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Unconditional Cash Transfer and Poverty Alleviation in Pakistan: BISP's Impact on Households' Socioeconomic Wellbeing

DURR-E-NAYAB and SHUJAAT FAROOQ

Pakistan, having a population of near to 220 million, has one fourth of its population living below the poverty line and 17 percent being food insecure. Benazir Income Support Programme (BISP) was initiated in 2008 with the objective of consumption smoothening, poverty alleviation and women empowerment. The programme was, and still is, unique in terms of resources, coverage and targeting.

Given the resources dedicated to the programme (see box below), it is important to analyse where the BISP stands after 12 years of its initiation. This Policy Viewpoint does so by analysing the socioeconomic wellbeing of the households that have been receiving cash assistance for 9 years (2011 to 2019). Given the mandate of the Programme one would expect an improvement in their socioeconomic indicators. To see if this has actually happened, we measure the impact of BISP's cash transfer on various factors of the recipient households' socioeconomic condition. These include the following:

- Headcount poverty ratio
- Multidimensional Poverty Index (MPI)
- Food consumption
- Non-food consumption

While the headcount ratio is primarily an economic indicator, we consider MPI more of a socioeconomic deprivation index rather than an indicator for poverty. For this very reason it is a useful measure to gauge the socioeconomic condition of a household/population.

A NOTE ON METHODOLOGY

We use the BISP's impact evaluation survey to measure the welfare impact of its unconditional cash transfer. The baseline survey was conducted in 2011, followed by four subsequent rounds in 2013, 2014, 2016 and 2019. The analysis is carried out cross-sectionally as well as longitudinally. Fuzzy Regression Discontinuity Design (RDD) is applied to the 2019 cross-sectional data, and difference-in-discontinuity method is applied for a panel analysis by comparing the recipient households (having proxy mean test score 11.17 to 16.17) with the non-recipient ones (having score from 16.18 to 21.17). To ascertain internal validity, we confirmed that both the groups, treated and control, within the fixed bandwidth (+/-5, +/-3) were homogenous with no discontinuous changes at the eligibility threshold.

Durr-e-Nayab <nayab@pide.org.pk> is Joint Director, Pakistan Institute of Development Economics, Islamabad. Shujaat Farooq <shujaat@pide.org.pk> is Dean, Pakistan Institute of Development Economics, Islamabad.

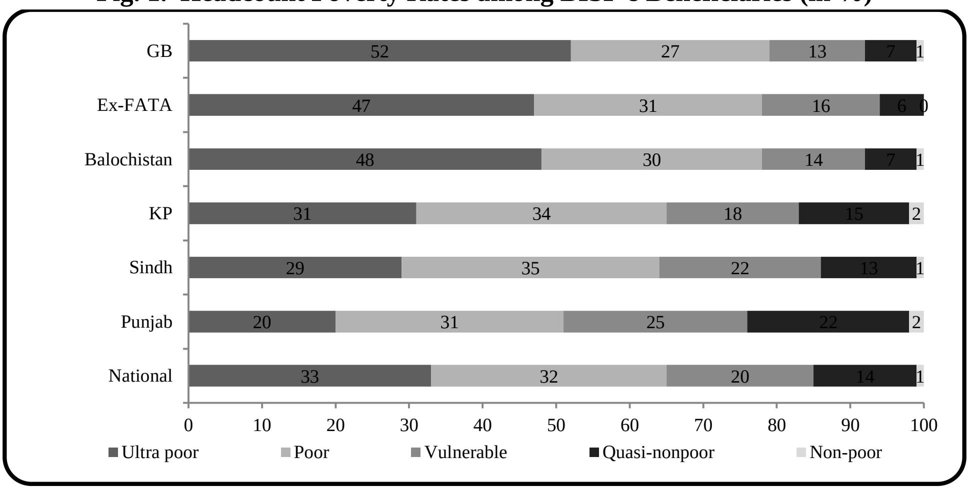
BISP: A Snapshot

BISP provides unconditional cash assistance to more than 5 million families. The quarterly stipend at present is Rs. 6000 per household. All the beneficiaries receive cash assistance after on the spot biometric verification. The conditional cash transfers component serves children aged 4-12 years by providing stipend for primary education. Despite changes in political regimes, budgetary allocation has enhanced overtime. It was Rs. 34 billion in 2008-09, Rs. 70 billion in 2013-14 and Rs. 180 billion in 2019-20. The beneficiary quarterly stipend has also seen an increase overtime. It was Rs. 3000 in 2008 and is currently Rs. 6000. Since inception, the federal government has allocated a total of Rs. 1,088 billion to the BISP cash transfer from 2008 to 2019. The emergence of BISP has improved the overall spending on the social safety net in Pakistan. It was only 0.1 percent of the GDP before 2008, increasing to 2 percent of the GDP by 2018.

FINDINGS FROM 2019 CROSS-SECTIONAL ANALYSIS OF BISP BENEFICIARIES

For poverty, we look at the impact of the BISP cash transfer on both headcount ratio and the multidimensional index. Figure 1 presents the headcount poverty rates among the BISP beneficiaries. The cross-sectional analysis illustrates that despite 8 years of intervention, 65 percent of the beneficiaries are still below the poverty line, as measured through the cost of basic need approach. Another 20 percent are 'vulnerable poor', suggesting that any negative shock can push them back into the state of poverty.[1] One can see large variations across the provinces with massive poverty rates among the recipient households in Balochistan, ex-FATA and GB regions. BISP beneficiaries in Punjab show better results than other provinces but still more than half of them remain in the ultra-poor and poor categories (see Figure 1).

Fig. 1. Headcount Poverty Rates among BISP's Beneficiaries (in %)



Source: OPM Impact Evaluation Report, 2019.

[1] Ultra-poor = up to 75 percent of poverty line; Poor = up to 100 percent of poverty line; Vulnerable to poor = up to 125 percent of poverty line; Quasi non-poor = up to 200 percent of poverty line; Non-poor = over 200 percent of poverty line.

Table 1 presents the results of the RDD analysis at a narrowed PMT bandwidth (i.e., +/- 3 and +/-5) on the impact of the BISP cash transfer on different indicators of poverty and consumption. No significant impact is observable on either the headcount poverty or the multidimensional poverty index. Even in the case of the ultra-poor and the severe multi-dimensional poor, no significant impact is found for the unconditional cash transfer on their wellbeing (Table 1).

Table 1

Impact of Cash Transfers on Selected Indicators—RDD Analysis

	Bandwidth = 5		Bandwidth = 3	
Indicators	Coeff.	Std. Error	Coeff.	Std. Error
Per adult equivalent monthly food consumption (Rs)	–14.1	98.7	–10.5	125.1
Per adult equivalent monthly non-food consumption (Rs)	19.7	96.2	41.9	119.3
Per adult equivalent monthly consumption (Rs.)	5.7	167.5	31.3	209.8
Food Consumption Score (numbers)	–4.5***	1.84	–5.9***	2.3
Headcount poverty rate (%)	0.04	0.06	0.03	0.07
Ultra-poor (%)	–0.02	0.05	0.01	0.07
Multidimensional Poverty Index (%)	–0.08	0.06	-0.1	0.07
Severe Multidimensional Poverty Index (%)	0.07	0.04	0.00	0.06

Source: Authors' estimations from the BISP's Impact Evaluation Survey 2019.

Note: 1. Coeff. refers to coefficient, and Std. Error to standard error.

2. *** shows significance at 1 percent, ** shows significance at 5 percent, * shows significance at 10 percent.

3. The estimates are based on the kernel triangular method where the poverty score was normalised around 0.

The analysis reveals that the BISP beneficiaries continue to face the issue of high food insecurity WFP (2008). On average, the food consumption score of beneficiary households is 5 to 6 points less than the non-beneficiary households (Table 1). Commonly the poor exhaust their financial resources on their basic needs, mostly on food items. The analysis shows no impact of the cash transfer on various welfare indicators related to consumption expenditures at the national level. However, the cash transfer is found to a significant impact in the poorer provinces (not shown in the table). A positive impact is observable in the province of Balochistan for food expenses (Rs. 428 at +/-3 bandwidth), and in the province of Sindh for non-food expenses (Rs. 368 to Rs. 429 under +/-3 & +/-5 bandwidths).[2]

Due to high poverty and vulnerability, the BISP beneficiaries continue to struggle in managing their basic needs. Analysis on selected food and non-food items illustrates that there is no impact of the BISP cash transfer on healthy food items, i.e., milk, meat and fruit, as can be seen from Table 2.

Despite the intervention, beneficiary households made no progress on allocating more money to non-food items that includes the all-important expenditures on health, education, clothing and transport. For instance, their expenditure on children's education is Rs. 74 less than the non-beneficiary households when we consider the +/-5 bandwidth (Table 2).

[2] For details see the forthcoming PIDE paper on the impact of BISP on the socioeconomic wellbeing of its beneficiaries.

Table 2

BISP's Impact on Selected Consumption Items—RDD Analysis

	Bandwidth=5		Bandwidth=3	
Per Adult Equivalent Monthly Consumption	RD Estimate	Std. Error	RD Estimate	Std. Error
Milk	10.2	45.2	15.4	57.2
Meat	28.7	57.7	83.1	72.4
Fruit	–1.2	7.0	6.3	0.7
Vegetables	32.3***	13.7	52.5***	16.9
Grain	–29.1	25.8	–25.6	31.7
Pulses	–3.6	6.2	–3.8	7.6
Transport	–3.8	6.6	–6.9	8.9
Cloth and Apparel	–33.4	25.4	–45.6	32.0
Education	–73.5**	36.8	–21.5	47.0
Health	66.9	85.0	148.6	112.3

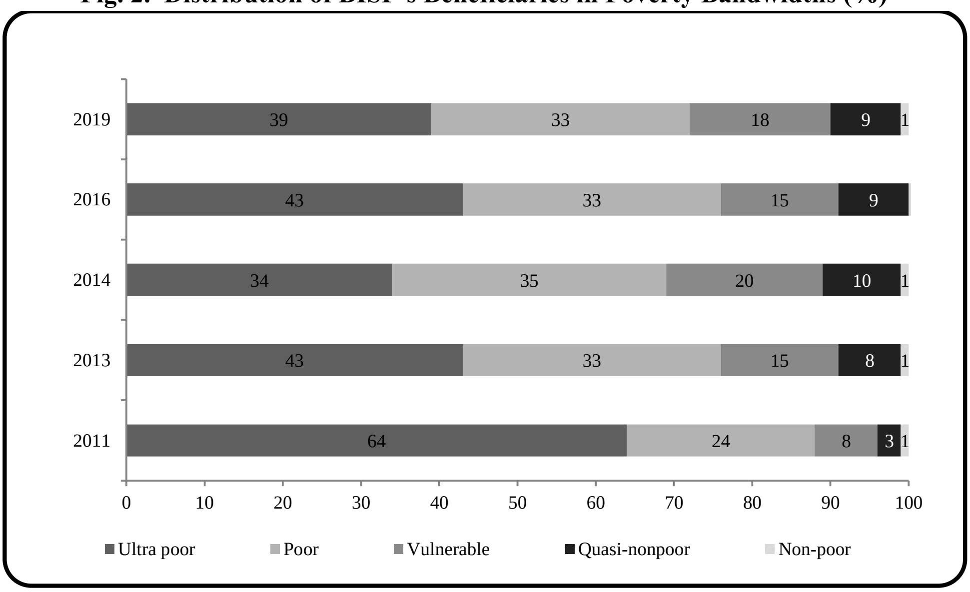
Source: Authors' estimations from BISP's Impact Evaluation Survey 2019.

Note: 1. *** shows significance at 1 percent, ** shows significance at 5 percent, * shows significance at 10 percent.
2. Fuzzy RD estimates are used. The estimates are based on the kernel triangular method where the poverty score was normalised around 0.

FINDINGS FROM THE PANEL ANALYSIS

The panel analysis was conducted on a sample of 2,118 beneficiary and non-beneficiary households that were tracked in all the five rounds of the BISP surveys. Figure 2 shows that the reduction in poverty among the beneficiaries was mainly witnessed in the first 3 years of the intervention (2011–2014). Around 25 percent of the beneficiary households graduated from 'ultra-poor' to 'poor' and 'vulnerable' categories; however, it cannot be considered as a safe exit from poverty as they had not shifted to quasi non-poor or non-poor (Figure 2).

Fig. 2. Distribution of BISP's Beneficiaries in Poverty Bandwidths (%)



Source: Authors' estimations from various rounds of BISP's Impact Evaluation survey.

High chronic headcount poverty is witnessed among the recipient households as one-third of them remain in the state of poverty across all the five rounds (Figure 3).

Fig. 3. Dynamics of Poverty among BISP Beneficiaries (% Distribution)

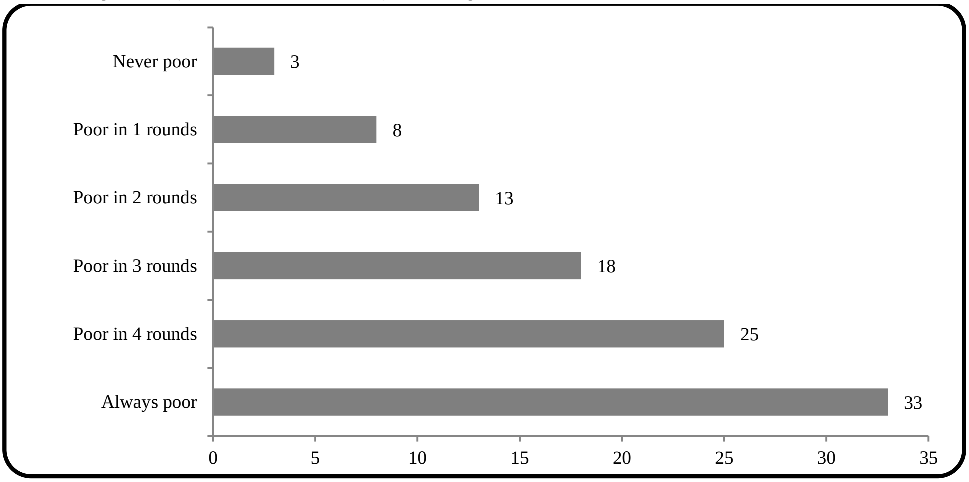
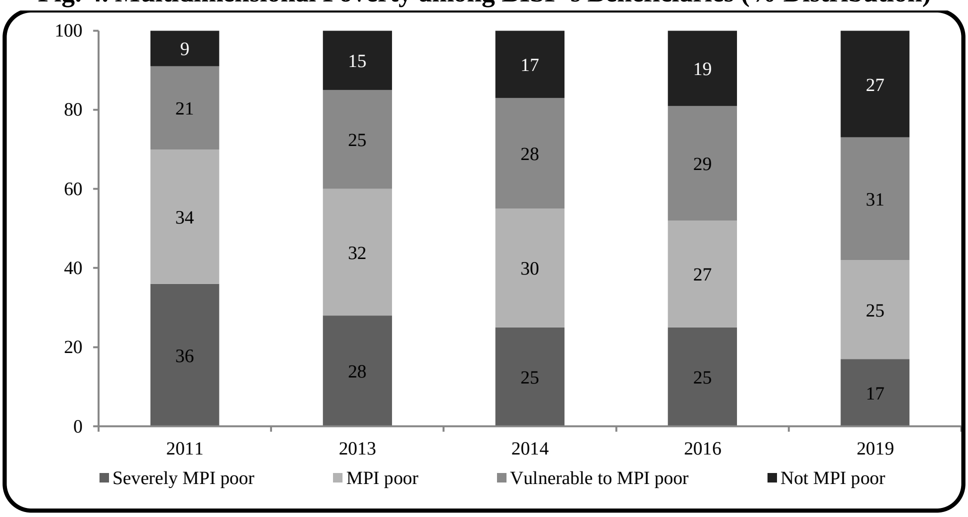


Fig. 4. Multidimensional Poverty among BISP's Beneficiaries (% Distribution)



The differences-in-differences (DiD) analysis for the 2011-2019 period shows no impact of the BISP cash assistance on consumption expenditures and headcount poverty. Impact of the intervention is observable only in food consumption (Rs. 81). Interestingly, no significant impact of the intervention is found on the MPI despite its reduction among beneficiary households as detailed in Figure 4.

Looking at the impact on MPI, reduction is seen in the trends for both the severely MPI poor and MPI poor, the proportion for which decline in almost every round (Figure 4). Overall, around 28 percent reduction is observed in the MPI. It is worth noting that the proportion of the non-MPI poor increased by 3 times during the five evaluation rounds.

Table 3

Impact of Cash Transfers on Selected Welfare Indicators—DiD Analysis

Indicators	Coefficients	Robust Std. Error
Per adult equivalent real food consumption (Rs.)	81.135*	45.462
Per adult equivalent real non-food consumption (Rs.)	–17.940	44.375
Per adult equivalent real total consumption (in Rs.)	63.195	70.965
Poverty rate under CBN approach (poor=100)	3.029	3.103
MPI poor (yes=100)	–4.024	3.141
Severe MPI poor (yes=100)	–2.485	2.331

Source: Authors' estimation from various rounds of BISP's Impact Evaluation Survey.
Note: Standard Errors are adjusted for 247 clusters in a PSU.

This raises the question that why no significant impact is observed on the beneficiary households despite the consistent reduction in MPI overtime? The analysis reveals that it is the time-factor that led to the improvement in various socioeconomic indicators including consumption, poverty and MPI. The factors that contributed to the improvement are education of the head of the household and lower household size/dependency burden.

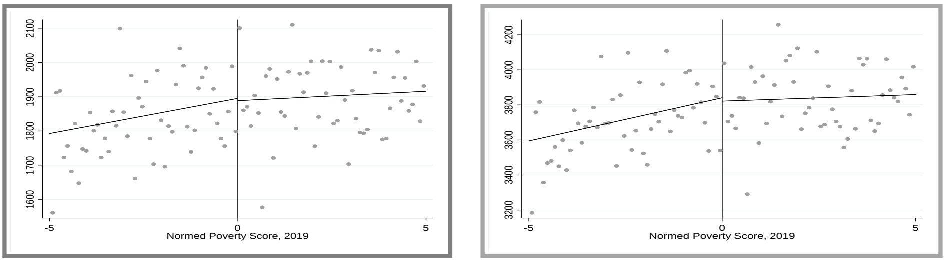
WHY THE BISP CASH TRANSFER DOES NOT IMPACT BENEFICIARIES SOCIOECONOMIC WELLBEING?

We analyse the possible factors behind the lack of impact of the BISP's cash transfers on households' socioeconomic wellbeing across and overtime both. The reasons are multiple. First, although the nominal value of cash transfers increased by 67 percent, the real value of transfers declined by 9 percent during the 2011-2019 period. Second, disruptions in payment frequency creates issues for the recipient households. A beneficiary should receive the payment after every 3 months, but delays can and do take place. Third, the value of the transfer is not sufficient, and its contribution is just 5.3 percent in the total consumption of the household on the basis of the amount that the beneficiaries actually receive, and 7.5 percent if she received the full amount OPM (2019).

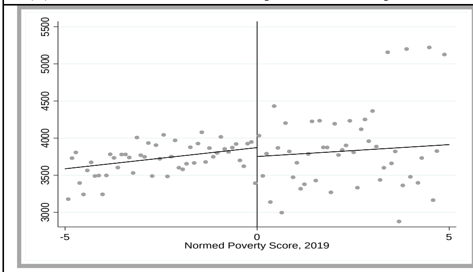
We conducted a simulation exercise to ascertain the amount of cash transfer that will generate a significant socioeconomic impact. We found that a payment of Rs. 24,000 in a year (Figure 5b) or restoring the real value of cash transfers as per baseline (2011) will not yield a significant impact on consumption (Figure 5c). BISP cash transfer should contribute at least 15 percent of the total consumption to generate an impact of Rs. 342 in per adult equivalent consumption that may help in poverty reduction (Figure 5d).

Fig. 5. Simulation on Per Adult Equivalent Monthly Consumption (in Rs)—RDD Analysis

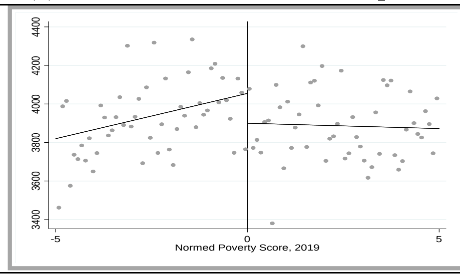
(a) Actual received amount ***(b) Full amount to be paid***



(c) Restore real value of cash transfer 2011



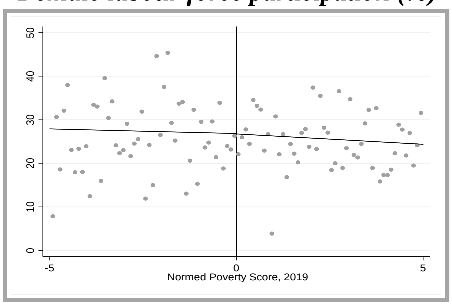
(d) 15% contribution in consumption



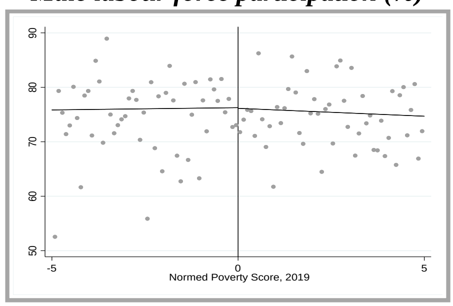
There is a general belief that unconditional cash transfers make recipient households to reduce their labour supply. Such reduction in labour supply could be the reason of high chronic poverty among them. RDD analysis was carried out to investigate if this was the possible reason behind the no impact of the cash transfer on poverty. The analysis showed no statistical difference in the labour force participation rates for both women and men among the recipient and non-recipient households (Figure 6).

Fig. 6. Impact of Cash Transfers on Labour Supply—RDD Analysis

Female labour force participation (%)



Male labour force participation (%)



THE WAY FORWARD

Despite 12 years of the intervention, the BISP programme has not succeeded to reduce poverty among its recipients. It is time to rethink the unconditional cash transfer as a poverty alleviation strategy as the country cannot afford an unconditional intervention for an unlimited time-span Nayab & Farooq (2014) Few recommendations in this regard are listed below.

- A policy shift is needed to shift from unconditional to conditional transfers that may help in improving human capital and asset creation Nayab & Farooq (2014); Dreeze & Sen (1990). The recently drafted *Ehsaas* strategy has tried to reconceptualise the programme but strong commitment and financial resources are required to implement it. It also requires synergy among the various tiers of the federal and provincial governments which is generally hard to create.
- The existing BISP conditional cash transfers should be extended to secondary level education as financing up to primary level is not sufficient to build human capital among the poor.
- The demographic profile of the recipient households have a fair share of young population, with only 4-5 percent members aged above 60 years. Any new

intervention must target the youth by providing them market-based skills. Such skills, accompanied by interest free loans, may generate livelihood opportunities for the poor, and lower their dependency on unconditional cash.

