



## □ THE NEW PIDE

### 1. New Director

On 14th April 2006, Dr Nadeem Ul Haque took charge of the Institute as Director, PIDE.

Dr Haque comes to PIDE following a strong Economics career and wide-ranging operational experience of 22 years at the IMF. He holds the PhD and Master's degrees in Economics from the University of Chicago, and a BSc (Econ.) from the London School of Economics. His areas of interest include economic analysis and policy development, central banking, monetary policy, public sector reform, and restructuring. His published research includes topics such as governance, corruption, international trade, macroeconomic policies, agriculture taxation, environment, poverty, labour and manpower, income distribution, exchange rates, industrial economics, human resource development, privatisation, fiscal and monetary policies, child labour, inflation, and structural adjustments.

Just prior to his appointment as Director, PIDE, he served as Adviser to the Ministry of Commerce, Government of Pakistan. He also leads now the Pakistan Society of Development Economists, as its President. He has been a visiting professor at Williams College, Massachusetts, USA. A skilled public speaker, he enjoys academic interaction and debate.

### 2. Inaugural Lecture by the Incoming Director

*Beyond Planning and Mercantilism: An Evaluation of Pakistan's Growth Strategy*  
By Dr Nadeem Ul Haque (Director, PIDE)  
Wednesday, 12th April 2006.

The lecture argues that the growth strategy in Pakistan continues to remain production-focused with a mercantilist bias and a domineering role of government. What is missing is an emphasis on markets and commerce. This policy stance has stifled entrepreneurship, impeded social mobility, and contributed to increased rent-seeking. The limited debate on the subject has kept the growth strategy uninformed of the new research on economic growth which argues for the role of government to be the development of growth-promoting institutions of governance.

### 3. PIDE Mission and Vision

PIDE has begun a modernisation project to build on its many achievements. Much internal discussion and advice from experts is being used to develop a new research agenda, a new structure for PIDE, as well as fresh approaches to dissemination and discussion of its research.

This collaborative effort has produced two definitional statements, as follows.

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**PIDE Mission:** “To develop a professional and domestically owned research agenda and dialogue based on global knowledge and standards.”

**PIDE Vision:** “A research institute developing quality research for informed policy development and debate.”

#### 4. PIDE Re-organisation

The restructuring within the Institute has been based on current research themes. There are two Departments underlining research themes for the year 2006, and also six Divisions for sub-themes.

Dr Faiz Bilquees, Joint Director, heads “Institutions, Growth, and Macroeconomics Department,” which includes the following three Divisions.

- Development Strategies and Governance (Chief: Dr Musleh-ud Din);
- Human Capital, Innovation, and Growth (Chief: Dr Zafar Mueen Nasir); and
- Macroeconomics, Banking, and Finance (Chief: Dr Abdul Qayyum).

Dr Naushin Mahmood, Joint Director, heads “Markets and Society Department,” which includes the following three Divisions:

- Industrial Organisation, Markets, and Regulation (Chief: Dr Ejaz Ghani);
- Agricultural Production, Markets, and Institutions (Chief: Dr Munir Ahmad); and
- Population and Social Dynamics (Chief: Dr Soofia Mumtaz).

## ❑ PUBLICATIONS

**Latest Issues of *The Pakistan Development Review*** 44:1 (Spring 2005) and 44:2 (Summer 2005) have been published.

The contents of the recent *PDR* issues are:

1. “Health-seeking Behaviour of Women Reporting Symptoms of Reproductive Tract Infections” by Durr-e-Nayab (*PDR*, 44:1);
2. “In Search of Poverty Predictors: The Case of Urban and Rural Pakistan” by Haroon Jamal (*PDR*, 44:1);
3. “An Analysis of Occupational Choice in Pakistan: A Multinomial Approach” by Zafar Mueen Nasir (*PDR*, 44:1);
4. “Do the Poor Benefit from Public Spending? A Look at the Evidence” by John Gafar (*PDR*, 44:1);
5. “P-Star Model: A Leading Indicator of Inflation for Pakistan” by Abdul Qayyum and Faiz Bilquees (*PDR*, 44:2);
6. “Reproductive Tract Infections among Women in Pakistan: An Urban Case Study” by Durr-e-Nayab (*PDR*, 44:2);
7. “The Primary Sectors of the Economy and the Dutch Disease in Nigeria” by J. O. Olusi and M. A. Olagunju (*PDR*, 44:2);
8. “Real Exchange Rate, Exports, and Imports Movements: A Trivariate Analysis” by Muhammad Ali Kemal and Usman Qadir (*PDR*, 44:2);
9. “The Northern Immigration Policy in a North-South Economy Model” by Taro Abe (*PDR*, 44:2).

