



Pakistan Institute of Development Economics

DISCOURSE

RECONFIGURING PAKISTAN
STATE ♦ SOCIETY ♦ ECONOMY





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In light of the upcoming election cycle, which seems to be arriving at a critical juncture in Pakistan's history, this issue of Discourse is themed around reform of key sectors, domains, and institutions. In total, fifteen different areas are covered:

1. Reconceptualising Development
2. Constitutional Reform
3. Political Contestation
4. Parliament and Civil Service
5. Economic Policy
6. Foreign Aid
7. Energy
8. Trade and Industry
9. Land and Agriculture
10. Labour Relations
11. Education
12. Public Welfare
13. Cities and Local Governance
14. Climate
15. Society and Culture

We believe each political party that aspires to be sworn into power must address the aforementioned domains, which have rarely – if ever – been discussed at a structural level. Colonial era governance arrangements based on extraction have unfortunately continued to persist, with the White man simply being replaced by his Brown counterpart. Without a radical departure from these oppressive modalities, Pakistan will most likely continue to sink into further indebtedness, economic precarity, and sociopolitical instability: glimpses of which have been observed across the country in the recent months.

Whilst incompetent individuals in the corridors of power is a primary reason for all this, we believe an equally important point of consideration is the political economy that is responsible for their entry and overdue stay. Technical innovations into electoral processes are naturally going to be part of this, but a broader bird's eye view is pertinent to identify the various mechanisms – sometimes referred to as 'feeders' – that form the system of political contestation.

It is largely acknowledged in academic circles that prosperity is ultimately downstream good governance, but what this means in our specific context remains ambiguous. Policy formulation in Pakistan is predominantly outsourced to international financial institutions and multilateral donor agencies, which are known to adopt a one-size-fits-all approach to their proposals – reproducing them in a wide array of countries across the Global South with little to no attention paid to the situation on the ground. The reason for this, of course, is that governing elites have approached their roles with the objective of rent-seeking: extracting resources from the global economy (mostly in the form of credit agreements) that are ultimately paid for by the already vulnerable working class population via indirect taxation on goods and services.

These concerns bleed into all others - resulting in the situation today, in which Pakistan finds itself on the brink of sovereign default and at the mercy of the predatory International Monetary Fund. Comprehensive reform is in order. How can we achieve it? This issue aims to answer the question.

From all of us at the Editorial Board, wishing you a happy new year!

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COVER PIECE

RECONFIGURING PAKISTAN
STATE, SOCIETY, ECONOMY

املاک
Rethink | Reform | Revive

AN APPEAL FOR URGENT AND COMPREHENSIVE REFORM

Hardly anyone discusses reform in Pakistan, never the powerful – politicians, bureaucrats, and judges – certainly not the media and most disappointingly the intellectuals whether in university or otherwise.

Why is this?

Is this society, unlike any other in history that it requires no restructuring of institutions, no modernisation, no change of laws, no new systems, no rethinking of the way business is done? Must we continue to maintain the old colonial system?

The only change we get in Pakistan is delivered to us through external agents—the lending community acting as proxies for other countries' foreign policy, also known as aid'. There is no organic demand for change other than the mullah. Change for openness, modernisation and economic progress is entirely missing from our discourse.

Our discourse is based on a number of simplistic propositions to explain all Pakistan's problems: with little attention paid to the nuances of a holistic public policy and political economy analysis.

Narrators are unable to see the complexities of the fifth largest multicultural society. Each public intellectual carries simplistic binaries in their pocket, insisting upon them at the expense of a complete analysis. What are these binaries?

1. The civil-military conflict explains all events and every turning point in Pakistan. The military willed it! No one else in this country, not the civilian politicians, nor other actors in government, have any agency. Civil society too is allegedly in control of the military – and the 'miltabishment' is the greatest social engineer in the world; they engineered every problem.

As evidence they often cite Zia's Islamisation. No one seems to consider that we have had about eight civilian governments since then who have had the freedom to make useless megaprojects, sign several bad foreign deals, such as in the energy sector (IPPs, LNG, etc.), choose the path of foreign indebtedness amongst many other follies. Whilst these 'initiatives' certainly benefitted segments of the armed forces, ultimately mainstream parties agreed upon them because a) they are fundamentally opportunistic in their approach towards politics, and b) they simply did not know any better, i.e. careful analysis of policy was simply not part of their list of priorities. They could not change Zia's legacy, they say, because of the threat from the mullah: his followers would not 'let' them: which, of course, demonstrates that there are some limits to even the miltabishment's influence!

2. There is no way forward for Pakistan without peace with India. This view, which has been sponsored by a large number of Track II dialogues (a handful of people in exotic locations with liberal proclivities and foreign money engaging with one another through 'backchannel' strategies), tell us that the only stumbling block to the Pakistan-India problem is Pakistan. Here too, fingers point to the military that wants to maintain this conflict to preserve its share of resources.

There is no consideration for India's role in the possible settlement. Should we negotiate? Is our 'Track II' crowd going to pressure for weakening all positions? Will the hard line of the Modi Crowd and their treatment of Muslims matter? Should the sentiments of the vast majority of Pakistanis on Kashmir figure into consideration?

Sadly, the nuances don't matter.

3. There is no modernity or development without a clinically secular politics. Following the US State Department and think-tanks, this view sees Islamic fundamentalism as a deep-seated conspiracy that has to be rooted out by force. Socioeconomic roots of religion are never really considered, nor are these people willing to concede that more inclusive development as well as abundant and diverse employment opportunities might make for a more cohesive society and stem the demand for reactionary forms of conservative politics. Instead of taking a broader view of society and seeing religion as an important part of human life, proponents are only concerned with its elimination.

4. There is no development without heavy taxation. Economic dialogues are simplistic: tax people more. Revenue to GDP ratio must be equivalent to high middle-income countries. There is little discussion of growth and employment. None of entrepreneurship, innovation, or productivity.

Eloquent proponents of this binary leave several questions unanswered.

- o Why do we need more taxes?
- o Should we continue to collect more taxes in the face of ever-increasing unproductive expenditures – a large proportion of which are simply captured by those leading ministries and agencies for personal use in the name of 'project' development?
- o Why do we ask government to set up more and more agencies when previous ones are clearly (and miserably) failing?
- o Why are unproductive and wasteful expenditures so easily allowed to grow?
- o Why is it that the West considers lowering tax rates good for growth, whilst in Pakistan increasing taxes is considered beneficial?

5. Loans and FDI or else. The beggar mentality is deeply rooted; no discussion can take place without it. Our own wealth, resources, and markets are irrelevant. Can we do things better? More wisely? More creatively and more innovatively?

No, we seem incapable of anything other than continuing to extract rents from the global economy regardless of the cost in terms of the losses in sovereignty that come with policy outsourcing and financially, vis-à-vis rising indebtedness.

No one seems to be asking what we are even borrowing for: is it merely to feed the excesses of government or to increase productivity?

When we borrowed to build roads, flyovers, and underpasses in every corner, did that lead to growth and productivity to allow us to repay? The consequences it has had on our cities – in terms of pollution, anti-pedestrianism, and the facilitating of increasing levels of sprawl – is clear as day. Sadly, our commentators still don't know that our debt problem arises from this useless brick and mortar.

6. 'Democracy' or bust. Following the US State Department and think-tanks, 'If only we could wait for decades of elections? Let the system run! It does not matter if dynasties keep returning. It does not matter if the elected don't believe in democracy and subvert it the following day: they must be given five years to loot, plunder and seek debt for their crazy ideas. We must take on five years of corruption and misrule again and again in the hope that the system will hopefully lead to an ideal democracy.'

No one wants to talk about the design or concept of democracy, or what – if any – reforms would give us a better democracy.¹ How do we define the concept for ourselves? Democracy assumes a good constitution, a well-thought-out election system, a deep-rooted system of checks and balances, as well as the ability to evolve and tweak the system for improvement. Without all this there is no way democracy will emerge in decades or centuries of trials. We must be discussing constitutional and election system reform to weed out dynasties and to remove the patrimonial roots that keeps the voter beholden to local patriarchs.

These simplistic binaries blast into our houses all the time. They form the narrative at all conferences. This is what the public intellectuals continually talk of. Anything else, no matter how well researched, is drowned out.

Countries that develop have a much richer dialogue and deeper understanding of their society.

Thanks to this lack of a full discourse, we have gone in search of new lows through most of our history from one default/restructuring to another. Our only policy is to beg because we have no idea of reform, that or we want to avoid any genuine progress. No leader wants to change the status quo is what ensures his power. Society demands change! Sadly, current narratives do not centre change. The leaders of thought feed them these binaries to avoid the deep reform that is necessary.

As argued in Dr. Nadeem ul Haque's book—Looking Back: How Pakistan became an Asian Tiger in 2050—our system needs reform everywhere, from the constitution to the education system, from the judiciary to the way we run our municipalities, from domestic procurement to the number of embassies and how they are run? Business as usual was never an option – but when you live from handout to handout and have developed lazy habits it becomes the only option.

We at PIDE have been pushing for reform for most of our existence and have had some success in infecting public discourse with fresh ideas: 3I families, openness, cities as engines of growth, demographic dividend, tobacco taxation, perks-plots-protocol, measuring capital, arts/culture, good childhood and more. Our mission is to feed local discourse to help Pakistan achieve prosperity.³ Our research tells us that deep reform is perhaps the most important vehicle for increasing our productivity and our economic growth to make our population productive and prosperous.⁴

At this critical juncture when all systems have failed us, economic growth in the negative, and the country scrambling to avoid default, PIDE is of the view that the decibel level on reform needs to rise.

For this reason, we have started our 'Islah: Rethink, Reform, Reviye' initiative to mainstream a reform conversation when the politics of Pakistan seems to be in flux. We have compiled a deep reform agenda from our work that we will publish soon. We have held several Islah consultations in university campuses and with civil society. The considered view of most thinking people is that reform is necessary for progress and prosperity.

In this issue of Discourse – our bimonthly magazine on public policy and political economy – we have asked everyone we could reach to give us their ideas on reform. Our aim was to collect a bumper issue on reform. Some of our best thinkers and writers have contributed. Remember: unless there is a revolution, societies change only by reform.

Ask your VIP (sadly we have no leaders, only VIPs) what they are doing for reform when you meet them. If you don't, they will never consider it. After all, their VIP status depends on no reform. With reform they will lose that status.

¹ PIDE: Towards a stable economy and politics and <https://file.pide.org.pk/pdf/pidere-search/kb-009-towards-a-stable-economy-and-politics.pdf>

The purpose of this introduction is not to downplay or disregard the fact that we do not have a professionalised security apparatus that focuses exclusively on issues relating to combat/conflict, that religious extremism has caused a great deal of harm to Pakistan's social fabric, or that government revenues are an important avenue for improving public services and their delivery, but to encourage a higher order conversation that moves us from mindless mudslinging to the generation of well thought out proposals to restructure key domains, sectors, and institutions.

Please join the debate at Discourse – our most outwardly oriented publication that seeks to grant a platform to young, innovative, informed, and passionate voices that are interested in turning this country around – regardless of credentials or experience. We are interested in insightful, provocative ideas that depart from simplistic clichés: those that can actually help generate sustained prosperity. We hope that this issue increases your hunger for reform!

Yours sincerely,
Editorial Board
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Pakistan Institute of Development Economics

Disclaimer: The views expressed in this publication do not necessarily reflect those of the Pakistan Institute of Development Economics, or even the respective employers of our contributing writers. The objective of Discourse has always been to initiate conversations on important topics relating to public policy, and we have done everything in our control to ensure ideological diversity whilst maintaining the highest levels of analytical rigour.

² <https://www.amazon.com/Looking-Back-Pakistan-Became-Asian-eb-book/dp/B06X94135J>

³ PIDE Charter of Economy. <https://pide.org.pk/research/pides-charter-of-the-economy/>

⁴ PIDE Reform agenda 2021. <https://pide.org.pk/Research/PIDE-Reform-Agenda-Report.pdf>

RECONCEPTUALISING DEVELOPMENT



REFORM: WHAT, WHY AND FOR WHOM?

Nadeem Ul Haque



Pakistan was made with a commitment to democracy and development but soon after independence, its founding generation succumbed to greed and political expediency to accommodate the Mullah and make religion central to politics. The following generation (Midnight's Children) constituted the ignorant, self-centred and hedonistic cult of the of our political parties that has wilfully destroyed all institutions and all semblance of dignity in pursuit of power and wealth.

A new generation of Pakistanis is inheriting this mess — ruins of institutions, values, discipline, trust, as well as limited incentives for thought and learning. Yet it is heartening to see a renaissance of good writing, music and the arts rearing its head in Pakistan. There is hope emerging like an unsteady baby. Will they inherit the ego, thoughtlessness, wilfulness as well as greed of their parent's generation? Only time will tell.

Reform episodes such as Musharraf's Local Government Act of 2001 and 2010's 18th Amendment to the Constitution were vitiated by the status quo. Reform will take hold when people see clear benefits in maintaining it. Distant reform with no clear benefits for the people does not endure. For this reason, local government has

been strangled over time, while the 18th Amendment remains under attack.

But we need to ask ourselves why, with centuries of global reform experience, we have failed for 70 years. Moreover, is there a demand for reform? If so, what sort? Imran Khan rode on the back of the youth to develop a 'New Pakistan' but was persistently stuck with vendetta, perhaps because there is no demand for reform or a coherent debate outlining a vision for reform. (As an aside, most Pakistani thinking and debate remains focused on speculation on foreign policy and parroting aid prescriptions)

All governments whether democratic or not have sought a mandate through infrastructure projects — roads, metros and 'building things' such as stadiums. The Ayub development paradigm (based on Mahbub ul Haq's model), in which progress was measured as projects involving expenditure and hardware, persists to this day. Even talk of education and healthcare does not go beyond building more schools and universities continue to train graduates only for them to be a part of the brain drain.

The demand is for more ‘development expenditures’ and not reform. Development is seen as tacking on hardware to our inherited colonial state. This colonial state, designed for extraction, has been kept alive to allow the game of ‘winner extract all’, i.e. the winning political party can victimise its opponents to capture extraction gains for a guaranteed five year period, despite the Constitution stipulating five years as the outer limit rather than a term. Development expenditures add more to extraction. Reform would mean a dismantling of the extractive state to create space for restructuring toward genuine development.

In the ‘80s, the world moved on from the ‘development as hardware’ paradigm. Experience showed that productivity, enterprise, and innovation (PEI) are at the heart of the development endeavour. It was further discovered that PEI happens in an enlightenment state, where checks and balances are in place and there is a process of informed policymaking through learning and experimentation.

To develop such a state, reform would require a re-imagining of the state from developing and implementing policy to the legal and judicial system that manages rights and transactions. This is a huge and thoughtful agenda which requires building systems of learning everywhere in public policy and avoiding the easy and certain agendas that the Pakistani power elites love to parrot. The overarching ‘purpose’ has to be a clear modernisation of the way the country functions and the way we live. Why? Because development requires it!

Can such a change take place? Who will drive it? Difficult questions to answer. And I will not pretend to fully know the answers. It is clear that the colonial extractive state (CES) has strong foundations. By design, its functionaries benefit from it while vested interest born of extraction are not likely to bite the hand that feeds it. In the post-colonial period, international development partners have arisen to push money to the status quo.

It is obvious that the CES will not easily change and has no ability to reinvent itself. We have seen 70 years of demand on various aspects of the change required such as reforms in civil service, local government, police, education, health, and public enterprises – but the CES distorts or defeats these interventions to preserve extraction.

By design the CES seeks central control of cities and markets to inhibit entrepreneurship and private enterprise. Even the provision of education is limited to what serves its interest and no more. It will resist efforts to liberalise or decentralise. Current development efforts based on ‘projects’ and ‘programs’ whilst keeping the CES intact only strengthen its ability for extraction and centralisation.

Development, though measured by global indicators (e.g., growth rate, the number of educated, mortality and other health measures, etc.), is an aggregation of local solutions to local problems through a variety of research and innovation initiatives at the city level, in markets and in universities. CES must, therefore, be dismantled to allow a learning and decentralised state to be developed.

Only when public intellectuals begin to see the importance of the modernisation of the state (and dismantling CES) for development will the constituency for change come into being. That is when detailed vision and plans may become available for a change leader to take advantage of. We have probably missed the opportunity presented by a well-intentioned leader like Imran Khan because no such discourse was available.

The author is the current Vice Chancellor of the Pakistan Institute of Development Economics (PIDE), Islamabad.

A POSSIBLE REFORM AGENDA

Shahid Kardar



Pakistan today is perilously close to declaring its inability to settle its external debt obligations: default. What has brought about this possible point of inflection? In the opinion of this writer, the situation has come to such a pass both because of long-term trends and recent developments, primarily due to the fact that our style of governance and economic management has remained more or less unchanged for more than four decades. Growth rates have been stimulated every few years by running large fiscal and current account deficits until the process became unsustainable (widely described as the boom-bust cycle) and needed visits (totaling 22 now) to the IMF's assistance parlour for financing the external imbalances. But as soon as the IMF help eased some of these pressures, we harked back to these merry ways, which earned us the dubious distinction of being branded a 'one-tranche country'. This outcome, abetted by cheap external inflows and rescheduling of debts owing to fortuitous international events in our history (the Cold War, Afghan War, 9/11 and the War On Terror), kept us afloat and a host of our luxurious privileges protected. Poor governance was continually incentivised as fundamental and structural issues remained unattended to.

The cumulative costs of our failure to address these weaknesses have manifested in slower economic growth and increased vulnerability of the economy and the currency, feeding other crises. However, until now there

was no crisis of the magnitude seen today (by some accounts the worst in our history) – prompting genuine fears of sovereign default.

Throughout this period the entire focus, and tenacity of efforts, has tended to be finding resources to finance the balance of payments deficit rather than boosting the productivity and competitiveness of our exports in particular and the economy in general.

The economy is like a machine. All things within it are interconnected. Fixing a weakness in one place impacts other parts. To this end, donors are also to blame for creating a perception that repairing or removing blockages in one or two areas will set a self-sustaining process of growth in motion. Since they have limited knowledge of local conditions and lack the scale of the essential resources required for achieving such a grand objective they exaggerate the outcome of their proposals.

This article, after setting out the key challenges, attempts to identify policy measures, actions, instruments and institutional arrangements that can improve prospects of economic recovery and facilitate growth and employment by improving mobility and productivity of the workforce.

CHALLENGES

The incentive structures guided by the systems in place have aided misgovernance by the political, civil and military leaderships, culminating in the confluence of a number of crises (economic, political, regional, ethnic, etc.). This has resulted in Pakistan becoming a highly difficult and complex country to govern, which would be challenging for the most capable leadership anywhere in the world. And we are not really blessed with the quality of leadership that can steer this ship safely to a shore where there would be a brighter future for its 230 million passengers.

Driven by the imperatives of a security state, espousing a self-serving definition of national interest (with the expenditure on defence exceeding the combined spending on education and health), a rational view on engagement with the rest of world is missing. We seemingly suffer from a victim syndrome, while holding an exaggerated view of our importance (more due to our nuisance value) – mainly because of the fortuitous global events referred to above. We are not serious-minded people, and are simply not willing to accept that we have been living on borrowed time: way beyond our means for far too long. Also, that we are too large a population for anyone to be able to help.

We have a high rate of population growth, with the economy growing at a pace less than half the rate required to absorb those entering the labour force and a pattern of growth that continues to widen income and wealth inequalities. And this youth, exposed to global developments courtesy internet and cable television, is angry. This is laying the foundations of a much more challenging spectre, the management of ensuing expectations. What is making the challenge even more intimidating is that of a divided, fractured and deeply polarised society: both horizontally and vertically.

Furthermore, owing to a host of factors (with varying qualities of governance an important contributory element) disparities in levels and rates of growth and quality of physical infrastructure and social and economic services have widened between Punjab and the smaller provinces. This has fostered the alienation of youth along national/ethnic/values lines. The space for talks has continued to narrow as social divides deepen, hampering coexistence possibilities - a critical need for fostering social cohesion.

For a social cohesion to be built around a set of values requires a holistic approach to our socio-political and economic affairs. This needs reconfiguration of state and society, raising the question of whether we even have the leadership which can take on this intimidating mission. This article, however, owing to space considerations, will only highlight some of the key economic issues and ways to address them. We have finally hit a road block, a brick

wall. Others have lost patience with us. Our credibility is in tatters. Even our friends have made it patently clear that they are under no compulsion to sort the out mess of our own creation.

But despite this clear signaling, much of our discussion continues to be around symptoms” treatment for blood pressure while problems are deep-seated and structural, requiring fundamental painful reforms. What is needed is life-saving surgery by local doctors. And this time there is little anesthesia being made available by the rest of the world to ease the pain. The challenge of an equitable distribution of this pain on the ability of different income segments of the population to bear the burden of adjustment looks gargantuan.

KEY ECONOMIC ISSUES

Much of the debate is focused on the low tax-to-GDP ratio, rampant tax evasion and differential treatment of same levels of income from different sources. While not disagreeing with the import of these claims, in this writer’s opinion the bigger issue is the expenditure side of the fiscal equation.

We continue to have a large Federal Government even after the 18th Amendment, under which a host of functions were transferred to the provinces. And despite this division of responsibilities there are 43 Divisions at the Federal level, with an additional 400 Attached Departments of 650,000 personnel and autonomous organisations with 520,000 personnel. Excluding the cost of losses, or subsidies, to the autonomous organisations, more than Rs.750 billion is spent annually by the Federal Government either on functions actually transferred to the provinces – on agencies and activities whose cost should be shared by the provinces – or on intra-provincial schemes. The trend has been for structures to grow by the creation of new entities and staff positions, their continued existence ensured by system beneficiaries, despite many tasks having become redundant.

Just drive down Blue Area in Islamabad to see buildings housing government funded organisations sanctified with exotic names, with few in the Secretariat knowing what functions were mandated to them, let alone those they actually perform.

A reduction in the number of Divisions at the Federal level is opposed by both politicians and bureaucrats the former seeking ministerial positions and the latter positions as Secretaries and the associated perks and privileges, influence and power that come with the post – along with the generous retirement packages.

The case of the provincial governments is even more disconcerting. They are not only doling out all kinds of allowances to those on their payrolls, they have also become huge employment bureaus, engaging a veritable army of unskilled peons, chowkidars, drivers and clerical and supervisory staff, while lacking personnel with adequate domain knowledge. We therefore find that, for example, the Punjab province which had 22 Departments in 2000, now has 48!

A consequence of the above is that the pension liability of the Federal and Provincial Governments, excluding such liabilities of several other State sponsored entities (e.g. public universities), has crossed Rs. 25 trillion.

This structure has contributed to the State having a huge footprint in the economy. According to a PIDE study it is almost 67% of economy, although through price setting by government of some goods and services, requirements of NOCs, legal and judicial intrusions and a variety of regulations, checks and inspections, it makes it significantly bigger. This has distorted markets while the excessive, obsolete regulatory system presided over by more than 120 regulatory agencies has, by constraining economic activity, raised the cost and ease of doing business. Lest we forget, GDP is the sum total of the number and size of transactions in the market. Hence, the smoothness or otherwise of the process to undertake transactions affects the cost of carrying out transactions. Streamlining the multitude of agencies and simplifying the layers of approval processes for policy actions, activities, and transactions will enhance the organisational structure of government. This, in turn, will modernise the governance system, improve resource and functional allocations, and enhance administrative efficiency, ultimately resulting in reduced management costs.

Next are the growing losses of state owned enterprises (Rs.143 billion just in 2018/19). In the case of PIA, Steel Mill and Railways, accumulated losses have crossed Rs. 2.5 trillion (with the top 10 SOEs accounting for close to 90% of the cumulative losses). Then there are the electricity and gas circular debts which had hit Rs. 4 trillion in the last count. It's another matter that those making profits are generating returns much lower than their potential.

Whereas the Planning Commission should, in principle, be designing policy measures, instruments, institutional structures, etc. to stimulate growth, setting priorities and sectoral approaches, its role has been reduced to supporting the enlargement of the size of the PSDP - with limited influence on the need and design of schemes and assessment of institutional absorptive capacity. The outcome is a highly politicised expanded portfolio of development schemes, without any accountability for unsatisfactory impact. Schemes get approved and started with extremely small allocations, even though it is obvious that there will be huge time and cost overruns. Project staff, connected to important decision

makers get hired while cars, mobile phones, laptops, etc. are procured years before real work starts. And those recruited for the life of the project get a job for life since the scheme never gets completed!

The result of all this is that we now have a PSDP of more than 1,750 projects, with a throw-forward equivalent to 17 years of present levels of allocations, implying that there will eventually be huge cost and time overruns. State policies have supported a rentier economic structure - protecting a wide range of sub-sectors from competition, e.g. sugar, motor vehicle assembly, polyester, electricity meters, fertilisers and even segments of the textiles sector. The growth of one industry created a market for another (e.g. the vendor industry for automobiles), each operating at different degrees of efficiency. And once vested interests got created it became politically difficult to withdraw these concessions, especially with the economy growing at an anemic pace.

Moreover, the structure of the economy has changed over the last two and a half decades: with the sharp increase of the GDP shares of the Financial, IT, Telecom, Automobiles, and Oil and Gas sectors. These sectors tend to be capital and skill intensive. These developments have widened the inequality of incomes and wealth, further amplified by the taxation structure. This has determined the composition, the size of economy and production technology (more imported inputs) and level and skill mix of employment. The free play of market forces then reinforced these inequalities.

The less affluent segments of the population, endowed with limited education and skills, are unable to participate meaningfully in this configuration of growth, thereby disenfranchising the vast majority of the population, with all its social and political implications.

A POSSIBLE WAY FORWARD

RIGHT-SIZING OF THE FEDERAL AND PROVINCIAL GOVERNMENTS

As implied above, we need to start shrinking the over-staffed Federal Government by more than two thirds to reflect the transfer of functions post 18th Amendment.

Next we need to finalise the list of several attached departments, agencies and autonomous organisations to be wound up (because of the redundancy of purposes or uses for which they were initially established), since there would at best be a handful that could be candidates for privatisation. And then for the two proposals above we should:

a) Retire those who have completed 30 years of service (protecting pension entitlements attained to date). If it becomes politically difficult to retire them they should be placed in a 'surplus pool', thereby saving on rent, utilities, maintenance of cars, etc.

b) Surrender all vacant posts and all such positions (banning new recruitments).

A similar exercise needs to be conducted for the provincial governments.

The right sizing of the two levels of government then needs to be complemented by a move away from the direct provision of some services to just their financing - the actual provision to be outsourced (e.g. education).

REVISITING THE SIZE AND STRUCTURE OF THE PSDP

No additional projects should be launched for at least two years. Only donor assisted (provided an assessment of their economic return suggests continuing availability of counterpart funding) and on-going trunk infrastructure projects (inter provincial but not intra provincial) or nearing completion should be funded, treating as sunk investment and writing off those on which less than 20% expenditure has been incurred.

OTHER AUSTERITY MEASURES

- Hajj/Umrah and medical treatment abroad on government expense should be withdrawn.
- All schemes for bestowing land/residential and commercial plots should be discontinued.
- The practice of Camp Offices of the President, PM and CMs should be terminated.
- Discretionary funds and allocations for parliamentarians' development schemes should be abolished.
- All travel of less than 7 hours should be in economy class. And only the expenses of the Principal Secretary and the Minister whose subject would be taken up with counterparts should be official.
- All papers related to decisions taken by the Central Development Working Party (CDWP) and Economic Coordination Council (ECC) should be available in the public domain.
- The Debt Ceiling should be a percent of tax revenues and the government should be required to seek parliamentary waiver when it has to transgress this limit.

REFORMING THE CIVIL SERVICE

For new and existing civil and military bureaucracies we need to redesign the compensation structure, monetising all perks and privileges and demand a civil service with adequate domain knowledge. In the case of the former, compensations should be linked to market rates for similar skills. Furthermore, we should embrace a contributory pension system for new entrants to the Civil Service. For existing employees, we should adopt it, protecting pension entitlements attained to date.

The salary revisions, monetisation of perks and adoption of a contributory pension scheme can be financed by savings from the proposed reduction in the size of government and the disposal of prime commercial land held by government and used to provide housing to the civil and judicial bureaucracy.

We should also take away the right of any state functionary to allot any land (including to those in the military). The generalist cadres should be required after, say 7 years of service, to choose a service stream and acquire the relevant domain knowledge for continuing their service in the bureaucracy.

EASING CONTROLS OVER CONDUCT OF BUSINESS TO IMPROVE COMPETITIVENESS

The role of State Institutions is critical, requiring, as argued above, a reduction of its footprint in the economy through deregulation of commercial activities - the software aspect of laws, regulations, procedures and processes to stimulate investment and productivity. Today, a large part of the regulatory framework exists because of a lack of clarity on the role of the government and the need for excessive and archaic regulatory control. New products and instruments are better replacements and more effective mechanisms for achieving the objectives underlying the rules and regulations and the institutional arrangements for their enforcement in areas of market failure.

To dismantle this pernicious, discretion-laden and outmoded regulatory regime, a radical way forward would be to identify some sectors, essentially electricity, gas, State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), judicial processes and law and order, whose regulatory systems be mapped and reviewed clause by clause. All other regulatory rules (including the provincial ones) should be suspended literally overnight, requiring their proponents/protectors to argue the case publicly for their retention for serving a laudable public good purpose.

This move should be complemented by addressing the trust deficit impacting investor sentiment owing to unpredictability of government policies and actions. The government, which must serve as the signaling agency, is invariably in a fire-fighting mode - unable to reflect beyond the short-term. To expect the investor to take a long-term view is a palpable contradiction.

REMOVE DISTORTIONS IN TAX STRUCTURE

As indicated above, there is a need to revamp the tax structure. We need to simplify it: fewer number of taxes and rates (for example there are 68 withholding taxes with 45 generating less than 1% of revenues), easier compliance costs for taxpayers because of the multiplicity of taxes and agencies - all functioning with little coordination between them.

Next there should be a lowering of tax rates while ensuring a similar treatment for same levels of income irrespective of source (presently retail, wholesale and transport services and capital gains in equities and real estate are lightly taxed, with real estate made a haven for black money), tax exemptions or concessions to agricultural income (supplemented by subsidies for fertiliser, irrigation water and electricity for tubewells, with support prices; wheat and sugarcane maintained at higher than global prices).

PHASING OUT RENTIER STRUCTURES

For improving efficiency and competitiveness of the economy, a strategic move needs to be made to establish a level playing field. To this end we need to phase out, in the next 3-4 years (with a clear sunset clause) the vestiges of crony capitalism, reflected in the of overly generous concessions/protections for excessively long periods to several industries referred to earlier.

This shift needs to be complemented by improvements in trade facilitation systems and processes and, more importantly, by rationalising the customs tariff (with import duties ceasing to be the main source of tax revenues - presently in excess of 45% of total FBR collections). These reforms should be aimed at enabling the participation of efficient enterprises in global supply chains: the producer driven chains (e.g. Samsung, Nike, Adidas, Polo) and buyer driven chains (Wal-Mart, Amazon, Alibaba), as well as the services sector (by providing a broader variety of services in a much bigger and comprehensive manner). And as a starting point we need to lower, if not remove, barriers to trade with our neighbours. Admittedly, the role of the private sector will be equally, if not more, important in raising its own productivity and ability to participate in these chains.

GAINS FROM ENHANCING CONNECTIVITY AND SUPPORTING INNOVATION

This being the age of software and connectivity, with the frightening pace of change in technology (AI, 3-D printing, and robotics) disrupting activities linked to the production of goods, services and types of jobs, we have little choice but to reorient government thinking: away from an investor in hardware to being an enabler, creating an ecosystem that supports innovation and transition to a digital economy.

Whereas we already have an expanded and relatively decent network of poorly exploited physical infrastructure (especially roads and presently also Gwadar) compared with our counterparts (other economies at similar levels of income and stage of development), both the Federal and Provincial development programs continue to add to its enlargement. Some of these investments need to be shelved and many on which, as argued above, less than 20% has been spent should be discontinued and the expenditure incurred to date to be written off as sunk investment. Some of the resultant savings should be set aside for investments in improving connectivity, partly by reducing the tax on hardware and fibre-optic cable installation. And the approach to enhance connectivity and access to the internet requires that the available Spectrum not be viewed as a revenue source. Presently, telecom operators in the country only have access to 274 MHz Spectrum to serve the seventh largest number of telecom users in the world, whereas a single telecom operator in Australia uses in excess of 345 MHz.

By facilitating the use of technology, we can not only develop regional trade but also augment our capacity to collect taxes, instead of increasing reliance on turnover taxes and withholding taxes which tend to discourage formal commercial transactions and thereby loss of revenue.

Reforms along the lines argued above, complemented by limits on the use of discretionary powers and greater transparency (through expansion of digitisation and on-line availability of information on rules and regulations) will also assist in reducing the incentive for holding public office for those with dubious intentions and credibility.

DEFENCE RELATED REFORMS

We need to revisit our defence strategy and associated frameworks, starting with them shedding their non-core and commercial activities: the National Logistics Cell (NLC), and projects of their Foundations and Trusts. Although it is not my area of expertise, it is becoming fairly apparent that it will require some cropping of the size of conventional forces (considering that the annual bill of military pensions absorbs close to three quarters of the pension allocations of the Federal Government) and other non-combat expenditures. Examples requiring an urgent review are: a) the upgrading of a wide range of posts to accommodate the growing numbers of officer cadre; b) the time and expenditure (transportation, marquis, furnishings, food, etc.) incurred on protocols followed in the routine visits of senior officers; and c) a decisive shift to technology for conducting meetings and some basic training.

In view of the significant share of the overall liability of military personnel their pension regime needs an urgent comprehensive review. Today there are 1.4 million military related pensioners (who are entitled to a commutation of 35% on retirement, which is restored after attaining 72 years) and approximately 32,000 retire each year. Soldiers and, strangely, even medical personnel like lab assistants, radiologists, etc. are retired at the age of 40. Considering how the health and nutritional status of all, and especially of these personnel, have improved, the number of years of service of soldiers can easily be increased by 4-5 years and those of other non-combat categories by much longer.

CONCLUSION

The above is, admittedly, a formidable, and politically daunting, reform agenda. Can it be executed in 4 to 6 years? This writer is of the view that conducting our affairs as in the past, more of the same style of governance, can no longer be a credible and viable preference. The only serious option left is to adopt some of these reforms for crafting an equitable and sustainable growth path for the economy.

The author is a former Governor of the State Bank of Pakistan and Minister for Finance and Planning in the Government of Punjab.



A CALL FOR CHANGE

Abida Naurin



Reform, not begging, is the answer to all our economic and political problems. The question though is: which reform? The answers to this were discussed at a recent conference held by the Pakistan Institute of Development Economics (PIDE), Research for Social Transformation and Advancement (RASTA), and the Pakistan Society of Development Economists (PSDE).

Judicial reforms focus on the judiciary and providing justice to all, cutting down on frivolous cases without allowing long stays or excessive adjournments to provide speedy justice. Training and expertise are provided to judges to allow them to take on complex cases of the modern economy. Democracy needs to be supported by considerable enabling legislation to ensure proper party reform. For example, elections need to be rethought with fresh ideas like NOTA and different systems of elections, and we need frequent elections, and the Senate should be directly elected.

Elections should be staggered. For democracy to thrive, the election system needs to ensure that the current capture of politics by just a few hundred families should be restrained. At the conference, political term limits were considered necessary. PSDP and executive authority to parliamentarians need to stop while parliament and the executive need to be clearly separated. MNAs need to be clear that they are coming into the legislature for law, not to enter a secret door code executive position.

Executive positions for parliamentarians need to be severely curtailed. The conference also debated qualifications for MNAs and ministers; after all, all other jobs require specialisation so perhaps politicians too should be subject to some training and certification. There was a consensus on the need for a local government. It was agreed that the constitution was incomplete without local government. For local government to be possible, however, PSDP funds should not be distributed by MNAs or MPAs. Local government laws must be written such that the big families do not capture these governments. Local government might not be possible

without deep civil service reform, since currently the local administration is run by the federal civil service.

Permission-istan has destroyed the investment potential. The culture of NOC licences and controls needs to be limited or eliminated. PIDE has shown this sludge costs over 60 per cent of GDP. Business success needs to be celebrated, not considered corruption. Currently, businesses feel victimized by both politicians and the bureaucracy. Policymaking remains erratic and of low quality, making it extremely difficult for businesses to plan and project long term, slowing down investment. A bureaucratic and political mindset of offering protection and seeking an overvalued exchange rate is stifling exports.

The energy sector mess that has lasted for decades now has halted the export sector. Unreliable and poorly considered currency rates, fiscal policies, and tax laws discourage investment. However, no one is considering this. Firms can't expand if they are always searching for the next opportunity to receive protection or subsidies. As a result, we have conglomerates that look for opportunities for protection or subsidies, whether they are building IPPs, producing phones or vehicles, or pursuing privatisation arbitrage.

As PIDE has demonstrated, 31 families continue to control the stock market. This indicates that there isn't a competitive market. The CCP has demonstrated that regulation and policies encourage unfair economic practices and cartelisation. How do we make sure that policymaking is less intertwined, and that corporate governance is improved? Every firm is tiny (extremely small, from a global perspective) and run by families. Large, expertly managed businesses are essential to economic expansion and exports.

This must be a policy objective. But to do this, you have to have a sink-or-swim mentality and operate in a competitive environment. Bank credit is what our businesses rely on too much. Is this because equity is

often more expensive? Or is it because you're in a situation where default is likely? Or is it because losing control of the firm may result from more equity in the market?

In addition, our businesses are quite apprehensive about entering the formal market because of the potential for government persecution and the uncertainty surrounding tax and paperwork policies. Our firms don't do R&D; very little is done to create new goods and look for new markets and government business is not conducive to research at all. But how can we change policy?

The country has limited opportunities for investment due to a combination of poorly designed and excessive restrictions. Instruments are severely insufficient. Because of this, the sole option for investing is informal. In order to obtain higher profits, people turn to riskier real-estate investments and capital flight.

The stock market is still tiny and shallow and offers shares of companies that are probably operated by people like Seth Meyers, who have bad corporate governance and low transparency. Because of this, it is highly unappealing to smaller investors. There are barely 300,000 investors in the stock market, and there are seldom any new issues. Takeovers are challenging. Small investors find the market to be highly unattractive due to its extreme volatility.

Commodity market derivatives are limited or unavailable. Banks lend only to the government. Being bankers to the government and heavily protected by the central bank, banks bump profits and seek no reason to expand investment alternatives online to the private sector. One stock exchange in the country has been privatized to a foreign company. Additionally, why do we not allow another stock exchange licence to create competition? In summary, it is clear that the government has a strong aversion to free markets. The country needs a lot of discussion about this.

Global interest rates are likely to remain high. Global economic uncertainty is rising because of global tensions and other factors. The coming days are going to be challenging for policies, especially in developing countries, because of these trends. The government needs to be agile and informed. Debt relief is not easy to get. Debt restructuring or re-profiling requires a long process of give-and-take, as well as carefully extended plans of restructuring for the country that will convince lenders of seriousness. Debt restructuring is in no way a substitute for reform.

The country's thought and research capacity are essential to good policy, reform, and ownership of such initiatives. Aid and lending agencies are at best a complement and must not compete with the country's efforts. In fact, the role of international agencies and lenders should be to foster and grow domestic research. Global development

thinking has changed a lot over the years. While infrastructure projects continue to be developed, there is increasing recognition that governance, institutions, and domestic capacity to research and develop good policy is very important. Technological change further reinforces this. Countries need to ensure they stay abreast of technology and the changing global environment. To achieve this, education and research need to keep up with global developments.

The quality of our talent is seriously questionable. While some quality students are produced every year, most of them seek an overseas posture. No effort is made to retain them locally. The government seems to be immune to understanding human resource management. The quality of a student, on average, seems to be lower than in other countries. The quality of education is severely lacking, and nobody's concerned about it. Even locally, most companies, even government organisations, seem to be unable to find good talent. Those who come into these organisations also seek to resist obtaining better talent. The word 'merit' is often used and is seldom put into practice when hiring.

Productivity has been declining over the years, perhaps because of the lack of merit being applied in Pakistan, which is why mediocrity rules. Capable individuals find themselves being pushed out while mediocrity is well rewarded. It is no wonder that the best advice to give to a good student or an individual of merit is to escape the country to an environment where merit is appreciated.

The policymaking process is arbitrary and whimsical. It is not research-based as in other countries. There is no research capacity in government organisations. There is no consistency in policy. Every government wants to end previous policies. Despite massive debt, every government nevertheless prioritises certain projects. No government ever implements reform. Since our debt is growing, donors and lenders have a large amount of sway over policy. Governments eager to accept loans adopt all donor-proposed policies.

Democratic leaders must make the effort to ensure that parliament functions properly, enhance governance, and effectively manage the economy. They can protect democracy and carve out space for themselves in this way. Interference is encouraged when people keep calling each other names, and fail to do their basic duties.¹

The author is a Research Fellow at the Pakistan Institute of Development Economics (PIDE), Islamabad.

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GOVERNANCE REFORM IN PAKISTAN

Muhammad Yasser Wattu



There is a need for comprehensive reform in Pakistan, emphasising the vital role of local governance in fostering democracy, promoting citizen participation and initiating bureaucratic restructuring for more responsive and efficient governance. Empowering communities is important for an impactful and long lasting bureaucratic reform as well as a stronger democracy where a handful of politically strong families don't hijack democracy for personal gains and goals. Though there are many areas that need reform to improve governance in Pakistan, this article focuses on two. First is the devolution of power to local governments from provincial governments. Second is of reform in bureaucracy at the level of district administration. The focus here is on increasing the role of local elected government in district administration by reducing the direct control and interference of provincial governments, especially by curbing the powers of Chief Ministers.

A DEMOCRATIC DISSONANCE

In Pakistan, the absence of robust municipal or local body governments has led to a democratic deficit. National and provincial elections overshadow local government elections in Pakistan. The lack of attention to these grassroots elections diminishes the potential for democratic representation at the local level. In the complex tapestry of Pakistan's political landscape, the absence of robust local governance has left a void. This void is filled by bureaucracy which is remotely controlled by Chiefs Ministers heading the provincial governments, which strengthens the hold of bureaucracy at all levels of administration while reducing public participation in decision making. It also provides open space for Chief Ministers in provincial capitals to directly control

administration of cities, towns and villages directly through bureaucracy.

Recognizing the importance of local elections as a mechanism for introducing fresh political leadership becomes imperative for a more vibrant democracy and better governance at all levels.

EMPOWERING LOCAL GOVERNMENT WITH DECENTRALISATION

Just as provinces obtained authority from the federal government after the 18th Amendment, it is crucial to devolve some of these powers to local city, town, and union council levels. To bring real reform in governance, the local governments must be given more substantial powers. The devolution of authority from provincial to local levels is not just a procedural step but a fundamental reimagining of governance. This kind of decentralisation ensures that decision making is not confined to distant bureaucratic structures. Thus, decision making becomes more responsive to local needs and concerns.

BUREAUCRATIC RESTRUCTURING WITH COLLABORATIVE GOVERNANCE

The restructuring of bureaucracy at the district level, with a shift towards serving under local governments rather than receiving directives from provincial authori

ties, would mark a paradigm shift in governance dynamics of Pakistan. Shifting the role of bureaucracy at the district and divisional level, so that it operates under the local government rather than receiving direct orders from provincial authorities, is key to administrative as well as bureaucratic reform. This restructuring fosters a more collaborative relationship between elected local governments and the bureaucracy, eliminating undue interference from provincial governments. This collaborative approach eliminates unnecessary impediments and ensures a more efficient administration.

A vital component of empowering local governments is freeing local administration from undue influence of provincial governments. Chief Ministers should not have unilateral authority to transfer or suspend officers without approval from the local government where these officers are serving. This strengthens local governments and ensures that bureaucratic decisions align with local priorities.

By ensuring a consultative process over transfer and suspension of government officers, the autonomy and effectiveness of local governments are preserved. It also reinforces democracy from the level up to the provincial and federal governments.

DIVISIONAL ASSEMBLIES FOR REGIONAL LEGISLATIVE EMPOWERMENT

Another step for reform and devolution is to introduce Divisional Assemblies, with elected representatives from all the districts in that division. The introduction of divisional assemblies can be a very effective move towards decentralising legislative power. Provinces devolve some legislative authority to these regional bodies, fostering a more inclusive decision making process.

DEVOLUTION AS A CATALYST FOR BUREAUCRATIC REFORM

Devolution serves as a catalyst for comprehensive bureaucratic reform. The archaic bureaucratic structure, reminiscent of colonial times, is in dire need of reform. Devolution of powers from provinces to local and district governments can help overcome the resistance by bureaucracy to the kind of reform that cuts down the colonial style powers our bureaucracy enjoys. Aligning bureaucratic processes with the evolving demands of local governance not only enhances efficiency but also

paves the way for a more adaptable and responsive administrative framework.

FROM ALIENATION TO INCLUSION

Devolution fosters a sense of ownership among citizens. In the current governance system, the public often feels excluded from decision-making processes dominated by bureaucratic and political elites. Actively involving citizens in governance fosters a sense of ownership and responsibility. Inclusivity transforms citizens from passive observers to active participants, ensuring a more engaged and responsive populace. This encourages responsibility and a stronger connection between the government and the governed.

CONCLUSION

In conclusion, restructuring bureaucracy, devolving powers to local and district governments and encouraging civic participation is essential for reform in Pakistan.

The call for reform in Pakistan's governance structure is a necessity for the evolution of a robust and inclusive democracy. Devolving powers to local governments, restructuring bureaucracy, and encouraging civic participation are key steps toward building a governance system that resonates with the diverse needs and aspirations of Pakistan's populace. Through these concerted efforts, Pakistan can navigate towards a future where governance is not an exclusive affair but a collaborative endeavor that truly serves the people.

The author is an anthropologist who has worked briefly as a government officer and with NGOs.

CHARTING THE COURSE AT A NATION'S CROSSROADS

Syed Kaleem Imam



Umar Bin Abdul Aziz, known as the '5th rightly guided caliph', received a visitor once. They discussed state matters under the light of a lamp. As they finished the official discussion, the focus shifted to personal issues. The caliph dimmed the lamp and continued talking in the dark. This perplexed the guest. The caliph responded that he had bought the lamp using the treasury of the Muslims. So, he would use it working on issues related to community, not for personal concerns.

The message was symbolic and encompasses the whole issue: self-accountability and value of the government exchequer.

Rightly, Pakistan came into being after a great struggle. There were reasons to enjoy the fruits of freedom. Despite millions sacrificing their lives, honour and properties, spirits were high. The Quaid, who was eminent for his stylish living, seeing the challenges ahead, completely changed himself and adopted the same frugal demeanor befitting a ruler like Umar Bin Abdul Aziz. Sadly, he left us too early, and the country came into the hands of predators. Personal political ambitions resulted in the dismemberment of the country in 1971. Sadly, no lessons were learnt and rulers are still treading on the same path, oblivious of the fact that they are cutting the tree they themselves sit on.

The ruling politicians and elite bureaucrats do not have an iota of feeling for the extravaganza being enjoyed by them on the money collected either from the taxes of poor people or by begging from rich countries. Their children and families, without any feeling of guilt, go to schools, shopping centres and private excursions on vehicles run on government fuel.

The officers travel extensively within the country and abroad using government facilities or fully funded programs, yet on return they claim TA/DA. When a common man sees his tax money being used on perks and privileges of the ruling junta, he makes all endeavors to evade taxes and instead fill his pockets on resources he could also lay hands on.

In the absence of an effective and just tax collection system, the country continues to plunge into chaos and poverty. Ironically, a few top positions are exempted from taxes as per the law.

The common man is screaming with the pain inflicted upon them due to soaring inflation, job scarcity and poor law and order. But the bosses are always busy in meetings, 'wasting hours and recording minutes' as phrase goes. The National Action Plan comprises of 20 points. Though it remains devoid of any tangible action so far, reforming the criminal justice system takes seat at 20th position when it should have been the 1st agenda point to be addressed and fought for.

Nowhere is there vision for long term planning. Public servants only see how long they are likely to hold onto their seats and their projects remain restricted to that short period of time – pleasing the few who matter and jeering the communal. A friend attending a seminar in Canada in 2014 was told their government had planned that by 2026 the entirety of Canada will be made accessible to differently abled people. This is how a nation with conscience plans for future generations.

Government run education and health systems have collapsed, leaving a huge void only to be filled by Madrassahs and private clinics. Government run

departments have been filled with incompetent people due to political backing.

The solution to the problem is simple and will not take much effort. We need to reach the bottom of the problem: poverty, corruption, and a lack of accountability.

Some easy but far reaching consequential actions are:

- a. Optimum utilisation of human and physical resources. For instance: only one car for an official. No second vehicle in the name of escort or protocol.
- b. Everybody must pay for the vehicle(s) they are using through their own pockets. Let everybody feel the pain of high fuel prices.
- c. Utility bills must be paid by the occupants of government accommodation. If the house is too big, reduce the size.
- d. There should be no tax exemptions. The bigwigs enjoying this facility should come forward and withdraw the concessions themselves. Otherwise, the legislators should take a bold step and amend the law.
- e. The head of state's visits abroad should comprise of no more than five individuals.
- f. Tax collection and its expense should be made public every month. For example, millions of vehicle taxes are collected in metropolitan cities every day. Where it goes and how it is spent remains a mystery. Had it been spent correctly, the condition of roads in cities and towns could be compared with any city across the world. Right now, 70% of the infrastructure can be compared to Mohenjo Daro.
- g. Addressing root causes of all ills lies in speedy justice. The delinquents and terrorists, once caught, go through the same old failed orthodox justice system. In our neighbours, like Iran, if a culprit is caught for terrorist activities or any heinous crime, within three days he is found hanging in a public place, infusing terror in other potential terrorists.
- h. The ministries and departments should only be headed by people from the relevant field, for example, the minister of education should be an educationist and a health minister should be a medical doctor.

We can still begin a meaningful journey toward good governance, prosperity and justice. Indeed, countries of the advanced world are thriving due their effective institutional arrangements and efficient, universal rule of law. No one dares misuse his power.

Let us set our house in order.

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AGENDA FOR THE INCOMING GOVERNMENT

Pakistan Business Council

The Pakistan Business Council (PBC) believes that the primary purpose of any reforms in Pakistan should be to improve the quality of life of its people. A policy framework that maximises the potential of business to contribute to the country's uplift is a means, not an end. The resultant improvement in human capital will create the conditions for business to thrive. Pakistan lags behind South Asia in virtually every social measure. The second important objective is to restore its solvency and autonomy which has been affected severely by recurring external and fiscal account deficits, leading inevitably to the 24th IMF Programme. Last, but not the least important, is the need to create resilience to climate change. We saw how the recent floods of biblical proportions disrupted life.

Investment in social development will entail mobilisation of substantially higher resources and cutback in non-development public expenditure. This in turn will call for significant reforms in the country's tax system, fundamental changes to stem the build-up of energy circular debt, courageous restructuring and privatisation of state-owned enterprises and the right-sizing of the civil service. Without a reliable supply of energy at a competitive cost, it is unrealistic to expect industry to create jobs, grow exports and for the country to become less reliant

on imports. The country has prematurely de-industrialised. Pakistan's share of world exports has declined, the export basket is narrow, as is the geographical dispersion. Security uncertainty is leading to rationing of orders by overseas customers. Value-addition is low and exports lack pricing power. Energy availability and cost is also a factor in manufacturing for the domestic market. Cascading import duties and limited time, performance-linked incentives for import substitution need to be considered to help balance the external account. However, this cannot be allowed to indefinitely impact consumer choice and value. Realistic, market-based exchange rates will support the external account.

The country's agriculture potential remains unrealised, with the result that our growing population is threatened by food insecurity and inflation, whilst at the same time imports are increasing and the exports are below potential. Population growth and urbanisation is leading to encroachment of agricultural land and undermining most other socio-economic development parameters. The investment climate is poor, with FDI and local investment on hold, awaiting transformation of business environment and positive feedback from existing investors.

Pakistan's economic policies are at the best unpredictable; sound planning and good alignment between stakeholders for sustainable and inclusive growth is over-ridden by short-term, knee-jerk, revenue-seeking changes that undermine confidence. Federal ministries are fragmented, often pursuing conflicting and silo objectives. There is also fragmentation between the federation and provinces. The current National Finance Commission Award needs to be reviewed to achieve a more optimal sharing of resources and responsibilities. Pakistan's debt obligations cannot indefinitely be left unaddressed.

Though Pakistan's emission levels are low, it is amongst the most vulnerable to climate change. So, an incoming government would need to accord climate change mitigation and adaptation the highest priority.

In a rapidly evolving digital world, Pakistan needs to reposition itself in a global economy in which cheap labour will not be a sustainable competitive advantage.

The incoming government will also have a challenging task to continue on the work of the caretaker government to stabilise the economy. It would also need to reprofile debts, negotiate the 24th IMF Programme and undertake painful, but essential reforms. The first two to three years of its tenure should be spent on economic stabilisation, tackling decades-high inflation and carrying out deep reforms. An uncertain geopolitical environment will not make this task easy. We have yet to see any political party's clear economic agenda. These recommendations are for their consideration.

PBC's Economic Agenda has been developed to guide an incoming government to set Pakistan on a strong and sustainable growth trajectory. It has deliberately been kept concise and directional in nature and confined primarily to key enabling actions and to mobilise resources to uplift the quality of life and to stabilise and kick-start the economy. The PBC recognizes that business can only thrive in an environment in which important factors such as education, skills, health care, water, sewage & waste disposal and law & order conditions are supportive of business. It also accepts that there are organisations and stakeholders who are better placed to comment and contribute more extensively on these matters. Two aspects that every citizen of Pakistan must accept and address are the urgent and connected needs to manage the impact of climate change and preserve the dwindling water resources.

The people-centric objectives listed below can only be delivered through the economic imperatives for which PBC's recommendations are summarized below and covered in more detail later.



Social/Human Development Objectives	Key Economic Imperatives	PBC's Enabling Recommendations
<ul style="list-style-type: none"> • Lift Pakistan from bottom of South Asia in socio-economic measures; • Slow down population growth and the rate of urbanisation and encroachment upon agricultural land; • Ensure food availability and affordability; • Supply clean drinking water and provide good sanitary conditions; • Address malnutrition and stunting; • Secure affordable and reliable utilities; • Provide easily accessible healthcare free of cost; 	<ul style="list-style-type: none"> • Deliver on commitments for the remaining term of IMF's Stand-By Arrangement; • Secure a 5-year, reform centric, 24th IMF Programme; • Create breathing space by reprofiling debt; • Gain long-term solvency by balancing the external account in a sustainable manner; • Reduce domestic borrowing by curtailing non-development expenditure, broadening the tax base, stemming the burden of State Owned Enterprises, conducting fundamental reforms of the energy sector and renegotiating the National Finance Commission Award; 	<ol style="list-style-type: none"> 1. Long-Term, well-aligned plans 2. Mitigation and adaption plan to deal with climate change 3. Equitable and broad taxation; formalisation of the economy 4. Fundamental reforms of the energy sector 5. Restructuring and privatisation of SOEs 6. Deregulation and civil service reforms to cut non-development expenditure
<p>People-centric objectives</p> <ul style="list-style-type: none"> • High quality education, especially in STEM subjects, universally available; • Impart technical skills that are in demand to improve productivity; • Jobs with living wages; • Law and order through effective policing and speedy justice • Promote & facilitate employment of women; • Provide efficient public transportation; • Widely available, affordable & reliable internet & cellular connectivity 	<p>Key Economic Imperatives</p> <ul style="list-style-type: none"> • Mainstream climate change resilience and integrate actions with interrelated national policies and budgets • Step-change agricultural productivity to ensure availability, affordability and positive impact on the external account; 	<p>PBC's Enabling Recommendations</p> <ol style="list-style-type: none"> 7. Review of the National Finance Award 8. Agriculture reforms for food security, affordability and reduction of impact on the balance of trade 9. Exports 10. Time-bound and performance linked incentives for import substitution 11. Future-proof Pakistan

LONG-TERM, WELL-ALIGNED PLANS

In the absence of well aligned long term plans, federal ministries operate in silos with short-term, knee-jerk measures to achieve their narrow (and often conflicting) objectives, which lack long-term economic or social rationale. Additionally, fragmentation between the federal and provincial governments confuses and delays actions. Whilst forums like the Economic Coordination Council (ECC) and National Economic Council (NEC) exist to review the economic rationale of proposals, absence of a long-term framework hampers their work. It is essential to revive the 5-year plan process, resource the Planning Commission adequately and restore the Ministry of Planning's authority and importance, which has been hijacked by the Ministry of Finance to achieve near-term goals. Often, summaries presented to the ECC are for urgent issues.

SPECIAL INVESTMENT FACILITATION COUNCIL (SIFC)

The creation of the SIFC is recognition of the need to bring all key decision-makers on the same table. However, the SIFC too needs to rely on long term economic plans, which is the remit of the Planning Commission and the Ministry of Planning.

Investor confidence is shattered by the absence of policy consistency and predictability. Since both 'transactions' and 'transformation' are SIFC's roles, its attention to long term policy reforms should help restore investor confidence.

IMF TARGETS, DEBT MANAGEMENT AND REPROFILING:

As the Ministry of Finance is the focal point of engagement with the IMF, due to the country's sub-optimal and often delayed delivery of agreed programme objectives, it is unable to seek long term, reform centric goals. As a result, IMF's prescriptions address the symptoms rather than the fundamental causes of the problems and we continue to face recurring crises. Longer term reform-centric targets should be derived from long term, well aligned and economically justified plans. A significant gap also exists in the management of government debt. A long-term plan can help bridge this gap. Sovereign debt advisors can advise on reprofiling debt, advice which the government should not shy in obtaining.

POOR PLANNING:

Major examples of poor planning, misalignment and execution are:

- the strategically important Gwadar port was built without adequate transportation links with the rest of the country and with China, despite its importance to the CPEC transit corridor;
- the economically significant Thar coal mines and coal-based power plants lack transportation and sufficient transmission capacity;
- renewable energy projects in the south were approved without adequate transmission lines to the north
- contradiction between contractionary monetary policy and expansionary fiscal policy, with unchecked government spending, heavy borrowing at high cost, crowding out private sector

CLIMATE CHANGE:

The major objective of long-term planning must be environmental sustainability. Fragmentation between the federation and the provinces poses a challenge that needs to be overcome and resources found and deployed in a coordinated manner. Climate adaptation plans need to be in place to attract appropriate donor and investor attention. We were not prepared with these when the floods came in 2021.

The authors are affiliated with the Pakistan Business Council, a business policy advocacy platform.

Ö CONSTITUTIONAL REFORM



NEED FOR CONSTITUTIONAL REFORMS



Farhatullah Babar

The enactment of Practice and Procedure Act 2023 by the Parliament last April and its recent endorsement by the Supreme Court upholding its constitutionality is a significant advance in Pakistan's history of constitutional evolution and reforms. Coming in the 50th year of the adoption of the unanimous Constitution in 1973, it has triggered thoughts about an enlightened public debate on whether and what constitutional reforms are needed.

The creation of Pakistan was based on a consensus among the provinces to live together in a federation in a parliamentary democracy. Within years of the creation of Pakistan, however, the centrists, supported by the civil-military bureaucratic complex, imposed One Unit on the then West Pakistan and introduced a novel principle of 'parity' between the then two wings of the country, the East and the West Pakistan. This blatant disregard of the principles of a federal parliamentary democracy resulted in extreme distrust and discontent amongst the federating units culminating finally in the breakup of the country in 1971.

In this Golden Jubilee Year of the Constitution, PIDE's Discourse has done well to initiate a debate on whether the existing constitutional scheme needs some amendments to strengthen the federation.

The devolution of power to provinces has been seen as a threat by entrenched power centres and powerful lobbies which have sought to revive debate on the settled political issue of federal parliamentary structure from time to time. Some very clumsy and crude attempts were made including the outlandish claim recently of discovery of a note in the personal diary of Mr. Jinnah favouring the presidential system. Although such attempts have fortunately failed, the centrist machinations have not ended. Remember the 18th Constitutional Amendment passed in April 2010 was dubbed by these elements as "worse than Shaikh Mujib's Six Points".

The 1973 Constitution introduced a bicameral legislature. Equal representation given to all provinces in the Senate was intended to give a measure of political equality to the federating units. However, devoid of any financial powers, the Senate could not grant a sense of political equality to the provinces. Financial powers were vested entirely in the National Assembly in which seats were allotted on the basis of population. Thus power remained concentrated in the most populous province which had 51% seats in the National Assembly.

Out of a total of 266 general seats in the National Assembly Punjab alone had 141 and Balochistan only 16. Large and populated districts of Punjab and Sindh like Lahore, Faisalabad and Karachi have more National Assembly seats than the entirety of Balochistan.

Political parties thus were tempted to invest more in these large cities of populous provinces instead of investing in sparsely populated Balochistan, with only 16 seats in the National Assembly. Balochistan voice thus remained muted as the state veered towards a majoritarian one instead of a federal parliamentary state as originally envisaged.

Amendments in the Constitutional Articles relating to the Senate, the House of Federation, are thus needed to address this issue. To begin with five amendments are particularly worthy of consideration. One, greater weightage needs to be given to Senate votes in any joint sitting of the parliament while considering non-money bills by making each Senate vote equal to three votes of National Assembly. The majority vote provision gives National Assembly a far greater advantage as it has thrice the number of Senators and strengthens brute rule by majority.

Two, even if the Senate does not have financial powers it should at least be made mandatory for the National Assembly to inform the Senate of the reasons why its recommendations on money bills, if any, were not incorporated.

Three, co-extensive powers need to be given to the Senate – along with the National Assembly – for disapproving a presidential ordinance before the expiry of 120 days or extending it for another 120 days. At present, the Constitution distinguishes between ordinances regarding money and non-money bills. It mandates only the National Assembly, and not the Senate, to disapprove or extend the life of ordinances involving money matters.

Four, in the event of the federal government failing to announce the five-yearly NFC award, the Senate should have the powers to extend the previous one by increasing shares of provinces in the federal divisible pool by 1%. This is necessary to discourage the federal government's practice of extending the previous NFC award on a yearly basis to the detriment of the provinces.

Five, perhaps it is time to introduce the concept of minority negative vote. It means that if a simple majority of Baloch MPs in a House rejected a bill or a parliamentary instrument relating to the province it should be deemed to have been rejected by the whole House.

Another factor which entrenches the majoritarian state is the current NFC formula which distributes the federations' revenues among the provinces overwhelmingly on the basis of population, giving it a whopping 82 % of weightage. Other critical factors like poverty and backwardness, revenue generation and collection, as well as inverse population density have very small shares of weightage in the distribution formula.

This weightage to population not only concentrates financial powers in the most populous province, it also

creates a novel state narrative: "Increase the population and get greater share in the overall national kitty". This narrative has trumped all efforts to control population growth. Pakistan has incentivised population growth in the NFC narrative.

No other country in the world distributes finances among its federating units on the basis of population as much as Pakistan. There is a need to revisit the distribution formula envisaged in the NFC Award.

Another area that needs attention to trigger a move away from a majoritarian to a pluralistic federation is the domain of local governments.

There is need for a constitutional amendment to protect the form, tenure and fiscal empowerment of local governments to ensure that local bodies are able to carry out their functions effectively. A strong democracy rooted in a federal parliamentary structure is not possible without effective and well-resourced local governments.

The present constitutional provision contained in Article 140-A does not adequately safeguard local governments. There is a need to delink provincial governments' municipal responsibilities from its legislative functions and remove the 'asymmetry' between political and fiscal decentralisation. The local governments should be able to make their own rules of business. The existing practice of provincial governments sacking local governments can be checked by providing that changes to local government laws should require a two third majority in a provincial assembly.

But no matter how strong the building blocks of the federation are and what constitutional amendments are made, a huge stumbling block remains.

It is the stumbling block of non-observance of the constitutional provisions relating to tri-chorotomy of powers between the legislature, the judiciary and the executive. A new form of controlled democracy has emerged during the past decades, the constitution notwithstanding. Under this form of controlled democracy, the actual driver of state craft is invisible but remotely controls all levers of power without responsibility and without accountability.

In this year of the Golden Jubilee of the Constitution (and hopefully of elections next year), the foremost concern is the issue of remote controlled democracy. The present form of driving of statecraft is unsustainable. Let there be no doubt or mistake about it. A vehicle driven, not by the driver seen on the wheel but by some 'invisible' entity sitting in the rear seat and controlling all vital levers is doomed to meet a disastrous accident.

The author is a former Senator.



MAKING OUR DEMOCRACY WORK

What Went Wrong and How to Fix It: A Lawyer's View

Umer Ijaz Gilani

Pakistan's constitutional democratic system has all but broken down. There can be no meaningful conversation unless we openly and fully acknowledge this very significant social fact. Let me give you just two examples of the kind of breakdown which I have in mind when I say this.

While the Constitution promises that power will be exercised by the "people through elected representatives", as a matter of fact, we don't have elected governments at the federal, provincial or local levels. And it has been quite a while. Punjab and KPK have been without any elected provincial government for over a year now. Sindh and Balochistan and the all-important Federal Government too are all unelected. If at all there is a certainty, it is that elections will not happen within the 90-day period stipulated in the Constitution. As I write, it is unclear just how long unelected Caretaker governments will continue to rule the country and how broad their mandate is.

It is worth taking a look at the situation of fundamental liberties, which, along with elected rule, represent the core of our constitutional compact. While the Constitution promises due process and liberty, it is an undisputed fact that hundreds of pro-PTI political workers have been 'disappeared' by the state's own agents; yet, no organ of the state, the judiciary included, is in a real and meaningful sense, willing to come to their aid.

While Pakistan's de facto situation has always been a little removed from the de jure; the confident and sustained departure from constitutionally prescribed norms which we are seeing at present is of a different magnitude altogether. We haven't seen something like this since at least November 2007, the last time someone decided to toss the Constitution in the air.

So how did we end up here? How did our democratic institutions become so weak that they now lie almost forgotten?

The usual story that we are told is that the breakdown of our democracy has happened because our system is nascent; nascent democracies are 'just like that'. There are others who put the responsibility for repeated systemic breakdown on interference by the 'military establishment' and the 'judicialisation of politics'; yet others put the blame squarely on 'corruption' and 'cronyism'. While all of these explanations are partially true, there is another side to the story which has never been seriously considered: constitutional design errors.

In this essay, I would like to argue that there are some serious design flaws in the constitutional scheme which militate against the strengthening of our democracy for repeated failure. Unless we correct these flaws, the system is doomed for repeated failure.

1. GOVERNMENT BY PARLIAMENT OR BY WINNING PARTIES?

In a democracy, the idea is that elected folks enjoy an upper hand over the unelected permanent state official. Come to think of it, the odds are always against this: how can a bunch of temporarily elected officials who are forever hounded by rival political parties enjoy ascendancy over a class of state officials who are permanent, and follow a command and control structure?

The institutional arrangement which has made this improbable formula – ascendancy of elected, temporary people over permanent officials – work in some countries is called Parliamentary rule. In this modality, the winning politicians (Treasury benches) are fully committed to work in a collegiate fashion with their fiercest political rivals (Opposition Benches) while taking all significant governmental decisions. This is why everything from taxation to legislation is to be done not by the government, but rather by Parliament - which is a collegiate and discursive institution that includes the fiercest rivals of the government of the day. It is only by coming together with their direct adversaries that the elected folks muster enough power to gain an ascendancy over the permanent and more organised state bureaucracy.

Unfortunately, our constitutional design doesn't really provide a sufficiently robust incentive structure which would make winning politicians treat their political rivals as parliamentary colleagues. As a result, the electoral rivalries continue well after elections and eventually completely rock all parliamentary boats. What are these weaknesses in the incentive structure for parliamentary rule? Three examples to demonstrate.

- Legislation through Ordinances. One reason why winning politicians in a parliamentary context find it essential to bury the hatchet after elections is that they have to get laws passed. Especially in countries with bicameral legislatures, this requires consensus-building with rival parliamentary parties. In Pakistan, however, Article 89 of the Constitution empowers the government of the day to bring in any legislation without having to go through Parliament at all. These are temporary laws but they can be re-promulgated and at the right time, bulldozed as Act of Parliament. My research shows that Ordinance-making has emerged as the principal method of legislation; since 1947, the President has promulgated over 2,500 Ordinances, most of which are about the most mundane topics. As long as this trap door for legislation remains, it would be used by governments to avoid the painstaking and patient dialogue in Parliament.

- Budget-making through Supplementary Grants, Taxation by SROs. One of the reasons why politicians who lose elections choose to sit amicably in Opposition rather than rocking the parliamentary boat altogether is because sitting in parliament gives them a direct say in

money matters: no tax concession can be granted and no budget can be raised without being put to vote before them. In our constitutional scheme, as interpreted by the courts, neither is true. The government can spend money first and then get ex post facto approval through what are known as Supplementary Grants. And the government can also grant tax concessions through SROs. When all of this this can be done without the Opposition Benches, why would anyone wish to sit there? If no one would like to sit in Opposition, how will Parliament become so strong as to counter-balance the permanent bureaucracy?

- Borrowing without Parliamentary Approval. The Constitution clearly states that there can be no taxation except by or under the authority of the Parliament (Article 77). The idea was that the government shouldn't be able to raise any money or spend it without first going to Parliament. But this isn't happening because governments are increasingly relying on borrowing – from both domestic and international lenders – instead of relying on tax revenues. Parliamentary approval is not mandatory for such borrowing contracts. As a result, each government can conveniently blame its predecessors for all the bad borrowing and then do the same – without anyone in Parliament ever finding out.

2. PARLIAMENT: BLENDING DEMOCRACY AND TECHNOCRACY

Another constitutional design issue in a parliamentary democracy, which we seldom dwell upon, is that of 'competence': how do we ensure that the elected rulers who temporarily take charge of permanent bureaucracy have sufficient know-how for handling the often tricky business of government? Bear in mind that the sole credentials of the top bosses in a democratically elected cabinet are: winning elections. Winning elections requires skills which have almost nothing to do with the skills required for running modern government.

One way in which this design issue can be dealt with is by structuring parliamentary 'careers' and instituting a formal Promotion System. So, for instance, it could be stipulated that each parliamentarian would have to start his or her career with Membership of one particular Standing Committee. To encourage winning politicians to actually sit in Parliament – which, at present, they seldom do – rules could be framed regarding compulsory attendance, including consequences for non-attendance. Only after having spent one tenure learning about the affairs of a specific department would a parliamentarian become eligible for Minister or Shadow Minister of that particular department. And finally, only after having served as Minister or Shadow Minister could someone be eligible for Prime Minister or Leader of the Opposition. These are mere possibilities for a different connotational design. I am delineating these to highlight the false binary between democracy and meritocracy which seems to underly our present constitutional design, and is militating against its success.

3. THE VERTICAL SEPARATION OF POWER: STRENGTHENING LOCAL GOVERNMENT

There is now an emerging consensus in the Pakistani intelligentsia that one of the key reasons why our democratic system gets rolled back by the ‘establishment’ every ten years or so is because it doesn’t have sufficiently deep roots in society. The reason for that is our failure to set up elected local governments and to devolve some of the state’s functions – municipal affairs, health and education, etc. – to them.

One of the reasons for this state of affairs is that whenever empowered and elected local governments were set up, they were soon rolled back by rival political forces in provincial assemblies. What few bother to mention is that these roll backs happened so easily because our Constitutions – Government of India Act, 1935, the 1956 Constitution and the 1973 one – contained hardly any protections for local governments. These constitutions – almost half of which are devoted to

charting out centre-province relationship, are remarkably quiet about the powers and structure of local government. This is one of the key reasons behind the weakening of local governments.

CONCLUSION

Let me end this article on a sanguine note. The good thing about attributing the present failure of our democracy to constitutional design flaws is that it opens the door of hopes. Constitutional design flaws can be identified through scientific analyses; and they can be readily fixed through an informed, mobilised and large enough reform constituency. Also, I have no qualms in admitting that when it comes to grand questions like this one, the lawyers’ lens is not the only one. But it is equally important to realise that the legal or constitutional perspective is an important part of the equation which political scientists and economists ignore at their own peril. I would therefore like to take this opportunity urge other legal experts to dwell on the subject of how we got here and to propose ideas for how we can still make our democracy work.

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ARBITRARY ADJOURNMENTS

Sahar Saqib

Adjournments are a tool used by both lawyers and judges to postpone the present judicial proceeding for a temporary or fixed time. As a device, however, it is most tragically misused in Pakistan's court cases by judges and lawyers alike. It has come to the point where an extraneous adjournment may be had in a case on the day of the hearing, often without prior notice to the parties in attendance, and routinely not reported by the lawyer to their client. Without the implementation of compensatory measures or the pressing need for the adjourning party to provide a substantial reason for the delay, superfluous stays have become a common occurrence in our courtrooms, and a persistent miscarriage of justice.

Frivolous adjournments incur a significant cost, and are a gross misappropriation of the already limited court funds and facilities. The cost of a court to be in session, the salaries of all parties involved and maintenance of the courtroom are just a few of the expenditures and facilities which are not being utilised every time there is an adjournment granted on dubious grounds. It is also an unjust and inexcusable charge on the litigant's pocket. Many parties to the suit suffer great losses in the form of travel costs, opportunity costs, and daily wages. In order to make it to one court appearance, persons

travelling from more remote areas have had to sell chattel, foregoing any chance at earning for the day, and have had to bear the cost of the journey to the courthouse, only to be informed that the case has been adjourned. An unseen but deeply felt social and psychological cost is also borne by litigating parties, particularly in seemingly unending multi-generational cases further delayed due to extraneous adjournments.

Vexatious adjournments also waste valuable time. According to a senior Rawalpindi Bar Council member, a District or Sessions Court Judge will hear a multitude of cases during the roughly eight hours they observe in their court, as opposed to a High Court Judge who deliberates for only four hours a day. Such adjournments squander away a chunk of the already limited time and resources available to the courts. When we consider the interrelated concerns of case pendency and how overburdened judges already are with their current dockets, frivolous adjournments are a substantial cause of these problems. The courts' time would be better utilised by disallowing unnecessary and avoidable adjournments and instead employing case management systems and addressing the steadily growing case pendency rates, to a tune of over two million cases and rising.¹

Lack of an incentive to curb harmful postponements leads to adjournments not being taken as a serious misconduct. The Law and Justice Commission of Pakistan in their Expediting Trial Proceedings Report² had highlighted the need to curtail excessive adjournments, while in their Law Reform Bill 2005³ they suggested a compensatory fee for parties who exceeded two adjournments per case, to be awarded to the aggrieved and awaiting party. There was no recommended fee or challan in the Bill to be imposed on lawyers or judges who abuse this device, and they would still receive remuneration for their court appearance albeit adjourned. Imposing a compensatory fee or some form of repercussion on the consistently adjourning party would also address the nefarious efforts of litigious-minded personalities whose employment of delay tactics cause a disruption in the proceedings, deterring the course of justice in order to deny another party of their rights, or inexcusably continue the exploitation of their own. More recently, the Cost of Litigation Act 2017 imposes a fine of Rs. 5000 on the party perpetuating vexatious and frivolous adjournments, but this Act is only applicable to the Federal Capital. Such legislation needs to be enacted for every jurisdiction in Pakistan and steadfastly implemented in order to curtail the misuse of adjournments and decrease time lags. Cases could be decided more expeditiously if a cap on adjournments could be observed, with particular care given to civil cases that should be adjudicated most swiftly. It would also prove to be a needful step forward in the effort to curb case pendency.

The Supreme Court of Pakistan has addressed these issues and condoned extraneous adjournments on multiple occasions and in several cases that have come before it. When a matter was fixed and to be attended in front of a court in session, the Supreme Court held that undefined personal reasons were not to be the grounds for attaining an adjournment.⁴ It was also pointedly observed in this case that a lawyer's primary duty is towards their court work and secondarily to attend to their personal work. In another case before our highest court, the request for an adjournment made by one council on the grounds that they were unwell, after two successive adjournments, was denied, as no medical certificate was provided.⁵ In certain high profile cases, the Supreme Court noted that an astonishing number of extraneous adjournments are granted, in some cases up to an alarming total of eighty adjournments for a single dispute.⁶

The Supreme Court also addressed the practice in trial courts to award multiple adjournments on superfluous grounds, which would then cause delays during trials. Such adjournments, it noted, would have the effect of prolonging proceedings barring any valid or legitimate grounds.⁷ It disapproved of the trend that had been established in the trial courts of granting Akhri Mouqa, Qatai Akhri Mouqa, and then Qatai Qatai Akhri Mouqa, and observed that this made a mockery of the already established provisions of law and those whose responsibility it was to interpret and implement those provisions. The Supreme Court further provided that if the last instance to present evidence had already been

granted and the concerned party had been warned of the consequences, the court must enforce its order and in doing so maintain the litigant's trust. Such an enforcement would also put the system back on track with regards to case pendency concerns, and halt frivolous adjournments.⁸ These concerns were mirrored and iterated by the Sindh High Court as well.⁹

The grounds for granting adjournments should be legitimate respites supplemented by appropriate justifications, such as, for instance, attending to a medical condition requiring urgent care (and providing a supporting medical certificate), lawyers and/or judges being overburdened by their current caseload and thereby necessitating a break, the unavailability of key witnesses, the occurrence of unforeseen or natural disasters, force majeure (an act of God), and extraordinarily extenuating circumstances. Establishing certain grounds would help reduce frivolous and vexatious adjournments taken without just cause. Additionally, every adjournment should be announced online in due time on the Case Status webpage of the respective court, to alert all the parties due to appear in court that day beforehand. Automatic digital alerts and reporting of superfluous adjournments should be made to the coinciding and concerned Judicial and Bar Councils so as to maintain a digital record of the number of adjournments, and to facilitate in holding repeat offenders accountable. It is equally not justiciable for harm-intending parties to prolong an already cumbersome and costly ordeal for civilians enmeshed in litigation by employing delay tactics such as stays and adjournments. The efforts of such repeat offenders should be quashed and they should bear the costs for their ill-founded efforts.

Arbitrary adjournments have become a constant feature of the litigating process, internalised and accepted as an inevitability, like a pesky courtroom bug that routinely rears its unsightly head. It is now not only a regrettable and foreseeable menace for prospective and currently litigating parties, but a repetitive hindrance to justice for anyone exercising their constitutional right to a fair trial, which in its spirit includes timely and judicious resolutions to cases.

Justice delayed is justice denied, after all.

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¹Ishaq Tanoli (2022-07-13) "Over two million cases pending in courts across country," Dawn.com

Accessed on November 21st 2023.

Available at: <https://www.dawn.com/news/1699337>

²Law and Justice Commission Expediting Trial Proceedings Report No. 60 (PKLJC 60)

³Law and Justice Commission Law Reform Bill 2005 (PKLJC 69)

⁴Niamatullah Khan Advocate vs. Federation of Pakistan (2022 SCMR 133)

⁵Crescent Textile Mills Ltd, Haripur vs. Government of Khyber Pakhtunkhwa (2022 PLD 247)

⁶Imran Khan vs. Shahbaz Sharif (C.P. 3436-L/2022 and C.P. 3437-L/2022)

⁷Moon Enterpriser CNG Station, Rawalpindi vs. Sui Northern Gas (2020 SCMR 300)

⁸Ibid

⁹Muhammad Saleem vs. Haresh Kumar (2021 PLD 381)



LABOUR LEGISLATION

Parvez Rahim

Before delving into the status of existing labour legislation in Pakistan, it is necessary to know about its background and source many centuries ago during the Middle Ages.

Pakistan had inherited the following key labour legislations among many others, from the British India: Trade Unions Act, 1926; Industrial Employment (Standing Orders) Act, 1946; Industrial Disputes Act, 1947 and Factories Act, 1934. These four laws provided the basis for labour laws and policy making in the country.

These laws were quite forward looking and progressive in the sense that they allowed trade union activities in all the sectors except armed forces and police and the workers had the rights of collective bargaining and even strike.

At present there are nearly 200 labour laws and the rules made thereunder in Pakistan, yet successors of the above-mentioned laws i.e., the Industrial Relations Ordinance, 1969, Industrial and Commercial Employment (Standing Orders) Ordinance, 1968 and the Factories Act, 1934, continue to remain on top of the list.

Labour legislation has its origins from the law of contract (earlier the 'law of master and slave' and later 'the law of master and servant') and industrial relations regulations are considered as deviations from common law and violation of the principles of 'laissez – faire'.

The driving principle behind 'laissez – faire', a French term that translates to 'leave alone' or 'let you do', is that the less the government is involved in the economy, the

better off business will be, and by extension, society as a whole. Another core feature of 'laissez – faire' economics is the principle of a free market economy.

Pakistan has nearly adopted all the laws of British India and also the interventionist attitude of the government in regulating labour management relations. It has been observed that during the tri-partite labour conferences, the government representatives have always tried to dominate the other two stakeholders, i.e. workers and the employers. They have been averse to any efforts for improvement, novel ideas and thoughts coming from the latter.

Prior to the devolution through the 18th Amendment passed in April 2010, labour legislation was a concurrent subject under the Constitution, i.e. these laws could be framed by both the federal and the respective provincial governments. Nevertheless, the labour laws were usually enacted by the federal government and then the provincial governments would promulgate rules/regulations in accordance with their specific conditions and needs.

The 18th Amendment abolished the concurrent list, and Pakistan has become only the third country in the world after the US and Australia to not have it. The concurrent list should not have been abolished in the interest of uniformity of essential labour laws in the country, such as the laws on employment, fixation of wages and leave, etc. As the provinces have full liberty to make any amendments to the labour laws, they do so mostly based on political expediency and without any guiding rationality.

In 2021, the Balochistan government increased the workers benefits substantially in comparison to the other three provinces even though it has the least number of industries. In the Balochistan Industrial and Commercial Employment (Standing Orders) Act, 2021, the wages payable to a worker in case of termination of his employment by the employer, have been increased from one to three months. Similarly, the amount of gratuity has been increased from one to two months' salary for every completed year of service.

In the matter of discipline, action has to be initiated against a worker guilty of 'gross misconduct' within a week instead of one month in the other provinces, from the date when the misconduct comes to the knowledge of the employer. The term 'gross misconduct' has been coined instead of only 'misconduct', mentioned in the Acts of the other three provinces. In the Balochistan Factories Act, 2021, the per year quantum of annual leave has been increased from 14 to 20 days, casual leave from 10 to 15 days and sick leave from 16 to 20 days.

The federal government should develop coordination with the provinces to provide necessary guidelines to ensure that besides having commonality of provisions in certain laws across the country, provincial labour laws represent international commitments and adherence to the Constitution. The tripartite labour conference should be held regularly, to make certain the viability and concordance of laws with all stakeholders.

As the labour laws had become quite cumbersome and unwieldy to implement, during the 1970's, progressive employers had been asking the federal government to consolidate and make them simple. In this respect a commission comprising Justice (Rtd) Zakiuddin Pal and Justice (Rtd) Shafiqur Rehman, was constituted in the late 1980's but its recommendations were not implemented.

Similarly, Moeenuddin Qureshi, the caretaker Prime Minister from July to October 1993, had constituted another commission under the chairmanship of Naseem Shujaat Mirza, Chairman of ICI Pakistan at that time, with the same purpose. The commission had consolidated three of the leading labour welfare laws, introducing one-window operation for payment of contributions to the government, under those acts. The draft act to this effect prepared and submitted to the government, was not legislated.

Another remarkable effort was made in 2010 to consolidate the labour laws into the following five broad categories: Industrial Relations; Employment and Service Conditions; Occupational Safety and Health; Human Resource Development; and Labour Welfare and Social Safety Net. An Act was also drafted incorporating this great initiative, but it fizzled out in the wake of the 18th Amendment.

Besides emoluments of the job, workers have been getting some additional benefits from the statutory labour welfare schemes, providing them adequate relief

from the rising costs. The social security scheme provides medical cover to them and their families including parents. The Companies Profits (Workers' Participation) Act gives them share in their company's annual profit. The Employees' Old-age Benefits Act caters to monthly pension after their retirement.

Following the devolution of labour laws in 2010, the operations of both profit sharing and old-age pension Acts, which were more suited to remain as federal laws, have been severely hampered. The Sindh and Punjab governments promulgated the profit-sharing Acts in 2015 and 2020 respectively. The workers in these two provinces remained deprived of benefits until enforcement of the Acts.

The federal law of profit-sharing has not been amended since devolution in 2010 and is still applicable to workers drawing a monthly salary of Rs. 5,000, while the existing minimum wage is Rs. 32,000. The federal law is applicable to trans provincial companies i.e., those which have establishments in more than one province. The federal government, after the forthcoming general elections, should make amendments to this law, immediately after its formation.

The federal government has not parted with the administration of Employees' Old-age Benefits Institution (EOBI) since devolution. Over the last 13 years, employers all over Pakistan have been challenging before the superior courts any increase by EOBI in the amount of monthly contribution. Conversely, the EOBI makes increases in the amount of pension with gaps of many years. For instance, the last increase in pension, from Rs. 8,500 to Rs. 10,000 per month, has been made effective July 2023, after 3.5 years. To put an end to the prolonged legal battles between employers and the EOBI, the next federal government should regularise the latter's status as a federal institution through a simple majority in the parliament.

The nascent country's first tripartite labour conference was held in February 1949, which was inaugurated by the then Prime Minister Liaquat Ali Khan. Subsequently, the government ratified the International Labour Organization's (ILO) Conventions 87 and 98 relating to freedom of association and collective bargaining respectively.

Pakistan has been an active member of the ILO since 1947 and has so far ratified 36 Conventions, including 8 out of 10 fundamental Conventions and two governance Conventions. This includes Freedom of Association and Protection of the Right to Organize Convention 1948 (No 87) and Right to Organize and Collective Bargaining Convention, 1949 (No 98). However, Pakistan's record of compliance with international labour standards remains a challenge, specifically in the context of these two Conventions.

Pakistan needs to ratify the important ILO Conventions of Health and Safety of Workers and establish a strong mechanism for the proper implementation and monitoring of such laws.

The federal and provincial governments should bring up the matter of labour law reforms in their respective priority lists, so that some relief from the unprecedented inflation is provided to the hard-pressed workers employed in the industrial and commercial establishments.

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TEXTUAL MAPPING OF GENDER IN PAKISTAN'S CONSTITUTION

Marva Khan

The Constitution of Islamic Republic of Pakistan, 1973 is the third Constitution in the country's history and has just completed 50 years since its enactment. It is also one of the longest constitutions in the world¹. While Article 25 of the Constitution talks about equality of citizens, including prohibiting sex based discrimination, all the while allowing for affirmative action for "women and children"², one of the Principles of Policy states that the state will "ensure full participation of women in all spheres of life"³. While the Principles of Policy stipulated in Articles 29 to 40 of the Constitution are not justiciable⁴, these are long term goals or objectives placed in the Constitution by its framers and are often used by constitutional courts in Pakistan⁵ as a tool or aid for constitutional interpretation⁶. However, the question we need to ask at this juncture is whether

the Constitution has been able to work constructively towards promoting gender-based rights in Pakistan? Pakistan currently ranks 145th amongst 146 countries in the Global Gender Gap Index, and 161st amongst 191 countries last year in terms of Gender Inequality Index.⁷ The purpose of this piece is to delve into a textual analysis of the Constitution and link it to various seminal precedents to show that the Constitution in itself entails some jaded notions, which are further bolstered by the various social and cultural biases that stand in the way of seeking gender parity across most sectors in Pakistan.

Throughout the vast text of the Constitution, unless women are expressly being discussed, the pronouns used to address posts and figures are male. While Article

263(a) clarifies that usage of masculine terms includes females as well, the text has proven problematic in multiple ways. First, since male pronouns are used for all constitutional positions like President, Prime Minister, judges, and so on, women's eligibility to contest or be appointed in those seats has been contested repeatedly. We see this in the challenges raised during Benazir Bhutto's candidature as Prime Minister with the petition even contesting that women ought not to be allowed to be members of the legislatures;⁸ or the repeated challenges brought to courts against ability of women to serve as judges in Pakistan⁹, something that is also apparent from the fact that no woman was able to make it as a judge of the Supreme Court till 2022, 75 years after the creation of Pakistan. The number of women serving across the five High Courts in Pakistan also remains abysmally low. While one woman served as a Prime Minister twice, Pakistan has still never had a woman serve as President.

In addition to the confusion caused by the reliance on masculine pronouns, there are several gendered terms which bolster various gender stereotypes across the Constitution. The mention of "women and children" in Articles 25(3) and 35 collectively when talking about affirmative action denotes a similar level of vulnerability, often also understood as incompetence by various judges. Other gendered terms used in the Constitution include mother¹⁰, maternity¹¹, widow and unmarried female children, and prostitution. Furthermore, the Constitution also has reserved seats for women in the National Assembly, Senate, and the provincial assemblies¹⁶. One problem that arises from this simple textual reading is that while positions of authority are being attributed masculine language; women are only being portrayed in vulnerable and limited socially constructed roles. The mention of women alongside children denotes a similar level of vulnerability, which is often bolstered by usage of terms like widow, alongside having quotas as the form of affirmative action measure that is often viewed as tokenism and going against the spirit of meritocracy, as opposed to constructively improving women's participation. To get more women to serve as legislators, the state must remove barriers to their entry by, for instance, providing adequate maternity leave and daycare centers so women can rejoin the workforce even when they have young children. It must also be noted that while the Constitution grants pension rights to widows of judges, the same right is not extended explicitly to widowers further giving rise to the notion that the Constitution only envisages male judges of constitutional courts. This further shows that the Constitution is not merely talking about sex¹⁷, but also gender roles of a woman only.

Another problematic aspect evident from a textual reading of the Constitution is that the Constitution only entails a binary understanding of sex and gender, which has led to the exclusion of trans persons and gender-fluid/non-binary persons in Pakistan, whose personhood and citizenship rights were not even acknowledged until the Supreme Court passed multiple short orders in *Aslam Khaki v SSP Rawalpindi* in 2009.

While this series of short orders also entailed usage of rather problematic terminology and failed to recognise the historical marginalisation and victimisation of this community initiated by the British Raj,¹⁸ the Transgender Persons (Protection of Rights) Act, 2018 was a major step forward in granting basic rights such as education, health, and right to gender identity. Unfortunately, the recent Federal Shariat Court judgment earlier this year declared most of the law void on the incorrect perception that the Act was promoting homosexuality in Pakistan. It must be noted that not only is homosexuality still an offence in Pakistan¹⁹, the *Aslam Khaki* judgment and the 2018 Act did not provide any marital rights to gender non-binary persons. We hope that the appeal in the Supreme Court will recognise the misinformation the Federal Shariat Court based their judgment on, and rectify the situation. One also hopes that the state will deploy strategic affirmative action measures for gender non-binary citizens of Pakistan.

As is evident from the discussion above, the constitutional framework of Pakistan encompasses some of the social and cultural biases which stand in the way of ensuring gender equality in Pakistan, but at the same time it does provide a broad enough framework to work towards eliminating the gender gaps that exist. While it will be ideal for future governments to rectify constitutional language to make it more gender inclusive, the acceptance of wide affirmative action measures does open gates for the state to step in, even using the Constitution as it currently stands.