- Expecting poverty alleviation from social safety nets alone is not pragmatic. The provision of unconditional and conditional cash transfers will not eradicate poverty in regions deprived of education, health, infrastructure and market connectivity. A stable macroeconomic environment is needed, with more stress on soft infrastructure than physical.
- Both the federal and provincial governments are running several social safety net programmes. This has led to duplication as well as exclusion of some the deserving. To make a real impact, the recently developed Poverty Alleviation and Social Safety (PASS) Division should work on the consolidation of all such programmes, and also formulate a social protection framework by enlisting the roles and responsibilities of both the federal and the provincial governments.
- Lastly, and most importantly, we need to give space to the poor to grow as mere handouts would not do so. A cash transfer cannot be a substitute for opportunity. Exclusion from opportunity is the biggest reason for people staying poor. The "*apartheid social regime*" Haque (2019) excludes the poor in housing, employment, leisure and space from entrepreneurship, Haque (2019) obstructing their way to exit from poverty. Access to opportunities can do what cash transfers may not do, that is, moving out of poverty.

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Using Cash Transfer Programmes to Get Children Back to School from Work

NASIR IQBAL

The prevalence of child labour in Pakistan is very high; with up to 22 percent of children between the ages of 5 and 14 years in some provinces engaged in the worst form of child labour, including bonded labour in agriculture and brick kilns, and forced domestic work (ILAB, 2020). Many child labourers work under conditions of debt bondage, forced labour and suffer from extreme physical abuse and sexual assault (Latif, Ali, Awan, & Kataria, 2016). Families substitute schooling with child work to escape poverty, and in some cases, parents work with their children as bonded labourers (Awaworyi, Iqbal, Nawaz, & Yew, 2021). Consequently, almost 23 million children between the ages of 5 and 16 years in Pakistan are out of school. According to the United Nations International Children's Emergency Fund (UNICEF), this translates to about 44 percent of the total population within this age group. Thus, Pakistan has one of the highest rates of out-of-school children in the world.[1] Elimination of child labour and the achievement of universal education are interconnected goals.

Poverty or financial constraint is an important reason behind child labour and the deprivation of potential educational attainment. The government of Pakistan has been launching multiple social protection programmes to reduce poverty specifically for the last two decades. Nonetheless, Benazir Income Support Programme (BISP) is one of the largest cash transfer programmes, targeting the ultra-poor segment of the society (GoP, 2020; Iqbal & Nawaz, 2019; Nayab & Farooq, 2020). The BISP cash transfer provides the additional income to the beneficiaries, which is assumed to influence households' decisions regarding whether they should let their children work or send them for educational attainment (GoP, 2020).

It is generally observed that school enrolment and attendance decline amongst the ultra-poor households as the child labour supply increases. Thus, to fully understand the dynamics of child outcomes, it is essential to also focus on school enrolment and attendance. Such outcomes are very critical in formulating the policy for any social protection policy like the BISP cash transfers.[2]

Nasir Iqbal <nasir@pide.org.pk> is Associate Professor, Pakistan Institute of Development Economics, Islamabad.

[1]https://www.unicef.org/pakistan/education

[2]This brief is heavily based on Awaworyi Churchill, S., Iqbal, N., Nawaz, S., & Yew, S. L. (2021). Unconditional cash transfers, child labour and education: theory and evidence. *Journal of Economic Behaviour & Organisation*, 186, 437–457. https://doi.org/https://doi.org/10.1016/j.jebo.2021.04.012

EVIDENCE

Recent literature shows that BISP cash transfer helps to increase the enrolment among ultra-poor. It also helps to promote grade promotion among target group in the medium to long run. However, the BISP cash transfers have no effect on dropout in the short run (Awaworyi, et al. 2021). These findings suggest that the additional income from cash transfers induces investment in education. However, the effect of cash transfers on enrolment wanes over time.

The gender-wise analysis has shown that the BISP cash transfers equally important for boys and girls to improve education outcomes. However, the impact is relatively higher among boys compared to girls. Awaworyi, et al. (2021) have shown that in the short term, BISP cash transfers are associated with a widening of the gender gap in enrolment; however, this narrows in the medium to long term.

It is noticed that the BISP intervention substantially reduces the dropout rate among boys in the short term but increases dropout among girls. It implies that differences in parental preferences and altruism towards boys and girls can influence the dynamics around child labour and human capital development. The BISP intervention significantly induces grade promotion among boys but not among girls. This finding can also be linked to the cultural environment that engenders greater altruism towards males than females. Thus, females tend to engage in other household activities, leaving less time for school activities, consequently influencing grade promotion.

BISP Cash Transfers, Child Labour and Education: Evidence

Awaworyi, et al. (2021) present evidence on the nexus between BISP cash transfers, child labour and education. Using three rounds of household panel data collected by the BISP including baseline data (2011), first-round data (2013) and end-line data (2016), for both BISP beneficiaries and non-beneficiaries, the study shows that the UCTs have a positive and statistically significant impact on enrolment and grade promotion but no effect on dropout in the short run. The study shows that 2 years after the BISP cash transfers, children of beneficiaries are 69 percentage points more likely to enrol in school and 40 percentage points more likely to have a grade promotion. However, 5 years after the intervention, children in the treatment group are 28 percentage points more likely to enrol in school and 61 percentage points more likely to have a grade promotion. The gender wise analysis show that 2 years after the BISP cash transfers, boys in the treatment group are 79 percentage points more likely to enrol in school. In contrast, girls in the treatment group are 64 percentage points more likely to enrol in school. Thus, 5 years post-intervention, boys in the treatment group are 23 percentage points more likely to enrol in school, while girls are 31 percentage points more likely to enrol in school. For dropout rates, this study shows that boys in the treatment group are 49 percentage points less likely to drop out of school, while girls are 57 percentage points more likely to drop out of school due to BISP cash transfers. The BISP cash transfers have no significant impact on child labour force participation in the short run. However, results for the analysis by gender show that while BISP cash transfer does not influence labour force participation among boys in the short term, girls in the treatment group are 13 percentage points more likely to participate in the labour market.

These findings tie in with results on educational outcomes in the medium to long term. Over time, the findings suggest that BISP beneficiaries change their preferences from sending children to the labour market to school. Comparing the gender results to those on educational outcomes, it can be inferred that while child labour has been reduced among girls in the medium to long run, their educational attainment has not improved significantly. This suggests that though beneficiaries prefer to reduce child labour among girls, they may still be engaged in other activities. Thus, the educational outcomes of girls, mainly those aged 12–14 years, do not improve.

POLICY RECOMMENDATIONS

The evidence has shown the beneficial influence of the BISP cash transfer on educational attainment and negative impacts on child labour in the long run. In light of these findings, the following are some policy recommendations.

- BISP unconditional cash transfers (UCTs) programme is effective to promote schooling. However, the BISP experience also suggests that the effects of UCTs wane over time. Thus, it is likely that UCTs can have a non-linear relationship with education and child labour outcomes over a sufficiently long period. We recommend adopting potential hybrid cash transfer programmes that minimise the extensive costs involved in maintaining and enforcing conditions associated with conditional cash transfers (CCTs) but put across sufficient conditions intermittently to ensure that the impact of UCTs extends over longer periods. For instance, even in the absence of binding conditions, UCTs are linked with very strong short-term effects. Thus, conditions can be introduced much later in the programme when the effectiveness of the transfers begins to wane.
- The government can introduce a new cash transfers programme with a focus on education. The programme includes free education for all children in the family up until their graduation. The educational expense, along with a stipend amount for each student, would be paid directly to educational institutions. Key beneficiaries of the programme will be children and youth. Overall, priority will be given to female students.
- Child labour is one of the critical challenges for Pakistan due to massive unemployment and poverty. Designing social protection programmes, which are child-sensitive, and in particular child labour sensitive, is needed to transition from work to education.
- Ensuring social protection system which directly targets the highly exposed group of children including children orphaned, children from marginalised ethnic and economically and socially excluded groups.

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Policy Framework for Vaccinating All

NASIR IQBAL

The government has started vaccination against coronavirus for citizens aged 18 and above with a walk-in facility for all aged 30 and above. Despite easy access and free vaccination, the citizens are reluctant to vaccinate themselves. As of May 31, 2021, only 3 million citizens are partially vaccinated, and around 1.5 million are fully vaccinated across the country[1] against 137 million eligible citizens (aged 18 and above) (Nayab, 2021).

These statistics show that a significant number of people are unwilling to get vaccinated. This alludes to the fact, substantiated by several surveys, that many people are afraid of taking the vaccine dose because of proliferating rumours and misconceptions regarding the nature of the vaccine. The acceptance rate to vaccinate is very low, especially among people living in rural areas and low-income families. About 90 percent of households are not interested in registering for vaccination in rural areas; the ratio is high among females compared to males and among poor households than rich (Gull, 2021). As more than 60 percent of the population lives in rural areas, a significant fraction of the population is not inclined to vaccinate themselves. The failure to fully vaccinate all citizens may cause long-term health deprivations. Health deprivation has broader impacts on development and leads to a substantial economic burden (Butt, et al. 2020).

Reasons for Vaccine Hesitancy

(i) **Government-created hoax**: Most rural respondents believed it is a government-created hoax to collect funds from international bodies (Khan, 2021; Grossman, 2021). Most people know about COVID-19 and its implications due to lockdowns and information from different media sources. However, their shared understanding is that government creates this issue intentionally due to international pressure.

(ii) **Fear of side effects**: The majority of respondents reluctant to vaccinate due to fear of side effects such as fever, infertility problems, die and other diseases (Khan, 2021; Qadir, 2021).

(iii) **Religious reasons**: It is a common belief among many respondents (even from international literature) that vaccine is religiously prohibited; hence

Nasir Iqbal <nasir@pide.org.pk> is Associate Professor, Pakistan Institute of Development Economics, Islamabad.

[1] https://ncoc.gov.pk/covid-vaccination-en.php

people avoid vaccinating (Rafique, 2021; Osama, et al. 2021). It is also commonly believed that a pandemic was created to restricts people from practising religious activities such as prayers in Mosques etc. A respondent said that "*COVID-19 and its vaccine is a conspiracy against Muslims. It aims to close the mosques or decrease the number of people attending the mosques daily*."

(iv) **Lack of information and misinformation**: Lack of information to register for vaccination and vaccination centre are also vital factors inducing vaccine hesitancy. One common belief among citizens is that they don't need vaccines due to good health, indicating a lack of understanding of the need for vaccination (Sallam, 2021). One respondent said that "*those who work in the sunshine are not affected by COVID, hence do not require vaccination*." Misinformation can seriously reduce vaccine uptake. Loomba, et al. (2021) show that misinformation significantly decreased the willingness to get the vaccine in the US.

(v) **Out-of-Pocket expense**: One reason for the denial from rural communities is the out-of-pocket expense to get vaccinated. The travel cost is very high for poor people to visit vaccination centres, mainly located in cities. Travel cost, income loss, and weak demand are major hurdles in increasing the vaccination rate among the poor.

(vi) **Indifferent attitude/behaviour:** Rural communities are mainly concerned with day-to-day needs and remain indifferent about getting vaccinated. One of the respondents said that "*if someone comes to me with vaccinate, I will go for vaccination, else I don't have time to visit vaccination centre*."

How can the Demand be Created? The Proposed Policy Actions

(i) Dealing with low demand: There are various ways to increase demand for vaccination among rural and poor communities. First, the government can link Ehsaas cash transfer instalment with vaccination. The government has planned to register around 8 million beneficiaries in the Ehsaas Kafaalat program. A mandatory vaccination certificate of both beneficiary and her spouse can push poor people to vaccinate. This intervention would vaccinate around 16 million citizens, most notably both male and female. Second, all Ehsaas initiatives can be linked with vaccination, such as the Ehsaas Amdan program. Thirdly, the government should strictly monitor the vaccination among government employees to increase vaccination.

(ii) Vaccine for private workers: the government should be made mandatory for all private sector businesses and services sector to ensure 100 percent vaccination among their employees. The government should make it compulsory that all informal markets (shops) should display vaccine certificates for their employees. This intervention would ensure vaccination among the informal labour force (around 10 million).

(iii) Compulsory vaccination certificate for new entrants in universities: All universities start new enrolment in the coming months. The Higher Education Commission (HEC), in consultation with Education Ministry and NCOC, makes it mandatory for all students to submit vaccination certificates for admission to any university.

(iv) Tackling with misinformation: A consistent message approved by NCOC may be used by a local cleric, influencer, and all media sources to disseminate appropriate vaccination efficacy and registration process information. In this context, Pakistan Telecommunication Authority (PTA) or any other relevant authority should screen and stop the campaign against vaccination. Concerned authorities must ban the campaign against vaccination, mainly on YouTube and Facebook.

(v) Provision of Vaccine without CNIC: Many older people in rural areas do not have CNIC. The National Socio-Economic Survey (NSER) shows that most people do not have CNIC due to the lack of documentation and cost involved in the CNIC process. The government shall devise a mechanism for these vulnerable people by allowing them to get vaccinated without CNIC.

(vi) Vaccine for international migrant families: Pakistan hosts millions of international migrant workers and their families all over the country. These international migrant workers and their families do not pose any legal document to register for the vaccine. The government shall develop a mechanism with support from the international community to provide vaccines to these migrant workers and their families.

(vii) Covering the Out-of-Pocket Expense: The government should facilitate the poor by covering out-of-pocket expenses incurred to get vaccinated under the Ehsaas programme. Ehsaas has a comprehensive database of those people who received Emergency Cash Transfers. The same data can be used to design a conditional program to support out-of-pocket expenses.

(viii) Mobile Vaccination Services for rural Communities: The government shall use mobile vaccination services for rural communities to vaccine them, keeping in view their indifferent behaviour. Local Basic Health Units (BHUs) can also be used as a vaccination centre to reduce travel costs.

(ix) User-specific Messages to Promote Vaccination: The government can use technology to disseminate user-specific messages. Telco and NADRA data can be used to send a by-name message that you “Mr. XYZ” and your family members are not vaccinated yet as per the NADRA record. You are advised to visit the vaccine centre located at “ADD” for vaccination. Your mobile number will be blocked in a month if not vaccinated.

(x) Issuance of Bank Account and Mobile Sim: The government can also link the issuance of bank account and mobile sim with the vaccine.

(xi) Messaging through Lady Health Workers (LHWs): The LHWs can be mobilised to create awareness among people on the importance of the vaccine. LHWs can also be used to facilitate the registration process. Word of Mouth is the primary source of information for rural communities; hence LHWs can bridge the information gap by visiting in person to these communities.

Finally, an important proposal is of instituting technology in the vaccine administration process. It is observed that many people have discarded their vaccines by bribing the vaccine providers and getting fake vaccine certificates. Apart from that, people have also received fake certificates from their relatives who are vaccine providers. NCOC can devise a mechanism for online verification of certificates. So that fake certificate may be checked and caught by government officials in airports, motorways, educational institutions, etc.

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Reforming the Civil Service Compensation in Pakistan

OMER SIDDIQUE and NASEEM FARAZ

Since the 1950s, many pay commissions and committees have been formed, but there has been no objective assessment of civil servants' pay structure. Moreover, there has been no analysis of civil servants' total cost, including not just the pay but all the monetary and non-monetary perks, to verify the commonly-held perception that civil servants are underpaid compared to their private sector counterparts. To fill this gap, PIDE's report on the civil service compensation, "Cash Poor, Perk (Plots, Privileges) Rich! Civil Service Compensation in Pakistan: Incentives, Dissatisfaction, and Costs" (PIDE, 2021), looks into some key issues within the civil services. The issues that the report looks into include cash payments, non-cash rewards, inequality in the distribution of perks, waste of precious land for housing, pay and performance disconnect, a bias between cadre and non-cadre officials, and marginalised specialised groups.

The analysis shows that the remuneration of a civil servant is a collection of cash payments, in-kind rewards, and intangible benefits.

- The total reward of a civil servant is several times higher than the base reward (cash salary) in the contract, more so for the higher grades.
- A senior civil servant's cost to the government is several times higher than the benefits received by the official.

THE CURRENT FEATURES OF PAKISTAN'S CIVIL SERVICE

Allowance Pervade

The allowances and perks pervade the pay structure of the civil servants. The system causes disparities when the more powerful cadres get more allowances and perks than the others. The provision of perks instead of cash is believed to distort employees' incentives.

Unequal Opportunities for Career Progression

Not all service groups have equal opportunities for career progression. Each civil service cadre is organised vertically into a pyramid, but on top of each, we usually see an officer from only two cadres—the Public Administrative Services (PAS) and the Secretariat Group. While technical and professional staff are restricted both vertically and horizontally.

Omer Siddique <o.siddique@pide.org.pk> is Senior Research Economist, Pakistan Institute of Development Economics, Islamabad. Naseem Faraz, Deputy Economic Adviser, Economic Adviser's Wing, Ministry of Finance, Government of Pakistan.

Authors' Note: Based on the PIDE study, "Cash Poor, Perk (Plots, Privileges) Rich! Civil Service Compensation in Pakistan: Incentives, Dissatisfaction, and Costs" (PIDE, 2021) by Nadeem Ul Haque, Durr-e Nayab, Omer Siddique and Naseem Faraz.

Pay and Performance Disconnect

The promotion and placement policy is not aimed at rewarding those who perform well and can take higher responsibilities. Wage overlaps accentuate this disconnect when people in a lower grade get the same pay as those above.

Wage Compression

In Pakistan's public sector, the wage compression ratio is under 10 if we only consider the average basic pay for the lowest and the highest BPS grades. However, the ratio increases to 17 when considering all the monetary remunerations and 24 if we include all the non-monetary benefits. The higher remuneration of the upper grades is, thus, camouflaged by the compressed basic pay scales.

BENEFITS

Valuing the in-kind benefits received by the civil servants shows that:

- Public-owned houses have a minimum market value of Rs. 1.45 trillion, which has the potential to generate an annual rental income of Rs. 10.75 billion.
- Monetisation notwithstanding, the cost of using an official car exceeds the basic salary of employees in BPS 20-22.
- Job security in civil service has an added value of 0.5 percent to 17 percent on the compensation.
- Apart from the medical allowance, which is a part of the salary slip, approximately Rs. 2.3 billion monthly is incurred on civil servants' medical bills.

TOTAL COMPENSATION

Estimates of the total compensation of the civil servants, including monetary wage plus allowances, and quantified in-kind and intangible rewards, show that civil servants are not underpaid since a large chunk is not declared on the salary slip.

- As we go up the grade ladder, the proportion of cash allowances in total pay increases, and so does the proportion of quantified perks in the total cost.
- Government housing facility, given as an in-kind benefit, is never accounted for in the total cost of the civil servants – something that has a huge opportunity cost to the government.

Perks and different allowances add to the total cost of civil servants substantially, and if monetised, would break the myth of low salaries in the public sector.

SUGGESTED REFORM MEASURES

Economic theory suggests that civil servants should be paid well, in cash only, and on competitive terms with the private sector (Dixit, 1997). In general, the reform must begin by adequately compensating all civil servants to not compromise their welfare. Previous pay commissions' recommendations failed because they recommended only an increase in pay and allowances while sticking to the existing structure.

The important features of the compensation should be the following:

- The current unified pay scale (UPS) system must be abolished and replaced with a new federal service system. In the new system, different professions should be introduced based on merit.

- The wage system should be based on an annual survey of salaries in the private sector, discounted by parliament and the cabinet.
- The civil servants' salaries should be adjusted based on two components: (i) inflation-indexation and (ii) performance.

Monetisation

One of the New Public Management (NPM) literature's key messages is that perks and benefits must be monetised to bring clarity within the system. International experience also shows that more and more countries are moving towards the monetisation of benefits and perks.

Government Housing

The monetisation could start from government housing because of the assets involved and its potential impact on the real estate sector. For the monetisation of government housing, an important consideration is its pace and sequencing.

- Since houses occupied by employees in grades 19-22 are only 602, the housing monetisation should start from grades 19-22.
- In the next stage, consider grades 11-16, which can free up around 2,300 houses.
- Finally, the housing facility of the grades 1-10 employees can be monetised; approximately 73 percent of the total houses in Islamabad have been allocated to grade 1-10 employees.
- In steps 2 and 3, the government can release around 84 percent of the total houses by incurring Rs 6.5 billion on monetising housing.
- The freed-up land must be used for commercial construction and social infrastructure (libraries, recreation, and community places) under a public-private partnership (PPP) model because it requires resources, management, expertise, and risk-sharing. A part of the freed-up land, for example, in the first stage, may be used for affordable apartment-style housing.

Transport Facility

Currently, the estimated value of cars being used by grades 20-22 officers in Islamabad is around Rs. 1.53 billion. The features of the transport facility monetisation should be the following:

- Abolish the current transport monetisation and adopt a new system, which involves three parties: banks, the government, and grade 20-22 civil servants.
- In this monetisation proposal, banks would finance the car at a five-year term, and the government would guarantee the payments to banks.
- The government would then deduct monthly payment from the salary and transfer to the bank.
- The proposed model would ensure that the officials will have a fully maintained car with a driver from the first day of the contract.
- Adopting this model, transport expenditures and personal use of official vehicles would be minimised, while the monitoring of the asset, i.e., the car, would be done by the bank.
- If the system of official cars used for private use is dispensed with, it will free up at least 1,229 cars only in Islamabad.

- The stock of pool cars and project cars must also be reduced to a bare minimum, and the car requisition system must be abolished. The reduction of pool cars will further increase the financial benefit to the government.
    - Based on the inventory of the freed-up cars, most of these cars will be auctioned off.
    - The remaining cars will be put in a shared pool. The civil servants can be issued a fixed number of vouchers per month to use these cars for private use. Beyond the number of vouchers, the civil servants will be charged for using official vehicles as per the government rules for using an official vehicle for private purposes.

Medical Facility/Health Care

The current medical reimbursement system has put all the financial burden on the government. The government not only pays the medical allowance but also reimburses the indoor hospital charges. This cost will keep on increasing as the number of employees increases over time.

Our survey of the private-sector labour market indicates that the private sector has successfully shifted to the insurance system. If the government also shifts to the insurance system, it can save Rs. 2.3 billion per month.

Sustainable Pension with Monetisation

The monetisation of compensation, along with the adoption of a more solvent pension solution (with a grandfather clause), would give the retired civil servants an increase in real income after retirement and give them more autonomy to manage their funds.

