

INTRODUCTION

The papers in this compilation assessed four regulatory authorities (the CCP, DRAP, NEPRA and PEMRA), two important government initiatives (Naya Pakistan Housing and the construction sector package), and policy requirements for an important sector of the economy (namely, SMEs). PIDE and the authors should be commended for taking on this wide-ranging challenge and presenting a wealth of information in each paper. With the exception of the construction and SME sectors, where independent research was already available, these papers can be said to be pioneers in the evidence-based assessment of the subjects they have addressed. Many of the observations in the papers would doubtless resonate with those who know the subject, either as specialists or those who are affected by regulation and government interventions. An important aspect of evaluation is the connection between research and policy, which also enhances the credibility and usefulness of evaluations.

First paper, **Market Regulations, Competition Policy and the Role of Competition Commission of Pakistan (CCP)** by Karim Khan and Ahmad Fraz starts with an introductory section on the importance of competition and the state of markets in Pakistan. Citing various sources, it concludes that “markets in Pakistan are poorly organised, with negligible competitive practices prevailing in the marketplace”. It notes, in particular, that: (i) Domestic competition is constrained by regulatory barriers to entry, market dominance by a few firms, and lack of effective competition policies; and, (ii) The level of foreign competition is low due to trade barriers, which are still relatively high. The paper then describes the Monopoly Control Authority (MCA), which was established to administer a law dating back to 1970, the limitations of the MCA, and how it was replaced by the Competition Commission of Pakistan (CCP) under an ordinance promulgated in 2007, which was passed as an act of parliament in 2010. The paper conveys the impression that the CCP and the law it administers are aligned with international best practices and current economic realities. The paper highlights four essential aspects of the Competition Act that prohibit the abuse of dominant position leading to anti-competitive practices, prohibit agreements or practices that restrict free trading and competition, prohibit deceptive marketing practices, and entrust the CCP with the supervision of mergers and acquisitions. The paper asserts that the CCP has struggled to restrain anti-market practices, and that influential businessman and companies flout competition laws, which significantly weakens the role of the CCP. This is followed by some useful information and insights on the performance of the CCP, and a set of recommendations.

Second paper, **Regulating the Pharmaceutical Industry: An Analysis of the Drug Regulatory Authority of Pakistan (DRAP)**, by Shahid Mehmood is a comprehensive analysis of drug regulation and the performance of DRAP, based on an abundance of empirical evidence and incisive insights. One point that comes across is that DRAP, which was established in 2012, is better than its predecessor, the Drug Control Organisation. But that is where the good news ends, as the paper proceeds systematically to assess DRAP’s performance in terms of: the quality of drugs and drug

dispensing; the nature and consistency of policies and their effect on doing business; research and development (R&D) and its supporting infrastructure; investment; and consumer welfare. The paper presents evidence to show that the policy environment has been highly unstable and often subject to sudden ad hoc changes, which has created uncertainty in the industry. In addition, the regulations make it difficult to do business. Moreover, pricing – or price control – has had negative repercussions for pharmaceutical firms as well as consumers. One result of the policy and pricing regime is that a large number of multinational companies have left Pakistan over a twenty-year period and domestic firms have also discontinued the production of essential, life-saving medicines.

Another result is reflected in a low level of foreign investment in the industry over a period of approximately 20 years. Moreover, the paper makes the case persuasively that price controls have led to shortages of drugs and high prices in the black market. As a result, consumers are not better off than before. The paper also argues that government regulators lack adequate knowledge of technical and industry matters. The paper recalls that the federal government has been collecting a research tax from the industry since 1976, and accumulated billions of rupees from it over the years. There is little to show for it, as Pakistan lacks quality infrastructure and has little (if any) quality R&D in drugs. One result is that Pakistan imports 95 percent of the Active Pharmaceutical Ingredients (APIs), mainly from India and China. The paper's overall conclusion is that DRAP's performance is better than its predecessor, but there are still huge gaps to be filled and significant challenges to be addressed. With persuasive evidence, it points out that there is tremendous room for improvement in DRAPs performance.