### PIDE Working Papers

#### 1. *PIDE Working Paper 2006:1*

“Remittances, Trade Liberalisation, and Poverty in Pakistan: The Role of Excluded Variables in Poverty Change Analysis” by Rizwana Siddiqui and A. R. Kemal.

This study attempts to assess the impact of two shocks—trade liberalisation and a decline in remittances from abroad—on poverty in Pakistan using a CGE framework. It is found that tariff reduction in the absence of a decline in remittances reduces poverty, as measured by the

head count, poverty gap, and severity ratios (FGT indicators) in both the rural and urban areas of Pakistan. In terms of welfare, all households appear to gain. The results show that the gain in welfare is larger for urban households than for rural households. In addition, poverty decreased by a larger percentage in urban households than in rural households. Therefore it is concluded that trade liberalisation reduces the gap between urban and rural households.

In a second set of experiments, it was found that trade liberalisation in the presence of a decline in remittances reduces welfare in urban households, but rural households still show an increase over the base year. According to all FGT indicators, poverty increases in urban households but not in rural households. The combined shock is more harmful to households in the urban areas than to households in the rural areas. However, this welfare gain and reduction in poverty level in rural households is less than the welfare gain and poverty reduction in the presence of trade liberalisation only. Aggregate statistics show that the negative impact of remittance decline dominates the positive impact of trade liberalisation in urban areas. On the other hand, in the case of rural areas, the positive impact of trade liberalisation dominates the negative impact of a decline in remittances. It shows that the decline in remittance inflows is a major contributory factor in explaining the increase in poverty in Pakistan.

## **2. PIDE Working Paper 2006:2**

“Poverty-reducing or Poverty-inducing? A CGE-based Analysis of Foreign Capital Inflows in Pakistan” by Rizwana Siddiqui and A. R. Kemal.

Foreign capital inflows (FKI) help an economy by financing the imbalance between income and expenditure. However, their impact on poverty in the recipient economy is a

controversial issue. This study examines the impact on poverty in two different scenarios: (1) labour is homogeneous; (2) labour is heterogeneous. The Computable General Equilibrium model for Pakistan is used to conduct simulations in order to assess the impact of an increase in foreign capital on poverty both in the presence and the absence of trade liberalisation. Several interesting results. First, FKI tends to reduce poverty in the presence as well as the absence of trade liberalisation when labour is homogeneous. However, poverty reduction appears to be larger in the presence of trade liberalisation. Second, when labour is differentiated according to qualification and is assumed to be sector-specific, in the absence of trade liberalisation a higher proportion of benefits of FKI accrue to skilled labour and poverty increases by all measures for both urban and rural households. In the presence of trade liberalisation, FKI benefits unskilled labour more, and poverty is decreased irrespective of the choice of poverty indicators.

## **WORKSHOPS AND CONFERENCES**

### **1. Round-table Discussion on Civil Service Reform**

On Saturday, 27th May, 2006, PIDE organised the “Round-table Discussion on Civil Service Reform” at Royal Palm Country Club, Lahore. This discussion was part of PIDE’s new initiative on developing governance reform. Through efforts such as this, PIDE hopes to develop a major conference on governance in January 2007. In this effort, key civil society organisations, important thinkers, and influential people, not to forget economists, will all be involved. PIDE is making it a country-wide effort.

The purpose of this round-table discussion was to identify research issues in this area that PIDE and other researchers could follow.

Although several committees have been formed for public sector reform, it remains an area of limited research and one that PIDE has not been involved in before. In the 1980s and 1990s, many countries (e.g., USA, UK, New Zealand, Australia, and Malaysia, among others) conducted reform of their public services. Pakistan is lagging behind. The participants of the round-table discussion were a combination of senior bureaucrats, young civil servants, researchers, and academics. This was the first conference of a series planned on governance issues.

At the end of the consultative process, Dr Nadeem Ul Haque (Director, PIDE) identified the following areas which could shape the research agenda in this area:

1. the role of government;
2. the efficiency of government;
3. the incentives in HR management;
4. the legislation and regulatory framework;
5. the organisation of civil services.

A detailed report is being prepared on the papers and proceedings of this conference and it will be published by PIDE at a later stage.

