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Energy Woes: Finding a Cure

By Dr Abid Qaiyum Suleri

The start of Modern Industrial Age heralded a big push for investment in fossil fuels. The countries with high per capita availability and consumption of total primary energy supply (TPES) have a high human development index (HDI). Realizing that fossil fuels contribute to climate change, the world is shifting towards renewable energy.

Compared to peer economies in Asia, Pakistan has a low per capita availability of TPES and a low HDI. The share of hydel power in the national generation mix, which was once around 65 per cent, is now 23.7 per cent. According to the Economic Survey of Pakistan 2021–22, the share of fossil fuel based thermal generation is 61 per cent, nuclear energy 12.36 per cent and renewables 3.02 per cent.

Increased reliance on fossil fuels and fuel price fluctuations are believed to be the cause of a large energy circular debt (ECD). The ECD arises when distribution companies’ (Discos) collection of revenue fails to cover the cost of generation. Owing to the liquidity problems, the Discos withhold payments of generation companies’ (Gencos) dues. The Gencos cannot pay the oil marketing companies, who cannot pay refineries and withhold petroleum levy and other duties payable to the federal government. However, the high cost of electricity generation is just one factor in ECD accumulation. The other causes are under the collection of power bills, high transmission, and distribution losses (T&D losses), capacity payment charges (CPC) to independent power producers (IPPs), under-budgeted and delayed subsidies, delayed tariff determinations and notifications, under-recovery of the financial cost of circular debt and energy sector governance issues.

Until 2014, the power sector had inadequate generation capacity, but the demand for electricity was growing day by day. From the early ‘90s till the installation of new plants under the China–Pakistan Economic Corridor (CPEC), successive governments preferred buying electricity from independent power producers/rental power producers (IPPs/ RPPs) rather than further expanding the hydrogeneration capacity.

The 1994 Power Policy offered lucrative incentives to the IPPs, including capacity payment charges, guaranteed profit on equity, and lifetime exemption from corporate income tax.

The ECD problems started emerging in the late 1990s, but today’s ECD originated in 2007–08. During this period, the natural gas allocation for the power sector was reduced, and the use of furnace oil for power generation increased considerably. Meanwhile, crude oil prices doubled from $55 to $110/ barrel, increasing the cost of power generation. As, it was an election year, so the electricity prices for domestic consumers were raised by only 9 per cent. The situation worsened between 2011 and 2014 when the global prices of Brent crude

Our cumulative energy circular debt (including gas circular debt) equals two years of our defence budget and five years of federal salaries.
ranged between $90 and $120 / barrel. However, the price hike was not passed on to consumers, leading to a fiscal deficit and non-payment to IPPs/ RPPs.

Many IPPs/ RPPs stopped generating electricity due to a liquidity crunch. At the same time, remaining power producers were generating electricity at half their capacities because of the non-affordability of fuel. Most parts of Pakistan witnessed power outages of 10-16 hours per day resulting in violent protests in some parts of the country. By 2013, the ECD had reached Rs 450 billion, i.e., more than 2 per cent of the GDP.

Pakistan Muslim League-Nawaz won the 2013 general elections mainly on the promise of addressing power outages issue. It did honour its commitment. Power generation capacity was expanded to 29,573 megawatts (MW) by March 2018, with an addition of 7,096 MW (mainly under the China-Pakistan Economic Corridor). However, the primary fuel sources of new plants were coal and LNG. Fuel costs remained modest during 2013-18. Later, the size of ECD mounted to Rs 1.14 trillion by the end of 2017-18 mainly due to T&D losses and CPC.

Successive governments have strived hard to bring ECD down. Over the past three and half years, the ECD stock more than doubled to Rs 2.46 trillion (3.8 per cent of GDP), despite the disbursement of more than Rs 700 billion in subsidies. During the same period, the circular debt in the gas sector nearly doubled to Rs 0.65 trillion from Rs 0.35 trillion in 2018.

By comparison, Pakistan’s defence budget for the year is Rs 1.50 trillion, and the cost of running the federal government (pays) for 2022-23 is Rs 0.55 trillion. Our cumulative ECD (including gas circular debt) equals two years of our defence budget and five years of federal salaries.

If it is allowed to grow at the current pace, the ECD is estimated to touch Rs 4 trillion by 2025. The consumer electricity prices so far are too low to stem the flow of circular debt as the cost of generation has increased hugely due to more than 50 cent per cent increase in the price of gas and more than 50 per cent increase in the price of oil in the international market during last six months. Hence, the IMF has advised increasing the power tariff (to recover the total generation cost from consumers except for the lifeline consumers). However, this will result in high-paying domestic consumers reducing the offtake of grid electricity through solarization. At the same time, the industries will look for ways to increase self-generation. This, in turn, will increase the CPC, which is projected to Rs 1.4 trillion in FY 2023.

In the medium to long run, we have to reduce our dependence on fossil fuels and increase the share of renewables in our energy mix. The way forward is to explore green financing for energy transition, improve energy governance, and take care of the low and the lower-middle income earners.

