AUTHORS:

Dr. Shahrurkh Rafi Khan
Dr. Adil Najam
Dr. Abid Qaiyum Suleri
Dr. Mahmood A. Khwaja
Dr. Vaqar Ahmed
Dr. Shahid Zia
Dr. Shafqat Shehzad
Dr. Karin Astrid Siegmann
Foqia Sadiq Khan
Mome Saleem
Afsheen Naz
Nausheen Ahmad
Ahmad Saleem
Abdul Matin Khan
Faisal Haq Shaheen
Aasim Sajjad Akhtar
Sajid Kazmi
Qasim Shah
Tahir Hasnain
Faisal Mehmood Mirza
Gulbaz Ali Khan
Syed Ul Asif
Ashfaq Sadiq
Ali Qadir
Muhammed Zeshan
Atif Nasim
Environment, Trade and Governance for Sustainable Development

(SDPI Policy Briefs)

Contributors
Ambassador Shafqat KakaKhel
Dr Abid Qayum Suleri
Dr Mahmood A.Khwaja
Dr Vaqar Ahmed

Compiled By
Umm-e-Mariya Shah and Dr. Mahmood A.Khwaja

Sustainable Development Policy Institute (SDPI)
Islamabad- Pakistan
(www.sdpi.org)

November, 2012
Table of Contents

From the Executive Director’s Desk
Dr. Abid Qayum Suleri

Foreword
Ambassador Shafqat Kakakhel

SECTION I: Environment

Introduction
Dr. Mahmood A. Khwaja

1. A Legally Binding Agreement (LBA) - Growing Need for Air Pollution Reduction and Control in South Asia
Mahmood A. Khwaja and Faisal Haq Shaheen

2. Environmental Challenges and Constraints to Policy issues for Sustainable Industrial Development in Pakistan
Mahmood A. Khwaja

3. Ban on Non-biodegradable Chemicals in Detergents
Mahmood A. Khwaja

4. Present Status of Implementation of Self-Monitoring and Reporting Program/SMART for Industry
Mahmood A. Khwaja

5. Present Status of Pollution Charge and Finalization of Rules
Mahmood A. Khwaja

6. Financial Incentives to Industry
Abdul Matin Khan

7. Establishment of Provincial Sustainable Development Funds
Abdul Matin Khan

8. Brief on Environmental Legislation in Pakistan
Abdul Matin Khan

9. Pesticide Policy
Shahid Zia

10. Implementation of Convention on Biological Diversity in Pakistan
Tahir Hasnain

11. High Level Segment of the 6th Session of the Commission on Sustainable Development
Adil Najam

SECTION II: Trade

Introduction
Dr. Vaqar Ahmed

12. US and EURO Zone Debt Crisis: A Perspective from Developing Countries
Syed Ul Asif and Vaqar Ahmed
13. What Comes After the Quota Went? Effects of and Responses to the ATC Expiry
Karin Astrid Siegmann and Atif Nasim

Abid Qayum Suleri and Qasim Shah

15. Settling the dust in Seattle Discussing the Aftermath of the 1999 WTO Ministerial from a Pakistani Perspective
Faisal Haq Shaheen

16. Pakistan's Trade Interests in the Seattle WTO Ministerial Negotiations
Shahrukh Rafi Khan

17. Pakistan's Trade Interests Regarding WTO Negotiations
Adil Najam

18. Pakistan's Trade Interests and Suggested Positions on issues to be discussed at the Seattle WTO Ministerial Negotiations
Faisal Haq Shaheen

SECTION III: Governance

Introduction

19. Monetary Policy Response to Rising Oil Prices
Muhammed Zeshan and Vaqar Ahmed

20. Withdrawal of Regulatory Duties: A Step Taken by the Government
Afsheen Naz

21. Land Rights for Pakistani (Muslim) Women: Law and Policy
Nausheen Ahmad

22. The Case for Land and Agrarian Reforms in Pakistan
Shahrukh Rafi Khan, Ali Qadir, Aasim Sajjad Akhtar, Ahmad Salim and Foqia Sadiq Khan

23. A Indicative Model for Power Devolution to the Grassroots Level
Shahrukh Rafi Khan

24. Costing The National Reconstruction Bureau's Local Government Plan
Shahrukh Rafi Khan and Ashfaq Sadiq

SECTION IV: Miscellaneous

25. Resource Mobilization for Pakistan's Health Care: Myth or Reality?
Shafqat Shehzad

26. Viable Household Water Treatment Methods
Mome Saleem

27. Local Resource Mobilization: A Panacea for Community Based Organizations in District Chakwal
Gulbaz Ali Khan
28. Budget Transparency in Pakistan: Findings from an International Study
   Gulbaz Ali Khan
29. Why Small is Beautiful?
   Sajid Kazmi and Faisal Mehmood Mirza
30. NEPRA Tariff Setting Strategy
   Shahrukh Rafi Khan

Abbreviations

Author’s Index
From the Executive Director's Desk

I feel extremely privileged to be part of SDPI family and being able to celebrate SDPI's 20th anniversary. As the theme for 20th anniversary reflects, we are celebrating “20 years of bridging research policy gaps”. This is easy said than done. In order to effectively harmonize the worlds of research, policies, and practices, SDPI team has been using various strategies, tools, and techniques.

One of our policy outreach tool is “policy brief”. These peer reviewed solicited briefs on practical policy issues in the sphere of development. The briefs are written by SDPI regular or affiliated staff and are meant to provide “Clear Cut” policy outlines which would promote just and sustainable development.

The current volume is compilation of some of the selected policy briefs written during last 20 years, mainly on the issues of environment, trade, and governance. The rationale of combining, apparently, three vast and diversified sectors is very simple. Sustainable Development cannot be achieved following a linear approach. The issues of sustainable development cannot be resolved by using sectoral lens. The fact that sustainable development requires addressing of social, economic, and environmental aspect not only in given time and space but also for future generations and future times, requires a trans-disciplinary approach and we have tried to follow that approach in this volume.

The readers of this volume would be able to identify cross linkages and cross sectoral references among these stand alone policy briefs written over a period of two decades. This compilation would also help the them in assessing how the discussion on sustainable development (in South Asia in general and Pakistan in particular) evolved since the Earth Summit of 1992 (SDPI was founded in the same year on August 4)). Here it is pertinent to mention that this volume may not help in addressing reader’s queries on sustainable development in Pakistan. However, our aim is to enable the readers to formulate their questions better after going through these policy briefs. I would be a very satisfied person if some of the points raised through these policy briefs inspire the readers to think differently on issues of sustainable development.

My special gratitude to Ambassador Shafqat Kakakhel, Dr. Mahmood A.Khwaja and Dr. Vaqar Ahmed for adding value to the compilations through their introductory notes.

Finally, I can't help thanking the efforts of Ms. Umm-e-Mariya Shah and Dr. Mahmood A. Khwaja, for compiling this volume as part of 20th anniversary celebrations.

Happy reading.

Dr. Abid Qayum Suleri
Executive Director,
Sustainable Development Policy Institute (SDPI)  November 16, 2012
Islamabad. Pakistan
Foreword

Since its establishment in 1992, the Sustainable Development Policy Institute (SDPI) has tirelessly pursued its mission "to catalyze Pakistan’s transition towards sustainable development defined as the enhancement of peace, social justice and well-beings within and across generations". SDPI has made notable success in the role envisaged for it in the landmark National Conversation Strategy (1989-91) which has outlined the need for an independent, non-profit organization to secure a source of expertise for policy analysis and development, policy interventions and policy and program advisory services. Its research, advocacy advice and capacity building activities, despite financial constraints, have benefited from competent leadership provided by its former executive director, Dr. Tariq Banuri and his three able successors, Dr. Shah Rukh Rafi Khan, Dr. Saba Gul Khattak and the incumbent, Dr. Abid Qayyum Suleri and dozens of distinguished experts who have served as members of its research staff.

Policy briefs containing succinct critique of issues and sound advice to the government and civil society on a range of issues pertaining to sustainable development have been a key feature of SDPI’s contribution to policy debate and development. The issues addressed include, but are not limited to the issues of trade, environment and social and economic development. The papers selected for the present compilation fall in three categories: environment, trade and issues addressing diverse topics. The environment segment comprises briefs on domestic developments such as the implementation of national environmental quality standards (NEQS), establishment of sustainable development boards, the first of their kind in South Asia, the outcome of the 1998 session of the Commission on Sustainable Development also known as Rio+5… conference and the implementation of UN Commission on Biological Diversity (UNCBD) signed and ratified by Pakistan in 1992 and 1994 respectively.

The trade section includes exceptionally candid analysis of the global trade discourse from GATT to the WTO series of negotiations and provides practical advice to the government delegations at the marathon and acrimonious negotiations for protecting Pakistan’s vital interests.

The section captioned miscellaneous is strikingly rich and speaks to issues such as health care financing, household water treatment and budget transparency.

We hope that SDPI will continue to serve as a key institution in the dynamic development of Pakistan’s public policy by providing advice on the sustainable development challenges of Pakistan now and on the future years and decades.

Shafqat KakaKhel
Former Assistant Secretary General/
Deputy Executive Director,
United Nations Environment Program (UNEP)
shafqatkakakhel@gmail.com

November 16, 2012
SDPI, Islamabad,
Pakistan
Section I: Environment

Introduction

SDPI was established on August 4, 1992. In order to celebrate the 20th anniversary, SDPI management in collaboration and support from SDPI staff planned a number of activities throughout 2012, some of which have already been organized. One such activity is 20th anniversary “Special Publications” in English and Urdu. “Environment, Trade and Governance for Sustainable Development,” is the first English publication of the SDPI 20th anniversary publication series.

At SDPI, there are six main series of publication for research which include working papers, research reports, monographs, project publications, policy papers and policy briefs. In the present 20th anniversary special publication, some selected policy briefs on issues related to environment, trade and Governance, written in the last twenty years by SDPI present and ex-researchers, have been included. The last section constitutes policy briefs on other issues related to sustainable development. Some of these policy briefs were written on the request of the government of Pakistan.

Most of the policy briefs described in the foregoing sections on environment, trade and governance, with further research work by the same or other researchers have been converted into full papers which are accessible at SDPI website www.sdpi.org

At national level, SDPI efforts towards environmental protection and pollution control started with active participation and substantial contributions in the development and implementation of Pakistan National Conservation Strategy (NCS) and Pakistan Environment Protection Act. SDPI role has been significant and central with substantial contributions in developing national environmental quality standards (NEQS), self-monitoring and reporting/SMART program for industry in the country, pollution charge, environment impact assessment (EIA), hazardous substances rules, national implementation plan (NIP) for persistent organic pollutants (POPs) and mercury use & emissions control. In this connection several activities were carried out, including sector specific industrial surveys, awareness raising/training workshops in Khyber Pakhtunkhwa, Punjab & Sindh, research reports, articles in newspapers, seminars and roundtables meetings of the representatives of government, industry and civil society. These roundtable meetings among stakeholders helped develop a permanent contact for consultation between the government and the industrial sector for developing, finalizing and implementing environmental legislation in the country.

Four policy briefs included in this section specifically deal with implementation of NEQS across the country for industrial pollution control.
“The Self-monitoring and Reporting” concept which is entirely based on the honor system, emerged from a dialogue between the government and industrial representatives. A SMART pilot phase with proposed tasks for the same and with the voluntary support of Federation of Pakistan Chamber of Commerce and Industry (FPCCI) has been recommended, prior to the implementation of self-monitoring and reporting program in the country. The concept of “Pollution Charge (PC)”, based on the “Polluter Pays Principle” is a key element of the implementation of the NEQS program in the country. The modalities for its determination and implementation were evolved through extensive discussions in several consultative roundtable meetings among representatives of government, industry, environmental non-governmental organizations and academic researchers. An effective institutional arrangement is essential for the collection and disbursement of PC and in this regard a government initiative has been strongly recommended, to resolve the issue through negotiated settlement with all stakeholders. Policy brief on “Financial Incentives to Industry,” provides a short account of the decisions made by the “Environment Standard Committee (ESD)” which had equal representation of all stakeholders and was constituted by the Pakistan Environment Protection Council (PEPC). It was agreed that easy availability of finances for investment and financial incentives to industry for their pollution control efforts are important elements to move them towards compliance with NEQS. ESC also agreed to establish Provincial Sustainable Developments Funds (PSDFs) for the collection and disbursement of the proposed pollution charge. The policy brief on PSDFs describes and discusses the system and arrangements for the same.

Policy briefs on “Environmental Legislation in Pakistan,” “Implementation of Convention on Biological Diversity in Pakistan,” & “Non-Biodegradable Chemicals in Detergents,” were written on the requests of Ministry of Environment/Pakistan Environmental Protection Agency and “Pesticide Policy” on the request of Federal Minister of Finance.

In the policy brief on environmental legislation in the country an account of, existing policy directives, legislation & institutional arrangements, adequacy of the same, major challenges and suggestions to meet future major challenges are described and discussed.

Pakistan signed and ratified the UN Convention on Biodiversity in 1992 and 1994, respectively. The federal and provincial governments have made significant attempts for the protection of biodiversity and natural capital of the country. The progress made by Pakistan on the implementation of this convention, with special reference to articles 6, 8 and 10 has been synthesized and described. Policy brief on non-biodegradable chemicals in detergents was written to provide technical support to the government for a decision to ban the use of two categories of chemicals - the branched- and the linear- alkyl benzene sulphonic acids (BAB & LAB). In view of the chemical characteristics of BAB & LAB, enormous quantum of the industrial use of the two chemicals, extent of their bio-degradability and the availability of alternate substitutes, it was recommended that the use of both BAB and LAB may not be banned in the country for the next two to three years and the issue be re-visited for a decision after this transitional period. “Pesticide
"Policy" is another brief on chemicals, with focus on pesticides group of chemicals. It describes and discusses issues of pesticides advertisements, their storage and use, continued use of ineffective pesticides and marketing & use of the banned pesticides in the country.

The focus of discussion of the policy briefs entitled, "High Level Segment of the 6th Session of the Commission on Sustainable Development (CSD)" and "A Legally Binding Agreement (LBA) – Growing Need for Air Pollution Reduction and Control in South Asia," is national as well regional and international.

In essence, the Pakistan National Conservation Strategy (PNCS) is Pakistan Agenda 21 which is considered a comprehensive multi-sectoral strategy designed to foster sustainable development in the country. The policy brief recommends that in CSD's meetings, Pakistan's main emphasis should be highlighting the progress on the implementation of PNCS. Fresh water management and sustainable industrial development are two sectoral issues of great importance to Pakistan and are well covered in PNCS. At 6th CSD, particular mention needs to be made with regard to development of national environmental quality standards (NEQS) and many proposed measures for the implementation of the same, including self-monitoring and reporting/SMART program, pollution charge for non-compliance and soft loans to industry to improve environmental compliance. Besides, on any substantial global issue, Pakistan should support the positions taken by Group of 77 (G 77).

With increasing urbanization and economic growth, air pollution is becoming an urgent concern in South Asian countries Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The policy brief looks into and discusses the socioeconomic situation of South Asia, the existing situation of air pollution in the countries of the region, its resulting health impacts on the population and the responses, if any, of national governments to combat air pollution. With the increase in industrial activity, exponential growth in number of vehicles and population, the contribution of each South Asian country to the regional air pollution will increase over time. As evident from the review of the available country data, sulfur dioxides, nitrogen oxides and particulate matter (PM) emissions have been rising steadily over past few decades. It’s been reported by the country national health authorities, that air pollution has pushed respiratory disease up in the ranks as the leading cause of hospitalization. The policy brief makes recommendations for policy actions, including a legally binding agreement for South Asia (LBA-SA), for strengthening the framework for air pollution reduction at regional and national levels in South Asia.

Dr. Mahmood A. Khwaja
Senior Advisor,
Chemicals and Sustainable Industrial Development
khwaja@sdpi.org

November 16, 2012
SDPI, Islamabad,
Pakistan
A Legally Binding Agreement (LBA) - Growing Need for Air Pollution Reduction and Control in South Asia

Mahmood A. Khwaja and Faisal Haq Shaheen

Introduction

With increasing urbanization and economic growth, air pollution is becoming an urgent concern in South Asian countries. The study upon which this paper is based has been conducted at SDPI, to look into and discuss the socioeconomic situation of South Asia, the existing situation of air pollution in the countries/region and the responses, if any, of national governments to air pollution. Among others, the paper makes recommendations, including a legally binding agreement for South Asia (LBA-SA), for strengthening the framework for air pollution reduction at regional and national levels in South Asia.

South Asian countries, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, have carried out a number of projects/activities for the creation of a meaningful framework to limit air pollution. A greater participation of member states is required and a regional framework is needed for better understanding and cooperation among the member states, on issues relating to air pollution. An effective implementation of a regional framework with shared responsibilities towards air pollution reduction measures across the member countries is vital for sustained economical growth, protection of environment and to safeguard public health, especially of future generations, in the region.

South Asia with a combined population of roughly 1.6 billion people, is a low-income region and home to half of the world’s poor. Traditionally, the South Asian economies are centered on agriculture, however recently manufacturing and services have become major contributing sectors as well. The strong recovery in India and the growth in the economies of Bangladesh and Sri Lanka are primary reasons for this economic rebound (World Bank, 2010a). The state of education and health in the region leave much to be desired. With the worst score on the Global Hunger Index (GHI), South Asia along with Sub-Saharan Africa suffers from the highest level of hunger (International Food Policy Research Institute, 2010).

Environmental degradation remains a challenge in almost all the countries of South Asia. With an increase in industrial activity, the exponential growth in number of vehicles and population, the contribution of each country to the south Asia regional air pollution will increase over time (World Bank, 2010). Emissions levels of Sulfur dioxides, nitrogen oxides and suspended particulate matter have been rising steadily over past few decades. Owing to economic growth and increasing energy demand, greenhouse gas emissions have risen in South Asia by about 3.3% annually since 1990. Coal is the
main source of energy in the region, followed by natural gas (World Bank, 2010c).

Air pollutants can be transported across state and national boundaries covering a distance from about 100s to a few 1000s of kilo-meters, therefore pollutants produced by one country, as well can have adverse impacts on the environment of neighboring countries. Down-wind areas of the countries are likely to be affected more than the up-wind areas. Trans-boundary air pollution is an issue that demands critical attention, especially for landlocked countries. The persistent Atmospheric Brown Haze over Bay of Bengal has been traced to emissions from South Asian and South East Asian countries. As part of the Indian Ocean Experiment (INDOEX), scientists discovered the Atmospheric Brown Haze (also referred as Cloud) that pervades most of South Asia. This haze consists of inorganic & organic chemicals, black carbon, fly ash and other pollutants. Biomass burning, rapid industrialization, urbanization and lack of alternative environment-friendly energy sources are primarily responsible for this haze over South Asia. Other include industrial air pollution, indoor air pollution (biomass burning), increasing traffic trends, thermal power plants and incineration of solid waste (UNEP 2008 B)

Some key air pollutants of priority concerns to countries in south Asia are suspended particulate matter (SPM), sulphur oxides (SOx) and nitrogen oxides (Nox). The suspended particulate matter (SPM) is of great concern in south Asia. In most of the countries, the levels of SPM exceed the national standards and cause severe health impacts and environmental damage. WHO guideline levels of suspended particulate matter (SPM) exceed in the air of most of mega cities of South Asia (Asian Development Bank, 2001)

The level and nature of air pollution in any country has implications for the economy of that country as well as neighboring countries, owing to the trans-boundary nature of air pollution. A regional level framework for combating air pollution is important and its harmful effects can be assessed after reviewing the socioeconomic situation in South Asia and establishing the impact of air pollution on the various socioeconomic parameters. Once governments and society realize the potential damages caused by air pollution, sufficient support can be garnered at the national and regional levels to combat this environmental hazard. High levels of air pollution have a serious impact on the environmental quality that imposes economic costs associated with reduced quality of life, lost productivity and health care costs. According to the World Health Organization (WHO), air pollution is responsible for an increase in outpatient's visits owing to respiratory and cardiovascular diseases and approximately 3 million people die each year due to air pollution in the world (World Bank, 2003b).

In any preventive pollution control strategy, “Reduction at Source” is considered to be the very first and foremost option. The same has been considered for air pollution reduction in South Asia, to minimize the resulting economical, environmental and health impacts in the region. South Asian countries have developed environmental legal and regulatory frameworks in their respective countries. However, the execution of the national
environmental action plan has been limited, due to lack of financial resources and technical know-how. A number of international Conventions and Treaties have also been signed by most of the south Asian states and every member state has constituted its own designated organizational authority for the implementation of international conventions and treaties. The major hurdles in the implementation of these treaties and conventions are common to all states, which include lack of financial and technical support, lack of coordination, inefficient legal and regulatory framework, no access to relevant databases and lack of awareness among the local populations.

As also emphasized earlier, air pollution has a serious impact on the socioeconomic status of any country. It can increase poverty, widen the classes and gender-divide and harm the agriculture sectors. Local impacts due to air pollution would be only further aggravated by the trans-boundary air pollution. Therefore, it is imperative to look for and identify a regional level framework not only for reducing the trans-boundary impacts of air pollution in South Asia but also to support enforcement for adopting control measures at the country level towards the improvement of ambient air quality in general. Undoubtedly, any effort to control air pollution levels in South Asia will be daunting, in light of the continued policy push for unabated economic growth by the region’s governments. Regional cooperation has often been called for across the region in economic terms, but the call has yet to be answered institutionally in terms of social and environmental concerns. Only a regional institutional capacity and forum for engagement will be able to facilitate knowledge dissemination in a way that it is non-competitive and effective.

**Recommended Policy Actions at the Regional Levels**

Given the progress that has been made at the national levels in terms of institutional building and development in south Asia, a number of initiatives are recommended which should initially create forums for more regular technology sharing and dialogue. Such forums would also help to:

- establish consensus sharing between national and provincial bodies on common issues of concern
- related to trans-boundary pollution.
- ensure that dissemination of work to other regional bodies takes place on a regular basis. Pilot projects should be set up and their progress monitored regularly, periodically reported on and disseminated to other groups and interested agencies region wide.
- look at ways of defining the precautionary principle for usage that encourages solutions and alternative development while not constraining economic growth and development imperatives.
- establish working groups on specific sectors which involve public and private sector stakeholders and actors in priority areas such as automobile and industrial emissions & standards;
• recommend, in the light of national emission inventories and metrological data, the minimum standards for vehicles road worthiness, fuel quality and emissions from brick-kilns.
• recommend national emission reduction targets to comply with agreed regional targets and to consider replication of “Self-monitoring and Reporting/SMART program for industrial sector” similar to one in Pakistan for other member states (Pak-EPA/MoE, 2000; Khwaja, 2001)

South Asian Association for Regional Cooperation (SAARC)

SAARC could be a possible forum, to provide support for establishing forums for the above and to look into ways & means of generating possible support for air pollution reduction in the region. While SAARC has been functional for about 25 years now, the impact of this framework, especially with regard to air pollution is yet to be seen. SAARC needs to be strengthened with a monitoring and evaluation mechanism to observe whether member countries are making progress on reducing air pollution and its associated impacts in the South Asia region. Moreover, there needs to be a mechanism of binding commitments such that member countries take the promises of reducing air pollution seriously and if it could be mandatory for them to make some progress in this regard. Through technical assistance protocols, countries would be able to learn from each other, there by making the goal of minimizing air pollution and its trans-boundary effects not only possible but also achievable. It is also strongly recommended that SAARC summits should be more frequent so that the momentum of the agenda of air pollution is not lost.

Legally Binding Agreement (LBA) for Developing and Strengthening the Framework of Air Pollution Reduction in South Asia

Air pollution leads to atmospheric transport of pollutants, affecting countries of the region in more than one way, thus making air pollution a regional issue. Being a regional problem, no one country, especially in a poor and diversified region like South Asia, can tackle it on its own. National actions in this regard seem to be insufficient. Lack of financial support, skilled and trained manpower, technology and technical know-how, further limit one single country’s capability to handle this issue. As air pollution impacts the region, to combat it, a regional focus and approach is essential in which all member countries of the region have a role to play, with equal but diversified responsibilities.

The Acid Deposition Monitoring Network in East Asia and the Malé Declaration on Control and Prevention of Air Pollution and its likely Trans boundary Effects for South Asia are current reflections of regional concerns and efforts to control emissions at a regional level. ASEAN has also established the ASEAN Agreement on Trans boundary Haze Pollution to prevent and monitor such pollution in the region. Convention on Long Range
Trans-boundary Air pollution (LRTAP) is another regional agreement for air pollution reduction. Besides possible support from SAARC forum, another option for consideration by south Asian countries could be preparing and inacting a legally binding agreement, similar to ASEAN and LRTAP, to manage air pollution and its reduction in south Asian region. The objective of such a legally binding agreement for South Asia (LBA-SA) should be to protect human health and ecosystem by setting up time framed air pollution reduction targets (starting with priority pollutants SPM, SOx and NOx).

Some salient features of the envisaged LBA – SA could be: (a) the recognition of the problem of increasing air pollution in South Asia and its resulting environmental, economical and health impacts on the population of the region (b) reduction of air pollution through the exchanges of information, consultation, research, monitoring, policy and assessments. (c) the recognition that obligations regarding control and reduction of emissions of agreed pollutants, should allow for flexible and differentiated national programs, to be implemented by individual Parties to the instruments with a view to achieving the most cost-effective and environmentally benign improvements of air quality in the whole region.

For the implementation and further development of the cooperative program for monitoring and evaluation of the long-range transmission of air pollutants, whenever possible a comparable or standardized procedures for monitoring is strongly recommended, whenever possible which should be based on the framework of both national and international programs. Mechanisms would also need to be established for capacity building, finance, intra-state available technology transfer, knowledge and information exchange (about emissions, exposures, monitored data, socio-economic impacts) and reporting and evaluation of LBA-SA effectiveness. The LBA-SA should acknowledge and ensure an active role of civil society in the development and implementation of the LBA-SA of national and finally, among others, the LBA-SA should establish effective and enforceable treaty compliance provisions. The specific elements of the LBA may be further built up on the above to address/accommodate “Policy Actions at the National and Regional Levels.”

Importantly, this instrument would encourage governments to pass legislation in their respective countries, to set up or revise and improve minimum emission standards for industrial, vehicular and brick kiln emission, use of filters to clean emissions and improved fuel quality, banning the use of unclean or ‘dirty’ fuels for domestic or industrial consumption.

References


IFPRI/International Food Policy Research Institute , 2010 <http://www.ifpri.org/>


UNEP, 2008 B. <http://www.rrcap.unep.org/male/>


(PB # 27, 2011)
Environmental Challenges and Constraints to Policy issues for Sustainable Industrial Development in Pakistan

Mahmood A. Khwaja

Introduction

Like most of other south Asian countries, traditionally, Pakistan’s economy has been centered on agriculture. However, in the recent past, manufacturing and services have also emerged as major contributing sectors. The share of manufacturing sector, from 18.3% in 2007 to 30% by 2030, has been envisioned in Vision 2030 (1). With the increasing industrial & agricultural activities, energy demands, urbanization, traffic density and population growth, the degradation of all segments (air, water & land) of environment is alarmingly increasing and remains a grave concern. The unsound management of chemicals, specially in the manufacturing and agricultural sectors, have further compounded the environmental issues. Trade liberalization programs like South Asian Free Trade Area, SAFTA (2), are likely to lead to export growth and thus enhanced production, also resulting in further environmental degradation, due to ineffective environmental legislative control and polluting production/processes adopted by most of the members countries party to the agreement (3).

20% of the registered industries in Pakistan are considered highly polluting (4). Under the Self-monitoring and reporting/SMART program for industry in Pakistan, in category A (most hazardous) there are 23 & 11 industrial sectors for industrial effluents and gaseous emission, respectively (5). Major industries/clusters are in textiles, leather, steel, oil refineries & mills, chemicals, ceramics, pharmaceuticals and food. Most of these are located in Sialkot, Faisalabad, Multan, Hyderabad, Lahore, Peshawar and Rawalpindi cities. More than 10 industrial states are functional and a few new ones are in development (4).

Pressing Environmental Issues

Industrial waste water discharge from industries in the country has been estimated at 6.25 (in 2010) to a projected value of 12.50 million cubic meters/annum (in 2025). A combined pollution load (BOD,COD & TDS) in waste water discharged to inland water bodies has been estimated at 28.6 (in 2010) to a projected value of 58.6 million tons/annum (6). Degradation of water quality, both for human consumption and irrigation, due to industrial waste water discharge with high pollution load and its resulting impacts on public health and environment are most obvious. In a recent SDPI survey of 38 polluted sites in the country, it was shocking to observe, waste water from the industrial estates and industrial units being discharged into agriculture fields mostly for cash crops but also in a few, for food crops and vegetables, both on large and small scales (7). Water and soil are known and well established pathways for toxic chemicals (metals, non-metals & organics)
getting into food chain and ultimately into human bodies, besides, to a lesser extent through air.

Annex 1 describes the list of 37 industries identified and assessed by SDPI team in Punjab (25 in/around 7 cities), Khyber Pukhtunkhawa (5 in/around 3 cities) and Sindh (7 in/around 2 cities). Two polluted sites were identified and assessed in/around Islamabad (7). Nine priority polluted sites for which immediate remediation actions are required are listed in Annex 2.

Industrial chemicals manufacturing and use, obsolete pesticides stocks and hospital wastes are main potential sources of hazardous wastes in the country. Substantial quantum of hazardous industrial wastes is also released by old/expired ship-breaking yards and non-formal industrial sector/SMEs, including very small scale recycling units run by un-skilled and illiterate labor, which are scattered across the country. To the best of accessible information, district based inventory of these by district/provincial EPAs are yet to be developed.

Air pollutants can be transported across states and national boundaries, therefore pollutants produced by one country, as well have adverse impacts on the environment of neighboring countries. Trans-boundary air pollution, which is also impacting some areas of Pakistan, as evident by increased fog in winter months, is an emerging environmental issue that demands critical attention. Down-wind areas of the countries are likely to be affected more than the up-wind areas (8).

The impact of climate change on chemicals characteristics, hazardous wastes and sites and the resulting impacts on environment and public health have been little realized in Pakistan and other developing countries. The high temperature and low precipitation would enhance volatile chemicals levels in the air and the increased evaporation would enhance non-volatile chemicals levels in water bodies and soil. The low temperature and high precipitation/snowfall would transport back air pollutants to water bodies and land. Enhanced air, water and land pollution due to climate change and in the event of high flood, the spread of hazardous wastes dumps into cities/towns at the polluted sites could play havoc with the environment and health of the population of the climate change affected areas of the country.

**Constraints to Policy Issues**

Over the years, environmental protection agencies (EPAs) and Ministry of Environment have done well in establishing institutions, developing and to the extent possible, implementing with the involvement and support of stakeholders, environment policies, action plans, strategies and legislation to regulate industrial pollution, for the protection of environment and safeguarding public health. Phasing out lead from gasoline, reduction in sulfur content of diesel & furnace oil, conversion of vehicles to CNG on a massive scale for transport, substantial technical & financial support towards ISO certification by industries, setting up of cleaner production centers and combined treatment plants for specific industrial sectors, setting up of
revised national environmental quality standards (NEQS) and launching of self-monitoring and reporting/SMART program for industrial sector across the country, requirement of initial environmental examination (IEE)/environment impact assessment (EIA) for new public & private sectors projects, issuing of environment protection orders (EPOs) to non-compliance industries and establishment of environmental tribunals, have been great initiatives and arrangements. The progress on these initiatives and arrangements has been slow but steady. There have been increase in ISO certified industrial units (from 59 (2005) to 200 (2008), IEE/EIA reports submitted to EPAs (from 37 (2000) to 437 (2008) and environmental investment by the industrial sector of Rs. 7,570 millions (1996) to estimated 25,520 millions (2011 – 2025). The self-monitoring and reporting/SMART program developed and promoted a culture of monitoring & reporting by industry to provincial EPAs which was never in existence in the country. Several EPOs have been issued to non-compliance industrial units and cases referred to environmental tribunals (6)

Recommendations

The responsibility of the slow progress referred to above needs to be looked at the performance of the three main stakeholders to the environment issue, the government (MoE/EPAs), industrial sector (FPCCI, provincial & district CCI & industrial associations and representatives of civil society (NGOs & CBOs) and their constraints/limitations in meeting the challenge of a clean environment in the country.

There seems to be a general impression of lack of political will. Environment has not been among priorities of the past or present government. Hardly any political party manifesto prominently speaks of environmental issues in the country. All along the governments preference has been a voluntary or carrot approach and not a strict or stick approach in regulating industrial pollution. Pakistan environmental protection council (PEPC), just meets once a year and some time even after longer period, to monitor and expedite the development/implementation of environmental policies and programs in the country. The implementation of the approved environmental policies, action plan, program and projects on times take so long that the situation over the time changes drastically and these either may not remain feasible or needs to go through another time investing process of updates and revision, as evident by revised NEQSs, Self-monitoring and reporting/SMART 2 program. The same need may arise for the national implementation plan (NIP) for phasing out persistent organic pollutants (POPs). Lack of capacity and capacity building, expertise, technical know-how, technical facilities and human resource are other major constraints, not only for the government to enforce compliance but also for the industry to comply with.

In the early years of environment policy and legislation development, industry through FPCCI, not only supported government initiatives but also played an important role as an active member of National Standards Committee and NEQSs implementation committee. FPCCI not only agreed to payment of pollution charge but also proposed the amount of the base
rate/pollution unit for non-compliance with NEQSs. However, the government’s response to the FPCCI proposed financial incentives (9) and lack of credit availability/facility for environmental technology or investment has not been up to FPCCI expectations. Even whereas, industry seems willing to invest in pollution control measures, the information regarding key-turn appropriate, well tested and established technology, its cost, effectiveness and durability have not been readily accessible. Establishment of “Provincial Sustainable Development Fund” to support industry with soft loan for the purchase of pollution control equipment and installation of industry specific “Joint Treatment Plants” was agreed upon (9) both by the government and the industry but it could not be well institutionalized due to diversified opinion regarding its operating mechanism and delayed power delegation of the same to the provincial governments.

Civil society can also play a vital role towards industrial pollution control by building awareness, understanding and concern within all stakeholders and sections of society, providing relevant information and help to marginalized and vulnerable groups (women, children, elderly & sick) and by carrying out national and local campaigns and projects that contributes to protecting environment and minimizing public exposure to toxic industrial releases/hazardous waste sites. Civil society needs to be involved to the extent possible, both at the policy development and implementation phases, as is now made obligatory to the national governments party to Stockholm Convention on POPs, Strategic Approach to International Chemicals Management (SAICM) and the under-negotiations UNEP draft text of the legally binding instrument on mercury phase out (10)

References:


Annex 1: Identified and Investigated Polluted Sites in Pakistan

**PUNJAB**

*Rawalpindi*
1. Nullah Lai, Jawed colony ,Liaqat Bagh Rawalpindi, Punjab

*Sialkot*
2. Rohail Garah, Sialkot, Punjab, Pakistan
3. Sahuwala,Wazir Abad Road, Sialkot
4. Modair Pur, Sialkot
5. Muzaffar Pur, Sialkot
6. Malik-e-Kalan, Sialkot

*Faisalabad*
7. Chenab Drain, Nishat abad, Husain abad
8. Jaranwala road, Lokey village
9. Sitara Chemical drainagge,Faisalabad
10. Main Khuryanwala,Faisalabad
11. Dagranwan road, Faisalabad
12. Muhammadi street, Samandri road, Faisalabad
13. Gokhuwal, near Millat town,Faisalabad

*Lahore*
14. Rohi Nala, Kahna Kacha, Guja Mata Road , Lahore Kasur
15. Bngla Kamboyan, Depalpur Road, Kasur
16. Maan Village, ½ Km, Kasur treatment plant, Kasur
17. Unis Nagar, Kasur

*Multan*
18. Shah Town, Sameejabad, Hasanabad, Multan
19. Pir Shah Wala, Basti Darkhaana
20. Walwat village Near Sher Shah, Multan
21. Basti Khair Shah, Nawabpur Road, Puraana Bhatta , Multan
22. Rehmat Colony, Near Baba Qamardin, Multan

*Khanewal*
23. Moosa Wirk, Mian Channu Distt. Khanewal

*Sahiwal*
24. Raj pura, Near Lower Bari Doab Canal, Sahiwal

**KHYBER PAKHTUN KHWA (KPK)**

*Nowshera*
1. Demolished DDT Factory Site, Amangah, Nowshera
Peshawar
2. Depleted Pesticides Dump, Jamrud Road, Peshawar
3. Industrial Drain at the back of KPK Agriculture University, Peshawar

Abbottabad
4. Hazardous Waste Dumping Site Salhad, Abbottabad, KPK

SINDH
Karachi
1. Kimiyari Coal Dumping Site
2. Mehran town, Sharif abad, Near Oil Refinery, Chamra Chorangi
3. Korangi Creek, Beside IBM College
4. Sher Payo Colony.

Hyderabad
5. Haji Daryan Khan Panwar
6. Wakeel, Near Haji Daryan Khan Panwar
7. Tando Ghulam Haider Tehleko, Near Sugar Mills, District Tando Muhammad Khan

ISLAMABAD
1. Drain Humak Industrial Triangle (Kahuta Triangle)
2. Khanna Dak, Lehtrar,

Annex 2: Priority Polluted Sites for Remediation Action

KPK:
1. Depleted Pesticides Dump, Jamrud Rd.

Sindh:
1. Kimiyari Coal Dumping Site, Karachi
2. Haji Daryan Khan Panwar Hyderabad

Punjab:
1. Younis Nagar, Kasur
4. Pir Shah Wala, Basti Darkhaana, Multan
5. Chenab Drain, Nishat abad, Faisalabad
6. Rohail Garah, Sialkot

(PB # 31, 2012)
Ban on Non-biodegradable Chemicals in Detergents*

Mahmood A. Khwaja

Detergents are made from Branched Alkyl Benzene Sulphonic acid (BAB/ABS, brand name Conco AAS) and Linear Alky Benzene Sulphonic acid (LAB/LAS, brand name Santomerse). These chemicals have a high production volume and more than 1,000,000 pounds are produced annually. These ionic surfactants are found in domestic, agricultural, industrial cleaning and personnel products (including those used by children), textiles and paints. Detergents, therefore, are now competing well with soaps in terms of both quality and cost. Commercial products usually contain 60–90 percent, while consumer products contain 5–30 percent BAB/LAB. The commercial BAB/LAB products are mixtures of various alkyl chain lengths, typically from C10 to C14. The manufacturing process of BAB/LAB emits benzene, which is a known carcinogen and a known reproductive toxin.

BAB was developed in the early 1930s and being inexpensive became an instant success for use in powdered laundry detergents, replacing soaps. Soon, however, it was found that these detergents caused foaming problems in sewage/waste water treatment plants and in the environment. BAB surfactant began to accumulate in remote streams, waterfalls and fountains. These synthetic detergents were thought to be more resistant than soap to degradation in sewage treatment plants. The degradation process was found to be slow and incomplete due to the interruption of bacterial two-carbon oxidation by the branched alkyl (3-carbon oxidation) in the hydrocarbon chain (C10–C12). This led to a search for the development of biodegradable straight chain chemicals to be used in detergents.

The light colored viscous liquid LAB was introduced in 1965 as a replacement for BAB. LAB are complex mixtures of closely related homologues and isomers. Though pure LAB solutions have average foaming properties, but the alkaline mixtures of LAB are considered almost as excellent as soap.

The enormous amounts of LAB consumed each year (2 million tons in 1990), have raised serious concerns and studies are in progress to examine the biodegradation of major co-products of commercial mixtures of LAB surfactants. Di-alkyl tetralin-sulphonates (DATS) and methyl-branched isomers of LAB(iso-LAB) which account for up to 15 percent of LAB, have been reported to be resistant to primary degradation. Studies have indicated the non-biodegradability of 40–60 percent of DATS and iso-LAB. On the basis of LAB consumption and the results of these studies, it has been estimated that 200,000 tons of refractory organics is dispersed each year in the environment as a result of the use of these surfactants.

Under the High Production Volume Chemical Challenge Program, the LAS/ABS (LAB/BAB) Consortium provided the following information: ¹

¹ Partial submission to US Environmental Protection Agency in Dec. 2002
² prepared on the request of Pak-EPA/MoE
(a) For 28 days, biodegradation of LAB (mixtures) and BAB (derivatives) is 71 percent and 64.73 percent, respectively.

(b) Acute oral for LAB (mixtures) 1300 – 1836 mg/kg and for BAB (derivatives) 520 1080 mg/kg. Both types of chemicals cause skin irritation.

Further studies by the LAS/ABS Consortium are in progress in USA and a final submission will be made to USA EPA during 2004.

The International Program on Chemical Safety (ICS), World Health Organization (WHO), has yet to evaluate the different alkyl benzene sulfonates and their effects on the environment.

Laboratory tests (including aerobic degradation, industrial, atmospheric and water borne wastes and energy consumption in manufacturing process, and waste disposal) based on 1000 lbs sulfonates support the use of methyl ethyl sulfonates (MES) and fatty alcohol sulfonates (FAS) over LAB.

In view of the above, following recommendation have been made to the Pakistan Environmental Protection Agency (Pak-EPA) for consideration regarding ban on the use of BAB and LAB in detergents:

(i) Both LAB and BAB may not be banned in the country for the next two to three years.

(ii) Meanwhile, an assessment should be made regarding the consumption of LAB and BAB by the industrial sector in the country. Industries should also be advised to look into use of MES/FAS to replace BAB/LAB.

(iii) In view of the LAB/BAB consumption in the country and the results of the on-going studies on LAB/BAB biodegradation, their environmental and health impacts, either or both LAB/BAB may be banned.

(iv) The industry may be offered incentives and technical assistance to replace LAB/BAB with MES/FAS.

Bibliography


4. Environment Health Criteria 169; Linear Alkybenzene Sulphonates and related compounds, ISEN 92 4 157169; ISSN 0250-863; NLM Classification QU 98, World Health Organization, 1996

5. Kirk-Othmer Encyclopedia of Chemical Technology, Interscience, New York, USA

6. Encyclopedia of Industrial Chemical Analyses, Interscience, New York, USA

(PB # 18, 2004)
Present Status of Implementation of Self-Monitoring and Reporting Program/SMART for Industry*

Mahmood A. Khwaja

Executive Summary

In this paper background information is provided with regard to decisions made by the Environment Standards Committee (ESC) for establishing a Self-Monitoring and Reporting system for industry in the country. The ESC was constituted by the Pakistan Environmental Protection Council (PEPC) in 1996, to rationalize the National Environmental Quality Standards (NEQS) and to work out detailed modalities for their implementation. PEPC designated Sustainable Development Policy Institute (SDPI) as the secretariat of ESC. Members of the ESC included representatives from government, industry and public interest organizations.

The self-monitoring and reporting concept, which is entirely based on the honor system, emerged from a dialogue between the government and industrial representatives. Pakistan Environmental Protection Act 1997 provides the legal basis for it. Industry has been classified into three categories i.e. A, B and C, each corresponding to a specified reporting frequency. Based on “Self-Monitoring and Reporting Rules, 1998,” a software, Self-Monitoring and Reporting Tool (SMART) has been developed. This software is planned to be used by the industrial units in the country to generate reports of their emissions levels (environmental data) and send the same electronically through e-mails/floppy disks to Environmental Protection Agencies (EPAs) for compilation and analyses. Section 3 and 4 of this paper briefly describe the SMART modules and the pilot-phase program and the proceedings of the national workshop held in Islamabad on August 02, 2001, at the end of the SMART pilot-phase.

Background

Development of an environmental monitoring program for industry was a salient feature and a priority action area of SDPI project on Technology Transfer for Sustainable Industrial Development (TTSID). Without a proper and systematic environmental monitoring program in place, no environmental policy, be it national environmental quality standards (NEQS) or adaptation of cleaner technologies for pollution control, is likely to be successful. The principle objectives for the environmental monitoring program under TTSID were as follows:

(i) to provide support to government/federal EPA for developing a monitoring framework and requirements for the industry and the establishment of standard monitoring procedures and reporting formats.

* Prepared on the request of Pakistan NEQS implementation committee
(ii) to provide assistance to industry through information dissemination and training in environmental monitoring.
(iii) emission and effluent measurements from selected industrial units/industrial estates and
(iv) support to create and maintain a database on pollution loads from individual industries throughout the country.

Self-Monitoring and Reporting Program for Industry

The self-monitoring and reporting (SMAR) concept, which is entirely based on the honor system, emerged from a dialogue between the government and industrial representatives.

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• National Environmental Quality Standards (Self Monitoring and Reporting by Industries) Rules, 1998.</td>
</tr>
<tr>
<td>• Environmental Samples Rules 1999.</td>
</tr>
</tbody>
</table>

The rules and regulations for implementation are cited in (Box 1) above. It is expected that the entrepreneurs, who are well aware of their social and legal responsibilities, will adequately respond to this new system, which does not involve the role of environment inspectors. The SMAR system takes into account the interests and resources of both the EPAs and industry. On the one hand, it saves considerable expenses, time and efforts of EPAs, and, on the other hand, it involves industry in the evaluation of environmental performance and the implementation of pollution control measures if called for.

PEPA-97 section 6(1)(i) (Annex A) provides the legal basis for environmental monitoring. Under SMAR system, industries in Pakistan are made responsible for systematically monitoring their environmental performance (industrial emissions) and reporting of the data to EPAs periodically. Guidelines for self-monitoring and reporting were developed through a consultative process among stakeholders by holding round-table-meetings of representatives from the ministry of environment/EPAs, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and non-governmental organizations (NGOs).

Industry has been classified into three categories i.e. A, B, and C each corresponding to a specified reporting frequency (Annex B). For liquid effluents, a reporting frequency of monthly for category A, quarterly for category B and biannually for category C is recommended. For gaseous emissions, the recommended reporting frequency for category A and category B are monthly and quarterly, respectively. For most industries, only 4–6 priority parameters have been proposed under normal plant operating conditions. Initially, industries may use their own facilities or engage any technically sound laboratory for testing samples of industrial emissions, but,
eventually, Pak-EPA designated laboratories are to be used for this purpose. Laboratories will be certified under the “Environmental Laboratories Certification Regulations, 2000”. These regulations as well as “Environment Samples Rules 1999”, which provide details of sampling and analyses requirements and procedures, have already been notified.

Environment Standard Committee (ESC) Final Report On Self-Monitoring and Reporting by Industry

Pakistan EPA and SDPI jointly developed guidelines for self-monitoring and reporting by industry, which were presented and discussed during the ESC meeting of September 23, 1997. These guidelines were circulated to provincial EPAs, FPCCI and OICCI for comments, discussed during two roundtable meeting held in Peshawar and Lahore in December 1997 and debated in the Expert Advisory Committee (EAC) on December 9, 1997 and February 7, 1998. The document was revised in the light of these comments and discussions and again presented to the ESC on March 10, 1998. The committee agreed during this meeting that Pak EPA should implement these guidelines from November 1, 1998.

Self-Monitoring and Reporting Tool (SMART)

In view of limited capacity, both in trained personnel and equipment, for enforcing compliance of NEQS in the country, Pak-EPA, with technical support from Sustainable Development Policy Institute (SDPI) and local consultants, developed a self-monitoring and reporting tool (SMART). The software, SMART, has been developed, based on “Self-Monitoring and Reporting Rules, 1998” already notified by the government. It is planned to be used by the industrial units in the country to generate reports of their emissions levels (environmental data) and send the same electronically through e-mails/floppy disks to EPAs for compilation and analyses.

SMART consists of three modules, one each for industry, Provincial EPAs and Federal EPA. The Federal EPA, while registering an industrial unit, would assign a distinctive and unalterable user number to each reporting industrial unit in the country via the industry module. SMART software has an in-built provision of data confidentiality to safeguard genuine business interests of the reporting industrial units. The software is simple and user friendly and a computer capable of operating Windows 98 and having 4Mb free space can run it. A user can install SMART in a computer and enter the data with the help of “SMART – User Instructions.”

Pilot Phase Program for SMART Testing and Demonstration

A pilot-phase program for SMART demonstration and testing has been successfully completed\(^2\). The pilot-phase was jointly organized and

\(^2\) January – June, 2000
conducted by Pak-EPA and SDPI in collaboration with FPCCI. The SMART pilot-phase program was planned, executed and supervised by a “SMART Project Team,” chaired by the Director General, Pak-EPA. Other members of the team were from SDPI, Hagler Bailly Pakistan (HB-P) and Federal and Provincial EPAs. Details of the SMART pilot-phase tasks are given in Appendix C. The objective was to test and, if required, improve SMART software before countrywide use. Through FPCCI, fifty industries volunteered to participate in the pilot-phase. These industries were provided with an “information package” consisting of self-monitoring and reporting guidelines, standard sampling procedures and analytical methods and the “SMART User Instructions Manual” and SMART floppy disks. The pilot-phase was underway for six months during which Pak-EPA received environmental data from the industries either through e-mails or on a floppy disk via postal service.

National Workshop on Self-Monitoring and Reporting Tool (SMART)

After the completion of the six months pilot demonstration phase of self-monitoring and reporting tool (SMART) Pak-EPA and (SDPI) decided to evaluate the progress made during the pilot-phase and to review and discuss with industry further improvement in the SMART software and possible future measures for the self monitoring and reporting program.

A one-day workshop was organized on August 2, 2001 at Islamabad by Pak-EPA and SDPI. Over sixty participants from industry (36 participants), Federal and Provincial EPAs, FPCCI, research laboratories, industrial association, non-governmental organizations and other institutions attended the workshop. The various aspects of self-monitoring and reporting program and SMART were presented and deliberated upon in two technical sessions. Representatives from a number of industries and other institutions actively participated in the discussion.

The workshop was inaugurated by the Federal Minister for Environment, LG & RD. The closing session was chaired by Secretary, Environment Protection Department, Punjab who also gave away certificates and shields to the representatives of the industries actively participating in the self-monitoring and reporting/SMART program.

In the light of the experience gained through the pilot-phase and feedback from industry, the “SMART Industry Module” has been further developed and made more user friendly and is now ready for country-wide use as a tool for expediting and effectively implementing the self-monitoring and reporting program for industry.

The checking and testing of “SMART Provincial EPA Modules” is in progress at SDPI, and soon after its completion, these would be installed in the offices of provincial EPAs, at Peshawar, Quetta, Lahore and Karachi, to receive monitoring data of effluents/gaseous emissions from industrial units in the respective provinces.
In the minutes of the Ninth Meeting of Pakistan Environmental Protection Council (PEPC) held at Islamabad on February 03, 2001, agenda item No.4, “Status of Implementation of National Environmental Quality Standards (NEQS) and Constraints,” the following decisions were taken:

1. The existing pilot phase of Self-Monitoring and Reporting (SMART) covering 50 industries will be expanded to include 200 industries beginning 1st March 2001.

2. The number of participating industries in this program will be increased to 400 in the second year and 700 in the third year.

Recommendations
- Installation of SMART Provincial modules for Provincial EPA’s at Quetta, Peshawar, Karachi and Lahore
- Improvement in SMART software to make it more user friendly.
- Financial resources may be explored to cover expenses required for above and SMART program expansion to 400 units in the country

Annex-A

Pakistan Environmental Protection Act 1997 (Pepa – 1997)
Section II Prohibition of certain discharges or emissions – (1) Subject to the provisions of this ACT and the rules and regulations made thereunder no person shall discharge or omit or allow the discharge or omission of any effluent or waste or air pollutant or noise in an amount, concentration or level which is in excess of the National Environmental Quality Standards or, where applicable, the standards established under sub-clause (l) of clauses (g) of sub-section (1) of section 6.

(2) The Federal Government levy a pollution charge on any person who contravenes or fails to comply with the provisions of sub-section (1), to be calculated at such rate and collected in accordance with such procedure as may be prescribed.

(3) Any person who pays the pollution charge levied under sub-section (2) shall not be charged with an offence with respect to that contravention or failure.

(4) The provisions of sub-section (3) shall not apply to projects, which commenced industrial activity on or after the thirtieth day of June, 1994.

Annex-B

1. Categories of Industries (for Liquid Effluents)

Category A (Monthly) Category B (Quarterly) Category C (Quarterly)
- Chlor-Alkali (Mercury Cell)
- Chlor-Alkali (Diaphragm)
- Dairy Industry
- Fruit and Vegetable
- Pharmaceutical
- Marble
2. Categories of Industries (for Gaseous Emissions)

**Category A (Monthly)**
- Cement
- Glass Manufacturing
- Iron and Steel
- Nitrogenous Fertilizers
- Phosphate Fertilizers
- Oil and Gas Production
- Petroleum Refining (Fired)
- Pulp and Paper
- Thermal Power Plants

**Category B (Quarterly)**
- Sugar
- Textile
- Chloralkali Plants
- Dairy Industry
- Fruits and Vegetables
- Metal Finishing and Electroplating
- Boilers, Ovens, Furnaces and Kilns (Gas Fired)

**Category A (Monthly)**
- Metal Finishing and Electroplating
- Nitrogenous Fertilizer
- Phosphate Fertilizer
- Pulp and Paper
- Pesticides Formulation
- Petroleum Refining
- Steel Industry
- Synthetic fiber Tanning and Leather Finishing
- Textile Processing
- Pigments and Dyes
- Thermal power Plants (oil fired and coal fired)
- Rubber Products
- Paints, Varnishes & Lacquers
- Pesticides
- Printing
- Industrial Chemicals
- Oil and Gas Production
- Petrochemicals

**Category B (Quarterly)**
- Glass Manufacturing
- Cement
- Sugar
- Any other as notified by EPAs
- Detergent
- Photographic Glue
- Oil and Gas Exploration
- Vegetable Oil and Ghee Mills
- Woollen Mills
- Plastic Material and Products
- Wood and Cork Products
(Coal and Oil based)
- Boilers, Ovens, Furnaces and Kilns (Coal and Oil fired)
- Brick kilns (Firewood and Bagasse)

**Annex-C**

SMART Pilot Phase Tasks

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Preparation</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Preparation</strong></td>
<td>Set up Pilot Steering Committee and Project Team</td>
<td>Mail software and information package, with pilot cover letter</td>
</tr>
<tr>
<td></td>
<td>Include project personnel and EPA staff; designate assignments; determine training needs</td>
<td>Package; mail; follow up; re-issue and needed</td>
</tr>
<tr>
<td></td>
<td>Select participating plants (50 +10)</td>
<td>Provide technical support</td>
</tr>
<tr>
<td></td>
<td>Representational sampling: size, geographical, NEQS category, industrial type</td>
<td>For sampling, testing, software, and reporting issues</td>
</tr>
<tr>
<td></td>
<td>Registration and software issue</td>
<td>Collect reported data</td>
</tr>
<tr>
<td></td>
<td>Complete pre-registration forms, enter data, print instructions and information package and prepare software.</td>
<td>Data receipt and compilation; review; storage and management; issue notices</td>
</tr>
<tr>
<td></td>
<td>Training of project personnel</td>
<td>Analyze report results and trends</td>
</tr>
<tr>
<td></td>
<td>Internal training of project and EPA staff; determine training support for industry</td>
<td>Use SMART analysis software</td>
</tr>
<tr>
<td></td>
<td>Define sampling protocols</td>
<td>Documentation</td>
</tr>
<tr>
<td></td>
<td>Ensure readiness of industry for sampling and testing; list accredited third-party labs; other support needs</td>
<td>Track issues, responses, necessary modifications</td>
</tr>
<tr>
<td></td>
<td>Define policy issues</td>
<td>Issue completion notice</td>
</tr>
<tr>
<td></td>
<td>Incentives; data confidentiality; non-compliance handling</td>
<td>Letters of thanks and further actions required</td>
</tr>
<tr>
<td>Post-implementation</td>
<td>Review data and performance issues</td>
<td>Prepare final pilot data reports and evaluate criteria, procedures, and responsiveness; document changes required</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Undertake modifications</td>
<td>Complete cycle of modifications and testing of revised software, policies and procedures</td>
</tr>
<tr>
<td></td>
<td>Plan nationwide implementation</td>
<td>Determine requirements</td>
</tr>
<tr>
<td></td>
<td>End-of-pilot meeting</td>
<td>Industry participation; award of certificates</td>
</tr>
<tr>
<td>Phase II</td>
<td>Repeat phase I steps with modified programme in all provinces</td>
<td>Build implementation capacity; involve provincial EPAs in all aspects</td>
</tr>
<tr>
<td></td>
<td>Determine long-term implementation requirements</td>
<td>Schedule industry-wide implementation, enforcement, and incentives</td>
</tr>
</tbody>
</table>

(PB # 13, 2001)
Executive Summary

In this paper background, information is provided with regard to decisions made by the Environment Standards Committee (ESC) for establishing a “Pollution Charge” (PC) system for industrial units not complying with National Environmental Quality Standards (NEQS) in the country. The ESC was constituted by the Pakistan Environmental Protection Council (PEPC) in 1996, to rationalize NEQS and to work out detailed modalities for their implementation. PEPC designated Sustainable Development Policy Institute (SDPI) as the secretariat of ESC. Members of the ESC included representatives from government, industry and public interest organizations.