## **2. Workshop on Rural Service Delivery**

PIDE, in partnership with Innovative Development Strategies and The World Bank (Islamabad Office), organised a workshop on “Rural Service Delivery” on Tuesday, 30th May, 2006, in the Seminar Hall, PIDE, Islamabad.

Several representatives of the Government and the private sector from across the country, including representatives from the National Reconstruction Bureau, Devolution Trust for Community Empowerment, UNDP, SRSP, World Bank (Islamabad Office), PIDE, Innovative Development Strategies, and Local Government participated in this Workshop.

The objective of the workshop was to share findings of two studies that deal with the assessment of local government in Pakistan. These are the studies on Rural Service Delivery and part of the larger study on Rural Growth and Poverty Reduction and a separate study on Citizen Community Boards (CCBs).

The Rural Service Delivery study was presented by Dr Muhammad Khan Niazi (Director, Innovative Development Strategies) and Dr Nuzhat Ahmed (Director, AERC, University of Karachi). The broader study task, managed by Dr Paul Dorosh of the World Bank, Washington, DC office, provides analytical support towards operationalising a rural development strategy for Pakistan through a systematic review of key aspects of the rural economy and rural poverty, and an evaluation of policy and programme options, including those currently in place. As part of this broader study, the service delivery study was explicitly designed to explore how to substantially increase delivery of basic rural services and infrastructure. The work focused on key institutional issues at the local government and community levels, including inter-governmental relations (rules, fiscal resource flows, etc.), instruments of accountability, and interactions between local government and communities. Specific recommendations have been made in the process.

The CCBs study was presented by Ms Shandana Khan (Chief Executive Officer, RSPN). The broad objective of the CCBs study was to analyse how various community-based approaches/programmes can be taken to scale within the CCBs and local government framework. In order to do so, the study assesses in detail (a) the CCBs concept and implementation to date, and (b) proposes modifications to the concept and the procedures and laws related to it. The aim is to improve voice, accountability, and transparency in the CCBs and the local government framework.

Speaking on the occasion, Dr Nadeem Ul Haque (Director, PIDE) highlighted the importance of clearly knowing what constitutes rural space, especially in the light of the Local Government Ordinance 2001, which obliterated the distinction between urban and rural areas. He also stressed the need for a more rigorous evaluation of ongoing programmes for better policy insight.

#### ❑ NURTURING MINDS—PIDE SEMINARS

The Pakistan Institute of Development Economics has initiated a seminar series to give impetus to development discourse and stimulate intellectual thought.

##### **Seminar 2006:1** *Complexity.*

By Dr Jaffer Syed (Stanford University)  
Wednesday, 19th April, 2006.

Dr Jaffer Syed discussed an emergent approach to studying complex systems. Recent advances in computing have provided tools for the understanding of complex systems; we now have the ability to move beyond the Newtonian (mechanistic and reductionist) paradigm and to view such systems as interactions of many interdependent agents. Therefore, we may explore the underlying principles, structures, and dynamics of complex physical, biological, and social systems. The talk introduced the concepts, vocabulary, and approaches that are being used in this emerging field.

##### **Seminar 2006:2** *Conduct of Monetary Policy.*

By Mr Sakib Sherani (Head, Economics Unit, ABN Amro Bank, Pakistan)  
Wednesday, 26th April 2006.

Mr Sherani, in his presentation, reviewed economic and monetary conditions since 2001 and explored the current policy settings (especially the monetary stance of SBP) and the disconnect with present conditions. The talk broadly examined the role of the central bank

(CB) in the formulation and conduct of monetary policy (issues and potential responses) and posed key questions: (1) Should a central bank pursue a single objective or is plurality acceptable (or even perhaps desirable)? (2) How can a CB stave off fiscal domination (or reduce its influence)? (3) Should a CB respond to exogenous shocks, such as global oil price increases? (4) Should a CB worry about asset market “bubbles”? The main speaker and the audience tried some answers as well.

##### **Seminar 2006:3** *Underground Economy and Tax Evasion in Pakistan: A Critical Evaluation.*

By Mr M. Ali Kemal (Research Economist, PIDE)  
Wednesday, 03rd May, 2006.

The seminar was based on Mr Ali Kemal’s research report that deals with the estimation of the underground economy and tax evasion. Though many authors have worked on the issue, Mr Kemal uses Tanzi’s methodology of estimating the underground economy and tax evasion as he believes that other methodologies are not appropriately applicable to the Pakistani context.