A multipronged approach is being pursued currently to pull the country out of the crisis. Major structural reforms in power sectors carried out during the last four years include the approval of Energy Policy 2021 and the Renewable Energy Policy 2020. While the latter focuses on competitive tariffs through reverse auctions, the former focuses on the least cost principle. An energy plan for implementing energy policy is being developed through an extensive consultative process. Moreover, the regulator approved an Indicative Generation Capacity Expansion Plan after consensus among provinces in 2021 for the next 10 years, based on the least-cost principle. Under the subsidy reform principles, full cost recovery, protection of most marginalized consumers, and gradual reduction of subsidy from other residential consumers have been approved by the federal cabinet and endorsed by the regulator. Regulatory functions have been strengthened by introducing automaticity to regulators’ determinations of tariffs and reducing the government’s
authority in tariff determination. To reduce the tariffs, the return on equity for most IPPs and all government power plants has been reduced. Likewise, dollar linkage in most IPPs capacity charges has been done away with, introducing a ceiling of Rs 168 to a dollar. On the gas side, similar automaticity has been introduced in law for the gas regulator and legislation has been approved to recover the cost of imported gas (Weighted Average Cost of Gas).

The above-mentioned reforms may help improve power sector operational inefficiencies and reduce the ECD to some extent. However, these reforms will not provide solace to the masses who are finding energy beyond their economic access. Increasing the tariff is a first aid but not a cure. In the medium to long run, we have to reduce our dependence on fossil fuels and increase the share of renewables in our energy mix. The way forward is to explore green financing for energy transition, improve energy governance, and take care of the low and the lower-middle income earners through strengthened social safety nets. – (courtesy The News on Sunday dated June 26, 2022)

Development of ICTs in Pakistan: Keeping pace with evolution

By Brig M. Yasin (Retired)

Since 1993, the SDPI's Study Group on Information Technology and Telecommunications has been meeting periodically to discuss the challenges that Pakistan is likely to face because of this rapidly evolving field. So far, the group has held 62 meetings and done some studies. The emphasis in the deliberations has been on the efficiency and efficacy of the information and communication services, and infrastructure in Pakistan, higher tariffs and duty structure, regulatory issues, taxation, connectivity, and support to institutions. The Study Group has been bringing to bear the experience, opinions and ideas of engineers, scientists, economists, academics, businessmen, and other relevant experts' knowledge in the field.

With hindsight it is now easy to recapitulate that without moving with the evolution of ICTs, what would have been our fate during the COVID-19. Although, Pakistan's ICT infrastructure and Internet penetration is not at the stage where it should have been, but the current level has served us well. Doctors.

If ever there were any doubts about the criticality of ICTs for the nation, the horrific pandemic has laid such doubts to rest. During the last 27 years (August 1993 – to-date) the Study Group held 62 meetings. The emphasis in the deliberations has been on the efficiency and efficacy of the information and communication services, and infrastructure in Pakistan, higher tariffs and duty structure, regulatory issues, software industry, inadequate Internet connectivity, support to academics and researchers, and institutional development. The Study Group has brought to bear the experience, opinions, and ideas of important scientists, businessmen, academics, and technical experts knowledgeable in computers, telecommunications, data networks, and satellites.

SDPI's study group on IT and Telecom has remained vibrant and progressive by keeping a close look on the development of new technologies and their impact on the society. Over the years, the study group has been providing policy advice to the government, facilitating, and organizing forums for policy dialogue, and bringing the government experts of policy implementers together. The study group has organized innumerable seminars, conferences, and meetings. Besides, the group under the
The umbrella of SDPI’s Sustainable Development Conference series has formulated several recommendations sharing them with the government to achieve its policy development goals.

The recommendations made by the SDPI’s Study Group on IT and Telecom over the years were compiled. Some recommendations had been implemented, some are in the process of implementation, and some have not been taken up. The Current Status was with the Policy Makers, Regulator, and other Civil and Military stakeholders.

**Webinar discusses future of Telecom Industry amid COVID–19**

The COVID–19 pandemic continues to prevail. No one knows how long we will be facing it. In this time of the pandemic, IT and Telecom industry is playing a central role as life saviour and facilitating other businesses to grow. This implies that special measures will have to be taken to enhance the pace of growth of this industry.

In Pakistan, the growth trajectory though has shown an upward trend during the last few years, there is a long way to go to harness the industry to meet the emerging demands. In this context, experts at a webinar, organized by SDPI on August 11, 2021, discussed and addressed the following questions.

- Is our IT and Telecom Industry ready to meet the current and future challenges?
- Are we heading towards the right direction?
- If not, what policy and planning steps are needed to cope with the impending challenges?

In the light of the discussion, following recommendations were made for consideration by the government and policy makers.

**Policy Recommendations**

1. Pakistan has been at the forefront of technology adoption since the sector was deregulated in 2004. What made us stand out during that period among the rest of the region was the fact that the telecom industry adopted cutting-edge technology that brought innovation in every field of society. Although, the challenges Pakistan is faced with are many, Information and Communication Technologies (ICTs) hold tremendous potential to help overcome these challenges. Unlocking untapped potentials require not only public sector leadership but also private sector commitments. Therefore, a working group should be formulated to frame a strategy to materialize the full potential of ICT for human development.

2. COVID–19 has put mounting pressure on the telecom service providers to deliver high-quality, reliable, and fast connectivity data services. Telecom Industry played a key role in the provision of critical infrastructure and resources. Reliable high-speed data service is the key to ensuring that health sector has the access to global information networks and resources necessary to fight the virus. Broadband connectivity is also crucial for educational institutions and businesses to continue to provide essential services. Therefore, certain regulatory initiatives need to be taken immediately for increasing broadband capacity and speeds, and subsidized data services to support the cost to the consumers working and studying from home.

