issue that agriculture was supposed to deliver surplus to be given to the urban sector.

Professor Gustav F. Papanek argued that an open economy might have been better but Pakistan used economic incentives very imaginatively. He concluded that Pakistan succeeded moving from no industry to exporting industry in an extremely short period of time by distorting market incentives and a successful blend of private initiative and government intervention in the economy. That made a real progress in the period of 1954-1965.

Chapter 25: Grand National [Intellectual] Dialogue [for Reforms]

Mosharraf Zaidi, Senior Fellow, Tabadlab.

Osama Siddique, Associate Fellow at IDEAS and the Executive Director of Law & Policy Research Network (LPRN).

Amber Darr, Barrister, Advocate Supreme Court, Senior Research Fellow, UCL, Lecturer, Coventry Law School.

Usman Raza Jolaha, Founder/President, Volunteer Force Pakistan.

Ms. Najma Pirzada, Managing Editor, Global Village Space. Publications

Fahd Hussain, Journalist/Resident Editor, Dawn.

Dr. Erum Haider, Assistant Professor, Political Science and Environmental Studies College of Wooster OH.

Huzaima Bukhari, Advocate High Court and Visiting Faculty at LUMS.

Asad Rahim, Adjunct Faculty, School of Law.

Raza Rumi, Policy Analyst.

Arifa Noor, Journalist.

Farooq Tirmizi, Author, Profit.

Ahmed Bilal Mehboob, President, PILDAT.

Dr. Adnan Rasool, Assistant Professor, Political Science, University of Tennessee-Martin.

Jamila Aslam, Advocate Supreme Court.

Nasim Zehra, Journalist.

Zarar Khuhro, Senior Journalist and Host of *Zara Hut Kay*.

Amer Zafar Durrani, President, Reenergia.

Zaigham Khan, Executive Director, Civic Action Resources.

Omar Quraishi, Journalist and CEO, Positive Media Communications.

Grand National [Intellectual] Dialogue [for Reforms]

Synopsis

PIDE, organised a ‘Grand National Dialogue’ with a diverse group of intellectuals, as it firmly believes that public discourse is essential to democracy and progress. Whereas, progress necessitates continuous reform. However, reform must be informed by research and intellect, in order to harness positive change in real sense.

In Pakistan, calls for such dialogues have most often been followed by politicians gathering together outside the parliament in All-Parties Conferences (APCs) to discuss the maintainable of the status quo rather than the reform and progress.

Why Grand National Dialogue?

PIDE came up with an idea to hold a Grand National Dialogue (GND), spanning over five days, with over 20 leading intellectuals from diverse backgrounds. PIDE hopes that the ideas thrown up here will be heard across the country, including power corridors and policy making domain, through different channels of communication; driving democracy to further improvement.

Consensus

Everyone wants more democracy not less. We need real representation not mere selecting rulers. There must be more debate on what democracy means and how we can make it more meaningful.

Civil-Military Binary—A Distraction?

The civil-military binary is just a small component of overall rusty system. Though, the misguided debate over this issue presents it as the pivot of all the imbroglia the country is faced with. This serves as a distraction from a meaningful discourse for reforms. More and better democracy with better representation, open and more competitive elections, widely distributed power to local governments and professional public service delivery will serve the development of the country and the development of civil-military relations. In other words, if civilian government setup worked as intended, interference by security agencies will be inherently minimised.

PIDE’s Grand National Dialogue (GND) - Key Takeaways

1. Democracy Can be Improved.

- Pakistani democracy is still in its embryonic state.
- Thorough debate is essential on how this democracy is conceived, constructed, implemented and improved.
- Questions were raised during PIDE’s GND on whether repeat elections alone will suffice or whether the system needs fundamental set of comprehensive reforms.
- Letting the system run without wide-ranging reforms means a long wait for positive change with greater possibilities of some misrule.

- Few argued that no country can afford such a long wait; it's time to kick start.
- Some argued that without reform, there would be no change as the current system prevents fresh entry and reinforces rule of the 'electables'.

