

# PIDE Focus



A Quarterly Newsletter of the Pakistan Institute of Development Economics, Islamabad

## ❑ PIDE LAUNCHES DEGREE PROGRAMMES

The Pakistan Institute of Development Economics (PIDE) is an autonomous research institute, established in 1957. It conducts theoretical and empirical research in economics and related social sciences. Since the year 2000, PIDE has also been admitting students to its PhD Programme in Economics. It is now a federally chartered degree-awarding institute and has recently launched six new degree programmes, including the MSc in Economics, MSc in Econometrics and MSc in Statistics, MSc in Population Studies, MBA, MPhil in Economics, and PhD in Economics.



At PIDE, academic endeavours are supported by the most up-to-date research facilities and equipment which contributes to the excellence sought, and seeks to provide an unparalleled educational experience for you. After becoming a federally chartered degree-awarding institute, PIDE now has four academic departments:

- Department of Economics
- Department of Econometrics and Statistics
- Department of Population Sciences
- Department of Business Studies



The PIDE Degree Programme envisages ensuring exposure to a wide range of interpretive and analytical approaches within the extensive series of disciplines in economics and other social sciences. While aiming for the

highest standards of independent judgement, PIDE Degree Programmes seek to make the work practical and relevant to the real world. Entrance tests will be held on July 29th, 2007 followed by interviews of short-listed candidates on July 31st, 2007. The first academic session of PIDE will start in early September 2007.

## ❑ PIDE CELEBRATING 50<sup>TH</sup> ANNIVERSARY

The current year brings in more challenges and responsibilities as the 50th Anniversary of PIDE is coming closer. PIDE is a premier economic research institute in Pakistan and has travelled a long way to date.

PIDE envisages celebrating its 50<sup>th</sup> Anniversary (1957–2007) and in this regard, a four-member committee has been formed to arrange programmes to celebrate this historic event. The committee is led by Dr G. M. Arif (Chairman) with Dr Durr-e-Nayab, Ms Lubna Hasan, and Mr Faheem Jehangir Khan as its members.



## ❑ PIDE LEADS RePEc RANKINGS IN PAKISTAN

As of June 2007, PIDE has been ranked 1st by the RePEc, among the research institutions of Pakistan.

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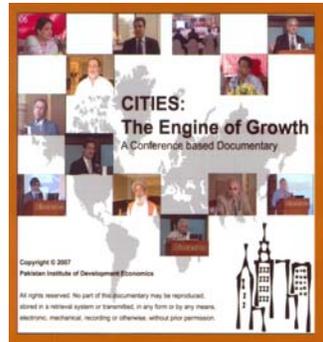
- ❑ PIDE Launches Degree Programme
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Furthermore, three of the top five authors in Pakistan also belong to PIDE. These authors are Dr Nadeem Ul Haque (Vice-Chancellor, PIDE), Dr Musleh-ud Din (Dean, Faculty of Economics) and Dr Abdul Qayyum (Head, Department of Econometrics and Statistics).

For more details, please visit <http://ideas.repec.org/top/top.pakistan.html>

#### ❑ CITIES DOCUMENTARY AT THE PDF 2007

On Thursday, April 26, 2007, PIDE's conference-based documentary on 'Cities: The Engine of Growth' was presented at the Pakistan Development Forum (PDF) 2007 during the session 'Cities and Growth'. The session was chaired by Dr Ishrat Husain, Chairman, National Commission for Government Reforms. The aim of the documentary is to convey messages to policy-makers, practitioners, district / tehsil administrations, civil servants, business community and academicians.



Pakistan Development Forum is an annual event hosted by the Economic Affairs Division in coordination with the World Bank. PDF is a unique opportunity for the Government of Pakistan to share with its development partners, its policies, reform agenda and initiatives in areas such as poverty alleviation, human resource development, governance and infrastructure development etc. PDF 2007 was held during April 25–27, 2007, at Convention Centre, Islamabad.

The documentary is a product of the Pakistan Institute of Development Economics, and was sponsored by the National Reconstruction Bureau. Dr Durr-e-Nayab led the project while Mr Faheem Jehangir Khan directed the screenplay.

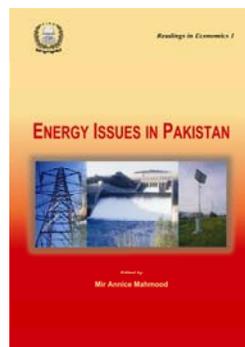
#### ❑ RESEARCH SPOTLIGHT

##### Readings in Economics 1: Energy Issues in Pakistan

Edited by Mir Annice Mahmood

*Energy Issues in Pakistan* is the first in a series of edited books being planned to be brought out in the coming months by the PIDE. All the articles reproduced in this book were initially published in various issues of *The Pakistan Development Review (PDR)*.

The articles in this edited book would enhance understanding about the dynamics of the



energy sector in Pakistan. The book is divided into six parts, each dealing with a separate issue relating to energy in Pakistan. These six areas of interest are: privatisation/efficiency in the power sector; the demand for energy, the role that energy plays in economic growth; rural electrification; independent power producers; energy policy and alternative and renewable energy.

It envisages providing food for thought in the future so that scholars are pointed in the relevant directions to conduct their research.

##### Pakistan 25 Years Hence—A Vision

by Nadeem Ul Haque

'Pakistan 25 Years Hence—A Vision' is a brief document that starts by defining a vision and then proceeds to give some characteristics a conscious Pakistani citizen and an economist would like to see in the coming 25 years. Various issues that the country has been facing since birth have been highlighted and numerous reforms are suggested in the document. These include: making cities of development; a secular Pakistan; and reforms related to welfare, human development and social capital. The Urdu version of the document 'Pakistan 25 Saal Baad—Aik Vision' is also available.