3. Public policymakers in advanced digital economies respond swiftly to new mobile spectrum demand and distribute as much spectrum as possible as soon as operators have a business case. Enough spectrum, in the right frequency bands, is essential to deliver the affordable, high quality broadband services that consumers want, and businesses need to be competitive in the market. Pakistan has been far behind in keeping pace with
the ever-increasing spectrum appetite of the service providers to improve the deteriorating quality of service, reaching the far end of the country, and foremost contributing immensely for the economy. Therefore, MoIT and PTA must ensure that a sufficient amount of spectrum in the right mixture of the band is available for a long-term. The Regulator should publish, and regularly update, a spectrum roadmap for at least the following five years.

4. Over-the-Top (OTT) services are no longer over-the-top in terms of their contribution to the ICT sector future. Although, seen as disruptive to the previous business models and the markets, they have become an integral part of the telecom services. The nature and scope of the regulatory issues encompassed by building, artificial intelligence potential to increase the impact of app-economy on traditional telecommunications seem the most challenging. Given the regulatory complexity and ambiguity, adopting a reactive approach is considered inadequate and runs into a regulatory dead end. Therefore, MoIT and PTA as per the mandate of Telecom Policy of 2015, should define a regulatory response to the app-economy to cater for post COVID-19 situations, and for providing a more level playing field to the Telecom Industry.

5. ICTs have an enormous role to play in helping the society to adapt to the challenges caused by COVID-19. As businesses, education and health sectors shift their activity online, they will require fast and high-capacity data services. It will be crucial to extend the infrastructure reach to urban and suburban areas. Additional capacity and resilience must be built into telecommunication infrastructure systems and services. Building fiber optics network down to union level must be undertaken. It is critical then, that the Government and Regulator collaborate with the industry to ensure that digital technologies are used as effectively as possible to soften the economic burden at all tiers.

6. While the COVID-19 has had a sweeping impact on economic activity, it has also resulted in an exceptional surge in the use of digital solutions. This will have a lasting effect on the adoption of ICT in many areas, even beyond the crisis. There are also growing concerns about the unequal access to these digital technologies. Before the COVID-19 outbreak, there were already persistent differences in access between men and women, urban and rural, low and high skilled human resource, large and small firms, public and private schools and many more. The measures taken by the government to contain the pandemic has the potential to increase these existing inequalities. Therefore, for any policy review, the government must appreciate the adverse effects of digital inequalities and its importance to bridge the existing and emerging digital divides to allow all sectors of the population to take advantage of the digital technologies.

7. Beyond telecommunication regulations, several areas of legislation reinforce consumer confidence and the business environment, especially to develop a viable e-commerce ecosystem. It is recommended that the government need to legislate electronic transactions accepting digital signatures to support online business-to-business services. Data protection legislation, especially to facilitate businesses in global value chains where the personal information is of the prime value must be given priority.

8. COVID-19 pandemic has created the greatest challenge to the government, forcing it to rethink priorities from a new perspective, that was unimaginable a few months ago. The strategies and policies currently in place will require major shifts and changes to be able...
to sustain the "new normal". Therefore, it is recommended that the overall focus on digitalization – increased global connectivity, digital inclusion, digital capacity building, artificial intelligence and global digital cooperation to mention the few should form part of the new ICT roadmap.

9. Despite substantial growth, majority of Pakistanis remain without access to the digital services particularly in the rural areas. By investing in the network roll out and quality of service improvements, mobile operators have the potential to further contribute to Pakistan’s growth. Studies by GSMA and World Bank have estimated that one per cent increase in internet penetration can lead to an increase of up to 0.077 per cent in GDP growth rate. Similarly, every 10 per cent increase in broadband penetration accelerates economic growth by 1.38 per cent.

Other research suggests that for every new job, 11 are generated in the wider economies. Pakistan is among the highest taxed telecom markets in the world, while it ranks second highest in telecom taxation in South Asia. As people have moved to work remotely, and other online services are also becoming widespread during the COVID-19, there is an urgent need to lower the taxes so that the industry might invest more in spectrum, infrastructure, and subsidized data services.

The current shortfall of 10 million houses in Pakistan is expected to increase beyond 13 million by 2025. Scarcity of such houses is a major concern as housing is a paramount component of the Agenda 2030.

Climate-smart housing: a future perspective

Saleha Qureshi

In human history, urbanization is a centuries-old phenomenon. However, the world is currently experiencing a continued trend of urbanization creating long run residential issues, which are hampering the city life. By 2050, approximately 70% of the world’s population is estimated to live in urban areas showing an increase of 2.5 billion people as of today. With this increase, their needs to dwell there in will also be increased. It is also estimated that 70% of the buildings, that will be built in Asia and Africa till 2050 have yet to be constructed. To cope up this global challenge, 300 million new homes will be required by 2030.

A majority of these houses will be required in the rapidly urbanizing Asia and Africa.

In this perspective, the biggest challenge which the world is facing today is the building of future cities as the materials used in the construction contributes 40% to global greenhouse gases (GHGs). The obvious variables on energy use and CO2 emissions in buildings are income, the cost of energy, and the outside temperature, followed by population and heated floor space. In 2021, Pakistan’s residential sector contributed around 21 million tons of CO2-eq to the country’s environment. Under the business-as-usual scenario, this value is expected to rise 37 million tons by the year 2040, showing an annual increase of around 3.01%.

