

Section 6

Political Economy of Development and Reform



Political Dynasties And Local Economic Development In Pakistan

Faizur Rehman, Noman Ahmed & Muhammad Nasir

Political dynasties are entrenched in Pakistan's political system. Dynastic legislatures constitute more than 50% of elected politicians in Pakistan. However, until recently, no scientific study was conducted to evaluate the economic performance of dynastic parliamentarians. This study explores the effect of political dynasties on local economic development at the constituency level across Pakistan. More specifically, the objective is to examine whether constituencies with dynastic persistence are significantly different from the rest in terms of economic activities and public good provisioning. To measure political dynasties, data on elected politicians who won 2002, 2008, & 2013 general elections are utilized to extract information about a politician's family background. This information is then matched with the constituency level indicators of economic development and public goods. The findings show that dynastic legislature underperforms relative to non-dynast in terms of local economic development and public good provision. Constituencies with non-dynast winners have improved water and sanitation facilities, better infrastructure, and significantly higher access to public services such as electricity, gas, and telephone. The study recommends that limiting the role of parliamentarians in discretionary funds and development spending, and empowering the local government system would minimize the performance differences across constituencies.

'Protection For Sale': The Political Economy Of Trade Protection In Pakistan

Adeel Malik

This paper examines the impact of political influence on trade protection in Pakistan. Using the classic Grossman-Helpman model with an innovative dataset on political influence and trade protectionism, we are able to examine determinants of trade policy.

We use a granular dataset on political connections including trade associations, parliamentarians and their business interests, and politically powerful business families in Pakistan. This 'political connections' dataset is combined with data on tariffs, non-tariff measures, and regulatory duties in Pakistan to form a complete picture of trade policy in the country. We extend the methodology traditionally used in the Grossman-Helpman literature by using a synthetic control model to construct the main instruments used in estimating the parameters in the Grossman-Helpman model.

Our empirical analysis is focused on two areas of enquiry. Firstly, we probe whether special interest groups represented by strong business lobbies or politically connected firms were able to secure higher levels of non-tariff protection in the wake of the 2013 trade policy shock. Our second objective is to estimate a structural political economy model of trade protection that accounts for government-industry interaction (Grossman and Helpman, 1992). This allows us to take a broader sweep on the political economy determinants of overall trade protection using a well-established structural model. This study is the first of its kind in the Pakistani context, where both cronyism and trade policy have emerged as key markers of public policy debates but where rigorous empirical research is seriously lacking. Beyond its relevance for Pakistan, our research contributes to the literature that studies the domestic political foundations of trade policy. Our contribution is to go beyond tariffs to include a variety of other trade policy instruments, including non-tariff measures and regulatory duties. A second point of departure from prior work is that we will develop a more precise and direct proxy of politically connected sectors that is based on more granular information on the presence, number, and type of political connections.

The Perspective Of Native People Regarding Developmental Projects Of China Pakistan Economic Corridor (CPEC) In Gwadar, Balochistan

Zahid Ali

Gwadar's economic potential has become a center of debate in national and international media. However, less discussed are the people living there, especially the native communities who are mostly dependent on fishing as a source of livelihood. Moreover, most of the available studies have taken a quantitative approach, obscuring the genuine voices of the local people. This study takes a people-centric approach by employing qualitative method with grounded theory as a research design. The study has primarily explored the perspectives of native dwellers of Gwadar regarding the positive and negative impacts of CPEC projects. Intensive fieldwork has been carried out in Gwadar city to collect data from various groups including fishermen community, people displaced/ re-located by the CPEC projects, daily wage laborers, local community leaders/influential, the micro-business community, government officials, and students. Both male and female members of these communities have been interviewed for a better understanding of how different groups are affected differently by executed projects. The findings reveal that the local people had a lot of expectations from the CPEC projects, but overtime these expectations have changed into concerns and frustrations. Most people acknowledged and appreciated the development of infrastructure in Gwadar as several mega projects have been executed in the city as part of CPEC. However, the locals have been feeling discriminated against as they are facing water

scarcity, long hours of electricity load shedding, few employment opportunities, etc. They also fear that they should be relocated by the government from the land of their forefathers and the city. The local people, especially the fishing communities have been feeling restrictions on their movement and access to the sea which has affected their fishing business. This research has also attempted to arrive at a theory to interpret, predict and manage the attitude of the local people towards mega development projects. Policy recommendations have been provided at the end of this report to make CPEC more meaningful for the local people of Gwadar and to (re)gain their trust and confidence in the government, which is currently at stake.

Exploring The Water Governance Policy Framework For Improving Participatory Irrigation Management Reforms

Muhammad Arfan

Participatory Irrigation Management (PIM) reforms was introduced to mitigate the inept management of the traditional irrigation bureaucracy. It was hypothesized that these reforms would leave a positive impact on crop productivity and enhance the distributional equity of water among its users. The present study tried to compare the PIM and Non-PIM irrigation schemes under almost the same cropping systems of Sindh and Punjab provinces of Pakistan—link it to farm sizes, irrigation management practices, institutional arrangements, and governance structures. Both qualitative and quantitative research methods were used for studying different aspects of irrigation management and reform process. It was concluded that canal water distributional inequity offspring economic inequity along the spatial position of the canal and tail user significantly under perform its actual potential. Reform unable to generate hydro-solidarity between head and tail sections of the canal and thus farmers managed institutions—FOs and AWBs, unable to check the rent-seeking behavior of irrigation bureaucracy. Level of participation in WUAs activities don't have a significant impact on the farm level productivity but the Institutional Performance of AWBs (IPAWB) have significant positive impact on the Composite Irrigation Management Performance (CIMP). Community cooperation and WUAs maturity have a significant positive impact on community participation in WUAs activities. Moreover, land asymmetry having significant negative relationship with land productivity, CIMP, IPAWB, and level of participation in WUAs activities. It has also been seen that irrigation bureaucracy only does an institutional mimicry under externally assisted push because there is substantial evidence that the PIM model was never adequately tested and implemented. Without active farmers' agency—small and landless peasants, these paper organizations are unable to create multi-level accountability in irrigation management.

PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS ISAMABAD



CONTACT US

**Pakistan Institute of Development
Economics (PIDE),
P.O. Box. 1091, Islamabad,
44000, Pakistan.
Tel: +92-51-9248051
Fax: +92-51-9248065**