Third paper, **Evaluation of Naya Pakistan Housing**, by Ayaz Ahmed discusses the continuing shortage of low-cost housing in Pakistan and the way the Federal Government's Naya Pakistan Housing initiative aims to address it. The estimate is that there is a shortage of around 10 million units, about half of which is in urban areas. Naya Pakistan aims to deliver 5 million units in five years. The paper mentions official announcements of housing schemes in various parts of the country but data on actual achievements are not available. The paper anticipates several problems in making Naya Pakistan effective, and most of them are deep-rooted problems that have been present for a long time. In view of this background, the prognosis for Naya Pakistan is not encouraging. The paper then draws attention to the kind of reforms that are needed to address the housing shortage. Two areas of concern stand out, in particular. One of them is urban planning, which has a complicated institutional context as well as a stubborn political economy. These stand in the way of the paper's recommendation for densification through high-rise buildings to lower prices and increase housing availability. The second is located in financial markets, where the recommendation is for mortgage financing for lower-middle-income groups and daily wage earners. Evidently, policies are lacking to move decisively in these directions.

Fourth paper titled **National Electric Power Regulatory Authority (NEPRA)**, by **Afia Malik** presents a thorough assessment of NEPRA and its performance. Its stated purpose is to review the operational structure, governance, and effectiveness of the National Electric Power Regulatory Authority (NEPRA), which was established in 1997; identify flaws in the regulatory framework; and suggest ways to improve it. In the process, the paper examines every aspect of NEPRA and its regulatory responsibilities in

detail. Indeed, it discusses all the issues that newspaper readers in the country come across on a regular basis. The overall conclusion is that the regulatory system has many of the features required for this purpose, but the system functions poorly in practice. For purposes of improvement, the paper offers recommendations aimed at the transition towards a competitive market, which is the intention behind the amended 2018 NEPRA Act.

For greater efficiency, the paper recommends:

- decentralisation of decision-making powers;
- greater use of information and communication technologies;
- simpler regulatory processes; and
- enhanced coordination between NEPRA and the Federal Government.

The paper also recommends measures for greater transparency and accountability:

- NEPRA's recommendations and government responses should be made available to the public, and government bodies should be required to provide public explanations for rejecting recommendations or suggesting changes in them.
- The financial accounts should be submitted to the Parliament for review and discussion.
- NEPRA's annual and state of the industry reports must also be evaluated by independent experts, just like its financial reports.

Fifth paper, **Prime Minister's Construction Package – An Evaluation**, by **Lubna Hasan, Hanzla Jaleel and Hafeezur Rahman Hadi** examines the construction sector package announced in April 2020 that is related to the government's goal of building 5 million houses under the Naya Pakistan Housing initiative discussed in another paper. Drawing upon previous PIDE research, it starts with an informative discussion of the actors, regulatory framework and issues in the construction sector, with particular reference to housing. It also examines in detail the Prime Minister's Construction Package and its stated objectives, namely, to reduce the housing shortage through affordable housing, generate economic activity, and provide employment. Its conclusion is that the package, with its tax incentives and subsidies, looks promising in relation to these objectives. This is the conclusion about the relevance of the package. The paper then assesses the extent to which the package is likely to achieve these objectives; this is the matter of effectiveness. It notes that 1,070 projects worth PKR 383 billion have been registered with the FBR to avail the incentives and amnesty offered under the package. Increases in construction sector borrowing and cement sales support the perception that the package has contributed to the sector's growth and, presumably, generated additional employment.

When it comes to affordable housing, however, the paper presents evidence leading to the conclusion that the impact of the package would be minimal. There is a wide-ranging analysis of challenges to affordable housing for low-income households in the paper, some of it similar to the paper on the Naya Pakistan Housing initiative. The paper presents ideas for the way forward that emphasise high-rise mixed-use

construction, urban regeneration, deregulation and simple rules and their enforcement, and clarity of jurisdiction in managing cities. It is a much broader and longer-term agenda for reform than what the government's construction package offered and deserves serious consideration.