Additionally, low-cost homes are particularly at risk due to climate-related events such as floods, storms, earthquakes, etc., as homes are typically constructed by using substandard materials and are located in disaster-prone areas. The vulnerability of environment and household poverty, the carbon emissions, and energy efficiency of the building sector...
anticipated that income, energy price, and outdoor temperature are the clear drivers of buildings’ CO2 emissions and energy consumption, followed by population and heated floor space. The carbon emissions and energy efficiency of the building sector anticipated that income, energy price, and outdoor temperature are the clear drivers of buildings’ CO2 emissions and energy consumption, followed by population and heated floor space which undermine urban adaptation and resilience for all urban citizens. By reducing property and livelihood loss, and displacement, quality affordable homes can support communities to cope with the situation at the time of disruption. If we are to substantially reduce the risk to occupiers during the climatic events such as floods, storms, heatwaves, wildfires, etc. it is essential at all levels of affordability that housing is designed properly after the risk-assessment of locations.

Investing in climate-smart affordable housing is increasingly crucial to strengthen the long-term resilience of an increasing number of cities and their inhabitants. Simultaneously, meeting the goals of both the Paris Agreement and the 2030 Agenda must lie at the heart of all future thinking and investment. Quality affordable housing with secure tenure, clean water and sanitation facilities is a catalyst for meeting the health needs and wellbeing of people living on low incomes. By building climate-smart, the construction of much-needed affordable homes will receive no negative impact due to climatic events and instead it will boost climate resilience and foster social cohesion. Furthermore, climate-smart housing at large-scale will not only catalyze macro-economic growth and job creation but also support financial inclusion in ‘building back better’.

The current shortfall of 10 million houses in Pakistan is expected to increase beyond 13 million by 2025. Scarcity of such houses is a major concern as housing is a paramount component of the Agenda 2030. Against this, the cost of making a house in Pakistan has clearly outpaced the average income values. According to Pakistan Bureau of Statistics, the average cost of an urban house/apartment in Pakistan is Rs 12 million while the average monthly income in urban areas is Rs 34,000.

Moreover, the mortgage industry is known for its low volume of lending. The mortgage to GDP ratio in Pakistan is 0.23 per cent. The low GDP and people’s ability to pay has made it extremely difficult to construct the houses, which are affordable and environment-friendly, particularly if technology or components are not readily available in the region and financial options are limited. Keeping in view the aforementioned statistics and Pakistan’s environmental outlook, the government needs to take urgent measures to improve energy efficiency, decarbonize the power sector, and scale up markets. The authorities and key stakeholders must harness funds and green financing alternatives to address the burgeoning issue of shortage of homes, their affordability, and vulnerability of locations and lands.
Introduction
The Sustainable Development Policy Institute (SDPI) is pleased to announce its Twenty-fifth (25th) Sustainable Development Conference (SDC) from 5 - 8 December 2022 in Islamabad, Pakistan. The overarching theme of the silver jubilee Conference is Sustainable Development in the Unusual Times: Building Forward Better. This year’s SDC will be held alongside UNESCAP’s South Asia SDG Forum and the Policy Dialogue, i.e. High-level Political Forum on Sustainable Development (HLPF). The focus of HLPF 2023 include SDGs 6 (clean water and sanitation); 7 (affordable and clean energy); 9 (industry, innovation, and infrastructure); 11 (sustainable cities and communities); and 17 (partnerships for the Goals).

Overarching Theme
The theme of 25th SDC is Sustainable Development in Unusual Times: Building Forward Better. After the Pandemic, it was expected that the world will be in a state of ‘New Normal’, however, a plethora of crises has become a hallmark of that new normal. These crises can be best described as ‘triple C crisis’ i.e. conflict (within and across borders); climate change; and, the after effects of COVID-19. The cumulative effect of these crises is multi-decade high inflation, recession, food and fuel crisis and a possible recession. Although the world escaped a recession during Pandemic, economic slowdown left scarring effects on low and middle income countries. Post-Pandemic, the war between Russia and Ukraine, political turmoil in many developing countries and tension between the USA and China has reshaped the world order. Furthermore, climate breakdown has exacerbated the socio-economic crises in the form of extreme meteorological events which are ultimately becoming disasters. While the Pandemic is phasing out, we are now passing through unusual crises and ‘Unusual Times’ have become a new normal for us. These issues are no longer a future problem, rather they are happening now and demand immediate action. As the world is struggling to achieve the Sustainable Development Goals (SDGs) as per the Agenda 2030, it is important to address these challenges and work out on solutions through collective wisdom to Build Forward Better.

The multidimensional, multifaceted issues mentioned in the overarching theme will be discussed thoroughly in the following streams during the silver jubilee SDC.

Stream 1
Economic Meltdown
The hopes of post-COVID-19 economic recovery have been shattered by the Russia–Ukraine War which is plunging the world into a recession. Due to faster than expected recovery from COVID-19, global commodity prices were already increasing because of high demand. However, the war magnified the energy and food prices and thus leading the world into inflation. South Asian countries have directly faced the tidal effects of this conflict because the countries were still recovering from the Pandemic when they were pushed into inflation. During COVID-19, many South Asian countries including Pakistan, introduced social protection reforms to support people during the lockdowns and helped them recover from the economic crises. However, due to the shock-waves
of Russia–Ukraine War, the region will experience slower growth and high inflation. The SDC aims to bring together experts, academicians and development partners from South Asia and beyond to discuss the issues and propose practical and viable solutions. This stream is especially important because here we also want to recap major achievements and lessons learnt in Pakistan and India that are celebrating 75 years of independence. Likewise, it is important to recap the journey of development of the People’s Republic of China which is playing a crucial role in reshaping the regional economy through Belt and Road Initiative and will be celebrating 73 years. Therefore the SDC will provide an opportunity to reflect upon what worked? What did not work? And what may work in the context of surviving the economic meltdown?