2. *Perhaps the most important issue on which there was an absolute consensus was that without local government, democracy remains fundamentally incomplete.*

3. *The term 'electables' implies a rotten borough or families in control of a constituency. There is need for constituency and electoral reforms to ensure that elections represent genuine choice. There was a lot of concern on elections which seem to be cornered by 'electables'.*

- It seems certain political families control many important constituencies.
- There are no campaign finance limits to be observed, institutionally limiting entry of those who are not affluent.
- Many, especially the young participants, indicated that the current system is listed against them getting elected.

4. *There was a lot of concern for the continued institutional clash: the executive, the judiciary as well as the establishment, transgressing into each other's territories.*

- Parliament seems to matter only for gaining power. It plays little role in national debate, policy making and legislation. Even the executive prefers ordinances.
- Once the cabinet is set up, parliament serves little role. Even as the institutional clash increases or national issues such as terrorism occur, politicians prefer APCs to an open parliamentary debate. Parliament, therefore, cannot play a mediating or a conflict resolution role.

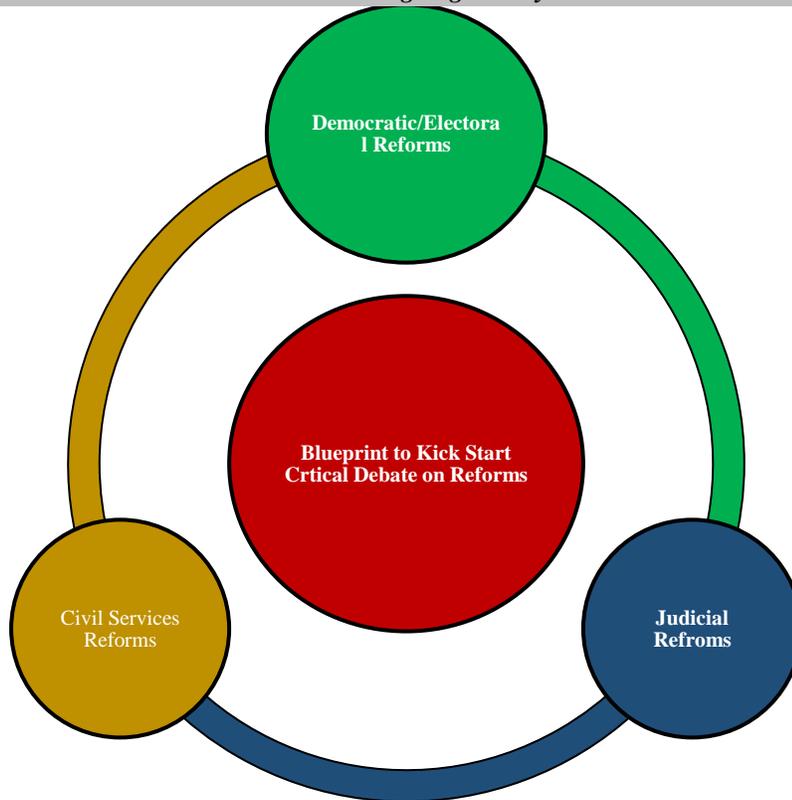
5. *Political parties, organisation, membership and representation was also of great concern.*

- Party leadership seems to be in hands of families with no intra-party democracy.
- Questions were raised on small parties with very limited votes and parliamentary presence.
- Democracy in Pakistan is an elite nexus i.e., economic power translates into political power
- Many argued that meaningful change in the structure requires time and patience. Meanwhile, we should ensure continuation of the electoral process.

• **Institutions Must Adapt to Democracy**

- Institutional change in a captured state has become very difficult. A lot of thought and research is required to feed the debate with a receptive political class to make this reform happen. The colonial system that we inherited: stands midway to the road to reforms and feeds the system's dysfunctions. This sort of systems were setup for centralised colonial extraction and are inimical to democracy, are not compatible with local government and are also not conducive to commerce and economic growth.

- *However, necessary reforms to make the system work takes time, dedication, research and continuous implementation. In an age of global change, reform must be seen to be a continuous ongoing activity.*



PIDE GND's Blueprint for Fundamental Democratic Reforms

1. For complete democracy, local governments must be mainstreamed in the constitution. To make this system work, there has to be a lot of thought and research on the following:

- In framing local government laws, care must be taken to ensure that the system is not captured by the factions, the 'electables' or their families.
- For the local government system to succeed, the centralised colonial civil service structure will need to be reformed, so that the local bureaucracy has the capacity and the resources to run the local government.
- Resource sharing rules that ensure local government independence and delivery capacity need to be clear.

