

PIDE Focus



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

❑ CHAIRMAN SENATE VISITS PIDE

Mr Muhammad Mian Soomro, Chairman, Senate of Pakistan visited PIDE on August 24, 2006. Dr Nadeem Ul Haque, Director PIDE, welcoming the chief guest said that we are extremely grateful to Chairman Senate, Mr Muhammad Mian Soomro for his visit to the PIDE. It is very important that politicians have started taking interest in think tanks like the PIDE. He said that Mr Soomro is a well-known banker and he restructured the National Bank of Pakistan as head of the organisation and now he is a successful leading politician.

Addressing the faculty of PIDE, the Chairman said that the formulation of strong economic strategies at the institutional level is a must to further improve the country's economic situation. He continued that besides the public sector, leading think tanks of the country must play their due role in research and national policy formation. He added that the role played by the social scientists is imperative for the resolution of key social and economic issues. The chairman further said that institutes like the PIDE can play an important role in designing strategies for the economic prosperity of the country. Concluding the address the Chairman said that interaction between the professionals working in the economic sector and the parliamentarians is essential for creating an understanding in the preparation and implementation of economic strategies. He also stressed the need for collaboration between the Senate and the PIDE on its research agenda.

❑ PIDE's HARD TALK

PIDE has developed a new forum called "PIDE's Hard Talk". The first of them was held on *Overcoming Water Scarcity in Pakistan: A Policy Agenda* on August 16, 2006. A panel of experts which consisted of Dr Sarfraz Khan Qureshi, Dr Zafar Altaf, and Prof. S. Hirashima, Dr Nadeem Ul Haque, who chaired the session, in his opening remarks, welcomed the panelists and several old PIDE staff members. Highlighted the important issue of water scarcity in Pakistan, Dr Haque said that it needs to be explored whether we would have enough water in the coming years to meet our needs or not? Every monsoon, the country is flooded but after the rains, the rivers are dry. Newspapers are often reporting scenarios of coming water shortage.

Dr Sarfraz Khan Qureshi said that there has been a gradual decrease in per capita water

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availability which can constrain the future growth of our country. There are two concepts of water stress and water scarcity; and Pakistan is a water scarce country. He pointed out that competition among the users of water is increasing over time. In the last 50 years, water for irrigation has doubled but as a percentage of total usage, it has decreased. Industrial water usage as well as municipal water usage has also increased. Another competitive use is demand for household use and sanitation. More significant than the issue of increased water supply is the issue of efficient water management. In Pakistan water is being wasted and water-use efficiency is not only low but declining over time. One of the solutions is the proper pricing of water.

Dr Zafar Altaf focused on the agriculture sector of Pakistan with respect to the problem of water scarcity. He stressed the issue of equity and efficiency of water-use in the agriculture sector and said that it is hard to determine water requirement for the whole country so we have to focus on the provincial requirements for water. Dr Altaf said that water use has to be judicious, but unfortunately, our society is not organised. He stressed rural/farmer awareness through efficient and effective extension system and rural education as the farmers do not understand the variables of agriculture.

Dr Hirashima said that water supply management is more important than the current trend of concentrating on increasing the water supply. He said that if one knows the production function of rice/wheat, it becomes easy to use water optimally; however, unfortunately this is not the case. In Pakistan when the subject of technical training is brought up, agriculture is ignored entirely. If one has to introduce better water management, we have to change the cultural practices of the farmers. Moreover, young people must be taught to make better use of scarce resources.

Dr Haque, in his closing remarks, noted that the discussion once again revealed to us the important paradox of Pakistan's policy-making. Economic research is very necessary and important yet we invest so little in such research. The panelists have raised important issues on water management that could help keep places like PIDE fully employed for many years. Although PIDE intends to carry this burden, it is too under-funded and under-staffed to do justice to such huge agenda.

□ RESEARCH AT PIDE

Perception Survey of Civil Servants

The Development Strategies and Governance section of PIDE is conducting a study on civil service reform based on a perception survey of more than 400 civil servants in Pakistan. The survey addresses the recruitment process; training; performance of evaluation; promotions and transfers; job satisfaction; mobility; and reform process underlining the civil service reform issues. Preliminary results of the survey will be presented in the upcoming PSDE meeting in Lahore.

“Province-wise Growth Patterns in Human Capital Accumulation” by Muhammad Sabir (National Expert, GRBI) and Zehra Aftab (Research Fellow, PIDE)

Despite convincing evidence of disparities in the provincial labour force no satisfactory measure of human capital stock at the provincial level presently exists for Pakistan. This paper is motivated to fill the gap in policy analysis by estimating the human capital index at the provincial level from 1982-83 to 2003-04. The accumulative human capital is estimated using the labour-income based methodology. The index is computed for the three sectors of the economy: Agriculture, Manufacturing and Services, by using data from respective Labour Force Surveys.