Stream 2

Achieving SDGs amidst Unusual Times

The interlinkages and integrated nature of the Sustainable Development Goals (SDGs) are of crucial importance in ensuring ecological well-being and socio-economic development in the world. The environmental deterioration eventually affects the economic growth and thus, amplifies the socio-political crises. On the other hand, climate breakdown has placed compounded stress on the environment, economy and societies and has increased the extreme weather events like heat waves, droughts, water scarcity, food insecurity and energy crises. Hence, it is significant to accelerate progress towards the SDGs. Keeping this in view, the SDC will highlight the need for global solidarity for taking action to mitigate the climate change and shared struggle for achieving the Sustainable Development Goals (SDGs).

SDPI, through the Sustainable Development Conferences, has been advocating about sustainable development for the last 25 years. This year, SDC will celebrate silver jubilee in collaboration with the UNESCAP which is an important arm of the UN and providing support to the region for achieving the SDGs. The Conference will reflect upon the previous conferences and how SDPI has emerged as a strong advocate for the Global Goals Agenda 2030.

The SDGs require collaborative partnerships because nations cannot achieve the SDGs by working in silos. SDPI’s 25th SDC will provide a platform to reassesses and discuss the gaps in policy, research and development and how global communities can act together in these testing times to improve the status of SDGs for achieving the Agenda 2030.

Stream 3

Striving for a Common Future in a Polarized World

The world has become polarized after the war between Russia and Ukraine. There are conflicts not just across borders but also within borders. The socio-economic and climatic instabilities in Afghanistan, Sri Lanka, Pakistan and other countries in the region are at the cost of non-regional cooperation. Amidst this situation, the multilateral development lenders have warned of a long recession. Our common future is under threat. However, the multi-polar world has negatively affected the efficiency and effectiveness of global governance.

In this SDC, we would invite experts to explore options for adopting a minimalistic agenda through collaboration and partnerships for achieving sustainable development. The Conference will invite speakers to discuss issues related to global governance including conflict, peace and security and will also specifically highlight and compare how countries are coping with recession and how are they aiming to rebound. During COVID-19, social protection policies were introduced to address poverty and other socio-economic crises which resulted due to the lockdown to prevent the spread of Pandemic. Social protection will therefore be part of the debate during the 25th SDC.
Within the above-mentioned three streams, the Conference will have dedicated sessions on key issues of gender, education, trade, energy, food crisis, sustainable cities and partnership strategies for achieving the sustainable development goals. Furthermore, experts will be invited to exchange views on new global avenues of partnerships and collaborations for improving socio-economic growth. The Conference will have many overlapping sessions on other sub-themes which affect South Asia and other regions of the world.

**SDC 2022 Conference Outcomes**

Publications: A peer reviewed Conference anthology based on papers presented is launched at the succeeding Conference. Keeping up with this tradition, the Twenty-fifth SDC will showcase launch of the SDC 2021 peer reviewed anthology titled ‘Beyond the Pandemic: Leaving No One Behind’ along with other publications. Previous SDC anthologies can be viewed and downloaded from the given link:

https://sdpi.org/sdconference/Beyond-the-Pandemic-Leaving-No-One-Behind/publications

Policy Recommendations
Each Sustainable Development Conference is about reaching the policy makers and relevant stakeholders and sharing with them key policy recommendations. As done so in the previous SD Conferences, policy recommendations from the panels and plenary sessions are communicated to the key policy makers attending the Conference at the various plenary sessions and also published in the annual anthology.

Interactive Forum:
The Conference will provide an interactive forum to researchers, experts and scholars from different disciplines and find relevant ideas, best practices and solutions in an atmosphere of sharing and exploring. SDC keynote plenary sessions and panels will be broadcast live on SDPI’s web-based TV (www.sdpi.tv) and Facebook live for wider dissemination.

**Call for Abstracts: 22 August 2022**

Speakers are invited to submit their abstracts against a relevant sub-theme of a panel. A list of panels will be shared at the SDC’s weblink along with authors’ guidelines. Before submitting an abstract, speakers are requested to click on the active link of the panel title, review its focus, sub-theme, objectives and the specific questions that the panel will address under the overarching theme of the Conference. Deadline for submitting an abstract is 22 August 2022. Potential speakers are requested to specify the panel title while submitting their abstracts. The abstract should be between 150 - 200 words. Please submit your abstract to sdc@sdpi.org and indicate the title of the specific panel it is being sent for.

All abstracts go through a software review for originality and if cleared will be reviewed by an editorial committee. Only those speakers with short-listed abstracts will be informed to submit their draft papers by 1 November 2022. The paper should not exceed 6,000 words.

For details of the panels, authors’ guidelines, submission deadlines, etc., please continue to visit the given weblink: www.sdpi.org/sdc/

Information at this link will continue to be updated regularly along with the list of panels.