2. Like other countries, we need more and continuous elections, not once every five years to determine how the country is governed at every level. This creates an incentive for executive overreach, which in turn engenders a response from other institutions, leading to the regular breakdowns, we often witness. For this, our panelists recommended the following:

- Senate elections should be direct
- Local governments' elections should be held with a 4-year term
- Terms of national and provincial assemblies should be reduced to 3 or 4 years and their elections should be held separately, so that, some provincial or local election is held every year. More frequency of elections at various levels as well as across levels is needed.
- There is a need to think beyond the "first past the post" system that is now in place, where most majority governments get only 30 percent of the vote. Clearly, there is a need to investigate a hybrid system that requires proportional, tanked choice and runoffs to ensure better understanding the population's 'general will'

3. *Political party reform is also very central to developing a vibrant democracy. Currently, the party personality cults stand for no reform but only for arbitrary claim on government resources.*

- Parties must show a minimum membership in each province to be listed on the ballot.
- Parties must have annual elections for leadership in an open convention where ideas and manifestoes should be openly discussed.
- Parties that get less than 10 percent vote in the previous election should post a deposit to be on ballot. The bond would be that they get 10 percent votes.

4. *Several speakers addressed the imbalance in size of provinces which skews executive incentives in administration. Many reiterated the political proposition that has also been made by several political parties to split our current provinces to small size roughly equal in terms of population of provinces. This of course requires considerable analysis of the constitution, other administrative arrangements as well as finances.*

5. *The importance of term limits was clearly emphasised. Everyone felt that 2 terms in parliament or any position was enough.*

6. *The idea of provincial constitutions was also put forward in order to provide institutional protection to provincial level reforms and policies.*

REFORM IS A MUST

1. Social media and civilian activism can be instrumental in creating pressure groups. Therefore, in Pakistan, social media platforms can be used to engage masses and keep hammering the issues, to bring them on agenda for reforms.
2. Intelligentsia needs to generate dialogue for and about reforms and has to take strong positions. Additionally, there is a need to enhance communication between intelligentsia and policymakers.
3. Media needs to focus on core issues like local governments, administrative divisions and police reforms, instead of discussing political rivalries and trivialities.
4. Reform can be facilitated through educating the masses using various media platforms, so as not to cause panic and avoid misinformation-based fear mongering.

7. Upon questions, the qualifications of elected representatives and ministers was also discussed. Many felt that prior work experience was important and should be mandated.

8. There was a strong feeling that due process had eroded in every area of governance and any reform must try to structure a due process in line with contemporary times.

- Legislation must be clearly well researched and should be openly presented to the public for debate in the form of a white paper. After this, all legislation must happen through an open debate in parliament.
- Law through ordinances must be placed under certain limits if democracy sit to work
- Similarly, cabinet must also establish a process where its non-security related agenda and discussion minutes should be shared with the public.

PIDE's GND Proposes Redesigning Civil Services

To sustain and develop democracy, the civil service has to be redesigned to be a custodian of, and to complement democracy. This will require a lot more discussion and debate that PIDE is trying to create.

- There should be regular performance reviews of departments and the civil servants.
- Provincial and Federal cadres should be separated.
- Service delivery should be improved through specialisation.
- The current high degree of centralisation is hurting the country.

PIDE'S GND Recommendations for Judicial Reforms

Pakistan needs an urgent adoption of legal and judicial reforms which include:

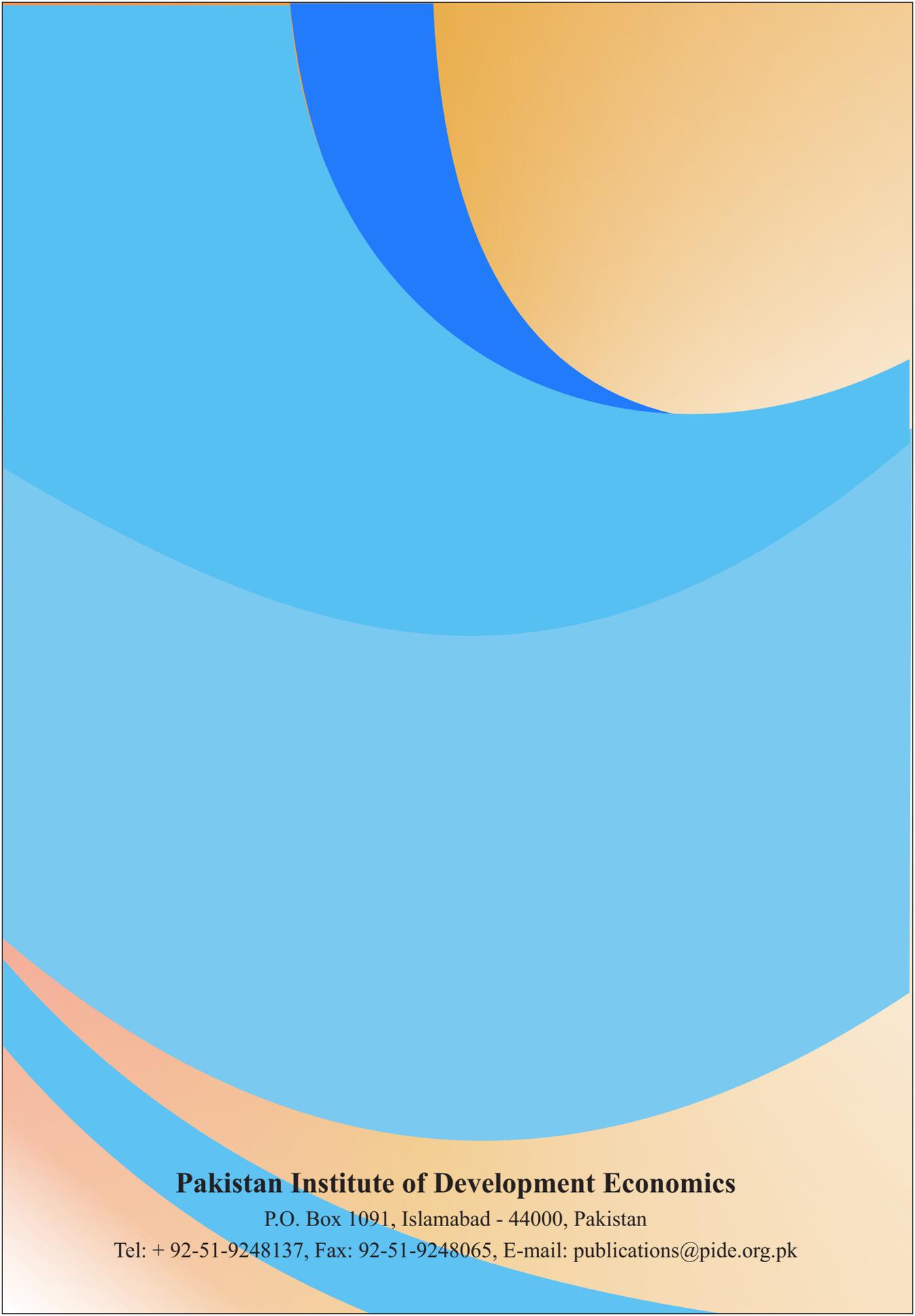
- Clearing the backlog of court cases
- Reforms are needed in lower courts
- Police Force approach has to be swapped by the modern concept of Police Service
- Local courts should be responsible for dealing with majority of cases, with High courts as court of last appeal, leaving the Supreme Court only for deeper constitutional issues of national level interests
- There was a consensus on the need of law to eliminate the ease of obtaining a continuance in litigation to stretch out a dispute
- There was also a consensus on the need to curtail frivolous litigation and the use of courts for gaming transactions and administration

PIDE's Grand National Dialogue (GND) provided a forum to intellectuals to talk about reforms. It ended by conceding that the future lies not in upending the system but in reform to improve and make it better.

We urge the media, our political leaders, and all other segments of our society to listen to these powerful voices of our intelligentsia.

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