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¹The Constitution comprises of 280 Articles, a preamble, annex, and five schedules.

²Article 25(3) of the Constitution, 1973.

³Article 34 of the Constitution, 1973.

⁴This implies that one cannot go to court seeking enforcement or against infringement of Principles of Policy.

⁵Constitutional Courts in Pakistan are the Supreme Court, five High Courts, and the Federal Shariat Court.

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⁷UNDP, Development Advocate Pakistan, Volume 9 Issue 4, available at <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.undp.org/sites/g/files/zskgk326/files/2023-01/genderequality_in_pakistan-climate_politico-economic_stressors.pdf>.

⁸See *Azizudin, Secretary Pakistan Inquilabi Party v. Federation of Pakistan* 1993 SCMR 1563.

⁹See *Ansar Burney v Federation of Pakistan*, 1993 FSC 73; *Mian Hammad Murtaza Federation of Pakistan* 2011 PLD SC 117

¹⁰Article 34 of the Constitution, 1973.

¹¹Article 37 of the Constitution, 1973.

¹²5th Schedule of the Constitution, 1973.

¹³Article 37 of the Constitution, 1973.

¹⁴Article 51 of the Constitution, 1973.

¹⁵Article 59 of the Constitution, 1973.

¹⁶Article 106 of the Constitution, 1973.

¹⁷Mentioned in Articles 25, 26, 27, 37 and 38 of the Constitution, 1973.

¹⁸*Asad Ullah Khan, Gendered Justice: Constitutions, Transgenders, and Equality*, available at <https://sahsol.lums.edu.pk/node/12820>.

¹⁹"Unnatural sexual offences", Section 377 of the Pakistan Penal Code.



CONSTITUTIONAL ECONOMICS AND DEVELOPMENT

Mohammed Sarwar Khan

The Constitution is an agreement setting out the basis on which individuals notionally agree to be a member of the state and political society. In addition to defining the formal structure of the state, the distribution of powers and authorities, rights and duties, the document allows citizens to imagine the normative state and to infer what the state promises, that “the people of Pakistan may prosper” - the essential bargain for providing voluntary obedience to the state. The Preamble, which is a substantive part of the Constitution of the Islamic Republic of Pakistan 1973 (Constitution), promises “a new order,” wherein, Pakistan shall be “a democratic State based on Islamic principles of social justice” and creating “an egalitarian society” promising “equality of status, of opportunity and before law, social, economic and political justice”. It commits to eliminating exploitation “so that people of Pakistan may prosper” based on the “gradual fulfilment of the fundamental principle, from each according to their ability to each according to his work”¹.

This article examines the Principles of Policy,² which, informed by the Preamble, discusses the Constitutionally mandated state goals that define the promised “new order”. It outlines the Constitutional role and responsibilities of the State in the social, economic and political domains and highlights the Constitutional implications for economic policymaking, in particular, with respect to inequality. By examining how we have deviated from the promised goals and the “new order”, the Constitutional criteria and ambition, this article makes recommendations for strengthening the Principles of Policy framework and criteria in public policy formulation and legislation.

THE CHALLENGE: INEQUALITY OF STATUS AND OPPORTUNITY

One key indicator for assessing how far we have failed to deliver on constitutional egalitarianism is the relative inequality in our state and society. Exploring the Extent of Selected Dimensions of Inequality in Pakistan (March 2020) found that inequality in wealth, as measured by the Gini-coefficient, is more than double the income equality. Wage inequality as indicated by the Gini-coefficient has increased from 35pc to 41pc.³

This analysis shows that a large share of inequality of opportunity is explained by predetermined factors such as socio-economic status, province and location of residence ... [I]nequality of opportunity has made limited progress. The mitigation of disparities associate ‘access to’ and ‘inequality in the distribution’ of opportunities warrants a significant policy focus ...⁴

According to the UNDP’s Inequality Adjusted Human Development Index, Pakistan’s “loss” in human development due to inequality stood at 30.1pc in 2021, placing Pakistan’s overall Human Development Index ranking in the low human development category. The anthropologist Rosita Armytage’s *Big Capital in an Unequal World: the Micropolitics of Wealth in Pakistan* (2022) reveals how the concentration of wealth and economic inequality distort politics, public policy priorities and spending in Pakistan in favour of elites. According to the economist Stefan Dercon, Pakistan’s elites have created an untenable situation, battling for zero-sum capture of resources and power and, in the process, sacrificing economic growth and development in the country.⁷

¹ABID AMAN BURKI, ARSALAN HUSSAIN & KINZA EMAD KHAN, *Exploring the Extent of Selected Dimensions of Inequality in Pakistan*, March 2020, Oxfam GB Islamabad, pp. 40-41.

²BURKI, HUSSAIN & KHAN, P. 34.

³<https://hdr.undp.org/data-center/specific-country-data#/countries/PAK>

⁴Also see *Gambling on Development: Why Some Countries Win and Others Lose*, Hurst, 2022

⁷SHAHBAZ RANA, *Elite struggle to capture resources*, *The Express Tribune*, 23 September 2023 at <https://tribune.com.pk/story/2437328/elites-struggle-to-capture-resources>

¹Article 3 of the Constitution

²See Part II, Chapter III of the Constitution

WHAT ARE THE PRINCIPLES OF POLICY? WHAT IS THE GOVERNMENT'S OBLIGATION?

The Principles of Policy are contained in Chapter II of the Constitution, spread over 11 articles, from 29 to 40. They elaborate the role and responsibilities of the State. Informed by the Preamble, which promises equality of status and opportunity to all - notions that still require significant interrogation to translate them into social, economic and political policy prescriptions, the Principles of Policy provide State policy goals covering diverse subjects including the quality of life, local governance, social and economic wellbeing of the people.

The Principles of Policy prioritise the promotion of social and economic justice⁸ and welfare⁹, and commit the State to raising the standard of living by preventing the concentration of wealth and means of production and distribution in the hands of the few. It insists on a more equitable distribution of rights of labour and capital, employers and employees, and landlords and tenants. Within the available resources, it promises adequate livelihood and social security for all. It commits the State to provide basic necessities of life such as food, clothing, housing, education and medical relief for those unable to provide. And that steps will be taken to ensure full participation of women in all spheres of national life.¹⁰

CONSTITUTIONAL CRITIQUE AND 'EQUALISATION' IMPERATIVE

Whilst equality before law¹¹ is well understood and elaborated by the courts, the wider Constitutional imperative for equality with respect to society, economy and politics as a public policy imperative is less well developed and appreciated.

The promise of “a new order” and creating “an egalitarian society” that is a just and fair society – so that “the people of Pakistan may prosper”, the Constitution seeks to ensure equality of status and opportunity in the social, economic and political domains rather than equality in outcomes.¹² However, since there are no precise or settled Constitutional and jurisprudential definitions for equality of status and opportunity, this is a rich area for multi-disciplinary scholarship and debate to inform the Constitutionality of legislation, public policy and spending based on the Principles of Policy criteria – and how such principles and imperatives may be operationalised effectively. This knowledge gap may be one reason why judges have been reluctant to pronounce on this aspect of the Constitutional order that may be dismissed by our economic managers and the prevailing neo-liberalism and positivists as ideology.

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Equality of status insists on treating everyone as an individual according to their needs, abilities and interests, so that everyone has an equal opportunity to reach their full potential. It addresses or compensates for disabilities that arise due to the status of an individual such as religion, sect, sex, ethnicity, caste, language, culture, tribal, region and other forms of “disability”.¹³ To ensure equality of status, the Constitution promises to safeguard the “legitimate interests” of minorities, backward and depressed classes and empowers governments to make special provisions for women and children to counter their vulnerabilities.¹⁴ Slavery, forced labour, human trafficking are prohibited.¹⁵ Children below the age of fourteen years cannot be engaged to work in any factory, mine or hazardous employment.¹⁶

Equality of opportunity however ensures that individuals have equal access for receiving particular public goods and resources such as health and education. According to one study, an essential part of inequality of opportunity is access to basic opportunities such as education, health, sanitation, clean drinking water, electricity etc. – their access is highly correlated with location of residence, gender, ethnicity, religion, et al.¹⁷

⁸Article 37.

⁹Article 38.

¹⁰Article 34

¹¹Equality of citizens: (i) All citizens are equal before law and are entitled to equal protection of law; (ii) There shall be no discrimination on the basis of sex; (iii) Nothing in this Article shall prevent the State from making any special provisions for the protection of women and children.

¹²It may be noted that the Constitution does insist on reducing the disparity in the income and earnings of individuals (Art. 38(e)).

¹³See articles 26, 27 and 33.

¹⁴Article 25

¹⁵Article 11

¹⁶Article 11

¹⁷ABID AMAN BURKI, ARSALAN HUSSAIN & KINZA EMAD KHAN, Exploring the Extent of Selected Dimensions of Inequality in Pakistan, March 2020, Oxfam GB Islamabad, p. 8.

To ensure equality of opportunity, the State promises to promote the educational¹⁸ and economic interests of 'backward' classes and areas; invest in removing illiteracy and provide free and compulsory secondary education. To make technical and professional education generally available and higher education equally accessible to all on the basis of merit. And enable people of different areas through training, agricultural and industrial development and other methods to participate in all forms of national activities.¹⁹

As mentioned earlier, although there are no Constitutionally fixed definitions for equality of status and opportunity, there is sufficient Constitutional content to inform economic and development policies and their objectives. It is sufficient to examine the distributive and equity features of the economy and public policy against Constitutional values and ambition. But it begs the question, why have such Constitutional imperatives largely been ignored and the courts unwilling to step in?

IMPLEMENTING THE PRINCIPLES OF POLICY: OPT-OUT CLAUSES

Although the Constitution commits governments and officials at all tiers to implement the Principles of Policy in their respective areas of competence, they are honoured more in breach than in compliance or implementation. Firstly, because their implementation is subject to the availability of resources²⁰ and, secondly, they are non-justiciable.²¹ Whether an action or policy is in compliance with the Principles of Policy is the sole responsibility of the person or organ responsible for their implementation!²² Unfortunately, this has rendered "practically inoperative part of the supreme law of the land"²³ but had it been implemented "it would elevate the country to the level of a welfare state it was originally envisaged to be"²⁴.

The only mechanism for their accountability is that annually, the President in relation to the Federation and the governors for their respective provinces are required to present a report before Parliament and the Provincial Assembly on the observance and implementation of the Principles of Policy.²⁵ Again, unfortunately, the courts have failed to insist on the implementation of this Constitutional mandate.

RECOMMENDATIONS: CONSTITUTION AS COUNTER-FACTUAL - WHAT IF THE PRINCIPLES OF POLICY WERE IMPLEMENTED?

Unfortunately, in practice, economic and development planning and management are removed from the purview of Constitutional imperatives and goals. But had the Principles of Policy been followed in our policymaking in earnest, our economy, society and politics would be in a very different shape and place. Most probably, our equality and inclusion indicators would have been much healthier and positive -there may have been a modest trickle-down effect, greater fiscal justice, and certainly less inequality for the ordinary person to suffer.

To ensure implementation, ideally, Parliament could legislate the Principles of Policy into justiciable economic, social and cultural rights, complementing the civic and political rights already enacted as Fundamental Rights. In the absence of Parliament taking such bold legislative action, at the very least, the courts need to ensure basic accountability for the implementation of the Principles of Policy by insisting that the President and the governors present annual reports before Parliament and Provincial Assemblies on their implementation status. The courts should not allow a substantive part of the Constitution to be rendered redundant.

Further, to mainstream the Principles of Policy in policymaking, other disciplines such as economics could translate the constitutional goals into policy criteria and costed to inform, evaluate and analyse public policy and government performance. Organisations such as PIDE and other independent think-tanks and commentators could develop measures or standards to monitor, track, evaluate and publicly report governments' implementation of Principles of Policy and their impact. Policy options could be tested, proposed and debated to generate public awareness and pressure for delivering the promised "new order" by ensuring equality of status and opportunity for all.

¹⁸With the insertion of article 25A, education is a Fundamental Right, which provides: "The State shall provide free and compulsory education to all children of the age five to sixteen years in such manner as may be determined by law".

¹⁹See article 37.

²⁰Article 29(2)

²¹Article 30(2)

²²Article 30(1)

²³WALID IQBAL, Rights, Duties and Powers: Under Pakistan's Constitutional Framework, Friedrich Naumann Foundation, 2020, p. 23.

²⁴WALID IQBAL, Rights, Duties and Powers: Under Pakistan's Constitutional Framework, Friedrich Naumann Foundation, 2020, p. 26.

²⁵Article 29(3)

POLITICAL CONTESTATION



ELECTORAL REFORM: A CASE FOR PROPORTIONAL REPRESENTATION



Sarwar Bari

The majoritarian or first-past-the-post electoral system that Pakistan had inherited from the British colonial masters overwhelmingly worked against the very basic concept of democracy and miserably failed to provide representation to most voters. This short essay is an attempt to provide evidence that this system has not only reinforced existing inequalities but also is inherently unjust and unfair. Even the electoral reforms that were introduced in 2017 by Parliament failed to make any positive impact. Rather, the system has seriously damaged Pakistan's economy, polity, and justice system. Therefore, it is imperative to replace it by a better electoral system: one that is more representative, democratic, responsive, just, and fair.

FAILED ELECTORAL REFORMS

In 2017, Pakistan's Parliament unanimously enacted the Elections Act, 2017. The Election Commission (ECP) was radically empowered and lots of funds were allocated to build its capacities. However, today it seems that neither the ECP used its powers to guard its autonomy from the unlawful interference of the permanent establishment and powerful politicians, nor is there any evidence of improved workings of the ECP. For instance, despite clear orders of the Supreme Court, the ECP refused to hold general elections for the Punjab Assembly on 14th May. Moreover, in the wake of dissolution of the National Assembly in early August 2023, it refused to meet the President for consultation to fix the date for general elections, which deepened the crisis further.

The ECP also seems to have failed to utilise the favourable environment that had emerged in the wake of the Lawyers' Movement in 2007 to restore the higher judiciary, ensure the presence of assertive media and civil

society, and empower election observation networks and rights-based groups to create space for its autonomy. Instead, the ECP tried to co-opt the election observation groups by involving them in joint projects. In this regard, some known NGOs were tasked to write reports for the ECP, and certain donors appear to have facilitated this blatant conflict of interest as well. As the checks on the ECP weakened, its performance – which has always been poor – further deteriorated.

مرض بڑھتا گیا جوں جوں دوا کی

Perhaps it has happened because the political elite was not actually interested in reforming power dynamics. It is no wonder there has been no substantial reform efforts, such as those that would have broadened quality and deepened social roots of democracy. These were not even considered for discussion during the negotiations of the electoral reform bill.

MISSING SUBSTANTIVE REFORMS

■ Definitions. Interestingly, the Elections Act, 2017 provides definitions of almost every term that is being mentioned in the act, except two: freeness and fairness of elections. Linked to these is the definition of the concept of 'conflict of interest' – which has also not been defined in the elections act.

■ Term limits. Although term limits for public offices are not fixed in many democracies, very often leaders in these countries would resign from the office should they face dwindling support from their own parties. Therefore, pathways for new leadership are in place. On the other hand, in Pakistan due to absence of term limits, dynasts and sycophants have consolidated their stranglehold over the polity.

Therefore, term limits must be introduced for the offices of Prime Minister, President, and Chief Minister, etc.

■ Conflict of interest. In Pakistan, it is not mandatory for MPs to disclose their interests except in making their liabilities and assets public. Nor is there any restriction on having immediate family members in assemblies and the Senate simultaneously. As a result, almost every former Prime Minister, Chief Minister, most of the Presidents, every third MP and Senator have had between two to five family members in assemblies. This concentration of political power in a few hands is not only a violation of Articles 3 and 38 of Pakistan's Constitution but also a major cause of poor governance and democracy deficit.

■ One fee – one-candidate and 266 contest. Isn't interesting that under the law a candidate can contest elections from all the constituencies of the assembly, but s/he can keep only one seat. The result is that after almost every general election, dozens of by-elections have been held. It has been causing not only huge economic losses to the exchequer but also damaging delays in the formation of governments as well as deteriorating levels of trust in the electoral processes and leadership. This practice must be terminated.

■ Direct elections. Almost half of Pakistan's Parliament and one-fifth of provincial assemblies consist of indirectly elected members. Though Section 206 of the Elections Act demands of political parties to select candidates for elective offices "through a transparent and democratic procedure", these have never actually been implemented. Moreover, it can't be left to the whims of the party leader. There is an urgent need to introduce direct mode of election for every member of every assembly and the Senate. Since this has not happened, standards of elections and the overall quality of democracy continued to decline.

ILLS OF FIRST-PAST-THE-POST ELECTORAL SYSTEM

DISTORTION OF PEOPLE'S WILL.

In contrast to proportional representation (PR), the First-Past-the-Post (FPTP) electoral system does not consistently translate popular votes into seats proportionately. This discrepancy has the potential to distort the people's will by denying a party or parties their rightful share of seats. Such distortions have been frequent occurrences in Pakistan's elections. For instance, during the 1990 elections, the IJI coalition, formed by the ISI, secured 37.4% of the polled votes but claimed 51% of

the seats. In contrast, its closest rival, PPP-PDA, received 37% of the votes but only obtained 21.4% of the seats. Notably, in the 1988 elections, PPP garnered 38.5% of the polled votes, translating to 45.5% of the seats. However, in 1990, despite a minimal 1.7% drop in the share of polled votes, PPP's seat allocation plummeted by 21.4%. The inherent unfairness of the FPTP system is evident, raising concerns about its impact on both the electorate and political parties. This inequality fosters suspicion and diminishes trust in the electoral processes. Refer to Table I for detailed information.

Table I. Distortions Between Popular Vote and Seats

Party	1988		1990		1993	
	Votes	Seats	Votes	Seats	Votes	Seats
PPP	7.5M (38.5%)	93 (45.5%)	7.8M (36.8%)	44 (21.4%)	7.5M (37.8%)	86 (42.5%)
IJI	5.9M (30.2%)	54 (26.4%)	7.9M (37.4%)	105 (50.9%)	7.9M (39.9%)	73 (36.1%)

ALIENATION AND LEGITIMACY CRISIS

The issue of low voter turnout in elections can be analysed from two closely linked perspectives. Firstly, it may be attributed to the lack of trust among the people in political parties and/or the electoral system, leading to a legitimacy crisis. Over the decades, Pakistan has consistently witnessed one of the lowest voter turnouts globally. While every 'elected' government may have held legal legitimacy, it often lacked social legitimacy due to a limited support base. This vulnerability made each successive government susceptible to opposition interference and undemocratic pressures. The citizens of the country, more often than not, assumed a passive role. Since the 1988 general elections, the average voter turnout has been 44.5%. Notably, in the last four general elections, around 20% of constituencies recorded a turnout of less than 25%. Survey results indicate that a significant number of respondents express sentiments such as "all contesting candidates and parties are the same, and already tested", or "our vote would not make any difference". This prevailing skepticism contributes to a sense of alienation and exacerbates the legitimacy crisis.

Furthermore, on average, every leading party that has formed the government post-election has never secured more than 35% and 15% of the polled and registered voters, respectively. When considering the share of the victors in the adult population, it has consistently been less than 10%. This prompts the argument that the so-called largest political parties are, in reality, quite

small. This circumstance should ideally pave the way for new parties to emerge. However, due to the majoritarian system and its manipulation, dynastic monopolies have been established in nearly every constituency. Consequently, creating new parties within the existing electoral framework has become exceedingly challenging, unless backed by establishment support. As indicated in Table 2, almost one-third of Members of Parliament (MPs) secured less than 40% of the polled votes, while 95% of MPs received less than 40% of the registered votes. Refer to Table 2 and 3 for a comprehensive breakdown.

Table 2. Percentage Share of Ruling Party/Coalition in Registered and Polled Votes

Share in	2018	2013	2008	2002	1997	1993	1990	1988	Average
Turnout	52%	55%	44%	42%	35%	40%	45%	43%	44.5%
In registered votes	16%	17%	13%	10%	16%	15%	17%	16%	15%
In polled votes	31%	32%	31%	24%	46%	38%	37%	38%	35%

Source: Compiled by PATTAN from the ECP's datasets.

Table 3. Average Share of Winning Candidates of NA in Last Three General Elections

Percentage of votes obtained by winners	No of constituencies (polled votes)	No of constituencies (registered votes)
50 % & above	89	2
40% - 49%	100	8
30% -39%	58	49
20% - 29%	21	49
Up to 19%	7	88

Source: Compiled by PATTAN from the ECP's datasets.

According to a study, “countries that use PR do have higher average turnouts than those that don't.” For instance, in advanced democracies, PR countries range of turnouts was between 65% and 91%, while in FPTP systems it was between 56% and 65%. Perhaps, simply because voters in PR system know their ballots will not be wasted.

DENIES REPRESENTATION TO MAJORITY.

A electoral system that fails to provide representation to a majority of the polled votes is likely to exacerbate feelings of alienation. In contrast to Western countries where Members of Parliament (MPs) typically serve every individual in their constituency impartially, in Pakistan, MPs often demonstrate bias by favoring or punishing specific polling areas, biradris, and clans based on their voting patterns. Although there may not be comprehensive empirical studies on this issue, an abundance of anecdotal information and our extensive experience working with numerous communities substantiates this observation. Furthermore, the percentage of unrepresented electorates is considerably higher than those who are represented. On average, in the last four general elections, 55% of the polled votes lacked any representation, meaning a majority of the polled votes did not translate into political power. A province-wise breakdown indicates that in the last two elections, the percentage of unrepresented electorates was nearly 70%.

Table 4. Percentage of Voters Having No Representation

Election year	Degree of deprivation
2018	57%
2013	60%
2008	50%
2002	53%
Average	55%

Source: Compiled by PATTAN from the ECP's datasets

ENCOURAGES RIGGING AND CORRUPT PRACTICES

The majoritarian electoral system, where a candidate can secure victory by a single vote, creates a substantial incentive for rigging and corrupt practices. This is particularly pronounced in a country like Pakistan, where corruption is prevalent, and multiple inequalities are both deep and widespread. PATTAN has identified 163 methods of rigging, and candidates tend to

¹¹<https://www.electoral-reform.org.uk/does-proportional-representation-lead-to-higher-turnout/>

deploy these tactics across various polling areas. For example, by manipulating five voters or ballots in 10-20% of the total polling booths, a candidate can significantly increase the probability of winning. It is noteworthy that since the 2002 elections, the percentage of rejected ballots has been on the rise. In the 2018 elections, more than 60 National Assembly constituencies had a margin of victory less than the number of rejected votes. Additionally, approximately 50 candidates secured National Assembly seats with a margin of victory of less than 5,000 votes, while dozens of Members of Parliament (MPs) obtained less than 10% of the polled votes.

SOCIO-POLITICAL IMPACT OF FPTP

PERPETUATES POVERTY, INEQUALITY, AND MARGINALISATION

The prevalence of vote-buying, a phenomenon on the rise since the 2002 elections, became even more widespread in the elections following the COVID-19 outbreak, largely fueled by increasing poverty. Notably, high-profile scandals related to vote-buying in Pakistan's Senate elections contributed to the broader acceptance and practice of this electoral malpractice. It's interesting to observe that, unlike economic growth that often fails to trickle down, vote-buying tends to flow downward, particularly affecting slums in cities and towns more than rural areas. In rural settings, traditional networks, land ownership, and muscle power play a significant role. In essence, reinforcing existing disparities has been a key strategy for the elite to maintain control and hegemony over electoral constituencies.

ENCOURAGES DYNASTIC MONOPOLIES

While efforts are made globally, including in Pakistan, to end monopolies through anti-trust laws and regulatory structures, the political arena has largely been exempt. The majoritarian system has allowed powerful landed and business elites to effectively 'monopolise' electoral constituencies, leading to the capture of political power. Many of these elites have become 'electables', and it is not coincidental that each electable is likely to have a substantial captive vote-bank and the support of state officials. This arrangement often results in elected individuals aligning with the establishment's instructions rather than adhering to their party's decisions. In a highly unequal and unjust society like Pakistan, the majoritarian system appears to provide more opportunities for

manipulation and rigging compared to a proportional representation system, as evidenced by recent defections of so-called electables from PTI.

ABHORS ORGANISED POLITICAL PARTIES AND SOCIAL MOVEMENTS

Dynastic monopolies, formed through the majoritarian system, are inclined to view independent social movements, organised labor unions, and a free media as threats to their interests. These entities have the potential to hold them accountable and provide services to the public. Mainstream political leaders, instead of earnestly running membership campaigns or organising their parties, often opt for maintaining control. Parties typically establish various wings (labour, youth, women, etc.), and those who become active are often co-opted by appointing them as office bearers of these wings. This practice has led to the corruption of leadership in social movements, contributing to the weakening of civil society in Pakistan and reinforcing the stranglehold of the super-rich and the establishment—an oversight on the part of the state.

CRIMINALISES THE POLITY AND BREEDS ELECTORAL VIOLENCE

Zahid Hussain contends that politics and crime share a symbiotic relationship, both driven by the common motives of acquiring money and power. The majoritarian electoral system appears to provide an environment conducive to criminals joining political parties, and once elected, they may leverage support from law enforcement agencies. Furthermore, the attainment of political power can, in some cases, encourage even otherwise law-abiding politicians to engage in criminal activities. India and Pakistan serve as pertinent case studies, with instances like the Baldia Town factory inferno and decades of target killings in Karachi by a political party illustrating the consequences. When the system fails to deliver, it erodes people's trust in state institutions, potentially leading to anarchy.

ENDANGERS THE SOCIAL CONTRACT.

Article 3 of Pakistan's Constitution explicitly rejects exploitation, promising the elimination of all forms of exploitation and the gradual fulfillment of the principle "from each according to his ability to each according to his work". Additionally, Articles 37 and 38 guarantee social justice and aim to prevent the concentration of wealth and means of production and distribution in the hands of a few. Article 25 ensures the equality of

citizens. However, fifty years on, the opposite has occurred in Pakistan. A significant majority of citizens have become subjects, coerced to be loyal and obedient to landlords, employers, and the state, while being denied rights and justice. Calls for a new social contract have emerged, suggesting that if the state and dynastic monopolies fail to uphold the social contract (Constitution) in both letter and spirit and resist reform, the country could face chaos.

PERFORMANCE AND NEUTRALITY OF THE ELECTION COMMISSION

Given that power dynamics have wreaked havoc at various stages of electoral processes, including the functioning of the Election Commission of Pakistan (ECP), its neutrality, professionalism, and efficiency have been significantly compromised. As the saying goes, "the test of the pudding is in the eating," an examination and analysis of the information and statistics available on the ECP website are likely to diminish readers' trust in the ECP's professional conduct.

CONCLUSION

In a highly unequal and unjust society like Pakistan, the majoritarian system, wherein a candidate can secure victory by just one vote, offers a substantial incentive for powerful, super-rich, and well-connected parties and candidates to manipulate election outcomes more than the proportional representation (PR) system. Consequently, both Members of Parliament (MPs) and political parties lack the motivation to address and reduce inequalities or invest in human capital. Based on ample empirical evidence, the following conclusions can be drawn:

- Reform efforts have proven ineffective, as past initiatives have failed to make any discernible difference.
- On its own shortcomings, the majoritarian system is deemed worthy of being retired.

RECOMMENDATIONS

Firstly, there is an urgent need to raise public awareness regarding the extent of damage inflicted by the majoritarian system. While I am convinced of the inherent undemocratic, unjust, and unfair nature of the current electoral system, concrete evidence to support this assertion requires further research. The findings of such research must be made public to stimulate further debate and eventually reach a consensus.

Secondly, there is a need to develop a proportional representation (PR) system that is user-friendly and conducive to achieving true democratic, responsive governance, ultimately dismantling dynastic monopolies.

Thirdly, fostering social ownership is of paramount importance. Consequently, the establishment of a platform comprising the intelligentsia, civil society, like-minded individuals, and willing partners such as political parties and social movements is crucial. Organizing mock polling, utilizing PR methods, is a practical step forward. With numerous special interest associations in the country regularly conducting elections, efforts could be made to convince them to adopt the PR system or preference voting methods for their own elections.

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COLD FLESH (THANDA GOSHT)

Ayesha Siddiqi

Pakistan seems to be getting ready for its twelfth general elections, to be held in February 2024, with the expectation that these will bring back some level of political normalcy that may then lead to some economic stability. In short, stability in all forms is a key requirement for the state. However, why should change be expected in the absence of a much-required metamorphosis? More importantly, can change and stability be expected at a time of almost total institutional collapse and rampant political necrophilia? The polarisation in society is visible but sadly depicts not just lack of choices but a dearth of ideas. The common man, unfortunately, is fumbling between different dead ideas and ideals, making the environment smell more of Argentinian Peronism than a vibrant democracy.

The one thing that has changed in Pakistan is its demography and circumstances. It is a predominantly over-populated country of young people confronted with multiple crises including climate change on the one hand, and a lack of imagination on the other. In the last 76 years of existence and seeming contestation between civil and military governments, there has been an absence of genuine regime change. The one system that has prevailed is an authoritarian-bureaucratic polity where the scenes or backdrop changes but never the season. The only shift that seems to have caught attention is the rebirth of populism after almost 50 years. From Bhutto's populism of the 1970s to Imran Khan's populism recently – the personalities and what they represented may be different, but populism has produced the same kind of clichéd

politics – excessive faith in personalities rather than a comprehensive move toward building a sustainable sociopolitical software to keep machinery of both state and society functional and vibrant. Populism can generate hope in the short-term but ultimately gives rise to dogmatic politics. In Pakistan's case, populism tends to create space for the military and its age-old cliché: the state is under threat and will be rescued by the only thriving institution – the armed forces.

The establishment lacks the imagination to even consider the fact that populism cannot be fought through traditional means of putting a leader in jail and depriving his constituents, or voters in general, from the opportunity of free and fair elections. The mantra that the old Pakistan with its better sheen and results can be brought back through manipulating election results to get rid of the populist is a fallacy. In fact, the way in which the political deck of cards is being reorganised reminds one of Saadat Hassan Manto's short story, *Thanda Gosht* (Cold Flesh) – how can there be excitement when the entire gameplan stinks of morbidity? There is no introspection that the emphasis being placed on the expectation that current machinations will somehow automatically take the country back to its over 5 percent GDP growth rate is far too excessive.

There are two issues here. First, this political engineering is as problematic as those in 2018. More importantly, instead of washing out the populist residue, which the management of elections are expected to achieve, the

tragedy will deepen. While the PTI does not have the capacity to organise a Tahrir Square kind of shakeup of the establishment, its support base and onlookers will be in the constant pain of living in a political system where their opinion means nothing. The fact is that populism cannot be destroyed by force but by allowing it to fail and self-destruct. The challenge has to come from within the system itself, not imposed. Mao Zedong took the Chinese people through several painful experiments which is what finally led to the realisation for Deng Xiaoping and the Communist Party of China to alter their course. The vote-of-no-confidence (VoNC) or building a new narrative that exposes personal acts of the PTI leader – corruption and sex scandals – will have no effect on changing the mind of the supporter or skeptic at large. Nor would massive purges within the ranks, which took place after May 9th, change popular thinking within certain segments of the establishment. The political battle will continue to appear as forcibly driven by the army echelons and create disbelief in the political system. This means that the political process will never be able to stand on its feet, which, in any case, requires developing institutional capacity – which the political parties and parliamentary system lack both the will and expertise for. The fact is that the current political party system has become innately dependent on ‘political martyrism’ syndrome – the leadership does not take responsibility for its inaction and transfers responsibility of a poor political system on non-parliamentary forces. Not that the accusations are incorrect, but they do not necessarily explain the lack of political institution-building, developing cadres, multi-layered leadership, and a solid political program. Political parties telling stories of their suffering and sacrifices is stale and unfit to fight populism. The establishment, on the other hand, remains a direct beneficiary of political inaction and will justify acute hybridity more than ever.

Second, there is no possibility of a managed government taking the country back as if through a time tunnel to the comparatively better days of 2016/17. A two-front political war cannot be fought and won. The battle against a populist and poor economic condition cannot be fought and won at the same time. Socioeconomically, Pakistan is at an inflection point where the ongoing crisis requires deep reforms, which any political party in the game will find hard to undertake if it simultaneously has to fight populism. Or, at least, political parties will try to use ‘the fight against populism’ as an excuse not to conduct deeper reforms. Unfortunately, Pakistan lacks a team of thinkers that can conceptualise a major shift in economic planning just like India did during the early 1990s. However, the crisis of necrophilia is that key players cannot think beyond traditional ways. The alternative that is sought is to get the establishment to play a larger role in economic planning. The army’s increased footsteps in agriculture are in reality a dangerous misstep that may bring short-term financial dividends but will greatly damage the society, politics and economics at large. On the backdrop of history of

patronage politics, the military turning into a contractor will prove dangerous in deepening patronage networks whilst harming the political culture. It is important to mention that the manner in which the current caretaker government is being used to increase hybridity and involve the military in all vital changes, from public asset reduction and privatisation to enhancing the tax base, will certainly bring the country closer to ‘martial law by other means’.

Perhaps Pakistan’s political class lacks the realisation that it is dealing with a security establishment, which, since 2012/13 is training its men in non-military issues. Even foreign participants in National Defence University (NDU) courses have picked up that political and economic management instruction is part of the training. While such instruction is not likely to make them understand the complexity of situations, it does develop an arrogance of partial knowledge and an assumption that they could also run the affairs of the state. The danger to the polity cannot be averted unless both political and military stakeholders agree on a robust civil-military dialogue. This is not about a military dominated national security workshop where civilians are brought together to learn about the dominant perspective, or a conversation with retired officers. This is about a long-term dialogue between serving military personnel including different ranks and a combination of civilian players including politicians and civil society that assists each in understanding the other’s perspectives – to be held at a parliamentary forum. The effort ought to be more genuine than the national security workshops organised by the Senate standing committee on national security which tend to represent the military’s interests more than the civilians. These dialogues can serve as one of the many pathways that could help Pakistan deal with its crisis: they are part of the series of reforms that are badly needed.

While economic reforms are much talked about, Pakistan badly desires reforms in institutional balancing, especially civil-military relations.

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WHY IS PAKISTANI POLITICS STUCK IN A GROOVE?

Shahzad Chaudhry

Consider our predicaments: We are meant to be a democracy but beyond being an electoral democracy our socio-politics is patently autocratic – political parties blatantly defy inclusivity where one man, one family or a dynasty alone decides the politics that a party will pursue. Absence of democracy within parties means elections to top positions of leadership are either not held or are won uncontested. Members are subservient to the will of the leader which if challenged can lead to treatment such as that meted out to Shahid Khakan Abbasi, Mustafa Khokhar, Chaudhry Nisar and the likes. Patron-client relationships better define the structure within political parties. Such politics can rarely, if ever, deliver democracy to common folks.

Within such a nominal democracy, parties must seek accommodation with the other two power circles, the military and the judiciary. They are in perpetual negotiations with the two to seek favourable space for themselves. Politics thus stands compromised in the eyes of the people and appears severely enfeebled, which has a lot to do with how politics is conceived as an activity. Over the last over four decades it has turned into an occupation where return on investment is the key consideration of this commitment. Return, in essence, is material but can be tribal and social eminence, as well as positions held and the influence they endow to the benefit of certain families, tribes and cronies. This has severely degraded the conception, the purpose and the institution of politics in the country. To be political is widely related to being insidious.

This has little to do with the four martial laws alone or how the media is managed by the powers that be, but

everything to do with the prevalent decadence in politics which is devoid of competence and diligence in its conduct. Politics draws its power from the people but negligently weakens this foundation by keeping the people impoverished, unattended to: treated as the weakest link in this construct of power. They remain dispossessed, devoid of relief or favour, and denied the fruits of democracy on which the label of 'politics' seeks its relevance. When the foundation of this assumed power is so emaciated and debilitated, how can the structure that rests on it ever be strong and sturdy?

A balance in the equation of relative power will help restore the freedom of action to politics essential for heading the Parliament and government more broadly. However, rather than reforming their own culture through performance and delivery and better probity and integrity in their conduct when in power they seek the other two for leverage: which gets widely read as insidious and Machiavellian. Such is the broader assessment of the political stock. Strength within the political culture will only come by reinforcing democracy in party structures and in respecting democracy as a sacred touchstone for credibility – else they will continue to be conceived as an extension of the other two power circles, the enablement of which they rise to power.

The above aspects deal only with the quality of democracy and why it alienates public perceptions of politics, and explains why most tend to keep away from it – being shunned by its closed spaces and restricted access, particularly for those not belonging to the political fraternity. The lack of fresh induction in ideas and in policies has

stunted the growth of politics, decaying its substance and turning it stagnant and odious – all at the cost of politics itself and its inherent strength as an essential pillar of state and governance. There are two other aspects which are structural in nature and have crept up with time gorging on the purpose and position of politics as the prime executant in matters of state. Both are institutional and constitutional in nature and need reformative focus, which is rarely available to the political establishment, so caught in its incapacity/incompetence to deal with challenges.

It is now a nightmare for bigger parties to contrive a majority at the centre without a coalition. PMLN, despite its unchallenged position in the run-up to the forthcoming national elections, must still go looking

for alliances and partners in the most unlikely spots in the country. Sindh's MQM, and more likely the GDA and the JUIF come to mind. As is of course the case of BAP and other political entities of Balochistan. This largely emerges from the fact that the PMLN does not, of itself, have any notable presence in provinces outside Punjab. PTI faced the exact same dilemma five years back. Such arrangements compromise the ability of any government to deliver on its promises and implement a vision without succumbing to the whimsical and unethical demands of their coalition partners. This is always at the cost of probity, degrading a government's performance and credibility. PPP too is desperate to break out of Sindh but has been reduced to an exclusively regional presence.

This is a result of two flaws in how the constitution and its amendments structure politics. The federation is composed of provinces as its constituting units under a power and responsibility distribution shared through a concurrent list. This ensured equal weight of the centre and the provinces. A political philosophy that has traditionally abhorred a strong centre was sold to the Parliament in 2010 under PPP in the shape of the 18th Amendment which over time has hinged major political parties to their regional roots. While it gave them exclusive control over resource and distribution in their respective provinces, it turned those political parties into wholesale overlords trumping democratic ethos and obligations.

Political parties turned into closet autocracies in function. Devolution to local government levels never materialised. Local governments were denied, delayed and weakened through legislation in patronised provincial legislatures. The 18th Amendment abolished the concurrent list and enumerated revised shares in the National Finance Commission (NFC) to levels far higher than what was earlier distributed between the provinces. Consequently, the centre is far weaker - functionally and financially - but carries the weight of

major policy articulation impacting the economy, finance and foreign affairs whilst also shouldering the weight of accumulated debt, taxation and national security.

These are huge responsibilities for the government at the centre when the federation is far weaker because of dominant provincial entities. If a federal government dissolves to hold early elections, it does not impose any such constraint on the provinces: the party in power decides if it must follow suit or simply hold off. This trumps the central tenet of the notion that elections to all assemblies must be held together on the same day. Provinces have become far stronger and remain the primary focus of predominant political players as *sine qua non* for their politics at the cost of the centre.

This system has prevailed since 2010 when the 18th Amendment was first passed. Governance under all dispensations, democratic and quasi-democratic, since then has only deteriorated. The quality and the function of democracy stands fully compromised while accountability at any level, fiscal or electoral, has stood vacated and helpless. The results are obvious in the way that economy, society and polity have all suffered the ignominy of incompetence and negligence. Without major remedies to the constitutional statute affected by the 18th Amendment, there is little chance of any improvement in either the quality of democracy and its inclusiveness or its delivery and accountability.

Two options remain available to reform governance. The first is to keep the system with only minor modifications to the distribution and delegation of authority and responsibility, resurrecting the concurrent list, and forging collective efforts to resolve Pakistan's ailments: which will need the policies, ingenuity and resources of both the centre and the provinces. Impacts from climate change, finance and economy are the clarion issues begging concerted response from all hands. The quality and delivery can be realised with an empowered and wholehearted commitment to the local government system which should be strengthened with uniformly powerful legislation across the country. Power and authority to plan and prioritise services and development suitable at the level of local governments will need to be delineated and delegated to that level. Given our political culture which rarely parts with central control and authority and is mostly personality driven, the likelihood is minimal that the needed integrity in such reformation will ever find requisite support of the powerful political entities.

The second option is to restructure the composition of the federation on administrative basis. Each of the 39 administrative divisions of the country be made into a state in an ultimate form of delegation of authority and responsibility, bringing delivery many times closer to the

people as opposed to keeping it centred around elites who live in provincial capitals and major towns. It forces a delegated and devolved political structure where not only the quality of democracy, but its purpose, gets served many times better. High Court branches can be clumped for some states to reduce the burden of expense and local economies strengthened to raise revenue that can be utilised for the people. The US or the Indian models should be studied for these reform and restructuring efforts so as to enable a far more democratic system of governance. Dynastic and tribal politics can be sufficiently trumped through this mechanism in the interest of inclusive and devolved governance. It will help restore the faith in the political system so essential for stabilising internal dynamics for any society and an economy. A stable internal composition renders a federation much stronger and reassured.

Our problems of governance are essentially structural, needing structural remedies. It is time we thought beyond rhetoric.

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ENHANCING ELECTORAL TRUST FOR ECONOMIC STABILITY

Nasir Iqbal

Pakistan is heading towards crucial general elections scheduled for February 2024. The significance of these elections cannot be overstated, particularly considering the nation's precarious economic circumstances. The country grapples with low economic growth, soaring inflation rates, widespread unemployment and an environment characterised by policy uncertainty. The outcome of these elections holds the potential to shape Pakistan's economic trajectory in the years to come. Evidence suggests that political instability significantly and substantially reduces economic growth 4 to 7 percent.¹ Political strikes and protests cost up to 3% of GDP per year in Pakistan. This direct economic loss is three times greater than the total expenditure on social protection (only 1 percent of GDP).²

ECONOMIC CHALLENGES:

- 1. Low Growth:** Pakistan faces the challenge of low economic growth (-0.6 percent in 2022),³ underscoring the urgency of a robust and stabilising governance framework.
- 2. High Inflation:** With inflation rates surpassing 27%,⁴ there is a pressing need for economic policies that can effectively curb rising prices and ensure the affordability of essential goods and services.
- 3. Massive Unemployment:** The country confronts a severe unemployment crisis (8.5 percent in 2023),⁵ requiring comprehensive strategies to stimulate job creation and provide livelihood opportunities. This estimated 'jobs gap' grew to 2.4 million in 2023 (ILO, 2023)

4. Policy Uncertainty: A climate of policy uncertainty prevails, hampering investor confidence and hindering long-term economic planning and development.

Public Expectations. Given this backdrop, the upcoming general elections are met with exceptional expectations and concerns from the public. The electorate anticipates a transformative leadership that can navigate the complexities of the economic landscape, instill confidence, and enact policies that foster stability and growth.

Survey Findings. The PIDE Macro Policy Lab (MPL) conducted an online poll on the social media platform X to gauge public sentiments regarding the forthcoming elections and their perceived impact on macroeconomic stability. The survey revealed noteworthy insights:

A. Trust Deficit in Electoral Process: Only 25% of respondents believe that the elections will contribute to macroeconomic stability, signaling a significant trust deficit. A substantial 55% of respondents expressed skepticism, emphasizing concerns about the fair representation of their preferences in the electoral process.

B. Expectations and Economic Decision-Making: Respondents underscored the pivotal role of fair elections in shaping economic decisions, highlighting the interconnectedness of political credibility and economic stability.

WAY FORWARD

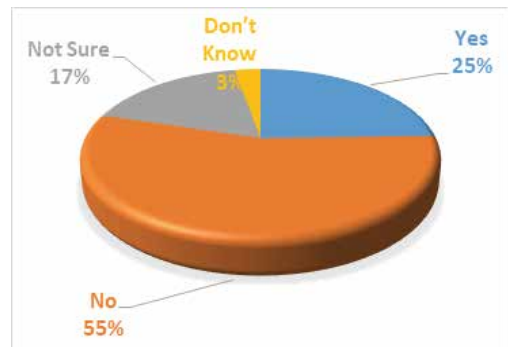
Considering the poll results, it is imperative for the government, the Election Commission of Pakistan (ECP), and other relevant stakeholders to take strategic measures to rebuild trust in the electoral process. This includes short term measures described below:

i. Transparency in Electoral Processes: Implementing transparent and technology-based solutions in the voter registration process to enhance openness, robustness and accessibility.

ii. Preventing Intimidation and Fraud: This can be achieved by establishing robust measures such as establishing an online portal for complaints, developing a code of conduct for contesting candidates and deploying the presiding officers for the elections two weeks before the elections to identify any potential for malpractice and plug it thereby preventing voter intimidation and fraud to foster a secure and fair electoral environment.

iii. Civil Society and International Oversight: Engaging civil society organisations, media, and international observers to monitor the entire electoral process not just on election days but days leading to it as well is crucial in ensuring accountability, transparency, and acceptability in the masses.

PIDE MacroPolicy Lab conducted an X-Poll, posing the question: 'Do you believe the upcoming elections in Pakistan will contribute to restoring macroeconomic stability?' Around 55 percent respondents expressed skepticism, citing a lack of trust in the electoral process as a primary concern. Participants emphasised the critical link between free and fair elections and political stability, asserting that the nature of the elections would significantly impact macroeconomic outcomes. One respondent stated, 'Depends on the nature of elections; free and fair elections certainly provide political stability, which is paramount for macroeconomic stability.' Another respondent emphasised, 'Depends on elections.' The sentiment echoed by many underscores the pivotal role of transparent and equitable elections in fostering economic stability, with one participant succinctly noting, 'If the elections aren't free and fair, then it is impossible to restore stability.'



iv. Communication by Election Commission of Pakistan:

There is a dire need of improving communication with the public about measures taken to ensure free, fair, timely, and transparent elections. ECP needs to broaden its focus from just the candidates and parties and include the masses as well in terms of how the system works, what are the responsibilities of the stakeholders and finally how representation can be optimal only if participation is maximised.

v. Caretaker Setup's Stance: Those at the helm of affairs should articulate a clear and unequivocal stance on the importance of free and fair elections for the country's economic future. Only a representative government can make structural changes in laws and institutions and this need should be communicated frequently to the masses.

Besides these short-term measures PIDE has been working on Electoral Reforms⁶ and broadly the long-term road map for reforms should include:

i. Introduce Staggered Elections: Every year must be an election year in the form of staggered elections i.e. federal and provincial elections must not be held at the same time, while local government elections must be constitutionally mandated after regular intervals as well.

ii. Direct Elections for Senate: The members for the upper house of Parliament must also be elected directly by the people to ensure that the members of the senate remain accountable to the public instead of just their political party's interest.

iii. All seats must be contested: The reserved seats must not be allotted through nominations by parties based on their general seat victories. Instead, the candidates for the reserved seats must also be voted upon by the public.

iv. Use of technology for transparent process: Ensuring voting transparency is an important part for free and fair elections. E-voting procedures through EVM or otherwise must be tested and introduced for the purpose.

CONCLUSION:

As Pakistan approaches the critical juncture of the upcoming general elections, addressing the concerns of the masses, also highlighted by the survey, becomes paramount. By implementing these measures, the government and the ECP can pave the way for a more stable and prosperous economic future, reassuring the public and fostering a positive environment for the impending electoral process.

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¹ <https://www.econstor.eu/bitstream/10419/269231/1/1838864911.pdf>

² <https://pide.org.pk/blog/economics-of-political-strikes/>

³ <https://www.imf.org/en/Countries/PAK>

⁴ https://www.sbp.org.pk/publications/Inflation_Monitor/2023/Oct/IM_Oct_2023.pdf

⁵ https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-islamabad/documents/briefingnote/wcms_893724.pdf

⁶ <https://pide.org.pk/research/electoral-politics-in-pakistan-law-parties-and-the-need-for-innovation/>

RETHINKING ELECTORAL POLITICS

Abbas Moosvi



Mainstream political parties in Pakistan operate as fiefdoms, with no internal transparency in terms of democratic norms, hierarchical progression, recruitment processes, funding strategies, or even policy manifestoes. In many ways, electoral contestation takes the form of warring cliques: closed circuit groupings of elites strategically manoeuvring through the terrain of ‘electables’, corporate seths, and the security apparatus to win favour and form a government to primarily serve their interests and desires. Ordinary citizens are, for all intents and purposes, treated as passive spectators in the ordeal, largely perceived as props for publicity content seeking to create the impression of a mandate. Is this democracy?

With student unions banned across most of the country, trade unions and farmers’ associations constantly facing intimidation and harassment by authorities in their respective domains and devolved local government systems entirely dysfunctional, it is no wonder politics in Pakistan continues to be dominated by individuals posturing as messiahs, families operating as royalty and institutions assuming extra-legal status. Unions and associations function across the globe as nurseries for home-grown leaders who are in the political sphere to serve the public interest rather than amass personal fortunes. Participants in these collectives eventually go on to join a party they are ideologically aligned with: one that has already established a presence for itself. In this way, the process of political contestation retains a sense of dynamism — with a steady stream of ‘inputs’ for the playing field. Individual personalities cannot take their positions for granted, and are compelled to generate new ideas, policy orientations and sociocultural appeals to remain competitive in terms of both their public appeal as well as standing within their own party.

It is Pakistan’s great misfortune that its (bigger) political parties contain few, if any, internally democratic process

as. There is hardly any evidence of them having conducted fair, transparent and competitive elections for key positions over the past few decades. The responsibility for ensuring this should ideally fall within the Election Commission of Pakistan’s domain, as an independent body that organises polling, verifies the identities of those present, distributes voting cards, collates results and publishes a publicly available annual report on its website. This will function to ensure that merit — rather than patronage/favouritism — determines an individual’s ability to climb organisational ranks within parties. In turn, members will naturally reorient their approach to enhancing their expertise — in both technical and governance related matters — and adopting a collaborative spirit that uplifts their fellows and fosters a sense of trust with them. Human resource management will also transform over time, prioritising talent and innovation over capital and ‘connections’. Over time, the influence of past glories linked to familial ties will be curtailed and short-term, opportunistic players will be prevented from making unjustified strides.

Internal democratic norms will also introduce a sense of ideational vibrancy within political parties. As things stand, party members present one homogenous viewpoint to the public, the deviation from which is generally met with hostility and disapproval from leadership. With a culture of frequent intraparty elections, however, party members will begin to challenge one another in a healthy manner on topics such as policy directions in various social and economic sectors, welfare of people vs. profits of corporations, security and foreign policy orientations, relations with the diaspora community, institutional reform for governance, etc. These engagements will foster a culture of debate and exchange within parties, prompting members to continually refine their views and engage with the academic community (whether think tanks or educational

institutes) to introduce depth and validity to their claims. The final manifestoes that parties present to the public during election campaigns, therefore, will be of a much higher standard than in bygone years — the claims in which have seemed to lack even a rudimentary level understanding of Pakistan's polity.

Second, the question of electables. Landed elites play a central role in the process of political contestation in Pakistan, with parties strategically granting them tickets for electoral cycles in exchange for the guarantee of vote banks in their respective constituencies. Landlords achieve this via a combination of coercion, monetary incentives and trivial 'development' work that collectively convinces their target audiences to vote for a particular candidate. In order to redress this, the ECP must establish strict conditions on the awarding of tickets. For instance, parties may only be allowed to grant these to their own registered members: those who have served (and cast a vote in intraparty elections) for a minimum of two years in the lead-up to a particular electoral cycle. This will lead to the tapering off of land relations as a pivotal determinant of electoral outcomes, creating the incentive for parties to opt for long-term partnerships based on shared values and principles rather than clientelistic ones serving immediate requirements — mostly of the establishment.

Finally, political financing. The ECP must do everything under its control to trigger a move away from big donors with vested interests to grassroots crowdfunding strategies. Political parties must ultimately represent the interests of the ordinary citizen rather than landlords, real estate mafias, big corporations, rent-seeking industrialists, international financial institutions and the security apparatus — all of whom currently play a key role in generating/directing funds for the logistics of events during campaigns, media coverage of certain figureheads, day-to-day administrative/managerial tasks, recruitment and outreach, and more. All this reduces political parties to mere mouthpieces of those with prior access to financial capital, and patrons naturally expect their preferred party to 'return the favour' by passing policies that support their interests once in power. This can be curtailed by establishing a requirement to demonstrate a certain minimum donation (say Rs5000) from a minimum number of people (say 5% of the total population of a constituency) during a stipulated time period prior to elections. This will naturally create the incentive for parties to reorient their approach towards non-propertied classes and truly win their favour — particularly in rural communities where most party strongholds are entirely reliant on the coercion of local power brokers. Political parties are a crucial part of the democratic process — and the 'rules of the game' that they operate within carry important consequences for the people at large. With elections around the corner, the time is right to think deeply about corrective measures.¹



¹Image Credits: Musbha Said

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THE THREE-YEAR POLITICAL TERM: BENEFITS, CHALLENGES, AND STAGGERED ELECTIONS IN FOCUS

Abida Naurin



Every country adopts its own style of governance, leading to significant differences in political systems throughout the world. One of the primary differences across political systems is the length of a political term, which can vary from a few years to many decades. The majority of nations choose the more usual four or five-year political tenure, whilst just a small number embrace the shorter three-year period. This article investigates the concept of a three-year political term, examining the countries that use it and discussing any possible advantages. Alongside, it also offers an overview of the benefits of having shorter political periods, as well as the reasons for why certain countries choose to have three-year terms.

THE THREE-YEAR POLITICAL TERM

Several nations utilise three-year political terms for different roles inside their governing bodies. A few examples are as follows:

- In the US, Congress is chosen every two years.
- Australia: The House of Representatives in Australia has a relatively short three-year tenure in comparison to other legislative systems with lengthier terms. This relatively short term is intended to maintain close communication between elected officials and the

people they represent.

- New Zealand: More frequent elections and more government accountability is made possible by the three-year term of the New Zealand House of Representatives.
- Malaysia: The three-year periods that state legislatures in Malaysia employ promote political vibrancy and regular election attendance.
- India: The periods of the legislative assembly of the Indian states of Delhi and Haryana are for three years.
- Philippines: Voters have more opportunities to voice their opinions in the Philippines since local government members, such as mayors and councilors, often hold office for three years.

ADVANTAGES OF A THREE-YEAR POLITICAL TERM

The increased accountability that comes with a three-year political term for elected leaders is one of its key advantages. Politicians are forced to engage with the public more frequently during their shorter periods, which reduces the possibility of abuse of power and encourages better answers to public issues. This relationship might promote better communication between citizens and elected authorities. Shorter political terms allow governments to respond to changing circumstances faster. Three-year terms enable more frequent updates to plans and programmes. In a world that is changing swiftly, governments have to move quickly to meet emerging concerns.

Regular election cycles can promote more diversity and representation in political leadership. Less time means more opportunities for newcomers to the political scene and for new ideas to emerge, which helps to guarantee that the government adapts to the changing demands and values of the people. As a result, incumbents may find it harder to maintain their hold on power for an extended period of time in cases when terms are shorter. This may stimulate new faces, ideas and make politics more competitive. Longer political terms can provide incumbents a significant advantage in reelection, which can lead to apathy and a lack of rivalry. Three-year terms increase political competition by making it more difficult for incumbents to maintain a steady grasp on power.

While many countries prefer longer political periods, those with three-year terms highlight important benefits. These advantages contain higher accountability, quicker adaptability, enhanced representation, less incumbent advantage, and greater political involvement. However, the effectiveness of a three-year term depends on the particular political environment and the capacity of a nation's institutions to perform well throughout this period. The country's particular conditions and aims should be carefully considered while determining the ideal term duration.

A policy viewpoint entitled 'PIDE's Charter of Economy: Petition to all the Political Leaders/Parties of Pakistan' contains a reform proposal. PIDE has put it out for debate and discussion to develop consensus. It focuses on various socio-economic and political issues. Still, one suggestion that caught the attention of certain individuals in political circles was that the assembly term limit being reduced to three years. From the proposed point, the main message is not about having three years as the magic number that must be followed, but more importantly, that the 5-year term is too long and must be reduced to an agreeable/realistic number as all of

Pakistan's Prime Ministers had an average tenure time of just below three years – excluding interim PMs. Why are we stuck to a 5-year term, especially when it is not working?

That is thought-provoking for us to revive/reform and rethink the five-year term. It is high time to start reconsidering the 5-year political term in Pakistan. Shorter terms lead to a more responsive government as well as a government that is less likely to accumulate excessive power. Those who say that a shorter term does not allow the government to implement its plans and projects forget that these are not government projects and plans but the people and must be passed on from one to the other. No one has a monopoly on a cricket team, for instance: players change as required, and they are guaranteed no tenure.

Staggered elections, often referred to as phased or multi-phase elections, are essential in democratic countries. How they are conducted may significantly affect both the electoral process and the results. Elections that are held in different places or constituencies at various times are one such technique. This method contrasts with simultaneous elections, in which every region casts a ballot on the same day. Numerous countries like the US, Canada, Germany, and India have adopted staggered elections, and both scholarly and practical debate has focused on the benefits and downsides of this system. Comparing staggered elections versus simultaneous elections, there are a number of benefits. The advantages of staggered elections are substantial, and they include better electoral administration, lower campaign expenses, increased voter information and involvement, fewer security threats, and effective disaster management. Pakistan is likely the only country in the world where new caretaker governments are inducted both at the federal and provincial level during the election period to guard against partisan political influence on the electoral process.

It makes sense that many people, both inside and outside of state institutions, would find it challenging to mentally prepare for the prospect of elections to various assemblies occurring at various times in the near future, with all the associated financial, political, and governance implications. The provision of caretaker administrations in the constitution will be weakened, if not completely compromised, by the staggered elections.

The expected staggered elections would see caretaker governments in the two provinces but a partisan political government at the federal level with all the clout and potential to influence elections in the two provinces. In the same vein, when the National Assembly election is held later this year, there won't be caretaker administrations in Punjab or KP. This will increase the likelihood that partisan provincial administrations will affect the results of the National Assembly elections in these two

provinces, which together account for about 70% of the seats in the assembly. In the lead-up to the provincial assembly election, the ECP suspended the elected local governments in KP due to its extreme sensitivity to the risk of partisan administrations affecting the polls.

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PARLIAMENT AND CIVIL SERVICE



CIVIL SERVICE REFORM IN PAKISTAN: SOME PRINCIPLES

Nadeem Ul Haque

Civil service reform has become a focal point in recent times, sparking numerous articles in the media. However, there is apprehension that these reforms may follow the same pattern as in the past—superficial changes, alterations in nomenclature, further centralisation, and increased power for services akin to the District Management Group (DMG). This concern emphasises the need for substantial engagement from the entire society, including the best minds, to ensure meaningful reform. The active involvement of the Prime Minister and the cabinet is deemed essential for the success of this crucial reform.

Initiating the reform process requires clarifying principles and developing a vision collectively. Recognising that the civil service constitutes a significant portion of the executive and influences all aspects of society, the reform should not be conducted behind closed doors. Moreover, the bureaucracy, being the subject in need of improvement, should not be the primary architect of this reform. Excluding donors, who themselves operate within a large and often ineffective bureaucracy, is crucial. International consultants relying on copy-paste methodologies should also be excluded. Instead, the design of the reform should be entrusted to an independent commission backed by technical skills, intellectual prowess, and fresh perspectives.

The commission should conduct open consultations with civil society and various segments of society to gather diverse inputs. Donor contributions, if any, should undergo local public scrutiny before implementation. The process should begin with the commission articulating key reform principles, subjecting them to extensive debate, and passing them into law through parliamentary consensus. Civil service reform is too vital to rely solely on administrative rule changes.

The envisioned reform should adhere to certain principles:

- 1. Abolish Unified Pay Scales (UPS)**, recognising that the civil service is not a monolithic entity. UPS, a legacy of socialist planning, artificially ranks all services on a relative scale, hindering professional development. Government agencies should be empowered to establish their own pay scales based on market dynamics within their budgets.
- 2. Discontinue predetermined lifetime careers with guaranteed promotions** at fixed intervals. The prevailing entitlement mentality among civil servants needs to shift toward a merit-based approach where performance is duly rewarded.
- 3. Civil service independence must be legally guaranteed** ensuring that key decisions regarding the functioning of the service (such as recruitment, promotions, transfers, pay, and pensions) are shielded from interference. Legal guidelines currently exist, but additional measures should prevent MNAs and ministers from exerting control over civil service appointments at any level. The prevailing notion that “public service should not be paid well” requires a thorough review. Positions in public service carry significant responsibilities and should be remunerated appropriately. Serious reforming countries recognise this and provide market-based salaries, with appointments and promotions based on merit and external competition.
- 4. Civil servants should receive competitive cash salaries without relying on perks** servants, utility bills, board memberships, subsidised clubs, arbitrary land gifts). Shifting to higher salaries requires the abolition of perks to align civil service incentives with the needs of public service

delivery and professionalism. Several drawbacks associated with perks need consideration:

- Perks, being invisible forms of payment, depend on the discretion of those in power, opening up avenues for buying allegiance and potentially politicising the civil service.
- Perks incur significant costs for the government, with houses provided to officials being expensive, located in city centres, and hindering city development. Maintenance of cars and houses presents substantial expenses and corruption opportunities. Economic research indicates that the cost of perks far exceeds the benefit provided to the employee, and transitioning to cash payments could be more cost-effective for the government.
- Perks contribute to a symbol of power, fostering a VIP mentality. Officials residing in government-provided luxury may live in segregated environments and be treated differently due to these perks.
- Officials with perks may lack an understanding of public service issues, as they experience fewer shortages and challenges in their government colonies. Their privileged lifestyle is detached from local realities.
- Perks are not uniformly available and need to be rationed, leading to the formation of coalitions and exchanges of favors. These coalitions accumulate power, acting as influential groups within official circles and potentially weakening governance systems. The current payment method is dysfunctional, induces corruption and adversely affects productivity. All perks should be abolished. Salaries should be all in cash based on market comparators and indexed. Benefits should include no more than indexed, fair valued pensions and health care.

5. Pension and healthcare benefits should be extended but on modern lines Both systems should be properly funded by contributions by officials and the government. The funds raised should be properly managed by professional money managers and invested for later payouts. Benefits should be defined, and their proper use should be monitored.

- Pensions should be portable and/or cashable at various stages of a career and not merely at the end. This will allow careers to be better planned and not force people to hang on even when they have lost interest.
- Healthcare should be better detailed to define the liability of the fund and to let the user know the limits to which they will be helped. Audited procedures must be in place to prevent abuse that is frequently reported. Government funding of care in foreign hospitals should be discontinued altogether.

6. Not all civil service jobs should be protected from external competition. The preferred scenario would be to open out recruitment to external competition! If that is not acceptable, all senior appointments (Secretary and Additional Secretary) should be based on worldwide competition. Public sector senior appointments affect so much; the best people should be sought for them.

7. The colonial system of the civil service that we have inherited is extremely centralising. Currently, the federal government controls all levels of government. A federal civil servant after recruitment heads up local government from which he moves up to senior levels of the provincial service to eventually running federal departments of government. Following best practices in administration, each level of government — federal, provincial and local — must be independent. The provinces and cities should have their own employees and there is no reason that they should be paid less or regarded as inferior to the federal government. Any movement from one level to another should not be a transfer but a resignation and a new application.

8. Current Rules of Business designate the Secretary as a Principal Accounting Officer (PAO) of entire monoliths of government, divisions, ministries as well as attached departments. The result is excessive centralisation that impedes productivity. In the current system governance is literally in the hands of five secretaries: Principal Secretary, Finance Secretary, Cabinet Secretary, Finance Secretary, and Planning Secretary. Good governance is built on decentralised mission-oriented agencies and departments with clear resources and accountability. There is no reason to give these secretaries so much power with hardly any accountability. Let each agency head and the functional head be recognized as a PAO and given adequate power and resources with very clear lines of accountability and audit rules to deliver public service.

9. Transfers should be recognised as a control device and be discontinued. Frequent transfers are not helping productivity and should be questioned in Parliament. Like the rest of the world, appointments should be given tenure with new appointments being obtained through a competitive — not command — process. Like in many parts of the world, each position is announced and competed for and each officer knows he can't remain in a position for more than 3 years. If she can't find a job within the system, she can look elsewhere.

10. Mobility should be viewed as desirable and course, mobility rules ought to be put in place not just within the civil service but also to facilitate flow between the public and private sector for required cross fertilisation.

II. Processes and rules of business should be to ensure that **government becomes a learning, investigating and thinking body** using technology, developing data, harnessing information, conducting analysis and adopting innovative approaches to policy determination and public service delivery. Such a bureaucracy would continuously reform, itself adapting to a rapidly changing world. In the past, the bureaucracy was a learning and researching bureaucracy. This is evidenced even now in the India Office in England where their famous district Gazetteers as well as other reports are kept. We must make the bureaucracy a learning and thinking place again. There must be clear research departments in every ministry and agency working on issues of policy preparation and reform and budget proposals. All departments must be held responsible for regular reports on various issues from data to sector reviews to performance reports. No meeting at any level must be held only on PowerPoints. Policy notes or situation reports must be mandatory for these. Reports or minutes of such meetings must be made available unless there are top secret items.

12. Training programs of government should be reviewed to facilitate a modern, professional bureaucracy and move beyond the current approach to develop a generalist league of gentlemen. The current approach is about a century old and must be updated. Training academies currently are designed to park serving and retired officials and participants consider it either a burden or a party. No serious training takes place. mobility rules ought to be put in place not just within the civil service but also to facilitate flow between the public and private sector for required cross fertilisation.

Would it not be better to let the universities in Pakistan get some of this business? Let the civil service interact with them and give them business. This will also release valuable real estate that is being wasted in the name of training.

Without a process for reform — a serious commission led by thought and intellect and a public consultation — and the adoption of clear principles, there will be no serious civil service reform!

But the job of the commission should not be to meet over tea and samosas but to write serious policy notes and white papers after several well thought-out consultations across the country. And these papers and policy notes should be discussed in Cabinet and other forums. A serious process of reform must begin with something like this to hammer out details. Some such list must be discussed point by point in retreats for days and not perfunctorily in an hour of VIP interface.

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GOVERNANCE REFORMS: ANCHORED IN CIVIL SERVICE REFORMS

Shahid Kardar

Summarised below are the components of a civil servant's compensation that do not get fully reflected to enable determination of the accurate cost of a civil servant.

- A host of allowances like entertainment, special pay at 15% of basic salary (as is the case in the Punjab), qualification pay, senior post, etc.
- Furnished residences provided in prime locations of the city (with services of security staff and a gardener) whose maintenance and periodic renovation is shown respectively under repairs and maintenance of the euphemistic term 'public buildings' and under the much celebrated term 'development expenditure';
- The cost of residential utilities like electricity, gas and telephone borne by government;
- Peons, janitorial staff in offices or those employed by local governments found providing free services in the homes of officers in Grades I9 and above (the former especially in the provinces);
- The use (including the cost of petrol) of an official chauffer driven car for private use as well. According to a PIDE study, the cost of use of an official car can be as high as the cash salary of those in pay grades 20-22. In reality, most senior civil servants in Federal Ministries or provincial departments that have set up public sector agencies have at least an additional chauffer driven car at the disposal of their families, whose running costs are financed by one of these parastatals, that are also more than likely to be bearing the cost of his cell phone;
- The costs of medical treatment of him/herself and his/her family. The PIDE study reveals that whereas

a medical allowance is paid for separately as part of the monthly salary slip exceeding Rs.2.3 billion on average costs to the Federal Government monthly on their medical related reimbursements;

- As representatives of government, memberships of boards of entities in which the government has a stake;
- Postings to high profile Pakistan specific positions in multilaterals;
- Subsidised social clubs in all major cities;
- Many Secretaries also get a heavily subsidised, if not allotted (free of cost), residential plot on retirement (with the more 'enterprising' among them managing multiple allotments), apart from being entitled to retain (free of rent) for 2 years after retirement the official residence that they were occupying on the date of retirement;
- Apart from job security they are also entitled to forms of social protection, both pension and non-pension in nature, such as life insurance, medical coverage, provident fund, etc. briefly described below. An understanding of the pension system is important since average life-expectancy is rising and government functionaries as a group are likely to live longer than the rest of the population, which is pushing up the already high future pension payment bill even further; by now the pension liability of the Federal and provincial governments (excluding those pertaining to staff of public universities) has crossed Rs.13 trillion;
- Civil servants are entitled to a generous monthly pension payment after 25 years of service, which is linked to the salary drawn at the time of retirement and the number of years of service, presently 70% of the last drawn salary. According to the PIDE study, the rights to pension are even more generous: after the civil servant's death 13 heirs can claim pension as family-including widows, unmarried or divorced daughter, underage/dependent children at a reduced rate of 50%. Moreover, with pension increases announced periodically by government, the pension payment, in some cases, touches almost 1.4 times the last drawn salary;

Furthermore, under the pension entitlement rules they can 'commute' 40% (reduced from 50% in 2001) of their gross pension in lump sum at the time of retirement. This is a generous benefit, since the amount paid as commuted pension is not discounted to arrive at the present value of this payment in advance that the retiree would have received as monthly pension over several years in the future.

- On retirement civil servants are also paid a gratuity, equal to 40 times the last drawn salary. Under the current pension system existing civil servants are not required to make any contribution to their eventual pension or gratuity benefit. This cost is borne entirely by the government.
- Civil servants are also entitled to a General Provident (GP) Fund to which only they contribute, but on which, until 2001, they were paid an interest rate that was 30% higher than the market rate.
- Employees also contribute 2% of their basic salary to a benevolent fund, the benefit under which translates to 35% of wages for premature death or disability up to the age of 70.
- There is also a life insurance cover under a Group Insurance Policy under which the benefit is roughly 2.5 times the annual salary- ranging from Rs. 100,000 to Rs.1 million.
- Civil servants are also entitled to four days a month as leave that they can accumulate equivalent to one year's vacation with pay, of which six months can be encashed.

Admittedly, some of the non-monetary perks granted to senior civil servants tend to be discretionary and selective in nature; the rationing covering less than 15% of the total civil service work force. However, and understandably, in return for the granting of such benefits favours have to be exchanged, undermining governance systems and structures.

RECOMMENDATIONS:

A) REORIENTATION OF GOVERNMENT

The discussion above has tried to show that with budgetary constraints, competing imperatives, pallid growth and rising expectations of citizens, an overriding vision informing the future role of government governments is warranted. This will require reconsidering functions they should take upon themselves to perform, and accordingly reengineer the institutional set-up. It has attempted to demonstrate the need to rethink and redefine the role of government, since this will determine the size, skill-mix, compensation and training of the civil service to be paid from the public purse.

The best way to explain this is in terms of what the government should neither do nor pay for (e.g running retail outlets for articles of daily use, banks, airlines, etc.), should do and pay for (only defence, foreign policy, fiscal

and monetary policy, justice, law and order and some categories of physical and social infrastructure that the market and the private sector cannot provide come to mind as the government's sole responsibility) and those that the government should pay for but not necessarily do itself.

Identifying areas and services that the government should pay for but not do, produce or provide itself, is relatively more difficult. However, the following example should be able to illustrate this point.

It is the moral duty of the state to ensure that the population gets free good quality elementary level education. Which only means that the government must pay for this education. It does not mean that the government should produce or provide the service itself. Better quality education in terms of learning outcomes can be provided through private schools than that being delivered by government schools by providing funding at a rate per child which could be less than half the cost incurred to educate a child in the public schooling system, while making this financial assistance conditional on performance of children.

Today, such an effort can be facilitated by harnessing the whole range of instruments (such as telecommunication and internet technology) to improve the quality, efficiency and effectiveness of services, and by partnering with a rapidly maturing private sector. This is, therefore, an opportune time to conduct an assessment of the kind of roles that the government.

A large part of the regulatory framework exists because of lack of clarity on the role of the government, thereby providing employment opportunities for skills that the market neither demands nor produces. New products and instruments are better replacements and more effective mechanisms for achieving the objectives underlying the rules and institutional arrangements for enforcement. For instance, the provincial Boiler Acts, 1923 expect Grade-II Boiler Inspectors to certify boilers manufactured by globally recognized multinationals. While the technology for manufacturing boilers has taken a leap these professionally ill-equipped inspectors are tasked to perform a regulatory function.

Similarly, governments recruit Building and Electricity Inspectors to ensure the safety of private buildings used for public purposes, e.g cinema houses, factories, etc. These regulatory functions can be better achieved by such buildings being comprehensively covered by insurance. The owners can then be spared the frequent visits of these government employees. The insurance companies will ensure the security and safety of the public using these boilers and buildings.

Such examples question the justification of a regulatory apparatus to achieve objectives that other market-based

institutional arrangements and instruments can provide much more efficiently and effectively. In other words, to bring greater focus to the government's activities, there is a need to redefine its role and the way it carries out its business.

Similarly, it would be a cheaper proposition to outsource several services. Examples include the daily cleaning operations of government offices instead of the government employing an army of cleaners, and computerised CAD services, available in abundance in the private sector.

The right-sizing of government (following the 18th Amendment) will also improve government efficiency, simply through a reduction in the number of layers of processing. Further gains can be realised through elimination of unnecessary tasks and by closely aligning functions, resources and responsibilities.

B) REALIGNING OF STRUCTURE

The reform of the civil service is linked with the restructuring of government and the enhancement of the capacities of sub-national governments to deliver on the overhauled mandate.

To begin with, post the 18th Amendment there is no need for the continuation of the PAS Cadre. The role of the Federal Government should be restricted to establishing and calibrating a strategic direction through a collaborative process, policy making and standard setting, with the provincial governments fixing their own priorities in terms of the sequencing of implementation and practical matters of governance.

Only a small core, recruited on the basis of specialisations (to ensure knowledge, continuity and security of tenure), should form part of the permanent cadre and paid market based salaries, but without perks like cars, housing, etc. And, going forward, recent inductees to the PAS should be required to specialise in one or two sectors of their own choosing, while keeping the option for lateral entry open in all positions (with no reservations of posts for any group/cadre) to induct high quality professional with much needed new and rapidly developing technological knowledge and skills.

The old systems of governance and skill set requirements do not equip civil servants to manage policies and operations of new technical skills for delivering decent basic services at the local level. Henceforth, therefore, the structures and the skill sets to be inducted in the public sector should be dependent on the type of services to be performed by each level of government, with, for example, local governments mandated to deliver efficient and sustainable primary and secondary social and municipal services. And this requires the devolution of effective administrative and financial powers to local governments

as a next step to the devolution of functions and powers to the provinces by the centre.

This is desirable because local governments serve as a nursery for the tutoring and nurturing of the country's future political leadership, while making the elected representatives, nearer to their constituents, more accountable for their decisions on the selection of priority areas and the quality of service delivery.

The realisation of these goals would, therefore, require a combination of reorganised structures, delegation of administrative and financial powers and re-engineering of business processes and work-flow through simplification and automation.

And to this end, each tier of government and relevant ministry, should be independent in designing the performance of its functions requiring policy making or service delivery through its own employees with its own pay structure, based broadly on market valuation for the required skills and experience by establishing a sensible list of comparators. Furthermore, as already implied earlier, the unified pay structure should be discontinued, along with the elimination of perks and privileges, which should be monetised. However, if decision making remains hierarchical and authority essentially rank-based, mere recruitment of adequately skilled professionals may be a necessary but not a sufficient condition for the achievement of the objectives associated with efficient, effective and timely delivery of basic social services through the suitable level of government. Therefore, the Rules of Business need to be renewed to delegate the Principal Accounting Officer's financial and administrative powers, by taking them away from the Secretary.

There is also the need to consider a more pronounced shift to a contractual basis of appointments for a whole range of skills. Recruitments of a significant proportion of the public sector work force on market based salaries could be on contract. And to counter the curse of transfers, to the extent practical, this hiring should be on department and facility specific basis, e.g. school teachers and doctors should be appointed to a school, basic health unit or hospital, on a non-transferable basis.

C) DEREGULATION AND GREATER TRANSPARENCY

In this writer's opinion reducing the regulatory role, streamlining procedures and processes and increasing transparency through wider adoption of digitisation of service delivery and on-line availability of government policies, laws, rules and regulations, circulars and guidelines and related procedural requirements will make civil servants less powerful. This will enable curbing excesses

and discretion and reduce transaction costs, thereby raising the efficiency and productivity of the private sector, as businessmen get more time to focus on their operations.

In this writer's opinion for dismantling this predatory, discretion-laden and outmoded regulatory regime a radical way forward would be to identify some sectors, essentially electricity, gas, SBP, SECP, judicial processes and law and order, whose regulatory systems be mapped and reviewed clause by clause. All other regulatory rules should be suspended literally overnight, requiring their proponents/protectors to argue the case publicly for their retention for serving a creditable public good purpose.

D) RIGHT SIZING THE FEDERAL AND PROVINCIAL GOVERNMENTS

There is a large Federal Government, comprising 43 Divisions, even after 18th Amendment. In addition, there are 400 Attached Departments of 650,000 personnel and autonomous organisations with 520,000. Excluding the cost of losses of, or subsidies, to the autonomous organisations, more than Rs.750 billion, according to a World Bank estimate, is presently being spent annually by the Federal Government either on functions actually transferred to the provinces, on agencies and activities whose cost should be shared by the provinces or on intra-provincial schemes. The size of the Federal Government and the provincial governments needs to be pruned, and sharply. Presently, the rationalisation of its size is opposed both by politicians and bureaucrats-seeking Minister and Secretary level positions.

The case of the provincial governments is even more disconcerting. They are not only doling out all kinds of allowances to those on their payrolls, they have, as mentioned above, also become huge employment bureaus, engaging a veritable army of unskilled staff while lacking personnel with adequate domain knowledge. We therefore find that, for example, the Punjab province which had 22 Departments it in 2000, now has 48!

Although both the Federal and provincial levels of government need restructuring and right sizing the discussion here confines itself to the Federal Government. To reflect the transfer of functions, post 18th Amendment, there should be a shrinking of the over-staffed Federal Government. For example, those in Grades I-I6, are being paid well above what the market would compensate for a comparable skill set. And these absorb close to 85% of the payroll charged to the Federal budget. Most of these posts should be discontinued

(many of which have become redundant overtime) as present occupiers retire. This thinning should be complemented by the following actions:

- Surrender of all vacant posts.
- Since only a handful of entities could potentially be candidates for privatisation (because some would end up as monopolies without unbundling, restructuring or retooling/neoteric mode of delivering economic goods and services), the list of the majority of agencies & autonomous organisations that should be liquidated/wound up (for redundancy of purposes or uses for which initially established) should be finalised, while placing bans on all further recruitments.
- Next, for all the above referred divisions and institutions proposed for functional cessation, retire those who have completed 30 years of service (protecting pension entitlements attained to date). If it is politically difficult under present recession type conditions they should be placed in 'surplus pool', thereby saving on office rent, utilities, cars, etc.

E) COMPENSATION STRUCTURE

The discussion above has hopefully made out the case for redesigning the compensation structure by monetising the vast array of perks by costing the entire set of handouts listed above. This shift will make the compensation package more transparent and understandable while giving the officer the choice to say spend more on the education of his child rather than residing in a palatial house, thereby also exposing them personally to some of the basic socio-economic stresses faced by ordinary citizens. It will also help release prime commercial land, presently used for providing residential accommodation to these officers. The additional cash expenditures arising from the monetisation of the benefits can be financed by the resources released from the trimming of the Federal and provincial Governments, the liquidation/closing down of several organisations and the use/sale of the above referred land, along with the money that will be saved on a recurrent basis for not having to maintain these properties and motor vehicles funded from the public purse.

To facilitate a speedier shift to monetisation the government should a) assist them in getting their cars leased and under existing government rules and compensate the use of the private car for official business; b) cover their health needs through medical insurance; etc.

Furthermore, there is a need to move away from the present defined benefit pension scheme to a defined contribution pension scheme for new entrants to the Civil Service. For existing employees there is a need adopt it (along the lines described above on the moneti-

sation of perks), while protecting pension entitlements attained to date.

CONCLUSION

To conclude, government has to be re-invented to bring it in harmony with the demands of a modern globalised economy in which the private sector adopts internationally recognised technologies, production techniques and management practices to remain competitive. Regrettably, the government, which is supposed to facilitate private sector operations and expects it to become modern in its outlook, sees nothing amiss with its own skills and work processes being antiquated and outmoded. This huge contradiction is obviously unsustainable, being an important contributory factor to the poor quality of input provided by the bureaucracy for decision-making.

The modernisation of the institutional structures and processes is being ignored at a great risk to the much-needed acceleration of economic growth. This essay argues that this would not be possible without adjustments in the size and skill base of the bureaucracy, with more than 45% of its membership of limited functionally literacy, ill-suited to the changing skill requirements of a competitive world. Rapid technological changes, pressures of growing social tensions, political discords and heightened expectations of a citizenry better informed by a hyper active social media and seeking direct policy and affiliated managerial interventions to address transient developments and challenges, also require the assembling of a structure and associated systems that are not just lean but also more adaptable and responsive. Admittedly, a politically daunting and long haul task.

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BUREAUCRATIC REFORM

Sameen A. Mohsin Ali

Comprehensive and effective bureaucratic reform initiatives require more than a one-size-fits-all or recipe approach to improve capacity and performance. Pakistan's efforts to reform the bureaucracy have stagnated as they run into issues of red tape or full-bodied resistance from the different parties involved. Recent work on bureaucratic reform which has focused on, for example, iterative design (Andrews 2013)¹ and adaptability (Sharp 2021)² acknowledges that both structural and political factors are key to ensuring these features are embedded in reform processes. There are important lessons for bureaucratic reform in Pakistan in such work, but foremost this essay contends that the centralisation of power by political, bureaucratic, and military elites has not just fundamentally shaped the bureaucracy but also hindered reform.

Bureaucratic reform has been a preoccupation of every government in Pakistan. However, only a limited set of proposals are ever actually implemented because most end up being disputed by one or the other set of actors. The fundamental problem with such reform initiatives is that they fail to acknowledge that bureaucratic reform is a political problem that requires political solutions, not

technocratic ones. Attempts to separate politics (the study of how power is distributed) from reform initiatives have been and always will be misguided. Technocratic solutions do not recognise or acknowledge centralisation of power, neither can they accommodate the differing interests and incentives at play when reforms are being planned. As such, technocratic reform is poised for failure. The first step toward meaningful reform must be an inclusive process that acknowledges power dynamics in rethinking the bureaucracy's structure and operations.

How can political considerations – an understanding of where power lies – be incorporated into designing reform initiatives? While there are no easy or standardised answers, researchers have provided key considerations to bear in mind in thinking about political factors constraining the reform of bureaucracies. Leadership is, for example, key as it sets the scope and tone for conversations about reform. Leaders can be foundational to creating the right environment, one that encourages listening, learning and collaboration rather than a hierarchical, top-down approach that imposes its own preferences. It is not enough, therefore, to form a

committee – leadership must be about a willingness to be challenged and adapt to shifts in the distribution of power resulting from any meaningful reform process.

Equally important is representation in deliberative processes on reform: who heads the reform committee, who is represented, who is left out of consultations. Pakistan's bureaucracy has retained its hierarchical structure since the colonial era – generalist recruits to the administrative services enjoy the most privileges while provincial civil servants frequently decry about being deprived of posts and opportunities that they should have had access to. Street-level bureaucrats remain the worst off, with low pay and prospects despite doing the actual work of implementing policy on the ground and acting as the citizen's point of contact with the state. Ensuring these bureaucrats are represented in discussing reform initiatives, their voices heard and their concerns addressed, is one of the key factors for the success of any effort to reform the bureaucracy.

Aligning with this bottom-up approach to reform are considerations of structural factors that impact the success of reform initiatives. There is considerable evidence that decentralisation is foundational to reform success as it allows greater autonomy and flexibility for bureaucrats in both designing and implementing policy. In India, decentralisation has produced results by allowing local communities to be involved in

shaping the provision of public goods (Singh 2015; Kruks-Wisner 2018)³ and allowing bureaucrats autonomy at the local level in the design and implementation of programs (Mangla 2023).⁴ In China, Ang (2016)⁵ describes that the central government shows flexibility in allowing local bureaucrats some autonomy in how it raises and allocates fees for local services through 'bureau-franchising'.

However, Pakistan's chequered history with decentralisation has centralised power rather than empowering local communities and officials which could inform bottom-up approaches to reform of public service provision and bureaucratic performance. Though Musharraf's local government reforms handed substantive administrative powers to non-partisan locally elected officials, there was the belief that the military was 'colluding with officials in occupational groups such as the police and [the] income tax group to cut the powerful DMG down to size' (ICG 2010, 8).⁶ An unintended consequence was the unification of DMG officers to resist the reduction in their power, seeking support from politicians to do so (Shafiqat 2013, 111; Jaffrelot 2014, 347). In effect, Musharraf's attempt to use decentralisation as a means of political and bureaucratic engineering encouraged the politicisation of the bureaucracy, further weakening its capacity. The dissolution of Musharraf's local government system in 2009 led to powers that had been held by elected nazims reverting to the senior echelons of the bureaucracy.

The 18th Amendment (passed in 2010) was transformational, not least due to a multi-party consensus but also in amending constitutional articles to mandate the devolution of power to the provinces and in turn, that provinces devolve 'political, administrative and financial responsibility and authority' (Art 48). However, not only did it not specify any timelines or processes, it also did not make any changes to constitutional articles related to the civil services. As a result, decentralisation processes left much to be desired and bureaucratic and political elites sought to game them to centralise power in their own hands. For example, bureaucratic resistance led to slow progress in the dissolution of federal ministries and the creation of provincial ones (Waseem 2011)⁸ because a lack of capacity within the Provincial Civil Services meant that the devolved provincial departments ended up – yet again – in the hands of elite, federal (PAS) bureaucrats (Waseem 2015).⁹ Because the onus to bring about reform to align the distribution of power with decentralised decision making was on politicians and elite bureaucrats who stood to lose significant power if reforms were introduced, the 18th Amendment has only reinforced the centralisation of bureaucratic policy, practice, and appointments. This is not to say that the amendment should be rolled back – quite the opposite: the amendment's intentions should be respected and further amendments and reforms should cement decentralisation processes by focusing on implementation and ensuring stakeholder buy-in for the shifts in power caused by such reform.

Finally, it is important to think about how reform is conceptualised and justified. The narrative is often that a specific reform is being implemented to 'deliver' to the people or in the 'public interest'. Certainly, public

¹ Andrews, M. 2013. *The Limits of Institutional Reform in Development*. Cambridge University Press.

² Sharp, S. 2021. *Adaptive bureaucracies? Enabling adaptation in public bureaucracies*. ODI Working Paper 604. <https://odi.org/en/publications/adaptive-bureaucracies-enabling-adaptation-in-public-bureaucracies/>

³ Singh, P. 2016. *How Solidarity Works for Welfare: Subnationalism and Social Development in India*. Cambridge University Press; Kruks-Wisner, G. 2018. *Claiming the State: Active Citizenship and Social Welfare in Rural India*. Cambridge University Press.

⁴ Mangla, A. 2023. *Making Bureaucracy Work: Norms, Education and Public Service Delivery in Rural India*. Cambridge University Press.

⁵ Ang, Y. Y. 2017. *Beyond Weber: Conceptualizing an alternative ideal type of bureaucracy in developing contexts*. *Regulation & Governance*, 11: 282–298. doi: 10.1111/rego.12123.

⁶ International Crisis Group, 2010. *Reforming Pakistan's Civil Service*. February 2010, Asia Report No. 185.

⁷ Shafiqat, S. 2013. *Reforming Pakistan's Bureaucracy*. In, Anita M. Weiss and Saba Gul Khattak (eds.), *Development Challenges Confronting Pakistan*, Sterling, VA: Kumarian Press. 99–119; Jaffrelot, C. 2014. *The Pakistan Paradox: Instability and Resilience*. London: Hurst.

⁸ Waseem, M. 2011. *Pakistan: A Majority-Constraining Federalism*. *India Quarterly*, 67:3, 213–228.

⁹ Waseem, M. 2015. *The Post-18th Amendment Federalism in Pakistan*. *Development Advocate Pakistan*, 2:1, April 2015, 11–12.

services can be important carriers of legitimacy (Nixon, et al. 2017)¹⁰ for bureaucratic and political elites alike. In the absence of meaningful local government, however, it is not clear that those designing and implementing these reforms have any definitive sense of what the public interest actually is or what it is that people want delivered or how. Bureaucratic reform in such circumstances amounts to elite capture rather than a representation of public interest.

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¹⁰ Nixon, H., Mallett, R., & McCullough, A. 2017. Service delivery, Public Perceptions and State Legitimacy: Findings from the Secure Livelihoods Research Consortium. Working Paper 55. https://securelivelihoods.org/wp-content/uploads/13.-Are-public-services-the-building-blocks-of-legitimacy_Input-to-the-World-Banks-2017-WDR.pdf

CONCEPTUALISING REFORM: POLITICAL ECONOMY OF INCREMENTAL PROCESSES VERSUS SUDDEN OVERHAULS

Asad Ejaz Butt



There's extreme hunger for reform in Pakistan, the same that led the reform-promising PTI into government amidst hopes and expectations for a Naya (new) Pakistan. However, what that reform would have looked like remained indeterminate and continued to tear through the fractured politics of Pakistan during the 4-year premiership of Imran Khan who now finds himself behind bars and his party torn between the regime-leaning defectors and baffled and disquieted loyalists. Those still spellbound by the PTI chiefs unaccomplished agenda of reform suggest that their party's hardship is a cost that they had to bear to implement a stringent reform plan. But one can safely argue that this

seems more like the cost of failing to conduct the intended reforms. It would be useful to analyse the kind of reforms that were imagined in Pakistan alongside those that did eventually, in some shape or form, see the light of the day. I would also be arguing that while reforms have been superficial in some essential policy areas, in some others where reforms did well to break their iron curtain and the bureaucratic inertia to find policy expression, they were either loosely connected to a public problem or were not needed in the first place.

RIGHT-WING POPULISM AND PAKISTAN'S PUSH TOWARD REFORM

Pakistan's insatiable hunger for reform at the time of PTI coming into power can be placed within the global inclination toward right-wing populism that saw several right-wing 'reformists' rise to the highest offices. Jair Bolsonaro's crowning in Brazil and Amlo's in Mexico were two of the many examples where populists secured the top office from often being nowhere in the initial polls. Pakistan's saga in 2018 was not a whole lot different. It was seeing a right-wing surge over the decade prior to 2018, but especially after PML-N swept the polls to form government in the centre as well as the country's largest province, Punjab. The domination of the Right in Pakistan was also buoyed by the ideological push towards right-wing populism that was being experienced globally and was equally complemented by Imran's utopian ideas of wide-scale and immediate reform, populist sloganeering and a bitter opposition to the status-quo polity.

All of these indicated the elections of 2018 would turn out to be a focusing event and Pakistan would be governed a party that sees policy reform as a set of non-incremental and sudden processes implying the death of incrementalism. However, contrary to what the punctuated equilibrium theory postulates about policy changes after focusing events, the equilibrium wasn't punctuated and policy continued to be derived from agendas that went through incremental swings and motions.