**Recap of SDC 2021**

The Sustainable Development Policy Institute held its Twenty-fourth Sustainable Development Conference (SDC) from 6 - 9 December 2021 in Islamabad, Pakistan. The overarching theme of last year’s Conference was ‘Beyond the Pandemic: Leaving No One Behind’. The Inaugural Plenary was held at the Presidency (Aiwan-e-Sadr) where President Dr Arif Alvi was the Chief Guest. At the Closing Plenary, a video message was specially shared by the former Prime Minister, Mr Imran Khan.
A hybrid format was adapted during the SDC 2021. The SDC was attended by 237 panellists from 23 countries. Besides Pakistan, speakers joined the sessions from Afghanistan, Argentina, Armenia, Bangladesh, Bhutan, Canada, Ecuador, Fiji, France, Germany, India, Malaysia, Maldives, Nepal, Peru, Sri Lanka, Sweden, Switzerland, Thailand, the Netherlands, the UK, and the USA. All the sessions had a keen and interactive audience. A total of 38 sessions were organized of which 10 were plenary sessions and 28 concurrent sessions. An audience of 2,539 attended the event online and in person.

For further details, please contact the Sustainable Development Conference (SDC) Unit at sdc@sdpi.org.

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Leaders to Manage and Managers to Lead: Else Perplexity

Brigadier Mohammad Yasin (Retired)

“Traditionally, leadership is used to describe what individuals do under conditions of change. When organizations are dynamic and undergoing transformation, people at the top are supposed to exhibit leadership. Management on the other hand has traditionally been used to describe what executives do under conditions of stability.” (David Whetten and Kim Cameron 1994)

The question, what is leadership and what is management, has been heavily researched? Is leadership more important than management? Can leaders be managers or can managers be leaders? Are they different? The common perception has been that managers seek stability and control so that they can quickly solve problems. Leaders on the other hand tolerate uncertainty, chaos and lack of full information. Sometimes they decide on their gut feelings. In recent years, it’s being argued that managers cannot be successful without being good leaders and leaders cannot be successful without being good managers. Effective management and leadership are inseparable. David Whetten and Kim Cameron say that no organization in a post-industrial turbulent environment will survive without executives capable of both leadership and management. The perception has been that leaders and managers are separate people. Managers were expected to manage recruitment, pays and pensions and separation. There was no emphasis on innovation, creativity and empowerment. With the passage of time this perception has changed and managers are also required to focus on vision, engagement and innovative ideas.

In business, the concept of leadership and management as two different entities is gradually fading. However, the literature review still points out that many researchers on the subject do make a distinction between the leadership and management. Dr. Stephen Covey argues that leaders are people who do the right thing whereas managers are people who do things right. Leadership is about coping with change and management is about coping with complexity. Leadership has about it kinesthetic feeling because of movement while management is about handling things, about maintaining order and control. Leaders are architects and managers are builders. According to
Lao Tzu (600 BC), the wise leader settles for good work and leads in a nourishing manner. The leader does not take all the credit for what happens and has no need for fame.

Because some organizations are over managed and under led, therefore one is apt to over emphasize leadership. But, both leadership and management are vital. These are deeply complementary. That’s why the two terms are used interchangeably. This is usually the case in the bureaucracy, industry and entrepreneurship. In the government, the ministers are considered to be the leaders and the bureaucrats are said to be the managers which should not be so because, in our country ministers strategize mostly for the next elections. It’s the senior civil servants who should be the innovators and idea generators for they understand the emergent strategic direction and implement it into tangible outcomes.

Another question that used to be asked was: Are leaders born or can leaders be made through appropriate training and grooming? My view has been that leaders can be made provided there is a spark of leadership within an individual. Also provided the individual is keen to be a leader and if so, his/her leadership traits can be given a finishing touch through appropriate training and grooming. It’s therefore, imperative that organizations train and groom upcoming employees and bring them to positions where they will be comfortable with the echelons they lead and achieve organizational goals.

The aim should be to create leadership in management.

Jim Collins, in his book, Built to Last: Successful Habits of Visionary Companies (1994), as a result of extensive research of visionary companies, forcefully brings out that these companies, developed, promoted carefully selected managerial talent grown from inside the companies. This was the key to preserving the core and stimulating progress. He emphasized what he called the “leadership continuity loop”, which was: management− development and succession planning prepared a strong internal candidates that led to continuity of leadership in management. The companies trained and groomed the upcoming managers to be also the leaders. This further proves that leadership and management are inseparable and that managers have also to be leaders.

Leadership in management is the process of encouraging interpersonal skills which enable the managers to provide assertive direction by stating unequivocal requirements and applying full commitments but, avoiding excuses for failing to achieve the desired results. This would guarantee imperative action leading to the achievement of goals.

When all is said and done successful leaders and managers will be those who are highly sensitive to forces that impinge on them and they accurately understand themselves, the followers and the impinging environment.
Cost of Taxation

Syed Shujaat Ahmed

Taxes are seen as bloodline for any government while bringing revenue framework into consideration. To strengthen the revenue framework, the government through various reforms, imposes direct and indirect taxes and in some cases, it has to use subsidies cover and introduce new tariffs to generate more and more funds.

In order to manage the tax system, authorities have taken important measures to strengthen the fiscal policy and put public finances on a sounder footing. The government has carefully taken measures to manage spendings, mobilize resources in order to create space for better infrastructure, social production and improve debt sustainability. In this regard, maintaining the momentum on the reform of personal income tax and harmonization of general sales tax is essential. Broader reforms in this regard have been taken to structurally administer the tax in order to manage public finances and debt, but there are still certain challenges, which can hamper the consumption pattern and affect the disposable income as well thus resulting in higher cost of taxation.