Fully-Funded Defined Benefit (DB) or Defined Contribution (DC) Pension System

The current unfunded DB system creates barriers for entry and exit into the civil services, and turnovers are not possible because of the unrealised pension benefits. If this system is converted into a DC system, employees would have more leverage for switching across governments, autonomous bodies, recruitment types, and the private sector. This would help attract qualified and talented individuals at various stages of the service. Also, switching to a DC system would make pension payouts to be sustainable in the long run.

The funds allocated for the DC system can be invested in:

- Existing options within the government, such as National Savings Scheme (NSS) through pension vouchers (used as assets for annuity payment).
- In approved pension funds, which can be developed in collaboration with the private sector. These will also release substantial capital resources for investments.

So, this system would also unleash growth along with making this sustainable for the government.

Reduce the Staff in Lower Grades

Currently, there is overstaffing in grades 1-11 (85 percent of the salary bill currently goes to these employees). The discontinuation of most of these posts, which have become redundant over time (such as peons), will save finances that can be used to finance additional costs in case of salary revisions. Once the present occupiers retire, apart from surrendering existing vacant posts, no more employees in these grades should be hired.

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Internet for All

SABA ANWAR and UNBREEN QAYYUM

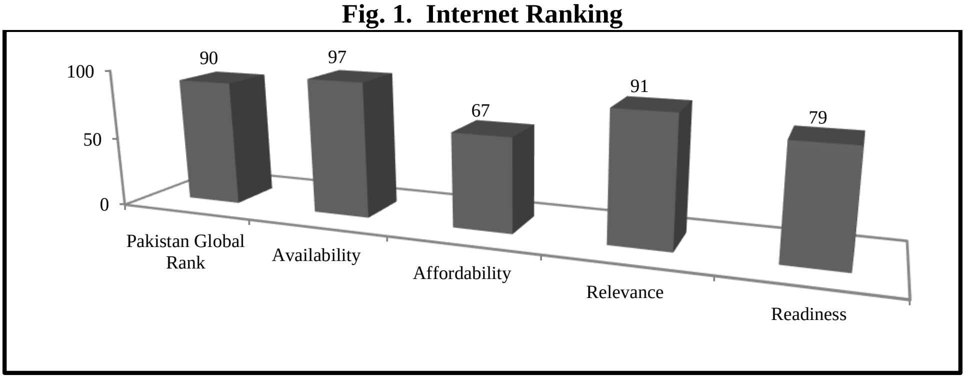
The pandemic COVID 19 has fast-tracked the demand for digital technologies especially the internet requirements by five years. Internet is the lifeline for startups; distant learning is a new paradigm shift and perhaps the future of innovative learning for all ages which in turn will enhance productivity. The real potential of the internet is to create an enabling environment for people to access information on health, education, business, e-commerce, etc. PIDE's Reform Agenda for Accelerated and Sustained Growth[1] also emphasised that the internet is a basic human right and it must be taken very seriously, especially by the regulators. It should not be regarded as access to Facebook, YouTube, Google, etc. for entertainment purposes.

Action Point: With a 64 percent young population, the policy-makers and regulators need to realise the internet is a major source of opportunities and a basic human right.

International Comparison

When we look at various international rankings we can see that on every index related to internet, Pakistan is ranked well behind the countries which share similar socio-economic and demographic conditions. Either it is internet inclusive index, network readiness index, e-government development index, telecommunication infrastructure index, ICT development index or world economic forum index, Pakistan stands behind several South Asian countries such as India, Bangladesh, Nepal and Sri Lanka. In terms of affordability, according to PTA and GSMA report, the four major operators in Pakistan provide cheapest service in terms of a gigabyte of data availability compared to Bangladesh, Turkey, India and Egypt. The availability of internet remains a big issue for the majority of consumers and the devices are also not affordable.

Fig. 1. Internet Ranking



Saba Anwar <saba@pide.org.pk> is Senior Research Economist, Pakistan Institute of Development Economics, Islamabad. Unbreen Qayyum <unbreenqayyum@pide.org.pk> is Research Economist, Pakistan Institute of Development Economics, Islamabad.

[1]Reform Agenda for Accelerated and Sustained Growth (2021).

Pakistan recently celebrated 100 million broadband customers but connectivity and availability remain a basic issue. The telecommunication sector has witnessed enormous growth since 2017-18 but Covid 19 has boosted the demand for internet and telecommunication devices sharply. Despite the improvements in internet availability, it does not work for the vast majority of people in general. Keeping in view the current situation it becomes of utmost importance to understand the structural, technological, and regulatory issues creating hurdles in the way of internet availability and affordability to the general public of Pakistan.

SPECTRUM

Spectrum is a medium like radio wave scaling. This medium carries the signal from point 'a' to point 'b', from a cell side to a switch, from a switch to cell side, and from cell side to the mobile device, or the i-pad. The government releases spectrum through auction and the operators bid on it. From 2014 there have been three auctions in 2014, 2016, and 2017 respectively. The high flow prices led to no bidding in any of these auctions. In 2016 and 2017, the unsold spectrum of 2014 was put up for bidding. This implies that government did not release any new spectrum after 2014. Currently, the commercial release of spectrum in Pakistan is 1/2 of what is in Afghanistan and Bangladesh. It is 1/3 of Malaysia and Thailand. ¼ of advanced economies like Singapore, Europe, etc.

- Overpricing makes it an irrational business model for telecoms. They have to spend 80 percent of their available funds in buying spectrum and are left with 20 percent for infrastructure development. In the UK, a discount was offered on the spectrum, Sweden auctioned the spectrum at the least possible price and the Chinese are providing free spectrum to its operators. Pakistan has the sixth lane of the spectrum, because of a myopic view; it is never been utilised to the fullest capacity.
- Hoarding is a short-sighted model that does not work for the government either. For the government, the spectrum auction fee has become the prime objective. There is a complete conflict over here, the short term making money to balance the budget is the priority rather than having internet for all as a right and this is the biggest loophole in the policy.

Action Point: Do not eye the sale of the spectrum to network operators as a source of revenue – Internet access should be a priority. Provide spectrum at a nominal price or even free of any fee.

INFRASTRUCTURE DEVELOPMENT

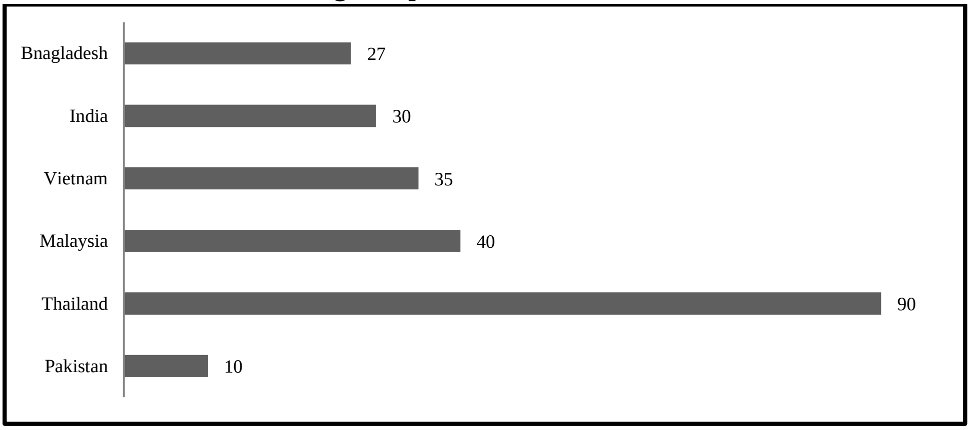
Optic Fibre

- The penetration of optic fibre cables in Pakistan is among the major obstacles in the availability of the internet for all. Approximately 10 percent of mobile towers are connected with optic fibre. Whereas just for comparison the optic fibre penetration in Thailand is 90 percent, Malaysia is about 40 percent, Vietnam is 35 percent, India 30 percent, and even in Bangladesh, it stands at 27 percent.
- Whenever a Telco has to lay fibre, it has to pay a certain fee. The certificate license fee is a significant part of the CAPEX. This fee is an intangible thing and no asset is created in the process. Also, if an optic fibre is to be laid along the

motorway, the national highway authority will have to be paid a certain fee. In Karachi an 18 km long road is controlled by 5 civic agencies, so the operator has to talk and pay to all these 5 companies.

Action Point: These regulatory issues and high taxation costs needs to be resolved on priority basis.

Fig. 2. Optic Fibre Penetration



Towers

Initially, the towers were a comparative advantage that a company had and they started putting up their own towers. Later, the idea of handing over towers to tower operators like American Towers and Indus Towers was thought of. However, the huge tax implications of selling a tower hindered the idea. Tower sharing and optic fibre sharing can be practiced by infrastructure providers if rightly incentivised by the government.

Action Point: Institutionalise Tower Sharing.

IS 5G A GAME CHANGER?

- 5G will not necessarily provide faster internet but it offers other benefits like multiple device operability, low latency capabilities, enhanced security automated cars, remote execution, etc.
- 5G will increase the demand for fibre as each building needs a fibre connection and a small antenna/base station for a cellular company. Also, the demand for mobiles that are compatible with 5G technology will increase.
- In the case of Pakistan, we are yet to capitalise on our investment in 4G. Pakistan is not ready for 5G as per the dismal statistics. Korea went for 5G when they had an 80 percent penetration of 4G handsets. In our country, merely 43.51 percent of the users have the 3G and 4G devices; however, the 4G was introduced 10 years back.

The biggest impediment is the price of the smartphone. Pakistan has less than 50 percent smartphone market and this is the major barrier in the way of 4G and 5G.

Action Point: There is a natural evolution and adoption of the latest technology so **let the market decide.**

WAY FORWARD

Telecom is empowering education, health, business, agriculture, commerce, security; we need a holistic digital policy for the wellbeing of our nation and sustainable growth. The Telecom sector is evolving with technology, hence our policies and regulatory framework should be supportive. The focus of the government policy should only be to enable, encourage and incentivise the business environment in the IT sector.

- The dynamic spectrum allocation is being practiced in the world and it should be promoted in Pakistan. The dynamic spectrum allocation requires to pay as you go mode. Thus government should have a balanced approach and the pay-as-you-go option can be practiced.
- If we take the long-term view, the contribution from the people using the internet over the next 10 years is going to be far more to the exchequer than could be obtained from the upfront fees and levies. Government can amortise the initial lump sum amount of spectrum price over five to ten years.
- In the case of optic fibre, Pakistan has service providers (foreigners) and infrastructure providers. The service providers do not share their assets because of competition, so the sharing model has limited implications. In Pakistan, 19 telecom infrastructure provider's licenses have been issued by PTA. Ninety-nine percent of the optic fibre is owned by the service providers but if the fibre ownership is transferred to infrastructure providers, the sharing could have been practiced on a large scale.
- Tower sharing and optic fibre sharing can be practiced by infrastructure providers if rightly incentivised by the government.
- For small towns and cities, the concept of having a large shared company owned by a completely neutral entity is more suitable. This company can get bandwidth through submarine fibres which offer a high-speed network.
- To develop a fully compatible ecosystem with 5G we require an up-gradation to the latest technology from both customers and operators. The up-gradation cost will be shifted to the consumers making 5G expensive. The four operators provide 4G but 50 percent of the sims sold are 2G and 50 percent of the handsets sold in the market can hardly support 2G. The benefit of utility comes in when the number of users is high. Providing 5 G to a small privileged community will be suboptimal while investment in 4G will improve service quality many times.

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Rethinking Growth Model: From Hardware to Software

IDREES KHAWAJA

The Need for Rethinking Pakistan's Growth Model

To absorb Pakistan's youth bulge, into gainful employment, and to sustain the country's high level of debt, PIDE's estimates suggest that the country's GDP should grow at a rate of 7-9 percent per annum for a fairly long period running into decades.

What is Software of the Economy and the Society

Laws, rules and processes that and impact economic activity.

Growth-conducive software will facilitate economic activity (i.e. transactions) in lesser time, at low monetary cost to the stakeholders, will encourage competition and provide a level playing field to

Pakistan's present growth rate is not only low the long term trend of growth is declining as well. Productivity and investment the two key drivers of growth are also on a declining course (see Figures 1 and 2). Breaking away from this low growth trajectory calls for deep-rooted structural reforms. Realising this, the PIDE with active consultation of renowned economists and development practitioners from all over the country has developed the PIDE Reform Agenda for Accelerated and Sustained growth (2021).

Fig. 1.

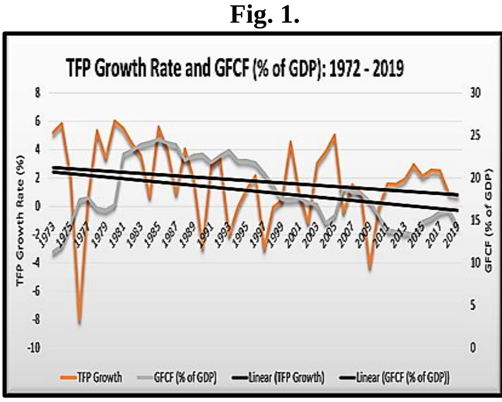
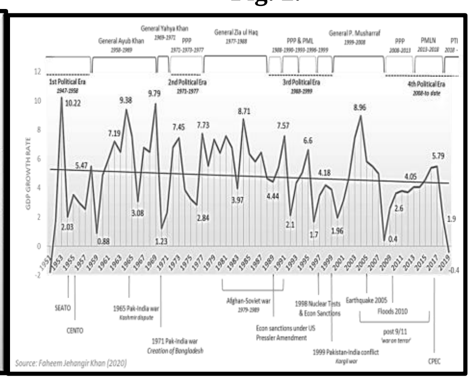


Fig. 2.



Idrees Khawaja <idreespide1@gmail.com> is formerly Senior Research Economist, Pakistan Institute of Development Economics, Islamabad.

Author's Note: This policy viewpoint heavily draws upon PIDE Reform Agenda for Accelerated and Sustained Growth prepared by PIDE Growth Commission and Growth Reform Agenda Secretariat at PIDE (GRASP).

The development model which Pakistan has followed since the sixties emphasises investment in hardware—roads, dams and buildings etc. This model developed by Dr. Mahbub Ul Haq and the Harvard Advisory Group did serve the immediate needs of the economy at that time. However the recent thinking in economic literature North (1990); Acemoglu & Robinson (2013) and inadequate returns from the growth model being followed at home calls for a paradigm shift – from hardware to software – the software of the economy and the society.

From Hardware to Software

The PIDE Reform Agenda for Accelerated and Sustained Growth (2021) takes the view that bad laws and cumbersome procedures keep productivity and investment low in Pakistan. Therefore the development model needs to undergo a paradigm shift. The country should now focus more on developing growth-conducive software, which is; laws, rules and processes that influence economic activity.

The constraining laws, rules and processes lead to situations like where; forty-five steps are needed to lay a n optic fibre for internet connectivity. Firms on average spend 577 hours and wade through 47 procedures to pay all the taxes for the year. Nine procedures are needed for a construction permit and this can cost up to nine per cent of the construction value. Land developers must obtain 22 NOCs from different agencies in order to proceed. Some laws also provide an unfair advantage to one or few players in the economy thus killing the competitive environment.

The kind of constraining laws and rules operating in situations like the ones referred above are typically developed by the government, at times, in good faith to check unwanted and unfair practices. In practice these constraining laws and rules go beyond the intended objective, to the extent of hurting the much-needed fair economic activity. The lengthy and obsolete processes too are practiced mostly at public entities. Therefore, it is the government which has to be reformed. We take this up after the next section on transaction costs.

Transaction Costs

GDP, as we know, is the sum of transactions between two parties to an exchange. Some costs have to be incurred to execute a transaction—lower the transaction costs greater the number and magnitude of transactions. The volume of transactions will be facilitated and hence GDP will increase if transaction costs can be reduced. Following are the different types of transaction costs:

- Search and information cost: the cost incurred to know the attributes of a product, its availability, and sellers.
- Bargaining cost: costs incurred to arrive at a price and terms of sale.
- Settlement cost: Terms of payment and flow of proceeds.
- Enforcement & policing cost: Enforcement of the terms of sale/exchange.

Haque, 2017

Enhancing Productivity

Productivity will improve by amending our laws and procedures to cut down frictions involved in undertaking an activity or executing a transaction.

We recommend;

(1) Reviewing all laws, rules, and processes from the very scratch, to identify frictions.
(2) Work towards creating a suitable environment for amending frictions causing laws, rules and processes.

The increase in productivity will also improve the return on investment leading to increase in investment and hence growth.

It is not difficult to see that the transaction costs are higher in Pakistan (especially due to the constraining laws referred above). The government, through its legislative and regulatory authority can mandate or facilitate mechanisms that would reduce transaction costs. For example the availability of prevailing exchange rates on the website of State Bank and Forex Association of Pakistan reduces the Search and Information costs as well as the bargaining costs for those aiming to buy or sell one or the other currency. Following this pattern, the search and information costs, for example, in the land market can be reduced if the buyers, sellers, realtors or the government were to declare the price on which a transactions has been executed—declaration of prices can be mandated by law or the realtors association can license realtors and one of the condition of the membership could be the declaration of prices. All this is bound to increase the volume of trading in real estate. Similar mechanisms The use of technology helps reduce the settlement costs – the government, the SBP and the internet service providers together can facilitate technology led electronic settlement mechanisms. Finally the government has a responsibility to ensure secure property rights and that the contracts signed are enforced—sound regulatory and judicial performance will ensure this.

It can be easily seen that all the interventions discussed above are soft in nature and boil down to improving governance which does not involve huge investment in monetary terms. Therefore too wade on a high growth trajectory the government will have to be transformed into a well-functioning state. The entire public service including civil service Judiciary, regulatory bodies, and local governments, etc. will have to be reformed to serve as an ‘enabler’ in the economy. Systems will have to be designed to make public servants work harder, better and faster. Host of NOCs and permissions required to engage in entrepreneurship will have to be cut. To augment efficiency of the government, technology and e-governance will have to be used.

Reforming the Government

Making the public servants work harder, better and faster is easier said than done – an extensive set of reforms will be required to make this happen. Key reforms are required are listed in Box 1.

Box 1: Pre-requisite for an Efficient Civil

(1) Make it easier to lay-off non-performing employees.
(2) Offer market based monetised salaries to all employees.
(3) Hire specialists rather than generalists in civil service.
(4) Allow lateral entry at senior levels (Grade 19 and above) in civil service.
(5) Restrict transfers and in no case post a person outside his/her area of expertise.
(6) Do away with the dominance of a single group in civil service.
(7) Continuously train civil servant for upcoming assignments. Conduct training of civil servants at universities.

Enforcement and Policing Contracts

Violations of contract between two entities or individuals do happen—a buyer may not be satisfied with performance of a product that he bought or a seller might face difficulties in recovering money for the goods that he sold on credit. It is not difficult to see that entrepreneurial activity will be encouraged only if the disputes be resolved quickly at little cost to the aggrieved. With cases pending in courts and the average shelf-life of a court-cases being 37 months, it is clear that cases are not being disposed of quickly at present.

Box 2: Reforming Judiciary

Appoint judges strictly on merit-based on performance in courts and in academic life.

- Train judges, especially in commercial matters.
- Extensively use the option of expert testimony
- Limit adjournments.
- Observe the stay order limit defined in the law.
- Use sophisticated softwares for allocation of cases to judges.
- Increase the number of judges where required.

To decide court cases speedily and at little cost to the aggrieved a through restructuring of the systems surrounding the judiciary is required. Some key requirements for reforming the judiciary are listed in Box 2.

Devising Public Policy using Research-based Inputs

Too often the government takes decisions which are later regretted. The reason is that enough research input has not gone into decision making. To make sound decisions mechanisms will have to be developed to ensure that public policy is always informed by research undertaken at local universities. For this to happen, on one hand construct a public service mindset believing that believes in research based evidence as an essential. On the other hand develop capacity of the universities to undertake research of interest to the government. This would mean that universities are staffed with competent faculty enjoying sound credentials in undertaking research. The present incentive structure that induces the faculty to produce research has a tilt towards quantity rather than quality and the structure dos not encourage policy oriented research. Therefore, revisit the incentive structure that the faculty faces - focus on ‘impact’ on economy/society rather than the impact factor.[1]

Box 3: Policy Decisions based on Research

(1) Ask for research based evidence while considering policy options and taking decisions.
(2) Policy makers should ask universities to provide research on a subject of interest to them.
(3) Staff universities with competent faculty with ability to undertake policy oriented research.
(4) Devise an incentive structure for university faculty that encourages research which would make an ‘impact’ upon the economy/society, without worrying about the ‘impact factor’.

Rethinking Cities

Presently Pakistani cities are expanding horizontally. The horizontal expansion has led to urban sprawls with several consequent problems including; residential space taking over valuable farming land, ever-widening roads, flyovers and signal free corridors, greater fuel consumption and pressure on energy systems including transmission networks.

Evidence, on the other hand suggests that the cities that allow workplace, residence, leisure, hospital, school, and shopping, etc. near each other encourage economic activity. Such cities are dense, high-rise, and mixed-use. By clustering economic activities, these cities generate knowledge spillovers and reduce transaction costs (Contextualising Pakistani Cities: Writings of Nadeem Ul Haque (Eds. Ali).

Box 4: Measures Required for Developing Cities that Serve as the ‘Engine of Economic Growth’

- Vest the management of a city in a single authority.
- Do away with long-term, rigid city master plans – replace these with loose guidelines.
- Zoning should merely differentiate between city centres and suburbs.
- Relax floor area ratio to allow high-rise buildings.
- Develop a rental housing market.
- Develop a Car Policy with salient features like; congestion tolls and paid street parking.
- To allow inclusivity in cities, sell apartment parking separately from the apartments.
- Develop an efficient public transport that serves most parts of the cities, especially its dense areas.
- Look at street vending as a legal activity and establish street vending zones across the city.
- Unlock dead capital: make better use public and private property like; land, stadiums and parking spaces etc. —like; constructing high rise buildings and charging parking fee etc.

[1]The impact factor of a journal reflects its relative importance within its field—journals with high impact factor are highly regarded.

A cursory look around the globe tells that in developed countries cities are configured in this manner. To grow economically, at an accelerated pace for a long enough period, we must rethink our cities in the manner discussed. To have such inclusive cities that serve as the engine of economic growth measures listed in Box 4 should be implemented.

Embracing Technology

Technology and artificial intelligence are disrupting almost every field. To be a part of the disruption and to gain from it, one must embrace technology. Embracing technology calls for capacity building and cultural change. To build capacity we must disrupt the education system to foster creativity and problem-solving skills in the graduates. This calls for staffing our universities with competent faculty and offering them an incentive structure, including career progression structure, that makes them put in effort to teach and to undertake meaningful, demand-driven impactful research—the said incentive structure will not only reward performers, regardless of age-bracket and seniority/grade but will also consistently penalise non-performers culminating in parting ways with them.