REFORM POST-2018 ELECTIONS

Imran Khan was elected to the top office in the polls held on July 25th, 2018 to implement economic, political and administrative reforms, establish a polity based on the tenets of good governance and curtail corruption through increased transparency and a robust system of accountability. Good governance and reform are clichéd terms within the political, parliamentary and administrative² discourse of Pakistan. These terms sound banal to the generations that have inherited them. To the millions of young voters that elected Imran in 2018, understanding of the term 'reform' and lending a certain meaning to it was a difficult undertaking. Reform meant so many different things to different people leaving the electorate and its government confused and at times divided over what it was elected to do and what it can do given the multitude of policy issues and dearth of resources. This confusion meant that reform was only being used as a political slogan and there was little consensus on the kind of reform that the electorate wanted to see and that the government could undertake.

Many political parties around the world have promised reform, especially in the aftermath of the Arab Spring, when populist and reformist politics assumed centre stage and took the entirety of Europe, Middle East and certain parts of Africa and South America by storm. But unfortunately, reform in its true sense seems to have eluded these regions. Similarly, in Pakistan, reform hasn't occurred in the past – and it was not able to during Imran Khan's term. The PTI reviewed the performance of some sectors of the economy after its first 90 days in office and made its observations public. In some sectors, it expressed its intention to reform but that is at best where things stood after 90 days (the time Imran wanted to use to make a Naya Pakistan). If there is one word that can be attributed to what the government achieved not just in 90 days but over its entire tenure of 03 years and 09 months, it is 'review' and not 'reform'.

A close examination of events that took place in the first 90 days of the PTI government points to the presence of total confusion with the government ranks. It struggled to conceptualise the kind of reforms that should happen, the resources that need to be allocated and the institutions that shall be made responsible. These are critical public policy questions that incoming governments usually have to confront but veritably those that are elected against promises of quick, effective and immediate reform and by virtue of these, invariably tend to set unrealistically high standards for themselves.

REFORM: IDENTIFYING OPTIMAL INITIATIVES

Reform can happen at the centre, in the provinces and in the districts. A reform plan can be formulated at the federal tier, which can then be vertically devolved to the provinces and the districts; and some level of reform can then be implemented horizontally within the federal institutions. However, many a times, politicians imagine and promise grand reform ideas that are either not achievable within the existing capacity of the institutions or find some kind of resistance from within key state institutions leaving them with only two options: either scrapping the reform idea(s) altogether or finding ways to override institutions and work their way outside the institutional architecture. This often leads them to devise parallel systems that fail to be sustainable, offend the legal or regulatory system, or create frictions with some institutions that come in their way. Their belief that they can use their power to run past legal and regulatory roadblocks and sweep self-imagined reforms across various institutional mandates and actors often results in conflicts, leading to suspension of reforms and a return to an earlier state or a state even worse than that which was present prior to the reform process.

Having established that institutions play a vital role in thwarting or passing the reform agenda, politicians who believe that institutions act conservatively by not letting positive reforms see the light of the day could then consider beginning their reform agenda by conceptualising reforms that need to be brought to the institutions. That could include ‘soft reforms’ like reforms to the internal rules, such as The Rules of Business, 1973 that govern many key institutions like the Cabinet, establishment divisions and the Ministries of Law and Finance. It could also include harder reforms, i.e. those applied to the structure of these institutions. This could also mean changes to the rules that determine the structural aspects of these institutions, although these reforms take the shape of more visible and conspicuous changes.

A big structural change is to think of how civil servants will be recruited, trained and utilised within the existing structures and how their role will evolve if the structures change. How should the civil service function within institutions and how will changes to the civil service rules manifest in changes to these institutions? Therefore, a reform that cuts across all institutions and would be important in driving change is civil service reform. Should it then be useful for politicians to start reforming the civil service before they aim to implement their ambitious reform plans that come into contact with institutional capacities, interests of actors and bureaucratic inertia? As the literature suggests, most scholars assume that this is a good starting point and have taken the liberty to assume that civil service reform is a good representative of the larger reform process.

‘SIVIL SERVICE’ REFORM

Reforms of Pakistan’s civil service resemble my ‘reform’ of the words Sivil and Cervice in the title so that they are only spelled differently but give out the same sound and perform the same function (give out the same meaning) as ‘civil’ and ‘service’. The work that the bureaucracy essentially does, the structure under which it delivers and the compensation it receives have hardly been subjected to any substantial reform. Superficial changes adopted by the government have remained unsuccessful in disturbing the incumbent order. Reforms proposed in the past were restricted to the mere renaming of the service groups or to a revision of the criteria for joining the service; therefore, one should not expect optimal efficiency levels following similar reforms in the future – these results of past initiatives are painfully visible.

If one reads into the history of Pakistan’s civil service reforms, it appears that they have been designed unimaginatively. One can also find a certain lack of diversity – so much so that virtually all reforms pursued in the past can comfortably be placed into three equally unyielding categories. Interestingly, when one reform category failed, the government applied reform to the other –

vacillating aimlessly between the three categories. This is a classic case of regression of the civil service that has tried once too many times to break out of the structures and practices of the British bureaucracy that the colonial power established, as Shashi Tharoor would put it, to support and mask its plunder of resources and extend and fortify its reign over the subcontinent. Clearly, it did not do so to serve the people – like those in contemporary western democracies are meant to.

The first category is what I call a ‘semantic reform’. This is where reform goes only as far as to propose nomenclatural adjustments to the service groups, changing the public’s idea of what each service group is mandated to do. In reality, however, the work and the structures under which they operate remain more or less the same. The District Management Group (DMG), once considered the linchpin of the service and one that has flourished to allow itself an expansive role in the functioning of the bureaucracy, was renamed the Pakistan Administrative Service (PAS). The productivity of the service, the jobs that its officers performed or the results expected to be achieved remained largely unchanged. The name-change addressed the challenges that its officers faced in securing federal and provincial postings given that the word ‘district’ that defined its primary jurisdiction was removed from its name.

The second category is a ‘dumper reform’; reform that lifts power from one bin and dumps it into another. This involves disturbance of the power equilibria and shifts power between state institutions, notably the bureaucracy, the political elite (parliament) and the military, through the adoption of certain legal and regulatory instruments that allow one institution or a group of institutions greater authority over the other/s. An instrument used frequently is the local government ordinance (LGO). The LGOs have regularly been used as a tool to define the role of the local governments, alter power sharing dynamics between the local administration and political executive and contain the bureaucracy – setting limits to the powers and authority it wields over civil administration.

¹ <https://dailytimes.com.pk/339067/review-aka-reform/>

² <https://dailytimes.com.pk/327739/ppp-party-of-masses-sacrifices-and-tragedies-ii/>

The 2001 LGO weakened the bureaucracy by empowering the district nazims (elected mayors) against the deputy commissioners (DCs). In fact, it went on to abolish the office of the DC to replace it with the toothless office of the district coordination officer (DCO) that was supposed to act under the command of the district nazim. Magistracy powers of the DC were also withdrawn which could not be completely returned even after the passage of the local government ordinance of 2013 that, ironically, sought to restore powers of the bureaucracy to improve local governance and decision-making that had suffered quite badly at the hands of the inexperienced local political representatives.

The third is a 'recruitment reform', where the hiring criterion of the human resource is changed to attract a different – maybe more relevant and efficient – set of skills and expertise in the service. A law or criminology graduate will only be allowed to sit for the Police Service entrance examination while a public policy or administration graduate would be allowed to sit for the Pakistan Administrative Service examination. While this would enhance specialisation, it would require a total rethinking of the positions that the civil service generally hires for. Most of the positions that these civil servants are hired require managerial skills regardless of the technicalities involved in the underlying service that their department provides. The big question therefore is if such reform to the civil service should be accompanied by earmarking specialised positions that civil servants should occupy and also conceptualising in advance the structural changes in institutions that will be required to create such positions to enable their onboarding and success.

IS REFORM REALLY NEEDED?

With so many civil service reform ideas floating around and even applied unsuccessfully or tabled in the past, one must question what is particularly wrong with the civil service that demands reform? This is a question that will invite several observations but none particularly convincing. Not because the proposed reforms do not exist but because there lies no evidence for them to exist. One observation is the low productivity of civil servants. But do we have productivity numbers for what civil servants produce in an hour of work, or whether their utilisation of public funds lags behind a fiscal benchmark by a certain percent? Since there is no real evidence of civil servants slacking, the basis of a civil service reform is weak and poorly founded. Another counter argument is that certain groups or departments within the service may be doing well enough to not deserve any reform applied to their structure or functioning. Do these arguments imply that reform must not take place? No, they imply that they must be carefully designed with a strong focus on what can be done given the existing state capacity and where the reform is most needed.

Lastly, one thing that reform-aspiring governments must always realise is that while many reforms they propose seek to cut down expenditures and costs, reforms have a cost of their own and implementation of an ambitious reformist plan may involve higher spending and financial outlays. Think about austerity, a reform meant to cut down fiscal deficits, which inevitably leads to massive growth opportunity costs. Pandering for reform in a state like ours that is constantly finding it hard to find its feet is natural, but many of us call for reform because it's a value-laden phrase that was popularized and lent credence by right-wing populism but also distorted and trivialised by it.

We need reform but have to imagine it outside the influence of such political currents.

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THE UNFINISHED AGENDA OF PARLIAMENTARY REFORMS

Ahmed Bilal Mehboob

Pakistan has a parliamentary form of Government with two houses of parliament, the National Assembly as a popular house and the Senate with equal representation of the provinces. The 15th National Assembly was dissolved by the Prime Minister on the 9th of August this year, just three days before it was to complete its 5-year term. The election for the National Assembly is scheduled for the 8th of February, 2024. The Senate is a perpetual house with 50% members retiring every three years. The next election of 50% Senators is due in March, 2024. The provincial assemblies of the four provinces will also be elected along with the National Assembly on the 8th of February.

The foremost challenge which the Parliament and provincial assemblies face is in the form of a significant gap between the functions of its members as outlined in the Constitution and assembly rules on one hand and the expectations of their voters on the other. The text book description of functions of parliamentarians involves legislation, including the passage of the finance bill and accompanying annual statement of budget estimates (commonly known as the Budget), oversight of the Executive through parliamentary committees and otherwise, and representation of the aspirations of voters while debating domestic issues and international relations.

Because of the peculiar state of governance, voters expect their elected representative to intercede on their behalf with the administration at local, provincial and national levels to arrange for jobs for their children, ensure their own promotions and transfers, facilitate their access to loans, admit their children to good schools, obtain approval for local infrastructure projects like a road or water supply scheme here, a school or basic health unit there. Since quality of governance is bad and majority of voters are poor and uneducated, common people need the support of a strong person like an elected representative to plead their case with the administration and local police to get the official response that they were entitled to anyway. The result is that most voters do not evaluate

the performance of their elected legislator on the basis of the activities within the Parliament such as proposing a legislation, holding the executive to account in the committees or making a well-prepared budget speech in the House; he or she is assessed on the basis of the number of 'tasks' performed in the administrative offices and police stations for his or her voters. In addition, the legislators are also expected to be present at the voters' children's weddings and their elders' funerals. Absence of elected and effective local governments has exasperated the pressure of voters on MPs. This is obviously an issue that can be addressed through long-term measures such as improving the quality of governance and education levels of citizens but a marked improvement can be seen by instituting empowered and effective local governments to attend to the local problems of the electorate and free up legislators' time to attend to their real business – legislation, oversight, representation and budget scrutiny.

The second huge challenge is that members of Parliament are almost constantly under the pressure of intelligence agencies to vote in a certain way. It is not long ago that the former Prime Minister Imran Khan admitted on more than one television show that he used to seek the assistance of intelligence agencies to ensure the presence of MPs at the time of voting on important legislations and the budget and to ensure that the members vote for the government bills. In case the government does not enjoy good relations with the intelligence agencies, the same MPs will be coerced to vote against the government bills and budget and even vote against the government on a no-confidence resolution to oust it from power. This is exactly what happened in Pakistan about two years ago. This pressure on legislators saps all energy, initiative and self-respect from legislators and they participate in parliamentary proceedings only when pushed to do so. It is the primary reason for extremely poor levels of attendance in the Parliament and provincial assemblies – with the even a 25% rate (required to call a parliamentary sitting) difficult to ensure. It goes without saying that parliamentarians should be allowed to conduct them

selves freely and without any pressure. It is insulting the people's mandate to manipulate elected representatives through blackmail and threatened use of force.

The Parliamentary Budget Process is one big farce as most of the parliamentarians do not get time to go through the voluminous budget documents and they are made to participate in the budget debate and vote without any understanding of the budget proposals. As a result, parliamentarians generally speak on constituency problems or general issues during the budget debate which have no relevance to the budget and development programme. The parliamentary budget process, therefore, needs to be reformed as per the following points. One, grant ample time to the Ministries-related Parliamentary Standing Committees to scrutinise the budget of the concerned Ministries or Divisions after the budget is presented. Currently, the budget is not referred to committees and the whole debate takes place in the plenary which prevents members from having the opportunity to study the budget in detail and scrutinise the proposals. This will naturally mean that the period between the presentation of the budget and its final passage by the National Assembly has to be extended to about 30 to 60 days – significantly higher than the current 14-day average. Parliamentary committees may seek input from various institutions relevant to their scope such as Chambers of Commerce and Industry via the Committees on Commerce and Industry. Similarly, the Committee on Education can interact with civil society groups such as teachers' associations while scrutinising the education budget. Pakistan Medical Association and Pakistan Medical and Dental Council can be consulted on the Health Budget, and so on.

The present powers of the Executive as provided in Article 84 of the Constitution to unilaterally alter the Budget that is passed by the National Assembly needs to be withdrawn or at least curtailed. Prior approval of the National Assembly should be required to make changes to any passed federal budget. In the case of an emergency, prior approval by the National Assembly Standing Committee on Finance should be the minimum requirement of altering the approved budget.

The prevailing System of Voting on bills and other matters is still dependent on the archaic 'Voice Vote'. The electronic voting system already available in the National Assembly should be activated to record the names of the legislators who voted for or against a bill or an issue. This information should be made public so that the citizenry at large is aware of the voting patterns of their elected representatives – as is the case worldwide.

The System of Attendance of Honourable Assembly Members needs to be streamlined to reflect the factual attendance of members.

Most of the legislation is provided in the English language without sharing Urdu versions, which creates a serious handicap for a large number of MNAs who feel more comfortable in reading and reviewing laws in Urdu.

Despite promises made by successive Prime Ministers, the National Assembly has not changed its rules to initiate a Weekly PM's Question Time where PM must address questions from MNAs, as is the practice in many other parliamentary democracies.

Assemblies' Secretariat should compile an Annual Report in line with the practice being followed by the Senate Secretariat. The National and Provincial Assembly Secretariats should also compile and make public comprehensive Annual Reports of the respective Assemblies. The performance of the Parliamentary Committees should also form an integral part of the report. The report should also provide the status of implementation of National Assembly Rule 20I (6) and (7) which provides opportunity to the Standing Committees to give recommendations to concerned Ministries and Divisions of the Federal Government regarding the Public Sector Development Programme (PSDP).

Finally, a culture of transparency must prevail in the elected legislatures. The information regarding the performance of the legislatures and their various committees should be readily made available to the interested public and, ideally should be pro-actively uploaded on the website of the legislatures.

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UNMASKING THE HIDDEN COSTS

Ajmal Kakar



In the corridors of power in Pakistan, a financial challenge of staggering proportions lurks beneath the surface—an issue stemming from unnecessary expenditures and an abundance of nonproductive government employees. As politicians take pride in appointing their favourites to public sector roles, the burden ultimately falls on the taxpayer, who remains voiceless in the process. Yet no one looks at what the cost of this dirigiste politics is! Not only are most political employees generally employed in positions where they are not productive, they are also a drain on the budget. An employee when hired represents a stream of commitments from the budget for her lifetime and beyond that, granted guarantees of lifetime employment, pensions and pension to surviving widows as well as unmarried daughters – besides all the invisible benefits.

According to the Pakistan Bureau of Statistics, the latest headcount of federal government employees stands at a staggering 1,374,911 as of December 2022. This number includes civilians, armed forces and autonomous/semi-autonomous corporations.

The financial implications are daunting, with the cost of paying these employees reaching approximately Rs. 3 trillion, and pensions adding an additional Rs. 1.5 trillion to the burden. Project workers, government company employees, and others contribute an estimated Rs. 2.5 trillion, while the military's wages and salaries consume around Rs. 1 trillion.

In a recent study by the Pakistan Institute of Development Economics (PIDE), under the leadership of Dr. Nadeem Ul Haque, the invisible costs or benefits associated with public servants are brought to light. The financial benefits, excluding salaries and pensions, for class-4 employees (BPS I-4) average around Rs. 9.7 million,

with an operational cost of Rs. 10.8 million, resulting in a total undocumented cost of Rs. 20.5 million. Supporting staff (BPS 5-16) fares even higher, enjoying an average of Rs. 40.9 million worth of benefits, not visible in their pay slips. Meanwhile, the perks and privileges of BPS 17 and above skyrocket to an average of Rs. 470 million, shattering the common perception of low salaries in the public sector.

These perks and benefits of civil servants are contradictory to the common perception of low salaries in the public sector. In fact, there are a lot more which never are reflected in their salary slips. These in-kind benefits, which have never been accounted for in the total cost of public servants includes Special Allowances, Medical Reimbursement, Job Security Discounts. Similarly, operational expenses (non-salary expenditures) such as the cost of physical space, cost of electricity, cost of telephone and internet, maintenance cost, cost of security for office space, etc. have never been considered as a cost of public servant. The PIDE study argues that if these in-kind benefits were monetised, it would dispel the myth of low public sector salaries.

Furthermore, the study estimates the length of service for public sector employees and the corresponding years of financial liabilities to the government. On average, class-4 employees serve for 39 years if they retire in 60s, and 25 years of services if they retire after serving 25 years - with government liabilities extending to 53 years. On average supporting staff (BPS 5-16) serves for 32 years, with liabilities for 47 years, while BPS 17-19 employees serve for 29 years (if they retire in 60s), with government liabilities persisting for 44 years.

In Pakistan, high-ranking officials often make politically

motivated appointments without assessing the actual need or planning. These poorly executed recruitments not only fail to enhance public sector performance but also burden the government economically. Inefficient recruitment procedures contribute to the low productivity of government departments, particularly autonomous bodies. The costs of such recruitment can be substantial, both in terms of financial losses and the opportunity cost of lost opportunities. Political governments in developing economies often stem from a combination of political motivations, short-term focus, lack of economic expertise, and societal expectations. While immediate job creation can have positive effects, it's crucial for governments to also consider the long-term financial implications and strike a balance between short-term gains and sustainable fiscal policies. Though it might not appear initially, however, when an employee is recruited without any analysis, we are not looking at immediate salary that shall be paid to that person; we are looking at the burden that taxpayers must carry until that employee or his next of kin is receiving pension.

The findings of the study underscore a critical need for a reevaluation of the public sector's financial structure. While the public perceives low salaries, the hidden costs and benefits reveal a more complex reality. The burden on the budget extends far beyond salaries and pensions, encompassing a myriad perks and privileges that contribute significantly to the fiscal strain. As Pakistan grapples with economic challenges, it is imperative to scrutinise and address the intricacies of public sector expenditures. This calls for a transparent dialogue on the true costs of government employment and a collective effort to streamline resources efficiently. Only through a comprehensive understanding of these hidden costs can we pave the way for a more fiscally responsible and sustainable public sector.

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ECONOMIC POLICY





KILL TRANSACTIONS, KILL ECONOMIC GROWTH

Nadeem Ul Haque

Shopping malls are empty, consumer businesses are reporting losses in double digits, people are losing jobs while new ones are not available, and new investment is not happening. This is not a downturn in the economy. It is merely the culmination of amateur hour in policy-making that donors and the bureaucracy have combined to develop for decades.

The thirst for taxation has driven the economy to the ground. Economic activity is now gasping for air – despite decades of research having clarified the principles of taxation.

- A tax system must be simple and clear.
- It should not seek to tax different goods and services differently to allow all consumer and investment decisions to be based on market realities.
- Tax rates and policies should be stable and not changing in minibudgets every few months, forcing all to speculate on tax policy.

Tax administration is a collection agency, not an intrusive and oppressive bully using the power of collection to ruin your life as well as extract rents from you. Systems are used to stop anyone from cheating the government including the tax man. The tax man is not allowed to treat citizens as thieves and bully them into submission or bribery.

Over the past 40 years, the Ministry of Finance and FBR have spurned these principles and have sought taxation like the medieval tax farmers that kept their populations in perpetual deprivation. They arbitrarily tax whatever they can see. They call indirect taxes withheld income taxes with the full intention of never returning the withheld tax. They nurture the narrative of 'tax thieves' for their countrymen to cover up their incompetence and venality.

FBR collects little tax having farmed out tax collection to withholding agents, banks, utilities, schools, telecoms,

etc. — yet it has wide-ranging powers with no accountability. As in medieval times, trade, entrepreneurship and economic activity spends time, effort and resources to hide from this predatory and thoughtless government. In Pakistan, the informal market grew similarly, not as thieves or smugglers but as people looking to make a life for themselves beyond intrusive tax farming.

Thanks to migration, the middle classes grew in every corner of Pakistan over the past 40 years. Policy impeded but enterprise of the migrant and their families generated wealth and commerce everywhere. Land values went up as the dispossessed now found wealth to buy a house and perhaps set up a shop.

This informal economy grew to provide the ‘tax hunters’ — donors, MOF, FBR and their followers — with more excuses for predatory taxation. They raised the spectre of documentation and an apartheid between the filers and non-filers. The poor migrant, building a life from a high propensity to save are considered to be thieves and precluded from accumulating wealth by an uninformed and thoughtless policy.

For the last decade, the MOF and FBR have virtually waged war against the small saver who is investing in real estate and the small trader who is making a living by setting up a small business. Their ally in this fight is the big industrialists who were raised under licenses and subsidies, then thrived on state protection and bureaucratic favours such as tax exemptions, favorable input prices and sovereign guarantees.

The upshot of all these policies is that the state is now taxing all manner of transactions arbitrarily while also imposing huge documentation costs. Real estate has been particularly singled out to virtually stop all transactions.

Migrants and small savers have for decades bought plots in housing schemes that the state promoted over the past five decades. Development was delayed by decades as collusion between regulator and developer defrauded investors on many levels. 30–40 years later, some of these are maturing not because of any effort by either the regulator or developer. The natural urbanisation process made these properties valuable.

The government is now busy maligning this investment as thieving and informal. Without any evidence, all the government wants to do is tap into the capital gains of small savers whose investments have taken decades to mature. No apologies for the failure of regulation or the failure of courts to guard contracts; and no punishment for malfasant developers. Instead, government is busy abusing savers and cheating them out of gains that they waited decades for.

Similarly, people who have attempted to set up a small business are forced out of the arena by government policy or asked to contribute way more than they earn.

Any entrepreneur rising out of poverty has to face the calumny of the state be being called ‘informal’ — another word for thief.

Hafeez Centre in Lahore is full of clever entrepreneurs who adapt to market needs to provide software, computers, mobile phones etc. Most of them are small business owners with shops less than 100 square feet. Their revenues have dried up with the recent push against mobile phone import into the country as well as harsher checks on the informal economy. There are many such centers for small entrepreneurs in every city. I recently checked some of them in Lahore and they are hurting for business. Why are those who are lifting their heads out of poverty being called names and targeted?

Government and its advisers need to change their analysis and make it more evidence based.

- They must understand that an economy is a set of transactions and more transactions mean higher economic growth.
- It is a fallacy to think that the government knows which transactions are ‘better’.
- Taxing transactions beyond a simple GST or VAT is inefficient and counterproductive. It will kill transactions and slow down growth.

It is time that the government stopped making policy on rhetoric alone. There are no good and bad transactions; nor is documentation a tax on transactions. The primary reason for much of the legal framework and government machinery is to facilitate transactions.

There is a clear need to be a transaction facilitating government rather than a transaction blocking government. The economy is shrinking because of this policy of suspicion on all transactions. If the government wants to revive the economy, it should carefully review all policies to weed out those that are impeding transactions.

Policy should remember: kill transactions, kill economic growth.

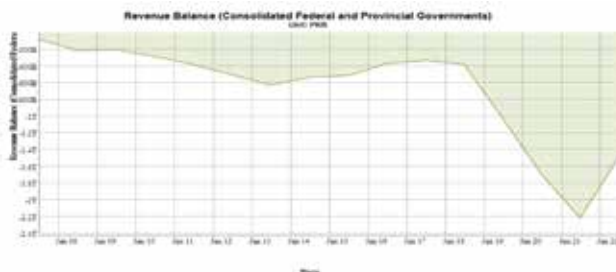
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FISCAL MANAGEMENT IN PAKISTAN: THE WAY FORWARD

Mahmood Khalid

Pakistan's economic difficulties are generally described in terms of balance of payments imbalances and insufficient foreign exchange reserves. However, the conjoint fiscal crisis which has historical roots and is further worsening, is often neglected. Because of the chronic twin deficits, which periodically erupts, Pakistan has to approach IMF for relief and stabilisation support. These programs provide emergency ward assistance for macro-economic stabilisation but do not prescribe long term solutions. Because of these stop-gap arrangements the endemic fiscal crises remerge with even more force; which again leads to engagement with IMF on even harder conditionality. This naturally results in continually worsening fiscal positions and the obstruction of economic growth through fiscal policy interventions. As it can be seen from the figure below, the gap between revenue and expenditures is widening in each next fiscal year at an exponential rate.



Source: www.sbp.org.pk

In the given circumstances, budget making for Pakistan – which has always been a challenge – becomes quintessentially important. It has to set a clear direction for the economy with the goal of macro stability along with fiscal sustainability in the coming years. Despite enacting the comprehensive Public Financial Management system under the PFM ACT-2019 and vetting by parliaments of all governments across Pakistan (Federal and Provincial), optimal fiscal management unfortunately seems a far-fetched dream. The fiscal management seems to be just an accounting exercise, with complex and cross cutting statutory guidelines for public financial management (15+1 guidelines¹). These complex layers of rules and procedures cripples the system and obstructs the move to performance based budgeting – which would unleash the economic potential of ideal fiscal management.

¹Constitution of Pakistan 1973, Federal Financial Procedures, Public Finance Management Act- 2019, Fiscal Responsibility and Debt Limitation Act, (FRDLA) 2005, NFC orders; President's Orders No. 5 dated May 2010 and No. 6 dated July 2015, Public Debt Act 1944, General Financial Rules (GFR), Federal Treasury Rules, The Rules of Business, 1973, Rules of Procedure and Conduct of Business in the National Assembly, 2007, Rules of Procedure and Conduct of Business in the Senate 2012, Public Accounts Committee, System of Financial Control and Budgeting 2006, Roles and Responsibilities for Budgeting, State Bank of Pakistan and its Agents etc

Besides this, there are operational problems on ground which also severely compromise the outcomes and hinder the movement towards achieving fiscal sustainability as a goal. We see it in many instances; for example, besides the public investment already having a negligible multiplier² the financing for it is even a bigger problem. Throw forwards for PSDP are so severe that the existing project portfolio financing would require that no project is initiated for the next 11 years and PSDP is funded by the average value (600 Billion Rs)³. Similarly, in other fiscal management areas such as pensions we observe multiple erupting crises, eroding the confidence in Public Financial System for the country⁴.

The second important question in fiscal management is on tax policy. Ministry of Finance sets illusive tax-to-GDP targets, and FBR is required to meet these through arbitrary measures. Growth and employment are left primarily to some PSDP-funded projects. Taxation policy does not follow principles of fairness, certainty, efficiency, and convenience, leading to a policy environment that is killing transactions while pursuing tax targets. Mini budgets and fragmented sales taxes have increased uncertainty. Further excessive documentation raises the cost of compliance too; PIDE estimated⁵, on average, for each business the annual compliance cost is Rs. 250,000+ irrespective of the business size. Tariff policy has strangled competition and growth, with the average effective tariff rate (11.2%) being the highest in the region. Overall higher tax rates (Anti-Growth⁶), narrow bases, differential treatments, and exemptions hinder economic growth and the flow of revenue. PIDE Growth Commission presented The PIDE Reform Agenda for Accelerated and Sustained Growth in April 2021 which identifies that the current tax policy regime is full of complexity, excessively focused on documentation for no purpose and misses the fundamental requirement of growth⁷.

Another dimension of Fiscal Management in Pakistan is the number of government entities generating the demands for grants for expenditures. It is pertinent to explore the criteria on which these demands are made. For the FY 2022-23 there were 82 federal spending entities who sought budgets against their spending needs – out of which 10 were charged (not discussed in parliament/not voted) and 4 new entities were added. There is also a list of attached departments and autonomous bodies which are provided with public money through the same spending entities. Besides these, according to the last report of the Ministry of Finance (Finance Division, GOP, 2021) there were 212 SOEs working in various sectors of the economy all across Pakistan. As per the government policy (provided in Federal Budget Books), in case of losses of State Owned Entities (SOEs) the government will provide financial support to SOEs in the form of guarantees, grants, loans, equity investments etc. if the situation so warrants. Whereas the losses of SOEs continue, provision of financial support by the government impacts fiscal operations considerably because of mounting circular debts and invoked guarantees.

Finally, one way to deal with the issues described above is to develop fiscal responsibility laws – which will allow complex government operations to be dealt with in a prudent and efficient manner due to their capping and oversight principles. However, that is only possible if these laws are independently and vociferously followed. For Pakistan the situation is precarious; there exists a law, Fiscal Responsibility and Debt Limitation Act, (FRDLA) 2005, amended in 2016; but its implementation for prudent Public Debt Management is absent. Several key fiscal policy decisions are made through SROs at arbitrary times during the fiscal year, creating an atmosphere of uncertainty and perceptions about rent seeking. One such case is the FBR Tax expenditures (estimates of tax Waivers-Policy Revenue Gap). From a small value of Rs. 35 billion in 2000s it has swelled to 1.5 trillion rupees in FY 2022-23.

²Doing Development Better: Analysing the PSDP, Nadeem ul Haq, The Pakistan Development Review, 59:1 (2020) pp. 139-142.

³Reforming the Federal Public Sector Development Programme, Muhammad Ahmed Zubair, Shahid Cheema, Zeeshan Inam, Mahmood Khalid and Ahsan ul Haq Satti, PIDE working papers, No 2023/10.

⁴Fiscally Sustainable Pensions in Pakistan, Mahmood Khalid, Naseem Faraz and Ayesha, PIDE working papers, No 2023/9.

⁵PIDE Macroeconomics Section (2020), "Growth Inclusive Tax Policy: A Reform Proposal", PIDE Research Report, June.

⁶Higher Taxes Reduce Economic Growth: Overwhelming International Evidence, PIDE Knowledge Brief, No. 2020:14, August

⁷The PIDE Reform Agenda for Accelerated and Sustained Growth by RAPID, PIDE Research Report, 2021.

What is the way forward? What are the opportunities to reform? There is no mathematical answer to this complex question. However, PIDE has been endeavoring to generate evidence for recommending steps to do Fiscal Policy Better. Some of the key reform areas are provided below:

1. Making Planning Commission independent. An independent and professional entity can play a pivotal role in refocusing Fiscal Policy to facilitate growth both in short and long run.
2. Improving the Budget Making Process. Recurrent and Development budget process has to be aligned with Public Financial Management best practices. PFM Act-2019 needs to be implemented by developing required manuals and capacity building.
3. Prudent Debt Management. Public debt management needs to improve both institutionally as well as exploring better options for debt raising.
4. Doing Development Better. Refocus the PSDP from infrastructure-hardware to software of the economy through implementing result based frameworks (RBM) such as the Public Investment Management (PIM) system of World Bank.
5. Solving Public Sector Enterprises (PSEs) conundrum. Triage report of Ministry of Finance needs to be implemented after comprehensive homework.
6. Pension Sustainability. Move toward the Defined Contribution System of Pensions, thus, making pension payouts sustainable in the long run.
7. Taxation Policy. Pakistan urgently needs a clear and consistent tax policy that outlines the objectives, rationale, and methods of taxation. Tax policies should promote investment, economic growth, and fairness, avoiding arbitrary changes driven solely by revenue targets.

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RESTRUCTURING AND RESCHEDULING OF EXTERNAL AND DOMESTIC DEBT

Shahid Kardar

The servicing of the external and domestic debts confronts us with a dilemma. Their servicing in the foreseeable future will be a huge undertaking; the stock contracted in the first 67 years since independence has doubled in the last 7 years to reach 40% of GDP. The prospects of the economy generating the resources to discharge the obligations that have to be defrayed in the near future do not look auspicious. In fact, the level and servicing of these debts represents an existential threat, looking increasingly unsustainable. The Gross Public Debt today is 667% of Revenues against an average of 214% for more than a dozen comparators, while the external debt is 232% of exports of goods and services as against the average of 64% for these comparators (Syed Ali Abbas, Pakistan Society of Development Economists Conference, Multan November 22, 2023). And the external servicing of total debt in 2022/23 was USD 20.8 billion, 58.6% of exports of goods and

services, of which the share of government plus government guaranteed debt was USD 18.7 billion. The prospects for recovery depend on progress of restoration of the debts to manageable levels.

So, what are the possible options available for rescheduling or restructuring of this external debt?

To begin with there is need to recognise that debt restructuring is complex and has to be part of a broader reform plan, requiring clarity on where the debt restructuring fits into the proposed reform strategy. There are no quick fixes or short-cut solutions. And seeking debt relief is a chastening experience with the agreed policy actions painful, especially for low-income households. Whereas roughly 30 low-income countries are facing debt servicing issues, only 4-5 have, to date, sought restructuring, with negotiations having taken more than one year to conclude.

Much of our debt (44%-50%) is owed to multilaterals (IMF, World Bank, ADB). A significant proportion of this debt is at highly concessional rates, which makes these institutions preferred creditors, whose lending cannot be restructured or rescheduled under the present scheme of things.

In the case of bilaterals, the stock of debt of the Paris Club members (OECD plus Japan) that was eligible for rescheduling in 2001/02 is repayable in the latter half of the twenty thirties (2030s). This leaves us with the Chinese, Saudis and UAE (who are not a members of the Paris Club) and commercial debts (20% of total debt) to deal with. So far, the Chinese have only been rolling over repayments as and when they become due. Another complication is how to categorise a Chinese lending institution - bilateral or commercial.

As for the commercial debt, it will require the umbrella of the G7 to get negotiations underway - easier said than done. They charge risk premium interest rates but still insist on being paid in full and are legally covered by NY laws. There is also the complication of the seniority principle likely to be invoked in the case of Foreign Currency Swaps and Saudi and UAE Deposits with the SBP.

And the Sri Lankan and other countries' experiences suggest that there will need to be transparency and parity in debt restructuring treatment of major creditors, consistent with IMF's debt sustainability analysis (i.e. the country has to be in a Fund program).

However, even to be able to seek some write down of the external debt or its rescheduling/reprofiling will, to enable the building of a case with the creditors, require a) us to present our plan of the reforms (somewhat along the lines detailed in this paper) that we will undertake to demonstrate to the lenders our commitment to prevent the return of the conditions requiring debt relief; and b) similar adjustments that will have to be made in domestic debt.

And the case of domestic debt is equally stark. The servicing of the interest on this debt (which consumes 90% of the annual budgetary allocations for interest payments) requires mobilisation of a primary surplus of more than 7% of GDP! The reduction (or liquidation) of this debt will require a gradual approach, involving a combination of negative real interest rates, a moratorium on or suspension of interest payments for say two years, some extension of the maturity periods and even some write-down of its face value. The fourth/fifth option, although not the ideal way forward, could be a higher tax rate on bank incomes.

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A PROACTIVE AND PRO-PEOPLE POLICY FRAMEWORK

Ammar H. Khan

Pakistan continues to run perpetual fiscal deficits, plugged by an increasing quantum of debt. Fiscal deficits remain a function of incessant expenditures, being serviced by a largely unchanging pool of revenue sources. Despite resource constraints, policy makers continue to operate an expansionary fiscal policy without any due regard to how such expansionary policy will ultimately be financed. Plugging deficits borne out of inefficiencies and bad governance have led to a point where cost of borrowing has spiraled, making it even more difficult to plug deficits and transition towards macroeconomic stability.

As fiscal policy continues to be expansionary unabated, effectiveness of monetary policy tools continues to diminish, with an increasing cost of debt being a market-driven constraint that can pull back a never-ending spending spree. Over the last many years, fiscal and monetary policies have not been in alignment, and neither is there any coordination between the two. The contemporary notion is that monetary policy cannot work in a country like Pakistan, but then it starts working as supply of liquidity to fund a perpetual deficit gets constrained, and the cost of capital increases substantially. This eventually leads to a weakened currency resulting in runaway inflation, which takes many quarters to be tamed through a coordinated policy mechanism – if such a mechanism is not in place, then inflation continues to erode real purchasing power and disposable incomes, creating a natural constraint to restrict unabated spending.

The policy disconnect cannot continue for long until it catches up in the form of excessive inflation. A central bank that has rarely been able to achieve its inflation target, either because it is too reactive, or because it is too constrained to be proactive does not help. We need to rethink policy making in a way that we stop fixating on the short term, and have a more medium to long term view of the economy. A myopic view leads to knee-jerk policy decisions which do solve the problem in the short term but create a much bigger problem in the mid-to-long term. An expansionary fiscal policy that led to the creation of power and gas circular debts is a manifestation of the same.

Extending the orientation of policy making towards a mid-to-long term horizon is critical to ensure any macroeconomic stability. The first order of business is to reduce inflation to bring it within its target range, and that cannot be done with a sovereign that continues to borrow to fund its expansionary fiscal policy. The fiscal policy needs to be constrained such that it reduces its reliance on printing money to solve its fiscal problems.

Such problems need to be solved through fiscal tools, which can be either through reduction of expenses, or through expansion of the revenue base through a widening of tax net, without creating further distortions in the economy. In-effect, fiscal problems need to be solved by fiscal tools, and not through monetary tools. It is primarily due to the excessive reliance on solving fiscal problems with monetary tools that we have ended up in a position where ability to increase revenue in real terms remains constrained, while real incomes across the board are wiped out due to unabated inflation, eventually resulting in restricted ability to achieve any sustainable growth.

There is a critical need to ensure that there is coordination between the fiscal and monetary policies, and one does not follow the other as a reactive measure. A prudent fiscal policy which focuses on reducing the fiscal deficit will eventually allow monetary policy to be more effective in terms of generating desired results. Inability to achieve targeted inflation will continue to erode real incomes while being a drag on sustainable growth. The policy paradigm needs to be reoriented such that it is pro-people, and serves the future generations of the country. If the policy framework continues to serve a few thousand households, and a few thousand beneficiaries who capitalise from policy capture, then things are only going to get worse.

If the government is actually serious about enabling better outcomes for the people of the country, and their future generations, it must put in place necessary measures to ensure macroeconomic stability, followed by measured growth which is driven by productivity improvements rather than an influx of borrowed capital, or investments that impose a very high rent. Only a pro-people policy framework can achieve such goals, without which we will be stuck in a low-growth trap while our per capita income continues to stay flat, or even declines as population growth rate outpaces economic growth. A coordinated policy structured for the long-term is always better than a reactive policy that is solving the current problem without thinking about the unintended consequences of such a policy decision.

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REFORMS – MONETARY AND FISCAL

Salim Raza

I will only point to two areas, where, without fundamental reform in the principles for their management, our prospects for higher economic growth will remain bleak. One is the shrinking domestic resource base available to finance growth. The second is the misapplication of the NFA, where the overarching system for raising taxes is unwieldy and tedious, beset with misalignment of incentives.

DOMESTIC RESOURCE BASE

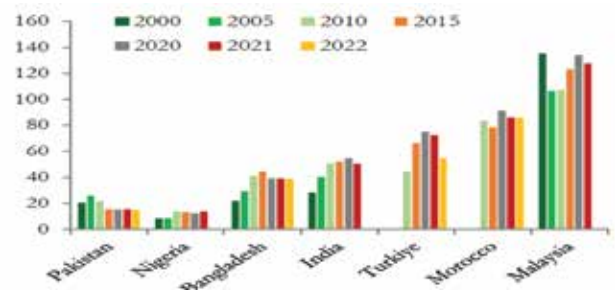
Pakistan has a severely constrained financial resource base. The country has managed to avoid financial paralysis through the liberal use of cash injections by the SBP, via Open Market Operations (OMOs) – in an amount now slightly more than total private sector credit to the private sector.

Two aspects of our financial profile are responsible for this state of affairs.

First, an outside ratio of Cash in circulation – at 40% of deposits, is a multiple of that in other, including developing, countries. Hence, we have a national bank deposit base that again is similarly small as a percentage of GDP.

Second, the government's near-complete reliance on banks for budgetary deficit financing, which has reduced the capacity of the system to finance the private sector, to about 25% of banks' lending capacity – from 75% 15 years ago as shown in Figure I.

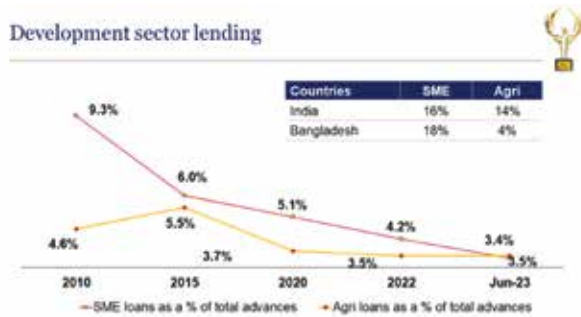
Figure I. Credit to Private Sector



Source: World Development Indicators and World Bank, 2022.

Unlike other developing countries, we lack entirely, dedicated development banks, that are usually public-sector managed. Since our commercial banks favour lending to the established corporate sector, the amount lent to the SME and agriculture sectors has declined to 7% of private sector loans as shown in Figure 2. This situation largely nullifies the role of the banking sector as an agent for development.

Figure 2. Development Sector Lending



There are several clearly identifiable and viable, steps that need to be taken to enlarge our financial resource base for development finance. I will only point out the headings involved, without elaboration.

a) The Government's debt-management office (DMO) lacks principled objectives, market knowledge, professional skills, and is a passive, debt-stuffing function. Some 80% of government TBs and PIBs are held by banks, and only 20% of government debt is fixed rate, long-term debt. The immensity of the burden imposed in having 80% debt at floating rates is evident as the government has borne the overwhelming cost of the rise in SBP's policy rate, from 6.5% in 2016, to 22% in 2022 during FY 24. Government's interest cost well exceeds net Federal Government revenue (Rs 7.3 trillion vs. Rs 6.9 trillion) as shown in Figure 3.

Figure 3. Government Resources and Expenditures

RESOURCES		EXPENDITURE (Rs. in Billion)	
Tax Revenue (FBR) - Federal Consolidated Fund	9,415	A. Current	13,344
Non-Tax Revenue	2,963	Interest Payments	7,303
a) Gross Revenue Receipts	12,378	Pension	801
b) Less Provincial Share	5,399	Defence Affairs & Services	1,804
I. Net Revenue Receipts (a-b)	6,979	Grants and Transfers to Provinces & Others	1,408
II. Non Bank Borrowing	1,906	Subsidies	1,064
III. Net External Receipts - Fed Consolidated Fund	2,724	Running of Civil Govt.	714
IV. Bank Borrowing (T-Bills, PIBs, Sukuk) - Fed. Consolidated Fund	2,860	Provision for Emergency and others	250
V. Privatization Proceeds - Fed. Consolidated Fund	15	B. Development & Net Lending	1,140
Total (I + II + III + IV + V)	7,605	Federal PSDP	950
TOTAL RESOURCES (I to V)	14,484	Net Lending	190
		TOTAL EXPENDITURE (A+B)	14,484

The most fundamental reform needed is the creation of a professionally managed DMO. Borrowing has to be broadened out of the banks to use the Stock Exchange as a channel for debt subscription; to the much greater use of Mutual and Money Market funds; use of Roshan to draw NRP investment; more Sukuuk issues to draw Islamic investors, etc.

b) Reduction of cash in circulation must be undertaken on a crisis footing. 100% digitisation of all government payments and receipts is necessary. The RAAST network involving direct interoperability between bank accounts will seamlessly facilitate receipts and transfers. Digitisation of all property records and all future transactions is also necessary, as property business is conducted with a large share of cash, to match understated property values. Crackdown and exemplary penalties for commodity hoarding will also reduce cash volumes. As some 90% of all retail payments in Pakistan are in cash, the enforcement of QR codes at all sizes of the 2 million plus retail outlets will significantly assist in reducing cash held for transaction needs. The transfer of cash to bank deposits, will, through the banking multiplier, lead to proportionately much higher (3x) growth in bank deposits.

c) Once the DMO function is professionalised, the government must issue LT debt in 5 and 7 year maturities, to enable the establishment of risk-free, liquid, sovereign debt peg points, that will then allow the corporate sector to move some of its debt out of banks, to the broad investor market, via the issue of fixed rate corporate bonds – not possible today, given the absence per-points.

There are a number of other peripheral matters related to the calculated suppression of cash domination.

COLLECTION RESPONSIBILITIES AND THE RECTIFICATION OF FEDERAL-PROVINCIAL TAX IMPOSITION

The current superstructure leads to misalignment of incentives for both the Federal and Provincial Governments, and is an impediment to efficiency and effectiveness of individual aspects of the national tax policy. There is a broad frame to address here, but in crude summary:

a) Due to inadequate regularisation of the devolution structure, the Federal Government bears responsibility for 66% of national taxes while it retains only around 40% of national tax revenues. This undermines the incentive for the federal government to raise taxes that are subject to the NFC sharing formula: to raise Rs. 100, the federal government will have to raise taxes by Rs. 235, building a bias to raise more non-divisible cash revenue.

Similarly, the Provincial Governments raise only 8% of national taxation. They are well-funded by federal transfers, and so greatly under-apply their own powers to raise taxes on agricultural income and property. Clearly, the Federal Government must make full transfer of all the expenses of the devolved departments, as well as the expenses it picks up on semi-autonomous bodies, such as the HEC and schemes like BISP. While this must be part of a broader discussion, it is suggested that it may be worth clubbing agricultural income tax with the monopoly of the Federal Government on income tax in general. Similarly, property taxes could be devolved to the Local Government tier, best suited and able to gauge, set and collect property taxes.

b) Overall, there are 70 different taxes in Pakistan, administered by 37 different entities with frequently unlinked data bases and multiple tax rates: 26 for goods and even more for services. Tax consolidation is long overdue; databases must be integrated, else both collection and performance evaluation will be complicated.

The author is a former Governor of the State Bank of Pakistan.



FBR TAX POLICY AND PERFORMANCE: LOOPHOLES IN FEDERAL TAX REVENUE FORECASTING

Syeda Um Ul Baneen

The Federal Board of Revenue (FBR) collects and manages major federal taxes. It plays a pivotal role in Pakistan's fiscal system. The Strategic Planning Reforms & Statistics (SPRS) wing of FBR is responsible for forecasting federal tax revenue based on which the FBR develops an annual collection plan. SPRS conducts a forecasting exercise every year in June for the subsequent fiscal year. FBR sets targets based on these predictions. SPRS forecasts through the Buoyancy approach; the buoyancy approach assesses how sensitive tax revenue is to economic activity or tax policy changes.

However, every year there are errors in FBR's federal tax revenue forecasts. The consequences of these errors are manifold. The errors in revenue forecasts lead to budget making errors. The fiscal policy efficiency depends heavily upon the accuracy of the tax revenue forecasting. Bad decisions would be made due to inaccurate forecasts: for instance, a lower tax-to-GDP ratio than predicted. This naturally leads to cuts in due expenditures such as for development purposes, which are not desirable and create (adverse) ripples across time and jurisdictions¹. In the end, there would be a decline in economic growth because of such poor fiscal planning.

The reasons for these forecasting errors can be managerial or methodological. Some measurable methodological reasons for tax revenue forecasting errors include data discrepancy issues, inappropriate forecasting methods, or wrong choice of parameters. The managerial reasons are qualitative and can't be measured accurately.

FBR annually gives tax revenue estimates before the federal budget in June. Until that time, real data on taxes and bases are not available. FBR has to rely upon the revised data to calculate buoyancies. The tax revenue forecasts will malfunction if these estimates are inaccurate. Data accuracy can be a game-changer for tax revenue forecasting.

Inaccurate federal tax revenue forecast results from an inappropriate forecasting method as well. FBR uses the buoyancy approach for forecasting purposes. The buoyancy approach involves a couple of steps. Firstly, buoyancies are calculated. Secondly, these buoyancies are multiplied with respective tax base forecasts. The ultimate results are taken as tax revenue forecasts for the upcoming fiscal year. The errors in forecasts suggest that the buoyancy approach may not be ideal for Pakistan's tax revenue forecasting.

The buoyancy approach uses GDP growth targets for forecast purposes. Moreover, every tax head has its base for buoyancy calculations. There can be some wrong choices in these parameters or a failure to take into account their particular sensitivities. What if we change the tax base of these tax revenues? What if we do not use a GDP growth target or use some alternative for multiplication? What if the bases or GDP rates are wrongly estimated? For example, the FY23 federal tax revenue estimate is Rs. 7,004 billion. It is estimated using FY22's total tax revenue of Rs. 5,348.2 billion and FY23's GDP growth target of 5 percent (Finance Division, 2022-23). The accuracy of the total tax revenue forecast depends on the reliability of the GDP growth target.

Table I provides a comparison of real time tax revenues and their forecasts using different combinations of real GDP growth and inflation rate targets. The calculations are made for a 2010-11 to 2018-19 sample due to real time tax data availability for that time period.

¹FBR revenue gets shared with the provinces through NFC; any prediction error leads to faulty fiscal management across Pakistan.

The alternatives provide insights into tax revenue forecasting errors in Pakistan. Results suggest that real GDP growth target's revision positively affects the quality of the forecasts.

Table I: Real Time Total Taxes Vs. Forecasts
(In PKR Millions)

Total Tax and Forecasts	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Real Time Total Tax Revenue	1634775	1945697	2048509	2374540	2811773	3112472	3367874	3843755	3828482
Actual GDP + Actual Inflation Targets	1748674	2002988	2157748	2271027	2557985	2994000	3670715	3971324	4380153
Prov. GDP + Prov. Inflation Targets	1705721	2024203	2167886	2318334	2602828	3091188	3743375	4027356	4497686
Revised GDP + Revised Inflation Targets	1738262	1998442	2161127	2272779	2557985	2994000	3652550	3951380	4430423
Actual GDP + Prov. Inflation Targets	1694007	2018141	2157748	2313077	2608943	3069321	3705873	4012477	4351832
Actual GDP + Revised Inflation Targets	1753881	1999957	2162817	2272779	2564100	2991571	3650206	3942833	4387233
Prov. GDP + Actual Inflation Targets	1760389	2009049	2167886	2276283	2551871	3015868	3708217	3986202	4526007
Revised GDP + Actual Inflation Targets	1733055	2001472	2156058	2271027	2551871	2996430	3673059	3979871	4423343
Prov. GDP + Revised Inflation Targets	1765595	2006018	2172954	2278035	2557985	3013438	3687708	3957711	4533087
Revised GDP + Prov. Inflation Targets	1678388	2016626	2156058	2313077	2602828	3071751	3708217	4021025	4395022

Source: Author's Own Calculations

In a nutshell, Pakistan's federal tax revenue forecasting system is imperfect. Wrong forecasting leads to problems like lower government spending, higher deficits, deferring crucial expenditures, suboptimal allocation of government resources and rising levels of debt. The possible reasons for forecasting problems are data issues, inappropriate methods, or parameter choice. There can be management problems, too. If a suitable alternative to reduce these errors is used, it can eliminate the forecasting problems of the federal tax revenue of Pakistan and help improve fiscal policy.

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FISCAL POLICY FOR ECONOMIC GROWTH

Faisal Rashid



Pakistan is experiencing a deep economic and financial crisis, characterised by runs on international reserves, high inflation, high interest rates, extremely low economic growth rate, falling remittances and stagnant exports. While many contributory causes for the poor performance can be identified (security, poor governance, ineffective political parties, dominant interest groups, role of the establishment in the economy etc.) it is argued here that there is a fundamental underlying cause – the persistent practice of high budget deficits. This view is supported by the strong empirical relationship between the public sector deficit and the performance of the current account of the Balance of Payments (BoP). It is important to note that while the relationship is empirical, the direction of causation is from the fiscal deficit to the BoP, not vice versa. The implication of this causality is that if the country is to escape from the poor and declining economic performance, a key policy priority must be to radically reduce the fiscal deficit.

Sovereign deficit is not uncommon but it is pertinent to identify the appropriate level of fiscal deficit for Pakistan as the current level in Pakistan is leading to an unsustainable debt. Important to note that it has two components – one, the budget deficit, which is quite well known, whereas the other is the off-budget deficit, usually not on

government books. The off-budget deficit results from deficits of public sector enterprises e.g. circular deficit arising from power sector companies. At present, both components add up to 9-10 percent of national GDP, clearly too high for Pakistan. Considering the macro-fiscal situation of the country, we really need to curtail this deficit and bring it to close to GDP growth rate of the country, which on average, is likely to be in the range of 4% (at best) as with our current productive capacity, we cannot sustain a higher growth rate. Such a reduction may not be possible immediately as we are passing through a period of interest rate shock.

To reduce the public sector deficit from the current 9-10 percent down to 2 percent (4 percent including off-budget debt) appears to imply a mountain to climb. To be sure this adjustment cannot be achieved without difficult and likely unpopular fiscal policies and would need to be approached over several years.

Pakistan has an exceptionally low revenue-to-GDP ratio. In agreements with the IMF, the government has a basically sound approach to enhancing the revenue function aimed at expansion of the proportion of individuals and businesses filing with the revenue authorities and administrative improvements in the revenue

function. Similarly, use of information technology for improvements in customs and in-land revenue along with measures to control smuggling could help add 2-3 percent in Pakistan's tax revenue.

Expenditures of the Federal Government have grown progressively in a period when in principle the federal spending as a proportion of GDP should have declined as part and parcel of the reforms initiated through the 18th Amendment of the Constitution. The federal budget has become bloated as the staff payroll has increased significantly when there was a need to cut back. In part this is the result of a steady increase in the number of ministries. Other contributing factors have included increases in social security/protection payments falling on the federal budget, and subsidies relating to energy and agricultural inputs and products and pension liabilities. Measures to meet the required expenditure objectives should include:

- Privatisation of loss-making enterprises
- Thorough review of grants by the government currently standing way above 1 percent of GDP. Many of these grants could be cut if a thorough review of revenue and expenditure of recipient entities is undertaken. There is a general tendency and incentive for these entities not to tap their own revenues when they can access the easier option of grant-in-aid by the government.
- Sharing of expenditure on devolved functions with provincial governments (could save something like 1 percent of GDP if BISP, HEC, etc. is funded equally by federal and provincial governments).
- Federal government should not have development schemes related to provincial functions in its PSDP.
- Rationalisation of pensionary benefits and initiation of a contributory scheme for new hires.
- Bringing down inflation and interest rates.
- Elimination of inefficient and distortionary subsidies, e.g. subsidy on wheat, tubewell subsidy, etc.
- Scaling down the federal government apparatus in line with its reduced functional mandate following the decentralisation of functions to provinces and abolition of the concurrent list of government functions achieved through the 18th Amendment of the Constitution of 2010. This should ideally involve a reduction in the number of ministerial portfolios from the recent excess of 40 ministries to the order of 10 to 15 ministries.
- Rationalisation of staff numbers in the federal government.

At present there is a lot of discussion on how investments could help Pakistan get out of economic problems. Investment is essential for sustained growth. This truth has led some countries to seek sustained growth through maintaining exceptional levels of public investment. However, there are potential pitfalls in this approach, especially if investment strategy is not accompanied by a clear strategy for sustainable debt. Ethiopia followed an investment-led growth strategy from 2010 to 2020. However, in the Ethiopian case the massive public investment, which reached 30 percent of GDP

was mainly debt-based, including external debt. By 2020, the investment-led growth process had run its course. Faced with impending debt distress the country has had to curtail its spending with an accompanying collapse of the economic growth rate. The investment led growth was able to proceed for a considerable period, as it benefited from an initially low debt/GDP ratio following extensive debt forgiveness that the country received. Ethiopia is now faced with high debt service which limits the fiscal scope for policy initiative, whether investment or services/social development. Egypt has also experienced a massive economic deterioration in the past decade. This is largely attributed to a lavish programme of public investment spending under the Sisi government. The associated buildup of public debt has created the ongoing situation of difficulty in obtaining adequate public debt rescheduling terms from creditors. Public investments could be helpful if made in productive sectors and financed through non-debt avenues. However, this will require greatly enhancing our quality of public investment through improvements to the strategic planning phase, robust project appraisal and effective monitoring and evaluation systems for public investment.

Recovery from Pakistan's recurrent economic and fiscal crises can only be achieved through the adoption of difficult reform measures which will need to be applied consistently over a longer period than the lifetime of a single parliament. Such reforms will only be successfully pursued if there is agreement on the basics of the reform measures across the leading political parties, through what has been referred to as a Charter of Economy. The design and technical definition of the Charter of Economy calls for the establishment of a high level Macroeconomic Advisory Committee which brings together the principal stakeholders in government, the legislature, the establishment, academia, and the private sector.

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REVITALISING PAKISTAN'S FINANCIAL LANDSCAPE: A Call for Comprehensive Reforms in the Stock Market

Ahmed Fraz

Financial markets in Pakistan relate to the infrastructure and mechanisms that enable the purchase and sale of various financial instruments. These markets are critical for the flow of cash, investments, and risk management. The financial sector of a country is made up of businesses that deal with financial instruments in the money, capital, and foreign exchange markets. The Pakistani stock market offers a restricted range of financial instruments and securities for trading. In comparison to developed financial markets, the Pakistani stock market offers a smaller choice of investment options. The Pakistani Stock Market (PSX) is known for favoring large investors; analysts attribute this to a lack of information, brokers' disinterest in the stocks having smaller returns, and the government's lack of interest in expanding investing knowledge.

The stock market remains significantly under-developed in Pakistan despite 75 years of efforts and technical assistance from various aid agencies. Although the stock market's returns in Pakistan have been higher than other asset classes, not even a percent of Pakistan's population invests in the stock market! The numbers of investors stood at a sorry 305,493 (Individuals 275,975,

Corporate Companies 1,803, Broker Clearing Members 218, Fund /Others 1,285, Foreigner Individuals 15,964, RDA/NRPs 10,248)² at the end of August 2023, out of a population of 241.49 million.

The stock market in developed nations provides a reliable platform for both large and small investors. As with any reputable and trustworthy investment opportunity, the size and strength of the investment has a direct impact on earnings, thus larger investors have a better chance of both success and higher returns. It still allows for the participation of smaller investors. In developing nations like Pakistan, where the stock market is less developed, less transparent, and more prone to insider trading, the situation is less beneficial.

Pakistan's financial sector has shown a significant deviation from global trends since it has not sufficiently advanced in developing innovative financial products to meet the diversified needs of its clients. The lack of availability of financial products in Pakistan poses a major obstacle to both economic progress and the attainment of financial inclusion. The discussions around capital market policy generally revolve around

perceived dilemma between raising capital and safeguarding investors. These two aspects, namely capital raising and investor protection, are considered to be the primary responsibilities of the Securities and Exchange Commission. Businesses can get money for new projects more easily when capital formation is expanded. Consequently, this enhances economic expansion.

ISSUES IN PSX

Family-owned enterprises generally opt for bank financing instead of listing on the PSX in order to obtain the required funds due to concerns regarding rigorous corporate governance obligations, such as disclosures and audits, as well as the potential for excessive taxation. This element plays a crucial role in the decline of enterprises on the PSX. There is an issue concerning the inadequate number of companies listed on the stock market in Pakistan. This issue adversely affects market liquidity, investment prospects, and economic growth. Given the limited nature of money and capital markets, the majority of trading activity is concentrated in government securities and stocks of a very small number of companies.

The lack of a wide variety of financial instruments in the PSX presents considerable obstacles for risk management and portfolio diversification. Specifically, the absence of derivative markets, limited to only a single future, constrains the opportunities for investors to participate in risk-sharing agreements and implement efficient hedging tactics. This constraint is a significant obstacle for both institutional and individual investors who aim to effectively handle and reduce risks linked to market volatility. The lack of liquidity in PSX gives rise to a number of problems. It raises price volatility and makes stock values more vulnerable to irrational movements. Illiquidity makes it more difficult for price discovery, making it harder for investors to assess the fair value of securities.

The persistence of insider trading can be attributed to inadequate regulation and supervision of financial institutions, which intensifies knowledge asymmetry. Market solutions to dealing with asymmetric information remain limited in view of the difficulties of contract enforcement, and inadequate regulation and supervision of financial institutions. Certain groups own a big amount of a company's shares, limiting the availability of shares for trading on the open market³.

Majority of firms are not paying dividends. In the absence of regular dividend payments, investors may view the company's financial performance as unstable, increasing market volatility. Promoting dividend policies among PSX-listed firms may improve market stability, attract long-term investors, and boost exchange confidence and resilience.

Debt is frequently used to facilitate growth and maintain a competitive advantage in businesses that require substantial capital investments, such as infrastructure,

manufacturing, or technology. PSX lacks this particular aspect, and the majority of these sectors have low debt-to-equity ratios. Banks have marginalized specialized areas such as SMEs, agriculture, and housing by focusing the loan distribution solely on the corporate sector.

RECOMMENDATIONS

The government must maintain a consistent monetary policy that fosters economic development and stability. It has to introduce inflation-protected securities to protect investors from the adverse impacts of inflation and to provide a predictable real rate of return, to manage inflation risk, to diversify portfolios, to fund government operations, and to maintain overall economic stability.

To make investment in listed firms more appealing, provide incentives or reductions in capital gains tax for both corporations and investors. The government promotes investment in the stock market by offering tax benefits to firms and individual investors, which fosters the flow of capital and creates a favourable environment for investment. Implementing such steps can result in enhanced market liquidity, which can have a favorable effect on stock prices and trading volumes. Moreover, a decrease in capital gains tax can encourage firms to become listed on the stock exchange, so stimulating economic expansion and fostering a more dynamic and resilient capital market ecosystem in Pakistan. Lowering corporate taxes for publicly traded companies serves as a stimulus that can promptly boost profitability. Enhancing the company's financials makes it more attractive to investors and can result in increased stock market valuations, benefiting both investors and firms. Additionally, it will generate liquidity inside the realm of financial markets.

By streamlining and expediting the initial public offering (IPO) procedure, the time required for companies to go public can be reduced, rendering the process more convenient and quick for businesses. Presently, the IPO procedure in Pakistan might be considered as complicated and lengthy, discouraging companies from exploring this option for capital raising. The government may significantly decrease the time it takes for companies to go public by streamlining regulatory procedures, minimizing bureaucratic obstacles, and accelerating approval processes.

²<https://www.cdcpakistan.com/about-us/statistics/>

³Haque, N. U., & Husain, A. (2021). A small club: Distribution, power and networks in financial markets of Pakistan (No. 2021 Pakistan Institute of Development Economics: 3).

This would not only encourage a greater number of businesses to go after initial public offerings (IPOs), but also introduce an additional number of dynamic companies into the stock market, thereby enhancing market capitalisation and liquidity. An enhanced IPO procedure will ensure adherence to international standards and position the Pakistani stock market as an attractive choice for firms in need of funding and investors seeking a range of investment options.

Effective risk sharing arrangements, hedging strategies, and portfolio diversification play a crucial role in ensuring the stability and resilience of any financial market. Introducing options, futures, and swaps in the Pakistani stock market is necessary to enhance risk management capabilities for investors. Asymmetric information might lead to market inefficiencies and unfair benefits for one party who holds more information than other. The regulator should adopt IT based solutions for this matter and Algorithmic Trading Oversight, Block Chain and Distributed Ledger Technology.

Increasing a stock's or security's free float is a tactic that regulators can use to improve market liquidity, prevent market manipulation, and foster a fair and efficient trading environment. Regulators can impose lock-up periods during which some shareholders, such as corporate executives and important stakeholders, are not permitted to sell their stock. When the lock-up period expires, these shares can join the free float.

Develop sector-specific loan initiatives, especially for industries that are critical to economic growth, such as agriculture, small and medium-sized businesses (SMEs), and start-ups in the technology sector. Lower lending rates or relaxed collateral requirements may be available through these programs. Set a minimum dividend payment threshold or mandate that publicly listed companies set aside a certain proportion of their earnings for dividend payments. This could encourage firms to start using dividend plans. Expand outreach, investor awareness, and financial literacy in order to make it possible for both individuals and businesses to access investment opportunities and products.

In the end, the suggestions presented for PSX are crucial for the creation of a prosperous and robust financial sector for the nation. The government's and policy maker's dedication to upholding stable policies, along with the implementation of right reforms, will establish a basis for economic growth and stability.

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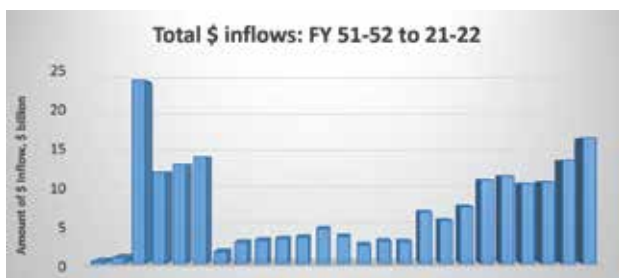
FOREIGN AID



SO MUCH AID, SO LITTLE DEVELOPMENT

Shahid Mehmood

¹The story of Pakistan's economy and its management cannot be complete without bringing in the foreign aid aspect since we have been addicted to it since the very start. What started as a necessity given the adverse socio-economic conditions that necessitated external assistance later developed into an unhealthy habit of receiving regular doses of external capital, even when they were not required². All in all, Pakistan has received USD 203 billion in external finance so far in its history (by two major categories, i.e. loans and grants)³. This is depicted in the graph below⁴-



Some other statistics of interest are as follows. Over the previous decade, on average, there are 1,268 donor funded projects operational across Pakistan. There is hardly any detailed information about any of them, especially the signed agreements/contracts. Of all the debt taken over the course of its history, Pakistan has repaid back approximately USD 135 billion in interest and principal charges. Bifurcated by loans and grants, approximately 78 percent of all assistance is in the form

of credit. There is little or no information about the domestic and foreign organisations executing the projects and other related details (consultancy and administrative charges, etc.).

But aside from mere numbers, there are underlying trends and some hitherto lesser-discussed (or deliberately concealed?) facts that need to ring alarm bells in policymaking circles. We first start with the fact that the majority of projects currently being implemented in Pakistan, especially in the public sector, are rarely analysed for effectiveness. This, in turn, creates confusion as to the purpose and effectiveness of foreign aid in Pakistan. As it turns out, there are good criterion for judging the effectiveness of foreign aid, which came about after extensive debate in western capitals upon this issue, specifically in the post-WWII period⁶. In summary, effective aid:

¹The title is borrowed from Dr. Samia Altaf who published her book on Social Action Program (SAP) with the same title. The data used in this article is based on authors' calculation based on various sources (Govt. of Pakistan, OECD, etc.), used in upcoming PIDE report on foreign aid

²The list of such loans is countless. FBRs recent 'capacity building' loan from the World Bank, amounting to \$400 million, is an example. The WB also loaned the same amount a decade earlier under the same title, with little positive occurring in terms of final outcome.

³This does not include external loans raised through debt instruments like Euro Bonds, which constitute a small part of the whole

⁴Note that \$203 billion amount includes FY22-23 inflows (not in graph). Also, higher bars in earlier years depict bunched years (5 year inflows, for e.g) rather than single years

⁵Estimates based on Finance Division Economic Surveys and SBP data

⁶See, specifically 'Objectives of the United States economic assistance programmes', (1957), MIT. This report was used in conjunction with research by Walt Rostow and Mark Millikan ('The Millikan-Rostow Proposals'), published as 'A proposal: Key to an effective Foreign Policy' (1957). Also see Bhagwati and Eackus (1970) for an extensive discussion of views on foreign aid

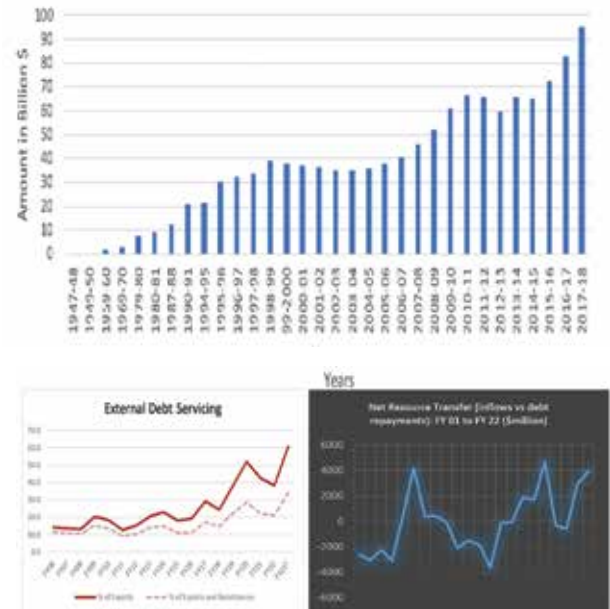
- Involves a transfer of resources that does not create future liabilities, especially long-term ones
- Is not source-tied to the creditor country, especially projects and services
- Leads to development in a manner that is sustainable and self-sustaining over the long-run
- Raises marginal savings rate in nations receiving aid, in turn leading to higher capital formation
- Facilitates the formation of additional capital in a manner that is complemented by a development program that helps enlarge the economy-wide capacity to absorb additional capital productively
- Triggers sustainable economic growth via additional capital formation

The detailed discussion of all these criterion, in the context of economic outcomes in Pakistan, is beyond the scope of this piece. However, available evidence clearly points to the fact that hardly any of these criterion have been met. In fact, as argued in the following lines, foreign aid is becoming a monetary as well as non-monetary burden upon Pakistan!

The first point relates to the ‘dependency syndrome’. An excellent reflection of this dependency comes in the form of the foreign aid component in our premier development program, the PSDP. As the accompanying graph shows, it constitutes a huge proportion of our federal development financing. This clearly violates a few of the above mentioned criterion, specifically additional capital formation and increased savings rate that should have decreased (or eliminated altogether) with the need for foreign financing for development. This also leads to increasing our future liabilities, demonstrated by a recent PIDE publication on PSDP, which informs us that not even half of foreign commitments tend to materialise, leading to delays and ‘throw-forward’ costs that now stand at Rs. 8 trillion, a huge future liability⁷.

A related concern is the waste, corruption and rent-seeking that pursuit of foreign aid puts into motion. The method and negotiations of foreign debt remain obscure, with high ranking officials exclusively getting to negotiate and realise returns in the form of foreign tours, sizeable project allowances and working in major donor institutions while in-service (deputation) or immediately post-retirement, despite having no prescribed qualification. It’s a classic reflection of the ‘you scratch my back; I scratch yours’ principle.

Additionally, this needlessly increases Pakistan’s liabilities! A good reflection of this comes in the form of ‘commitment charges’ that Pakistan has to pay on loans for which there is little to no need for and the capacity to spend⁸.



We now consider three important graphs shown above. In aggregate, the first two graphs (external debt and external debt servicing) again brings forth the point that despite substantial aid inflows, capital accumulation and savings have remained low, forcing us to contract even more external debt - thus increasing our present and future liabilities in the form of total external debt and substantial payments on external debt servicing.

The third graph is even more damning as it shows that in the 21st century, there has been a ‘Net Resource Transfer’ (inflows – outflows) of an estimated USD 50 billion from Pakistan to external creditors, a situation that is both unsustainable and a reflection of Pakistan racking up additional liabilities, as well as violating the criterion of resource transfer from developed to developing countries.

⁷Reforming the Public Sector Development Program’ (2023), PIDE

⁸For example, in 2017-18, out of the \$2.9 billion loaned to Pakistan’s power sector by Asian Development Bank (ADB), only \$400 mil had been utilized! On the unutilized ADB loans, Pakistan paid a commitment charge of \$7-8 million

And last, but not the least, development indicators of Pakistan have barely budged despite substantial aid inflows. The best reflection of this is Pakistan's Human Development Indicators (HDI) over time. As the table below clearly reflects, the indicators have barely improved.

Table. Pakistan's Disaggregated Human Development Indicator (HDI)

Region	2000	2005	2010	2015	2019
Total	0.448	0.486	0.513	0.536	0.558
AJK	0.532	0.583	0.606	0.606	0.612
Baluchistan	0.424	0.459	0.454	0.455	0.475
FATA	0.416	0.449	0.464	0.46	0.465
Gilgit-Baltistan	0.469	0.505	0.522	0.553	0.592
Islamabad (ICT)	0.568	0.619	0.682	0.69	0.677
Khyber Pakhtunkhwa	0.437	0.472	0.503	0.516	0.527
Punjab	0.433	0.469	0.51	0.542	0.564
Sindh	0.433	0.472	0.505	0.522	0.532

In summary, there's so much aid, but little in terms of true development. All this calls for a serious introspection of foreign aid policies in Pakistan.

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ECONOMIC SELF-DETERMINATION, THE IMF, AND PAKISTAN

Ayesha Malik

1. INTRODUCTION

Pakistan first went to the International Monetary Fund (IMF), cap in hand, in 1958 and since then has done so another twenty-one times. The latest negotiations have come while Pakistan is recovering from devastating floods which submerged a third of the country underwater. The bigger catastrophe, however, seemed to be being declared in default by the IMF. Without an IMF deal, Pakistan may have entered a recession, weakened its long-term growth, and seen foreign investors flee, all of which makes it much harder for the country to borrow funds in the future or, like Sri Lanka, its government could have been overthrown in the process.¹ The IMF likes to portray itself as a caped hero saving countries at the precipice so long as they promise to take the bitter but necessary pills it prescribes. However, it is far from this. It places unbearable burdens on countries in the Global South, deepening inequality, and prevents them from taking care of their own people, all to be trapped in a cycle of debt which benefits countries in the Global North.

As it is quite correctly faced with charges of a new form of financial colonialism, the question this article seeks to answer is the implications its policies have on the legal principle of self-determination. While decolonisation changed the world as we know it as countries in the Global South threw out their colonial masters and achieved political independence, economic independence remains far from achieved. This essay argues that the IMF has infringed this legal right to economic independence illustrated by the context of Pakistan. It concludes by advocating for a new international economic order which respects the right to economic self-determination, allowing countries in the Global South to spend their resources on their own people rather than on debt servicing.

2. THE RIGHT TO SELF-DETERMINATION - POLITICAL AND ECONOMIC

The right to self-determination is both political and economic. Over the years, however, the notion of self-determination being economic has largely been overshadowed by colonial countries enforcing and fighting for their rights to political independence.² After the Second World War, the right to self-determination gained credence as a legal and not just political right and one which had secessionary effect. While political independence was fought for and realised, the principle that a state should not exercise control over the wealth of another arose as a corollary to notions of self-governance.³ While it was added on as an appendage to political self-determination with most legal texts stating that it is both (political and economic), the push for economic self-determination has not gained traction since decolonisation. It is time that economic self-determination is no longer seen as a 'poor second cousin' to political self-determination but is brought to the fore as a distinct right and an important tool with which to argue that the developing world's resources are under the control of those states and to be used for their own ends.⁴ This is particularly because political independence is severely compromised without economic self-determination.⁵ Economic self-determination provides a people with self-rule over their resources, to use them for their own ends and their own individual economic and social rights.⁶ This cannot be realised when there are no resources available for health or education because they are being siphoned off for the servicing of debt owed to richer developed countries.⁷

¹ Jamie Martin, Is the IMF fit for purpose? THE GUARDIAN, (Nov. 1, 2022) <https://www.theguardian.com/business/2022/nov/01/is-the-imf-fit-for-purpose>.

² Alice Farmer, Towards a Meaningful Rebirth of Economic Self-Determination: Human Rights Realization in Resource-Rich Countries, 39 N.Y.U. J. INT'L L. & POL. 417, 419 (2006).

³ Ibid, 424.

⁴ Ibid, 423.

⁵ Bereket Habte Selassie, Self-Determination in Principle and Practice: The Ethiopian-Eritrean Experience, 29 COLUM. HUM. RTS. L. REV. 91 (1997).

⁶ Alice Farmer, Towards a Meaningful Rebirth of Economic Self-Determination: Human Rights Realization in Resource-Rich Countries, 39 N.Y.U. J. INT'L L. & POL. 417, 470 (2006).

⁷ Ibid.

2.1. SELF-DETERMINATION AS A LEGAL RIGHT

The right to self-determination is found in the United Nations Charter which provides that one of the purposes of the UN is the development of friendly relations among states based on the principle of equal rights and self-determination of peoples.⁸ The right to self-determination is also enshrined in both Article I of the International Covenant on Civil and Political Rights⁹ and the International Covenant on Economic, Social and Cultural Rights¹⁰ which state that all peoples have the right of self-determination by virtue of which they freely determine their political status and freely pursue their economic, social and cultural development. This provision applies to 'peoples', however, it is accepted that it applies at a minimum to those arranged as states.¹¹ While Article I(2) limits this in that it says that a peoples may freely dispose of their natural wealth through international economic cooperation, it still states that "[i]n no case may a people be deprived of its own means of subsistence". This was included so that states did not exploit the resources of another but at the same time allowed for foreign investment.¹²

In the Lighthouses case before the PCIJ, Lord Hudson in his separate opinion argues that a state reserves the right to organise its own economic future otherwise what remains is merely "a ghost of a hollow sovereignty" or "a sovereignty shorn of the last vestige of power"¹³. A General Assembly resolution acknowledges the sovereignty of peoples over their own natural resources and recommends international cooperation in the exercise of that right.¹⁴ It recommends that States refrain from "acts direct and indirect, designed to impede the exercise of the sovereignty of State over its natural resources". The High Courts of Italy and Japan relied on this resolution to uphold Iran's nationalisation laws.¹⁵ For Socialist states and the Third World, economic self-determination was deemed far more important than individualistic human rights.¹⁶ This was why it was included as a legal right in these core human rights instruments. However, the push towards neoliberalism which took place in the 1970s and 1980s challenged the exercise of this right as trade was liberalised and foreign investment encouraged, to the detriment of poorer, developing countries.

⁸United Nations, Charter of the United Nations, 24 October 1945, 1 UNTS XVI, Article 1(2) and Article 55.

⁹UN General Assembly, International Covenant on Civil and Political Rights, 16 December 1966, United Nations, Treaty Series, vol. 999, p. 171.

¹⁰UN General Assembly, International Covenant on Economic, Social and Cultural Rights, 16 December 1966, United Nations, Treaty Series, vol. 993, p. 3.

¹¹Alice Farmer, Towards a Meaningful Rebirth of Economic Self-Determination: Human Rights Realization in Resource-Rich Countries, 39 N.Y.U. J. INT'L L. & POL. 417, 445 (2006).

¹²Ibid 431.

¹³Lighthouses in Crete and Samos, Ser. A/B 71 (1937) 127. Lord Hudson.

¹⁴UN General Assembly Resolution 626(VII) of 12 December 1952.

¹⁵Anglo-Iranian Oil Coy. v. Idemitsu Kosa, K.K. LLR (1953) 309 and Angloranian Coy. v. SUPOR Coy, LLR (1955).

¹⁶Umut Ozsu, Ukraine, International Law, and the Political Economy of Self-Determination, 16 GERMAN L.J. 434, 451(2015).

2.2. A RIGHT ERGA OMNES

The right of self-determination also accords a duty upon states to respect this right as per the Declaration on the Principles of International Law concerning Friendly Relations and Co-operation among States which was a General Assembly resolution passed by states in accordance with the UN Charter.¹⁷ The International Court of Justice in the Nicaragua¹⁸ case and the Kosovo¹⁹ Advisory Opinion has held that this Declaration reflects customary law. Therefore, this integral principle of customary international law that a people should be free to conduct their internal affairs and external relations as they see fit necessarily entails that a country controls its own economy and economic planning as without this, political freedom or independence may be rendered meaningless.²⁰ The ICJ in the Western Sahara case held that 'the application of the right to self-determination requires free and genuine expression of the will of the peoples concerned'²¹. Furthermore, the Court has also recognised the erga omnes nature of this right in the East Timor case wherein it was stated that: "the right of peoples to self-determination, as it evolved from the Charter and from United Nations practice, has an erga omnes character, is irreproachable."²² This was reaffirmed in the Wall Advisory Opinion.²³ Since respect for the right to self-determination is an obligation erga omnes, all States have a legal interest in protecting that right.²⁴ This would apply even if they are acting through international organisations.

3. THE INTERNATIONAL MONETARY FUND

The IMF and the World Bank were sister institutions created following the Second World War at the Bretton Woods Conference in July 1944.²⁵ They were established to stimulate economic reconstruction in the war-demolished economies of Europe.

¹⁷General Assembly Resolution 2625 (XXV) of 24 October 1970.

¹⁸Case Concerning Military and Paramilitary Activities In and Against Nicaragua (Nicaragua v. United States of America); Merits, International Court of Justice (ICJ), 27 June 1986.

¹⁹Accordance with International Law of the Unilateral Declaration of Independence in Respect of Kosovo (Request for Advisory Opinion), General List No. 141, International Court of Justice (ICJ), 22 July 2010.

²⁰Noel G. Villaroman, The Loss of Sovereignty: How International Debt Relief Mechanisms Undermine Economic Self-Determination, 2 J. POL. & L. 3, 8(2009).

²¹Western Sahara, Advisory Opinion, I.C.J. Reports 1975, p. 12.

²²See East Timor (Portugal v. Australia), Judgment, I.C.J. Reports 1995, p. 102, para. 29.

²³Advisory Opinion Concerning Legal Consequences of the Construction of a Wall in the Occupied Palestinian Territory, International Court of Justice (ICJ), 9 July 2004, para 155.

²⁴See East Timor (Portugal v. Australia), Judgment, I.C.J. Reports 1995, p. 102, para. 29; see also Barcelona Traction, Light and Power Company, Limited (New Application: 1962) (Belgium v. Spain), Second Phase, Judgment, I.C.J. Reports 1970, p. 32, para. 33).

²⁵IMF and the World Bank, IMF <https://www.imf.org/en/About/Factsheets/Sheets/2022/IMF-World-Bank-New>.

The World Bank was to provide loans for long-term development and reconstruction whereas the IMF was established to aid countries suffering from short-term balance-of-payment problems. According to the IMF's Articles of Agreement, the organisation's purposes are to increase international trade, promote stability in exchange rates, increase levels of employment and real income for states.²⁶ In providing financing to countries, the IMF imposes 'conditionalities' under which funds are disbursed to the country in a piecemeal fashion so long as the state can show that certain economic and financial policies, which the country has committed to with the IMF beforehand, are being implemented.²⁷ These reforms often include slash-and-burn austerity, reductions in foreign borrowing, liberalising a country's trade and investment laws, encouraging privatisation of state-owned entities, lowering tariffs and strengthening tax laws.²⁸ The IMF then monitors these debtor countries to ensure they remain on track with their plan. The IMF was based on the vision of the British economist John Maynard Keynes who wanted to ensure that the institution stayed out of states' fiscal and monetary policies.²⁹ However, his plans to avoid an interventionist organisation failed.³⁰

The IMF has imposed austerity measures on developing countries to ensure the repayment of outstanding debts consequently earning itself profits and greater power.³¹ The Third World has required repeated and escalating bailouts from the organisation and are trapped in a debt cycle they seem to never be able to escape from. The IMF and the World Bank has in the past admitted that it was their mismanagement which has contributed to crises around the world yet no change in policy has been made.³² The Asian financial crisis of the 1990s is a case in point. During the crisis, the IMF imposed significant conditionalities; 94 structural conditions were placed on South Korea, 73 on Thailand, and 140 on Indonesia.³³

Thailand, under IMF pressure, deregulated and encouraged foreign investment, allowing US dollars to flood its economy. Instability in the country owing to these financial policies then led to foreign private investor flight from the Thai market causing it to fall into a negative 3.5 percent.³⁴ IMF-related freefalls, as they are known, have also occurred in Mozambique, Costa Rica, the Philippines, and Indonesia.³⁵ In Indonesia, as its currency plunged, austerity measures imposed by the IMF led to civil unrest resulting in mob attacks on certain ethnicities and security forces firing on student protestors.³⁶ President Suharto was eventually ousted from office after he attempted to raise fuel prices to fulfil IMF demands.³⁷ While Suharto was blamed for his own demise Martin reports that it was the IMF's policies of curbing patronage within the political system that led to his ejection.³⁸

Many argue that the IMF's prescriptions make its patients sicker, creating inequality and social injustice along the way. There has even been evidence that it increases ethnic and other identity-based tensions due to its conditionalities.³⁹ The World Bank has admitted it used badly chosen and poorly designed public sector investments contributing to the economic crisis in Africa.⁴⁰ The IMF's conditionalities have also been shown to have impacted developing countries' ability to fulfil the social, economic and political rights of their citizens.⁴¹ In 2013, the IMF's chief economist, Olivier Blanchard, seemed to admit in a paper he copublished that the IMF had misjudged the negative effects of austerity measures on growth in Europe, heralded as a mea culpa on behalf of the organisation.⁴² According to a study by the Global Development Policy Center at Boston University from 2020, the IMF has in fact acknowledged that austerity does constrain growth but still demands it from those countries which take its aid.⁴³ While it has been argued by some at the IMF that the organisation has abandoned its formerly rigid neoliberal policies, it has continued to demand austerity measures from states even during the COVID-19 pandemic.⁴⁴

²⁶IMF, Articles of Agreement, adopted at the United Nations Monetary and Financial Conference (Bretton Woods, New Hampshire) on July 22, 1944.

²⁷IMF Conditionality, IMF (Feb. 22, 2021) <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality>.

²⁸John W. Head, Seven Deadly Sins: An Assessment of Criticisms Directed at the International Monetary Fund, 52 U. KAN. L. REV. 521, 527 (2004).

²⁹Jamie Martin, Cooperation without Domination, BOSTON REVIEW (Jul. 20, 2022) <https://www.bostonreview.net/articles/cooperation-without-domination/>.

³⁰Ibid.

³¹David Katona, Challenging the Global Structure through Self-Determination: An African Perspective, 14 AM. U. INTL L. REV. 1439, 1458 (1999).

³²J. Oloka-Onyango, Heretical Reflections on the Right to Self-Determination: Prospects and Problems for a Democratic Global Future in the New Millennium, 15 AM. U. INTL L. REV. 151, 196 (1999).

³³Noel G. Villaroman, The Loss of Sovereignty: How International Debt Relief Mechanisms Undermine Economic Self-Determination, 2 J. POL. & L. 3, 7 (2009).

³⁴David Katona, Challenging the Global Structure through Self-Determination: An African Perspective, 14 AM. U. INTL L. REV. 1439, 1460 (1999).

³⁵Ibid.

³⁶Jamie Martin, Is the IMF fit for purpose? THE GUARDIAN, (Nov. 1, 2022) <https://www.theguardian.com/business/2022/nov/01/is-the-imf-fit-for-purpose>.

³⁷Ibid.

³⁸Ibid.

³⁹Ibid.

⁴⁰Sub-Saharan Africa: From Crisis To Sustainable Growth, WORLD BANK, 27 (Nov. 1989).

⁴¹Celine Tan, Mandating Rights and Limiting Mission Creep: Holding the World Bank and the International Monetary Fund Accountable for Human Rights Violations, 2 HUM. RTS. & INTL LEGAL DISCOURSE 79, 86 (2008).

⁴²Olivier Blanchard & Daniel Leigh, Growth Forecast Errors and Fiscal Multipliers (IMF, Working Paper No. 13/1, 2013).

⁴³Jamie Martin, Is the IMF fit for purpose? THE GUARDIAN, (Nov. 1, 2022) <https://www.theguardian.com/business/2022/nov/01/is-the-imf-fit-for-purpose>.

⁴⁴Jamie Martin, Cooperation without Domination, BOSTON REVIEW (Jul. 20, 2022) <https://www.bostonreview.net/articles/cooperation-without-domination/>.

4. DEBT SERVICING, THE GLOBAL SOUTH, AND ECONOMIC SELF-DETERMINATION

In essence, the way the IMF works entails a loss of sovereignty of lender states and is at odds with the right to economic self-determination.⁴⁵ The conditionalities imposed by the Fund mean that governments of developing countries are unable to provide their people with even very basic social services. That is not to say it is all the IMF's fault - indeed many developing countries have their own sins to answer for; namely pervasive corruption, poor governance, elite capture, the list goes on and on. Many corrupt leaders in these developing countries have been known to siphon off these loans into their Swiss bank accounts denying their people any economic development. However, the IMF does enable the 'crowding out' of essential public spending in a way which necessarily entails the loss of sovereignty of lender states by virtue of the magnitude of debt that is to be repaid.⁴⁶ The human cost of this is huge and is borne by those living in poorer countries as their states are unable to pay for nutrition, healthcare, education, housing and water.⁴⁷ As Villaroman states "They are the children who had to stop studying because their government imposed school fees they could not afford; the families who had to reside in makeshift shelters because their government could not provide affordable housing; infants who had to die because the government has no adequate program to address malnutrition and disease, and the list of human suffering goes on."⁴⁸ The amount of debt servicing results in a transfer of wealth from the poor to the rich as their resources are exploited and they are deprived of their own means of subsistence.

Villaroman further argues that creditor states have human rights obligations towards those in debtor states owing to the legal duty to engage in international cooperation and assistance.⁴⁹ Article 2(1) of the ICESCR provides that states through international assistance and cooperation achieve progressively the full realisation of the rights in the Covenant. Article 11(2) also provides the "right to be free from hunger," directing states to take steps "individually and through international co-operation" to achieve this right.

Article 22 of the Universal Declaration of Human Rights states that "everyone, as a member of society... is entitled to realisation.... in accordance with the organisation and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality." As Farmer points out, this provision "assumes that the resources of a state will be used for the realisation of basic human rights"⁵⁰. Arguably, the IMF, as a specialised agency of the UN, must act in accordance with the principles and goals of the UN Charter, of which respect for self-determination and the promotion of human rights are key. Furthermore, the right to self-determination is also a right *erga omnes* and therefore must be protected by all in the international community.

The IMF and its conditionalities notably infringe upon that right. In having to fulfil these debts, a state is unable to fulfil its right to economic self-determination in that it possesses no capacity or control over its own resources. Moreover, the servicing of debts necessitates a crowding out of services related to education, health, food and housing, which negatively affect the human rights of those in debtor nations. The IMF is currently the only international financial institution able to handle the financial crises faced by increasingly desperate states: Sri Lanka, Pakistan, and Ghana, are in extreme debt distress, and require IMF bailouts.⁵¹ As a result, some argue that the IMF could constitute a form of economic coercion which violates the principle of non-intervention, especially since countries who are forced to take IMF loans are poorer and weaker and often have policies imposed upon them.⁵² While countries do opt for IMF loans and are not forced to take them, it could be contended that the 'coercion' aspect is far more insidious than overt, as countries in debt are forced to take conditionalities as that is the only way to obtain an economic lifeline.⁵³ In this way, debtor nations are unable to exercise their right to economic self-determination.