“Public-private Wage Differentials, Preference for Public Sector Jobs and Unemployment Duration in Pakistan” by Asma Hyder (Research Fellow, PIDE)

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

“Money and Inflation: Evidence from Pakistan” by Ather Maqsood Ahmed (Member, CBR) and Wasim Shahid Malik (Research Associate, PIDE)

It is well-known that the effect of money supply changes transmits into output and inflation, though with some lags. If this hypothesis cannot be rejected empirically then we can say that monetary factors play an important role in determining inflation. Whether this happened in Pakistan is the key objective of this study. The second objective is to estimate the central bank’s money reaction function. If there is inflation above some target level then—How does the central bank counter it?—is an important question to be discussed.

“Trade, Finance and Economic Growth in Pakistan” by Abdul Qayyum (Associate Professor, PIDE) and Muhammad Arshad Khan (Research Associate, PIDE)

The paper examines the joint impact of trade and financial liberalisation policies on the economic growth of Pakistan. In this context, we

apply the more recent econometric technique, namely “bound testing approach to co-integration” to examine the underlying link between trade, finance and economic growth.

“Basel Accord II: Implications for Pakistan’s Banking Sector” by Musleh-ud Din (Chief of Research, PIDE) and Muhammad Idrees Khawaja (Research Associate, PIDE)

The objective of the paper is to identify and examine the implications of the Basel Accord II for the domestic economy in general and the banking sector in particular. The study will also identify the role of regulatory authorities like the Central Bank and Securities and Exchange Commission of Pakistan and credit rating agencies, *vis-à-vis* Basel Accord II.

□ NEWS AT PIDE

IMF and World Bank Annual Meeting—Singapore 2006

Dr Nadeem Ul Haque visited Singapore for the 2006 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group. In addition to this, he also attended the special research workshop initiated by the National University of Singapore, Singapore Centre for Applied and Policy Economics (NUS-SCAPE) in cooperation with the World Bank and the Institute of Policy Studies. In the conference Dr Nadeem chaired the session on ‘China, India, and the International Financial System’.

PIDE Employees as PhD Scholars

On 16th August, 2006, PIDE bade farewell to five of its employees leaving for their PhDs on Fulbright and HEC scholarships. Mr Muhammad Ali Kemal (Research Economist); Mr Hasan Muhammad Mohsin (Research Economist); and Mr Omer Siddique (Staff Economist) left for USA on Fulbright. Ms. Hina Nazli (Research

Economist) went to Canada and Mr Rizwan ul Haq (Staff Demographer) to the Netherlands on a HEC scholarship.

National Consultation on MDG Costing (Pakistan)

On 19 September, 2006, national consultation on Millennium Development Goals (MDG) costing was held in Marriott. The event was organised by the Ministry of Finance, Islamabad. The exercise covered costing of three broad areas i.e. health, education, and water and sanitation, and financing of these areas at the domestic level, development partners support, and out-of-pocket expenditure for 2015 MDG targets.

Mr Faheem Jehangir Khan, Research Economist, PIDE, presented his research work on the costing of water and sanitation sector 2007-2015. Moreover, the financing analysis was also presented at the consultation, done by Dr A. R. Kemal and Mr Faheem Jehangir Khan.

National Conference on Urban Poverty

National Conference on Urban Poverty, a joint effort of the National Urban Poverty Alleviation Programme-UNDP and Agha Khan University, was held on August 28-29, 2006 in Karachi. Dr Nadeem Ul Haque gave the keynote speech on 'Overview: Current and Future Government Programmes for Improving Livelihoods in Urban Areas' on this occasion. Speakers at the seminar said that urban poverty could not be effectively checked unless pro-poor policies were made, income opportunities were increased and quality of life was improved.

SANEI Updates

Like in the previous rounds in the eighth round, SANEI opened up the competition to all branches of social sciences. Promoting policy-relevant research, proposals were invited on the

two important themes "Financial Sector Reforms" and "Higher Education". The request for proposals was widely advertised among member institutes and South Asian scholars in all the five countries of the region.

42 proposals were received as a result of the SANEI VIII call for proposals. Out of these, 15 proposals were from Nepal, 14 from Pakistan, 9 from India, 1 from Sri Lanka, 2 from Bangladesh and 1 was collaborative in nature. The proposals were allotted to the RAP members by the chairman SANEI for review and comments.

WORKSHOPS AND CONFERENCES

CITIES Conference

PIDE is organising a conference on 'Cities and Urban Issues' in November, 2006. The conference aims to address the many inter-related aspects of cities in Pakistan through a number of research papers and case studies. Participants with a variety of backgrounds and experiences, including urban planning, architecture, law, urban economics and representatives from city/district governments, are expected to contribute to a multi-faceted and holistic understanding of cities and urban life in the country.