Embracing technology also calls for access to high speed uninterrupted internet to all and sundry. The ‘internet for all’ requires facilitating service providers to lay down the infrastructure required, making use of internet affordable - subsidising it where required and maybe providing it for free to the very poor. Having this kind of ambitious public policy will enormously boost economic activity and public welfare like; online education, increase in literacy, ecommerce, telemedicine and several other kinds of service delivery in rural/remote areas. Add to it the increase in benefits by allowing better connectivity to those who currently have access to internet and the payoffs of an ambitious internet access policy increase manifolds.

Box 5: Internet for All

- Make internet widely and cheaply accessible in urban centres during 2021.
- Sell Spectrum to service providers at very low rates–do not eye spectrum as a revenue source.
- Bind service providers to lay down internet specific infrastructure for provision of high speed internet and ensure access in rural/remote areas.
- Offer internet at subsidised rates/free of charge to those who cannot afford to pay for it.
- Reduce taxes on devices used to avail internet access like; mobile phones and laptops etc. to make these affordable.

A question often raised is; given present low growth base and a historical long term declining trend how a high growth rate sustained over decades is possible. This question is answered in Box 6.

Box 6: How Accelerated and Sustained Growth Rate will be Attained?

Productivity and investment are two key drivers of growth. These two are constrained in Pakistan for several reasons. Productivity can be improved by removing what Sunstien (2020) calls, 'Sludge' – excessive frictions that unnecessarily constrain an activity i.e. productivity can be enhanced by changing the way we use to do certain things. For example, if a person can deposit the fee for driving license online instead of queuing up for an hour in a bank this would save time and money which can be put to an alternate use – productivity will improve. Similarly requiring someone to personally collect a driving license, CNIC, and passport etc. if these can be delivered by post this again will save time and money which can be put to alternate use—again productivity will improve. Other examples of frictions include asking a bank account holder to present his ID card for umpteenth time while a copy is available in bank records unnecessarily imposes costs upon the account holder. The host of NOCs/approvals etc. required before a business can be launched or a building can be constructed may not be required at all or in some cases could be duplicative. Removing such frictions will add to productivity considerably.

In sum productivity will improve by amending our laws and procedures to cut down frictions involved in undertaking an activity or executing a transaction. What is needed is a thorough review of all laws, rules and processes to identify excessive frictions. The next task will be to create an environment suitable enough for amending the laws, rules and processes to remove excessive frictions.

The increase in productivity, thus achieved, will improve the return on investment leading to increase in investment and hence growth.

The investment will improve independently as well by amending laws and procedures to allow a level playing field and fostering a competitive environment— those unable to survive in a an environment which gives an advantage to a privileged few by way of e.g. SROs, will invest in a competitive environment. In a certain sectors, e.g. airlines, banking and fertiliser etc. the government is a dominant player, which by default enjoys a privileged position—exit of the government from these sectors will allow the private sector to operate—investment and efficiency would improve.

Yet another question frequently raised is; how the reforms will be implemented? This question is answered in Box 7.

Box 7: How the Reforms will be Implemented?

Reforms can only be implemented if a significant proportion of stakeholders agree that the reforms are worth pursuing i.e. the reforms, if implemented, will yield the intended benefit.

Opposition to reforms will come from two kinds of people: One, who given their belief system and experience, genuinely believe that the suggested reforms will not work. For example if those at the helm believe that centralisation as a system yields superior outcomes relative to decentralisation, then the reforms envisaging a greater role for local governments cannot be immediately implemented.

To implement reforms, first the people will have to become pro-reform. A continuous debate over the need to reform and the kind of reforms required will make people pro-reform. The three important sources of carrying out, debate are the academia (through research and discussion forums), print and electronic media and of course the now very important influencer, the social media, which despite its shortcomings still manages to convey an unfiltered view of the society at large.

Most reforms often produce winners as well losers. The would-be losers resist reform. For example if certain functions, currently being performed at provincial level were to be devolved to the local government those currently performing these functions may resist devolution despite believing in the benefits of devolution.

Historically advocacy has proved instrumental in winning over or at least taming the opposition of the would-be losers of reforms. To create a pro-reform lobby debate over reforms will have to be supplemented with strong advocacy to make a case for reforms.

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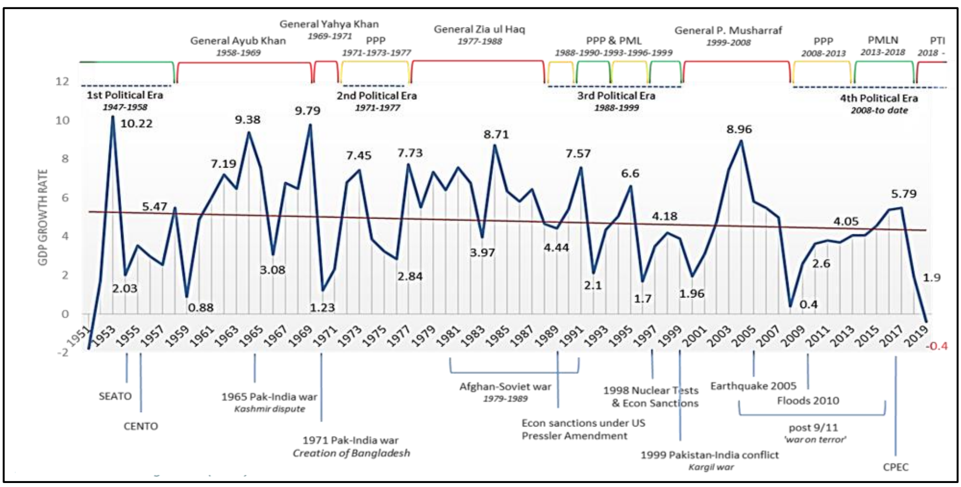
Rethinking the Development Model

AHMED WAQAR QASIM

The Pakistan Institute of Development Economics (PIDE) has recently launched a framework of economic growth titled "The PIDE Reform Agenda for Accelerated and Sustained Growth". The Reform Agenda points out that Pakistan has had a rough economic growth journey since independence due to intrinsic flaws in the development model which the country is still following. A rethinking of the development model and reconfiguring the role of the government is imperative to achieve a higher and sustainable growth that is indispensable for employment generation and debt sustainability.

Over the last seventy-two years, the economic growth of Pakistan has remained volatile and has fluctuated widely. Likewise, the long-term growth shows a downward trend (see Figure below). Investment and productivity are the key determinants of economic growth, unfortunately, the dismal performance of Pakistan on both these fronts has contributed to the decline in long-term growth. The sporadic growth experience of Pakistan raises two fundamental questions, One, why Pakistan's growth episodes are not sustained and two, what are the basic constraints to economic growth in Pakistan? This brief seeks to address these two issues.



Source: Faheem Jehangir Khan (2020).

Ahmed Waqar Qasim <ahmedwaqar@pide.org.pk> is Senior Research Economist, Pakistan Institute of Development Economics, Islamabad.

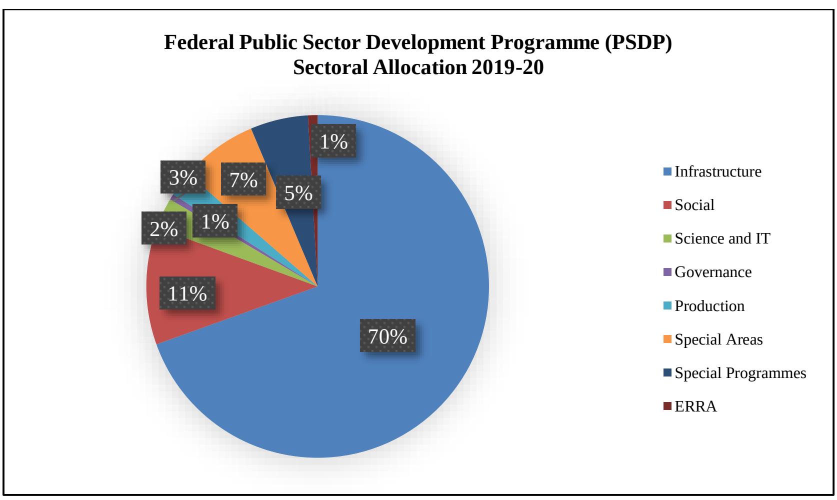
Author's Note: This policy viewpoint heavily draws upon PIDE Reform Agenda for Accelerated and Sustained Growth prepared by PIDE Growth Commission and Growth Reform Agenda Secretariat at PIDE (GRASP).

Planning System and Development Model

The infrastructures, both physical and governance, which Pakistan inherited from the British in 1947 was limited and weak. The resources required to develop these infrastructures were too little[1] to fulfil the demand. Therefore, Pakistan had to rely heavily on the advice of the developed world and foreign aid to meet the physical infrastructure need and to fill and the capacity gap. Consequently, the Planning Commission was established in 1953 on the advice of the Harvard Advisory Group (HAG) to develop planning models backed by international consultants and development aid. The commission prepared the first 5-year development plan in 1955 by selecting high return-yielding investment projects and appropriating the investment requirements accordingly.

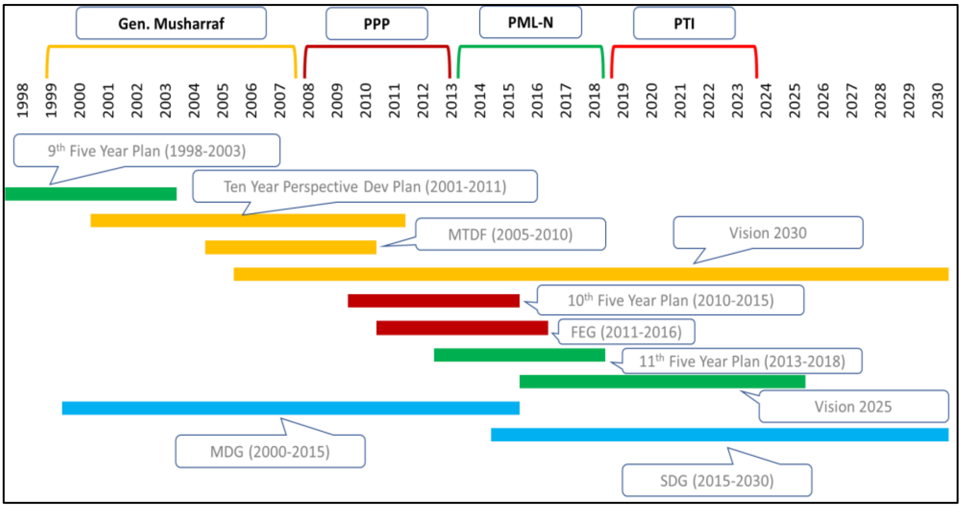
The Plan placed the government at the centre of the development plan and prioritised physical infrastructure and industrial base to modernise the economy. The development model based on this approach is dubbed the Haq/HAG Model in the development literature of Pakistan. The Haq/HAG model, which focuses on brick-and-mortar, was a great success initially and was also hailed as a model for economic planning of developing countries.

However, the flaws in the Haq/HAG framework, which prevails to date, began to appear once the foreign aid dried out. There are two main reasons for the ineffectiveness of the Haq/HAG model; (i) fiscal and budgetary constraints and (ii) the selection of the projects on a political basis instead of merit determined by well-defined criteria including economic and financial analysis. The fiscal and budgetary constraints replaced the Planning Commission with the Ministry of Finance as the key player in decision-making regarding development financing. While political and bureaucratic considerations undermined the ability to identify and appraise investment projects. Still, the Haq/HAG model of growth through aid-financed public sector infrastructural investment remains ingrained in Pakistan's economic thought.



[1] The domestic saving during 1950 was merely 2 percent and investment stood around 4 percent of GDP during 1950, see Haque, et al. (2018).

The figure below elaborates the fact that there are too many development plans with too little development. For instance, over the last two decades, Pakistan has tabled 10 major development plans, besides annual plans however not much implementation on any of the plans was observed, rather no effort seems to have been undertaken to evaluate the degree of implementation of the host of plans developed.



Source: Faheem Jehangir Khan (2020).

Evolution of Development Thinking

Haque, et al. (2020) classify the evolution of development thinking into five stages.

(1) **Aid:** The initial development stage features excessive demand for physical infrastructure, and central planning is crucial. Since at this stage economies find investment and capital requirements daunting, they rely heavily on foreign aid and international consultants who pretend as development partners.

(2) **Poverty and Distribution:** At the second stage, the development thinking concentrated on poverty reduction, and it was believed that economic growth can lead to poverty reduction. However, the link between the two is still unclear.

(3) **Structural Adjustment:** Many developing countries were facing macroeconomic imbalances due to government interventions. These imbalances not only deaccelerated the growth process but also impede the poverty reduction programs. Ultimately, it was realised that economic liberalisation is critical, and market forces are the main drivers of growth. Thus, structural adjustment programs were initiated to reduce the role of the government in the economy.

(4) **Reform, Institutions, and Governance:** At this stage, the development thinking moved beyond traditional growth theories. Institutions and governance emerged as the key determinants for investment, and technological development. Next, the improvements in quality of investment and technology contributed to growth and welfare.

(5) **Results Base:** Now the new norm is to set detailed development targets—MDGs and SDGs are now accepted across developing countries as goals.

Pakistan stands somewhere between stage 1 (developing infrastructure and central planning) and stage 3 (structural adjustment). The policymakers are still obsessed with foreign funding-based infrastructure projects. Moreover, the progress on the structural adjustment front has virtually halted, and the government still has a massive footprint in the economy. The shift from stage 2 (poverty reduction) to stage 3 is not possible without the disentangling of policy-making from political interference and rethinking the architecture of the policy-making.

Box-1: Result Based Management

A framework for undertaking public investment to higher returns

(1) Conduct a baseline survey to assess the prevailing scenario.
(2) Define intermediate and final project outputs based on research.
(3) Define inputs required to achieve the outputs.
(4) Define measurable targets at various stages of implementation.
(5) Review; whether present process/procedures facilitate achievement of outputs.
(6) Define quantified and measurable output indicators.
(7) Undertake ex-ante surveys to determine changes in output indicators.
(8) Highlight deviation from targets and possible remedial actions.
(9) Gather ex-post feedback from stakeholders/beneficiaries to evaluate the extent of success/ failure.
(10) Conduct Result based monitoring and evaluation

(a) Prepare Performance Monitoring report to inform the public about the effectiveness of the project.
(b) Each sector would publish an annual report on their performance againstplanned targets.
(c) The sector reports would go to an apex M & E body to be established.
(d) The M & E body would report sectoral performance to the cabinet.

Doing Development Better (Haque, et. al., 2020)

Shift on Growth Paradigm: Need of the Hour

The success stories of Europe and the United States during the industrial revolution provide basic principles of development policies. Many countries, learning from these principles, have achieved remarkable development in our lifetime. These key principles can be summarised as follows;

- Competitive and open markets are vital, so let the market forces define the winners and losers.
- The role of the government is to ensure the smooth functioning of markets by providing market rules and regulations. The government also acts as an empire to regulate fair play, allowing winners and losers to emerge without keeping alive obsolete industry through subsidy and protection (North, 1991).
- Research and new ideas are compulsory for innovation, which require an open and tolerant society. It also falls under the mandate of the state to develop an inclusive society, Romer (1990); Aghion (1992).

- The culture of competition, discipline, and risk-taking must be developed so that entrepreneurship and opportunities abound McCloskey, (2013).
- Contemporary economic growth literature considers economic governance and human capital to be the key determinants of growth, Ward (2011) & World Bank (1993).

Hence, the drivers of growth that have been identified from the growth experiences of the success stories are innovation, productivity, and entrepreneurship [see, Lucas (1988) & Romer (1990)]. To generate these driving forces, the role of the government is important—growth acceleration requires inclusive institutions that are responsive to ideas, innovation, and entrepreneurship, Acemoglu & Robinson (2010).

However, the Haq/HAG model based on the accumulation of physical capital does not encompass the growth principles stated above. As a result, there is little scope for innovation, increasing productivity, and facilitating entrepreneurship. The need of the hour is to rethink our development model, taking the lead from the growth principles referred to above. We have to redefine the role of government, markets, civil society, and academia. It is in this spirit that the PIDE Reform Agenda emphasises that the growth generator in the modern era is not the government but cities, asset classes, commodities, products, firms, and people with the government serving as an enabler.

The recipe for growth is long known and built on the above principles. The salient features of the recipe are: give the vibrant young people quality education, new ideas, and high ideals; strive for institutions that support free and fair markets; create a professional, well trained civil service; achieve economies of scale through a large domestic market and open up for trade and investment; and keep public spending on infrastructure and social sectors limited and focused only to critical and essential projects, Buiter & Rahbari (2011). Recent technological developments have added to this list the will and effort to embrace technology and ensure high-speed internet for all.

Box 2: Key Takeaways

(1) Haq/HAG model focusing on PSDP as the driver of growth has to undergo a paradigm shift to focus on the software of growth.
(2) PSDP needs deep reform to increase the efficiency of investment.
(3) Public projects funded through PSDP should use Result-Based Management Framework (RBM) outlined in Box 1.
(4) Greater focus on brick-and-mortar projects to be shunned in favour of projects involving software of the society (R & D, Developing productivity and human capital, etc.).
(5) Projects preparation and approval to be informed by research, preferably undertaken at universities.
(6) Asset management has to be key going forward.

Now, the typical variables such as investment and savings are regarded as endogenous to the system. This implies that we must look for factors that allow space and freedom to invest productively (FEG, 2011). The PIDE Reform Agenda, therefore, recommends governance, judicial and regulatory reforms that would remove entry barriers for entrepreneurial activity, facilitate the development of vibrant and competitive markets, and would provide a level playing field to all.

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Fiscal Federalism in Pakistan: Need for a Revisit

IFTIKHAR AHMAD, NASIR IQBAL, and MAHMOOD KHALID

This Policy Brief outlines a reform package to streamline the fiscal arrangement among federating units and the centre. The 18th Constitutional Amendment and 7th National Finance Commission (NFC) award reshaped the fiscal landscape of Pakistan. The provinces enjoy more autonomy in performing various functions within their jurisdictions. These developments have resulted in a fundamental shift in the division of powers between the centre and the provinces. Based on the 7th NFC Award, 57.5 percent of resources collected by the centre through FBR are transferred to the provinces using four criteria (Box 1).

Box 1: Indicators for Resource Distribution

Population (82 percent);
Poverty/backwardness (10.3 percent);
Revenue collection/generation (5 percent); and Inverse population density (2.7 percent).

Horizontal Resource Share:
Punjab 51.74 percent,
Sindh 24.55 percent,
Khyber Pakhtunkhwa 14.62 percent,
Balochistan 9.09 percent.

Time for Revisit: Why? However, the question remains that how these weights were assigned and whether we can achieve higher efficiency by experimenting with the given NFC formula. It is noteworthy that the 18th constitutional amendment has made the Award inflexible by requiring that the provinces' share shall not be less than what is decided in the 2009 NFC Award (i.e., 57.5 percent of the divisible pool). The non-flexibility clause added to the complexity and distorted the dynamic nature of the Award. Higher transfers and increased spending needs have placed an enormous burden on the federal government, which resorts to borrowing to finance the budget deficit. Further, it becomes difficult for the federal government to meet development financing needs, defense, pension, salaries, and debt-servicing from the remaining 42.5 percent of the divisible pool.

Box 2: Why Localise

Successful localisation creates a situation where local entities and other groups in society are free to exercise individual autonomy but also have incentives to work together.

(World Development Report 1999-2000).

Iftikhar Ahmad <iftikhar@pide.org.pk> is Associate Professor, Pakistan Institute of Development Economics, Islamabad. Nasir Iqbal <nasir@pide.org.pk> is Associate Professor, Pakistan Institute of Development Economics, Islamabad. Mahmood Khalid <mahmood.khalid@pide.org.pk> is Senior Research Economist, Pakistan Institute of Development Economics, Islamabad.

Box 3: Resource Position

The MTBSP indicates that overall resources are expected to be 15.4 percent of the GDP in FY21 and among that federal taxes are 11.4 percent whereas provincial taxes are just 1.2 percent of GDP. For FY22 it is proposed that federal taxes would be 12.8 percent and provinces' just 1.4 percent of GDP. However, on the expenditure side for FY21 after taking out interest, subsidy and defence payments, federal government is left with 3 percent of the GDP in the current expenditures side as compared to provinces spending more than double of that.

Resource Position (% of GDP)	2019-20E	2020-21P	2021-22F
Revenue	15.2	15.4	17
Tax Revenue	11.4	12.6	14.2
Federal	10.4	11.4	12.8
FBR	9.6	10.2	11.4
Provincial	1	1.2	1.4
Non tax	3.8	2.8	2.8
Federal	3.6	2.6	2.4
Provincial	0.2	0.2	0.4
Total Expenditures	22.7	22.9	22.6
Current	20	20.2	19.7
Federal	14	14	13.5
Interest	6.2	6.2	5.9
Defence	2.9	2.8	2.8
Subsidy	0.9	1	1
Provincial	6	6.2	6.2
Development and net lending	2.7	2.7	2.9
Federal PSDP	2.6	2.6	2.7
Provincial PSDP	1.1	1.1	1.2

Being a federal country, there is a need to assess whether the existing state of affairs can continue indefinitely, or it would be important that all the federating units assume the joint responsibility of anchoring sustainability and progress. Debt servicing, development, defense, and natural calamities (like Covid-19 and floods) necessitate better coordination and joint efforts.

Hence, joint coordinated efforts and a mechanism that can ensure it as a dynamic NFC formula. The resource distribution formula should contain the right set of incentives so that every federating unit puts in its best effort without externalising its expenditures upon others. Additionally, the mounting public debt and rising fiscal needs to finance defense had led to underfinance the social spending needs, thus resulting in miserable progress in social indicators. As a signatory to SDGs framework, financing needs require better coordination. This calls for a revisit of fiscal arrangements between the federal government and provinces to take into account these federational contexts also.[1]

Provincial Revenue Generation: Historically, no systematic approach has been adopted to capacitate and encourage the provinces for revenue generation. For provinces, this has resulted in a long-term administrative and financial dependence on the centre (Ahmed, et al. 2007). To date, the major pressure for resource generation has been on centre and the FBR.

[1]Federal government has initiated the process to renegotiate the fiscal arrangements between centre and provinces through the 10th NFC Award formulation but it has yet to bear results after initial jolts. Following the initial notification of NFC (on May 18, 2020), there were reservation from within the province on the nominated member for Balochistan. A new nomination had to be made in the revised notification (on July 22, 2020).