##### Trade Related Challenges Facing Exporters in Pakistan

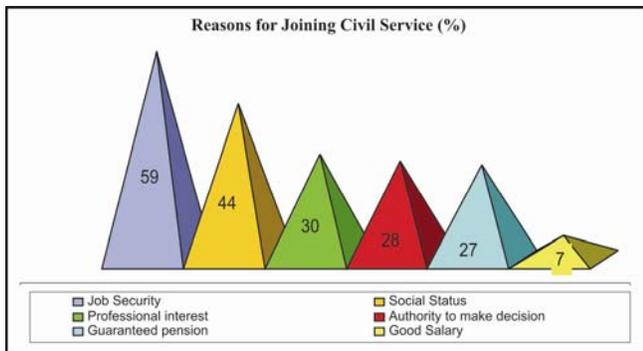
The UNIDO report of the survey entitled *Trade Related Challenges Facing Exporters in Pakistan* was launched in collaboration with the UNIDO and FPCCI, on Wednesday, April 25th, 2007, at the P-Block Auditorium, Planning Commission, Pak Secretariat in Islamabad.

The report analyses the exporting behaviour of firms and the challenges pertaining to supply side, standards capacity and trading policy. It then provides possible options to alleviate them. The report will be utilized to provide guidance in developing policy and capacity improvement strategies on how best Pakistan industrialists and exporters can meet trade restrictions and compliance requirements to address barriers to international trade.

The study was commissioned by the UNIDO to the PIDE in the framework of the EU-funded Trade Related Technical Assistance (TRTA) programme as part of the UNIDO's Technical Cooperation activities in Pakistan.

##### Public Service: Through the Eye of Civil Servants

'Public Service: Through the Eye of Civil Servants' is a part of the PIDE Series on Governance and Institutions. The publication presents a thought-provoking survey-based research analysis on the civil services of Pakistan. In Pakistan, despite various attempts at reforming the civil services the common perception seems to be that the system essentially remains similar to that inherited from the colonial past. Worse still, little is known about the perceptions of civil servants on various issues relating to civil service reforms.

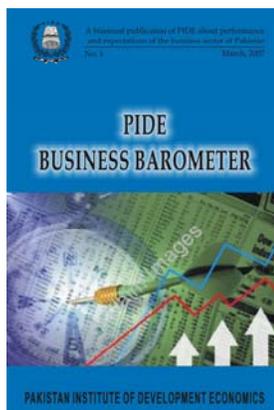


Against this backdrop, PIDE conducted a perception survey of civil servants seeking their views on recruitment, training, performance evaluation, job satisfaction, and relationship with the private sector. This report highlights the key findings of the survey.

### Business Barometer of Pakistan

PIDE has published 'Business Barometer of Pakistan' (BBP); a new parameter for assessment of economic activities in the country, as a new research initiative. BBP initiative would allow for realistic access to market perceptions about the economy and the survey under this initiative would be conducted every six months by June and January each year.

The need for a BBP arose to know the state of economic activity biannually, which will predict and guide for the future economic activities and their direction. The survey is based on firms' assessments of the economy through their own activities. The information regarding production, sales, inventories, prices, wages, employment and investment is gathered for the past six months and also for the coming six months.



All the major sectors like banking sector, textile, sugar, fertiliser, oil and exploration, cement, engineering, automobiles, pharmaceuticals, chemicals, oil and *banaspati ghee*, etc., were included in the survey. The response was satisfactory as ten percent of all the approached firms listed in Security Exchange Commission of Pakistan (SECP) filled in the prescribed forms, which was sufficient to bring out fairly good results.

### PIDE Working Papers 2007: 19 *Trade Liberalisation, Financial Development and Economic Growth*

by Muhammad Arshad Khan and Abdul Qayyum

The paper empirically investigates the impact of trade and financial liberalisation on economic growth in Pakistan using annual observations over the period 1961-2005. The analysis is based on the bound testing approach of cointegration advanced by Pesaran, *et al.* (2001).

The empirical findings suggest that both trade and financial policies play an important role in enhancing economic growth in Pakistan in the long-run. However, the short-run responses of the real deposit rate and trade policy variables are very low, suggesting further acceleration of the reform process. The feedback coefficient suggests a very slow rate of adjustment towards long-run equilibrium. The estimated equation remains stable over the period of study as indicated by CUSUM and CUSUMQ stability tests.

### PIDE Working Papers 2007: 20 *Preference for Public Sector Jobs and Wait Unemployment: A Micro Data Analysis*

by Asma Hyder

The paper exploits responses on the stated preferences for public sector jobs among a sample of unemployed in Pakistan to inform on the existence of public sector job queues. The empirical approach allowed job preference to influence unemployment duration. The potential wage advantage an unemployed individual would enjoy in a public sector job was found to exert no independent influence on the stated preference indicating that fringe benefits and work conditions are perhaps more important considerations. The stated preference for a public sector job was found to be associated with higher uncompleted durations.

The estimated effect suggests that, on average and controlling for education and other characteristics, those unemployed who stated a preference for public sector jobs had higher uncompleted durations of between four and six months. This finding was taken to confirm that there are long queues for public sector jobs in Pakistan.

### PIDE Working Papers 2007: 21 *Awareness and the Demand of Safe Drinking Water Practices*

by Eatnaz Ahmed and Abdul Sattar

The demand for environmental goods is often low in developing countries. The major causes are awareness regarding the contamination of water and poverty, but less attention has been paid to the former reason. We use a household survey from Hyderabad city and estimate the contribution of awareness and income on households' water purification behaviour.

The study finds out that measures of awareness such as different level of schooling of decision-makers and household heads and their exposure to mass media have statistically significant effects on home purification methods for drinking water, while other members of households can effect this behaviour only when they get higher levels of schooling.

**PIDE Working Papers 2007: 22**  
***Determinants of Interest Spread in Pakistan***  
by Idrees Khawaja and Musleh-ud Din

Interest spread of Pakistan's banking industry has been on the rise for the last two years. The increase in interest spread discourages savings and investments on the one hand, and raises concerns on the effectiveness of bank lending channel of monetary policy on the other. This study examines the determinants of interest spread in Pakistan using panel data of 29 banks.

The results show that inelasticity of deposit supply is a major determinant of interest spread whereas industry concentration has no significant influence on interest spread. One reason for inelasticity of deposits supply to the banks is the absence of alternate options for the savers. The ongoing merger wave in the banking industry will further limit the options for the savers. Given the adverse implications of banking mergers for a competitive environment, we argue that to maintain a reasonably competitive environment, merger proposals may be subjected to review by an antitrust authority with the central bank retaining the veto over merger approval.