##### **Seminar 2006:4** *Technology-based Industrial Vision and Strategy for Pakistan’s Socio-economic Development—The Chemical Sector.*

By Dr Ejaz Ghani (Senior Research Economist, PIDE)  
Thursday, 04th May, 2006.

Dr Ghani’s talk was based on his chapter written on the chemical process industry in the recent book entitled *Technology-based Industrial Vision and Strategy for Pakistan’s Socio-economic Development*. He reviewed the current status of the petrochemicals, as well as that of inorganic chemicals, in Pakistan and highlighted areas for the development of a chemical processing industry in the country.

##### **Seminar 2006:5** *Technology-based Industrial Vision and Strategy for Pakistan’s Socio-economic Development—The Textile Sector.*

By Dr Musleh-ud Din (Chief of Research, PIDE)  
Friday, 05th May, 2006.

Dr Musleh-ud Din's talk was based on his chapter written on the textile industry in the recent book entitled *Technology-based Industrial Vision and Strategy for Pakistan's Socio-economic Development*. The seminar highlighted the issues and challenges in the textiles sector and spelled out an action plan to facilitate the transformation of the textiles sector into a strong, dynamic, and internationally competitive industry.

**Seminar 2006:6** *Technology-based Industrial Vision and Strategy for Pakistan's Socio-economic Development—The Engineering Sector*.  
By Dr Zafar Mueen Nasir (Chief of Research, PIDE)  
Friday, 05th May, 2006.

Dr Nasir's talk was based on his chapter written on the engineering goods industry in the recent book entitled *Technology-based Industrial Vision and Strategy for Pakistan's Socio-economic Development*. The seminar highlighted the issues and challenges in the engineering goods sector and proposed its development as an internationally competitive industry.

**Seminar 2006:7** *Globalisation and Its Implications for Poverty in Pakistan*.  
By Dr Sohail Jehangir Malik (Chairman, Innovative Development Strategies)  
Wednesday, 10th May, 2006.

The seminar was based on a review of international evidence to highlight the fact that globalisation produces both winners and losers. It was considered important to have a government policy which facilitated the winners and protected the losers.

**Seminar 2006:8** *Judicial Systems in Pakistan*.  
By Ms Foqia Khan (PhD Student, SOAS, University of London)

Wednesday, 17th May, 2006.

Ms Foqia Khan discussed the judiciary in Pakistan with a focus on the gaps and issues in the system. Her talk also highlighted the various features of the judicial reforms and identified the areas and possible solutions that could improve the Pakistani judicial system.

**Seminar 2006:9** *Land Laws in Pakistan*.  
By Mr Munir Malik (Lawyer)  
Wednesday, 24th May, 2006.

Mr Munir Malik's talk addressed the issues relating to land laws in Pakistan. The objective was to highlight the problems in respect of title, transfer, possession, and management of lands. Above all, the problems caused by different entities like trusts, co-operatives, partnerships, or societies that are allowed to own and develop land under the current law. The Government of Pakistan has a certain vision of development and has announced a housing policy. The seminar looked at how and where the legislative structure on the title and transfer of land is inconsistent with that policy and development view.

**Seminar 2006:10** *Investment Process in Pakistani Capital Markets*.  
By Mr Imran Kamal (Chartered Financial Analyst)  
Thursday, 25th May, 2006.

Mr Imran Kamal's presentation covered the various statistics of our capital markets (both current and retrospective), shedding light on specific investment methods.

**Seminar 2006:11** *The Dynamics of Electoral Politics in Pakistan*.  
By Professor Muhammad Waseem (Chairman, Department of International Relations, Quaid-i-Azam University)  
Wednesday, 31st May, 2006.

Professor Waseem's talk focused on the civilianising nature of the 2002 elections in the

context of the transition from military to civilian rule. In this regard, he sought to highlight the relevance of the nature of the legislature, election system, public policy, political parties, electoral reform, patterns of leadership, and electoral cleavages.

## ❑ VISITORS

### 1. Shahid Javed Burki

(Former Finance Minister of Pakistan)

On Wednesday, 22nd March, 2006, Shahid Javed Burki visited PIDE and gave a lecture on the “Economy of Pakistan: Past, Present, and Future”. He shared his experiences and ideas about the structural nature of the economy and the state of public policy.

### 2. Shantayanan Devarajan

(Chief Economist, South Asia Region, The World Bank, Washington, DC)

On Tuesday, 9th May, 2006, Shantayanan Devarajan visited PIDE and gave a talk on his study based on “South Asian Surprises”. His findings related mainly to India, Bangladesh, Sri Lanka, and Nepal.