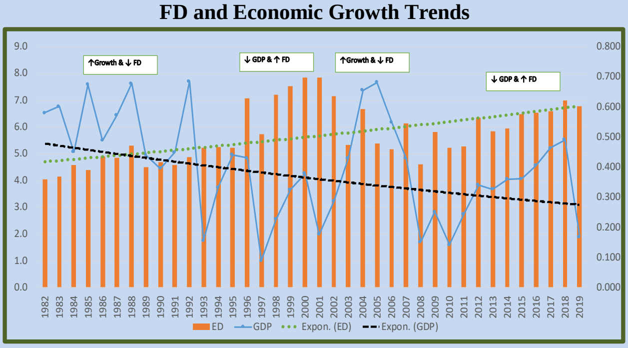
However, it is equally important to note that the federal government has overstretched itself by owning purely provincial matters. To mention a few, the federal government provides funds for roads, rural development, gender issues, SDG allocations, subsidy on fertilisers, Ehsaas/BISP[2], etc. This is against the basic premise of decentralisation and thus, compromises the expected efficiency gains. Each tier of the government should work in its domain and be encouraged to undertake spending based on indigenous initiatives and needs.[3] If backed by effective domestic revenue rising efforts, such spending would encourage greater accountability from the local electorate. This would also discourage the flypaper effect,[4] hence, would result in higher spending efficiency.

There is a need to devolve responsibility and empower provincial governments by giving the required resources (both human and financial) to develop their indigenous planning and development strategy as per local aspirations and territorial needs. All the devolved ministries, along with their personnel, need to be transferred to provinces in the true spirit of the 18th amendment to overcome the capacity deficit. Compromised capacity and contested decision space can give rise to duplication of efforts, inefficiencies, and lack of ownership (e.g., in higher education, health, poverty alleviation programmes (Ehsaas/BISP) and SDGs). Administrative empowerment encourages the provinces to contribute to the country's development by streamlining their capacities and incorporating better voice and accountability from the local people Ahmed, et al. (2007). Decentralisation should reduce provinces' dependence on the centre, allowing the centre to concentrate more on the national issues. The economic loss due to the absence of a capacity-building mechanism and foregone resources in the provinces needs to be resolved, Khattak, et al. (2010).

Box 4: FD and Development: Evidence?

Long term trend shows that high growth episode shows low FD and vice versa, nevertheless, there is a downward trend overtime between the two key indicators, which is important to notice. Literature reveals that weaker democracies may allow greater rent seeking under decentralised set up, hence discourage growth and stability Iqbal, et al. (2012; Iqbal (2013).

FD and Economic Growth Trends



[2]which is though debatable due its impact on achieving equality across the nation.

[3]FD help to achieve better resource management through competition among the local governments Ebel & Yilmaz (2002) where citizens vote with their feet, Tiebout (1956).

[4]Local autonomy in domestic revenue raising, restricts the non-productive government spending Rodden (2002).

Critical Questions for Debate: Besides resource transfers, it is also high time to evaluate the impact of the fiscal decentralisation (FD) process on key socioeconomic indicators to suggest a reform package for optimal utilisation of scarce resources. Various questions arise:

- What is the economic impact of the current FD mechanism in Pakistan?
- Are there enough incentives for each tier to perform?
- Are the federal and provincial governments complimenting or competing in efforts?
- Can matching grants provide the required incentive to cooperate on important social or economic initiatives?
- With a weak institutional framework, can Pakistan attain its objective of bringing prosperity to Pakistani people through FD?
- Can each province with its particular context generate local receipts and expand the economy? Having enjoyed around 60 percent of the total divisible pool for the last ten years, it is high time to assess which sectors remained a priority of the provincial governments. We need to see how the current and development spending has progressed.
- Are the additional funds meant for the local people actually reaching them in the right proportion, or instead, there is a second-degree elite capture and centralisation at the second tier?
- Assessment revenue raising efforts of provincial governments in areas that fall under subnational jurisdiction.
- Is the 18th constitutional amendment optimal, or we may revisit it after a thorough assessment?
- Are we happy with the current idiosyncratic response on higher education, health, and environment, or should there be a consolidated response?

Box 5: International Evidence on Resource Distribution

The Finance Commission of India has a dynamic setup where they have experimented different criteria and have tried alternative weights. The awards has posed less reliance on population (which is a crude expenditure need criterion). Instead, more weight has been allotted to either incentive based (Income distance, infrastructure distance, fiscal resilience, fiscal capacity and tax effort) or objective based (area, demographic change and forest cover) criteria (see Table 1). The most important element, which enables them to experiment each time, is the non-political, professional setup at Finance commission. Despite criticism on certain aspects, the Commission has announced financial award each time and more importantly tried different distribution criteria. This inclusion of multiple criteria and regular revisit is though criticised in the literature however the point to emphasise here is to leave no stone unturned until optimal solution is sorted out. Similarly, developed countries like Canada and Australia keep their focus solely on Equalisation Funds with the aim to cover differences in revenue raising capacity and to overcome the cost disabilities of delivering similar services across regions. These efforts though are framed in a manner that do not distorts revenue collection efforts of the states, thus saves efficiency component.

Suggestions for Reform

- In the wake of tight fiscal space and increasing targeted spending, we recommend matching grants from the central divisible pool as one of the criteria. This will develop a larger political consensus on major socio-economic initiatives. For example, SDGs spending can be financed from NFC on a matching grants basis. Pakistan has already utilised the matching grants mechanism in the 1996—NFC Award.
- To make NFC a dynamic resource sharing mechanism, the Council of Common Interest (CCI) can be used as a forum to decide a common socio-economic goal for each year on a rolling basis. The currently reserved 'one percent share of KPK (for war against terror)' can be utilised against the most urgent needs with mutual consensus in CCI, e.g., Covid-19 for this year, FATA merger, dams, SEZs in each province or alike.
- Fiscal equalisation is an internationally accepted criterion; however, there is a need to revisit the current 'need-based' NFC allocations.

Table 1

Finance Commission Awards in India

	Finance Commission				
Horizontal Resource Distribution Criteria	10th	11th	12th	13th	14th
Population	20	10	25	25	17
Income Distance	60	62	50	–	50
Area Adjusted	5	7.5	10	10	10
Infrastructure Distance	5	7.5	–	–	–
Fiscal Resilience /Distance		7.5	7.5	17.5	–
Tax Effort	10	5	7.5	–	–
Fiscal Capacity Distance	–	–	–	47.5	–
Demographic Change	–	–	–	–	10
Forest Cover	–	–	–	–	7.5

Source: Javed and Ahmed (2019).

- This is indicated through major allocations being made on a population basis. We need to move towards incentive-based resource allocation.
- Reduce the weight of "Population"—being a flat indicator of expenditures needs only.
- Instead of revenue collection, more weight should be allotted to revenue generation or revenue growth.
- Within the need-based elements, a certain percentage should be allotted to the income gap or HDI-gap to encompass quality of life in the formula.
- Subsequently, allocate a certain percentage to the indicators of "Tax effort (tax revenue—tax potential)." It would be important, though to cap the negative figures (especially in the case of Balochistan as well as in the case of natural calamity/pandemic) and promise a benchmark figure to achieve consensus.

- To streamline the utilisation of poverty-related resources in social-protection programs, the new NFC may ensure that the annual social-protection budget of a provincial government should not be less than the amount of the divisible pool based on poverty and backwardness indicators. This can be managed through conditional transfers, making it mandatory for provinces to utilise funds meant for social protection on related avenues only.
- Revisit the 18th constitutional amendment and make the NFC transfers flexible
- Consensus can be developed to form a fund where the centre and the provinces could pool resources for national development e.g., dams, CPEC infrastructure, mega-development projects, and resource & mineral extraction. Once completed, the royalties should be distributed as per contributions.
- NFC success is based on PFCs—this needs to be embedded in the fiscal transfers formula.
- Political consensus for NFC Award needs to be built based on economic principles. This can be made possible by making the permanent secretariat for NFC at CCI, manned by professionals and supported by a data bank (having a continuous stream of data collection and processing).
- Make the criteria dynamic. Pakistan has been following formula transfers which change rarely. In contrast, the resource distribution mechanism around the world is dynamic and regularly revisits the indicators, their weights as well as the mechanism to address the changing needs and to provide adequate incentives for enhancing efficiency. This is what NFC in Pakistan needs to focus the most.

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Power Sector: Effective Regulation Not Regulatory Burden

AFIA MALIK

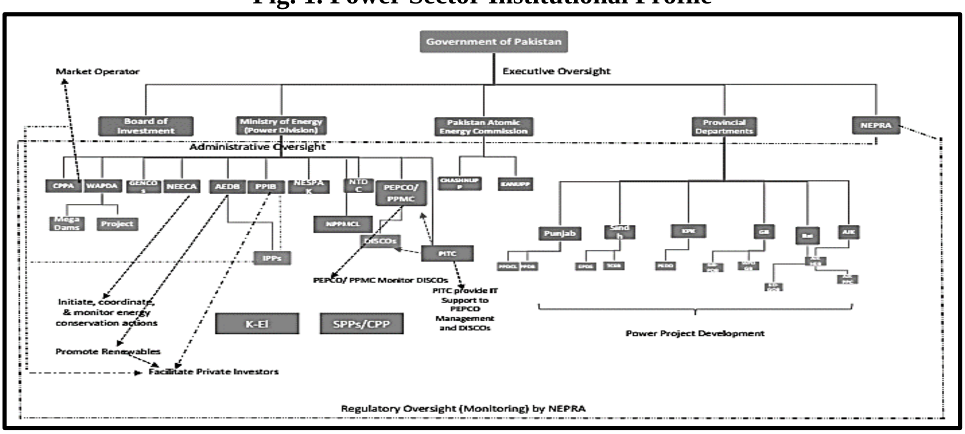
The power sector in Pakistan needs effective regulation and not a regulatory burden. A single power sector regulatory authority, i.e., NEPRA with adequate and effective regulatory powers, itself monitored by the government will_ send consistent signals to company operators, overcome the issue of insufficient professional capacity, and strengthen the authority's vulnerability to political interference.

Currently, there are more than 20 institutions, not including distribution and generation companies, involved directly in the power sector. There are several institutions with overlapping functions (Figure 1). At least three organisations National Electric Power Regulatory Authority (NEPRA), Central Power Purchasing Agency (CPPA) and Pakistan Electric Power Company (PEPCO), are responsible for monitoring and regulating the management and operations of distribution companies.

Similarly, Private Power Infrastructure Board (PPIB), Alternative Energy Development Board (AEDB) and NEPRA, apart from seven provincial departments, have powers directly and indirectly to facilitate and guarantee the technical compliance of private generation companies. Board of Investment (BOI), though not involved directly in the power sector, performs similar functions.

Despite this bulk of the administrative burden, power sector challenges in the form of inefficiencies, institutional disconnections in the management and the priority of issues are increasing.

Fig. 1. Power Sector Institutional Profile



Afia Malik <afia@pide.org.pk> is Senior Research Economist, Pakistan Institute of Development Economics, Islamabad.

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The number of organisations regulating or monitoring the power sector is unwarranted in Pakistan; in comparison to countries with the relatively better-performing power sector, e.g., Bangladesh and the Philippines (Table 1). Not only number of organisations is less in these countries, all are performing different functions.

Table 1

	Organisations	Functions
Bangladesh	Bangladesh Energy Regulatory Commission	Tariffs & operations in oil, gas, & electricity
	Sustainable and Renewable Energy Authority	To promote renewable energy and energy efficiency
	Bangladesh Power Development Board	To manage electricity under the Ministry of Power, Energy and Natural Resource; and acting as 'single buyer'
Philippines	Department of Energy	Energy governance and policy
	Energy regulatory Commission	Sets wheeling rate charges and approves bilateral power supply agreements
	Independent Electricity Market Operator	Handles wholesale market operations, including demand forecasting, real time market pricing and power dispatch schedules.
	Power Sector Assets and Liabilities Management Group	To oversee privatisation, selling state power assets and the right to control generation capacity under long term agreements.

Source: Oxford Business Group (2021)[1] and ADB (2020).[2]

1. REGULATING AND MONITORING DISTRIBUTION COMPANIES

Pakistan Electric Power Company (PEPCO) was established in 1998. After the unbundling of WAPDA, PEPCO was made responsible for the restructuring and preparation for privatisation of the state-owned generation (GENCOs) and distribution companies (DISCOs) in due course. But unfortunately, its centralised control over the operations of the unbundled companies made the boards and management of these separated companies ineffective.

In 2011, the Government of Pakistan (GOP) approved the dissolution of PEPCO; and the functions were first transferred to National Transmission and Dispatch Company (NTDC) and later to Central Power Purchase Agency (CPPA). However, the functions of PEPCO, in the real sense, were not transferred to CPPA. The Power Division, Ministry of Energy (PD-MoE)[3] took the administrative role earlier performed by PEPCO.

In the current setup, CPPA is playing the role of 'single buyer' on behalf of DISCOs. However, in its assigned functions, it is also authorised to monitor distribution companies. CPPA registered with NEPRA as a market operator in 2018. It has the mandate to play the role of a Central Coordinator by NEPRA to facilitate the implementation of the Competitive Trading Bilateral Contract Model (CTBCM) by April 2022.

The Cabinet Committee on Energy (CCOE), on the recommendation of the PD-MoE, has decided to revive PEPCO with the new name Power Planning and Monitoring Company (PPMC) and shift its headquarters from Lahore to Islamabad. As stated in the

[1]https://oxfordbusinessgroup.com/overview/powerful-shift-year-disruption-allows-government-re-evaluate-priorities-and-chart-new-path-future

[2]https://www.adb.org/sites/default/files/linked-documents/49423-005-ssa.pdf

[3]Earlier Ministry of Water and Power.

National Energy Policy 2021, this new institution would be responsible for monitoring the performance of DISCOs. As reported in newspapers,[4] PPMC will have a sovereign mandate to get donor support for capacity building to perform its duties effectively.

Table 2

PEPCO Funding_ Examples

FESCO	FY2020	Rs 31,674,800 (PEPCO fees)
MEPCO	FY2020	Rs 162,567,586 (Management fees including PEPCO)
HESCO	FY2019	Rs 57,796,069 (PEPCO fees)
PESCO	FY2019	Rs 29,268,482 (PEPCO fees)

Source: Financial Statements.

Additionally, the funding for the PEPCO now PPMC is and will be paid by DISCOs in the form of fees. DISCOs are already short of the investment required for the up-gradation/ maintenance of their infrastructure. The fee DISCOS are paying (along with free electricity to PEPCO employees) could be used in the long-overdue investments.

NEPRA statutorily is an autonomous regulatory authority with a mandate to regulate/ monitor power sector companies. What good PEPCO in the new name PPMC would do to the DISCOs, which NEPRA can't do?

Moving Forward

- By law, DISCOs are independent corporate entities with Independent Boards. Its operations and reforms (if required) are the responsibility of company management and board. There is no need for any other institution (PPMC or CPPA) to manage, monitor, or regulate its financial, commercial and operational affairs.
- The Independent Board, minus the influence of bureaucracy[5], guide the company management to develop a business model for the company, and ensure the fulfilment of service standards set by the regulator, i.e., NEPRA.
- Let DISCOs grow independently_ financially, administratively outside the umbrella of PEPCO or PPMC. In other words, from donor influence. Give necessary powers to NEPRA to regulate distribution companies.
- In future, CPPA will act as a market operator; only when the wholesale market is functional[6]. Otherwise, it is also an administrative burden.

2. REGULATING AND FACILITATING POWER GENERATION

For regulating and supporting private investors in power generation, there are several institutions at the Federal and Provincial levels. At the Federal level, PPIB under PD-MoE, established in 1994, was made a statutory organisation through the Private Power and Infrastructure Board Act 2012. Then there is, Board of Investment (BOI), established in 1989 through an administrative order. Later, given statutory status through

[4]https://www.dawn.com/news/1651283

[5]Malik, A. (2021) Corporate Governance in the State-owned Electricity Distribution Companies, PIDE Knowledge Brief, 2021 (Forthcoming).

[6]It is yet to be seen, given complexities in the generation and distribution sector.

the Board of Investment Ordinance in 2001. BOI, also assist companies and investors_ who intend to invest in Pakistan. It facilitates the implementation and operation of their projects. AEDB, also under the PD-MoE facilitates private renewable energy projects.

What is the justification of PPIB in current circumstances? PPIB was created: to facilitate private investors, recommend and facilitate power policies, coordinate with provincial governments, draft, negotiate and enter into agreements and guarantee the contractual obligations of entities. After the 18th amendment in the constitution, electricity is the Provincial subject. Every province has its energy department.

Additionally, the impact of long-term agreements with guaranteed capacity payments facilitated by PPIB is haunting and will continue to haunt in the form of circular debt. For future energy projects, do we still need this institution? There is no justification for AEDB either. One organisation under PD-MoE, i.e., AEDB, is talking about promoting renewables. The other organisation under PD-MoE, i.e., CPPA is opposing net-metering to protect DISCO's revenues.

NEPRA is playing its part in promoting renewables. It has initiated work to develop a framework for establishing a micro/mini-grid for those with no access to electricity[7].

Moving Forward

- No doubt the future belongs to renewable energy. It is regulator, i.e., NEPRA's responsibility to allow the right combination between various energy sources after assessing their feasibility from all dimensions. It is for NEPRA to ensure the compliance of generators to technical and safety standards and not of PPIB or AEDB[8]. It is also NEPRA responsibility to create the right balance to promote net metering.
- For the wholesale market (CTBCM), develop the capacity of distribution companies. So that they no longer required any third-party (PPIB or AEDB) support to assist them in finalising the power purchase agreements (capacity procurement based on their projected demand and financial capacities) with the generation companies.
- BOI, with relatively varied objectives and functions, can deal effectively with private investors in energy.

CONCLUSION

Several institutions are involved in the power sector. There are parallel institutions with the same functions, i.e., monitoring and regulating. The option to strengthen energy functions under the existing institutional setup will not lead to sustainable solutions. No need for PPMC, PPIB and AEDB; shut down these while consolidating NEPRA.

The GOP should empower and ensure that NEPRA performs its functions effectively. It is the job of the GOP to monitor the effectiveness of NEPRA. If NEPRA is not performing effectively, the authority must be held accountable**.**

[7]NEPRA State of Industry Report, 2021.

[8]As per NEPRA amended Act (2018), the generation companies will no longer require licenses after 2023. However, generators will still be required to comply with technical and safety standards.

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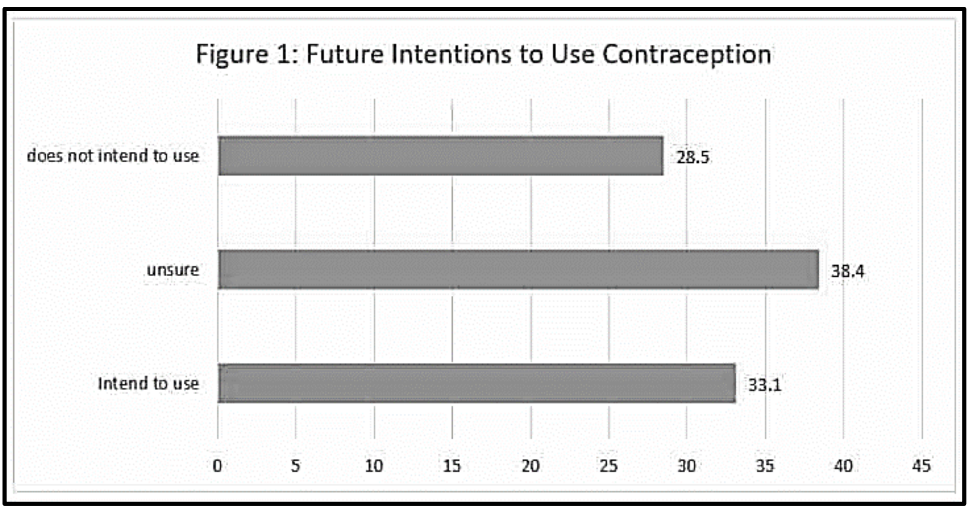
Invest in Future: Prioritising Youth Family Planning

SAIMA BASHIR

Dividend of our much-touted youth bulge will remain a pipedream unless our policy makers realise the need for investing in the health, education, and general wellbeing of the young. Our young population is at a greater risk than adults when using contraceptive services. This risk results from a lack of early education in human reproductive system as well as the cultural taboos surrounding the subject. Affordability, accessibility, and knowledge of contraception are inadequate for young women and couples who would want to space pregnancies. Individuals' reproductive intentions remain uninformed by critical awareness that swells the number of unintended pregnancies, further aggravated by hazardous unprofessionally administered abortions.

One-third of Young Married Women Have a Desire to Use Contraception

There are misconceptions that family planning is for older or married women, despite the fact that many adolescent girls are sexually active. Nearly one third of the young married women, aged 15–19, have a desire to use contraception but are not currently using any contraceptive methods in Pakistan.

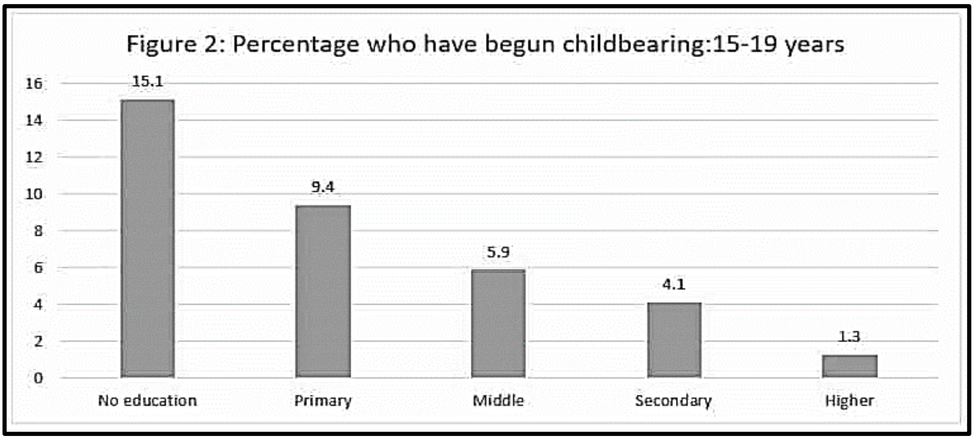


Saima Bashir <saima@pide.org.pk> is Senior Research Demographer, Pakistan Institute of Development Economics, Islamabad.

Early Initiation of Childbearing is Linked to Education, or Lack of it.

Universally, early childbearing before age 18 is associated with many socio-demographic and economic risk factors for young women. For instance, having a child during teenage has adverse consequences for both mother and child's health. Similarly, women who marry before they are 18 are more likely to drop out of school and are less likely to work.