⁴⁵Noel G. Villaroman, *The Loss of Sovereignty: How International Debt Relief Mechanisms Undermine Economic Self-Determination*, 2 J. POL. & L. 3, 3 (2009).

⁴⁶*Ibid.*

⁴⁷Lennox S. Hinds, *The Impact of International Debt to the World Bank and International Monetary Fund on Human Rights under International Law*, 57 GUILD PRAC. 201, 201 (2000).

⁴⁸Noel G. Villaroman, *The Loss of Sovereignty: How International Debt Relief Mechanisms Undermine Economic Self-Determination*, 2 J. POL. & L. 3, 3 (2009).

⁴⁹Noel Villaroman, *Debt Servicing and its Adverse Impact on Economic, Social and Cultural Rights in Developing Countries*, JOURNAL OF HUMAN RIGHTS, 487 (2010).

⁵⁰Alice Farmer, *Towards a Meaningful Rebirth of Economic Self-Determination: Human Rights Realization in Resource-Rich Countries*, 39 N.Y.U. J. INT'L L. & POL. 417 (2006). Page 424

⁵¹Jamie Martin, *Cooperation without Domination*, BOSTON REVIEW (Jul. 20, 2022) <https://www.bostonreview.net/articles/cooperation-without-domination/>.

⁵²Noel G. Villaroman, *The Loss of Sovereignty: How International Debt Relief Mechanisms Undermine Economic Self-Determination*, 2 J. POL. & L. 3, 10 (2009). Page 10

⁵³*Ibid.* 9.

5. PAKISTAN AND THE IMF

Pakistan first took help from the IMF in 1958 and has since gone back to the organisation a shocking 22 times for loans.⁵⁴ Nadeem Haque calls Pakistan an IMF addict.⁵⁵ He reported in 2018 that Pakistan had spent 22 of the past 30 years in a dozen different IMF bailout programs.⁵⁶ In exchange for these bailouts, he says “Pakistani governments have repeatedly agreed to draconian spending cuts and arbitrary taxes in pursuit of fiscal targets. As a result, the country’s economy is as weak as ever, and its state capacity has been hollowed out”⁵⁷. The IMF’s programmes have undercut Pakistan’s potential for growth and created conditions for rent-seeking leading to a neverending cycle of bailouts and debt crises.⁵⁸ This is particularly an issue since every time Pakistan misses its fiscal targets, new taxes are announced, affecting businesses who are unable to plan their budgets not knowing which taxes may be imposed and when.⁵⁹ Haque further argues that the IMF has cut funding for public services to the bone, eroding state capacity and negatively impacting growth.⁶⁰

Pakistan’s economy, like Sri Lanka’s, is facing severe debt distress because of the double onslaught of COVID-19 and the Russian invasion of Ukraine which is increasing inflationary pressure worldwide.⁶¹ The increase in US interest rates has also meant that foreign investment is pulling out of riskier markets as safer investments produce higher revenues.⁶² In November 2022, Pakistan’s Dawn newspaper reported that the country was currently spending 52 out of every 100 rupees on debt servicing every year.⁶³ As a result, Pakistan is unable to fund services desperately needed by its population and inflation renders a large part of the population unable to access those services which are available. It also facilitates flight out of the country of those who are educated and skilled enough to look for employment elsewhere, further exacerbating its cycles of poverty, unrest, and discontent.⁶⁴ It is unable to exercise its right to self-determination under the burden of IMF repayments.

⁵⁴Pakistan: History of Lending Commitments as of February 29, 2020, INTERNATIONAL MONETARY FUND, <https://www.imf.org/external/np/fin/tad/extarr2.aspx?member-Key1=760&date1key=2020-02-29>.

⁵⁵Nadeem UI Haque, Pakistan’s IMF Problem, PROJECT SYNDICATE, (Jul. 31, 2018).

⁵⁶Ibid.

⁵⁷Ibid.

⁵⁸Ibid.

⁵⁹Ibid.

⁶⁰Ibid.

⁶¹Jamie Martin, Is the IMF fit for purpose? THE GUARDIAN, (Nov. 1, 2022) <https://www.theguardian.com/business/2022/nov/01/is-the-imf-fit-for-purpose>.

⁶²Ibid.

⁶³Mohiuddin Aazim, Debt is costlier than we think, DAWN (Nov. 14, 2022) <https://www.dawn.com/news/1720860/debt-is-costlier-than-we-think>.

⁶⁴Waqas Ahmed, Country’s brain drain situation accelerated in 2022, THE EXPRESS TRIBUNE (Dec. 12, 2022) <https://tribune.com.pk/story/2390704/countrys-brain-drain-situation-accelerated-in-2022>.

6. CONCLUSION

In order to ensure the right to economic-self determination, the world desperately needs a new international economic order. Sadly, the Global South has tried (and failed) in this endeavour before. In 1974, a UN General Assembly resolution was passed spearheaded by developing countries for a New International Economic Order (NEIO) under which resources would be redirected from rich to poor states and the power of institutions like the World Bank and IMF would be curtailed.⁶⁵ This effort was sabotaged by a concerted effort by the West.⁶⁶ US Secretary of State Henry Kissinger, as is shown through declassified documents, “directed a considerable amount of energy toward breaking the NIEO” pressuring countries by leveraging aid packages for them so they would be lured away from the NEIO coalition⁶⁷. At the same time, countries in the Global South were accused of human rights violations at the UN by the US’ Representative. The NEIO, as a result, was never able to get off the ground.⁶⁸ However, I argue, it is time to try again. IMF repayments have meant that “developing countries are at their most vulnerable since independence”.⁶⁹ Debt servicing has permeated every form of economic life and freedom of debtor states which are not able to cater to their people’s needs.

The IMF has caused great harm around the world and its medicine is making poor countries far sicker. In calling for a new international economic order, Mohammed Bedjaoui notes that “[t]raditional international law has helped to make independence a completely superficial phenomenon, beneath the surface of which the old forms of domination survive and the economic empires of the multinational corporations, and the powers that protect them, prosper.”⁷⁰ What we need is a global financial safety net which does not tie debtor states in cycles of debt to great powers, not a world in which only the finance community enjoys the right to freely pursue their economic development.⁷¹ Boldness is needed to make an egalitarian order imaginable, and it can only come from the Global South.

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⁶⁵General Assembly Resolution 3201(S-VI) of 1 May 1974

⁶⁶Daniel Immerwahr, Decolonization and the Pursuit of an Egalitarian International Order, THE NATION (Dec. 23, 2019) <https://www.thenation.com/article/archive/adom-ge-tachew-worldmaking-after-empire-book-review/>.

⁶⁷Ibid.

⁶⁸Ibid.

⁶⁹J. Oloka-Onyango, Heretical Reflections on the Right to Self-Determination: Prospects and Problems for a Democratic Global Future in the New Millenium, 15 AM. U. INT’L L. REV. 151, 196 (1999).

⁷⁰Mohammed Bedjaoui, Towards A New International Economic Order 81 (1979).

⁷¹J. Oloka-Onyango, Heretical Reflections on the Right to Self-Determination: Prospects and Problems for a Democratic Global Future in the New Millenium, 15 AM. U. INT’L L. REV. 151, 198 (1999).


 An illustration at the top of the page shows four hands of different skin tones (light, medium, dark, and very dark) reaching down from the top edge. They are dropping several small, round, gold coins into a dark rectangular slot that is positioned above a stylized globe of the Earth. The globe is shown from a perspective that looks down at it, with blue oceans and green continents. The background is a solid dark blue.

IS THERE AN ALTERNATIVE PATH TO FOREIGN AID?

Themrise Khan

There has been much talk over the last few years at least—and continues to be—on the failure of the global aid and humanitarian system due to the post-colonial domination of the so-called ‘Global North’ over the so-called ‘Global South’. An overwhelming number of these discussions – which include international donors and NGOs in both geographies - have been framed through the lens of the terms ‘decolonisation of aid’ and ‘localisation of aid’. But this terminology actually avoids confronting the realities and origins of aid – that instead of fostering equity between nations – the desired end-result of any global undertaking – it has instead led to inequity among nations.

The issues we face in global development and humanitarianism today are much bigger than just semantics. They are about how we interpret processes and systems and how we want them to change—or not. They are also about how we contextualise systems and how this context varies based on history, wealth, geography and culture in different parts of the world. Pakistan for instance, has been in debt to foreign aid since soon after its independence. Aid that came from former colonisers in the United Kingdom, Europe and the United States. And continues to do so to this day. Despite our so-called independence as a free state with its own resources, why have we not been able to divorce ourselves from both the cycle of debt that we are spiralling in, as well as from the foreign aid that we accept in the form of bi-lateral and multi-lateral grants and loans?

Current discussions are framing the answer to this question as the on-going influence of colonialism and post colonialism. However, situating the conversation simply within the ambit of colonialism, an extremely complex and historical system, does a disservice to the cause of aid. This is because there is a huge gap between the objectives and modus operandi of the aid system. It can be influenced by colonial undertones of the past, but it can be equally influenced by the present system of global geopolitics, which is far different now than it was after the end of colonialism.

Another way at looking at the failure of aid, is that it is less about the lasting impact of colonialism on post-colonial societies and more about independent nation states that have refused to create self-sufficiency in both financial and human resources to make decisions that benefit their own citizens – Pakistan included. We have allowed power imbalances that control aid to perpetuate, by creating our own internal power imbalances. Power in this case is about wealth inequality not necessarily between the former coloniser and colonised but between state and society.

And even if the global development and humanitarian sectors want to continue to invoke ‘decolonisation’ and ‘localisation’ as a way to bring about change, it is simply one way of seeking global justice. Another way would be to envision a new ‘ecosystem’ which:

- Removes the distinctions between governments, donors, INGOs, NGOs etc. to view all the participants of global development and humanitarianism as 'state and civil society entities' or SCSEs. This signifies an amalgamation of the various formal state and non-state organisations, movements, networks, foundations, membership associations, informal groups, citizens/community coalitions etc. that work in the sector – and would be more reflective and inclusive of the changing nature of civic action across the world that we are currently seeing.
- Removes the distinction between the so-called 'Global North' and so-called 'Global South' to move to a regional perspective. This advocates for a cooperation framework between regions and regional or national cause-based coalitions/networks, rather than specifically between the 'Global North' and 'Global South'. The term 'framework' for 'international' cooperation takes the word at its broadest sense and denies this division between 'North' and 'South' to instead, place countries at the core of change instead of global institutions.
- Removes 'international' from the vocabulary and views all countries as equal and global in scale, including taking the 'I' out of INGOs to level the playing field. It is imperative that we stop referring to only certain entities as 'international' and others as not. Instead, we must encourage the idea of everything being national. There are no 'international' entities in this ecosystem because every entity is national by virtue of where it is based and is therefore 'international' for every other country.
- Changes and broadens how we see the financial support system by focusing more on the domestic than the international, i.e. allows countries access to a variety of funding sources and mechanisms such as charitable donations, or diaspora contributions, which are less politically motivated than state-based funding from the so-called 'Global North' but may have a similar level of resources. But it would also put the onus on countries to broaden areas such as the tax base, domestic entrepreneurship and financial regulations.



Instead of the 'Global North' being in the driving seat and the 'Global South' trying to 'shift the power' towards itself, we must see countries themselves as the core of change. Global impact must emanate from independent states outwards to their immediate neighbours, further out to their geographic regions and then finally, globally. Change must radiate outwards from a core, not inwards towards it.

Cooperation would revolve around regional and national coalitions or networks that would represent particular issues and/or regions with similar interests. Instead of 'donors' sitting in headquarters in countries of the so-called 'Global North', these coalitions would be based in closer proximity to the location of the cause, e.g. North Africa, or the Caribbean. This would also have the advantage of providing cultural and social compatibility between the financial providers and receivers. Instead of just one form of conventional funding in the form of 'aid', there will be many different types of funding available and means by which to access them. Ultimately, the end result would be a more equitable and ethical system which allows each country to participate based on its own ability to make decisions and utilise its own resources as much as possible.

Key ideological shifts required

From	To
'Global North'/'Global South'	Regional
International	National
Donor funding	Variable funding
Eurocentric	Context-specific
Project-led	Nation-led

This is not a perfect system—there is still a stunning amount of wealth, social and political inequality in many countries around the world which will limit the utility of this ecosystem. In Pakistan, we face several challenges to be able to envision such a change; political and religious polarisation, restriction of civil society and social movements, wealth inequality and mismanagement, feudal hierarchies, regional conflicts and failed regional alliances, state apathy and a breakdown of state and civic relations. Just to name a few. How can we even begin to ideologically shift, let alone be willing to wean ourselves off the traditional modalities of aid?

This is by far the biggest challenge in realising this ecosystem; the lack of buy-in of the so-called 'Global South', in which there are many countries like Pakistan. How can we convince these countries - who are currently operating not at the behest of their own citizens, but of global geopolitical powers - to have a transparent and safe environment for both state and non-state entities to function domestically and across borders for combined economic and social growth?

The answers are both simple and complex. Simply, they lie in redefining partnerships, resource mobilisation and reimagining our whole political system – domestically. The complexity lies in figuring out how to do that under autocracy and failed democracies, heavily influenced by global geopolitics. But our incapacity to address such mammoth issues, even within our own countries, must not stop us from designing new ways of working and doing. If nothing, we must continue to envision new and alternatives ways of global development and humanitarian aid outside the current conventional form of international assistance. Ultimately, this will take us to ending aid altogether – the most desired outcome of progress and equality.¹

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EFFECTIVE AID REQUIRES A LOCALLY OWNED DEVELOPMENT VISION

Tobias Haque

Foreign aid has long played a significant role in Pakistan's economy. Total aid has averaged around 1.2 percent of GNI over the past three decades, with the economic significance of aid inflows magnified by ongoing current account pressures and large external financing needs. Today, with increasing exposure to climate shocks and weakening economic performance, it seems that Pakistan will continue to rely on substantial foreign aid inflows to meet its development and balance of payments requirements.

With aid likely to play a continued significant role in Pakistan's economy, the associated opportunities and risks should be carefully considered. International experience and literature are clear that aid can have both positive and negative economic impacts. Outcomes will ultimately be determined by whether Pakistan's political leadership can harness the power of aid behind a home-grown and credible strategy for overdue economic and institutional reforms.

POSITIVE AND NEGATIVE IMPACTS OF AID

The potential positive impacts of aid are intuitive and well-established. International financing, especially when provided on concessional terms, can help countries meet investment needs, expanding the productive capacity of the economy. International aid projects can provide a conduit for the transfer of best practices and innovative ideas from overseas and provide channels to build the skills and knowledge of government officials and staff through training and exposure to other experts. Aid inflows can provide resources to help manage the

impacts of natural disasters and restore macroeconomic stability following external shocks or during periods of economic adjustment.

However, the potential negative impacts of aid are also serious and well-known. Large aid inflows can have similar 'Dutch disease' effects to resource windfalls, bidding up prices in non-tradable sectors and thereby driving currency appreciation and undermining competitiveness and exports (1). As has been noted in the Pakistan-specific literature, aid can have potentially deleterious political-economy impacts, with policymakers responding to the demands of aid agencies rather than citizens (2, 3). Geopolitical considerations can lead donors to support and thereby prolong the rule of regimes that adopt counter-developmental policies at the cost of their citizens. International donors can exhibit ideological rigidity and distort development policies, insisting on one-size-fits all approaches that do not adequately account for countries' differing development needs, contextual limits to the viability of standard development strategies, or the place of countries within broader international political-economic structures of domination and dependency (4, 5). Finally, aid agencies can arguably contribute to local capacity gaps, by driving a 'brain drain' of skilled staff out of government positions and crowding out local analysis and locally developed solutions (6).

The international literature is inconclusive when it comes to the aggregate economic development impacts of aid, reflecting the complexity of the transmission mechanisms involved (7). The simple (but unsatisfying) answer to the question of whether aid drives economic development is 'it depends', with most evidence pointing towards positive impacts on growth and poverty

reduction only when country institutions and policies are appropriate and coherent (8).

IMPLICATIONS FOR PAKISTAN

What does all of this mean for Pakistan at the current juncture? Right now, few would argue that current policy and institutional settings are conducive to economic growth and development. Growth rates and productivity have been in long-term decline, poverty is estimated to have recently increased, while the economy remains subject to periodic macroeconomic instability (9). Economic policies are widely regarded to have undermined productivity through distorting the allocation of resources often to the benefit of incumbent powerful and wealthy interests (10).

In such contexts, aid inflows can still be useful in providing resources to deal with immediate human needs (for example, supporting reconstruction in the wake of the calamitous 2022 floods). Aid projects and conditionalities can also occasionally drive incremental improvements to institutions and policies against the grain of entrenched political constraints. Aid agencies can support the transfer of skills to government counterparts and provide fixes to localised technical problems. But under current policy and institutional settings aid – on its own – has little hope of driving a step-change in growth and development (11). Further, in the absence of a clearly articulated domestic development strategy – and amid severe policy-generated constraints to productivity – the potential negative impacts of aid in terms of policy coherence and Dutch-disease effects, will remain magnified.

WHAT IS TO BE DONE?

International experience clearly shows that countries achieve rapid economic development progress when powerful stakeholders can agree on and commit to a locally-owned reform and development strategy (12, 13). This kind of development commitment and vision is also required to ensure the effectiveness of international aid. In the context of current pressing economic challenges, Pakistan could break with the patterns of the past and adopt a home-grown reform strategy to address well-known constraints, including through long overdue reforms in fiscal management, international trade, energy, and the business environment. Departing from a history of accepting conditionalities in return for urgently needed external financing amidst ongoing crises, government could instead proactively articulate and take major steps in implementing a clear reform program. With the increased credibility and economic self-reliance that such a reform program would deliver, government could – from a position of strength – request donors to contribute to implementation, both through financing and technical assistance. Following the path of other rapidly developing countries, Pakistan could take a discerning approach to accessing international support, progressing only with reforms, projects, and approaches aligned with its overall vision (14).

International donors know full well that development can only be achieved when their programs are aligned with a country's own development plans. While development agencies face their own political and economic constraints and sometimes perverse incentives (15), the goal of successful economic development is ultimately shared. In the context of a government taking determined and credible reform steps towards a plausible economic development vision, international partners would be obliged to lend their support. This should mean providing timely financing to priority programs, coordinating between themselves to reduce duplication and transaction costs, creating space for local adaptation and variation taking account of context, and – above all – listening when government explains its development needs.

DEVELOPMENT PARTNERSHIP

There is broad consensus that Pakistan's development problems are largely political (9, 10). With the state captured to serve short-term elite interests aid can – at best – only provide resources to protect those most in need, and support incremental improvements in policies, institutions, and infrastructure. Under these conditions, donors should be aware of the potential negative economic impacts of aid and be open to criticism and dialogue, especially to inform mitigation of these risks. While international donors can and should support any step towards improved development progress, the decision is ultimately in the hands of Pakistan. It is only when Pakistan's policymakers adopt a coherent development vision and implement overdue reforms that the potential positive impacts of aid can be fully realised.

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PAKISTAN AND THE IMF

Khurram Husain

There are not many countries in the world with a track record of being on an IMF program as long and protracted as Pakistan's. The first program was a Standby Arrangement signed in 1958, and in the 65 years since then Pakistan has spent 34 of them inside an IMF program. This has to be a record.

This article will not go into why the causes behind this prolonged use of Fund resources. It merely looks at the course Pakistan's economy has charted through these years and how its protracted engagement with the Fund has shaped its evolution.

Pakistan has used the multilateral lenders like ATM machines over the decades. Successive governments were keen to sign whatever documents were placed before them in order to secure the loan. Once the funds were disbursed, the program was left to languish. This became especially true from the 1980s onwards. The facilities signed in the decades prior were basically short term Standby Arrangements, some of which were not even drawn down fully. Their objectives did not go much beyond short term macroeconomic adjustment, driven mostly by a need to raise revenues and build foreign exchange reserves.

This began to change with accession to a three year Extended Fund Facility (EFF) in 1980. That program was the first to introduce structural conditionality, especially in the exchange rate and energy pricing. Pakistan abandoned the dollar peg in January 1982 as part of the EFF and moved towards a managed float instead, although the dollar remained the intervention currency. Within months the rupee lost close to 10 percent of its value against the dollar, although this devaluation was far too slow for program purposes. "The ultimate adjustment should not be too long delayed," the staff wrote in a mid term review of that facility in April 1982, "especially if evidence were to

arise of adverse leads and lags induced by speculative considerations."

No less important was the EFF's emphasis on energy pricing reform, especially fuel. New wellhead prices for domestically produced oil were to be more than doubled, and most importantly, an agreement was reached to increase gas wellhead prices at Sui by more than a factor of 4. These were sweeping changes that carried steep ramifications for inflation, and necessitated a far reaching review of the administered pricing regime that dominated the economy. The formation of the Price Reform Committee a few years later was to move towards market based pricing of foreign exchange and energy, and let a larger process of liberalisation follow in the wake of these changes.

The reforms proved abortive, however. Oil prices at the pump were not pegged to international market prices until the 2008 Standby Arrangement was signed, and gas prices have still not been fully adjusted to global market terms to this day, despite the depletion of domestic gas fields and the rapidly growing induction of imported LNG into the system. The Weighted Average Cost of Gas (WACOG) reform was not legislated until 2022, and to this day has not been notified into practice.

In 1988 Pakistan signed onto a Structural Adjustment Facility (SAF) of three years combined with an SBA of one year, and this package carried the most far reaching set of structural conditionality that the country had seen until that point. The 1988 SAF became the template for all subsequent programs the country signed. It was the first program to advance the idea of shifting the base of taxation away from foreign trade towards domestic consumption. It called for deeper market based reforms not only in foreign exchange management but also in public debt issuance. It was the first facility to use Net International Reserves as performance benchmarks. And

it was under this facility that the privatisation program took institutional shape in 1989. In short, it was the facility through which a comprehensively liberalised economy was envisioned for Pakistan.

The Value Added Tax came to be called the General Sales Tax, and the country struggled with trying to administer it in value added mode. Every IMF program since 1988 (save perhaps for the 2000 SBA) had it as a central structural reform measure till it died a spectacular death on the floor of parliament in 2010. The effort was abandoned altogether after that. The GST proved difficult to implement due to the pervasive informality that permeated Pakistan's services sector, which was the fastest growing component of the country's GDP from the 1980s onwards. Far too many entrenched interests stood in the way of the documentation requirements of this tax.

Debt management reforms also showed a stop and go pattern. In the closing years of the 1988 EFF the government finally inaugurated a system of auctioning treasury bills in order to raise domestic debt. The idea was to move away from borrowing by dictate from state owned banks towards borrowing from the market. Initially that meant market pricing for government debt, with auctions as the mechanism to generate the price. This was no less important a reform than the market pricing of the exchange rate.

For a decade it worked, in patches. Through the 1990s the banks bid for government paper, and the State Bank set the cut off yields. But the bureaucrats at the finance ministry chafed at the rates they were now being charged for liquidity that they otherwise believed was their own property. The reform was undone in the early 2000s, when the State Bank surrendered the prerogative to set the cut off yields in government debt auctions to the Finance Ministry, where it has rested ever since. Then in 2008, the IMF tried once again to bring some discipline to government borrowing by asking for an auction calendar to be published at the beginning of the fiscal year. This limited the discretionary space for the government to access banking sector liquidity. But government regained this space by resorting to direct borrowing from the State Bank instead, which reached levels it had never seen in the 2010s.

A journey that began in the early 1980s under IMF auspices and aided along with policy support from the World Bank, and inscribed into the seventh and eighth five year plans, chalked out a meandering path over the decades that left Pakistan's economy with neither market driven dynamism nor state controlled protections. In all spheres – management and divestment of state owned enterprises, pricing reform in energy, documentation of the economy and tax reform for base broadening and improving revenue elasticity, management of government debt to cite just a few examples – the path the country chalked out was patchy, piecemeal implementation with some progress followed by regression. The result is an economy stuck in a halfway house between state and market, unable to benefit from the advantages of either.

The main reason for this shallow commitment to reform is weak ownership at the country level. The existing model of import substituting industrialisation had hit its limits by the early 1980s. Around the world countries were searching for a way forward outside of the old paradigms. But in Pakistan, the search for a path forward in the face of a globalizing world became entangled in the ruler's efforts to procure legitimacy for himself, an effort that subordinated economic policy to the requirements of military rule. The most significant requirement for the dictatorship was foreign exchange – dollars. And out of this thirst for dollars, his regime built a relationship with multilateral lenders that wanted them for nothing more than their money.

Below the top levels of the state, the bureaucrats sought to preserve and safeguard the prerogatives they had grown accustomed to in the days of big government. And big business sought to either protect its rents, or build rent seeking opportunities for itself, as the state withdrew from large areas of the economy, starting with upstream energy supplies and working down to power generation and eventually financial services and manufacturing.

These are the compulsions under which Pakistan's economy evolved in the globalizing world. Little wonder it was unable to build the competitive bases required to compete in the new world dawning all around it, and instead developed an addiction to foreign supplied liquidity injections via geopolitical rents that its leadership called 'aid'. To put it simply, with a reform story that went stop and go, we had a growth story that went boom and bust.

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THE DOUBLE-EDGED SWORD OF IDENTITY CAPITALISM:

A Case Study of Pakistan's Khwajasira Community Based Organisations

Mehrub Moiz Awan

Identity has remained an important determinant in political and change-oriented organising in the neoliberal world order, especially in Pakistan. We now have multiple community-based organisations in Pakistan governed, run, and managed by khwajasira people. Through project-based grants, in-kind donations, and international donor support, many of these organisations have created employment opportunities for khwajasira people in a country where khwajasira people are actively denied employment. Where this has created a positive change in the development-sector market, there have simultaneously been consistent reports and accusations of financial mismanagement and corruption often leading to project closures. As the khwajasira, and the quasi-queer, communities are in fact marginalised and for vulnerable communities, these claims have remained hushed whispers and bureaucratic gossip – rarely have such claims made it to mainstream media reporting, or legal arbitration. Whilst navigating this critical space juxtaposed between marginalisation of a community and abuse of power by community insiders with access to organisational resources, it is pertinent to ask the question: are community-based organisations (CBOs) delivering? Or are they merely creating a new breed of identity capitalists where one's marginalised identity is being used to create proximity and access to financial resources solely for personal enrichment?

To understand the genesis of identity capitalism around khwajasira identities in Pakistan, we need to historically understand the advent of the NGO model for the khwajasira in Pakistan. The Global Fund to fight AIDS, Tuberculosis, and Malaria (GFATM) through its Project DIVA⁹ initiated a first-of-its-kind approach across South Asia to help transgender communities fight HIV by instituting community-based systems. The grant was later renamed to the Multi-Country South Asia Grant, or the MSA Grant¹⁰, and has been delivered in a multi-tiered process characteristic of the Global Fund. In this model, a 'big' development sector agency becomes the Principal Recipient (PR) of the funds from the Global Fund. Money is then transferred to the Sub-Recipient (SR) who then transfers it to the Sub Sub-Recipient (SSR) to conduct the HIV prevention activities on the ground. All khwajasira CBOs implementing this grant in Pakistan are SSRs, whereas the PR has jumped hands from the United Nations Development Program (UNDP) in Bangkok, to Save the Children in Nepal, and then back to the UNDP but in Islamabad.

⁹Ministry of National Health Services Regulation and Coordination, 2014. Global AIDS Response Progress Report 2014, Islamabad: Government of Pakistan.

¹⁰United Nations Development Program, 2015. Fast Facts: Multi-Country South Asia Global Fund HIV Programme. [Online]

Available at: <https://www.undp.org/asia-pacific/publications/-fast-facts-multi-country-south-asia-global-fund-hiv-programme> [Accessed 12 November 2023].

This historically inconsistent grant laid the foundation of khwajisira CBOs in Pakistan, and in essence all of them were either born, or raised, on this specific Global Fund grant as CBOs to fight HIV. This required the presence of a CBO, and a team of khwajisira employees who would then manage a range of HIV preventive services.

This model has created a new class of economy within the embattled khwajisira community, where a prospect of employment now exists at one of these CBOs. The khwajisira system is an indigenous system with a guru-chela hierarchy, where artificial families are born. The Guru can be seen as a parent, and the chela as a child – creating a kinship structure. Simultaneously, if two khwajisira individuals don't get along, it is understood that their respective chelas will also refrain from maintaining a relationship with each other. However, within the new CBO economy model, a new relationship now emerges – that of the employer and the employee. Historically, within the khwajisira community, this relationship had never existed. Hierarchy was determined based on kinship, age, and transition status. Illustratively, an older khwajisira who has medically transitioned (and hence has objective seniority in the khwajisira system) being employed by a younger khwajisira person who hasn't transitioned will create a power imbalance within the indigenous khwajisira hierarchy and organisational norms. It also creates conflicts of interest and muddles up decision-making power when it comes to intra-community accountability. Furthermore, this model creates a new power structure; that of the khwajisira 'CEO' who is running a CBO and is hence 'granting' employment to other khwajisiras as HIV community health workers and counselors. The emergence of this 'new' power, within a traditionally hierarchical community that is teetering on the edges of extreme poverty and income through begging, dance, and sex-work has thus created a new playground of exploitation and power struggles within the khwajisira community.

Theoretically speaking, the Global Fund provided a robust model as it seeks to 'strengthen community systems' to take ownership of and hence combat HIV. In reality though, Pakistan is one of the very few countries that has seen a consistent increase in new HIV infections among khwajisira people, and at least three cities in Pakistan have a community-wide epidemic of HIV which have shown no signs of reversing¹¹. This, despite the fact that khwajisira CBOs have been actively working to combat HIV in the three cities. This posits that although khwajisira CBOs in Pakistan have created new avenues for employment, they have dramatically failed at curbing HIV all the while generating new conflicts within the khwajisira community.

Ironically, the same Global Fund has failed to institute a national level arbitration council or grievance redressal mechanism that has resulted in a surge of accusations against people heading these projects. Topically, it seems that these accusations serve the purpose of reducing donor confidence in a CBO so that another CBO can land the same grant money and run the project instead, hence gaining 'control' of the employees and through that, also attaining power. However, in the absence of a formal, or even semi-formal, grievance redressal mechanism, these accusations remain unaddressed and hence remain volatile ammunition in this fight for khwajisira fiefdom over CBOs. The desire for accessing this new power through 'running a project' and employing other khwajisiras has resulted in community-insiders now invoking transphobia and misogynist accusations against other people working in the field. For instance, in late 2022, a Karachi based khwajisira CBO's HIV grant was suspended after false and transphobic accusations were made against an activist employed within, allegedly by a competing CEO of another CBO¹². The project was reinstated in a few months and the charges dismissed, only to be shut down again in July 2023 by the Office of Audits and Investigations of the UNDP in New York, without providing any reason¹³. Earlier in 2014, a transgender activist and her partner working on the same HIV grant in Karachi was accused by a minor of sexual assault which later became a national scandal during the #MeToo era of 2019¹⁴. Later in 2019, the parent NGO to run the Global Fund grant from Lahore, which birthed a majority of these khwajisira CBOs, shut itself down due to repeated accusations of corruption and subsequent loss of donor confidence. This demonstrates that accusations and complaints in the absence of transparent redressal have become a vital weapon in this war between CBOs as they compete over paltry resources from the Global Fund HIV grant.

¹¹National AIDS Control Program, 2017. Integrated Biological and Behavioural Surveillance in Pakistan 2016-17, Islamabad: National AIDS Control Program.

¹²Arab News, 2022. UN agency abruptly closes HIV prevention program putting thousands at risk in Karachi. [Online]

Available at: <https://www.arabnews.pk/node/2138896/pakistan> [Accessed 12 November 2023].

¹³Azam, O., 2023. UNDP suspends transgender HIV programme with GIA. [Online] Available at: <https://www.thenews.com.pk/print/1094610-undp-suspends-transgender-hiv-programme-with-gia> [Accessed 12 November 2023]

¹⁴The Express Tribune, 2019. Kami Sid removed as Aurat March organiser following rape allegations. [Online]

Available at: <https://tribune.com.pk/story/1980086/4-kami-sid-removed-aurat-march-organisers-panel-following-rape-allegations>

[Accessed 12 November 2023].

The problem with accusations is that if they are unaddressed, they don't go anywhere. There are legitimate issues of corruption, financial mismanagement, safeguarding, and exploitation within these CBOs as khwajasiras struggle to create organisational systems that address their financial needs while also balancing the tricky juxtaposition of community norms with organisational principles. Furthermore, through the emergence of this novel CBO economy, the marginalised identity of being a khwajasira suddenly becomes a valuable identity asset associated with marginalisation that allows one access to resources that elevate a person within the marginalised community: hence granting them power over other khwajisira persons. This has been framed as 'identity capitalism' by Nancy Leong in her book titled 'Identity Capitalists: The Powerful Insiders Who Exploit Diversity to Maintain Inequality'¹⁵. This commentary's inside-out exposition of the CBO economy model also serves the same purpose: to highlight an emergent problem within the design of this economic model that ends up empowering only an individual and their kinship while failing to improve the material conditions of the larger community that it seeks to serve.

In conclusion, neoliberalism through its emphasis on the non-profit sector – funded primarily by big foreign donor agencies – has displaced a lot of the responsibilities of the State on to marginalised people, who have then reproduced the same systems of inequality within their own communities. Recognising this reality is central if we want to progress, because this then tells us what steps to take next. For Pakistani khwajasiras, it means that an Arbitration and Grievances Redressal Council is necessary. Otherwise, we will continue to see exploitation both from within, and from outside, the community and no actual change towards improving the material conditions of people.

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¹⁵Leong, N., 2021. Identity Capitalists. 1st ed. Stanford: Stanford University Press.



ENERGY





REVAMPING ENERGY SYSTEMS for a Sustainable Future

Afia Malik

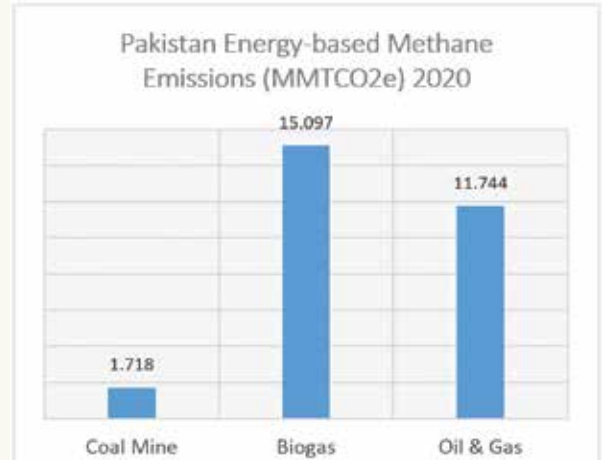
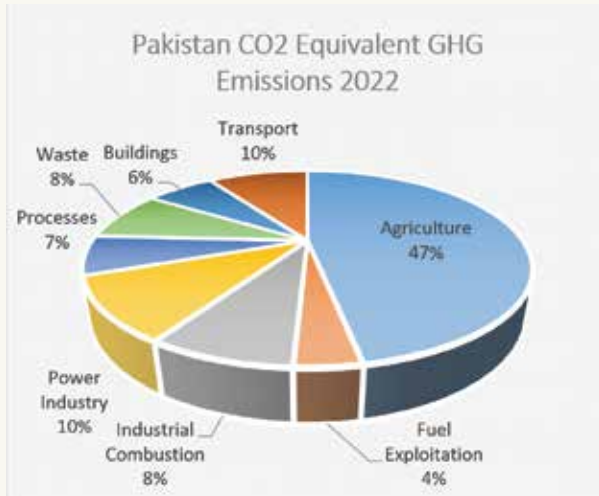
Global temperatures have surpassed pre-industrial levels by 1.2°C, leading to extreme weather events. Methane, a potent greenhouse gas (GHG), accounts for about 30% of the global temperature increase. Its global warming potential is reportedly 28-34 times higher than CO₂ over a century. The energy sector is responsible for roughly 40% of total methane emissions, only after agriculture (which contributes 41% to methane emissions). According to IEA data, energy-related emissions in 2022 were 135 million tonnes, with coal mine methane contributing to 42 metric tonnes (Mt), oil to 41 Mt, natural gas extraction, processing, and transportation to 39 Mt, incomplete combustion of bioenergy to 9 Mt, and end-use equipment leaks to 4 Mt.

Pakistan is responsible for only 1% of the world's total carbon equivalent greenhouse gas (GHG) emissions, but it is one of the top ten countries most vulnerable to climate change and among the leading emitters of methane. In Pakistan, methane accounts for about 50% of total GHG emissions. The energy sector in Pakistan provides cost-effective opportunities for reducing methane emissions. Aiming for the 1.5°C climate goal is not just about transitioning to renewable energy but also about using energy resources efficiently.

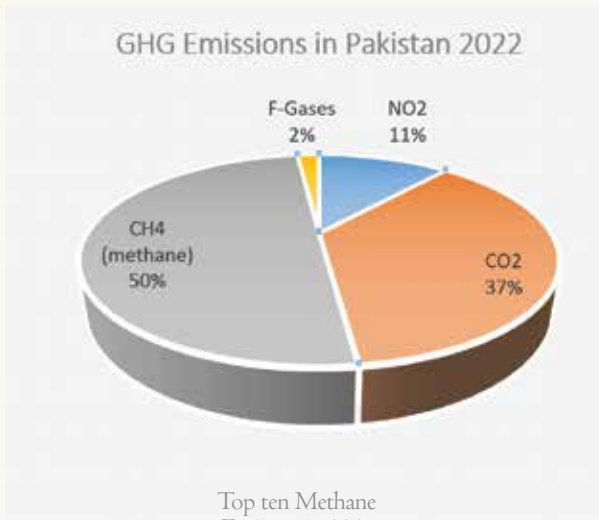
Methane is the primary component of natural gas (more than 70%) emitted into the atmosphere during various stages of the production cycle. In Pakistan, unaccounted-for gas (UFG) or gas sector losses are a significant source of methane emissions, in addition to

contributing to the sector's debt, which has now reached PKR 2.9 trillion (including interest payments). UFGs are primarily associated with gas infrastructure across the country, including 13,194 kilometres of transmission and 195,422 kilometres of distribution network as of June 2022. Outdated underground pipelines, erosion of cathodic protection, underdeveloped networks, poor maintenance, and lack of advanced metering to measure gas calorific value are the leading causes of these leaks, further aggravated by illegal suction pumps installed in homes, CNG stations, or in commercial setups.

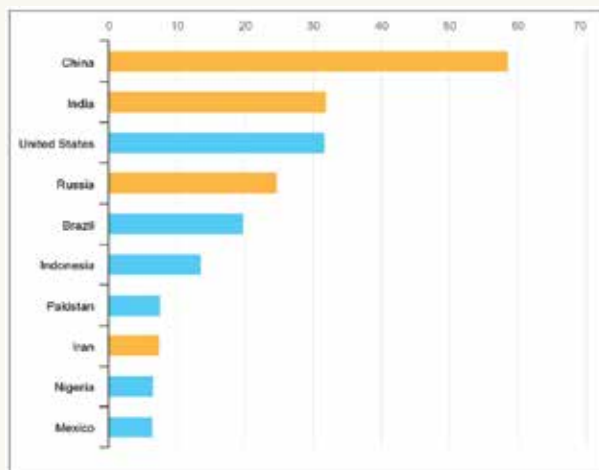
The UFG rates in the gas utilities, Sui Southern Gas Pipeline Limited and Sui Southern Gas Company Limited, are much higher than the world average, at 8.2% and 15%, respectively. However, instead of ensuring that these companies meet efficiency benchmarks, OGRA allowed for an increase in UFG targets in 2017 to compensate for the falling profits of these companies. The financial returns of these companies are linked to their transmission and distribution assets, which means there is no incentive for them to improve their inefficiencies. In the past three years, an average of 300 MMCFD (million cubic feet per day) of gas has been lost through UFGs, equivalent to 31% of the imported Liquefied Natural Gas (LNG) in FY2022.



Source: — <https://www.iea.org/data-and-statistics/charts/top-ten-emitters-of-methane-2021>; <https://www.globalmethane.org/partners/detail.aspx?c=pakistan>; and https://edgar.jrc.ec.europa.eu/report_2023



Top ten Methane Emitters in 2021



Reducing gas emissions is crucial, especially in light of the rising natural gas prices, Pakistan's increasing reliance on LNG imports, and growing environmental concerns. To achieve this, it is essential to conduct mandatory leak detection and upgrades, ban harmful practices, implement equipment standards, and ensure strict regulatory compliance for efficiency standards with improved management practices. Above all, by linking companies' returns with their operational efficiency. Capturing and marketing methane leaks from gas operations could reduce LNG imports by 31%. Making more productive use of limited gas resources through changes in gas allocation and pricing policies could further reduce or eliminate its adverse impacts and the import burden.

Coal mining also releases methane from active and abandoned mines. High-quality drained gas can be used as natural gas, but sometimes, it may not be economically viable. Flaring methane is an effective option used globally to reduce emissions when it cannot be utilised.

Currently, Pakistan contributes 0.4% to global power sector emissions. However, coal is becoming more prevalent in the country due to its availability and new foreign investments in coal reserves. As of June 30, 2022, the installed capacity of coal-based power plants in Pakistan was 8220 MW. While it is true that local coal is a reliable and affordable option for energy production, it can only be relied upon up to a specific acceptable limit. Coal mining may not significantly contribute to methane emissions in Pakistan (as the above graph shows); coal is the dirtiest fuel to burn and emit GHG, which traps heat and contributes to global warming.

The world is moving towards more advanced and efficient technologies like ultra-super-critical boilers (USC) to reduce the carbon footprints of coal power plants. Even more advanced technology is emerging, which will further improve efficiency and reduce CO2 emissions, mercury, and local air pollutants.

However, Pakistan's recent emphasis on coal for power generation overlooks essential factors such as plant location and technology, which impact the environment.

Transporting Thar coal to power plants is important not only for economic reasons but also from an environmental perspective. For instance, the Sahiwal coal plant was unsuitable due to its high cost and negative environmental impact. Studies have shown that it damages land, water, and air. The plant's location is crucial for ensuring cost-effectiveness and minimising its negative environmental impact.

Existing coal plants cannot be immediately decommissioned due to long-term agreements. Retrofitting outdated sub-critical (SUBC) power plants to more efficient USC is necessary. Replacing old SUBC boilers with advanced boilers means more post-combustion carbon capture and less environmental footprint. In Pakistan, even after developing Thar coal at full scale, carbon emissions are expected to be lower than those of fast-growing and developed economies, both on an absolute basis and per capita. High-efficiency and low-emission technologies can help reduce the emissions from coal-fired power generation further.

The production, refinement, transportation, and storage of oil all contribute to the emission of greenhouse gases. The incomplete combustion of fuels is also a significant source of GHG emissions. When fuels generate electricity, heat, or power vehicles, they release harmful pollutants into the air. Due to inefficient energy usage, Pakistan is experiencing increased air pollution in almost all sectors, including transportation. The rising number of vehicles and inefficient fuel burning are major contributors to this issue. Industrial activities also play a significant role in air pollution, and there are no proper air emission controls in place. The regulatory setup is weak; laws exist, but they are not enforced.

NEECA should conduct mandatory energy audits on buildings, industries, transport, and agriculture. Retrofitting for existing buildings must follow energy audits, and building codes for new constructions should be enforced. Cost-reflective road pricing and parking fees can reduce private car use; fuel rationing can save energy

A large number of people in Pakistan continue to lack access to clean commercial energy for cooking and heating, which compels them to depend on biomass energy. The rural population is estimated to fulfill 94% of their domestic energy requirements by burning biofuels, which poses significant health and environmental hazards: incomplete combustion of solid biomass results in harmful emissions. Therefore, it is crucial to provide affordable access to clean cooking fuels for these communities. Investing in green energy for rural/remote areas is challenging. A comprehensive energy plan, effective and consistent policies, and a robust regulatory framework can encourage private sector participation. Public-private partnerships can also be explored.

In Pakistan, it is impossible to reduce fossil fuel dependency in the short to medium term. Yet, incentivising distributed generation through a favorable and consistent policy and by introducing pre-paid smart metres can help reduce domestic load demand on the grid, which currently is around 48%. It is crucial to swiftly phase out polluting thermal power and increase the use of wind, solar, hydro, and other alternative energy sources. It is vital to establish a level playing field for renewable technologies. The production of renewable energy equipment needs to be localised to reduce costs and add value to the entire supply chain.

Switching to renewable energy, being energy efficient, and conserving energy can lower costs and benefit Pakistan. It can help achieve universal access to energy and a cleaner environment by 2030. We need upgrades to reduce emissions, combat climate change, and create a sustainable world for future generations.

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Khalid Waleed

THE TANGLED WEB OF ENERGY GOVERNANCE

In Pakistan, the energy sector's vitality is essential to the nation's economic pulse, yet it is ensnared in a web of governance and sustainability issues and inefficiencies.

THE PRINCIPAL-AGENT CONUNDRUM

The principal-agent dilemma sits at the heart of Pakistan's energy sector, where the conflicting interests of Pakistani consumers (the principals) and the agents (comprising the energy bureaucracy, planners, and Independent Power Producers, or IPPs) are in perpetual conflict. This ongoing discord is evident through multiple detrimental outcomes: inflated energy prices, skewed power agreements, and a short-sighted focus that disregards the imperative of long-term sustainability. These issues are exacerbated by systemic moral hazards, adverse selections, and information asymmetries, which collectively contribute to a bleak outlook for the sector's governance.

Further compounding the problem, the lack of transparent and effective regulatory frameworks perpetuates an environment where accountability of agents is minimal, and inefficiencies thrive.

The consumers, often lacking a strong voice or representation, find themselves at the mercy of policies and decisions that prioritise immediate gains over equitable and sustainable energy solutions. Consequently, this aspect hampers the potential for innovative and environmentally conscious energy strategies, which are critical for the nation's economic and ecological future.

Moreover, the ripple effects of this governance challenge extend beyond the energy sector, impacting Pakistan's overall economic stability. The inflated energy costs lead to increased production costs in various industries, reducing their global competitiveness, and swelling circular debt. Additionally, the unreliable power supply, a direct outcome of these governance issues, further deters foreign investment and hinders the growth of local businesses.

To address these multifaceted challenges, a concerted effort towards systemic reform is essential. This would involve enhancing regulatory mechanisms, promoting transparency, and fostering a culture of accountability. Engaging various stakeholders, including civil society and international energy experts, in the policymaking process could also contribute to more balanced and forward-thinking energy policies. Such reforms are not

just crucial for rectifying the current dilemmas but are imperative for ensuring the long-term resilience and sustainability of Pakistan's energy sector.

BUREAUCRATIC BOTTLENECKS AND INERTIA

Pakistan's energy sector is beleaguered by a bureaucratic apparatus that is often paralysed by its own complexity. Burdened by administrative red tape and political intrusion, the system is marred by inefficiencies. Performance incentives are scarce, leading to a workforce that is frequently unmotivated and ineffectual. This bureaucratic inertia not only impedes progress but also hinders the sector's ability to respond to evolving market demands.

OPAQUE DEALS WITH INDEPENDENT POWER PRODUCERS

The contracts binding the nation with IPPs are cloaked in a veil of opacity. While these agreements are crucial for energy supply, their non-transparent nature leaves consumers at a disadvantage, often bearing the brunt of unfavorable terms. This lack of clarity in contractual dealings epitomises a larger systemic issue where the interests of the few overshadow those of the many.

NEPRA'S STRUGGLE FOR AUTONOMY

The National Electric Power Regulatory Authority (NEPRA), envisioned as a bulwark of consumer rights and fair play, grapples with its own set of challenges. Its operations are often undercut by political meddling and a lack of autonomy. The regulator's effectiveness is further diminished by its limited capacity to enforce compliance, spotlighting the gap between regulatory intent and execution.

SHADOWS OF A COLONIAL PAST

The legacy of colonial administration lingers in Pakistan's energy sector. The centralised decision-making structures, a vestige of colonial governance, continue to hamper efficiency. This top-down approach, often detached from ground realities, leads to systemic sluggishness and underperformance, exacerbating the principal-agent problem and eroding public trust.

TOWARDS A STRUCTURAL OVERHAUL:

Reduction in Marginal Cost of Energy Governance in Pakistan

An essential component of overhauling Pakistan's energy sector involves reducing the marginal cost of energy governance. Despite the increasing total budget of the Ministry of Energy, particularly in its current expenditures, there is a pressing need to streamline costs and enhance efficiency. This reduction is not about cutting essential services or compromising on quality; rather, it's about optimising resource allocation and eliminating wasteful expenditure.

To achieve this, a thorough audit of current expenditures should be conducted to identify areas of redundancy and inefficiency. Streamlining processes, leveraging technology for better management, and reducing bureaucratic layers can significantly cut down administrative costs. Implementing cost-effective practices, such as digitalising operations and embracing energy-efficient office practices, could also contribute to reduced operational costs. Furthermore, investing in capacity building and training of the existing workforce can lead to a more skilled and efficient team, capable of managing the sector's needs with lower resources. Rationalising expenses also involves renegotiating contracts and agreements to ensure that the state is getting the best value for its money, particularly in procurement and external consulting services.

As the Ministry of Energy reduces its marginal costs, the savings accrued can be redirected towards more critical areas such as infrastructure development, renewable energy projects, and consumer benefit initiatives. This approach not only ensures a more sustainable financial model for the Ministry but also contributes to the overall economic health of the country by redirecting funds to areas that yield long-term benefits.

Transparency and Accountability

In the context of Pakistan's energy sector, transparency and accountability are not merely administrative buzzwords; they are foundational pillars for rebuilding trust and credibility. By instituting transparent practices in dealings and decision-making, the sector can dismantle the opaque structures that have long facilitated mismanagement and corruption. This involves making contract terms with IPPs public, ensuring open bidding processes, and enabling independent audits.

Establishing clear channels for accountability, where decisions and actions are subject to scrutiny, could foster a culture where inefficiencies and malpractices are less likely to thrive. This approach would not only restore consumer confidence but also attract more responsible and sustainable investment in the sector.

Strengthening NEPRA

NEPRA's transformation into an autonomous and powerful regulator is essential for the sector's health. Strengthening NEPRA would mean granting it true independence from political pressures, allowing it to make decisions based on technical and economic merits rather than political expediency. Enhancing its enforcement power would enable NEPRA to effectively regulate tariffs, monitor service quality, and ensure compliance with environmental standards. An empowered NEPRA could also play a pivotal role in streamlining regulatory processes, making it easier for new entrants to invest in renewable and sustainable energy sources, a crucial step towards Pakistan's energy sustainability.

Revisiting IPP Contracts

The contracts with Independent Power Producers, often criticised for their lack of transparency and favouritism, require regular scrutiny and revision. Aligning these contracts with national interests and public welfare involves renegotiating terms to ensure fair pricing, eliminating any clauses that lead to undue financial burden on the state or consumers, and ensuring that these contracts contribute to the nation's long-term energy goals. This process also involves balancing investor confidence with societal needs, ensuring that these contracts are attractive to investors while safeguarding public interest. Such scrutiny would also involve ensuring that IPPs adhere to environmental standards and contribute to the nation's transition to sustainable energy sources.

Performance-Based Incentives

In the Pakistani context, introducing a performance-based appraisal system for the energy sector's bureaucracy could be transformative. By linking rewards and career progression to tangible results such as improved service delivery, reduced energy losses, and successful project completions, a more motivated and effective workforce could be fostered. This shift would encourage innovation, efficiency, and a more proactive approach to problem-solving within the sector, helping to overcome the endemic inertia that has plagued it for years.

Decentralisation and Commercial Mindset

Decentralising decision-making and embracing a more commercial mindset could address many of the systemic inefficiencies in Pakistan's energy sector. Decentralisation would mean giving more autonomy to local entities and regional energy departments, allowing for quicker, more context-sensitive decision-making. A commercial mindset would involve treating energy not just as a public service but as a dynamic market sector, encouraging competition, customer service, and innovation. This approach could lead to more efficient operations, better customer service, and, potentially, lower energy costs.

Long-term Visionary Planning


Finally, the sector needs a paradigm shift from its current reactive stance to a proactive, long-term strategy. This involves developing and implementing a comprehensive energy plan that looks beyond immediate crises to the future needs of the country. Such planning should focus on diversifying energy sources, investing in renewable energy, improving energy efficiency, and building the infrastructure needed for a sustainable energy future. Long-term planning also means anticipating future challenges and opportunities, such as technological advancements in energy storage and distribution, and preparing the workforce and the nation for these changes.

CONCLUSION

Transforming Pakistan's energy sector requires a fundamental shift in governance, contractual dynamics, and regulatory frameworks. Addressing the principal-agent problem extends beyond mere policy changes; it necessitates a paradigm shift in the interactions between the state, its apparatus, and its citizens. This transformation is key to ushering in a more transparent, efficient, and self-sufficient energy future for Pakistan. Efficient energy governance, in particular, plays a crucial role in enhancing the sustainability of the sector. It ensures that resources are utilised judiciously, costs are optimised, and environmental impacts are minimised, thereby contributing to a more sustainable and resilient energy landscape.

In navigating these waters with foresight and resolve, Pakistan has the opportunity not only to illuminate its own path but also to serve as a model for similar economies struggling with the legacy of complex energy governance. The journey towards reforming the energy sector is indeed challenging but presents a unique opportunity for Pakistan to set a precedent in sustainable and efficient energy governance, inspiring and guiding others facing similar dilemmas.

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RENEGOTIATING AGREEMENTS WITH IPPs TO REFORM THE ENERGY SECTOR

Shahid Kardar

The full servicing of our obligations to IPPs looks increasingly unlikely. The issues include currency mismatch (earnings of IPPs denominated in dollars while revenues of the system are in rupees), negotiated rates on generous terms (e.g. committed returns of 15% in dollar terms and income tax exemptions for the entire period of the contract), and sovereign guarantees covering even market risk. The so-called 'circular debt' is the outcome of these structural issues that have made the economy uncompetitive and hence a huge constraint to growth and its sustainability. The situation has been worsened by poor policy design and 'other considerations' resulting in installed generation capacity today being close to 15,000 MW, more than the demand, partly also owing to inadequate carrying capability of the transmission infrastructure and distribution systems. This has given rise to a requirement of Rs. 2 trillion in 2023/24 for capacity payments of which Rs. 1.3 trillion will just be for the plants lying idle; with the share of capacity payment in the base tariff per unit now Rs. 24 billion (including all entities generating energy- thermal, solar, wind, nuclear, government owned, etc.)

The beneficiaries of these contracts will have to take haircuts. The decision to extend the tenure of the contracts of IPPs set up under the 1994 and 2002 policies was a poor one. The sustainable choices are to persuade those who invested under the 1994 policy

(which has already run its original contracted course), that their generated energy will be procured in rupees and only if it is available at competitive and affordable rates.

As for those who established units under the 2002 policy, the majority of them being Pakistanis, the government should persuade them to accept upfront a significant percentage (not the full dues) of the capacity related obligations for the remaining contracted period (roughly 2-3 years) and thereafter their contracts should be renegotiated along the lines proposed for the 1994 policy.

For the GENCOs, commissioned by the public sector, the approach should be the one adopted for the IPPs founded under the 1994 policy, with renegotiations of the terms (contract period, invoicing currency-considering that even local resources and their production is also being priced in foreign currency, etc.) with the lending banks. However, for the Chinese IPPs launched in 2016/17 (entitled to a rate of return of 20% in dollar terms compared with the 15% for the earlier projects) a different treatment will be required - as they would resist any revision in the contracts employing the argument that these contracts have factored in the lessons learned by us from the projects commissioned under the 1994 and 2002 policies. Hence, one possible example could be the release of some capacity to be freely traded in the market.

There is another option, which could also be adopted for the IPPs established under the 2022 policy. As the less expensive hydro power and renewable energy projects come onstream we could exercise the 'pay option' of the 'take or pay policy' and literally stop purchasing electricity from the thermal power generators.

And these efforts need to be complemented by adequate and timely investments to attend to the technical inadequacies and inefficiencies and governance issues of the transmission and distribution systems. As an illustration of this point, there are several reforms that are required on the service delivery side, including:

- Simplification of the tariff structure (presently littered with several bands for each consumer category, and encumbered by a host of cross-subsidies), including an examination of the lowering rate of tariffs to increase the consumption of electricity, thereby contributing to the capacity payment obligations.
- Withdrawal of the free/concessional provision of electricity to civil/military/judicial and other services and the WAPDA, NTDC and DISCO employees; roughly 190,000 serving and retired personnel of electricity agencies are provided 400 million units free per annum valuing more than Rs. 25 billion, whereas free units to employees of other institutions are essentially provided as a perk with the relevant organisation picking up the cost built into its budgetary allocations.

- Forcing the public sector defaulters (the provincial and federal government organisations) to pay up
- Outsourcing the management of DISCOs and the installation of smart meters (the pre-paid variety), etc., to address the 17.5% technical and distribution losses (of roughly Rs. 300 billion in 2023) over and above the NEPRA determined limit, corruption and consumer theft of electricity through collusion with official staff and weak effort on recovery of dues, estimated to be close to Rs. 590 billion in 2023.
- Right sizing and rationalisation of the bloated and poorly skilled politically appointed work force of the organisations in the sector (especially in the DISCOs).

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MEANINGFUL ENERGY TRANSITION IN PAKISTAN: MICROSCALE TO MACROSCALE

Muhammad Amir Raza

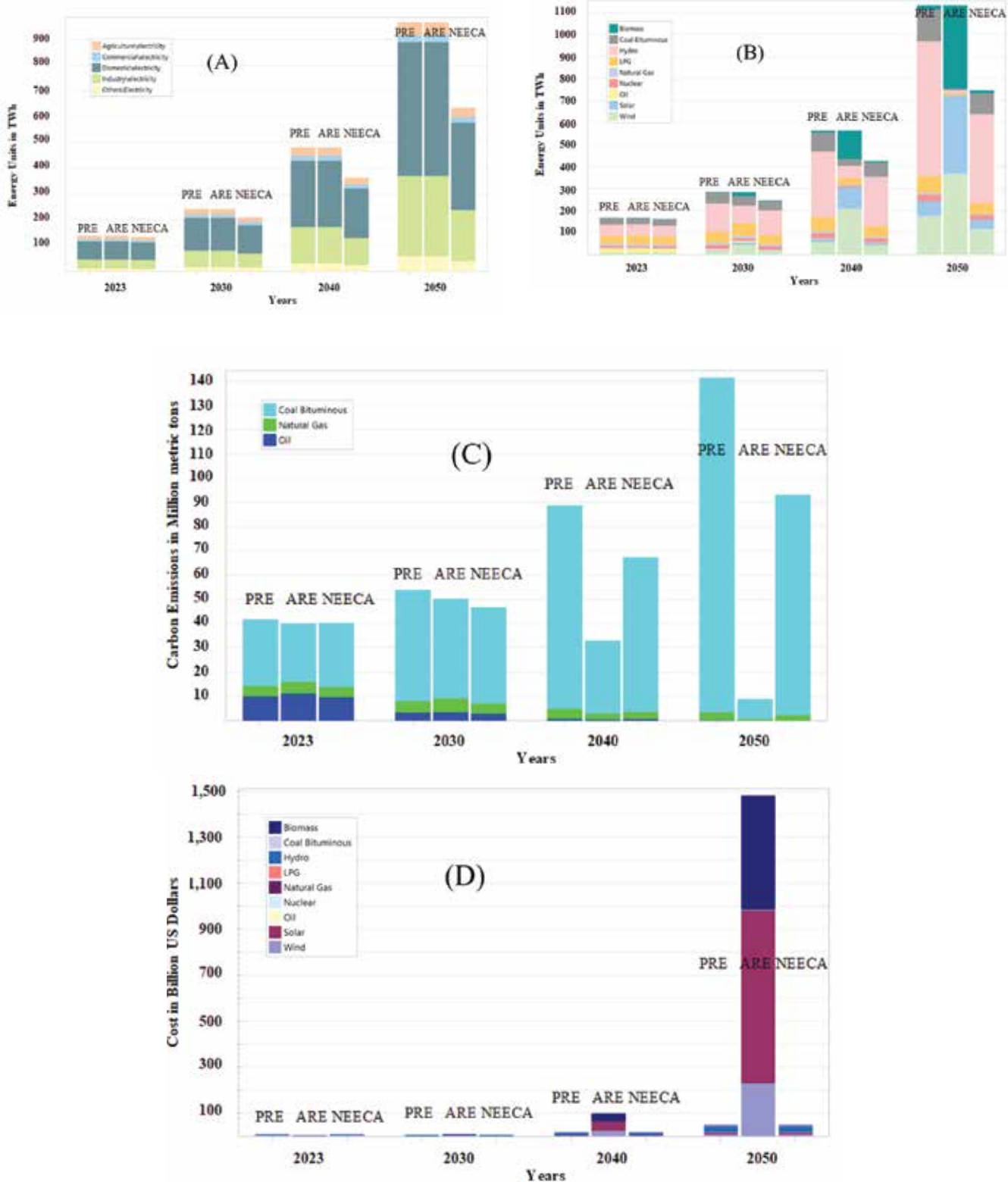
Sea level is rising and glaciers are melting as a result of increasing global temperature 1.5 °C above pre-industrial level. Other effects of climate change include drought and flooding, which uproot millions of people, plunge them into hunger, poverty, and prevent them from fundamental services like education and health, stifle economic growth, and even spark conflict. In order to save lives and livelihoods, it is imperative to take rapid action to stop climate change and its terrible impacts. It is also essential to implement the Paris agreement targets of climate change at national level and 2030 agenda for sustainable development and to meet the objectives of SDG-13. Under the Paris Agreement's targets of climate change, nations are developing climate action plans to reduce emissions. To fulfill the 1.5°C objective, a paradigm shift is under way in developed nations for achieving climate change targets by exploiting green energy potential but Pakistan's present national pledges are insufficient. This article presents the solution for Pakistan to overcome the negative effects of climate change for sustainable environment.

Pakistan is a developing country with tough political and economic conditions, posing a serious challenge to develop a policy that supports the energy transition from fossil fuels to renewables. Pakistan is blessed with a huge 3425.796 GW renewable energy potential including wind (346 GW), solar (2,900 GW), hydro (59,000 GW), geothermal (100 GW) and biomass (20 GW) despite the fact that Pakistan is producing electricity mostly from imported fossil fuels (coal, furnace and natural gas) with 58.8% share followed by 25.8% hydro, 8.6% nuclear and only 6.8% from solar and wind sources. Renewables contribute only 32.6% in the total energy mix of Pakistan. This article discusses the possibility of an energy transition from fossil fuels to renewables, in terms of the initiatives that will need to take place to make it possible in Pakistan with good benefits offered to all stakeholders in a manner that avoids environmental pollution. An important condition here is that that fossil fuel based power plants are shut before their economic lifetime ends.

Ministry of Energy (Power Division), Government of Pakistan developed a policy entitled, "Alternative and Renewable Energy (ARE) Policy 2019" with the aim of increasing the renewable capacity by 30% by 2030 with the majority of electricity produced from indigenous energy sources including biomass, wind and solar. However, this target cannot be achieved with the present transmission and distribution network. The Asian Development Bank (ADB) claims that with the exception of China, the countries under its Central Asia Regional Economic Cooperation (CAREC) project would have to invest from USD 25 billion to USD 49 billion to upgrade their power transmission and distribution infrastructure. If China is included, the cost goes up to USD 901 billion, as per predictions in a note from the CAREC Energy Outlook 2030. The ADB noted that the region, with the exception of China, needed around USD 340 billion in energy investments by 2030. If China is included, then investment needs were valued at USD 3.8 trillion. Pakistan also aims to have 20% electricity saving in all electricity consumer groups like domestic, commercial, industrial, agriculture and others under the National Energy Efficiency and Conservation Authority (NEECA) policy of 2023. This NEECA policy coupled with ARE policy will put Pakistan on a map of world with cleanest mix of energy.

This article suggests how clean energy targets should be achieved over the years until 2050 by using Low Emissions Analysis Platform (LEAP) software. Figure 1 shows results of overall energy demand, production, carbon emissions and systems cost for the period 2023 to 2050 under the three policies: present (PRE) policy, ARE policy of 2019 and NEECA policy of 2023. Present policy provides results on the basis of technical report pertaining to Pakistan's energy planning and policies including 2021 Indicative Generation Capacity Expansion Plan (IGCEP), Pakistan's Vision (2025), and China Pakistan Economic Corridor (CPEC). ARE policy of 2019 incorporated greater share of renewables and lower share of fossil fuels in total energy mix while NEECA policy of 2023 is geared to facilitating the use of efficient technologies for both renewable and non-renewable systems with 20% saving in all consumer groups. These three policies consider the Gross Domestic Product (GDP), population, number of households, past consumption of electricity and their growth rates.

Figure I: Energy demand, production, carbon emissions and systems cost



The energy demand under the PRE and ARE policy is the same for the year 2050, i.e. 966.05 TWh. Energy demand of the domestic sector is 518.94 TWh in the year 2050, followed by industrial at 311.70 TWh, agriculture at 46.95 TWh, commercial at 29.62 TWh, and others at 58.85 TWh. The energy demand under the NEECA policy is found to be much less, at 635.85 TWh. The domestic sector consumed 339.09 TWh of energy, followed by industrial at 197.95 TWh, agriculture at 34.85 TWh, commercial at 23.07 TWh, and others at 40.87 TWh until 2050. Energy production is also estimated under the PRE, ARE, and NEECA policies for the study period from 2023 to 2050, as shown in Figure 1(b). The total production of energy in 2050 is 1135.20 TWh under the PRE and ARE policy while under NEECA policy, it is found to be 747.15 TWh. The share of hydro is greater under the PRE policy because the government wants to install more hydro plants in the future, whereas under the ARE policy, the share of biomass, wind, and solar is greater. NEECA policy incorporated the energy saving potentials, which ultimately reduces the power generation capacity. In the PRE policy, the hydro source has the greater contribution of 614.14 TWh in the total energy mix, followed by wind at 177.07 TWh, coal at 144.48 TWh, LPG at 75.57 TWh, solar at 64.61 TWh, nuclear at 32.74 TWh, biomass at 19.15 TWh, natural gas at 7.25 TWh, and oil at 0.19 TWh until 2050. Under the NEECA policy, the hydro source has a greater contribution of 404.21 TWh in the total energy mix, followed by wind at 116.54 TWh, coal at 95.09 TWh,

LPG at 49.74 TWh, solar at 42.53 TWh, nuclear at 21.55 TWh, biomass at 12.60 TWh, natural gas at 4.77 TWh, and oil at 0.12 TWh until 2050. Finally, under the ARE policy, 30% contribution of biomass, wind, and solar will be incorporated into the total energy mix by 2030. If this trend proceeds until the year 2050, biomass contribution in the total energy mix will be 378.80 TWh, followed by wind at 368.56 TWh, solar at 356.70 TWh, hydro at 13.82 TWh, coal at 8.83 TWh, LPG at 6.45 TWh, nuclear at 1.94 TWh, natural gas at 0.88 TWh, and oil at 0.02 TWh.

Carbon emissions of fossil fuels are also forecasted for the study period 2023 to 2050, as shown in Figure 1(c). Under the PRE policy, coal produced 138.27 million metric tons of carbon emissions, followed by natural gas producing 3.17 million metric tons and 0.10 million metric tons by 2050. Under the NEECA policy, energy demand and production are reduced by incorporating energy efficiency measures, so carbon emissions are also reduced to some extent, but coal still contributed more, around 91.01 million metric tons, which was followed by natural gas, 2.09 million metric tons, and oil, 0.06 million metric tons by 2050. Under the ARE policy, coal will produce 8.45 million metric tons of carbon emissions, followed by natural gas, 0.38 million metric tons, and oil, 0.01 million metric tons, by 2050. The investment cost required to implement the energy systems is also forecasted, as shown in Figure 1(d).

In the PRE and NEECA policies, investment costs required lesser because the existing capacity will deliver power until 2050, and some new plants will also be installed to meet the energy demand of the nation. The greater investment cost required for the development of a hydro plant is USD 23.96 billion; solar, USD 9.47 billion; wind, USD 7.85 billion; coal, USD 3.14 billion; biomass, USD 1.27 billion; and nuclear, USD 1.10 billion until 2050. Under the ARE policy, the development of solar power plants requires a greater investment cost of USD 417.07 billion; biomass, USD 286.31 billion; wind, USD 147.11 billion; hydro, USD 1.41 billion; coal, USD 0.94 billion; and nuclear, USD 0.40 billion until 2050, respectively.

The switch from imported fossil fuels to indigenous renewable sources for energy transition is crucial for climate change. Indigenous renewable sources offer enormous potential for clean energy production, but it is yet not fully utilised for sustainable environment. However, this ambitious target of energy transition is discussed in this article and it is possible to achieve through a lot of planning and dedication by all stakeholders to achieve the clean and green environment in Pakistan.

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TRADE AND INDUSTRY



REVITALISING PAKISTAN'S INDUSTRIAL SECTOR: A ROADMAP FOR RESILIENCE AND INNOVATION

Usman Qadir

INTRODUCTION

Industrial policy drives economic development, guiding a nation's growth. It transitions economies from agrarian to industrial, fostering diversification and reducing sector dependence. A thriving industrial sector reduces unemployment, encourages innovation and productivity, enhancing global competitiveness. Robust industrial policies boost exports, enriching foreign exchange and trade balance. In essence, industrial policy is vital for sustainable economic growth, prosperity, and resilience.

The discussion here will highlight the importance of industrial policy in driving economic growth, outlining key areas for reform in Pakistan. These include regulatory oversight, institutional framework, workforce development, government support, trade liberalisation,

and investment in research and development. We find that resilience and innovation play a crucial role as key drivers of industrial growth.

INDUSTRIAL POLICY IN PAKISTAN: CURRENT STATE

Pakistan's industrial policies have historically been reactive rather than proactive and have rarely met their goals. The lack of significant manufacturing output growth, low or negative productivity in existing industries¹, and a decreasing contribution of the manufacturing sector to GDP (17.5% in 2005 to 12.1% in

2018) reflect this failure. The trajectory of industrial policy in Pakistan has shifted over time, from import substitution industrialisation to nationalisation in the 1970s and later privatisation, with a recent interest in Public-Private Partnerships (PPPs).

Frequent policy changes and political instability mean efforts to address the situation, including a 2005 strategy emphasising an 'incentive approach', have not yielded the expected results. Given the sector's underperformance, what are the key areas for reform?

KEY PRIORITY AREAS FOR INDUSTRIAL POLICY REFORM

Regulatory Oversight

Regulatory oversight is essential for Pakistan's industrial policy, ensuring fair competition and boosting investor confidence. Streamlined procedures reduce costs and promote SME growth. To support a dynamic, innovative industrial sector, Pakistan needs a regulatory environment that attracts investment, simplifies operations (regulatory sludge costs 39% of GDP)², and maintains standards. Reducing the regulatory burden (with a typical firm spending PKR 153/day on compliance)³ is central to successful industrial policy.

Institutional Framework

Institutions are crucial for implementing and overseeing policies. To improve the industrial sector, we must focus on key areas of institutions. We need robust institutions with the expertise and resources to create and enforce policies. Transparency and accountability are also essential for building trust, attracting investments, and ensuring compliance with regulations. Additionally, institutions must be flexible and adaptable to changes in the economy and technology. Strengthening the institutional framework will lay a solid foundation for a competitive and resilient industrial sector, promoting economic growth and prosperity in Pakistan.

Workforce Development

Workforce development is a vital priority for industrial policy reform in developing countries like Pakistan. To foster economic growth and industrial competitiveness, the government must prioritise education and skills training. This entails enhancing the quality of education, promoting technical and vocational training, and aligning curriculum with industry needs. Additionally, creating a supportive environment for continuous learning and upskilling is essential. The government should encourage public-private partnerships to bridge

the skills gap and ensure that the workforce is equipped to meet the evolving demands of industries. By investing in workforce development, Pakistan can enhance productivity, attract investments, and promote job creation, thus driving industrial progress and economic development.

The Role of Government

Government is crucial for supporting industries by creating the right environment through policies, investing in infrastructure, offering financial help, ensuring rules are followed, and promoting exports. In Pakistan, the government's involvement has grown significantly, reaching around 67% of the economy⁴, which limits private investment and entrepreneurship. A business-friendly setting with steady policies is essential for nurturing industries in Pakistan. It allows companies to plan for the long term and attracts both local and foreign investors, spurring economic growth. A leaner government that guarantees stable policies and a business-friendly atmosphere is thus critical for building a strong and competitive industrial sector.

Innovative Approaches to Industrial Policy

While there is general consensus that the state has a key role to play in industrial development, the extent of this role is up for much debate. In the case of Pakistan, the footprint of the government on the economy is as much as 67% of GDP⁵. The cost of excessive regulations and sludge in the economy is as much as 60% of GDP⁶. Clearly the focus of the state needs to shift from managing industrial activity to facilitating industrial activity and reducing the regulatory burden. In addition, the state must focus on promoting R&D and technology acquisition efforts in the industry.

Investment in R&D is crucial for industrial development, driving innovation, technological progress, and industry competitiveness. Pakistan only invests a paltry 0.16% of GDP on R&D, which means we lose out on cutting-edge products, enhanced productivity, and new market opportunities. Nurturing an innovative culture based on R&D is vital for long-term success.

Technology transfer and acquisition are pivotal for developing countries. They accelerate industrial growth, enhance productivity, and reduce R&D time and costs. Moreover, they help address local challenges and create jobs, promoting competitiveness and sustainable development. These aspects are essential for advancing developing countries in the global economy.

¹(Mahmood & Siddiqui, 2000; Siddique, 2020)

²(Haque et al., 2022)

³(Nadeem ul Haque et al., 2023)

⁴(Raja Rafiullah & Usman Qadir, 2021)

⁵(Raja Rafiullah & Usman Qadir, 2021)

⁶(Haque et al., 2022)

CONCLUSION

Industrial policy is vital for a nation's economic development. In Pakistan, past policies have been reactive, leading to a lack of manufacturing growth, low productivity, and a declining manufacturing sector contribution to GDP.

Key reforms are suggested to reverse the trend:

- **Regulatory Oversight.** Establish a fair, transparent, and investor-friendly regulatory environment to simplify operations, and attract investments.
- **Institutional Framework.** Implement and monitor industrial policies efficiently, promote collaboration, and ensure adaptability to changing economic landscapes.
- **Workforce Development.** Prioritise education and skills training, foster public-private partnerships, and bridge the skills gap to enhance productivity and attract investments.
- **Government Support.** Limited to creating a stable, business-friendly environment with consistent policies, encouraging investments, fostering entrepreneurship, and job creation.
- **Innovative Approaches.** Shift the government's focus from managing to facilitating industrial activity, reduce regulatory burden, and promote R&D and technology acquisition.

In summary, a dynamic and innovative industrial sector is essential for Pakistan's economic development, and these reforms are key to achieving this goal.

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CAN DOMESTIC TRADE BE THE ENGINE OF PAKISTAN'S GROWTH?

Omer Siddique

¹In Pakistan, when trade is mentioned, people invariably think of international trade. How to increase exports and decrease import dependence is discussed ad nauseam. Sadly, domestic trade has been neglected in Pakistan as a vehicle for growth. The bias against domestic commerce has been because of the Haq/HAG model of the 1960s, which focuses on increasing exports and reducing imports through an import substitution policy. Consequently, a lopsided policy focus on increasing exports and achieving import substitution has stifled domestic trade and market development.²

MAKING A CASE FOR A GROWTH PARADIGM LED BY DOMESTIC COMMERCE

There is a strong case for shifting the focus to a domestic commerce led growth paradigm. In this paradigm, the development of domestic markets is considered the primary driver of growth and production.³ The conducive business environment in the domestic market facilitates entrepreneurs to grow, thrive, develop new products, and create brand names. In such markets innovations and entrepreneurship thrive through risk-taking and understanding of consumers' tastes and

markets. Innovation and entrepreneurship taking place in the domestic market later move out and lead to higher exports and foreign exchange earnings. More importantly, in this model not only goods are exported but there is a greater likelihood of businesses being exported leading to the birth of the Pakistani multinational.⁴

Several examples from around the world show that this strategy has brought phenomenal growth in the case of large domestic markets and provides an effective way to breed entrepreneurship, risk-taking, innovation, product and brand development, and competitive markets. Multinationals like Coke, McDonald's, and Ford all started as domestic industries. Their testing ground was the domestic consumer market.

DOMESTIC COMMERCE IN PAKISTAN: AN OVERVIEW

Second Largest Employer

Despite the neglect, Pakistan's domestic commerce sector has been resilient and making important contributions to the economy. Domestic commerce's share in total employment is 36.02%⁵ making it the second largest employment-generating sector after agriculture.

Largest Contributor to Output

Domestic commerce also contributes substantially to Pakistan's output: its share in the output was 52.55% in 2022-23 – the highest among all the sectors

Wholesale & Retail

The wholesale and retail trade (WRT) is the largest sector and the mainstay of domestic trade. The WRT has a share of 14.37% in total employment. The sector, which is considered mainly informal, also employs a bulk of informal sector workers: 34.19% of the total informal workers are employed in the WRT sector. In terms of output, the WRT's share in GDP, at 18%, is the highest among the domestic commerce activities.

In 2002, there were 1.57 million WRT establishments in Pakistan compared to 1.0028 million establishments in 1988.⁶ According to PIDE's estimates, there are currently 2.66 million WRT establishments in Pakistan.⁷ This is evidence of the dynamism of the domestic commerce in Pakistan. Back-of-the-envelope estimates – based on the sector's output growth, growth in the number of establishments, and employment figures – signal the sector's efficiency and productivity.

WHAT STIFLES DOMESTIC COMMERCE IN PAKISTAN?

Urban Zoning, Commercial Space, and Rent

An important factor that has stifled domestic commerce in Pakistan is the severely limited space for domestic commerce, especially the WRT.⁸ The current zoning regulations and urban planning have encumbered domestic commerce in Pakistan.⁹ In twin cities, especially in Islamabad, commercial spaces are limited and mixed-use construction is almost non-existent. The new projects allocate very little space for commercial activities compared to the space for residential construction. All these facts stifle domestic commerce.

¹This essay is based on the forthcoming report by PIDE and RASTA: "The State of Commerce in Pakistan: International and Domestic."

²Haque, N.U. (2006a). Beyond Planning and Mercantilism: An Evaluation of Pakistan's Growth Strategy. *Pakistan Development Review* 45(1): 3–48.

³Haque, N.U. (2006b). *Awake the Sleeper Within: Releasing the Energy of Stifled Domestic Commerce!* PIDE Working Papers No. 2006:11. Islamabad: Pakistan Institute of Development Economics.

⁴Haque, N.U. (2006b)

⁵Labor Force Survey (2020-21). It is important to note that the LFS, or any other official statistics, does not categorize domestic commerce separately. Domestic commerce sectors are selected based on the nature of activities. These include wholesale & retail trade, transport & storage, education, accommodation & food, professional, finance & insurance, and real estate.

Domestic businesses often complain about high rents. In the case of Islamabad, the Supreme Court's 2016 ruling to disallow commercial activity in residential units/areas has contributed to high rent. Moreover, according to the Islamabad Rent Restriction (Amendment) Act 2021, owners of residential and commercial properties are allowed to increase the rent by 10% every year. In some cases, landlords increase the rent by more than 10%, but tenants do not go for mediation or litigation because of high time and pecuniary costs.

Local Administration, Tax Administration, and Bureaucracy

The attitude of the bureaucracy and other authorities does not support domestic commerce activities. The high degree of informality in domestic commerce, especially in the WRT sector, emanates from the attitude of administration, tax authorities, and bureaucracy. Government departments, such as the FBR and the EOBI, create unnecessary problems for traders, which wastes time and resources. Officials from different departments and authorities visit the businesses routinely. Moreover, domestic traders do not engage with formal financial institutions because of documentation requirements and the fear of being approached by the tax authorities

Cumbersome Registration Process

In Pakistan, the process of opening and registering a new business is very difficult and cumbersome, which is well-documented by various PIDE studies.¹⁰ Similarly, the process of filing a tax return is very difficult. While opening a business, entrepreneurs have to deal with various departments, such as the labour department, EOBI, and WWF, among others, making it very confusing for a businessman, especially for local traders who are less educated. Sometimes even a literate person is unable to digest processes and formalities.

⁶Pakistan Bureau of Statistics (2005). *Economic Census 2005*. Islamabad: Pakistan Bureau of Statistics. The economic census was carried out from 2001 to 2003 and the results were published in 2005.

⁷PIDE/RASTA (forthcoming). *The State of Commerce in Pakistan: International and Domestic*. Islamabad: Pakistan Institute of Development Economics. The projections are based on data collected for the State of Commerce report and have used the estimates of the average number of employees per establishment to estimate the total number of WRT establishments in Pakistan.

⁸Haque, N.U. & Nayab, D. (eds.) (2020). *Cities – Engines of Growth* (2nd ed.). Islamabad: Pakistan Institute of Development Economics; Haque, N.U. (2015). *Flawed Urban Development Policies in Pakistan*. PIDE Working Paper No. 119. Islamabad: Pakistan Institute of Development Economics;

⁹Haque, N.U. & Waqaar, I. (eds.) (2006). *Domestic Commerce – The Missing Link*. Islamabad: UNDP/Ministry of Commerce.

¹⁰Haque, N.U., Qasim, A.W., & Khan, F.J. (2023). *PIDE Sludge Audit Volume II*. Islamabad: Pakistan Institute of Development Economics. Haque, N.U., & Qasim, A.W. (2022). *Regulatory Bodies: Hurting Growth and Investment*. PIDE Monograph Series 2022:4. Islamabad: Pakistan Institute of Development Economics

Haque, N.U., Qasim, A.W., & Khawaja, I. (2022). *PIDE Sludge Audit Volume I*. Islamabad: Pakistan Institute of Development Economics.

Finance and Credit

Banks do not facilitate and entertain smaller domestic traders. Banks require them to open and maintain an account for at least six months and maintain a certain average balance. If traders fail to meet these conditions, banks do not provide them with the facility. The irony is that if the businessman had enough credit, they would not need a loan. Moreover, banks do not develop retail and trade-specific products despite instructions from the State Bank because they do not have any incentive to lend at lower interest rates. They find it more profitable to invest in government paper.

DOES THE BUCK STOP WITH THE GOVERNMENT?

Conventional Methods of Procurement and Supply Management

In Pakistan, entrepreneurs in the domestic trade sector, rely on conventional methods for procurement and replenishment. They struggle with a lack of supply predictability and slow replenishment cycles resulting in regular stockouts. An average retailer spends a considerable time per week on procurement alone. This traditional mode of procurement means greater effort and time spent in the process. Moreover, traditional retailers in Pakistan cannot get competitive prices because of reliance on one supplier. They do not search for alternate suppliers or products.

Geographical Limitations and Broken Value Chain

As far as wholesalers and distributors are concerned, they do not grow because of a limited customer base which is a result of geographical and logistical limitations. Furthermore, rail logistics need to be improved in Pakistan but due to a variety of reasons, very few businesses use the railway system to transport goods via the rail network across Pakistan.

Inventory Management, Market Intelligence, and Demand Forecasting

Even chain stores, big retailers, and supermarkets rely on outdated and conventional methods for procurement, inventory management, market intelligence, and demand forecasts. They do not grow and build international brands because they do not use modern methods, such as market data, for forecasting and market intelligence. A majority of industry players still manually use Excel to analyse sales trends and forecast future sales. In short, Pakistani big retail players and brands do not use market intelligence to the extent that the rest of the world uses such tools.

Chasing Incentives and Subsidies

Globally, business conglomerates add value, innovate, and diversify investment, but in Pakistan, conglomerates prioritise maximising returns without emphasising innovation, product diversification, or R&D. In Pakistan, business conglomerates own a large number of companies, but their net worth, by international standards, is unimpressive – the highest-valued conglomerate's worth is USD 6 billion. In comparison, India's second-largest business group is worth more than USD 300 billion. One of the reasons Pakistan has not been able to build global brands is that Pakistan's businessmen prefer to invest in conventional sectors, such as textiles, real estate, financial services, and power/energy. This risk-averse approach indicates reliance on government support, subsidies, and preferential treatment. Rent-seeking behaviour further reinforces this risk aversion and a focus on maintaining maximum ownership stakes. A recent example is that of mobile manufacturing. Seeking incentives offered in the Mobile Manufacturing Policy 2020, established business houses set up mobile assembly plants. They have not thus far achieved any localisation of parts, R&D, employment generation, and exports as outlined in the policy.

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INDUSTRIAL POLICY REFORM

Ishrat Husain

Pakistan, which has gone through deindustrialisation in the last few decades, has to examine carefully whether it can benefit from evolving an industrial policy of a kind different from earlier periods. What is the rationale and purpose of this new industrial policy?

Had Pakistan maintained its export-to-GDP ratio at the level of 16 percent as in 1999, the total merchandise exports would have reached USD 56 billion in 2022, i.e. 75 percent higher than USD 32 billion actually realised and the current account deficit – with even higher level of imports – would have been manageable. The previous industrial policy thus failed to make the country competitive internationally. How to recapture this lost market share and become more competitive is the challenge. This goal is attainable because empirical evidence shows that Pakistan's publicly listed exporting firms are found to be on average 20 percent more productive than domestically oriented firms (World Bank). The present incentive structure is biased against manufactured exports and favors production and imports for the domestic market.

Resurgence of industrialisation is therefore needed for not only increasing exports, but also for stimulating GDP growth, adopting technology, creating jobs and developing a skilled work force. Industrial policy has therefore to be enconced in the overall growth strategy of the country with adequate social safety nets for those likely to lose out from the pursuit of this policy. The point of departure for the new policy is that it requires “technological competence, skills, work discipline and trainability, competitive supplier clusters, strong support institutions, good infrastructure and well-honed administrative capabilities” be developed, nurtured and promoted and the rent seeking subsidies and protection to specific firms and industry or sectors be shunned.

Under the old industrial policy, concessions and subsidies in the name of ‘infant industry’ have continued unabated as there were no benchmarks set to evaluate performance and assess whether intended goals were achieved. The policy had no built in sunset clause and some of the industries are enjoying the benefits even after a lapse of several decades.

As distortions were introduced through administered input and output prices, as well as firm, subsector, and industry specific differential concessions, the resultant manipulation, collusion, and speculation led to excessive rent seeking. A wedge was created between 'observed prices' and their fundamental determinants. Investors tend to shy away from productive activities and shift to unproductive activities where quick, short term gains can be achieved in an environment of market distortions and imperfections. Private profits keep accumulating at the cost of benefits to the society. Overall, low economic growth coexists with excessive returns earned by selected market players. Bureaucrats and politicians are accused of indulging in crony capitalism through concessions, exemptions, bank loans, preferential allocation of land at below market prices, and import permits to a select few. The beneficiaries of these favours are political supporters, friends and family members or blatant pecuniary benefits to those administering the policy.

Governments are also not particularly good at identifying the sectors which should be promoted. It is only the businesses themselves – with a sharp eye on markets – that can evaluate relative returns to investment by taking account of the dynamic comparative advantage to conduct this task. Government can act as a facilitator, enabler, provider of level playing field through regulation, promoter of competition and problem solver but not a direct intervener in investment choices. Besides maintaining political stability, pursuing sound macro-economic policies, investing in human capital and physical infrastructure, and improving delivery of public goods and services through devolution, the government has to curtail its claims and pave the way for access to bank credit and capital markets by the private sector for increased investment in productive sectors such as agriculture and manufacturing. Broadening the tax net and rationalising expenditures would not only reduce the budgetary deficit requirements but also help the private sector by lowering tax incidence while providing complementary public investment.

The main ingredients of a forward looking industrial policy for Pakistan ought to be:

i. Innovation. Rapid technical change is at the heart of the new competitive scene and innovation and productivity growth are interrelated. R&D expenditure in Pakistan was already paltry but it has declined from 0.6 percent of GDP in the early 2000s to 0.28 percent currently. Support for scientific research and development in both private and public sector to alter the production structure and processes in response to changing demand patterns, preferences and technology has to be given the highest attention and resource allocations. Institutional specialisation, complementarity between academia and industry, patent acquisition, and stakeholder involvement would generate beneficial results. Transition to green technology and clean energy, adaptation and mitigation of climate change risks and emerging technologies such as AI, robotics, data analytics, etc. have to be the major components of a comprehensive R&D initiative. Financial incentives should be

given to the firms for in-house R&D activities that enhance their technological capabilities and enable them to implement new innovative techniques and processes. An Innovation Development Challenge Fund can be a useful instrument for this purpose.

ii. Institutions. Strengthen institutions of economic governance by devolving powers, delegating decision making and decentralising fiscal resources, giving local bodies autonomy while holding them accountable for results. State should withdraw from running businesses and allow the private sector to compete on a level playing field. The state should focus on delivering basic public goods and services in a cost effective and efficient manner. Technology parks, incubation centres, and special economic zones can create clusters for exchange of knowledge, skills and provision of common services resulting in agglomeration economies. Narrower forms of specialisation in fragmented production that now dominate global value chains have changed the dynamics of industrial and export activity. Pakistan has to find niche products in the chain where it can compete. These clusters would also house quality testing labs, standards metrics compliance and extension services to SME suppliers and vendors. These clusters, along with joint ventures between Pakistani and foreign firms, can further reinforce the process of upgrading technologies, building new capabilities and finding new markets and market niches.

iii. Deregulation and Taxation. The formal industrial sector is overregulated and heavily taxed. About two thirds of taxes are collected from the manufacturing sector which accounts for only 13 percent of GDP. The plethora of laws, rules, regulations and no-objection certificates required for compliance by the federal, provincial and local governments (some of which are overlapping) have stifled the entry of newcomers by increasing the cost of doing business, thus retarding the forces of competition. For example, minimum tax based on turnover and advance tax act as a barrier to new entrants. As a result, the share of manufacturing in GDP has remained stagnant. Easing the regulatory burden and lowering the tax incidence on manufacturing industries (by bringing in other sectors and firms into the tax net) would allow existing firms to expand their scale of operations and new companies to invest in activities that would become profitable. Large scale firms tend to be more productive reflecting economies of scale. Export subsidy schemes have to be rationalised to incentivise new products and sub sectors so as to facilitate penetration in new markets. One way to promote consolidation, capital formation, upscaling, and expansion in the manufacturing sector is to remove tax on inter corporate dividends. Import duties on intermediates and final consumer goods have to be brought at par with other competing nations as they act as a tax on exports and increase the profitability of selling in domestic markets.

iv. Human Capital Formation and Skilled Labour Force. Despite loud claims that Pakistan has a large pool of talent, the fact is that we rank below our peers on the Human Capital Index. One third of children are out of school, learning poverty is sky high, a rising number of university graduates are unemployed, female labour force participation rates are abysmally low, and malnutrition and stunting continue to grow. The acute shortage of skilled workers demanded by the industries pose a serious constraint to productivity growth. Science and Mathematics should be introduced early in the school curriculum and made mandatory for all middle and secondary school students. Technical and vocational training institutes should be expanded and operated by the private sector. Universities should produce more STEM graduates of employable skills. Manufacturing's growing components in value addition are research, design, engineering, marketing and networking. Digital Economy would require a large workforce of ICT professionals.

v. Infrastructure. Pakistan's unending energy crisis and high end user costs have done enormous damage to industrial growth and diversification, particularly the export sector. The present model of Single Buyer-Single Seller is the root cause of this recurrent problem. Unless private sector firms selected through a transparent competitive process are brought in at the retail stage of distribution of electricity and natural gas, with monopolies of DISCOs being dismantled, the situation would remain precarious. There are very few countries which subsidise piped gas for households and penalise industrial units. Under current circumstances, the circular debt would keep piling up while the rising costs to the industrial units, particularly in international trade, would drive them out of business.

vi. Labour laws. Pakistan has a youth employment problem. More than 70 labour laws on its books which, according to its own reckoning "are complex, overlapping, anomalous and at times render the subject matter difficult to understand, besides creating confusion for those who deal with them." Despite the passage of a dozen years the mission of consolidating and simplifying these laws into five core laws has been deflected by the power tussle between federal and provincial governments. Despite such abundance of laws and regulations, contract, casual, temporary and daily wage modes of employment have become the accepted norms in manufacturing industries. Formal and wage employment in manufacturing sector has remained stagnant. These laws also encourage firms to remain small and not scale up their size of operations. Consequently, the skill level and the average schooling are low, on the job training is missing, females are not found for dexterous jobs for which they are well suited, wages fall below a decent living benchmark, and overall labour productivity lags behind that of peer countries. Only 7 percent of firms in Pakistan offer formal training to their workers compared to 85 percent in China and 50 percent in Viet Nam. The firms which provide formal training are found to have much higher productivity. It must be realised that a single rupee of investment in skills and improved efficiency of the labor force would have on average at least 30 to 40 percent additional returns that can be distributed in the ratio of 75:25 between the owners and workers. Labour productivity is thus a viable avenue for profit maximisation, capital formation for expansion and investment, new job creation, awarding decent living wages and increasing global competitiveness.