**PIDE Working Papers 2007: 23**  
***X-efficiency, Scale Economies, Technological Progress and Competition: A Case of Banking Sector in Pakistan***  
by Abdul Qayyum and Sajawal Khan

The study aims at empirical investigation of the x-efficiency, scale economies, and technological progress of commercial banks operating in Pakistan using balance panel data for 29 banks. As banking sector efficiency is considered as a precondition for macroeconomic stability, monetary policy execution, and economic growth. We also make efficiency comparisons between the domestic and foreign banks and big banks.

The results indicate that the domestic banks operating in Pakistan are relatively less efficient than their foreign counterparts for the period 2000-05. The scale economies for small banks, especially foreign banks are higher. Our results suggest the existence of technological progress for all groups of banks for the year 2000 and onward. It was lowest for big banks in 2000 and highest for foreign banks in 2005. Again, technological progress is lower for domestic banks relative to foreign banks.

**PIDE Working Papers 2007: 24**  
***Why Civil Service Reforms Do Not Work***  
by Nadeem Ul Haque

The paper argues that, for a reform effort to succeed, public sector human resource management (HRM) will have to be reformed at an early stage to establish productivity incentives in the public sector. These will include introducing substantial autonomy to organisations in their work, incentive schemes, and HRM along the lines of the now well-accepted concept of central bank independence.

Public sector reform must be based on the recognition that people are at the heart of public service. As a result, managing human resources must be at the centre of any effort. Design and implementation of reforms must, therefore, be sensitive to this important fact. It is essential that the reform is led by individuals at the organisation level who understand the vision as well as process of change. Governments must empower such leadership to guide, initiate, innovate, and manage change.

**PIDE Working Papers 2007: 25**  
***Effectiveness of Regulatory Structure in the Power Sector of Pakistan***  
by Afia Malik

The paper is an attempt to study the regulatory environment in the electricity sector of Pakistan. NEPRA, a regulatory authority was formed in 1997 to protect consumer interests in the area of electricity provision, and to ensure an efficient and competitive environment for the electricity generators and distributors, but it has so far not been able to achieve anything.

The power sector (dominated by WAPDA and KESC) is still affected by institutional and organisational weaknesses, with inefficient and non-optimal tariffs, high line losses, and high level of corruption. It has been found weak administrative governance in NEPRA in the form of lack of autonomy, resulting in the overall institutional inability to carry out the desired functions effectively. In addition, NEPRA lacks in professional expertise to supervise and control the power sector and establish a rational and equitable pricing regime.

**PIDE Working Papers 2007: 26**  
***Impact of Export Subsidies on Pakistan's Export***  
by Nadeem Ul Haque and M. Ali Kemal

Throughout Pakistan's history, policy has sought to promote exports through government support and incentives. The government machinery is geared to export promotion especially through direct and indirect subsidies. Surprisingly, these policies have been continued without serious examination.

The paper makes a first attempt to evaluate these policies by estimating the impact of two such schemes—export financing and rebate/refund schemes—on export performance. Our analysis shows that, over the long run, the export financing scheme had a negative effect on exports while the rebate/refund scheme affected exports insignificantly. Subsidy schemes clearly do not seem to work, yet they have been retained for many years.

**PIDE Working Papers 2007: 27**  
***Efficiency of Large Scale Manufacturing in Pakistan: A Production Frontier Approach***  
by Tariq Mahmood, Ejaz Ghani and Musleh-ud Din

The paper examines the efficiency of the large scale manufacturing sector of Pakistan using the stochastic

production frontier approach. A stochastic production frontier is estimated for two periods—1995-96 and 2000-01—for 101 industries at the 5-digit PSIC.

The results show that there has been some improvement in the efficiency of the large scale manufacturing sector, though the magnitude of improvement remains small. The results are mixed at the disaggregated level: whereas a majority of industrial groups have gained in terms of technical efficiency, some industries have shown deterioration in their efficiency levels.

### **The Pakistan Development Review (PDR)**

The *PDR*, 45:3 (Autumn 2006), was published recently. The contents of the latest *PDR* issue include articles and a special section on “Forum on Trade and Aid”, followed by book reviews.

### **Articles**

1. “A Survey of Proprietorship, Continental Bureaucratic Empires, and the Culture of Power, in South Asian History” by Ilhan Niaz;
2. “Three Attempts at Inflation Forecasting in Pakistan” by Madhavi Bokil and Axel Schimmelpfennig;
3. “Predictability in Stock Returns in an Emerging Market: Evidence from KSE 100 Stock Price Index” by Khurshid M. Kiani;
4. “Remittances, Trade Liberalisation, and Poverty in Pakistan: The Role of Excluded Variables in Poverty Change Analysis” by Rizwana Siddiqui and A. R. Kemal;
5. “Tourism Promotion and Regional Development in Low-income Developing Countries” by Kazuhiro Tetsu;
6. “Intra-ECO Trade: A Potential Region for Pakistan’s Future Trade” by Jahangir Khan Achakzai;
7. “Does Inequality Matter for Poverty Reduction? Evidence from Pakistan’s Poverty Trends” by Haroon Jamal.

### **Special Section**

1. India and Pakistan on SAFTA
  - a. “Indian Viewpoint” by Satyabrata Pal
  - b. “Pakistani Viewpoint” by Shahid Malik
2. Japan on Aid
  - a. “Japan’s ODA to Pakistan and Aid Coordination: Beyond Aid Modalities” by Seiji Kojima

### **PIDE Policy Viewpoint No. 4. Improving the Quality of Population Census 2008**

by Naushin Mahmood, Ghulam Yasin Soomro, G. M. Arif, M. Framurz Khan Kiani, and Khalid Hameed Sheikh

The PIDE Policy Viewpoint No. 4, *Improving the Quality of Population Census 2008*, was published in April 2007. Census data generates information on total population

count and its various socio-economic and demographic characteristics disaggregated by age and sex from national to provincial and down to district, tehsil and village level. The utility of these data is crucial for studying historical trends and for planning and formulating development programmes, especially for the recently devolved set up of administration. The next Population and Housing Census is likely to be carried out in 2008. The procedure of census data collection is lengthy and costly, and data compilation and its tabulation are subject to errors and inadequacies which have strong implications for policy formulation. Reporting errors during the data collection stage are also common, which need to be minimised.