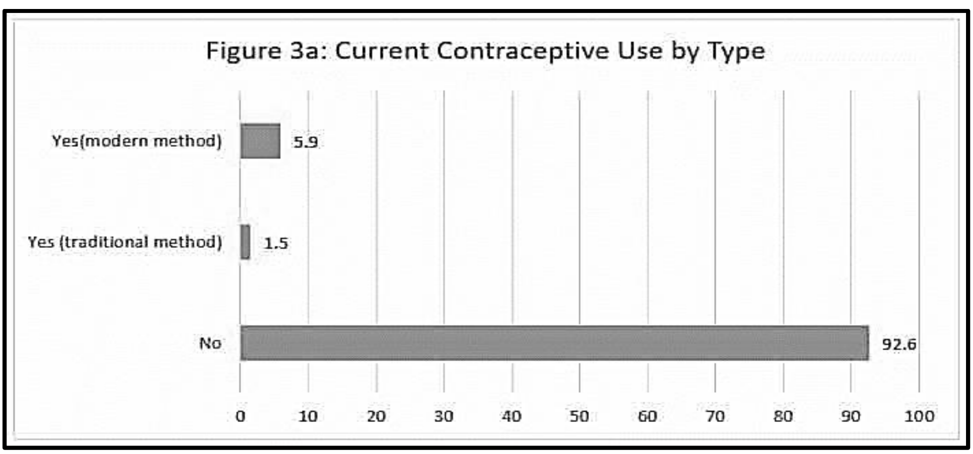
In Pakistan, eight percent of teenage women between 15-19 have begun child bearing and it has remained unchanged since 2012-13, NIPS, (2018). Young women, aged 15-19, with no formal education are at a higher risk of teenage childbearing. Around 15 percent of the teenage ever-married girls with no formal education had already begun childbearing.

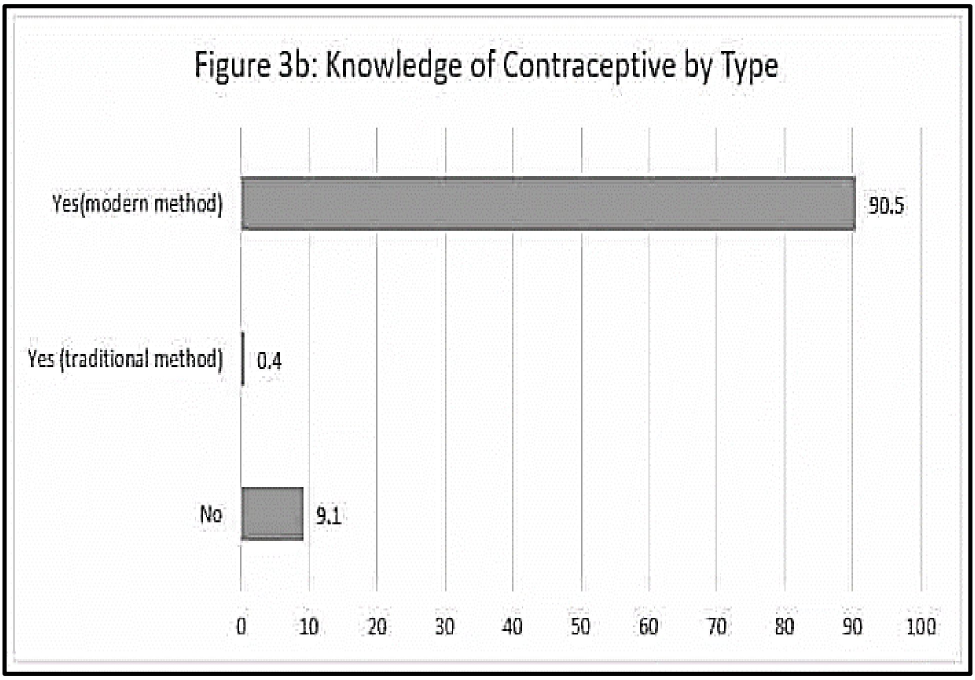


Source: PDHS 2017-18.

Disconnect between Knowledge and Use of Contraception among Married Women Aged 15-19

Around 93 percent of currently married teenage women (15-19 years) are not using any contraceptive methods. However, when it comes to knowledge about contraceptive use, only 9 percent of the teenage women did not know any family planning method. A vast majority of women (90.5 percent) know about modern contraceptive methods (Figure 3a & 3b).





Unintended Fertility and Unmet Need for Family Planning among Young Women

Despite the universal knowledge of family planning methods, particularly modern methods, the lack of use of contraception results in unintended fertility. According to PDHS 2017-18, around 4 percent of the births among mothers less than 20 years old are mistimed. Unmet need for family planning is higher among women aged 15-19. Nearly 18 percent of the young currently married women have an unmet need for family planning in Pakistan, NIPS, (2018).

What Can Policy Makers Do?

Experiential evidence abounds on the benefits of family planning programs. In most developing countries, family planning programs have proven to be cost-effective and high-impact. They have been shown to invariably improve maternal, neonatal, and child health outcomes. Our policy makers need to recognise the importance of investing in the family planning needs of young couples as almost half of Pakistan's population is below age 20. Investment on the youth will potentially bring about socio-economic development within a short time frame.

(1) Support Youth's Access to Contraception

Our public health system does not recognise young unmarried men and women as key targets of family planning programs so they remain underserved by sexual and reproductive health information and services. Most youngsters enter adolescence with little to no information and without any preparation of puberty. Much of the learning comes from peers and social media. Similarly, young couples start their family life without any proper planning. Therefore, it is not surprising to see that couples generally begin childbearing immediately after marriage and contraceptives are scarcely used before the first birth in Pakistan, NIPS, (2019).

Counselling of young married couples before marriage, therefore, is imperative and hence, reproductive health and family planning strategy must focus on younger men and women and adolescent boys and girls. Given the large youth cohort entering the reproductive life span, policies that assist in preventing, spacing, or delaying pregnancies should be encouraged. Counselling services, facilitation centres, follow up mechanisms, and easy and affordable access to contraceptive methods encourage young couples to use contraceptives, Streifel, (2021).

(2) Ensure Youth-friendly Services for Family Planning.

Counselling services and distribution of contraceptives are the responsibility of family planning units. However, access to these services is different or somewhat limited for unmarried youth, which may be caused by the service providers' reluctance and culturally induced inhibition in discussing sexuality with the young unmarried boys and girls, and their lack of training.

Similarly, the inadequate number of community health workers needs urgent attention of the policy makers. Another often overlooked missing link is the very scant involvement of young males in family planning activities. Any family program has to have the involvement of males of the family in order for it to be fully successful. In addition, lack of transportation, financial constraints, and confidentiality are other barriers/concerns which need to be addressed.

Research has shown that providing youth-friendly services significantly reduced teen pregnancy, Brindis, et al. (2005). Therefore, to reduce unintended fertility, family planning services and facilities must be made accessible to both young married and unmarried people.

(3) Revision of Legal Age of Marriage

Pakistan has committed to end underage marriages by 2030 under the UN's SDGs. Pakistan's legal age of marriage, set at 16 for girls and 18 for boys, besides being discriminatory in gender terms except in the province of Sindh where it is 18. The age at marriage is the main determinant of the number of children each woman will have (Bongaarts, 1982).

Underage marriage has serious consequences for both the mother and child's health. Besides, women who marry before the age of 18 drop out of school more often and are less likely to work. They are at higher risk of physical and sexual violence. In order to protect young girls' rights to health and education, and to prevent underage pregnancies, government must immediately revise the legal age of marriage upwards without waiting till 2030.

(4) Collaborate with Community and Traditional Leaders to Address Sociocultural Barriers

Kinship structures and community norms drive human behaviour. These traditional institutions are ensconced within and inside an outer circle of national socio-political institutions, ideologies and power dynamics, Kanein, et al. (2016). Gender norms of the society make certain behaviours of men and women socially acceptable. That in turn impacts the sexual and reproductive health of a woman. These gender norms make sexual ignorance for women acceptable and even desirable, and give sexual power to men thereby making men decide matters of reproductive health including contraceptive usage.

This very gender discrimination is the driver behind child marriage. Lack of education and child marriage contribute to lower empowerment for women, Lee-Rife, (2010). This is how patriarchal gender system becomes part of a society's value system and is perpetuated. As Stith (2015) pointed out "Patriarchal religious traditions celebrate girls as young wives and mothers, not as the girls they are. This appropriation is a key component of patriarchal power and girls' disempowerment."

The shackle of patriarchal power can be broken only by interventions designed to break the socio-cultural barriers that come in the way of family planning. That entails sensitising the community elders and traditional leaders, including religious clerics, on the benefits of gender equality and involving them in public debate and policy formulation and implementation process about underage marriage. This would help in prevention of the continuing cycle of reproduction of discriminatory norms and may ultimately lead to the legislation required for raising the legal age of marriage.

(5) Creation of Demand for Family Planning

Pakistan's family planning program is mostly focused on the supply side of contraceptives. However, recent PDHS 2017-18 shows a percentage decline in contraceptive use which may signify lack of demand. Therefore, instead of solely focusing on the supply side, the creation of demand for family planning and for contraceptives is necessary. This can be achieved by focusing on socio-economic development particularly on the women education as well as economic participation. This will, in turn, increase the opportunity for having children even for young couples

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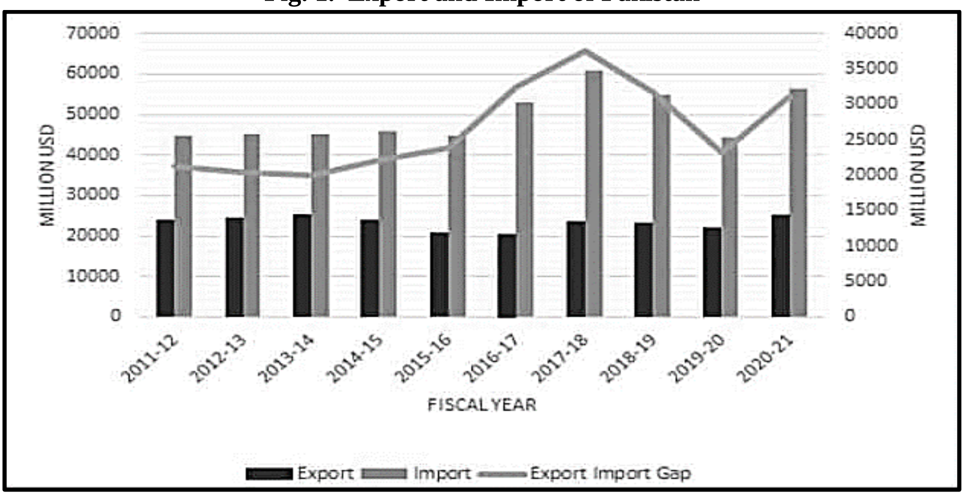
Will The Import Ban Prove Its Effectiveness?

MOHAMMAD SHAAF NAJIB

INTRODUCTION

Pakistan has for decades now been facing a financing crisis. The expenditures have always remained significantly higher than the revenues making the governments look to various sources to finance this gap. One major reason for the country's lacklustre performance in managing its expenses stems from the import dependency of the economy. Not only do we import the raw materials for our industries, but the local demand for commodities, agricultural and manufactured, is met through imports. While Pakistan's import per capita remains lower than other regional countries,[1] the low export value which has remained rather stagnant over years is a major cause of concern. Figure 1 below depicts Exports and Imports of Pakistan during the last decade.

Fig. 1. Export and Import of Pakistan



Source: Pakistan Bureau of Statistics.

This graph explains why Pakistan has knocked on the doors of IMF over 20 times while also taking loans from various other countries. Recently, Pakistan has plunged into a similar crisis once again. The reserves continued to fall while arranging external finance for the impeding currency crisis was become a difficult task. Subsequently, the threat of default and bankruptcy started looming over Pakistan's economy. In this scenario, the government along with other steps to put brakes on the financial crisis decided to ban various imports.

Mohammad Shaaf Najib <mshaafnajib@pide.org.pk> is Research Fellow, Pakistan Institute of Development Economics, Islamabad.

[1]Prof. Dr. Abdul Jalil's calculation, presented at PIDE Webinar 'A Vision for the Unforgotten Economy' dated: April 12, 2022 —"https://fb.watch/dhVz04Tr3Q/"——

Through the S.R.O. 598(I)/2022,[2] the ministry of commerce amended the *Import Policy Order, 2022*[3] by including 33 more product lines to the Import Policy Order Appendix A and thus adding them to list of commodities placed under an import ban. It is important to note that not all sub-categories of these 33 product lines have been banned, instead mostly selective categories falling under these have been placed on the import ban list. The total number of different product categories banned though totals just over 450. This policy viewpoint aims to analyse whether the policy will be effective in achieving the goals set out by the government or not using last year's import data.

Situation at Hand

During the fiscal year 2020-21,[4] Pakistan's total commodity imports stood at PKR 8.9 trillion (USD 56 billion). In the same time, the value of the over 450 product categories recently placed under import ban was almost PKR 383 billion (USD 2.3 billion, assuming a constant ER of USD 1 = PKR 160, the average ER of FY 2020-21). In percentage terms, the now banned products formed 4.3 percent of the total commodity import values (see Table 1). This means that the products banned under the tag of luxury imports constitute a very small amount of our total import bill and is neither a driving force behind the import crisis nor is making any secondary but significant contribution to it.

Table 1

Share in Total Imports (All values in Million PKR)

Total Imports 2020-21	PKR 8,982,441	USD 56,380
Import Value of Products Banned through S.R.O. 598(I)/2022	PKR 382,868	USD 2393 (at constant ER of USD 1 = PKR 160, average ER or FY 2020-21)

Source: Pakistan Bureau of Statistics.

Table 2 below shows the impact of banning these imports in dollar terms at varying exchange rates.

Table 2

Import Value of Banned Products in FY 2020-21 (in Billions)

PKR	USD, If USD 1 = PKR 150	USD, If USD 1 = PKR 175	USD, If USD 1 = PKR 180	USD, If USD 1 = PKR 190	USD, If USD 1 = PKR 200	USD, If USD 1 = PKR 210	USD, If USD 1 = PKR 220
382.862	2.552	2.188	2.127	2.015	1.914	1.823	1.740

Source: Author's own calculations.

As the Table 2 shows, the ban on these products based on varying exchange rate would have saved not more than USD 2.552 billion in import bill at an exchange rate of USD 1 = PKR 150. To put this into context, during the Fiscal Year 2020-21, the least monthly import bill was USD 3.3 Billion[5] during the month of August, 2020.

[2]https://www.commerce.gov.pk/wp-content/uploads/2022/05/SRO-Ban-on-Import-of-Luxury-and-N_essential-Items.pdf

[3]https://www.commerce.gov.pk/wp-content/uploads/2022/04/IPO-2022-SRO-No.-545I-2022-dt.-22.4-2022.pdf

[4]External Trade Statistics Data at 8-digit level (Pakistan Bureau of Statistics).

[5]Annual Analytical Report on External Trade Statistics of Pakistan FY 2020-21 (Pakistan Bureau of Statistics.

Subsequently, the dollars saved by an annual ban on import of these products will not finance even a single month's import bill.

At this point, it is essential to highlight that Pakistan's import bill though has varied during the course of last decade, but has on average increased by 3.425 percent per annum. Considering this, we run a few scenarios (see Table 3) regarding the growth in import value of the now banned products and its impact on the overall import bill. Unlike Table 2, we use exchange rate ranging between USD 1 = PKR 180 and USD 1 = PKR 220 as this is the most likely range for the exchange rate to vary between during the coming months.

Table 3

Dollars Saved with Varying Growth in Import Value of Banned Products (all values in Billions)

Growth in Import Value (%)	PKR	USD, If USD 1 = PKR 180	USD, If USD 1 = PKR 190	USD, If USD 1 = PKR 200	USD, If USD 1 = PKR 210	USD, If USD 1 = PKR 220
3	394.354	2.191	2.076	1.972	1.878	1.793
3.425 (Average)	395.981	2.20	2.084	1.98	1.886	1.80
5	402.011	2.233	2.116	2.01	1.914	1.827
10	421.155	2.34	2.217	2.106	2.001	1.914
15	440.298	2.446	2.317	2.201	2.097	2.001
20	459.442	2.552	2.412	2.297	2.188	2.088

Source: Author's own calculations.

Table 4 shows that if the import value of all the now banned products is increases by 3.425 percent, the average increase in import value in Pakistan, then with varying exchange rate the government will be able to save between USD 1.8 to 2.20 billion over the period of one year. This value again will not be enough to finance the import bill of even a single month. Based on different scenarios as displayed in Table 4, even with a 20 percent increase in import value of these products and the exchange rate being brought down to USD 1 = PKR 180, the government will be able to save less than even USD 2.6 Billion, which would be same as the total annual import bill of these products during the fiscal year 2020-21.

An interesting statistic to come out of the import data tells us that products banned belonging to 5 product lines contribute to 86 percent of the total import value of these banned products. These are Mobile Phone CBUs, Fruits and Dry Fruits, Auto CBU, Home Appliances CBU, and Cosmetics and Shaving Items. Together these five had share of just 3.67 percent in the total commodity imports during the FY 2020-21.

Table 4

High Share of Import Value among Banned Products

Product Description	Import Value (PKR in 000s)	Share in Total Imports (%)
Mobile Phone CBU	229,269,983	2.55
Fruits and Dry Fruits	36,856,487	0.41
Auto CBU	33,040,348	0.37
Home Appliances CBU	20,414,751	0.23
Cosmetics and Shaving Items	9,628,581	0.107
Total	392,210,150	3.67

Source: Pakistan Bureau of Statistics.

Furthermore, the import value of Automobile CBU is equal to the amount of own money[6] that consumers pay annually in Pakistan to purchase a car. PIDE Policy Viewpoint 32:2021[7] concludes that in the last 5 years consumers have paid PKR 150-170 billion in own money, making it PKR 30-34 billion annually. This represents that high import dependency in multiple products, especially such CBU products is also down to the inefficiencies of the local market and the right way to curb imports of these products is not to ban them but to improve the local market structures and making them more efficient which will automatically draw imports out of the picture. The policy of banning imports of CBU products which are already being sold on own in the local market will increase the own on these products thus increasing the cost to consumers of products in local market by furthering the demand and supply gap.

It must also be noted that goods that fall under these categories but if imported in Pak Rupees or through a barter system will be exempted from this ban. The ban also is not applicable on goods falling under these categories for which the LCs were opened prior to the ban imposition or those that were en-route at the time of ban imposition. This means that in the immediate short run, the products will be available in the local markets while the policy will be unable to achieve its objectives of saving reserves immediately as is the need of the hour.

The government must also realise that such regulatory bans have an adverse impact by creation of an alternate route and market for these products through smuggling. In case of smuggling, not only will the products still be reaching the local market, but the dollars will continue to be used through the private forex market thus creating a completely parallel system for the import of these products. The only loss would be to the government in case of lost revenue from the custom and import duties on these products while they continue to be sold after being smuggled in while the dollars will not be saved either. Moreover, additional administrative measures to control smuggling will only increase the expenses of the government.

POLICY RECOMMENDATION

As shown above, not only will this ban prove to be highly insignificant in making an impact on the import bill and will not save any noteworthy amount of dollars even if the ban continues for the entire year, it will lead to an increase in smuggling and force the government to bear additional expenses of controlling smuggling while losing revenue in form of custom duties.

The government henceforth must immediately take back its decision to ban these imports, and instead look for alternate measures to manage the export-import gap.

The ban intends to protect the dollar reserves from falling as well as restricting the currency depreciation. While the policy seems to be not effective in saving reserves as shown through data above, curtailing depreciation through import bans is not a wise approach. Instead, the government must allow the currency to depreciate as per the market forces as such a depreciation will eventually play some role in curtailing imports itself without establishing any parallel market through smuggling of goods. Significant protection through import bans and/or high duties have already been provided to local industries of electronics, mobile phone and automobiles which though might have to some extent restricted the import of these CBUs, but the industry overall has failed to take benefit of this protection to meet local demand in terms of quantity and quality both. Any such import ban will only put the consumers at a worse position due to the inability of local industry to uplift itself to a competitive state against any imported products and the ban will make local industry even less competitive.

[6]PIDE Knowledge Brief No. 41:2021 https://pide.org.pk/research/the-nuisance-of-own-money-in-automobile-purchases/

[7]https://pide.org.pk/research/the-issue-of-own-money/

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The Biased Nature of the Corruption Perception Index

ABIDA NAURIN

1. BACKGROUND OF STUDY

Corruption is a global issue that is present in numerous countries. Its broad meaning is the misuse of public power for personal gain, which leads to a less efficient allocation of resources than would be the case in an environment free of corruption. Corruption hinders social development, investment, and economic progress in several ways. The first effect of corruption is to decrease the effectiveness of government institutions and distort the distribution of resources. Additionally, it might cause capital flight and hinder international investment. Thirdly, corruption threatens the rule of law, which is necessary for economic growth.

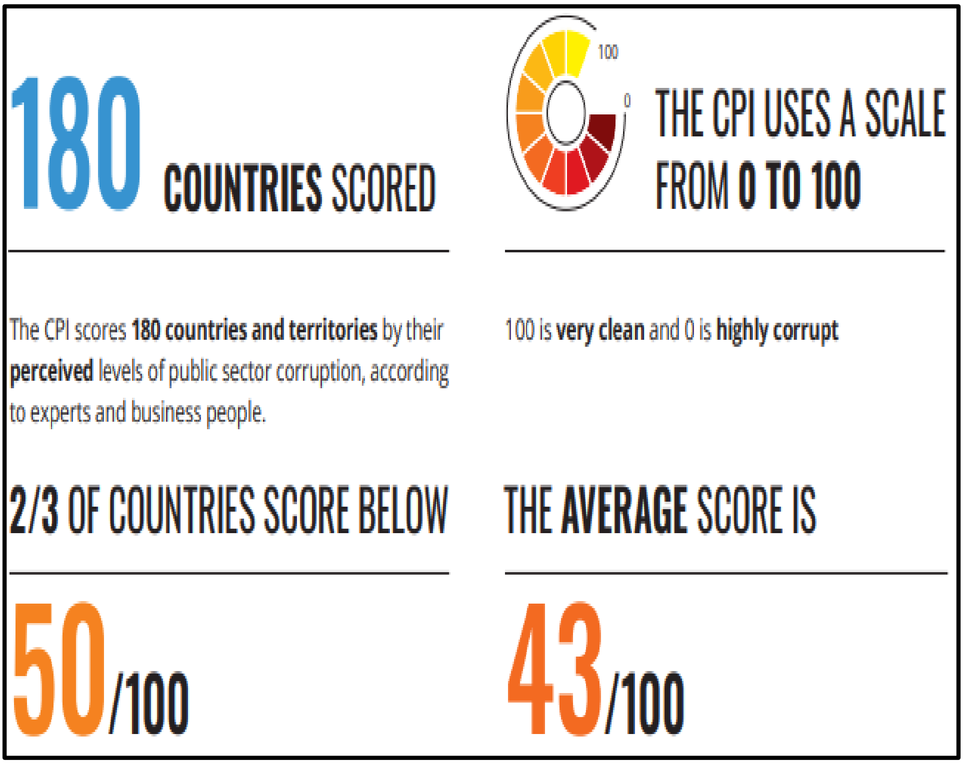
Box 1: Corruption Perception Index (CPI)

Transparency International published the first-ever Corruption Perception Index (CPI) in its history in 1995, since then every year Governments, Politicians, Civil Society, and Institutions anxiously wait for the new issue every year. Transparency International divides countries in six regions, Americas (AME), Asia PASIFIC (AP), Eastern Europe & Central Asia (ECA), Western Europe & European Union (WE-EU), Middle Eastern & North Africa (MENA) and SUB-SAHARAN AFRICA (SSA). This year of more than 2/3 countries scored below 50, only 33 percent countries scored 50 and above. The CPI uses opinion polls of businesses and professionals to assess perceptions of public sector corruption in 180 nations and territories. Due to the fact that the CPI is a composite index that incorporates information from 16 various surveys and evaluations from 13 independent organisations, including the African Development Bank, the Economist Intelligence Unit, the World Economic Forum, and the Political and Economic Risk Consultancy.