Old habits die hard but unless we have a mindset change and a serious political commitment to earnestly implement the required changes, we would end up facing one crisis after another every few years and keep knocking at the doors of the IMF and our friends.

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THE NEED FOR TRADE POLICY REFORMS IN PAKISTAN

Muhammad Zeshan

For decades, Pakistan's inward-looking trade policy regime has constrained economic growth and export performance.¹ High tariffs, pervasive import bans, complex regulatory duties and extensive red-tape have led to serious distortions in the economy. These policies might have served a purpose in the past, but are now fundamentally misaligned with Pakistan's development needs and changing global economy. There is an urgent need for comprehensive reform to liberalise trade, boost competitiveness and enable export-led growth.² This article analyses the flaws in Pakistan's existing trade policies and makes a strong case for why overhaul is essential by presenting more evidence on how distorted incentives have bred inefficiencies and stifled the economy.

THE FAILURE OF IMPORT SUBSTITUTION AND PROTECTIONISM

Pakistan's trade policy approach has historically centred on import substitution industrialisation (ISI) and protecting the domestic industry through high tariffs and non-tariff barriers.³ This was rooted in a view that imports were 'bad' and threatened domestic production and employment. While ISI met with some early success, the policy outlived its utility as inefficiencies became entrenched.

Several factors contributed to the failed promise of ISI beyond the 1960s. First, the negative impacts of prolonged protection – lack of competition, weak incentives for innovation and low productivity – became more apparent over time. According to Pakistan Institute of Development Economics, the average total factor productivity has stood at just 1.5% for the last decade of 2010-20.⁴ Second, Pakistan shifted its focus to capital-intensive industries like automobiles, chemicals, iron and steel that created limited jobs compared to labour-intensive light manufactures. Third, inward orientation led to the fragmentation of domestic markets and sub-optimal industry scales. Finally, the complex bureaucratic controls required to manage ISI led to high transaction costs and rent-seeking.

As a result, manufacturing remained confined to a few protected enclaves, while high-productivity export sectors failed to emerge. This functioned to foreclose opportunities from labour-intensive industrialisation that drove growth for Pakistan's peers. Despite billions invested in subsidies and tariffs, output and export competitiveness remained disappointing. By the early 2000s, ISI had clearly exhausted its potential.

Pakistan still maintains a high average tariff rate (12%), where the auto industry is the most protected industry with more than 45% protection rate.⁵ Additional para-tariffs, regulatory duties and complicated import licensing rules are imposed on many goods.

These legacy policies continue imposing inefficiencies in the economy. Market prices are inflated compared to global benchmarks because the domestic producers increase market prices as high as tariff rates on imported products. Domestic industries lack incentives to become competitive because they make high profits without any innovations, and only 0.16% of the GDP is invested in research and development activities by the domestic industry in Pakistan.⁶ Hence, the domestic industry has no incentive to expand to the international market, the so-called anti-export bias, which is the key reason for stagnant exports.⁷ On the other hand, consumers face limited choice and over-priced goods impacting welfare, and the producers maximise their welfare at the expense of consumers welfare.

EMBRACING TRADE OPENNESS AS A GROWTH STRATEGY

Marginal liberalisation provides no clear pathway to dismantling the residual complex of import bans, tariffs, and quotas inherited from the inward-looking era. And new barriers have been added through regulatory duties and standard-setting. This underscores the need for a more paradigm policy shift that embraces trade openness and global integration as the roadmap for high growth.

There are several compelling arguments for why orthodox import substitution has run its course. First, no

country has sustained rapid development in modern times while restricting trade and foreign technology. Export pessimism is inconsistent with success of East Asia, China and more recently Bangladesh. Second, imported inputs and machinery help raise productivity, speed up industrialisation and enhance competitiveness. Third, leveraging Pakistan's youth bulge and growth opportunities requires tapping global value chains. Fourth, enlarged domestic markets via linkages with the global market facilitates economies of scale. Finally, ending monopolies through competition drives specialisation, innovation and private investment.

With the right policy framework, expanding trade and investment can catalyse growth, exports and employment - rather than undermining it as commonly perceived. This is the lesson from emigrants to growth leaders like China and Vietnam. But the transition requires phasing out legacy protectionism and embracing openness more decisively than attempted thus far. The principles and specific contours of such an outward-oriented reform agenda are discussed below.

PRINCIPLES FOR A TRADE POLICY REGIME ORIENTED TOWARDS

Pakistan must move towards a trade policy regime aligned with global norms and designed to expand commerce. This requires streamlining restrictions, improving transparency, simplifying procedures and embedding liberalisation. Some useful guiding principles are:

- Import liberalisation should be comprehensive and meaningful rather than piecemeal or marginal. All products of trading partners should get market access unless very sensitive.
- Policy changes must have longevity and withstand political pressures. Reversals, exemptions and adjustments should be limited once a roadmap is announced.
- Non-tariff barriers and para-tariffs need to be phased out rather than used to cushion tariff reduction. Technical barriers should not create hidden protectionism.

¹<https://pide.org.pk/research/unveiling-the-myth-of-import-substitution-policy-in-pakistan-policy/>

²<https://pide.org.pk/Research/PIDE-Reform-Agenda-Report.pdf>

³<https://pide.org.pk/research/the-effective-rate-of-protection-in-an-input-output-framework/>

⁴<https://file.pide.org.pk/uploads/rr-057-sectoral-total-factor-productivity-in-pakistan.pdf>

⁵<https://pide.org.pk/research/ranking-of-industrial-protection-in-pakistan/>

⁶UNESCO Institute of Statistics, 2023.

⁷<https://file.pide.org.pk/pdf/Policy-Viewpoint-14.pdf>

- Protective tools like safeguards and anti-dumping duties should be applied very selectively and based on evidence. Automatic recourse to these measures should end.
- Documentation, processes and border management should be simplified.
- Trade policy reorientation needs coordinated action across ministries and agencies. Holistic perspective should override narrow interest of revenue maximisation through import tariffs.
- The private sector must have a structured role in trade policy formulation, review and oversight mechanisms. Business inputs ensure practicality.

With these principles in mind, a reform agenda encompassing tariffs, market access and trade infrastructure is discussed below.

PHASING OUT IMPORT TARIFFS IN A GRADUAL AND TRANSPARENT MANNER

Import tariffs are central to the protectionist edifice and need systematic rationalisation. One approach could be:

- In the first two years, maximum tariffs for all products should be reduced to 15% or the current average tariff of around 12% in equal quarterly installments. This eliminates prohibitive duties protecting few industries.
- Over the following three years, all tariffs should be brought down in equal quarterly installments to reach a uniform low rate of 5%.
- This low uniform tariff should be maintained for 3 years before a final phased reduction to 0% across the board. Or some minimal tariffs for revenue purposes.

Such gradual tariff harmonisation down to zero protection over 8-10 years provides adjustment time to industry. The phasing should be pre-announced so that business can adapt.

STREAMLINING NTBS FOR MARKET ACCESS

Beyond tariffs, non-tariff barriers (NTBs) like licensing, standards certification, and product testing also impede imports in Pakistan. While some NTBs are justified on technical grounds, they are often misused to create hidden protectionism. These restrictions need streamlining.

Import bans and restrictive licenses on consumer goods, industrial raw materials and intermediate goods should be abolished based on a strict review. SPS (Sanitary and Phytosanitary) and TBT (Technical Barriers to Trade) regimes should be framed to meet genuine health/safety objectives, without scope for discretionary restrictions. Mandatory registration/permits simply to import should end - with greater reliance on post-import monitoring if required.

Conformity assessment infrastructure and capacity for testing and certification needs major upgrading to ensure NTB regimes are not abused. Prospective importers should have modern labs, qualified inspectors and transparent systems for checking product compliance rather than relying on arbitrary decisions of regulators.

THE WAY FORWARD: A MORE OPEN PAKISTAN

Trade policy reforms along the above lines would steadily dismantle the anti-export bias of the prevailing regime. Directing strategy towards enhancing competitiveness rather than protecting industry would revitalise exports and growth. With its youthful entrepreneurs, Pakistan has the potential to achieve sustained growth through a trade-focused strategy that taps global opportunities.

Of course, the transition will not be without costs and structural adjustments. But a phased process accompanied by safety nets to support displaced workers can smoothen the short-term impacts. The efficiency gains, competitive pressures, technology access and investments that openness facilitates will lift growth onto a higher trajectory.

Mobilising political will and building public consensus for a major policy overhaul remains a challenge. Entrenched vested interests benefitting from restricted trade may resist change. But the massive economic dividends for consumers and the wider economy far outweigh the benefits to protected firms. Astute policy communication and advocacy is needed for the paradigm shift - along with institutional mechanisms to lock-in reforms and prevent policy reversal. The need of the hour is embracing deeper integration with the region and the world to tap new sources of productivity, exports and growth. The policy reform prescriptions outlined here offer a practical template for enabling such a transformation.

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BEYOND IMPORT SUBSTITUTION: CHARTING PAKISTAN'S FUTURE WITH EXPORT-LED GROWTH

Shahid Sattar and Amna Urooj

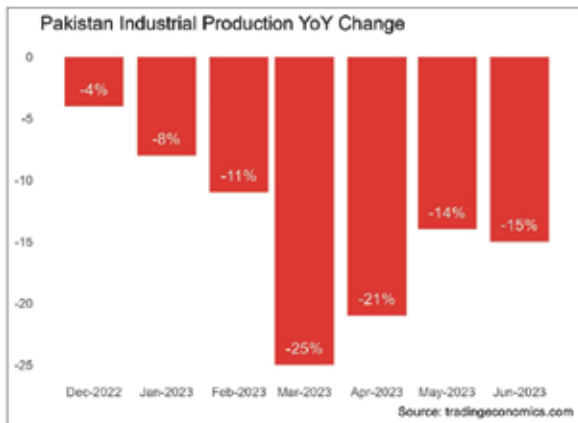
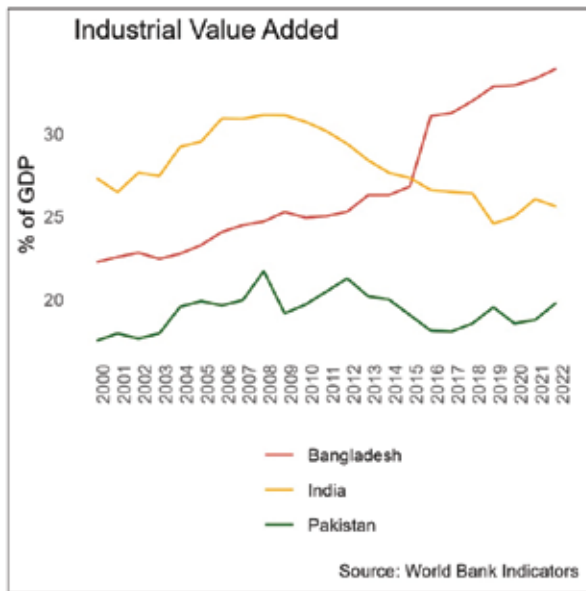
In the expansive arena of economic governance, Ludwig von Mises' profound assertion resonates: "If one rejects laissez-faire on account of man's fallibility and moral weakness, one must, for the same reason, also reject every kind of government action." Amidst this philosophical backdrop, Pakistan grapples with a complex array of economic challenges, demanding a sophisticated and nuanced approach to trade policies.

A disconcerting array of economic indicators paints a grim picture. Over the past five years, the budget deficit has ballooned from 5.8% to a concerning 7.7% of the GDP. The tax-to-GDP ratio has witnessed a precipitous drop from 11.4% to 9.2%, accompanied by a sharp

decline in development spending from 4.1% to 2.3%. Public debt, a looming spectre, now constitutes a formidable 74.3% of the GDP. Stark income inequality persists, with the top 10% commandeering 44% of the national income, while the bottom 50% languishes with a mere 16%, resulting in a glaring per capita income ratio of 14:1. In official records, the unemployment rate has risen significantly, climbing from 6.9% in 2018-19 to a concerning 9.5% in 2022-23, affecting more than 7 million workers. Unofficial figures, however, paint a grimmer picture, indicating that the actual unemployment rate may surpass 20%.

Poverty, estimated at 34% in 2018-19, is projected to reach a staggering 46% by 2022-23, affecting over 20 million idle youth. This crisis is further exacerbated by a real wages slump of over 20% in the last two years. The tax burden, distributed unevenly across sectors, contributes to an overall tax incidence of under 10% of the GDP, with a UNDP report suggesting elite capture causing a loss of over 2.5% of the GDP.

The industrial contribution to the economy is currently very low, and it has experienced a decline in recent years, with strong indications pointing towards widespread deindustrialisation across the economy.



The contraction of industrial production during the 2022-23 economic crisis, intensified by economic volatility, escalating energy costs, inflation, and exchange rate depreciation, has precipitated the permanent closure of numerous firms. This impact is particularly pronounced in the textile and apparel sector, evident in a significant year-on-year decline in power consumption for firms on both LESCO and MEPCO networks. These challenges accentuate the pressing need for

Pakistan to embrace an export-centric culture, a pivotal shift considering the country's gross external financing requirements, which are poised to exceed \$25 billion annually for the next five years.

Protectionism, as a set of policies aimed at shielding domestic industries from foreign competition through tools like tariffs, quotas, subsidies and non-tariff barriers, is a focal point of discussion. However, the pervasive call for import substitution as a solution to the ongoing economic crisis reveals a fundamental misunderstanding. The crux lies in the basic premise of international trade, founded on the principle of comparative advantage. In a simplified two-goods-two-economy scenario, each economy optimally produces and exports what it excels at, extending this principle to the diverse goods and economies in the real world.

Economies, as a rule, should export what they excel in producing and import what they lack comparative advantage in. The current discourse in Pakistan, advocating for benefits to 'import substitution' industries to reduce imports and enhance the Balance of Payments (BoP), is flawed. Import substitution is inherently unproductive and internationally uncompetitive. Granting benefits and protection to these industries perpetuates inefficient production, leading to elevated prices for domestic consumers and wasteful resource utilisation. The genuine solution lies in fostering export-led growth, where all industries orient towards exports, bolstering foreign earnings to offset the impact of imports and maximising economic advantages.

In this strategy, the focus should narrow down to a few key sectors where the economy boasts a comparative advantage. Simultaneously, efforts should concentrate on creating localised backward and forward linkages within these sectors. This approach stands in stark contrast to the impractical notion of attempting to localise the production of an exhaustive range of goods under the umbrella of 'import substitution'.

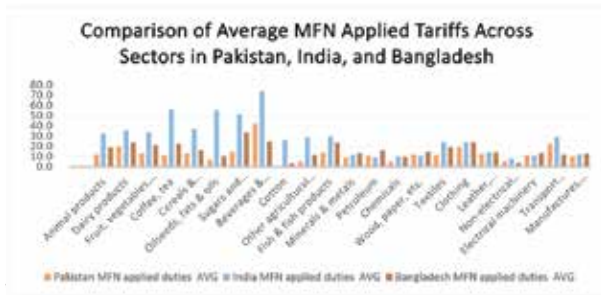
In 2022, Pakistan's trade policies exhibit a subtle yet complex stance on tariffs, with an exceptionally high applied tariff rate of 98.6% (see table below). According to the WTO's World Tariff Profile 2023, this rate underscores the challenges and potential adverse consequences of protectionist measures. Such a high applied tariff rate can act as a significant trade barrier, leading to increased costs for imported goods. This, in turn, may have detrimental effects on consumers, businesses, and the overall efficiency of the economy. The focus on applied rates in this analysis aims to shed light on the immediate and tangible impacts of protectionist trade policies. Particularly, the agricultural sector faces comparatively higher tariffs with a simple average applied rate of 10.3%, while non-agricultural products face a rate of 13.1%. Trade-weighted averages for agricultural (8.7%) and non-agricultural (6.4%) goods further highlight variations within different product categories.

Pakistan's Tariffs and Imports: Summary and Duty Ranges

Summary		Total	Ag	Non-Ag	WTO member avcs	Total	1995			
Simple average final bound		80.9	86.2	80.2	Binding coverage	Total	80.6			
MFN applied						Non-Ag	80.9			
Simple average		2022	16.7	13.1	9.8	Ag Tariff duties (in %)	0			
Trade-weighted average		2022	8.7	8.4	8.2	Ag Special safeguards (in %)	0			
Imports in billion USD		2021	71.9	11.3	49.6					
Frequency distribution		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 20	20 <= 25	25 <= 30	> 30	NAFTA
Tariff lines and export values (in %)										
Agriculture products										
Final bound		0	2.9	0	9.3	9.1	9.5	30.3	2.1	8.4
MFN applied		2022	9.7	32.9	1.4	13.2	44.5	0.1	2.2	0.0
Imports		2021	16.1	29.3	37.0	14.6	9.0	0.0	0.0	21.8
Non-agriculture products										
Final bound		0	1.7	0.0	1.6	13.8	19.2	63.0	0	0
MFN applied		2022	35.1	11.2	0	19.9	35.1	2.5	0.2	0.1
Imports		2021	48.5	23.9	0	18.7	12.2	2.1	3.0	0

Source: WTO

Examining specific product groups, the tariff analysis unveils limited duty-free imports and a prevalence of applied tariffs falling within the 15% to 25% range, particularly for non-agricultural products. Distinct variations emerge among product categories, with higher average duty rates for non-electrical and electrical machinery, in contrast to lower rates for petroleum and chemicals. Major trading partners for both agricultural and non-agricultural products include the European Union, China, the United Kingdom, and the United States.



The analysis of Most Favored Nation (MFN) applied to Pakistan, India, and Bangladesh sheds light on the implications of protectionist measures on the Pakistani economy. While Pakistan generally maintains lower average dues, indicative of a relatively open trade policy, the impact of protectionism extends beyond duty rates to encompass non-tariff barriers and subsidies. Striking a balance is crucial; lower dues in sectors where Pakistan has a comparative advantage, such as cotton, suggest the potential benefits of an open trade approach. However, protectionist measures, if not carefully calibrated, could lead to inefficiencies, reduced competitiveness, and missed opportunities in global markets. The key lies in fostering an environment conducive to export-led growth, protecting domestic industries judiciously, and ensuring overall economic efficiency for sustained growth.

Pakistan's Exports to Major Trading Partners and Dues Faced

Major markets	Bilateral exports in million USD		Share/total		100% AVE of total %		Ful. margin		Duty-free exports		
	2021	2022	100 2-digt	100 6-digt	Simple	Weighted	%	Value	%	Value	
Agriculture products											
1. European Union	2021	467	15	28	10.8	12.7	8.4	86.1	52.8		
2. China	2021	446	4	5	13.6	41.7	1.3	30.4	4.8		
3. United Kingdom	2021	238	16	46	11.7	5.5	3.4	78.3	48.6		
4. Malaysia	2021	228	9	9	29.0	25.8	0.2	86.1	45.2		
5. United States of America	2021	152	12	31	4.6	2.9	1.8	73.9	76.2		
Non-agriculture products											
1. European Union	2021	7,952	28	228	4.9	19.0	9.9	89.6	89.7		
2. United States of America	2021	5,128	25	158	8.7	16.3	3.3	81.3	14.1		
3. United Kingdom	2021	1,448	30	218	5.3	19.4	10.4	88.9	100.0		
4. China	2021	1,814	11	36	9.2	2.2	2.0	63.9	67.6		
5. Canada	2021	386	28	132	5.6	15.3	0.7	89.3	38.9		

Source: WTO

Debates are useless without factual concepts, and to begin with, Pakistan's economy has not been performing well. Foreign exchange reserves started at \$4.5 billion at the beginning of the current financial year, and the national currency, the rupee, depreciated by over 81% in the last two years. External debt stands at nearly \$128 billion, constituting almost 43% of the GDP. Cumulative external financing requirements, net of likely rollovers, are projected to exceed \$55 billion from 2023-24 to 2025-26.

The World Bank, in its 2023 feature story titled, "Protectionism Is Failing to Achieve Its Goals and Threatens the Future of Critical Industries", expresses heightened concerns regarding the repercussions of protectionism on global trade. Despite escalating trade tensions and geopolitical challenges, global trade showcases remarkable resilience, an observation that gains significance as protectionist measures become more prevalent, prompting discussions about deglobalisation. This evolving landscape unveils three distinct paradoxes in global trade, each with implications that resonate with Pakistan's economic context:

I. CHINA'S INCREASED CENTRALITY AMID THE USA-CHINA TRADE WAR

Notably, despite the tumultuous trade relations and conflicts between the United States and China, China's centrality in global trade networks has strengthened. The paradox lies in the fact that geopolitical tensions have not diminished China's pivotal role in the global trade landscape. In the context of Pakistan, intricately linked with China through initiatives like the China-Pakistan Economic Corridor (CPEC), this paradox suggests that strategic partnerships with influential trade partners can flourish, even in the face of protectionist measures.

II. THE GROWING SIGNIFICANCE OF GLOBAL VALUE CHAINS

Contrary to expectations, disruptions such as the U.S.-China trade war and the COVID-19 pandemic have failed to weaken global value chains. Instead, these chains have increased in significance, challenging predictions and underlining their enduring importance in global trade. For Pakistan, actively participating in global value chains, especially in sectors like textiles, becomes even more crucial as the paradox emphasises the continuous integration and relevance of these chains in the face of protectionist headwinds.

III. FIRMS PERSIST IN GLOBAL CONNECTIONS DESPITE CHALLENGES

The paradox of firms maintaining global ties amid challenges like trade tensions and disruptions underscores the resilience and persistence of global business connections. This resilience is particularly relevant for Pakistani businesses that face similar challenges. Instead of retracting to regional or local interactions, businesses in Pakistan can draw inspiration from this paradox, emphasising the importance of maintaining and expanding global ties with customers and suppliers despite obstacles posed by protectionist measures.

These paradoxes underscore the dynamic nature of global trade in the context of protectionism and highlight potential strategies for Pakistan to navigate these challenges. Increased international openness and cooperation would better achieve the goals currently pursued through protectionist measures.

The World Bank also emphasizes the need for a new consensus on global rules to address international tensions and benefit all countries. The problem is not excessive globalisation but excessively narrow regulation, advocating for a global set of rules covering various aspects beyond trade.

Recognising the failure of protectionism and import substitution approaches, the emphasis on export-led growth becomes imperative. The need to increase foreign exchange earnings is highlighted as an alternative to falling deeper into the debt trap. Fostering an open and competitive international trade environment is essential for stabilising industries, encouraging growth, and creating opportunities for market diversification. Free trade, by fostering global economic cooperation, can mitigate the impact of economic downturns on individual countries by providing opportunities for market diversification, access to resources, and the possibility of stabilising industries through increased exports and market competitiveness.

But does trade liberalisation raise economic growth in developing countries, such as Pakistan, and if it does, why? To answer this, it is important to understand the relationship between trade liberalisation and economic growth in developing countries. Proponents assert that removing trade barriers enhances efficiency, expands markets, facilitates technological transfer, and fosters competition, all contributing to economic growth. The theoretical foundation lies in models like endogenous growth theory, emphasising the positive impact of international trade. However, critics argue that benefits may be unevenly distributed, and success depends on factors such as domestic policies and institutional readiness.

The economic literature provides diverse empirical evidence on the impact of trade openness on economic growth, emphasising various mechanisms. Scholars like Kruger (1978) argue that trade liberalisation encourages specialisation in industries with economies of scale, improving efficiency and productivity in the long term. Taylor (1981) finds that a growth in manufacturing exports stimulates technological progress, enhancing absorptive capacity and ultimately raising industrial and economic growth. Robinson (1991) suggests that export growth boosts total factor productivity by increasing competitiveness and economies of scale, while imports growth may hinder productivity. Barro and Martin (1995) posit that trade openness contributes to economic growth by importing technical knowledge and benefitting from foreign direct investments and innovation spillover effects. Romer (1990) associates trade openness with industrial growth, asserting that it facilitates the adoption of a wide range of innovations, prompting a shift from raw material to manufactured goods. Chamberlin (2014) contends that human capital formation positively influences the effect of trade openness on economic and industrial growth, with optimal levels of trade liberalisation. Dollar and Karray (2003) suggest that more open economies with better institutions develop faster. Vallumea (1994) emphasises the positive effects of public policies, openness, and investment in human capital on industrial output and export promotion. Ahmad (1999) explores the behaviour of trade liberalisation and investment in human capital, finding positive contributions to industrial growth and overall economic expansion. The findings of the literature indicate the significance and necessity for developing nations to undertake extensive trade liberalisation initiatives to foster and maintain economic growth effectively.

CASE STUDY 1: TARIFFS ON POLY-ESTER STAPLE FIBRE IN TEXTILE INDUSTRY

Pakistan's textile industry, historically a significant contributor to the economy, has faced challenges, witnessing a decline in contribution and employment trends. The economic crisis in 2022-23, marked by high volatility, rising energy costs, and exchange rate depreciation, led to the closure of several textile firms, with a substantial decrease in power consumption across the sector.

Export-led growth is crucial for Pakistan, evident from the failure of protectionism and import substitution strategies. The imposition of tariffs and protectionist measures on polyester staple fibre (PSF) in Pakistan has adversely affected the textile industry, impeding its global competitiveness. Despite the increasing global demand for synthetic fibres, particularly polyester, Pakistan's textile industry has been slow to shift from conventional cotton, limiting its share in the expanding market for synthetic textiles. Garment exports all favor cotton at an 80:20 ratio, with only a quarter of spinning machines utilising man-made fibres.

Moreover, the concentration of global polyester staple fibre production in countries like China, India, and Southeast Asia, which dominate synthetic textile exports, highlights Pakistan's limited participation in the MMF (man-made fibre) apparel market. Protectionist policies and the absence of a fully integrated chemical industry for synthetic polymers hinder Pakistan's progress in this sector. Adequate raw material availability could have boosted the country's share in the global synthetic textiles market, but domestic policies influenced by protectionist measures have impeded tapping into this potential.

To boost Pakistan's textile industry, the 12% custom duty on Polyester Filament Yarn (PFY) should also be eliminated, ensuring no import duty on this crucial raw material. Aligning withholding tax (WHT) and abolishing the 3% value addition tax (VAT) at the import stage for PFY is vital. The current policy, with total import dues reaching 20%, including antidumping duty, hampers PFY industry growth and raises costs for end-users. Additional Regulatory Duty exacerbates challenges, underscoring concerns about protectionist measures impacting the textile sector. Creating a competitive and open market is essential for the industry's success.

On the other hand, to enhance its global competitiveness, Pakistani manufacturers must build industry capacity for producing textile articles based on man-made fibres, recognising the growing demand in the global market for synthetic or man-made fibres (MMF) over traditional cotton articles. While the input is duty-free for qualifying firms under certain schemes, a

significant 80% fail to meet the criteria. However, these non-qualifying firms, despite lacking duty exemptions, play a crucial role as technology capacity incubators, especially in the absence of Polyester Staple Fibre (PSF), fostering cultural development. Unfortunately, Pakistan has struggled to fully leverage benefits from initiatives like GSP+ due to an economy heavily reliant on textiles and a lack of awareness and interest among traders, impeding the country's ability to exploit the full advantages of such programs. It is also to be noted that Pakistan misses out on around 70-80% of the export lines to Europe where the MMF is heavily concentrated, indicating a lack of full utilisation of GSP+ benefits.

CASE STUDY 2: PROTECTIONISM IN AGRICULTURE

Protectionist policies in Pakistan's agriculture sector, intended to bolster local farmers and ensure food security, have faced limitations in achieving their goals. Contrary to expectations, the academic text indicates that the gains from agricultural trade liberalization surpass those from protectionism. Many studies, such as the one conducted by Ahmad, Khan, and Mustafa (2022), suggests that protectionist measures have not significantly benefited Pakistani farmers, with richer rural households reaping more substantial rewards under trade liberalisation. Concerns about income distribution amongst vulnerable populations, particularly poor rural households, have arisen, challenging the assumption that protectionism leads to improved food security.

The challenge of improving productivity in Pakistan's agricultural sector is intricately linked to the issue of protectionism. The sector has been marked by stagnation in output per worker for three decades, partly due to state interventions that created distortions favouring major crops like cotton, sugarcane, wheat, and rice. These interventions have disproportionately benefited large landowners and banks at the expense of small farmers, consumers, and future generations. The heavy subsidies and regulations in the agricultural sector, aimed at addressing policy concerns, have often resulted in unintended consequences. For instance, wheat procurement programs with fixed support prices introduce allocative distortions, reducing productivity and leading to oversupply, which primarily benefits large farmers and banks. Similarly, sugarcane, reliant on underpriced water and other subsidies, requires minimum support prices for financial viability. These protectionist measures have hindered diversification, distorted public resources, and resisted market reforms that could drive technological change. Addressing protectionism and fostering competition is crucial to unlocking the true potential of Pakistan's agricultural sector, as seen in the stark productivity difference between Punjab in Pakistan and Indian Punjab. Breaking away from protectionist policies and embracing innovation can lead to significant gains in GDP and overall economic development.

Moreover, the implications of protectionism extend to international trade relationships. While protectionist measures aim to shield domestic agriculture, many studies such as the one conducted by Ahmad, Khan, and Mustafa (2022), point out that exposing the sector to foreign competition through liberalisation may result in concerns about market access and potential losses for less-developed countries. The broader economic impact is underscored by the conflict among empirical studies regarding gains from agricultural trade. Despite marginal economic growth, protectionist policies in Pakistan have not effectively addressed income inequality as they often benefit select industries and contribute to higher prices, disproportionately impacting lower-income individuals and hindering overall economic growth and job creation, emphasising the need for a distinct approach that considers welfare, income distribution, and global trade dynamics when evaluating the efficacy of trade policies in the agriculture sector.

Insights from both case studies affirm the documented inefficiencies stemming from protectionism, particularly in sectors such as agriculture, automobiles, polyester staple fibre, and glass. The textile industry, cornerstone of Pakistan's economy, faces decline amid economic challenges, highlighting the imperative shift towards an export-centric approach. While Case Study I extols the benefits of free trade for sectors like textiles, Case Study 2 underscores the limitations of protectionist policies in agriculture, revealing that trade liberalisation offers more significant gains than protectionism, especially for poorer rural households. The broader implications on income distribution and international trade relationships emphasise the need for subtle yet effective approaches that consider welfare, income equality, and global trade dynamics in evaluating the efficacy of trade policies in these critical sectors.

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STRENGTHENING INSTITUTIONS AND SIMPLIFYING REGULATIONS:

Key to Unleashing Pakistan's Trade and Industrial Potential

Vaqar Ahmed

Pakistan's trade and industrial policies in the past could not deliver due to a lack of overall macroeconomic stability. The boom bust cycles have resulted in premature halting of initiatives announced for small and medium enterprises (SMEs) in the manufacturing sector. This has also meant that integration of Pakistani SMEs in regional and global value chains remains weak.

After the 18th constitutional amendment provincial governments have also provided a set of incentives under (provincial) industrial policies. However, the overarching tax and regulatory environment faced by manufacturing units remains the same as much of this is the federal government's domain.² The federal government is responsible for indirect taxation on goods, overall trade policy, including trade negotiations, tariffs on goods, and export promotion initiatives under the Federal Board of Revenue (FBR) and the central bank. The provincial governments are then responsible for development of industrial parks and providing the necessary enabling (physical) infrastructure for industries and skills development.

Previous governments did their best on several occasions to liberalise the trade regime, reduce tariffs, provide export incentives, and improve the overall investment climate.³ However, supply side challenges such as the energy shortages faced by manufacturing industries (particularly smaller firms), rising costs of energy and other inputs, and regulatory constraints including tax and product-specific regulators at provincial level have not helped achieve the overall trade policy objectives.⁴

The recent decline in value of the Pakistani Rupee versus other major global currencies has also implied that the cost of imported inputs on which Pakistan's manufacturing sector is heavily reliant has also gone up. The uncertain external account environment and future debt repayments results in volatility in the value of the Rupee, in turn discouraging manufacturers and traders to lock-in transactions which could potentially lead to an exchange rate loss.

Due to skyrocketing inflation seen in the past year and a half, the central bank increased the policy rate to over 20 percent during much of 2023 - making it difficult for the manufacturing sector to borrow for its working capital and other requirements.

This macroeconomic milieu and overall supply side gaps have prevented larger firms from starting their operations in special economic zones all across the country. Some large multinationals have sold their stakes as initially envisaged profits could not be realised. Some analysts have said that these reasons are also a cause of delay in envisaging the next phase of the China Pakistan Economic Corridor (CPEC).⁵

To reverse this situation, the Government of Pakistan has set up the Special Investment Facilitation Council (SIFC) in Pakistan with the aim to: i) fast-track investment approvals and facilitate the establishment of new projects; ii) reduce bureaucratic hurdles and streamline the investment process; iii) promote investment in key sectors, such as agriculture, minerals, energy, and information technology; iv) enhance synergies with the

Gulf Cooperation Council (GCC) countries on investment; and v) create a conducive environment for investment to promote Pakistan as an attractive investment destination.

Many have argued that to achieve the objectives of SIFC the reform of relevant ministries and departments mandated for trade and investment promotion is also necessary. For example, the institutions responsible for trade and industry in Pakistan are weak and fragmented even at the federal level. The Board of Investment (under the Prime Minister) and Ministry of Commerce do not house sector-specific experts from the private sector and both institutions remain understaffed and underfunded. The provincial industrial departments are also weak and lack the capacity to effectively promote industrial development or ensure that problems of those housed in industrial parks are effectively addressed.⁶

The Pakistan Regulatory Modernisation Initiative (PRMI) was started as businesses faced several obstacles in obtaining the necessary licenses and permits, and they were often subject to arbitrary and unpredictable regulations including unanticipated security clearances. An assessment of PRMI is required to see how far it has achieved its objectives and what more could be done. Likewise, an assessment of provincial boards of investment may also reveal caveats which require attention⁸.

Going forward, a long term incentive scheme is required to lure local and foreign investment in manufacturing units. A well targeted scheme could also help revive the sick units in the SMEs space. As Pakistan remains in a program with the International Monetary Fund, providing tax breaks and exemptions to businesses may not be possible. Besides, such measures have often been captured by large and well-connected firms. However, some measures to reduce cost of doing business of smaller firms and potential exporters in the manufacturing sector could be designed with assistance from the central bank and energy utilities. Tariffs on import by manufacturing units could also be lowered to reduce their cost of operations. High tariffs on imported raw materials and intermediate goods make it difficult for Pakistani businesses to compete in the global market. The illegal and informal flow of goods from across the borders hurts genuine traders and this practice must be curbed⁹.

To conclude, the country currently has a weak and fragmented institutional framework for promoting competitiveness, a complex and burdensome regulatory environment, inadequate and weakly targeted mechanisms of fiscal support to the industrial sector, and a complex and protectionist tariff structure. The only way this can be reversed is to strengthen the institutions responsible for trade and industry promotion at federal and provincial levels, simplify the regulatory environment for SMEs, provide more targeted and effective fiscal support to potential exporting firms, and pursue tax and tariff reforms to reduce taxes and tariffs on imported raw materials and intermediate goods.

In the longer term the country will need to focus on improving its enabling infrastructure (including digital infrastructure), developing and retaining its human capital, and promoting productivity. Augmenting trade-related infrastructure, such as roads, railways, and ports should also help to lower overall logistics costs.¹⁰ Negotiating smart trade agreements with other countries opens up new markets for Pakistani goods and services – something which should be pursued with countries having large potential demand for Pakistani products.¹¹

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²A case has been made for tax harmonization across the federation which could reduce business costs. See, Nazir, A., Maken, A.M. and Ahmed, V., 2018.

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⁴See, Aslam, H., Ahmed, V., Williamson, M. and Rana, F., 2020. Reform priorities for Pakistan's energy sector: perspectives in the backdrop of Paris Agreement. UN ESCAP.

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FOSTERING TRADE AND INDUSTRY

Manzoor Ahmad

Trade and industry are closely linked, each catalysing the other. The inverse is also true, as the hindrance of one can act as an ‘inhibitor’ or ‘retardant’ for the other. For industry to thrive, it requires access to investment, technological advancements, and a competitive environment—factors that trade significantly contributes to. Similarly, for trade to flourish, an industry or a country must enhance its productivity, and there's no better way to achieve this than by adopting cutting-edge technology and a competitive environment.

Despite the apparent simplicity of this connection between trade and industry, it is not always evident to a vast majority. This is especially true when a country's industrial growth or international trade is underperforming. In such instances, one often observes a tendency to attribute the poor performance of one factor to the other. The media and academics often claim Pakistan's imports, especially from nations with whom it has free trade agreements, have resulted in the closure of numerous industries. Moreover, it is alleged that Pakistan's challenges in diversifying its export and manufacturing base stem from its inability to compete with the more competitive Chinese products.

By advancing this argument, we overlook three crucial points. Firstly, we absolve ourselves of responsibility for our industrial and trade policies, which fundamentally contribute to de-industrialisation and export stagnancy.

Pakistan's industrial policies primarily aimed to manufacture products using local raw materials like cotton and promote import substitution. In pursuit of this goal, there was a consistent focus on encouraging low-value cotton-based products such as yarn, cloth, and apparel at the expense of others. Notably, the textile industry, the only sector with an independent Ministry of Textile Industry, received various tax and financial incentives, including duty-free imports of machinery, subsidies, zero-rated sales tax, and lower interest rates. The government's concentrated efforts secured market access and GSP plus benefits, allowing the industry to supply duty-free textile products to the EU market. All these incentives were mostly at the expense of other industries.

Secondly, a distorted view exists advocating the further promotion of import substitution, a policy preferred by many developing countries in the last century but abandoned in favour of export-led growth. This emphasis on import substitution shields various engineering industries, including automobiles and consumer durables such as washing machines, refrigerators, air conditioners, televisions, and other electronics, through high customs duties and additional import taxes. As a result of extensive protection, local manufacturers lack the incentive to improve product quality or explore markets outside their country, hindering economies of scale. Consequently, domestic consumers face higher

prices despite manufacturing often amounting to the simple assembly of imported components. Assemblers and their foreign investment partners profited from high tariffs and deliberately thwarted any competition from imports.

While we remained fixated on import substitution and textile promotion, fast growing developing countries transitioned to export-led growth and diversification. They embraced liberalisation, regional and global integration, and integration into global value chains. Pakistan started liberalising from the 1990s onwards, but progress was hesitant. It gained momentum from 1997, when customs tariff rates were reduced from a maximum of 65% to 25% (excluding autos and some other goods) over the next five years. However, after 2003, this process halted and partially reversed, particularly from 2008. The National Tariff Policy 2019-24 acknowledges this, stating that in the last ten years, “all the 20 fastest export growth economies have reduced import tariffs, while in Pakistan, the trend has been the opposite, with an 11% increase in import tariffs. Additionally, the imposition of regulatory duties has further elevated effective tariffs. Pakistan maintains the highest average weighted tariff among the 70 countries with annual exports exceeding USD 20 billion.”

Regarding regional and global integration, Pakistan has entered into numerous free trade agreements (FTAs) with several countries, including Turkey, Malaysia, Indonesia, Sri Lanka, Mauritius, and China. Except for the FTA signed with China, none of these agreements has led to trade flows exceeding 5%. Even with China trade flows under the agreement account for 27% of Pakistan's imports and 8% of its exports (WTO data). Globally, free trade agreements typically require reduced duties and other restrictions on “substantially all trade,” which is implied to be over 90% of existing trade. Despite criticisms blaming FTAs for our low level of industrialisation, the reality is that these agreements have had no impact on either trade creation or the liberalisation of the economy due to their shallowness.

What could have been done differently, or what could still be the way forward?

Firstly, we should promptly initiate unilateral customs tariff reforms to align our average tariffs with those of other regional countries. This reform would enable our industries to reduce their input costs and simultaneously facilitate Pakistan's move toward regional and global integration. Additionally, this approach would reduce the tariff advantage for some countries and bring more competitiveness.

Secondly, our trade and industrial policy should prioritise becoming part of Global Value Chains (GVCs). This method of attracting investment and promoting trade can facilitate a greater level of industrialisation. Specialising in producing intermediate goods or undertaking specific production activities at different stages allows us to eliminate the need to possess all industries involved in producing and exporting final products.

Thirdly, we must recognise that the trading destination has shifted from the West to the East. In the 21st century, China has become the leading trading partner for 130 out of 190 countries, whereas the U.S. and EU played this role for most of the 20th century. China's rise has dramatically benefited all regional nations, yet Pakistan, despite its close relationship with China for over 60 years, has yet to improve its international trade or industrialisation significantly. Pakistan is an exception to the aphorism ‘a rising tide lifts all boats’.

It is not just China but the entire Asia-Pacific region that offers opportunities for Pakistan to enhance its economic relationships. The most viable strategy is to exert every effort to join the Regional Comprehensive Economic Partnership (RCEP), the world's largest trading bloc consisting of 15 countries in the Asia-Pacific region.



RCEP was recently established by China, so joining at this time, rather than later, when its rules of conduct have already been established, is more feasible.

Finally, we must recognise that we risk falling further behind regional countries with our current meagre growth rate. To maintain the current difference, we need to achieve a growth rate of at least 7% and to catch up, we must grow by at least 10% annually. Achieving such growth necessitates rapid industrialisation, contingent on much higher investments. Encouragingly, there are positive signals from several Middle Eastern countries indicating potential investments of over USD 50 billion in the next 4-5 years. Additionally, in the second phase of CPEC, China might invest a similar amount. Such substantial investments would introduce new technology and boost productivity, potentially elevating our overall growth rate.

A close linkage exists between trade, investment, and industrialisation. These three interconnected components are pivotal in shaping a country's economic landscape. Embracing openness and rejecting isolation is crucial for attracting investments and fostering rapid industrialisation. Over a billion people have been lifted out of poverty in the last two decades by this formula, and Pakistan can use it to create prosperity for its people.

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LAND ANÖ AGRICULTURE



REVITALISING THE SEED INDUSTRY IN PAKISTAN

Abedullah and Muhammad Faisal Ali

Genetically pure and high-quality seeds are imperative to achieve the objective of high productivity in the agriculture sector. However, the current regulatory processes involve numerous steps and engage multiple government entities, resulting in significant delays and additional costs. It has badly damaged the growth and potential benefits of both agriculture and the seed sector. Different government departments are involved in the development and marketing of seed business considering that the sector is operating in an over-regulated environment. In the modern marketing system, companies do business to earn profit by registering themselves as a brand. Different brands are competing with each other to capture the largest share of the market. In such a competitive environment, the reputation of a brand is more valuable than the approvals from the Federal Seed Certification and Registration Department (FSC&RD).

The success of any business heavily depends on the role and involvement of the private sector because entrepreneurs implement a business model that could generate benefits for all stakeholders engaged in the value chain. Unnecessarily stringent regulations imposed by government kill business opportunities and thus the private sector becomes reluctant to invest in the sector. A growing seed sector demands quick approvals but unfortunately, the seed sector in Pakistan is over-regulated which has led to its poor performance. The government footprints in the seed sector are not limited to regulations alone but have extended to production and distribution as well.

Bureaucratic and lengthy procedures for variety approval are not only slowing down the seed business but also promoting the lemon market (low-quality product market). Further, regulations governing the seed registration process, variety release, and seed certification are adding unnecessary time which is not only increasing the cost of variety development but also slowing the production and sale of certified seeds. Moreover, it is blocking private sector investment. Hence, a shift from a centrally managed variety approval system (EU model) to a US model is the need of the hour. In the US system, seed companies can sell any seed with proper labeling and the

government simply verifies the truth of labeling, and farmers are allowed full autonomy in the selection of seeds. They have voluntarily maintained their certification but closely monitor the market through a robust surveillance system. Moreover, if certification becomes mandatory, smaller seed firms may struggle to afford the associated costs, potentially hindering their entry into the market. Such a scenario would not only stifle genuine competition but also confine the seed business predominantly to larger firms. Additionally, companies might pass on the certification expenses to the end user, namely the farmer.

The role of private sector participation in the process of variety development is crucial but the private sector is reluctant to share or hand over germplasm to the government authorities to obtain approvals. This is because the FSC&RD is using the services of the National Agricultural Research Council (NARC) to conduct trials of new varieties submitted for approval. However, NARC itself is involved in developing new varieties of crops, meaning that there is a conflict of interest – thus disincentivising the private sector from making heavy investments in the development of new varieties. In order to secure approval for new varieties, seeds have to outcompete their counterparts which is not logical and makes the investment of the private sector highly risky. Since the private sector believes that time-consuming procedures of seed testing at FSC&RD add no value to the seed business, several companies have started releasing varieties directly into the market without obtaining any approvals from FSC&RD. The private sector argues that they are operating in an over-regulated environment. Further, they believe the approvals issued by the FSC&RD have more to do with branding than quality assurances. Hence, they believe that the complete process of FSC&RD is intrusive, time-consuming, and unnecessary – with the arduous seed certification process adding no value. As a result, unregistered varieties proliferate rapidly in the market, diminishing the relevance of certification. Unfortunately, the unregulated market is fostering a scenario akin to a 'lemon market', causing significant detriment to both farmers and the nation due to production losses. Reduced productivity

not only impacts farmers through diminished profitability but also negatively affects the overall welfare of the nation. The broader consequences include higher prices for food, as the nation bears the cost of lower productivity.

What needs to be done to make the seed sector a success story? The idea is simple, the government can develop clear TORs about the utilisation of different genes and chemicals that are used in the development of varieties. Only registered firms/companies should be allowed to supply seeds with proper labeling. Let the private sector develop different varieties of different crops. Formal seed testing and certification should not be required, but if it has to take place then private sector must be made in charge of its execution – under the monitoring of the FSC&RD. Certification and testing processes by the private sector may also lead to improved seed market performance, saving all administrative costs in running various interlinked departments under the government umbrella. However, granting intellectual property rights (IPRs) should come under the FSC&RD directly – at the recommendation/approval of the private sector (third party responsible for testing and approval of variety).

The role of FSC&RD needs to change from approving varieties to governing the registration of different brands. The third-party can be engaged in randomly collecting samples of varieties developed by different brands to verify the labeling. The brands that are attempting to deceive with wrong labeling should be reported to FSC&RD and have their registrations cancelled, with strict bans imposed on them for future. This naturally means that bans cannot be imposed unilaterally by the FSC&RD: recommendations based on third-party evaluation must be part of this process. Although a few companies that marketed bogus seeds in the market have been banned, this process requires greater attention and a large quantum of robust surveillance systems. Moreover, the procedure of taxes and tariffs needs to be flexible to attract large investments in the seed sector.

The system of granting intellectual property rights needs to be quicker, cleaner, and more justified, which is only possible with the engagement of the private sector in the process of testing and approval of new varieties. The provision of these services under the private sector will be less time-consuming and accelerate the performance of the seed industry at a much faster pace eventually. Hence, there is a pressing need to liberalise the seed market by transitioning from a centrally managed variety approval system to streamline the process of granting intellectual property rights.

Courts do not have sufficient knowledge and expertise to make decisions on disputes relating to intellectual property rights. Hence, there is a need to establish specialised courts having sufficient knowledge and expertise about biosafety systems, tools, genes, and procedures used in the development of transgenic varieties.

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AGRICULTURAL INCOME TAX

Ikramul Haq

“Today, a mere 5% of large landholders in Pakistan are said to possess a massive 64% of the total farmland, while 65% of small farmers hold only 15% of the land (Nazeer 2015)”—Economy of Debt: Alternatives to Austerity and Neoliberalism in Pakistan¹

“Dr. Pasha, as the lead author of UNDP’s latest National Human Development Report (NHDR) on inequality, talked about the gross disparities present in the country. As an example, the agricultural and population census shows that 1 percent of farmers in Pakistan own 22 percent of all farm area”—On Equity and Happiness: UNDP at the Lahore Literary Festival²

“I think the landowners’ lobby is powerful in the assembly and they might not allow downward revision of non-taxable income. Instead of filing Agricultural Income Tax returns with the provincial governments, the same should be filed with the FBR that should solely assess/receive tax returns for agriculture and transfer it to the provinces as per their respective share like the gas development surcharge. Equity demands burden of taxation should be same for all.”—Dr. Kaiser Bengali³

The provincial assemblies, in terms of Article 142(c)⁴ read with Entry 47 of Part I of Federal Legislative List [FFL] contained in the Fourth Schedule to the Constitution of the Islamic Republic of Pakistan [“the Constitution”⁵], have the exclusive authority to impose taxes on agricultural income, except in areas that fall within the domain of the federal government, known as Islamabad Capital Territory (ICT)—see Article 1(b) of the Constitution⁶.

The National Assembly can impose income tax on all types of incomes except agricultural income as Entry 47, Part I of FLL reads: “Taxes on income other than agricultural income.” However, it may be highlighted that within the ICT, the National Assembly has the exclusive power to levy income tax on agricultural income as provided in Article 142(d) of the Constitution⁷ which says: “Majlis-e-Shoora (Parliament) shall have exclusive power to make laws with respect to all matters pertaining to such areas in the Federation as are not included in any Province”.

The definition of agricultural income, according to Article 260⁸ of the Constitution⁹, “means agricultural income as defined for the purpose of the law relating to income tax”. This is an exclusive definition meaning that no other meaning can be assigned to it, except for the purpose of the law relating to income tax, which at present is Income Tax Ordinance, 2001. Section 41 of it exhaustively defines what is agricultural income. Despite these clear provisions of the Constitution¹⁰ and principle of equity, none of the provincial governments are inclined to collect tax from the wealthy and absentee landlords on agricultural income at the rate applicable under the Income Tax Ordinance, 2001 on non-agricultural income.

¹<https://awamiworkersparty.org/economy-of-debt-position-paper/>

²<https://www.undp.org/pakistan/news/equity-and-happiness-undp-lahore-literary-festival>

³<https://www.dawn.com/news/1613905>

⁴<https://www.infopakistan.pk/constitution-of-pakistan/article/142-Subjectmatter-of-Federal-and-Provincial-laws>

⁵http://na.gov.pk/uploads/documents/1566986522_519.pdf

⁶ibid.

⁷ibid.

⁸<https://www.infopakistan.pk/constitution-of-pakistan/article/260-Definitions>

⁹http://na.gov.pk/uploads/documents/1566986522_519.pdf

¹⁰ibid.

It is pertinent to note that the definition of agricultural income provided in Article 260¹¹ of the Constitution¹² cannot be altered even by the Parliament without the prior sanction of President of Pakistan as provided in Article 162 of the Constitution¹³:

“No Bill or amendment which imposes or varies a tax or duty the whole or part of the net proceeds whereof is assigned to any Province, or which varies the meaning of the expression "agricultural income" as defined for the purposes of the enactments relating to income-tax, or which affects the principles on which under any of the foregoing provisions of this Chapter, moneys are or may be distributable to Provinces, shall be introduced or moved in the National Assembly except with the previous sanction of the President”.

Income tax on agricultural income should not be levied/assessed/collected on per acre basis, but on net income basis, as required by the Constitution¹⁴. No province can disregard this command of the supreme law of the land. However, an unconstitutional practice has been ongoing since 1973, and all institutions, including the Supreme Court, remain a silent spectator on this vital matter that help the rich to amass more wealth at the expense of state treasury and the landless tillers.

The federal government's approach in taxing agricultural income is no different within the federal boundaries of Islamabad, even though many wealthy individuals own agricultural farms and absentee landlords in rural areas are quite affluent. These landlords hold significant influence in national politics, federal and provincial assemblies.

The Constitution¹⁵ empowers the National Assembly to levy income tax on agricultural income within the federal limits, but no legislation has been enacted for this purpose so far. This is because influential members of elites, who are favoured by the state with agricultural lands as reward/award and profit from renting it out, wielding considerable influence over elected governments and living opulent lifestyles at the expense of poor peasants.

Moreover, poor farmers are exploited by the state, as they are subjected to heavy sales tax on agricultural implements, electricity, fertilisers, pesticides, insecticides, and other inputs, along with petroleum levies on diesel and petrol. In addition to numerous other levies, they also face abuses from the police, patwar (land revenue officials), and landlords. Multiple inquiry reports confirm that sugar barons do not provide fair compensation to farmers for the sugarcane they produce.

According to an op-ed¹⁶ on February 6, 2020 by a former federal secretary: “This [agricultural] sector is almost one fifth of the economy (18.9%) and generates more than USD 60 billion or Rs. 9 trillion worth of gross income annually. . .”. The Tax Expenditure Report 2020¹⁷ of Federal Board of Revenue (FBR) claimed that in tax year 2018 exempt dividend paid by corporate sector from agricultural income was Rs. 43 billion¹⁸. The provincial collection of agricultural income tax in tax 2018 was Rs. 1598 million¹⁹.

On the basis of Agricultural Census 2010 by Pakistan Bureau of Statistics, the Report claims: “If statutory slab-wise tax rates are applied on average income per farm for the six categories of farm sizes, the estimated revenue forgone due to this exemption comes to Rs. 69.5 billion²⁰ annually”. It may be noted that farms smaller than 7.5 acres were excluded and Rs. 50,000 income per acre basis was assumed.

The four provinces, instead of levying agricultural income tax as per the Constitution²¹ and imposing progressive taxes like wealth tax and capital gains tax on the wealthy class, collectively received Rs. 4233 billion²² in fiscal year 2022-23 from the federal government under the 7th National Finance Commission (NFC²³) Award. On their own, they collected a meager amount of total revenues of Rs. 815 billion, with tax revenue of only Rs 649 billion. The collection under the head agricultural income tax in total tax collections was a mere 0.3 percent. The revised estimates for the current fiscal year are also shockingly low.

In the previous fiscal year, all provincial governments cumulatively collected Rs. 2.4 billion as agricultural income tax, though its national potential could be up to Rs. 800 billion, as per various research studies, if the agricultural income tax was imposed in accordance with the Constitution. Proper collection of this tax by the provinces could have significantly reduced the federation's overall fiscal deficit besides improving the pathetic tax-to-GDP ratio of just 9.2 percent²⁴.

¹¹<https://www.infopakistan.pk/constitution-of-pakistan/article/260-Definitions>

¹²http://na.gov.pk/uploads/documents/1566986522_519.pdf

¹³Ibid.

¹⁴Ibid.

¹⁵Ibid.

¹⁶<https://nation.com.pk/06-Feb-2020/issues-in-the-collection-of-agriculture-income-tax>

¹⁷<http://download1.fbr.gov.pk/Docs/2020622186353342TaxExpenditureReport2020.pdf>

¹⁸Ibid.

¹⁹Ibid.

²⁰Ibid.

²¹http://na.gov.pk/uploads/documents/1566986522_519.pdf

²²https://www.finance.gov.pk/fiscal/July_June_2022_23.pdf

²³<https://www.sbp.org.pk/reports/quarterly/fy10/first/specialsection2.pdf>

²⁴https://www.finance.gov.pk/fiscal/July_June_2022_23.pdf

The above-mentioned facts highlight that the real problem does not lie with the Eighteenth Constitutional Amendment²⁵ or the NFC Award²⁶, but with the failure to reform the revenue system, the dysfunctional state of the FBR and provincial tax agencies, tax concessions and exemptions for the wealthy tax evaders, and granting amnesty to those state thieves, who have mercilessly looted the wealth of the nation with impunity.

The questions arise: did the provinces request the federal government to announce amnesties or grant tax exemptions of over Rs. 1.5 trillion in 2022-23 alone under federal tax codes, or did they participate in the legislation? It is misleading to blame the provinces for low collection of federal taxes, not as per their real potential by the FBR for the main reason that exemptions/waivers/amnesties of over Rs. 6 trillion were given in the just the last five years.

Local experts are certainly capable of addressing these issues, and it is puzzling that the government has sought substantial loans from international organisations like the World Bank for revenue system reforms, in the billions of dollars. It begs the question of why local expertise is not being utilised effectively.

One historical example of the consequences of attempting to impose federal income tax on agricultural income is the overthrow of Zulfikar Ali Bhutto's government in 1977. His action to impose federal income tax on agricultural income through the Finance Act, 1977 angered a powerful class of feudal lords, land-owning generals, judges, and wealthy members of parliament. This law was suspended by General Zia-ul-Haq, who went on to please the landlords and privileged classes by having Bhutto judicially assassinated. This is a significant reason why landlords and religious leaders supported Zia-ul-Haq, and the consequences of this support continue to affect the nation today.

Despite many governments, both civilian and military, following Bhutto, none have attempted to abolish the colonial-era taxes imposed on small farmers – only increasing them over time. On the contrary, in violation of the Constitution they never bothered to tax the colossal agricultural incomes of absentee landlords. Even during Shaheed Benazir Bhutto's two-term government, there was no effort to tax the agricultural income of one percent feudal class having 22 percent of total land of Pakistan. This was the position shared by all political parties during the Eighteenth Constitutional Amendment, which they maintain to this day.

The situation persists in four provinces even today. In Sindh, for example, the government collects sales tax on services, regressive in nature, but hesitates to levy agricultural income tax on big landlords. The same pattern repeats in Punjab and Khyber Pakhtunkhwa, where the assemblies are dominated by large landlords. The failure to collect income tax on agricultural income as per the Constitution has led to significant revenue losses. Balochistan faces an even worse situation, with no income tax collected on agricultural income exceeding five million rupees during any financial year. It appears there is a lack of political inclination in all provinces to impose agricultural income tax as per the Constitution, a right they have held since independence – which has nothing to do with the Eighteenth Amendment.

Today, amid the most challenging financial circumstances, poor and destitute farmers are burdened with an 18% sales tax, which also extends to goods, inputs and implements used for agriculture, further pushing them into poverty. The imposition of high rates of indirect taxes has pushed many people in rural areas below the poverty line. It is concerning that these issues do not seem to be a priority for the federal and provincial governments, while rich landlords and absent landowners who rent out their plantations for substantial sums continue to avoid paying taxes on their agricultural income.

This situation is affecting agricultural production and GDP negatively, as evident in the need to import millions of cotton bales. It is crucial for both federal and provincial governments to address these issues and prioritise the welfare of the poor and vulnerable farmers. The federal government has never collected any agricultural income tax from the areas under its control from the rich and mighty owners of large farms and property tax on palatial houses/bungalows.

²⁵<https://www.pakistani.org/pakistan/constitution/amendments/18amendment.html>

²⁶<https://www.sbp.org.pk/reports/quarterly/fy10/first/specialsection2.pdf>

The federal budget never shows any figure of agricultural income tax in ICT because according to the Constitution, the National Assembly has the power to impose this tax – and it has never exercised this right. Past Prime Ministers and Finance Ministers have not mentioned its implementation to increase federal resources. The World Bank and International Monetary Fund (IMF) have not included this lapse in any of their reports or studies. According to the current Chairman FBR, the federal government lacks this right according to the Constitution, which is a regrettable oversight.

Furthermore, there is no mention of imposing a property tax of at least Rs. 2,000 per square meter on the luxurious palatial houses and farmhouses in and around Islamabad to improve facilities in Islamabad and its underdeveloped rural areas. The suggestion to generate revenue from the wealthy to address the costly debt was also ignored in the Finance Bill 2023. Only once has Parliament introduced a tax for the benefit of the poor in the form of Income Support Levy in 2013, repealing it the following year.

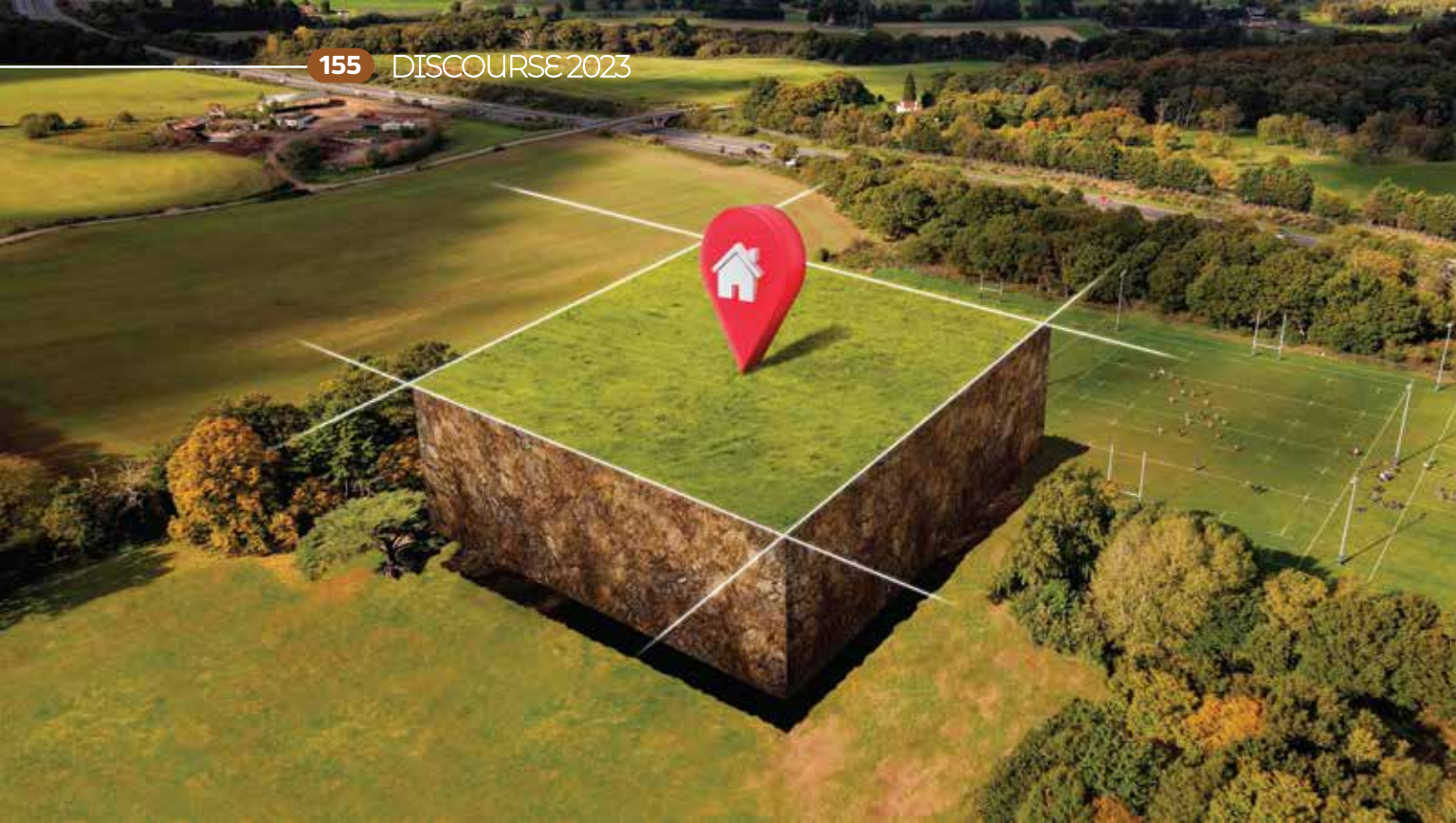
Both the federal government and provincial authorities appear unwilling to impose income tax on the agricultural income of large landlords due to their significant political influence. These landlords, who hold sway in politics and assemblies, are a formidable force that can potentially remove any government from power if they attempt to impose such taxes as mandated by the Constitution.

A potential solution to these issues could involve transferring the taxation of agricultural income to the federal government and restoring to the provinces the sales tax on goods that was taken from them after independence. This situation is a major contributor to many of Pakistan's economic problems, as it concentrates resources and powers in the hands of privileged classes who, in turn, support corrupt government officials because they safeguard their interests. If Pakistan aims to overcome these challenges, this entrenched partnership needs to be dismantled. To achieve this, empowering the people is crucial.

This can be achieved by shifting the focus of power away from politicians and placing it in the hands of the people at the local government level, as mandated by Article 140A of the Constitution. Decision-making should be in the hands of the people, not government officials. Public representatives and government officials should be held accountable to the public, and powerful individuals and/or organisations should not be allowed to cover up their wrongdoings or manipulate them for their own agenda and self-aggrandisement.

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LAND REFORMS THROUGH AGRICULTURAL LAND CONSOLIDATION

Muhammad Faisal Ali

Agricultural land consolidation (ALC) is a land management procedure which entails restructuring, reorganizing or redistributing land holdings by reducing the number of plots or parcels to create larger, more efficient, and more logically shaped land holdings.

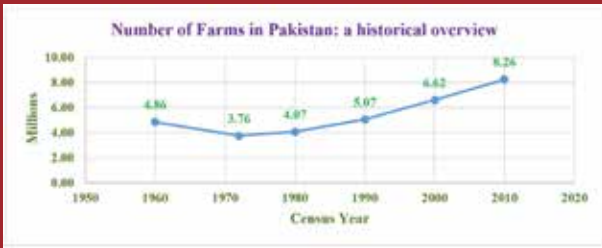
ALC is recognised as a pivotal facet of land reforms for the advancement of agriculture. However, the effective management of land and the enforcement of laws governing public and private ownership, as well as land utilisation, have encountered multifaceted and significant challenges.

Pakistan's agricultural landscape is characterised by small and fragmented land holdings. The average landholding size is relatively small, making it challenging for farmers to adopt modern farming techniques, mechanisation, and efficient resource management. As a result, productivity remains low, and the sector's growth potential is

largely untapped. To harness the full potential of its agricultural sector, Pakistan must consider ALC as a strategic solution.

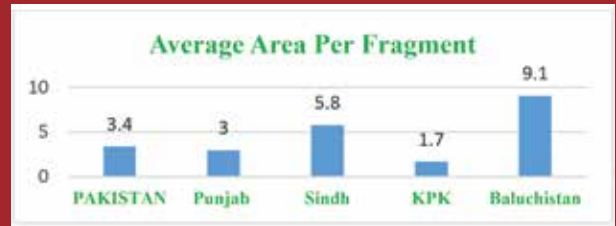
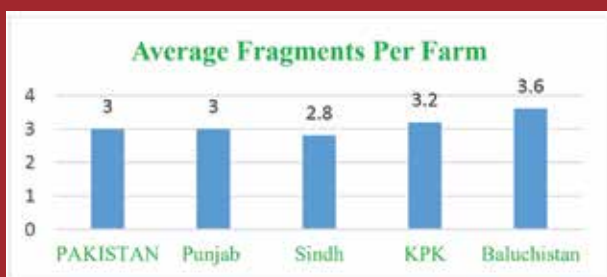
There's a significant lack of research on ALC in Pakistan. Therefore, the primary focus of initial investigations should centre on comprehending the negative impacts or costs associated with fragmented land on the entire system. It is vital to gauge how ALC acts as a barrier to agricultural and rural development, particularly by examining diverse regions due to the differing effects of fragmentation on various agricultural units and regional landscapes. Moreover, it is crucial to assess the relationship between ALC and broader macro development to ascertain its impact on the progress of agriculture and rural areas more generally.

A starting point for this analysis is to comprehensively understand both present and past trends in distribution of agricultural land in Pakistan. Agricultural land distribution has undergone a rapid transformation. Over the last five decades, the number of farms has surged, rising from 3.76 million to 8.26 million. Notably, the pace of this increase accelerated significantly between 2000 and 2010, when the number of farms expanded from 6.62 million to 8.26 million, representing an astonishing 25 percent growth rate. This data is 13 years old, and there have been no agricultural censuses conducted since. Therefore, it is entirely plausible that, based on past trends, the current figure could be around 10 million.



This situation worsens in case of fragments. The average number of fragments per farm is three in Pakistan. Out of the total 8.26 million farms, 34 percent exhibit fragmentations, accounting for a total of 8.58 million fragments. Among the 8.56 million fragments, 6.55 million fragments are associated with farmers who own less than 12.5 acres of land. Analysing the distribution of fragments in more depth, it may be concluded that 2.1 million farms have an average of 2-3 fragments, 0.45 million farms have an average of 4-5 fragments, 0.24 million farms have an average of 6-9 fragments, while 9,053 farms possess more than 10 fragments in Pakistan.

The average number of fragments per farm is 3 in Pakistan. However, in different regions, there is not much variation in terms of the average number of fragments per farm: average fragments per farm are 3 in Punjab, 2.8 in Sindh, 3.2 in KPK, and 3.6 in Baluchistan. On the other hand, when it comes to the average area per fragment, there are noticeable differences in different provinces. The average area per fragment is 3.4 acres in Pakistan as a whole. In specific regions, however, this varies: with average areas per fragment being 3 acres in Punjab, 5.8 acres in Sindh, 1.7 acres in KPK, and 9.1 acres in Baluchistan. Therefore, Baluchistan carries the largest area per fragment whereas KPK holds the least area per fragment in Pakistan.



Fragmented land can lead to inefficiencies in land use, making it difficult to implement cohesive and productive agricultural strategies. ALC helps in reducing the fragmentations by consolidating these parcels, allowing farmers to create larger and more uniform fields – making it easier to use modern farming equipment and practices effectively. ALC allows better land use planning at both the local and regional levels balancing agricultural needs with other developmental priorities. Therefore, ALC emerges as the most fitting solution in response to diminishing land sizes and increasing fragments. This approach has demonstrated its effectiveness in numerous regions worldwide, including countries such as China, Japan, India, and Turkey.

Smaller farms often encounter obstacles when attempting to adopt modern farming machinery due to their limited scale. Through consolidation, there will be increased access to mechanisation and financial resources. Larger, consolidated fields are better suited for the use of modern agricultural machinery, such as tractors, combine harvesters, and advanced irrigation systems – which can significantly increase efficiency and speed of various farming operations, from planting to harvesting. ALC often leads to economies of scale, providing advantages of bulk purchasing of inputs, such as seeds, fertilisers, and pesticides, creating the conditions for farmers to benefit from lower per-unit production costs. This can result in increased profitability and productivity – in turn enabling small farmers to engage in value-added activities such as food processing, packaging, and marketing whilst also gaining access to larger markets through the establishment of efficient value chains. Ultimately, this enhances their profitability.

The legal framework provides an avenue for residents in a particular area to instigate ALC, contingent upon their ability to provide documented evidence that a majority, specifically 51 percent at least, of the village's inhabitants support the initiative. Those in support can propose a consolidation scheme, which the revenue officer will publish as it falls under the jurisdiction of the Board of Revenue. If no objections are raised within a specified timeframe, the scheme can be implemented. In case objections do arise, individuals can file an appeal with the collector within 60 days. If the issue remains unresolved, a subsequent appeal can be made to the Commissioner within another 60-day period, with the Commissioner serving as the final authority in such matters. In situations where the applicant does not submit a consolidation scheme, the Revenue Officer is responsible for preparing one, following the same procedure. If the number of individuals willing to participate in land consolidation is less than 51 percent, consolidation can still proceed, but it will only apply to those who have requested it.

However, a profound awareness of the intricate web of land ownership and the associated social dynamics is essential when implementing ALC. Moreover, precise and up-to-date land documentation, local zoning regulations dictating permissible land uses, as well as land subdivision and consolidation rules, hold paramount significance. Challenges associated with land titles, boundary disputes, tenancy rights, and the maintenance of land records can pose obstacles. Further, land consolidation may encounter resistance from landowners who harbor concerns about potential encroachment on their land rights. But they can be resolved through careful strategising, efficient and transparent regulatory mechanisms, and active community involvement. Conclusively, a robust synergy among governmental entities (the executive, legislative, and regulatory bodies) alongside active engagement with farmers is a pre-requisite. Leveraging the research-based expertise of specialists stands as a crucial facet in tackling these challenges head-on within the realm of ALC.

Utilising mass media would be highly effective and impactful in promoting the achievements and benefits of ALC. Leveraging social media alongside radio and TV significantly amplifies the advantages of ALC, maximising its reach and influence. Additionally, organising visits to consolidated farms will further enhance the understanding and benefits of ALC, creating an additional layer of advantage and insight. Hence, the role of educational and promotional programs through agricultural activists and promoters can encourage the wider acceptance and adoption of ALC amongst farmers who haven't consolidated their lands to embrace this process.

It is essential for relevant organisations, policymakers, and planners to acknowledge and integrate these initiatives into their strategies; the plans would be highly beneficial for promoting understanding and adoption of ALC among the farming community.

Recognising the effectiveness and significance of incentives can significantly bolster the acceptance of ALC amongst farmers. To achieve a broader impact, it is crucial to reassess incentive structures within the agriculture sector and they should be designed to complement ALC. Reviewing and adjusting funds, credits, and financial support mechanisms offered by various organisations and government entities will be a pivotal step in encouraging farmers for ALC.

The legal provisions coupled with promising advantages, create a strong case for embracing ALC in Pakistan. It would lay the foundation for a more prosperous and sustainable agricultural future. This transformation will not only bring benefits to farmers but also play a significant role in bolstering food security, fostering rural development, and contributing to overall economic growth.

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NO PROGRESS WITHOUT LAND REFORM

Abbas Moosvi

The failure of Pakistan's ruling class to conduct substantive land reform has meant the preservation of entrenched power structures, persistently low agricultural productivity, and a flourishing real estate sector populated by predatory elites looking to turn a quick profit via speculative trading. Big landlords operate as royalty across provinces, sitting atop valuable assets that could potentially be producing inputs for the manufacturing sector to boost exports – instead using them to exert influence and exploit labouring classes in rural communities. The process around which contestation for power takes place is also largely contingent upon landholdings: thus marking this domain as a central, and in many cases pivotal, determinant of governing relations. Without a consolidated effort to redistribute these holdings, Pakistan has little hope of moving forward on any front.

The decade of the '60s is known (and taught) in Pakistan as the period in which the proverbial 'Green Revolution' took place. This was a direct result of the country's entry into the CEATO/SENTO agreements with the United States, pacts that were meant to curtail the rising influence of the Soviet Union in the context of the Cold War at the time. The Ford Foundation was leading the initiative, with large pools of resources funnelled into the agriculture sector of Pakistan – primarily to facilitate access to seeds, fertilisers, pesticides, irrigation systems, etc. Growth rates were relatively high during this period, but what is always – and deliberately – left out of conversations is the piecemeal nature of the process, which did not, in fact, lead to any changes in institutional arrangements or power relations in rural communities. On the contrary, inequalities actually skyrocketed – largely due to the fact that it was predominantly the largest farmers that were receiving this 'aid'.

What all this functioned to do was enhance the power of big landlords in rural communities, who then leveraged it to expand their exploitation of landless peasants and labouring classes more broadly. As levels of precarity rose, vast swathes of vulnerable groups were forced to abandon their deep roots in the countryside in favour of cities: triggering the first large scale wave of urbanisation in Pakistan. Over the long term, agricultural productivity has remained stagnant – with crop varieties as well as yields generally unchanged in any significant manner for the past four decades. Despite repeated failures to incubate the sector, however, policy domains in Pakistan continue to fixate on ‘technical’ solutions: corporate farming, microfinance for small farmers, facilitating access to better seed varieties, introduction of drip irrigation systems, etc. While not entirely useless, these measures miss the elephant in the room; namely big feudal lords controlling large swathes of land almost exclusively with the intention of selling it off in the future for massive monetary gain. In the meantime, they use their holdings to exert influence over their respective communities and curry favours with local politicians and bureaucrats to formally access the corridors of power.

Perhaps the most fundamental concern about landholdings concentrated in the hands of a few families (5% of landlords are estimated to own 65% of the farmland) is that they allow these feudal lords to operate as gatekeepers to the corridors of power. ‘Electables’ are big landlords that possess coercive power over their respective communities – a significant percentage of which are directly dependent on them for survival. Landless peasants and tenant farmers are both at the mercy of the landlord and in many cases ‘bonded’ to him (it is invariably a him) via debt. This leverage makes them attractive candidates for political parties to award tickets to, as they can rest assured of ‘vote banks’ without having to worry about winning support through persuasive means based on ideological appeals and/or policy manifestoes. Landlords naturally respond to this by carefully weighing out offers from all parties – in most cases simply representing the security apparatus – to strategically maximise their returns, which can come in the form of monetary rewards, political capital, and other gifts/favours that enhance their authority and sphere of control. Any party seeking to win seats in provincial or national assemblies must necessarily engage with landlords at some level in order to stand a chance: no ifs, ands or buts.

Secondly, the economic aspect. Dormancy in land – and agricultural land in particular – has tended to prevail across Pakistan as landlords have little to lose if they wish to simply hold the asset for as long as possible with the intention of selling it off at a (massive) profit in the future. With a tax system that is ill thought-out at best and simply non-existent at worst, it makes no difference whether the land is being used productively or not. This is despite evidence from across the globe – particularly among countries such as China, Taiwan, Japan, and even India – that demonstrate the direct link between land reform and higher agricultural productivity. This has been achieved by breaking up holdings into parcels and renting them out to smallholders who have a real

incentive to then minimise costs through continual innovation – eventually enhancing productive capabilities and drastically expanding domestic output of key crops which can then be used as inputs to the manufacturing sector, fuelling industrial growth and leading to higher exports and better current account positions.

The complete absence of any kind of governing oversight on land relations – with no systems or institutions in place that ensure transparency in the domain – a flourishing real estate sector has propped up in an “atmosphere of opacity, under-regulation, under-taxation and legal inconsistencies,” to quote from activist-academics Ammar Rashid and Aasim Sajjad Akhtar. This involves large scale land grabbing, whereby entire regions are captured by powerful individuals that are practically above the law and converted into elaborate ‘housing schemes’ targeted at the affluent. The vast majority of these remain unoccupied for extensive periods, with an entire market based on the trading of ‘files’ in place for elites to place their bets on in anticipation for a quick return. It also bears mentioning that a significant proportion of the players in this domain are expatriates looking to ‘park’ their wealth, a phenomenon that began in the early 2000s when close monitoring of financial flows in countries of settlement had begun. Societies that are populated, on the other hand, are structured in a manner that ensures total insulation from the outside: with private water, security, electricity, entertainment, etc. in place – thus contributing to the increasing divide between the haves and have-nots. To quote activist-academic Ammar Ali Jan, “Considering the social, economic and political insularity of the Pakistani elites, it would be fair to say that they are heading the most successful ‘separatist movement’ in the country, a movement that seeks to insulate itself from the squalor and abandonment reflected in the experience of millions of Pakistanis.” Indeed, many of the gated housing societies located are made possible by the violent destruction of settlements. In cities, these constitute informal settlements catering to poor migrants from the countryside; while in rural communities they are the ancestral homes of various communities with deep sociocultural roots in the territory. A quite literal manifestation of class warfare.

Going forward, it is absolutely essential for Pakistan’s governing elites to understand that economic prosperity is not a technical endeavour but one based within power relations. Markets can only truly function and evolve if they receive a regular stream of voluntary participants. This is impossible unless ordinary people have the means to break out of the poverty trap: which current land relations do not allow.

Comprehensive land reform must involve, first and foremost, the careful mapping out of land ownership to establish clarity on the landscape. Provincial Boards of Revenue must take on this responsibility and move towards modernisation/digitisation to streamline the process. Once this is done, a careful incentives based policy ought to be put in place that allows landlords a particular window of time to demonstrate that they are

utilising their holdings in a productive manner – the failure of which would mean seizure by the state and either redistribution to local farmers or the leasing out to tenants with little to no strings attached. In the immediate term, progressive land taxation ought to be imposed (based on acres held) to disincentivise both dormancy and speculative trading; and farmers' associations liberated to challenge the domineering presence of landlords in rural settings through collective organisation.

Democracy simply cannot prevail under current land relations, which are a direct or indirect product of (arbitrary) colonial era allotments. Economic justice necessitates radical reform. Now.

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THE NEGLECTED TALE OF AGRICULTURAL LAND MARKETS

Sobia Rose

Throughout history, land has consistently played a pivotal role in shaping power structures within societies. This is particularly evident in South Asia, specifically Pakistan, where land ownership has been a fundamental element influencing the country's political landscape. Political candidates with landholdings tend to garner more votes compared to those without land ownership, as noted by Beg (2014). Almost all the national and provincial assembly members belonging to any political party are primarily landlords and feudal in their orientation. This leads the author to assert that Pakistan's historical landscape has often been characterised by feudalism, with exceptions during General Ayub's era and PMLN's leadership in the 1990s, promoting industrialisation. However, local politics remained dominated by large landlords, reinforcing the notion that control over local land resources signifies power.

The complication dates back to the colonial era when unjust distribution of resources elevated a certain class of society to the power corridors. The issue still persists when we see that there are 175 registered political parties with the Election Commission of Pakistan and their

playing field is primarily land and agriculture. These landlords, rooted in historical practices dating back to the 1901 Land Alienation Act, persistently thwart the establishment of a fair land market. Further, weak land governance and administrative systems, coupled with poorly harmonised legal frameworks, contribute to the prevalence of land-related conflicts, serving as indicators of societal inequality and vulnerability – especially in rural areas, where the agricultural landscape is dominated by small and fragmented land holdings. Almost 89 percent of farmers hold an average farm area of less than 12.5 acres, and 64 percent hold less than 5 acres.¹

The transfer of agricultural land serves as the fundamental building block of land markets. Surprisingly, when assessing factors influencing overall agricultural production, the issue of a fragile land market is often overlooked.

¹https://www.pbs.gov.pk/sites/default/files/agriculture/publications/agricultural_census2010/Tables%20%28Pakistan%20-%20In%20Acres%29.pdf

The process of transferring agricultural land from seller to buyer involves numerous participants and can span several months. Each transaction typically takes around 3 to 4 months and is marred by multiple instances of corruption. Costless and hassle free transaction of land is almost impossible. Land prices in Pakistan have always been inelastic because it is considered an important asset for maintaining social status and political power.

Hirashima (2008) argues that although land is a factor of production just like labor and capital but its immobile nature and limited scope of extension makes its prices higher due rising demand and static supply. The market price of land has always been higher compared to the District Collector Rate (DC Rate). But in reality, during the transaction both parties often conspire to declare the land's value in accordance with the Deputy Commissioner (DC) rate, concealing the actual market rate to circumvent the 8 percent transfer fee (of total property value), which has, in turn, aggravated corruption at the time of land transfer. This element of corruption is headed by local feudals who heavily rely on local constituencies for vote banks, for which they need a certain dominance in power relations.

The existence of efficient land markets with clear property rights and ownership will empower small farmers – the prospects of which are unfailingly resisted by those who wish to maintain the status quo. Local land politics trickles up and enhances the dominance of landlords at the national political landscape. This deeply rooted pathology is also due to weak institutional structures controlling and regularising the land markets. The patwar culture was eliminated a decade ago but later reinstated with expanded powers that granted patwari a central role in issuing the 'fard' for mutation. Most transfer deeds favour large landlords, while small farmers and landowners are typically sidelined.

Land records were last updated in 2016, and Revenue Departments at the provincial level have failed to effectively harness this resource. There are several sections in the Land Revenue Act of 1967 that need to be updated. For example, Section II7 states "a Revenue Officer may define the limits of any estate holding field and may also erect marks or referred the same already made." Instead of this, the utilisation of digitalised land records and satellite demarcations can be used to mark land parcels.

Keeping in view the above background, the following solutions are suggested to ensure efficient land markets where true democratisation of local politics can be ensured.

- The land transfer regulations (mutation and registry) have remained unchanged since pre-partition times. The Revenue Act of 1887 underwent its last update in 1967, with only minor modifications proposed during the Green Revolution. The primary transfer laws are now outdated and do not align with the requirements of modern times. Therefore, it is imperative to revise and update these acts, incorporating the concept of using technology to automate land transfer procedures.
- Weak land markets and excessive local government involvement in land matters lead to a decline in government land tax revenue. Patwaris sometimes collude with buyers and sellers, reporting a minimal land value, even when the land is intended for agricultural, commercial, or housing purposes. Consequently, the land is categorised as agricultural with the lowest value in the Revenue Departments' records. So there is a dire need to revisit Land Transfer Fees and eliminate the DC rate system. The valuation of land should be based on factors like location, amenities, soil type, distance from market etc. which can be achieved by synchronising PLRA data with satellite data. To combat corruption at the transaction level, it is recommended to decrease the land transfer fees.
- Land-related disputes have a significant impact on agricultural production. Despite patwaris being equipped with laptops, the records uploaded in the Arazi Record Centre remain outdated. To address this, it is essential to streamline the processes involved in land transfers, minimising the number of intermediaries and introducing a one-window solution at qanoon goi level to simplify transfer procedures in terms of accessibility and transaction procedures as well as associated illegal costs.
- The presence of multiple stakeholders, working in isolation and lacking effective information exchange, hampers the overall management of land-related matters – for which a cross department synchronisation of activities is required. A collective objective of enhancing agricultural production can only be achieved with collective action by all key stakeholders such as Revenue Departments, Agriculture Departments, and the most important stakeholder: the farmers themselves.

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LABOUR RELATIONS





INCORPORATING WOMEN INTO PAKISTAN'S LABOUR FORCE

Hadia Majid

There is a constant refrain that too few women in Pakistan work. This is reflected in our consistently poor ranking in the Economic Opportunity sub-index of the Global Gender Gap Index as well as our pretty much stagnant female labour force participation rates of 22%. When they do work, their sectoral spread is skewed and considered less than optimal. We have a feminisation of agriculture and of the informal sector; some 70% of women work in agriculture and 78% of non-agriculture informal sector activities are performed by women. Even among those who are in manufacturing, nearly 79% work from home¹. But, why does any of this matter? Why are we so concerned with whether and where the women in our economy work?

By some estimates, we are losing out about 30% of GDP² because too few women work. When we add to this that a substantial portion of women in the PSLM when asked say that they have a desire to work but are unable to, then clearly our labour force participation rates need to, and perhaps can, be pushed higher. This is not just important from a growth perspective but also crucial from an empowering viewpoint. Monetary resources have been found to improve status within the household and enable higher say in household decision-making. This is consistent with the hierarchy of work where paid productive work is valued more. Yet, access to income is not the same as controlling it. Besides, there is now an abundant literature underscoring that not all work is equally empowering and that the nature of work matters. For example, non-agricultural

work, and working out of the home have been found to be associated with better outcomes. Despite the evidence on the positives of working outside the home, one of the main reasons why women prefer to work from home is because it not only allows them to balance productive with reproductive work, but it is also socially more acceptable. We've all heard stories of women facing harassment en route and at work. In this, women typically face the blame for the harassment³. Hence, it is socially more acceptable for them to work from home. And of course, in all this, how much is earned also matters. One of the main reasons why we continue to rank so low in the Economic Opportunity Index is because of gender wage gaps. Nearly two-thirds of women who work in agriculture, do so as unpaid work. Evidence also shows that women earn less than men in the same occupation, and with the same education levels. Women have been found to take pay cuts if it means more flexibility in timings as well as a safer working environment. Hence, it is not just enough to involve women in work, but the type of work that they do, where they work, what is their pay, the conditions that they work in, all needs to be carefully considered.

¹https://www.worldscientific.com/doi/10.1142/9789811213267_0019

²<https://www.elibrary.imf.org/view/journals/002/2016/002/article-A003-en.xml>

³<https://www.tandfonline.com/doi/full/10.1080/13552074.2022.2130516>

As an economy, one of the main issues that we have been grappling with is raising productivity levels. This holds especially true for women labour. Given the lower educational achievement, issues of mobility, and the stigma associated with certain types of work, there is not enough demand for or supply of women's labour particularly when we start considering sectoral spreads. This becomes particularly clear when we disaggregate sector of work by education – the majority of illiterate women work in agriculture. Another reason why women tend to concentrate in certain sectors and not others goes back to perceptions around work. Women are viewed as 'secondary workers'. As the share of agriculture in overall GDP has declined and higher paying manufacturing and service sector jobs have become available, it is not just men's higher education and skill-levels that make them more suitable for such jobs. The cultural norms around gender roles and productive and reproductive work means that both employers and even households themselves prefer that these jobs go to men. The secondary status of women workers also means that even when they do work, women often take up 'survival jobs' in response to adverse economic conditions and tend to frequently enter and exit the labour market. So how do we change this set of conditions and involve women in higher value-added chains? After all, it is these high value addition chains that give the greatest dividends both from a macro and micro perspective – boosting growth, expanding household earnings and therefore consumption profiles, while also likely constituting the types of work that carry with them higher empowering potentials.

Raising school enrollments and reducing drop-out rates by focusing on building boundary walls, gender of teachers, presence of segregated bathrooms as well as reducing the distance to schools by thinking through school locations and/or providing school buses. Improving vocational training uptake while also branching these out into 'non-traditional' fields where we don't normally see women workers. Developing a more robust network of public transport systems whilst paying attention to the walkability of cities and routes to bus-stops, even lighting at bus-stops and the presence, safety and accessibility of public restrooms for women. All of these are intervention areas with real potential to have long-term impacts on women's ability to engage with the labour market in a meaningful fashion. And in fact there have been countless interventions over the years with many of the focal points mentioned here. Yet, the needle on women's labour force participation has not moved enough. One of the main issues here has been the length and scale of the interventions. Efforts have largely been piecemeal.

Nonetheless, one of the biggest hurdles to women doing full-time, high-paying work that is outside the home and in what are (presently) male-dominated fields remains cultural norms. These norms surround gendered division of labour, who is responsible for carework, even what are 'acceptable' occupations for women vs. men.

Besides, why would women look to work in fields which are stigmatised, for long hours and at lower pay, and then come back home to work equally long hours fulfilling their care responsibilities, all the while feeling guilt and a sense of loss because they are unable to spend time with their families, a role which they intrinsically (and are socially conditioned to) value. Until we can systematically work to change norms around work and particularly look to reduce women's reproductive burdens, women's engagement in the labour market both as a whole as well as in specific sectors will remain limited. In this, it is important for us to look to community and household level support. We must identify allies, especially male ones, and recognise and value the many ways in which women are already contributing to the economy through their reproductive work. Such a shift in valuation would go a long way in changing the gender order surrounding work: making it easier for men in turn to take on reproductive responsibilities, freeing up women's time, improving women's status, and even opening up other fields of work for them.