The document focuses the Lessons Learned from Evaluation of 1998 Census and Census Data: Issues, Concerns and Suggestions for Improvement.

PIDE Policy Viewpoints are carefully selected by the Vice-Chancellor and Staff of the PIDE to convey important policy messages arising from PIDE research.

### **WORKSHOP AND CONFERENCES**

#### **Call for Papers: 23rd Annual General Meeting & Conference of the Pakistan Society of Development Economists (AGM–PSDE)**

The Pakistan Society of Development Economists (PSDE) is sending call for papers for its 23rd Annual General Meeting (AGM) and Conference. The theme of the Conference is “**Natural Resource Management: Issues and Challenges**”. Interested writers / researchers are requested to send the title of the paper on a topic relevant to the theme of the Conference by August 31, 2007. Tentative dates of the AGM–PSDE are 13–15, 2007.

The last date for the submission of the paper is October 31, 2007. The Screening and Evaluation Committee will meet in mid of November 2007 and the decision will be expected by November 30, 2007. For more details, please visit [www.pide.org.pk](http://www.pide.org.pk).

#### **Call for Paper: PIDE / PSDE Regional Conferences**

The PIDE and PSDE are inviting papers from social scientists, practitioners, academicians, development stakeholders and scholars for its forthcoming regional conference series to be held in the provincial capitals and in Islamabad. The theme for these PIDE / PSDE Regional Conferences is ‘**Decentralisation and Economic Growth**’. Some of the sub-themes are:

- Decentralisation experiences
- Functional and Financial Decentralisation
- Administrative and Jurisdictional Issues
- Institutions and Development
- Social and Economic Uplifting of Constituencies
- Participative Development

The first PIDE / PSDE Regional Conference will be held in Peshawar, tentatively on November 1, 2007. The last date for the submission of abstract is September 5, 2007, and the last date for the submission of paper is October 15, 2007. For more details, please visit [www.pide.org.pk](http://www.pide.org.pk).

### **SANEI Eighth Annual Conference**

The eighth annual conference of South Asia Network of Economic Research Institutes (SANEI) is scheduled to be held in Kathmandu, Nepal on August 31 – September 1, 2007. The Asian Development Bank is partially funding the conference and the Institute of Integrated Studies (IIDS), one of the SANEI member institute in Nepal, will be hosting the event.

#### ***Invited Lecture 2007: 3. Understanding Policy*** by Arshad Zaman

On Friday, April 20, 2007, Mr Arshad Zaman (Former Chief Economist, Planning Commission) gave a lecture on 'understanding policy'. The lecture provided an unconnected citizen's perspective on the policy debate in Pakistan which is dominated by government, donors, and their client social groups. Mr Zaman highlighted the crucial differences in social and political contexts that account for the scope, nature, and likelihood of success of public policies in nations that seek to control and influence former Afro-Asian colonies and in Pakistan. Since policy is made by government, the focus was on the nature of the state; the class structure of the government; the role of external influence; and the consequent manner of governance in shaping public policy in Pakistan. The invited lecture was organised at the PARC Auditorium, Pakistan Agricultural Research Council Headquarters, Islamabad.

#### ***Invited Lecture 2007: 4. Language, Modernity and Identity*** by Tariq Rehman

On Wednesday, May 9, 2007, Dr Tariq Rehman (Professor of Sociolinguistic History, National Institute of Pakistan Studies, QAU) gave a talk on modernity its far-reaching consequences on the relationship between language and identity. Dr Rehman argued that modernity being a colonial product, has had an effect of creating identities with reference to western categories. In this context the role of the Pakistani state is touched upon. The invited lecture was organised at the P-Block Auditorium, Planning Commission, Pak Secretariat, Islamabad.

#### ***Invited Lecture 2007: 5. Firm Competitiveness*** by Sayed Mushtaq Hussain

On Friday, June 22, 2007, Dr Sayed Mushtaq Hussain (Visiting Professor, School of Arts and Sciences, Lahore University of Management Sciences, Lahore) gave a talk on 'firm competitiveness'. Dr Hussain shared his experience and research with the participants and

highlighted number of issues underlining competitive environment in Pakistan.

### ***Achieving MDGs in Pakistan***

by Faheem Jehangir Khan

On Saturday, April 28, 2007, Mr Faheem Jehangir Khan (Research Economist, PIDE) gave a presentation on 'Achieving MDGs in Pakistan' at the International Conference on Governing for MDGs with Focus on Incentives, Ownership and Institutions, during the first session on 'Donors Programmes and their Compatibility with Country Reforms with Focus on Achievement of MDGs', organised by the National Reconstruction Bureau and the World Bank Institute.

The presentation mainly highlighted the coverage trend and financing of education, health, and water & sanitation sectors in Pakistan. Mr Khan also provided the probability model assessing the potential to meet MDG targets by 2015.

### **□ NURTURING MINDS—PIDE SEMINARS**

#### ***Seminar 2007: 63. The Effects of Private Schooling on Adult Economic Outcomes***

by Ms Zehra Aftab

On Wednesday, April 4, 2007, Ms Zehra Aftab (Research Fellow, PIDE) presented her research whose objective was to investigate the longer-term adult economic outcomes of attending a private school. The analysis seeks to determine if private schooling may have an additional non-cognitive impact that is not captured by childhood outcomes such as test scores and academic attainment. Using the longitudinal design of the PSID data set the analysis follows children aged 3 to 12 years old in 1968 into adulthood (1995 to 2001); a Probit regression model is used to determine the effect of type of schooling on the probability of the individual living in poverty as an adult.