Abida Naurin <abida@pide.org.pk> is Research Fellow, Pakistan Institute of Development Economics, Islamabad.

Author's Note: Thanks to Dr Nadeem Ul Haque, Vice Chancellor, PIDE, for suggesting the topic, guidance, and valuable comments on the initial draft.

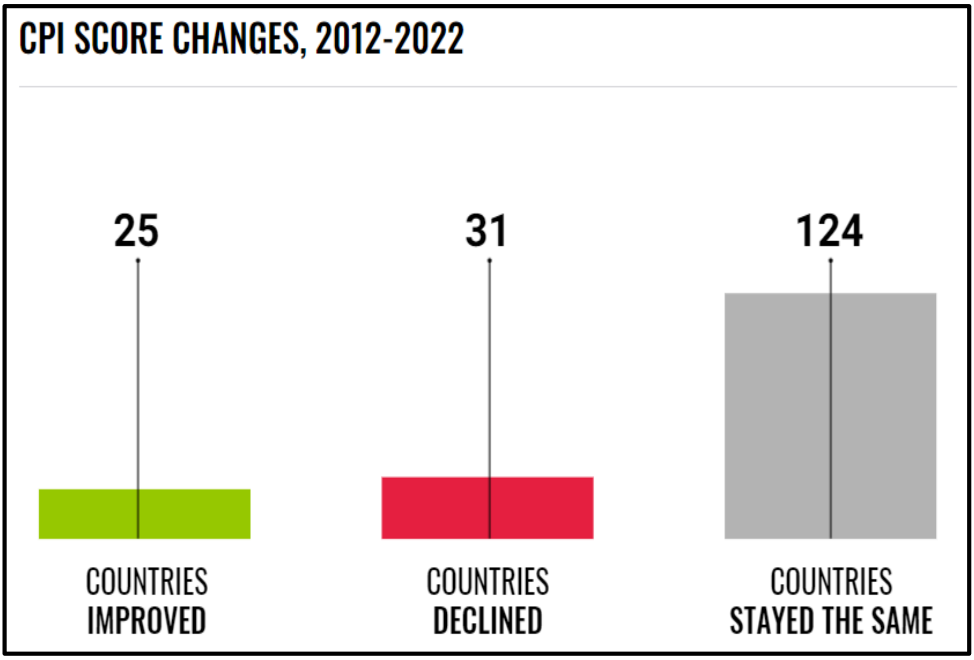
Ethnicity and economic growth are two important factors that can influence corruption levels in a country. Therefore, understanding the factors that contribute to corruption is essential for policymakers to develop effective measures to combat it. This research report aims to investigate the relationship between economic growth, ethnicity, and panel-country corruption levels. Specifically, it seeks to answer the question: do economic growth and ethnicity explain the differences in panel-country corruption levels?



Source: Transparency International, CPI 2022 Report.

Transparency International has released the Corruption Perception Index (CPI) database each year since 1995 (Transparency International, 2022). It rates corruption on a scale of zero to one hundred, with one hundred being the cleanest possible. The average worldwide Score, which has remained constant at 43, is below 50 for more than two-thirds of the world's nations (68 percent). Twenty-five countries have seen a substantial improvement in their rankings since 2012, while 31 significantly decreased and 124 countries stayed the same score.

The top of the CPI Index is frequently occupied by countries with sound institutions and functioning democracies. Denmark is ranked first overall with a score of 90. With scores of 87, New Zealand and Finland are close behind. The top 10 countries in the year of 2022 is completed by Norway (84), Singapore (83), Sweden (83), Switzerland (82), the Netherlands (80), Germany (79), Ireland (77), and Luxembourg (77).



Source: Transparency International, CPI 2022 Report.

On other hand, conflict-ridden countries, or those whose fundamental political and personal liberties have been severely restricted tend to get the lowest ratings. South Sudan (13), Syria (13), and Somalia (12) are the three countries at the bottom of the ranking in 2022. The lowest 10 countries are Burundi (17), Venezuela (14), Yemen (16), Libya (17), North Korea (17), Haiti (17), Equatorial Guinea (17), and North Korea (17). Transparency International, CPI 2022 Report.

2. THE NEXUS BETWEEN CORRUPTION AND ECONOMIC GROWTH

The relationship between corruption and economic growth has been extensively examined in the existing literature. In general, academic literature indicates that corruption has an adverse impact on economic growth, particularly among developing countries with weak institutions. The relation between corruption and economic growth, however, could be more nuanced than previously imagined. According to some research, corruption can even promote economic growth under specific conditions, such as in countries with advanced institutional frameworks. Contrary, various studies conclude corruption can restrict foreign investment, undermine the efficiency of the legal and regulatory systems, and raise transaction costs, all of which can slow down economic growth.

In contrast, few studies have explored the relationship between ethnicity and corruption. Some scholars argue that ethnicity can affect corruption levels, as it can create a sense of social identity and reduce the willingness to cooperate with people from different ethnic backgrounds. However, other studies suggest that ethnic diversity can foster accountability and transparency in the political and economic systems. Further research is needed to better understand the complex relationship between corruption and economic growth and to develop effective anti-corruption policies.

CPI has been used by the international agencies (who remain outside the CPI system) as well as the moralistic advanced countries most of which are white to beat on the poor corrupt countries. Most recently the IMF in its conditionality has used the CPI to put conditions that are non-economic on Pakistan. This is why we will attempt to understand the biases in the CPI and its meaning.?

We are particularly curious about whether race matters. Is there a racial bias in the CPI? In addition, CPI measures anything other than underdevelopment. Is that rich countries always show up as clean and poor not?

3. DATA ANALYSIS

This research is based on panel data using 169 countries (available data for the variables) considered by Transparency International (TI) 2022, for the Corruption Perception Index (CPI) Score which is used as a measure of corruption levels. GDP per capita (constant 2015 US dollars), which was obtained from the data bank of the World Bank's World Development Indicators (WDI) online database over the period 2012–2022. Further, this analysis used a binary dummy for white-race countries, while the rest of the countries were kept as a reference attribute.

Our data sample has 28 percent white race countries that lie at the highest level in the Score of CPI, and the remaining are non-white countries that lie at the bottom level in the CPI Scores. Further, we can investigate and quantify it with multiple regression analysis. The data is analysed using panel data regression analysis, which allows for the examination of the relationship between corruption, GDP per capita growth, and ethnicity while controlling for other factors that may affect corruption levels.

4. CONCLUSION AND POLICY RECOMMENDATIONS

In conclusion, this report shows that economic growth and ethnicity both have a positive and significant impact on corruption levels in panel-country analysis. Countries with higher per capita income and white race tend to have lower corruption levels at the 1 percent significance level.

The analysis is carried out by Panel Corrected Standard Error (PCSE) regression to establish a relationship explaining better scores in CPI by race (White Countries) and GDP per capita income growth. The results indicate a positive statistically significant impact of GDP per capita growth and white race dummy on CPI score at the 1 percent significance level. It is found that if there is a 1 percent increase in GDP per capita, it leads to raise significantly difference from zero in the score of CPI by 8.74. This can be explained by the fact that income per capita leads to greater transparency, accountability, and more efficient governance. Further, it concludes that a white race country can get 7.42 more points in the CPI score than a non-white country at the 1 percent level of significance. It means being white race and rich, a country can get 7.42 score more transparent in the corruption perception index. The regression's reported is .7778, which is excellent it means 78 percent of the variations in CPI score is explained by only two variables i.e., white race dummy and per capita income.

It was found that white race countries (West Europe/EU) have scored higher (above median) in CPI than other regions. Another connotation is observed between CPI score and per capita income; the countries with good per capita income also scored well in CPI. We call a country "Best Performer", having a good score and higher per capita income. Most European countries (white race) fall in the "Best Performing Group." It is also observed that USA and Canada (from the Region Americas) and Australia & New Zealand (from the region Asia and Pacific) also fall in the best-performing group. Surprisingly, it is observed that better CPI scores and good per capita income have a strong positive relationship with white-race countries in empirical analysis. The results suggest that economic growth can be an effective tool for reducing corruption in countries with diverse ethnic populations.

To address its biases and constraints, Transparency International should regularly examine and improve the CPI methodology. To achieve higher reliability and accuracy, this can entail adding objective indicators, considering alternate data sources, and doing meticulous statistical analysis.

To get a more fair and complete view of corruption, policy-makers must think about using a variety of corruption indices and data sources. It may be challenging to develop effective policy by relying simply on the CPI and result in a biased view of corruption dynamics.

Policy-makers may take a more nuanced and evidence-based approach to fighting corruption by admitting the biases involved in the index, which will ultimately result in the formulation and application of policies that are more effective.

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Counting Women's Unpaid Care Work in Pakistan

DURR-E-NAYAB and NABILA KANWAL

INTRODUCTION

In the intricate web of household dynamics in Pakistan, the often overlooked yet vital role of unpaid care work, predominantly carried by women, becomes the focal point of this study conducted in Pakistan. Everyday tasks like cooking, cleaning, and caregiving, vital for societal well-being, are frequently sidelined by traditional economic definitions. This disproportionate burden on women affects their engagement in paid employment, education, and personal leisure. While these activities are indispensable for sustainable economic growth, their non-monetised nature has led to their dismissal as 'non-economic' work. The time-intensive nature of these responsibilities' further limits women's participation in other pursuits. The division of household chores, particularly along gender lines, has broader implications for economic, social, and educational outcomes.

As a signatory of the Sustainable Development Goals (SDGs), Pakistan aspires to address gender inequality, with Target 5.4 of SDG 5 focusing on recognising and valuing unpaid care and domestic work. By navigating the nuances of unpaid work in Pakistan, this policy brief aims to estimate the magnitude of unpaid work performed in the country. The study, thus, examines the distribution of housework between genders in Pakistan to shed light on the potential gender disadvantage faced by women. It also aims to provide insights into policies aimed at reducing the time women spend on housework and enhancing their economic empowerment.

DATA AND METHODOLOGY

National Transfer Accounts (NTA)[1] is a framework for studying the age dimension of economic activity by disaggregating national accounts by age and measuring transfers of resources from the working ages. To take into account the unpaid care work (UCW) that is not valued in the market economy, we have the National Time Transfer Accounts (NTTA) that considers women's specialisation in UCW production which is outside of the national income. Ideally it requires time-use survey (TUS) data to estimate NTTA, however, in Pakistan the TUS was conducted in 2007/08 and too old for analysis.

Durr-e-Nayab <nayab@pide.org.pk> is Joint Director, Pakistan Institute of Development Economics, Islamabad. Nabila Kanwal, Research Fellow, Pakistan Institute of Development Economics, Islamabad.

[1] For a detailed explanation of the NTA methodology, see the manual, United Nations (2013) *National Transfer Accounts: Measuring and Analysing the Generational Economy.*

This policy brief utilises data from the Household Income and Expenditure Survey (HIES) 2018-19 and the Pakistan Labour Force Survey (LFS) 2018-19. The HIES offers insights into market-based consumption and income, while the LFS provides information on unpaid work. For the market economy, labour income and consumption profiles are estimated using individual-level HIES data. Labour income considers both earnings and self-employment income. Private and public consumption profiles are constructed using HIES and National Health Accounts 2018-19.

The National Time Transfer Accounts (NTTA) framework is applied for the non-market economy. Unpaid production activities, including general household and care production, are derived from LFS 2018-19. The value of unpaid work is quantified using wages from similar occupations. Unpaid consumption involves assumptions for equitable distribution among household members. The total life-cycle deficit, combining unpaid and paid deficits, is calculated using the National Transfer Accounts (NTA) and NTTA methodologies.

FINDINGS

Unpaid Care Work: A Hidden Economic Force

Using the LFS, we have calculated the average daily hours spent on market and non-market work (Figures 1 & 2). Market work primarily defines the time spent on economic activities that are remunerated, while non-market work is mainly household production activities that are unpaid. Men spend a significant time on market work, whereas women in Pakistan play a significant role in non-market activities, dedicating considerable time to household tasks across various age groups.

Figure 1: Average Daily Hours Spent on Market-Based Work by Age

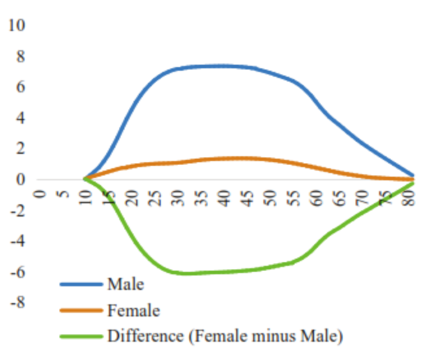
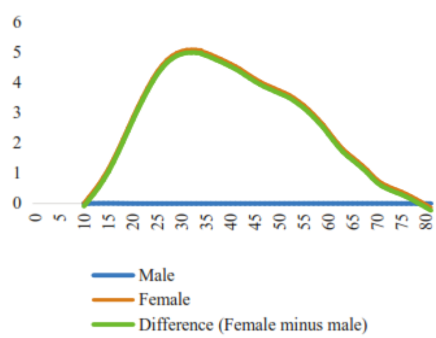
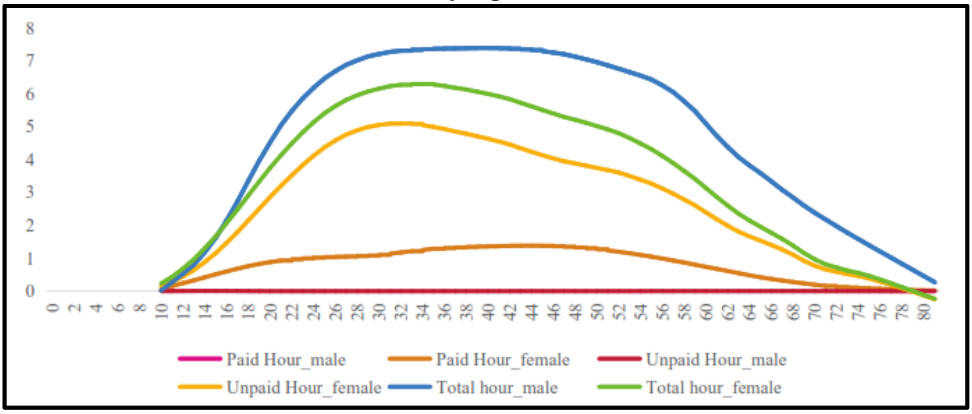


Figure 2: Average Daily Hours Spent on Non-Market Based Work by Age



On average, a women daily spends around 3 hours on non-market work that is economically not counted. Women allocate their longest time in kitchen for cooking food, followed by cleaning home and washing, and child/old care. Figure 3 summarises the pattern of unpaid work. Although women spend limited hours, and labour, in the market economy, their time is diverted to non-market economy which is not given any value, monetary or otherwise, in the conventional economic contribution. The present study shows that time spent by women on work is close to men's when we take a holistic view by taking into account market and non-market activities together. For all population aged 10 years and above, men spend 4.7 hours on market and non-market work, whereas women spend 3.5 hours on market and non-market work.

Fig. 3. Unpaid Work: Average Daily Time (in hours) Spent on Market and Non-market Work by Age and Sex

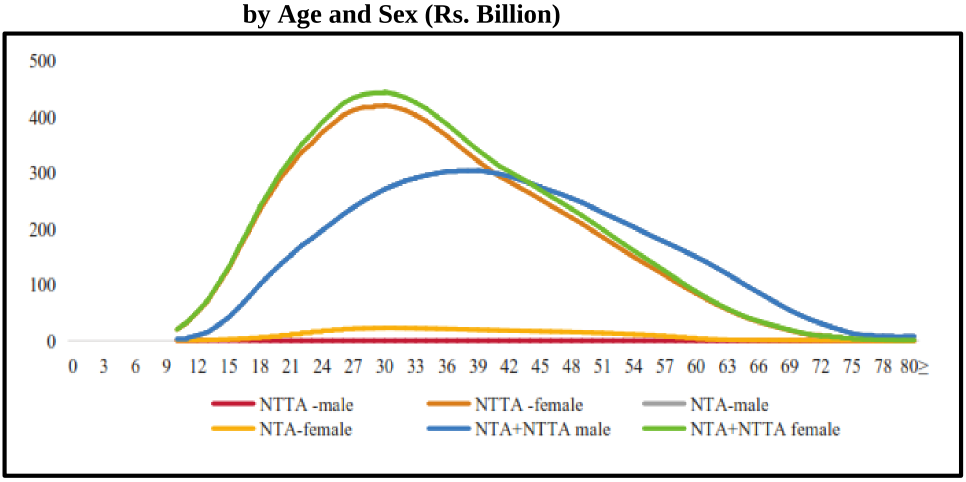


Source: Estimated from Pakistan Labour Force Survey 2018-19.

Valuing Unpaid Work

We have used the shadow prices to quantity the value of unpaid work by using wages of workers who are working in similar occupations. The same exercise is carried out for paid workers who are working in unpaid activities as their wages are usually not reported. As shown in Figure 4, while looking at the aggregate value of market-based work, we see males having a much higher aggregate value than female workers (NTA); however, the reverse holds true while quantifying the value of unpaid care work (NTTA) where female production value is much higher than their male counterparts.

Fig. 4. Aggregate Income/Production of NTA and NTTA by Age and Sex (Rs. Billion)



The figure also shows that when we take a holistic view of market cum non-market production value, women in Pakistan surpass men. The working age cohorts are able to produce more value for both market and non-market-based work across genders. The value declines considerably for the children and elderly, as both age groups have limited participation in both market and non-market activities.

WAY FORWARD

The findings underscore the imperative to recognise and value the substantial contributions women make to the non-market economy in Pakistan, particularly in household production and caregiving. The study reveals a significant gender disparity, emphasising that women bear a disproportionate burden of housework and caregiving responsibilities from a young age, impacting their education and economic participation. In the pursuit of gender equality, the study recommends several policy interventions:

- Acknowledge and value the unpaid care-giving and domestic work performed by women. This recognition is vital for achieving gender equality in the labour market and is aligned with the Sustainable Development Goal (SDG) 5.4.
- Develop and implement policies aimed at promoting shared responsibilities within households. Encouraging men to take a more active role in traditionally perceived ‘female tasks’ can alleviate the burden on women and contribute to a more equitable distribution of household responsibilities.
- Launch education and awareness campaigns to challenge societal norms and gender roles. Foster a dialogue that shifts away from traditional expectations, promoting the idea that both men and women can contribute to economic activities and caregiving responsibilities.
- Recognise the impact of high fertility rates on women’s ability to participate in education and the labour market. Implement measures to reduce fertility rates, providing women with more opportunities for education and economic participation.
- Implement targeted policies to empower women, including initiatives to support education, skill development, and economic independence. Empowered women are better positioned to challenge and reshape societal norms.
- Conduct periodic time-use surveys to capture the evolving dynamics of unpaid work and caregiving responsibilities. Updated data is essential for informed policymaking and assessing the effectiveness of interventions over time.

In conclusion, achieving gender equality in Pakistan requires a comprehensive approach that addresses societal attitudes, redistributes caregiving responsibilities, and recognises the value of women’s contributions to both the market and non-market economies. The findings of this study provide a roadmap for policymakers to formulate strategies that empower women, break gender stereotypes, and foster a more inclusive and equitable society.

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Understanding the Provincial Generational Economy for Improved Policy-making

DURR-E-NAYAB and NABILA KANWAL

INTRODUCTION

In understanding Pakistan's economy, the national-level analysis of National Transfer Accounts (NTA) has been instrumental in providing overarching insights into the generational economy and its macroeconomic implications.[1] Yet, each province in Pakistan has its unique characteristics, like demographics and economic structures, making a provincial estimation imperative. Additionally, the 18th Amendment devolved major subjects to provinces, making it crucial to look closely at each province's generational economy.

The demographic transition currently underway in Pakistan presents an opportune moment, often referred to as the 'demographic dividend,' wherein the country's large working-age population can potentially drive economic growth. However, unlocking this potential requires policymakers to be equipped with precise and province-specific data on age structure changes and their economic ramifications. The adoption of the NTA framework at the provincial level emerges as a strategic approach to gaining deeper insights into the wealth flows occurring within each province's population. This localised analysis allows for a granular understanding of how individuals across different age groups contribute to, consume, and share resources, both in private and public spheres. By focusing on provinces, it aims to estimate age-specific economic indicators, spot disparities in economic behaviours across regions, analyse contributions from public and private sources, guide provincial policies, and ultimately provide policymakers with informed insights to foster inclusive, sustainable development tailored to the unique characteristics of each province.

METHODOLOGY AND DATA DESCRIPTION

The study uses the established NTA methodology[2] to estimate the accounts at the provincial level. The methodology designed to construct the NTA has massive data needs covering all aspects of income and consumption. Using the weights, the analysis is conducted for the entire population both at per capita and at the aggregate level. The estimations so reached are then smoothed using the Friedman's Super smoother as provided by the R statistical package.

Durr-e-Nayab <nayab@pide.org.pk> is Joint Director, Pakistan Institute of Development Economics, Islamabad. Nabila Kanwal, Research Fellow, Pakistan Institute of Development Economics, Islamabad.

[1]Nayab and Siddique (2020) *National Transfer Accounts for Pakistan: Estimating the Generational Economy for Pakistan*. Islamabad: PIDE and UNFPA.

[2]See op cit.

The study used a number of datasets, including Household Income and Expenditure Survey (HIES) 2018-19, Pakistan Social and Living Measurement (PSLM) 2019-20, National Health Accounts 2018-19, and Public Sector Development Expenditure data for 2018-19. Using these datasets, the study estimated the following accounts for the four provinces:

(1) *Economic lifecycle* at each age, including labour income and consumption on education, health and other consumption through both private and public sources.
(2) *Private age reallocations*, including transfers and asset income mediated by households, families, and other private institutions. This includes private capital income and private property income.