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BENEATH THE SURFACE: UNMASKING THE COST OF PUBLIC SERVANT IN PAKISTAN

Nadeem Khan & Khurram Ellahi

Many countries, including Pakistan, worry about how much money they spend on paying government workers' wages and pensions. This is because these costs consume a sizable portion of their national income. Managing these costs effectively is challenging and has a direct impact on a country's economic security.

How much money the government spends is directly related to the number of government workers and retirees. The country's financial situation will worsen if these government agencies fail to function efficiently and provide adequate services to the public. The economy as a whole, as well as private sector companies, feel the effects of subpar performance in certain government agencies.

There were officially 691,643 government jobs as of July 1, 2021, but only 575,354 were filled. Ministry, Division, Attached Department, Subordinate Office, and Constitutional Body posts were at 83.19 percent filled and 16.81 percent vacant as of March 31, 2018. When broken down by level of employment, BS 17-22 officers made up only a minor fraction (approximately 4.51%). All the rest (95.49%) were staff members from BS I-16¹.

A large portion of our national budget goes into government employee salaries and retirement benefits. Total compensation for these workers is estimated at Rs. 3 trillion, with pension costs adding another Rs. 1.5 trillion. The overall sum spent on salaries rises to around Rs. 6 trillion if we factor in the money allocated for project workers, employees of government firms, and other organisations. When we factor in the salaries of the armed forces, the overall wage bill rises to about Rs. 7 trillion².

The state of the economy makes it difficult to increase government employment. Due to budget restrictions, the government is proceeding with caution when it comes to expanding jobs. There are currently no set plans in place to significantly raise government payments, such as salaries and pensions, in the future. While planning and budgeting for future liabilities like pensions, the focus must stay on managing current expenses within available resources.

¹<https://establishment.gov.pk/SitelImage/Downloads/Annual%20Bulletin%20OD2018-19.pdf>

²<https://profit.pakistantoday.com.pk/2023/07/30/fixing-pay-and-pensions/>

Before committing to significant increases in government size and payments, it is vital to assure the long-term viability of government finances and to rejuvenate economic development.

Pakistan's government has a tremendous financial burden due to the large number of inefficient government employees. Politicians enjoy the privilege of favouritism within the public sector since they know the taxpayer will be responsible for the costs without any say in the matter. When someone is employed, the budget must account for their future salary and pension, as well as the salaries and pensions of their widows and daughters who have never married.

Inadvertently, workers are hired depending on the whims of higher ups, without taking into account the whole cost of employing that person over the course of their working life. We need to know if we can afford to keep this person on the payroll for the next 30 years before we hire them.

As the number of government workers grows, it is essential to question hiring managers about how much those workers will ultimately cost the government.

According to PIDE's research, suggesting someone for a BPS I position is the equivalent of offering them Rs. 8 million upon employment. The government pays this amount to the worker throughout their employment and continues to do so as a pension once they retire (Figure I). The total price rises to Rs. 17 million once we account for all perks and other costs; and the sum rises to Rs. 27 million once we factor in the operational expenses associated with the BPS-I worker.

Similarly, BPS-17 has a far higher cost per employee than BPS-I. Over the course of a person's life, a new employee will cost a company Rs. 49 million in BPS-17. When other perks are included in, however, the cost to the Pakistani government for a single worker increases to Rs. 136. When factoring in operational expenditures, as depicted in Figure II, the total cost rises to 245,000,000 PKR.

Figure I. Cost of Public Sector Employees (BPS-I)

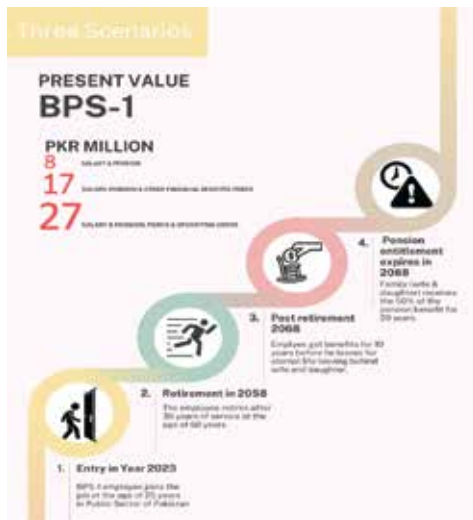
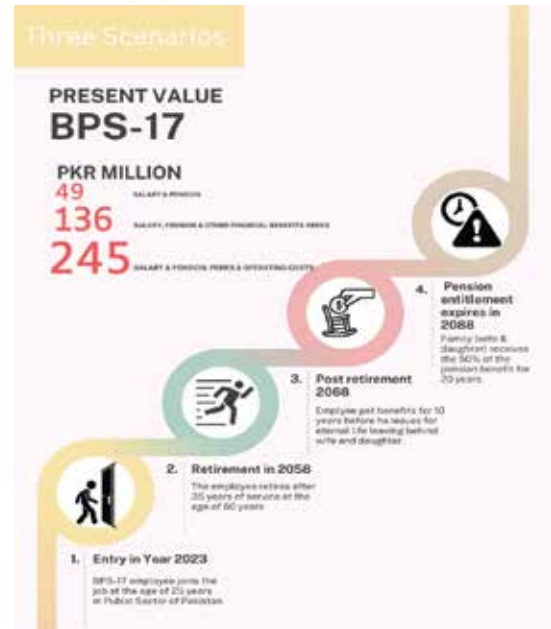


Figure 2. Cost of Public Sector Employees (BPS-17)



The findings of PIDE are used as a foundation for estimating the potential future financial burden on Pakistani public employees. Pakistan is facing serious economic difficulties as a result of the increasing number of inefficient government employees. These picks are often made for political reasons rather than because of the candidate's actual merits. Taxpayers are feeling the pinch as a result of the strain on the national budget.

In the event of a government employee's death, their pension will continue to be paid for as long as they have any unmarried daughters or surviving spouses. This research provides an estimate of the costs connected with these pledges, which is vital for preventing future generations from enduring their burden.

In Pakistan, senior authorities routinely issue appointment orders without first assessing staffing needs or developing strategic plans. Government efficiency is not improved by politically motivated, poorly implemented hiring. The government must shoulder the entire financial load. One of the main causes of low productivity in many government agencies, especially autonomous entities, is flawed recruitment practices.

In short, the government gifts these monies to those who are nonproductive and produce nothing in their jobs. Therefore, the cost of compensating these ineffective workers falls on the public. Additionally, the presence of unproductive employees presents additional challenges that have the potential to harm the organisation's reputation and achievements.

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UNEMPLOYMENT

PRIVOCONOMY: PRIVATE-SECTOR'S IMPACT ON PAKISTAN'S UNEMPLOYMENT & SHRINKING EMPLOYABILITY OF HUMAN CAPITAL

Rutaba Adnan

An intricate relationship between domestic businesses, unemployment, and the diaspora in Pakistan is a multi-faceted and intricate one. This research article delves into the interconnected dynamics of these three elements, aiming to provide a comprehensive understanding of their direct and indirect links. Utilising economic data, policy analysis, and industry-specific case studies, this study elucidates how domestic businesses influence both unemployment and emigration, contributing to the formation of a significant Pakistani diaspora.

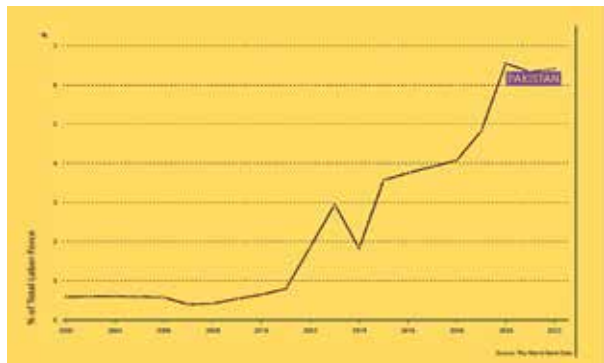
THE DRAMATIC FRAMEWORK:

The classic play of remorseful businesses, old unemployment, and deceitful migration! In this economic literature, this plotline has been on a runaway success for ages, with no sequel that kills the villain. All the previous episodes have given us some brilliant insights, e.g. how businesses can either save the day by creating jobs or, well, break some hearts with unemployment. And migration? That's like the hero's dramatic entrance, seeking greener pastures or escaping unemployment's sinister grip.

But, wait, we're in Pakistan, fellows, and this isn't your typical fictional tale. Our economic and social backdrop is more complicated than a Shakespearean drama. With the history packed with twists and turns, political turmoil, and dysfunctional global relationships, this non-fiction uncovers the role of private sector in the face of unemployed skill in Pakistan. In previous decades, the private sector played a significant role in job creation domestically. However, during times of economic distress or crises, private sector companies had to cut back on hiring and even laid off workers to reduce costs, which contributed to rising unemployment. The impact of political distress and economic shocks, such as the COVID-19 crisis and macroeconomic turmoil, adversely affected the private sector's ability to create jobs. When businesses were struggling, they were hesitant to hire new employees, leading to job losses or stagnant employment levels.

The chart below by the World Bank labels the unemployment in Pakistan that's been further bruised over two decades using modeled estimate of ILO:

UNEMPLOYMENT RATE - ILO ESTIMATED MODEL 2022



Pakistan faces the twin challenges of high unemployment rates and significant emigration, resulting in a large Pakistani diaspora worldwide. The burden however doesn't stand still on the private sector since the government must empower the business community to prioritise productivity-driven initiatives to begin with. By forcing a 3.5% GDP growth rate upon itself, the government has committed to higher public consumption expenses rather than incentivising the private sector to take up the mantle of investment that could spur GDP growth and create employment opportunities. This article explores the often-overlooked link between domestic businesses and these issues. It aims to answer the question: is there a direct link between domestic businesses, rising unemployment and growth in the Pakistani diaspora?

This study utilises a comprehensive analysis of economic data, government reports, and industry-specific examples. Limitations include potential data gaps and the complexity of causal relationships.

With a whimsical deployment of Artificial Intelligence in the workplace, human capital is the most vital component not only for a company, but also for economic development. Managing this resource effectively can boost economic performance and reduce social distress. Pakistan is the fifth most populous nation globally, with a population of 224.78 million in 2022. Boasting one of the world's largest labour forces, ranking among the top 10 globally, Pakistan still struggles with channeling sufficient employment opportunities for this vast workforce.

Labour Force & Employment Indicators
(people count in million)

	2017-18	2018-19	2020-21
Labour Force	65.5	68.75	71.76
Employed Labour Force	61.71	64.03	67.25
Unemployed	3.79	4.71	4.51
Unemployment Rate (%)	5.8	6.9	6.3

The above labour force statistics for Pakistan reveals a mixed picture of employment dynamics. On one hand, there's a substantial increase in the size of the labour force, which expanded from 65.5 million in 2018 to 71.76 million in 2021. Potentially driven by demographic factors, a larger labour force implies more people actively seeking employment.

On the other hand, the increase in the labour force has been met with corresponding growth in the number of employed individuals, rising from 61.71 million to 67.25 million over the same period. This growth in employment is a positive development, indicating that the economy has been able to create jobs for a portion of the expanding labour force.

A PYRAMID: PRIVATE SECTOR, UNEMPLOYMENT & DIASPORA

This study aims to assess whether there is a direct link between the actions of domestic businesses and unemployment. In Pakistan, the private sector employs 90 percent of the labour force, while the public sector employs only 10 percent. Small and medium enterprises, as well as agriculture, play a crucial role in providing employment opportunities. Private sector growth, particularly of smaller firms and farms, is vital for both employment generation and poverty reduction. After analysing case studies from specific industries and regions, the intricate relationship between private-sector and employment prevailed. For example, during the COVID-19 pandemic, several industries experienced layoffs, directly impacting unemployment rates.

Domestic businesses in Pakistan play a pivotal role in shaping the employment landscape. They can both create and destroy jobs. The data reveals fluctuations in employment trends across various sectors, with some industries experiencing rapid expansion while others contract. These trends are often influenced by business cycles, technological advancements, and policy decisions.

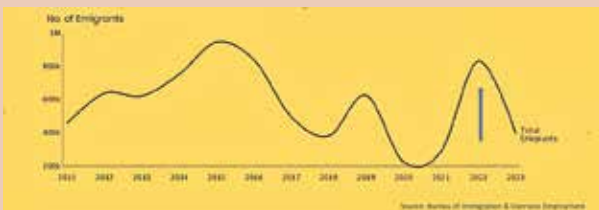


Domestic businesses in labour-intensive sectors, such as agriculture and retail, contribute significantly to employment. For instance, the agricultural sector employs a substantial portion of the population. However, capital-intensive industries, like technology and manufacturing, may not be as directly linked to high employment levels. The data shows that during economic downturns, businesses are more likely to cut jobs, which can lead to an increase in unemployment rates and further diaspora.

The diaspora presents challenges for Pakistan's private sector, sweeping away skilled minds to distant lands in search of greener pastures abroad. This drain hampers local businesses' access to experienced talent, impacting innovation and growth. Relying heavily on remittances can also limit domestic investment and entrepreneurial ventures, potentially hindering local economic development.

TREND IN EMIGRATION 2011-2023

The low cost of emigration makes the Middle East an attraction for unskilled labour in Pakistan



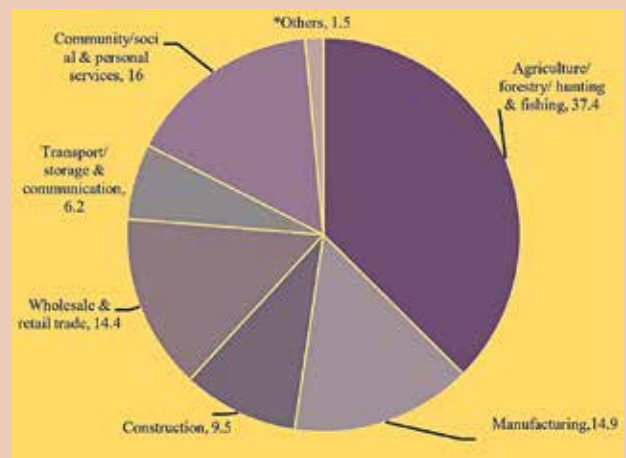
Additionally, the trend of remote engagement from the diaspora might lead to a loss of on-the-ground expertise and overseas-focused business approaches that may not fully align with the local market. Addressing these challenges requires strategies to retain local talent and foster sustainable domestic growth.

HOW BUSINESSES CONTRIBUTE TO UNEMPLOYMENT AND DIASPORIC CONDITIONS

Pakistan's private sector plays a pivotal role in sculpting the employment outlook, and the interaction between private businesses and unemployment is intricately influenced by a myriad interconnected factors. The causes contributing to this dynamic are multifaceted:

- Economic conditions: the cyclical nature of economic conditions, marked by periods of recession and stagnation, directly affects private sector employment. Economic downturns can lead to workforce reductions and increased unemployment.
- Technological advancements: the advent of automation and mechanisation in industries can displace human labour, resulting in job losses.
- Structural issues: a significant skills gap within the labour market often leaves businesses struggling to find workers with the required qualifications, exacerbating unemployment.
- Policy environment: labour market regulations and taxation policies have a direct impact on hiring and firing practices within the private sector. Stringent regulations can deter businesses from expanding their workforce.
- Informal economy: a substantial portion of employment in Pakistan resides in the informal sector, characterised by underemployment, instability and job insecurity. This leads to low wages and poor working conditions, contributing to financial hardship - particularly with the rising cost of living.
- Industrial composition: the dominance of specific industries, such as agriculture, retail, and small-scale manufacturing, may not generate sufficient jobs to absorb the burgeoning labour force. The following pie suggests the distribution of workforce in Pakistan across different industries.

EMPLOYED DISTRIBUTION IN MAJOR INDUSTRIES 2022



Source: Finance Ministry of Pakistan

- Political and social factors: political instability and social issues, including gender inequality and unequal access to education, can influence private sector investments and job creation.
- Global factors: Pakistan's private sector is not insulated from global economic trends. Economic shocks and global downturns can have repercussions in export-oriented industries, affecting local employment.
- Investment and entrepreneurship: the presence of a robust entrepreneurial ecosystem and investments in the private sector can foster the creation of businesses and startups, thereby generating job opportunities.
- Infrastructure and access to markets: inadequate infrastructure and limited access to markets can hamper business growth and expansion, impacting employment prospects.

These multifaceted causes, intertwined within the private sector's operations, collectively shape the employment landscape in Pakistan. Understanding this complex interplay is pivotal for crafting effective policy measures to address unemployment and foster sustainable job growth.

OBSTACLES TO EMPLOYMENT BY COMPANIES

The challenges faced by domestic businesses in Pakistan in generating ample employment opportunities include:

- Economic instability: Pakistan's economy has faced periods of instability, including inflation, currency devaluation, and high interest rates. These factors can discourage investment and hinder business growth, leading to limited job creation.
- Lack of access to finance: many domestic businesses in Pakistan struggle to access affordable financing options. Limited access to credit and high interest rates make it difficult for businesses to expand their operations and create new job opportunities.
- Skills gap: there is a significant gap between the skills possessed by the workforce and the skills required by businesses. The lack of skilled workers in specific sectors hampers the growth of industries and limits employment opportunities.
- Infrastructure challenges: inadequate infrastructure, including transportation, energy, and telecommunications, can hinder the growth of businesses. Insufficient infrastructure can increase production costs, reduce efficiency, and limit the ability of businesses to expand and create jobs.
- Regulatory burdens: complex and burdensome regulations, including licensing requirements, taxation policies, and bureaucratic red tape, can discourage entrepreneurship and hinder business growth. These regulatory challenges make it difficult for businesses to operate efficiently and create employment opportunities.

THE CRITICAL OPINION FOR COMPETENT EDUCATION

These multifaceted causes, intertwined within the private sector's operations, collectively shape the employment landscape in Pakistan. Understanding this complex interplay is pivotal for crafting effective policy measures to address unemployment and foster sustainable job growth.

In the context of unemployment in Pakistan, one crucial yet often overlooked issue is the structural limitations within the education system and its misalignment with competencies in the job market. This remains somewhat concealed beneath political discussions on job creation and economic policies. The educational system, particularly in Pakistan, is failing to equip the workforce with relevant skills needed for the job market, leading to a profound skills gap. The emphasis on theoretical knowledge over practical as meant a dearth of industry-aligned skills, thus restricting the employability of graduates. Many students leave educational institutions inadequately prepared for the demands of the rapidly evolving job landscape.

Businesses in Pakistan are more than capable of taking proactive measures that bridge this educational gap to manage unemployment effectively, but only when they choose to. To address this, a fundamental shift in the education system's approach is imperative. Companies can collaborate closely with educational institutions to develop curriculums that align with the current and future needs of industries and promise the fostering of the market going forward.

Moreover, companies can invest in internal training programs tailored to the specific needs of their industries. As discussed above, investment in human capital development not only benefits business via a skilled workforce but also contributes to reducing the unemployment rate by making individuals more employable. Businesses should play a more active role in fostering a culture of continuous learning, offering upskilling opportunities to their employees to adapt to the rapidly evolving job market.

Politically speaking, advocating for reforms in the education system through industry consortiums and lobbying efforts is vital. By actively participating in policy discussions and reforms, businesses can influence educational policies to introduce strategic problem-solving courses in the institutions that are more likely to enhance the quality of the corporate workforce in Pakistan.

In essence, the contradiction between education and the resultant skills gap is critical. Private sector must take a more proactive role in shaping the education system to produce a skilled workforce that adds value to the business economy as whole.

CONCLUSION

Private-sector businesses in Pakistan are closely intertwined with both unemployment and the diaspora. While they are primary sources of job creation, they can also contribute to unemployment during economic downturns and technological shifts, thus acting as the backbone of a thriving economy. Its agility and investment potential are the key drivers of job opportunities and local business expansion. Yet, navigating this territory isn't a walk in the park. Tackling unemployment while nurturing the growth of domestic businesses demands a synchronised effort. Governments must loosen the reins, fostering an environment conducive to entrepreneurial ventures, and break down barriers that hinder small business progress.

It's time for policies that incentivise innovation, boost skill development, and create a synergistic relationship between private entities and regulatory frameworks. Understanding the dynamics between domestic businesses, unemployment, and diaspora is not just about job creation; it's about fostering an ecosystem where businesses can thrive and individuals can find meaningful and fulfilling work.

Wouldn't it be incredible to propel Pakistan towards economic and fiscal success!

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A CASE FOR UNIONISATION

Namra Gilani and Ramis Sohail



Amidst the discourse on the ongoing economic crisis in Pakistan, a crucial yet often overlooked aspect is poor labour relations and its consequences for building a resilient economy. Unionisation is one of the foundational aspects of labour relations, which allows workers to organise and collectively bargain for their rights. While Pakistan has recognised the importance of securing workers' bargaining position by unionisation, through both its domestic policies and international commitments, the uptake of union activity has not seen promising trends. As workers grapple with economic challenges, employment uncertainties, and the broader economic fallout, enabling the role of unions in safeguarding their rights and well-being has become urgent.

The Constitution of Pakistan recognises the right to unionise under Article 17 which states that "Every citizen shall have the right to form associations or unions, subject to any reasonable restrictions imposed by law."¹ Pakistan has also been an active member of the International Labour Organization (ILO) and has ratified a number of international conventions, demonstrating its willingness and commitment to uphold international labour standards. However, its policies have fallen short of ensuring genuine freedom of association and collective bargaining, as outlined in the Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)² and the Right to Organize and Collective Bargaining Convention, 1949 (No. 98)³.

Under Pakistan's constitutional structure following the 18th Amendment to its Constitution, labour relations is a provincial subject. To that effect, both the national and provincial legislatures have passed laws on how trade unions can be formed and registered within their geographical domains. Under this existing framework, however, little push towards the increase in unionisation has been seen. The ILO reports that only 4% of the workforce in Pakistan was unionised in 2018⁴, while trade unionists state that it is as low as 2%⁵. The major obstacles to unionisation in Pakistan are the practices of union busting and establishment of 'yellow' unions⁶, which have become common practices in the industrial sector. The Right to Organise and Collective Bargaining Convention 1949 provides that workers' organisation must be protected against any 'acts of interference'⁷, however, the framework for formation of unions in Pakistan under the Industrial Relations Act 2010 fails to achieve this.

¹The Constitution of the Islamic Republic of Pakistan, 1973

²Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)

³International Labour Organization (ILO), Right to Organise and Collective Bargaining Convention, C98, 1 July 1949, C98, available at: <https://www.refworld.org/docid/425bc23f4.html>

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⁵Iftikhar Ahmed, Labour and Employment Law: A Profile on Pakistan, available at: www.efalidnbmnnibpcajpcgiclfndmkaj/https://wageindicator.org/documents/Labour_and_Employment_Law-A_Profile_on_Pakistan.pdf

⁶<https://www.hrw.org/report/2019/01/23/no-room-bargain/un-fair-and-abusive-labor-practices-pakistan>

⁷International Labour Organization (ILO), Right to Organise and Collective Bargaining Convention, C98, 1 July 1949, C98, available at: <https://www.refworld.org/docid/425bc23f4.html>

The requirements in the Act in itself enable interference through the restrictions it places on formation of unions and membership. While first and second unions do not have a minimum membership requirement, a third union must have one-fifth of the total workers' employed as its members. This is nearly impossible to accomplish for unions in large-scale establishments, where yellow unions by employers are often formed to prevent genuine union activity. These unions are made up of non-existent or chosen employees to prevent workers from holding genuine bargaining power.

Workers have attempted to overcome this issue by joining the yellow unions and gradually progressing to decision-making positions so it may be taken over by a genuine leadership, as seen in a case involving Hi-Tech Feeds⁸. This strategy has also seen little success as employers push back against such takeovers, leading to reprisals towards the union leaders. Threat of reprisals is a commonly used union busting tactic, with workers being dismissed or denied increments for being involved in union activity. The Hi-Tech Feed case demonstrates the impact of these actions, with its labour union members spending two years before the Labour Courts to get their rightfully-earned increments from their hostile employer. While this case was successful due to the perseverance of the workers involved, most workers do not have access to funds or support to pursue lengthy claims.

The ILO has also emphasised the need for workers' access to diverse unions. Its Committee of Experts on the Application of Conventions and Recommendations (CEACR) has recommended in its latest report that Pakistan must amend its laws to enable workers to freely join or change memberships to unions 'for reasons of independence, effectiveness or ideological choice'⁹. The present structure prevents such diverse union activity, by restricting membership to one union at a time¹⁰.

These obstacles have adverse consequences for women workers in particular, who are severely under-represented in labour union activity. Women constitute only 2% of labour union members in Pakistan¹¹, leaving the specific challenges faced by women in the workplace unaddressed. This figure is especially shocking. Issues such as sexual harassment, termination of pregnant workers and non-payment of maternity leave are some of the many issues reported by women workers¹². Lack of representation, coupled with the legal restrictions on establishment of unions, creates twice as many barriers for women in bargaining for their rights.

In turn, unsafe workplaces and poor working conditions for women prevents them from entering the workforce. At 20%, Pakistan's rate for women in the workforce is one of the lowest globally.¹³ Women's economic participation is tied to empowerment in the household, better nutrition and higher educational attainment¹⁴ - all factors that increase the likelihood of their children receiving education and better economic opportunities in the future.

Suppression of union activity, therefore, not only negatively impacts labour relations within the industrial sector, but has consequences for labour conditions and the wider economy. Research has shown the increase in unionisation decreases income disparity for both unionised and non-unionised workers, and increases economic growth¹⁵. While preventing increases in income and benefits is preferred by employers, policies placing the majority of profits in the hands of the wealthiest segments of society have been noted to harm the economy in the long-run¹⁶. This is particularly relevant to Pakistan, where a preference for investment in rent-based sectors such as real estate has been criticised for its failure to boost production and economic benefits for the wider economy¹⁷. In contrast, workers who earn higher wages are more likely to spend money in a way that boosts economic activity¹⁸.

Pakistan's policy-makers must recognise that national economic prosperity is tied to the prosperity of its workers. Workers are the backbone of the economy, and as stakeholders, their concerns must be represented in policy agendas.

The authors are lawyers and founders of the Centre for Labour Defence.

⁸The author represented labour union members in a case before a Labour Court against Hi-Tech Feed.

⁹https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---rel-conf/documents/meetingdocument/wcms_868115.pdf

¹⁰Section 3(ii) of Industrial Relations Act 2010.

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REVITALISING LABOUR RELATIONS IN PAKISTAN: A CALL FOR COMPREHENSIVE REFORMS

Asma Hyder

The 18th constitutional amendment in 2010 delegates the responsibility to provinces to formulate their labour-related law and policies. However, the provinces are still struggling to formulate policies that are simple to implement and capable of enhancing working conditions. Despite multiple attempts, the existing legal framework falls short of international standards due to limited collaboration between provinces. Furthermore, the large presence of informal economy complicates the practical enforcement of these regulations. Also, trade agreements with labour clauses have not led to substantial improvements in working conditions. Efforts have been made through the adoptions of acts such as Federal Industrial Relations Act (IRA), Trade Organization Act (2013), Factories Act last amended in 2012¹. However, these legislative attempts have encountered various issues, especially in the post devolution scenario, making their implementation difficult. The legal framework in Pakistan is intricate and fragmented, though covering a broad spectrum of domains. This essay proposes modest yet critical reforms in the realm of labour relations. These areas of reforms, which have long been overlooked, and required to design a comprehensive framework for the improved working conditions and decent work in Pakistan.

The determination of minimum wage and provision of health and safety standards fall within the purview of provinces. Each province announces the minimum wage according to cost of living and economic condition of their respective province. Additionally, the minimum wage in coalmine workers falls under the jurisdiction of The Coal Mines Ordinance 1961 and all provincial governments are supposed to issue a notification regarding the minimum wage for all coal miners. The issue of minimum wage for the coal mine workers needs to be granted significant importance due to development of the China-Pakistan Economic Corridor (CPEC) and other mega projects such as the Thar coal project and Reko Diq project – which have increased the reliance of coal mines in Balochistan and Sindh, thus increasing the demand for workers.² The setting of the minimum wage has evolved into a political agenda, with provinces striving to outdo one another and also compete with the federal government. However, the implementation of

minimum wage is still a serious question mark on all provincial and federal governments. In this situation, the desired step toward minimum wage law should be developing a framework of implementation. The current system of maintaining a register and wage slips to show the compliance are out-of-date and these methods are vulnerable to exploitation. To address this, a modernised approach incorporating cross-verification mechanisms is essential to ensure compliance. The framework should include the mechanism for capacity building of government labour inspectors through targeted trainings and the implementation of effective inspection protocols. By introducing such measures, the goal of achieving compliance with minimum wage laws can be realised more effectively and systematically.

One of the pressing and longstanding issues within the domain of labour relations is the prevalence of discriminatory behaviors and procedures, which are so strongly embedded in the system that minor action is unlikely to work: a complete overhaul of all policies is in order. The provision of employment benefits, promotions, social security, and other opportunities of advancement in career should be provided without discriminating between the workers based on race, colour, sex, religion, political opinion, national extraction or social origin, occupation, or any other status/identity marker. To realise the change, there is a need for a comprehensive and multi-layered framework that promotes inclusivity on a broader scale, in the labour market and, subsequently at the level of individual firms and enterprises. Inclusivity should not be a matter of individual discretion; it should be ingrained in the very fabric of our management-employee negotiations, trade unions, and the overarching system itself. It is crucial that these changes are not just encouraged but mandated, ensuring a fair and equal environment for all workers, irrespective of their background or status.

The social security system in Pakistan is notably weak and insufficient. There are many issues in the social security system and to address them all in this essay would not be possible. The extensive informal economy operates without any social security coverage. A few international/multinational firms provide limited forms of social security, primarily due to regulatory requirements of their respective enterprises rather than any inherent requirement in Pakistan. A significant portion of the workforce, including self-employed individuals, agricultural workers, daily wage labourers, and contract-based workers spanning various sectors and industries remain excluded from the social security umbrella. The financial mismanagement of funds, lack of innovative financial instruments to fund the social security system and a growing ageing population are just a few issues in Pakistan's social security system. Governance is severely lacking, and the administration is failing to meet the requirement of huge population which include disables, older citizens, women and in formal workers as mentioned above. For reforms to enhance the social security system, proactive involvement from provinces is imperative. Collective efforts involving the private sector, financial institutions and researchers are essential to develop innovative solutions.

A critical aspect lacking in the establishment of decent work conditions is the insufficient emphasis on occupational health and safety at workplaces across all sectors. The labour history in Pakistan is full of hazardous and tragic incidences; many workers have died and countless have been injured. The devastating fire at Baldia factory in Karachi in 2012 serves as a grim reminder, claiming the lives of nearly 300 workers. Regrettably, the families left behind, even a decade later, have received no social security support after losing their primary bread earners. This incident is just one among many similar tragedies. Key sectors such as construction, mining, agriculture, and fishing also grapple with considerable challenges related to OSH risks and hazards. Hence, there is a need for comprehensive policies, stringent regulations, and enhanced awareness campaigns to create safer working environments. Collaboration among stakeholders, including employers, employees, and regulatory authorities, is paramount in addressing these challenges proactively and ensuring the implementation of robust occupational health and safety measures across various industries.

Pakistan is currently experiencing a substantial youth demographic, with almost 60% percent of the population under the age of 25. However, existing conditions do not favour the generation of employment opportunities or the promotion of self-employment initiatives. The current labour market with limited information and job matching systems, high labour market frictions, poor copyrights for new ideas, and limited mobility are just a few that need to be addressed through labour market reforms. Given the present situation of the economy and the pressure of new entrants in the labour market, the informal sector seems to expand further. The degree of compliance is almost nil, and the nature of contracts is very precarious. Thus, the framework of overall reforms should allow the expansion of the labour market, encourage innovation, improve skill endowment, and ensure the fundamental rights of all workers in all market sectors. Finally, the two-way flow from public to private and vice versa should be easy, so as to improve productivity - especially in the public sector. The present system has created a dual market system - one with over-protection and the other without protection at all, which is itself an incentive for low productivity.

Therefore, labour relations reforms should prioritise fundamental rights such as the ability to engage in collective bargaining, freedom of expression without any penalty, right for social security, and participation of labour in the design of new rules within enterprises. In short, there is a dire need for a legislative structure for unionisation and collective bargaining, encompassing both formal and informal sectors of the economy - regulated by well-designed laws to protect labour rights without compromising on the labour productivity or exacerbating labour-management disputes. Furthermore, ensuring representation for labourers and peasants in the parliament and integrating them into the political system is imperative. By granting them seats in legislative bodies, we can empower their voices and foster an inclusive, representative political environment.

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¹WageIndicator 2023 - WageIndicator.org - Minimum Wages Regulations - Pakistan

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LOOKING BEYOND THE MAINSTREAM BUSINESS & ECONOMIC APPROACHES: RESTORING ACTS OF HUMANISING IN PAKISTAN

Shaista E. Khilji

With a population of 242 million, Pakistan is the world's fifth most populous country in the world. It will likely overtake Indonesia as the fourth most populous and the largest Muslim country by 2030. It has a relatively young population with a median age of 20.6 years. These demographics make Pakistan highly relevant in the global labour market, particularly considering a 'global talent race.' Within this context, it is important to ask: how does Pakistan meet the challenge of preparing its workforce for the global labour market? In answering this question, we must first consider the history of Pakistan's economic development and the follies of the Western governance processes that have perpetuated systems of inequities and dehumanised large swaths of global populations. I believe the global economic governance, mainstream management practices, and the story of Pakistan's socio-economic development are inextricably linked. In this piece, I explain how to outline the importance of rethinking managerial and economic processes to focus on humanising so that we can promote dignity and well-being within organisations.

Since its independence, Pakistan has persistently relied on international financial institutions for economic assistance. This has resulted in large amounts of external debt, to the extent that Pakistan has the fifth biggest outstanding debt with the IMF. The enormous external debt places significant repayment pressures and risks an economic default. As a result, Pakistan repeatedly has to resort to financial bailouts from the IMF. However, these bailouts have come with pressures to liberalise its economy and overbearing austerity measures - creating a vicious cycle of increasing the debt-to-GDP ratio, raising the budget deficit, heightening economic uncertainty, greater default risk, and yet another bailout. In analysing the economic situation, many economists have blamed the gross mismanagement and corrupt or even inadequate economic policies in Pakistan. I agree. However, we also need to pay attention to the neocolonial assumptions of global economic governance systems to capture a more complete picture.

In a historical analysis of international financial institutions¹, Jamie Martin outlines the supremacist interventions of the IMF and the World Bank that have created a global power imbalance aimed at protecting the interests of a few nations with voting power at the expense of others. He argues that the IMF and the World Bank have created an exploitative and unequal international economic order, imposing strict policy conditions on their loans that leave ordinary people worse off. As an example, the recent bailout agreements funded by the IMF have aggravated food insecurity, worsened energy dependency, and increased socio-economic inequalities in Pakistan. It is also important to mention that the past several decades' structural readjustment programs and liberalisation efforts have created abysmal labour conditions and weakened trade unions.

Further, it has also been argued that under the guise of economic assistance, these international financial institutions serve as neocolonial states - leveraging conditional loans to sway another country's foreign policy.

A complete reliance on the global economic governance system has influenced developing countries to liberalise their economies mindlessly, and strict interventionist policies of structural readjustments have contributed to economic degradation, political instability, and worker mistreatment in many Asian, African, European, and Latin American countries.

This brings me to the labour market and talent development issues. Here, we also see the dominance of American and Western European approaches over business activities and mechanisms, which are based on assumptions drawn from samples that predominantly emanate from the US, Europe, and other English-speaking countries. As a result, there is a systematic WEIRD (western, educated, industrialised, and democratic) bias in business and management that favors settler, white, masculine, and neoliberalist values. For example, mainstream leadership development models present leaders as saviors, demigods, or heroes who can transform organisations with the right traits or skills. Such oversimplification has narrowed leadership to a goal-focused activity and dehumanised leaders by breaking their ties with local communities and contexts². Still, despite these limitations, mainstream leadership development approaches are replicated in mass and have created a global cadre of immoral leaders who lack concern for society and tout hubris and greed as their virtues. It is, hence, little surprise that public trust in leaders is low globally³.

The presumed epistemic superiority of Western knowledge runs deep and has adversely affected the global population by upholding the colonial enterprise and reinforcing socio-economic inequalities. First, it has reproduced colonial differences by defining the problems of the developing world and articulating possible solutions solely from a market economy perspective. This has helped solidify Western solutions as a panacea to local problems. Hence, when countries like Pakistan buy into Western-biased solutions wholesale for investment and reform purposes, they produce conditions for suppressing local knowledge and norms. Second, Western epistemic superiority has been institutionalised as the only scientific rational knowledge. This has denigrated local knowledge as superstitious and traditional. Finally, those who adopt Western economic and business norms are rewarded with the status of the 'global elite'. Their integration into the global economy often disconnects them from the general masses and their local communities, values, and knowledge. In sum, through these mechanisms and mindsets, the domination of Western knowledge in the last several decades has led to socio-economic disintegration, dehumanisation of local communities, and the gradual destruction of local values and ways of life globally.

From my vantage point, dehumanisation and persistent inequities are the most significant flaws of mainstream economic and management approaches. Dehumanisation of those who don't fit in, workers, trade unions, and even leaders; and inequities of have-haves-nots/elites-masses, etc. These problems test our ability to live with dignity and work towards human and planetary well-being. Hence, as we hear renewed calls for justice, equity, and workers' exhaustion with managerial practices that over-emphasise economic efficiency and relegate their well-being, it is an opportunity for us to dismantle the colonial claims. This begins with a willingness to investigate non-Western contexts and create a robustly diverse knowledge base. I believe that actively tapping into non-western ways of living, thinking, and being will help us connect with, redefine, and solve today's grand problems (for example, socio-economic inequities, poverty alleviation, and environmental degradation) much more effectively and also enable us to construct newer approaches and practices in managing economies and organisations more humanistically⁴.

Earlier, I posed the question: how does Pakistan meet the challenge of preparing its workforce for the global labour market? I would reiterate that Pakistan's demographics present an immense opportunity for the global labour market. However, opportunities must be approached with responsibility and creativity. I would encourage policymakers, leaders, and citizens alike to decolonise their minds first. This requires, first and foremost, acknowledging Pakistan's deep-seated colonial legacy (pre-1947 and since independence). Next, it is important to recognise the colonial basis of mainstream Western knowledge, address the historical exclusion of Pakistan in knowledge production, and make alternate (i.e., local and Pakistan-specific) ways of knowing visible⁵. In other words, decolonising will mean freeing Pakistan of Western superiority, being comfortable with the Pakistani culture and knowledge base, and reclaiming our distant history to reframe a better future for ourselves.

In this discussion, I want to centralise the acts of humanising, which are sorely missing in mainstream economic and management approaches⁶, to a) protect human dignity and promote planetary well-being and b) distinguish Pakistan in the global market. But first, we must learn to uphold our dignity as Pakistanis. By that, I mean setting aside the gloom and doom of the Pakistani markets and rejecting the dehumanisation of its people. Pakistani population will be far ahead in the 'global talent race' as long as it asserts local knowledge with measured confidence and focuses on a) promoting individual dignity, equality, uniqueness, and capacity for growth, b) respect for the individual, c) fostering 'ethics of care', and d) a concern for the common good. In view of an emerging homeland or regional economics, it requires meeting the world on our terms - with our minds, problems, and solutions. However, we must still respect their dignity, protect our own, and care for the collective good.

I know that Pakistanis have a rich history supporting these values. We just have to refresh our collective memories and restore our ties with our cultural norms to practice 'acts of humanising'. This is the key to building uniquely Pakistani talent and boosting well-being within Pakistani and global organisations.

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EDUCATION



AKHUWAT UNIVERSITY: A PARADIGM SHIFT IN EDUCATION



Asad Zaman

CREATING AGENTS OF CHANGE

Akhuwat Foundation launched a paradigm shift in microfinance, based on Islamic principles of interest free lending known as Qarz-e-Hasana. The capitalist mindset created by modern education led many to doubt the feasibility and sustainability of a project which depends on generosity, instead of greed. However, contrary to expectations, Akhuwat Foundation has become a spectacular success. It is now the largest microfinance organisation in the world, lending billions of rupees, and transforming the lives of millions of the poor over the past two decades.

Just as Akhuwat Foundation represents a paradigm shift in microfinance, recently launched Akhuwat University aims for a paradigm shift in education. The goal of modern education is to produce human resources, interchangeable and identical components, which fit well into the capitalist machine for the production of wealth.

Modern education provides technical skills, but does not teach students anything about how to make the best use of the precious few moments of life granted to us on this planet. Akhuwat University aims to provide a three-dimensional education, equipping students with life-skills, real-world skills, as well as academic skills. Thus, our education will provide a more holistic and meaningful preparation for the challenges and opportunities life presents.

Aligned with the mission of Akhuwat to serve humanity, the University focuses on the poor and under-privileged, those who would not have access to education otherwise. It provides all students with completely free education, as well as all other amenities that may be required. Furthermore, we hope to inspire our students with the same mission: service of humanity. The education we provide will aim to produce agents of change, who will work for the benefit of society, instead of seeking fortune and fame for themselves. The education we provide will be aligned with this goal, and will provide the essential skills required to create positive social and economic change in Pakistan. In this essay, we sketch some of the central elements of this education.

GLOBAL THOUGHT AND LOCAL ACTION

This is a maxim of central importance for agents of social change. They must have awareness of the global situation, and must use this awareness to create effective change locally. To make an analogy, a traveler must watch the north star to determine the direction of his journey, and choose among the 360 different directions available. At the same time, he must watch his next step, to avoid falling into ditches. To provide global awareness, students must learn world history. The problem is that the vast majority of histories available are highly Eurocentric. They celebrate the glories of the European civilisation, and suppress the role of all others. This is damaging to the self-confidence of our students, because it teaches them that their intellectual heritage is worthless. Today, effective antidotes are available in the form of decolonised histories, which show the ruthless savagery of the Europeans in the process of global conquest, loot and plunder, which has occupied them over the past few centuries. Students must learn how this traumatic history has shaped our mindsets, and the world of today.

But, the remedy for global problems is not to try to change the whole world. Many have tried to do so, and have become discouraged and disappointed because of failure to make significant achievements on a global scale. Change begins at home. Our students will be encouraged to change their own communities. Since most will be from rural areas, we will teach them about the process of rural transformation. They will be given the skills to transform their villages by upgrading agricultural techniques to the latest available, adapted to local conditions and capabilities.

LIFE SKILLS

In her remarkable book entitled “The Making of the Modern University: Intellectual Transformation and the Marginalization of Morality”, Julie Reuben has described a dramatic change in the focus of university education which occurred in the early 20th century. Until the 1930s, the primary mission of education was to build character, develop leadership skills, and teach civic and social responsibilities. But an emergent philosophy which held science to be the only valid source of knowledge transformed the intellectual landscape of the West. The search for meaning in our unique lives is outside the scope of science. Under the influence of logical positivism, universities abandoned the teaching of life-skills.

The message of Islam transformed ignorant and backward Bedouins into leaders of the world. The message created a civilisation which enlightened the world with knowledge for a thousand years. The message teaches us that human beings have the potential to be

worse than the beasts and also the potential to rise higher than angels. Development of human capabilities for excellence is central to the message of Islam. In accordance with the mission of Akhuwat foundation, this will be one of the three focal elements of the education we provide to our students. The Quran informs us that:

In the Prophet Mohammad SAW , you have the model of excellence in conduct.

The template of excellence in character has been defined for us, and Muslim leaders, scholars, and saints have lived their lives in accordance with this template, creating beacons of light and examples for us to follow. The Quran teaches us that God created life and death to see who can do the best of deeds. There are many verses of the Quran and Hadeeth which teach us that serving the creation of God, for the sake of the love of God, is amongst the best of deeds. This will be our primary guideline in character development: imbuing students with the spirit of service to humanity, for the sake of the love of Allah.

Specific details of the goals, and the methods, for development of character, leadership skills, and a sense of social responsibility, cannot be discussed here. However, one crucial enabler of social change is the process of community building. Social change requires collective action, and this is only possible when the community is united in pursuing common goals. It was the Muakhat (brotherhood) between the Ansar and the Mohajereen which united the hearts of the Muslim community, creating the instrument for social change on the global scale. In modern times, Akhtar Hameed Khan has pioneered community driven development, based on the insight that the process of change begins with community building. Fortunately, we have a great deal of experience in this process available in Pakistan. We plan to provide internships to our students in organisations which can teach them the basic skills required, so that they can initiate the process of rural transformation in their own communities.

REAL-WORLD SKILLS:

A modern education produces cogs which can function only within the institutional frameworks of capitalism. If students are unemployed, they become a drag on society, unable to make productive contributions to society. In contrast, Akhuwat university aims to produce self-sufficient students. We plan to teach students how to plant home gardens which can produce food for the family around the year. Since Pakistan is very far behind latest developments in agriculture, we can easily teach students a myriad of ways to produce a decent income from a plot of one acre of land. Even if students do not own land, they would be able to rent land and make sufficient income to support themselves and their family. For students from urban areas, we will provide relevant

skills to enable them to earn a living, and also to improve their neighbourhoods.

In accordance with our Prophet's advice to teach our youth "horse riding, archery, and swimming", we use their bodies. In addition, we would like to teach students how to drive a car, operate a tractor, a tubewell, and other farm equipment and machinery. Also, we will teach students basics of finance, accounting, law, and management, sufficient for them to launch agribusinesses or other entrepreneurship models.

But self-sufficiency is only a starting point. Our broader goal is for students to create rural transformation in their villages. In urban settings, we hope to focus on the food processing industry, as Pakistan is far behind contemporary technologies in this area. Both of these efforts are targeted at the critical problem currently facing Pakistan: providing food for the hungry. To accomplish these goals, throughout their four years with us, we will ask them to survey their villages or urban neighborhoods, and design projects which will bring prosperity to their communities. We will engage them in the study of rural transformations which have already taken place within Pakistan and around the globe, so that they can extract lessons of value and relevance for their own local conditions. At the end of the four years, the students should be able to come up with a plan for rural transformation of their own community. Akhuwat Foundation stands ready to finance such plans, and provide students with necessary funding to launch their projects.

ACADEMIC SKILLS:

This third component of our program is the only component which is part of standard university education. In general, this component is handled very poorly, and fails to provide students with relevant skills. This training does not yield insights into real world economics, and also does not provide skills of value on the job market. The remedy varies according to the discipline, and in this writeup I will confine my attention to Economics.

It is not difficult to see that the abstractions of modern Economics are based on institutional structures of Advanced Capitalist Economies and are worthless in helping understand the economic problems of Pakistan. According to rough estimates, perhaps 50% of the population is malnourished. Thus, our first priority should be feeding the population. But this is not mentioned in any Economics textbook. It is also not part of the ten points of the Washington Consensus which our policy makers and economists have memorised and faithfully reproduce in discussions on economic problems of Pakistan. Very few realise that these policies, involving increasing tax revenue, export promotion, free trade, appropriate fiscal and monetary policies, privatisation, and deregulation, have been pursued for decades around the globe, without producing positive outcomes.

It is worth noting that earlier textbooks of Economics had land as a factor of production, and an even older tradition of Economics (Physiocrats) held agriculture to be central to economics. However, as agriculture started to produce more than enough to feed the populace, and industrial production captured the lion's share of economic growth, agriculture dwindled in importance in economic theory. Modern macroeconomics was created in the early 20th Century as a result of Keynes' efforts to understand the Great Depression. Macroeconomists confidently dismissed warnings of the Global Financial Crisis of 2007, because it was impossible according to their models. How can a theory which fails to understand the economies for which it is designed, be of any help to us in understanding the entirely different economic structure of Pakistan?

Instead of teaching our students mathematical abstractions in foreign languages, we will teach our students economics which relates to their life experiences. For students from rural communities, we will have them analyse the rural economy – how many landholdings, what crops are planted, what revenues are earned, what is purchased from urban areas. For students from towns and cities, we will ask them to analyse and understand their local economies – the corner shops, the methods by which people in their local neighbourhoods earn their livings. From an understanding of the economics of their local communities, we will build up to an understanding of the bigger picture of the Pakistan Economy. Relevant to our goals, understanding the local economy will be of crucial importance in acting as an agent of social transformation.

But, in accordance with the motto of global thinking and local action, our education will also provide our students with a broad perspective on the global political economy. The students should understand the evolution of global economy over the past century. We will study the decline of USA and the rise of China, developmental trajectories of different nations, and the motivations of the major actors on the world stage. Conventional studies of international relations are often highly Eurocentric, but decolonised ways of understanding the modern world have recently become available. We will teach our students the mechanisms by which the wealthiest nations continue to extract trillions of dollars in wealth from their former colonies, even though freedom from colonisation was obtained many decades ago. None of this is part of a conventional economics education, which leaves students completely ignorant of the geopolitics of the modern world. My experience shows that students who develop this understanding make a much better impression in job interviews, and perform much better in admissions process for higher degrees, than students at comparable institutions who learn theoretical economics, but do not have the ability to relate these theories to the real world.

The Quran states that human lives are incalculably precious. Each human being has the potential to rise higher than the angels, and also to be worse than the beasts. Development of human beings, and not the accumulation of wealth, is the central goal of an Islamic society. Over the past few decades, Islamic Economists have discussed how to develop a modern economic system based on the application of the Quran, Sunnah, the intellectual heritage, and the historical experiences of the Islamic Civilisation. An Islamic economic system puts human development at the forefront of policy making. Teaching these theories built on the moral foundations of the Quran and Sunnah, and the institutional structures of the Islamic Civilisation, will be of great importance in creating positive social change in Pakistan. Akhuwat University hopes to be at the forefront of this revolution.

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EDUCATION: SOME THOUGHTS ON THE WAY FORWARD

Faisal Bari

School education, K-12, in is doldrums in Pakistan. An estimated¹ 20 million children of school going age, almost one third of the children population, are out of school in Pakistan. There are clear gender, location and geographic patterns in being out of school. There are more girls who are out of school, out of school children are more likely to be from rural areas and they are more likely to be out of school if they are from Balochistan.

For children in school, Annual Status of Education Report (ASER) reports show the very poor levels of literacy and numeracy outcomes (foundational learning issues) that most in-school children are achieving². Our quality adjusted measures of years of schooling are almost half of the total average years of schooling: from 8.8 years they come down to 4.8 years³. Children are 4 odd years behind in learning. In other words, imagine the inefficiency and unfairness of the system where children stay in school for 8 years and parents and the society spend resources for those 8 years of education of our children, only for them to get 4 odd years worth of education.

This is the current state of our education system: one-third of the children are out of school, and the two-thirds who are in school are getting, on average, poor quality education.

Our K-12 sector is also very iniquitous, unfair and divided. It is divided along multiple lines: type of school (government, private, madrassa), school fee levels (high, medium, low, free), curriculum (madrassa, national), books (textbook board, other publishers, imported), examinations (madrassa, matriculation, O'Level, IB) and medium of instruction (Urdu, English). Government schools are free and there are schools in Lahore that now charge USD 300 per month per child.

¹Ersado, Lire.; Hasan, Amer; Geven, Koen Martijn; Kathuria, Ashi Kohli; Baron, Juan; Bend, May; Ahmed, S. Amer. 2023. Pakistan – Human Capital Review: Building Capabilities Throughout Life. © Washington, DC. <http://hdl.handle.net/10986/39629> License: CC BY 3.0 IGO.”

²Presentations here give details. Retrieved on 25th October, 2023. <https://aserpakistan.org/presentations>.

³World Bank Human Capital Index and its components for Pakistan. Retrieved on 25th October, 2023 from <https://thedocs.worldbank.org/en/doc/848351539018875740-0140022018/render/HCI2pagerPAK.pdf>

The quality of education, in perception and reality, is tied to fee levels so access to good quality education is tied to parental income and only middle and higher income groups can afford to send their children to decent quality schools. Instead of creating social and economic mobility, some have argued, our education system is entrenching existing patterns of inequality and may even be making them worse.

All this despite the fact that Article 25A: Right to Education, added to the basic rights section of the Constitution through the 18th constitutional Amendment in 2010, guarantees free and compulsory education for all 5-16 year olds in Pakistan⁴. And we are signatory to various international commitments on the rights of children, MDGs and SDGs as well: all of them emphasise that all children, until high school, should have access to education as a right. There are functional arguments for providing education to all children as well, related to generation of growth and achieving higher levels of development. For example, it is argued that social and economic returns to educating girls makes it one of the best investments that developing countries can make even strictly from a returns perspective. Girls education leads to reduction in child marriage, lower fertility, spacing in children, better health and education outcomes of children, and labour force participation of women, to name a few benefits pointed out in the literature⁵. But we are not educating all our children in Pakistan and that is the bottom line for us.

It is not even clear we have any intention of educating all children in Pakistan. Rhetoric aside, there are no indicative actions. Government barely spends 1.7-1.8 percent of GDP on education. UN recommends 4-6 percent of GDP should be spent on education. After the 18th Amendment, some provincial governments have passed compulsory education acts but none of the provinces or the federal government have been able to implement them. We do not even have 5-10 year plans for how compulsory education is going to be implemented or phased in. We do not have the schools needed, especially at middle and high school levels, to accommodate the number of children who are out of school or the number of children who are going to be entering primary education age over the next decade or so.

We could continue to limp along, in education, as we have for the last decade or so. But this would be a criminal disservice to not only the children of Pakistan, it would be terrible for the future of the country as well. But what should be the way forward? Some obvious things suggest themselves.

One, we should, as a country and society, set some goals for what we want to achieve in education in the next five years and the next ten years. Do we want to educate all children or not? If not, what percentage of children do we want to educate and on what basis will we make the selection? How much do we want the quality of education to improve in these five to ten years? Access and

quality reforms take time. But how can we conduct reforms if we do not even know what are we aiming for? The goals have to have buy-in from all stakeholders, especially all major political parties so that education goals can remain pertinent as governments come and go.

Two, the goals have to be turned into plans. Provinces already make sector plans that are of 5-year durations and so are used to the methods. But these plans need to have agreed-upon goals in mind and have to put a cost to them as well. We need to know if we are going to raise enrolments by x percent, what resources do we need to put in and so on.

Three, there needs to be detailed work, with the plans, as to what sub-sectoral reforms we will have to conduct in order to achieve planned targets and thus the goals being set. These can be developed with sector plans. For example, if quality is to be improved: what needs to happen in examination reform, curriculum reform, textbook reform, pre-service teacher education, teacher recruitment, in-service teacher training, etc. Access, quality and equity goals cannot be achieved unless we have detailed work on sub-sectoral reforms as well.

Finally, there has to be strict monitoring of progress on achievements. The education department and planning departments can do their own monitoring but we should have systems for 3rd party validation as well. But monitoring/evaluation is not summative only, it has to be a feedback to the system to allow learning from mistakes and achievements and to allow recalibration of policy and plans. Currently, School Education Departments do not have effective loops between plans, implementation, feedback and recalibration. We are often flying blind.

Given the times we live in where the polity is very divided, fragmented, polarised and demoralized, it is hard to see how one party or even a government of one party can take us forward on education. One way might be for the government to set up a Commission⁶, with experts as well as interested members from all the main political parties, to work out what our goals should be for the next 5-10 years. The Commission, to be run for 2-3 years, should be tasked to get buy-in, for the goals, from all major stakeholders and then work with the provinces to develop their fully costed education sector plans and help set up some monitoring, feedback and evaluation mechanisms.

⁴25A. Right to education: The State shall provide free and compulsory education to all children of the age of five to sixteen years in such manner as may be determined by law.

⁵The UNICEF site gives access to some of the relevant literature. <https://www.unicef.org/education/girls-education>.

⁶People still refer to the Sharif Commission Report (1959) on Education as one that talked about some of more difficult issues we faced in education and proposed a number of interesting and useful solutions. Commissions, if they have the right ToRs, have government and stakeholder support and have the right combination of experts and interested parties, might allow consensus, on goals and plans, to be forged. It is hard to see any single party or even government of one/some parties being able to do it.

The Commission can disband once the implementation starts and the provinces and the federation are able to follow through. The Commission should have the requisite authority and support from the government and its membership should constitute people with expertise and interest in education, should be people of integrity, and should be people who can forge a consensus and way forward for us. And it has to be with concurrence of the provinces given the 18th Amendment and the devolution of education to the provinces.

Our education system is quite broken. We have lots of ideas on how to fix things at the sub-sector level but to move forward we need consensus on goals as well as the means to achieve the goals. This is the main work, it seems to me, that needs to be done before we can see any significant change in the education sector.

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LATEST PISA ASSESSMENT: LESSONS FOR PAKISTAN

Muhammad Jehangir Khan

The release of the latest PISA (Programme for International Student Assessment) results on December 5th 2023 provides valuable insights into the academic performance and well-being of 15-year-old students from 81 economies worldwide.

Conducted amidst the ongoing effects of the COVID-19 pandemic, the 2022 PISA test captures data on student outcomes, well-being, and equity, making it a significant study in assessing the impact of global disruptions on education. The PISA tests claimed to create a unique assessment that differs from traditional tests. The report states that in a world that increasingly values individuals for their ability to apply knowledge, PISA goes beyond assessing rote memorisation. To succeed in PISA, students must demonstrate their ability to think critically and creatively, and extrapolate from what they have learned. For example, the report reiterates that students in the PISA mathematics assessment must apply mathematical concepts to real-world problems, reason mathematically, and interpret solutions. By teaching children how to learn instead of just what to learn, they can adapt to unanticipated problems in life, which may not be directly related to their school experiences. Although some argue that the PISA tests are unfair for presenting unfamiliar problems, life itself is ultimately (and unfortunately) unfair, and the real

challenge is to solve problems that cannot be anticipated today as maintained in the report.

The report further shows that since the PISA 2018 tests, about 31 countries have maintained or improved their math performance, including Australia, Japan, Korea, Singapore, and Switzerland. These countries had shorter school closures, fewer remote learning obstacles, and ongoing teacher and parent support. Ten countries, including Canada, Finland, Hong Kong, Ireland, Denmark, Japan, South Korea, Latvia, Macao (China), and the UK, have accomplished high levels of math proficiency and socio-economic fairness.

According to the PISA 2022 assessment, there has been a significant decrease in academic performance across OECD countries. The results show a decline of ten score points in reading and nearly 15 score points in mathematics, equivalent to approximately three-quarters of a year's worth of learning. This decline in mathematics performance is three times greater than any previous consecutive change, and a considerable proportion of 15-year-olds, around one in four, are now categorised as low performers in mathematics, reading, and science. The report notes that this decline cannot be solely attributed to the impact of the COVID-19 pandemic, as scores in reading and science were already decreasing

before the pandemic. Furthermore, several countries, including Belgium, Canada, Czechia, Finland, France, Hungary, Iceland, the Netherlands, New Zealand, and the Slovak Republic, were already experiencing negative trends in mathematics performance before 2018.

The shift to remote learning during school closures has underscored the importance of technological proficiency in education systems. The report's findings indicate that, on average, three-quarters of students in OECD countries feel confident in using learning-management systems, school learning platforms, and video communication programs. Students who dedicate up to an hour per day to digital learning activities score 14 points higher in mathematics compared to those who spend no time, even after considering socio-economic factors. This positive correlation is observed in more than half of the systems with available data. However, the use of technology for leisure purposes, such as mobile phones, appears to have a detrimental impact on academic performance. Distractions caused by other students using digital devices during mathematics lessons can even lead to a 15-point decrease in scores, even after adjusting for socioeconomic factors.

During disruptions, teachers' support plays a critical role, particularly in providing additional pedagogical and motivational assistance. Access to teacher help has shown the strongest correlation with mathematics performance across the OECD, with students who had good access scoring an average of 15 points higher. These students also demonstrated greater confidence in autonomous and remote learning. However, the data revealed that one in five students received extra help only in some mathematics lessons, while approximately eight percent rarely or never received additional support. Parental engagement in student learning showed positive effects on mathematics performance, especially for disadvantaged students. Active parental support can have a decisive impact on students' learning outcomes. Unfortunately, between 2018 and 2022, there was a substantial decrease in parental involvement, with a ten-percentage point drop in the share of students in schools where parents initiated discussions about their child's progress, on average across OECD countries. It is shown that there is no correlation between extra investment and student performance for many OECD countries that spend more per student. Despite starting from low-income levels, countries like Korea and Singapore can establish top-tier education systems by prioritising quality teaching over class size and funding mechanisms that align resources with needs.

In a nutshell, as evident from the findings using technology moderately seems to be a pleasant spot. Policymakers should understand that no technology can be as ineffective as total and limitless integration. Smart integration of technology within and beyond the classroom seems to be the way forward. The insights from the PISA 2022 findings are of immense importance for education systems in enhancing their resilience and reimagining

learning and teaching approaches to effectively navigate disruptions caused by global and local shocks. By leveraging flexible learning models, technology integration, and contingency planning, education systems can better ensure continuity of education and minimise the impact of crises on students' learning outcomes.

In addition, as Pakistan is not currently part of the PISA assessments, Pakistan must participate in the PISA assessments to allow its education system to benchmark against other countries and gain insights into areas of strength and areas that need improvement. PISA is widely recognised as a global benchmark for assessing educational outcomes. By participating, Pakistan can demonstrate its commitment to improving education and aligning with international standards. This can contribute to enhancing the country's competitiveness in the global knowledge economy. Participation in PISA would also open doors for international collaboration and the exchange of best practices. It would also allow policymakers and researchers to engage with international networks, share experiences, and learn from successful educational strategies implemented in other countries.

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Having said that, the issue of out of school children is not only restricted to Punjab. Different surveys report different results, but even from a conservative standpoint, the country has about 23 million (44%) children between 5-16 years of age that don't go to school – putting Pakistan in 2nd place on the list of countries with the greatest number of out of school children.

Hence there is indeed a need to both increase the capacity of current schools and build new ones. Yet, I would like to maintain that the paucity of school space is both, not the only and also not the foremost reason for children not going to school. An amalgamation of distinct factors come together to bring about this reality and include economic, cultural and societal factors. However, there is another important factor that contributes immensely – one that is often overlooked – which pertains to the quality of school education in Pakistan.

In addition to having tens of millions of out of school children, Pakistan also faces an acute learning crisis. According to the Annual Status of Education Report (2021), only 55% and 51% of Grade 5 students could read a story in their local language and perform basic arithmetic, respectively. What makes these figures worse is the fact that these passing percentages are for a test that is designed for Grade 2 competencies, but was administered to Grade 5 students. For students who are transitioning from Grade 2 to 3, the level for which the test is originally designed for, the passing rates fall to 15% and 20% for reading and arithmetic, respectively.

Given that Pakistan has tens of millions of out of school children to go along with a severe learning crisis, we find ourselves in a complex conundrum. Since we only have a limited number of resources, we cannot bring all children to school and reduce learning poverty at the same time. Theoretically it might be possible, but given that our government expenditure on education has hovered around the 2-3% of GDP mark for the last half century or so, only a significant rupture in the political economy apparatus would facilitate the sort of radical improvement that is required.

Given our financial constraints, we will have to make profoundly difficult choices. Difficult choices now are nothing new within the realm of public policy decision making – but before I delve further, I would like to delineate something that will add some nuance to our discussion.

The past three years of my life have been spent working with the most peculiar kind of social science researchers, i.e. economists. Economists often have a habit of taking commonplace ideas, ones that are perceptible to all lay senses, dressing them with mathematical equations and trivialising them to a point of no return, just to prove what already made logical sense at the outset. One such fundamental concept that underpins microeconomic theory is of 'Constrained Optimisation'. Behind the calculus of utility and budget functions, what the

concept barely stands for is that given a limited budget or income, a consumer has to choose between two possible goods – and that it is when a certain level of quantity of both goods are maximised given the limited spending budget can we say that we have optimised a constrained choice.

It is precisely such a constrained optimisation problem that we are faced with when it comes to provision of education in Pakistan. Given that we don't realistically have resources for both, should we focus on bringing our tens of millions of out of school children into classrooms or should we instead focus on improving the quality of learning for students already in school. A rational public policy professional or economist would advocate for a mix of both in a manner similar to the constrained optimisation concept in microeconomics. Yet, what most some economists (not all) fail to understand are the ethical dimensions of decisions based on mathematical calculus. A very valid ethical question to ask would be: if we divert money towards improving quality, are we not invariably taking away money that could be used to put some children into schools? What gives us the right to make a decision to keep kids out of school in this case, particularly when their right to be in school is enshrined in the Constitution? Such questions do not have easy answers and require sustained and careful discourse.

The role that quality education plays in the development and economic growth of countries is well documented. Yet for us as a country, having a major portion of our youth either not getting any education or getting sub-optimal education also poses a national security risk. This latter link might not be easy to prove using empirical models – but I fear if we were to wait too long to obtain years worth of data points – it might be too little and too late. For what can be the consequences of having tens of millions of uneducated and most likely alienated young people who cannot even read or write?

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PUBLIC WELFARE



WHERE ARE THE OPPORTUNITIES FOR THE POOR?

Nadeem Ul Haque

We have many programs for poverty alleviation — an admirable step. But more than government aid, the poor need to be included in cities of opportunity. Handouts, credit and online schemes are not a substitute for opportunity.

Think about it, many of our poor have climbed into the middle class thanks to the opportunity of migration which they eagerly grasped — even at a huge cost to themselves.

Contrary to what Pakistani analysts put out, poverty is always caused by exclusion from opportunity. Give the poor a chance, and they will lift themselves out of poverty.

A starting point could be an attempt to look into the apartheid social regime we have created. Could the extreme degree of exclusion of the poor (basically the non-elite) be at the heart of our troubles? Ask yourself the following questions and assess whether you agree with the proposed answers: you will see for yourself how the poor are excluded.

1. WHERE DO THE POOR LIVE?

The poor are totally excluded from elite space; they are seen only as servants and the only place allocated to them in cities are servant quarters.

Most of the population needs small — one to two room — flats. But where can they be located? Zoning laws in our cities do not allow this except on the outer reaches. Council houses in London exist side by side with expensive housing. Not so in Pakistan. The rich and the poor cannot mix. They say we cannot have high rise buildings looking into the residences of the rich.

The rich want conveniently located polo grounds and golf courses, giant parks to jog in and, of course, nice big lawns for their parties. They want sleek, low-rise cities where their cars can move easily from their estates to their leisure activities — golf and polo. The rich want zoning laws so that there is no high-rise construction or congestion in their park-like setting.

2. WHAT DO THE POOR DO?

The elite policymaker, who is often an industrialist, looks to industrial parks and subsidies for employment of the non-elite; regardless of the fact that factory employment lags way behind employment in the services sector.

With technological advancement, no longer are giant factories employing millions of workers. Large numbers are now employed in construction, shopping malls, hotels and the leisure industry. But that is anathema to planners and zoners, who are from the elite civil service. All retail, warehousing, leisure and community

enterprises are found in the tertiary sector, and the non-elite are regarded as non-essential. These then expand informally around residential property – fostering mix-use spaces. Limited development of these activities means less employment for the non-elite.

3. HOW DO THE POOR WORK THEIR WAY OUT OF POVERTY?

Traditionally, education has been an equaliser. However, in the Pakistani apartheid system, this does not seem to hold true. The rich educate their kids overseas to leave the local education system in a permanent state of disrepair. Many years ago, my driver Majeed declared quite openly his intention not to educate his son because Urdu-medium public schools do not offer children upward mobility even after years of education. Only a few months ago, talking to me a 26-year-old driver in Dubai cursed his over twelve years of Urdu-medium education from Pakistan that only qualifies him for menial jobs — a waste.

4. SO, WHAT ABOUT ENTREPRENEURSHIP BY THE POOR?

The poor have traditionally helped themselves by running street hawking businesses and khokhas (kiosks). They used to be around a few years ago – but administrations have become vigilant and do not allow these in rich areas. And, of course, there can be no zoning for them.

Where is the space for poor entrepreneurship? We need wide avenues for the Porsches and the BMWs! We also need large urban tracts for golf courses, polo grounds and giant parks (lungs of the city). So, let these people go to shantytowns in the outskirts of our cities.

5. DOES THE STATE NOT HELP THE POOR?

Every now and then, politicians set aside a large amount and give it a donor-inspired name like Income Support Fund or Social Protection. Much bureaucracy, Land Cruisers, consultants and plush offices later, the poor get some minor rationing subsidy. Most often, it is some form of food coupons, cash transfers, a yellow cab scheme or micro-credit. How strange: granting them food and capital but not allowing any space for entrepreneurship!

6. WHAT ABOUT ENLIGHTENED SELF-INTEREST AND THE OBLIGATIONS OF THE PRIVILEGED? IN HISTORY, ENLIGHTENED SELF-INTEREST HAS LED THE RICH TO INVEST IN SOME SOCIAL MOBILITY

In history, enlightened self-interest has led the rich to invest in some social mobility. Philanthropy has set up universities and community infrastructure to level the playing field for the poor. Royalty always patronised intellect. Unfortunately, in Pakistan, philanthropy means building for the rich — country clubs, polo grounds, LUMS and Aitchison College, and so on: places for elite use that, for the most part, do nothing for the excluded. As a footnote, the rich do not even visit the poor campuses to mentor and interact with the underprivileged. They have no time for these trivialities.

7. WHAT ABOUT LEISURE AND COMMUNITY FOR THE POOR?

Leisure and community are only for the rich. City zoning provides fully subsidised space for the elite to play golf, tennis and polo, even for rich schools, but there is not an inch of space for community and leisure for the poor. No public libraries, no community centres, no publicly provided football fields or even a basketball court for the poor. Even competitive sport as a vehicle for social mobility is completely ruled out as a result.

8. WHO OFFERS THE POOR HOPE?

Certainly not the government! Certainly not the donors with their minor employees! The liberal elite made big promises and delivered nothing. The promise of globalisation and liberalisation has rightly lost its lustre in the minds of the poor.

Theatre, cinema, or any form of intellectual activity that will offer an alternative vision has been zoned out. Where should the poor look for a vision; who offers them hope; who offers them community; who gives them some opportunity; who gives them the vision of a just society?

But there is hope for them! Think about it. It is the mosque and the maulvi. Mosques remain totally unregulated, need no zoning permissions and have been actively encouraged by the state. Not surprisingly, the mosque is the only community centre for the excluded poor – and the unregulated maulvi the only visionary. This is the unintended consequence of the greedy, unenlightened behaviour of our elite.

More than handouts, the poor need space in cities. Include them.

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SOCIAL PROTECTION IN PAKISTAN: Reforms for Inclusive Equity

Shujaat Farooq

Over one-fourth of our population appears to be poor today in the sense that they are unable to fulfill their basic needs. Although absolute poverty has declined overtime, the number of poor today exceed what the country's population was in 1947. A continuation of efforts made in the past to alleviate poverty in Pakistan is represented by the currently widely publicised social safety nets.

Over time, the country opted for a number of poverty alleviation and social protection measures, i.e., Village Aid and Rural Works Program in the '50s and '60s, Zakat in the '80s, Bait-ul-Mal in the '90s, poverty reduction strategy paper (PRSP) in the early 2000s, the emergence of Benazir Income Support Programme (BISP) in 2008 and formulation of a dedicated ministry on poverty alleviation in 2019 at the federal level. After the 18th Constitutional Amendment, the provinces also took a number of social protection initiatives in their jurisdiction. For example, Punjab established a social protection authority to oversee social protection initiatives.

The country has witnessed massive public spending on social protection and poverty alleviation initiatives in the last two decades. It currently stands at more than a trillion rupees compared to PKR 500 billion in 2015. Alone the BISP allocation went up tremendously; it was PKR 34 billion in 2008, PKR 102 billion in 2015 and PKR 460 billion in the ongoing year. The origin of recently coined social safety nets can be linked to

sluggish economic growth, high inflation and especially donor-sponsored motives. Broadly, the ongoing social protection programs have three categories:

- In social insurance programs, beneficiaries pay a certain fee over a while to be eligible for benefits later. Four main operational programs are Employees' Old-Age Benefits Institution (EOBI), Worker Welfare Fund (WWF), employee social security institutions (ESSIs) and government employee pension schemes. Except for government employee pensions, the rest of the programs target a limited number of beneficiaries primarily due to the need for more knowledge, the informal economy, and the outdated design of schemes.

- Social assistance programs are non-contributory interventions for the poor and marginal segments. Examples are Zakat, Pakistan Bait-ul-Maal (PBM), Benazir Income Support Programme (BISP), Sehat Sahulat Health Insurance, Punjab Social Protection Authority (PSPA), Khyber Pakhtunkhwa Health Card, and social welfare initiatives by provinces. Some of them have experienced massive budget expansion.

- Labour market programs aim to build and develop skills among the youth and protect them from unemployment. They could be contributory or non-contributory. Federal and provincial vocational and technical training bodies manage several schemes, e.g. Prime Minister's Youth Skills Development Program. This is besides the various microfinance schemes aimed to alleviate poverty, i.e., Rural Support Programmes Network (RSPNs), Microfinance Networks, etc.

A wide range of individual, community and corporate philanthropic activities are also operational in Pakistan. Around 98% of Pakistani society shows charitable behaviour. The volume of individual giving stood at PKR 240 billion in 2016 (estimated by the Pakistan Centre for Philanthropy). The corporate philanthropy is more than PKR 8 billion. These numbers are largely under-reported due to lack of clear regulatory frameworks. One may see the annual budget of Edhi Foundation and many other philanthropic organisations. For example, the annual donations of Indus Hospital in 2022 were more than PKR 50 billion.

ARE THEY HELPFUL IN BUILDING INCLUSIVENESS?

The question arises, are these initiatives helpful in building resilience, equity and opportunity among the vulnerable segments of the population? The answer, unfortunately, is no...

First, they are largely politicised and donor-driven. Alone, social protection programs cannot alleviate poverty without sustained economic growth and social inclusion. It is the economic growth that is supposed to create jobs and opportunities along with investment in human capital and overcoming market barriers and institutional failures. Expecting social protection as a 'magic bullet' for poverty alleviation is a false paradigm in the absence of sustained economic growth and skill development.

Policy Pillars of Inclusive Growth



Source: Asian Development Bank (2013)

Second, many of the social protection initiatives need an innovative targeting approach. They were designed a few decades ago and now seem to be a public burden, i.e., PBM, Zakat, WWF, EOB, etc. A significant part of the budget goes into financing just their administrative expenses. Only donor-sponsored programs are able to rapidly expand.

Third, many initiatives are too ambitious, e.g. universal health insurance scheme. None of the countries in the world offer such facilitation to their citizens. Pakistan currently lags behind most of its neighbours in terms of

key economic indicators and its income is almost the same as many developed countries enjoyed 80-100 years ago; however, most donors-driven initiatives are pushing us towards whatever social protections schemes are currently in place within the USA, Germany, etc.

Fourth, social protection is mainly a provincial subject after the 18th Constitutional Amendment. Almost all the provinces lawfully owned the responsibility by designing and initiating various schemes. It is still incomprehensible why the federal government established a dedicated ministry on poverty alleviation is constantly expanding social protection initiatives. This has led to a lot of duplications where a beneficiary is benefiting from multiple similar schemes.

Fifth, there is no comprehensive social protection framework acceptable to various government tiers. The country has spent trillions over the past two decades without any policy guidelines. Resultantly, these initiatives largely failed to endorse equity and resilience by promoting better economic opportunities among marginalised segments. Today poverty is almost the same and there is a dearth of information on how much the various sorts of poverty alleviation schemes have helped recipients graduate out of poverty. No concrete study is available to evaluate National Rural Support Program (NRSP), RSPNs and Microfinance Networks.

REFORMS IN SOCIAL PROTECTION

Following policy reforms would help synergise the social protection and poverty alleviation initiatives in the country:

- There is a need to realise that economic opportunity for the poor largely depends on economic growth and social inclusion rather than handouts. We need sustained economic growth to absorb the youth bulge and investment in skills development to promote entrepreneurship and decent jobs. Policymakers must realise that social safety nets cannot be a substitute for opportunity. A stable macroeconomic environment is the prerequisite for job creation and pushing the people out of poverty.
- We need a clear social protection framework. This can only be done by clearly enlisting the responsibilities of various government tiers. A policy shift is required in the program's design where all organisations act together in a coordinated manner to avoid duplication and graduate the people out of poverty. We must review the graduation design of various microfinance programs.
- A strategic shift is required from unconditional cash transfers to conditional transfers to improve education and health outcomes. Market-based skills must be introduced to the youth, especially for women, to improve their quality of employment. Such interventions may be accompanied by microfinance loans.
- The private sector owns the most extensive philanthropic activities. To effectively pool resources,

specific mandates may be handed over to the private sector, e.g., public-sector ambulances along with financial resources may be handed over to the Edhi foundation to administer effectively. A successful example is the hand-over of various public hospitals to Indus Hospital and Health Network.

- Let's replace 'social protection initiatives' with 'economic security programs'. Hence, reforms must focus on minimising inefficiencies, distortions and politicisation of schemes. There is a need to promote equity, both inter-generational and between income groups. All this requires improving individual capabilities to command resources and provide marginalised groups with economic opportunities to be resilient and have an aspiration to change their life in an autonomous manner.

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THE REALITY OF HOUSING IN PAKISTAN

Arif Hasan

Housing papers on Pakistan usually get bogged down with statistics on supply, demand, and backlog, which do not tell us how the existing housing stock has been created or who the actors in the drama are. This essay tries to understand how housing, especially for low-income groups, is created in Pakistan and then tries to link it with some policy directions.

LOW INCOME GROUPS

Housing for low-income groups is normally created by the people themselves on government land or on encroached private land. Except for land and some cases of water supply, road pavement, and drainage made possible by MNA/MPA funds, there is no other government input in this development. Houses are made incrementally by residents themselves and often funded through savings committees, loans from small contractors, and sales of assets such as women's jewelry¹.

The problems with this housing stock is that they are of poor levels of construction, electricity, ventilation, insulation from heat, and sewage disposal. In addition, the legal acquisition of land is a major issue. It is estimated that forty percent of urban housing units (2,730,368) have been developed in this manner and have increased by 1,172,025 in Karachi alone between the 1998 and 2017 censuses².

DENSIFICATION OF EXISTING STOCK

Low-income housing is also created by the densification of existing settlements. Existing homes in katchi abadis (informal settlements), which are normally one or two stories high, get converted into four to seven stories either by the owners for their expanding families or by the understanding of the house owners with informal developers who purchase the land from the owner and build apartments for sale or rent. There is a market for such accommodation, especially if it is near the city centre, since traveling to and from the center is time and finance consuming and there is an absence of social facilities far from the centre. It is becoming cheaper to rent near places of work rather than own a home at a distant location³. Much of this construction is also substandard in nature and causes major heat island effects, especially in locations where you have black tar covered roads and no vegetation.

The density of these kinds of settlements can be as high as 3000 persons per hectare. This is a sharp comparison of the density of elite settlements, which can be as low as 80 persons per hectare.⁴ This difference results in enormous social disparity and also in a major mismanagement and the loss of land for housing.

¹Hasan, A and Arif, H: The Causes and Repercussions of the Housing Crisis: IIED UK: October 2018.

²Government of Pakistan: Pakistan Bureau of Statistics

³Hasan, A and Arif, H: The Causes and Repercussions of the Housing Crisis: IIED UK: October 2018.

⁴Hasan, A: High Density Housing that Works for All: IIED UK: March 2010.

CHANGING LAND USE

Until the beginning of this century, low-income settlements, by and large, were located on the fringe of existing settlements. However, with a government-promoted boom in real estate development, the fringe areas became ideal for the development of middle and elite 'colonies' and the development of low-income settlements was pushed further out, increasing transport and financial problems for the poor. Housing as a result has also started developing in villages. This is because the use and availability of motorcycles have made the city centre accessible at a faster and cheaper cost. In small, easily accessible road towns surrounded by agricultural fields, this is also taking place, making use of water allocated for agriculture for urban use.⁵

COLONIES

The concept of colonies mainly in the Punjab, of societies in Sindh and of real estate developed by the armed forces all over Pakistan, has caught on in a big way. These are large, self-sustaining townships containing all social and physical facilities required for living (such as schools, sports grounds, and eating places; some of them are even larger in size than Manhattan)⁶. There are also numerous smaller versions of this where basic facilities such as shops, gyms, swimming pools, etc. are available. There is great concern among planners, civil society, and the media that the colony building process is resulting in a massive loss of agricultural land and orchards, causing immense economic loss to the country. For example, the loss of mango orchards in Multan resulted in a major loss in exports from Pakistan⁷.

The main reason given for the development of colonies by their promoters is that they provide security to the residents as they are guarded and have only one entrance and exit gate. In Karachi, the reasons given for seeking security are ethnic and religious violence. In the rest of the country, it is fear of lawlessness and possible interaction with low-income groups⁸. The major damage that these colonies create is the segregation of different groups from each other, which adversely affects social and political relations. Even smaller apartment complexes have adopted security systems similar to those of societies. Another problem with colonies is that the acquisition of land in such large quantities is possible only by acquiring it through coercion, and the displacement of villages and associated agricultural labour creates unemployment and homelessness. The densities of such settlements are also very low⁹.

POSSIBLE DIRECTIONS

As a result of the above discussions the following directions for a housing program for urban Pakistan can be adopted.

1. A retrofitting program that people can follow needs to be initiated for existing low-income housing. The program should consist of i) creating cross-ventilation and natural lighting in existing homes; ii) carrying out research in partnership with paint companies for producing a low cost (rupees 6-8 per square foot) weather insulation paint for roof and external walls of the house; iii) developing a model and extension services for making nonporous water areas of the house/apartment block; iv) creating open spaces by relocating some of the existing homes; and v) promoting the above through an extension program with informal developers and providers of building material and technology to low income house builders; vi) allotting land for the development of self-built low income housing and developing the regulations for preventing speculation. This will improve the enormous housing stock that we already have.
2. For densifying settlements, developing ground plus three floor housing plans for informal developers to follow, construct, and market. Construction and supervision advice should be provided by developed training units at the district or union council level or through NGOs working on the subject. This will improve the housing stock being developed through densification.
3. A non-utilisation fee of ten percent of the value of property per year would be imposed on every property, and its proceeds should be used for the benefit of the settlement's infrastructure and/or its management. This will discourage speculation.
4. No housing scheme should have a density of less than 700 persons per hectare or not more than 1000 persons per hectare. In addition, no individual should be permitted to own more than 500 square meters of urban residential land. This will save a substantial amount of residential land and also prevent speculation.

In order for the aforementioned points to be possible, research into the dynamics of house production in urban Pakistan is required: who does what, why, where, how, and their relationship with each other. Such research will also aid in understanding the weaknesses and the link between the sociology, technology, and economics of housing and the larger constraints in delivering housing to the people of Pakistan.

⁵Karim, U. (Advisor to Sindh Government on Water Policy): In Conversation with the Author: September 2023

⁶Hasan, A: Understanding the Truth Behind the Facade: Daily Dawn: February 2021

⁷Hasan, A and Arif, H: The Causes and Repercussions of the Housing Crisis: IIED UK: October 2018.

⁸Hasan, A et al: Karachi: The Land Issue: OUP: 2015

⁹ibid

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PUBLIC HEALTH CRISIS: A CRY FOR REFORMS

Zafar Mirza

Multiple crises in Pakistan feed into each other – governance, politics, economics, essential services – all ultimately manifesting in the quality of life of the people.

At a conceptual level, things are not very complicated. Increasingly, the recognition and expression of the dire state of lack of human development in Pakistan – all resonating in important national conversations with reference to our persistently low rankings on human development and human capital indices. The first National Security Policy of Pakistan¹, December 2021, included human security and human health as important dimensions of national security. The titles of three recent national conferences in Islamabad reflect the underlying desperation for reforms. World Bank and the Pakistan Institute of Development Economics convened a national dialogue titled ‘Reforms for a Brighter Future: Time to Decide — A Conversation on Pakistan’s Development Priorities’. The first plenary discussion in this conference was on stunting. Margalla Dialogue, 2023, an annual event organised by Islamabad Policy Research Institute had a dedicated session on ‘Non-Traditional Security Mosaic of Pakistan’, which discussed the deteriorating situation of health and education in the context

of national security. The title of the recently concluded 26th annual Sustainable Development Conference by Sustainable Development Policy Institute was, ‘Light at the End of the Tunnel: Hope in the times of Despair’. The conference had special sessions on health related issues.

These discussions are now becoming sharper and louder. Elite capture, as a root cause, is inevitably mentioned in these conversations which at some point take a turn towards the ‘reform versus revolution’ debate. Things on ground remain unchanged. The reason is that despite the simplicity of moral and economic arguments on investing more and better on health and education of the people, neither of these are becoming fiscal priorities – nor is the status quo changing.

In the case of health, due to chronic policy neglect, lack of financial commitment, lopsided priorities and unattended inefficiencies, we have finally landed in a public health crisis situation which is not being addressed with the sense of urgency it demands.

¹National Security Policy of Pakistan, National Security Division, Government of Pakistan, 2021. www.nsd.gov.pk

Our national health indicators are now amongst the worst in the world. The dubious distinctions include highest population growth rate and total fertility rate in South Asia; with the latter remaining almost unchanged in last 15 years². Despite this, 4 out of 9 million annual pregnancies are unwanted and are largely due to lack of information and availability of modern contraceptives. Our neonatal mortality rate is the second highest in the world, only after Lesotho, a country in Sub-Saharan Africa³. The same rate in Balochistan is the highest in the world, i.e. 63 per 1000 live births⁴. 42% of women between ages 15-49 suffer from iron deficiency anemia and they give birth to underweight children, many suffering from postpartum hemorrhage⁵. 37.6% children under the age of 5 are stunted, physically and mentally, due to malnutrition⁶. If stunting is not addressed during the first 1000 days of life it becomes an irreversible phenomenon. These children then remain physically weak and have low IQs. Imagine, nearly 40% of the next generation potentially in this state – not properly educated, unhealthy, non-productive and ultimately dependent on the economy instead of contributing to it.

There are only two countries in the world where transmission of wild polio virus has not been completely disrupted, i.e. Pakistan and Afghanistan, and the virus continues to cripple our children. The prospect of polio eradication seems to be slipping further away with the recent upsurge in cases. In our neighbourhood, Iran eradicated polio in 2004 and India completed the task in 2014. Pakistan ranks third in the world for having the highest number of unvaccinated children. 23.5% of our children are not fully vaccinated against protection from common infectious diseases like diphtheria, pertussis, tetanus, etc⁷.

We have the world's largest population of people, around 10 million, living with Hepatitis C⁸ and we bear the 5th largest burden of tuberculosis⁹. Pakistan is also the country with the highest rate of increase in number of new HIV cases in Asia and Pacific after the Philippines, i.e. more than 80% increase between 2010 and 2020.

In terms of non-communicable diseases, Pakistan has an epidemic of Type II diabetes with 33 million people suffering, i.e. every 4th adult above the age of 20 years is diabetic¹⁰ and 33% of our adult population above the age of 45 has high blood pressure.

The mental health issues are on the rise and most ignored. Around 90% of those needing mental healthcare do not have access, every fourth mother experiences perinatal depression and every fifth child in school has been found to have some kind of emotional or behavioural problem. 23 million children out of school, the highest in the world, is another matter.

A step back from the diseases, the risks to health – which cause these diseases – are ubiquitous and on the rise. Access to proper nutrition, safe drinking water and clean

air: to name a few. We have serious problems in all these and other determinants of health. Among environmental determinants of health, as an example, Pakistan has become the fourth most polluted country in the world and Lahore now has the distinction of being the most air-polluted city on the planet Earth. Among behavioural determinants, prevalence of tobacco is very high in Pakistan. We are among the top 15 countries in the world with widespread tobacco consumption, i.e. 19.1% of our population constitutes smokers, leading to high rates of tobacco-related health issues.

Most of this burden of disease and risks are preventable if we can establish a quality primary healthcare (PHC) system in the country. However, our healthcare system favours big hospitals in big cities and with little expending on primary healthcare through PHC facilities in semi-urban and rural areas. The healthcare indicators mentioned above cannot change if we just continue to focus on big hospitals. Preventive, promotive and rehabilitative healthcare takes place most effectively closer to the people. The healthcare system in Pakistan is not planned and organised to serve people through PHC close to them. The education and training of health workforce, to start with, is not PHC oriented. We do not make it attractive to the doctors and other health workers to serve at the PHC level.

²National Nutritional Survey of Pakistan, 2018, Key Findings Report, Nutrition Wing, Ministry of National Health, Services, Regulations and Coordination

⁶Saving Children from Stunting: [https://www.unicef.org/pakistan/stories/saving-children-stun-](https://www.unicef.org/pakistan/stories/saving-children-stun-ting#:~:text=In%20Pakistan%2C%2038%20percent%20of%20the%20children%20under,the%20children%20-%20and%20the%20number%20is%20increasing.)

[ting#:~:text=In%20Pakistan%2C%2038%20percent%20of%20the%20children%20under,the%20children%20-%20and%20the%20number%20is%20increasing.](https://www.unicef.org/pakistan/stories/saving-children-stun-ting#:~:text=In%20Pakistan%2C%2038%20percent%20of%20the%20children%20under,the%20children%20-%20and%20the%20number%20is%20increasing.)

⁷Hussain I, Khan A, Rhoda DA, Ahmed I, Umer M, Ansari U, Shah MA, Yunus S, Brustrom J, Oelrichs R, Soofi SB, Bhutta ZA. Routine Immunization Coverage and Immunization Card Retention in Pakistan: Results From a Cross-sectional National Survey. *Pediatr Infect Dis J*. 2023 Mar 1;42(3):260-270. doi: 10.1097/INF.0000000000003804. Epub 2023 Jan 2. PMID: 36728580; PMCID: PMC9935567.

⁸Al Kanaani Z, Mahmud S, Kouyoumjian SP, Abu-Raddad LJ. The epidemiology of hepatitis C virus in Pakistan: systematic review and meta-analyses. *R Soc Open Sci*. 2018 Apr 11;5(4):180257. doi: 10.1098/rsos.180257. PMID: 29765698; PMCID: PMC5936963.

⁹WHO EMRO | Tuberculosis | Programmes | Pakistan

¹⁰Sun H, Saeedi P, Karuranga S et al. IDF Diabetes Atlas: global, regional and country-level diabetes prevalence estimates for 2021 and projections for 2045. *Diabetes Res Clin Pract*. 2022; 183:109119. *Diabetes in Pakistan: addressing the crisis - The Lancet Diabetes & Endocrinology*

Pakistan is amongst the lowest spenders on health and that spending is also lopsided and fraught with inefficiencies. One way of looking at it is that Pakistan has increased its health financing from 0.6% in 2010-11 to 1.4% in 2020-21. A closer look reveals the real problems. High-Level Taskforce on Innovative International Financing for Health Systems stipulates a public sector spending of USD 86 per person. Total health expenditure in Pakistan is USD 45 per capita out of which only USD 14 is spent by the government on each citizen annually whereas the citizens themselves spend USD 28 (private-sector spending) and a mere USD 3 comes from external sources. Around 70% of the government health budget is spent on tertiary level hospitals and only 30% is spent on PHC. High out of pocket health expenditure is catastrophic and impoverishing. Health insurance through government financing (Sehat Sahulat Program) is a great relief for the poor but is unfortunately limited only to hospitalisations.