#### ***Seminar 2007: 64. Taylor Rule and Macroeconomic Performance: The Case of Pakistan***

by Wasim Shahid Malik and Ather Maqsood Ahmed

On Thursday, April 5, 2007, Mr Wasim Shahid Malik (Research Associate, PIDE) and Dr Ather Maqsood Ahmed (Member FR&S, CBR) presented a paper estimating Taylor Rule for Pakistan and simulated the economy with Taylor Rule as monetary policy strategy. The results indicated that macroeconomic performance can be improved by simple Taylor Rule but parameter values in the rule must be set according to own circumstances instead of taking those suggested by Taylor.

#### ***Seminar 2007:65. Effectiveness of Regulatory Structure in the Power Sector of Pakistan***

by Afia Malik

On Wednesday, April 11, 2007, Ms Afia Malik (Research Economist, PIDE) presented a paper that reflects the effectiveness of the regulatory environment in the electricity sector of Pakistan. NEPRA, a regulatory authority was formed in 1997 to protect consumer interests in the area of electricity provision, and to ensure an efficient and competitive environment for the electricity generators and distributors, but it has so far not been able to achieve anything. It has been found weak administrative governance in NEPRA in the form of lack of autonomy, resulting in the overall institutional inability to carry out the desired functions effectively.

**Seminar 2007: 66. Household Budget Analysis for Pakistan under Quadratic Splines**  
by Eatzaz Ahmed and Muhammad Arshad

On Friday, April 13, 2007, Dr Eatzaz Ahmed (Professor of Economics, QAU) and Mr Muhammad Arshad (Ph.D. student, International School of Industrial Business Management, Shanghai University, China) presented their research work on household budget analysis. Using micro level household data for rural and urban Pakistan, the research estimated Engle Equations for twenty-two commodity groups with quadratic spline specification in which the number and locations of knots are determined through a search procedure. The presenters suggested that a uniform tax structure will have varying implications for budget allocation and welfare of households belonging to different income classes.

**Seminar 2007: 67. Housing Demand in Islamabad Capital Territory**  
by Ayaz Ahmed

On Wednesday, April 18, 2007, Mr Ayaz Ahmed (Research Economist, PIDE) presented a thought-provoking research highlighting the shortage of housing units for residents of Islamabad. The study traces forward and backward linkages of the housing sector in the economy. By realising the importance of housing as a basic human need, the construction sector is considered as a productive sector for economic revival and growth. The presenter pointed out the high prices of housing industry in the private sector. The findings of the research recognise the need for expanding the capital territory of Islamabad and propose housing schemes for federal government employees of different categories.

**Seminar 2007: 68. Trade Liberalisation, Macroeconomic Adjustment, and Welfare: Unifying Trade and Macro Models**  
by Ehsan Choudhri, Hamid Faruqee, and Stephen Tokarick

On Thursday, April 19, 2007, Mr Ehsan Choudhri (Chancellor's Professor of Economics, Carleton University, Canada), Mr Hamid Faruqee (Research Associate, IMF) and Mr Stephen Tokarick (Research Associate, IMF) gave a presentation on trade

liberalisation, macroeconomic adjustment and their links to welfare. The paper explores the relative importance of these effects within a dynamic general equilibrium model that captures key elements of both international trade and macroeconomic models. The welfare effect of trade liberalisation is decomposed into a steady-state efficiency gain and a transitional loss associated with wage-price stickiness. We also show that the loss can be reduced further by a flexible price-level targeting policy rule.

**Seminar 2007: 69. The Data Centre: An Integrated Approach for Survey Data Collection, Processing and Distribution**  
by Muhammad Mushtaq

On Thursday, April 19, 2007, Dr Muhammad Mushtaq (Data Manager, Institute for Social Research, Survey Research Centre, University of Michigan, USA) gave a talk on need for integrated systems for survey data collections, processing and distribution in Pakistan. Using examples from the Panel Study of Income Dynamics (PSID) the University of Michigan, the objective of the seminar was to present as how such systems can be developed and implemented to cater data needs of all users, especially researchers and policy-makers.

**Seminar 2007: 70. Monetary Policy Transparency in Pakistan: An Independent Analysis**  
by Wasim Shahid Malik and Musleh-ud Din

On Wednesday, April 25, 2007, Mr Wasim Shahid Malik (Research Associate, PIDE) and Dr Musleh-ud Din (Dean, Faculty of Economics, PIDE) presented their research analysis on transparency issues regarding State Bank of Pakistan (SBP). Along with the other solutions, monetary policy transparency was thought to solve the time inconsistency problem by making monetary policy predictable. Similarly, it is also considered as a complement to 'central bank independence' in a democratic society. Along with these benefits, there are certain other benefits a developing country can have by increased monetary policy transparency. However the importance of monetary policy transparency in the literature notwithstanding, no effort to analyze this issue has been made so far with respect to the SBP.

**Seminar 2007: 71. Human Capital Development for Pakistan in Emerging Global Market: An Application of Social Capital Matrix Approach**  
by Syed Akhtar Hussain Shah and Musleh-ud Din

On Thursday, April 26, 2007, Mr Syed Akhtar Hussain Shah (PhD Candidate, PIDE) and Dr Musleh-ud Din (Dean, Faculty of Economics, PIDE) gave a talk on the development of human capital in an emerging global market. The presenters intended to explore avenues for capacity building in line with social capital matrix in a competitive global economy and forthcoming challenges and opportunities

arising out of WTO and international financial regime agenda. Inter-temporal choice of resource allocation affects returns from human capital to individual is explored using cross sectional data.

**Seminar 2007: 72. *Why Civil Service Reforms Do Not Work?***  
by Nadeem UI Haque

On Wednesday, May 9, 2007, Dr Nadeem UI Haque (Vice-Chancellor, PIDE) presented his research-based thoughts and innovative ideas regarding civil service reforms. Using results from the incentives literature, the presenter argued that for a reform effort to succeed, public sector human resource management (HRM) will have to be reformed at an early stage to establish productivity incentives in the public sector. This will include introducing substantial autonomy to organisations in their work, incentive schemes, and HRM along the lines of the now well-accepted concept of central bank independence.