Due to the paucity of data at the provincial level, the third component, *public age reallocation*, cannot be estimated.

FINDINGS

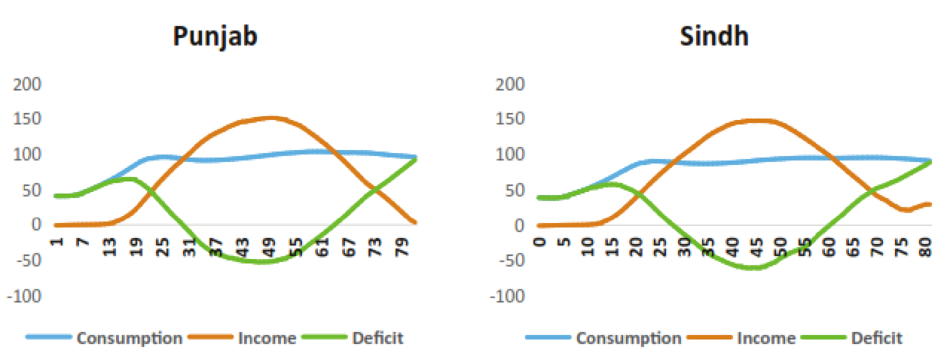
(a) Life Cycle Deficit

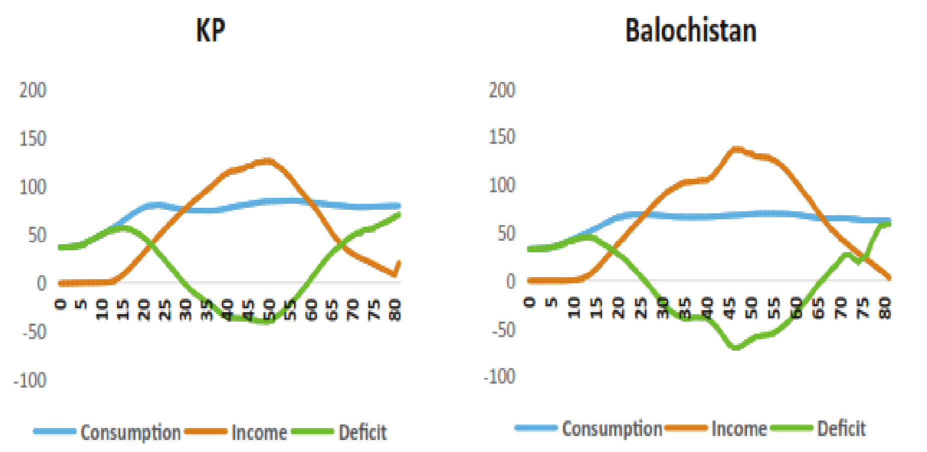
The economic lifecycle account is composed of consumption, labour income and the difference between the two—the lifecycle deficit or surplus, whatever the case may be. Figure 1 presents the average per capita consumption, labour income and deficit at the provincial level with respect to age. The difference between the two is the lifecycle deficit or surplus, whichever is the case.

The graphs show that variation exists in the income and consumption pattern with respect to age groups among the provinces. As one would expect, the younger cohorts tend to consume without any earnings or negligible earnings irrespective of the province. In Punjab and KP the income and consumption are in equilibrium by the age of 30, while, in Sindh and Balochistan consumption and income meet by the age of 29 and 28, respectively. The peak earning is at the age of 50 in Punjab and KP, and at 48 in Sindh and Balochistan. In a nutshell, the graph depicts that earnings are low or negligible in the younger and older age, with consumption far exceeding their income. There is a surplus in the middle of the lifecycle, i.e. between the age of 30-60.

Irrespective of the province, on average more than half of the life span, consumption exceeds income. Across provinces, the trend is the same where the income of the individuals in working ages exceed their consumption. This conforms to the *Lifecycle Theory* that working adults save and old people dis-save.

Figure 1: The Lifecycle Deficit: Per Capita Consumption and Labor Income by Province (Rs. 000)

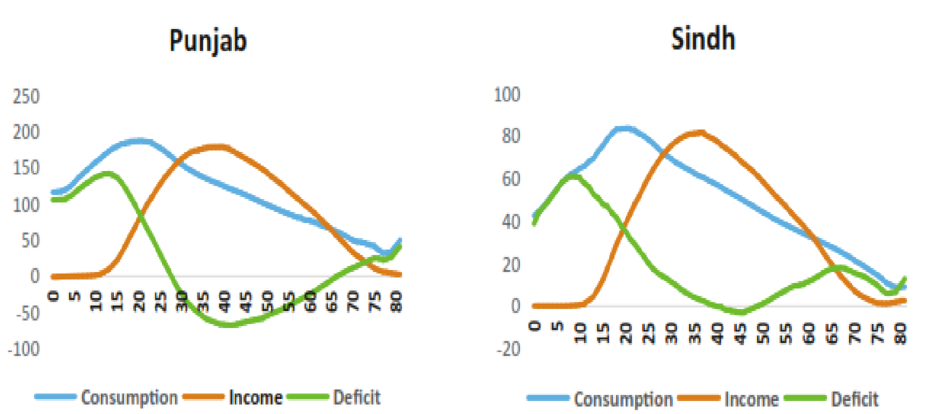


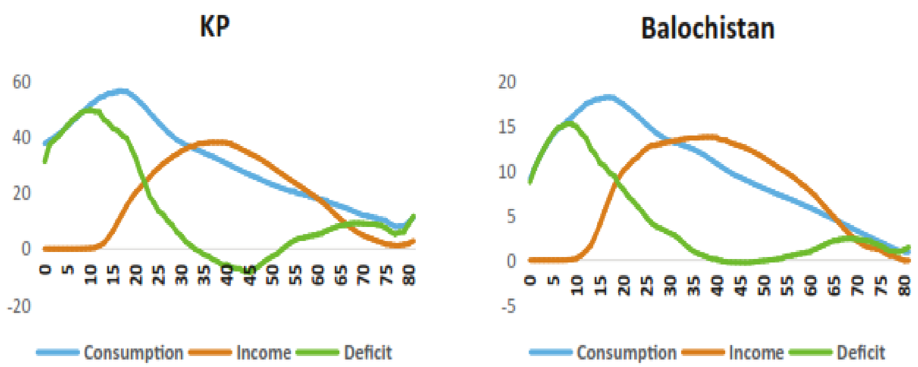


Source: Authors' estimations

Figure 2 presents the estimates for aggregate labour income and consumption. The aggregate number is the weighted income and consumption of the whole population at a particular age. The finding largely reflects the concentration of population in various age cohorts, as one may see high consumption in early ages (till age 20) in all provinces due to the young age-structure of the population. Overall the lifecycle deficit in each province persists roughly till 29 years of age. The surplus cycle begins at the age of 31 till 65 in Punjab, from 30 to 62 years in Sindh, from 35 to 61 years in KP, and from 35 to 65 years of age in Balochistan. Furthermore, on average after 60s, it again moves to the deficit cycle in all provinces.

Figure 2: The Lifecycle Deficit: Aggregate Consumption and Labor income (billion rupees)





Source: Authors' estimations. Note: Axis scale is different for each province because of huge differences in values, making them invisible if uniform scales are used.

In analysing *consumption patterns across provinces* in Pakistan, a consistent trend emerges — 'Other consumption' consistently holds the top spot across all ages. Notably, the composition of secondary consumption varies with age groups. For the youth, education consumption takes precedence, while health consumption becomes the second most significant category for the elderly. This demographic-specific distinction underscores the importance of tailoring policies to address the evolving needs of different age cohorts.

Crucial disparities are observed in the source of *education consumption*, both in terms of public and private contributions, and across educational levels. Balochistan relies predominantly on public consumption for all education levels. Conversely, Punjab exhibits a reliance on private education. Interestingly, for higher education, there's a notable reliance on public consumption across all provinces.

In the realm of *health consumption*, a consistent pattern emerges where it is the highest for the elderly in all provinces. Moreover, private health consumption significantly outweighs public health consumption across all four provinces.

(b) Private Age Reallocations

Intra and inter-household transactions exhibit distinct patterns among provinces. Notably, *per capita private inter-household* transfers take the lead in Punjab, followed closely by KP. These variations underscore the diverse socioeconomic and cultural contexts of each province. In KP, transfers persist into late ages, while in Balochistan and Sindh, they plateau before declining among the elderly.

Despite Punjab's larger population, it stands out with the highest aggregate for inter-household transfer inflows. In contrast, KP, with a smaller population than Sindh, matches or even surpasses inter-household transfer amounts. This phenomenon can be attributed to substantial remittances, making it a significant factor influencing the transfer landscape.

Asset-based reallocations, a fundamental aspect of the economic lifecycle, contribute significantly to understanding the variance in labour income and consumption patterns across age groups. Private asset income, comprising private capital income and private property income, unveils distinctive trends.

The analysis of private asset-based reallocations further accentuates provincial disparities. Sindh outpaces Punjab in per capita income, propelled by a concentration of financial institutions and imputed rent. However, Punjab's larger population ensures higher aggregate capital income. *Owner-occupied housing income* peaks between 40-60 years in all provinces, with subtle variations. *Private property income* inflows consistently peak at 59 across provinces, showcasing a uniform trend. Notably, Balochistan emerges with net inflows surpassing outflows for most ages, indicating unique economic dynamics that set it apart from other provinces.

POLICY IMPLICATIONS

The study shows that the four provinces show distinct patterns, and one-size-fits-all policies will not achieve the desired outcomes. The areas that need special attention are as follows:

Increase Public Spending on Health: Urgent need to boost public expenditure on health to alleviate the burden of out-of-pocket expenses, preventing households from slipping into poverty.

Encourage Fertility Decline: Formulate policies to promote smaller families, recognising the link between a demographic dividend and fertility decline. There is an urgent need to formulate policies that improve access to sexual and reproductive health and family planning services for those who want to space births or limit fertility.

Create Better Employment Opportunities: Address the inadequacy of surplus income by focusing on job creation. The study emphasises the necessity of more gainful employment for sustainable economic growth.

Enhance Spending on Education: Increase per capita spending on public education to ensure quality human capital development. Address the imbalance between higher education and early schooling, fulfilling the government's responsibility for twelve years of education.

Improve Provincial Data Collection: Recognise the critical role of data in policymaking, advocating for enhanced data gathering at the provincial level. The Pakistan Bureau of Statistics (PBS) needs to improve performance in regional offices for more accurate data collection at the provincial level.

In conclusion, the study not only provides valuable insights into the generational economy of Pakistan's provinces but also sets the stage for targeted and nuanced policy interventions. Addressing these implications can pave the way for more inclusive, effective, and context-specific policymaking, fostering sustainable and equitable economic development across all provinces.

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Making Sehat Sahulat Programme Sustainable

SHUJAAT FAROOQ and NABILA KUNWAL

Today, millions of people in low-income countries lack access to health services due to accessibility and affordability issues. Health financing refers to the "function of a health system concerned with mobilising and allocating money to cover health needs. There are various healthcare financing models around the globe; the two broader ones are;

(i) The supply-side models provide free-of-cost health services in public hospitals, i.e., *Canada, Taiwan, South Korea, etc.*
(ii) The demand-driven models encourage citizens to purchase health insurance, the government only partly finances the premium for marginalised segments, i.e., USA, UK, and many others.

The Sustainability Issues of Sehat Sahulat Programme (SSP)

Pakistan has a mixed health financing system where the private sector dominates. Before the SSP's emergence, the country faced a twofold burden: only 0.6 percent of the health budget as percentage of GDP, and more than two-thirds of the financing by households themselves.

The federal government took a major initiative in 2015 by launching the Sehat Sahulat Programme (SSP) in a few districts (excluding the KP province) to provide free in-door health services to poor and vulnerable segments having poverty scores up to 32.5 in the BISP database. At the same time, the Khyber Pakhtunkhwa (KP) government independently started it in four districts. Until 2020, the programme served only marginalised segments by using the BISP data. However, the KP government declared it universal in 2020, and the same approach was followed by the federal government in 2021. There are settled package rates against each sickness; however, the federal and KP vary over premium rates and treatment packages.

There are five stakeholders to run the programme; the primary stakeholder is the State Life Insurance Company (SLIC), which is responsible for all operational activities, including; on-board empanel hospitals, providing free-of-cost in-door health services, and addressing all service-related grievances. So far the programme has enrolled 43 million families by covering 190 million population of country. More than 14.6 million individuals have used in-door health facility in empanel hospitals (till November 2023).

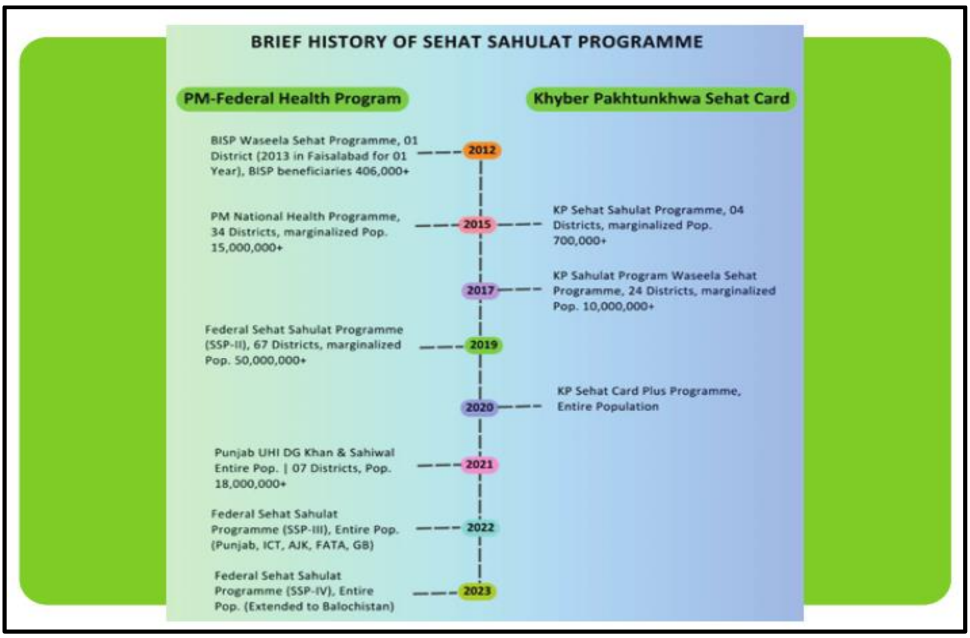
Shujaat Farooq <shujaat@pide.org.pk> is Dean, Pakistan Institute of Development Economics, Islamabad. Nabila Kanwal, Research Fellow, Pakistan Institute of Development Economics, Islamabad.

Table 1

Roles and Responsibilities of SSP Stakeholders

Department	Role in SSP Operation
Federal SSP	• Overall custodian of programme through policy formulation and provision of technical assistance
Provincial Health Departments	• Provincial custodian of programme by supervising all operational activities
NADRA	• Provide updated family level data, and manages an out-bound call centre to acquire feedback from discharged patients
State Life Insurance Corporation (SLIC)	• Sole insurance company to manage all operational responsibilities including hiring of empanel hospitals, manages front desk in hospitals, resolve all grievances related to enrolment and treatment, manages an in-bound call centre to address queries of public and register complaints.
Empanel Hospital	• Provide in-door health services on agreed packages by charging no money on admission, lab tests, surgery, doctor fee, medicine etc. Also, provides transport fare (PKR 1,000) at discharge and 05 days medicine.

The programme seems revolutionary in improving the accessibility and affordability of healthcare services. However, it is largely politicised overtime with less attention is made to make it modest and financially sustainable. The government entirely pays the premium of enrolled families. This commitment led to several duplications, making it financially unsustainable when, at the same time, the government was paying a premium to SLIC and financing the public hospitals.



The programme is facing following broader design and operational issues:

(i) There is yet to be a consensus among provinces about the programme's future. Sindh is yet to opt for it, whereas AJK and GB rely on the federal government for premiums.

(ii) The programme restricts the treatment only to those having CNIC/B-form. Many of the population need more documentation and automatic record updation to avail indoor health services. Sixty million children lack birth registrations in the country, and around 18 percent of the adults lack CNIC (10 percent male and 26 percent female).

(iii) The government still needs to be able to create competition among insurance providers. Only one vendor (State Life) holds a monopoly and has no health-related experience. As a result, there is underutilisation of in-door health services due to limited empanelled hospitals, poor quality of services provided by them, and denial of services by various hospitals as they opt for a 'pick and choose behaviour' by offering services only in treatments that are more profitable.

(iv) The government is paying premium for even those citizens who can afford healthcare on their own, making the universal health insurance model unsustainable.

(v) The programme led to duplications in public health spending. The federal and provincial governments spend more than PKR 600 billion on public health infrastructure annually, and logically, the in-door services in public hospitals after the inception of SSP should be financed from the programme and not the annual health budget. Second, health entitlement to citizens by various other initiatives must be stopped to avoid duplications, e.g., government employees and their families, including army, that have their own healthcare systems, various other social protection initiatives, etc.

POLICY GUIDELINES TO MAKE SSP SUSTAINABLE

The SSP model seems too ambitious and unrealistic as no developing country has a universal health insurance scheme. Some co-payment formulas can optimise public resources. For example, the government should pay the premium for the poor and vulnerable segments, whereas the economically stable households pay themselves. Again, the role of government is crucial as being a regulator to promote healthy competition in the insurance market by allowing multiple service providers. The following recommendations may help in improving efficiency, effectiveness, and sustainability of programme.

(a) Limit the Mandate Only for Poor and Promote Health Insurance Competition

The country is facing a huge debt burden where more than half of the budget goes to finance interest payments. The economic growth is sluggish, whereas social safety net expenditures are rising day-by-day, mainly due to the donor push. All such spending without economic growth and job creation are meaningless. The idea of universal health insurance in a country like Pakistan is unviable. We strongly recommend limiting the programme's mandate to only the poor and marginalised segments (i.e., BISP beneficiaries) rather than all citizens. The government must promote fair competition, as a single health insurance company cannot provide an innovative solution. The government must involve multiple insurance service providers to create fair competition so insurance companies compete on services and citizens can choose the better service provider.

(b) Development of a National Health Financing Framework

Making the programme apolitical requires national consensus on the *health financing framework* across provinces and regions. The framework must provide the guiding principles and roadmaps for federal and provincial governments. The framework must focus on the following policy actions:

- What healthcare financing model should the country follow to make healthcare affordable for the poor citizens?
- How can the health insurance model be competitive in the country?
- Effectively use the insurance programme in public hospitals to finance in-door services, instead of relying on the annual health budget. It is not easy keeping in view the existing red-tapism, doctors unions, and vestige interests by politicians and bureaucrats.

(c) Autonomy of Public Sector Hospitals and Abolish Duplication

As mentioned earlier, the SSP programme was initiated without devising a public health spending framework having agreement among various governmental tiers. Resultantly, it led wastage of public resources as the public health spending drastically increased (from Rs. 470 billion in 2017 to Rs. more than 800 billion in 2023) due to additional-financial burden allocated to the SSP (Table 2). Ideally the health spending for in-door health services in public hospitals should be stopped; however, no such regulatory framework was devised by the federal/provincial governments to make the hospitals financially autonomous. Many of the public hospitals gathered more than 40 million revenues from the SSP premium (as paid by the State Life), however, they were clueless how to utilise insurance-generated revenues. Resultantly, the government.

Table 2

Annual Premium Cost for 2023

Province	Families (in Millions)	Premium Cost (in Billion Rs.)
KPK	10	30
Punjab	32	139
Balochistan	2	6
Federal Administered Areas*	2.5	11
Total	46.5	186

*This includes payment against the AJK, GB, ex-FATA, and Tharparker beneficiaries.

The provincial governments must amend the regulatory framework to make public hospitals autonomous, where each hospital -finances its in-door services from insurance revenues. The government should -finance only the outpatient services in public hospitals.

Overall the health insurance model is cheaper if the government diverges resources from hospital-financing to premium payments, even in the case of universal health insurance; however, currently, there is duplication in health payments by paying premiums on one side and -financing the public sector hospitals on the other side (Table 2 & Table 3). The government must decide about the health entitlements of public sector employees, including both civil and military.

All other initiatives under the social protection umbrella (i.e., zakat, social security, etc.) should also be the part of the SSP. There is, thus, a need to abolish all duplications in health-financing by stopping health entitlements to public sector employees, and through other social protection programmes if a person is part of the SSP.

Table 3

Health Spending and Estimated Amount Required for Health Premium

Province	Govt. Spending on Health in 2017 (in Billion Rs.)*	Total Health Spending in 2017 (in Billion Rs.)*	Expected Number of Families (in Million)	Estimated Cost Annual at Various Premium Trajectories (in Billion Rs.)	
				Current Rs. 4,350 pr Family	Estimated Rs. 6,000 per Family
KPK	64.8	173.6	10.0	43.5	60.0
Punjab	240.4	612.6	32.0	139.2	192.0
Sindh	95.7	276.6	10.0	43.5	60.0
Balochistan	5.5	71.9	2.0	8.7	12.0
GB	0.6	0.6	0.4	1.6	2.0
AJK	N/A	6.1	1.5	6.7	9.2
ICT	1.1	9.7	0.3	1.2	1.6
Unregionalised	61.4	61.4	–	–	–
Total	**469.5**	**1212.5**	**56.2**	**244.3**	**337.0**

*Govt. spending includes federal and provincial, armed forces, local government, public sector zakat, etc.

A limited number of hospitals are empanelled—(22 percent of public and 11 percent of private). To incentivise, the treatment packages must be market-based so every hospital has an incentive to participate in the programme and avoid fake admissions. Second, the provincial regulatory framework must ensure that every registered private hospital must be empaneled. Third, every government hospital must be empaneled and manage the in-door services from the insurance budget.

Table 4

Empanelled Hospitals in SSP by Province

Province	Population (in Million)	Public Empanelled Hospitals (Numbers)	Private Empanelled Hospitals (Numbers)	Total Public Hospitals (Numbers)	Total Private Hospitals (Numbers)	% of Public Empanelled Hospitals	% of Private Empanelled Hospitals
Punjab	110	124	411	317	4,000	39	10
KP	36	42	119	214	400	20	30
AJK*	4	9	10	25	23	36	43
GB**	1	5	5	41	25	12	20
ICT	2	2	9	9	16	22	56
Balochistan	12	0	0	83	10	0	0
Sindh	48	2	14	146	502	1	3
Total	**212**	**184**	**568**	**835**	**4,976**	**22**	**11**

PDR

Pakistan Institute of Development Economics
Quaid-i-Azam University Campus, Islamabad, Pakistan
E-mail: pide@pide.org.pk
Website: http://www.pide.org.pk
Fax: +92-51-9248065

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