Current life expectancy in Pakistan is 67.7 years. 149 countries in the world have higher life expectancy than us including many poor African countries. An average Pakistani lives 17.3 years less than the average citizen in Hong Kong, currently boasting the highest life expectancy in the world – i.e. 85.2 years. An average Pakistani's lifespan is almost 10 years less than a Sri Lankan, 9 years less than an Iranian, 7 years less than a Chinese and 5 years less than a Bangladeshi and a Vietnamese.

Why we live less, and worse qualitatively? The tragic answer: as a State, we have not prioritised the health of the people.

The public health crisis in Pakistan is a crying call for fundamental reforms.

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AUGMENTING UNIVERSAL HEALTH COVERAGE THROUGH DIGITAL TECHNOLOGIES IN PAKISTAN

Zia Bandy

There are around 140-countries where health is enshrined as a constitutional right. Chapter-2 on fundamental rights in Pakistan's Constitution grants a total of 23 rights in various domains to citizens, but health is not amongst them. While the Constitution does mention 'medical relief' in the 'Principles of Policy', this section is primarily only for guidance purposes. This anomaly, however, does not absolve the state from the provision of healthcare facilities on account of its resources. In Pakistan, the government remains a major player in the health sector, owning and operating a large number of healthcare facilities across the country. This brings us to the original premise of 'Universal Health Coverage (UHC)'.

Let us first define this term. As per the World Health Organization (WHO), UHC is meant to ensure that all people have access to the full range of quality health services they need, when and where they need them, without financial hardship. On the face of it, UHC appears to be a very large undertaking for any state. It requires the mobilisation of enormous resources to meet diverse healthcare demands of different socioeconomic segments. Quantum of the healthcare footprint could be ascertained from global healthcare spending, which reached USD 9 trillion in 2020 and makes up 10.8% of world's GDP. However, this spending remains highly skewed: with high income countries currently making up 80% of the total expenditure despite housing only 15% of the global population. On the other hand, low-income countries with 8% of the world's population spend a meagre 0.2% of this humongous amount on healthcare. Pakistan is categorised as a low-middle income country. In quantitative terms, low-middle income countries remain the most populous segment with 43% of the world's population, but their share in global health spending stands at under 4%.

This difference in health spending is well-reflected in life expectancies among different income countries. Life expectancy in rich countries hovers above 80-years, whereas the same figure for low and low-middle income countries ranges from 65-years to below 60-years. Healthier populations in developed countries are sustaining productivity with ageing. It has enabled their governments to raise the retirement age to 66-years and more. With the prevalent income gap and government priorities, it is realistic to assume that health spending in low and middle income countries are not going to witness major jumps in the foreseeable future. In this scenario, suitability of digital technologies in bridging some of this health inequality will be probed with a nuanced approach in this short article.

Our exploration journey starts with the comprehension of objective benchmarking of UHC among middle-income countries. For this purpose, comparative standings of 18-selected developing countries on UHC-Service Coverage Index is used. It will be followed by the elaboration of rising usage of digital technologies in healthcare sectors. In the end, a policy intervention roadmap

furthering the integration of digital technologies in Pakistan's local healthcare sector will be presented.

COMPARATIVE UHC BENCHMARKING IN DEVELOPING COUNTRIES

Under a global development agenda, the United Nations created and launched 17 Sustainable Development Goals (SDGs) in 2015. Its action plan denotes 169-targets under these SDGs to be attained by 2030. SDG-3 pertains to health segment with an aim of ensuring healthy lives and promoting well-being at all ages for all population segments. Among its 13-targets, Target 3.8 relates to the achievement of Universal Health Coverage (UHC) inclusive of financial risk protection for individuals obtaining quality healthcare services.

WHO is the leading agency for the design and oversight related action plans as well as their implementation. From an evaluation perspective, Target 3.8 is further segregated among indicators as service coverage measured by UHC-Service Coverage Index and out-of-pocket health spending as a percentage of household income. Under Target 3.8, UN and WHO are working on enhancing UHC footprint and reducing the burden of household health spending. In its latest UHC monitoring report, WHO has described its expansion of UHC – the global average index score of which has risen from 45 in 2000 to 67 in 2019. However, the situation on the reduction of burden of out-of-pocket health spending has worsened. The percentage of population spending up to 10% household income on health expenses has risen from 9.4% in 2000 to 13.2% in 2019. This reflects ineffectiveness of existing health insurance systems and rising price inflation in medicines and related services. Benefits from expanding UHC will remain sub-optimal if the population has little financial risk protection against rising out-of-pocket health spending.

Here the role of the government becomes all important in reducing the financial burden of the provision of quality healthcare services to the general populace. To provide a clear picture of government UHC engagement, we have selected 18-developing countries from upper-middle and low-middle income categories.

Scoring trends of these countries on the UHC-Service Coverage Index is tabulated below.

Universal Health Coverage (UHC) Service Coverage Index
 Selected Low-Middle & Upper Middle Income Countries
 Yearly Score: 2000-2019
 Source: World Health Organization (WHO) & World Bank Data Bank

Countries	Population (m)	GDP/Capita, PPP (\$)	UHC Service Index - Score (0-100)					CAGR	
			2000	2005	2010	2015	2017		2019
1 South Africa	59.4	14,689	36	47	58	>80	>80	>80	17.1%
2 Thailand	71.6	18,855	41	63	70	75	>80	>80	14.1%
3 China	214.3	19,484	50	59	68	77	78	>80	9.9%
4 Turkey	84.8	10,452	61	65	66	77	77	79	5.1%
5 Malaysia	33.9	29,058	48	64	68	73	75	76	9.6%
6 Brazil	1,410.0	16,260	68	72	74	74	75	75	2.0%
7 Egypt	109.3	11,441	42	46	59	62	65	70	10.8%
8 Vietnam	97.5	11,728	40	44	59	66	68	70	11.8%
9 Sri Lanka	22.2	14,622	45	48	55	60	64	67	8.1%
10 India	1,410.0	7,368	31	33	48	55	57	61	14.5%
11 Indonesia	273.8	11,086	22	33	45	51	55	59	21.8%
12 Kenya	54.0	5,237	30	37	47	52	54	56	11.8%
13 Philippines	113.9	8,933	35	37	43	49	53	55	9.5%
14 Nepal	30.0	4,252	20	24	37	45	48	53	21.5%
15 Bangladesh	169.4	6,523	24	26	37	45	48	51	16.1%
16 Pakistan	231.4	5,774	23	32	36	41	43	45	14.4%
17 Nigeria	213.4	5,432	20	28	38	40	41	44	17.1%
18 Ethiopia	120.3	2,559	16	20	31	37	37	38	18.9%

Coverage	
>80	Very High
60-79	High
40-59	Medium
20-39	Low
<20	Very Low

It is pertinent to mention here that the maximum score achieved on this index (with a cap of 100) is 89, whereas as of the latest index report, there are no countries in the 'Very Low' category. Trends in the above table reflect sustained improvement in UHC across the world. Pakistan has also made decent progress from a low base in 2000, however it is lagging behind all its regional contemporaries. It is just 6 points above the 'Low' category and has to ascend another 15 points to move into the 'High' level, a tall-order indeed. To further build our case for effective government engagement in expanding UHC, health spending demographics are tabulated below.

Health Expenditures & Demographics
 Selected Low-Middle & Upper Middle Income Countries
 Year: 2021
 Source: World Health Organization (WHO)

Countries	Doctors/100k Pop.	Nurses/100k Pop.	Current / Capita Health Exp., PPP (\$)				Govt/Total (%)
			Total	Govt.	Private	External	
1 South Africa	10.6	6.1	1,156.7	718.3	422.8	15.5	62.1%
2 Thailand	9.4	13.4	774.0	544.6	228.8	0.6	70.4%
3 China	23.4	12.9	962.3	526.6	435.7	-	54.7%
4 Turkey	21.8	13.1	1,260.8	994.1	266.7	-	78.8%
5 Malaysia	18.1	16.9	1,122.8	592.3	530.3	0.1	52.8%
6 Brazil	25.6	50.0	1,529.4	684.4	842.8	2.2	44.8%
7 Egypt	5.2	9.2	524.0	167.3	350.8	5.9	31.9%
8 Vietnam	9.7	6.8	516.2	232.9	279.1	4.3	45.1%
9 Sri Lanka	11.8	10.5	542.7	248.6	289.0	9.6	45.8%
10 India	10.0	8.2	190.7	69.9	119.0	1.9	36.6%
11 Indonesia	4.9	11.7	414.8	228.4	184.4	2.1	55.0%
12 Kenya	1.7	5.4	203.2	96.3	70.5	36.4	47.4%
13 Philippines	7.0	24.2	419.0	187.0	228.9	3.1	44.6%
14 Nepal	8.7	15.1	205.9	61.9	122.3	21.7	30.1%
15 Bangladesh	6.7	1.7	132.8	24.0	101.7	7.2	18.0%
16 Pakistan	11.5	3.0	158.1	55.7	92.4	10.0	35.2%
17 Nigeria	4.4	5.5	173.5	26.0	130.9	16.6	15.0%
18 Ethiopia	0.7	3.2	82.7	23.4	30.9	28.5	28.2%

In terms of doctors' ratio per 100,000 of the population, Pakistan is placed well among its counterparts. However, its nurses and midwives ratio is much worse in comparison, standing at just 1/4th of the average of the list. The absence of larger pool of para-medical staff on ground means a high cost of sustaining UHC access. An interesting anomaly resides in the government share in total health spending in these countries. On average, government spending makes up 53% of health spending in selected countries, but governments in the top-5 countries in the list, with 'Very High' index score, have a spending ratio of 64%. And this ratio rises further in the developed countries. This means that with all the mantra of free markets, even much economically and technologically advanced countries are not willing to forego government support for a robust and sustainable healthcare system.

This brings us to a crossroad in the context of Pakistan. It is evident that the prevailing precarious fiscal conditions are not likely to allow Pakistan to loosen its financial strings for health spending. Most of our health indicators are low in terms of regional performance and progress is also slow. The situation may be termed bleak, but affordable healthcare solutions are brimming with successful precedents making their mark in different developing countries. Let us take a look at some of the innovative healthcare advancements that are creating space for more affordable health services at the grassroots level.

DIGITAL TECHNOLOGIES TRANSFORMING HEALTHCARE SYSTEMS

It is imperative to mention that the bulk of healthcare innovations are led and driven by developed countries. Over a long period of time, they have fostered a robust innovation system based upon strong research and development capacity, provision of risk capital and government funding. In terms of patents, health firms and startups from the western hemisphere are legally well-secured to ensure sustained sales and cash flows from both developed and developing markets. This paradigm appeared to be loaded heavily in favour of the developed world with little leeway for developing countries to create space for their own products and services. Overt dependence on western health products and technology also slowed down progress on more inclusive healthcare systems in developing countries.

In the latter half of the 20th century, we witnessed governments in various developing countries supporting the manufacture of generic drugs by local pharmaceutical producers. Many of the developing countries also embarked upon the establishment of health education institutes for the creation of large pools of trained and qualified healthcare professionals. As economic prosperity expanded in developing countries, spillover effects resulted in greater self-sufficiency in the provision of healthcare products and services by local health firms. On account of low production costs, many of the western health firms started relocating their production facilities in developing countries. This sustained exchange of technological knowhow and western-qualified healthcare professionals from developing countries contributed in laying the foundations of a globally competitive healthcare ecosystem.

In the early 21st century, the internet (world wide web) emerged as a change agent for many innovations in the delivery of health products and services – smoothening the adoption paths of innovations that were originating in western labs and startups. It is pertinent to mention here that the breadth of these healthcare innovations is much wider and covers a large range of offerings in different facets of primary, secondary and tertiary healthcare. And it is also a matter of fact that a holistic integration of health tech will optimise the outcomes of UHC in terms of its span and reduce burdens relating to out-of-pocket health spending.

However, for a more focused approach, we restrict our scope to digital technologies related to Artificial Intelligence (AI) and Internet of Things (IoT) powered healthcare products and services. The rising marketability of these products and services is linked with greater smartphone penetration around the world. In Pakistan, mobile broadband penetration has reached 53% with 127-million mobile broadband subscriptions. Our intention is to highlight their utility in augmenting UHC in developing countries – a perspective based upon the premise of leveraging technology to overcome the human resource crunch in the provision of quality and affordable healthcare services at the grassroots level. Adoption of digital technologies is also part of SDG-3, pertaining to provision of healthcare to all.

As per various market research reports, average global market size of mobile healthcare devices and apps stood at USD 63.2 billion in 2022. It is forecasted that this market will quadruple to reach USD 247.9 billion by 2032. It includes wearables and portable devices such as ECG monitors, glucometers, pulse oximeters, BP devices, fitness trackers, amongst others. Powered by AI and IoT, these devices are equipped with user-friendly smartphone apps to facilitate self-care and smoothen up diagnostic and monitoring capacity. From their predominant western origin and market presence, we are witnessing the emergence of Chinese and Indian economical brands in this segment of portable healthcare devices.

A healthcare system is an amalgamation of various hardware components ranging from brick and mortar structures to the provision of medicines, devices and other material. Technology-driven solutions have the potential for scaling and, in turn, better affordability. The roadmap for augmenting UHC through the deployment of digital technologies will be addressed in the section ahead.

PAKISTAN: HEALTH TECH AS A VIABLE TOOL FOR EXPANDING UHC

With its 240-million population, Pakistan is the fifth most populous nation spread over an area of 881,913 square kilometers. As per an estimate, it has over 100-cities with a population of 100,000 and above. The country is rapidly urbanising, which is creating the potential for scale in tech-driven healthcare products and services. Pakistan has the lowest per capita health spending in South Asian region as well as the lowest ranking on UHC Service Coverage Index. The private sector is providing 70% of the healthcare service coverage in Pakistan. Its domestic ecommerce market has surged to USD 6 billion in just a few years – which reflects market appetite and demand for internet-driven delivery of products and services in a broad sense.

Breadth and length of the country requires a health-tech driven ecosystem for effective UHC implementation. Proposed policy interventions are listed below:

- Incorporating health as a right in the Constitution.
- Launching a holistic UHC policy with the inclusion of tech-driven approaches for inclusive health coverage and reducing the burden of out-of-pocket health spending.
- Promoting health tech entrepreneurship through university and incubator based startups for the manufacturing of no-frills medical devices.
- Providing free-of-cost health data from government hospitals and health units to startups and SMEs for the development of AI-based algorithms.
- Strengthening data privacy regulations for the confidentiality of personal health records used in health devices and apps.
- Encouraging government hospitals and health units to procure locally manufactured portable healthcare devices.
- Supporting quality certifications for startups and firms engaged in the design and manufacturing of portable health devices and apps.
- Ensuring early expansion and roll-out of 5G technology and network across the country.
- Initiating grant programs for health tech startups and promoting the risk capital ecosystem in the country

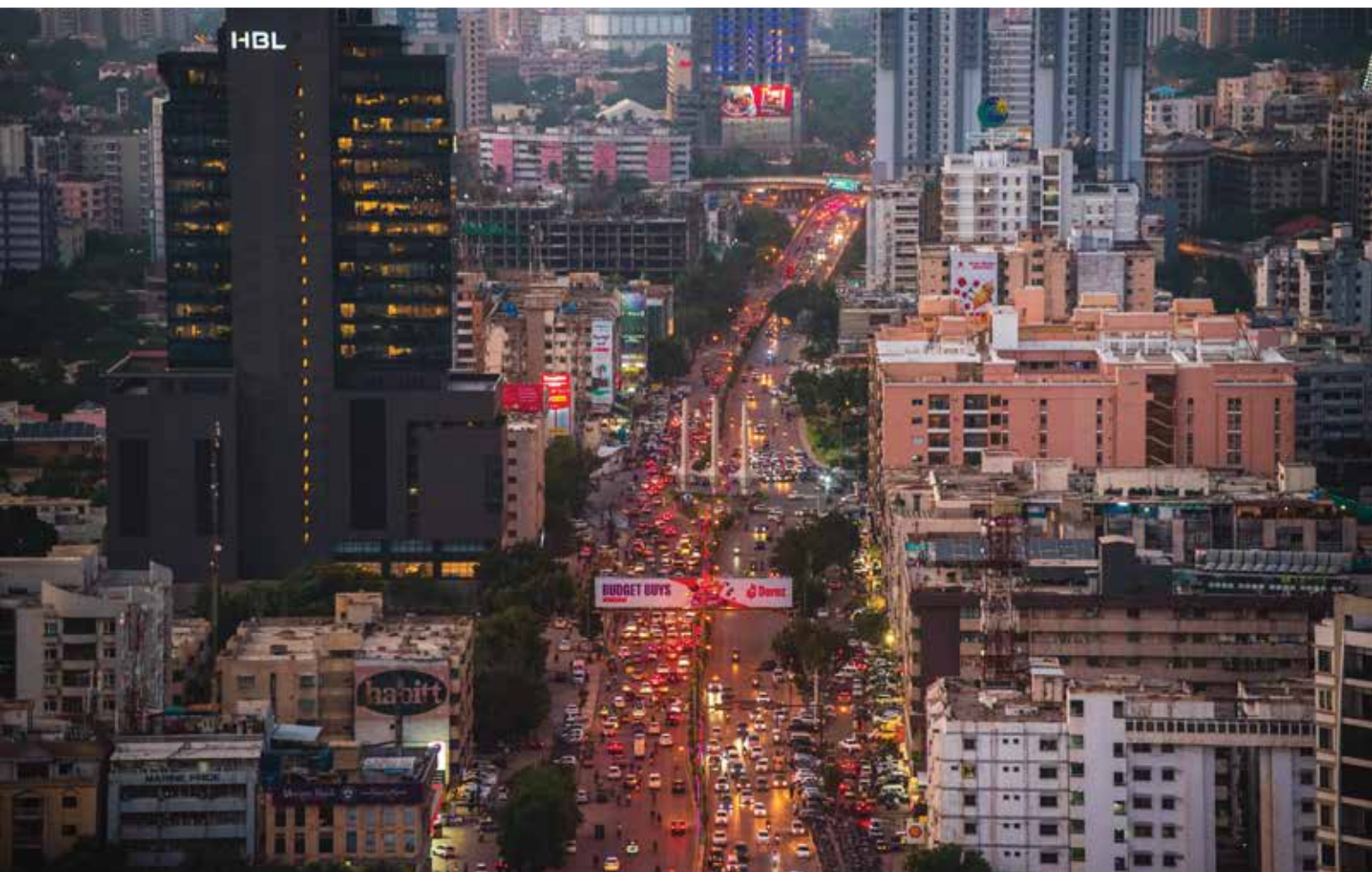
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CITIES AND LOCAL GOVERNANCE



DECOLONISING THE CITY FOR SUSTAINED DEVELOPMENT: LAND, COMMERCE, AND REAL ESTATE

Nadeem Ul Haque



ECONOMIC MANTRAS

Economics has become a science of the loudmouth with numbers. Economists come on TV to show off that they have numbers and predictions. They will invent all kinds of estimates and terms that no one has heard of to prove how erudite they are, but never will they submit themselves to peer review which is the international yardstick of quality work.

Whenever I hear them speak, I worry that this is not the economics I learnt — and I worked with about 10 Nobel laureates. These speakers and commentators always talk macro numbers — fiscal and BOP — and endlessly discuss simple accounting numbers with great aplomb. For example, “We must increase revenues because the government is losing money.” Never, “Why is government losing money like there is no tomorrow?” Then someone will yell, “We have money to repay and import bills that must be met, so look for aid or borrowing.” Why did we borrow so much? Why are our import

bills what they are? Why is the government borrowing at a faster rate than the economy is growing? These questions are never asked by our economists and therefore never debated.

Adam Smith, the father of economics authored the *Wealth of Nations* to initiate worldwide study of economics. Since then, understanding the forces of growth, development and income distribution have been the most important areas of study in economics. Individual behaviour — consumption, savings and investment decisions — are studied to understand how they can be tweaked for increased welfare. At the heart of economics is the quest for increasing human welfare by expanding opportunity for self-actualisation through innovation, entrepreneurship and risk taking.

IS ALL GOVERNMENT EXPENDITURE FOR PUBLIC GOOD?

Seldom will you hear our economists talk of the Smithian grand quest of growth, development and welfare. Led by international donors, their quest is to malign Pakistan as a nation of tax cheats and a den of corruption. Revenues must be increased without telling us what, if anything, the government will do for us. They remain unaware that a large majority of Pakistanis are paying income tax on a withholding basis on many transactions. It is well known that this tax withheld is never returned.

The mantra is that government needs the revenue and it must be increased. My fellow economists think that all revenues collected by government will be utilised productively for the welfare of the country. They never review the waste in the government: the numerous houses made for officials; the real estate developments to provide plots to friends; the wasteful and needless road widening for cars of the rich; the expansion of sui gas pipelines even though we have run out of gas; whimsical projects that MNAs are allowed to direct for vanity reasons; wasteful expenditures on the PM or CM directives that are non-productive or too expensive; and ill thought out subsidies to the rich or political favourites.

The government is full of waste and no one wants to discuss this. Instead, we are all ready to give it more money through a bad tax policy. The government has no money or time for clever research to promote economic transactions and has lost more than Rs. 3 trillion in energy over the past decade — yet it continues to sign sovereign guarantees without thought or planning to build increasing energy capacity. As a result, both the circular debt and energy cost are increasing to impose a huge cost on the economy. Yet, my fellow economists think that a wasteful, inefficient, and thoughtless government's mistakes must be covered by more oppressive and senseless taxation.

WHERE IS GROWTH AND DEVELOPMENT?

The biggest issue I take with my fellow economists is that they never focus on growth and productivity. At most there will be the usual plea for industrialisation and export promotion, for both of which the only instrument seems to be more subsidies in one form or another. For over five decades, these economists have pushed the flawed strategy of promoting the government coddled industry and exports. Despite a lacklustre performance and a considerable subsidy as well as many tax concessions and much tariff protection, industry grows sporad-

and exports as a percentage of GDP remain virtually static. Yet the mantra is preserved.

Economics in Pakistan has indeed become a set of mantras. Economists even go the extent of saying, "We know what is to be done, and have all the solutions." Basically, what they are saying is no new research is required. The old mantras of more taxation for more subsidies to industry for exports is enough. Mind you, this has been firmly drilled into us through a series of large advocacy programs organised by hugely expensive donor funding. Why do donors fund advocacy? Why do we allow expensive propaganda against ourselves? I will never understand.

For the last fifty years or so, we have been running on these mantras with committees, task forces and many, many donor consultants. Yet our long run growth seems to be declining as is our productivity. Few new industrial sectors have opened up while the old industry remains largely uncompetitive and cartelised if the Competition Commission is to be believed. The economy has grown thanks to the orphan sector that economists don't talk of: service or domestic commerce.

Einstein said that doing the same thing over and over again and expecting different results is the definition of insanity. Back then there was no donor funding! But now failed policies are repeated without much rethinking and it is not insanity. We merely call it 'implementation failure'.

Our economists also have little to say about the mess that is the public sector. Another mantra prevails here: just privatise. It does not seem to matter that our previous thoughtless privatisations were not as successful as we thought — badly priced, accusations of insider transactions, and some still not fully paid for. Is the purpose of privatisation merely to rid the government of a bad asset? Why would someone buy a failing asset? Can government monopolies even be privatised? Is a private monopoly better than a public monopoly? Should privatisation not improve the market and consumer welfare? Mantras don't consider these possibilities.

How would I like economists to think differently? In my book, "Looking Back: How Pakistan became an Asian Tiger in 2050," I have outlined an approach. We must look at the economy as a complex system in which humans interact individually or in groups to learn, innovate and transact for their collective and individual welfare. Spatially, much of this interaction happens in cities where markets, institutions and the mass of people are located. Much of this activity is guided by laws and regulations that define markets both physical and virtual.

Economic growth is driven by technology that people in cities strive to develop to increase the exchange of goods and services in the market place. Discovery through exchange lies at the heart of the human enterprise.

Conceptualising the economy properly in this fashion immediately suggests that at the heart of the economy is the city and its markets and how they are governed. My fellow economists must ask themselves if we have this nexus of city-market-governance configured for the requirements of the 21st century! The answer is immediately obvious. We do not.

The Pakistani state can probably best be described as an attempt at preserving the colonial structures for continued ‘control and extraction’ – now for the brown elite instead of the Empire. Much of the legal and judicial system, as well as the executive and regulatory agencies continue to function as inherited. If any innovation was made in these, it was to introduce politicisation and corruption. The shortfalls of this system are often measured in the Ease of Doing Business indicators of the World Bank. Sadly, these measures distract from the main point: the need to modernise the state and reform it for the 21st century.

How can you expect the city and the market that is organised by a state not only stuck in past practices but also distorted for personal gain to provide for the needs of progress and discovery? Our cities lack modernity and are hotly contested spaces for various mafias, one of which is officialdom that enriches itself through controlling city land. Similarly, the colonial state so used to ‘control and extraction’ grants huge advantages to vested interests such as large industry and large landlords. Antiquated legal laws and judicial systems make transactions and businesses extremely complicated at the cost of growth and welfare.

Is it possible to expect this state to deliver the kind of laws, institutions and governance systems that the 21st century requires? If not, how do we expect good things like exports and taxes to increase?

THE COLONIAL STATE CHOKES INVESTMENT

This state imposes a huge regulatory burden on the economy which does not seem to concern my friends. We estimated in the ‘Framework for Economic Growth’ that I developed in the Planning Commission that this regulatory burden may be as high as 70% of GDP. It is clear that the economy is labouring under the yoke of obsolete, unreformed and distorted colonial governance structures. Yet this issue is not of central importance to the economist at large.

Frequently, commentator economists lament the lack of investment in the economy — the investment to GDP ratio remains at 15 percent, whereas in India it is over 30 percent and in China it is 40 percent. Because these numbers are pronounced upon without understanding the structure of the economy, analysts seldom ask, “Where is the room for investment?” Dig deeper and you will find that the colonial enterprise is holding back investment in more ways than one.

As shown in, “Looking Back: How Pakistan became an Asian Tiger in 2050,” the state controls over 70 percent of the market. With that big a footprint, market competition, which is the premier driver of investment, is crowded out. In addition, crony capitalism which has captured the colonial state is able to erect barriers to entry in the form of SROs (selective tax exemptions), protective tariffs as well as exceptional access to inputs. In such an environment, investors correctly find limited opportunity.

As if this were not enough, the colonial state lacks specialised skills to manage the requirements of modern public good provision. Complex areas like energy and water management, city design and development and market regulation are clearly far beyond the competence of the ‘control and extraction’ civil service. The accumulated losses resulting from the poor management of the economy has led to repeated fiscal and balance of payments crises. IMF adjustment programmes have frequently been requested but with little success in managing policy coherence for sustainable growth. This policy uncertainty, which once again arises from the lack of professional management of the economy, is a deterrent to investment.

SPRAWLS WITHOUT COMMERCE AND INVESTMENT SPACE

Physically too, space for investment has been severely restricted by the colonial hangover state. Modern city development was never a part of the colonial enterprise. They wanted people to continue living in old cities while the masters lived in airy suburbs. Natives had no need for serious enterprise. They would have small shops, limited schooling and limited space for modern activities. They needed to be controlled and the only enterprise necessary was to extract for the welfare of Empire.

The bureaucracy and the army took over the role of the colonial state, immediately occupied the colonial habitations and proceeded to keep the colonial traditions alive. At first, they tried to keep everyone where they were to maintain the divide between the brown sahib and the natives. With the relentless population pressure, they had to reluctantly cede ground. They protected their colonial

habitats which by then had become the centre of cities and were interfering with both commercial development as well as city mobility plans.

Tight controls on building were preserved, preventing the development of organised density, commerce, leisure, and even education. For decades, city demand for space for commerce, storage and warehousing, offices, education, leisure, mobility and many other functions increased. All these developments were forced into the informal sector through encroachments or violations of poorly conceptualised colonial zoning. Even today, we are going through a cycle of litigation and the demolition of encroachments which arose because of poor city zoning that sought to prevent the natural growth of cities.

The poor, the enterprising, and other constituencies counted for little in the colonial model. But the growing elite, of which the bureaucracy, army and judiciary were now a part had to be accommodated. Responding to this demand as well as the availability of the car, the colonial state allowed for suburban development beyond the areas they had inherited from colonialism. As a result, cities have expanded to giant unmanageable sprawls with the centres being occupied by elite mansions and clubs instead of mixed-use high-rise development as in other parts of the world.

CHOKED UP ENGINES OF GROWTH

Early development advice suited the colonial bureaucracies, for it prioritised industrial growth which policy-makers conveniently put outside the city in industrial estates. In fact, it expanded their power since the development policy advice of the time emphasised planning industrial development through licenses, subsidies, cheap credit, protection etc. — all of which were dispensed by the colonial bureaucracy.

The country has remained beset with this early development model, refusing to see fresh developments in economics. Our PhDs in economics remain rooted in the old planning models vacillating from prioritising between industry and agriculture to looking for exports. Domestic commerce, services and construction were deliberately repressed in an effort to develop what were thought to be leading sectors — industry and agriculture.

In 1996, the Nobel prize was awarded to Robert Lucas and in 2018 to his student Paul Romer. Both of them pointed to the engine of growth being the city, a place where people converge to exchange and share ideas, goods, money, services, space and activities. Many thinkers have pointed to the importance of the city in history as a crucible of innovation, entrepreneurship, knowledge

and creativity. It has also been shown empirically that cities that are engines of growth are dense, walkable with mixed use, high rise city centres.

Unfortunately, our cities are sprawls with estates for colonial officials and polo grounds in the middle. And sadly, this research has not reached our policy economists who sit on task forces.

Construction always leads development. Even today, markets are continuously watching leading indicators: many of which are based on construction activity. Go to any city in the world you will see tower cranes everywhere, many of them. A rapidly growing economy like China has sites that look like forests of tower cranes. Yet most Pakistani cities have hardly seen a tower crane.

As analysed above, in Pakistan, the continuation of the colonial enterprise has preserved colonial estates in the centre of the city while also maintaining the colonial bias against enterprise in the middle of the city. To preserve this model, the colonial bureaucracy, which controls the city, has archaic zoning and building laws that are biased against density, walkability, mixed-use and high-rise. Is it any wonder that the construction industry is not a growth industry in this environment? Can we expect to accelerate our growth without a strong growth of construction based on real city development and not this colonial sprawl development?

UNLOCKING DOWNTOWN DEVELOPMENT

There is an opportunity for real and sustained growth acceleration and for huge improvements in welfare if the challenge of changing the city paradigm is undertaken. Colonial centres that are located in busy downtowns must be uprooted and high-rise mixed-use construction fostered.

In most cities, city centre land for urban regeneration is hard to get. The colonial enterprise has kept this precious capital inert for their private use and held back city development as well as employment and growth possibilities. It is time make this dead capital work for us.

There is tremendous opportunity that is possible. The key challenge is going to be how to do it right for maximum public benefit. As an example, consider Lahore has more than 10,000 acres of prime commercial land held by the public sector in various areas. We must use this land for maximum value creation and employment gains. My tentative calculations show for only the 5 GORs, which represent about 4000 acres, the following possibilities.

■ We can make about 35 buildings of high-rise mixed-use buildings like Centaurus leaving more than half empty for greenery. Say, each costs about USD 500 million. Total investment will amount to USD 17.5 billion.

■ Employment in construction — 5000 per building and similar indirect — will generate around 350,000–500,000 jobs during construction. Each building will employ similar amounts or more when completed.

■ At an average height of 35 floors, this will represent 225 million square feet of construction for all uses.

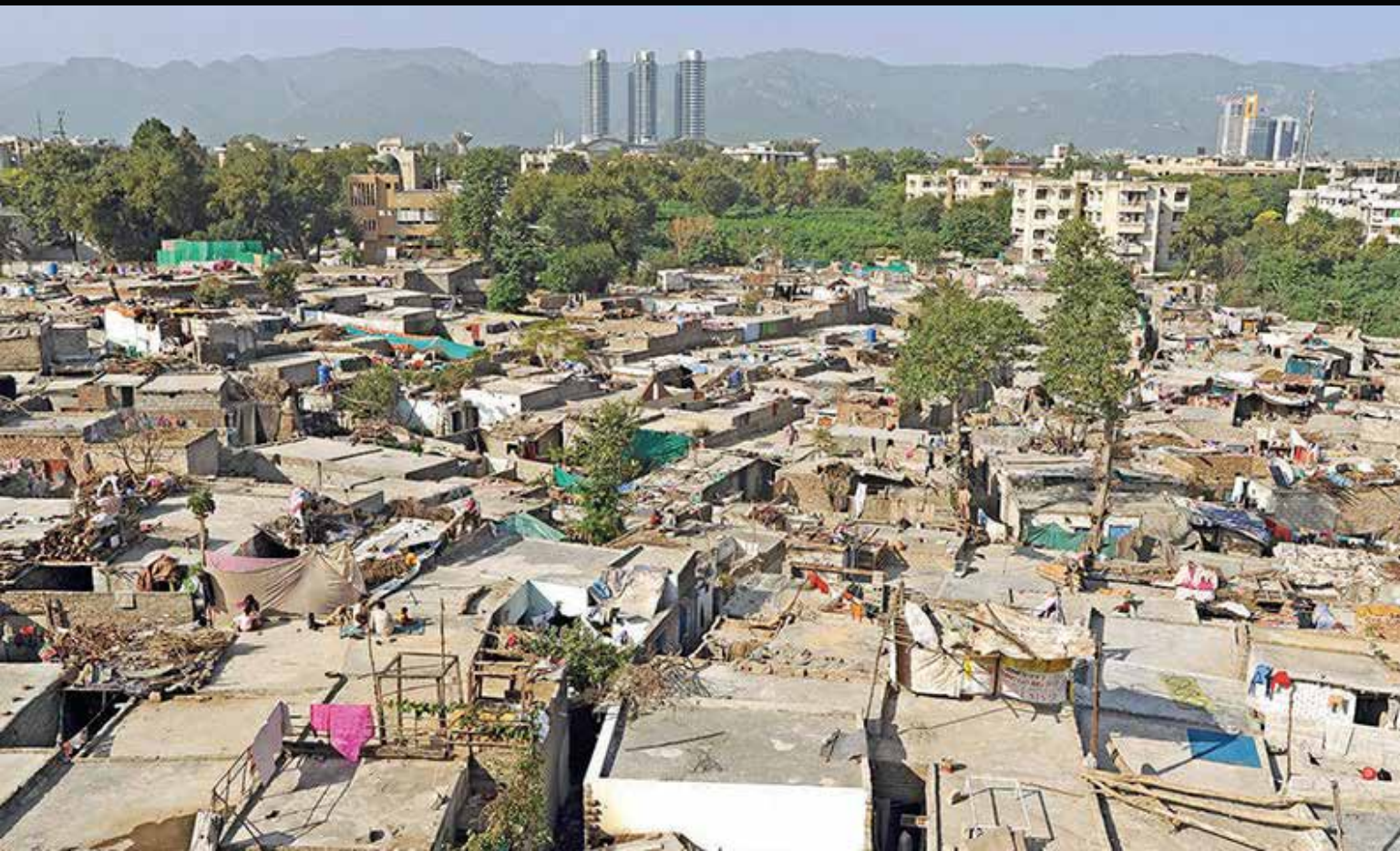
This should not be made a speculative play for trading. It should not be hijacked by qabza mafias. This land represents a huge part of city wealth.


My suggestion would be for all cities to allow for City Wealth Funds which own this land and professionally manage these resources. Professional managers can develop projects and sell these as public private partnerships on a build, own, operate and transfer basis. This could be a way for cities to earn maximal revenues over longer time horizons. The time-bound nature of these contracts would force quick construction and returns.

Sadly, the Framework of Economic Growth (FEG) of the Planning Commission did present this approach to developing growth acceleration to the cabinet and parliament in 2011 and 2012. Though the FEG was approved, it was never implemented due to the opposition of the colonial bureaucracy to preserve its estates. It will require a strong government to do this and good processes to make it possible to ensure professionalism, i.e. protected from politics.

If we want to progress, we must truly end vestiges of colonialism and move into the 21st century.

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BEYOND CODE AND CONTROL: REIMAGINING TECHNOLOGY IN URBAN PAKISTAN FOR COLLECTIVE EMPOWERMENT

Hamza Sarfraz

The integration of technology into Pakistani urban lives is no longer a distant possibility, but an inevitability. The question then is how to make it work for us. Today, in Pakistan, 80 percent of the population has access to cell phones. The internet usage has gone from 18 million in 2013 to 87 million in 2023. At the same time, technological solutions—with use-cases in a variety of sectors including education, transport, banking and finance, logistics, and public sector services—have developed an entire infrastructure and market ecosystem of their own. For a country with a growing population and rapid urbanisation, technologies are slowly becoming the norm, instead of a disruption.

It is tempting to assume that these technologies are objectively the best solution to our increasingly complex set of problems. There is this utopian notion that, with the right set of code and design, we can begin to deal with challenges that traditional politics and business practices have failed to address. But this idealistic fram-

ing often seems to forget, or even erase, the very crucial recognition that technologies are not just technical products – they exist beyond the contexts in which they are created and put to use. In their conception, development, and implementation, they are as much a social phenomenon as they are technical works. For us, it is therefore important to find ways to ensure that these technologies provide collective benefit and incur minimal costs on our urban fabric.

Making technology for people is just one aspect of it. Market and service-design research already addresses that problem, with varying levels of success. This article argues that we might have a broader conceptual problem in how we envision our urban lives in the increasingly technologised world. The rapid pace of ‘development’, which has often been implemented top-down and at-scale via both state and non-state projects, has skewed our understanding of how any technological solution has a social reality of its own. Instead, we tend to think

of them as total systems of control which can help us quantify, automate, and optimise human experience across a wide range of services. Even more troublesome is the prevalent misconception that these solutions can be and are developed by technical experts who can model the urban experience of Pakistan to produce value-neutral products, bereft of any lingering political, cultural, social, and ideological substratum.

This notion of technology as a panacea for urban challenges is further complicated when we examine the implementation of popular technological solutions like FoodPanda and InDriver in Pakistan. These platforms, while innovative, often fall short in capturing the true rhythms, flows, and realities of the cities they aim to serve.

Take FoodPanda, for instance. Its algorithm, designed for efficiency and scale, relies on data that simplifies the rich culinary landscape of Pakistani cities into a series of binary choices and ratings. This approach, while convenient, strips away the layers of cultural and social interactions that define the food experience in urban Pakistan. The data fails to capture the informal food vendors, the seasonal specialties, and the communal aspects of dining, which are as crucial to understanding the city's food culture as the restaurants listed on the app.

Similarly, InDriver's reliance on GPS and standardised mapping data presents a skewed picture of urban geography. The app's data model is ill-equipped to account for the fluid and often informal nature of Pakistani cityscapes. It overlooks the uncharted alleyways, the evolving neighborhoods, and the organic traffic patterns that are a staple of these cities. Consequently, the app's representation of the city is not just incomplete; it's a distorted simplification that fails to reflect the actual flow and rhythm of urban movement.

The concerns extend beyond service limitations to the very conceptualisation of 'data' by these platforms. Data privacy issues, while significant, only scratch the surface of the problem. The deeper issue lies in how these technological solutions define and utilise data, often constraining our understanding of the city to what can be quantified and measured. This reductionist approach to data overlooks the rich, layered aspects of urban life that defy categorisation into easy metrics.

Moreover, digital governance initiatives like SafeCity, which aim to map Pakistani cities through specific lenses, reveal another dimension of this challenge. These projects, often driven by state or private interests, tend to model cities based on conceptions, attitudes, and objectives. This modeling is not neutral; it aligns with James C. Scott's notion of 'seeing like a state', where the purpose is more about controlling and regulating populations than genuinely understanding or serving them. As a result, these technological solutions, rather than being

contextually relevant tools for Pakistani cities, become instruments of a top-down vision of urban management.

The intent of this discourse is not to exoticise or romanticise the intricate tapestry of Pakistani urban life, with its vibrant informalities and complexities that defy simplistic technical models. Rather, it is to underscore a fundamental truth: the very complexity that seems elusive to current technological frameworks is central to the functioning and identity of Pakistani cities. Recognising and embracing this complexity is not just a theoretical exercise; it is a crucial step towards designing technological solutions that are truly reflective of and responsive to the realities of urban Pakistan.

At the heart of this challenge is the need to rethink how we conceptualise and implement technology in urban settings. The prevailing approach, which often prioritises efficiency and scalability, tends to view cities through a reductive lens. This perspective reduces the rich, chaotic, and dynamic urban life into neat, quantifiable metrics. However, the true essence of Pakistani cities lies not merely in these metrics, but in the myriad interactions, transactions, and relationships that form the urban fabric. These elements are often informal, unstructured, and fluid, eluding the grasp of conventional data models.

To truly capture this complexity, technological solutions must evolve beyond their current paradigms. This evolution involves a shift from a top-down approach, where technology dictates the terms of engagement, to a more inclusive and participatory model. Such a model would not only gather data from traditional sources but also actively seek out and incorporate insights from the ground – from the people who navigate these urban mazes daily. It means engaging with local communities, understanding their needs, their routines, and their perceptions of the city. This approach acknowledges that the residents themselves are the most authentic source of information about urban experiences.

The integration of local community insights into the fabric of technological design is not just an issue of inclusivity; it's fundamentally a question of power and politics. The decision-making process behind the design, implementation, and control of these technologies is far from neutral. It is deeply rooted in the dynamics of power and governance, often skewed in favor of those who hold the reins—the state and those who hold the access to resources. This top-down model of technological development does more than just overlook local perspectives; it actively perpetuates existing power imbalances, often to the detriment of those communities that the technology is supposed to benefit. This scenario underscores a critical need: to challenge and reshape the power dynamics in technological development, ensuring that it becomes a tool for empowerment and equity,

rather than an instrument of exclusion and control.

To shift this paradigm, it is imperative to recognise and address the political nature of technological development. This means challenging the status quo on technological innovation in Pakistan and advocating for a more democratic and participatory approach to technology design and implementation. It involves creating spaces where local communities are not just passive recipients of technology but active contributors to its development. This participatory approach is not just about listening to community feedback; it's about empowering these communities to have a tangible impact on how technologies are conceptualised, designed, and deployed. Such a shift requires a rethinking of the power dynamics inherent in technological development. It calls for policies and frameworks that facilitate the involvement of local communities at every stage of the technological lifecycle.

Ultimately, the goal is to democratise the process of technological development, ensuring that it serves the collective interests of the community rather than the narrow interests of a powerful few. By doing so, we can create technologies that are not only more contextually relevant and effective but also more equitable and just. At its heart, it is a political question where we need to renegotiate not just how power is distributed, but also who gets to act on that power. Only then can we hope to develop technologies that truly reflect and enhance the diverse tapestry of urban life in Pakistan. Otherwise, dystopian conceptions of totalised technological systems, detached from the realities of the populations they presume to serve, may be the other possibility that we are forced to grapple with.

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URBAN TRANSIT AND TRANSPORTATION SERVICE IN PAKISTAN: CHALLENGES AND OPPORTUNITIES

Murtaza Haider

Urban mobility challenges in Pakistan are acute. With rapid urbanisation and high population growth rates, transport infrastructure has not kept pace with demographic pressures. The demand for mobility has increased quickly over time, while the increase in transport infrastructure to service the demand has been lagging. Traffic congestion worsens at peak periods, causing gridlock in small and large towns across Pakistan. This brief essay examines the state of urban transport planning in Pakistan to identify the determinants of mobility constraints and suggest ways to deliver improved multi-modal mobility outcomes in urban Pakistan.

Pakistan's population has been growing at about two percent per year, putting it in the league of fastest-growing nations outside Africa.¹ The rapid population growth demands services that are not available at levels that are commensurate with demand. Transport infrastructure, comprising roads, parking, public transit vehicles and

routes has also lagged the demand. The increase in motorisation over the past 20 years has added additional pressure, resulting in near-gridlock conditions in populous cities at peak periods.

The mobility outcome in Pakistan could have been better if cities were planned better. The spatial structure of growing cities is not planned to economise land use, minimise the use of motorised transport, lower reliance on fossil fuels, or reduce greenhouse gas emissions. Furthermore, the near absence of publicly operated mass transit for decades has pushed commuters to personalised modes of transport (cars and motorised two-wheelers) or to privately operated mass transit that lacks reliability, safety, and efficiencies. Most privately operated mass transit would qualify at best as paratransit. A two-pronged urban mobility structure has emerged: the very low to low-income households walk or commute by paratransit while the middle to high-income earners commute by motorised two-wheelers or private cars.

Over the past two decades, public and private entities have taken steps to improve mobility outcomes in urban Pakistan. These include increasing lane kilometres in urban areas to accommodate population growth and, where possible, introducing grade separation to separate traffic at high-volume roads and intersections. Some provincial governments took steps to improve public transit supply by introducing bus franchise schemes that attracted private investors to operate standardised, high-quality bus transit services on urban routes. Other public sector initiatives included standalone BRT routes without feeder networks and planning for rail-based regional transit. The private sector followed the Western shared mobility models and launched Transport Network Companies (TNCs), such as Careem and Uber, and on-demand transit services, such as the now discontinued Swvl and Airlift.

A series of missteps, including judicial overreach and lack of local governments in Pakistan, implied that public sector projects either failed to reach scale or were planned to fail or delivered only partial solutions. Meanwhile, public sector bureaucratic high-handedness created hurdles in the way of privately operated mass transit in Pakistan, forcing many out of business.

THE ELEPHANTS IN THE ROOM

There are at least two major structural impediments to urban spatial and transport planning in Pakistan. First is the missing local government set up that is necessary for delivering municipal services, such as water supply, waste collection, and transportation services. Second is the presence of military cantonments embedded in the urban spatial fabric where unelected officials make decisions about urban and transport planning.

The failure of transport planning in general and transit planning in particular is a direct result of the missing municipal governments in Pakistan. Elected municipal governments have not functioned except for a few years in Pakistan. Even when they existed, the severely constrained own-source revenue generation mechanisms prevented municipal governments from delivering mobility solutions. The tussle between civil and military establishments in Pakistan has contributed to the challenge of missing governments. The political elite in Pakistan has tried to subdue local governments by either not holding elections for local governments or starving them for resources where the municipal governments have existed. Local governments have flourished under military regimes that created the third tier of political leadership, hoping that the municipal leaders empowered under the military rule will be sympathetic to military governments. The net result was that the local governments enabled under military rule were quickly dismantled under civilian governments.

As a result, the past few decades have been characterised by strong provincial governments doubling as local governments that assumed transport and urban planning roles through project-based entities run by bureaucrats. Hence, the spatial structure and evolution of large cities evolved haphazardly, facilitated by urban planning authorities that did not report to local governments. Furthermore, transportation infrastructure projects, largely funded by provincial and federal governments, were implemented by provincial governments without any local input. Hence, the construction of overpasses and underpasses, the widening of municipal roads, and the construction of ring roads are examples of infrastructure investments in urban centres without any real and meaningful input from either the citizens or the local government representatives who have been missing.

The urban and transport planning in military cantonments is a top-down bureaucratic exercise where the executive authority rests with unelected officials who report directly or indirectly to military land and cantonments under the Ministry of Defence. Currently, there are 44 cantonments across Pakistan where nonelected officials perform local government functions. Since these cantonments are part and parcel of the neighbouring or surrounding urban structures, a seamless integration of municipal services, especially for transportation, is necessary. However, given the separate governance structure, a lack of integrative planning is the default outcome.

In places where transport planning, especially public transit service delivery works exceptionally well, the service is delivered by local governments. Consider Toronto, where The Toronto Transit Commission operates the public transit service comprising underground subways, buses, and streetcars, which carried millions of daily passengers before the pandemic. The commission reports to the city authorities while it independently makes operating decisions about delineating transit routes, frequency of service, and other operating decisions. Other successful models of public transit service delivery in London, Berlin, and Chicago are examples of local and regional governments planning and delivering transit service. Hence, it is imperative that the civil and military elite in Pakistan recognise that top-down models of successful municipal service delivery do not exist and perhaps the sorry state of miserable service delivery in Pakistan is a direct result of the continued refusal to empower local governments.

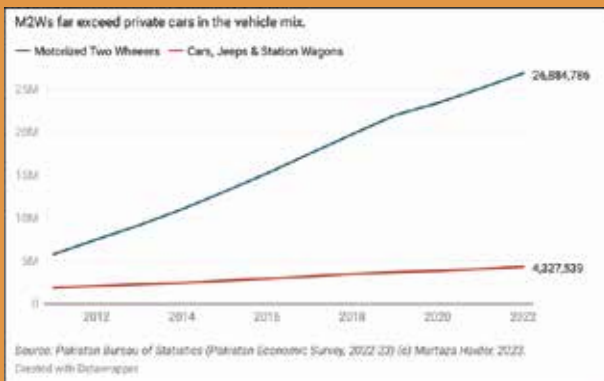
In addition to military and civil establishments undermining the authority of local governments to deliver municipal services, the superior judiciary has also been instrumental in interfering in municipal planning matters, worsening public transport service delivery. The bus franchise scheme, as discussed earlier, introduced thousands of standardised public transit vehicles across Pakistan for planned and efficient transit services. The operators of unsafe paratransit establishments approached the Supreme Court, led by Chief Justice

Iftikhar Chaudhry. Instead of dismissing the petition by the operators of unsafe and unplanned transit services, the Supreme Court sided with them, declaring the provincial bus franchise as acting beyond the ambit of the Constitution. This is akin to guaranteeing quacks the right to practice medical procedures because forbidding them from operating on unsuspecting patients will be denying them the right to earn a living. The unwise decision by the Supreme Court single-handedly put transit planning and service delivery in the hands of transit mafias who have operated unplanned, unscheduled, and unsafe transit across Pakistan.

MOBILITY IN URBAN PAKISTAN TODAY

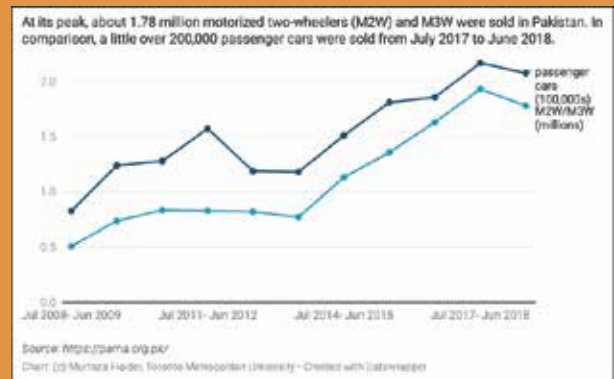
Given the lack of urban spatial and transport planning, it is no surprise that motorised modes of transport dominate mobility in Pakistan. The lack of public transit infrastructure and the absence of bike lanes and sidewalks imply that public transit and non-motorised mode share are negligible in Pakistan. Often, it is argued that the mobility landscape in Pakistan is dominated by passenger cars. This is not true for Pakistan, while it is the case in most Western metropolises. Given the prevalence of low to mid-income households in urban Pakistan, passenger cars are outside the affordable reach of the majority who instead rely on motorcycles and other similar modes, also known as motorised two-wheelers (M2W) for their mobility needs. Figure 1 illustrates the point that whereas 4.3 million vehicles characterized as cars, jeeps, and station wagons were registered in Pakistan in 2022, M2Ws registrations at 27 million units eclipsed passenger cars.

FIGURE 1. NUMBER OF REGISTERED MOTOR VEHICLES IN PAKISTAN



Since 2008, passenger car sales have increased, reaching a peak of almost 200,000 sales in 2017–18 (Figure 2). At the same time, the sale of motorised two-wheelers and motorised three-wheelers (M3W, paratransit vehicles such as rickshaws) reached 1.8 million, further providing evidence that passenger cars constitute a small portion of the vehicular makes in urban Pakistan, where M2Ws and M3Ws dominate. This is also evidenced by a cursory look at busy intersections across urban Pakistan, where hundreds of two-wheelers punctuate the road space, carrying far more commuters than passenger cars.

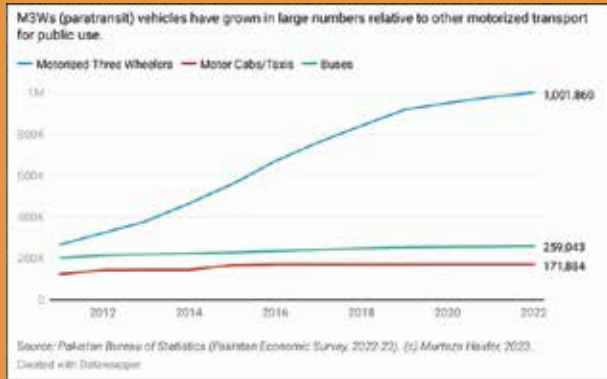
FIGURE 2. INCREASE IN MOTORISATION IN PAKISTAN



In the absence of proper public transit facilities, paratransit service providers such as rickshaws and Qing-Qis, emerged, offering less than adequate, unsafe, and highly inefficient transit services. Figure 3 depicts the rapid increase in M3Ws from 2011, when their number was slightly higher than that of buses, reaching over one million units by 2022. Hence, M3Ws dominate public transit services in urban Pakistan, even in cities where BRT services are available. Since BRT operates on a standalone route without a feeder network in all urban implementations, M3Ws are the primary mode for access from and egress to BRT. At the same time, since most of the urban destinations are not served by BRT, M3Ws are the frequently used alternative.

¹ <https://www.worldometers.info/world-population/pakistan-population/>

FIGURE 3. REGISTERED PUBLIC TRANSIT OR PARATRANSIT VEHICLES IN PAKISTAN



THE PRIVATE SECTOR INNOVATES

The emergence of transport network companies in North America and Europe provided a model for workable mobility solutions for middle and upper-class commuters in Pakistan. As a result, Uber and Careem started operations in Pakistan, providing reliable and efficient mobility services, capitalising on the innovations in mobility made possible by information and communication technologies. Furthermore, the innovations in on-demand transit, such as Airlift, also hold promise. While the services are commendable for the markets they serve, they still are out of reach for most low-income commuters. Therefore, there remains a need for the public sector to provide efficient and affordable public transit alternatives for low-income commuters and subsidised transit for the lowest-income households.

THE PATH AHEAD

Establishing and empowering local governments for urban spatial structure planning and delivery of municipal services, including public transit, is paramount for Pakistan. Furthermore, dissolving the cantonments to merge with the cities is critical to removing artificial that prohibit planning and service delivery in Pakistan. The administrative overreach by higher tiers of governments, Military Lands and Cantonments, and superior judiciary should be ceased immediately for city planning to be in the hands of local governments and planners who respond directly to local authorities.

The innovative solutions brought about by the private sector that serve the mobility needs of those who can afford them, should be encouraged and facilitated instead of subjecting them to unnecessary, and often

punitive, bureaucratic hurdles.

Urban transportation planning requires data and analytics, which do not exist in Pakistan. The lack of data and analytics is evident from the fact that transportation mode shares are not known for any city, big or small, in Pakistan. Since the data points are missing, so are the analytics. This lack of knowledge needs immediate attention. Despite the mushroom growth in higher education programs focusing on urban planning, civil engineering, and even traffic engineering, the lack of data and necessary analytical tools suggest that Pakistan is training its future experts with data blindfolds.

Transport planning data needs could be addressed by two practical approaches. First, the ubiquitous use of smartphones could be a resource in capturing passive data for detecting trip origins, trip destinations, trip start time, commute duration, and travel speed. Such data may be missing the necessary demographic attributes of commuters, their specific modes of travel, and other details. However, such data could be the first building block towards urban data repositories that can assist with transport and transit planning.

The second necessary step is to include journey-to-work questionnaires in the Census and other large-scale surveys conducted by the federal and provincial governments. The journey to work questionnaire is part of the long-form census in Canada. It is routinely administered in the United States, collecting information about demographics, mode of travel, trip start times in duration, and other relevant details.

Lastly, the mobility needs of the urban poor cannot be met by the innovative mobility solutions provided by the private sector. The public sector must provide affordable and reliable transit services and access to non-motorized modes to the urban poor. One can still strive for innovative solutions to provide affordable mobility alternatives, as is the case at Peshawar University, where the university administration is providing bicycles to students and faculty to commute within the university campus.

Affordable, efficient, reliable, safe, and sustainable mobility solutions are a must for cities in Pakistan to be functional and desirable. Without efficient mobility solutions, cities will be gridlocked, preventing citizens from participating in the socioeconomic spheres while contributing to excessive use of fossil fuels and wasteful generation of greenhouse gas emissions.

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LOCAL GOVERNMENT REFORMS: AN OVERVIEW

Iftikhar Ahmad

Analysing Pakistan's tale of economic distress and despair, one comes across a number of reasons on both the economic and political fronts. However, it is not just the finances or larger political system that are important; instead, we need to dig deeper into other major reasons that carry equal weight in explaining the state's continued underperformance. Amongst these, the most pertinent are policy failures that Pakistan has experienced throughout its history. These policy failures are not just limited to the misplaced priorities and misdirected planning of governing elites but also include inaction, or inertia, and policy avoidance. It is important to investigate the cost that such policy failures have imposed on this struggling developing country. While government policies serve as critical signals for citizens, businesses, and government machinery to plan effectively, their true impact is realized only through guaranteed implementation. When well-thought-out policies lack assurance in execution, their signaling capacities diminish, rendering them less effective. The 18th Amendment to the Constitution stands as a significant example, prompting the necessity for a more in-depth analysis of its implications.

With the endorsement of the 18th Constitutional Amendment on April 19, 2010, expectations soared that Pakistan would accelerate its path to development in alignment with the aspirations of its people. The elimination of the concurrent list and the anticipated reduction in federal ministries raised hopes that policymaking would align more closely with local priorities. The 18th constitutional amendment pledged that policymaking would cater to local needs, fostering economic efficiency in the utilization of public funds. Unfortunately, this vision has proven to be a mirage to date, particularly in the absence of functioning local governments.

The 18th Amendment, encompassing several crucial changes, pledged the devolution of power. This initiative not only aimed at empowering the second tier of government by devolving policymaking but also extended constitutional protection to the third tier, namely local governments (LGs). The amendment urged provinces to "establish a local government system and devolve political, administrative, and financial responsibility and authority to the elected representatives of the local

governments". Thirteen years later, the critical question arises: to what extent has this policy been faithfully implemented? This discussion presents two perspectives—firstly, the incurred costs and expansion of federal ministries, along with associated inefficiencies, and secondly, the missed opportunities for capacity building and efficiency attributed to the absence or compromise of LGs. For now, our focus will be on the latter, elucidating essential points to kickstart reforms.

In an analysis of Local Governments (LGs) in Pakistan, it becomes evident that they neither enjoyed a secure term nor a clear mandate. Despite provinces asserting their claims and swift implementation of NFC awards, the Provincial Finance Commissions (PFCs) have been largely non-functional, often dictated by provincial governments. The commitment to allocate '70 percent development spending by LGs' was reversed in Khyber Pakhtunkhwa, and in Punjab, LGs saw their mandates eroded with the establishment of 56 companies under provincial control. Similarly, in Sindh, nominated members of the provincial government held veto powers, enabling them to reject plans presented by lower-tier representatives. Consequently, LGs have remained more of a facade and were never granted the autonomy to plan or execute local policies in line with local aspirations. This situation underscores a persistent 'Policy Avoidance,' wherein a significant focus has been on current expenditures, with limited or no authority granted over development spending.

The episodic nature of the Local Government (LG) system has hindered its continuity, preventing it from establishing itself as a consistent and viable pro-people governance system. With compromised mandates and a lack of sustained engagement, the paralysed local governance system faces minimal acceptance from Members of the National Assembly (MNAs), Members of Provincial Assembly (MPAs), and civil administration, who often view LGs as a competing system. In Pakistan, politicians campaigning for MNAs and MPAs frequently use slogans falling within the domain of LGs, creating a strong incentive for those in power to incapacitate LGs and maintain control. For instance, in a district with four MNA seats and eight MPA seats, allowing a single Mayor to perform effectively may be perceived as a threat to the established political order. Furthermore, these same legislators are responsible for defining the rules of the game for LGs, reinforcing their disincentive to empower LGs on various fronts and protect their own turf. This perverse incentive poses a significant barrier to LGs' performance within the current governance system and represents the primary issue requiring correction. Enabling MNAs and MPAs to focus on their legislative responsibilities and entrusting on-the-ground service delivery to LG representatives could pave the way for increased efficiency, drawing on local knowledge, as anticipated in the existing literature. Therefore, politicians with a genuine interest in local issues and development agendas should be encouraged to contest local

elections for mayoral positions and contribute in that capacity.

The second reform can be elucidated through the concept of 'Business Improvement Districts (BIDs),' a successful model in many metropolitan cities globally. In BIDs, local businesses contribute additional taxes that are reinvested within their locality, enhancing the business environment and consequently benefiting those businesses. This incentive is notably absent in our Local Government (LG) system across all four provinces. In Pakistan, any local tax or levy collected, or revenue generated at the local level, is mandated to go to the provincial fund before being reallocated. This raises a critical question: if LGs cannot retain their taxes, why should local representatives burden their electorate with additional taxes? The current rules lack logic, as local representatives are expected to risk their goodwill by taxing their constituents without a guarantee that the same amount will be reinvested for the community's betterment. This scenario results in limited own-source revenues, leaving LGs heavily dependent on transfers of funds from higher tiers of government. Consequently, this dependency leads to inefficiencies, cost escalations, and delays in implementing local development agendas, even if capacity issues and cooperation among LGs and civil administration are assumed to be fixed. This identifies the second reform imperative: empowering LGs by enhancing their capacity to levy, collect, and retain local funds, enabling them to deliver more effectively.

Aligning the Sustainable Development Goals (SDGs) with the mandate of Local Governments (LGs) reveals significant consistency, forming the basis for the third reform. This reform advocates for adopting a bottom-up approach in SDG spending by directing ample SDG funds through LGs rather than central policymaking and allocation. Given that the majority of SDGs fall within the domain of LGs, allocating these funds to MNAs lacks logic and introduces inefficiencies and distortions into the process. To enhance the effectiveness of SDG implementation, LG representatives and officials may require specific training sessions to raise awareness and disseminate international best practices. Incorporating local feedback and ownership is crucial to realizing the achievement of SDGs.

Furthermore, LGs should be granted matching grants in health, education, and WASH (Water, Sanitation, and Hygiene) to focus on long-term goals. Clarity in functions across the three tiers of LGs is imperative: the district tier for planning and prioritising, the Tehsil tier for execution and supervision, and the third tier for policy input, firsthand information gathering, priority setting, devising development plans, and local facilitation on the ground. Each tier should have the authority to levy and collect taxes, prices, and fees. Direct elections for the head of each tier will ensure local representatives are accountable to the electorate. Provincial governments should refrain from exploiting their oversight role, as a

compromised LG system inherently lacks the efficiency benefits predicted in the literature. Hence, political will is identified as the key reform to initiate effective LGs.

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CLIMATE



THE SONG REMAINS THE SAME



Aasim Sajjad Akhtar

'Environmentalism without class struggle is just gardening.'

-Chico Mendes

It was only fifteen months ago that a third of Pakistan was under water. The country's long-suffering ethnic peripheries of Sindh, Balochistan and Siraiki-speaking south Punjab were the staging ground. Millions of acres of standing crop were wiped out, hundreds of thousands of livestock killed and more than 30 million working people displaced from their homes. For a brief moment, the world's gaze was focused on the global periphery of the capitalist world-system, forced to reckon with the reality of an enormous climate breakdown event playing out in digital spaces in real time.¹ The scale of the floods was jarring enough that it triggered a debate around climate politics, and the imperative of transcending mere environmentalism to deeply interrogate the unbridled downward spiral of capitalist industrialism.

Unsurprisingly, the moment was indeed brief. It is as apparent now as it was before the 2022 floods that the rich and powerful players in our world – governments, big business, corporate media, and the propertied, chattering classes – have neither the will nor the vision to name, let alone redress, the global regime of capital accumulation that is devouring ecologies in Pakistan and other climate change-prone countries. In fact, this nexus is content to carry on with business as usual (pun intended).

In fact, the only thing that can be said for certain about climate policy – which, I want to emphasise, is quite distinct from a transformative climate politics, or what, following Fraser, can be called trans-environmental eco-socialism² – is that it is big on words, and short on meaningful action. Nomenclature such as 'adaptation' and 'mitigation' is now commonplace, but there is no naming of the actual forces – most notably state and capital – that are, in fact, doing all they can to 'green-wash' contemporary capitalism and ensuring that the profit motive continues to reign supreme.

Take, for example, the most feted policy initiative of what 'experts' call 'green transition' – carbon credits. In short, carbon credits are a measure through which rich, western (read: imperialist) countries can offset their enormous carbon emissions by funneling aid to the rest of the world.³ Indeed, carbon is already one of the world's most traded commodities; the global market is worth USD 260 billion and can be expected to grow exponentially in years and decades to come.

We have seen this before. For decades, the (predominantly western) aid industry have touted 'structural adjustment' and even 'poverty reduction' as pro-people economic policies whilst essentially providing license to multinational capital and postcolonial state bourgeoisies to establish economic and political control over working masses, pillage vulnerable eco-systems, and erode the already nominal economic sovereignty of the erstwhile Third World. Pakistan is a cautionary tale in this regard, its young, working people now bearing the brunt of a debt burden of USD 130 billion.

Many otherwise reasonable commentators often argue that creditors like the IMF and World Bank never imposed such neoliberal policies on Pakistan, and our own rulers are primarily responsible for the cumulative mess that present and future generations of working people have inherited. But this is a naïve reading of how political and economic power operate on a world scale, and I say this while making no concessions to our utterly despotic and exploitative militarised ruling class.

Let's be clear: dominant policy paradigms on the climate crisis have originated in the same (western) aid industry that has presided over neoliberal orthodoxy and continue to be reproduced by it too. Our ever-ready-to-ape the west bureaucrats, political leaders and de facto khaki overlords typically just play along, making sure to accommodate the niceties of policy, including corporate social responsibility (CSR).

My purpose is not to suggest all players in this otherwise sordid story are the same. The Pakistani delegation at the last global climate summit – COP27 – was widely acknowledged to have led the G77 countries at the negotiating table, securing an important 'victory' in the last-minute announcement of a loss-and-damage fund. But symbolism aside, there is every chance that the loss-and-damage fund will be much ado about nothing, as so many previous climate financing initiatives have proven.

As I have already suggested, it is in any case important to be cognisant that climate politics is not only about the extent to which historic emitters (primarily western countries) quite literally pay up. Arguably even more important is to redress existing social and economic processes that are exacerbating the crisis on a daily basis. Greenhouse gas emissions are still not being curbed with anything like the urgency that virtually all scientists insist is necessary; almost 85% of the world's energy consumption is still drawn from fossil fuels.

Pakistan's domestic political economy is a microcosm of global trends. Our energy mix features a huge reliance on imported oil, while the contribution of thermal and coal-fired power is growing rapidly. Over the past two decades, Pakistan's contribution to global carbon emissions has tripled (from 0.3% to 0.9%). This may still be small in the relative scheme of things, but it reflects a clear – and destructive – trajectory which demands attention.

Prevalent economic orthodoxy in Pakistan is almost completely unconcerned with medium and long-term ecological effects, not to mention effects on working class segments. The highest return industries – like construction, real estate, tourism and mineral extraction to name a handful – are highly destructive in environmental terms. The 2022 floods showcased clearly how these industries greatly exacerbated the devastation of local ecologies and working class communities, alongside donor-funded mega water and other big infrastructure projects.

All of this simply clarifies that the climate crisis is not 'natural'. There are long-term geological, epochal explanations for change in planetary temperatures but there is also no question that human-made economic and political systems are the fundamental trigger for the nature and scale of human and environmental destruction in our current conjuncture.

This brings me back in closing to the question of climate politics. The current state of the 'climate justice' movement is simply not sufficient to cope with what confronts us because the dominant tendency is to compartmentalise the question of ecology rather than acknowledge its inextricable link to the larger structural dynamics of capitalist imperialism.⁵ For us in Pakistan, the only meaningful way to address the climate crisis in the medium and long-term is to create mass consciousness within our young, working population. Simply, we need to build an anti-imperialist class politics in both metropolitan Pakistan and the ethnic peripheries which centres the question of ecology. Otherwise we will remain at the behest of policy 'experts', to our collective detriment.

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¹The argument in this article is a summary of a soon-to-be-published and far more detailed exposition: A.S. Akhtar (2023) 'Climate Breakdown in Pakistan: (Post) Colonialism on the global periphery. *Journal of Contemporary Asia* <https://doi.org/10.1080/00472336.2023.2279952>

²Nancy Fraser (2021) 'Climates of capital'. *New Left Review* 127

³A prominent example of carbon credits in Pakistan is the planting of mangrove forest in coastal Sindh, the ultimate costs and benefits of which remain ambiguous. See <https://www.npr.org/2023/11/10/1208201179/pakistan-is-planting-lots-of-mangrove-forests-so-why-are-some-upset>

⁴See Ali Tauqeer Sheikh, 'Elusive Climate Justice'. *DAWN*, 9 November 2023

⁵Take, for instance, how Greta Thunberg has been vilified for taking a position on Israel's genocidal attack on the occupied Palestinian territories after 7 October 2023.



COP28 AND PAKISTAN'S ENERGY TRANSITION

Maha Kamal

This December, over 50,000 people are expected to gather in the financial capital of the Middle East, Dubai, for the first ever global stocktake. The 28th UN Climate Change Conference of the Parties, or COP28¹, is poised for climate actors from all around the world - world leaders, non-government representatives, the private sector and other stakeholders, to once again deliberate on the promises that countries made under the Paris Agreement 2015, but this time, take inventory on climate action and develop a stronger climate action plan.

The Vision2 that is central to COP28 is as follows:

- Fast-tracking the energy transition and slashing emissions before 2030
- Transforming climate finance, by delivering on old promises and setting the framework for a new deal on finance
- Putting nature, people, lives and livelihoods at the heart of climate action
- Mobilising for the most inclusive COP ever

For Pakistan, a country that has consistently featured in the top ten³ countries at the most risk of climate change, but emits less than 1%⁴ in global greenhouse gas emissions, climate change is an existential threat. The keywords for Pakistan from COP28 are energy transition, climate finance, lives and livelihoods and inclusion. However, climate change is the umbrella to

Pakistan's other growing security concerns around energy, water and food.

The Energy Security question is, of course, a question of economic growth. After all, the fifth most populous country in the world needs a pathway to sustainable development. This is contingent on a reliable, affordable and sustainable supply of energy, the classic energy trilemma⁵. Global geopolitics unveiling the fractures of traditional global energy supply, most recently amidst the Russia-Ukraine war and the shocks to global energy markets. This is in the face of the deepening consensus on the fact that fossil fuels are the largest driver of greenhouse gas emissions, and 90% of all carbon dioxide emissions⁶. This means that the global dependency on traditional sources of energy: coal, oil and gas is not only unsustainable in the environmental sense, it also remains unsustainable in the economic sense.

¹UNFCCC, 2023. <https://unfccc.int/cop28>

²UNFCCC, 2023. https://unfccc.int/sites/default/files/resource/COP28_Letter_July_2023.1.pdf

³German Watch, 2022. Global Climate Risk <https://www.germanwatch.org/en/cr>

⁴GOP, 2021. <https://unfccc.int/sites/default/files/NDC/2022-06/Pakistan%20Updated%20NDC%202021.pdf>

⁵World Energy Council, 2021. <https://www.worldenergy.org/transition-toolkit/world-energy-trilemma-index>

⁶UN, 2023. <https://www.un.org/en/climatechange/science/causes-effects-climate-change#:~:text=Fossil%20fuels%20%E2%80%93%20coal%2C%20oil%20and,they%20trap%20the%20sun's%20heat.>

For a developing economy like Pakistan, the energy crisis has loomed its ugly head consistently because of an unhealthy dependency⁷ on oil and natural gas. Not only has this exposed the energy sector to the risks of volatility in global energy markets, but it has also contributed to unaffordable primary energy at the source. This unaffordable energy is then subsidised by an economy that is already in crippling debt.

The answer may lie in swimming with the tide of the global clean energy transition. Pakistan has immense potential for renewable energy. The World Bank⁸ estimated that if less than 1 percent of Pakistan's land mass was used for solar photovoltaic (solar PV) generation, the current electricity demand would be met. Similarly, Pakistan has a high potential for wind energy with some wind corridors averaging wind speeds of about 8 m/s. Run of the river hydropower, geothermal and other renewable energy sources also show promise. Alongside new renewable energy capacity, energy efficiency will need to take centre stage to ensure that the energy trilemma is targeted fully.

In its quest to contribute to global mitigation of climate change, Pakistan committed to 60% renewable energy and 30% electric vehicles by 2030 in its updated Nationally Determined Contribution (NDC) 2021⁹. It also made a pledge to ban imported coal. The document was careful to point out that 35% of this figure is in fact 'conditional', contingent on mobilising international sources of finance. A clean energy transition for Pakistan comes with its costs, with estimates showing an upwards of USD 101 billion¹⁰ by 2030. The World Bank¹¹ placed its estimate to USD 348 billion for Pakistan's adaptation, resilience and decarbonisation.

Access to international climate finance is then critical for Pakistan to achieve a clean energy transition. Developing effective climate policy instruments, such as Carbon Markets as per Article 6 of the Paris Agreement is also key. Mobilising the private sector towards a shared goal of sustainability and climate action too may also be crucial for sustainability.

With clear goals of Pakistan's climate ambition, over the last few years, the Ministry of Climate Change has been developing a system for Monitoring, Reporting and Verification (MRV), a national carbon registry and an Emissions Trading System (ETS) framework. The Ministry is committed to the vision of a vibrant carbon market domestically, linked to international carbon markets. Pakistan also launched its first green bond in 2021, and is exploring other avenues in the international capital markets.

Transnational financing in support of the clean energy transition is an important agenda item for Pakistan's COP28 delegation. Pakistan is also looking towards Just Energy Transition Partnerships (JETP) which aim to accelerate decarbonisation in developing countries while taking measures to mitigate social costs.

At the heart of it, climate change is a complex global issue that requires multilateral solutions. The Clean

Energy Transition is a piece of the puzzle. For Pakistan, the road ahead may be long and arduous and require getting our house in order. This means that while it is important to look towards multi-stakeholder collaborations in the hopes of accessing international climate finance, there are important lessons to be learned from across Pakistan's policy space.

First, countries that develop a clear roadmap for the clean energy transition, and then clearly communicate a plan of action, have greater success in accessing climate funds. This was true of the first Just Energy Transition Partnership with South Africa which first sought pledges on the basis of a clear case of climate action at COP 26, and then communicated a robust implementation plan with actionable goals.

Second, climate change is a multi-sectoral issue that affects all ministries and departments, and cannot be viewed with just one hat on. Whether it is the just transition demanding clear targets for diversity, equity and social inclusion (DESI), or the design of a new climate bond, the nature of climate action is such that it demands effective coordination between departments and ministries. Local, provincial, national and international levels will need increasing levels of knowledge sharing and capacity building.

Third, the energy transition needs to be a just transition. The mistakes made in the fossil-fuel dependent energy crisis have widened disparities on the grounds of gender, class and other socio-economic factors. The clean energy transition will involve policy insights from front-line communities and local knowledge.

Last, clarity in vision will be the way forward for a cleaner energy future.

⁷GOP, 2023. https://www.finance.gov.pk/survey/chapters_23/14_Energy.pdf

⁸World Bank, 2020. <https://www.worldbank.org/en/news/feature/2020/11/09/a-renewable-energy-future-for-pakistans-power-system>

⁹Ibid.

¹⁰GOP, 2021. <https://unfccc.int/sites/default/files/NDC/2022-06/Pakistan%20Updated%20NDC%202021.pdf>

¹¹World Bank, 2022. <https://openknowledge.worldbank.org/entities/publication/614ddc2b-ca31-53c9-b59c-6bf12a56d336>

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CEASE AND DESIST: WOULD A CARBON TAX PAVE THE WAY TO A SUSTAINABLE FUTURE FOR PAKISTAN?

Manal Wasim

It is difficult to talk about the energy and power sectors in Pakistan without broaching the subject of the vicious cycle of circular debt. As of June 2023, the circular debt stock of Pakistan's power sector increased to PKR 2.31 trillion¹, upwards from PKR 2.25 trillion at the end of the previous fiscal year.

In an ideal world, the country could proceed with its transition to renewables, finally realising the solar and wind potential to its fullest extent. Unfortunately, the problem of circular debt proves a bit distracting, hanging over our heads like the sword of Damocles. However, the problem wasn't born out of nowhere. The circular debt crisis in the power sector was a result of the usual sluggish reforms arising from repeated administrative faux pas, operational losses from haphazard management, and political hesitations. But it's not too late to turn things around, if the government takes action now.

The heart of the matter lies in the power sector itself, which needs urgent and necessary reform, and we're halfway there. The International Monetary Fund (IMF) has provided us with a clear path forward, leading to the Fiscal Year 2024 Circular Debt Management Plan (CDMP)² this year. The main objective of the CDMP is to decrease the planned FY24 power subsidy, which amounts to PKR 976 billion, approximately 0.9% of the GDP. Additionally, the plan includes actions to counterbalance the anticipated FY24 CD flow of PKR 392 billion and hold the FY24 circular debt stock at bay (at the predicted end-FY23 level of PKR 2,374 billion, which is 2.2% of GDP). The successful execution of this all-encompassing plan is crucial to address challenges in the energy sector and lay the groundwork for a sustainable and resilient power industry in Pakistan. But is it enough?

The power sector needs more than a plan, rather a forceful push, to immediately shift to renewables. What better way to instill the values of a sustainable future into the hearts of these coal-powered giants than a carbon tax. During a 2018 national consultation organised by the Collaborative Instruments for Ambitious Climate Action (CI-ACA) in Islamabad, an outpour of representatives from the private and public sectors concurred that introducing a carbon tax in the country could attract investments in sustainability and clean energy, ultimately leading to a reduction in Pakistan's carbon emissions. A carbon tax gets the incentives right. If there is a carbon tax, every time somebody purchases fossil fuels, they now have to pay extra for the environmental damages. And make no mistake, the damages are grave and severe.

Many would argue that a carbon tax is beyond the scope of adaptation, and falls under mitigation, a problem of the Global North. To them I would say, mitigation is a global concern because emissions hurt everyone. One only needs to step into Lahore's atmosphere, cloaked with an ever-present, thick and toxic haze to concur. Emissions from the power and industrial sectors collectively contribute to 37% of the smog problem³, a figure far too high to be swept under the rug. Our power sector needs to be restrained and energies quite literally need to be redirected, for the sake of public health if not anything else.

Woollacott et al. (2018) show that a USD25/tCO₂ carbon tax introduced in the U.S. in 2020 and increased 5% annually until 2040 would produce USD 71-162 billion health benefits by reducing PM 2.5 and avoiding 8,559 to 19,329 deaths. If the carbon tax is doubled (USD50/tCO₂), the corresponding health benefits will increase by 35%⁴. Parry et al. (2015) show that countries that receive the highest health benefits from a carbon tax are Saudi Arabia, Iran, Russia, China, and Poland. If a carbon tax can work for the developing countries in this list, it can work for Pakistan.

While it may sound sinister, it doesn't have to be. The architecture of a carbon tax is designed in a way that it benefits the country even without accounting for co-benefits. For example, China's carbon tax is designed in a way that is favourable to its export-oriented economy, significantly reducing its economic losses from it. In Pakistan, taxes on fossil fuels in proportion to CO₂ for the same amount of energy output could be considered. This carbon tax would not just be a push for the power sector but also for the government to establish Pakistan's carbon market, complete with emissions trading schemes and carbon crediting.

The energy and power sector's extreme makeover is going to push it right into the arms of the vast and unexplored renewable energy potential in Pakistan. Pakistan has tremendous untapped potential to generate solar and wind power. According to the World Bank⁵, utilising just 0.071% of the country's total area for solar photovoltaic (solar PV) power generation would meet Pakistan's current electricity demand. Pakistan also has several well-known wind corridors with average wind

speeds of 7.87 m/s in 10% of its windiest areas. But the promise to shift to renewables is void of enthusiasm and Pakistan is still lagging behind.

Despite a number of successful projects, including the Quaid-e-Azam Solar Park, the installed capacity of solar and wind energy in Pakistan, at just over 1,500 Megawatts, is just 4% of total capacity, equal to around 2% of total generation. Pakistan's 2030 commitment was to level up to 24,000 Megawatts, a pipe dream without the right measures in place.

One of the glaring obstacles to solar adoption in Pakistan is the high upfront cost of solar panels and equipment. The majority of the population cannot afford to pay for the entire system in one go, and there are extremely limited financing options available. One solution that has worked for other countries like Kenya, is the pay-as-you-go (PAYGO) model. This model allows individuals to acquire a solar system with a small and manageable deposit after which they can pay incremental amounts on a daily basis. This system of payment in installments is something the government can facilitate to encourage an affordable transition to solar energy.

This kind of policy is one of the many that the government, with the allyship of the private sector, can implement, if it wishes to stay committed to a renewable energy transition. The time to act is now, free of political pressure and agenda, to secure a future for Pakistan and the planet.

¹"Pakistan's circular debt swells to Rs2.31tr in FY23". Business Recorder, September 2023.

²"The Economics of Circular Debt," SDPI, August 2023.

³UN FAO R-Smog Report, 2021.

⁴"Carbon Tax Design Architects for Developing Countries", Timilsina, G., August 2022.

⁵"Expanding Renewable Energy in Pakistan's Electricity Mix, The World Bank, November 2020.

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AIR POLLUTION

Sanval Nasim

Pakistan experiences horrific air pollution. The calamity has most likely existed for decades, but we've only now understood its scale and magnitude—mainly because of recent reporting of air quality data.

What do we do?

The answer isn't straightforward. The problem doesn't involve quick, easy fixes—we can't snap our fingers and wish it away. Complex externalities like air pollution don't magically disappear—despite our collective propensity to believe in the occult. The only way we can improve our cities' air quality is through broad, consistent, and robust policy action.

Many Pakistani cities consistently rank among the most polluted in the world.¹ PM_{2.5}—the most egregious pollutant—levels constantly remain well above the World Health Organization's standards as well as mandated local standards.² Exposure to such high levels of pollution significantly raises mortality and morbidity risks.

The Air Quality Life Index shows that exposure to current PM_{2.5} levels shortens an average Pakistani's lifespan by 4 years and an average Lahori's by 7.5 years.³ New evidence reveals air pollution's non-health effects, including reduced labour productivity, cognitive performance, and decision-making.⁴ These impacts cumulatively raise social costs, decreasing welfare and livelihoods.

Many Pakistanis erroneously believe that air pollution is a temporary, winter event. Air pollution in Pakistan is a perennial issue—we suffer poor air quality throughout the year. The problem becomes more acute in the winter owing to temperature inversion—a meteorological phenomenon which restricts airflow and traps pollutants—and rice-stubble burning.⁵ In this period, PM_{2.5} levels can lie an order of magnitude higher than

recommended standards and become visibly prominent. But pollution remains ruthless year-round, even if we can't clearly see it.

Pakistan's pollution woes don't stem from a lack of regulation. Pakistan has a rich history of environmental legislation. Starting with the Pakistan Environment Protection Act in the 1990s—which has now evolved into provincial environment protection acts post 18th amendment—the country has strong environmental rules and regulations on paper. Punjab, for example, has seven different types of pollution standards, including limits on ambient air quality and source-specific emissions.

Given this history, why does Pakistan continue to experience terrible pollution?

Pakistan may have strong rules and regulations on paper, but they operate within a weak institutional setting, leading to no meaningful improvements in air quality. Monitoring and enforcement remain woefully inadequate, rendering mandated air quality and emission standards pointless. Existing resource and capacity constraints preclude regulators (the provincial environmental protection departments) from effectively discharging their responsibilities.

¹<https://www.iqair.com/world-air-quality-report>

²<https://thefridaytimes.com/21-Sep-2023/avoiding-air-pollution>

³https://aqli.epic.uchicago.edu/wp-content/uploads/2023/08/Pakistan-FactSheet-2023_Final.pdf

⁴https://www.nber.org/system/files/working_papers/w29848/revi-sions/w29848.rev0.pdf

⁵<https://www.dawn.com/news/1654542/gasping-for-air-pun-jabs-perennial-air-pollution-woes>

recommended standards and become visibly prominent. But pollution remains ruthless year-round, even if we can't clearly see it.

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Pakistanis often point to China as a comparative example for pollution control—but this comparison is misplaced. China has done remarkably well in the last decade in combating air pollution, primarily through command-and-control—setting mandates and then using the strong arm of the state to monitor and enforce them.⁶ But China reduced pollution because it has a powerful state designed for leveraging command-and-control—it can quickly mobilise resources to put up and run the machinery required to manage the problem. Pakistan has a vastly different state structure—with weak resource and institutional capacity—which inhibits its ability to even come close to mimicking China's actions.

Many Pakistanis believe that ad hoc, piecemeal measures—such as school closures, short-term lockdowns, artificial rain, and urban forests—can address pollution. These measures are palliative—they temporarily lower pollution but don't stem it long term. The recent planting of Miyawaki forests in Lahore are great for aesthetics, providing shade, and lowering temperatures.⁷ But they don't filter pollutants such as PM_{2.5}. If you want better air quality, polluters must pollute less. This implies directly targeting pollution sources instead of mitigating its consequences.

The leading cause of urban pollution is vehicular emissions. Smog inspections and enforcement are prohibitively costly given current capacity. Addressing vehicular emissions requires both short-term and long-term planning. In the short-term, congestion charges can disincentivise driving and encourage commuters to carpool or avail public transport. Several cities around the world have successfully instituted congestion charges, with discernible improvements in air quality.⁸

We must also take clunkers off the roads and set new vehicular standards on engine efficiency and fuel quality. Just improving fuel quality isn't enough—it works only if it complements newer, efficient vehicles with emission reducing technologies such as catalytic converters. In the US, the corporate average fuel economy (CAFE) standards fueled (pun intended) automotive innovation, incentivising manufacturers to build efficient and cleaner vehicles.⁹ In Pakistan, stricter vehicle and fuel standards may require the government to relax its import taxes given the inability of Pakistani automobile assemblers to make competitive, innovative vehicles.

The long-term strategy entails technology transition as well as urban redesign. As electric vehicle (EV) technology advances and prices drop, Pakistan must consider scaling EV adoption.¹⁰ But the transition can't happen in a vacuum. First, people will require incentives to move to EVs—this is a double-edged sword because incentives such as tax elimination imply an end to a certain revenue stream. Second, people will adopt EVs if the necessary infrastructure (charging stations, regular power supply etc.) exists. With the current energy crisis in the country, providing a regular power supply for charging vehicles stands as a tall task.

Pakistan must also build smarter cities. This implies limiting sprawl, expanding public transportation, and encouraging pedestrians and cyclists.¹¹ Our cities are haphazardly designed, with workers commuting to distantly spaced areas for work. Smart cities have centralised downtown areas for offices, streamlining workers' commutes. Also, our existing public transport infrastructure is woefully inadequate. We must expand our public transport network so that more commuters can take advantage of this service. Given our obsession with suburbia, signal-free corridors, and vehicles, smarter cities seem like a pipedream. But if we want livable, breathable cities, we have no other choice.

Crop burning—and its concomitant pollution—usually makes the headlines in late fall. Rice-stubble burning—which occurs just before the sowing of the wheat crop in early winter—exacerbates pollution levels across large swathes of the country. Rural areas with good road connectivity experience labor migration. As a result, rural wages increase.¹² Farmers can't afford to hire labor to clear their land, so they opt for the most low-cost option—burning their fields. Though the government has banned crop burning, it doesn't work in practice—can't put thousands of farmers in jail.

⁴<https://aqli.epic.uchicago.edu/news/chinas-war-against-pollution-extraordinarily-successful-university-of-chicago-researcher/>

⁷<https://tribune.com.pk/story/2314702/pm-inaugurates-worlds-biggest-miyawaki-urban-forest>

⁸<https://www.sciencedirect.com/science/article/abs/pii/S0094119015000467>

⁹https://www.joseph-s-shapiro.com/research/OptimalMobileRegulation_maintext.pdf

¹⁰https://www.nber.org/system/files/working_papers/w29093/w29093.pdf

¹¹<https://file.pide.org.pk/pdf/Books/How-Pakistan-Became-an-Asian-Tiger.pdf>

¹²https://www.terry.uga.edu/wp-content/uploads/garg_2021.pdf

Recent work from South Asia reveals that the spatial nature of the crop burning externality prevents local officials from enforcing bans.¹³ Officials might put down fires in their districts if smoke from those fires affects their districts. But officials might not act if the smoke affects their neighboring districts. This externality is more pronounced on the India-Pakistan border, where inter-district coordination is absent.

Evidence from India reveals that payments for ecosystems services may help prevent crop burning.¹⁴ In this context, payments for ecosystem services entails paying farmers not to burn their fields. The payments allow farmers to rent machinery—Happy Seeder—that mechanically removes rice stubble. If the benefits of reduced crop burning outweigh the total payments, social welfare will increase, justifying the payments.

Scaling the Happy Seeder across rice farmers offers a long-term solution to crop burning. Given the current cost of the machine—roughly Rs. 900,000—most farmers would need subsidies along with financing options to adopt the technology. As with other technologies and practices, farmers might resist adoption, requiring concerted efforts to encourage and train farmers through agricultural extension services and social networks.¹⁵

A more sustainable way to limit crop burning is to disincentivise rice cultivation. Currently, farmers grow rice using flood irrigation—without paying the scarcity value of water. Charging farmers water's opportunity cost—discounted net present value of present and future streams of water use—may make rice cultivation financially infeasible, forcing farmers to switch to more profitable crops. A spillover benefit of pricing water is that it may dissuade farmers from growing sugarcane—another low-value, water-guzzling crop.

Industrial emissions comprise another important source of air pollution. Despite industrial emission standards, factories often exceed emission limits owing to high compliance costs and low enforcement risk. India has tested a few strategies to curb industrial emissions with partial success. Random independent emission audits in Gujarat reduce the incidence of false reports.¹⁶ Public disclosure of industrial emissions in Odisha harnesses public pressure to improve compliance.¹⁷ PM2.5 emission permit trading across industrial sources in Surat offers a more cost-effective method to achieve compliance relative to more traditional command-and-control (industrial emission standards)¹⁸. India's experience provides useful lessons that Pakistan can draw on.

Air pollution is killing Pakistanis. We can't afford to pretend that pollution isn't one of our primary challenges. The road to clean air is fraught with pitfalls. But makeshift palliative measures won't take us far. We need concerted policy action—not just on paper but in practice—and we need it now.

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¹³<https://osf.io/nyhz4>

¹⁴https://seemajayachandran.com/money_not_to_burn.pdf

¹⁵<https://ideas.repec.org/a/ibn/jsd123/v15y2022i3p68.html>

¹⁶<https://energy.mit.edu/news/new-approach-to-emissions-auditing-more-honest-reports-lower-emissions/>

¹⁷<https://epic.uchicago.in/wp-content/uploads/2020/09/Lessons-from-Implementation-of-The-Odisha-Star-Rating-Program-1.pdf>

¹⁸https://epic.uchicago.in/wp-content/uploads/2019/10/ETS_IN-DIA_ResearchSummaryFinal-.pdf

SOCIETY AND CULTURE



October, 2022

PAKISTANIS: WHO ARE WE?