The concept of pollution charge, based on the “Polluter Pays Principle” is a key element of the implementation of the NEQS program in the country. The modalities for the determination and implementation of pollution charge were evolved through extensive discussions in several consultative roundtable meetings among representatives of industry, government, environmental non-governmental organizations, academic researchers and the private industrial sector. Pakistan Environmental Protection Act 1997 (PEPA-97) provides the legal basis for it. Pollution charges are to be applied, uniformly across all industry, initially on ten effluent and four gaseous emission parameters. The base rate per pollution unit for calculating the pollution charge has been agreed to be Rs.50/- during the first and second year, and thereafter, the base rate will be Rs. 75/-. The amount would be collected at a progressively increasing rate of 10%, 20%, 40%, 60%, and 80% of the base rate respectively, on a period of five years.

Background

Pakistan Environmental Protection Act (PEPA-97) section 11, sub-section (2) provides the legal basis for the application of the pollution charge. (Annex-A) It states:

The Federal Government will levy a pollution charge on any person who contravenes or fails to comply with the provisions of PEPA-97 section 11, sub-section (1), to be calculated at such rate and collected in accordance with such procedures as may be prescribed.

The concept of pollution charge, based on the “polluter pays principle,” is a key element of the implementation of NEQS program in the country. This was one of the most difficult areas of work for the Environmental Standards Committee (ESC), in view of the different proposals submitted by the Sustainable Development Policy Institute (SDPI), Pak-EPA and FPCCI, using different criteria of linking it with the cost of (a)
Recommendations of Environmental Standards Committee (ESC)

The modalities for the determination and implementation of pollution charge were evolved through extensive discussions, in several consultative roundtable meetings, among representatives of industry, businesses, government, environmental NGOs, academic researchers and the private industrial sector. The consensus was finally reached on the proposal based on pollution load measured in “pollution unit” in excess of NEQS, as determined by an agreed formulae (Annex-B). The consensus of all stakeholders was also on adopting a market based approach, i.e. a pollution charge combined with fiscal incentives to industries, rather than a “command and control” approach through regulations to ensure compliance with NEQS. The application of NEQS and the levy of pollution charges will be applied uniformly across all industry. Initially, pollution charges are to be applied on ten effluent and four gaseous emission parameters (Annex-C).

The base rate per pollution unit for calculating the pollution charge has been agreed to be Rs.50/- during the first and second year and thereafter, the base rate will be Rs.75/-. The amount would be collected at the rate of 10%, 20%, 40%, 60% and 80% of the base rate respectively over a period of five years. The underlying approach was that one needs to start with a slap on the wrist, but make it cheaper later on to institute pollution control, via preventive and other measures, rather than continue to pay the pollution charge. This, eventually, would ensure that those who introduce cleanup activities do not suffer relative to those who persist with dirty production methods. This approach also meets the dire need for real progress towards making the industry environmentally friendly without jeopardizing a progressively increasing economic growth in the country.

The above recommendations, accepted by ESC and Pakistan Environmental Protection Council (PEPC), for the base rate and the progressive escalating payment schedule, were established by the industry representatives (ESC sub-committee, headed by Vice-President, FPCCI) after weeks of negotiations among themselves. This was an unprecedented achievement in Pakistan, and perhaps anywhere, because industry voluntarily agreed to a charge to be applied to themselves for generating pollution in excess of national environmental quality standards (NEQS).

The ESC sub-committee also proposed changing the term “pollution charge” to “environmental improvement contribution.” However, since this requires an amendment in PEPA-97, the existing provision remains in force until such an amendment takes place.

It has been agreed upon by all stakeholders and strongly recommended by ESC that the money collected as pollution charge would be made available for collective environmental services to benefit industry. It would be used primarily for activities that will help in the abatement of environmental pollution such as soft loan for purchase of pollution control equipment, installation of combined treatment plants, research and development of indigenous pollution control
technology, roundtable conferences, workshops in support of pollution abatement, training and advisory service for industry.

Environmental Standard Committee (ESC), Final Report on Determination of Pollution Charge for Industry

Pakistan EPA and SDPI jointly developed guidelines for the determination of a pollution charge for industry. The proposal was discussed by the ESC during its meeting on September 23, 1997 and referred to the ESC Expert Advisory Committee (EAC) for consideration and feedback. It was circulated to Provincial EPAs, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Overseas Investors Chamber of Commerce and Industry (OICCI) for comments, discussed during two roundtable meetings held in Peshawar and Lahore, and also thoroughly debated in the EAC meetings. On the recommendation of the EAC, the proposal was approved by ESC on March 10, 1998.

The ESC sub-committee, formed to recommend the base rate per pollution unit, and the escalation schedule during the next 4 – 5 years presented its report to the ESC on August 6, 1998. ESC approved the final draft of the guidelines for determination of a pollution charge for industry, as approved by EAC, after incorporating some changes agreed upon during the ESC meeting.

In the same meeting on August 6, 1998, the ESC sub-committee, formed to develop a workable proposal, within the provisions of PEPA-97, for calculation, collection and disbursement of pollution charge money, also presented to the ESC, draft rules (see Box 1 below) and regulations for the same. ESC recommended these for consideration by the Pakistan Environmental Protection Council (PEPC).

<table>
<thead>
<tr>
<th>Rules for Implementation of Pollution Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Industrial Pollution Charge (Calculation and Collection) Rules 1998</td>
</tr>
</tbody>
</table>

Decisions of Pakistan Environmental Protection Council

In the minutes of the 8th Meeting of Pakistan Environmental Protection Council (PEPC) held at Islamabad on August 26, 1999. Agenda Item No. 4 was the “presentation of the Environmental Standards Committee” report. The ESC report containing recommendation, “Levy of pollution charge in accordance with the agreed formula,” was adopted by the Council. PEPC also directed the ESC to continue its functions and to monitor the implementation of its recommendations. Draft rules for levy of pollution charges were circulated for views/comments to the provincial governments. NWFP, Punjab and Sindh have conveyed their concurrence.

In the minutes of the 9th Meeting of Pakistan Environmental Protection Council held at Islamabad on February 03, 2001, Agenda Item No.4 was the “Status of
Implementation of National Environmental Quality Standards (NEQS) and Constraints. The following decisions were taken in this regard.

1. Collection of Pollution Charge, as per agreed formula, shall commence with effect from July 1, 2001. The rate of pollution charge from polluting industries shall be gradually increased to equal the cost of clean up. The charge so collected shall be deposited in the Provincial Sustainable Development Funds (PSDF). The administration of the levy of the pollution charges shall be overseen by Tripartite Committees comprised of representatives of industrial associations, EPAs and non-governmental organizations. Provincial Sustainable Development Funds shall be available for investment in environmental friendly projects. Necessary notifications in this regard shall be issued by the Ministry of Environment, LG & RD.

In the last PEPC meeting, Pakistan Institute for Environment Development Action Research (PIEDAR) submitted a proposal for avoiding possible dilution of industrial effluents to reduce the pollution charges. The proposal is attached as (Annex-D).

The proposal may be reviewed through consultation with all stakeholders. Pollution Charge for Industry (Calculation and Collection) rules 2001 have been notified. However, so far the implementation has not occurred.

Recommendations

The issue of institutional arrangement for the collection and disbursement of pollution charge funds has remained unresolved. The government should take initiatives in this matter and resolve the issue through negotiated settlement with all staked holders.

(PB # 14, 2001)

Annex-A

Pakistan Environmental Protection Act 1997 (PEPA – 1997)

Section II  Prohibition of certain discharges or emissions – (1) Subject to the provisions of this ACT and the rules and regulations made there under no person shall discharge or omit or allow the discharge or omission of any effluent or waste or air pollutant or noise in an amount, concentration or level which is in excess of the National Environmental Quality Standards or, where applicable, the standards established under sub-clause (l) of clauses (g) of sub-section (1) of section 6.

(2) The Federal Government levy a pollution charge on any person who contravenes or fails to comply with the provisions of sub-section (1), to be calculated at such rate and collected in accordance with such procedure as may be prescribed.
(3) Any person who pays the pollution charge levied under sub-section (2) shall not be charged with an offence with respect to that contravention or failure.

(4) The provisions of sub-section (3) shall not apply to projects which commenced industrial activity on or after the thirtieth day of June, 1994.

**Annex-B**

Formulae for Pollution Charge

\[
\frac{(C-S) \times R \times D}{U \times 1000} \times F
\]

Where:
- \(C\) = Pollutants Concentration (mg/L) in Effluent/Emission
- \(S\) = NEQS for the pollutants
- \(R\) = Flow Rate (m³ / Day)
- \(D\) = Total number of operating days/year
- \(U\) = Pollutant Unit (kgs)
- \(F\) = Fee (Rs) per Pollution Unit

**TOTAL PAYABLE POLLUTION CHARGE BY AN INDUSTRY WOULD BE SUM TOTAL OF POLLUTION CHARGES FOR ALL POLLUTANTS PRESENT (IN EXCESS OF NEQS) IN EFFLUENTS / EMISSIONS BEING DISCHARGED BY THE INDUSTRY**

**Recommendations:** Pollution to be re-named as “Environmental Improvement Contribution”

**Annex-C**

1. **Pollution Units for Gaseous Emissions**
   - Carbon Monoxide (CO) = 400 kgs
   - Particulates (from coal & other sources) = 250 kgs
   - Oxides of Nitrogen (NOₓ) and Sulphur (SOₓ) = 200 kgs
   - Particulates (from oil) = 150 kgs
   - Particulates (from cement) = 100 kgs

2. **Pollution Units for Effluents**
   - COD, TSS = 50kgs
   - Oil and Grease = 3 kgs
   - Copper = 1000 gms
   - Chromium, Nickle, Lead = 500 gms
   - Cadmium, Pesticides, Herbicides = 100 gms
   - Merury = 20 gm
Annex-D

Proposal to Avoid Impact of Dilution on Pollution Charges

1. Under the exemption section;
The exemption for each parameter is equivalent to the pollution load within the NEQS during the determination period. For each parameter, the exemption is expressed in terms of exempted pollution load per unit output. This is calculated as the total exempted pollution load for the parameter divided by the production during the determination period.

2. Under the calculation section
For each parameter the exemption is calculated as the exemption per unit output multiplied by the production of the unit during the previous six months.

Net quantity of pollutant is defined as the total quantity of pollutant minus the exemption.

Effects of this modification
Subsequent to the determination period, dilution of the effluents has no effects on the net quantity of pollutant, in other words, dilution does not reduce the pollution charges.
Financial Incentives to Industry
Abdul Matin Khan

Executive Summary

This paper provides details of the decisions made by the Environment Standards Committee (ESC) on Financial Incentives to industry. It also documents the progress made so far in the implementation of ESC decisions. The Pakistan Environmental Protection Council (PEPC) constituted the ESC on March 11, 1996. Dr. Shamsh Kassim Lakha President Aga Khan University, was appointed as its chairperson while the members included senior representatives from government, industry and public interest organizations. The Committee held eight meetings up to August 1998, and made several important recommendations on the modalities for implementing National Environmental Quality Standards. Section 2 provides details on the agreements through the ESC on the Financial Incentives to Industry. Section 3 provides details of the developments that took place from August 1998 to date. Section 4 reports on the status of implementation to date.

Background

This paper serves as a background document and provides details of the decisions on the financial incentives to industries for their pollution control activities. The paper also documents the progress made so far in the implementation of these decisions.

The Pakistan Environmental Protection Council (PEPC) constituted a committee, called the Environmental Standards Committee (ESC), on March 11, 1996. Dr. Shamsh Kassim Lakha President Aga Khan University was appointed as its chairperson. The members of the committee included senior representatives from government, industry and public interest organizations. Representatives from Ministry of Environment, Pakistan Environmental Protection Agency (PEPA), Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Overseas Investors Chamber of Commerce and Industry (OICCI), All Pakistan Textile Processing Mills Association (APTPMA), and Pakistan Tanners Association (PTA) participated in the proceedings on a regular basis. Non-Government Organizations like The World Conservation Union (IUCN) and Sustainable Development Policy Institute (SDPI) also played a very active role during this consultative process.

The Committee accomplished important tasks to review and rationalize the National Environmental Quality Standards (NEQS), recommend modalities for enforcing the NEQS, and suggest ways and means for financing implementation work. SDPI worked as the secretariat of the Committee and also provided technical support through its Swiss-funded Program of 'Technology Transfer for Sustainable Industrial Development (TTSID)'. The composition of the Committee was later expanded through mutual
agreement to include representatives from Public Sector government organizations and industry associations representing different sectors were also invited for wider participation. The ESC held eight meetings on May 6, 1996; May 16, 1996; June 24, 1996; July 2, 1996; July 15, 1996; September 23, 1997; March 10, 1998; and August 6, 1998. All decisions were taken through participation and consensus. The Final Report of the proceedings was prepared and presented to the Eighth PEPC meeting on August 26, 1999, which approved all its recommendations for implementation. Details of the proceedings and the decisions on different issues are available in the PEPC Secretariat record.

**Agreements Through Environmental Standards Committee**

It was agreed in the ESC in the very beginning that easy availability of finances for investment and financial incentives to industries for their pollution control efforts are important elements to move them towards compliance with the National Environmental Quality Standards. On recommendation from the ESC, the Pakistan Environmental Protection Council (PEPC) approved in 1996 a detailed proposal for provision of financial incentives for pollution abatement activities. Subsequently these were discussed and approved by the Finance Division in a special meeting with Mueen Afzal, then special secretary Finance Division and Qazi Alimullah, then Deputy Chairman, Planning Commission. In order to assess progress on the incentives, and to define modalities of implementation, the Ministry of Environment, Urban Affairs, Forestry and Works (EUAFW) convened a meeting on October 9, 1996. Senator Waqar Ahmad Khan, Chairman Task Force on Environment and Forestry, chaired this meeting. The Ministry of Environment maintained contacts with different government departments on the status of implementation of these recommendations.

Industry representatives expressed their apprehensions during different ESC meetings on the delay in implementing these recommendations in letter and spirit. They raised this issue in more than one forum. The Ministry of Environment representatives assured their cooperation for perusing other government departments for full implementation throughout these discussions. The Federal EPA reported the status of implementation during the ESC meeting held in March 1998, which is given in Box-1 below.

<table>
<thead>
<tr>
<th>Agreed Recommendations</th>
<th>Status of Implementation (March 1998)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. National Development Finance Corporation (NDFC) may be designated as the DFI for channeling soft term credit to industries for environmental investments.</td>
<td>State Bank regretted to extend the credit line to industry through NDFC for this purpose.</td>
</tr>
<tr>
<td>2. Purchase of equipment for pollution abatement may be given the most favored treatment, i.e., 10% with regard to import duty.</td>
<td>Presently, pollution control equipment is subjected to 10% customs duty with no regulatory duty.</td>
</tr>
</tbody>
</table>
sales tax and with no regulatory
duty.

3. Most favored tax treatment may be
extended to those developing indigenous technology for pollution control.

<table>
<thead>
<tr>
<th></th>
<th>No action has been taken. Recommendations for the next financial year have been made.</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>The amount collected from pollution charges and other sources for the Provincial Environmental Trust Fund (PETFs) may be matched by proportional grants from the government.</td>
</tr>
<tr>
<td></td>
<td>The proposal has been deferred due to the current financial constraints of the government.</td>
</tr>
<tr>
<td>5.</td>
<td>The use of the PETFs may be decided by the respective governing boards in accordance with the guidelines laid down in the recommendations of the environmental standards committee.</td>
</tr>
<tr>
<td></td>
<td>This may be considered for incorporation into the draft rules.</td>
</tr>
<tr>
<td>6.</td>
<td>Provision of accelerated depreciation of anti-pollution equipment within three years for income tax purposes.</td>
</tr>
<tr>
<td></td>
<td>The existing depreciation of plant/machinery is allowable as follows: Normal depreciation = 10% Initial depreciation = 25% Extra depreciation for double shifts=50% Extra depreciation for triple shift = 100%</td>
</tr>
</tbody>
</table>

Source: DG Pak. EPA's report to the ESC on March 10, 1998.

Later Developments

A coordination meeting was arranged at SDPI in October 2000, on the initiative of the Minister for Environment, Mr. Omar Asghar Khan, in which senior government and industry representatives participated. DG, PEPA, Mr. Asif Shujah Khan, and Mr. Azharruddin Khan (FPCCI representative) also made presentations. Industry representatives raised the issue of financial incentives with the government again during this coordination meeting. Apparently, no further progress on this issue was reported from the government side. However, the Minister for Environment assured his full cooperation on this matter and advised industry representatives to prepare a detailed proposal with all details of on going and projected pollution control activities. This he said would facilitate approvals from Ministry of Finance and other government departments.

Before writing this paper, some more information on the progress made during this year was collected through personal meetings with key
government and industry representatives and/or through phone calls. Information collected from these sources is reported below.

The Ministry of Environment kept regular contact with the Ministry of Finance and other government departments for getting the agreed incentives implemented. They also asked for a comprehensive proposal from FPCCI to support their case. However, industry representatives remain apprehensive on the progress made on this issue. They are of the view that provision of soft loans and suitable financial incentives would expedite the process of cleaner industrial production. During the ninth meeting of the Pakistan Environmental Protection Council (PEPC) held on February 3, 2001, DG Pakistan-EPA pointed out at 371 industrial units belonging to 17 industrial sectors had already made an investment of Rs. 2,784 million towards pollution control and planned to invest another Rs. 1,740 million during the coming year. However, industry representatives reiterated their earlier demand for reduction of import duty on the procurement of anti-pollution equipment from 10% to zero. They also requested for an early finalization of other incentives for encouraging early compliance with NEQS. The decisions of PEPC during its ninth meeting in this regard are as follows:

- FPCCI may work out its proposals regarding incentives to industry, to promote compliance with NEQS by industry, for further processing;
- Industry undertook to make an investment of about Rs. 800 million per annum for environmental improvements and better housekeeping. It will be gradually raised to a range of Rs. 1.3 to 1.7 billion per year.

**Status of Implementation**

Apparently, there has been no progress in this matter after March 1998. Contacts with FPCCI head office in Karachi revealed that their top management has changed as a result of recent elections. The new office bearers are in the process of obtaining the necessary information and deciding their position on different issues. FPCCI has not forwarded any fresh proposal for further processing.

**Recommendations**

The National Environmental Quality Standards (NEQS) were issued in 1993. These were applicable on new industries from July 1994 and on old industries from July 1996. The implementation however has remained suspended for various reasons. Industry wanted a negotiated settlement of detailed modalities and more time for preparations whereas the government has remained soft mainly due to limited implementation capacity and financial resources.

---

1 Meetings were held with Mr. Asif Shujah Khan (DG, Pak EPA), Mr. Javed Ali Khan (Director, PEPC), Dr. Samiuzzaman (Chairman Committee on Environment, FPCCI) and Mr. Mehmood Ahmed (V.P, FPCCI).

2 Reference Minutes of the Meeting F.No.2 (2)/2000-(PEPC), Islamabad 10, March 2001, vide Para Nos. 50(iv) and 54(iii), issued by Government of Pakistan
A detailed and comprehensive process of stakeholders' consultation was completed through the Environmental Standards Committee (ESC) in about two-and-a-half years from March 1996 to August 1998. There was a total consensus to implement the agreed decisions, after PEPC approval, from January 1999. The meeting of the Council however took place in August 1999 and approved the implementation of these decisions from January 2000. The government then decided to implement the program in phases and started a pilot project for self-monitoring and reporting by industry on a voluntary basis, which was started during early 2000. During its eighth meeting in August 2000, PEPC decided to form an Implementation Committee to facilitate smooth implementation of agreed decisions. This committee would now discuss the details of the implementation process with industry representatives afresh. In view of all this, the following recommendations are made:

**Recommendation-1**
It is recommended that the implementation committee should adopt all possible measures to ensure that the decisions on financial incentives for environmental investments to industry are implemented in letter and spirit. Since most of the issues are inter-connected, results at the national level would be only visible if the decisions are implemented simultaneously as a package.

**Recommendation-2**
Several procedural difficulties on the eligibility are expected to come up when the decisions on financial incentives for environmental investments are actually implemented. The implementation committee may discuss all such possibilities in detail, and decide guiding principles and procedures for resolving these issues on a regular basis.

(PB # 15, 2001)
Establishment of Provincial Sustainable Development Funds

Abdul Matin Khan

Executive Summary

This paper provides details of the decisions made by the Environment Standards Committee (ESC) on the establishment of Provincial Sustainable Development Funds (PSDFs). It also documents the progress made so far in the implementation of these decisions. The Pakistan Environmental Protection Council (PEPC) constituted the Environmental Standards Committee on March 11, 1996. Dr. Shamsh Kassim Lakha, President Aga Khan University, was appointed as its chairperson while the members included senior representatives from government, industry and public interest organizations. The Committee held eight meetings up to August 1998, and made out with several important recommendations on the modalities for implementing National Environmental Quality Standards. Section 2 of this paper provides details on the agreements through the ESC on the above-mentioned issues. Section 3 provides details of the developments that took place from August 1998 to date. Section 4 of the paper provides the status of implementation to date.

Introduction

This paper serves as a background document and provides details of the system and arrangements for the collection and disbursement of (PC) through the establishment of Provincial Sustainable Development Funds (PSDFs). The paper also documents the progress made so far in the implementation of these decisions.

The Pakistan Environmental Protection Council (PEPC) constituted a committee, called the Environmental Standards Committee (ESC), on March 11, 1996. Dr. Shamsh Kassim Lakha President Aga Khan University, was appointed as its chairperson. The members of the committee included senior representatives from government, industry and public interest organizations. Representatives from Ministry of Environment, Pakistan Environmental Protection Agency (PEPA), Federation of Pakistan Chambers of Commerce & Industry (FPCCI), Overseas Investors Chamber of Commerce & Industry (OICCI), All Pakistan Textile Processing Mills Association (APTPMA), and Pakistan Tanners Association (PTA) participated in the proceedings on a regular basis. Non-Government Organizations like The World Conservation Union (IUCN) and Sustainable Development Policy Institute (SDPI) also played very active role during this consultative process.

The Committee accomplished important tasks to review and rationalize the National Environmental Quality Standards (NEQS), recommend modalities for enforcing the NEQS, and suggest ways and means for financing implementation work. SDPI worked as the secretariat of the Committee and also provided technical support through its Swiss-funded Program of Technology Transfer for...
Sustainable Industrial Development (TTSID)'. The composition of the Committee was later expanded through mutual agreement to include representatives from government organizations and industry associations representing different sectors for wider participation. The ESC held eight meetings on May 6, 1996; May 16, 1996; June 24, 1996; July 2, 1996; July 15, 1996; September 23, 1997; March 10, 1998; and August 6, 1998. All decisions were taken through participation and consensus. The Final Report of the proceedings was prepared and presented to the Eighth PEPC meeting on August 26, 1999, which approved all its recommendations for implementation. Details of the proceedings and the decisions on different issues are available in the PEPC Secretariat record.

Agreements through Environmental Standards Committee

Details of the agreements on the technical procedures for the determination of pollution charge and the management of collected money are provided in an accompanying background paper.

Establishment of Provincial Sustainable Development Funds

Throughout the negotiations in the ESC, industry representatives remained concerned about the system for the collection and disbursement of pollution charge money (see box-1 below). Detailed discussions were held to agree on an institutional arrangement through which industry representatives could ensure their participation and control over these funds.

<table>
<thead>
<tr>
<th>Use of Pollution Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money collected will be used primarily for the activities that will help in abatement of environmental pollution through the following activities:</td>
</tr>
<tr>
<td>• Provision of soft loans for the purchase of pollution treatment equipment;</td>
</tr>
<tr>
<td>• Installation of combined treatment plants in industrial estates;</td>
</tr>
<tr>
<td>• Research and analysis in support of pollution abatement;</td>
</tr>
<tr>
<td>• Round tables, conferences, workshops for pollution abatement;</td>
</tr>
<tr>
<td>• Provision of incentives to develop indigenous technology for pollution control; and</td>
</tr>
<tr>
<td>• Training and advisory services for industry.</td>
</tr>
</tbody>
</table>

Source: ESC Recommendations to PEPC, May 20, 1998

Ever since it was agreed that the money collected as pollution charge would be made available for environmental services to benefit industry, the private sector has remained adamant that these funds must not be deposited into the national treasury, through Provincial Sustainable Development Funds (PSDFs). The concern has been that they are likely to be utilized for other purposes once they are part of the treasury monies. Instead, they have strongly advocated the creation of Provincial Environment Trust Funds (PETFs) that would be governed by a tripartite board of private sector,
government and NGO representatives. Furthermore, the private sector recommended that industry associations collect these charges.

Although these arrangements received initial endorsement by the ESC and they were formally submitted as recommendations to PEPC, certain legal restrictions have prevented the establishment of such institutional arrangements. Article 11(2) of the Environmental Protection Act 1997 states that “The Federal Government (will) levy a pollution charge on any person who contravenes or fails to comply with the provisions of sub-section (1), to be calculated at such a rate, and collected in accordance with such procedures as may be prescribed”. The Act, however, does not specify where these funds are to be deposited or for what purpose they are to be used. It is implicit nevertheless that, since the Federal Government is responsible for the collection of the pollution charge, they must be deposited as revenue of the Federal Treasury.

Article 9(3)(a, b) of the Act, calls for the establishment of Provincial Sustainable Development Funds (PSDFs). These Funds would be responsible for “Providing financial assistance to the projects designed for the protection, conservation, rehabilitation and improvement of the environment, the prevention and control of pollution, the sustainable development of resources and for research in any specified aspect of environment; and any other purpose which in the opinion of the Board will help achieve environmental objectives of this Ordinance”. The government is of the opinion that the PSDFs can be used as the PETFs mentioned by the private sector through the framing of suitable and mutually acceptable rules. However, the anomaly is that the pollution charges have not been included as one of its sources in Article 9(2). The Article specifies the following sources:

(a) Grants made or loans advanced by the Federal Government or the Provincial Governments.
(b) Aid and assistance, grants, advances, donations and other non-obligatory funds received from foreign governments, national or international agencies and non-governmental organizations; contributions from private organizations, and other persons.

Industry representatives did not agree to any arrangements whereby the collected money becomes part of the provincial government funds. FPCCI also submitted their written suggestions as 'Proposed guidelines on Operational Mechanisms and Administration of PETFs' through the ESC (Annex-1).

It was agreed during the last ESC meeting that FPCCI would send their proposal in the form of a draft amendment in the Act and the Ministry of Environment would move the case on the basis of agreed amendments. It was also agreed that any proceedings in that direction would not be linked with the implementation of the pollution charge system.
Later Developments

A coordination meeting was arranged at SDPI in October 2000, on the initiative of the Minister for Environment, Mr. Omar Asghar Khan, in which senior government and industry representatives participated. DG, PEPA Mr. Asif Shujah Khan and Mr. Azharruddin Khan (FPCCI representative) also made presentations during this meeting. They both confirmed that government and industry had remained in touch with each other, after August 1998, on important environmental issues including the pollution charge system. They also provided some details of the developments by that time. Before writing this paper, some more information on the progress made during these years was collected through personal meetings with key government and industry representatives and/or through phone calls\(^3\). Information on the progress made so far, as collected from these sources, is reported below:

Negotiations between FPCCI and the Ministry of Environment/ Pak. EPA continued during the year 2000. Legal aspects were discussed with the legal advisor, Mr. Zahid Hamid to incorporate the concerns of FPCCI. Both sides confirmed that a verbal agreement was reached between government and industry on not moving for an amendment in the Act, and on framing mutually acceptable rules and regulations under the existing law. In the light of these agreements, the government has already framed rules and regulations for Provincial Sustainable Development Funds (PSDFs) within the scope of the Act. These were developed through regular consultations with industry representatives to ensure that all their concerns are fully addressed. Although the exact details were not made available, we were informed that the total amount collected in the PSDFs as the pollution charge money will be transferred to a sub-head within the Fund, which will be governed under the organizational arrangements and the rules suggested by industry. Industry representatives also added that the proposed rules and regulations would ensure a tripartite control by industry associations, government and NGOs.

Status of Implementation

Rules and regulations framed by the Ministry of Environment under the Act, and agreed by industry representatives, have already been endorsed by the Law Ministry and are now in the process of being issued as statutory orders. This is expected any time. After this notification, the provincial governments would constitute and notify the Provincial Sustainable Development Funds in their respective provinces.

The decision of the Council (PEPC) during its ninth meeting on February 3, 2001, in this regard is as follows:

---

\(^3\) Meetings were held with Mr. Asif Shujah Khan (DG, Pak EPA), Mr. Javed Ali Khan (Director, PEPC), Dr. Samiuzzaman (Chairman Committee on Environment, FPCCI) and Mr. Mehmood Ahmed (V.P, FPCCI).
"Collection of Pollution Charge as per agreed formula shall commence with effect from July 1, 2001. The rate of pollution charge from polluting industries shall be gradually increased equal to the cost of cleanup. The charges so collected shall be deposited in the Provincial Sustainable Development Funds. The administration of the levy of the pollution charges shall be overseen by Tripartite Committees comprised of representatives of Industrial Associations, EPAs and Non-governmental Organizations. Provincial Sustainable Development Funds shall be available for investment in the environmental friendly projects. Necessary notifications in this regard shall be issued by the Ministry of environment, LG & RD."4

Recommendations

The National Environmental Quality Standards (NEQS) were issued in 1993. These were applicable on new industries from July 1994 and on old industries from July 1996. The implementation however has remained suspended for various reasons. Industry wanted negotiated settlement of detailed modalities and more time for preparations, whereas the government has remained soft on implementation mainly due to limited implementation capacity and financial resources.

A detailed and comprehensive process of stakeholders’ consultation was completed through the Environmental Standards Committee (ESC) from March 1996 to August 1998. There was a total consensus to implement the agreed decisions, after PEPC’s approval, from January 1999. The meeting of the Council took place in August 1999 and approved the implementation of these decisions from January 2000. The government then decided to implement the program in phases and started a pilot project for self-monitoring and reporting by industry on a voluntary basis, which was started during early 2000. During its eighth meeting in August 2000, PEPC decided to form an Implementation Committee to facilitate smooth implementation of agreed decisions. This committee mandate was to discuss the details of the implementation process with industry representatives afresh. In the meantime, PEPC decided during its last meeting in February 2001, that collection of pollution charge, as per agreed formula, would commence with effect from July 1, 2001. In view of all this, the following recommendations are made:

FPCCI played a major role in reaching consensus decisions during the consultative process through the ESC and in finalizing the Rules through subsequent negotiations. It is recommended that the implementation committee should now discuss only the implementation details, and guard against entering into negotiation process on the same issues once again.

(PB # 16, 2001)

---

4 Reference Minutes of the Meeting F.No.2 (2)/2000-(PEPC), Islamabad 10, March 2001, Vide Para No. 54(ii), issued by Government of Pakistan
Annex-1

Proposed Guidelines on Operational Mechanisms and Administration of Provincial Environmental Trust Funds (FPCCI Proposal)

Introduction

Environmental Act 1997, under section 9 and 10 permits the establishment of "Provincial Sustainable Development Funds (PSDF)". The Fund will be managed by a Board. The composition of Board will be as follows:

<table>
<thead>
<tr>
<th>Chairman of the Provincial Planning and Development Board</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six members of the government</td>
<td>Including secretaries in-charge of Finance, Industries and Environmental Departments</td>
</tr>
<tr>
<td>Ten members of the private sector</td>
<td>Including representatives of provincial chambers of commerce and industry, non-government organizations and major donors.</td>
</tr>
<tr>
<td>Director General of the Provincial Agency</td>
<td>Member/Secretary</td>
</tr>
</tbody>
</table>

The Fund can drive finances from a wide base of sources. Its finances can be utilized for various environmental related activities and projects.

Private sector has taken a position that the proposed arrangements are too broad to be practical. It is stated that such establishments should be simple to operate and precise by functions. It is also commented that PSDF will predominantly be managed by the government. Past experiences of the private sector with government functionaries on such joint establishments were not positive.

As an alternative, Federation of Pakistan Chambers of Commerce and Industry (FPCCI) along with its members associations proposes the establishment of Provincial Environmental Trust Funds (PETF) under the auspices of FPCCI. Principle function of PETF will be to collect pollution charges. Management of pollution charges will be precisely done under the principles and arrangements stated below.

Under the present Environmental Act, 1997, there is no provision for the establishment of such trust fund.

Guidelines for the Establishment of PETF

Guiding Principles
The trusts will be established under the auspices of FPCCI and functions as no-profit entity;
The chairman of the Board of Directors will be Ex-Officio President of FPCCI;
Board will be comprised of six private sector members (four industrial associations, two local chambers in two years rotation), three provincial government representatives (one from P&D and two from Provincial EPA), and two non-government organization's representatives.

Trusts will only function to operate for the collection of pollution charges, and the disbursement of collected funds against the agreed expenditure heads.

Amendment will be made in the Environmental Act, 1997, to legalize the establishment of the Fund.

**Arrangements**

**Establishment Arrangement**

The trust will be registered under Trust Act. Registration will be arranged by FPCCI. Ex-Officio President of FPCCI will be the Chairman of the Board. The President shall nominate six members of the private sector. The president will also request the provincial governments to nominate their representatives. NGO representatives will be jointly nominated by FPCCI and government representatives.

The Board will appoint the Chief Executives and other professionals and support staff for the establishment of trust's secretariats.

**Financial Arrangement**

Industrial Associations and Provincial Governments on equal basis will contribute three years working capital for trusts. It is envisaged that after three years the trusts can be run through pollution charges funds and its long-term investments. The trust can arrange finances through donations from local and international donors.

**Collection of Pollution Charges**

Pollution charges will be collected in collaboration with industrial associations. Non-complying industrial units will be followed by the environmental sub-committee of the respective industrial association. The collected pollution charges will be deposited in the trust's bank account. Receipt of the pollution charges will be issued by trusts.

**Disbursement of Trust Funds**

Reimbursement to the Industrial Unit

Those industries who after paying pollution charges, start the implementation of environmental management plan within a year time of the payment, the collected pollution charges from those industrial units will be reimbursed to them as incentive.

**Secretariat Expenses**

Part of the secretariat expenses will be released from the financial pool of collected pollution charges.

Research and Development Projects in the field of Industry and Environment Unclaimed pollution charges under the incentive scheme at the end of each financial year will be allocated to the R&D activities and their dissemination.

**(PB # 16, 2001)**

---

5 Registered Industrial Associations relevant to environmental issues and local chambers are 24 and 35 respectively. Representatives of these associations and chambers will serve the Board in a rotation of two years.
Brief on Environmental Legislation in Pakistan

Abdul Matin Khan

Introduction

1. This policy brief is being written for the Ministry of Environment in response to a letter from them. The ministry is compiling this information to prepare a country paper for a joint UNEP/SACEP/NORAD project on environmental legislation in South Asian countries. The findings will be published in a handbook on environmental law and policy. The views expressed in this paper are entirely those of the author.

2. Environmental protection has long been a concern of the Government of Pakistan. However, the understanding of environmental issues, their relation to development and their translation into action is yet to be approached in a systematic and effective manner. The National Conservation Strategy (NCS) prepared in 1992 was a major step in setting goals for natural resource conservation and this led to the adoption of a plan of action for the next 10 years (1993-2002).

Existing Policy Directives, Legislation and Institutional Arrangements

3. The NCS recommended visible and substantial institutional development to support implementation of identified programs in the action agenda for government, departments, districts, communities, corporations, communities, NGOs and individuals. It recommended focusing on incorporating sustainability criteria in mandates and objectives, just as are normally included financial and legal implications in policy decisions. As a result of some of these recommendations, an Environment Section in the Planning Commission, an NCS unit in the Ministry of Environment and Environmental Cells in provincial P&D departments have already been created. Two of these institutions at the federal level along with two NGOs (IUCN and SDPI) are the four partners in the Pakistan Environment Programme (PEP), funded by Canadian International Development Agency (CIDA).

4. The first major consolidated environmental legislation, the Pakistan Environmental Protection Ordinance (PEPO), was promulgated in 1983. It created a very high level policy making forum called the Pakistan Environmental Protection Council (PEPC) under the chairmanship of the Prime Minister. The law also created one Environmental Protection Agency (PEPA) at the federal level and four Environmental Protection Agencies (EPAs) at the provincial level. These institutions while founded,

---

6 UNEP: United Nations Environment Programme
SACEP: South Asia Cooperative Environment Programme
NORAD: Norwegian Agency for Development
remained practically inoperative for more than a decade. The PEPO 1983 was improved after an extensive and prolonged consultative process with all stakeholders and a new law, the Pakistan Environmental Protection Act, was promulgated in December 1997. This law has included several provisions to enhance the enforcement powers of government. It also empowers all affected citizens to approach the courts for any environmental damage. Special tribunals at the provincial levels will be constituted to hear such cases.

5. At present, an independent ministry for the environment and five environmental protection agencies at the federal and provincial levels are functional. The PEPC has been constituted and notified, although it has not held its meetings very often. Two sub-committees: The Environmental Standards Committee (ESC) and the Experts Advisory Committee (EAC) were constituted by the PEPC in 1996, which have done very useful work for developing guidelines and regulations to implement environmental standards. The National Environmental Quality Standards (NEQS) were finalized and issued in 1983 but implementation had remained suspended due to some technical and institutional difficulties. Most of these issues have now been addressed through business-government dialogue in the ESC and a reasonably comprehensive set of regulations has been mutually agreed upon. The government is now planning to enforce the agreed system from July 1999. The NEQS have also been recently revised through private sector participation in the two sub-committees

6. Despite some shortcomings, the updated legislative framework is based on four essential principles: decentralization of environmental management in the form of delegation of monitoring and enforcement powers at the provincial level; prevention in the form of specific regulations for EIA to govern new economic activities; ‘polluters payment’ in the form of a pollution charge; and environmental improvement plans to be negotiated with major polluters.

**Adequacy of the Existing Legal and Institutional Arrangements, Major Challenges and Suggestions for the Future**

7. The legal and institutional arrangements will remain ineffective as long as we do not have a credible monitoring and enforcement system in place. It is estimated that about 80% of the industrial units are medium and small size industries having limited technical and financial resources and very limited knowledge of environmental issues. They would require sustained technical assistance for self-monitoring their pollution levels and reporting the same to the regulatory bodies. The regulatory bodies in the four provinces will have to supervise the process in about 10,000-12,000 industrial units on a regular basis. Presently, these bodies have very limited resources and trained manpower to accomplish these responsibilities. It is therefore of key importance that the required human
resources and technical capacity is increased in the government as well as in the corporate sector.

8. A sustainable funding mechanism is necessary for gradual improvement of environmental conditions in the country. It is obvious that government is not in a position to undertake this work at public expenses. Donors would also like to see a transparent and dependable system of environmental improvement. This objective may be achieved by implementing the polluters pay principle already agreed through business-government dialogue. Government and industry have, however, adopted very different positions regarding institutional arrangements for the collection and disbursement of these funds. This issue should be resolved through resumed dialogue at the policy level.

9. A regular process of engaging the public through awareness programs and participatory mechanisms is also very essential for effective implementation of laws and regulations. It is important that rules for proprietary and public information are clearly agreed upon, so that public pressure could be effectively and genuinely used.

10. The regulations and quality standards developed through business-government dialogue have yet to be field-tested through phased implementation. A stop-start phenomenon or selective implementation signals that the government has only cosmetic commitment towards the environment. It is important that the management team remains watchful of the flaws and difficulties during the implementation process and be prepared and equipped to revise some of the existing regulations and to develop new regulations for pollution prevention and pollution control. The present institutional arrangements are inadequate for this purpose. It is proposed that the technical and regulatory functions should be performed by two separate institutions within government.

11. The PEPC is headed by the chief executive of the country, who has to perform many other important state functions. Practical experience has shown that the Prime Minister has never been able to personally supervise the activities of this council and the proceedings have never been continuous and regular. A possible solution to this problem could be to nominate the minister of environment, who is the vice chairman of the council, as the acting chairman and be authorized to hold regular meetings as stipulated in the law.

12. In order to maintain the momentum and level of trust established through the consultative process in the recent past, government-business dialogue should be institutionalized at the national, provincial and local levels. It would require a clear set of rules to maintain a balance and ensure participation of the stakeholders as well as a movement in the right direction at the right pace.
Coordination among Central, Provincial and Local Levels and Integration of Environmental Consideration into Economic Activities

13. There appear to be no functional arrangements for coordination between federal and provincial management teams. All the four provinces are at different stages of environmental management with different financial resources. There are practically no institutional arrangements at the local/district levels. The PEPC, which is a nucleus to coordinate and supervise the enforcement of the provisions of law, is practically non-functional. The Environmental Protection Agencies, which have the functional responsibility to implement laws and regulations, are looking towards the political leadership for signals. The National Environmental Coordination Committee, as provided in the law, has no public existence. Committees of members and advisory committees for various sectors, which could possibly take this process further, have never been formed.

To begin with, it is suggested that the tools for coordination and consultation, already provided in the law, should be implemented in letter and spirit.

14. Economic development and environmental improvement are considered by many to be in conflict. This is not practically true. Due to win-win scenarios, developed and developing countries are successfully demonstrating that the economic growth can be sustained while environmental degradation is kept under control. Industrial processes, for instance, can be made more economical as well as environment friendly if wastage of chemicals is reduced to minimum. Chrome wastage in leather tanning and caustic wastage in textile processing are two important examples. Similarly, in agricultural sector, the economy as well as the environment can be significantly improved if use of pesticides is reduced.

Areas in which Legal and Institutional Arrangements have to be Developed

15. There are some areas in which existing laws and regulations are either non-existent or inadequate. Some of these areas are: promotion of cleaner production activities through negotiated environmental improvement plans and mandatory audits; waste recycling and waste exchange programs; banning of certain chemicals, products and management practices; imposition of fees and penalties and awards/positive incentives for institutions meeting environmental improvement targets.

(PB # 7, 1999)
The aggressive media campaigns by pesticide companies do not comply with FAO guidelines for advertising pesticides. Pakistan adopts FAO guidelines on the issues where Pakistani law is silent. The Pakistan law does not clearly outline the guidelines for advertising pesticides. Our law says only that it is a punishable offence if any person falsely represents a pesticide in an advertisement. However, the FAO code states clearly that pesticide industry should ensure that all advertisements draw attention to warning phrases and symbols as used on labels. Labels generally, however, mean little since our rural illiteracy rate is very high. Safety claims with safe use methods and safety warnings should be made part of advertisement by law. As you suggested, it can be made compulsory to run a safety warning after every media pesticide advertisement like cigarette advertisements.

Instructions regarding the storage and use of pesticides are very clear in FAO guidelines. It says that persons engaged in spraying pesticides shall use protective clothing and masks. However, persons engaged in spraying rarely use masks. They sometimes, however, use protective cloths. As you suggested, farm owners should be required to provide some kind of health insurance or they should be made responsible for treatment costs in case of mishaps. Generally, the persons engaged in spraying belong to the self-employed landless class. One person sprays many fields a day for different owners. Thus, it is very difficult to hold one owner responsible for any health problem. The owner farmers have little, if any, control over them. Systematic media campaign, however, can be used to enhance awareness about safe pesticide use methods.

In addition to this, I would like to draw your attention to two other important issues; use of ineffective pesticides, and use and marketing of banned pesticides.

Pakistan’s present pest control strategy is based mainly on the use of chemicals. Though, in the recent past, increased use of pesticides has helped in enhancing agricultural production, extensive use of pesticides has created many technical and environmental problems. Moreover, due to excessive use of pesticides, whitefly and many other pests have developed resistance. This poses a major risk to our cotton crop. Some studies show that compounds like cypermethrin, monocrotophos, chlorpyriphos, cyfluthrin, profenophos, thiodicarb, methamidophos that constitute a major share of the total pesticides used in the country have virtually failed to control pests in the field. Nevertheless, these are still being marketed. There is an urgent need
to take a policy decision to ban the use of pesticides for which resistance has been developed.

In addition, evidence shows that pesticides that have already been banned because of their known harmful residual effects are still available in the market in Pakistan and are in use. A report of Pesticide Research Laboratory, Karachi (1994), has documented the results of surveys conducted in 1992 and in 1993. Pesticide residues were found in more than 70 percent of the samples of fruits, vegetables, cotton seed oil, human blood, and human milk. In more than 20 percent of the samples of fruits and vegetables, the residues were found to be higher than maximum recommended levels. The detected pesticides included DDT, BHC, aldrin, dieldrin, and heptachlor. It is surprising that the detected pesticides also included some pesticides that are banned in Pakistan like DDT and BHC. It is proposed that the ban on the use and marketing of banned pesticides should be strictly enforced.

*(PB # 1, 1998)*
Implementation of Convention on Biological Diversity in Pakistan

Tahir Hasnain

Pakistan, covering a land area of 803,940 sq. km, is rich in biodiversity. It has been divided into 10 major ecological zones and contains species up to 5,700 of plants, 188 of mammals, 666 of birds, 174 of reptiles, 125 of freshwater and 400 of marine fish, and insects/invertebrates of 20,000. The pressures on biodiversity are reported to be: rapid growth in human population; increasing numbers of livestock; commercial forestry practices; increasing use of fertilizers and pesticides; expanding agriculture; increasing numbers of industries polluting land, water and air; expanding settlements encroaching on wildlife habitats; commercial fishing practices adversely affecting aquatic habitats; water-supply and energy-generating developments; transportation, tourism and harbour developments; and hunting at levels of exploitation.

Pakistan is signatory to the UN Convention on Biological Diversity (CBD) since 1992, with the Cabinet having ratified it in 1994. To implement the Convention, federal and provincial authorities have made significant efforts for the protection of biodiversity and natural capital of the country. The article-wise synthesis of the progress made by Pakistan on the implementation of the Convention is given below.

Article 6. General Measures for Conservation and Sustainable Use Develop National Strategies, Plans, etc.

Pakistan's National Conservation Strategy (NCS) has been approved by the federal cabinet in March, 1992 and was launched in May, 1992. It was the product of a participatory design process involving the government and a broad spectrum of interested groups and individuals. Its major objectives include conservation of natural resources, sustainable development, and improved efficiency in the use and management of resources. Among its fourteen core programmes, conservation of biodiversity has been highlighted as a priority area for implementation. The NCS has focused on areas and species, which are under severe threat, on priority basis. As a result, the hunting and trade of endangered species are banned by law. Plans are underway to designate some of the national parks as a World Heritage Site to preserve unique alpine habitats, magnificent glaciers, and associated plant and animal communities.
The NCS recommended that a non-government policy institute be established to institutionalise the informal co-operation between government and independent experts that had developed during the preparation of the NCS. The creation of Sustainable Development Policy Institute (SDPI) was, thus, an important step towards the implementation of the NCS. It was founded in 1992 on the recommendation of NCS, which assigned it a key role for its implementation. SDPI is an independent, non-profit, non-government research institute, serving as a source of expertise and advisory services for the GOP, private sector, and non-government initiatives supporting the implementation of NCS in general and the biodiversity conservation in particular.

The GOP's response to the operational shortcomings of the CBD was to develop an implementation framework. The Biodiversity Action Plan (BAP), developed by the IUCN & WWF in 1997, constitutes such a framework. It integrates the three types of initiatives called for under the Convention, namely, a country study, a national strategy and an action plan. It suggests as the first step in the implementation process that the Biodiversity Action Plan be formally reviewed and endorsed by the cabinet. Subsequently, a national policy on the conservation and sustainable use of biodiversity should be issued to provide a sound policy framework within which implementation of the Plan can take place.

Integrate Efforts into Sectoral/Cross-sectoral Plans and Policies

The Biodiversity Action Plan aims at the integration of conservation efforts with the sectoral and cross-sectoral plans, programmes and policies. It emphasises the need to develop provincial conservation strategies to carry forward the NCS into implementation. The Sarhad Provincial Conservation Strategy (1996) has been completed and others (Balochistan and Northern Areas Conservation Strategies) are in preparation. At a more local level, the preparation of district biodiversity conservation strategies has commenced in Chitral and Abbotabad, and these are expected to provide ground-level support to the BAP. It further recommends the integration of biodiversity work into Perspective Plans, Five Year Plans and Annual Development Plans, and into sectoral plans, particularly those for wildlife, forestry, fisheries and agriculture.

The BAP endorses the establishment of a Steering Committee at the federal level and Provincial Steering Committees by inducting representatives of all the sectors (federal and provincial governments, research and training institutions, NGOs, the private sector, and local communities), and of a National Biodiversity Task Force comprising the major actors from the GOP and NGOs.
Article 8. In-situ Conservation Establish a System of Protected Areas

Pakistan's statistics for establishment protected areas are very impressive, that include 14 National Parks, 101 wildlife sanctuaries and 96 game reserves. These are being run by the game departments of different provinces, each with its own jurisdiction. Protected areas cover 11.4% of the total area of country and special measures have been taken to conserve the biodiversity there. The Lal Sohanra National Park in Punjab has been declared as a biosphere and there are eight wetlands internationally recognised under the Ramsar Convention.

Rehabilitate and Restore Degraded Ecosystems

Two of the national parks have also been used to reintroduce previously lost species into former habitats—notably the one-horned rhino and black buck in Lal Sohanra National Park, and the cheer pheasant in the Margallah hills National Park as well as the Kaghan Valley. The World Pheasant Association has been involved in managing the wild cheer pheasant population in Azad Kashmir, and the conservation of the western trogopan. The Trogopan Programme is run in collaboration with Birdlife International and the NWFP Wildlife Department.

Furthermore, the Biodiversity Action Plan addresses almost all the issues mentioned in the 8th article of the Convention. It recommends various actions for strengthening the protected areas system in Pakistan and conserving biodiversity outside protected areas. The recommended actions include:

- Develop comprehensive protected areas legislation;
- Carry out a thorough protected areas system review to identify existing gaps. On the basis of the review, prepare a protected areas system plan for Pakistan;
- Expand Pakistan's protected area system to improve its representativeness, viability and connectivity;
- Enhance the management of existing protected areas;
- Restore degraded ecosystems within protected areas and in adjacent lands and corridors;
- Take measures to control invasive alien species of fauna and flora, and to prevent further introductions;
- Develop regional conservation programmes to integrate conservation activities and protected area management with regional land use planning;
- Adopt agricultural, forestry and fishery practices that will enhance the conservation of biodiversity;
- Enhance the capacity of local communities and NGOs to conserve, manage and sustainably use biodiversity;
- Ensure that protected areas and adjacent buffer zones are treated as a single planning unit;
• Ensure that activities in natural areas outside protected areas are
governed by management plans that pay adequate attention to the
conservation of biodiversity; identify the most appropriate management
authority for buffer zone areas;
• Ensure that development personnel, land-use planners, aid agencies
and the national and provincial planning authorities have access to
information about biodiversity; and
• Promote the conservation of biodiversity on military bases and other
land owned or managed by the defence agencies.

Article 10. Sustainable Use of Components of Biodiversity
Integrate Biodiversity Conservation into National Decision-making

There are many laws in the country covering areas such as forestry and
wildlife protection, for example, Sind Wildlife Protection Ordinance, 1992;
Punjab Wildlife (Protection, Preservation, Conservation and Management)
Act, 1974; Baluchistan Wildlife Protection Act, 1974; NWFP Wildlife
(Protection, Preservation, Conservation and Management) Act, 1975;
Northern Areas Wildlife Preservation Act, 1975; Azad Jammu and Kashmir
Wildlife Preservation Act, 1975; and Islamabad Wildlife Wildlife (Protection,
Preservation, Conservation and Management) Ordinance, 1979. However,
the Environmental Protection Ordinance, 1983 was the first piece of
legislation, encompassing an overall approach to environmental issues.

On the policy front, Pakistan's NCS is an important policy document which
attempts an evaluation of economic policies of the country for their impact on
the natural resource base and to merge biodiversity concerns with the matrix
of decision making. The NCS looks at the opportunities for improvements in
various sectors of the economy with a view to steering the country towards a
sustainable future.

The Pakistan Environmental Protection Act 1997 has been passed by the
GOP and has started implementing its provisions. The act recommends the
establishment of the Pakistan Environmental Protection Council, whose
tasks include providence of guidelines for the protection and conservation of
species, habitats, and biodiversity.

Support Local Populations to Develop and Implement the Remedial Actions

A project on Maintaining Biodiversity in Pakistan with Rural Community
Development by IUCN & WWF-Pakistan is in progress to support local
populations to develop and implement remedial action in degraded areas
where biodiversity has been reduced. The project aims to demonstrate how
conservation of Pakistan's biodiversity can be enhanced by providing rural
villagers with technical skills to manage wild species and habitats. The first
phase of the project has focused on the mountain regions of the Northern
Areas and the NWFP.
Encourage Co-operation between Government and Private Sector

GOP is encouraging its private sector in developing methods for sustainable use of biological resources. The Pakistan Forest Institute, for instance, carries out wildlife management training programmes with international organizations IUCN, FAO and UNDP.

IUCN has been involved in projects, such as, developing a national Biodiversity Action Plan, a Protected Areas Management Proposal and several provincial conservation strategies. Integrated resource management projects include one on Ziarat's juniper forests and an urban social forestry component for Orangi Pilot Project. A Coastal Zone Management Programme, aimed at protecting the creek ecosystem in the Korangi-Phitti Creek area, is also proposed.

WWF-Pakistan has also carried out a number of projects aimed at protecting ecosystems and species in various parts of the country. Since 1971, WWF has completed 87 projects, while 36 projects are in progress. The largest chunk of the WWF-Pakistan resources are invested on two fronts, namely, field conservation projects to protect the remaining wildlife and natural habitats, and education and awareness programmes in collaboration with the youth of the country.

Similarly, the Pakistan Wildlife Conservation Foundation, the World Pheasant Association and the Pheasant Conservation Forum are other NGOs involved in wildlife conservation in collaboration with the GOP.

(PB #2, 1998)
High Level Segment of the 6th Session of the Commission on Sustainable Development

Adil Najam

Background on the CSD

The Commission on Sustainable Development (CSD) was set up following the United Nations Conference on Environment and Development (UNCED; held in Rio de Janeiro, Brazil in 1992). The CSD meets annually in New York. The Department of Policy Coordination and Sustainable Development (DPCSD) in the United Nations Headquarters in New York serves as the secretariat for the CSD. The CSD was established to serve two key functions:

- To monitor the implementation of Agenda 21 (the Plan of Action adopted at UNCED).
- To provide a policy forum for discussion of emerging issues relating to sustainable development.

Agenda 21—which was one of the principal outcomes of UNCED—is a 40 chapter document outlining actions that countries should take to incorporate environment and natural resources issues in their development planning. Substantive areas covered by Agenda 21 include climate change, depletion of the ozone layer, air and water pollution, desertification, deforestation, soil loss, toxic wastes, depletion of stocks of fish, etc. It also considers underlying patterns of development which cause stress to the environment, such as poverty, the external debt of developing countries, unsustainable patterns of consumption and production, the structure of the international economy, demographic pressures, etc.

Rio + 5

1997 marked the fifth anniversary of UNCED as well as of the CSD. The fifth session of the CSD was part of a series of events and meetings (including a special session of the United Nations General Assembly) which were popularly referred to as "Rio + 5". This elaborate review of the implementation of the "UNCED Agenda" at the five-year mark was a sobering rather than a celebratory experience. Although a number of individual countries reported significant achievements at the domestic level, the general consensus was that the promise of a global compact on sustainable development that had been proclaimed at Rio has remained unfulfilled. In particular, the developing countries (South) were critical of the industrialized countries (North) for not having provided the type of financial and technological support that had been envisaged at UNCED. The discussions during the 1998 session of the CSD are likely to be heavily influenced by the debates of 1997.
Domestic Policy

As during previous meetings of the CSD, Pakistan's main emphasis should be to highlight the progress on the implementation of the Pakistan National Conservation Strategy (PNCS). A formal presentation of the PNCS was made to the second meeting of the CSD in 1994. Each subsequent meeting has been informed of the progress on its implementation.