AGM-PSDE Conference

The 22nd Annual General Meeting and Conference of the Pakistan Society of Development Economists (PSDE) will be held in Lahore, for the first time in the history of the PSDE. The theme for this year is 'Governance'.

The organising committee of PSDE, under the stewardship of Dr Nadeem Ul Haque (President, PSDE) and Dr Rehana Siddiqui (Secretary, PSDE) met on September 01, 2006 to discuss the plan of action. Members of the organising committee consist of Dr Muhammad Iqbal, Mr Muhammad Framurz Khan Kiani, Mr

Faheem Jehangir Khan, and Ms. Amara Saeed. Initially, the organising members were assigned tasks to raise funds for the event and to line up the logistics and invitations.

It is envisaged that the Quaid-i-Azam Lecture will be delivered at the Punjab University auditorium. However, the Alama Iqbal Lecture will be held at Government College University. Few Cultural programmes and events will also be included in the upcoming conference.

Panel Meeting on Civil Service Reforms

Panel meeting on civil service reforms (CSR) was held on 6th September, 2006. The agenda of the meeting included: finalising of CSR draft report; discussion on policy paper for the 22nd AGM-PSDE; and the perception survey of civil servants. Chaired by Nadeem Ul Haque, the participants at the meeting were Tasneem Noorani; Tauqir Shah; Zahid Saeed; Saeed Qureshi; Arslan Subuctageen; and Musleh-ud Din.

Impact of Various Macroeconomic Indicators on Poverty

PIDE is organising a consultation seminar on “Impact of Various Macroeconomic Indicators on Poverty” in October, 2006, which is based on ‘Macroeconomics on Poverty’ study by the United Nations Development Programme. Experts from all over Pakistan will be taking part in this consultation.

□ NURTURING MINDS – PIDE SEMINARS

Nurturing Minds is a weekly seminar series aimed at intellectual contributions and stimulating development discourse. The seminars are open to policymakers, researchers, planners, practitioners, educators, individuals from public and private organisations, and students. The series also encourages the latest and diverse research approaches.

Seminar 2006: 23. What Works in Education by Dr Faisal Bari (Visiting Fellow, Mahbub ul Haq Human Development Centre)

On Wednesday, 2nd August, 2006, Dr Bari presented his research-in-progress that investigated if there are schools in the larger system that still deliver quality. There were case studies, from across Pakistan, from across the public and private sector identified and researched by a team of researchers from various institutions. The talk mainly focused on researchers/audiences reactions to the preliminary findings.

Seminar 2006: 24. Development and Governance in Pakistan

by Mr Javed Ahmed (Executive Director, Cavish Development Foundation)

On Wednesday, 9th August, 2006, Javed Ahmed, through his paper, presented the success of donor efforts to understand the problems of poor governance. The paper attempted to find models/theories of changes that can contribute to improve governance and the effectiveness of institutions and explore the question of whether donor programmes are based on a sound understanding of the basic issues underlying poor governance and weak institutions in Pakistan.

Seminar 2006: 25. Stock Market Liberalisation in Pakistan

by Dr Fazal Husain (Visiting Fellow, PIDE)

On Wednesday, 10 August, 2006, Dr Fazal presented his study that investigates the characteristics of the Pakistani equity market, particularly the impact of liberalisation of the market in the early 1990s. The analysis indicated significant developments in the stock market in Pakistan after liberalisation. These developments do not seem to influence the economy, in general. The market is integrated with major

regional and international capital markets. There is clear evidence that the Pakistani market is affected by other markets in the long run.

Seminar 2006: 26. *Impact of Export Subsidies on Exports of Pakistan*

by Dr Nadeem Ul Haque and Mr M. Ali Kemal (Director, PIDE and Research Economist, PIDE)

On Friday, 11 August, 2006, a combined research carried out by Dr Nadeem Ul Haque and Mr Ali Kemal was presented. The paper looked at the long-term and short-term impact of export promotion and the export subsidies on exports of Pakistan.

Seminar 2006: 27. *Unprepared, Unwilling and Unfit: The Muslim in the Age of Information Technology*

by Dr Naheed Zia Khan (Associate Professor, Fatima Jinnah University for Women)

On Wednesday, 23 August, 2006, Dr Naheed presented her paper that reflects on some of the intricacies of the age of globalisation; critically reviews the interaction of the socioeconomic, politico and cultural phenomena prevailing in the Islamic world; and, makes an effort to argue that in many ways the modern world still appears to be moving along the centuries old divisive lines and, in the age of the Information Technology revolution, the crosscultural understanding and bridging is more warranted than desirable.