**Seminar 2007: 73. *New Institutional Economics***  
by Lee Banham

On Wednesday, May 16, 2007, Professor Lee Banham (Professor of Economics, Washington University) gave a talk on 'New Institutional Economics'. Professor Banham is a leading scholar and a distinguished expert of transaction cost, a funding member of the International Society of New-Institutional Economists (ISNIE), and board member of the Ronald Coase Institute. Followed by his presentation, Professor Banham had an informal talk with the research staff and PhD candidates at PIDE.

**Seminar 2007: 74. *Welfare Implications of Non-agriculture Market Access for Pakistan***  
by Attiya Y. Javed and Saima Shafique

On Thursday, May 17, 2007, Ms Attiya Y. Javed (Research Economist, PIDE) and Ms Saima Shafique (Assistant Professor, NUML) presented their research on WTO–NAMA and its welfare implications for Pakistan. The NAMA negotiations are based on the mandate that was given for the Doha Round at the 4th WTO Ministerial Conference. The aim of the negotiations is to reduce both tariffs and non-tariff barriers to trade that impede the market access to industrial products. The presentation focused the impact of these negotiations on poverty and welfare in Pakistan.

**Seminar 2007: 75. *Public Service: Through the Eye of Civil Servants***  
by Nadeem UI Haque and Idrees Khawaja

On Monday, May 21, 2007, Dr Nadeem UI Haque (Vice-Chancellor, PIDE) and Mr Idrees Khawaja (Research Associate, PIDE) presented a thought provoking survey-based research analysis on civil services of Pakistan. In Pakistan, despite various attempts at reforming the civil

services the common perception seems to be that the system essentially remains similar to that inherited from the colonial past. Worse still, little is known about the perceptions of civil servants on various issues in civil service reforms. Against this backdrop, PIDE conducted a perception survey of civil servants seeking their views on recruitment, training, performance evaluation, job satisfaction, and relationship with the private sector. This report highlights the key findings of the survey.

**Seminar 2007: 76. *Does Governance Constitute to Pro-poor Growth? Evidence from Pakistan***  
by Rashida Haq and Uzma Zia

On Wednesday, May 23, 2007, Ms Rashida Haq (Research Economist, PIDE) and Ms Uzma Zia (Staff Economist, PIDE) gave a thought-provoking presentation on the issue of governance and its links to pro-poor growth in Pakistan. The paper empirically tests the challenging assumption that links governance indicators with the joint outcomes of growth, inequality and poverty reduction which together underlie the concept of pro poor growth. These linkages are also discussed with reference to cross-country literature.

**Seminar 2007: 77. *Delivering Access to Safe Drinking Water and Adequate Sanitation in Pakistan***  
by Faheem Jehangir Khan and Yaser Javed

On Tuesday, May 29, 2007, Mr Faheem Jehangir Khan (Research Economist, PIDE) and Mr Yaser Javed (PhD Candidate, QAU) presented their research work on the provision of safe drinking water and adequate sanitation in Pakistan. The presenters argued that most of the households in Pakistan do not have access to safe drinking water and lack toilets and adequate sanitation systems. These poor people, mostly living in rural areas or urban slums, are not only deprived of financial resources, but they also lack admittance to basic needs such as education, health, safe water supply and environmental sanitation facilities. The research investigates that even if we meet the national and regional targets in Pakistan by 2015, how much of the population will still be deprived of these most basic human needs.

**Seminar 2007: 78. *What Determines Private Investment? Case of Pakistan***  
by Sajawal Khan and Arshad Khan

On Wednesday, May 30, 2007, Mr Sajawal Khan (Research Associate, PIDE) and Mr Arshad Khan (Research Associate, PIDE) presented an interesting research on the impact of determinants on private investment in Pakistan over the period 1972–2005. The study used the ARDL co-integration approach to check the existence of long run relationship as well as short run dynamics of the investment. The results show that most of the traditional factors have little or no impact on private investment. These results may

support the idea that non-traditional factors as quality of institutions, governance, entrepreneurial skill etc. are prerequisites for the private investment to flourish.

**Seminar 2007: 79.** *The Role of Household Income and Public Provision of Social Services in Satisfaction of Basic Needs in Pakistan: A Cross District Analysis*  
by Rizwana Siddiqui

On Monday, June 4, 2007, Ms Rizwana Siddiqui (Research Economist, PIDE) presented her research paper on satisfaction of basic needs in Pakistan. Using primary data, the presenter argued whether household income is enough for human development or should government heed to direct provision of social services to improve capabilities development? The paper tests the argument by estimating a basic need policy model for Pakistan using cross-district data. The results are consistent with the view that government provision of social services affects human capabilities significantly. However, material resources remain the ultimate constraints on sustainable capability development.

**Seminar 2007: 80.** *Does Trade Liberalisation Increase the Labour Demand Elasticities? Evidence from Pakistan*  
by Naseem Akhtar and Amanat Ali

On Tuesday, June 5, 2007, Ms Naseem Akhtar (Staff Economist, PIDE) and Mr Amanat Ali (Lecturer, QAU) presented their research investigating labour demand under trade liberalisation. Using Pakistan firm-level data the paper try to determine whether the trade liberalisation increase the own price labour demand elasticity for Pakistan. However, in most of the industries, the study is unable to find any empirical support for the relationship between trade liberalisation and labour demand elasticity.

**Seminar 2007: 81.** *Potential of Organic Farming to Alleviate Poverty in Pakistan*  
by Abdul Rauf Farooqi, Hina Fatimah, Jawad Ali Khan and Zahidullah

On Wednesday, June 6, 2007, Prof. Dr Abdul Rauf Farooqi (Chairman, Department of Environmental Science, AIOU), Ms Hina Fatimah (Lecturer, AIOU), Mr Zahidullah (Lecturer, AIOU), and Mr Jawad Ali Khan (Director, Ministry of Environment) gave a talk on potential of organic farming and its links to poverty alleviation in Pakistan. Pakistan offers a great potential for organic farming by delineating millions of acres of most fertile and productive land under the command of Akhori, Basha-Diamer, Kalabagh, Kuramtangi and Munda Dams scheduled to be completed by 2016. This will generate large scale employment opportunities. The organic farming offers multi-faceted economic advantages, poverty alleviation, and a spontaneous setting for offering of ever improving conditions of service to farm workers.