In essence, the PNCS is Pakistan's Agenda 21. Many of the innovative ideas for sustainable development being called for by Agenda 21 are already incorporated in the PNCS which was actually developed before UNCED. The PNCS is a comprehensive multi-sectoral strategy, which is designed to foster sustainable development by identifying and analyzing environmental and natural resource issues and trends, and subsequently incorporating these into Pakistan's policy-making and development programs. Its unique multi-dimensional development process involved all major actors in civil society including government, NGOs, academia, mass media and the private sector.

In particular, there is a need to reiterate that the new atmosphere of cooperation created in the country as a result of the PNCS process has encouraged nongovernmental organizations (NGOs) to take the lead on environmental awareness and community involvement; business groups have begun to devise strategies for environmental conservation; schools and colleges have started incorporating environmental materials into their curricula; research institutions are undertaking policy research on environmental issues. These are highly robust, non-reversible processes which do not depend solely on one institution or one organization. These civil society processes—which were originally facilitated and encouraged by the PNCS momentum—are now themselves the best guardians of continued PNCS implementation.

The PNCS has also spurred the development of sub-national conservation strategies. The Sarhad Provincial Conservation Strategy (SPCS) has already been approved and is now in the early stages of its development. Regional strategies for Balochistan and the Northern Areas are in various stages of development.

The revitalization of the Pakistan Environmental Protection Council (PEPC) as the apex environmental policy-making body in the country, the passage of the Pakistan Environmental Protection Act in 1997 after a highly consultative and transparent process, the finalization of National Environmental Quality Standards (NEQSs) with the active participation of industry representatives, and the decision to establish environmental courts are amongst the other major advances that need to be highlighted. It should be noted that all of these follow directly from the Pakistan National Conservation Strategy and serve to fulfill the goals of Agenda 21 implementation in Pakistan.
Sectoral Issues

In the run-up to the 6th session of the CSD, meetings of two sectoral working groups were held—on Freshwater Management and on Industry and Sustainable Development. Discussions in these areas will be continued at the CSD. Both of these areas are of great importance to Pakistan and are covered in detail in the PNCS.

In relation to the second of these, a particular mention may be made of the recent finalization of the NEQS. This was done through a process of consultation and dialogue with industry representatives through a government-business roundtable. These will be operationalized through the Pakistan Environment Protection Act, 1997 (PEPA-97). Important features of this law includes: self-reporting by industry; heavy fines (up to Rupees 100,000 per day) for non-compliance; the channeling back of fines to industry in the shape of soft loans to improve environmental compliance by industry; the setting up of Environmental Tribunals; creation of provincial sustainable development funds; and the right of citizens to monitor non-compliance.

International Policy

Pakistan is fully committed to the CSD process. We should stress that we share with other nations our profound concern over the deterioration of the natural environment. We believe that sustainable development requires concerted action at both global and national levels. Global action is needed to implement the various international conventions and treaties signed in the last decade, to mobilize public opinion, to establish a framework that engenders cooperation and collaboration between countries, and to ensure that adequate financial and technical assistance is available wherever it is needed in order to fulfill these laudable goals.

As far as global issues are concerned, Pakistan has generally supported the position of the Group of 77 (G77). The G77 has strongly articulated the environmental and developmental interests of Southern countries. In particular, it has staunchly maintained that the historical responsibility for many global environmental problems lies with the industrialized countries of the North; that developing countries should not be asked to forego their legitimate developmental aspirations; that a just international economic order and poverty alleviation are key ingredients of sustainable development; that institutions for international environmental governance should be based on the principles of transparency and democracy; and that new international environmental responsibilities should not be imposed upon developing countries without the concomitant provision of additional resources.

Pakistan does not have an independent position from the G77 on any substantial issue and should support the positions taken by the G77. Moreover, Pakistan has been a leader of the G77—for example, during 1992 Pakistan was the Chairperson of the G77 and played a decisive role in shaping the decisions taken at UNCED in that capacity. Every opportunity
should be taken to maintain this leadership role within the Group and support its consensus positions in plenary discussions.

Beyond the above, it should be noted that Pakistan has already ratified both the UN Convention on Climate Change (UNFCC) and the Convention on Biodiversity (CBD). Particular mention may be made of the Convention on Biodiversity (CBD). A Biodiversity Action Plan (BAP) for Pakistan, prepared through a thorough consultative process, is now in final draft form in preparation for the next conference of the parties (COP) of the Convention. This may be used as an example of Pakistan’s commitment to fulfilling its responsibilities under multilateral environmental agreements (MEAs).

However, it should also be highlighted that there is an obligation on the part of the rich countries of the North—which have been largely responsible for creating a number of global environmental problems (e.g. global climate change)—to transfer the required resources and technologies to the developing countries of the South. Given the pressing developmental priorities of the South (including widespread poverty and backbreaking external debts), the developing world cannot be expected to carry the ever-increasing burdens of the global environmental agenda without such assistance. It was abundantly clear at CSD-5 that the North to South flow of environmental assistance, particularly in relation to MEAs, has been well below the adequate or anticipated level. Unless this trend is reversed soon, the assessment of "Rio + 10" will be even harsher than that of "Rio + 5".

(PB # 3, 1998)
SECTION II: Trade

Introduction

In Pakistan, while the government institutions, development partners and media debate enthusiastically about the sanctity of poverty numbers in Pakistan, this does not change the reality i.e. we are stuck at a low growth equilibrium, uncertain trade prospects, least connectivity with rest of the world and home to a large malnourished and uneducated labor force which is heavily prone to social evils. We did not land into this in a single day's work. This has been the result of so many governments who have come in to the driving seat and left the office with unfinished dreams and aspirations. While countries such as China, Indonesia, Vietnam and several others were able to embark on the high growth trajectory and were also able to bring the poverty to less than half of where they started, we have unfortunately gone the other way, and current SDPI estimates of multidimensional poverty show that one third of Pakistan's population can easily be termed poor and this not only includes the consumption measures but also access to education and health.

Amidst this dismal picture there is some hope from external fronts. The first ray of hope is the new found regional trade diplomacy where by Pakistan has (in the past) signed free trade agreements with China and Sri Lanka and also relaxed the sensitive list with India. With growth down and poverty high, these initiatives may imply some breather at the household level and boost the consumer surplus. Already the influx of Chinese merchandise has resulted in lowering the industrial prices. Many in the industry believe that in case of India as well the relaxed trade barriers for intermediate goods and raw materials will benefit Pakistan's producers and consumers due to the lower costs and economies of scale on the Indian side. Such impressions have specifically been exhibited by pharmaceuticals, steel, and other sectors involved in construction and building material.

Also important to note are the connectivity reforms in the region. While Pakistan has been slow to come around, China has been pushing for Chinese Eurasia Land Bridge that links China, Russia and Europe via Kazakhstan. Similarly India is pursuing International North South Transport Corridor with Iran and Russia. However while these designs are being contemplated, China and India both know that the transit between South and Central Asia i.e. Afghanistan and Pakistan have to be brought on board as active players in the region. This will ensure not only certainty of trade patterns in the region but also enable the cross-border oil and gas sector cooperation. In order to take advantage of this increased trade diplomacy in the region and connectivity reforms, Pakistan must reposition itself and rethink its comparative advantages. Within South Asia Pakistan needs to prove its relevance as an active geo-strategic player.
The more immediate question, however, is how prospective trade and connectivity gains can in turn benefit wider population and how perhaps the poorest of the poor can be made part of these gains. One envisions immediate gains from liberalization of trade with a large neighboring market i.e. India. These can take the form of greater consumer surplus particularly for an average Pakistani still suffering from the scars of high inflation and energy shortages. But even from the producers’ perspective the access to intermediate goods and raw materials at much reduced prices from India and help in increasing competitiveness and in turn generating employment. This is particularly true for industrial and agricultural processing sectors.

Finally and a more neglected area has been the impact of growth processes and trade deals on environment. Pakistan is now a country facing massive natural disasters almost on annual basis and sometimes twice every year. Our glacial melting is fastest in the region. With China investing US $100 billion in infrastructure uplift of Xinxiang province neighboring with Pakistan during the next 5 years, we can expect the increased black carbon to create more instances of disastrous Attabad Lake. While we talk with India with issues of water sharing and their impacts on survival and livelihoods, it is important not to ignore the environmental threat that economic growth in China and India pose for Pakistan.

At the policy level a better understanding of environment-poverty nexus is urgently required.

In the foregoing section on "Trade," the selected policy briefs describe and discuss Pakistan trade interests regarding WTO negotiations and recommend country positions for the same.

Dr. Vaqar Ahmed,
Head, Economic Growth Unit,
Sustainable Development Policy Institute (SDPI)  November14, 2012
Email: vaqar@sdpi.org  Islamabad.
US and EURO Zone Debt Crisis: A Perspective from Developing Countries

Syed Ul Asif and Vaqar Ahmed

Introduction and Background

The European Union (EU) is currently faced with a sovereign debt crisis which started in November 2009 and became acute during mid 2010 in turn putting many European countries on the brink of default. Due to this crisis, commodity-producing as well as the service sectors have come under pressure. The banking sector now faces a paralysis for the foreseeable future. The low economic growths combined with poor forecasts are growths combined with poor forecasts are contributing to rising unemployment levels. Countries such as Greece, Ireland, Italy, Spain and Portugal are the most affected countries due to this crisis. The worst aspect is that EU faces this milieu at a time when the world was barely getting out of the debris of the global financial crisis that started in 2007.

While many developing countries managed to insulate themselves from the global financial crisis it is suspected that it will be difficult to escape the direct and indirect effects of the EU debt crisis. Already India and Bangladesh have reported the cancellation of export orders from EU. Similarly many conflict-prone countries are foreseeing slashing of aid inflows originating from EU. There is also a contagion effect that is expected if this crisis prolongs. This has already started happening within EU to some extent. For example France is closely integrated with the Italian financial markets and a default to Italy will have a huge negative impact on France and its trading partners. EU as a whole will impact US which has its own on-going debt crisis which is not being helped by the rising expenditure on the war on terror.

It is public knowledge now that several EU countries misreported their debt levels in violation of the international financial rules. In order to become a Euro zone member one of the conditions was that government debt to GDP ratio should not exceed 60 percent. However in the interest of European foreign policy several member states were given entry into Euro zone who did not meet this criterion. In fact this lesson is extremely important for other regional blocks now contemplating a single currency (e.g. ASEAN). Monetary unions must be careful in the manner in which they select their members.

Sources and Channels of Crisis

Before moving onwards it is important here to clearly identify the sources and channels through which the Euro zone crisis has come about. First is the shortage of liquidity that was created in EU banks during and after the global financial crisis. This is despite the fact that several EU governments had put in place bailout packages in anticipation of such a shortage of
liquidity and instability of the financial sector. In the smaller EU member states it was seen that harsh austerity packages were put in place without a pro-growth strategy or a transition plan explaining how painful reforms will pave the way for future economic growth and redeeming lost jobs. Further evaluation is needed to see how the entry of IMF in EU member countries such as Greece impacted the regional macroeconomic dynamics.

The second is the manner in which the banking sector’s reactive policy measures impacted the factors market in particular the situation in the labour market. In several cases skilled and unskilled workers have been laid off with severance packages promised for the future. This implied a sudden reduction in aggregated demand and piling of inventories.

**Crisis Economies**

EU member countries had a varying magnitude of impact at least in the beginning of the crisis therefore in order to capture this heterogeneity of economic influence it is important to see the performance of these economies individually in a brief manner.

Greece is the most critical which is now on the brink of default. Violent protests due to painful fiscal measures are now a usual occurrence. The debt to GDP ratio is in the vicinity of 160 percent. What is more surprising is that Greece already had a debt to GDP ratio as high as 100 percent at the time of joining EU in 2001. ⁹ According to some sources ¹⁰ the Greek government misreported its country’s official budgetary statements and paid hundreds of million dollars to banks for hiding actual debts and deficits. At one point Greece was running a fiscal deficit to GDP ratio of around 13.6 percent which is one of the highest in the world. Similarly Greece is paying 12.6 percent of yield on its 10 years bond which is expensive by any comparison regionally or globally.

After becoming a full EU member Greece witnessed a lower debt servicing burden as the bond markets did not fear inflation or devaluing currency value. However the economy could not build upon this windfall confidence. More recently EU had to rescue Greece twice by giving € 110 billion bailout package on the first occasion and € 109 billion the second time to put Greece out of the crisis. While this support to Greece imposed a pressure on already ailing economies of EU it did not substantially help Greece either. Its debt rating reduced to CCC which is the lowest for any government in the world. Moody’s had declared Greece default virtually certain by mid 2011. The only hope at that time was that Greece would privatize key public sector

---


¹⁰ According to Washington Post: Greece hired Wall Street firms, most notably Goldman Sachs, which helped to hide its debt, so as not to run afoul of E.U. rules. In October 2009, the conservative government was voted out, and the new socialist government announced that deficits were more than double previous estimates.
assets and raise $40 billion. Some respite came for the Greeks when Eurozone leaders recently met to give Greece another €100 billion loan and the banking sector which was holding Greek debt are agreed to share a 50 percent loss on bonds. These measures are projected to help reduce debt to GDP ratio to 120 percent by 2020\textsuperscript{11}.

Spain is a five times bigger economy than Greece and contributes 11.5 percent to overall EU GDP.\textsuperscript{12} It is the 4th largest economy of the EU and 14th largest of the world. The collapse of Spain will therefore imply greater adverse impacts for EU and the world. Currently, unemployment is high at around 23 percent, budget deficit in 2009 was 9.97 percent of GDP. Total public and private debt stands at 270 percent of GDP. There is no sign of growth in the economy after a sharp 3.6 percent negative GDP growth in 2009.\textsuperscript{13} Spain has recently passed a constitutional amendment with a rule to keep the budget deficit within strict limits, however the government has faced protests and social unrest for cuts in public expenditures and tax raise. The challenge now will be to revive domestic resource mobilization which seems difficult as tax revenues cannot be expected to increase under a milieu of depressed growth.

Italy is another country which carried up debt up to 120 percent of GDP which is the double of the euro zone criteria of 60 percent, but debt sustainability indicators were ignored as Italy is the 3rd largest economy and Europe and there were little chances of its failure\textsuperscript{14}. It is the 7th largest economy in the world and a member of G-20 - a group of the world’s major economic powers. Already it is being said that Italy’s failure will be impossible to bail out and can have severe contagion and knock on effects on other economies inside and outside EU. The German and French banks have invested $150 billion in Italy’s debt while USA banks and financial institutions have $36.6 billion. This implies that any default by the Italian government can lead to severe strains in the banking sector in EU and US. Italy has €500 billion bonds maturing in the next three years which is double of €256 billion three year aid given to Ireland, Portugal and Greece put together. Italy’s €1.8 trillion debt is higher than the combined debt of Portugal, Ireland, Greece and Spain.

Economists are of the view that despite these high debts, Italy has substantial private sector savings. Last year its budget deficit was 4.6

---

\textsuperscript{11} Gavin Hewitt, Leaders agree eurozone debt deal after late-night talks, BBC NEWS Europe, 27 Oct 2011. (http://www.bbc.co.uk/news/world-europe-15472547)
\textsuperscript{12} Brian Sullivan, The Real Threat Is Spain, Not Greece, CNBC Business News, Tuesday, 10 Apr 2012, can find on (http://www.cnbc.com/id/47008853/The_Real_Threat_Is_Spain_Not_Greece_Sullivan)
\textsuperscript{13} http://spaineconomy.blogspot.com/2008/08/spains-budget-deficit-rising-sharply.html
\textsuperscript{14} Bruno mascitelli, As Italy debt crisis deepens is Berlusconi turning a blind eye, The Conversation, 5th Aug 2011 (http://theconversation.edu.au/as-italys-debt-crisis-deepens-is-berlusconi-turning-a-blind-eye-2674)
\textsuperscript{15} The Telegraph (http://www.telegraph.co.uk/finance/financialcrisis/8880481/Debt-crisis-as-it-happened-November-9-2011.html)
percent of GDP which is half of Greece, Ireland and Spain.\textsuperscript{16} Due to these relatively better macroeconomic fundamentals European Central Bank had announced in August 2011 that it will buy Italian and Spanish governments’ bonds to reduce their cost of borrowing and put the larger countries out of crisis.

Portugal which quickly recovered from the global financial crisis of 2007 found itself hit by Greek debt crisis in late 2009. Its lower productivity levels on the supply side and strict labor market regulation make it harder to generate and then sustain economic growth. In April 2011 Portugal asked for a bailout from EU and became the 3rd European Union country to get a bailout after admitting it could not deal with its deficit and debt problem. In May IMF and the Euro zone agreed to provide €78 billion to Portugal. Moody’s reduced Portuguese\textsuperscript{17} rating to junk and said it’s on a high risk of second bail out requirement. Portugal had 9.1 percent deficit to GDP ratio in 2010 and planned to reduce it to 3 percent by 2013 by reducing government spending, increasing taxes and supporting the banking system,\textsuperscript{18} but Moody’s predicted it may not be able to achieve its targets.

Ireland maintained a balanced budget up until the crisis started. One of the major reasons of the crisis in this country was the real estate bubble. It had 25 percent of its economy involved in this sector while in the case of other EU economies this activity represented under a 10 percent share.\textsuperscript{19} Some experts assume that Ireland along with Spain should be temporarily taken out of the euro zone. The common feature between both these economies is that they had a budget surplus at the time of joining but suffered due to the property bubble. In 2007 the Irish government had announced that it will cover all bank losses but this promise became impossible with continued banking sector exposure and was very difficult for the government to rescue banking sector debts on its own. Ireland nationalized one of its major banks and bailed out some others. Consequently Ireland’s budget deficit to GDP ratio rose to 32 percent. Moody’s downgraded Ireland’s rating and Ireland became the 5th country with highest default probability. The IMF and Euro zone agreed to bail out Ireland with € 110 billion and observe how macro and microeconomy responds. The 10 years’ bond yield reached 12.43 percent which is limiting the chances of Ireland to return to the targets planned until 2013\textsuperscript{20}.

The euro zone still has no comprehensive plan to face these problems in an integrated manner. It will be a long time before the investor’s confidence is fully restored. The need for structural reforms still remains. Not everyone has blamed the single currency for the spread of this crisis. Although Poland’s

\textsuperscript{16} Roger Bootle, For all Italy’s attraction, there is good reason for concern, The Telegraph, 18th July 2011, see at (http://www.telegraph.co.uk/finance/comment/rogerbootle/8643297/For-all-Italys-attractions-theres-good-reason-for-concerns.html)

\textsuperscript{17} The term “junk” is reserved for all bonds with Standard & Poor’s ratings below BBB and/or Moody’s ratings below Baa.

\textsuperscript{18} Dylan Matthews, Everything you need to know about the European debt crisis in one post, The Washington Post, 28/09/2011

\textsuperscript{19} ibid

\textsuperscript{20} ibid
example is an example where it is a member of EU but it does not use Euro as a legal tender. The country is still experiencing better economic prospects in comparison to its neighbors. Still it is important to understand that going forward the major challenge will be the stability of the banking system in Europe. This is a bigger concern compared to the management of a single currency.

There are two remedial strategies for getting rid of this crisis. First is a radical reform where the member states have more financial freedom. This should be combined with an increase in the overall budget of EU, redistribution of wealth through taxation measures, guarantee of minimum wage and employment protection schemes and cross border investment for revival of labour intensive sectors particularly the industrial sector. Some have also welcomed the revival of the industrial policy which had disappeared after the liberalization of trade and investment across the globe. These reforms will be challenging in political terms as the value of the euro will slide down in turn increasing the costs of debt servicing and value of imports.

The second remedial measure and a more radical one is to break up the euro zone, nationalize crisis-ridden banks, and introduce country-specific industrial policies. This strategy will also involve a downward valuation for the euro however the euro may not slide in comparison to the first remedy mentioned above.

Recently EU has increased the European Financial Stability Facility (EFSF) from €440 billion to €1 trillion, and European banks have been urged to accept losses of up to 50 percent on Greek debts and to raise €106 billion capital by 2012, which will protect European countries in the danger zone from any future defaults.\(^{21}\)

### Link with US Debt Crisis

In August 2011 the US announced that it may have to default on is public debt obligations unless the current ceiling limit was raised. Debt ceiling is the legal limit on the total amount of the debt which the US government can borrow to pay its bills. This limit was $14.3 trillion which was then increased by $ 2.4 trillion due to the current US debt crisis. A US default would have created panic of a larger magnitude in comparison to the global financial crisis. Many economists are considering this debt crisis; the worst since 1930s great depression.

Today the US is today borrowing and spending more than ever in anticipation of lifting the economy out of the current slowdown. Some tax cuts to the rich have been allowed assuming that if the tax burden is lowered

\(^{21}\) Gavin Hewitt, Leaders agree Euro zone debt deal after last night talks, BBC News, 27th Oct 2011, see at (http://www.bbc.co.uk/news/world-europe-15472547)
\(^{22}\) http://www.bbc.co.uk/news/business-14204527, Bill passed by the House of Representatives after an agreement between the Republican and Democratic leaders on 2nd of Aug,2011.
for the top 10 percent wealth holders they may end up saving and investing more.

The fact that the US debt crisis followed the global financial crisis has further exacerbated the problem at hand. The large inflow of global funds in the boom period of 2000s and lower interest rates made the credit conditions very easy which encouraged debt consumption, especially in the housing market where various types of loans were easily available. But as the house prices declined some major financial institution faced heavy losses which damaged the confidence of investors in turn also reducing credit availability. IMF had already predicted in 2009 (Figure 1) that US debt will soon take over the value of GDP.

![Figure 1 The Narrowing Margin Between US Debt and GDP](image)

**Continued Reasons for Crisis in US**

Though official reports state that the recession is over in the US, prospects for growth in the near term still remain low. The demand for commodities still remains low and in turn (at the time of writing of this brief) the unemployment rate was as high as 9.2 percent with 14.1 million Americans jobless. The growing concern is the ballooning social safety expenditures which have to be covered. Spending in health insurance programmes medicare and Medicaid continue to grow. The rate of growth in these expenditures is higher than the percentage rate of inflation. On the revenue side the US governments kitty stands weak after two substantial tax cuts in the Bush era in 2001 and 2003. This tax cut increases the national debt and deficit and its duration has been extended for two more years and is now due to expire in 2013. This extension itself will cost $3.3 trillion. This has now implied that the US will not be able to make necessary investments in maintaining existing infrastructure and creating new one which is necessary for maintaining global competitiveness. Finally the US is still fighting hard in Afghanistan. It has only recently exited from Iraq however continues to finance the home grown government. Given that there are no deadlines attached to these

---

23 [http://townhall.com/tipsheet/katiepavlich/2011/07/08/more_jobless_americans_unemployment_jumps_to_9.2_percent](http://townhall.com/tipsheet/katiepavlich/2011/07/08/more_jobless_americans_unemployment_jumps_to_9.2_percent), US rate of unemployment has a lot of ups and downs, current rate is 8.2% but this figure is taken when the US debt crisis were on peak as well as the unemployment rate was on high.
foreign war operations it becomes difficult to forecast the potential savings from reform of government budget. Although Congressional Research Service has indicated that war expenditures will decline after 2008 however it has increased again (Figure 2) since relatively reduced level in 2010.

The US government plans to cut the deficit by at least $3 trillion over the next 10 years. There is a lot of speculation on how these cuts will come with some suggesting students will get less support for their education while others are talking about cuts in defense and social securities. However international aid from US government can be easily defended on political grounds. Figure 3 indicates the limited space available with the policy managers to maneuver curtailing the deficit.

More than half of the US annual budget is mandatory with social security and health programs which are difficult to cut. On the discretionary side more than half goes to security which is also not an easy task to reduce. So without a tax rise or some sudden spurt of economic growth it would not be easy to reduce the deficit.
President Obama offered his plan for curtailment of deficit which relied on $1.5 trillion tax increase from 2013. The incidence of tax will be greater on high income earners. $800 billion will come by letting Bush era tax cuts expires while remaining $700 billion will come from changing tax rates and limiting deductions. Republicans have already opposed this proposal of increasing tax on wealthy suggesting that this may hamper the much needed restoration of economic growth and creation of jobs. US may be able to save $1.1 trillion by ending the wars in Afghanistan and Iraq.

In order to meet the increasing health budget needs, President Obama has also proposed a $580 billion adjustment program by 2013, which includes $248 billion from Medicare and $72 billion from Medicaid. Opponents view this proposal as a further burden on economy24.

**Fears of a Double Dip and Potential Impact on Developing Countries**

In the aftermath of the global financial crisis the economic growth rate in developed economies has slowed down from 3.1 percent in 2010 to 1.5 percent at the time of writing of this brief. The unemployment rate in advance countries continues to increase while credit rating of businesses declines. Even China which played a key role in economic recovery from the financial crisis in 2008-09, had seen a decline in growth for the third consecutive quarter and this has a significant impact on developing countries as China for many is a leading provider of aid and trade flows25.

The Chief Economist of the World Bank Justin Yifu Lin while commenting on the current financial and debt crisis has said that “Developing countries should hope for the best and prepare for the worst”.

We try to list below the main challenges which developing countries may face as the debt crisis in the West deepens:

- Advance economies and specially EU provides trade opportunities to developing countries under preferential market access arrangements. During the 2000s economies such as India, Pakistan and Bangladesh have greatly benefited due to expansion in EU import demand. These benefits helped in augmenting foreign exchange reserves via exports receipts, creation of new jobs in industry and helping millions to come out of the poverty trap.

- A reduction in the value of the Euro against the dollar is putting more pressure on developing countries dollar-based exports. Even otherwise a fall in value of Euro vis-à-vis currencies in developing countries will imply rising in prices of exports from developing countries and thereby implying a reduction in demand for exported goods. The austerity

---

24 The guardian Monday 19 September 2011, See at(www.guardian.co.uk/world/2011/sep/19/obama-deficit-cuts-main-points),
measures put in place by many EU economies have already led to a reduction in export orders from developing countries.

- The falling value of the Euro will significantly impact the value of remittances sent by the Diaspora working in EU.
- EU is a key provider of foreign aid under both bilateral and multilateral arrangements. The aid inflows to developing countries will be affected. UK has imposed the biggest cut in government spending since WWII amounting to £83 billion by 2014-15. France and Germany are cutting €45 and 80 billion respectively. These slashed categories include aid assistance to developing economies. UN in 2008-09 had indicated that the achievement of MDGs in developing countries is being affected due to a reduction in commitments by the developed countries.
- Another potential negative impact comes in the form of reduced foreign investment by EU businesses in developing countries. During the earlier part of 2000s there was a renewed spree by EU investors who entered East Asian, Latin American and South Asian markets. The shrinking corporate savings in EU will imply lesser investible funds and this impact will be felt in the above mentioned regions as foreign direct and portfolio investment may see a decline.
- The debt crisis has increased the unemployment rate in Euro zone to 10 percent and in the US to 9.2 percent. It affects the labor markets of the developing countries as a substantial number of people from the developing world work in developed countries or in outsourced concerns from developing countries. Both the US and EU have now further tightened their immigration policies in order to reduce the number of workers entering their boundaries. This will not only result in the falling rate of migrants going abroad from developing countries but also lead to some reverse migration into developing countries as laid off expatriates come back to their native countries. This is bad news for poor countries in particular as the average remittance of lower income countries are 8 percent of GDP. Some countries such as Tajikistan, Nepal and Gambia are dependent on remittances to the extent of 39, 22 and 14 percent of GDP respectively.
- Although the effectiveness of putting more finances towards war on terrorism is ambiguous, the reduced budget availability with US and EU governments will imply lesser funds towards this goal. The countries affected by the US initiated war on terror require substantial investment for relief, rehabilitation and the reconstruction process. Such sudden shortage of funds may result in a premature end to fight against terror in several parts of the world which then may be affected by civil war. This phase can then also provide a safe time and space for terrorist to reorganize themselves.

A debt crisis in the West which is the main contributor towards development funds maintained at IMF, World Bank and other multilateral agencies could affect the operational strength of these institutions. It will decrease their development administration capacity globally. It will tighten the conditions of loans from these institutions and will imply an additional resource mobilization burden on poor countries. Several developing countries are already reeling under IMF conditionalities which were imposed amid food, fuel and financial crisis of 2007-08.
It has been observed that uncertainties associated with US and EU debt crises has led to volatility in oil and food prices which can push millions of more people further below the poverty line.

Conclusion

To end this note it is also important to look at some of the positive changes which are starting to take place as this crisis deepens. The BRICs countries are now starting to have a leading role in the international monetary finance. These countries due to their large foreign exchange reserves and factors of production are balancing the governance of global institutions. A change has been seen in the composition of traditional trading partners. The domestic demand in Brazil, China and India is now paving the way for strong inward flow of goods. The same can be observed in the case of East Asia. Previously many regional blocks were looking at EU as a role model for regional integration. This crisis has now given us a chance to look beyond EU and not trip over the same hurdles.

References


(PB#30, 2012)
Abstract

The global environment after the expiry of the quota system in textiles and clothing (T&C) trade poses formidable challenges to human development in Pakistan. Increased quality and price competition in the post-ATC scenario provides an opportunity for some segments of the T&C sector – but a threat to the most labour-intensive ones. As quality and quantity of employment were largely ignored factors in the preparations for the Agreement on Textiles and Clothing’s (ATC’s) abolition in Pakistan, potential job and wage losses are feared, in garment manufacturing in particular. Unskilled and female workers are most vulnerable.

Challenges also provide the opportunity for change. The following recommendations are put forward in this policy brief:

- Skills improvement in both skilled and unskilled occupations in the T&C sector should be undertaken by government and industry. This would reduce the vulnerability of these occupations to adverse effects of structural change, and at the same time enhance the competitiveness of the T&C sector.
- Likewise, the implementation of core labour standards at the national, regional and global levels would protect, if not improve, working conditions for millions of workers and provide a more level playing field for competition in the post-quota era.
- Mitigation measures should be implemented as soon as possible for vulnerable workers who have - or might - become victims of structural change in the T&C industry.
- In these efforts, a focus on women workers in skill development and mitigation measures is required. As unskilled workers, women face more precarious working conditions and fewer job alternatives. Very few highly qualified and skilled women enter managerial positions, and this lack is another factor in depriving the country of development opportunities.
- Awareness should be raised amongst cultivators and pickers about the health hazards associated with pesticide application. Incentives to reduce cotton contamination should be provided to cotton growers in a manner that can be passed on to female pickers. Such measures would improve working conditions and product value-addition at the same time.

This policy brief was compiled with financial support from the United Nations Trade Initiatives from Human Development Perspectives (UN-TIHP). Underlying research received support from the Gender Equality Project, funded by the Department for International Development (DfID), and the Pakistan Environment Programme (PEP). Comments from Aly Ercelan and Foqia Sadiq Khan helped to improve the argument of the paper.

Contact: Karin Astrid Siegmann, Sustainable Development Policy Institute (SDPI), PO Box 2342, Islamabad/Pakistan. E-mail: Karin@sdpi.org.
• Broadened and strengthened collaboration between workers, employers, and the Government is necessary to reach these objectives.
• Overall, social development in Pakistan needs to be emphasised. Investment in, for example, health and education, benefits human development directly, but is also a pre-requisite for more competitive and sustainable industrial development.

A quantum leap towards freer trade

The Agreement on Textiles and Clothing (ATC) expired in January 2005 and the first year after a quantum leap towards freer trade in textiles and clothing (T&C) has now concluded. The ATC was an agreement under the World Trade Organisation (WTO), aimed at gradually phasing out the quota system that had governed trade in T&C since 1974. Under this so-called Multi-fibre Arrangement (MFA), industrialized countries, mainly the United States of America (USA) and the European Union (EU), placed limits (i.e. quotas) on T&C imports for producing countries.

Coming into force in 1995, the ATC phased out this quota system over a ten-year period. Since January 2005, buyers and sellers of T&C products no longer rely on access to quotas in order to sell to the main markets.

The expiry of the quota has given rise to both hopes and fears in the industry. Developing countries, including Pakistan, had lobbied for an end of the quota regime in the Uruguay Round negotiations of the WTO. With high labour surpluses and low labour costs, they rightly perceived themselves as having a comparative advantage in T&C production compared to industrialized nations.

The T&C sector is of great macro-economic importance for several South Asian countries. In Pakistan, it accounts for 9% of gross domestic product (GDP) and about 60% of the country's exports (Ministry of Finance, 2005b). However, the entry of China into the WTO in 2001 signalled the fact that from that point on, a large number of producers across Asia, Latin America, and Africa would have to compete with one huge, cost-efficient producer. It triggered fears of losses of market shares – and millions of jobs (e.g. ITGLWF, 2004).

The T&C industry is very labour-intensive. Globally, it employs about 27 million workers (ILO, 2000). It also absorbs a high share of female employment world-wide. Employment in T&C accounts for almost one fifth of the total world female labour force in manufacturing (Joekes, 1995). Overall, women represent 30% of the workforce in the textiles and 75% in the clothing sub-sectors, respectively (Ferenschild and Wick, 2004).

The Pakistani T&C industry employs 35% of industrial sector workers (Ministry of Finance, 2005b). It is estimated that the total workforce in the T&C industry including informal employment totalled 2.3 million in 2000 (Azam, 2004). The largest share of the workforce is employed in garment production and weaving (Khan, 2003). Garment production is also a major
employer of women. In stitching units in Pakistan, between 41% and 75% of the total workforce are women (Siegmann, 2005b).

What has come after the quota went?

During the first year of freer trade in T&C, some changes in the South Asian economies have already become apparent. Overall, T&C exports have increased. However, this positive broad picture conceals country- and sector-specific effects and damage (Figure 1).

**Figure 1: T&C exports 2004 and 2005, selected South Asian countries (% change)**

![Bar chart showing percentage change in T&C exports for selected South Asian countries]

Source: UNDP (2005b)

Whereas Bangladesh has been spared the anticipated crash in garments exports, Nepal has lost a significant number of orders from abroad. The reason for the dissimilar performance may lie in a combination of Bangladesh’s preferential access to the European market, and the fact that Bangladesh supplies some of the products whose imports are constrained by a recent agreement between the EU and China (Anwar, 2005; EC, 2005; EC, 2004). In recent years the country has invested in backward linkages such as spinning mills and weaving units in order to be able to benefit from duty-free access to the EU market that requires several stages of transformation from raw material to clothing products (Nordås, 2004; Bhattacharya, 1999). In particular, Bangladesh’s knitwear exports that had grown significantly between fiscal year (FY) 2003/4 and 2004/5 were supported by domestic incentives in the form of cash compensation schemes and duty drawbacks (Anwar, 2005; Bhattacharya, 1999). Pakistan’s and India’s textile industries have done well in the post-quota era, but their respective garment sectors have struggled to survive strong price and quality competition after China entered the freer T&C market. As the garment sectors are the most employment-intensive sectors, this might translate into significant employment losses.
At the same time, the intensified competition also puts pressure on wages and working conditions, which were not good even before the opening of the market. Some countries have advocated a relaxation of labour legislation in order to reduce labour costs. For example, Bangladesh has announced that it will increase authorized overtime and relax restrictions on night work by women. Similar legislation is under discussion in India and Pakistan (Ghauri, 2006; ILO, 2005a).

As mentioned above, a first impact assessment of the Pakistani situation shows that the textile sector is doing well, although knit garments in particular are ailing (Figure 2)28.

Figure 2: T&C exports August 2005 (% change vis-à-vis August 2004)

Source: Ministry of Finance (2005b)

A study recently concluded by the Sustainable Development Policy Institute (SDPI) throws light on the reasons for the unexpected growth in sales abroad (Siegmann, 2005a). Capacity increases were the third-most important preparatory strategy for the ATC expiry mentioned in particular by textile exporters. For many companies, selling more is a strategy to cope with prices that have dropped significantly in the post-quota scenario for all product categories, both to maintain profit levels in the short-term and, in some cases, to achieve economies of scale in the longer run. This study’s results reveal reduced profits for fabric and apparel companies in particular. Clothing companies interviewed were aware of companies that had gone out

---

28 A one year comparison qualifies the extraordinary growth displayed by woven garments. As compared to the period of July-March of the previous fiscal year, ready-made garments showed a growth rate of about 3% (Ministry of Finance, 2005b). The high growth displayed in Figure 2 can be explained by the fall in woven apparel exports in 2004 (Ministry of Finance, 2004).
of business after the abolition of the quota regime. Thus the question is how sustainable T&C export growth will be.

The rise and fall of sales affects the livelihoods of a great many workers and their dependants. The SDPI study shows that whereas overall employment has slightly increased after the quota expiry, sub-sectoral differences exist (Figure 3)\(^{29}\). For exporters of fabric and “made-ups”, such as towels and bed-linen, both female and male employment has increased. This reflects their increase in sales abroad. In yarn and apparel production, a replacement of male by female workers has taken place, while total employment has decreased. The on-average lower wages paid to women workers may be part of the explanation. Lower wages help companies to survive in the harsher post-quota competition - albeit on the backs of workers. Finally, knitwear exporters that are still in business have reduced their female as well as their male workforce. Based on the survey results, it is estimated that about 40,000 jobs have been lost in this sub-sector alone in the first year after the quota expired. Industry sources quote an even higher figure (Waleed, 2006).

Figure 3: Post-quota employment in Pakistan’s T&C industry (mean changes)

A closer look at the study’s results shows that unskilled workers in particular are affected. Male operators who lose their jobs are replaced by unskilled female workers. The slight employment gains in administrative and

---

\(^{29}\) In the interpretation of Figure 3, it is useful to keep in mind the much higher number of garment units than textile units.
managerial positions do not benefit women, since men are recruited for these positions.

**Responses Required**

These preliminary trends during the first year after the quota expiry reflect a lack of competitiveness in certain parts of Pakistan's T&C industry. This had been diagnosed long ago. The “Textile Vision 2005”, a strategy paper for Pakistan’s T&C sector developed in 2000 by the Small & Medium Enterprise Development Authority (SMEDA) identified, amongst other things, the following weaknesses of the sector (SMEDA, 2000): a narrow export product base, with a focus on low-value added yarns and fabrics rather than made-ups and garments, and a lack of focus on a trained workforce in high-value added industries, such as clothing. Increased attention to garments and made-up articles, as well as improved quality throughout the textile chain, was advocated as a response to these challenges. This implied technology upgrading at all stages of textile processing, human resources development, and improved marketing. However, these sound ideas have not been implemented so far.

The impressive amount of USD 5 billion that was invested in the T&C industry between 1999 and 2004 (Ministry of Finance, 2005b) has largely been spent on sectors that are already competitive and not that strongly dependent on exports. Almost half of the investment went into spinning, while the woven and knit garments sectors obtained less than 5% of the total (Ministry of Finance, 2004), i.e. about one third of the investment targeted in the “Textile Vision 2005” (Ministry of Finance, 2003). In many cases, the investment was labour-saving (Siegmann, 2005b). Overall, this means that employment and the skills of the workforce have been neglected in the preparations for the quota expiry, even where these would have increased the industry’s competitiveness.

This situation might deteriorate further in the mid-term. The following post-ATC scenarios for Pakistan’s T&C industry’s development are conceivable. One option is further specialization in yarn, cloth, and made-ups. The alternative is the move towards higher value addition that is also advocated by the “Textile Vision 2005” (Siegmann, 2005b). Given the current skill and gender structure in employment, both scenarios imply reductions in unskilled and female work.

The structural change in T&C trade induced by the lifting of the quotas has been slowed down by the responses of the USA and EU to curb Chinese T&C imports to their respective economies. The EU has limited Chinese textile exports in 10 categories of concern to agreed growth levels until the end of 2007 (EC, 2005). An agreement between the USA and China, signed in November 2005, places quotas on 34 product categories of Chinese textile and clothing exports to the US until the end of 2008 (GoUSA and GoPRC, 2005). This gives some more breathing space to deal with the challenges of the ATC abolition for Pakistan’s economy and economic development.
Decent work in globally competitive jobs

One of the most important steps to be undertaken is to strengthen product quality by investing in workers’ skills and research and development (R&D). With special emphasis on small and medium enterprises (SMEs), which form a large portion of garment and cloth manufacturers, this is also stressed by the Planning Commission’s “Medium-Term Development Strategy 2005-2010” (Planning Commission, 2005). As mentioned above, relaxation of labour legislation increases capital productivity but the need is to increase labour productivity for successful competition with China. In order to achieve this, workers, employers and government should join hands to improve both competitiveness and working conditions. An example of an existing bipartite forum is the Workers Employers Bilateral Council of Pakistan (WEB COP). Consultations such as this need to be broadened and strengthened. Within the T&C industry, better-trained operators can reduce wastage, produce higher quality products, and support pro-active product development and marketing, especially in high value-added product categories. Besides strengthening the industries’ competitiveness, enhancing workers’ skills would support their bargaining power. Better skills increase their chances of finding job alternatives within and outside the T&C industry and thus potentially benefits Pakistan’s overall industrial development. Ways to achieve this may include on the job skill development and more and improved training institutes targeting operator-level T&C workers, with preferential enrolment for women. Female workers comprise a large share of T&C workers in made-ups and garments, in particular in the informal sector (Khan, 2001). Clearly, in the short term their employment has increased. For this reason and because of female workers’ greater vulnerability due to poorer education and fewer job alternatives, it is crucial that their skills are enhanced.

Also, the lack of skilled workers has been identified as a bottleneck for the industry’s development (Khan, 2005), in particular in the garments industry. That is why managerial skills which requires development. In particular, women’s entry into administrative and managerial positions should be facilitated. National and international statistics show that female students outperform their male colleagues both in school and at university. The almost complete lack of women in skilled occupations means the Pakistani T&C remains far below its potential (SDPI and UN-TIHP, 2005b).

In skill development both for unskilled and skilled labour, industrialised countries can and should support the transition to freer trade in T&C through both bi-lateral and multi-lateral aid. Importing industrialized countries benefit from the quota expiry and have taken responsibility for

---

30 Many of the recommendations below were developed during two strategic workshops initiated by SDPI. One, jointly organised by SDPI and Friedrich-Ebert-Stiftung (FES), took place in October 2004 with representatives of workers’ organisations (SDPI and FES, 2004). The second one, sponsored by the UN-TIHP, brought together stakeholders ranging from business representatives, via government officials to trade unionists from across South Asia in November 2005 (SDPI and UN-TIHP, 2005a).
reaching the Millennium Development Goals (MDGs) that include developing global partnerships for development.

In cotton cultivation, enhanced product quality means incentives to reduce contamination (i.e. with jute or polypropylene fibres, human hair and pesticides). Contamination has been identified as one of the major obstacles to increased sales for Pakistan’s cotton and cotton products. Reducing contamination can easily be achieved if cotton pickers are paid incentives for uncontaminated cotton. A decision was recently taken to provide these incentives through the Trading Corporation of Pakistan (TCP). If implemented, this might translate into better pay for cotton pickers since they ultimately control this type of contamination (No author, 2006). Reducing the levels of pesticide contamination by awareness raising amongst cotton growers and incentives for growing organic cotton as stipulated in the Trade Policy 2005/6 (Ministry of Commerce, 2005) would not only enhance the prospects of Pakistani T&C exporters to enter niche markets for environmentally friendly cotton products. First and foremost, it would reduce the significant health hazards cotton pickers, their families and communities are exposed to (Hussain, 1999).

Overall, Pakistan needs to strengthen its investment in social development, e.g. in the areas of health and education. In the 2005-06 budget, these two areas account for a meagre 0.4% and 1.5% of public expenditures, respectively (Ministry of Finance, 2005a). Spending in these areas serves national human development directly, but also supports sustainable industrial development that is less vulnerable to pressure from industrialised countries. It may include incentives for industrial diversification away from concentration on T&C production that has made Pakistan and other T&C producing countries extremely vulnerable to changes in the global trade environment.

In order to better protect T&C workers against becoming a buffer for intensified trade after the quota expiry, the government and employers need to do a number of things: implement existing labour laws; extend them to contract and informal sector workers and to workers in export-processing zones, and introduce sanctions against violations of those laws. A recent SMEDA study shows that, rather than is commonly perceived, the costs of compliance are not excessive. For an average SME, estimated costs for compliance with labour legislation are not expected to exceed 1.5-2% of annual turnover (SMEDA, 2002). Women workers are particularly vulnerable due to their concentration in precarious types of work, such as piece-rate contracts and home-based work. The ILO might be able to assist the implementation of these suggestions (Box 1). International financial institutions (IFIs) such as the World Bank and the Asian Development Bank need to be persuaded that their enormous and increasing lending for industry remains a special opportunity to leverage this aid into expanding decent work.
Box 1: Better Factories Cambodia

The ILO engaged in a project in Cambodia whereby garments factory conditions would be monitored and the USA would reward Cambodia with bonus quotas in return for measurable improvements in working conditions. The project was known as “Better Factories Cambodia” and also included training on working conditions and other topics. It extended to all garment-exporting companies, and proved successful because the transparency of the monitoring made it credible to international buyers. After the USA-Cambodian trade agreement ended in 2004, Cambodia continued its efforts to improve factory conditions since Cambodia’s key overseas buyers rated labour standards as a top priority in their decision to source from them. Furthermore, they indicated that improved work standards benefited workplace productivity and product quality. This model may prove reassuring to companies concerned that improving work standards would be an unjustified expense. Early data indicates that the programme has allowed most of the garments industry to survive the end of the quota regime and to maintain buyer loyalty. However, a report published in April 2005 discusses the increasing pressure being put on trade union rights outside the factories, which may potentially tarnish the industry’s international image.

Source: ILO (2005a)

Given the increased role of non-tariff barriers to trade (NTBs), such as Rules of Origin (RoOs), Free Trade Agreements (FTAs) and preferential market access, the potential costs involved have less bearing on short-term competitiveness (Kulkarni, 2005), but enhance it in the mid and long term. This is because increased quality competition in the post-ATC scenario requires a motivated workforce and decent working conditions. Equally, social and environmental certification of products and processes has become a competitive factor, especially for garments exporters.

Labour standards should also be enforced at the regional and international level. Minimum standards for duty-free access of employment-intensive Pakistani garments to markets of industrialised countries should be included in bilateral trade agreements in exchange for special regard for labour standards (Box 1). Globally, implementing the ILO core conventions at the level of the WTO provides a more level playing field for competition, enhances competitiveness, and benefits millions of workers.

The post-ATC scenarios outlined above imply that special mitigation strategies are needed for unskilled garments workers, most of whom are female. In particular, the government and employers share a responsibility to set up targeted social safety nets for workers who are dismissed due to the ATC expiry (SDPI and FES, 2004, SDPI and UN-TIHP, 2005a). They may include counselling, skill upgrading, entrepreneurship programmes, access to loans etc. A special effort should be made to reach vulnerable female workers, because they face significantly lower chances of finding alternative employment. Bangladesh, for example, planned to train 40,000 garments workers to improve their skills together with a non-profit organisation (UNDP, 2005a). The ILO TREE programme for skill development implemented in two districts of Pakistan may also serve as a model (Box 2).
Box 2: Skill development for vulnerable groups

The Training for Rural Economic Empowerment (TREE) programme is an ILO project aimed at creating employment opportunities for vulnerable social groups, essentially through skills training and other support services.

The first step within TREE is the identification of economic opportunities. This includes undertaking a detailed situation analysis to gather information on the basic profile of the area selected. This is followed by feasibility studies to identify viable (self) employment and income generation opportunities.

The training is designed thereafter. The curriculum is reviewed and, if needed, modified according to the requirements of the identified economic opportunities. The training providers also give on-the-job training to graduates in their workplaces whenever required. In view of the very low literacy levels of the beneficiaries, especially women, training in functional literacy and basic numeracy is also provided.

The training needs of the beneficiaries are addressed through an integrated menu of support services. This includes formation of groups and associations, micro-finance services, training in management and leadership, advisory services, linkages with technology resources, on the job training, and linking with and mainstreaming into local economic development programmes.

The outcomes of the TREE methodology in terms of employment creation have been quite satisfying. A central achievement of the project is its success in mitigating the socio-cultural and mobility constraints faced by women. The overall female participation is 56% in skills training and literacy programmes. More generally, around 91% of the beneficiaries who received training under the project have already been employed and are using their skills to generate incomes.

Source: ILO (2005b)

At the multilateral level, the WTO can provide technical assistance to mitigate the social costs of the industry's restructuring, so as to develop, strengthen, and diversify the country's production and export base. This would be an effort to balance the strongly biased distribution of costs and benefits of the ATC: a bias which benefits consumers and transnational corporations in the North, while hurting producers and – in particular - their workforce in the South.

Towards sustainable industrial and human development in the post quota era

The global environment after the expiry of the quota system in T&C trade poses formidable challenges to human development in Pakistan. Increased
quality and price competition in the post-ATC scenario is an opportunity for some segments of the T&C sector – but a threat to the most labour-intensive ones. As the quality and quantity of employment were largely ignored factors in the preparations for the ATC abolition in Pakistan, potential job losses are feared, especially in garments. Here, too, unskilled and female workers are most vulnerable.

Challenges also provide the opportunity for change. The following recommendations have been put forward in this policy brief:

- Skill improvement in the T&C sector should be undertaken in both unskilled and skilled occupations. This would reduce their vulnerability to the adverse effects of structural change, and at the same time enhance the competitiveness of the T&C sector.
- Likewise, the implementation of labour standards at the national, regional and global levels would improve working conditions for millions of workers and provide a more level playing field for competition in the post-quota era\(^{31}\).
- Mitigation measures should be implemented as soon as possible for vulnerable workers who have or might become victims of structural change in the T&C industry.
- In these efforts, a focus on women workers in skill development and mitigation measures is recommended. As unskilled workers, women face more precarious working conditions and fewer job alternatives. Very few highly qualified and skilled women enter managerial positions, and this lack is another factor in depriving the country of development opportunities.
- Incentives to reduce cotton contamination should be provided to cotton growers and passed on to female pickers. Awareness should be raised amongst cultivators and pickers about the health hazards associated with pesticide application. Such measures would improve working conditions and product value addition at the same time.
- Broadened and strengthened collaboration between workers, employers, and the Government is necessary to reach these objectives.
- Overall, social development in Pakistan needs to be emphasised. Investment in health and education benefits human development directly, but is also a prerequisite for more competitive and sustainable industrial development.

**Glossary**

**Agreement on Textiles and Clothing (ATC):** WTO agreement established in the Uruguay Round which provided for the gradual dismantling of the quotas that existed under the Multi-Fibre Arrangement. The ATC expired on January 1\(^{st}\) 2005.

**Apparel:** Anything that has been manufactured into use for clothing.

\(^{31}\) For a useful overview over Pakistan’s labour legislation with special reference to SMEs and suggestions for enhanced implementation, see PILER (2005).
(Environmental/Social) Certification: Proof that an environmental/social management system has been introduced and works. Certification is carried out by specially appointed companies that continually monitor the activity.

Clothing: relates to made-up articles, wholly or chiefly of textile materials, commonly to be worn on a human body.

Free trade agreement (FTA): An arrangement which establishes unimpeded exchange and flow of goods and services between trading partners regardless of national borders.

ILO Conventions: Eight ILO conventions have been identified by the ILO's Governing Body as being fundamental to the rights of human beings at work, irrespective of levels of development of individual member States. They are legally binding as they have been ratified by the member states.

Knitwear: Clothes made by connecting wool or another type of thread into joined rows. Examples are T-shirts, socks, underwear.

Made-ups: Non-clothing related items such as towels, bed linen, and other products.

Millennium Development Goals (MDGs): A set of eight time-bound and measurable goals and targets for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women. They are a blueprint agreed to by all the world’s countries and all the world’s leading development institutions, under the auspices of the United Nations.

Multi-Fibre Arrangement (MFA): An agreement which governed the world trade in textiles and garments from 1974 through 2004, imposing quotas on the amount developing countries could export to developed countries. It expired on 1st January 2005.

Quota: In trade terms, a restriction of imports of a commodity to a specific quantity.

Rules of Origin (RoOs): Rules included in a Free Trade Agreement (FTA) specifying when a good will be regarded as produced within the FTA, so as to cross between members without tariff. Typical RoOs are based on percentage of value added or on changes in tariff heading.

Textile: Textiles are woven or knit fabric, made from natural or synthetic fibres, filaments or yarns, suitable for further processing into apparel.

World Trade Organization (WTO): An international rules-based and member driven organization which oversees a large number of agreements defining the "rules of trade" between its member states. The WTO is the successor to the General Agreement on Tariffs and Trade (GATT) that was set up in 1947, and operates with the broad goal of reducing or abolishing international trade barriers.
References


Government of the Unites States of America (GoUSA) and Government of The People’s Republic of China (GoPRC) (2005): Memorandum of Understanding between the Governments of the United States of America and the People’s Republic of China Concerning Trade in Textiles and Clothing Products. Available at: http://www.ustr.gov/assets/World_Regions/North_Asia/China/asset_upload_file91_8344.pdf.


(PB # 21, 2005)
Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement: Impact on Food Security of the people living in HKH

Abid Qaiyum Suleri and Qasim Shah

Abstract

Pakistan’s part of Hindu Kush Himalyan (HKH) region comprises more than 50 percent of the total area of the country and 21.32% of total population. As many as 31.13 million people live in HKH. The region faces shortage of staple foods due to low local production, high transport cost and restricted access to food in many areas during snow season. Food security of the people living in HKH is not only affected by limited patches of flat land and extreme weather, it is also affected by “Trade Related intellectual Property Rights (TRIPs) agreement” of The World Trade Organization (WTO). The TRIPs agreement covers patents in articles 27-34. It says all inventions including those based on the exploitation of biological resources are patentable. Hence the agreement stands for monopoly rights even upon the life forms, ownership of seed, plant and animal varieties. The national and household food security is also affected by the TRIPs agreement. Moreover, this agreement promotes “bio-piracy” in the resource rich HKH region as it does not require the patent holder to either disclose the source of origin, get prior informed consent from the genetic resource/knowledge holder, or ensure that there is an equitable benefit sharing. This policy brief focuses on the impacts of the TRIPs agreement on HKH region of Pakistan and demands that nothing in the TRIPs agreement should affect the sovereignty of governments to take measures to protect their health and food security.

In Pakistan, HKH spreads over parts of North Western Frontier Province (NWFP), Federally Administrated Tribal Areas (FATA), Northern Areas, Azad Jammu and Kashmir (AJK), and 12 districts of Balochistan. In Pakistan, total HKH area comprises 489988 sq km (more than 50% of the total area of Pakistan) and 31.13 million people (21.32% of the total population)\(^{32}\). The Hindu Kush rises South West of Pamirs. It is considered to extend from Wakhjir pass at the junction of the Pamirs and Karakoram to Khawak Pass, north of Kabul. Its first region extends from Wakhjir Pass separating Hunza from Wakhan and up to Dorah Pass (320 kms in length). Its second region lies beyond Dorah Pass in Afghanistan. The third region, which runs for 240 kms, lies in Pakistan and extends into Swat and Kohistan. On the East, it is separated from Karakoram by Indus River. Highest of Hindukush is Tirich Mir (7708). The Western Himalayas is situated between Kashmir valley in the East and Indus River in the North. It is dominated by Nanga Parbat massif with the highest peak, rising at 8125 metres.

\(^{32}\) ICIMOD, 1998.
Livelihood strategies of farmers living in HKH region of Pakistan

Local communities, to a considerable extent, are subsistent on the agro-pastoral economy. The majority of the population comprises subsistence farmers that are meeting only the barest needs of food, fodder and fibre for their households. The average landholding per household rarely exceeds one hectare. Cropping pattern varies with altitude. Maize is widely cultivated followed by wheat, millet, barley, buckwheat and rice. Alfalfa is the main fodder crop, while the area under potato crop is increasing every year. The plantation of fruit trees and orchards is also a common practice. Livestock farming has traditionally been more important than crop farming, with the high pastures playing a central role in resource use pattern (Munir, 2002). Environmental conditions and ecological risks of resource utilization are intimately linked together in this high mountain region. Rapid population growth that increases pressure on natural resources, and causes the consequent danger of environmental degradation, raises questions about sustainable livelihood strategies of the farmers living in HKH region in relation to contemporary land-use and land cover change. The regional land-use system in northern Pakistan is based on irrigated crop cultivation in valley bottoms, combined with animal husbandry and forest utilization in the upper altitudinal belts (Nusser, 2000).