Most important and significant challenge and cost to consumer in this regard is increase in indirect taxes. This can be explained by taking into account the taxes on internet. On internet consumption, there are two types of taxes applicable (advance tax and sales/excise tax). During this fiscal period and particularly with the beginning of 2022 within first quarter, these taxes saw an increase. Advance tax increases by 20 per cent whereas sales/excise tax remains the same. Annual advance tax increases from Rs 2,196 to Rs 3,288. This increase shows that annual growth in advance tax is 49 per cent. Therefore, it can be concluded that annually disposable income decreases by 49 per cent.

This increase in indirect taxes has created inflationary impact on commodity prices urging people to save more. The same has influenced the standard of living in terms of food, shelter, and health. This cost of taxation has also led to higher cost of goods and services. This can be exemplified through restaurant services where there is tax included along with service charges; another example is that of textile and garments where consumer is charged after tax price; banking services, which over the year has now become expensive though following conventional approach and less innovation. Thus, it can be said that higher cost of taxation was not based on innovation and new approaches in service delivery.

Furthermore, this taxation has led to the suppression of purchasing power as income increase has not been seen directly linked to price increase, therefore, consumers have been on the suppression side, and it has also led to the more social problems within.

What needs to be done to reduce the cost of taxation and make necessities accessible to all is the real issue. First, there is a need to focus on rates of indirect taxes along with number of taxes as above-mentioned is the case of internet. This is required because consumers also include students who in current education and service structure have no option for earning money at the cost of education. Secondly, if there is said to be increase in the cost of services due to taxation, there is a need to improve the service structure along with quality of services. Thirdly, income-expenditure gap should be reduced through increasing income to the level for covering the inflationary cost and also cover the tax effect. Fourth, banking sector need to improve the service structure and service delivery in order to match the costing. There is a need to have policy level clarity on number of taxes to be deducted from the account holders. To overcome the higher cost of taxation being imposed by government to meet the revenue targets and also cover the deficits, there is need to focus on both rates and number of taxes, bridge the gap between income and expenditure, and revamp the banking sector for better service delivery.
Is National Tariff Policy 2019 beneficial for Small Enterprises?

By Huzaifa Rehman

Pakistan introduced its first-ever National Tariff Policy in 2019 with the principal objective of export growth through tariff liberalization. The goal of the policy was to employ tariffs as a trade policy instrument, cascading and simplifying tariff structures and strategic protection of industries until they achieve import substitution. The idea behind was to enable industries to improve their production competitiveness and scales of production to further increase the employment opportunities. However, evidence does not support its efficacy in the case of small enterprises.

The primary rationale behind the policy was to provide a broad industrial base for small and medium enterprises, enabling them to upscale their production and increase their exports, which would, in turn, give the country a chance to get the most outstanding growth trends in South Asia. However, the evidence show that the policy has been manipulated by the large enterprises to extract more profits rather than contributing to the competitiveness and broadening of the industry. Most of their exports are low-value-added products and small enterprises face issues of higher operational costs because of their lower scales of production, making them unable to compete with large enterprises. Moreover, the regulatory and compliance costs become proportionally higher for these small enterprises further diminishing their gains. The time taken for imports, exports, and their documentation has neither been improved nor can they outsource these services because of their limited resources. In contrast, large enterprises outsource such trade services to specialized departments, which further minimize their operational and time costs. All these aspects make small enterprises unable to compete with the large enterprises further hindering their growth.

The current political chaos, inflation, and fluctuations in exchange rate have added fuel to the already vulnerable sector by instilling fear, doubt, and uncertainty among the investors, who have not yet recovered from the pandemic impacts. The reservations of small enterprises in presenting their case resulted in the lack of policy measures in their favour. There is a need to provide targeted relief to the emerging sector in the form of export finance, subsidized fuel rates, and simplification of tariff structures to keep the small enterprises up and flourish in the market. In the long run, there is also a need to bring about reforms in the structure of the market concerning the lobbying of large enterprises. It should be accompanied by a consistent, evidence and research-driven tariff policy, which can be comprehended easily by the masses.

Lastly, certain efforts must be made to educate the emerging sector to adopt up-to-date and more efficient practices along with globally encouraged SOPs such as sustainable manufacturing which will make the market more attractive to the consumers.
Minamata Convention on Mercury

Pakistan’s support to African Lighting Amendment

At COP4 held in March 2022 at Bali, Indonesia, the African countries proposed a lighting amendment to the convention which states that all mercury containing lighting products (i.e. CFLs, LFLs, CCFL, and EEFLs) must be phased out by 2024-25. Under Article 21 of the Minamata Convention on Mercury, each country or region could propose amendments in the convention. According to the convention, African Lighting Amendment (ALA), if adopted, would lead to tremendous results and the world will get rid of 232 metric tons of mercury pollution from the environment annually, avoiding 3.5 gigatons of cumulative carbon-dioxide emissions, and cutting global electricity use by 3%. In Pakistan, the focal agency for Minamata Convention on Mercury is the Ministry of Climate Change, which after consulting the organizations concerned developed a stance against each proposed amendment.