**Seminar 2007: 82.** *Stock Market Reaction to Catastrophic Shock: Evidence from KSE*  
by Attiya Y. Javed

On Monday, June 11, 2007, Ms Attiya Y. Javed (Research Economist, PIDE) presented her research on the impact of the October 8th, 2005, earthquake on the activities of Karachi Stock Exchange. The earthquake that struck the Northern Areas of Pakistan is the most severe quake that ever struck this region. The stock markets are highly and instantaneously reactive to such natural disasters.

**Seminar 2007: 83.** *Exchange Market Pressure and Monetary Policy: Evidence from Pakistan*  
by Idrees Khawaja

On Thursday, June 14, 2007, Mr Idrees Khawaja (Research Associate, PIDE) presented his paper on exchange market pressure and monetary policy in Pakistan. The study employs Girton and Roper (1977) measure of exchange market pressure. The result suggests that fiscal needs/growth objective might have dominated the external account considerations during the span. Post 9/11 there is evidence of sterilised intervention in forex market. Interest rate has also weakly served as the tool of monetary policy during the hay days of foreign currency deposits (1991-98). The findings implies that for interest rate to work as tool of monetary policy *vis-à-vis* exchange market pressure a reasonable degree of capital mobility is called for.

**Seminar 2007: 84.** *Good Governance, Equity and Efficiency*  
by Saima Shafique and Rashida Haq

On Wednesday, June 20, 2007, Ms Saima Shafique (Assistant Professor, NUML) and Ms Rashida Haq (Research Economist, PIDE) gave a presentation on good governance, equity and efficiency. The presenters attempted to analyse the effects of a set of good governance instruments on economic welfare considering both the quantity and quality channels by applying a system of Generalised Method of Moments (GMM) in which the levels of instruments are used to form the moment conditions for the equation.

**Seminar 2007: 85.** *National Finance Commission Awards in Pakistan: A Historical Perspective*  
by Iftikhar Ahmad, Usman Mustafa and Mahmood Khalid

On Thursday, June 21, 2007, Mr Iftikhar Ahmed (Staff Economist, PIDE), Dr Usman Mustafa (Chief of Training and M&E, PIDE), and Mr Mahmood Khalid (Staff Economist, PIDE) presented a historical perspective of the NFC Award in Pakistan. The study explores the evolution of the NFC Award in Pakistan. A thorough look into the history indicates that this process has been complex and has far reaching impact. A less systematic approach has been adopted to decentralise the financial matters. This raised friction among

provinces therefore necessitating inclusion of other potential variables which comes from international best practices.

**Seminar 2007: 86. Health Care Services and Government Spending in Pakistan**

by Muhammad Akram and Faheem Jehangir Khan

On Tuesday, June 26, 2007, Mr Muhammad Akram (PhD Student, QAU) and Mr Faheem Jehangir Khan (Research Economist, PIDE) presented their research work measuring the incidence of government spending on health in Pakistan; at provincial, and at rural and urban level, using the latest data of the Pakistan Social Standard Living Measures Survey (PSLM), 2004-05, and by employing the three-step methodology.

Findings of the paper reflect that there are unequal benefits of health expenditures at the regional and provincial level in Pakistan. The rural areas are generally more deprived. The health sector expenditures are in general regressive in Pakistan as well as at provincial and regional levels. Mother Child subhead is regressive in Punjab and NWFP and General Hospitals and Clinics are regressive in all provinces. Only the Preventive Measures and health facilities sector is progressive in Pakistan. Public health expenditures are pro-rich in Pakistan.

**Seminar 2007: 87. Measures of Monetary Policy Stance: Case of Pakistan**

by Sajawal Khan and Abdul Qayyum

On Wednesday, June 27, 2007, Mr Sajawal Khan (Research Associate, PIDE) and Dr Abdul Qayyum (Registrar, PIDE) gave a presentation on monetary policy stance in Pakistan. Results showed that an individual coefficient Monetary Condition Index (MCI) performs better than both summarised coefficient MCI and over all measure as suggested by Bernanke and Mihov (1998). From 1984 to 2004, the demand shocks have dominated for about 8 years. MCI (IS-Individual coefficient) can explain 6 of them. However, it indicated the negative demand shock in two years as neutral. The analysis suggested that MCI (IS-Summarised coefficient) plays an important role in determining output and inflation when the economy is not dominated by supply shocks. The presenter argued that supply shocks are dominant in case of Pakistan.

**TRAINING AT PIDE**

Training and Evaluation Division of PIDE provides trainings to officials of government, and non-government organisations, autonomous bodies, and also to the private sector. Regular trainings cover the area of monitoring and evaluation, preparation and appraisal of development projects, effective communication skills, and gender sensitisation in planning and development. Demand-oriented and/or tailor-made courses are also offered. Training courses involves the full participation of trainees.

A one week course on **Effective Communication Skills** was offered during June 11–15, 2007. The content of the course included: verbal and written communication skills; the art of listening; resume preparation; formal and informal report writing; internal communication in an organisation; and the use of media as an effective external communication tool. A heterogeneous group of 27 participants belonging to both the public and private sectors attended this course. The participants were of the view that they have learnt a lot from knowledgeable presentations made by the professional resource persons and it would help in devising and handling the new as well as ongoing projects in their respective fields.



Group photo of the 'Effective Communication Skills' course participants with the Training Division Staff of PIDE, Islamabad.

A two week course on **Project Preparation and Appraisal** was held in April 16–28, 2007. Forty participants from all over the country belonging to various sectors of the economy attended the course. Training course covered project preparation tools and models; SWOT analysis; proposal appraisal techniques; logical framework analysis; project preparation; appraisal by the participants; and the training of use of Ms Project.



Group photo of the 'Project Preparation and Appraisal' course participants with the Training Division Staff of PIDE, Islamabad.