Communities in HKH area face a lot of trouble because of growing social and economic inequalities and imbalances. The level of access to resources and livelihood opportunities is different among various vulnerable and settled groups. The resources are not evenly distributed among communities. The people in HKH area have to face declining access to public distribution services, such as health, education, food, roads and power, due to certain state policies. These people are amongst the country’s poorest (WFP, 1999). The HKH zone faces shortage of staple foods due to low local production, high transport cost and restricted access to food in many areas (such as Chitral) during snow season. Local people store grain for winter season. With little flat land and extreme weather, agriculture activity is limited. With few opportunities to make a living, and high prices for transporting grain from the plains, the people rely on local produce. (WFP, 1999)

The TRIPs Agreement

The TRIPs agreement is the most contentious agreement ever agreed. It gives exclusive rights of any commodity with a novel character to the person who brings in the novelty. Section five of the TRIPs agreement obliges member states to provide patent protection for all inventions, both products and process. The TRIPs agreement covers patents in its articles 27-34. It says that all inventions are patentable, including those based on the exploitation of biological resources. Article 27.3(b) of the TRIPs agreement obliges the WTO member countries to provide some form of intellectual property protection (effective sui generis system) on plants, animals and biological processes and new varieties of plants. This provision stands for monopoly rights even upon the life forms. In
this way, the TRIPs agreement affects ownership of seeds, plants and animals. It also impacts national and household food security. (Suleri, 2001)

Developing countries were supposed to comply with the TRIPs Agreement till December 1999, and the least developed countries till December 2005. The Article 27.3 (b) was due for revision in 1999. The debates among WTO member states on whether the review should focus only on implementation of the Article or on its substance resulted in a deadlock. Due to Seattle debacle, there was no ministerial consensus on it. Even Doha ministerial declaration is quiet on the review of the substance of Article 27.3(b) and its paragraph 19 merely instructs the Council for TRIPs to review implementation on the TRIPs agreement as well as to examine the relationship between the TRIPs Agreement and the Convention on Biological Diversity. It means that countries would have to have patents on life forms or some sort of “effective” sui-generis system for the intellectual property protection of plants and animal varieties. Most of the developing countries have opted for the sui-generis system in the form of Plant Breeders’ Rights Act (PBR Act). Pakistan has also agreed to opt for a PBR Act for which a draft was ready for promulgation as an ordinance. However, due to the pressure from certain advocacy groups and various stakeholders, the government refrained from promulgating it. Having said, it does not imply that the plans to enact this draft have been abandoned as the government seems committed (and is bound to do so under TRIPs Agreement) to save rights of plant breeders. This Act ignores the rights of farmers, tillers, and farm workers. The PBR Act would put the food security of small farmers at risk as it may stop the farmers in Pakistan to save, use, sow, exchange, share or sell their farm produce including seed of a variety. Secondly, it would serve the interests of multinational seed companies thus threatening the livelihoods of farm workers. This threat becomes more severe for the fragile and vulnerable areas such as HKH region where livelihood depends upon local produce and the people have to save the grain and seeds for future consumption.

How TRIPs agreement affects Food Security

The TRIPs Agreement allows the owner of a patented product to prevent third party from making, using, offering for sale or importing that product without their prior consent. The owner of a patented process could prevent the use of the process as well as the commercialisation of a product manufactured by using that process. Thus, if a process to produce a plant variety is patented, the owner of the patent enjoys exclusive rights over the plants obtained by using the process. Farmers are not allowed to use any seeds coming from such a plant. Most importantly, in contrast with normal legal practice, the TRIPs Agreement shifts the burden of proof in a dispute over process of patents to the defendant who must show that an infringement has not occurred (Suleri, 2001). Even in developed countries, individual farmers are not able to safeguard their interest against the corporate greed of trans-national corporation (TNCs). The famous case of a Canadian farmer “Percy Schmeiser” is a good example, where in he was accused of using Monsanto seeds illegally and in April 2001 Supreme Court of Canada ordered him to pay eighty thousand Canadian dollars to Monsanto for violating the patent laws, although the truth was that infringement was accidental, taken place through flight of pollens from Monsanto fields to the
farmers’ fields (Hasnain, 2001). Keeping Percy’s case in mind one can imagine the plight of poor farmers in Pakistan once the PBR Act is promulgated and enforced as law.

Prior to the Uruguay Round, Intellectual Property Legislation was a matter of domestic policy. Now, the WTO virtually brings all the agreements together under one umbrella; and membership in the organization implies accession to all of them. Thus TRIPs agreement is much more powerful than the older agreements and is a cause of widespread concern.

Hindu Kush Himalayan region of Pakistan faces two kinds of disadvantages from patenting on the genetic resources for food and agriculture (GRFA). From ancient times, this area has been the source of genetic resources for many kinds of flora and fauna. However, due to lack of capacities and resources, indigenous people of these areas are not in a position to fully catalogue the natural resources of biomaterials they currently possess. Second, there is a growing concentration of TNCs in biotech industries, notably in the seed sector and the corporations are exerting monopoly. Dependence on TNCs for such a critical input like seeds are feared to bring-in a chain of developments, which undermine the very survival of small farmers’ economy. Moreover, seeds of “improved varieties” are always not compatible with the local needs. It is assumed that patents and other form of intellectual property protection on the GRFA decrease the farmer’s access to seed, reduce efforts in publicly funded plant breeding, increase the loss of genetic resources, prevent seed sharing and could put farmers out of business. It gives rise to restrictions on the free exchange of information, and increased privatisation of research will lead to further internalisation (secrecy) of research results. As a consequence, the current problem of global food supply may be further aggravated and are likely to influence the fragile communities such as those living in HKH region (Rastogi, 1998). Thus in the context of vulnerability and fragility of the people living in HKH region, could we think of food security when TRIPs would guide the world as to who could produce-what, when, and where- and who did not have the right to produce anything.

Conflicting International Agreements: TRIPs and the Convention on Biodiversity

The Convention on Biological Diversity (CBD) agreed at the Rio Earth Summit in 1992, recognises the sovereign rights of the states over their biological and genetic resources. The convention requires parties to protect and promote the rights of communities, farmers and indigenous people vis-à-vis their customary use of biological resources and knowledge systems. However, in practice TRIPs Agreement does not reinforce the provisions of the CBD. It does not require the patent holder to either disclose the source of origin, get prior informed consent from the genetic resource/knowledge holder (thus encouraging bio-piracy), or ensure that there is an equitable benefit sharing. This leads to a large-scale bio piracy from the centres of floral biodiversity such as HKH region.
Recommendations
SDPI proposes:
- “There should be no patents on life” and nothing in the WTO agreements should affect the livelihood of farmers living in HKH region.
- A substantive review of Article 27.3(b) of the TRIPs agreement should be done to make it consistent with the CBD provisions on prior informed consent and benefit sharing with regards to access to genetic resources.
- The TRIPs Agreement itself should be reviewed outside any “Doha Round of Negotiations” to address the concerns of developing countries on WTO regime.
- Nothing in the TRIPs Agreement should affect the sovereignty of governments to take measures to protect health and food security in their respective countries.
- Articles 7 and 8 of the Agreement should be activated to ensure primacy of food security and nutritional concerns vis-à-vis security of private intellectual property rights.
- The provisions of TRIPs Agreement should not hinder achievements of various international targets agreed upon during a series of UN conferences in 1990 including the World Food Summit. These targets include poverty eradication, sustainable development, social justice, gender equality, human rights, conservation and sustainable use of biological resources and food security.
- The proposed Plant Breeders’ Rights Act should not jeopardise the farmers’ traditional practices of saving, breeding and selling seeds. Moreover, this act should ensure registration of farmers’ varieties.
- Technical assistance provided under WTO should also address the needs of mountain communities.

Bibliography

(PB # 17, 2003)
It would be both simplistic and repetitive if we were to reiterate the highlights of the Seattle negotiations, a task which has already been conducted to a great extent by both northern and southern journalists and popular media. Instead, this paper will follow its preceding brief and attempt to draw light to the issues that are influencing and shaping the forum of global trade. To that end, this paper will:

- Discuss the positions of the new players in WTO (whose lack of inclusion in the monte carlo and preparations for the Seattle Ministerial contributed to its deterioration and current crisis of illegitimacy.
- Touch on where the agreements and Pakistan's interests stand now as compared to before Seattle;
- Analyze the trends that global trade is producing and suggest positions and policies that Pakistan and South Asia as a whole need to take in order to establish a stable and sustainable trading block.

This continuing brief will also lead into the contents of a later brief, suggesting positions for Pakistan to take in the Geneva Ministerial in September.

A Summary of What Happened

Seattle degenerated from a planned series of exclusive closed door negotiations to a melee of disagreement and ‘spillover stonewalling’ as both developed and developing nations failed to bridge differences in positions on a variety of issues. The fireworks that erupted within the conference negotiations were further fueled by frustrated developing country delegates, an unacceptable process, poor logistics and planning, changing agendas and a somewhat unified outcry of developing nation delegates against a backdrop of civil protest.

Three tiers of protesting took place in Seattle,

- Outside of the ministerial negotiations (street protestors)
- Inside the ministerial, outside of the negotiations (628 accredited NGOs and developing country delegates)
- Inside the ministerial negotiations (developing country delegates who were called upon to speak and/or included in the green rooms)

The following issues in some shape or form contributed to the stalemate in Seattle:
• Disagreements between the US-Canada block and the EU on trade in genetically modified organisms,
• Complexity of disagreement on various issues and resulting spill over of bitterness between issues,
  • Agricultural stalemate and the failure of the Cairns group to move from their current position,
• Increased preparation and unity among developing nations as compared to the Uruguay Round,
• 300 official proposals and bracketed text lines in the Geneva document,
• Lack of transparency in the process of reviewing agreements,
• Abrasive negotiating style of the hosts and developed nations in general,
• Political election agenda of the US
  • Collusion between the US government, the unions and environmental groups that to an extent, backfired;
  • Poor treatment of labor standards issue and the attempt by the US delegates to push the item into the Agreements for the benefit of the unions.
• Civil society, widespread demonstration and public outcry

This contributed to a negative mood as none of the delegates were in the mood nor prepared to make concessions, or ‘make the political decisions necessary for agreement’ (Charlene Borshevsky, Seattle Chair).

Now that the dust has settled, let us take note of the new stakeholders, the successes and failures and the lessons of Seattle.

The Players

The Seattle round’s events have heralded the official entry of a new set of stakeholders into the global trading forum. Let us recap the new and existing players within the global forum:

• Unions, Labor Movements – This group is concerned with self preservation, and specifically preventing the migration of Northern jobs to Southern markets. The ‘union busting attitude’ within developed countries, especially in Canada and to a degree in the US, has led to great paranoia within the Unions and hostility to any national/international moves that may threaten their existence. The previously ‘blue collar’ tradition of the unions is now giving way to incorporating middle management, health care, education and other ‘white collar professionals’ into their ranks to preserve their critical mass. They mask their agenda of self preservation on the global scale with the premise of ‘protecting third world labor’ against MNCs and TNCs, by promoting global unionism (which only makes up 5% of the developing world labor force)
• Environmentalists – This group of activists has struggled since the 60’s to include environment and sustainable development issues into the national and global trade and economic framework. The shift towards
privatization in the north, and the subsequent cancellation of funding to public sector watchdogs (Canada and the US to a degree) has sent warning alarms throughout the activists of the sector. They are petrified of the thought of seeing hard fought for legislations, acts, protocols and targets set aside and ignored for the purpose of increasing global trade at the cost of environmental degradation. Their tactic is to include sanctions and environmental linkages within the agreements.

- Social Activists – This group is concerned with eradicating child labor and feels that the best way to do it is through sanctions and denying market access to those countries known to be using it. They are aligned closely with the unions in this regard.

- Corporations – In the end, the MNCs call the shots as bigger corporations continue to seek to feed their shareholder demands for increased market shares of Asia, South America and the EU. Financial deregulation, timely in the west, will ensure this. Their deep pockets coupled with the financially influencing mechanism of strategic lobbying within the campaign theatres and governments of the north allows them to create and exploit loopholes that will ensure benefits and kickbacks in what may otherwise seem to be regulations designed to restrict their activity.

- Northern Governments and Delegates – The political agenda clearly took center stage in Seattle and tainted the mood of the negotiations as pre election positions and slogans drew attention to special interest groups of the masses (unions, US farmer families, etc.)

- Southern Governments and Delegates – Whereas they were clearly caught off guard during the agreements and the negotiations of the Uruguay Round, this group was far better prepared for the agenda and possibilities of the Seattle Round. With the assistance of civil society and close scrutiny of the UR agreements, developing nations awoke to the reality of receiving the short end of the stick through the agreements.

- Anarchists – This group of individuals, in the north particularly, represents the disillusioned members of society who have either lost faith in the system or find it fashionable to share sentiments with those who have. Present to capitalize on the chaos of the situation, it is necessary to differentiate between them and the real protestors.

Successes

Now that we have covered off the players, let us examine the issues that were fought over and experienced friction during the course of the negotiations.

- The developing nations were fed up of the lack of transparency and rightfully used their vote of consensus effectively. For example, the African and Caribbean countries balked at the lack of transparency, felt they were being bullied into agreements and threatened to withdraw their consensus from any other issues if the situation and current process continued. A Like-minded group on implementation issues such as India, Pakistan, Egypt, Uganda, the Dominican Republic, Cuba and
others also said no to the existing proposal and remained unified through the bilateral talks, in spite of the protestors outside.

- Too many complex issues negotiated at once led to spill over of animosity between nations on separate agreements and resulted in stonewalling. Specifically the EU vs. US on agriculture, US vs. South on labor and environment, different views on globalization
- Egypt and India were successful in keeping labor and environment out of WTO for now. Greenpeace and others still feel it has become an important enough of an issue not to be ignored.
- Clearly, this round signaled that the needs of developing world must be recognized, WITH their approval before the process can move forward.
- Victory for what didn’t happen such as a Stay of subsidies for local agriculture market (US corn growers and agriculturalists claim victory), Height of industrial tariffs on wood still saves trees (environmentalists claim victory).

Failures

- Asia is still without market access. The EU sponsored proposal of providing zero tariff access to essentially all products from LDCs was nearly agreed to at the Seattle conference.
- NGOs were unable to make recommendations to institute reform
- Developing and Developed world Ministers shared disillusionment with the entire process

Taking Stock

- We obviously need clarity on the great deal free trade is for the developing nations as the gaps between the rich and the poor, the global rich and the global poor are still very wide.
- Reversing areas require clarification
- There needs to be the realization that increased transparency does not equal increased inefficiency.
- MNCs will try to use FDI and shift their market gains to accessing the resources of the south. Hyper consumerism within the elite of the South will rise.
- There is still a lot of hypocrisy: unions want to save third world labor by setting up protectionistic barriers. Environmentalists are doing the same by insisting that they are doing the developing world a favor by insisting on environmental protection at the cost of market access which will stall market and firm based efforts to alleviate poverty.
- The current stall of the WTO may assist in the push to liberalize trade at the regional level. Regional and/or trade bloc bilateral talks will conceivably increase as far reaching goals of international trade are being worried about rather than relatively minor concessions that impeded agreement within the regional blocs in the past.
- There is still a need to recognize the difference between state driven and market driven forces. While Pakistan won the turtle excluder device dispute with the US, most Pakistani fisherman are now using turtle
excluder devices. The ISO 14,000 series of standards is being debated in world trade forums but the reality is that it is a system that will be imposed by buyers on their suppliers.

**Issues being Discussed**

**Clothing and Textiles**

- Market access for Pakistan has not increased dramatically over the past few years and tariff escalation and peaks that prevent the export of refined and ‘value added’ products still need to be addressed. This issue was raised again at the UNCTAD X in Bangkok where against a backdrop of heartwarming speeches and empty promises, developed countries failed to extend any solid commitment to opening up their markets to developing nations. This was most explicitly illustrated by the insertion of the text ‘essentially all’ into the draft action plan section on market access. The term gives developed nations the mobility to protect certain sectors (those of most interest to developing countries) with trade barriers.

**Agriculture**

- Developing Countries want more market access for those products that they are capable of exporting, particularly the LDCs relying on a few commodities. The EU still protecting its right to subsidize its farmers with the argument of the ‘multifunctionality’ of the agriculture industry in Europe.
- Special and Differential treatment for LDC’s will now require, as para 29b reads, ‘possibly further concessions on the part of the LDC’s in order to realize SDT’. The line currently reads ‘shall take into account’. The fear is that this will result in further marginalization of developing countries as developed countries will ask for future concessions in return for granting special and differential treatment.
- US-Cairns vs. EU, Japan and Norway all argued on the dismantling of tariffs and the eradication of subsidies and the multi-functionality of agriculture. The Special and Differential Treatment of Developing Countries was not touched at all in Seattle and is now feared, will be given in return for other concessions. There is a need for more flexibility, as with other issues, to allow Southern nations to protect less developed and sick firms from MNCs and most importantly, establish food security.

**Biotechnology**

- This issue was stumbled over and the rift left between the EU, their minister and the US over it, spread into other issues. It is quite possible that the arguments and lack of coordination between the developed nations saved the developing countries from a focussed barrage of issue specific bilateral negotiations designed to break in new issues and establish linkages as part of the negotiations. Preparation for a ‘unified
North’ at the next ministerial negotiations should be part of the Southern preparatory agenda.

Implementation Issues

- TRIP’s needs to be at the very least, aligned with the Convention on Biodiversity and the issue still needs to be clarified and cleared. Other issues which were not addressed were subsidies, safeguards and TRIPs as related to other issues
- Dealing with the implementation issues that developing nations are currently struggling with also needs to be reopened. This will depend highly on the persistence of the developing nations and the give and take from the US on allowing reopening.

Labor and Environment Linkages

- There was a ‘globalization, development and labor forum set up, to interface the WTO and ILO. Unfortunately, this gives the union movement of the north a ‘foot in the door’. We need to oppose such a move and any committees that are set up should be led and associated with the ILO. The WTO should only be an observer to the ILO working group.
- Need to leave this issue to the ILO and give the existing organization more teeth, educate northern NGOs and activists on the implications and socio economic complexities of this phenomenon.
- Pakistan should propose that a World Environmental Organization be set up to monitor and manage linkages between trade and environment and enforce bilateral and multilateral environmental agreements. WWF representative Charlene Arden Clarke understood the rationale of developing nations and supported it somewhat during a workshop held during the ministerial.
- Need to differentiate between State driven forces and Market driven forces. There is a difference between what the WTO agreements and the Northern buyer will demand of Southern firms.

Systemic Issues

- The EU and the US are now pushing for NGO participation in the dispute settlement process. Developing countries are opposing this as it adds more of a resource dependant factor to the already lopsided dispute settlement process. The Dispute Settlement process also needs to be carefully monitored to assure that lack of access to resources does not hinder the legal capabilities of the South.
- Transparency cannot be sacrificed for efficiency.

The Arsenal of Weapons

Unfortunately for the developing nations, there is a large arsenal of carrots and sticks that currently remains available to the market possessing nations
of the north. It is likely that they will be used against the South as we approach the negotiations on Agriculture and General Agreement on Services.

- The Lome Waiver (EU Market access carrot that African, Carribean and Pacific Rim countries are being offered in order to side with EU’s agenda) will probably be withheld as a result of the developing country rebellion.

- The lost promise of Seattle, of zero tariff access by the EU to Asia, will also be used in the same way as the Lome Waiver

- The TRIPs agreement came into effect January, 2000. Most developing countries are not implementing it, so the fear is that they will face an onslaught of developed country dispute resolution filings in the new year. Corporations like Microsoft are now taking matters into their own hands – they are currently investing in market mechanisms that will make enable TRIPs implementation.

- Resources, Technical Assistance, Capacity building and Aid will be used by rich to entice the poor, as is being done in the bilateral and plurilateral talks before each negotiation.

  - This may all lead to developing countries uniting in regional trade blocs to offer concessions in an effort to maintain some local stability.

- We will probably be looking forward to more bi-laterals ahead and in advance of the next meeting as the developed nations try to assemble themselves more coherently and unified. Technical Cooperation and Zero tariff will probably continue to be offered in order to get consensus on agriculture, implementation, market access, systemic issues and Singapore/other issues.

- TNC inspired TRIPs needs to be stopped. It must be removed from the Agreements as its implications do not benefit any aspects of the Southern economy at all. A campaign to remove it is being led by the Indians among other developing nations. It will probably be used as a bargaining chip by the North to allow for other agreements to enter the agreements.

- TRIMs also needs to be altered as there is already free enough market capital flow into developing nations. Making it any easier would result in instability and a floodgate of other fashionable new issues as well as increased volatility of capital flows. This issue, along with other new issues, are at odds with the need for developing nations to be given the power to regulate and monitor their capital flows and protect their weaker sectors.

- Tariff Peaks and escalation need to be addressed as these are unfair forms of protection of sunset industries and tax developing nations and their firms which are trying to diversify their market lines, access and capabilities.

**WildCards**

It was quoted by an economic analyst that ‘it is troubling to watch the elephants fight, but once they make love, watch out.’
Will the North agree unifyingly on Agriculture? And how will this affect their strategies to unilaterally divide the South and make room for their GMOs while protecting their own local farmers to a degree?

Will Anti Dumping be removed and implementation reviewed? This will depend on the goodwill of the North in standing by their promises of removing anti dumping and the insistence of the South to ensure that negotiations do not move forward without examining implementation issues.

Leadership still held by the US/EU and its junior Northern counterparts. Unfortunately, and not much of a wild card, but as much as the North is the adversary, it is their market access that is required to generate inflows of funds into the South.

The WTO will consolidate and maintain what has been achieved. Or will it admit to being overburdened, refuse to rule on certain issues and instead defer to other organizations/coalitions (ILO – Labour, UNEP/UNCTAD – Environment) for advice and guidance?

Conclusions

From the collection of facts and observations, we can draw the following broad conclusions about the state of affairs at the World Trade Organization.

- The WTO needs to ensure transparency and among other issues, green rooming must stop, documentation must by properly circulated and be made available to all delegates; rather than they being forced to rely on ‘live feeds’ from sympathetic delegates inside the meeting room. The illegal creation of working groups (trade and labor standards) also needs to stop. Transparency must not be sacrificed for efficiency, as is being continuously hailed as the solution.

- ‘Create ways to bridge existing agreements where there is no consensus’ which will probably see further bilateral talks with individual countries.

- Developing countries need to continue solidarity, otherwise divide and conquer approach of bilaterals before the meetings will be our end. This is especially true in the case of South Asia. The same way that the gauntlets were put away by Germany, France, England and Spain; India and Pakistan must resolve their political differences so that a solid, secure and sustainable South Asian political - economic block can be established.

- Northern civil society and its concerns can either by be a powerful ally, or an annoying and media deceiving adversary.

- The current language in the Investment agreements protects the investor rather than the sovereignty of the developing nations.

- There needs to be a better balance between governments, business and the third sector. Conceivably, the WTO could be a facilitator of this balance by ensuring and assuring co operation with and the strengthening of regulatory capacities at the national and then international levels (Evans, 2000).
Since the Uruguay Round, very little ‘good’ has reached the developing world. In fact, during the 4 years since the UR, developed country imports have increased, particularly in the area of exported foods and commodities. In Pakistan we see this in the new imported brand labels that are hitting our shelves and the proliferation of the so called and ‘revered’ restaurant chains of McDonalds, KFC and Pizza Hut and the oil giant Shell, to name but a few.

In 2000, the only discussions that will be taking place will be on the Agreement on Agriculture and the General Agreement on Trade in Services. It is possible that the developed nations will try to make up for lost ground in these two areas by:

- Coming to terms with their differences in agriculture (protectionism, tariffs, subsidies) and strategizing ways to access and exploit developing markets;
- Finding a means to allow for easier market access by developed nation service providers and their firms into developing markets. This could be especially harmful if firms involved in healthcare, engineering, consulting, legal and auditing for example are given competitive parity with local firms.

**Recommendations**

The abundance of resources possessed by ‘the quad’ (US, EU, Japan and Canada) and their political influence continues to enable them to push various agreements through the system without allowing democratic discussion and discourse with Southern nations. Given the ‘unfinished business’ of issues from previous rounds, specifically agriculture, services, TRIPs and TRIM; Pakistan must side with other Southern nations and resist a new round for new issues. Previous issues should be reopened and renegotiated, in spite of the agendas of ‘hijacking’ MNCs.

South Asia, as a whole, needs to:

- Solve internal problems and integrate into the global economy
  - Clear infra structural bottlenecks
  - Take advantage of local pricing and benefits. Trade locally (especially in raw materials and manufacturing inputs).
  - Extract better terms of trade through wiser policy making
  - Integrate regionally, economically through increased trade within south Asia, conserving and enhancing resource base, merging environment and economics in decision-making (Arya, 2000).
  - Add value to existing exports rather than over exploit natural resources that are sold globally, at low prices and unrefined. (Arya, 2000)
  - Look regionally and traditionally for industrial solutions rather than pre emptively looking to northern markets for expensive technologies and. For example, explore the use of organic fertilizers and technologies rather than chemicals and
pesticides from abroad, which are being smuggled in to the region.
  - Monitor the trading of restricted items such as chemicals and pesticides, hazardous wastes, obsolete and dirty technologies and of course better manage internal control mechanisms.
  - Avoid the complacency of the post Seattle attitude that lingers in the developing world and prepare for the challenges to be faced in the days ahead.
    - The USA will not let go of linkages so easily. Geneva will see another attempt.
    - Need to prepare an alternate agenda should labor and environment be brought into the picture (push for WEA and more teeth to the ILO).
  - **TO SHOW UNITY**, even though there is not a common position on everything.
    - Keep transparency among the group and open communication,
    - Keep linkages with other developing countries whose interests are similar and also different on various issues (South America, African group, Caribbean group, etc.).
    - Enhance awareness within their own countries, among institutions and civil society.
  - Push for the downsizing of IMF, World Bank and WTO organizations in favour of more developing nation friendly organizations such as the UN and UNCTAD.
  - Push for negotiating processes within the WTO that will equally leverage rich nations with the interests of like-minded developing nations. Perhaps joint negotiations on certain issues where multiple countries can be represented by one expert team of negotiators (Lal Das, 1999). Also, the creation of intergovernmental agencies (as possible perhaps within the UN and UNCTAD frameworks) that could address specific issues at the country specific level as to identify and minimize negative impacts.

Pakistan may take advantage of win-win situations on an individual basis, using full discretion when foreign companies export adequate via joint ventures. Pakistan should support initiatives which will:
  - Reduce Northern tariff and non tariff barriers on products of interest to our economy, namely cotton, textiles and processed goods;
  - Shelter local firms and farmers from stiff competition from larger MNCs.
  - Allow governments to retain ‘economic sovereignty’ and control over the business dealings within their economies, (Regulation of capital flows is necessary as well as the establishment of proper economic structures);
  - Support and develop (in a sense of organization and benefits of collective action) indigenous farming and labour intensive business practices (An environment that promotes entrepreneurship, reward for hard work and high savings ratios spurred growth in East Asia).
Elevate and strengthen the position of ASEAN so that it can respond better in times of crisis, rather than strengthen the IMF to create contingencies funds.

- Furthermore, resist threats to the preceding such as patentability, IPRs and biological resources (with respect to agriculture, health care & drugs, (revise article 27.3b as common with other developing nations).
- Resist free capital mobility as the North resist free labour mobility;
- Keep environmental and social ‘enforcements and influences’ out of the WTO;
- Provide technical assistance through the WTO (Article 67 of TRIPS and treatment of ‘Net Food Importing Southern Countries’ of Agriculture) to allow for the identification of impacts of implementing agreements from the Uruguay Round.

Pakistan should also insist, along with other Southern states, that all processes and meetings, general or small group, be transparent, slow in pace, and available for civil society to advise and comment on.

References


Evans, Peter, 2000, Economic Governance Institutions in a Global Political Economy: Implications for developing countries, UNCTAD X High level Round Table on Trade and Development, Bangkok, Thailand.

Fleschman, Michael, Africa Recovery: WTO impasse in Seattle spotlights inequities of global trading system, UN Department of Public Information, New York, USA.


Oh, Cecilia, 2000, IPRs and Biological Resources, Implications for Developing Countries, Third World Network Briefing Paper, Penang, Malaysia.

Wickramasinghe, Dr. Upali, 2000, Seattle Failure, Global Laissez Faire and Developing Countries, From Seattle Ministerial to UNCTAD X: Issues of Concern, New Delhi, India.

Yamazawa, Ippei, 2000, Regional Cooperation in a Changing Global Environment, Success and Failure of East Asia, UNCTAD X High level Round Table on Trade and Development, Bangkok, Thailand.


(PB # 9, 2000)
Pakistan’s Trade Interests in the Seattle WTO Ministerial Negotiations

Shahrukh Rafi Khan

Many gung-ho free trade advocates believe that there is now overwhelming evidence that trade liberalization generates growth. This is in fact not the case. The studies that have established such results are methodologically flawed. The cross-country models used to establish these results assume a high degree of similarity exists across countries which is clearly not the case. Using the same method and data, numerous studies have found the opposite holds true. Thus the results are very sensitive to country sample, time period and specificities of the model chosen i.e. the results are not robust.

More careful country studies did seem to show that high rates of protection generated inefficiency and hence adversely affected growth. However, the real issues is an “internal competition policy” and not protection. If countries have a competition policy (deregulation and monopoly control), they do not need trade liberalization to achieve competition i.e. trade liberalization is not the first best policy for attaining internal competition. Countries like Korea retained protection but ensured internal competition. Thus when confronted with the virtues of liberalization, LDCs should not be on the defensive.

From a negotiating perspective, external competition is of critical importance for less developed countries (LDC’s) including Pakistan. This means that oligopolistic (in selling) and monopsonistic (in buying) practices of large MNCs need to be discussed seriously within the WTO. Anti-dumping measures, subsidies, quotas and other non-tariff barriers that act as a restraint to trade of LDC exports need to be taken up. It is completely illogical for DCs to even consider anti-dumping in the case of Pakistani yarn. How can any producer/trader in his or her right mind, that is confronted by a quota, engage in dumping.

Developed countries will want to focus on “market-access” for their MNCs with regards to their markets. LDCs must argue that since they do not have MNCs that can be granted reciprocal benefits, this is a very one-sided view of competition policy. Measures agreed to must potentially benefit all members equally.

Pakistan should make it quite clear that currently agricultural export is highly monopsonistic and dominated by MNCs of DCs. Thus no “free-trade” as such exists for many commodities and the WTO should take serious note of this. Pakistan should also argue for self-sufficiency in basic foods to preserve food security.

Of late, many new issues have been springing up on the trade agenda. These include social standards, labor and the environment. The reason for including this in the trade agenda is that the WTO has teeth since trade sanctions can be applied. This is not the case for other international
organizations like the ILO. However, the LDCs resisted “labor standards” to be part of the WTO agenda at the Singapore ministerial. The fact that they could do this is another interesting aspect of the WTO in which decisions are made by consensus.

Much has already been conceded on the environment. There are many good reasons for LDCs to clean up their environment. Most important, environmental degradation leads to poverty via damaging health, productivity, loss in working days and degradation of the resource base. However, further concessions should only come with major and meaningful liberalization on textiles and clothing. However if it can be done, “win-win-win” is possible because:

a. Better environment means less poverty and a better quality of life in Pakistan.
b. Access to environment “niche” markets with ISO 14000 or other certification.
c. Real gains conceded by DCs.

Pakistan has much to gain here and should not go cheap.

**Technical Assistance**

LDCs must insist on technical assistance to assess the economic impact of the UR before it agrees to any negotiation on a new round. Thus TA should also be designed to assist Pakistan in identifying its interests with regards to new rounds.

Pakistan should take full advantage of currently available TA within the WTO as some LDCs have already done.

**SPS/TBT**

Pakistan should argue for the following:

a. A system of proxy votes: Since they can not be represented at standard setting meetings where “decisions-by-vote” are taken, they need to be able to give their vote to countries that will act in Pakistan’s interest.
b. Registration/certification bodies: Certification for standards like the ISO 14000 can cost over $200,000 and such certification needs to be renewed. LDCs should get TA to develop its own internationally recognized registration bodies. Thus government sector registrars can then allow the registered private sector firm to do the certification.
c. Pakistan should make a plea for technical assistance, credit and joint ventures to promote clean industrial technologies in line with the RIO Agenda.

**Implementing Mechanism**

Structural Adjustment Policies are currently the WTO implementing mechanism. Thus Pakistan has been again asked to reduce its tariff rate
even though it is facing serious de-industrialization. The numbers of “sick-firms” has been on the rise. Similarly, Pakistan under SAP has been asked to reduce “perceived” utility subsidies (electricity, gas). However, there is no counterpart implementing mechanism to ensure DCs reduce their subsidies and abide by ATC. This anomaly needs to be rectified.

Research Program for Specifics

The Government of Pakistan should immediately galvanize manufacturers and agriculturists to identify the constraints they have faced breaking into export markets. The FCCIP has already been activated. Systematic feedback needs to be given to the Ministry of Commerce by both groups.

(PB # 5, 1999)

---

33. Perceived because its not clear that determining whether or not there are subsidies is based on Pakistani unit costs.
Brief on Pakistan’s Trade Interests Regarding WTO Negotiations

Adil Najam

Trade Liberalization and Growth

LDCs are being given the impression that there is overwhelming evidence that trade liberalization generates growth. This is in fact not the case.

a. The studies that have established such results are methodologically flawed. The cross country models used to establish these result assume a high degree of similarity exists across countries which is clearly not the case. Thus the results are not robust.

b. Using the same method and data, numerous studies have found the opposite holds true. Thus the results are very sensitive to country sample, time period and specificities of the model chosen i.e. the results are not robust.

c. More careful country studies did seem to show that high rates of protection generated inefficiency and hence adversely affected growth. However, the real issues is an “internal competition policy” and not protection. If countries have a competition policy (deregulation and monopoly control), they do not need trade liberalization to achieve competition i.e. trade liberalization is not the first best policy. Countries like Korea retained protection but ensured internal competition.

Thus when confronted with the virtues of liberalization, LDCs should not be on the defensive.

“Competition Policy”

For LDC’s this must mean the following:

a. Oligopolistic (in selling) and monopsonistic (in buying) practices of large MNCs.

b. Anti-dumping, subsidies, quotas and other non-tariff barriers that act as a restraint to trade of LDC exports

DCs will want to focus on “market-access” for their MNCs with regards to their markets. LLDCs must argue that since they do not have MNCs that can be granted reciprocal benefits, this is a very one-sided view of competition policy. Measures agreed to must potentially benefit all members equally.

Agriculture

Pakistan should make it quite clear that currently agricultural export is highly monopsonistic and dominated by MNCs of DCs. Thus no “free-trade” as such exists for many commodities and the WTO should take serious note of this (see competition policy).
Pakistan should also argue for self-sufficiency in basic foods to preserve food security.

**Trade and Environment**

There are many good reasons for LDCs to clean up their environment. Most important, environmental degradation leads to poverty via damaging health productivity loss in working days and degradation of the resource base.

However, just as LDCs resisted “labour standards” to be part of the WTO agenda, they should resist allowing the environment to be part of the WTO agenda. Thus LDCs must be prepared to shoot down the recommendations of the Committee of Trade and Environment.

**Strategic Action**

There are “win-win-win” possibilities that Pakistan should exploit. Along with other LDCs, concessions on the environment should only came with major and meaningful liberalization on textiles and clothing. The problem here would be that doing this and maintaining solidarity with LDCs. However if it can be done, “win-win-win” is possible because:

a. Better environment means less poverty and a better quality of life in Pakistan.

b. Access to environment “niche” markets with ISO 14000 or other certification.

c. Real gains conceded by DCs.

Pakistan has much to gain here and should not go cheap.

**Dumping (ATC)**

It is completely illogical for DCs to even consider anti-dumping in the case of Pakistani yarn. How can anyone in his or her right mind, that is confronted by a quota, engage in dumping.

**Technical Assistance**

LDCs must insist on technical assistance to assess the economic impact of the UR before it agrees to any negotiation on a new round. Thus TA should also be designed to assist Pakistan in identifying its interests with regards to new rounds.

Pakistan should take full advantage of currently available TA within the WTO as some LDCs have already done.

**SPS/TBT**

Pakistan should argue for the following:
a. A system of proxy votes: Since they can not be represented at standard setting meetings where “decisions-by-vote” are taken, they need to be able to give their vote to countries that will act in Pakistan’s interest.
b. Registration/certification bodies: Certification for standards like the ISO 14000 can cost over $200,000 and such certification needs to be renewed. LDCs should get TA to develop its own internationally recognized registration bodies. Thus government sector registrars can then allow the registered private sector firm to do the certification.
c. Pakistan should make a plea for technical assistance, credit and joint ventures to promote clean industrial technologies in line with the RIO Agenda.

**Implementing Mechanism**

Structural Adjustment Policies are currently the WTO implementing mechanism. Thus Pakistan has been again asked to reduce its tariff rate even though it is facing serious de-industrialization. The numbers of “sick-firms” has been on the rise. Similarly, Pakistan under SAP has been asked to reduce “perceived” utility subsidies (electricity, gas). However, there is no counterpart implementing mechanism to ensure DCs reduce their subsidies and abide by ATC. This anomaly needs to be rectified.

**Research Program for Specifics**

The Government of Pakistan should immediately galvanize manufacturers and agriculturists to identify the constraints they have faced breaking into export markets. The FCCIP has already been activated. Systematic feedback needs to be given to the Ministry of Commerce by both groups.

*(PB # 6, 1999)*

---

34 Perceived because its not clear that determining whether or not there are subsidies is based on Pakistani unit costs.
Pakistan’s Interests and Suggested Positions on issues to be discussed at the Seattle WTO Ministerial Negotiations

Faisal Haq Shaheen

As we draw closer to the dawn of a new millennium, Pakistan’s global economic position continues to be determined by numerous external influences. Many of the issues that we will be facing as a country will surface at the Seattle round of WTO negotiations this November. This policy brief summarizes relevant positions Pakistan could articulate in Seattle.

‘No’ to New Issues

Pakistan is, as are other Southern nations, suffering from ‘negotiation fatigue’ since the rounds began. The pace of negotiations has been set by the resource rich North leaving the rest struggling to keep up with the outcomes of secretive meetings and swift agreements.

All Southern nations must insist in Seattle that no new negotiation round be initiated until stock is taken of the implementation issues stemming from the Uruguay round. It should also be noted that vacillation on the part of Northern nations with regard to implementation of already agreed upon commitments has lead to reservations on the part of most Southern countries. This is specifically due to the lack of action being taken by the Northern world on commitments made under the heading of Special and Differential Treatment (SDT). What we risk by discussing any new issues is a ‘storming of positions’ by the North which will force the South into ‘one size fits all’ agreements that are not in its’ best interests.

Investment

Broad sweeping multilateral agreements will be pushed by MNCs through their Northern governments as they attempt to gain easier access to Southern markets, investment niches and financial resources, unhindered by local laws and regulations. Southern countries are at great a risk as superior technologies will be allowed to muscle their way into local sectors and economies, eventually displacing weaker, local businesses.

Pakistan will be joined by other Southern nations in their attempts to keep MAI type agreements from becoming WTO issues by collectively voting against their adoption. While Northern forces will market short-term gains,

35 Thanks are due to Shahrukh Rafi Khan
36 North represents the rich or developed countries and South as the poor or less developed countries
long term economic, environmental and social losses may result in the South from such agreements.

**Competition**

The WTO has commissioned a working group to study the effects of allowing foreign firms the same rights and treatments within Southern markets as local firms. Southern countries may benefit from the inflow of investment and technology in the short term, but in the long term there will be a net departure of profits from the economy as large Northern companies strive to increase shareholder value. Furthermore, Pakistan’s strongest sectors are still weak in their ability to compete on a global (level) playing field and numerous ‘sick firms’ must be nurtured until they prove themselves capable of competing with foreign MNCs. This may be accomplished by implementing local competition policies as were successfully illustrated in Korea.

Pakistan must protest any motion to move the study group to a working agreement and instead insist on further research. A sector by sector analysis of industries may envision a future of joint ventures and/or technology transfer with/to local firms, but such issues should be discussed during the next round or once a technologically sound base in the economy has been achieved. Meanwhile, the focus of “competition policy” should be on the non-competitive market power of Northern MNCs.

**Government Procurement**

Northern governments and their companies are also trying to increase their accessibility to rich public sector markets via project work in municipal infrastructure. As most Southern economies have public sector expenditures that are greater than their net exports, local firms which depend on those contracts for survival and growth risk decimation if they are expected to compete with the expertise of foreign firms.

Pakistan must oppose any discussion of regulations that would allow the free entry and equal solicitation and treatment of foreign bids for public projects and instead insist on monitored entry on a project by project basis. For example, foreign expertise in the form of technology or engineering ‘may’ be imported through consultation or project partnerships, but local labour and capacity must be favoured and utilized where possible. Since the North refuse to accept the free flow of Southern labour to the North, there is no reason to accept the free flow of Northern capital to the South. Also, factor flows do not fit under the WTO umbrella overseeing free flow of commodities and service.

**Industrial Tariffs**

Northern companies will push for further reductions in goods and services tariffs that will allow them easier access to Southern markets. While
Southern countries have been forced to reduce their tariff rates by as much as 6.8 percent in many sectors. Northern countries have not delivered on any of their promises of reduction on tariff rates, especially on products of interest to Southern countries.

Pakistan needs to insist on specific market access and quota reductions that will benefit our export interests, specifically in the products of raw cotton, textiles (article 7.3), raw leather, leather goods and agricultural products (cotton, wheat and rice). Furthermore, the practice of tariff escalation needs to be dismantled by Northern countries, so that processed products may be exported from the South with greater ease. For example, EU and US tariff behaviour places a lower tariff on raw leather than it does on leather goods. This practice does not encourage export of Pakistan's 'value added' products. Specifically, part IV of GATT 1994 (articles 36, 37 and 38) need to be improved upon to ensure market access and ease of exports from the South. These issues should be acted upon before a new round of tariff reductions are discussed.

**Review of Existing WTO Issues**

Southern countries are suffering from negotiation fatigue at present, and do not have the ability to monitor, study and examine the effects of implementing the agreements even of the last round of talks. Reviewing, reopening and “fixing” these agreements should be the first priority.

**Clothing and Textiles**

As per the Uruguay round, Southern nations have reduced tariffs only to find an aggregate reduction mechanism employed by the North, which enables them to selectively keep tariffs high on items of interest to the South. The high tariffs on such items are being felt by Pakistan’s clothing and textiles sector, for which exports to the US have not risen.

Pakistan needs to argue for the elimination of quota restrictions (assurance that backlogged restrictions are eliminated on time), discrepancies and protectionism being expressed through the exaggeration of safety valves in Article VI (paragraphs 2 and 3) and retaliatory bilateral agreements that threaten export development. The USA, in particular, should be pushed to dismantle textile tariffs as agreed to in the Uruguay Round.

**General Agreement on Services**

On paper, the agreement appears fair and Pakistan may be able to take advantage of liberal mobility of immigrants. However, labour movement is still restricted in the EU and in the US to engineers, doctors and professionals. Including businessmen with distributor oriented contacts may allow inroads to be established into these foreign markets. Distributorships are a global trend that Pakistan should take advantage of.
Pakistan should argue for freer access for expatriots to Northern labour markets and for the strengthening of Article IX which outlines a safeguard for and against anti competitive behaviour, specific to services. A wake up call emanating from this agreement is that Pakistan needs to organize and restructure its utilities and services sectors so as to be able to withstand foreign competition, especially in the areas of telecommunications, hydro and maritime transportation.

**Trade Related to Intellectual Property Rights, Article 27.3 (b)**

Article 27.3b at present calls for patents or sui generis rights on plant varieties developed by the ‘breeder’. This interpretation places indigenous farmers of Southern nations at the mercy of Northern breeders who would be permitted to globally patent all plant life, in essence ‘owning all of the byproducts’ of harvest. A Southern, positive interpretation of the clause distinguishes the all encompassing patents from the more tailored, sui generis systems. While both are intended to protect intellectual property rights, patents value the rights of the breeder exclusively whereas a sui generis system allows a government to develop its own system of intellectual property rights protection, by recognizing the farmer’s rights and rewarding the ‘breeder’.

Pakistan must insist on the elimination of patents and their replacement with a tailor made sui generis system which provide our farmers with rights and rewards for harvesting breeder formulated products. The proposal for the ‘sharing of benefits’ (breeder and farmer) tabled by the African group should be supported as this would see the farmer receive a royalty from the end product, countering the net departure of resources from the country. To this end, Pakistan should not sign the UPOV agreement as it provides Northern firms with rights and ownership of Southern biodiversity and crop byproducts. Pakistan's position should support a government tailored, sui generis system that would recognize the rights of local farmers as breeders, allowing them to reuse the seeds and conduct limited research with them. Protection should be sought against Bio Piracy, for traditional farming and manufacturing of low cost pharmaceuticals.

Furthermore, while the South is committed to protect as best they can the intellectual property rights of individuals and their patents, they should not be held responsible for the effectiveness of their systems due to inadequate resources.

The inherent conflicts between the Convention on Biological Diversity (CBD) and the Agreement on Trade Related Intellectual Property Rights (TRIPS) places the South at a great disadvantage. The former is a scheme, which assigns countries a great deal of control over their indigenous resources; not just at the governmental level, but devolving to the communities that have traditionally used these resources. While the latter seeks to commercialize traditional knowledge; it fails to recognize
the relationships between communities and biological resources. It is structured so as to give an unequal advantage to the commercial interests of the North. The conflict between the two agreements could be resolved in favor of the affected Southern communities by taking full advantage of the scope of sui generis legislation, which would protect the interests of the groups involved in Southern countries by providing governments with the right to design their own system of balance and reward for farmers and breeders.

The CBD acknowledges sovereignty and the rights of communities to share in the benefits of biological diversity, neither of which are acknowledged by TRIPs. Pakistan must be firm in insisting on amending TRIPs to bring it in line with CBD.

**Agriculture and Food Security**

Southern nations are being pressured to further reduce tariffs and domestic support while Northern subsidies (categorized as non actionable subsidies) continue to enable their farmers and MNCs to sell at lower prices, while maintaining higher costs, than their Southern counterparts. This is despite the fact that the labor intensive Southern farmers are at a disadvantage in terms of the economies of scale realized by capital intensive Northern farmers.

Southern nations need to sustain the livelihoods of groups traditionally involved in food production, such as small farmers and fisherpersons. Genuine competitiveness, which is the underpinning of free trade, is clearly not being given an opportunity in this sector through tariff and non-tariff barriers raised by the North. The current agreement on agriculture will promote mono cropping (detrimental to the environment), increase food costs (as foreign firms set the pricing for most crops), increase risks (smaller farmers and local breeders will be vulnerable to outside competition and allow for economic sanctions to be imposed on countries through bi and multilateral agreements.

In order for Pakistan and other Northern nations to participate in genuine competitiveness, the protectionism of the North needs to be removed as soon as possible. Pakistan should argue that aggregate sector reductions that protect Northern markets (sensitive items of most interest to Southern farmers) need to be removed, along with the prohibitive tariffs that still restrict many export markets. Furthermore, as Pakistan’s foreign exchange position is precarious, they along with other Southern nations should be encouraged to produce food for themselves and develop food self-sufficiency, rather than depend upon imports. This need is doubled with the forecasted reduction in food aid to the South. Articles III and IV should be changed to balance the domestic playing field between local farmers and MNCs.
Environment and Social Linkages

Environment and social issues are increasingly being pushed onto the trade agenda along with process and production methods (PPMs). PPM based restrictions should not be imposed on resource strapped Southern economies in which some sectors utilize out of date and perhaps polluting technology out of necessity. As far as social and environmental linkages are concerned, there are national and international mechanisms designed to address these problems. A trade regime dealing with export related activity is neither an appropriate nor an effective device to achieve these objectives as they will be used by countries to raise non-tariff barriers. Similarly, labor standards are clearly the domain of the ILO. The argument put forward by the Northern world, that the ILO has no teeth, should be met with strategies to give teeth to the ILO. In this way, the Southern countries may buy time to set their house in order. Also, as earlier attention should be drawn to the barriers to international movement of labor due to which Southern countries are at a disadvantage.

Pakistan should communicate its commitment to improving the environment as it realizes that the health, livelihood and living conditions of the majority of its population depend upon a clean environment. In order to create a sound technology base, Pakistan should take advantage of technical assistance offered through the WTO. In this regard, shifting certification and registration for standards like ISO 14,000 to the South to promote clean technologies and meet the requirements of the Rio Protocol should be first priorities. We must also trumpet the fact that Pakistan was one of the first countries to draft its National Conservation Strategy (NCS) and has developed a set of National Environmental Quality Standards (NEQS) and is in the process of implementing them.

Conclusions

The abundance of resources possessed by ‘the quad’ (US, EU, Japan and Canada) and their political influence has enabled them to push various agreements through the system without allowing democratic discussion and discourse with Southern nations. Given the ‘unfinished business’ of issues from previous rounds, specifically agriculture, services, TRIPs and TRIM; Pakistan must side with other Southern nations and resist a new round for new issues. Previous issues should be reopened and renegotiated, in spite of the MNC agendas of ‘hijacking’ MNCs.

Pakistan may take advantage of win-win situations on an individual basis, using full discretion when foreign companies export adequate via joint ventures. Pakistan should support initiatives which will:

- Reduce Northern tariff and non tariff barriers on products of interest to our economy, namely cotton, textiles and processed goods;
- Shelter local firms and farmers from stiff competition from larger MNCs.
- Allow governments to retain ‘economic sovereignty’ and control over the business dealings within their economies;
- Support indigenous farming and labour intensive business practices;
- Resist free capital mobility as the North resist free labour mobility;
- Keep environmental and social ‘enforcements and influences’ out of the WTO;
- Provide technical assistance through the WTO (Article 67 of TRIPS and treatment of ‘Net Food Importing Southern Countries’ of Agriculture) to allow for the identification of impacts of implementing agreements from the Uruguay Round.

Pakistan should insist, along with other Southern states, that all processes and meetings, general or small group, be transparent, slow in pace, and available for civil society to advise and comment on. As vice chair of the conference, Pakistan may also wish to take a position on the options for future negotiations. The more Northern countries will be pushing for broad sector by sector negotiations which will give them higher leverage and the fastest turnaround in terms of reaching agreement. Pakistan may want to push for phased negotiations, as suggested by Najam (1999), which will allow for a principled hierarchy of negotiations that could begin simultaneously but mature differently, allowing for the monitoring of market effects and repercussions on a sector by sector basis as indicated below.

**Options for Future Negotiations**

<table>
<thead>
<tr>
<th>#</th>
<th>Option</th>
<th>Champions</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sector-by-Sector negotiation</td>
<td>USA</td>
<td>Specific agreements could be reached in relatively short periods of time.</td>
<td>Gives unfair advantage to Northern countries with greatest say on agenda.</td>
</tr>
<tr>
<td>2</td>
<td>A new ‘Round’ of negotiation</td>
<td>EU, NZ, Aus, Honk Kong, Argentina, Mexico</td>
<td>Ensures that all issues under consideration are dealt with. Theoretically this gives a veto to every country on every issue.</td>
<td>Tends to be very slow; requires very high level of resources and effort which places Southern countries at a disadvantage.</td>
</tr>
<tr>
<td>3</td>
<td>‘Clusters’ of negotiations</td>
<td>Canada and other Northern countries</td>
<td>Allows for efficient packaging of issues important to most parties within manageable time frames.</td>
<td>Details remain unclear. Definition of and prioritization between packages could</td>
</tr>
</tbody>
</table>
be contentious and skewed to Northern countries.

| 4 | 'Phased' negotiation | Pakistan?? | Provides a clear and principled hierarchy of deliberations that could begin simultaneously but 'mature' differentially. | Non-implementation of existing agreements could hold future negotiations hostage. |

Source: Najam (1999)

The proposal is for Pakistan to build on the arguments already outlined in the paper under review, raise concerns about 'negotiation fatigue' and marshal support of other like-minded delegations for a 'slow-but-steady approach' to future negotiations. The phased negotiation option would create a clear hierarchy of WTO deliberations building upon the hierarchy implied in the Geneva Ministerial Declaration:

1. The highest priority would be given to **monitoring** the implementation of existing agreements and decisions and devising ways to keep these on track.
2. Concurrently, **negotiation** would begin on 'clusters' of sectors where a clear commitment to negotiate has been made by the Ministerial Conference. This would include mandated negotiations and reviews.
3. At a lower level of intensity, **discussions** may begin in working groups on identifying options and preferences in areas where there is no commitment yet for negotiation but which have been identified as possible areas for future deliberations. **However, these discussions would not be considered formal negotiations until the earlier negotiations (#2) have been completed and progress on implementation (#1) is deemed satisfactory by the General Council.**
4. At the lowest level, working groups may be initiated to prepare background **investigation and review** reports of possible new issues that may be raised by WTO members. The purpose of this exercise would be, for example, to gauge whether these issues are appropriate for consideration within WTO.
5. Provide for sector by sector agreements that will retain the rights and maintain a balance between weaker, local firms and the stronger MNCs while allowing some international market access.

**References and Selected Sources**


(PB # 8, 1999)
SECTION III: Governance

Introduction

Land reforms are critical for the success of devolution reforms as evidence of land concentration indicates greater power of the landed elite who are known to influence judicial and election processes in their own favor at the local level by exerting pressure over the local police, bureaucracy including teachers, and magistrates.

Policy brief entitled, “The Case for Land and Agrarian Reforms in Pakistan,” argues for the urgency of land and agrarian reforms in Pakistan. Although it was authored in 2001, it remains relevant as the government continues to grapple with long standing demands for greater provincial autonomy and devolution to the grassroots through the 18th Constitutional Amendment and the Local Government Acts passed by the four provincial assemblies in 2012.

The important points highlighted in the policy brief pertain to the economic logic of promoting small and medium sized landholdings for greater and diverse productivity, the logic of justice in the system of redistribution of wealth, and a moral and legal argument enshrined in Islam. It points out that the latter emphasizes the judicious use of natural resources, including land to ensure subsistence for all. It argues that Islamic tradition suggests a three-year period in which land in possession has to be utilized or else dispossessed.

“Land Rights for Pakistani (Muslim) Women: Law and Policy,” highlights the lack of recognition associated with the importance of women’s land ownership. While it is widely recognized in law and development policy that women are equal, and that women’s empowerment is key for progress, the interpretation of religious texts with regard to inheritance laws gives women unequal rights. The brief further highlights that custom and tradition often manage to divest women of these rights as well through arrangements such “Tanazul” (relinquishment) as well as gifting land. It also argues that the compensatory property principle (that women receive dowry, and do not have financial obligations and therefore have a smaller share in property rights compared to men) is generally inapplicable. It examines the Muslim Family Laws Ordinance 1961 with regard to the differential inheritance rights and government policy stances as articulated through the PRSP, the MDGs and the National Policy for Development and Empowerment of Women (2002-2009) and concludes that there is inadequate focus on women’s ownership and access to land despite the critical acknowledged link between land and poverty.

The brief recommends the application of a civil code that would take inheritance out of the purview of Muslim Personal Law and would allow the
state to enact gender neutral laws granting women equal inheritance rights. Even if Muslim civil codes are to be retained, the brief recommends following other Muslim states that allow for joint ownership of property acquired during marriage. It also states that women should have the right to acquire immovable property as dowry and in a divorce (including khula) situation she should be entitled to maintenance as well as equal division of immovable property. It concludes by stating that the invisibility of this issue from official government policies and plans is a key contributing factor to women's subordinate status and that concrete action is needed in terms of policy to reinforce the many instances when Pakistani courts take a supportive view. This would help achieve long term impact.

Other policy briefs, in the foregoing section on “Governance,” include “An Indicative Model for Power Devolution to the Grassroots Level,” “Costing the National Reconstruction Bureau’s Local Government Plan,” “Monetary Policy Response to Rising oil Prices,” and “Withdrawal of Regulatory Duties: A Step Taken by the Government.”