Seminar 2006: 28. *E-Village*

by Adeel Ghayur and Ammar Jaffri (Executive Director, H2O Power Limited & Project Director, National Response Center for Cyber Crimes)

On Wednesday, 30 August, 2006, Adeel Ghayur and Ammar Jaffri presented an introduction to the concept of E-Village, its

objectives and goals, the current scenario and proposed a strategy for the way forward. The presentation focused on the knowledge of ICT for development; worldwide initiatives; globalisation and localisation of technologies; and, the current status of knowledge of ICT for development of the future of ICT in the world.

Seminar 2006: 29. *Without Water: Economics of Supplying Water to 5 Million More Australians*

by Dr Muhammad Ejaz Qureshi (Senior Economist and Policy Analyst, CSIRO)

On Wednesday, 6 September, 2006, Dr Muhammad Ejaz Qureshi shared his research findings on the economics of meeting the needs of 5 million Australians using a CGE (Computable General Equilibrium) Regional Australian (TERM) Model.

Seminar 2006: 30. *Economy, Policy and External Shocks in Pakistan*

by Dr Pervez Hasan (Chairman, Working Group on External Sectors, Ministry of Finance)

On Thursday, 7 September, 2006, Dr Pervez Hasan, in his lecture, discussed the role of external economic shocks, notably the ever rising international oil prices and the earthquake calamity, in the sharp deterioration of the current account of the balance of payments. The lecture outlined the importance of developing clear strategies to handle both positive as well as negative external economic shocks.

Seminar 2006: 31. *Concurrence between Period Fertility and Contraceptive Prevalence Levels in Pakistan*

by Ghulam Yasin Soomro (Senior Research Demographer, PIDE)

On Wednesday, September 13, 2006, Yasin Soomro presented his findings based on various surveys. Different surveys have revealed that

fertility has declined from 6.3 to 4.4 life time births per women but has generated skepticism due to the fact of a marginal reported increase in contraceptive prevalence in an environment of a declining trend in breast-feeding levels in Pakistan. The problem of silent use and the estimation of consistency between the contraceptive use and the Total Fertility Rate was discussed by the application of the Bongaart's Model and its variants.

Seminar 2006: 32. Money Laundering and Terrorist Financing vis-à-vis International Financial Regime

by Syed Azhar Hussain Shah (Assistant Vice President, NBP)

On Wednesday, September 20, Mr Azhar's presentation focused on the present mechanism, means and impact of money laundering and the role of the International Financial Regime to curb money laundering with reference to its legislation, operational, regulatory and other measures at different levels. The impact of various measures taken by Pakistan's policymakers in controlling money laundering at the banking, corporate, business and organisational etc. level was also highlighted.

Seminar 2006: 33. Awake the Sleeper Within: Releasing the Energy of Stifled Domestic Commerce

by Dr Nadeem Ul Haque (Director, PIDE)

On Wednesday, September 27, 2006, Dr Nadeem highlighted the significance of one of the forgotten sectors of Pakistan—Domestic Commerce. The economy is a system that needs to work as a whole with domestic and external trade supporting each other. Stifling domestic markets while trying to push the external sector, as has been done in Pakistan, results in lopsided development. The presentation focused on the

factors constricting the growth of Domestic Commerce such as the lack of educated and trained human resource, physical infrastructure, frequent changes in government policies etc. The desired future state of Domestic Commerce, entailing professional urban management, secure and transparent property rights, privatisation of city centre government land, improvement in the legal and judicial system was also discussed.

□ TRAINING AT PIDE

PIDE had recently conducted a training project on *Gender Main Streaming (GMS)* to equip the professionals, the academicians, and the policymakers with the latest tools that help in building the capacity of government officials to mainstream gender in government policies, plans, programmes, and projects in all areas of development.

Three training courses on Gender Analysis and Project Appraisal for the mid and high-level federal government officers (i.e. BPS 19 and 20) and one training course for the government officers dealing with the basic level (i.e. BPS 17 and 18) were arranged with the collaboration of Planning and Development Division and the United Nations Development Programme under the GMS programme in the first quarter of 2005-06. The senior level courses were conducted on September 18-19, September 4-5, and August 9-10, 2006 with the participation of 36, 32, and 36 officers, respectively. The basic level course was offered on August 21-25, 2006, attended by thirty-eight officers.

□ PIDE IN THE NEWS

“Mr Muhammad Mian Soomro, Chariman, Senate of Pakistan visits PIDE” by Media Committee (PIDE), appeared in *The NEWS, The Nation, Pakistan Observer, Daily Express, Jang, Ausaf, Nawa-e-Waqt, and Business Recorder*, August 25, 2006.

PIDE's HARD TALK on "Overcoming Water Scarcity in Pakistan: A Policy Agenda." *Business Recorder, Dawn, The NEWS*, August 17, 2006.

Two Days Course on "Gender Analysis in Planning and Appraisal." *The NEWS*, August 10, 2006.

"Domestic Commerce for Pro-poor Growth" by Nadeem Ul Haque, appeared in *Business Recorder*, August 02, 2006.

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