### 3. Tariq Hasan

(Former Chairman, SECP)

On Monday, 22nd May, 2006, Tariq Hasan visited PIDE and met the Director and senior staff members of PIDE.

### 4. Ali Raza

(President, National Bank of Pakistan)

On Wednesday, 02nd June, 2006, Mr Ali Raza visited PIDE and gave a talk on the “Banking System of Pakistan”. His talk focused on the history of the banking and financial sector in Pakistan. He elaborated on his experience, ideas, and contributions in reviving the National Bank of Pakistan.

## ❑ PIDE IN THE NEWS

“Checking the Exchequer” by Dr Nadeem Ul Haque appeared in *The Nation: Money Plus*, 22nd May, 2006, pp. 13-16.

“Where Do Policy Ideas Come from in Poor Countries?” by Dr Nadeem Ul Haque appeared in *Business Recorder*, 29th May, 2006, p. 16.

## ❑ TRAINING PROGRAMME AT PIDE

The Training Division of PIDE has announced its new Training Programme for the year 2006-07. The courses offered will include the following:

1. Effective Communication Skills  
June 12-17, 2006
2. Gender Mainstreaming in Planning and Development Division & Department  
{Senior Mid-level Advisory Staff Training (T1)}  
June 19-20, 2006
3. Gender Mainstreaming in Planning and Development Division & Department  
{Officers Dealing with Basic-level Project Proposals/Programme (T2)}  
June 26-30, 2006
4. Gender Mainstreaming in Planning and Development Division & Department  
{Officers Dealing with Basic-level Project Proposals/Programme (T2)}  
August 21-25, 2006
5. Logical Framework Analysis (LFA)  
September 04-09, 2006
6. Gender Mainstreaming in Planning and Development Division & Department  
{Senior Mid-level Advisory Staff Training (T1)}  
September 17-18, 2006
7. Macro-economic Planning and Management (MPM)  
November 13-25, 2006

8. Gender Mainstreaming in Planning and Development Division & Department {Officers Dealing with Basic-level Project Proposals/Programme (T2)}  
November 28-December 02, 2006
9. Gender Mainstreaming in Planning and Development Division & Department {Officers Dealing with Basic-level Project Proposals/Programme (T2)}  
January 08-12, 2007
10. Project Monitoring and Evaluation  
February 05-18, 2007
11. Gender Mainstreaming in Planning and Development Division & Department {Officers Dealing with Basic-level Project Proposals/Programme (T2)}  
March 05-10, 2007
12. Project Preparation and Appraisal (PPA)  
April 02-15, 2007
13. Effective Communication Skills  
May 07-12, 2007
8. District-level Variations in Access to Population and Health Services in Pakistan.  
Naushin Mahmood
9. Impact of Budget Speech on Stock Market Returns.  
Hasan Muhammad Mohsin and Abdul Qayyum
10. Poverty Reduction Strategies: The Role of Micro Credit in Realising Income Opportunities.  
Faheem Jehangir, Aman Ullah, and Gertrude Buchenrieder
11. Institutions and Economic Role.  
Karim Khan
12. Impact of Exports Financing and Rebates on Exports of Pakistan.  
Nadeem Ul Haque and Muhammad Ali Kemal
13. *Badla* Financing.  
Abdul Qayyum
14. Myths and Realities of Long-run Development.  
Lubna Hasan

#### ▣ ONGOING RESEARCH

1. Executive Wage Premia.  
Zafar Mueen Nasir
2. Commercialisation of Land Property.  
Nadeem Ul Haque, Omer Siddique, Saba Anwar
3. Impact of Infrastructure Private Investment on Macroeconomic Variables.  
Afia Malik
4. Factors Influencing National Health Care: Differentials in Rural and Urban Pakistan.  
Naushin Mahmood and Saima Bashir
5. Gender Dimensions of the Impact of Economic Reforms. (GTAP Meeting, 15-18 June, 2006)  
Rizwana Siddiqui
6. Nominal and Effective Rate of Protection in Pakistan: A Tariff-based Analysis.  
Nadeem Ul Haque and Rizwana Siddiqui
7. Civil Servant Salary Structure.  
Faiz Bilquees

15. Evaluation of Crop Maximisation. (FAO Study)  
Munir Ahmad and Muhammad Iqbal
16. Evaluation of Food Security. (FAO Study)  
Munir Ahmad and Muhammad Iqbal

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