Sustainable Development Policy Institute Islamabad, Pakistan (SDPI)
Monetary Policy Response to Rising Oil Prices

Muhammed Zeshan\textsuperscript{37} and Vaqar Ahmed

\begin{quote}
All exact science is dominated by the idea of approximation. – Bertrand Russell
\end{quote}

Since the last one and a half decade, the energy demand has exhibited an expansion which grew by 80% particularly for primary energy. More precisely, in 1995, the primary energy demand was 34 million Tons of Oil Equivalent (TOE) and it reached to 61 million TOE just in next 15 years.\textsuperscript{38} Pakistan depends heavily on fossil fuels to satiate her energy requirement; among these fuels, oil and indigenous natural gas are major energy sources that are contributing 35% and 45.4% respectively in total energy blend, (see Figure 1 for details). It presents various energy sources and their contribution in the energy mix. Due to a substantial share of imported oil in total energy blend, external oil price shocks gain much importance for Pakistan. Current global oil prices are once again showing upward volatility. For the first 9 months of the current fiscal year, 2011-12, the imported oil bill reached to a historical high level of $11.36 billion against $8.38 billion for the corresponding period of last year; indicating a rise of 38\%.\textsuperscript{39}

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{Figure_1.png}
\caption{Primary Energy Demand in Pakistan}
\end{figure}

In international literature oil price shocks are partially held responsible for recessions because most of the oil price shocks precede all major recessions.\textsuperscript{40} Pakistan is a net oil importer that makes her vulnerable to these shocks. For the first nine months of the fiscal year 2011-12, soaring oil

\textsuperscript{37} Authors are Economists at Sustainable Development Policy Institute, e-mail at: zeshanqau.isb@gmail.com
prices have intensified Pakistan’s trade deficit by $ 4.4 billion. Furthermore, it pushes consumer prices because oil prices have a large weight in Consumer Price Index (CPI) which witnessed a growth of 52.5% over the last four years.  

There are two channels through which oil prices impact the economy. The first channel is through commodity prices while the second channel is through production. Both channels ultimately lead to a higher cost of production for firm sector. Under the first channel, increase in oil prices causes firms to reallocate their resources; they can purchase less oil and other production inputs as before. Under second channel, the availability of less production inputs undermines production activity. It is obvious that most of the production losses occurred in large scale manufacturing which witnessed a 2.6% fall in production, and the resultant increase in industrial unemployment was 6.73% since the oil price shocks of year 2008. Fall in investment activities was very obvious-total investment decreased by 17.6%. Decomposition of different sectors indicated that most of investment losses were borne by construction, transportation and communication. Moreover, the manufacturing sector witnessed 36% loss in investment. This fall in production and investment activities further intensified the recessionary impact in Pakistan.

It is always a challenging situation for monetary authorities to overcome the recession as a result of oil price shocks. A tight monetary policy may moderate prices but at the cost of production losses. Change in interest rate operates through the demand channel, a higher interest rate would encourage people for savings and aggregate demand may fall. Prices will also fall and firms will lower output intensifying the recession. On the other hand, a loose monetary policy might lessen the production losses but it would boost inflation in the economy. When the interest rate is decreased by monetary authorities, people have lesser incentive for saving. It fosters aggregate demand and firms will raise their production to take the benefit of this higher demand. Nonetheless, the opportunity cost of stabilizing the output is higher future prices. For empirical analysis, only one study is available for Pakistan which quantifies output loss associated with oil price shocks and a resulting tight monetary policy. It asserts that an oil price shock contributes just 17% in recession whereas 83% in recession is contributed by a resulting tight monetary policy (Zeshan, 2012).

Furthermore, Malik (2008) unearths that monetary policy in Pakistan does not following any rule whereas a rule based policy can bring better macroeconomic discipline.

---

The debate over rule versus discretion is also very important in this scenario. If a central bank enjoys discretionary powers, it can freely exercise its decisions based on its own judgment. In contrast, a rule imposes restrictions on monetary authorities and every task is accomplished within specified boundaries. A central bank can achieve its goals in a better way by following specified rules. Explicitly defined rules are more important for the survival of macroeconomic system than discretionary powers (Taylor, 1993; Barro and Gordon, 1983). In addition, discretionary policies are time inconsistent while rule based policies are robust over time. At present, Pakistan lacks clearly specified rules to make monetary policy more responsive to output losses. This briefly investigates the optimal change in interest rate due to oil price shocks. It quantifies the impact of different changes in interest rate on macroeconomic variables and takes the help of the Taylor (1993) rule to achieve this end. Other than the Taylor rule based interest rate, simulated values of interest rate are calculated to find optimal change in interest rate that minimizes output loss arising from oil price shocks. Basically, this study is an extension of Zeshan (2012).

Identification of Oil Price Shocks

At this point, it would be important to discuss the behavior of the interest rate in Pakistan. For the period of 1992-2010, the average interest rate was 12.78%; it reached the historical high of 20% in October 1996. It was recorded at its minimum level 7.5% in November 2002. A detailed graphical representation of these facts follows below. The historical rise took place in the fourth quarter of the year 2000 with a rise in 540 basis points. Such spikes are very obvious, and the most notable examples are fourth quarter of year 1996 and fourth quarter of year 2000. Such large movements in interest rate are very detrimental because investment is sensitive to change in interest rate. First, it creates uncertainty in the economy because all previous investment decisions become suboptimal. Second, it discourages the new investment because cost of doing business increases in case of higher interest rate.

Now we move on to look at the pattern of oil prices. Historical data reveals eight oil price shocks in Pakistan during the period of analysis. Furthermore, four of them were more devastating in terms of their relative

---

48 Taylor rule can be defined as: \( i = r^* + \pi + 0.5(\pi - \pi^*) + 0.5(y - y^*) \)
where \( i \) is nominal interest rate, \( r \) is real interest rate, \( \pi \) is inflation rate, \( y \) is logarithm of real output, \( r^* \) is real interest rate, \( \pi^* \) is target inflation rate, and \( y^* \) is logarithm of potential output.
It is evident that there are production losses when ever an economy is hit by an oil price shock. It seems as if oil price shocks are causing loss in production but the role of interest rate cannot be ignored at this stage. The State Bank of Pakistan (SBP) raises its discount rate to overcome inflationary expectations that might arise from oil price shocks; see Figure 3.

Source: Author calculated based on SBP data, for movements in oil price shocks and resultant adjustments in macroeconomic variables.\textsuperscript{51} It is evident that there are production losses when ever an economy is hit by an oil price shock. It seems as if oil price shocks are causing loss in production but the role of interest rate cannot be ignored at this stage. The State Bank of Pakistan (SBP) raises its discount rate to overcome inflationary expectations that might arise from oil price shocks; see Figure 3.

Source: Author calculated based on SBP data, which indicates the movement in interest rate, inflation and GDP over time.\textsuperscript{52} This tight policy response by SBP might be the source for stable inflation in most of the episodes. It is important to note that domestic oil prices are linked with international oil price since the last decade.\textsuperscript{53} It is a challenge for policy makers to overcome the negative aspects of oil price shocks because in Pakistan it is more vulnerable to oil price shocks after linking the domestic market with international oil prices. That is why the oil price shock of 2008 was the most

\textsuperscript{52} Call Money rate (CMR) is used as a proxy of Discount rate.
devastating compared to previous oil price shocks resulting in overall terms 25% inflation, 15% discount rate and a meager 2% GDP growth rate.

![Figure 2 Oil Price Shocks (in %)](source: Author calculated based on SBP data.)

**Optimal Change in Interest Rate**

As discussed previously, monetary policy can perform better if it follows some rule. For this purpose, this section compares the performance of rule based monetary policy with actual monetary policy adopted by SBP. These simulations are conducted by a 25 basis points (denoted by cmr25) increase in interest rate up to a maximum increase of 200 basis points (cmr200). It provides a range of policy simulations which are helpful for finding the optimal change in interest rate. Results indicate that actual policy rate is quite deviant from the Taylor rule. However; a rule is adopted such that interest rate increases up to 25 to 50 basis points and is consistent with the Taylor rule. Hence, it can be concluded that a rule of 25 or 50 basis points rise in interest rate provides robust results over time. This change in interest rate assures a minimum and certain variation in the policy rate which lowers uncertainty in country. The least variation in the policy rate warrants least uncertainty which keep economy stable on the face of oil price shocks. This is shown in Figure 4 where by a policy rate within the range 7% to 11% brings us close to the Taylor rule.
Now we may move ahead to quantify the output losses resulting from changes in interest rates as a response to oil price shocks. From Figure 5, it is evident that production loss in minimal if policy rate is increased by 25 basis points while it becomes maximum if policy rate is raised by 75 percent, (see Figure 5 for details). Production loss decreases if interest rate is increased more than 75 basis points indicating asymmetric behavior of the GDP with the change in interest rate. On the other hand, fall in prices is minimal if interest rate is raised by 25 basis points whereas fall is maximum if there is 150 basis points increase in interest rate. For a developing country like Pakistan where unemployment is a major problem, a minimal production loss is more favorable with a moderate fall in prices. On these grounds, the present study suggests raising the interest rate by 25 basis points if oil prices increase by 15% to 20% (as expected by most forecasts).
Withdrawal of Regulatory Duties: A Step Taken by the Government

Afsheen Naz

Introduction

Pakistan is a developing country and has registered a very low growth rate (2.4%) according to the economic survey of Pakistan 2010-11. At present the country is suffering from massive internal crisis, both natural and manmade, and external pressures. To cope with the crises, the revenue generation side of the country has proved to be very weak. Due to these limitations the dependence on foreign loans has increased over a period of time. Heavy foreign debt is the major reason for Pakistan's loss of sovereignty.

Different measures have been adopted at various periods of time for the improvement in revenue machinery. The federal budget 2011-12 introduced many reforms including reduction in sales tax from 17% to 16% and broadening of the tax base. The revision of the federally announced policy in 2008 regarding the removal of regulatory duties (RD) is also amongst one of the announcements.

In 2008, 379 items were notified to bring in a regulatory duty net. Most of the items which brought in the RD net consisted of edible items and some of them were machinery items. Two major reasons were identified for taking such an action at that time of which one was the reduction in import bill and other was volatile trends in international market prices. However, the list of RD items was reviewed in 2009 and under the notification of SRO 482(I)/2009, a total of 397 items brought in RD net. These items were subject to the RD rate between the ranges of 10% to 50%.

In the current budget the list of 397 items has been reduced to 60 items under the notification of S.R.O.479 (I)/2011. The decision of the government on the removal of RD is two fold; one to combat the smuggling of goods through the porous Pak-Afghan border and second to curtail inflationary pressure on the economy.

The current paper attempts to estimate the quantitative impact of the government's decision to remove regulatory duties on revenue collection, trade balance and domestic industry.

Specific data of the revenue generated by Regulatory Duties (RD) was difficult to obtain as the revenue figure is usually reported under the broad head of custom duties. Due to a dearth of exact figures, the figures used in

---

54 “Impact of regulatory duty on luxury imports and revenue generation” PITAD 2011
55 The News, August 28, 2008
56 Revenue Division, Ministry of Finance and Revenue, Government of Pakistan
the paper are based on reasonable approximation. Data on the 337 items, which are now RD free, has been collected with the help of the website of the Federal Board of Revenue. However, data has been collected for the period of May-June 2010 to May-June 2011.

According to the collected data, it has been estimated that these items contributed approximately Rs. 5.65 billion to the total revenue of the country and comprised 3.99% of the total revenues generated under custom duty head during the period of one year. The removal of duty on these items is projected in a deterioration in balance of trade and revenue collection bill. Moreover, a move towards an “open” economy will severely affect the domestic industry.

**Context of the Study**

Regulatory duties are considered to be an additional part of customs. Basic motives for applying regulatory duties are;

(i) To regulate price structures and work towards attaining balance of payments
(ii) To protect and provide incentives to the domestic industry
(iii) To generate revenue

According to article 77 of the constitution of Pakistan, the decision of levying or removing of regulatory duty is the domain of the Federal Government of Pakistan. The Federal government in response to the international price trends set regulatory duty rates on certain goods. According to the Custom Act 1969, S.R.O.896 (I)/2008, the items which are imported under Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) are not subject to regulatory duty.

In 2007 the global financial crisis was observed. Additionally, increased food and energy prices on a global scale were also observed. Pakistan's economy, which was experiencing a stable growth in economic indicators during 2001 to 2007, was severely affected due to this global crisis. Consequently, revenues fell in the government’s treasury which led to the balance of payment crisis. Subsequently, the value of the rupee depreciated and the inflation rate increased. A frequent usage of the term ‘Panic Protectionism’, among trade specialists was seeing during 2008.57

The government of Pakistan took the decision of levying regulatory duties to cope with the balance of payment crisis. The IMF prepared a rescue package for Pakistan. The result of the rescue package was that 379 items were brought under the subject of RD where the RD rate was applied. The action was done without violating WTO rules as “the WTO regime allows its member countries to impose regulatory duties temporarily on their imports, if faced with macroeconomic and BOP shocks”58. The regulatory duty on

---

57 Ibid, page 01
58 Ibid, page 01
imported food items helped to keep the market for domestic produce afloat. Most of the items under RD head were food items. Nevertheless, some luxury vehicles were also brought under the list. However, this list of 379 items enhanced in 2009 and a total of 397 items were brought under the RD net.

The action of 2008 has been reversed by the federal government in the current year. At present, many of the items have been exempt from Regulatory duties. The list of 397 items has been reduced to 60 items under the notification of S.R.O.479 (I)/2011. However RD on luxuries items like cars have not been withdrawn.

In the budget 2011-12, while taking different budgetary measures related to customs, various policy objectives have also been announced. These policy objectives include; Equity in tax system, industrial incentives for growth and expansion through reduced cost of raw materials, tariff rationalization to facilitate trade, amendments in legal provisions to remove arbitrage and ambiguity and export promotion. Whereas, “removal of regulatory duty, particularly on edible items” come under “relief measures” head of the Customs Budgetary Measures 2011-12.

In the federal budget, other than squeezing RD net, an ambitious increase of 11% in net revenue receipts has been projected in comparison with net revenue receipts of last year. On the contrary, in Pakistan, out of a population of 180 million only 2.8 million individuals are registered for income tax while only 1.5 million actually pay taxes, whereas, about 2.3 million people have been proposed to be brought under the tax net in the current fiscal year.

**Objective of the Study and Database**

The focus of the paper is to analyze the impact of withdrawal of regulatory duty on 337 items on the revenues, trade balance and domestic industry of the country. A period of May 2010 to May 2011 has been selected, to collect the data on cumulative values as well as respective generated revenues on these 337 items.

The record of revenues generated by regulatory duty items is hard to find as it is merged in the head of “Customs”, therefore a self-collection of the data was applied. Whereas, to collect the data, relevant Pakistan Customs Tariff (PCT) Codes of the items were identified. For acquiring the appropriate and authentic data, help from the website of Federal Board of Revenue was taken.
All the data collected on items is in US Dollars. However, conversion of the dollar into rupees has been used during the analysis. According to the Economic Survey of Pakistan 2010-11, the average rate of dollar to rupee in 2010 remained Rs.85.3. The same average has been used in the paper for the conversion purpose with the assumption of Ceteris Paribus.

Analysis

According to estimation, the total money Rs. 81.49 billion was spent on the import of 337 items, during the period of one year. The import of these items is not concentrated from one country but from various countries. It has been estimated that under the regulatory duty head these items contributed revenue of Rs.5.65 billion\(^6\) during the same period of time.

The items on which data was collected under the study can broadly be categorized under these heads:\(^6\)

(i) Butter, Other Fats and Oil (ii) Fruits (Fresh and Dried) (iii) Sausages and Meat (iv) Cane Or Beet Sugar And Chemically Pure (v) Malt Extract; Food Preparations Of Flour (vi) Pastas (vii) Vegetables and Other Eatables (viii) Waters, Including Natural or Artificial (ix) Essential Oils (Terpeneless Or Not) (x) Soap; Organic Surface-Active Products (xi) Worked Monumental Or Building Stone (xii) Sheet Pilling of Iron or Steel (xiii) Padlocks and Locks (xiv) Nuclear Reactors; Fuel Elements (Fans) (xv) Electric Motors and Generators (xvi) Seats (xvii) Worked Ivory, Bone, Tortoise-Shell (xviii) Polymers of Ethylene, In Primary Forms (xix) Uncoated Paper and Paperboard (xx) Refractory Bricks, Blocks, Tiles and (xxi) Glass in Balls (Other Than Micro-spheres)

The money spent on fruits (fresh and dried) is Rs.1.3 billion, similarly it adds up to a total of 3.33% in total RD revenue. Similarly, the head of “vegetable and other eatables” comprises spending of Rs. 0.28 billion which embraces 0.98% of total RD revenues.

Impact on Revenues

The net revenue receipt of the country comprises of four major heads (i) Direct Taxes (ii) Sales Tax (iii) Federal Excise Duty and (iv) Custom Duty. Total revenue of Rs. 1588 billion has been collected during the fiscal year 2010-11, that is actually the revised target of Rs. 1,667 billion which was set in budget 2010-11.\(^6\) According to FBR reports the custom duty head adds up to Rs.141.60 billion in total revenues. Whereas, the self calculated revenue from regulatory duties, during the aforementioned period, is of Rs. 5.65 billion.

\(^6\) Note: the collected revenue excludes revenue generated under PCT code of 8517.1210-cellular phone head, due to non availability of data

\(^6\) Complete list of items along with RD rates can find at; dartways.com/uploaded/laws/2008sro896.pdf

\(^6\) FBR, Pakistan
### Table 3.1 Revenue collections under CD and RD Heads:

<table>
<thead>
<tr>
<th>Period</th>
<th>Custom Duty Revenues (CDR)</th>
<th>Regulatory Duties Revenues (RDR)</th>
<th>% of Custom Revenues</th>
<th>Revenue Loss (CDR-RDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-June 2010 to May-June 2011</td>
<td>141.60</td>
<td>5.65</td>
<td>3.99%</td>
<td>137.61</td>
</tr>
</tbody>
</table>

If trends of importing of these items remain same in current fiscal year, then a revenue loss of Rs.5.65 billion can be projected in the government's treasury. Hence, a rise in the deficiency of the government to meet the set revenue targets can also be projected. This will lead, again, to repeating the history of revising set targets. Historically, set revenue targets have often not been achieved but revised, for instance in budget 2010-11 a total of Rs.1,667 revenues were target but during the fiscal year the revenues were revised and collected at Rs.1,588 billion.

The revenue generated under the RD head is also calculated in a report "Pakistan’s Trade Policies: Future Directions" by Pursell et al. (2011). The report talked about the abolishment of regulatory duties but also suggests adopting certain substitutes to fill in any gaps. For instance, the levying of equivalent ad valorem excise duty in the replacement of regulatory duties on same products was suggested in the report. On the contrary, in the current budget no alternate policy was announced to combat the revenue loss or protected economy in the result of announced policy.

Despite the fact that certain measures have been adopted in the budget 2011-12 to enhance the tax base but without proper planning to combat the revenue loss occurred through withdrawal of regulatory duties; the gap may not be filled or may be partially filled. The hypothesis can be strengthening with the fact that the country is passing through the same issues which were experienced in the previous year. Unfavorable conditions i.e. due to natural calamities such as the floods, the energy crisis and security issues are still present in the country. This results in the projection of loss on the revenue generation side.

Moreover, the government's step in the current year of empowering the provinces can also be considered in the wake of revenue collection or contraction. Provinces are proposed to generate a share of Rs.1, 203 billion in net revenue receipts in the current fiscal year 2011-12. At the same time, all the four provinces were expected to present a surplus of Rs.124.88 billion in their provincial budgets 2011-12, which comprised of 5% of the total revenues. On the contrary, not a single province was able to present surplus in their budgets.

Although, the revenue generated by regulatory duties in the said period is not a wide-ranging contribution towards overall revenues of the country,
without initiating or announcing an alternative, such decisions proved to be harmful.

**Impact on Trade Balance**

The country's trade always presents a dismal picture as the trade deficit has been registered in most of the period of the time. The trends in trade deficit have, however, changed with periods of time. The trade deficit in the first ten months of the year 2010-11 recorded at $8,285 million where exports and imports during the same period were recorded at the amount of $20,526 million and $28,811 million respectively.\(^6\)

According to the Economic Survey of Pakistan 2010-11 imports of the country grew by 14.7%, which amounts for $4.1 billion, in the period of July 10-April 11 in comparison with the same period during last year. There were two reasons for this; higher global crude oil and commodity prices have been identified behind such rise in imports in the economic survey. Import of food items has been categorized as the second most imported item during the same period of time, whereas machinery items are the first most imported items. The import in food items contributed $1,528 million in import bills which is 13.4% of total imports, the economic survey states.

Hence the trade balance is further projected to deteriorate due to lifting up of RDs on food items. A further rising trend in food items can be envisaged which could prove to be harmful for the balance of payment.

**Impact on Domestic Economy**

The consequences of such instances could also possibly be seen on the domestic markets of such products. The dependence on international markets will increase more which will not let the economy, even being an agrarian country, be a food independent country as import of food items are already contributing in very high ratio of 13.4% in total imports of the country.

Most of the regulatory duty free items come under the category of consumer goods especially household appliances and processed food (Pursell et al. 2011). According to the same IGC report, almost all of the regulatory duty items are produced in Pakistan. Hence, domestic producers were highly protected. These industries are no longer vulnerable.

After lifting up the protections, the non-competitiveness of the domestic industry is a considerable factor as it would not compete with the low prices hence will be captured by international competitors who are comparatively cheaper and more efficient. This non-competitiveness can be attributed with the presence of many unfavorable factors. Improper production environment in the wake of high input cost, fundamental-old production methods, heavy dependence on natural resources i.e. water, high cost of doing business, energy outages, perilous security situation, negative advisories etc. are

\(^6\) Economic Survey of Pakistan 2010-11
amongst such factors which do not allow the domestic industry to grow in a proper manner. In the backdrop of this scenario, lifting up the protection rates on the majority of the items fall under RD and particularly fruit and vegetables, will definitely result in severe losses to the economy.

Moreover, shutting domestic industries will end harming the economy of Pakistan in multiple ways. A rise in trust breakage of the investors and unemployment are major side effects of such openness of the economy. Such negative outcomes of the trade liberalization i.e. loss to industry, production, employment and moreover loss to firm specific human capital, have been identified by Matusz and Tarr (1999) in their study “Adjusting to Trade Policy Reform”. This cycle of effectees will go on in the absence of opting proper measures to wisely handle such decisions.

Recommendations

The Governments should adopt different measures to combat certain issues faced by the country so that well-built economic growth can be attained. Policies should be aligned with adopted measures. Sustainable economic growth can only take place if the internal side of the economy is strengthened while controlling structural weaknesses.

Despite abolishing all the RDs, partial abolishment should have been adopted. The country is and has been suffering from uncertain internal and external shocks that severely affect the economy. Lack of proper planning to cope with and to manage uncertainties, is the major reason which has stopped the country from taking major steps for the betterment of the economy. An abrupt step like abolishing RDs can prove to be harmful in case similar situations of the past are repeated. This is so because the economy of Pakistan is vulnerable to internal and external shocks.

The partial abolition of regulatory duties also fits into the suggestion posed by Pursell et al. (2011). It has been argued in the report that the production of high cost import substitutions will increase more in the country if RDs prolonged. Against this backdrop, a partial removal will end with little competition. This will result in production of normal cost import substitutions.

Above all, if full abolishment was planned to be done, alternatives such as are suggested by Pursell et al. (2011) would have to be adopted i.e. replacement of current regulatory duties with equivalent ad valorem excise duty on the same products. This will serve as protection and will result in avoidance of any sort of abrupt shock to the domestic producers as well as to the government treasury.

The global financial crisis can again be foreseen in the future as for the first time, America has experienced a dip in credit rating from AAA to AA+. Hence, careful insight is needed before taking any step.

The country is heavily indebted with foreign loans. The debt is given on the proviso by foreign creditors on imposing certain limitations. Some of these
conditions are very tough for the growing economy of Pakistan, for instance, the condition of increasing gas prices and withdrawal of subsidies. In the presence of such an unfavorable environment for investment and production and even for sustenance of the present industries, the action of opening the economy without providing proper protection to the domestic industry will definitely further harm it.

Although different vigilant steps have been announced in the current budget for generating and eventually enhancing revenues, again domestic uncertainties matter. Lack of political will along with political unrest, the presence of the element of lack of coordination between government institutions and problems in administering any issue properly, are amongst those domestic issues that can prove as hurdles in the successful implementation and completion of any strategy.

Instead of completely opening the economy to foreign products, domestic producers should be strengthened. Incentives in the wake of availability of the investment environment should be provided to the local producers so that the supply side of the economy is enhanced. With an increase in domestic production it is hoped that there will be less need for imported products. Through increasing domestic production the demand and supply gap can be filled which would also control smuggling. Consequently, some sustainable improvements in trade balance and balance of payment can be achieved.

References


Economic Survey of Pakistan 2010-11

Federal Board of Revenue, Revenue Division, Government of Pakistan <www.fbr.org>


The News, August 28, 2008

Text of Federal Budget 2011-12 Speech delivered by Dr. Abdul Hafeez Shaikh

Annexure 01

Products subject to regulatory duties August 2008

<table>
<thead>
<tr>
<th>HS</th>
<th>Product Type Affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
<td>Dairy Products</td>
</tr>
<tr>
<td>08</td>
<td>Fresh Fruits</td>
</tr>
<tr>
<td>16</td>
<td>Meat Preps</td>
</tr>
<tr>
<td>17</td>
<td>Chewing Gum etc.</td>
</tr>
<tr>
<td>18</td>
<td>Processed Cocoa Cola</td>
</tr>
<tr>
<td>19</td>
<td>Processes Grains (pasta etc.)</td>
</tr>
<tr>
<td>20</td>
<td>Processed Vegetables. Fruit Drinks etc.</td>
</tr>
<tr>
<td>21</td>
<td>Sauces, Soups etc.</td>
</tr>
<tr>
<td>22</td>
<td>Soft Drinks</td>
</tr>
<tr>
<td>23</td>
<td>Dog &amp; Cat Food</td>
</tr>
<tr>
<td>24</td>
<td>Tobacco Products</td>
</tr>
<tr>
<td>33</td>
<td>Toilet Preps-Shampoos, Toothpastes etc.</td>
</tr>
<tr>
<td>34</td>
<td>Toilet Soaps etc.</td>
</tr>
<tr>
<td>68</td>
<td>Granite, Marble etc.</td>
</tr>
<tr>
<td>69</td>
<td>Ceramic &amp; Porcelain Household Products</td>
</tr>
<tr>
<td>73</td>
<td>Cooking Household Appliances</td>
</tr>
<tr>
<td>83</td>
<td>Pad Locks</td>
</tr>
<tr>
<td>84</td>
<td>Machine-mainly household…refrigerators, fans etc.</td>
</tr>
<tr>
<td>85</td>
<td>Electric Machines-mainly households-toaster, TVs Etc.</td>
</tr>
<tr>
<td>87</td>
<td>Cars &amp; Jeeps&gt;1801 cc</td>
</tr>
<tr>
<td>93</td>
<td>Weapons (revolvers etc.)</td>
</tr>
<tr>
<td>94</td>
<td>Household Furniture</td>
</tr>
<tr>
<td>96</td>
<td>Miscellaneous</td>
</tr>
</tbody>
</table>


Annexure 02

Continual RD Items:

<table>
<thead>
<tr>
<th>S.No</th>
<th>PCT Code</th>
<th>Description</th>
<th>Rate of regulatory Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0802.9010</td>
<td>Betel Nuts</td>
<td>10% ad valorem</td>
</tr>
<tr>
<td>2</td>
<td>1005.9000</td>
<td>Maize If imported from India</td>
<td>25% ad valorem</td>
</tr>
<tr>
<td>3</td>
<td>2402.1000</td>
<td>Cigars, cheroots and cigarillos, containing tobacco</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>4</td>
<td>2402.2000</td>
<td>Cigarettes containing tobacco</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>5</td>
<td>2402.9000</td>
<td>Other</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>6</td>
<td>2403.1000</td>
<td>Smoking tobacco, whether or not containing tobacco substitutes in any</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td></td>
<td></td>
<td>proportion</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>2403.9100</td>
<td>Homogenised” or “reconstituted” tobacco  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>2403.9910</td>
<td>Tobacco for chewing  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>2403.9990</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>6907.1000</td>
<td>Tiles, cubes and similar articles, whether or not rectangular, the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>6907.9000</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>6908.1000</td>
<td>Tiles, cubes and similar articles, whether or not rectangular, the largest surface area of which is capable of being enclosed in a square the side of which is less than 7 cm  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>6908.9010</td>
<td>Tiles  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>6908.9090</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>6910.1010</td>
<td>Wash basin  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>6910.1020</td>
<td>Bath tubs ceramic  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>6910.1030</td>
<td>Bidets ceramic  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>6910.1040</td>
<td>Cisterns ceramic  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>6910.1050</td>
<td>Sink ceramic  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>6910.1060</td>
<td>Toilet ceramic  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>6910.1070</td>
<td>Urinals ceramic  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>6910.1080</td>
<td>Water loset pans  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>6910.1090</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>6910.9000</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>6911.1010</td>
<td>Dinner sets  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>6911.1020</td>
<td>Dishes  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>6911.1030</td>
<td>Dishes  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>6911.1030</td>
<td>Tea cups and saucers  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>6911.1090</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>6911.9000</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>6912.0010</td>
<td>Tableware and kitchenware  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>6912.0090</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>6913.1000</td>
<td>Of porcelain or china  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>6913.9000</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>6914.1000</td>
<td>Of porcelain or china  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>6914.9000</td>
<td>Other  15% ad valorem</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>8703.2329</td>
<td>Cars and Jeeps 1801 cc to 3000cc (except electric hybrids)  50% ad valorem</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>HS Code</td>
<td>Description</td>
<td>Rate</td>
</tr>
<tr>
<td>-----</td>
<td>-----------</td>
<td>-------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>38</td>
<td>8703.2490</td>
<td>Cars and Jeeps above 3000 cc (except electric hybrids)</td>
<td>50% ad valorem</td>
</tr>
<tr>
<td>39</td>
<td>8703.3229</td>
<td>Cars and Jeeps above 2000 cc (except electric hybrids)</td>
<td>50% ad valorem</td>
</tr>
<tr>
<td>40</td>
<td>8703.3390</td>
<td>Cars and Jeeps above 2500 cc (except electric hybrids)</td>
<td>50% ad valorem</td>
</tr>
<tr>
<td>41</td>
<td>8703.9000</td>
<td>Other (except electric hybrids)</td>
<td>50% ad valorem</td>
</tr>
<tr>
<td>42</td>
<td>9302.0092</td>
<td>Pistols, single barrel, semiautomatic or otherwise</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>43</td>
<td>9302.0093</td>
<td>Pistols, multiple barrel</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>44</td>
<td>9302.0099</td>
<td>Other</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>45</td>
<td>9303.1000</td>
<td>Muzzle loading firearms</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>46</td>
<td>9303.2011</td>
<td>Pump action</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>47</td>
<td>9303.2012</td>
<td>Semiautomatic</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>48</td>
<td>9303.2019</td>
<td>Other</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>49</td>
<td>9303.2020</td>
<td>Shotguns, multiple barrel, including combination guns</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>50</td>
<td>9303.2090</td>
<td>Other</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>51</td>
<td>9303.3010</td>
<td>Single shot</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>52</td>
<td>9303.3020</td>
<td>Semiautomatic</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>53</td>
<td>9303.3090</td>
<td>Other</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>54</td>
<td>9303.9000</td>
<td>Other</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>55</td>
<td>9304.0000</td>
<td>other arms (for example, spring, air or gas guns and pistols, truncheons), excluding those of heading 93.07</td>
<td>20% ad valorem</td>
</tr>
<tr>
<td>56</td>
<td>9306.2100</td>
<td>Cartridges</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>57</td>
<td>9306.2900</td>
<td>Other</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>58</td>
<td>9306.3010</td>
<td>Cartridges for riveting or similar tools or for captive bolt human killers and parts thereof</td>
<td>20% ad valorem</td>
</tr>
<tr>
<td>59</td>
<td>9306.3090</td>
<td>Other</td>
<td>15% ad valorem</td>
</tr>
<tr>
<td>60</td>
<td>9306.9000</td>
<td>Other</td>
<td>20% ad valorem</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance, Federal Board of Revenue, Government of Pakistan
(http://o.fbr.gov.pk/budget2011-12/Notifications/Customs/SRO.479%28I%29-2011.pdf)

(PB # 28, 2012)
Land Rights for Pakistani (Muslim) Women: Law and Policy

Nausheen Ahmad

Background

Women's land ownership and control have important connections with their empowerment in Pakistan's agricultural context. However, the link between these has largely remained unexplored; and there has been negligible research to determine how many women own or control land in Pakistan. The Sustainable Development Policy Institute (SDPI) carried out a multiple pronged national study in 2007-09 to fill this knowledge gap and to examine the causality behind women's land ownership and empowerment. The research focused on women's rights vis-à-vis the inheritance framework of private agrarian land.

This Policy Brief discusses and analyzes the laws applicable to property rights (of women) in Pakistan and reviews Government policy and international conventions in this area in order to examine the Government's approach towards the issue of women's land rights. The Brief concludes by giving specific recommendations on the subject.

Review of Law

The Law and the Constitution of Pakistan under Article 23, allow the citizens of Pakistan equal rights to acquire, hold, own and dispose of property, but reserve the right to intervene in the property rights if the ownership or disposal of property clash with what is perceived to be the broader public interest. The State is also responsible for providing protection to its citizens. Thus the State, under Article 24 of the Constitution of Pakistan could interfere in an individual's property rights to protect the rights of those who are disadvantaged in the areas of ownership and devolution i.e., women and children. However, such pro-active involvement has not been evidenced either in the case laws reviewed or the codified laws.

Applicable Civil Law

In Pakistan, adult women have the right under law to hold, acquire, transfer, sell or dispose of property whether for consideration or as a gift and can contract any terms or in any manner whatsoever in the same way as a man can. Women as owners of property also have the right to mortgage such property to obtain financing. The law recognizes the independent property rights of a married woman if she has written title to that property. Hence, the courts recognize that both the husband and wife have independent property rights. The Civil Laws governing property transactions e.g. the Contract Act 1872, the Transfer of Property Act 1882 or the Registration Act 1908 do not make a distinction based on gender for adult persons (over 18 years of age).
The Islamic Laws of Inheritance

Whilst the civil laws dealing with ownership and transfer of property are gender neutral, however, inheritance rights are subject to Muslim Personal Laws. In matters of succession and inheritance, Muslim women are subject to laws which, however, give them a differential status. Pursuant to the West Pakistan Muslim Personal Law (Shariat Application) Act 1962, the issue of inheritance is dealt with under the personal law of each citizen residing within the State. The main principle governing the Islamic Law of Succession is that only blood relatives may inherit, therefore, adopted children are not able to inherit. Inheritance devolves according to the ‘Quranic Shares’ which are pre-defined. These include all properties (which are free from encumbrances e.g. mortgages) movable, immovable, ancestral or self acquired. According to the pre-defined Quranic Shares under Hanafi Law there are twelve sharers, four male sharers and eight female sharers and under Shia law eight sharers.

Under Hanafi law, the sharers include the wife or wives, the mother, the true grandmother (could include either maternal or paternal grand mother as defined), daughters, son’s daughters, uterine sisters and full sisters. The general principle with regard to allocation of shares is that the women sharers receive half the share of a male sharer. Therefore, under Hanafi Law, the father would receive 1/6th share and the mother would receive 1/3rd share. The husband would receive ½ share and the wife would receive ¼ share of her husband’s estate. Daughters would receive half the share of the sons. Shia Law, on the other hand, allows female heirs to be the sole heirs.

Given the fixed and immutable nature of the Quranic Shares, historically, a number of devices have been used to allow a person to deal with his property according to his own free choice. The most important of these devices are Gifts and Wills. An oral gift made to a wife and to a daughter has been declared permissible by the courts. A gift, however, can be challenged on the basis of Marz ul Maut, which means a gift was made under the pressure of the imminence of death. Wills are only allowed by the courts to the extent of 1/3 of the Testator’s total estate and they are open to challenge by the legal heirs after the death of the Testator. Dowry is mostly specified in terms of a sum of money rather than property, and that too in most cases is deferred. Hence, the compensatory property regime does not deliver equitable access to land.

Pakistani courts whilst enforcing Islamic inheritance rights at the same time accept the concept of Tanazul (relinquishment) whereby a woman has the right to relinquish her share of inheritance. Whilst the practice of relinquishment is fairly common, very few challenges to this have been taken up in the courts.

The Compensatory Property Principle

Objectively, the inheritance rights granted to Muslim Women under Islamic Law are discriminatory and contribute greatly to the inferior status of Muslim
women. The National Commission of Inquiry 1997 has clearly recognized that women’s inheritance rights are half those of men and that even these rights are ignored. The framework of inheritance, however, has been justified in various ways. The widespread belief (which is repeated by the Courts in a number of cases) is that women were not required to take on financial obligations and therefore were given a share in property commensurate with that. It is also pointed out that women first received their share of property rights through Islam. According to John Esposito, “The status of women in Islam was profoundly affected not only by the fact that Islamic belief interacted with and was informed by diverse cultures, but also, and of equal importance, that the primary interpreters of Islamic Law and Tradition (Hadith) were men (religious scholars or Ulema) from those cultures.”

Scholars have also put forward the justification that Islam provides a ‘compensatory property regime’ for women in which the woman is theoretically supposed to obtain property through other avenues such as gifts, dowry and maintenance in marriage. However, women in practice do not have access to the compensatory property regime, dowry, for example, by application of custom, is generally deferred (not paid at the time of entering into the marriage contract) and later waived by the wife.

**The Muslim Family Laws Ordinance 1961**

The Muslim Family Laws Ordinance 1961 which codified a number of matters dealing with Muslim Personal Law does not totally codify the laws relating to Islamic inheritance. The Constitution of Pakistan under Article 227 declares that religion dictates all the laws of the State. Thus, the provisions of law which discriminate against women regarding inheritance of property have not been challenged legally or constitutionally, nor has any reform been proposed. The differential inheritance rights for women have often been justified by the formal legal system and religious scholars on the basis of arguments like ‘the compensatory property regime’ provided by Islam for women, whereby women are said to be entitled to obtain property through alternate avenues like gifts, will, dowry and maintenance in marriage.

**Customary Law**

Customary laws which have been considered valid by courts to decide issues related to the inheritance of agricultural land also discriminate against women and allow limited rights of ownership for a woman during her lifetime. Due to these limited rights, a woman cannot gift or alienate the land, nor can she easily obtain rights related to land ownership like demanding access to water and having her name on the revenue record etc.

**Property Rights of Women arising out of Marriage**

Pakistani law does not recognize the rights of women to property which may have been acquired during marriage. Currently, the law does not have the concept of co-ownership of marital property. Therefore, a woman would have
no ownership claim to household land despite working on it and despite the fact that her work (paid or unpaid, as household labour) may have contributed to the purchase of that land by the family during the marriage. Though contribution in kind is not recognized under the law, if a woman is able to prove that she contributed cash, then, she may be able to lay a claim to property under the principle of benaami (anonymous) transactions. However, this is a difficult principle to prove and generally the law recognizes title only if a person’s name is on the title document. In case of divorce, a woman cannot claim a share in her husband’s property and she is not entitled to maintenance in the long term. Her claim to dowry also has to be forfeited if she has asked for khula (divorce). In the agricultural context, a divorced woman would lose her right to work on the household land or access any common land which perhaps was being used by her husband’s family as tenant farmers or share croppers.

Analysis: Law

The cases decided by the Superior Courts show that whilst the Pakistani courts always invariably uphold the principle of inheritance according to the Quranic Shares, no inquiry is ever made as to whether the woman did receive property in actual fact under any other head.

In deciding matters of inheritance, the superior judiciary has generally tried to favor interpretations which are more beneficial to women and in this their attitude is at variance to the generally biased stance taken when deciding issues of criminal law (The Hudood Ordinances) or matters relating to marriage and divorce. The reason for this could be that issues related to inheritance and related property rights for women are decided squarely within the religious context and with reference to the Quran and Hadith.

In order to enforce inheritance rights, women have to be able to access the formal court system which is complex, expensive and slow. In any event women in general have restricted access to formal law generating mediums which are all at the command of a patriarchal state apparatus. Decisions in property cases may take up to ten years or more. Even if a case is decided in favor of a woman it does not mean that the decision will be effectively implemented and that women especially in the rural context will have their names registered in the Revenue records. Very few women will eventually exercise control over their property. In a 1995 survey of over 1000 households in rural Punjab only 36 women owned land in their own name and only 9 had the power to sell the land without permission from the male members of the family.

The few instances where the courts have taken supportive decisions towards women are not based on the perception of women being equal citizens. Women are perceived to be weak, illiterate, and dependent, in need of protection and ill equipped to handle property matters. Thus, any decisions favoring them seem to be based on paternalistic considerations rather than an acknowledgement of equal citizenship of women.
Review of Policy

*International Conventions and Declarations*

Given the link between ownership and access to land and poverty, a number of international conventions focus on land rights issues and women's rights in this area. Thus, Article 17 of the Universal Declaration of Human Rights states, “everyone has the right to own property alone as well as in association with others.” The Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) ratified by Pakistan in 1996 under Article 16 (h) states that Parties shall provide “the same rights for both spouses in respect of the ownership, acquisition, management, administration, enjoyment and disposition of property whether free of charge or for a valuable consideration” Under Article 14 (g), States Parties are required to take steps to ensure that women have access to “agricultural credit and loans, marketing facilities, appropriate technology and equal treatment in land and agrarian reform as well as in land resettlement schemes.” Even though this Convention was ratified by Pakistan it did so with a reservation under Article 2 that it would not undertake steps which would be in violation to its Constitution or Law (which would include its Islamic Law provisions). In Pakistan, devolution of land rights through inheritance is, therefore, continues to be governed by the Personal Law of each citizen.

While the link between access to land and poverty is generally recognized by international conventions; the emphasis is on ensuring that women have full and equal access to land rather than on ownership of land and, international UN instruments do not emphasize equal inheritance rights. The Beijing Platform for Action (1995) for example refers to only “an equal right to inheritance”, which essentially means that women should be able to exercise or assert their right of inheritance on the same basis as a man however, it is not necessary that their inheritance share would be equal or in the same proportion as that given to a man. This takes into account the principle of the Islamic Law on inheritance which provides for smaller Quranic Shares for women.

*Invisibility of Land Right Issues in State Policy*

Policy documents of the Government of Pakistan do not focus specifically on issues around women’s ownership and access to land despite the critical acknowledged link between this and poverty. The draft report of the National Commission on the Status of Women “Policy Research on Women’s Right to Inheritance and its Implementation,” does not focus on this issue specifically.

The National Policy for Development and Empowerment of Women (2002) does not highlight this issue as a fundamental one. It states, however, that the aim of the policy is “to remove inequities and imbalances in all sectors of socio-economic development and to ensure women’s equal access to all development benefits and social services.” In its key action areas only
education and skills training are emphasized. In addition, it states that “steps are to be taken to ensure the access of poor rural women to land, agricultural and livestock extension services and support mechanisms and facilities; providing women easy access to micro-credit...” Women’s access to inheritance rights or issues created by custom/customary laws are not mentioned in the section on drafting of appropriate legislation which focuses on equal remuneration and sexual harassment at the work place.

Earlier, in the National Plan of Action for the Advancement of Women under the Beijing Platform (1998) (NPA) certain issues related to land rights were taken up however these are not emphasized in the 2002 National Policy.

Currently, Pakistan is working actively to achieve the Millennium Development Goals. Goal 3 is to “promote gender equality and women’s empowerment.” While the framers of the Millennium Development Goals Strategy recognize the link between access and ownership/inheritance to land and female empowerment, the actions taken by Government programs and projects do not in any way address this issue. The issue of access to micro credit is addressed, but only in the context of income generation, rather than asset ownership.

**Analysis: Policy**

The gap between the identification of structural impediments to women’s empowerment/poverty alleviation and concrete action plans is particularly stark. While Government commissions and policy documents highlight the critical need for women to have access to land and more importantly to have ownership and control of land, Government programs and projects do not translate this critical need into concrete actions. Similarly, while the Government has signed or ratified International Instruments, when it comes to translating provisions of these instruments into domestic law and policy, the Government falls short.

The Report of the Commission of Inquiry for Women (1997, p. xi) argues that Pakistan can not divorce itself from international norms in the long term. The Report says “(it) needs to address its domestic issues in ways that are in some harmony with the international perspective and universally accepted norms. If it does not do it now, it will be compelled to do it later, after much damage.”

**Recommendations**

In Pakistan, the application of a Civil Code taking inheritance out of the purview of Muslim Personal law would allow the state to enact gender neutral laws granting women equal inheritance rights. Even keeping within the confines of Muslim Personal law, lawmakers may take a more progressive interpretation by following examples of other Muslim states e.g. Morocco which automatically provides for joint ownership of all property acquired during the pendency of a valid marriage or the Shia Law which
allows a woman to inherit the total estate of the deceased without any residual share reverting to a male heir.

Women should have a right to acquire immovable property as dowry (if the parties can afford it) and the property mentioned as dowry should be transferred at the time of the Nikah (formal marriage ceremony). In a divorce situation not only should maintenance be provided for a certain period of time (e.g. five years), but there should also be an equal division of immovable property acquired during the validity of the marriage. Women should also be granted the right to retain their dowry even when khula (dissolution of marriage) is applied for on the basis that dowry is consideration for entering into the marriage contract and theoretically should have been transferred at that time.

Along side this there is an urgent need to have these matters decided by Special Courts so that the delays in the regular Court process are minimized. Courts should not restrict their judgment to merely deciding the entitlement of applicants, but should pass implementing orders also directing e.g. that a women's name should be entered in the Record of Rights within a specified period of time.

This must be coupled with awareness campaigns. The registration of the birth of a female infant is important as it may later impact on her claim of inheritance and women must understand that securing title to property requires formal registration which only becomes possible if they have a National Identity Card. The Government could encourage registration by stipulating a concessional stamp duty and registration fee for women. Further, women should be given access to concessional credit by using land as security for the loan. This again would encourage ownership of property in the name of women. This principle could be cascaded down so that even the grant of micro credit could be linked either to evidence of ownership of land or access to land for farming purposes. Contracts between land owners and women should be encouraged so that women do not lose their right to work on common land in the case of divorce. These measures may indirectly encourage women to exercise a degree of control over the land also.

Given the invisibility of this issue from official Government policies and plans the real challenge is to have this recognized as a key contributing factor to women's subordinate status so that this may be prioritized for concrete action. Though in many instances the Pakistani courts have taken a supportive view, this action in the absence of policy support will not have long term impact.

(PB # 23, 2010)
The Case for Land and Agrarian Reforms in Pakistan

Shahrukh Rafi Khan, Ali Qadir, Aasim Sajjad Akhtar, Ahmad Saleem and Foqia Sadiq Khan

Abstract

We show that, at least for the one province (NWFP) for which data are available from the Federal Land Commission, land ownership is highly concentrated and has become much more so between 1980 and 1990. The Agricultural Census done every ten years collects data on operational holdings. These data suggest that operational holdings have become much more fragmented, and between 1980 and 1990, there was an increase in total farm sizes below 12.5 acres from 80 percent to 88 percent of the total land cultivated. As land becomes more fragmented, it appears that large landlords, who have the requisite liquidity, add to their holdings. Thus the agenda for the state is to both ensure a fair distribution of land holdings and also to ensure broader agrarian reform to ensure that small farm cultivation is both just, if under tenancy contract, and sustainable if under self-cultivation. We indicate that the case for land reform is very strong particularly on grounds of justice more broadly, but specifically from an Islamic perspective. Islam views natural resources, including land, as a trust, with individuals having usufruct rights only from the amount they can reasonably cultivate and only if they are actually cultivating it themselves. We also build the case for land reform on several other grounds including the economic argument of higher productivity of small farms and the need for land reform to make devolution and accompanying reforms successful since these reforms are subverted by landed power, and finally to enhance education since landed power has been shown to be inversely associated with mean educational attainment in villages. Finally, we indicate how a new round of land and agrarian reforms could be made more effective by avoiding the pitfalls and mistakes of past half-hearted attempts.

Introduction

No single set of policy initiatives by this government could be as significant as land and agrarian reforms for providing sustainable livelihoods to the poor majority in the agriculture sector, and by linkage, to those in the rest of the country. This argument rests on several planks in Pakistan’s unique institutional and socio-economic context. This policy brief reviews the vantage points from which the case for land reform can be advocated. However, prior to that, we establish that landholdings are indeed highly concentrated and that large landlords continue to wield tremendous political and economic influence due to land ownership.
Concentration of land-ownership

It is only possible to infer something about the inequality of land ownership or land concentration from land-ownership data available from the Federal Land Commission. Khan (1999, p. 121) utilized this data and estimated gini coefficients as a measure of land concentration. His estimates show that inequality in landownership was very high, but had declined overall and also in the Punjab, Sindh and NWFP between 1950 and 1980-81. However, for the former two provinces, the gini coefficient was still very high at 0.49 and 0.55 respectively in 1980-81, the last year for which estimates are provided. For NWFP, estimates are also provided for 1990 and the data show a massive jump in land concentration from 0.38 in 1980-81 to 0.57 in 1990. It is very likely that as land is fragmented into uneconomic units due to inheritance laws, large landlords have the liquidity to add to their holdings.

The Agricultural Census reports operational holdings (i.e. farm size cultivated rather than owned). The latest information available is from the 1990 Census and one can use this to make some inferences pertinent to the issue of agrarian reforms. Also, a recent Government of Pakistan (2001) study has made some data available enabling projection beyond 1990.

Examining data for the last two Agriculture Censuses indicates two important findings. First, large farms (defined by the Census as > 60 acres) accounted for a negligible number of total farms in both 1980 and 1990, but the area they cultivated more than doubled from 3 percent to 7 percent of the total. Second, the middle farm size categories thinned out, and there was greater cultivation by the smallest and largest farm-size categories.

Another interesting development between this census period is that the numbers of landowners in the country increased from 2.227 million to 3.491 million. There was a concomitant decline in the number of owner-cum-tenants and tenants, suggesting a move towards owner cultivation as land gets sub-divided. Thus, the total amount of land in owner cultivation increased from 24.53 million acres to 30.72 million acres and there was a corresponding decline in the other two categories.

Government of Pakistan (2001) estimated that in 1990, farms less than or equal to 12.5 acres accounted for 80.6 percent of the total cultivated area, while this increased to 88.2 percent in 1998-99. Farms less than 5 acres increased from 47 percent to 51 percent of the total. There were declines in areas cultivated by all other farm sizes except for the largest category of greater than 150 acres. The area cultivated by this largest farm size category increased from 0.32 percent of the total to 0.46 percent of the total, and this was significant enough to raise the average size of farm from 7.6 to

---

68 Gini coefficients vary from zero (complete equality) to one (complete inequality) and a ratio of 0.40 is considered to be high as a reflection of inequality.
71 The big jumps occurred in the 1 – 2.5 acre and 5.0 – 7.5 acre categories respectively.
9.0 acres. Given that such a large proportion of total land is farmed in very small operational holdings and given the move towards owner cultivation, the broader issue of agrarian reform, rather than just land reform, needs to be explored to ensure sustainable livelihoods for the very large numbers of very small farms.

Finding out how the agrarian trends towards fragmentation have played out in terms of the concentration and inequalities of landownership will need to await information made available by the Federal Land Commission. However, if the trend in the NWFP between 1980 and 1990 is indicative for the rest of the country, land concentration has massively increased in Pakistan. As will be made clear from evidence reported later, the political influence of large landlords is significant. We turn now to the case for land reform on several grounds including justice (from an Islamic perspective), economic efficiency, political empowerment at the grassroots level, educational attainment and poverty alleviation.

**The case for land reform**

**Justice**

There are many theories of justice within which to view the issue of land reforms. However, from a Pakistani perspective, the Islamic concept of justice would be the most relevant. The preoccupation with justice in Islam is wide ranging and one can categorically say that it's espoused by all schools of thought represents the most notable consensus in contemporary Islamic thinking. It is also the most ubiquitous principle of Islamic law. This is not surprising, since justice is referred to in the Qur'an the third most frequently (over one thousand times) after “God” and “knowledge.” In the next sub-section, we explore how this concept of justice in Islam pertains to land ownership and land reform.

**Islam and land reform**

Sunnī Islam recognizes no intermediaries between humans and their creator and reinforcing this is the Qur'an's (54:22, 32, 40) reminder to the reader that, notwithstanding some verses whose true meaning is hidden from all, “it has been made easy to understand.” Yet, over the centuries, many scholars have argued that only they have the right to interpretation by virtue of their scholarship and understanding of the historical context in which the Qur'anic verses were revealed. Our view is that most verses speak for themselves, and the relevant ones have been cited below to indicate an Islamic view on landownership.

---

72 Rawls (1971) in this regard is particularly notable.
73 For details see Khan (1985, pp. 16-18).
75 The first number in the parentheses represents the chapter and the second, or those following the colon, the verse(s).
76 Naturally, we recognize that scripture has been cited throughout the ages for advocating particular purposes. Our position is that, in this context, first, this process has been very one-sided and that the verses cited above are often neglected and second, another recurring theme of the Qur’ān is enjoining on humans to use their intelligence which has been provided both as a blessing for productive use and for reinforcing faith.
The Qur'an, (2:285) in very clear terms declares that God is the Creator of this Universe, and that everything here and above belongs to Him. This is repeated in (2:285) which unequivocally declares, "To Allah belongs whatever is in the heavens and whatever is in the earth -." Again, (7:20) states, "To Him belongs whatever is in the heavens and whatever is in the earth, and whatsoever is in between them, and whatsoever is beneath the moist sub-soil." These verses give rise to the view that natural resources in Islam are a trust and not subject to individual ownership, since God is the owner. Hence, strictly speaking, individuals who cultivate the land, or use other natural resources, have the right to the usufruct but cannot acquire property rights.

However, property rights have been the reality in Islamic societies right from the on-set of Islam, and so one again turns to the Qur'an for guidance on the nature of such rights. An important recurring theme in the Qur'an in this regard is that it always makes a reference to the collective with regards to the provision of livelihood. Thus (7:10) declares “And we have established you in the earth and provided for you therein the means of subsistence - but very few express gratitude for this.” More notably, (17: 31) urges “And slay not your children for fear of poverty. It is we who provide for them and also for you.” The Divine assurance of the provision of subsistence for His creation is also evident in (6:151) and (29:61).

The first set of verses combined with the second set very clearly indicate that the Creator has provided natural resources, that remain His property, as a trust to the community to ensure subsistence for all. The embodiment of the community in this regard is the state that acts on behalf of the community. There still remains uncertainty on the principles on which the state would distribute the Divine trust to ensure sustenance for all. Such inferences are certainly not new and are embodied in Islamic tradition.

For example, a tradition of Prophet Muhammad, reported on the authority of Rafeh, son of Khudej, states that a person in possession of land is supposed to cultivate it himself; otherwise the land should be given to some one else and it should neither be leased nor rented. Abu Huraira Jabar, son of Abdullah, Abu Saeed Hazri and Ibn-e-Umar, also support this tradition of Rafeh. Thus, the view that the means of production, like land, cannot be owned but are subject to use by the community to ensure sustenance for all is well established. It has also been argued that Islamic tradition suggests a three-year period in which land in possession has to be utilized or else dispossessed.

Several Islamic principles for land and agrarian reform are thus evident. First, that natural resources are a trust and are meant to serve the whole community. Second, that those in possession of a trust must utilize it or face dispossession. Third, that only the amount that a family can cultivate by utilizing the current state of technology be allowed them since sharecropping

---

Some scholars who have advocated such views include Yusuf (1971, p. 19), Abu Sulayman (1976, p. 22), and Alam (1968, pp. 24-26).
and renting are frowned upon. All other land can therefore be made available to other families that do not possess a means of sustenance.\footnote{Neither the Qur’an itself nor verified traditions of the Prophet Muhammad explicitly mention ceilings on land holdings. Thus conclusions in this regard are based on inference from Islamic and other principles of equity and justice already cited in the text and other political, social and economic arguments that follow in the text.}

One needs to address the reasonable counter-argument to land reform that if land is to be appropriated by the state for distribution, then why not industry and even other forms of private property like homes. Two counter-arguments are applicable here. First, the reference above via Qur’anic authority has been to natural resources, including land, and not to private property. Second, while Islam endorses the free operation of the market, large landholdings lead to undue market power and the appropriation of rental income, both of which Islamic scholars have defined as \textit{riba} and hence against Islam.\footnote{Proponents of this broader view of \textit{riba} include Haque (1980) and Abu Sulayman (1976, pp.-54).} The case against large-holdings is the equivalent of anti-trust action in industry and it is necessary for diffusing economic power to avoid economic exploitation of the weaker parties in a contract. We will show in a subsequent sub-section that diffusing such economic power is also necessary to diffuse political power, which can become the basis of a further accumulation of economic power. However, prior to that, we consider the economic case for land reform since a poor country can ill afford social reform that comes with a high economic price tag.

\textbf{The economic case for land reform: the inverse association between farm productivity and farm size}

There is considerable empirical support for the argument that small farms are more productive and contribute more to economic development than large farms. We state some of the main hypotheses in this regard and then present the evidence with a focus on the literature in Pakistan.