Next in discussion is the paper titled, **Pakistan Electronic Media Regulatory Authority (PEMRA)**, by Fahd Zulfiqar and Fida Muhammad Khan. The Pakistan Electronic Media Regulatory Authority (PEMRA) was established in 2002 under the PEMRA Ordinance, 2002. It has a wide range of objectives aimed at improvement in the standards of information, education and entertainment, provision of a wider choice of news and current affairs to the people, easier access of mass media to the rural and urban areas, and ensuring accountability, transparency and good governance through free flow of information.

At the same time, the federal government is authorised to issue policy directives to PEMRA, and PEMRA is obliged to seek the Federal Government's approval any major action. Therefore, PEMRA cannot be considered an independent institution. Moreover, the paper makes the point that the political forces in power and the federal government do not have the incentive to make PEMRA an autonomous institution.

The paper asks why there is a need for regulating the media and what the effects of regulation are. The paper recalls that PEMRA was established to regulate the media market that had just been opened to the private sector, ending the monopoly of the state-owned Pakistan Television, which had existed as a tool in the hands of the government of the day. The paper reviews the experiences of some other countries in media regulation, while pointing out that the unique feature of PEMRA compared to other regulators is that it has a very sensitive and strong relationship with the cultural and social aspects of society.

The main conclusion the paper offers is that PEMRA has not been useless, but it has not played the role that it was required to play. There are several dimensions of this observation, the most important ones being:

- The legal and regulatory framework structure is based on a mentality of controlling and policing.
- PEMRA has not come up to need to upgrade laws for the digital era.
- It has not prevented oligopolies that impede the entry of new content creators and media houses.
- It is unable to prevent undue government intervention in the media.

The paper notes that several changes are required at different levels to make PEMRA independent from the political and economic control of the government. It recommends that there should be changes in the law to make PEMRA more independent in terms of funds, recruitment, remuneration, and policy making.

The paper, **SME Sector in Pakistan: Mapping the Policy Framework, Opportunities and Constraints**, by Iftikhar Ahmad, Muhammad Umair Ghani, Saba Anwar, and Fizzah Khalid Butt states that the SME Policy of 2007 is to be replaced by a new one that was expected in 2021 and the paper aims to assess the success and shortcomings of the 2007 policy. The paper starts by highlighting the importance of SMEs to the national economy and identifying the constraints they face, including

difficulty in market access, financial constraints, lack of information, and various institutional constraints.

The paper notes that the 2007 policy intended to promote the business environment, access to finance, human resource development, technical guidance, and technology. It asserts that this policy was an excellent first step for encouraging SMEs. However, it focused mainly on the agriculture and manufacturing sectors, and ignored the service sector, which has been contributing more than 50 percent of the country's GDP since 2006.

Based on interviews, the paper suggests that relevant officials are well aware of the prospects for SMEs. It also offers a number of suggestions for the new SME policy, including:

- a mass awareness campaign introducing potential projects and international opportunities to SMEs;
- strengthening the role of SME Bank and support from other commercial and financial institutions;
- strengthening inter-organisational coordination among relevant government and private sector institutions, particularly between SMEDA and SME Bank for policy making;
- supporting SMEs for participating in global value chains and international production networks; and,
- one-window facilitation for SMEs through SMEDA and SME Bank.

The last paper **Islamabad Real Estate Regulatory Authority: An Evaluation** by Ahmed Waqar Qasim and Mohsin Kiani explains that the goal of the Real Estate (Regulation and Development) Act, 2020, is to establish the Real Estate Regulatory Authority (RERA) that will regulate and promote the real estate sector of Islamabad. The evaluation of the proposed RERA that has been conducted in this volume is concentrated on the fundamental question: would the proposed RERA be able to regulate and promote the real estate sector or not? Our findings based on well-functioning real estate market characteristics and prevailing situations indicate that the realisation of the objectives of this intervention will be a daunting task. Furthermore, the RERA will cost heavily in the form of a regulatory burden. Based on the experiences from other sectors, the promotion and regulation of the real estate market through the Authority seems challenging. Especially when the proposed new rules and regulations and strategies have already existed or been tried in the market. Our analysis indicates that the government should utilize the existing infrastructure and resources instead of focusing on the development of a new Authority.

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