Market research on LEDs

To develop Pakistan’s stance for ALA on removing mercury from the lighting products at COP4, SDPI, in collaboration with the Ministry of Climate Change conducted a market survey of Light Emitting Diode (LED) lighting products. This goal of this research was to provide a deep dive into existing policy and regulatory framework for LEDs and analyze whether their current market penetration is strong enough to support ALA. Conducted in seven different locations across the country, the survey sample size was 140, which covered different retail centers and manufacturing companies. Regulatory support was further provided by conducting Key Informant Interviews and a Consultative Discussions on “Pakistan’s Stance on Proposed Amendments at Minamata Convention on COP4”.

A Consultative discussion by SDPI and Ministry of Climate Change.

Key takeaways

The study outcomes indicate that over the past few years, Pakistan has undergone an exemplary shift towards energy efficient and mercury-free lighting. In 2020, National Energy Efficiency and Conservation Authority (NEECA), in collaboration with United Nations Environment Programme (UNEP) designed and enforced Minimum Energy Performance Standards (MEPs) under which all LED lighting products must adopt specific standards and energy labelling scheme. Under the labelling scheme, only LED products were mentioned, and no mercury-based product was included. Thus, without placing a moratorium, NEECA eventually ensured that no mercury-based
product would remain within the market in few years let alone its import or production. Federal Board of Revenue also reduced the customs tariff on LEDs. The customs duty rate for LEDs and energy savers is 3% whereas it is 20% for all other bulbs. For domestic manufacturing of LEDs, the rate of sales tax was previously zero while it was 17% for LED imports.

The survey highlighted that more than 90% of the market is flooded with LED lamps linear tubes. In comparison to linear fluorescent lamps, an LED retrofit in Pakistan can lead to cost savings of around Rs 7000 over a 7-year cost cycle (47% decrease) by spending an additional Rs 440 today. A complete shift towards LED lighting can cumulatively save 0.7 metric tons of mercury, avoid 33 million metric tons of CO2 emissions, and save $6.5 billion in electricity bills between 2020–2050. This provides Pakistan a perfect platform. At the same time, a slight relief in sales tax exemption will provide a final push towards both energy efficient and mercury-free lighting.

Research Impact and Pakistan’s Interventions at COP4

Given a favourable policy environment and a high market penetration of LEDs, Pakistan supported the African Lighting Amendment at COP 4 of the Minamata Convention. The amendment was adopted by 137 countries to phase out Compact Fluorescent Lamps by 2025, however, for linear tubes, the action was delayed till COP 5 scheduled to be held in 2023. – Ubaid ur Rehman

Assessing feedback from SMEs on tariff rationalization

Currently, SDPI team is on a field visit to assess the effectiveness and impact of tariff rationalization on Small and Medium Enterprises (SMEs), and how much beneficial are the Federal Board of Revenue (FBR) facilitation schemes for the exporting firms. In the case of latter, recent changes have been made and it is important to see if early (intended) results have started to emerge. It is equally important to look into both the aspects that are linked. Efforts made for tariff rationalization will not lend optimal gains unless conducive measures are undertaken through FBR schemes.

For the former, importers (exporters and non-exporters) are optimum respondents. For the export schemes, exporters (importers and domestic sellers included) constitute apt respondents. The team visited Karachi to interview 100 firms for each survey and a total of three surveys were conducted. Initial findings are shard below.

Contrary to popular and widespread assumptions on government claims of increasing ease of doing business, Pakistan Single Window Initiative, export processing zones being tax-free havens and tariff relaxation for importers, the industry feels otherwise. On each of these, the industry feels that significant burden of documents, applications, approvals, and lack of facilitation hinders business operations. Furthermore, in addition to these non-tariff barriers, tariff barriers also compound the issues. For instance, the pharma sector bemoaned the previous governments decision to impose a 17% GST on imports. In addition to this, a large number of molecules are prohibited to be imported there by limiting brands and formulas. The Association feels that Drug Regulation Authority of Pakistan (DRAP) unnecessarily allows import of drugs from other countries and prohibits import of basic molecules for us to develop such medicine. Such medicine if produced locally would be cheaper. Some formulas for medicine are
classified as prohibited by citing “religious norms”.

Pakistan Single Window is another example of an initiative much-touted as symbol of going paperless, utilizing technology and ease of doing business. Most of the firms do not agree. The complex interface, policy of one size fit for all and utter absence of any facilitation are some of the issues pertaining to the initiative. No demo/orientation to the industry about the initiative was ever provided. Industry also cited that even banks, forwarders and carriers do not completely understand the processes involved. Because of such confusion, banks dealing with PSW have varying requirements for exporters thereby complicating and delaying operations.

Karachi’s export processing zone is supervised by the Export Processing Zone Authority, which is headed by a chairman. However, the board is yet to be constituted whereas the last board tenure ended in 2019. Since then, the Authority and multiple leading businessmen have been requesting the federal government to set up the new board so that the Authority can function. The request is now being forwarded to the new government. Increased and complex documentation coupled with taxes is a hard nut to crack for majority firms. Currently, 110 firms in the zone are facing litigation not for any misappropriation of funds but for not being able to comply to the documentation requirements. The Customs and other government officials make such policies that the industry has to fulfil, e.g. firms have to prove that they will not do anything wrong against the checking and inspection processes.

The most significant and accessible of schemes for exporters remains Temporary Importation scheme as it requires minimal documentation, application, and license processes. – Ahmed Khaver