\textbf{Hypotheses postulating an inverse size-productivity association}

\begin{enumerate}
  \item Large farms almost always cultivate huge quantities of single crops (monoculture) with one or, at most, two crops per year, to take advantage of the heavy machinery they utilize. Small farmers intercrop various varieties on the same field, plant multiple times during the year and integrate crops, livestock production and aquaculture. This means that small farms use land more efficiently.
  \item Given the smaller resource base, small farmers make more efficient use of precious water resources than large farms.
  \item Small farms use labor-intensive techniques, typically utilizing motivated family labor, which are more successful than large farm absentee cultivation. They also absorb a larger amount of the labor force in agriculture, which is very important given that the carrying capacity of urban municipalities in Pakistan is over-stretched.
  \item Again, given the smaller resource base, small farms employ less chemical fertilizer and insecticide per unit than large farms. Thus, small farms typically employ environmentally friendly techniques that are more intensive
\end{enumerate}
in the utilization of traditional knowledge. These methods do not harm the soil irreversibly as do the chemical input-intensive techniques of large farms.\textsuperscript{80}

These hypotheses have empirical support, as shown below, and hence they demonstrate that small farms have higher land productivity (output per acre).

**Empirical support for the inverse size productivity relationship**

A wealth of literature now exists on the relationship between farm size and land productivity. Much of the literature indicates that average output decreases as farm size increases.\textsuperscript{81} This relationship is now widely recognized by specialists across the world as the “inverse size-productivity relationship,” indicating that the total productivity per acre is highest on small farms, and decreases as farms increase in size.

Leading development economists at the World Bank have also accepted that re-distribution of land to small farmers leads to greater land productivity, improves macro-economic performance and the distribution of income and reduces poverty. This is argued to be as true for an industrial as it is for a less developed country. Thus Rosset (1999) reports that the smallest farms in the USA, those of 27 acres or less, have more than ten times greater dollar output per acre than the largest farms. He also reports, based on a review of the evidence, that, in less developed countries, small farms are two to ten times more efficient than large farms.

The use of “green revolution technologies” had begun to change the inverse relationship, as large farms were more able to adapt to new technology packages including seed, mechanical and chemical input and access to water. However, it has been shown that the large farm advantage was only a short term one, since the technology rapidly diffused to the small farms also. Moreover, the initial gap itself was primarily a result of inequitable access to innovation, technology and extension services (mostly through political contacts); if this infrastructure were provided to small and large farmers equitably, the lag in productivity is found to diminish.\textsuperscript{82}

The research from Pakistan is for the most part supportive of an inverse association of farm size and productivity. Berry and Cline (1979) estimated that that productivity on the largest farms (more than 150 acres) in the

---

\textsuperscript{80} Pesticides, for example, create pollution of water, air and soil, and also harm crop productivity by negatively interfering with crop ecologies, as argued by Hasnain (1999, p.14). According to the Government of Pakistan (2001b, p.144), only 15 percent of farms less than 10 acres report using insecticides, while 33 percent of farms greater than 10 acres report insecticide use.


\textsuperscript{82} Berry and Cline (1979, p.92, p.96-105) argue that equitable provision of research and extension services is thus one pre-requisite for small farms to show efficiency. Banerjee (2000, p. 271) makes the same argument.
Punjab was less than 40 percent of the productivity on farms of less than 12.5 acres. Based on a sample of 732 farms of varying size and tenure in the Punjab and Sindh, Khan (1981) reported a significant inverse relationship between farm size and productivity. Haque and Mahmood (1981) findings were supportive of a U-shaped association with the small and large farms being more efficient than medium sized ones. Chaudhury (1982,1983) cited evidence against a negative association, with Khan (1983) contesting these findings. However, in a subsequent study, Chaudhury, Gill and Chaudhury (1985) report the existence of an inverse association.

Based on a study of four villages in the Punjab, Nabi et.al. (1986), also indicated the existence of an inverse association between farm size and productivity, with the strength of the association reported to be higher for barani farms. Zia (n.d., p.27-28) supports the argument and cites Salam (1986), Chaudhary and Chaudhary (1990) and Sampath (1990). A study by Parikh, Ali and Shah (1995) on technical efficiency, cited by Ahmad and Qureshi (1999), reports that small farmers are more efficient than large farmers in the study area. Ahmad and Qureshi’s (1999) own results are mixed across different districts. Thus while there is some opposing evidence in the Pakistani context, in our view, the bulk of the supporting evidence in Pakistan, along with similar evidence from other less developed countries and industrialized countries, represents substantial support for the inverse farm size-productivity association.

Very small farms, less than 5 acres in irrigated areas and less than 12 acres in barani areas, can be less productive due to diseconomies of scale, an inability to use inputs optimally because the farm size is too small. Almost 88 percent of operational holdings in Pakistan in 1998-99 were less than 12.5 acres. Thus, land reforms need to be viewed in the larger context of agrarian reforms that enable efficient joint cultivation, extension support, and most important, a fair contractual relationship to the tenants and sharecroppers of large landlords. In addition, such reforms need to take off where the last reforms left off to ensure continuity. We return to the issue of implementation of prior reforms in section 4, but turn now to other arguments for land and agrarian reform.

**Poverty and livelihoods**

Poverty alleviation has become the main focus of attention for this government and also how international financial institutions like the IMF, the World Bank and the Asian Development Bank define their objectives. Indeed, the structural adjustment facility has been renamed the poverty reduction and growth enhancement (PRGE) facility. This is based on the recognition that poverty itself generates mechanisms, such as the inability to invest in health, education and environmental conservation, which reinforce poverty. Thus, an important method of dealing with poverty in the long run is to address its main determinants in the short run.

In view of this growing emphasis on poverty alleviation, the government has, with the support of the Asian Development Bank, founded The Center for Research in Poverty Reduction and Income Distribution, (CRPRID), housed
in the Planning Commission. In the first working paper prepared on behalf of the Center, Government of Pakistan (2001, p. v) concludes that the two main determinants of poverty are the lack of access to land and education.

We have already addressed the issue of land reform to ensure sustainable livelihoods for the poor. However, given the centrality of this argument to the issue being discussed, it bears repeating. Since Pakistan is a country in which the capacity of towns and cities to deliver urban services is far overstretched relative to the demand for such services, it is vital to promote sustainable livelihoods in the countryside. The most effective way of doing this is via land reform to ensure landless and tenant farmers have access to their own economic holdings.

Currently, the Government may be moving in the reverse direction. Budget 2001-2000 provided several incentives for the corporatization of agriculture. The danger is that this may generate a move towards concentration of land holdings, displacement of rural labor to the cities and enclave production for foreign markets that have very few linkages to the domestic economy. Small productive farms, to the contrary, have the advantage of being highly integrated with the local economy and will produce a stimulus for other sectors of the local economy on both the production side and also on the consumption side as productivity, income and demand increase.

Education

There is no single more important investment in nation building than ensuring high quality mass education. The economic history of newly industrialized countries including, Japan, Korea and Taiwan, suggest that land reform and quality mass education were two central features accounting for their success. Pakistani policy makers have from the start paid lip service to education, but never taken it seriously, even though the lack of it undermines all institutions, including a healthy democracy and even the military.

Research shows that there is a link between large land-holdings and the lack of education. Khan and Siddiqui (1997) used data on land ownership for 1980s and showed that there was a strong inverse association of absolute landed power (defined by the size of land ownership of the largest landlord in the village) and mean educational attainment in a village. Thus, there is empirical support for the anecdotal evidence that large landlords oppose education in the villages they dominate because they want to assure themselves continued access to cheap labor (the educated find other jobs) and because they fear that education leads to empowerment and hence the villagers are not as easily dominated or as pliable. Thus, land reforms, apart from possessing the many other advantages cited above, would also be an important mechanism for eliminating an important source of opposition to the spread of mass education. Impeding mass education is not the only mechanism large landlords have for perpetuating their power. Evidence

---

83 Government of Pakistan (nd., p. 15).
shows that land reforms may also be very necessary to ensure political empowerment of the masses because landed power is a source of ensuring continued political dominance.

Devolution
The most emphasized reform initiative this government has underway is the attempt to devolve power to the grassroots level. We argued during the planning stage of this reform that there are some important pre-requisites, in the form of accompanying reforms, that are needed in order to make this very important reform a success. Based on both conceptual reasoning and empirical evidence, we had argued that land reforms were the most important of such reforms. Research conducted during and after the local election confirmed this view.

As currently planned, the devolution is to the district level such that the elected representatives have jurisdiction over the whole district. One needs to be concerned about whom, in the current socio-economic milieu, the power is being devolved to and, therefore, to understand the sources of power. Prior to devolution, an important source of power was the district administration, including the police and courts. In Pakistan, the police and courts are widely perceived as being corrupt and, instead of serving the ordinary people, are viewed as oppressing them. While poor salaries are part of the problem, the other problem is that large landlords have been able to exploit the needs of the police and courts to serve their purpose. Had land been completely equally distributed, the abuse of police and magistrates would still be present without far reaching police and judicial reforms. However, given very unequal land holdings, it is likely that such reforms would be subverted. Thus, the issue of land concentration as a source of power that allows the capture and subversion of district government via elections is a real problem in many districts.

Most reports on the local government elections confirmed our worst fears. Research conducted by Khan, Akhtar and Khan (2001) showed that in districts where landed power was expected to be a factor, they completely dominated the elections by controlling the panels. Such findings were corroborated by serious journalism from across the country. Even reports that showed that the elections did throw up “new faces,” as hoped, conceded that the large landlords captured the all-important nazim seat even at the union council level. Thus, if devolution and accompanying reforms are to succeed in the long run, it is vital that this government engage in sincere and effective land reform, and more broadly agrarian reforms. In

---

84 Khan (2002).
86 More recent research by Akhtar and Khan (2001), that used theater as a research tool to explore pre and post-devolution service delivery problems, indicated the complete dominance by large landlords (sardars, waderas, khans and jagirdars) of local politics.
doing so, there is much to learn from the half-hearted attempts of past governments in Pakistan.

**Implementing past reforms**[^89]

Some hindrances and loopholes
As mentioned in section 3.3.2, new land reform needs to be viewed in the perspective of addressing the unfinished agenda of past reforms. The three land reforms in Pakistan’s history, in 1959, 1972, and 1977, have all largely failed to achieve the objectives that were stipulated when embarking upon them. The common drawback of all these reforms was that they were ceiling reforms that did not guarantee that landless tenants, or sharecroppers, would necessarily gain but only that the largest landlords would have their holdings reduced. Also, given the nature of the ceilings per individual, rather than household, the re-distributive effect was always likely to be small, simply because there were a lot more landless farmers that had to be allotted land than there was going to be land to be redistributed.

In 1959, President Ayub Khan stated clearly that while there was a need to address the skewed distribution of land in the country, it was important not to create disincentives for “progressive farmers,” and therefore the ceiling was deliberately set high. The result was that the reforms did not seriously affect land ownership relations in the country, with many landlords even disposing of wasteland and benefiting from compensation. Less than 1.3 percent of the total land was resumed, and most tenants receiving land had to pay for it.[^90] Many landlords completely evaded the redistribution by claiming exemptions or “gifting” land, and many also officially transferred land to others within the family.[^91]

In 1972, President Bhutto claimed that his land reforms would be more far-reaching and comprehensive, and he reduced the ceilings accordingly. However, internal politics within the Pakistan People’s Party (PPP) and a need to placate powerful landlords ensured that these reforms were also relatively ineffective. There were numerous methods employed to thwart the reforms, including concealing of land and alteration of records, both of which were possible because of political connections and corruption. There was also the familiar practice of transferring land to family, friends, and sometimes, even tenants (land was naturally, forcibly repossessed later). Many landlords simply did not file a declaration of ownership. Overall, it was apparent that the political will needed to implement these reforms was simply not there. Only 0.6 percent of the total land was resumed and tenant beneficiaries were less than 10 percent of all totally landless tenants.

[^89]: For good sources on the implementation of past reforms see Herring (1983, pp. 85-124) and Khan (1994). A summary table on the implementation status of past reforms is reported in Appendix 1.
[^90]: See Appendix Table 1.
[^91]: Exemptions were allowed on various grounds including game lands, stud farms orchards, tractors, tube wells, military service and gifts.
The final reforms of 1977 set the ceiling at 100 acres for irrigated land and 200 acres for non-irrigated land per person. Compensation was offered, unlike in 1972, but was considerably lower than the market rate for land. The results were similar to the previous two experiences, largely because landlords could choose which land to retain and which to give up, and naturally, they almost always relinquished wasteland rather than cultivable land. Thus, only 0.09 percent of the total land was resumed. The standard practice of transferring land to next of kin or subordinates continued. This land reform was modest even in comparison to the earlier rounds because of the political upheaval that followed their announcement.

**Ensuring successful implementation of future reforms**

Some lessons from the implementation of past reforms are self-evident and cited above. Others issues requiring careful consideration are as follows:

a. Reliable land records would be required for all individual and joint landowners and their holdings above the "ceiling". These records should be computerized as has been announced by government several times.

b. The ceiling should apply to households to prevent intra-family transfers as in past reforms. Continuing with past reforms, the upper ceiling for the household should be 100 acres for irrigated lands and 200 acres for un-irrigated (barani) lands.

c. Only cultivable land should be resumed unlike in past reforms in which almost three-fifths of total resumed land was waste.

d. Landowners should be compensated at a reasonable rate for the resumed land; they should be given some cash plus redeemable long-term bonds.

e. The provincial land commissions should be given the responsibility and resources to resume and redistribute the land. The land revenue departments should be required to coordinate with the land commissions. The judicial process for appeals should not be cumbersome or long to avoid delays in implementation.

f. The minimum parcel per family should not be less than 5 acres irrigated and 12 acres unirrigated (barani). These small farms would need to be supported by broader agrarian reforms to ensure the non-reversibility of reforms.

The last point is of particular importance. As earlier mentioned, about 88 percent of all operational holdings are less than 12.5 acres and just over 50 percent less than 5 acres. Thus, to create sustainable livelihoods for the bulk of small farmers, and for those who are beneficiaries of land distribution based on the land reforms, there is a need for broader agrarian reforms.

---

92 Thanks are due to Mahmood Hasan Khan for sharing these thoughts, other than b and f, for the policy brief. For details, refer to his book on the subject (1981, pp. 162-202).

93 One hundred of irrigated land also accords with a definition of large in Nabi et. al. (1986) which represents the most reasoned categorization of farm size in the literature on this issue in Pakistan.


95 Thanks are due to Mahmood Hasan Khan for most of the points in this paragraph and for emphasizing the importance of agrarian reforms and for situating land reforms in this broader context. This point was also emphasized by Omar Asghar Khan.
New landowners -- landless tenants and small landowners -- should be given low-interest long-term loans, with a grace period (say of three to five years) to pay a large part of the price of land they receive from the government. Small landowners in general should have access to soft loans, perhaps through the Khushali Bank, for agricultural inputs and land development if that is needed. Extension support is important to ensure sustainable organic farming. Land fragmentation has become a serious problem and land consolidation needs to be facilitated by the state.\textsuperscript{96} Finally, there is the need to address the issue of tenancy reforms to strengthen tenants relative to landowners and similarly legislative cover is needed to protect agricultural workers’ rights.

Summary

The case for both land reform and, more broadly, agrarian reforms, is premised on the need to create sustainable livelihoods which is widely agreed to be the most effective method of alleviating poverty. In addition, land reform combats social injustice while achieving sustained economic growth.

Land ownership in Pakistan is highly concentrated, and, in the one province (NWFP) for which data are available from the Federal Land Commission, has become much more so between 1980 and 1990. More recent data, not available to researchers, is needed from the Land Commission, to update these findings for all the provinces. Land reforms that are based on specifying a ceiling on individual land holdings create the opportunity to distribute land to landless labor and tenant farmers. However, without the strong support network of agrarian reforms, the redistribution of land per se may not create sustainable livelihoods.

Agrarian reforms are also called for because, over the last 56 years, the trend has been and remains that of a rapid increase in the number of small farm as a proportion of total farms. Data on operational holdings (size of farms) suggest that land has become much more fragmented, and between 1990 and 1999, there was an increase in total farm sizes below 12.5 acres from 81 percent to 88 percent of the total land cultivated. Just over half the total farms in 1999 were less than five acres in size. Another interesting development between this census period is that the numbers of landowners in the country increased from 2.227 million to 3.491 million. There was a concomitant decline in the numbers of owner-cum-tenants and tenants. These numbers suggest fragmentation of land holdings, probably due to inheritance laws, and also a move towards owner cultivation. Thus, the total amount of land in owner cultivation increased from 24.53 million acres to 30.72 million acres and there was a corresponding decline in the other two categories of owner-cum-tenants and tenants.

As land becomes more fragmented, large landlords, who have the requisite liquidity, can add to their holdings. Thus the agenda for the state is to both ensure a fair distribution of land holdings and also to ensure broader

\textsuperscript{96} Under the devolution plan, village councils could be a natural implementation mechanism for such agrarian reforms.
agrarian reform to ensure that small farm cultivation is both just, if under tenancy contact, and sustainable if under self-cultivation.

The case for land reform is very strong particularly on grounds of justice more broadly, but specifically from an Islamic perspective. Islam views natural resources, including land, as a trust, with individuals having usufruct rights only from the amount they can reasonably cultivate and only if they are actually cultivating it themselves. The case for land reform also rests on several other grounds including the economic argument that small farms are more productive. In addition, recent research has demonstrated that unequal landholdings can subvert the success of other key reforms such as devolution of power to the grassroots level and accompanying judicial, administrative and police reforms and hence condemn the poor at the grassroots level to continued oppression.

A recent Government of Pakistan Report argues that the two main determinants of poverty are the lack of education and land. Mass education and land reform also happen to be the two main determinants of nation building and economic progress, as demonstrated by the experience of newly industrialized countries such as Japan, Korea and Taiwan. Mean educational attainment is inversely associated with absolute landed power. Thus, land reform would directly impact poverty by providing a means of sustainable livelihood, but also indirectly, by removing an impediment to educational attainment.

Pakistan has much to learn from the half-hearted attempts of the last three land reforms. First, it is important to eliminate exemptions such as for orchards, stud farms, farm machinery and gifts. Second, the ceiling must apply to households rather than to individuals. Third, only cultivable and not wasteland should be resumed. Fourth, it is critical to ensure that the resumed land is actually distributed in a timely fashion. While, eventually a large portion of the resumed land was distributed according to Land Commission records, this took much time in happening. Fourth, the legal system will need to be streamlined to ensure that the appeal process does not block the reforms via the courts. Fifth, to ensure the reforms are not reversed, extension and credit support will be necessary. The benefit of past experience should ensure success for the next round of land reforms.

However, as earlier indicated, land reforms need to be part of the much larger agrarian reforms that would provide support to those who newly acquire land from the state and to the large majority of small farmers in Pakistan. In this regard, some of the key reforms include land consolidation, fair and effective tenancy contracts and credit and extension support for sustainable agriculture on small farms. The Government may be moving in the reverse direction with regards to reform in the agricultural sector.

Budget 2001-2000 provided several incentives for the corporatization of agriculture. The danger is that this may generate a move towards concentration of land holdings, displacement of rural labor to the cities and enclave production for foreign markets that have very few linkages to the domestic economy. Our cities and municipalities are already over-burdened and simply do not have the carrying capacity to accommodate more
Small productive farms, to the contrary, have the advantage of being highly integrated with the local economy and will produce a stimulus for other sectors of the local economy on both the production side and also on the consumption side as productivity, income and demand increase.

References


Naqvi, S. N. H., M. H. Khan and M. G. Chaudhary, 1989, Structural Change in Pakistan’s Agriculture (Islamabad: Pakistan Institute of Development Economics).

Appendix

Table 1 Implementation status of past land reforms in Pakistan

<table>
<thead>
<tr>
<th>Year</th>
<th>Ceiling</th>
<th>Total land resumed (hectares)</th>
<th>Total land redistributed (hectares)</th>
<th>Total land redistributed as a % of total land resumed#</th>
<th>Total land resumed as a % of total land@</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959</td>
<td>150 acres (irrigated) 300 acres (semi-irrigated) 450 acres (unirrigated)</td>
<td>1,008,106</td>
<td>952,856</td>
<td>94.5</td>
<td>1.27</td>
</tr>
<tr>
<td>1972</td>
<td>150 acres (irrigated) 300 acres (unirrigated)</td>
<td>481,244</td>
<td>295,929</td>
<td>61.5</td>
<td>0.6</td>
</tr>
<tr>
<td>1977</td>
<td>100 acres (irrigated) 200 acres (unirrigated)</td>
<td>74,109</td>
<td>38,566</td>
<td>52.0</td>
<td>0.09</td>
</tr>
</tbody>
</table>

Notes# These figures of the land commission have been challenged in the press. For example, A. S. Yusufi, in the Dawn, October 2, 1998, claimed that 380,400 acres of resumed land in the NWFP was awaiting distribution. @ Total land is quoted as 79.61 million hectares in Government of Pakistan (1998, p. 85). Total land is quoted here instead of cultivated land because, for example in 1959, according to Herring (1983, p. 99) only 43.2 percent of land resumed was cultivated land and according to Khan (1999, p. 29) less than a quarter was cultivated

(PB #12, 2000)
An Indicative Model for Power Devolution to the Grassroots Level

Shahrukh Rafi Khan

Introduction

Senior policy makers in Pakistan have indicated that power will be distributed across four tiers i.e. center, provinces, districts and a lower tier, perhaps villages or wards/town committees in urban areas. Since most of the power is currently concentrated in the center, the devolution is to be to the provinces, districts and the lower tiers. Our view is that villages or wards are the appropriate last tier for power devolution, and so we will work with that premise in this policy brief. This brief will also focus on the interaction between the last two tiers, since that is currently the focus of attention. The premise is that more effective devolution and participatory democracy will result from starting to build from the grassroots level. Other than the main objective of using devolution as a mechanism to build a participatory and hence a “real” democracy, the other expressed policy objectives includes the following:

- To build an institutional structure that empowers the poor and hence gives them a vested interest to protect.
- To ensure cost-effective service delivery via collective action
- To ensure the delivery of speedy justice at the doorstep of the poor

All these are worthy objectives and we think more likely to be achieved, as will be elaborated on below, if the lowest tier is the village.

Power is a zero-sum game. Achieving the empowerment of the poor at the grassroots level may mean disempowering other groups. At the district and grassroots level, this would include the following groups:

97. Thanks are due to Omar Asghar Khan, Minister of Local Government and Rural Development and Rashida Dohad of The Asia Foundation for initiating this work and to Rashida Dohad for on-going discussions and valuable comments. Thanks are due to colleagues in SDPI for comments particularly Saba Gul Khattak, Foqia Sadiq Khan and Sajid Kazmi, to Tariq Banuri for extensive and valuable comments, and to Julio A. Andrews, Representative, The Asia Foundation, for being supportive and for useful exchanges and to The Asia Foundation for funding this work as part of The Asia Foundation / SDPI project on Citizen’s Perspective on Power Devolution. Finally, many thanks are due to Lt. Gen. (Rtd.) Syed Tanvir Hussain Naqvi, Chairman, National Reconstruction Bureau (NRB), for sequentially and crisply posing the problems to address and asking challenging questions and to all members of the NRB who engaged with us in lively discussions.

98. The rest of the brief refers only to villages although, with some changes, such devolution also applies to urban local government.

99. Here and elsewhere, we will not question the premises that have already been publicly adopted by policy makers, but use them as parameters to work within. On issues that a public posture has not been assumed, we will nudge them in the direction we think more suited to attaining the stated objectives of power devolution to the grassroots level.

100. While it is hard to imagine a military government achieving these objectives, the objective here is to indicate the minimum steps and safeguards required for their achievement.
Elites who derive their power from land or other sources of legal or illegal wealth
Local, provincial and national politicians who have a stake at all levels including the grassroots level
District administration
District local government

An ideal solution would be to take a long-term view of achieving the kind of far-reaching reform needed to effectively devolve power to the grassroots level. Thus, it would require diffusion of power via land reform and electoral reforms to prevent capture of power at the grassroots level, far reaching public sector reform to eliminate redundancy and judicial and police reform reform at the district level to ensure effective dispensation of justice. In practice, political compulsions require quick action and also constrain the nature of reforms that can be put into effect. In this regard, we present a model for achieving the desired objective with the least possible demands for fundamental structural reform. However, even so, there are some minimum conditions for power devolution and these will be specified. In addition, the issues of capacity building at the grassroots level will need to be addressed. Given that such reforms result in social and political disruption at the local level, it may be wise to implement such reforms via a pilot process.

The two sections that follow contain a model for power devolution to the grassroots level and explore the mechanism of the interaction of local government with district government.

Model

The case for devolving power to the village is based on the principle of subsidiarity i.e. that power should be devolved to the lowest possible level at which it can effectively be discharged. This has been proved to be both more efficient and more just. This would also address all the stated objectives of power devolution in section I, particularly that of ensuring cost-effective service delivery via collective action. The services being referred to include, intra alia, the following:

- Education
- Health
- Drinking water supply
- Sanitation
- Rural roads
- Environmental conservation
- Local irrigation works
- Justice

While the reforms suggested are quite fundamental, they fall short of the land, electoral, judicial and public sector reforms that would be ideal.

For details on this see Banuri et. al. (1997, chapter 7) and Khan (1999).
The scope of what a village could handle would change with technology and the growing expertise/capacity at the local level.

A. Elections to village assemblies

The formation of an elected village assembly that corresponds to district, provincial and national assemblies is proposed here. About ten or so members (depending on population) could be elected based on safeguards to ensure the diffusion of power. For village assemblies, in our view, land reform would be one such critical safeguard. In the absence of that, various electoral safeguards could be used. These could include bifurcating the candidates into agricultural vs. non-agricultural occupations. In agriculture, there would be a need to ensure that there is an adequate representation by size of farm and for those who are landless. Special affirmative action seats should be reserved for women and minorities. However, separate electorates have not worked in Pakistan and are not supported by the minority groups they were supposed to protect because it marginalised them. Thus all individuals should have a right to vote for all candidates in the various categories and all individuals should have a right to fight elections from all seats.

The time period for which candidates are elected need to be long enough for them to give them an opportunity to settle in and serve the community well, but

---

103 There is an election sequencing issue that has not been addressed. Ideally, it would be good to start from the grassroots level. However, since this may be logistically problematic, it would be possible to start with district elections and mandate the district assemblies to assist with village elections. Elections are being recommended here, even though some communities find them to be divisive and would prefer community selection by consensus, such as has been Pattan’s (a grassroots development NGO) experience in southern Punjab.

104 There could be a general assembly of everyone in the village/town committee, which is more conducive to participation, but an assembly of elected representatives is likely to perform the executive function more efficiently.

105 Opponents argue that such appropriation of private property should then extend to industry and even private assets such as houses. However, land can represent a concentration of economic and hence political power. Just as anti-trust action is justified against the concentration of economic power in industry, this argument extends to agriculture also. That evidence shows small farms sizes to be more productive and that landed power is inversely associated with educational attainment are additional benefits. Evidence cited in Khan (1999).

106 Thus restricting the representational rights of individuals is against fundamental democratic norms, but we recommend it nonetheless for the short-term, since exclusion also results from the monopoly of economic and political power derived from land and other sources.

107 As pointed out by Moghal (nd.), minorities are only allowed to vote for their own candidates and the whole particular minority community is the constituency in national and provincial elections. The result was that Muslim candidates did not view the minorities as their constituents, hence marginalizing them, and minority candidates inevitably were elected from areas where the population of minorities were the greatest and so they were inaccessible to minorities in the rest of the country. In practice, they were also easily bought off and did not serve minority interests. See Khattak (1996) and Moghal (nd.) for details on how to practically structure the electoral process to make it just and equitable for women and minorities. Special attention also needs to be given to the lower castes called kamis who are completely powerless and disenfranchised at the local level.
not so long that the threat of having to face the electorate is too distant. While accountability mechanism will need to exist at the village level to deal with errant behavior, the threat of being ousted is an important democratic check, if the process is allowed to continue.

We think elections should be on a party basis for the following reasons:\footnote{Refer to Manor (1999, pp. 74-76) for similar and other points.}

1. Exclusion of the political parties, particularly those who have already announced their desire to participate in local government elections, will create social discord and rifts that will jeopardize the process. Past experience shows that political parties find a way to indirectly contest the elections anyway.

2. If accompanied by elections within parties, this will deepen democracy, since it will create a cadre of leaders who emerge from the local tiers and move on to higher tiers based on serving the community. This is an important feature of all good democracies. As Manor (1999, p. 75) puts it, it will integrate elected bodies across the various tiers, which is an important building block for a healthy democracy.

3. If parties are excluded, it will create political insecurity and tensions and create the impression that the present government merely intends to perpetuate itself as happened with military governments in the past.

4. Finally, implementing sequential party based elections from the lower to the higher tiers is the best “exit strategy” for this government. This is one that will give the government enough time to implement the fundamental reforms it would like to and an announcement of such a strategy will create national and international goodwill.

**B. Service**

Committees could be constituted for all services that are delivered at the level of the village as indicated above. The chairperson of the committee would be a member of the village assembly and other members could be elected/selected from the community as appropriate. The time spent serving on committees will be paid for at local market levels as determined by the assembly. For example, for schooling, others members of the committee could include representatives of parents, teachers and the broader community since all have a stake in children’s education.

The functions of the committee would need to be effective service delivery depending on the level of skills that exist at the local level. Thus, for the school committee, the appropriate functions would be to ensure that school age children are enrolled in accordance to the law and to provide appropriate incentives for this (school lunches, uniforms/books, crèches for the poor), to monitor teacher and student absenteeism, to ensure, in agricultural areas, that the school schedule is consistent with the agricultural cycle and to ensure that the funds allocated to the school by the village assembly are used appropriately. Naturally, higher tiers may determine the curricula, but as local expertise grows, more autonomy for such functions must also reside at the village level.
All committees would report to the village assembly (i.e. the people’s representatives) that would ensure that the functions of the committees are being carried out according to their mandate. Thus, for example, the school committee could recommend firing a teacher to the village assembly that should have the power to accept such a recommendation. In this regard, government officers like public school teachers will become the employees of village government and not the provincial government.\textsuperscript{109}

C. Accountability

Good service would be predicated on three factors. First, repeat elections, if allowed to occur, should ensure that the community chooses those that best serve it. Second, a healthy competition might get promoted across communities in delivering good service.\textsuperscript{110} Third, there could be a routine audit of various service functions at the lower tiers by the line ministries and civil service such as a schooling committee or justice committee audit, with the results provided to the village assembly for action. Finally, laws and rules would need to be put in place to enable the community to take the village assembly to District courts.\textsuperscript{111} The basic principle that needs to be conformed to here is that the accountability and authority must reside at the village level. In addition, the principle of judicial review should prevail, such that a judge could call the assembly to account for malfeasance, negligence and criminality.

D. Justice\textsuperscript{112}

Policy makers have stated that one of the objectives, as stated above, is speedy justice delivered at the doorstep of the poor. One of the ideas that emerged during public hearings on this issue was that of a justice or insaf committee. Once again, the committee should have an elected assembly member as the chair and there should be due representation of women, minorities and lower castes. The key would be the force provided by the police and district administration to the decisions of the insaf committee, as endorsed by the elected assembly, on matters that are deemed to be within their jurisdiction.\textsuperscript{113} This issue will be discussed further when considering the interface of the district and local government.

E. Finance

It is now well understood that devolution of powers from the center to lower tiers is meaningless without also devolving financial authority to the local tiers. Thus

\textsuperscript{109} Naturally, this will not play well with the teachers’ union, but, as earlier mentioned, devolution does entail the distribution of power for more justice and efficiency. Public education is currently in shambles and research shows that the lack of effective teacher accountability has a lot to do with this. Refer to Khan, Kazmi and Latif (1999).

\textsuperscript{110} Point made by Banuri and Mahmood (1997).

\textsuperscript{111} Ibid.

\textsuperscript{112} This section is based on feedback received by Rashida Dohad during the course of public hearings as part of The Asia Foundation / SDPI project on Citizen’s Perspective on Power Devolution.

\textsuperscript{113} Naturally, affected individuals would have the right to appeal to the assembly.
devolving power to the village level would require that a financial base be tapped at the local level. For villages, this would primarily be a tax on land (rather than an agricultural income tax which has provincial jurisdiction). The mechanism for collecting such a tax already exists at the village level, so it would be a question of the village assembly retaining these funds rather than passing them on to higher levels. In addition, there would be a fee for services such as education, health and water supply. Finally, higher tiers could provide funding based on sales taxes collected at higher tiers of government. The transfers from the higher tiers would need to be based on the population and backwardness of recipient community.

**Relationship of local government with district government, civil service and line departments**

As earlier stated, even the minimalist model of power devolution presented here has far reaching implications for restructuring of functions at various tiers of government. Thus the challenge is to restructure the role of the civil service and line department personal in a way so that the roles are both productive and consistent with the power devolution being advocated. Our suggestion is that the concern of the civil service or the district management group should now be explicitly with law and order, as mandated, and they no longer have any role in development, since that could be handled by elected local assemblies. They could backstop the justice committees and village assemblies, engage in capacity building at the local and district level and deal with law and order issues under their jurisdiction along with reformed district courts and police service. Freed from the other responsibilities, they could focus on a more rapid and efficient dispensation of justice. As Manor (1999, p. 97) pointed out, prejudices can find more intense expression at the local level; thus a heightened responsibility at the village level will be the protection of the minority rights if they are threatened at the local level.

The main functions of the line departments would include the following:

- capacity building
- technical assistance
- raining
- passing on development grants approved by the district assemblies and maintaining the records.
- setting standards
- data collection
- periodic audits, although this may be left to a specialized agency.

Effective authority would reside with village committees and assemblies. Gross misconduct or misappropriation could be reported to village assemblies who would refer it to the judiciary. In order for them to perform this task efficiently, line department officials would also need to be trained with the training managed at higher tiers by agencies such as the NRSP.

---

114 For suggestions refer to ed. Yasin (1999).

115 This would be an ideal use of the Social Action Plan funds.
Some rationalization of the functions of the line department would naturally be called for. For example, currently the Ministry of Local Government and Rural Development (LGRDD) and Public Health Engineering Department (PHED) have both been entrusted for delivering rural water supply schemes. Since rural development should be managed at the local level, relying on the line departments and specialized agencies should be adequate for training, technical assistance and capacity building as identified above. Village assemblies should be able to approach the elected district officials for inadequate or slow response from line departments.

**Summary**

The working model presented above embodies a few fundamental principles. First, we support the concept of devolution to the grassroots level, since much of the service delivery is at that level and entrusting communities with administrative and financial authority for this purpose is both more just and more efficient. The model spells out in practical terms how the key issues of elections, service, justice, accountability and finance can be addressed.

Second, power devolution is a zero-sum game and empowerment at the grassroots level requires disempowerment of other groups and interests at other levels. Again, a pragmatic approach to this issue has been taken and the model proposed suggests how the four stated objectives of the power devolution of “building real democracy”, an “empowering institutional structure,” a “cost-effective service delivery” and “justice at the doorstep” may be achieved with a minimum of social and political disruption. Naturally, we feel that real and sustainable grassroots empowerment is contingent on more fundamental land, electoral, judicial and public sector reforms. However, in the short time frame for reform that the government has adopted, we have specified minimum conditions required for some meaningful change to achieve stated objectives.

Finally, it is essential that accountability must reside at the grassroots level for the functions that are in their jurisdiction. Repeat elections, the right to take village assemblies to district courts and judicial review are part of the accountability process. In addition, district management and line department officials can do periodic audit of the various service committees such as education and insaf. However, it is vital that the results of these audits are provided to the grassroots assemblies for appropriate action so that accountability and authority resides at the grassroots level.

The real challenge in devolving power lies in trusting ordinary women and men at the grassroots level to manage their own affairs and to protect their own interests. This call for a change in mind-set among policy makers is perhaps even more radical than a call for land reform.
References


Mogul, D., nd., “The Question of Electoral System for Minorities in Pakistan: Joint or Separate,” (Urdu), Chrystain Study Center, Rawalpindi.


(PB # 10, 2010)
Costing The National Reconstruction Bureau’s Local Government Plan (2000)\textsuperscript{116}

Shahrukh Rafi Khan and Ashfaq Sadiq

Introduction

This policy brief focuses on the incremental cost of implementing the National Reconstruction Bureau’s (NRB) devolution Plan 2000.\textsuperscript{117} We have seen no costing to date, and the objective of this exercise is to assess if the Plan is financially viable.\textsuperscript{118} We have been informed that, as much as possible, the existing government staff will be drawn on rather than new staff hired and hence the cost of the devolution Plan will be modest. Even so, this contention requires more thorough analysis.

Estimates

We made as few assumptions as possible to arrive at a realistic cost estimate. We assumed an average experience of 15 years (mid-career) to determine where staff would fit into the government sector pay scale. The rank for the different district government officials was based on information provided to us.

The magistracy was stated in the Plan to be a component of district administration, but we have not included it in the cost estimate, since we have been informed that this is now being viewed as a provincial subject. In addition, we have not included any cost estimates for education, agriculture, health, and public works. Since line department officials already exist for these departments at the district level, we assume there will be a reallocation of personnel, buildings and materials.

Thus, the incremental staffing required for each district will include one Zila Nazim, one Naib Zila Nazim, one District Coordinator Officer, one District Auditor, 7 Executive District Officers, 21 District Officers, 3 Deputy District Officers, 35 secretarial staff with varying pay scales, 22 dispatch riders and drivers and 35 support staff. Each Tehsil will have one Tehsil Nazim, one Naib Tehsil Nazim, one Tehsil Municipal Officer, 4 Tehsil Officers, 15 Deputy District Officers, Tehsildars and Tehsil Inspectors, 21 secretaries, 8 dispatch riders, one driver and 25 support staff. Finally, Union Councils will have one Nazim Union Council and one Naib Nazim Union Council, 3 secretaries and one support staff.\textsuperscript{119}

\textsuperscript{116} This brief is part of the SDPI/TAF project on devolution of power to the grassroots level, prepared for SPDC/FES seminar on “Perspectives on Devolution of Power,” August 2-3, 2000, Islamabad. Valuable comments from Shaheen Rafi Khan and Hafeez Pasha are gratefully acknowledged.

\textsuperscript{117} Government of Pakistan, (2000).

\textsuperscript{118} We have written on political and economic aspects of the NRB devolution plan in Khan (2000) and presented what we believe to be a more viable model in Khan (2000).

\textsuperscript{119} Government of Pakistan, (2000).
According to information taken from the records of the Ministry of Environment, Local Government and Rural Development, the total number of districts, tehsils and union councils are 105, 276 and 5984 respectively.

Based on the mid-career experience assumption, stated above, the total annual salary cost for engaging the additional staff will be Rs. 3,307.08 million as indicated in Table 1 below.

<table>
<thead>
<tr>
<th>Personnel</th>
<th>BPS#</th>
<th>Number$</th>
<th>Per unit cost@</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zila Nazim</td>
<td>1</td>
<td>1</td>
<td>120,862.65</td>
<td>20,862.65</td>
</tr>
<tr>
<td>Naib Zila Nazim</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District Coordination Officer (DCO)</td>
<td>20</td>
<td>1</td>
<td>117,815.50</td>
<td>17,815.50</td>
</tr>
<tr>
<td>District Auditor (Internal) (DA)</td>
<td>19</td>
<td>1</td>
<td>717,815.50</td>
<td>124,708.50</td>
</tr>
<tr>
<td>District Officers (DOs)</td>
<td>19</td>
<td>7</td>
<td>13,550.95</td>
<td>94,851.65</td>
</tr>
<tr>
<td>Deputy District Officers</td>
<td>18</td>
<td>21</td>
<td>13,550.95</td>
<td>284,569.95</td>
</tr>
<tr>
<td>Assistant District Officers (ADOs)</td>
<td>17</td>
<td>3</td>
<td>10,532.50</td>
<td>31,597.50</td>
</tr>
<tr>
<td>Secrt. supt. staff for CM, DyCM, DCO, DA</td>
<td>14</td>
<td>4</td>
<td>5,738.55</td>
<td>22,954.20</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dos</td>
<td>14</td>
<td>7</td>
<td>5,738.55</td>
<td>40,169.85</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Deputy Dos</td>
<td>9</td>
<td>21</td>
<td>3,922.35</td>
<td>82,369.35</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for ADOs</td>
<td>10</td>
<td>3</td>
<td>3,287.80</td>
<td>9,863.40</td>
</tr>
<tr>
<td>Drivers and despatch riders</td>
<td>6</td>
<td>8</td>
<td>3,104.00</td>
<td>24,832.00</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>35</td>
<td>2,356.15</td>
<td>82,465.25</td>
</tr>
<tr>
<td>Total incremental monthly salary cost for one district</td>
<td></td>
<td></td>
<td>785,664.15</td>
<td></td>
</tr>
<tr>
<td>Total incremental annual salary cost for one district</td>
<td></td>
<td></td>
<td>9,427,969.80</td>
<td></td>
</tr>
<tr>
<td>Total incremental annual salary cost for 105 districts (million)</td>
<td></td>
<td></td>
<td>989.94</td>
<td></td>
</tr>
<tr>
<td>Tehsil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nazim Tehsil</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naib Nazim Tehsil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Municipal Officer</td>
<td>17</td>
<td>1</td>
<td>10,532.50</td>
<td>10,532.50</td>
</tr>
<tr>
<td>Tehsil Officers</td>
<td>14</td>
<td>4</td>
<td>5,738.55</td>
<td>22,954.20</td>
</tr>
<tr>
<td>ADOs, Tehsil Inspectors, Tehsildars</td>
<td>17</td>
<td>15</td>
<td>15,103.25</td>
<td>157,987.50</td>
</tr>
<tr>
<td>Addl. District and Sessions Judges</td>
<td>17</td>
<td>4</td>
<td>10,532.50</td>
<td>42,130.00</td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>6</td>
<td>21</td>
<td>1,304.00</td>
<td>69,043.80</td>
</tr>
<tr>
<td>Despach Riders</td>
<td>5</td>
<td>8</td>
<td>1,304.00</td>
<td>24,832.00</td>
</tr>
<tr>
<td>Driver</td>
<td>5</td>
<td>1</td>
<td>1,304.00</td>
<td>3,104.00</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>25</td>
<td>2,356.15</td>
<td>58,903.75</td>
</tr>
<tr>
<td>Total incremental monthly salary cost for one tehsil</td>
<td></td>
<td></td>
<td>389,487.75</td>
<td></td>
</tr>
<tr>
<td>Total incremental annual salary cost for one tehsil</td>
<td></td>
<td></td>
<td>4,673,853.00</td>
<td></td>
</tr>
<tr>
<td>Total incremental annual salary cost for 276 tehsils (million)</td>
<td></td>
<td></td>
<td>1,289.98</td>
<td></td>
</tr>
<tr>
<td>Union Council</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chairman Union Council</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Secretaries Union Council: 6 2 3,287.80 6,575.60
Support Staff for Chairman: 1 1 2,356.15 2,356.15

Total incremental monthly salary cost for one union council: 8,931.75
Total incremental annual salary cost for one union council: 107,181.00
Total incremental annual salary cost for 9584 union councils (million): 1,027.22
Grand total incremental annual cost of all districts, tehsils and union councils (million): 3,307.14

Sources:
@ Government of Pakistan (1994). Total salary cost includes basic pay, 15 annual increments, general provident fund, house rent, medical, and cost and living allowances @ 7 percent.

Note:
a) For details, see Annexure Table I.
b) Districts vary widely in size and so there could be wide variation in the unit administration cost. However, the NRB has recently announced that there will be a re-demarcation to make districts of similar size.

The total annual non-salary recurring cost is Rs. 3,090.73 million as shown below in Table 2.

| Phone and fax | 304,350 | 156,450 | 7,350 |
| Fuel* | 70,200 | 5,400 | - |
| Maintenance^ | 22,913 | 2,083 | - |
| Stationery# | 150,000 | 100,000 | 2,000 |
| Utilities$ | 118,336 | 43,977 | 750 |
| Newspapers^ | 20,020 | 6,292 | 212 |
| Total monthly cost | 685,819 | 314,202 | 10,312 |
| Total annual cost | 8,229,828 | 3,770,424 | 123,744 |
| Total annual non-salary cost for 105 districts (million) | 864.13 |
| Total annual non-salary cost for 207 tehsils (million) | 1,040.64 |
| Total annual non-salary cost for 9584 union councils (million) | 1,185.96 |
| Grand total (million) | 3,190.73 |

Sources:
# Government of Pakistan, (1980).
$ Projected from average per month from utility bills of District Council and Deputy Commissioner Office, Rawalpindi.
^ The English Daily The News costs Rs. 372 per month and the Urdu Daily Jang costs Rs. 212 per month.

Note: For details, see Annexure Table II.
The total one time capital cost is estimated to be Rs. 2,752.29 million as indicated in Table 3 below.

**Table 3: Incremental per unit developmental cost per district, tehsil, and union council**

<table>
<thead>
<tr>
<th>Districts</th>
<th>Tehsils</th>
<th>Union Councils</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>6,440,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Computers</td>
<td>3,480,000</td>
<td>1,950,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>670,000</td>
<td>390,000</td>
</tr>
<tr>
<td>Photocopy Machines</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Telephone Sets</td>
<td>80,400</td>
<td>24,000</td>
</tr>
<tr>
<td>Fax Machines</td>
<td>385,000</td>
<td>315,000</td>
</tr>
<tr>
<td>Legislative Dev. Cost</td>
<td>73,000</td>
<td>73,000</td>
</tr>
</tbody>
</table>

Total unit cost | 11,428,400 | 4,152,000 | 42,400 |

Total annual one time developmental cost for 105 districts (million) | 1,199.98 |
Total annual one time developmental cost for 207 tehsils (million) | 1,145.95 |
Total annual one time developmental cost for 9584 union councils (million) | 406.36 |
Grand total (million) | 2,752.29 |

**Source:** The number of equipment/items was determined by conducting a needs assessment survey of different government offices. An average cost was determined by soliciting quotations from dealers dealing in different items.

**Note:** For details see annexure on Table III.

The legislative cost of the devolution plan is estimated to be Rs. 5,248.32 million as indicated in the Table 4 below.

**Table 4: Legislative costs of district, tehsil and union councils**

<table>
<thead>
<tr>
<th>Personnel</th>
<th>Districts</th>
<th>Johiya Nazims(^*)</th>
<th>Naib Johiya Nazims(^#)</th>
<th>Members district assemblies(^)</th>
<th>Women members (33% of total) (^)</th>
<th>Workers/peasents (5% of total) (^)</th>
<th>Minority members (5% of total) (^)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost/head</td>
<td>23,767</td>
<td>22,150</td>
<td>15,283</td>
<td>15,283</td>
<td>15,283</td>
<td>15,283</td>
<td>15,283</td>
<td>15,283</td>
</tr>
<tr>
<td>Number</td>
<td>105</td>
<td>105</td>
<td>9584</td>
<td>3163</td>
<td>48,340,129</td>
<td>7,320,557</td>
<td>7,320,557</td>
<td>214,274,800</td>
</tr>
<tr>
<td>Total monthly Cost</td>
<td>2,495,535</td>
<td>2,325,750</td>
<td>146,472,272</td>
<td>48,340,129</td>
<td>7,320,557</td>
<td>7,320,557</td>
<td>2,571,300</td>
<td></td>
</tr>
<tr>
<td>Total annual legislative cost for 105 districts assembles (million)</td>
<td>29,946,420</td>
<td>27,909,000</td>
<td>1,757,667,264</td>
<td>580,081,548</td>
<td>87,846,684</td>
<td>87,846,684</td>
<td>2,571,300</td>
<td></td>
</tr>
</tbody>
</table>

**Grand total (million):** 2,752.29
<table>
<thead>
<tr>
<th>Members tehsil assemblies</th>
<th>15,283</th>
<th>9584</th>
<th>146,472,272</th>
<th>1,757,667,264</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women members (33% of total)</td>
<td>15,283</td>
<td>3163</td>
<td>48,340,129</td>
<td>580,081,548</td>
</tr>
<tr>
<td>Workers/peasants (5% of total)</td>
<td>15,283</td>
<td>479</td>
<td>7,320,557</td>
<td>87,846,684</td>
</tr>
<tr>
<td>Minority members (5% of total)</td>
<td>15,283</td>
<td>479</td>
<td>7,320,557</td>
<td>87,846,684</td>
</tr>
<tr>
<td>Total</td>
<td>222,126,607</td>
<td>2,665,519,284</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total annual legislative cost for 276 tehsil assemblies (million) 2,665.52

<table>
<thead>
<tr>
<th>Union Councils</th>
<th>Nazim Union Councils &amp;</th>
<th>50</th>
<th>9584</th>
<th>479,200</th>
<th>5,750,400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niab Nazim Union Councils &amp;</td>
<td>50</td>
<td>9584</td>
<td>479,200</td>
<td>5,750,400</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>958,400</td>
<td>11,500,800</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total annual legislative cost for 9584 union councils (million) 11.50

Grand total legislative cost 5,248.32

**Sources:**

- Govt. of Pakistan (1974)
- Govt. of Pakistan (1975)
- Govt. of Pakistan (1974a)
- As per information provided by Local Government officials

**Note:**

We assumed that a district assembly member would be entitled to salaries, allowances, and privileges equivalent to a Member Provincial Assembly. For details see annexure Table IV

The summary of the total cost of 14,398.48 million for recurring, legislative and one time capital expenditure is presented in Table 5 below.

### Table 5: Summary incremental recurring, legislative and one time capital cost of the devolution Plan (million).

<table>
<thead>
<tr>
<th>Head</th>
<th>Per Unit Cost/Month</th>
<th>Per Unit Cost/Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>275.59</td>
<td>3,307.14</td>
</tr>
<tr>
<td>Non salary recurring cost</td>
<td>265.26</td>
<td>3,090.73</td>
</tr>
<tr>
<td>Legislative cost</td>
<td>437.36</td>
<td>5,248.32</td>
</tr>
<tr>
<td>Total recurring cost</td>
<td>978.21</td>
<td>11,646.19</td>
</tr>
<tr>
<td>Capital cost</td>
<td>2,752.29</td>
<td>2,752.29</td>
</tr>
<tr>
<td>Grand Total</td>
<td>3,730.50</td>
<td>14,398.48</td>
</tr>
</tbody>
</table>

**Source:** Tables 1-4.

This cost estimate represents an understatement, since it does not include the cost of support staff such as technical personnel including MIS (management information systems) staff, trainers or a district revenue department. Also, conservative estimates have been made for equipment maintenance and stationary. We have also not budgeted for maintenance cost of the new buildings. We have not included the proposed provincial allocations based on district fiscal effort and equalization (to compensate for the backwardness of districts) or incentives to promote administrative efficiency and ownership of local government functioning and infrastructure by communities. More departments may be added to meet the special needs of different provinces, such as mining, tourism or livestock. District demarcation to make the size more uniform may lead to a larger number of
districts and hence greater costs. Including all this could substantially raise the one time capital and recurring costs. Other costs ignored include possible expenditures associated with Village Councils and Citizen’s Community Boards (assumed to be a voluntary effort); the cost of the Union Guards to work under the Union councils; and election costs. Accounting for all these expenses could raise costs considerably.

We scanned budget 2000-2001 carefully, but were unable to identify any allocation of funds, in either the current or the public sector development program, earmarked for the devolution plan. Thus the assumption is that the sum of Rs. 14,398.48 million plus will be raised by provinces and by the districts themselves.

The distribution of this financial burden disaggregated to the provincial level is shown below in Table 6.

<table>
<thead>
<tr>
<th>Province</th>
<th>Estimated Recurring Cost</th>
<th>Provincial recurring budget</th>
<th>Recurring cost as % of Recurring provincial budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>3,771.04</td>
<td>107,153.71</td>
<td>3.52</td>
</tr>
<tr>
<td>Sindh</td>
<td>2,329.24</td>
<td>68,287.67</td>
<td>3.41</td>
</tr>
<tr>
<td>NWFP</td>
<td>2,662.32</td>
<td>39,132.16</td>
<td>6.80</td>
</tr>
<tr>
<td>Baluchistan</td>
<td>2,883.60</td>
<td>17,754.98</td>
<td>16.24</td>
</tr>
</tbody>
</table>


The provincial burden for Baluchistan and the NWFP is 16.2 and 6.8 percent respectively which is a matter of concern.

Conclusion

We estimated the incremental total recurring cost of implementing the NRB devolution Plan to be Rs. 11.6 billion and the one time capital cost to be Rs. 2.8 billion. The high financial burden of meeting the recurring cost of the devolution Plan for Baluchistan and NWFP is a matter of particular concern. This is more so the case since our estimate does not by any means account for all the expected costs of the devolution Plan 2000.