The Training Division of PIDE has announced its new **Training Programme 2007–08**. The courses offered will include the following:

1. Gender in Mainstreaming (GMS)  
*August 20–24, 2007*
2. Logical Framework Analysis (LFA)  
*October 22–27, 2007*
3. Project Preparation and Appraisal (PPA)  
*November 12–23, 2007*
4. Macro Economic Planning & Management (MPM)  
*January 07–27, 2008*
5. Qualitative Analysis  
*February 18–22, 2008*
6. Monitoring and Evaluation of Development Projects (M&E)  
*March 11–22, 2008*

Training Division of PIDE also offers special tailor-made courses on demand basis.

## ❑ PIDE AFFAIRS

### Acting Vice-Chancellor takes charge

Dr Naushin Mahmood took charge of PIDE as Acting Vice-Chancellor. The decision came following the PIDE Senate Meeting, of June 12, 2007, after the departure of Dr Nadeem UI Haque.

Dr Mahmood has extensive experience of research in social and development related issues and has a number of publications to her credit in national and international journals. Her specialised areas of research are Demography; Human Resource Development; Reproductive Health; and Gender Issues. She obtained her Masters degree in Population Sciences from Harvard University and her Ph.D in Sociology, with a major in Population and Ecology, from University of Michigan, USA.

Formerly, Dr Mahmood worked as Joint Director and Acting Registrar of PIDE. Dr Mahmood also holds the post of Dean, Faculty of Development Studies at PIDE. She has served as Secretary of the Pakistan Society of Development Economists (PSDE) and is currently the elected President of the Population Association of Pakistan (PAP).

### PIDE Senate Meetings

Since PIDE became a federally chartered degree-awarding institute, three PIDE Senate meetings were held. The first meeting of the PIDE Senate was held on Tuesday, April 24, 2007, followed by the second meeting on Tuesday, June 12, 2007, and the third meeting on Friday, June 29, 2007. The meetings were chaired by Engr. Dr M. Akram Skeikh (Chancellor of PIDE/ Chairman of PIDE Senate).



Chancellor of PIDE, Dr Engr. M. Akram Sheikh chairing the PIDE Senate Meeting

The PIDE Senate discussed the research agenda and degree programme of PIDE and put forwarded the recommendations and plan of action for the new PIDE.

### SANEI

The chairman South Asia Network of Economic Research Institutes (SANEI), Professor T. N. Srinivasan, chaired the steering committee meeting, held on March 30–31, 2007, in Lahore. Dr Nadeem UI Haque, Secretary/ Coordinator, SANEI, presented the annual report. The committee discussed and advised affirmative steps to make SANEI more visible in the region.

### New SANEI Executives

Dr Ishrat Hussain, Chairman, National Commission for Government Reforms (Pakistan), has joined the SANEI as the new chairman. Dr M. Ali Khan, Abram Hutzler Professor of Political Economy at John Hopkins University (USA), and Professor Kalyanakrishnan (Shivi) Sivaramakrishnan, Professor of Anthropology at Yale University (USA) joined the Research Advisory Panel of SANEI.

### Ninth Call for Proposals

The SANEI ninth call for proposal was sent out in May 2007 with thematic focus on “South Asian Agriculture–Post Doha”. The SANEI secretariat has received 53 research proposals which are currently under evaluation process.

### Multidisciplinary and Intermediation Research (MIR) Seminar

On Saturday, March 31, 2007, a seminar on ‘Multidisciplinary and Intermediation Research Initiative’ (MIR) was organised by SANEI in collaboration with the Global Development Network (GDN) at the Economics Department, Punjab University (New Campus), Lahore.



Three papers from different South Asian researchers were presented at the seminar. Dr. Pushpa Raj Rajkarnikar from Nepal gave a presentation on 'Institutions Building for Controlling Corruption: A Case Study on the Effectiveness of Commission for the Investigation of Abuse of Authority (CIAA) and National Vigilance Centre (NIC) in Nepal'. Dr A. K. Enamul Haque presented his research on the 'Impact of Arsenic Contamination in Ground Water on Poverty and Choice of Mitigation Technology for Rural Communities of Bangladesh', and Dr K. S. James from India presented his research work on 'Demographic Transition and Economic Development in Kerala: The Role of Emigration'.

#### Vice-Chancellor of PIDE

PIDE is seeking to recruit a Vice-Chancellor who will have the vision, skills, innovative thinking and leadership qualities to provide direction to become a globally renowned research and educational institution. The Vice-Chancellor will also be responsible for all administrative and academic functions of the Institute.

The successful candidate must possess a PhD degree in Economics along with an outstanding record of leading academic and/or research organisation. S/he will have at least fifteen years of research/teaching experience with excellent interpersonal and networking skills at the national and international level. For more details, please visit our website [www.pide.org.pk](http://www.pide.org.pk).

#### Job Opportunity at PIDE

PIDE is looking for a number of qualified and dynamic research / teaching staff for its research/ teaching division. Applications along with complete bio-data and attested copies of certificates / degrees should reach the Registrar Office latest by August 30, 2007.

Only short listed candidates will be called for interview and selection will be made on 'merit' basis. The selected candidates on appointment will be entitled to the pay and allowances and fringe benefits as admissible under the Scheme of Basic Pay Scales. For more details, please visit our website [www.pide.org.pk](http://www.pide.org.pk).

#### PIDE IN PRESS

"Pakistan's business barometer launched", *Daily Times*, Friday, March 30, 2007.

"High inflation, low exports may hamper firms growth", *The Nation*, Friday, March 30, 2007.

"Organic farming can help alleviate poverty: Farooqi", *The Nation*, Thursday, June 7, 2007.

#### Articles by PIDE Staff

"Reforming the public service" by Nadeem Ul Haque appeared in *The News*, Wednesday, March 21, 2007.

"GDP growth from 2000-06 stands at 5.6 percent", by Idrees Khawaja, Dr Abdul Qayyum and Asma Hyder appeared in *Business Recorder*, Saturday, March 31, 2007.

"Book Review: Public Sector Efficiency" by Kalbe Abbas appeared in *Business Recorder*, Saturday, April 28, 2007.

#### Editor

**Faheem Jehangir Khan**  
*Research Economist*

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