BASICS Notes Number 3

Durre Nayab

Who Do We Think We Are: The Question of Identity!

Who do we think we are? What is our identity? The PIDE-BASICS Survey shows that these seemingly straightforward questions elicit very complex responses. The perception of identity cross-cuts many of the factors we are focussing in BASICS. It is a self-image that is both the cause and the consequence of a person's beliefs, attitudes and social capital. It is the 'feeling of we', the feeling of in-group with those having the same characteristic(s) that we think define us.

Identity "refers to the ways in which individuals and collectivities are distinguished in their social relations with other individuals and collectivities" (Jenkins, 1996)¹. How we socially interact, the people we trust, the vibrancy of communities and the way they are formed and function draw a lot on our sense of identity.

So what is the identity of those living within the boundaries of Pakistan? The PIDE-BASICS Survey shows that identity is a social construct, as it does not merely stem from the ascribed characteristics. Identity, the findings show, is based on some distinguishable characteristic(s) which are socially consequential as well. Social capital's notions of binding and bonding (see BASICS Notes 2) are linked to how the idea of identity is constructed.

Layers of Identity

We are Pakistanis. We are Muslims. We usually hear these statements giving the impression that identity is a single thing. PIDE-BASICS Survey's² findings tell us otherwise. **Identity is a multi-layered phenomenon with the majority not perceiving it in singularity.**

The survey showed that the most reported identities are linked to: i. religion; ii. nationality; iii. ethnic background; iv. caste, which is a sub-group distinct from the ethnic group, for instance, Rajput, Khattak, Kakar or Gujjar; v. being a human; vi. biological, that is the sex of the person; vii. relationship, with reference to someone like being a mother, father, son or daughter; and viii. one's profession.

¹Jenkins, R. (1996). Social identity. London Routledge.

²For details about the survey, see BASICS Notes No. 1.

Table 1 shows that the majority of the population has a multi-layered identity, ranging from 76% in GB to 44.5% in AJK. It is worth noting that the trends shown in urban and rural Pakistan are not very different (see Table 1). Among the four provinces, the population of Punjab has the biggest proportion that has a specific, single identity, with just half the population (50.6%) having a multi-layered identity. Among the regions, Islamabad Capital Territory (ICT) has the biggest proportion of the population with a multi-layered identity (89%), as can be seen in Table 1.

Table 1: Multiplicity of Identity by Region, Provinces and Region

	Pakistan	Urban	Rural	KP	Punjab	Sindh	Balochistan	GB	AJK	ICT
Multi-layered	61.5	60.8	62.1	68.4	50.9	64.0	64.3	76.0	44.5	89.0
Ethnic	2.4	2.2	2.6	3.2	1.8	2.2	4.0	2.7	3.2	0.6
Religion	12.3	12.8	11.8	10.8	16.7	8.4	10.5	1.3	28.3	5.8
Nationality	3.1	3.4	2.8	2.7	3.9	3.0	2.4	1.8	5.2	0.7
Human	6.2	7.3	5.2	7.7	7.8	4.7	4.3	3.9	8.9	2.5
Biological	2.2	2.2	2.2	2.9	2.6	1.5	3.6	0.6	2.3	0.1
Profession	1.9	1.8	2.0	0.4	2.1	1.1	4.0	7.0	1.1	0.5
Relationship	1.0	1.0	1.0	0.3	1.3	0.9	1.2	1.6	1.4	0.1
Caste	8.8	7.8	9.7	3.4	12.3	13.7	5.0	2.9	1.9	0.6
Other	0.6	0.7	0.6	0.2	0.4	0.5	0.6	2.2	3.1	0.0
Total	100	100.0	100.0	100	100	100	100	100	100	100

Source: Author's estimation using the PIDE-BASICS Survey dataset.

Note: KP- Khyber Pakhtunkhwa, GB-Gilgit Baltistan, AJK-Azad Jammu and Kashmir, and ICT- Islamabad Capital Territory.

Looking at those who report a specific identity, it is not surprising to see religious identity be the most common one, at both national and regional levels (see Table 1). Among provinces and territories, single religious identity is strongest in Punjab (16.7%) and AJK (28.3%), respectively. People of GB report the lowest single religious identity (1.3%).

National identity, that of being a Pakistani, as the single identity is not a strong one nationally, regionally or across provinces and territories (Table 1). Being a human is an identity kept by some, but many more give importance to caste as their single identity. It was a rather surprising finding that more than ethnicity it was caste, a narrower ascribed characteristic, that was considered more important by the people of Pakistan. Mainly two provinces push this rate up, namely Punjab and Sindh (Table 1).

Identities

The above discussion shows that a singular identity, whatever that may be, is not a reality for the majority of the people in Pakistan. Let us now see the various identities maintained by the populace.

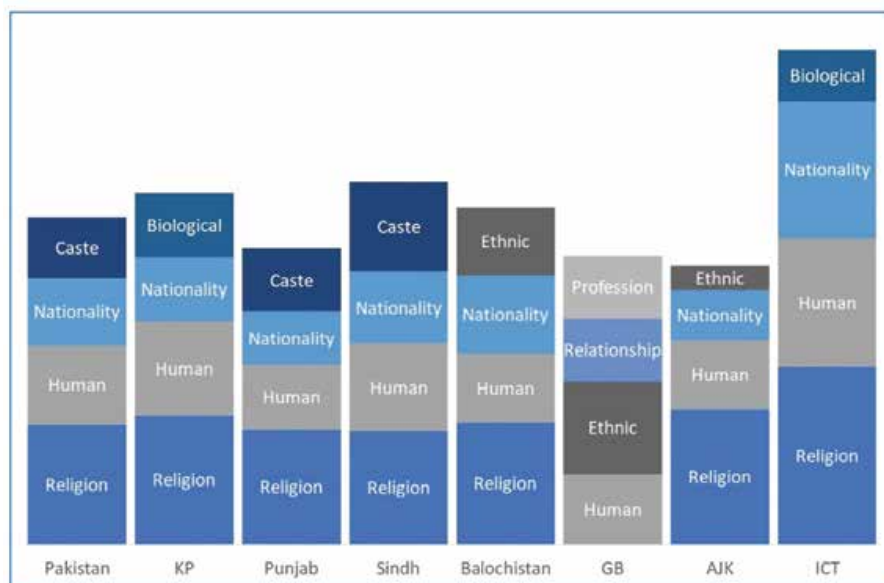
IDENTITY BY PROVINCE AND TERRITORIES

Looking at the national level, religion is part of the multi-layered personal identity for the majority (57.4%), as can be seen from Table A-1. Identity of being a human (38.4%), a Pakistani (32.4%) and belonging to a particular caste (29.4%) follow in that sequence.

If we look at the most reported identities, the four provinces and the three territories show a lot of variation in the type of identities and their respective prevalence. If we pick the four most reported identities across the seven geographical boundaries, the trend appears as shown in Figure 1. We see that:

- Being a human is an identity maintained by a substantial population across the whole country.
- Religious identity is a strong one, except for in GB where it is not among the top four identities.
- National identity is prevalent, with varying intensity, across Pakistan. **Among the four provinces, the largest proportion is in Balochistan which considers being a Pakistani as part of their identity, followed by Sindh and KP. The population of Punjab has the smallest proportion including nationality as a layer of their identity.**
- While ethnicity is an important part of identity in Balochistan, GB and AJK, it is caste in Sindh and Punjab.
- Being a male or female, is a major layer of identity in KP and ICT.
- GB has the most distinct pattern, with profession and relationship featuring among the major identities.
- ICT exhibits a strong multiplicity of identities.

Figure 1: The Four Most Reported Identities



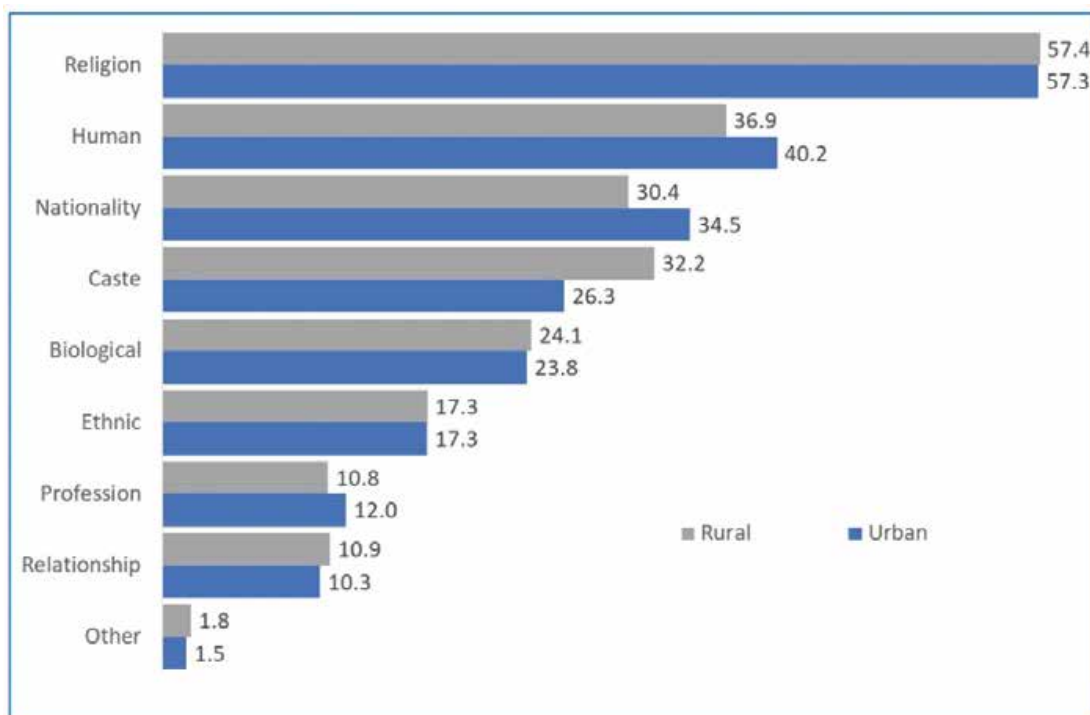
Source: Author's estimation using the PIDE-BASICS Survey dataset.

Note: 1. See Table A-1 for details. 2. Size of each block within a column represents the magnitude of the response.

IDENTITIES BY REGION

Contrary to the common belief, rural and urban Pakistan show very similar trends in how the population perceive their identity (see Figure 2). Nationality and caste are the two identities that show some level of difference, with the prior higher in urban and the latter more prevalent in rural areas.

Figure 2: Layers of Identity by Region (%)



Source: Author's estimation using the PIDE-BASICS Survey dataset.

Note: Includes multiple responses- the multi-layers of identity.

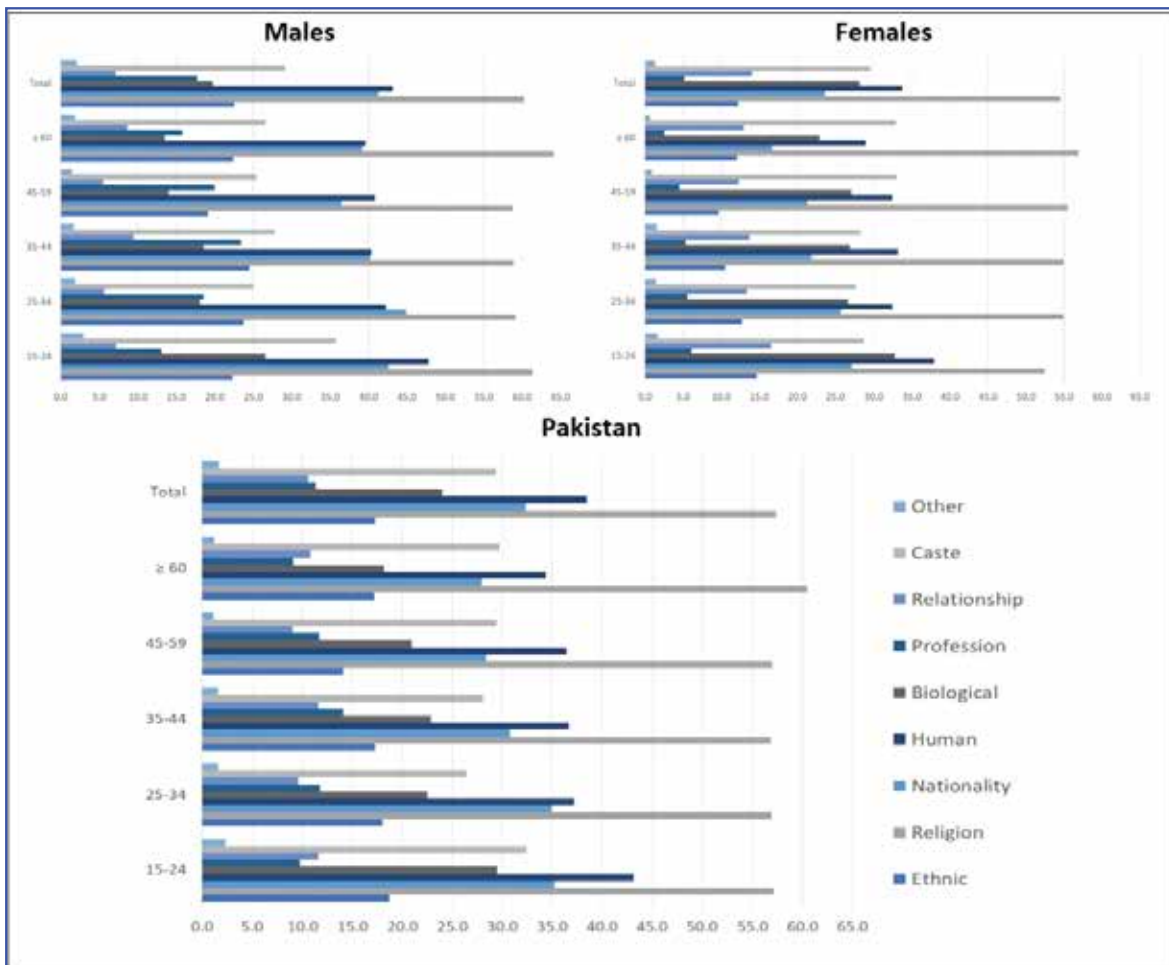
IDENTITY BY AGE-SEX

Age and sex define trends like no other demographic variable, and the same is true when we look into identities as well. Figure 3 shows the many layers of identity that the males and females of the country have at different ages. We see the following trends:

- Multiplicity of identities reduces with age
- Females have fewer layers of identity than males
- Religious identity is stronger in males than females

- National identity is maintained much more strongly in males than females, and by younger population than the older. The same trend is shown for those who consider being a human as part of their identity
- Caste as an identity reduces with age for males and increases for females.
- Relationship as a source of identity is more frequent for females than males across all ages.

Figure 3: Layers of Identity by Age and Sex (%)



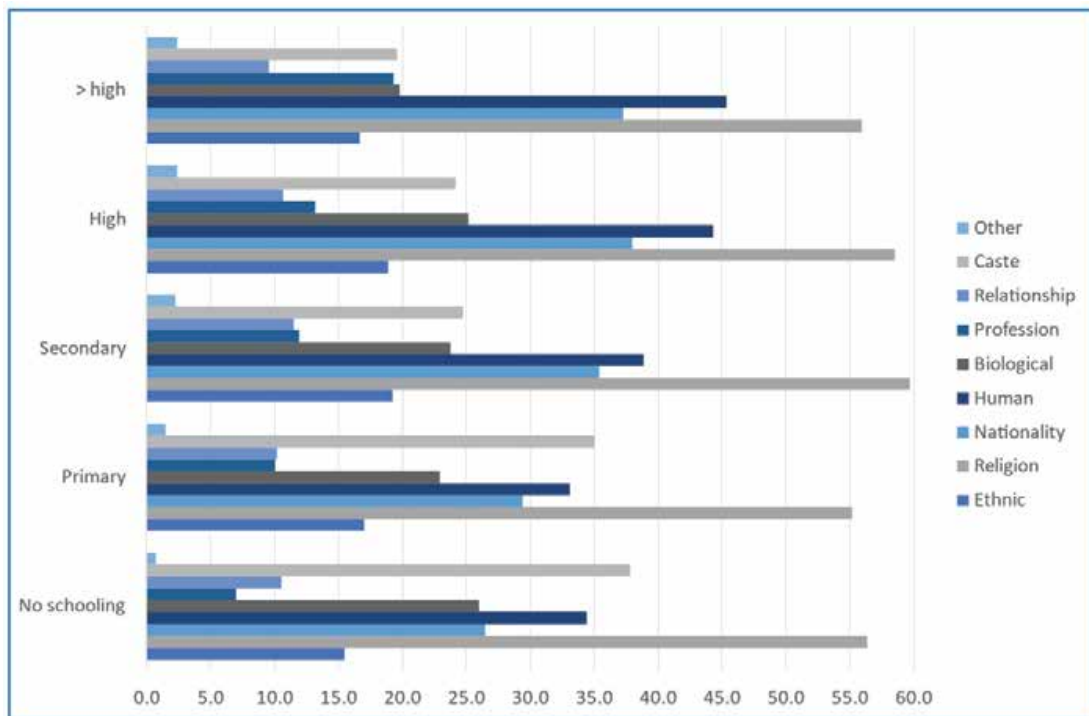
Source: Author's estimation using the PIDE-BASICS Survey dataset.
 Note: Includes multiple responses- the multi-layers of identity.

IDENTITY BY EDUCATION

Does education change the way people conceptualise their identity? Figure 4 shows the multi-layers of identity maintained by the people of Pakistan by education, and we see that:

- Religion and ethnicity as layers of identity remain almost the same across educational levels.
- Being a Pakistani (nationality) as an identity increases with increasing education.
- Increasing educational level shows an increasing proportion taking 'being a human' as a source of identity, as does profession.
- Caste as a layer of identity shrinks with increasing education.

Figure 4: Layers of Identity by Level of Education (%)



Source: Author's estimation using the PIDE-BASICS Survey dataset.

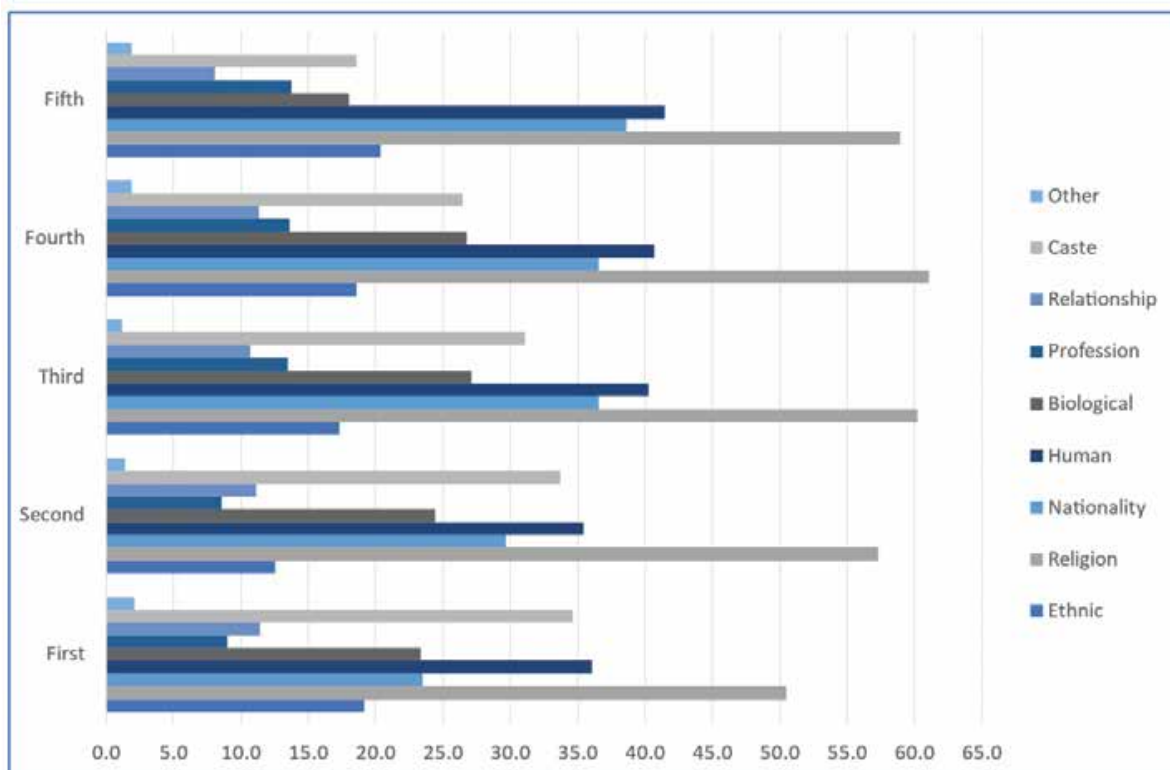
Note: Includes multiple responses- the multi-layers of identity.

IDENTITY BY INCOME

Lastly, we look into how identity varies with the income level of the household (see Figure 5). PIDE-BASICS survey shows that there are no major differences across the income quintiles, but the trends show that:

- Religious identity matters the least for the bottom income quintile.
- Nationality as an identity increases with improving income level.
- Caste as a source of identity is strongest for the lowest quintile, getting weaker with higher quintiles.
- Identity drawn from profession and being a human goes up, and that based on relationship goes down as we go up the income ladder.
- Identity stemming from biology is the strongest for the middle quintile.

Figure 5: Layers of Identity by Income Quintile (%)



Source: Author's estimation using the PIDE-BASICS Survey dataset.

Note: Includes multiple responses- the multi-layers of identity.



Annex

Table A-1: Identities Across Provinces and Territories (%)

	Pakistan	KP	Punjab	Sindh	Balochistan	GB	AJK	ICT
Ethnic	17.3	16.7	11.4	15.8	32.4	44.7	12.1	10.5
Religion	57.4	61.7	55.1	54.4	58.3	30.1	65.0	85.2
Nationality	32.4	31.1	25.6	34.7	37.6	27.4	23.9	65.8
Human	38.4	45.6	31.3	42.2	33.7	33.7	33.2	62.3
Biological	24.0	30.6	18.4	30.4	24.1	22.4	9.8	25.0
Profession	11.4	4.6	11.6	12.8	13.0	30.2	4.2	8.5
Relationship	10.6	4.8	9.2	15.2	8.9	30.4	3.1	7.7
Caste	29.4	29.6	30.4	43.5	25.3	15.4	9.4	3.6
Other	1.7	0.5	1.3	1.0	1.1	9.9	5.4	0.3

Source: Author's estimation using the PIDE-BASICS Survey dataset.

Note: 1. Each column would not add to 100 because of multiple responses- the multi-layers of identity.

The author is the Director Research and Pro-Vice Chancellor at the Pakistan Institute of Development Economics (PIDE), Islamabad.

PAKISTANIS: WHO ARE WE?

BASICS Notes Number 5

Durre Nayab

Social and Civic Engagement: Building Community or “Bowling Alone”?

Would Pakistan be experiencing the kind of crises—social, political, economic and one of identity¹ — that it is currently facing, if the country had better social and civic engagement? Would our democracy be more robust with more engagement by the community? These are rather complex questions to give a definitive answer to, but we have examples where extraordinary levels of people’s engagement have helped in developing a healthy community, and by implication a more vibrant democracy. It is premised that strong interpersonal sociability and associational life can create opportunities for people, foster a sense of efficacy, and constrain capture by any interest group.

Are people in Pakistan socially engaged or are they “bowling alone”? Bowling alone is an idea given by Putnam (2000)² in his study on the changing American behaviour over the decades. Putnam believed that Americans were becoming increasingly individualistic and disconnected from social structures — that is structures like clubs, associations, organisations, or bowling leagues. To him, more and more Americans were preferring to bowl alone instead of with others or in leagues.

Communities develop when there are opportunities for social and civic engagement to emerge. In the PIDE-BASICS Survey³, we asked people if they were members of any club or organisation, and if they did any volunteer work. In case they were, we asked them about the nature of the club/organisation, and the kind of volunteerism they did. Based on this information, the current Note will see the trends for social and civic engagement for the four provinces and the three territories, and across regions, sex, age, and education and income levels.

Social Engagement through Membership of Any ‘Social Structure’

The social structure holds society together. Social roles, statuses, networks, organisations, groups and institutions are the major components of any social structure.

¹See PIDE BASICS Notes, Number 3.

²Putnam, R. D., 2000, *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.

³See PIDE BASICS Notes, Number 1, for details about the survey.

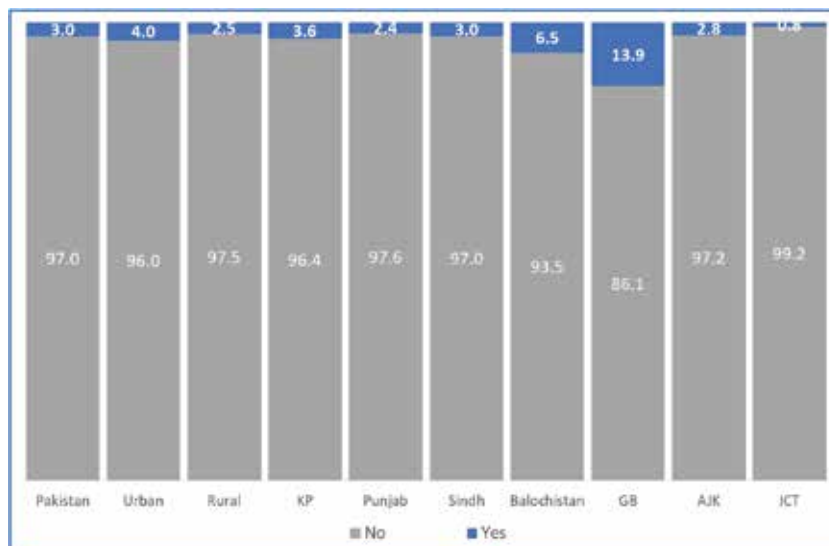
In this BASICS Note, we are looking at the membership of any club or organisation as a means of social engagement for people. It may be clarified here that the referred club/organisation can be of any size, nature and level of formality.

MEMBERSHIP BY PROVINCE, TERRITORY AND REGION

Figure 1 shows that only 3% of Pakistanis are a member of any club. The proportion remains generally low across the country, however:

- Slightly more people are a member of any club/organisation in urban Pakistan (4%) than in rural (2.5%).
- Among the four provinces, Balochistan has the largest proportion (6.5%) of the population that is a member of any club/organisation, followed by Khyber Pakhtunkhwa (3.6%) and Sindh (3%). Punjab has the lowest proportion of 2.4%.
- Gilgit Baltistan has the largest proportion (13.9%) of club/organisation members across all provinces, territories and regions.

Figure 1: Membership of any Club/Organisation (%)



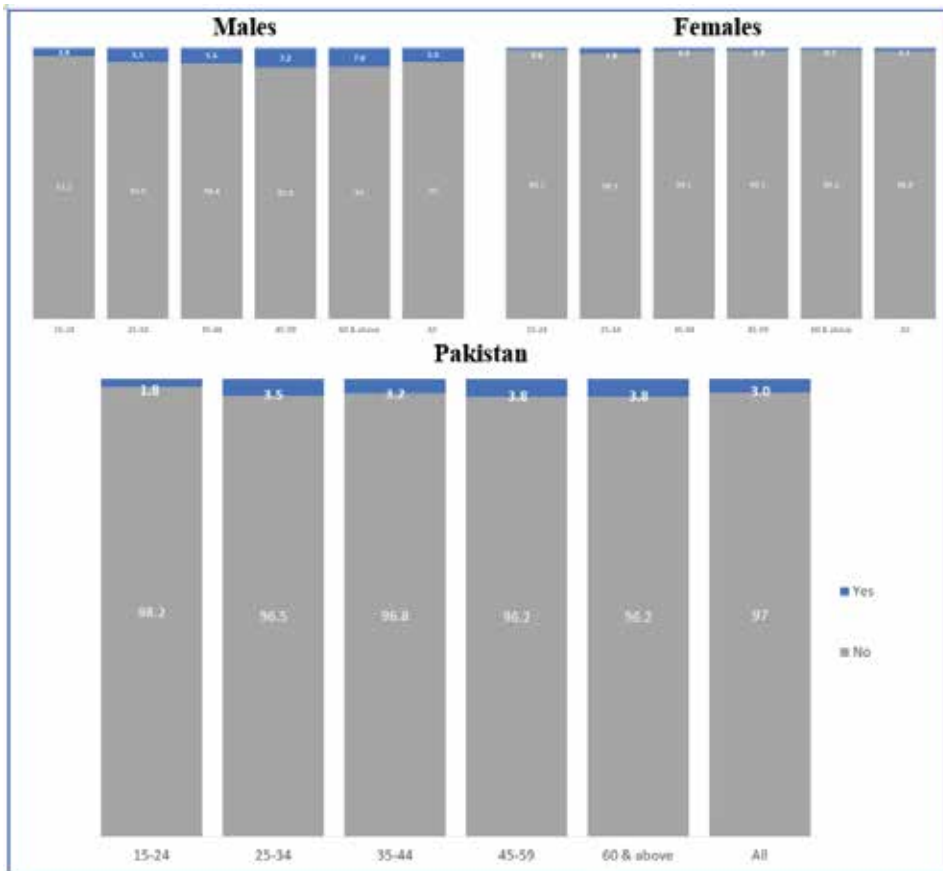
Source: Author's estimation using the PIDE BASICS Survey dataset.

MEMBERSHIP BY AGE AND SEX

Age and sex, as we have seen in previous BASICS Notes, have a major impact on all aspects of life, and this is true for membership of any club/organisation as well. Figure 2 shows the trends by age and sex, and we see that:

- Pakistani males (5%) have a higher rate of club/organisation membership than their female counterparts among whom only 1.1% have any form of membership.
- The rates remain generally low for all ages but is lowest among the young, i.e., those aged 15-24 year old.
- The rate is highest for males in age groups 45-59 and 60 years and above.
- For females the rates are extremely low, with those aged 25-34 years (1.9%) having a comparatively higher rate than those in other age groups.

Figure 2: Membership by Age and Sex (%)



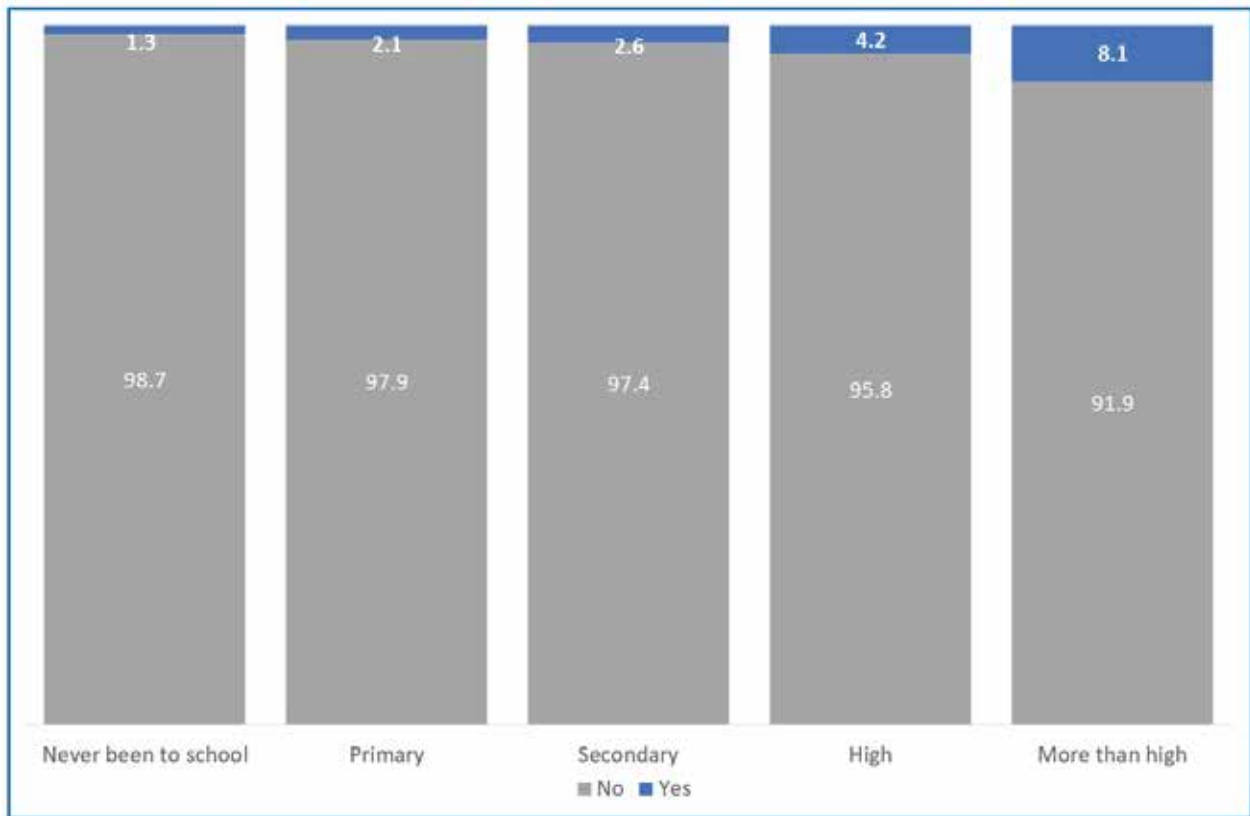
Source: Author's estimation using the PIDE BASICS Survey dataset.

MEMBERSHIP BY EDUCATION LEVEL

Within the generally low level of club/organisation membership rates, education shows to have an impact on the proportion of people who are members. Figure 3 shows that:

- Pakistanis who have never been to school have the lowest rate of membership of any club/organisation.
- The membership rates show an increase as we go up the education ladder, with those having more than high education showing the highest rate (8.1%).

Figure 3: Membership by Education Level (%)



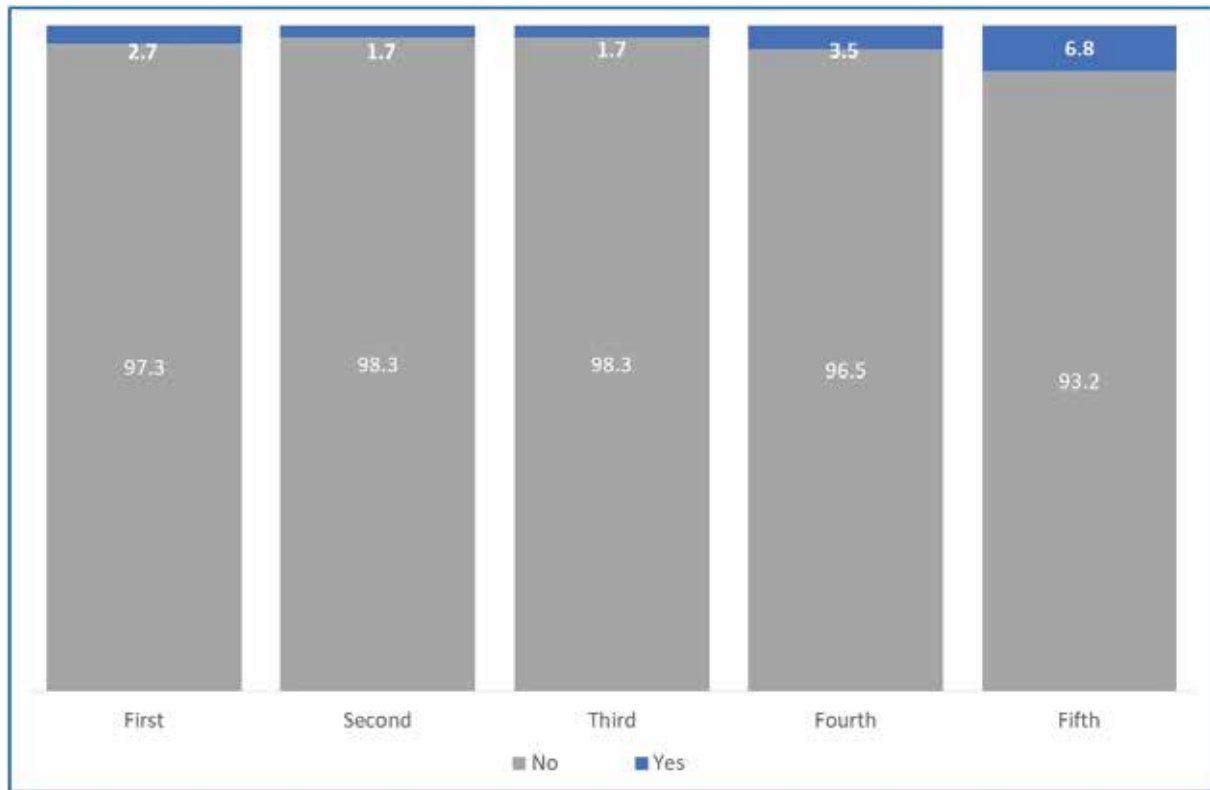
Source: Author's estimation using the PIDE BASICS Survey dataset.

MEMBERSHIP BY INCOME LEVEL

Does an individual's income level affect his engagement in any social structure? Figure 4 shows an interesting trend in this regard. We see that:

- The membership is lowest for the middle-income quintiles (quintiles two and three) - even lower than the first quintile.
- Income level has a positive effect on membership rates after the third quintile, and is highest for the richest quintile (6.8%).

Figure 4: Membership by Income Quintiles (%)



Source: Author's estimation using the PIDE BASICS Survey dataset.

NATURE OF CLUBS/ORGANISATIONS

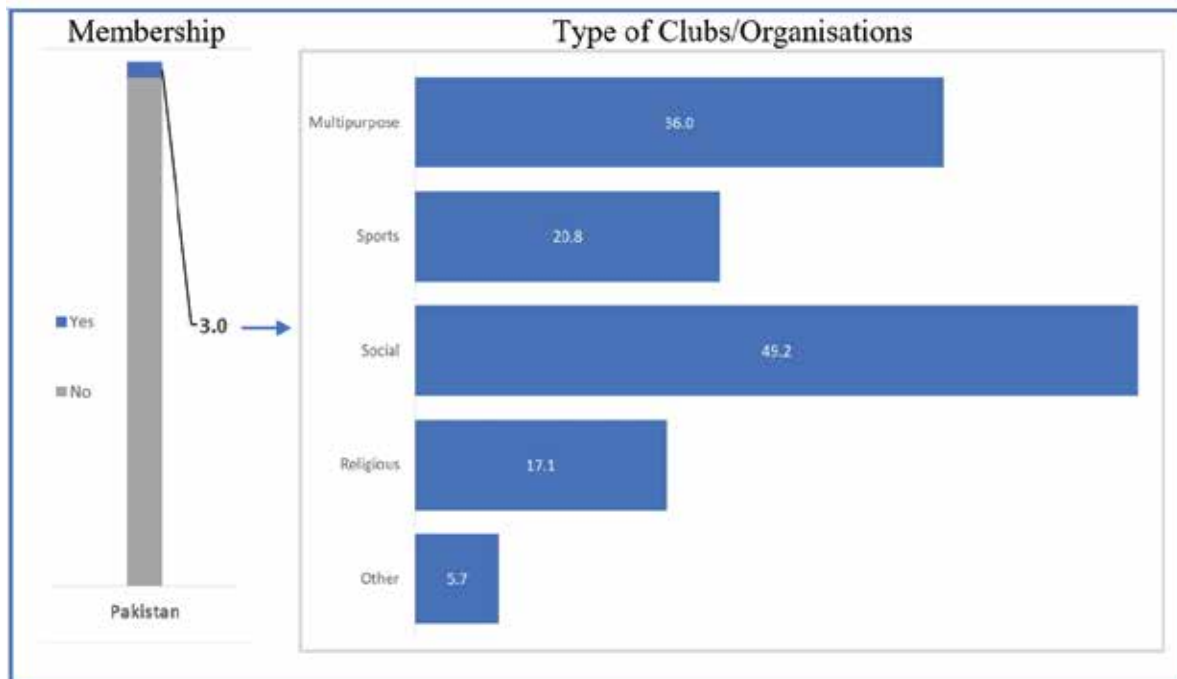
The above discussion shows that only 3% of the population of Pakistan aged 15 and above is a member of any social structure. Figure 6 shows the nature of these clubs/organisations. Since some people were members of more than one club/organisation, the figure below includes multiple responses.

We see from Figure 5, that:

- The clubs are mainly social, sports and religious in nature, with some being multipurpose. There were a few based on professions, neighbourhood and caste (included in the other category).

- Majority of those who are members are affiliated with structures serving social functions (49.2%), followed by multipurpose (36%), sports (20.8%) and religion (17.1%).

Figure 5 Nature of Clubs/Organisations (%)



Source: Author's estimation using the PIDE BASICS Survey dataset.

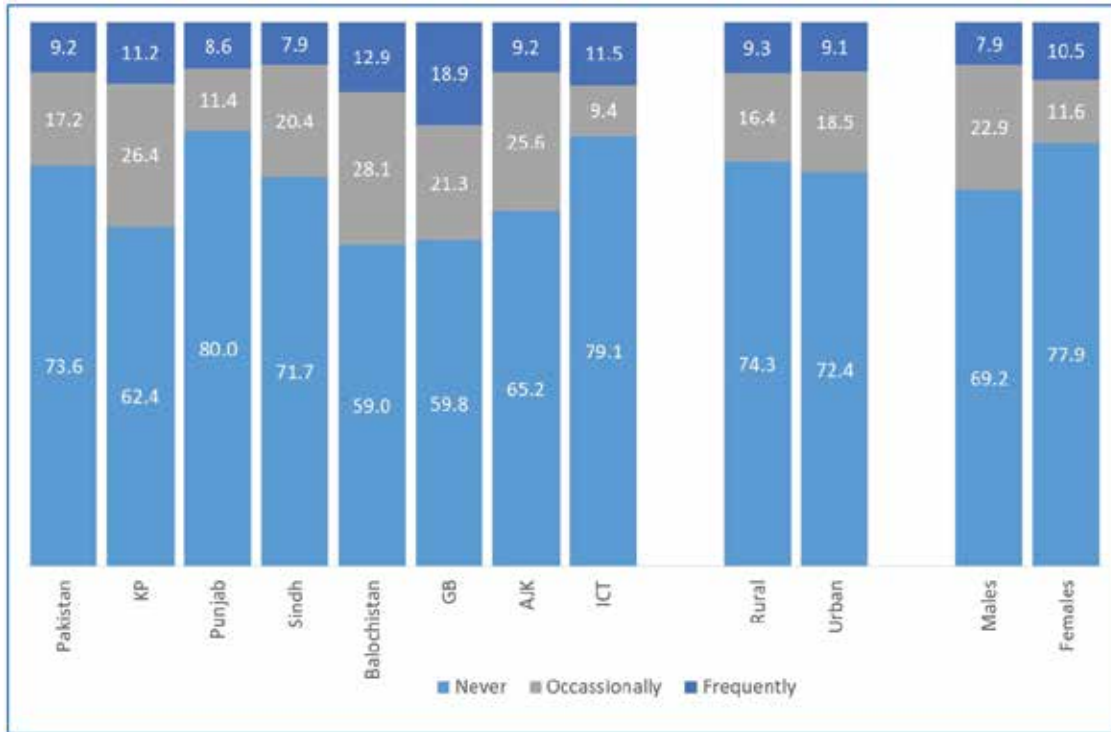
Note: Types of clubs/organisations show: 1. proportions out of the 3% who are members; and 2. multiple responses as a person could be a member of more than one club/organisation.

Civic Engagement

Civic engagement involves actions to make the quality of life in a community better. In the PIDE BASICS Survey, we gauged this through the involvement of people in voluntary work. As can be seen from Figure 6, we found that:

- At the national level, only 9.2% of the people did voluntary work on a frequent basis.
- As found in social engagement, civic engagement was stronger in Balochistan and GB as compared to other provinces and territories, respectively. GB had the highest rate across the country.
- Punjab had the highest proportion (80.1%) of those not involved in any kind of voluntary work.
- Not much difference was found between the urban and rural areas of the country.
- Males had a slightly higher rate of volunteerism than females, but not by much.

Figure 6: Nature of Volunteerism Across Provinces, Territories, Regions and Sexes (%)

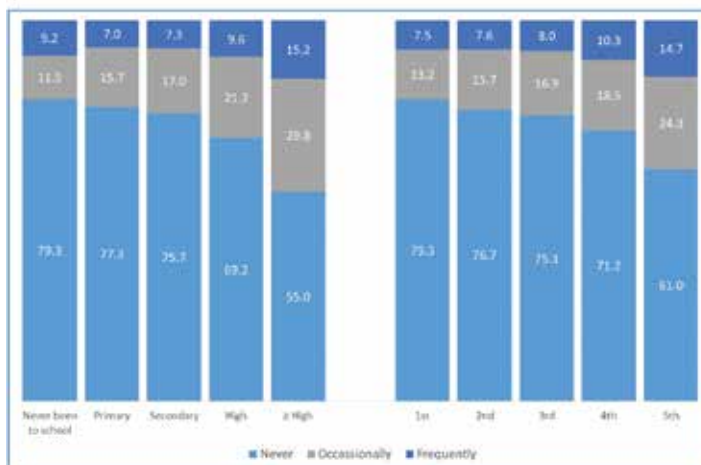


Source: Author’s estimation using the PIDE BASICS Survey dataset.

Figure 7 shows the trends of voluntary work across educational and income levels, and we find that:

- Volunteerism increases with increasing educational level, with those with higher or more education having the lowest proportion (55%) of those never being involved in voluntary work.
- Increased income levels are associated with a stronger involvement in voluntary work, as can be seen from the highest income level (fifth quintile) having the lowest proportion (61%) of those never engaged in voluntary work.

Figure 7: Volunteerism by Education and Income Levels (%)



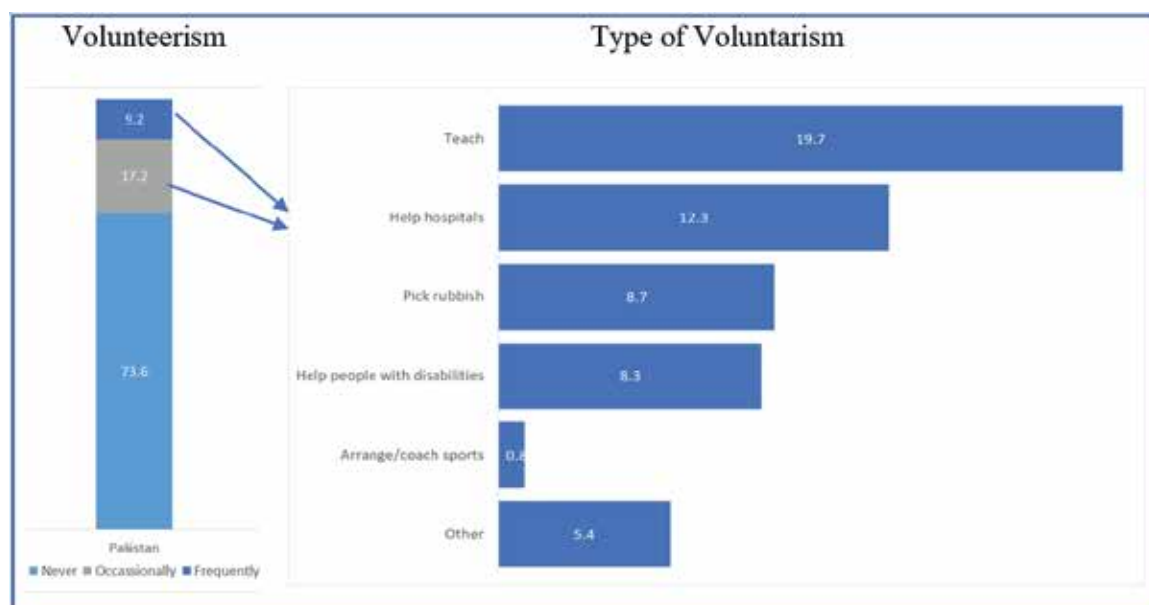
Source: Author’s estimation using the PIDE BASICS Survey dataset.

Those reporting to be involved in voluntary work, be it frequent or occasional, were asked the nature of the work they were doing. Those involved in more than one kind of work were allowed to give multiple responses. Figure 8 shows that:

Teaching and mentoring others (19.7%) was the most common kind of volunteerism, followed by helping hospitals by providing provisions (12.3%), picking up rubbish and cleaning (8.7%), and helping people with disabilities (8.3%). A very small proportion (0.8%) was involved in coaching and arranging sports.

Some other tasks (5.4%) that people were involved in included helping people out in the neighbourhood whenever help was needed, giving food to the needy, performing tasks at mosques and arranging/donating blood for patients.

Figure 8: Type of Volunteerism (%)



Source: Author's estimation using the PIDE BASICS Survey dataset.

Note: Types of volunteerism show: 1. proportions out of those involved in volunteerism; and 2. multiple responses as a person could be doing more than one type of act.

The author is the Director Research and Pro-Vice Chancellor at the Pakistan Institute of Development Economics (PIDE), Islamabad.



Picture Credits: Café Sol, Bahria Town

INCUBATING COMMUNITY CENTRES AND CREATIVE INDUSTRIES

Fahd Zulfiqar and Abbas Moosvi

Community centres create spaces of community engagement through socio-cultural events, recreational activities, educational seminars, workshops, awareness programs, and informational exchange programs. The purposes of developing community centres are community mobilisation and outreach, awareness and campaigning for various causes, skills development, education, and recreation. The scholarship produced on community centres shares commonality regarding the purpose, activities, and utilities of physical settings specified for community engagement. The literature is contextual when it comes to defining community centres as either spaces or places of community engagement. Islamabad has 3 functional community centres functioning under the Staff Welfare Organisation (SWO). Interviews with the employees of SWO were conducted by PIDE to understand the importance of community centres in Islamabad.

All the respondents agreed with the idea of having community centres in the cities. The reasons for having a greater number of community centres in cities vary between the domains of accessibility, communal engagement, socialisation, problem-solving and citizenry. The respondents explain the importance of city centres across various regions of a country because they function as a socialising space for people to interact in times of happiness and sorrow. Secondly, the centres are also important venues for people to engage in productive discussions. In this way, a community centre is both a recreational and an ideational space.

The data reveals the civil society function of community centres wherein people come up with solutions for communal issues and pool resources (economic and social capital) to devise a strategy. Rural settings allow people to interact more frequently, which is a rarity in urban settings. Therefore, the data emphasises building more community centres. Apart from being a socialising

place, the community centres also function as spaces for informational exchanges about the city's administrative, transportation, and communication systems.

All the respondents agreed that as compared to the population of Islamabad, the number of functional community centres is insufficient. When asked why Islamabad should have more city centres, respondents shared various views. Their responses were based on a range of factors such as communal needs, lack of socialising spaces, gatekeeping of elitist clubs, cramped-up residential zones, the revival of community activities in the existing community centres, and socio-cultural gatekeeping.

One respondent explains that the land allocation for residential areas is not equal in Islamabad. There are elite sectors where acres of land are allocated to VIPs, who can afford to arrange functions, gatherings, and funerals in their properties or can book expensive marquees or hotels. The same doesn't stand true for the majority. Therefore, community centres are needed in Islamabad. The respondent also alluded to the fact that mosques, which are strictly used for religious purposes in Pakistan, can be used as a place for running welfare, awareness and cultural activities which is the case in the West.

A similar view was shared by another respondent who by giving a case analysis of the G9 sector, detailed that those employed in federal government jobs cannot afford membership of elite clubs located in the capital. For this segment of the population to socialise, community centres are required, and the current number is insufficient.

A respondent from the Christian community centre also spoke of social heterogeneity but his reply, apart from class differences, also focuses on ethnic and religious differences. He also speaks of privilege as a social construct which plays a gatekeeping function in favor of the rich and against the underprivileged, including minorities. He articulated reasons for a greater number of community centres to house pluralistic groups and arrange diverse socio-cultural and welfare activities:

Respondent: "A lot of seminars are arranged in the capital. Most of them are arranged in five-star hotels such as Marriott or Serena. The people from remote or occluded groups will feel like misfits there. So, the concept of privilege which we have ingrained in our systems has a gatekeeping role to function. This way, such people are excluded from many social opportunities. The debates steered in such seminars may spark the spirit of doing better in life, but the social gatekeeping demotivates them to participate due to the way they look, dress, speak or what their identity is."

One of the most powerful forms of community centres are those dedicated specifically to arts and culture activities – serving to both nurture emerging talent in the performing arts as well as engage the general public in

events that inspire, educate, and entertain. Art has historically served crucial functions, including as a tool to challenge the status quo and bring definition to societal norms and values by captivating audiences, allowing them to let loose and forget about their troubles for a while. This is even more important in a country like Pakistan where economic vulnerability and poor governance have stripped citizens of any sense of hope and stability.

The Pakistan Institute of Development Economics has been conducting focus group discussions with stakeholders from across the artistic spectrum – including film, dance, music, comedy, literature and arts/culture centres – to ascertain the state of creative industries in the country. With each subsequent engagement, however, it has become increasingly apparent that the landscape is restrictive, unappreciative and, in some cases, outright dangerous. In the absence of joy and wonder, we forfeit the possibility of any meaningful prosperity.

Quality art is never a definitive answer, but rather a question mark, serving to provoke, resist and challenge. In Pakistan, this is made virtually impossible by the toxic culture of censorship that gives people the license to harass, intimidate and silence those that undermine the status quo. This is especially pronounced when performing in a physical capacity. Performers have to make do with infrastructure not meant for their specific style of art, like in cafes, and perform to captive audiences.

This creates a general aura of hostility and dismissiveness, and artists must forego a significant chunk of their earnings to the venue – sometimes even having to pay a fee simply to access the space. Performing in open-air public zones is also not an option due to Pakistan's urban landscapes being fundamentally anti-citizen: with little to no walking spaces.

With a dearth of revenue streams, artists are compelled to collaborate with corporations and/or foreign donors which assist them in making ends meet, but invariably restrict their creative freedoms. Performers must toe the line, make themselves 'presentable' and promote products they would never use themselves. The ones that aren't able to make the 'cut' for these, frequently based on factors that have little to do with talent, are forced to work soul-sucking office jobs. New digital media channels have created alternative possibilities, although one's audiences must necessarily be in the hundreds of thousands for these avenues to be financially sustainable. Naturally this works against emerging artists. When it comes to organising shows and festivals, artists must navigate a complex and time consuming bureaucracy that presents them with a host of hurdles – whether through bribery, taxation, paperwork or security checks. Shockingly, virtually all these 'requirements' are arbitrary, shifting and morphing at a pace that is difficult to keep up with. Most artists are thus advised to employ formal teams to deal with legal and logistical procedures –

something that multiplies their expenses, making it difficult to compensate performers.

Governance is also absent in the industry. There are no overarching authorities to facilitate artists and grant them resources, subsidise their activities, facilitate the acquisition of equipment, or simply bring them under one umbrella. The ones that do exist function as fraternities, choosing to collaborate with 'household names'. In other countries, governments fund artists for international festivals and conferences, contributing to the accumulation of soft power at a political level. They grant them jobs in state institutions and plan events in remote areas in order to expand outreach and unite the nation under a shared love of transcendence.

On an existential level, art triggers a sense of inquisitiveness in its beholders: expanding their imaginative capacities and inviting them to dream of a better world. If societal flourishing is represented by a tree reaching the Heavens, art is the intricate system of roots underneath, symbolising the collective unconscious, extending all the way down to Hell. In Pakistan, artists are stopped in their tracks before they can even begin.

Reform efforts must be fundamentally bottom-up in their orientation, with the needs, desires, and interests of those occupying the bottom rungs of society granted the highest priority. For that to be possible, however, information about what they are must be able to freely be generated and circulated across society: eventually reaching governing authorities that are then compelled to respond. One of the best ways to achieve this is through inclusive cities that house accessible community centres: allowing (and ideally promoting) space for discourse, exchange, and entertainment.¹

The authors are, respectively, Faculty Member and Research Fellow at the Pakistan Institute of Development Economics (PIDE), Islamabad.



¹Sections of this essay have been reproduced from one of the coauthor's articles in The Express Tribune, 'Pakistan's Stranglehold on Artistic Expression' – published on the 26th of December, 2021.

WHAT'S IN A NAME? THE INDETERMINACY OF POWER, POLITICS AND PEOPLE

Afrasiyab Khan

I have only words to play with...

What did he mean when Dostoevsky said that the Enlightenment is more important than the people and consequently they (the people) should be eliminated? Dostoevsky's brilliant sentence, as I understood it, leads us to the question: what good (or who) is the Enlightenment for? And what is this 'Enlightenment' or 'people' for that matter? And why should we care?

Let us pause briefly. Can a word cause such a visceral reaction but remain as poorly understood to people? Yes, I believe we can add the words power and politics to this list. Nearly everyone seems to have meanings for these terms. Let us look at some examples:

- If the 'people' wield it, 'power' is good. However, if wielded against the people, power is bad.
- People are the masses, the unwashed masses, the hoi polloi, sheep (and delightful sheeple), plebs, normies, commoners, etc. Why then should 'the people' have 'the power'?
- Politics is simultaneously important and at the same time not worth the effort (if it actually had the potential to change anything they – the people? – would not let you do it).
- 'Power to the people!' (I'm an old Leninist)

And so on.

However, amidst all this, these concepts seem to have a hazy, familiar resemblance if one squints hard enough. This essay is one such attempt at squinting to answer the questions implicit in Dostoevsky's sentence: what do the terms 'politics', 'power' and 'people' mean? And why should we care? I contend that these three terms fundamentally denote the same process. And there is a way to link them together.

A slight caveat. The discerning reader will have noticed that I am shying away from definition. It is because my aim is not to define. I want to bring out the central,

animating idea behind these terms. Without attempting to define I want to highlight their contours and place them side by side. Not only will this, I hope, show the essential continuity between them but also prevent much semantic hand-wringing.

WHY DOES CONCEPTUAL CLARITY NOT EXIST?

Before we begin we must address why this clarity is missing. Three things come to mind.

One, these terms are used with the assumption that the meanings are already known and hence need no clarification. Imagine all the 'people-friendly' budgets that have been passed in Pakistani history. Or all the talks of 'powerful quarters' or the abysmal 'corridors of power'. With no clarity, these terms become euphemisms for anything the person saying it wants them to be. Dangling signifiers.

Two, these concepts often come with suffixes and prefixes of all kinds. While these suffixes do not change their core meaning and only highlight aspects of the concepts being used they are often treated as separate things. Let us look at an example.

Green Politics: Politics that centres the natural world and wants to take power away from people who want to commodify, pollute, and damage the environment.

Nationalist Politics: Politics that centres on an often-times oppressed ethnic group and wants to take power away from the people who want to eradicate, kill, maim, destroy, and exploit this group.

While allowing for these gross oversimplifications, the idea of politics has not changed by the suffix before it. These are analytical separations.

Finally, these terms are often used with a moral dimension in mind. Power for example is often abused. Politics is often an elaborate pyramid scheme. People are either angelic sufferers or bumbling idiots. Is there a 'right' way to do politics? Or a 'right' way to use power? More often than not when we talk about these things we imply a 'right way' (and that is the one we happen to subscribe to). Morality has always been a right-wing concern and when used only allows us to see through a smudgy glass.

POWER

Why, then the world's mine oyster,
Which I with sword will open.

How to understand power? Given that people have made careers of this the task seems daunting. But in the carefree arrogance of ignorance, I concur that power is the ability to do what one wants in the face of opposition. The greater the ease with which this is achieved the greater the power. This can be done through coercive means or soft power.¹ In all its manifestations the nature of power remains constant. Violence, for example, is not an instance of power but rather a point of weakness because the respective goal has not been achieved and more effort is being exerted. The powers of money, conformity, religion and dare I say knowledge are all essentially this.

Understood in this way there is no abuse of power. Power can only be used. We might disagree with the goals but a massive gathering of people protesting a price hike and an armed battalion opening fire at them are doing the same thing.

POLITICS

And maybe what they say is true,
Of war and war's alarms.

Having somewhat understood power let us turn to politics. I begin by saying that politics, as I have understood it, is better explained by using the word *siyāsāt*. *Siyāsāt* (from the root words of *sāsa*) means 'the training of horses'² while politics (from the Greek *politēs*) means a citizen. The training of horses is a dynamic process with a clear goal in mind. This teleological dimension is also something that we found in our analysis of power. When viewed together politics then is the distribution of power and the organisation of societies based on access to it. A democratic society is one in which, ostensibly, power is diffuse. An autocratic society is one in which it is concentrated. These are all political systems.

Politics can in this sense be separated from the 'political process' which is an outward manifestation of politics itself. An example will help. Pakistan is a country with somewhat regular elections and yet is not a democracy by any stretch of the imagination.³

Another famous and somewhat poetic definition of politics as the 'art of the possible' is also explained when politics is understood to be jostling for power. Therefore, politics is not neutral. Political achievements or reform cannot be neutral. By their very definition, they take power from one group and give it to another. Any act that does not do this is not political and is hollow sound and fury in service of the status quo.

PEOPLE

Thus the great mass of the French nation is formed by the simple addition of homonymous magnitudes, much as potatoes in a sack form a sack of potatoes.

There is no such thing as the people.

You read this sentence with great derision. You say I am a person and some of my best friends are people. Non-sense you yell. To that, I say bear with me. And also in a whisper, 'I hope you remember the previous section'.

Humans are not an undifferentiated mass but have always been divided into groups of all kinds. These groups can be classes, ethnicities, genders, etc. Common interests can and do exist⁴ but patriarchy, for example, is in the interest of men as a group as opposed to women as a group. Even if patriarchy is ultimately harmful to both of them. Even in this man-group and woman-group, we find differentiation. Using the word people cannot paper over these differences and often the word people is used to disguise the imbalance of power that exists in societies.

Let us imagine a newspaper headline, 'PEOPLE DON'T PAY TAXES' with the logline being, 'People should pay more taxes'. You read it and nod your head in agreement. How true! People should pay more taxes. But when you say people you do not mean yourself or the people that you interact with. After all, you just paid so much in sales tax and did you see the electricity bill? In Pakistan, a country in which the poor subsidise the rich, the wealthiest pay a negligible amount of taxes. It is not the rich that are being hit by these high bills. They can afford to do so. Saying 'people' helps them get away with it. It turns specific misery into general malaise.

¹What a quaint oxymoron. Can power ever be soft?

²Horses are more important to our concepts than we think and the reader would do good to look up the etymologies of the words *farasāt*, *cavalry*, *chivalry* to name just a few.

³By confusing politics with the political process we have ended up making a fetish of the ballot. Elections do not a democracy make.

The use of people here refers to some abstraction and is hiding this fact. People-friendly policies are an impossibility in terms. Aesop's fable of the Man, the Boy and the Donkey was more prescient than we give it credit for. Who is what in that fable I leave to your capable judgement.

So I suggest that instead of people we must refer to the specific group we are talking about.⁵

THE RELATIONSHIP BETWEEN THESE CONCEPTS

We have finally reached the end and here I would like to reiterate what has been talked about:

- Power is the ability to do what one wants in the face of opposition.
- Politics is the distribution of power in a society.
- People do not exist. Groups do.

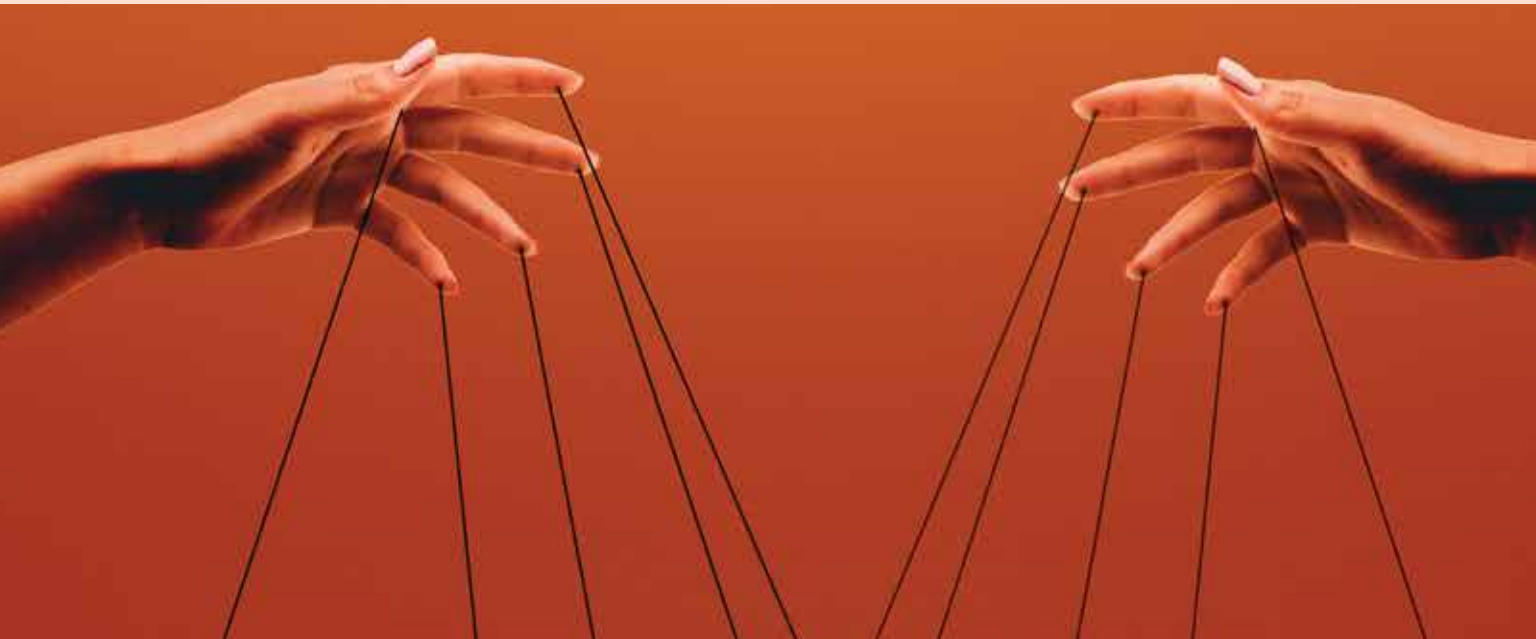
We can now see a similarity between these three things. Let us rewrite it:

Politics is simply the act of taking power from one group and giving it to another. If it has a moral dimension it is only so far as you want to give power to a specific group. This is a dynamic process and can vary across time, cultures, etc.

Right-wing politics, traditionally, has been about maintaining power as it were. In its more modern form, it has acquired a radical dimension and wants to actively take society back to a previous iteration. Left-wing politics is about doing away with the need for politics altogether. Any progressive idea is necessarily negative because it wants to do away with itself.

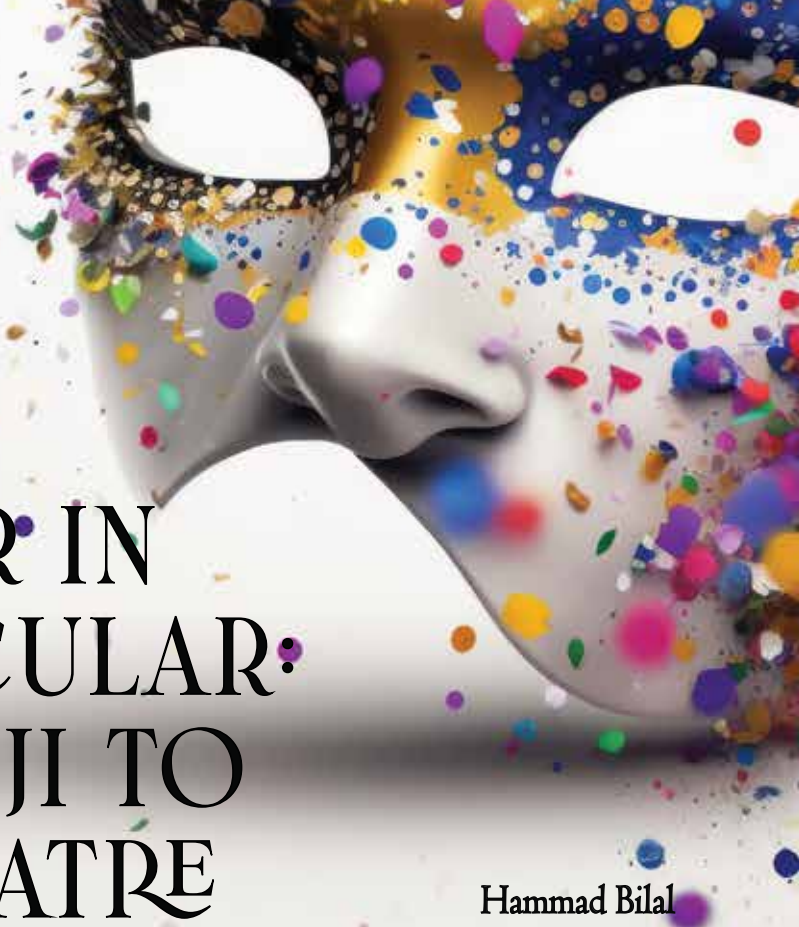
Finally, why should we care? If we accept politics to be about taking power from one group and giving it to another shouldn't you want your group to win? 'We do not say that a man who takes no interest in public affairs is a man who minds his own business. We say he has no business being here at all'.

The author is a researcher interested in gender, development, anthropology, and their intersection.



⁴ All experience is universal experience.

⁵ The Communist Manifesto would read as a comedy if the word proletariat was replaced with people.



THE VULGAR IN THE VERNACULAR: FROM MEERAJI TO PUNJABI THEATRE

Hammad Bilal

For a State of the pure, Pakistan is obsessed with the obscene. But with the simplistic yet irresolvable contradictions and implications of the term in our parlance, it might do us good to qualify the ‘obscene’ and put the definition out of its misery. The ‘obscene’ is a challenge, a transgression, a counter-position to that which is mainstream, normal. It is also, supposedly, and sporadically, the label attached to mainstream, commercial Punjabi theatre that is barely acknowledged in official legislation much less in regulatory practice, except in times of a ‘crackdown.’ Coincidentally, it is in the middle of one such crackdown, with show-cause notices served to producers and 23 stage performers in Punjab in August of this year. The charges of obscenity demand to be engaged with, and with it, the affective experiences and transfixed (male) gazes that these quasi-underground performances continue to bring to mass audiences at theatres around the region. But rather than qualify the boundaries of vulgarity factually, let’s look at another trickster, a cultural outsider to the art scene, the Urdu poet Meeraji. One might’ve opted for Manto too, a case study of colonial obscenity laws – those, mind you, that are still operational today: the Dramatic Performances Act 1876. But Meeraji blurs the boundary between the vulgar and the vernacular, the obscene and the stage-scene in a surprisingly resonant practice as does the precarious labor class that is villainised as enemies of public morality.

The public capitalist space has always had a contentious history between the desired and the commodified objects. This system of representation has been depicted

repeatedly in trials of the obscene, the vulgar, and the morally repugnant. But what exactly constitutes these overt, stratified aversions to particular cultural products as opposed to others that let bourgeois sensibilities actualise this divide between the public and the private, the moral and the immoral, the abstract and the ethereal? Pakistan’s arts and cultural machinery has deconstructed this ‘vulgar’ status quo without providing a much-needed alternative. The ramifications it bears on both commercial and parallel theatre though, are unalterable.

When pulled out of the ambit of South Asia, the infamous poet Meeraji (born Sana’ullah Dar) becomes an even ‘transcendent’ concept, who is not beholden to a single vernacularisation but accesses multiple strands of different languages — spanning the cultural to the spiritual or the intellectual capital of both the Western and the Eastern worlds. In the milieu of Meeraji, these rich aesthetic sensibilities are synthesised to the point of opening up more possibilities for Urdu, specifically lyrical text in Urdu, and adding value through vernacularisation. It is ironic that lyrical romantic poetry can be as brutal as this. But Meeraji’s craft continued to explore the mimetic poetics of the workers, of the poor, of the gender minorities by adding his own code and inscribing it into a network of allusions — “ik baat meñ bhī sau bāteñ haiñ”.

The same metaphorical play has been the lifeblood of a particularly venal theatre, the ‘mujra.’ The recent spate of allegations against the genre in commercial theatre has been concerned with the layering of the script as a

conduit for racy, double-entendres. This in a nation where the literal language of abuse has always been female is an ironic notion. Even entertaining this notion for once, the stage is merely an encapsulation of all the different unyielding and dismal or equally appreciative and accommodating features of the mainstream's public performances and private obsessions. It is also true that one of those obsessions is staving off hunger and making a living. The 'low-brow' content in this theatre may not come out of a literary decision to add another prayer to the domain of theatre. It is on one level, simply what it proclaims to be, a 'commercial' enterprise.

But it is Meeraji's poem, "Adam ki Khala" that brings me to the central feature of my argument, how Meeraji rallied against being the passive representation, and became the active representative instead. They reflect on the controls placed on them by society, with the 'wind of the west' drowning out local noises. This could also mean the self-coloniser who has drowned out the voice of nature — in all its disparities and chaotic differences which state and society have taken upon themselves to hedge and hegemonise.

However, the State's response to ban public performances at Al-Hamra and under its PAC branches confuses the Artist as an Individual and the Artist as a Nationalist. Thus, mainstream theatre addresses itself as the source of public will, and does so without the evangelical conviction of their peers and predecessors in the more sanctified yet less mainstream 'parallel theatre'. Meanwhile, the encroachment of government in the philosophical realm of ethics dictates a stark reality for public performers who are now forced to cosign on to unregulated, 'private parties' as their means to a living. The implications of this unregulated medium are lesser security for the performers and greater physical and professional insecurity.

This is not to mention a grave cultural insecurity on a national level. Because, vernacular literature, poetics, or theatre, open up spaces into the particular and the local by abstracting it into the universal and at the same time ensuring that none of these things lose their purchase in this transformation. In tandem with our contemporary dilemma, Meeraji mobilised a convincing account of the labourer who is at the centre of different dialectics in his personal and professional life — both the personal and professional source of his identity, one informs the other. This playful process continues into vernacularisation and speaks to the record of literary writing itself. He does this by schematising the language of labour and tradition and envisioning its conversion into political terms, mediated by the terms of religion, into a 'labour' of commitment that the performer has towards their goals. It's easy to notice the same labour that curtains and calls on to the stage a nightly ritual of dance and performance at any one of the numerous commercial Punjabi theatres that for one, centre female performers and pay them accordingly — the highest of their male counterparts.

Perhaps a startling comparison at first, one sees words of cultural significance in both Meeraji and our mainstream theatre, portraying aesthetic objects and using them to transmute a point to serve their philosophical point of view. Both use vernacular not just as an ideal, but in practice and use its linguistic and cultural possibilities to exalt its status. They differ from Oriental terms of service and present their own conceptualisation of the Oriental objects. Thus, we can excavate similarities between the two in their objective — their etiology might be different i.e., their motivation for diving into this enterprise might be different, and their approach largely different — one uses Azad Nazm in the post-modernist tradition, and the other regards bodily performance as a vital part of composition — but the prognosis is roughly similar. The prognosis is that both claim back the vernacular tradition through poetry and dance — where both have been rallying against the colonial subjugation of local languages and traditions through an appeal to the local craftsmen who have been relegated to the periphery amidst the coloniser's dichotomisation of local knowledge systems as secondary to European conception of art.

Similarly, the theatre of the vulgar, so deemed to ostracise it from the norm, is also about professing one's appetite in a franker way without self-judgment, instead of a society that denigrates appetites and freedoms. Meeraji too, by writing as a pornographic writer, is recast into the role of a minor hero. That particular activity is brought to light in the following evidence that Meeraji left off his struggle — you can't read the anguish of the migrant, who feels like an outcast in his own society, who has been ousted either by foreign colonisers or regressive attitudes in his own society, but in writing Meeraji makes it articulate. One senses that he has more in common with the economic or social outcast than appearances may betray.

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ONLINE COMMUNITIES, SENSE OF BELONGING AND BEYOND

Saman Nazir

“People in virtual communities do just about everything people do in real life, but we leave our bodies behind.” (Rheingold, 2000, page xvii)

Can we consider online groups as 'communities'? What criteria define a space as a 'community'? In the ever-evolving landscape of sociological discourse, the concept of community remains a central theme, adapting to the digital age. Traditionally defined by three key elements—a collection of individuals, shared activities, and a connection to a specific geographical area (Hoffer, 1931)—communities have undergone a transformative shift. Contemporary communities are no longer restricted by physical proximity; instead, they find their foundations in communication through various forms of connection.

The emergence of 'virtual communities', a term introduced by Rheingold, signifies the evolution of social spaces on the internet, especially in the early days of online forums, bulletin board systems (BBS), and Usenet groups (Rheingold, 2000). Rheingold draws parallels between these online spaces and physical communities, emphasising shared interests, norms, and mutual support. Despite the observations originating during the early stages of the internet, Rheingold's insights continue to provide a fundamental understanding of how online communities form and the dynamics of social interactions within them (Rheingold, 2000). Rheingold's concept of 'homesteading' further deepens our understanding of online community dynamics. Analogous to historical pioneers creating communities on unclaimed land, digital homesteading involves individuals actively shaping and caring for online spaces, contributing content, setting standards, and fostering a sense of belonging (Rheingold, 2000). This digital realm mirrors physical space, offering members both weak and strong ties. However, scholars like Fernback (2007) challenge the notion of online spaces as genuine 'virtual communities', contending

that they often serve as personal spaces rather than fulfilling broader societal needs. This debate underscores the complexity of online interactions, where feelings of friendship, respect, and acceptance may coexist with limitations in capturing the larger cultural idea of community.

In the realm of online learning communities, a paradigm shift in education is evident. Research affirms that participants in online learning communities experience a profound sense of belonging, positively impacting overall wellbeing (Rovai, 2002). Examples from studies conducted by Vázquez-Cano & Díez-Arcón (2021) and Yılmaz & Yılmaz (2023) highlight enhanced academic performance and engagement in virtual learning environments.

The influence of online communities extends to major social media platforms, particularly Facebook, as demonstrated by Noveck et al. (2021). Their report on Facebook communities, based on data from 15 countries, reveals that approximately 1.8 billion people use Facebook groups monthly, with 50% participating in five or more groups. These communities, often unnoticed, create unconventional norms and can be described as 'cross-cleavage' communities, breaking through social divisions and uniting individuals globally (Noveck et al., 2021).

To understand how people in Pakistan are engaged in online communities, a small survey was conducted that provides insights into how individuals in the region interact with online groups. The finding of the survey reveals a high level of engagement, with 72% of participants

affiliating with social media groups, especially on Instagram and Facebook. Respondents sought information on diverse topics, and a notable portion expressed agreement that online groups provide solutions to their issues and problems. The survey also sheds light on participants' experiences, revealing a positive view of involvement in online groups and a sense of belonging within these communities. Interestingly, a significant majority of respondents did not belong to physical community groups within their cities, emphasising the growing importance of virtual communities in today's interconnected world.

In conclusion, we can affirm that online communities are a reality of this modern world. Contemporary virtual communities redefine communication, enabling individuals to participate in multiple communities without being constrained by physical proximity. Operating outside traditional power structures, these online communities continually evolve, attracting members on the fringes of physical societies. Understanding human behavior in these virtual spaces is crucial for developing user-centric services that cater to the specific needs of these groups. As we explore the possibilities within this digital landscape, we witness a transformation in how people connect, collaborate, and support one another, paving the way for a more interconnected and prosperous future for all.

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While acknowledging the sense of belonging offered by online communities, it is crucial to address associated drawbacks, including potential misunderstandings, anonymous identities fostering distrust, and risks like cyberbullying and data breaches. As online communities continue to grow, solutions to these challenges are evolving.

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LEADERSHIP PATHOLOGIES

Neda Mulji

Here's an interesting question someone asked me recently. 'If you have two CVs in front of you and one is very experienced while the other is very skilled, which one would you choose?' Too many people choose experience by default, taking comfort in the fact that the person has done similar work before and will 'fit in' seamlessly. Often, it is exactly the opposite that is needed for growth – someone to come in with immense talent and a skill set to shake things up and set the path for innovation and change.

Recently, I read 'The Leader Who Had No Title' by Robin Sharma and it set me thinking about how many people miss this obvious truth about their jobs. Demonstrating moments of leadership or practicing it in one's

daily life requires no title. All it entails is a love of the job, an inner drive, strategic vision and positive communication with colleagues. Many people have the ingredients for leadership but wait too long to show it. Most people seem to have the idea that leadership requires playing on the front foot only after given the authority or the badge to do so.

However, the reality is exactly the reverse of it. Leadership titles come to those who expand their roles and responsibilities to take on initiatives for growth and innovation, those who can be bold enough to challenge the status quo and to support the vision of their organisation consistently with conviction and commitment. The power index in corporate culture and even academia

prevents many from taking steps towards leadership. Many people give up before they try. Some wait for approvals and accolades that they will never receive. Some lack the confidence to own their vision and try out new things against resistance. Still more have learnt to work silently under the directives of their bosses without adding value to their work or leveraging their unique abilities.

A close look at our education system will reveal exactly why this is the case. In our traditional set-up, interrogation and dissent are discouraged. Questioning authority is considered the equivalent of disobedience or rebellion. Those in authority have come to use fear-based tactics to win compliance, resulting in barriers that prevent students from free self-expression – who can, at best, share what is palatable to their teachers. These demons of thought control then follow us into the corridors of professional life. Our young people who haven't learnt to transition from being meek towards authority can't find the voices to challenge their bosses.

Too many become jaded right at the outset in their first job when they are brimming with ideas and enthusiasm but can't find the voice or confidence to show those in authority a better way of doing things. Historically, in our society, we have hired people and taught them how to do their jobs by exposing them to more experienced hands. This brave new post-COVID world is no longer a place for that mechanism. Young people now have far more knowledge, expertise and technical ability as well as access to a world of ideas through digital means. They need to be given the reins to show their employer how the job can be done in a smarter, quicker and more cost-effective way.

Unfortunately, our culture doesn't support such innovation. We have come to regard young people as naïve and not to be taken seriously until they have decades of experience under their wing coupled with some silver hair. Age is automatically worthy of reverence as is experience. It's about time we start considering what good experience can be in a world that is changing so fast, the old ways of doing things are not only outdated but also damaging. Rejecting cost-effective ways of doing things, for example, while we continue to churn the old wheel may mean loss and regression. Hiring three people to do the job of one person can have the same damaging effect. Failing to enable new talent to spread their wings can have the same effect.

Sadly, we have indoctrinated our young ones into believing that they must wait to be invited to show their talents, that they must maintain distance from authority, refrain from challenging those in power and remain subservient to experience. Another damaging perception is that somehow people can't transcend into leadership roles until they have 'paid their dues' and been through the rungs of the ladder that involve a whole lot of basic tasks and menial work. In today's world, we have quick digital apps for that. It takes young people less than an

hour to produce analysis that would entail long days of data-crunching in the past.

Ideally, we should be focusing on reading critically, questioning ruthlessly and communicating ideas in a way that sells. Much of the future will rely on selling communicable ideas, negotiating and reaching sound conclusions collaboratively. For that to happen, the more experiences ones may have to learn from the skilled, inexperienced ones and the leadership will need to join hands without barriers to fill this gap. If we could walk down a road where experience and skill go hand-in-hand and age barriers could collapse in equal measure, we would produce more leaders through sheer empowerment.

In most growth-oriented societies, vision is rarely achieved by fixing one part of the whole. Empowerment comes from giving access to ideas and innovation in all aspects of society and usually starts in the home and in classrooms. Where children are taught to think independently and act ethically, and are valued for their self-expression, they learn to become leaders with or without the titles of authority. They learn to give their best when they are taught to prioritise, respond to the job at hand and execute with the support of their teams. We lay little emphasis on getting along with people – our school systems don't teach conflict resolution, or even negotiation skills. Yet, these life skills can be learnt even in the early years and they pay remarkable dividends as young people navigate their intensely demanding work

lives. Too many people find themselves quitting jobs when they are forced to work with those they don't get along with. Rather than working strategically to get others on their side, they choose to confront and fall into a deadlock. A critical ingredient of leadership involves attuning ourselves to others, finding ways of making a pact where communication works both ways, where people are seen and heard and where collaborative efforts become the norm rather than a power struggle.

Here is where the role of Humanities in higher education is paramount. Societies that have traditionally valued and supported the growth of humanities and have focused on these subjects at all levels of schooling have produced a work force that is holistically developed to meet the challenges of their work life. A Finance graduate, for example, would need to learn communication skills to become a leader, critical thinking skills to analyse data, and creative imagination to be able to use the financial information to improve strategic outcomes in future.

We've often heard the adage that true leaders inspire and empower others, but we don't always teach leaders how to mentor their successors. Being told what to do and being shown how to do it is a thing of the past. Unlocking potential and enabling people to work out unique solutions and having the courage to experiment without fear of reproach would set forth more leaders than followers.

It's time our society embarked on 'the road not taken' as Robert Frost famously called it. Leadership is a journey to embark on, with a range of promising skills, not a destination to wait for. And on this journey, everyone is a leader no matter what their role.

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EXPLORING THE VALUE STRUCTURE OF PAKISTAN'S JOB MARKET

Henna Ahsan

Values are unwritten standards and fundamental beliefs that guide people's behaviours and judgments across different situations. In general, values are found to be socially oriented, multidimensional conceptions of desirable end-states that uniquely influence behaviour and attitudes. These desirable end states are affectively positive conditions such as honesty, fairness, integrity, openness, etc.¹ Organisational values are to the organisation what personality is to the individual. These lay down the basis of behaviour for people as individuals and also as a collective entity. These are the collective beliefs about what the entire enterprise stands for, takes pride in and holds of intrinsic worth. If the adopted values are reasonably congruent with the underlying assumptions, then the articulation of those values into a philosophy of operating can be helpful in bringing the group together, serving as a source of identity and core mission.

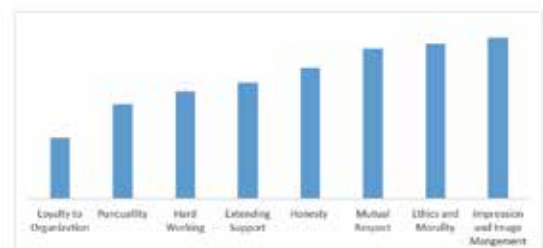
Keeping in consideration the importance of organisational values, we conducted a study to analyse the personal and organisational values prevalent in Pakistan's job market. The study employed a convenience sampling approach as the employees working in different public and private sector organisations of the twin cities (Rawalpindi and Islamabad) were approached through Google forms. Feedback was taken through well-defined questionnaires like the scale developed by Vveinhardt and Gulbovaite (2016, 2017 & 2018) to measure personal and organisational values and also the congruence between personal and organisational values. One hundred and eighty (180) individuals participated in the study.

Figure I shows the order in which participants ranked different personal values. It demonstrates that all participants ranked self-image and impression management as

personal values of the highest order. Second on the list was ethics and morality, which is an encouraging sign. As per Transparency International's latest report, Pakistan's ranks at 140 out of 180 countries in corruption perception index – so the high rank of ethics and morality as a core value is a positive sign the country. The value that ranked lowest was loyalty to the organisation. Possible reasons behind this low loyalty, also sometimes referred to as organisational commitment, is people (especially intelligent and highly qualified people) are always on a look for new opportunities which along with paying them handsome remunerations provide them escalators for career growth. Further, people staying for long periods of time in any particular organisation, especially in the private sector, are considered those that are unable to find any suitable opportunities to move on. Therefore, both competent and incompetent employees may not find any incentive in being loyal to their organisation.

FIGURE 1: PARTICIPANTS' RANKING OF PERSONAL VALUES

We have finally reached the end and here I would like to reiterate what has been talked about:



Regarding the importance of personal values, research shows that honesty leads a person to develop a strong moral character, to learn good behaviour, and maintain discipline – and ultimately such an attitude may manifest in a person being punctual on his/her job. Our results also show that in terms of personal values punctuality and honesty have the highest level of correlation, meaning that people who are high in honesty may also be more punctual on their jobs. Similarly, it is also observed that extending support and mutual respect are also highly correlated. This indicates that support is usually extended to peers and subordinates/supervisors in organisations where mutual respect is high. Mutual respect is extremely important both in professional and personal relationships. With mutual respect, we celebrate unique perspectives, opinions, and experiences that other people bring. It also encourages open dialogue where everyone can share their thoughts and feelings comfortably, and respond to each person with politeness, kindness, and understanding.

We all know that effective and open communication can encourage employees to trust and connect with each other and with their organisation. The importance of trust for organisations is manifested in the fact that honesty and openness go hand by hand in good organisations. Our results also confirm that there is a high degree of correlation between organisational values like openness and honesty. This may indicate that organisations that nurture openness may also help inculcate values of honesty amongst their employees. Employees consider an organisation open and honest when the job-related issues and company visions are communicated in an open manner to all stakeholders, and this subsequently leads to the strengthening of trust.

Further, it is also observed that conducive environments in organisations help promote creativity. Ideal work environments are set up in a manner that makes it easy for team members to collaborate and by providing ample communal space for people to talk and swap ideas. Such workplaces encourage creative thinking exercises, such as regular 'brainstorms or scrums'.² Similarly, our results also establish that constructive feedback in any organisation can be helpful in nurturing creativity by providing new perspectives and insights which can spark imagination or challenge assumptions. It can also encourage experimentation, recognise strengths and achievements, help identify areas of improvement, and build trust among peers.

Results further showed that almost all employees highly rated values like honesty, loyalty to the organization, etc. – however, women seem to be leading men on some values such as extending support,³

mutual respect, punctuality, and hard work. Due to cooperative nature of women and their ability to maintain interpersonal relationships with high levels of trust, they are likely to exceed men in traits such as extending support. Further studies also show that women are more likely to put extra effort into getting the assigned tasks done and also have a high task completion rate than men in many organisations.

Mean trends on organisational values also show encouraging figures for all attributes such as honesty, openness, conducive environment, etc. and here the private sector seems to be leading some fronts such as fairness, openness and creativity. Public sector organisations in Pakistan are usually governed by set rules and regulations and with a high level of conformity which leaves little room for creativity and innovation. Whereas such values are the major driving force for many private organisations as these provide a competitive edge over rivals, hence the high rating of values such as openness and creativity in the private sector. Further strict accountability practices and vulnerability of job in private sector may prevent people from indulging in unfair practices and therefore private sector is also leading on this front.

One of the interesting findings of this study is that openness in organisation has a low mean value for low and high levels of hierarchy, however the organisations where hierarchy level is moderate this value is at its highest. It is possible that in an organisations with low levels of hierarchy people may fear opening up whilst having conversations with authority figures. Similarly, with huge levels of hierarchy people may feel they have no say at all in organisational matters and thus prefer to stay at a distance from their colleagues.

An effective set of values could only be developed when input from all stakeholders is made part of the process. This should involve bringing to light the real tenets of the company's philosophy and how employees perceive them. In fact, it should be a three-pronged process: employees articulating their own set of values, company or top management laying down their vision statement or goals, and the development of mechanisms that can ensure constant communication between the two to ensure that sets of values are aligned to the maximum possible extent.

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