References

Government of Pakistan, 1998a, O.M. No. 1/2/98-GC, Cabinet Secretariat, Cabinet Division, Islamabad.
Government of Pakistan, 1980, Staff Car Rules, Transport Wing, Cabinet Division, Islamabad.
Annex I

Incremental salaries cost district administrative structure

<table>
<thead>
<tr>
<th>Personnel</th>
<th>BPS</th>
<th>Number</th>
<th>Cost/head</th>
<th>Total cost/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zila Nazim</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naib Zila Nazim</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District Coordination Officer (DCO)</td>
<td>20</td>
<td>1</td>
<td>20862.65</td>
<td>20862.65</td>
</tr>
<tr>
<td>District Auditor (Internal) (DA)</td>
<td>19</td>
<td>1</td>
<td>17815.5</td>
<td>17815.5</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for CM, DyCM, DCO, DA</td>
<td>14</td>
<td>4</td>
<td>5738.55</td>
<td>22954.2</td>
</tr>
<tr>
<td>Driver and Despatch Rider</td>
<td>5</td>
<td>8</td>
<td>3104</td>
<td>24832</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>4</td>
<td>2356.15</td>
<td>9424.6</td>
</tr>
<tr>
<td>Finance, planning &amp; budget dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy District Officers</td>
<td>17</td>
<td>3</td>
<td>10532.5</td>
<td>31597.5</td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>6</td>
<td>3</td>
<td>3287.8</td>
<td>9863.4</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>3</td>
<td>2356.15</td>
<td>7068.45</td>
</tr>
<tr>
<td>Literacy department</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Distt.Officer</td>
<td>19</td>
<td>1</td>
<td>17815.5</td>
<td>17815.5</td>
</tr>
<tr>
<td>Distt.Officers</td>
<td>18</td>
<td>3</td>
<td>13550.95</td>
<td>40652.85</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for EDO</td>
<td>14</td>
<td>1</td>
<td>5738.55</td>
<td>5738.55</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>9</td>
<td>3</td>
<td>3922.35</td>
<td>11767.05</td>
</tr>
<tr>
<td>Driver and Despatch Rider</td>
<td>5</td>
<td>2</td>
<td>3104</td>
<td>3208</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>4</td>
<td>2356.15</td>
<td>9424.6</td>
</tr>
<tr>
<td>Social development dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Distt.Officer</td>
<td>19</td>
<td>1</td>
<td>17815.5</td>
<td>17815.5</td>
</tr>
<tr>
<td>Distt.Officers</td>
<td>18</td>
<td>7</td>
<td>13550.95</td>
<td>94565.65</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for EDO</td>
<td>14</td>
<td>1</td>
<td>5738.55</td>
<td>5738.55</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>9</td>
<td>7</td>
<td>3922.35</td>
<td>27456.45</td>
</tr>
<tr>
<td>Driver and Despatch Rider</td>
<td>5</td>
<td>2</td>
<td>3104</td>
<td>3208</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>8</td>
<td>2356.15</td>
<td>18849.2</td>
</tr>
<tr>
<td>Information technology dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Distt.Officer</td>
<td>19</td>
<td>1</td>
<td>17815.5</td>
<td>17815.5</td>
</tr>
<tr>
<td>Distt.Officers</td>
<td>18</td>
<td>2</td>
<td>13550.95</td>
<td>27101.9</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for EDO</td>
<td>14</td>
<td>1</td>
<td>5738.55</td>
<td>5738.55</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>9</td>
<td>2</td>
<td>3922.35</td>
<td>7844.7</td>
</tr>
<tr>
<td>Driver and Despatch Rider</td>
<td>5</td>
<td>2</td>
<td>3104</td>
<td>3208</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>3</td>
<td>2356.15</td>
<td>7068.45</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Distt.Officer</td>
<td>19</td>
<td>1</td>
<td>17815.5</td>
<td>17815.5</td>
</tr>
<tr>
<td>Distt.Officers</td>
<td>18</td>
<td>3</td>
<td>13550.95</td>
<td>40652.85</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for EDO</td>
<td>14</td>
<td>1</td>
<td>5738.55</td>
<td>5738.55</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>9</td>
<td>3</td>
<td>3922.35</td>
<td>11767.05</td>
</tr>
<tr>
<td>Driver and Despatch Rider</td>
<td>5</td>
<td>2</td>
<td>3104</td>
<td>3208</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>4</td>
<td>2356.15</td>
<td>9424.6</td>
</tr>
<tr>
<td>Commerce and industry dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Distt.Officer</td>
<td>19</td>
<td>1</td>
<td>17815.5</td>
<td>17815.5</td>
</tr>
<tr>
<td>Distt.Officers</td>
<td>18</td>
<td>3</td>
<td>13550.95</td>
<td>40652.85</td>
</tr>
<tr>
<td>Personnel</td>
<td>BPS</td>
<td>Number</td>
<td>Cost/head</td>
<td>Total cost/month</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----</td>
<td>--------</td>
<td>-----------</td>
<td>------------------</td>
</tr>
<tr>
<td>Law department</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Distt. Officer</td>
<td>19</td>
<td>1</td>
<td>17815.5</td>
<td>17815.5</td>
</tr>
<tr>
<td>Distt. Officers</td>
<td>18</td>
<td>3</td>
<td>13550.95</td>
<td>40652.85</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for EDO</td>
<td>14</td>
<td>1</td>
<td>5738.55</td>
<td>5738.55</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>9</td>
<td>3</td>
<td>3922.35</td>
<td>11767.05</td>
</tr>
<tr>
<td>Driver and Despatch Rider</td>
<td>5</td>
<td>2</td>
<td>3104</td>
<td>6208</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>4</td>
<td>2356.15</td>
<td>9424.6</td>
</tr>
<tr>
<td>Environment department</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Distt. Officer</td>
<td>19</td>
<td>1</td>
<td>17815.5</td>
<td>17815.5</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for EDO</td>
<td>14</td>
<td>1</td>
<td>5738.55</td>
<td>5738.55</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>9</td>
<td>3</td>
<td>3922.35</td>
<td>11767.05</td>
</tr>
<tr>
<td>Driver and Despatch Rider</td>
<td>5</td>
<td>2</td>
<td>3104</td>
<td>6208</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>4</td>
<td>2356.15</td>
<td>9424.6</td>
</tr>
<tr>
<td>Total cost (PKR)</td>
<td></td>
<td></td>
<td></td>
<td>785664.15</td>
</tr>
<tr>
<td>Tehsil administrative structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nazim</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naib Nazim</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Muncipal Officer</td>
<td>17</td>
<td>1</td>
<td>10532.5</td>
<td>10532.5</td>
</tr>
<tr>
<td>Tehsil Officers</td>
<td>14</td>
<td>4</td>
<td>5738.55</td>
<td>22954.2</td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>6</td>
<td>2</td>
<td>3287.8</td>
<td>6575.6</td>
</tr>
<tr>
<td>Driver and Despatch Rider</td>
<td>5</td>
<td>2</td>
<td>3104</td>
<td>6208</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>5</td>
<td>2356.15</td>
<td>14136.9</td>
</tr>
<tr>
<td>Literacy dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>17</td>
<td>3</td>
<td>10532.5</td>
<td>31597.5</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>6</td>
<td>3</td>
<td>3287.8</td>
<td>9863.4</td>
</tr>
<tr>
<td>Despatch Rider</td>
<td>5</td>
<td>1</td>
<td>3104</td>
<td>3104</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>3</td>
<td>2356.15</td>
<td>7068.45</td>
</tr>
<tr>
<td>Social dev. dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>17</td>
<td>3</td>
<td>10532.5</td>
<td>63195</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>6</td>
<td>3</td>
<td>3287.8</td>
<td>19726.8</td>
</tr>
<tr>
<td>Despatch Rider</td>
<td>5</td>
<td>1</td>
<td>3104</td>
<td>3104</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>3</td>
<td>2356.15</td>
<td>14136.9</td>
</tr>
<tr>
<td>Information tech. dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>17</td>
<td>1</td>
<td>10532.5</td>
<td>10532.5</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>6</td>
<td>1</td>
<td>3287.8</td>
<td>3287.8</td>
</tr>
<tr>
<td>Despatch Rider</td>
<td>5</td>
<td>1</td>
<td>3104</td>
<td>3104</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>1</td>
<td>2356.15</td>
<td>2356.15</td>
</tr>
<tr>
<td>Revenue dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsildars</td>
<td>17</td>
<td>2</td>
<td>10532.5</td>
<td>21065</td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>17</td>
<td>1</td>
<td>10532.5</td>
<td>10532.5</td>
</tr>
<tr>
<td>Personnel</td>
<td>BPS</td>
<td>Number</td>
<td>Cost/head</td>
<td>Total cost/month</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----</td>
<td>--------</td>
<td>-----------</td>
<td>------------------</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>6</td>
<td>3</td>
<td>3287.8</td>
<td>9863.4</td>
</tr>
<tr>
<td>Despatch Rider</td>
<td>5</td>
<td>1</td>
<td>3104</td>
<td>3104</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>3</td>
<td>2356.15</td>
<td>7068.45</td>
</tr>
<tr>
<td>Law dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>17</td>
<td>1</td>
<td>10532.5</td>
<td>10532.5</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>6</td>
<td>1</td>
<td>3287.8</td>
<td>3287.8</td>
</tr>
<tr>
<td>Despatch Rider</td>
<td>5</td>
<td>1</td>
<td>3104</td>
<td>3104</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>1</td>
<td>2356.15</td>
<td>2356.15</td>
</tr>
<tr>
<td>Environment dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Inspector</td>
<td>17</td>
<td>1</td>
<td>10532.5</td>
<td>10532.5</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>6</td>
<td>1</td>
<td>3287.8</td>
<td>3287.8</td>
</tr>
<tr>
<td>Despatch Rider</td>
<td>5</td>
<td>1</td>
<td>3104</td>
<td>3104</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>1</td>
<td>2356.15</td>
<td>2356.15</td>
</tr>
</tbody>
</table>

Continued.....

<table>
<thead>
<tr>
<th>Personnel</th>
<th>BPS</th>
<th>Number</th>
<th>Cost/head</th>
<th>Total cost/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judicial structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addl. Dist &amp; Sessions Judge</td>
<td>17</td>
<td>4</td>
<td>10532.5</td>
<td>42130</td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>6</td>
<td>4</td>
<td>3287.8</td>
<td>13151.2</td>
</tr>
<tr>
<td>Despatch Rider</td>
<td>5</td>
<td>1</td>
<td>3104</td>
<td>3104</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>4</td>
<td>2356.15</td>
<td>9424.6</td>
</tr>
<tr>
<td>Total cost (PKR)</td>
<td></td>
<td></td>
<td></td>
<td>389487.75</td>
</tr>
<tr>
<td>Union council adminstrative structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nazim</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naib Nazim</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secretaries Union Council</td>
<td>6</td>
<td>2</td>
<td>3287.8</td>
<td>6575.6</td>
</tr>
<tr>
<td>Support Staff for Chairman</td>
<td>1</td>
<td>1</td>
<td>2356.15</td>
<td>2356.15</td>
</tr>
<tr>
<td>Total cost (PKR)</td>
<td></td>
<td></td>
<td></td>
<td>8931.75</td>
</tr>
</tbody>
</table>

Source: Text Table 1.
## Annex II

Recurring cost district administrative structure

<table>
<thead>
<tr>
<th>Personnel</th>
<th>NOS.</th>
<th>Ph&amp;fax cost/ person</th>
<th>Ph&amp;fax total cost</th>
<th>Fuel cost</th>
<th>Maintenance cost</th>
<th>Stationery cost</th>
<th>Utilities</th>
<th>News Paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zila Nazim</td>
<td>1</td>
<td>15000</td>
<td>15000</td>
<td>10800</td>
<td>2083</td>
<td>12500</td>
<td>13596</td>
<td>572</td>
</tr>
<tr>
<td>Naib Zila Nazim</td>
<td>1</td>
<td>15000</td>
<td>15000</td>
<td>5400</td>
<td>2083</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District Coordination Officer (DCO)</td>
<td>1</td>
<td>15000</td>
<td>15000</td>
<td>10800</td>
<td>2083</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District Auditor (Internal) (DA)</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for CM, DyCM, DCO, DA</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance, planning &amp; budget dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. District Officers</td>
<td>3</td>
<td>7350</td>
<td>22050</td>
<td>12500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Literacy department</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td>12500</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>3</td>
<td>7350</td>
<td>22050</td>
<td></td>
<td></td>
<td></td>
<td>1716</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social development dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td>12500</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>7</td>
<td>7350</td>
<td>51450</td>
<td></td>
<td></td>
<td></td>
<td>4004</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information technology dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td>12500</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>2</td>
<td>7350</td>
<td>14700</td>
<td></td>
<td></td>
<td></td>
<td>1144</td>
<td></td>
</tr>
<tr>
<td>Department</td>
<td>DO</td>
<td>Dy.DO</td>
<td>DO</td>
<td>Dy.DO</td>
<td>DO</td>
<td>Dy.DO</td>
<td>DO</td>
<td>Dy.DO</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>----</td>
<td>-------</td>
<td>----</td>
<td>-------</td>
<td>----</td>
<td>-------</td>
<td>----</td>
<td>-------</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td>12500</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>3</td>
<td>7350</td>
<td>22050</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commerce and Industry dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td>12500</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>3</td>
<td>7350</td>
<td>22050</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law department</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td>12500</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>3</td>
<td>7350</td>
<td>22050</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support Staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment department</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td>12500</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td>7350</td>
<td>7350</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>304350</td>
<td>70200</td>
<td>22913</td>
<td>150000</td>
<td>118336</td>
<td>20020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil administrative structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Nazim</td>
<td>1</td>
<td>9450</td>
<td>9450</td>
<td>5400</td>
<td>2083</td>
<td>12500</td>
<td>9064</td>
<td>572</td>
</tr>
<tr>
<td>Naib Tehsil Nazim</td>
<td>1</td>
<td>7350</td>
<td>7350</td>
<td>5400</td>
<td>2087</td>
<td>12500</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Tehsil Municipal Officer</td>
<td>1</td>
<td>7350</td>
<td>7350</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Officers</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Literacy dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt.</td>
<td>3</td>
<td>7350</td>
<td>22050</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>No.</td>
<td>Ph&amp;fax cost/ person</td>
<td>Ph&amp;fax total cost</td>
<td>Fuel cost</td>
<td>Maintenance cost</td>
<td>Stationery cost</td>
<td>Utilities</td>
<td>News Paper</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----</td>
<td>---------------------</td>
<td>-------------------</td>
<td>-----------</td>
<td>------------------</td>
<td>-----------------</td>
<td>-----------</td>
<td>------------</td>
</tr>
<tr>
<td>Social dev. dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt. Officers</td>
<td>6</td>
<td>7350</td>
<td>44100</td>
<td>12500</td>
<td>572</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information tech. dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt. Officers</td>
<td>1</td>
<td>7350</td>
<td>7350</td>
<td>12500</td>
<td>572</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsildars</td>
<td>2</td>
<td>7350</td>
<td>14700</td>
<td>12500</td>
<td>1144</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt. Officer</td>
<td>1</td>
<td>7350</td>
<td>7350</td>
<td>572</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt. Officers</td>
<td>1</td>
<td>7350</td>
<td>7350</td>
<td>12500</td>
<td>572</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Inspector</td>
<td>1</td>
<td>7350</td>
<td>7350</td>
<td>12500</td>
<td>572</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judicial structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addl. Dist &amp; Sessions Judge</td>
<td>4</td>
<td>7350</td>
<td>29400</td>
<td>12500</td>
<td>572</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union council</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>administrative structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nazim Union Council</td>
<td>1</td>
<td>7350</td>
<td>2000</td>
<td>750</td>
<td>212</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Total                  | 163800 | 108004170 | 112500439774884 |
Annex III

Incremental institutional developmental cost for district administrative structure

<table>
<thead>
<tr>
<th>Personnel</th>
<th>NOs.</th>
<th>Vehicle</th>
<th>C/ters</th>
<th>F/ture</th>
<th>P/copy</th>
<th>Tel</th>
<th>Fax</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zila Nazim</td>
<td>1</td>
<td>745000</td>
<td>50000</td>
<td>10000</td>
<td>15000</td>
<td>1200</td>
<td>3500</td>
<td>991200</td>
</tr>
<tr>
<td>Naib Zila Nazim</td>
<td>1</td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td></td>
<td>1200</td>
<td>3500</td>
<td>646200</td>
</tr>
<tr>
<td>District Coordination Officer (DCO)</td>
<td>1</td>
<td>745000</td>
<td>50000</td>
<td>10000</td>
<td>15000</td>
<td>1200</td>
<td>3500</td>
<td>991200</td>
</tr>
<tr>
<td>District Auditor (Internal) (DA)</td>
<td>1</td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td></td>
<td>1200</td>
<td>3500</td>
<td>646200</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for CM, DyCM, DCO, DA</td>
<td>4</td>
<td>0</td>
<td>200000</td>
<td>40000</td>
<td>4800</td>
<td></td>
<td></td>
<td>244800</td>
</tr>
<tr>
<td>Finance, planning &amp; budget dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. District Officers</td>
<td>3</td>
<td>0</td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td></td>
<td></td>
<td>183600</td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>3</td>
<td>0</td>
<td>150000</td>
<td>30000</td>
<td>0</td>
<td></td>
<td></td>
<td>180000</td>
</tr>
<tr>
<td>Literacy department</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt.Officer</td>
<td>1</td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>3500</td>
<td></td>
<td>646200</td>
</tr>
<tr>
<td>Deputy</td>
<td>3</td>
<td>0</td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td></td>
<td></td>
<td>183600</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td>0</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td></td>
<td></td>
<td>61200</td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>3</td>
<td>0</td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td></td>
<td></td>
<td>183600</td>
</tr>
<tr>
<td>Social development dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distt.Officer</td>
<td>1</td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>3500</td>
<td></td>
<td>646200</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------------------</td>
<td>----------------------------</td>
<td>------------------------------</td>
<td>-------------------------------</td>
<td>----------------</td>
<td>------------------------</td>
<td>----------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>0</td>
<td>350000</td>
<td>70000</td>
<td>8400</td>
<td>0</td>
<td>428400</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>0</td>
<td>30000</td>
<td>10000</td>
<td>1200</td>
<td>0</td>
<td>41200</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>0</td>
<td>350000</td>
<td>70000</td>
<td>8400</td>
<td>0</td>
<td>428400</td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td></td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>350000</td>
<td>646200</td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>2</td>
<td></td>
<td>100000</td>
<td>20000</td>
<td>2400</td>
<td>0</td>
<td>122400</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>0</td>
<td>61200</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>2</td>
<td></td>
<td>100000</td>
<td>20000</td>
<td>2400</td>
<td>0</td>
<td>122400</td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td></td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>350000</td>
<td>646200</td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>3</td>
<td></td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td>0</td>
<td>183600</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>0</td>
<td>61200</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>3</td>
<td></td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td>0</td>
<td>183600</td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td></td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>350000</td>
<td>646200</td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>3</td>
<td></td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td>0</td>
<td>183600</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>0</td>
<td>61200</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>3</td>
<td></td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td>0</td>
<td>183600</td>
<td></td>
</tr>
<tr>
<td>Distt. Officer</td>
<td>1</td>
<td></td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>350000</td>
<td>646200</td>
</tr>
<tr>
<td>Deputy Distt. Officers</td>
<td>3</td>
<td></td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td>0</td>
<td>183600</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for DO</td>
<td>1</td>
<td></td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>0</td>
<td>61200</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff for Dy.DO</td>
<td>3</td>
<td></td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td>0</td>
<td>183600</td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>NOs</td>
<td>Vehicle</td>
<td>C/ters</td>
<td>F/ture</td>
<td>P/copy</td>
<td>Tel</td>
<td>Fax</td>
<td>Total Cost</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----</td>
<td>---------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>-----</td>
<td>-----</td>
<td>------------</td>
</tr>
<tr>
<td>Tehsil administrative structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Nazim</td>
<td>1</td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td></td>
<td></td>
<td>796200</td>
</tr>
<tr>
<td>Naib Tehsil Nazim</td>
<td>1</td>
<td>550000</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td></td>
<td></td>
<td>796200</td>
</tr>
<tr>
<td>Tehsil Muncipal Officer</td>
<td>1</td>
<td>0</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>35000</td>
<td></td>
<td>96200</td>
</tr>
<tr>
<td>Tehsil Officers</td>
<td>4</td>
<td>0</td>
<td>200000</td>
<td>40000</td>
<td>4800</td>
<td></td>
<td></td>
<td>244800</td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>2</td>
<td>0</td>
<td>100000</td>
<td>20000</td>
<td>0</td>
<td>0</td>
<td></td>
<td>120000</td>
</tr>
<tr>
<td>Literacy dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt. Officers</td>
<td>3</td>
<td>0</td>
<td>150000</td>
<td>30000</td>
<td>3600</td>
<td>35000</td>
<td></td>
<td>218600</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>3</td>
<td>0</td>
<td>150000</td>
<td>30000</td>
<td>0</td>
<td>0</td>
<td></td>
<td>180000</td>
</tr>
<tr>
<td>Social dev. dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt. Officers</td>
<td>6</td>
<td>0</td>
<td>300000</td>
<td>60000</td>
<td>7200</td>
<td>35000</td>
<td></td>
<td>402200</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>6</td>
<td>0</td>
<td>300000</td>
<td>60000</td>
<td>0</td>
<td>0</td>
<td></td>
<td>360000</td>
</tr>
<tr>
<td>Information tech. dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt. Officers</td>
<td>1</td>
<td>0</td>
<td>500000</td>
<td>10000</td>
<td>1200</td>
<td>35000</td>
<td></td>
<td>96200</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>1</td>
<td>0</td>
<td>500000</td>
<td>10000</td>
<td>0</td>
<td>0</td>
<td></td>
<td>60000</td>
</tr>
<tr>
<td>Revenue dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsildars</td>
<td>2</td>
<td>0</td>
<td>100000</td>
<td>20000</td>
<td></td>
<td></td>
<td></td>
<td>155000</td>
</tr>
<tr>
<td>Asst. Distt. Officer</td>
<td>1</td>
<td>0</td>
<td>500000</td>
<td>10000</td>
<td>1200</td>
<td></td>
<td>0</td>
<td>61200</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>3</td>
<td>0</td>
<td>150000</td>
<td>30000</td>
<td>0</td>
<td>0</td>
<td></td>
<td>180000</td>
</tr>
<tr>
<td>Law dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asst. Distt. Officers</td>
<td>1</td>
<td>0</td>
<td>500000</td>
<td>10000</td>
<td>1200</td>
<td>35000</td>
<td></td>
<td>96200</td>
</tr>
<tr>
<td></td>
<td>127x689</td>
<td>127x677</td>
<td>127x607</td>
<td>127x595</td>
<td>127x583</td>
<td>127x571</td>
<td>127x560</td>
<td>127x548</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>1</td>
<td>0</td>
<td>50000</td>
<td>10000</td>
<td>0</td>
<td>0</td>
<td>60000</td>
<td></td>
</tr>
<tr>
<td>Environment dept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil Inspector</td>
<td>1</td>
<td>0</td>
<td>50000</td>
<td>10000</td>
<td>1200</td>
<td>35000</td>
<td>96200</td>
<td></td>
</tr>
<tr>
<td>Secrt. Supt. Staff</td>
<td>1</td>
<td>0</td>
<td>50000</td>
<td>10000</td>
<td>0</td>
<td>0</td>
<td>60000</td>
<td></td>
</tr>
<tr>
<td>Judicial structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addl. Dist. &amp; Sessions Judge</td>
<td>4</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secrt. Support Staff</td>
<td>4</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tehsil cost (PKR)</td>
<td>1100000</td>
<td>1950000</td>
<td>3900000</td>
<td>3000000</td>
<td>2400000</td>
<td>3150000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union council administrative structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nazim Union Council</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1200</td>
<td>0</td>
<td>1200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naib Nazim Union Council</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>10000</td>
<td>1200</td>
<td>11200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secretaries Union Council</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>30000</td>
<td>0</td>
<td>30000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union council cost (PKR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Text Table 3.

(PB # 11, 2000)
Introduction

The policy brief highlights the importance of exploring alternative resource mobilization strategies for Pakistan's health care. The need arises because the conventional methods of health care financing through tax revenues have failed to meet the health care needs of all, resulting in differential access to health care facilities by different income groups. Whereas, in many developed countries, universal health coverage and financial protection against the cost of illnesses is almost complete, in the developing countries, access and utilization of health care is low and selective. For Pakistan to expand its access to health care for all, alternative resource mobilization strategies need to be developed and proposed. Pakistan needs to learn from the experience of other countries, because the process of generating extra resources for health care has resulted in mixed experiences for different countries. Pakistan needs to start the process with caution, not blindly importing models of health care financing, but designing policies that are suitable for its own socio-economic context.

The policy brief presents evidence on current practices of Pakistan's health care finance and delivery, and suggests ways through which alternative resource mobilization strategies can be proposed. Some popular methods of health care financing being practiced in other countries are community financing, user fees, health insurance, and assistance from donors. However, resources can also be saved from wasteful and ineffective uses of health technology (services, programs and procedures) that may result in improving efficiency of existing health care services. Reallocation of resources within the health sector can therefore, turn out to be cost effective. The policy brief discusses a criteria for choosing a financing system that takes into account factors like ease of use of the system, revenue generating ability, effects on service provision, and community participation in the socio-economic context of Pakistan.

Overview of Pakistan's Health Care

Pakistan is undergoing both epidemiological and demographic transitions, where age structures are changing and threats of communicable and non-
communicable diseases are growing. These challenges require that alternative financing mechanisms for health care should be explored to face new situations and changing demands. So far in Pakistan, health care services are mostly financed through taxation but there is no earmarked taxation to raise money for health. Pakistan’s tax system is regressive, meaning that the poor have to pay relatively high proportion of taxes than the rich, and hence incidence of taxation falls mostly on poor. Pakistan has a narrow tax base and taxable capacity is low. Therefore, over the past 20 years the total amount of money spared for health turns out to be less than one percent of GNP. This allocation of money for health is surely not enough to meet the needs of estimated 148.72 million people. Hence, there is need to explore alternative resource mobilization strategies because the current tax-based financing for health is not enough to meet health care needs of all. The following are the main features of Pakistan’s health care system:

1. Low allocation of resources by the public sector: The figure shows the trend of public sector health spending in Pakistan.

   **Figure 1: Health Expenditure Pattern in Pakistan**

   Source: Economic Surveys of Pakistan (Various Issues).

2. Another important characteristic of Pakistan’s economy is its low revenue generating capacity. According to the World Health Report (2004), Pakistan’s total expenditure on health as a percentage of GDP was 3.9 in 2001. Although the figure is comparable to 4% of GDP prevailing in other developing countries, lack of growth of GDP has affected collection of revenues, and allocation of resources to health by the government. According to a World Bank study (2004, pp. 6), “if a developing country’s capacity is as low as 10% of GDP or less, it would require to take thirty percent of revenues to meet a target of 3% of GDP health expenditure through formal collective health care financing channels.”

3. Low pooling of funds for health care in Pakistan. The obvious reason is that Pakistan’s formal wage sector is relatively small compared to very large and varied informal sector. Informal sector workers, from agriculture, construction, and industry and business, lack access to
formal medical and health care services. Even then, they have to incur out of pocket expenditure that constitutes a huge part of their total household income. Due to poverty and informal sector employment, no guard is offered against illnesses. Therefore, for such people, self-treatment is very common in Pakistan, and many more people remain without any medical and health care treatment. The existing gap in excess demand and limited resources exerts pressure on already scarce resources and results in resource allocation problems such as drug shortage, capital stock depreciation and inadequate hygiene standards.

4. Budget allocations on development and non-development sectors of health are not balanced in Pakistan. For Pakistan’s health care, problem is to evaluate these recurrent costs in a situation where cost recovery is already low. Generating revenue for health cannot only be obtained by alternative sources, but also by saving resources from being spent in unproductive activities or less effective health care services. Hence, in order to reform overall health situation in Pakistan, the following objectives need to be met: Effective (funds allocated based on evidence), equitable (resources are spent in a way that shift resources from the rich to the poor), and sustainable (health revenue equals expenditure).

5. Management (public/private partnership): Pakistan’s health financing system can be explored in terms of how it is managed and controlled. In Pakistan, health service delivery is a mixture of public and private institutions. All hospitals have large outpatient departments and the government at various levels, (federal, provincial and local), controls major public hospitals. Most of the hospital costs are financed by government budgets without systematic annual review of their effectiveness and future planning. In Pakistan, many rural facilities are under utilized, and more patient load is observed in hospitals located in big cities where people come from far off areas for treatment. Under utilization of public health services is proving more costly, generating unequal access to public health services. Hospital beds and physicians are also unequally distributed with more concentration in the urban areas compared to rural areas. These health care system characteristics necessitate immediate reallocation of resources and services. Reallocation of resources will help establish referral patterns and curb the expansion of high cost hospitals that may result in inefficient use of resources. A well-organized health service delivery will save resources that can be used more efficiently in priority areas. Another cost saving (resource generating) strategy for Pakistan can be effective control of multi channel payment system. The means of payment for health services usually affect utilization of health services. The government may, therefore, exert control over revenues through which massive resource savings are possible. Government’s ability to organize the flow of funds will determine budget control and allocation of resources for health care in Pakistan. According to more recent estimates provided by the World Health Report (2004), the measured levels of health expenditures on health are presented below.
The figure shows that out of pocket expenditures constitute major share in health expenditure, followed by private, social security, government and external resources. However, a large proportion of out-of-pocket expenditure in Pakistan, and unregulated price increases of drugs and medical supplies provide incentive to government for removing budgetary shortfalls through such means.

**Health Care Resource Mobilization Strategies**

**Tax Revenues:** In Pakistan, general tax revenue is the main source of financing health care. Taxes are compulsory contributions without explicit benefit to the taxpayer. Taxes reduce disposable income and wealth of those who bear them. A glance at Pakistan’s overall budget shows that choices are made among competing alternatives, and for policy implementation. It is, therefore, unrealistic to recommend a huge increase in health expenditures without considering the availability of resources. The primary purpose of taxation is diverting resources from taxpayers to the government for allocation of resources and distribution of income and wealth. Therefore, although, taxes are necessary for revenue raising, yet sole reliance cannot be made on service charges that may disrupt allocative and distributive tax functions. The tax structure of Pakistan is regressive. The poor have to pay a large proportion of their income compared to the rich, and more reliance is on the indirect taxation, including excises, duties and sales taxes. Revenue through general taxation depends on income and wealth and, as contributions are not earmarked for health, little tax revenues are collected via payrolls and entail low revenue generating capacity. Any proposal for excessive taxation, therefore, may impair productive capacity of people and weaken economic incentives, resulting in tax evasion and administrative burdens. Pakistan started introducing tax and tariff reforms in the 1990s to address the structural weaknesses of its tax system. More recently, to overcome these structural inefficiencies in taxation, tax administration reforms are being introduced to reduce costs of compliance, increase costs of non-compliance and improve efficiency with which tax laws are enforced.

In Pakistan, during the last five years, tax collection has increased 65% and the revenue deficit has been reduced from 3 to 0.2% of GDP, for more
details, see Economic Surveys). The figure shows share of federal tax revenues in Pakistan.

Figure 3: Federal Tax revenue as a percent of GDP in Pakistan

The figure shows that Pakistan’s collection of revenue is less than 15% of GDP. Therefore, if Pakistan plans to continue to rely on tax-based health financing system, no improvements can be expected in terms of increasing access of health care to all, quality health care, better infrastructure for health etc. This is mainly due to the limited capacity of total tax revenue as percentage of GDP. Hence, alternative sources of tapping revenue for health need to explored vis-à-vis taxed based financing in order to improve coverage.

**User fees:** User fees are direct payments by the patients. Revenue raised through user fees depends on the extent to which people are willing to pay a price for health care. Usually patients are not willing to pay any price for curative health services. For Pakistan, the policy to raise revenue through user fees can adversely affect lower socio-economic groups compared to high-income groups. The use of user fees as a source of mobilizing resources and a means of cost recovery is not in place in Pakistan. In some health care facilities, a minimal fee is charged but not enforced effectively. However, as such there is no national system of user fees that is used for cost recovery of services. The use of user fees can be challenged on several grounds in Pakistan. The hospitals and health centers lack appropriate fee collection procedures. Whereas, introducing user fees is dependent on effective fee collection mechanisms, and in the context of a developing country like Pakistan, user fee needs to be charged only based on the ability to pay. Hence, any proposal for introducing user fees should be designed in such a manner that high user fees are charged from the relatively well off, while strict exemption policies are designed and implemented effectively for the poor. A closely related issue can be the potential of raising revenues through user fees when majority of people in Pakistan lie below the poverty line, and it might be expected that a significant amount can’t be raised from user fees. For revenue mobilization through user fees, government must be clear about reallocation of resources, referral systems for hospitals, contribution of user fees in total health resources, exemption strategies for the very poor people, cost recovery and cost sharing. Special targets need to be set and issues of efficiency – equity and administrative ease – should be
given special attention. The box shows the argument in favor and against user fees as presented in many different studies.

**Box 1: Arguments for and against user fees**

<table>
<thead>
<tr>
<th>For</th>
<th>Against</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health services with price inelastic demand are mostly consumed by the rich and should be subject to higher user fees and vice versa.</td>
<td>Relatively low rates of cost recovery through user fees.</td>
</tr>
<tr>
<td>Charging a fee or some fee for all medical services can be proposed to raise revenue. However, exception can be immunization for being a merit good or externality.</td>
<td>Nature of health care: Low prices are required to ensure poor against financial risk in absence of insurance market.</td>
</tr>
<tr>
<td>Zero prices should be discouraged unless poor of the poorest are truly exempted For tax efficiency, a tax should not only cover the cost but also be able to finance other goods and services.</td>
<td>User fees can improve relative service affordability. However, they do not spread or pool risk or guarantee access to health care by all.</td>
</tr>
<tr>
<td>User fees should be used when total health spending is too low.</td>
<td>User fees do not reduce costs. They increase inequity.</td>
</tr>
<tr>
<td>Where health expenditures are high, user fees can be used for moderating demand and containing costs.</td>
<td>User fees can be costly to implement and difficult to manage.</td>
</tr>
</tbody>
</table>


**Health Insurance** is a method of health care financing whereby the insured people do not bear the full cost of health care treatment. Health insurers act as payers of health services and the type of health insurance (public or private) determines the degree of control a government has over health spending. The degree to which a government is able to exert control over health care financing has important policy implications. In an effort to extend health care coverage for all, the government of Pakistan is exploring health insurance as a means of extending coverage. However, there are several hurdles involved in the process of transition from low to high, and eventually universal health coverage for all at affordable prices.

Health care financing through general tax revenue is by far the main source in Pakistan. However, for exploring alternative strategies, it is important to know that in the presence of a large informal sector in Pakistan, how practical it is to register and collect health care contributions from people.
who do not have a regular income or their incomes are classified as middle and low? A closely related issue is cost escalations associated with universal coverage as a result of moral hazard and resulting increase in health expenditures. In social health insurance, services are paid through contributions to a health fund. The common basis is payroll, with contributions both from the employer and the employee based on the ability to pay and access to health care based on the needs of people, see Griffin and Shaw (1995). However, critical questions remain about resource efficiency, technical efficiency (mix of inputs) and impact of SHI. In Pakistan, a referral system that requires that medical services should initially access the lowest and least inexpensive system of primary health care is not in place. There are various reasons for this, including drug shortage in public health centers, lack of adequate equipment, and technical staff. Many patients rely on centralized hospitals for illnesses that can be treated at primary levels. A closely related issue is lack of a formal insurance market in Pakistan. However, prospects for expanding health insurance need to be explored, bearing in mind that health care financing can only be established when its viability has been assessed both on demand and supply side.

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Facilitated by</th>
<th>Appropriate macro variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of insurance</td>
<td>Low administrative cost</td>
<td>Denser population, better developed infrastructure</td>
</tr>
<tr>
<td>Ability to reduce adverse selection and moral hazard</td>
<td>Assembly of sizeable groups to pay for coverage</td>
<td>Total population x % of labor force in industry or formal sector employment</td>
</tr>
<tr>
<td>Greater donor involvement in the health sector</td>
<td>Donor motivation to invest in new private sector development</td>
<td>Aid flows in health</td>
</tr>
<tr>
<td>Demand for insurance</td>
<td>Income</td>
<td>Positive income elasticity of demand for insurance</td>
</tr>
<tr>
<td>Greater private sector potential</td>
<td>High probability of losses for consumers Reduced prospects for free care</td>
<td>Private medical expenditures Supply of physicians Hospital beds per thousand population</td>
</tr>
</tbody>
</table>

The table has been reproduced from Griffin and Shaw (1995, pp.160) as a guideline for supply and demand side health insurance issues, and need to be carefully taken into account for any efforts aiming at introducing SHI in Pakistan. Health insurance aims to provide health services to those who fall ill but cannot afford to pay for it. The evidence for social and private health insurance from many countries of Sub Saharan Africa (SSA) reveals – although many countries resorted to SHI
as a means of extending coverage -- success depended a lot on other related factors such as employment base, population density, and administrative structures. In the presence of not enough spending on health, social and private health insurance can be “unviable”, Hsiao (2004). By early 1990s, many international agencies did not encourage insurance-based alternatives. However, by year 2000, there was increasing recognition that principles of insurance could be applied to low-income countries (see WHO, 2000). However, if Pakistan plans to introduce social health insurance as a means of financing health care, it should proceed carefully in the design and application of health insurance incentives.

**Community Financing schemes:** Distinct from social insurance, community insurance has voluntary community involvement. As compared to social health insurance, it’s scale is small and deals with a varied group of people engaged in different types of occupations. As such, there are a number of community financing models that are in place in different countries. For example, in the late 1950s, China initiated a Cooperative Medical System (CMS) that proved quite successful in its efforts to mobilize resources and cost effective provision of health care to rural population. In Bangladesh, many NGOs operate community insurance schemes linked with credit programs. Bangladesh has started other local schemes such as Grameen Health Program, Dhaka Community Hospital Insurance Program and Self Employed Women's Association (SEWA). All such schemes are successfully providing health care services to thousands of low-income households. Other examples from Asian countries include introduction of Thai Health card and Indonesia’s Dana Sehat. Hsiao (2004, pp.122) lists three basic characteristics of community financing: Community control, voluntary membership and prepayment for health care by community members. He also classifies community financing schemes into five types: Direct subsidy to individual, Cooperative Health Care, community based third party insurance, provider sponsored insurance, and producer or consumer cooperative. The health care facilities provided by the community financing schemes usually range from specified number of consultations in a given year and listed drugs. Experience of other developing countries suggests that CF schemes can mobilize additional funds for government and improve access to health care by large number of people. Another advantage of community financing schemes is that they can also mobilize funds from rural and urban populations, and improve efficiency and quality of care with modest risk pooling. The success of community can be judged from a number of performance variables such as social inclusion, resource generation, and financial protection. However, care must be taken for regional inequalities that may result because of area based community health financing schemes, package design, and setting of premiums.

**Donor Assistance:** In Pakistan, the role of donor assistance has been multidimensional. In 2000-2001, total public sector development allocation for all federal ministries was 35 billion rupees, of which 8.11%
was allocated for health and nutrition (see Annual Report of the Director General of Health). Of the total PSDP allocation, 11.1% was foreign aid for health and nutrition. There has been significant contribution by donor agencies in Pakistan’s health care. The main reason is that such funding gives little control over funds to the government, and usually the aid for health and nutrition has been program specific. Also donor assistance for Pakistan’s health care has grown or shrunk in different times, basically due to donor policies for which certain conditions are placed on the use of funds. With these characteristics of donor assistance, health care services have not been planned on a long-term or permanent basis, therefore, the problem of ad hoc nature of plans that often do not become sustainable once the donor money is gone. In Pakistan, major foreign assistance is categorized as project and non-project aid. In project aid, the major heads include assistance for non-food, food, balance of payments support and relief assistance for refugees. Pakistan has received varying proportions of project and non-project aid. The major donors since 1993 have been Japan, the United Kingdom, and the United Nations agencies (UNDP, UNICEF, UNFPA). Other countries have also provided assistance of varying sizes and interests, thus contributing to funds of specific uses. However, overall health sector funding remains low, and some major donors remain outside social welfare programs such as EU or USAID. If the government wants to initiate extending health coverage through programs started with the help of donor assistance, care must be taken of the design, technicalities and sustainability, rather than initiating programs that may result in unsustainable health and less effective harm than benefit the already poor people.

Discussion

Bearing that great variation in the success stories for health financing exists across developed and developing countries, it is evident that health profiles in Pakistan will respond positively or negatively depending on the way health policy actors behave. In Pakistan’s health policy formulation, a greater pluralism of health actors is being witnessed. Earlier, UNDP (1997) had identified, three principal actors for health care provision: state, private sector, and civil society. In Pakistan, the government is responsible for creating political and legal environments for policymaking, monitoring activities of multiple actors and for regulating functioning of the health care markets. However, with greater involvement of the private sector in the health care provision, division of authority is seen as a challenging role for the government and the associated policy environment that is affected by differences in designated powers. The role of private sector is seen as generating profit that will boost economic power and will result in greater influence over policy and decision making for health and health care. The role of civil society as a policy actor in health care is presently more restricted but can be explored for mobilizing groups to participate in resource generation for health care in Pakistan. The successful provision of health care by these multiple health care actors shows that there is scope for greater pluralism that is needed for health financing policy formulation in Pakistan.
Besides the active and crucial role of health policy actors in provision of health care, it is also important to explore the process and content of health care financing in Pakistan’s socio-economic context. Therefore, in the process of exploring the potential of alternative resource mobilization strategies, there is need to learn lessons from other countries, while being cautious for not duplicating models and repeating experiences that were fruitful in a particular context. This is because success depends a lot on relevant context in which a particular health care program is introduced or implemented rather than blindly following the design and content of any other health funding policy. Health policy actors in Pakistan need to carry out a careful study of the differentiated health impacts before they start designing or implementing such specific health care policies. The challenge for balancing health care heterogeneity is also crucial and must be addressed before any health policy formulation. This requires taking into account extensity and intensity of interconnectedness between health care actors, both in public and private spheres and, at the same time, keeping in the margin for lesson drawing from other countries.

Besides context, resource policy content is also crucial for generating funds for health. For example, what health services need priority and what are the possible options? Health funding policy content can change significantly due to conflict between health policy actors, and may influence positively/negatively alternative resource mobilization strategies. How far Pakistan’s resource mobilization strategies will converge or diverge from the other competitive policies will depend a lot on the parameters of health care policy. Chernichovsky (1995), for example, rightly argues: "Paradoxically perhaps, developed and developing countries may be closer to systematic solutions than the underlying factors setting them apart might suggest." Londono and Frank (1997) recommend a reform initiative to promote convergence on a "structural pluralism" health system model in which parallel sub-systems of "segmented health system" are reconfigured in order to achieve a division of system-wide roles." The World Development Report (1993) also suggests that the policy conclusions of the report can be "tailored to the widely varying circumstances of developing countries", and proposed a list of ten broad areas of reform that vary in their relevance from being "somewhat relevant", "relevant" to "very relevant".

<table>
<thead>
<tr>
<th>Process</th>
<th>Actors</th>
<th>Context</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care financing with lesson drawing from other countries</td>
<td>Public Sector Private Sector Civil Society Donors</td>
<td>Local National Regional Global</td>
<td>Parameters of health policy National and global linkages Convergence or divergence of policies from global perspective Options for health policy</td>
</tr>
</tbody>
</table>
In Pakistan, health care funding policies that widen the gap between the rich and the poor should be avoided, while giving priority to the principles of universal access to health care and equality. Health system components need to be chalked out and processes explored that bring a change in health outcome. With innovative techniques for health care finance and delivery, health care coverage can be increased enormously through appropriate design of pro-poor policies.

Over the past many years, Pakistan has not been able to increase its public health spending for health care. More recently, public health threats such as HIV/AIDS and growing socio-economic inequalities threaten sustainability of public health funding. As globalization is increasing, many economies have started encouraging unregulated market approaches to the delivery of health services, such as Indonesia, China and Bangladesh. These developing countries share common characteristics of poverty, illiteracy, high population growth rates, and predominance of agricultural or labor markets. However, such countries are addressing the issue depending on their level of socio-economic development. But the role of government in health care finance and delivery when public health spending fails to meet the health care demands of its people is a common issue. In Pakistan, health expenditure as a percentage of GNP remained stagnant around 0.8-1% over the past 20 years but private expenditures grew massively. Hence, a related question is of regulating the private sector, so that already scarce government resources are not depleted. The focus of the brief is on resource generation through alternative strategies that should not be taken as one-time activity but as an ongoing process involving multiple actors. At the same time, macroeconomic context is also important to be able to decide which resource mobilization strategies can (not) raise significant revenues or help in cost recovery.

Health care financing is a broad field and covers both the allocation and mobilization of financial resources for health care. As the experience of other countries suggests, the emphasis of health sector development is on health financing and how to raise money for increasing health care demands. The concerns grew faster with the publication of the WHO (2000) report, “Health systems: Improving performance”, that proposed to reduce out of pocket payments through certain mechanisms that will ensure greater health care coverage through risk pooling. Many Sub Saharan African countries introduced or increased user fees to raise more revenues but the experience has not been an overall success, and many other factors adversely affected resource generating capacity of user fees, such as low and irregular nature of household incomes and poverty. Hence, in some cases, health care utilization rates actually fell, raising concerns about the effectiveness of user fees in such economies. Countries like Thailand, Indonesia and Zambia aimed to increase revenues through community based health insurance schemes, whereas, many countries of the former Soviet Union and Eastern Europe shifted from tax based to more autonomous social health insurance.
For a developing country like Pakistan, it is important to explore alternative sources for generating revenues bearing in mind the limited capacity of households to contribute towards health funds due to poverty. At the same time, it is important to protect the poor from financial shocks that may strike a family in case of severe illness. It is important to ensure access to adequate health care even for the very poor. However, there are certain issues relating to access for the very poor. First is health care quality and second, travel and time costs associated with health care that may form a significant portion of informal charges. The associated cost burden of illness and loss of labor are other important issues that should be addressed before designing any financing strategies for the poor. So far in Pakistan, health services are paid out of general tax revenues, but certain specific taxes can be initiated that are earmarked for health. In a developing country like Pakistan, regressive nature of taxes is a problem for increasing revenues for health. As the level on health spending is low, only a small budget is allocated for health care and that is mainly through revenue from taxation. However, since accessibility to health services is not high through tax-based health system, reliance will have to be made on seeking alternatives for resource generation for health. One option practiced in many countries is use of user charges but that can only be encouraged when proper price discrimination policies can be designed and implemented to minimize adverse effects on the poor. However, as patients have to pay directly for health services for user fees, there is no insurance proposed for this purpose.

For initiating community financing in Pakistan to mobilize resources, the scope of various voluntary organizations can be extended. The people can take such organizations as first step for providing community-based health insurance with voluntary enrolment. Premiums can be set according to the average risk faced by members participating in the schemes. For example, community-financing schemes can spread contributions between healthy and sick, and cover those persons who are not in formal employment. In case of social insurance, the experience of other countries suggests that insurance reduces individual’s exposure to risks. Hence, financial accessibility can increase when adopting social insurance, but at the same time it must be remembered that 70% of Pakistan’s labor force works in the informal sector. This may subvert the potential of social health insurance in Pakistan. However, to overcome this problem, it is important to design appropriate pro-poor schemes, with strong and effective exemption policies for the very poor. To protect the very poor, the major responsibility should lie with the government. In Pakistan, majority of the people do not have access to affordable health care and drug prices are unregulated. Hence, resource mobilization strategies for Pakistan cannot be worked out in isolation of the overall socio-economic conditions. The objective of increasing access for health care can be met with more resources, and for this purpose, reliance only a single source is not sufficient. Although other alternatives are available, their advantages and disadvantages need to be explored in Pakistan’s context.
Table 3: Alternative resources and policy implications for Pakistan

<table>
<thead>
<tr>
<th>Sources of Revenue</th>
<th>In place (selected countries)</th>
<th>Revenue generating capability</th>
<th>Lessons for Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-based financing for health</td>
<td>Countries of Eastern Europe, Sub Saharan African countries</td>
<td>In developed countries, where taxes are progressive, taxes raise revenue for health. In countries where tax system is regressive, more burden falls on poor people, low revenues.</td>
<td>Many countries are moving away from tax-based to alternative sources of financing, including user fees, SHI, or multiple state insurance funds.</td>
</tr>
<tr>
<td>User fees</td>
<td>SSA countries, Cote d’Ivore, Ethiopia, Lesotho, Zimbabwe,</td>
<td>Low to medium: In the beginning, service charges were very low and revenues amounted to 2-12% of government expenditures, overtime, expenditures have risen to 4-20%.</td>
<td>Can affect health service utilization by the poor people; Devise effective exemption policies, Effective if appropriate price discrimination can be implemented.</td>
</tr>
<tr>
<td>Community financing</td>
<td>Asian countries, Indonesia, Thailand, Bangladesh, China, other Central African countries</td>
<td>Resource generation capacity not exactly known, Gandahaf Levy-Bruhal and other (1997) report 24-99 per cent of cost recovery of total operating costs in selected countries such as Mali, Senegal, and Guinea Bissau, Cameroon.</td>
<td>CF schemes are usually not registered; Evidence of community involvement is necessary, Exclusion of poorest from CF schemes; CF schemes can reduce out of pocket spending of its members</td>
</tr>
<tr>
<td>Health insurance (Private, social)</td>
<td>Mostly developed countries, US, Canada, UK, Germany, other countries starting SHI</td>
<td>Raise revenues, create independent sources of health financing, SHI can become sustainable with increased coverage of people, PHI can only be affordable by the relatively well off.</td>
<td>Adverse selection: people with high probability of illnesses join insurance plans and those with low probability do not join. Moral hazard: people may take advantage of membership by using more health care</td>
</tr>
</tbody>
</table>
Pro-poor health care financing policies can only be designed when a proper understanding of the context is developed. For this purpose, a variety of financing instruments can be tested to raise revenue, ensuring that the government secures financing for the poor. It is also important to determine socio-economic and geographical profiling of people who need health care most to determine utilization rates. Similarly, effective exemption policies and extent of cross subsidies should be developed and explored for health care financing schemes. Revenue generation may turn out to be a turbulent experience in the short term, but with sound technical design of various policies, maximum benefit can be reaped for the larger benefit of the society in the long run. So far in Pakistan, risk sharing for health services is not common. However, if resources have to be tapped apart from conventional sources, prospects for social health insurance can be explored in urban areas where there is a strong formal sector but the informal sector is also more or less more organized. For rural area, pre-payment schemes may turn out to be successful through agricultural cooperatives, however, for that to be successful, complete information about the nature and level of charges should be provided to the stakeholders. All revenue mobilization strategies can be effective provided we have improved administrative structures, and health care workers and physicians are involved in the process through all stages. There is also a need to adopt appropriate financial strategies, taking care of adjustment for inflation and therefore, minimize the risks for adverse selection and moral hazards. Similarly, for illnesses requiring more doctor visits, cost per visit should be reduced. Information on health expenditures by households need to be collected through Household Income and Expenditure Surveys as household income is positively related to expenditures on health. In Pakistan, the percentage of people living below the poverty line was 32.1 in 2001-01; see Economic Survey of Pakistan (2004). Sixty three percent of these are at the bottom line and can be considered as transitory poor. The widespread poverty and widened inequality of income in Pakistan calls for devising adequate health financing strategies that provide financial risk protection to all against rising costs of illnesses. For raising revenue from alternative sources, the potential of each strategy should be explored, safeguarding the interests of the poor by the government.
Policy Recommendations

- Pakistan spends less than one percent of its GNP and less than four percent of its GDP as total expenditure on health and health care. Its estimated population is 148.2 million and per capita health expenditure is US$ 16. So far health financing is out of general tax revenues not earmarked for health. Pakistan’s tax structure characterizes low tax base, heavy reliance on indirect taxation, and high incidence of taxation for the poor due to regressive nature of taxation. Due to high prevailing rates of poverty and lack of formal sector employments, proposals for heavy taxation to allocate money for health are not wise as they will further reduce the productive capacity of people and weaken economic incentives. However, some taxes can be earmarked for health for certain health habits such as the consumption of tobacco, alcohol, cigarettes and illegal drugs. In Pakistan, tobacco industry is a successful economic enterprise, but public policy can play a role through price increases of consumption of these goods. High taxation can be used as a principal tool to discourage certain health habits.

- As sole reliance on taxation for raising money for health care is not proving fruitful, (access to health care is partial and selective), alternative mechanisms for generating resources for health need to be explored. One option is introducing user charges as a national system for cost recovery for major public and private hospitals. However, it requires sound technical and administrative procedures and implementation of strict exemption policies for the chronically poor. Price discrimination policies need to be designed and proposed to take care of different socio-economic classes.

- In order to increase multiplicity of actors involved in provision of health care, it is time to explore the potential of non-governmental (civil society) organizations in provision of health care. Community Financing Schemes are being practiced successfully in Bangladesh (Grameen Health Program); Indonesia (Dana Sehat); China (Cooperative Medical System); Thailand (Health Card). Introducing such community schemes in Pakistan can increase access to health care and contribute to resource generation for health.

- Schemes for health insurance can be introduced on private and social basis to extend coverage. Private health insurance can be proposed for high-income groups who have regular incomes and social health insurance schemes can be introduced as contributions towards a health fund. The government then must devise cost control strategies arising as a result of moral hazards to contain unnecessary increase in health expenditures.

- To contain massive increases in health care costs, an adequate referral system is proposed. In the referral system, the lowest and least expensive health care facility should be accessed for preventive and primary health care. It will result in better use of existing health infrastructure, reduce travel costs, associated frequent illnesses, and will provide better prevention. Hence, sole reliance on the centralized public hospitals for the treatment of primary services can be discouraged.
Similarly, multi-channel payment systems should be discouraged through effective administrative procedures.

- The government should adopt appropriate financial strategies, taking care of adjustment for inflation and therefore, minimize the risks for adverse selection and moral hazards. Similarly, for illnesses requiring more doctor visits, cost per visit should be reduced. Information on health expenditures by households needs to be collected through Household Income and Expenditure Surveys as household income is positively related to expenditures on health.

- In Pakistan, the percentage of people living below poverty line was 32.1 in 2001-02; see Economic Survey of Pakistan (2004). Sixty-three percent of these are at the bottom line and can be considered as transitory poor. The widespread poverty and widened inequality of income in Pakistan calls for devising adequate health financing strategies that provide financial risk protection against rising costs of illnesses. For raising revenue from alternative sources, the potential of each strategy should be explored, safeguarding the interests of the poor by the government.

References
World Bank (2004), World Development Indicators, Washington, DC.
Viable Household Water Treatment Methods

Mome Saleem

Background:

Access to safe drinking water is inadequate in Pakistan. Moreover public health authorities have not been able to reduce the frequency of waterborne diseases resulting from microbial disinfection. Empirical evidence shows that people with sustainable access to quality drinking water is barely 25% (Nils, 2005). According to the Pakistan Council of Research and Water Resources (PCRWR), water related diseases form 40% of all reported illnesses. Further it is projected that in Pakistan diarrheal diseases alone cause the death of 200,000 children each year. Following these estimations it is noted that 600 rural and urban poor suffer from different ailments and water allied diseases daily due to bad quality/contaminated water. On the contrary drinking water quality is deteriorating persistently as a result of biological contamination i.e. human waste. On the contrary the problem of water contamination is further exacerbated by chemical pollutants from industries and agricultural inputs. The centralized distribution system for drinking water through pipes and the drainage system (sewerage lines) lie very close to each other hence any damage to either of the two results into water flowing from one into the other consequentially contaminating the water. Open drains in close vicinity of the drinking water pipelines also result in contamination of water and cause many serious water borne diseases. In Pakistan 45% of infant deaths are attributed to diarrhea and 60% to overall infectious waterborne diseases. The Public Health System is over burdened with water borne diseases such as cholera, diarrhea, dysentery and typhoid hence causing considerable economic losses. In this context estimates show that only diarrheal diseases are costing the country Rs. 55 to 84 billion annually.

Malnutrition is one of the basic health problems in developing countries. Non availability of food and lack of food absorption (Consumption of food) are reasons for food insecurity among the masses in the country. Food absorption being the third indicator of food security is directly linked to the quality of drinking water. Water borne diseases on the other hand restrict the nutrients in the food to fully mix with the blood stream to get maximum energy. Diarrhea causes loss of nutrients from the body as does persistent vomiting. Malnourishment in turn makes the human body susceptible to diseases and early death.
Table 1:

HWT is the second most effective intervention in reducing diarrhea...


Types of Contamination

There are four broad categories of contamination:

- **Microbiological**
  - Bacteria
  - Viruses
  - Protozoa
  - Helminthes

- **Chemical**
  - Organic/Inorganic Naturally occurring/ anthropogenic

- **Physical/Aesthetic**
  - Turbidity
  - Odor
  - Taste
  - Smell
  - Appearance

Importance of Household Water Treatments (HWTs):

Household Water Treatments (HWTs) facilitate the users in providing clean and safe water at the point-of-use as they help remove contaminants during distribution, collection and storage of drinking water. Therefore subsequent to hygiene i.e. washing hands, HWTs are the most effective in reducing diarrhea i.e. 39% and other waterborne diseases. Moreover, HWTs are cost-effective and reduce the incidence of waterborne diseases at places with low quality water. A WHO report entitled ‘Managing water in the home: accelerating health gains from improved water supply’, endorse the capability, effectiveness and acceptability of low-cost, point-of-use interventions at the household and community level. According to Mark D. Sobsey Professor, Department of Environmental Sciences and Engineering Director, Environmental Microbiology Laboratory, 2002, with the use of
HWTs, the storage of water becomes free of microbial contamination hence reducing the incidence of lethal disease i.e. diarrhea. Various technologies seek to achieve significant improvements in health and they are acceptable to consumers in terms of cost and change of taste (widespread sustained use).

**Available Household Water Treatment (HWTs) for disinfecting microbial contamination**

In Pakistan there is no dearth of empirically tested water treatment methods. The existing low cost technologies that have been recommended as Household Water Treatment (HWTs) methods include Chlorination, Safe Storage, Solar Disinfection, Filtration, Combined Flocculation/Disinfection systems, Boiling, UV Disinfection and Domestic Small-size Filters.

<table>
<thead>
<tr>
<th>HWT Technology</th>
<th>Availability and practicality</th>
<th>Technical ease</th>
<th>Microbial efficacy</th>
<th>Affordability</th>
<th>Other advantages/disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boiling</td>
<td>![icons]</td>
<td>![icons]</td>
<td>![icons]</td>
<td>![icons]</td>
<td>Aggravation of indoor air quality</td>
</tr>
<tr>
<td>Solar disinfection</td>
<td>![icons]</td>
<td>![icons]</td>
<td>![icons]</td>
<td>![icons]</td>
<td>Low quantities of water disinfected</td>
</tr>
<tr>
<td>Chlorination</td>
<td>![icons]</td>
<td>![icons]</td>
<td>![icons]</td>
<td>![icons]</td>
<td>Dosage has to be made carefully</td>
</tr>
<tr>
<td>Ceramic filtration</td>
<td>![icons]</td>
<td>![icons]</td>
<td>![icons]</td>
<td>![icons]</td>
<td>Improves water aesthetically</td>
</tr>
</tbody>
</table>

**Table 2:**

Each HWT technology has different advantages

But largely similar impact means that users can select best option for their own needs

Several points have to be kept in mind while proposing options for HWTs to the masses. The appropriate HWT option is directly linked to the existing water and sanitation conditions at a particular place. Water quality, cultural acceptability, implementation feasibility and other local conditions are intrinsic to selection of well suited HWT. Water treatment technologies have a more or less similar impact with a few differences regarding affordability, easy access and use, practicality, technical simplicity and microbial efficacy.

The World Health Organization (WHO) in its 2009 report entitled “Scaling-up Household Water Treatment among Low-Income Populations” recognizes solar water disinfection-SODIS as one of the viable household water treatment methods among the six most effective and widely used HWTs. The effectiveness was measured, based on its ability to cleanse water from disinfectants, easy/friendly use especially for females (water bearers of the family), cost effectiveness (low cost) and less energy consuming. Other HWTs mentioned and recognized in the report include SWS (Sodium Hypochlorite), F-D Sachets, Solar Disinfection, Bio-sand Filters, Ceramic Filters, NaDCC Tablets.

The effectiveness of Boiling as compared to other HWTs is very high. However, this paper will focus primarily on Solar Water Disinfection SODIS as a viable cost effective technology to disinfect water from microbial contamination.

**Solar Water Disinfection (SODIS):**

One of the viable options that best suits Pakistan's weather, economic conditions and culture is Solar Disinfection (SODIS). Poor financial means adversely affect the preference of the community to perform water treatments such as Filtration or chlorination in order to improve the quality of drinking water. Further the change of taste resulting from the use of chlorine is also a reason for rejection. Water boiling for drinking purposes is not always practicable considering the global energy deficient and environmental degradation (climate change) due to burning of inefficient fuels. In the case of Pakistan energy resources are mostly absent due to the prevailing energy crises. “Burning carbon-based fuels indoors in poorly ventilated dwellings can also have a significant impact on lung disease” (Joyce and Conroy, 1999).

Reed has identified the conditions under which the SODIS method is one of the best available alternatives to untreated drinking water. These are summarized as follows: (Reed, 1997)

1. Rural villages and urban shanty communities with access only to sewage contaminated water.
2. Dispersed rural populations or semi-nomadic communities where chemical treatment is too costly.
3. Refugee camps/settlements at the time of natural disasters or in war zone.
4. A locality facing an outbreak of cholera or bacterial diarrhea where the water source gets contaminated with pathogenic bacteria or any place where no reliable safe water supply exists.
Solar Disinfection is a water treatment known as SODIS. It requires an initial expense and running cost as low as 1 $ per annum and is invaluable to the population vulnerable to water borne disease (table 2). Solar water disinfection (SODIS) is performed under direct sunlight/solar heating/UV rays to kill the waterborne pathogens in apparently clear but microbial contaminated water. (Joyce and Conroy, 1999) The technique is recognized by the WHO and simply requires **Polyethylene Terephthalate** (PET) bottles. PET bottles filled with clear water are left in the sunlight on a light reflecting surface (corrugated iron sheets) for 6 hours to deactivate the microorganisms. (SODIS, 2009) According to Joyce and Conroy, no study illustrates the degeneration of water quality due to solar exposure even under cloudy conditions in moderate climates.

A range of microbiological studies have tested that the SODIS method is effective against a number of germs including bacteria (typhus, cholera, dysentery, etc.), viruses (polio, causes of hepatitis, diarrhea etc.) and parasites (diarrhea, fever, stomach cramps etc.)

According to EAWAG, a Swiss Institute of Environmental Sciences, “Bacteria are highly sensitive to UV-A radiation (wavelength 320-400nm) and are quickly killed by sunlight. The viruses are slightly more resistant, but are also killed within the recommended 6 hours. Parasites are less sensitive to sunlight. While giardia cysts are rendered inactive within 6 hours, cryptosporidia cysts must be exposed to direct sunlight for at least 10 hours before they are neutralized. Amoebas do not die until the water temperature has been warmer than 50°C for over an hour.”
The tests performed in laboratory as well as in the field show the SODIS method to effectively kill pathogens. The following table is a summary of these research results.

Table 4:

<table>
<thead>
<tr>
<th>Bacteria</th>
<th>Disease</th>
<th>Reduction with SODIS method (6h, 40°C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escherichia coli</td>
<td>Indicator for water quality &amp; enteritis</td>
<td>99.999%</td>
</tr>
<tr>
<td>Vibrio cholera</td>
<td>Cholera</td>
<td>99.999%</td>
</tr>
<tr>
<td>Salmonella species</td>
<td>Typhus</td>
<td>99.999%</td>
</tr>
<tr>
<td>Shigella flexneri</td>
<td>Dysentery</td>
<td>99.999%</td>
</tr>
<tr>
<td>Campylobacter jejuni</td>
<td>Dysentery</td>
<td>99.999%</td>
</tr>
<tr>
<td>Yersinia enterocolitica</td>
<td>Diarrhea</td>
<td>99.999%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Virus</th>
<th>Disease</th>
<th>Reduction with SODIS method (6h, 40°C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rotavirus</td>
<td>Diarrhea, dysentery</td>
<td>99.9 - 99.99%</td>
</tr>
<tr>
<td>Polio virus</td>
<td>Polio</td>
<td>99.9 - 99.99%</td>
</tr>
<tr>
<td>Hepatitis virus</td>
<td>Hepatitis</td>
<td>Reports from users</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parasites</th>
<th>Disease</th>
<th>Reduction with SODIS method (6h, 40°C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giardia species</td>
<td>Giardiasis</td>
<td>Cysts rendered inactive</td>
</tr>
<tr>
<td>Cryptosporidium species</td>
<td>Cryptosporidias</td>
<td>Cysts rendered inactive after &gt; 10h exposure</td>
</tr>
<tr>
<td>Amoeba species</td>
<td>Amibiosis</td>
<td>Not rendered inactive. Water temperature must be above 50 °C for at least 1h to render inactive!</td>
</tr>
</tbody>
</table>


SODIS has been field-tested in Columbia, Thailand and Jordon and has expanded to several countries in Asia, Africa and South America after that, in coordination with local partners. An experimental, scientific study on the impact of the SODIS method has not been undertaken in Pakistan due to financial constraints of private institutes and lack of knowledge of the method among the relevant stakeholders. However, tests from India in this context are closest to Pakistan considering the similarity of environment and region. The scientific experiment conducted in India was entitled ‘Solar disinfection of water for diarrheal prevention in southern India’. The experiment was
conducted with 100 children who were dispensed water treated by the SODIS method in polyethylene terephthalate (PET) bottles. The follow up period was six months hence a visible and drastic reduction in the incidence, duration, and severity of diarrhea among the sampled children receiving solar disinfected water was observed. The results of the study concluded that SODIS of drinking water is cost effective and a suitable method to increase water quality in dwellings with limited resources leading to a drastic decline in diarrhea and resultant child mortality.

SODIS Pilot Project in Pakistan:

SODIS was introduced in 2002 as a low cost, easy and convenient technology for getting pathogen free drinking water at the point-of-use initially by Community Action Program (CAP, local NGO in Faisalabad) in collaboration with, Swiss Federal Institute of Environmental Sciences and Technology (EAWAG). Later the project was taken up by the Department of Water and Sanitation in Developing Countries (SANDEC) and the National Program for FP and PHC, Ministry of Health (MoH) on a limited scale in Chiniot. The Swiss agency for development and cooperation (SDC) and EAWAG undertook demonstration/pilot projects in several countries including Bangladesh and Pakistan to study the acceptance and efficiency of SODIS by involving several local and national organizations. In Pakistan, the project was conducted in Faisalabad and Hyderabad districts where 40 Health facilities in Faisalabad and 10 in Hyderabad were covered in the intervention area which included 150,000 households and 1000 Lady Health Workers. The Lady Health Workers were employed for the project because they have direct access to the community. The aims of the project were to assess diarrhea reduction in SODIS users, 150,000 household aware of the SODIS technique and assessing its acceptability in the community and lastly, developing water quality profile in SODIS intervention areas. The project was scaled up in Faisalabad and Hyderabad in 2008 with the help of Community Action Program (CAP) and so far 600,000 households in district Faisalabad, Jhang and Hyderabad have been reached thus bringing down the incidence of Diarrhea among children above 5 years of age in Faisalabad by 40.1% in 2008 as compared to the statistics of 2007. In Hyderabad, the results showed 24.8% decrease in the diarrhea incidence among children below 5 years of age and 19.4% decrease among the children above the age of 5 years (CAPS, 2009).

Policy Recommendations:

- Public awareness about the three broad categories (microbial, turbidity and arsenic/chemical contaminations) of drinking water contamination and an emphasis on the fact that clear water is not always clean is necessary.
- A variety of empirically tested Household Water Treatment technologies (HWTs) from which recipients can select should be offered. That can help;
  a- Increase implementation by empowering users
b- Better kowtow to available local resources, prevailing circumstances & cultural practices

c- In the prevalence of power shortages, viable, cost effective HWTs such as SODIS, Nadi filters etc should be promoted

- The Ministry of environment (MoE) and Ministry of Health (MoH) should work in close liaison to reduce health hazardous resulting from environmental degradation etc. especially regarding water borne diseases to reduce the incidence of diarrhea among children.

- The Public Health Model is the front of line force i.e. LHWs is practicable to spread awareness about viable and cost effective Household Water Treatment (HWTs) such as SODIS.

- The Ministry of Environment in collaboration with the Ministry of Education should allocate funds to encourage research on new HWTs among university students and faculty for having empirically tested viable HWTs.

- Communication mediums should be selected based on the access, costs and potential impact on the beneficiaries including print and electronic media.

- The media should be extensively engaged in bringing change in the hygiene behavior of people especially regarding water contamination through public awareness campaigns/messages.

- The Government should encourage public/private partnerships. Private/public sector advancement will enhance and facilitate public investment to spotlight on lowest income populations. It will also ensure sustainability of the program thus implemented.

- Schools and colleges should also be focused upon for the purpose of dissemination of information by incorporating information in the curriculum.

References

CAP, EAWAG. 2009, Dissemination of SODIS in District Faisalabad and Hyderabad, Results and Discussion, Solar Water Disinfection, p. 1-33.


Educating Pakistan: Developing a strategic plan for educational leadership 2005-2010 (workshop draft) 2010, draft workshop report, Institute for Learning, Islamabad, Pakistan,

Ministry of Environment. 2005, National Environmental Policy. Ministry of Environment, Islamabad, Pakistan
Ministry of Environment. 2006, National Sanitation Policy. Ministry of Environment, Islamabad, Pakistan
Tamas, A. 2009, Successful Promotion of Solar Waste Disinfection, University of Zurich, Zurich, Germany.
Web
SDPI; WFP; and SDC. 2010, 'Food Insecurity in Pakistan', Sustainable Development Policy Institute, World Food Program and Swiss Development Cooperation, Pakistan.

(PB # 25, 2011)
Local Resource Mobilization: A Panacea for Community Based Organizations in District Chakwal

Gulbaz Ali Khan

Abstract

The mushroom growth of Community Based Organizations (CBOs thereafter) in the era of microfinance has groomed these organizations into a matured and informed community and on other hand, it also develops the culture of dependence on the continuous funding from the donors. Although these CBOs have built in culture of individual and communal savings, it has not yet brought financial sustainability at community level. This policy brief presents the existing situation on the local resources for CBOs and comes up with recommendations for tapping these resources.

Background

Civil Society Organizations (CSOs thereafter) in Pakistan may be divided into following broad categories; i) nongovernmental organizations (NGOs), ii) community-based organizations, iii) policy think tanks, iv) trade unions and professional organizations, v) cultural groups, and vi) informal citizen organizations. In 2001, Cicus, an international alliance of civil society groups, described Pakistan's civil society as a "collection of incoherent voices, conflicting worldviews and opposing interests" characterized by "unresolved struggle between the practices and values of pre-capitalist society and new modes of social life, between authoritarian legacies, and democratic aspirations."

Ten years down the road, one can say with confidence that role of CSOs in Pakistan has gained coherence and clarity in activities and acceptance in general (Civicus 2001). Major service delivery organizations (mostly CBOs) played a commendable role during the most difficult times of earthquake 2005, Internally Displaced Persons (IDPs) crisis 2009 and flash floods 2010. Major advocacy and right based organizations proved their worth during judicial crisis of 2008 and 2009. They take credit of restoration of deposed chief justice of Pakistan. Similarly quite a few think tanks and policy research organization have achieved acceptance among policy making circles and major donors. Today an independent media, active judiciary and vibrant civil society in Pakistan are all set to define good governance agenda in Pakistan.

Specifically, the grassroots development in the country may be attributed to the community led organizations transforming the lives of poor at local level. The culture of the community based organizations has nourished in the era of micro finance based community development. The era begins with the success stories in different regions in the country and especially the
replication of model of micro finance in many parts of the country have equivocally contributed towards the development and growth of community based organizations. Social mobilization has become one of the main components that help to mobilize the community members for local development. Once the community is developed into an organization, the financing starts either for increasing individual well being of its members or community development. This practice comes up with the spoon feeding of the community through different community led programmes by the national and international development agencies. One the one hand, it has groomed them into matured and informed communities and on other, it develops the culture of dependence on the continuous funding from the donors. Although, it has built in culture of individual and communal savings, it has not yet brought any sustainability at community level.

It is generally experienced that community development in the country has led to foreign funding dependent community organizations. This mushroom growth has been accelerated in last many years due to the donors’ focus on such practices. It is also generally observed that some of these community organizations died out with the programme or project completion in the specific areas, leaving no signs of organizational sustainability for long term benefits to the individuals and community at the large. This situation leaves with uncertain situation for those organizations who want to survive and serve their communities. In order to ascertain the existing situation in district Chakwal, Plan Pakistan and Sustainable Development Policy Institute (SDPI) jointly conducted a comprehensive study on exploring potential of domestic resources which may be tapped by these CBOs. This policy brief provides baseline information on the available resources and guidance for future priorities. It is based on the qualitative tools including stakeholders’ workshop, key informant interviews and case study.

**Methodology**

The methodology is based on secondary information and primary data collection from field. The existing literature on resource mobilization is also consulted to find out the existing possible ways to refine the research study. The primary data collection is also conducted to supplement the findings from the literature review. It includes meeting with key stakeholders, key informant interviews and collection of case studies.

Currently, there are more than ten partners working closely with Plan Pakistan for implementing and executing programmes in district Chakwal. The team leaders of the implementing partners were selected who have proper acquaintance with different dimensions of resources in the district. The key informants provided insights into existing domestic resources, bottlenecks to tap them and help needed to mobilize domestic resource in future. The key informants were selected and their interviews were conducted in such a way that opinions offered are representative of the widest range of views, covering almost each and every aspect of domestic resource mobilization.
A stakeholder’s workshop was designed and agreed between SDPI and Plan Pakistan. All the partners of Plan Pakistan in district Chakwal were requested to share their thoughts on the existing resources which may be tapped by the CBOs. Participants of this workshop came up with concrete ideas about the potential resources for the research. The case studies are selected on the basis of the recommendations of the key stakeholders. After detailed discussion, consensus was developed among the key stakeholders to select case studies from the identified sectors like corporate sector, business community, foundations & trusts, individual philanthropists, PIRS, mining industry, government, foreign exchange sent by expat and government employees, more specifically army personnel.

SDPI team collected case. The focus of the case studies has remained on Tehsil Chakwal which is the most urbanized and resourceful among all tehsiles in the district. It also included the case studies from Choa Saidan Shah tehsile. The case studies covered wide range of resources in the district including corporate sector, business community, PIRS, trusts, philanthropists, foundations, government and mining industry.

Findings

District Chakwal is potential place for raising funds for development programmes as it is rich in terms of resources. Although, its economic base is agriculture, the existence of business especially corporate sector opens doors for resource mobilization. The study highlights the potential sources including corporate sector, business community, mining industry, trusts, foundations, individual philanthropists, PIRS and local government. All these sources have diverse potential which may be realized by the CBOs by adopting appropriate communication and advocacy strategies, creating networks and building alliances with these sources.

The corporate sector in Pakistan is bound by the international and national obligation through Corporate Social Responsibility (CSR) and it is aspirant to become socially responsible citizen of the country (Afsar 2009). CSR encompasses welfare of the organization employees, local community and society at large. In Chakwal, corporate sector is spread over few groups having their presence in national and international business arena. Within the corporate sector, cement industry is dominant with presence of business tycoons of the country. It is learnt that cement industry of the district makes nearly 18 percent of the total cement industry in the country (Munir 2009). Its huge production capacity indicates towards huge profit generation out of which there is likelihood that welfare spending may also increase for the local community. Current players in the corporate sector are cognizant of the fact that the local community must be prioritized and focused and similar activities are taken by management of the cement industry. The corporate sector is involved in helping local residents by ensuring the availability and accessibility of basic facilities. It clearly ramifies the intentions of the

\[\text{It is a local word used for saint}\]
corporate sector which needs to be sensitized by the communities for tapping resources.

Business community in the district is heavily concentrated in cottage and small scale industries. The range of the small scale industry varies from hatcheries to marble factories and, furniture units to *khussa*\(^{122}\) making. Unfortunately, Chakwal as district is not hub of the trade except for the main city where wholesale dealers and retail shopkeepers do exist (Plan Pakistan 2009). However, the CNG sector and traditional “Pehlawan Rehwari”\(^{123}\) is engaged in social development activities in the district. CBOs can join hands with the business community networks such as CNG Association for building long term relationship for better communication and awareness resulting in raising funds.

Trusts and foundations represent group philanthropist having the same mission as individual philanthropists. In Chakwal, trust and foundations are playing their role in providing social services to the local people. The funding sources of the trust and foundations mainly comprise of the *Zakat*\(^{124}\), *Saddaqat*\(^{125}\) and donations from individuals. Most significant impacts are left by the reverence of the PIRs in the district representing greater religious diversity and tolerance. These PIRs are also among the sources of funding for the local trust and foundations. There exists a potential in the shape of group and individual philanthropists which may be tapped by the CBOs.

Mining industry is one of such key potential sources in the district (Punjab Mineral Development Corporation 2010). SDPI team tried to contact the lease owners of the mines, but lukewarm response as extended which ultimately led to detailed interview with the Mine Workers Federation. After analyzing the facts given by the respondents, it may be summarized that most of the owners are influential and politically connected with the leading parties in the country and have very limited presence in the district, especially in Chao Saidan Shah. The profit margin of the mining industry is very high, but the welfare and social spending is very limited. Research suggests that there exist limited potential for resource mobilization for the CBOs at this point in time. However, the overall strategy may include mining industry which may be tapped after sensitization of the owners and involvement of government.

Local government is always aspirant to connect with the local communities and Chakwal government response is very encouraging in this regard. District representative was present in the consultative meeting and briefed the participants about the development projects in the districts. Local government is committed to involve local communities through CBOs in the development process and last year, more than Rs: 100 Million has been allocated for different projects for CBOs on sharing basis. However, the

\(^{122}\) It is local and traditional shoe

\(^{123}\) It is local sweet made of sugar

\(^{124}\) It is considered to be a religious duty and is expected to be paid by all practicing Muslims who have the financial means

\(^{125}\) It is a voluntary charity
situation is fragile in the province due to transfer of the powers of Local Government System to the provinces under the 18th amendment. Recently, the provincial government has also rejected the federal model of local government and is in process of developing its own local government system in Punjab.

**Recommendations**

**Financial Resources:** The research highlights the potential sources for the domestic resource mobilization in Chakwal district. All the highlighted resources have the ample potential to be reached out for the fund raising efforts. There is need to draft an action plan with proper timelines and measurable outcomes. Entering into dialogue with top ranked business companies, corporations, trusts, foundations, government and PIRs may be included in the action plan. The Plan Pakistan Partners should also come up with best practices and good proposals which may be presented to the interested domestic donors for consideration. Action plan may also include a series of events like conferences and workshops as well as dissemination strategy for literature on development activities, such as “child centered development” in the district.

**Capitalizing on Non-Financial Resources:** Volunteerism is one of the major non-financial sources which may be utilized for tapping financial resources in the district. Explore people who have the rights skills and spare time for organizations may be contacted for their short timed services (NGO Resource Toolkit 2004). Student of finance courses may serve the organization as “Finance Advisor/Manager” on volunteer basis. Similarly, lawyers, auditors, salesman, public relations officers, media people, and many professionals can provide advice and guidance to the organizations, if they are motivated to work with organization. The partners of Plan Pakistan may start “Volunteer Campaign” in the district with objective to take volunteers to help them throughout the year cycle. It will help CBOs to accumulate appropriate human resources for the resource mobilization campaign.

**Networking & Collaboration:** Networking is a key to success which requires immediate attention of all the stakeholders. There is a need to develop network of Community Based Organizations (CBOs) in the district which would ensure participation of all the national and local level organizations. It would also serve as platform for raising collective voices and sharing knowledge. In order to build on the proposed network, a detailed research has to be drafted for mapping of CBOs & NGOs, along with a capacity assessment exercise. Capacity assessment in the areas of financial management, internal controls, regulatory compliance, administration and human resource management, and technical capacity will become the part of the overall assessment process. This assessment and diagnostic exercise will highlight the future needs of the CBOs in multiple dimensions ranging from managerial to financial skills. It will help the CBOs themselves and Plan

126 Stakeholders workshop
Pakistan to focus on these areas for future local level interventions in the district.

Lobbying and Advocacy: It was also stressed during meetings, collecting case studies and consultative workshop that advocacy campaign must be started in the district to create pressure group to influence key policy makers at local and provincial level. In consultative meeting with partners of Plan Pakistan, it was suggested to develop a dedicated advocacy campaign for reaching and influencing the policy makers. SDPI can provide technical support to the interested organizations in developing the advocacy campaign and will train the staff with financial help from Plan Pakistan. CBOs may take lead on the issues of environmental damages caused by the cement industry in the district and start advocating for better environment and social lives for the residents and linking it with their agendas.

Information Exchange: The efficiency of information exchange is vital to the effectiveness of the CBOs programme in the district. These BCOs generate a lot of information and has the right experience to share with other organizations in the district. Available information should be utilized efficiently and disseminated in such a way that it enhances the coordination among organizations with better knowledge base for influence in the district. The proposed network must adopt communication strategy to train organizations to store, use, and disseminate information among the members. During the visits and discussion sessions with different stakeholders, it is highlighted that research findings must be disseminated at immediate basis to create awareness among the stakeholders. Whatever the research is conducted, it must be shared with wider community for knowledge sharing. It will also build knowledge base of the stakeholders in the existing resources in the district which may be tapped by the community organizations by adopting different fund raising strategies.

References


*(PB # 26, 2011)*
Budget Transparency in Pakistan: Findings from an International Study 2010

Gulbaz Ali Khan

Abstract

The Government of Pakistan provides the “public minimal information” about budget formulation, execution and implementation. Lack of information makes it difficult for the citizens to hold the Government accountable for the use of public funds. According to the 2010 Open Budget Survey, Pakistan scored 38 out of 100, among the 94 surveyed countries and was placed in the bottom next to Afghanistan in the South Asian region (IBP 2010a). This Policy Brief looks at some of the outcomes of the Survey for Pakistan and makes a comparative analysis for the periods 2006, 2008 and 2010 highlighting that budget transparency in the country has declined over the last five years.

Introduction

A country’s budget is a reflection of its fiscal policy and is one of the important policy levers used in its social and economic development. It also reflects public income, spending, access to social services such as drinking water, health care, education, social security benefits, and the overall quality of life. Access to budgetary information is indispensable for assessing Government responsiveness to its citizen’s needs and demands and is reflective of public participation in the budget making process.

Background and Methodology of the Open Budget Index

The Open Budget Index (OBI) is used for assessing budget transparency all over the globe. It assesses the availability and data comprehensiveness of eight key budget documents. In addition to this, the Open Budget Survey questionnaire also contains information on the extent of oversight by supreme audit institutions and opportunities for public participation (IBP 2010). OBI is part of the Open Budget Project administered in South Asia and other low income countries by the International Budget Partnership (IBP), a Washington based non-governmental organization (NGO), in collaboration with individual independent researchers and active Civil Society Organizations (CSOs).

127 This Policy Brief presents findings from an international study conducted by the International Budget Partnership (IBP) formally published in October 2010. A multi-country Open Budget Survey was administered in 94 countries through partnership with academia, researchers and Civil Society Organizations (CSOs). The Surveys are conducted every two years. The first Survey was implemented in 2006 and covered 59 countries; the second Survey was done in 2008 and evaluated 85 countries; the 2010 Survey is the third in the series. For more information about the IBP, the Open Budget Index and the latest 2010 report, visit <http://www.internationalbudget.org/what-we-do/open-budget-survey/> (accessed on 15 December 2010).
The 2010 Index is the average of multiple type questions administered through partner organizations in a specific region. The questionnaire is based on 123 multiple choice type questions containing information about the eight key budget documents: Executive Budget Proposal; Citizens Budget; Pre-Budget Statements; Enacted Budget; In-Year Reports; Mid-Year Reports; Year End Reports; and Audit Report based on OBI’s methodology (Ibid). OBI score ramifies the availability of information in the budget documents. However, the Executive Proposal is one of the key determinants of the overall OBI score since it contains 58 questions. The remaining questions are divided amongst the other areas identified in Box 1. Whoever performs better in the Executive Budget Proposal obtains the maximum score as per the draw down methodology.

Box 1: The Open Budget Questionnaire

<table>
<thead>
<tr>
<th>Section One: The Availability of Budget Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Year of Documents Used in Completing the Questionnaire</td>
</tr>
<tr>
<td>Key Budget Documents Used: Full Titles and Internet Links</td>
</tr>
<tr>
<td>Distribution of Documents Related to the Executive’s Budget Proposal</td>
</tr>
<tr>
<td>Distribution of Enacted Budget and Other Reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section Two: The Executive’s Budget Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimates for the Budget Year and Beyond</td>
</tr>
<tr>
<td>Estimates for Years Prior to the Budget Year</td>
</tr>
<tr>
<td>Comprehensiveness</td>
</tr>
<tr>
<td>The Budget Narrative and Performance Monitoring</td>
</tr>
<tr>
<td>Additional Key Information for Budget Analysis and Monitoring</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section Three: The Budget Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive’s Formulation of the Budget</td>
</tr>
<tr>
<td>Legislative Approval of the Budget</td>
</tr>
<tr>
<td>Executive’s Implementation of the Budget</td>
</tr>
<tr>
<td>Assessment in the Year-end Report and by the Supreme Audit Institution</td>
</tr>
</tbody>
</table>

Source: International Budget Partnership 2010

The research process for conducting the survey was based on the involvement of country specific academicians, researchers and CSOs involved in budget related issues in their respective country. Therefore, country specific researchers were responsible for completing the OBI questionnaire, and their responses to the questions also provided with online citations for verifications (Ibid).

IBP consolidated the responses and verified them with the help of publically available information. To further authenticate the responses, they are also sent to two independent reviewers in the respective country. In most of the cases, the completed questionnaire was also shared with the respective government for comments (Ibid). In Pakistan, Omar Asghar Khan

---

128 IBP assures that the comments of the peer reviewers and the government are included properly.
Development Foundation implemented the survey and findings of the survey were also independently peer reviewed.

**Key Findings**

**Openness**

The Open Budget Index (OBI) categorizes countries on the basis of scores. Highly open budget countries are placed in the “extensive information” category. According to Figure 1, Pakistan falls in the second lowest category with “minimal information” provided to its citizens, with a score of 38 and a ranking of 58 out of 94 surveyed countries.

![Figure 1: Country-wise Ranking](image)

Box 2 shows the categories in which the various countries have fallen, with Pakistan placed with 18 countries in the “Minimal” category.
Interestingly, Pakistan’s ranking among the regional states presents a bleak picture since it ranks at the bottom position in the South Asia region. Afghanistan is the worst with lowest scores of 21 in the OBI. However, it is important to mention that Afghanistan is amongst the best performers in the world and region since the last 2008 survey. It has improved from its lowest position of 8 in 2008 to 21 in the 2010 survey. Budget openness and access to public information is improving quite briskly in Afghanistan. Pakistan, however, is well behind Sri Lanka, India, Bangladesh and Nepal in the region. Sri Lanka and India scored 67 each, providing significant budget information to their citizens. The overall scores of Nepal and Bangladesh (45 and 48) clearly reflect that these two countries are more open in sharing budgetary information with their citizens. In terms of openness in sharing budget information, Sri Lanka, India, Bangladesh and Afghanistan have improved significantly when compared to the 2006 and 2008 surveys.

**Accessibility**

One of the important budget documents is the “Executive Budget Proposal” which contains the proposed executive plan for the next fiscal year, detailing information about revenues and expenditures (IBP 2010). It is prepared in Pakistan as an Executive Proposal and shared with the Parliament with limited time frame for discussion and citizen participation. The Executive is expected to prepare the budget document well in time and share its information with the public and legislature at least three months before the start of the next fiscal year for meaningful debate and comprehensive review.
(Ibid). However, the practice is quite opposite as the Executive conceals information from the legislature and the public; and presents the document prior to its approval by the Parliament.

Pakistan’s Government does not produce a “Citizens Budget” which is a layman summary of the technical budget jargon. A common citizen can understand that version of the national budget and comprehend what the Government is going to be prioritizing for common people in the country. However, in Pakistan, only a summarized version of the Finance Minister’s 2010 budget speech was placed on the Ministry’s website which still contains incomplete and incomprehensible information.

In addition to this, according to the IBP (2010a, p.3), since Pakistan does not publish the In-Year Report and the Year End Report “in a timely manner”, they are considered “Not produced” while the Mid year Review is not compiled at all. Although, there are many other documents published by the Government, these cannot be considered as the in-year and mid-year reports about budget implementation during the year.

**Comprehensiveness**

The GoP’s Enacted Budget129 does not contain detailed information about the different fiscal activities of the Government. For example, there is limited information about the extra-budgetary expenditures, spending on the War on Terror or military expenditures. The 2010-2011 budget shows the defense budget under separate heads with limited details, while analysts found that the budget of military pensions was deliberately included under different heads. This hidden military pension budget was nearly equal to the proposed expenditures of the Federal Government operations.

**Parliamentary Approval**

Parliament is the supreme body in Pakistan that approves the Federal Government's money bills, including the annual budget and converts the Executive Proposal into Enacted Budget. However, the Parliament receives the Proposal less than four weeks before the start of fiscal year leaving little time for more than 500 parliamentarians in the country to go over it. Ironically, they are also given hardly any time (less than one hour) to speak on the budget priorities and share recommendations.

**The Auditor General Reports**

Article 171 of the Constitution of Pakistan states “The reports of the Auditor-General relating to the accounts of the Federation shall be submitted to the President, who shall cause them to be laid before [both Houses of Majlis-e-Shoora (Parliament)] and the reports of the Auditor-General relating to the accounts of a Province, shall be submitted to the Governor of the Province,

129 The Executive Budget Proposal is presented in the Parliament and after its approval, it becomes the country’s law and provides information on all aspects of the budget.
who shall cause them to be laid before the Provincial Assembly” (GoP). The Auditor General of Pakistan (AGP) publishes reports on the financial transactions in the country and finds out where the leakages have happened in the use of public money. These reports are published by this supreme audit institution with substantial time lag which sometimes decreases the significance of the provided information. However, the Government provides audit reports about the use of public money and solicits information on whether their recommendations are implemented or not.

Pakistan’s Comparative Performance (2006-2010)

The comparative performance of Pakistan exhibits declining budget transparency over the last three surveys conducted by the International Budget Partnership (IBP). For the first time, an Index like the OBI has shown openness of budget formulation, execution and monitoring of the public funds. Figure 2 shows decline in Pakistan’s Index value over the years.

In 2006, Pakistan’s Open Budget Index Score was 51 percent with “some information” being given to the public. It is interesting to note that the best performance of the country on this score happened during the period of the Army-led democracy. This is ironic, since according to well documented research, democracy is always coupled with greater transparency and accountability. However, the situation is quite turbulent for Government officials and legislatures since the level of transparency has declined after democratic forces came to power in the country. The IBP (2010) finds that there is a positive relationship between democracy and budget transparency. It also finds that countries that have democratic governments on average
score higher than those governments having non-democratic systems. It appears that Pakistan’s OBI declined by 34.21 percent during 2006-08.

The declining budget transparency in 2008 happened in such time when the country had been negotiating the largest ever stand-by-arrangement loan with the International Monetary Fund (IMF). This, too, is in contradiction with what is normally expected under such circumstances. Often, international financial institutions pressurize governments for more openness of budget information and document a country’s performance over short periods. But this does not appear to be true in our case as the information available in 2006 was not available in 2008.

The situation in 2010 is still not good as the Index records no change as compared to its previous position (38 percent) in 2008. Pakistan’s static performance may be attributed to the declining transparency situation in the country as already endorsed by Transparency International. Pakistan improved its position as the worst performers in terms of transparency in the world.

Democracy always comes with hope for the destitute. But, democracy in Pakistan has closed the doors to public participation and holding the Government accountable for its expenditures.

Recommendations

Pakistan is among the worst performers in sharing budget information with the public and their participation in the budget making process is negligible. However, the country has experienced vibrant debates about the budget due to an active media and civil society organizations. Many media groups now have long budget debates before it is presented in the Parliament.

It is quite important to note, however, that Pakistan’s budget making process is heavily influenced by the international financial institutions (IFIs) hegemony over the macro and micro matters. Unsolicited and undue intervention in the budget development process by these IFIs is administered through an already reined bureaucracy in the country. Recent findings of the IBP (2010) have led to several recommendations which may be adopted by the Government for increasing budget transparency:

- Pre-budget statement and post-budget documents should be available in print form and online by the Ministry of Finance three months prior to the approval process.
- All budget documents should be translated in national and local languages for ensuring greater access and understanding of the budget documents.
- Citizens’ Budget should be prepared in simplest form to enhance understanding of the technical budget jargon and published right after the Budget Proposal (IBP 2010).
- A budget performance indicator should be developed and incorporated in the budget.
- Budget Proposal should be sent to the Parliament three months prior to its approval process in order to generate meaningful debate (IBP 2010).
- In-year, Mid-year and Year end reports should be compiled and published on time (IBP 2010).
- There should be more public engagement in the budget making process through public meetings, polls and pre-budget consultations.
- Capacity building of parliamentarians should be addressed to create meaningful discussions within the legislative houses.
- Civil society groups should organize Budget Forums to increase and unite public voices for budget transparency. These budget forums should also be established at district and provincial levels to track the budget process and raise voices for assessing the budget information.

References


(PB # 24, 2010)
Why Small is Beautiful?
Sajid Kazmi and Faisal Mehmood Mirza

Abstract

This policy brief discusses the importance of small and medium enterprises in Pakistan in their contribution towards employment provision and export earnings. It also comments upon the problems faced by SMEs and gives recommendations to encourage SME growth.

Small and Medium Enterprises (SMEs)

Various researchers have defined SMEs based on their legal status, investment ceiling, technological use, employment potential and organizational arrangements. Small and Medium Enterprise Development Authority (SMEDA) defines small enterprises as having 10 to 35 employees with productive assets worth Rs. 2 to 20 million and medium enterprises as employing 36 to 99 workers and productive assets worth Rs. 21 to 40 million.

Based on the above criteria used by various researchers, SMEs are a subset of the larger informal sector. According to The Federal Bureau of Statistics (FBS), the informal sector is defined as, “units such as household enterprises, engaged in the production of goods and services with the primary objective of generating employment and income (for) the persons concerned, not necessarily with the deliberate intention of evading payment of taxes or other legislative or administrative provisions.” Furthermore, “the units typically operate at a low level of organization, on a small scale, and with labor relations mostly based on casual employment.” Other features include the ownership of assets by “owners” rather than workers, expenditures that are indistinguishable from household expenditures and entities that are not party to contracts or incur liabilities.

A well-established and developed small and medium enterprise (SME) sector has been recognized as one of the characteristics of a prosperous and growing economy. It is considered an engine of sustainable growth by both developed and less developed countries. The small and medium size industries have long been regarded crucial for the achievement of broader development objectives, including poverty eradication and economic development.

In 1950s, leaders of the new nations faced two divergent options for development: a) to emphasize modern technology and big industry, seeking rapid modernization and economies of scale, b) to stress small-scale and labor intensive technology in order to create jobs and enable workers and entrepreneurs to learn from experience in managing large organizations and sophisticated technology. Many countries took the first path, with one-sided

results. High growth rates were achieved, while income distribution and equality were ignored. Schumacher (1970) strongly criticized this strategy and argued for alternate, small-scale technologies as the engine of growth. Lipton (1990) exposed urban biases in industrial policy. There is a permanent place for efficient and progressive small and medium scale industries in modern industrial economies as evident in the existence of a large number of small and medium units along side giant enterprises in advanced countries such as Japan, USA and Germany. In OECD countries, SMEs account for over 95 percent of the firms and 70 percent of total employment. The experience of Japan, Hong Kong, South Korea, Singapore and India suggests that a strong and vibrant small industrial sector is necessary for successful export oriented growth. Much of the growth in output and employment in the 1980s and early 1990s in leading Asian economies came from approximately 25 percent of the firms, which were typically small and medium sized. The SMEs in these economies accounted for around 50 percent of the workforce and generated 50 percent and 35 percent income and exports respectively. In Pakistan, the SME sector accounts for about 40 percent of value added in the manufacturing sector and around 5 percent of GDP. Pakistani SMEs contribute 30 percent in value added exports, but that too in some niche markets like sports goods and surgical instrument manufacturing. SMEs are basically labor intensive and absorb more than 80 percent of the industrial labor force.

This is further supported by the statistics given in Table 1, which suggests that informal sector employs more labor compared to the formal sector. Moreover, it employs about three-fourth of the female labor force in rural areas and just about three-fifths in the urban areas.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>Formal</td>
<td>26.9</td>
<td>32.4</td>
</tr>
<tr>
<td>Informal</td>
<td>73.1</td>
<td>67.6</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


If we look at the unemployment statistics, the aggregate unemployment rate between 1987-88 increased by 4.7 percent i.e. from 3.1 percent to 7.8 percent. This aggregate trend is also reflected in the statistics by major industry divisions reported in Table 2 below.

Unemployment is defined in the Labor Force Survey as follows: “The unemployed comprise all persons ten years and above who during the reference period were “without work” i.e. were not in paid employment or self-employment, “currently available for work” i.e. were available for paid employment or self-employment in the reference period and “seeking work” i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment.”
Table 2: Unemployment rates by major industry division over time

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, hunting and fishing</td>
<td>1.0</td>
<td>1.7</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Manufacturing and mining</td>
<td>4.5</td>
<td>9.0</td>
<td>11.1</td>
<td>12.7</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>7.8</td>
<td>3.8</td>
<td>9.1</td>
<td>8.7</td>
</tr>
<tr>
<td>Construction</td>
<td>9.9</td>
<td>7.2</td>
<td>7.8</td>
<td>17.0</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>3.1</td>
<td>2.8</td>
<td>4.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>7.8</td>
<td>7.9</td>
<td>8.4</td>
<td>11.8</td>
</tr>
<tr>
<td>Community, social &amp; personal services</td>
<td>4.5</td>
<td>9.9</td>
<td>10.4</td>
<td>11.7</td>
</tr>
<tr>
<td>Others (financing, insurance, real estate and business services and activities not adequately defined)</td>
<td>6.9</td>
<td>10.3</td>
<td>5.4</td>
<td>13.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3.1</td>
<td>4.7</td>
<td>6.1</td>
<td>7.8</td>
</tr>
</tbody>
</table>


Unemployment is on the rise in all the seven major industry divisions cited in Table 2 since 1987-88. Furthermore, this fact is supported by the statistics given in the table 3 indicating that the rate of unemployment in all the major occupation groups has also increased.

Table 3: Unemployment rate by major occupation groups, 1996-97

<table>
<thead>
<tr>
<th>Major Occupation Groups</th>
<th>Unemployment Rate (1996-97)</th>
<th>Unemployment Rate (1999-00)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislators, senior officials and managers</td>
<td>3.2</td>
<td>5.6</td>
</tr>
<tr>
<td>Professionals</td>
<td>12.1</td>
<td>9.3</td>
</tr>
<tr>
<td>Technicians and associate professionals</td>
<td>7.1</td>
<td>14.5</td>
</tr>
<tr>
<td>Clerks</td>
<td>9.1</td>
<td>12.9</td>
</tr>
<tr>
<td>Service workers, and shop market sales workers</td>
<td>10.1</td>
<td>21.1</td>
</tr>
<tr>
<td>Skilled agriculture and fishery workers</td>
<td>1.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Crafts and related trades workers</td>
<td>8.8</td>
<td>13.4</td>
</tr>
<tr>
<td>Plant and machine operators and assemblers</td>
<td>13.6</td>
<td>13.8</td>
</tr>
<tr>
<td>Elementary (unskilled) occupations</td>
<td>8.2</td>
<td>7.8</td>
</tr>
</tbody>
</table>


The chart given below makes a comparison of contribution of SMEs in the GDP of various countries. SMEs contribute 40 percent to Pakistan’s GDP, whereas this contribution is more than 50 percent in the case of Italy, Japan and the USA.
SMEs sometimes enjoy competitive edge over big enterprises because they need relatively small markets. Products can be tailored to meet the requirements of local markets. SMEs can be very successful in the long-term growth of the economies as they lead to industrialization in rural areas and decrease pressure on the urban areas. They activate untapped resources and skills and have the potential of producing large exportable surplus leading to a decreasing import-export gap. SMEs use indigenous raw materials and help in self-sufficiency of local raw material producing industries and also help in growth of entrepreneurial skills. SMEs are characterized by easy entry and exit in the market compared to large sized firms. The employment creation aspect of this is further emphasized by the fact that cost of job creation in SMEs is much less than in the large-scale manufacturing sector. Kemal and Mehmood (1993) estimated that this sector could create fourteen times the number of jobs that the rest of the economy can with the same level of investment.

Small and medium enterprises have some strengths that include their adaptability to changing market conditions and are more attuned to market competition, which requires constant innovation. As SMEs have smaller capital-output ratio, it is easy to start a small business as compared to a large business.

The last decade of the last century has shown rapid economic changes. The world has changed to a global village due to globalization and liberalization. The WTO has acted as a catalyst to globalization and after the agreements of TRIMS and TRIPS, the setup of the world economic order has changed completely. Liberalized trade via WTO agreements has compelled governments in the developing countries to decrease protection to the domestic industries. The provisions of the WTO agreements include
phasing out of quantitative restrictions, tariff reduction and the elimination of subsidies.

Although, the SME sector has a lot of potential in terms of value addition and employment generation, yet government policies are always biased against it. SMEs value asked the share in manufacturing sector has increased from 27 percent in 1980-81 to 35 percent in 1997-98. Furthermore, its capital requirements to provide employment are very low as compared to large-scale industry. The lack of government commitment to SMEs is reflected in the fact that the last four years, entire investment in the small-scale manufacturing has come from the private sector. Its growth is hampered by a lack of credit, and unequal allocation of credit is an entry barrier. The financial sector is not very supportive of SMEs. The newly established micro-credit bank and establishment of Small and Medium Enterprises Development Authority (SMEDA), to cater to credit needs of the sector, is a positive step in this regard and will hopefully address the issue of credit constraint. The provision of access to capital will play an important role in fostering competition, support existing players and encouraging new entrants. But, here again a note of caution is required since the earlier experience with the public sector banks shows an inappropriate and politically influenced policy of lending. This has given way to the piling up of a non-performing loans portfolio of public sector banks. Furthermore, outdated government regulatory policies, like the state zoning policy also affects the growth of SMEs.

Problems faced by SMEs

The problems SMEs face today are heterogeneous and they arise due to:

- Lack of financial resources
- Inadequate legislation
- Lack of skilled human resources
- Almost negligible investment in research and development
- Poor work ethics
- Low level of industrial linkages
- Lack of export diversification
- No foreign investment or collaboration in SMEs
- Poor infrastructure
- Limitation due to legal framework
- Migration of trained workers to the large enterprises for better pay

The Ways Forward

These problems indicate a tough time ahead for our SMEs. This challenge can be met by taking the following measures:

---

132 It provides 80 percent industrial employment and generates one fourth of sector’s export earnings.

133 Although, there is evidence of joint venture investment in surgical instruments manufacturing, it is exceptional case.
- Simplification of small and medium enterprise registration
- Simplification of accounting system for these enterprises
- Establishment of state guarantee for credit schemes
- SMEs perform best in the countries and cultures, which encourage and support entrepreneurship. Education and training systems have a role to play in developing entrepreneurial values, attitudes and behaviors. Training programmes for SME employees in universities and polytechnical institutes should be needs based to ensure client commitment, particularly by charging services provided, thereby creating a transactional exchange base relationship, with which SME owners-managers are familiar and through which they are willing to pay for the services that they value
- Exchange of experts and consultants for the adaptation and implementation of support and development programmes and services

**Conclusion**

From the above discussion the role of SMEs and sustainable development is quite evident. An institutional initiative is needed to encourage the growth of SMEs. There is no single most effective system for the development of SMEs. It is a continuous process and requires commitment at the national level with partnership between public and private sectors. The development of this sector requires an integrated approach. The Government should undertake necessary policies and strategies. This may include giving SMEs adequate financial resources, tax holidays, building infrastructure specifically in those areas where SMEs are working. To achieve this goal, it would be necessary to assure supply of capital, skills and technology enhancement and providing market information for SMEs. Efforts should be made to increase the quality of products by a close oversight of the standards setting body.

Flexible and innovative SMEs based on complementary specialization in networking within the region, coupled with trade liberalization on the regional basis can attract foreign investment especially from countries which are now looking for such opportunities due to rising labor cost in producing relatively labor intensive goods in their countries due to their currency volatility. Although, large firms take advantage of foreign investment (through joint venture, technology transfer, sub contracting and other forms of tie up), the foreign investment should also be made to work in favor of SMEs development. It is also recognized that some foreign investments are more directly beneficial to the growth of SMEs than others and should therefore be given priority. For instance, foreign investments may be encouraged to flow into industries where SMEs generally tend to be important in terms of share of industry employment and output. Other such industries are those where such existing SMEs need technological upgrading or those that have strong export potential. At the institutional level, support institutions should be created in public and private sectors. SMEs should employ new technologies, innovation in their products, give professional skill training to
their employees, produce such products that meet the demand of the market and are properly marketed.

References

Kemal, A. R. (1993), “Why do Small Firms Fail to Graduate to Medium and Large Firms in Pakistan”?

(PB # 19, 2004)
Based on the information provided by WAPDA, it is difficult to assess if WAPDA’S requirement for a higher utility charge is justifiable. Utility rates need to be based on marginal unit costs and not on debt obligations. The relevant marginal unit cost would depend on demand and WAPDA’s marginal cost structure based on electricity generated via various sources (see below)

WAPDA’s marginal cost is a composite of the different methods via which it generates electricity including hydel, hydro and nuclear. I have termed these AB to GH and, for simplification, shown the marginal cost curve as an increasing step-function. (In fact, marginal cost for some modes of generation are likely to be falling). Based on some demand curve, one can estimate what the optimal price should be. As shown above, this is P*, based on power generation CD. This would suggest that WAPDA should only be using two generation modes (see AB and CD). In any case, with price set at P*, (i.e marginal cost pricing), the shaded areas above the MC curve and below the MR curve represents the consumer surplus WAPDA gets.

It is actually likely that WAPDA is losing a lot of the surplus via line losses. In its petition to NEPRA, WAPDA has made a commitment (5 a) to reduce energy losses to 20%. Thus WAPDA has acknowledged that they are energy losses and they are above 20%.

My recommendations are as follows:

a. Ask WAPDA to provide a cost schedule (based on the actual cost structure) and a demand schedule (based on past experience). Only than will it be possible to see if the current tariff is below marginal cost.
b. WAPDA’S claim for a tariff increase to meet debt obligations should be rejected out right. Efficient pricing has nothing to do with accumulated debt.

c. WAPDA should be asked to provide more information on how it has calculated line losses. I would argue that losses of above 10% should not be considered acceptable by NEPRA. Also, WAPDA can not make requests for tariff increases to compensate it for its loss in consumer surplus.

d. If the cost structure and demand curve does suggest a rate revision, NEPRA should only concede this based on strict service conditionalities such as assurance of no load shedding for a specified period, no brown outs and no power fluctuations.

(PB # 4, 1999)
List of Abbreviations

ADB  Asian Development Bank
APTPMA  All Pakistan Textile Processing Mills Association
ASEAN  Association of Southeast Asian Nations
ATC  Agreement on Textiles and Clothing
BAP  Biodiversity Action Plan
BOD  Biological Oxygen Demand
CBD  Convention of Biological Diversity
CF  Community Financing
CMS  Cooperative Management System
CPI  Consumer Price Index
CSD  Commission on Sustainable Development
CSR  Corporate Social Responsibility
CBO  Community Based Organization
CCI  Chamber of Commerce and Industry
COD  Chemical Oxygen Demand
CNG  Compressed Natural Gas
DID  Department for International Development
EAC  Expert Advisory Committee
EIA  Environmental Impact Assessment
EPA  Environmental Protection Agency
ESC  Environmental Standards Committee
EUAFW  Ministry of Environment, Urban Affairs, Forestry and Works
FPCCI  Federation of Pakistan Chambers of Commerce and Industry
FES  Friedrich-Ebert-Stiftung
FTA  Free Trade Agreement
FY  Fiscal Year
FTA  Free Trade Agreement
GoP  Government of Pakistan
GATT  General Agreement on Tariffs and Trade
GDP  Gross Domestic Product
GHI  Global Hunger Index
IC  Implementation Committee
IFI  International Financial Institution
IFPRI  International Food Policy Research Institute
INDOEX  Indian Ocean Experiment
ISO  International Standards Organization
KPK  Khyber Pakhtunkhwa
LDC  Less Developed Country
LB  Live Births
LBA  Legally Binding Agreement
LRTAP  Long Range Trans-Boundary Air Pollution
MELG&RD  Ministry of Environment, Local Government and Rural Development
MDG  Millennium Development Goal
MFA  Multi-fibre Arrangement
MoE  Ministry of Environment
NCS  National Conservation Strategy
NEQS  National Environmental Quality Standards
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NIP</td>
<td>National Implementation Plan</td>
</tr>
<tr>
<td>Nox</td>
<td>Nitrogen Oxides</td>
</tr>
<tr>
<td>NTB</td>
<td>Non-Tariff Barrier to Trade</td>
</tr>
<tr>
<td>OICCI</td>
<td>Overseas Investors Chamber of Commerce and Industry</td>
</tr>
<tr>
<td>PC</td>
<td>Pollution Charge</td>
</tr>
<tr>
<td>PEPA</td>
<td>Pakistan Environmental Protection Agency</td>
</tr>
<tr>
<td>PEPC</td>
<td>Pakistan Environmental Protection Council</td>
</tr>
<tr>
<td>PEPO</td>
<td>Pakistan Environmental Protection Ordinance</td>
</tr>
<tr>
<td>PETF</td>
<td>Provincial Environmental Trust Fund</td>
</tr>
<tr>
<td>PPM</td>
<td>Process and Production Method</td>
</tr>
<tr>
<td>PSDF</td>
<td>Provincial Environmental Protection Council</td>
</tr>
<tr>
<td>PTA</td>
<td>Pakistan Tanners Association</td>
</tr>
<tr>
<td>Pak-EPA</td>
<td>Pakistan Environmental Protection Agency</td>
</tr>
<tr>
<td>PB</td>
<td>Policy Brief</td>
</tr>
<tr>
<td>PEP</td>
<td>Pakistan Environment Programme</td>
</tr>
<tr>
<td>POP</td>
<td>Persistent Organic Pollutants</td>
</tr>
<tr>
<td>PHI</td>
<td>Private Health Insurance</td>
</tr>
<tr>
<td>PSDP</td>
<td>Pakistan’s Social Development Plan</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RoOs</td>
<td>Rules of Origin</td>
</tr>
<tr>
<td>SAFTA</td>
<td>South Asia Free Trade Area</td>
</tr>
<tr>
<td>SAICM</td>
<td>Strategic Approach to International Chemical Management</td>
</tr>
<tr>
<td>SDPI</td>
<td>Sustainable Development Policy Institute</td>
</tr>
<tr>
<td>SMAR</td>
<td>Self Monitoring and Reporting</td>
</tr>
<tr>
<td>SMART</td>
<td>Self Monitoring and Reporting Tool</td>
</tr>
<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
</tr>
<tr>
<td>SHI</td>
<td>Social Health Insurance</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>SMEDA</td>
<td>Small &amp; Medium Enterprise Development Authority</td>
</tr>
<tr>
<td>SOx</td>
<td>Sulfur Oxides</td>
</tr>
<tr>
<td>SPM</td>
<td>Suspended Particulates Matter</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub-Saharan African Countries</td>
</tr>
<tr>
<td>SPCS</td>
<td>Sarhad Provincial Conservation Strategy</td>
</tr>
<tr>
<td>TDS</td>
<td>Total Dissolved Solids</td>
</tr>
<tr>
<td>TOE</td>
<td>Tons of Oil Equivalent</td>
</tr>
<tr>
<td>TTSID</td>
<td>Technology Transfer for Sustainable Industrial Development</td>
</tr>
<tr>
<td>T&amp;C</td>
<td>Textiles and Clothing</td>
</tr>
<tr>
<td>TCP</td>
<td>Trading Corporation of Pakistan</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNEP</td>
<td>United Nations Environment Program</td>
</tr>
<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children Fund</td>
</tr>
<tr>
<td>UN-TIHP</td>
<td>United Nations Trade Initiatives from Human Development Perspectives</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Aid for International Development</td>
</tr>
<tr>
<td>WDI</td>
<td>World Development Indicators</td>
</tr>
<tr>
<td>WEBCOP</td>
<td>Workers Employers Bilateral Council of Pakistan</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
</tr>
</tbody>
</table>
Authors Index:
Ahmad, Nausheen-------------------------------------------------------------142
Ahmed, Vaqar---------------------------------------------------------------63,65,125
Akhtar, Aasim Sajjad-------------------------------------------------------149
Asif, Syed Ul---------------------------------------------------------------65
Hasnain, Tahir---------------------------------------------------------------53
Kazmi, Sajid---------------------------------------------------------------231
Khan, Abdul Matin----------------------------------------------------------35,40,43
Khan, Foqia Sadiq----------------------------------------------------------149
Khan, Gulbaz Ali------------------------------------------------------------216,223
Khan, Shahrukh Rafi---------------------------------------------------------108,149,165,173,238
Khwaja, Mahmood A.---------------------------------------------------------3,7,13,19,21,29
Mirza, Faisal Mehmood--------------------------------------------------------231
Najam, Adil---------------------------------------------------------------111
Nasim, Atif---------------------------------------------------------------77
Naz, Afsheen---------------------------------------------------------------131
Qadir, Ali---------------------------------------------------------------149
Sadiq, Ashfaq-------------------------------------------------------------173
Saleem, Ahmad---------------------------------------------------------------149
Saleem, Mome---------------------------------------------------------------207
Shah, Qasim---------------------------------------------------------------92
Shaheen, Faisal Haq---------------------------------------------------------97,114
Shehzad, Shafqat----------------------------------------------------------97,114
Siegmann, Karin Astrid-----------------------------------------------------77
Suleri, Abid Qaiyum---------------------------------------------------------1,92
Zeshan, Muhammed----------------------------------------------------------125
Zia, Shahid---------------------------------------------------------------51
Personal Profiles

Ms. Umm-e-Mariya Shah
Web Applications Manager, SDPI
mariya@sdpi.org; ummemariyashah@gmail.com

Umm-e-Mariya Shah has done MS(CS) from COMSATS Institute of Information Technology, Islamabad with majors in Software Engineering and Web Warehousing. Currently she is working at SDPI as Web Applications Manager. She has 4 years of professional experience as a Software Engineer in Web Applications Development. She also remained associated for 2 years as a Sub Examiner in Computer and Management Science Department of Allama Iqbal Open University. Moreover Mariya is also involved voluntarily in research on creation and maintenance issues of web warehousing in collaboration with PhD scholar at University of Malaya Kuala Lumpur, Malaysia. She has two publications on web warehousing published in international research journals.

Dr. Mahmood A. Khwaja
Senior Advisor, Chemicals and Sustainable Industrial Development, SDPI
khwaja@sdpi.org; m.a.khwaja@gmail.com

Dr. Khwaja earned his Ph.D. and M.Sc. in Chemistry, respectively, from La Trobe University of Science and Technology, Melbourne, Australia and University of Peshawar, Pakistan. At Sustainable Development Policy Institute (SDPI), Dr. Khwaja has been involved in working with the Technology Transfer for Sustainable Industrial Development, Environmental Monitoring and Reporting/SMART Program for Industry in Pakistan, Persistent Organic Pollutants (POPs), Hazardous Chemicals, Wastes/Contaminated sites, Chemicals and Climate Change, Climate Change Adaptation, Water Quality, Household Water Treatment Systems (HWTS), environment impact assessment (EIA), multilateral environment agreements (MEAs) on chemicals issues, "Mercury phase out" and "Male Declaration and Air Pollution". Prior to joining SDPI, Dr. Khwaja held teaching positions at the University of Peshawar, La Trobe University of Science and Technology, University of Cape Coast and Kumasi University of Science and Technology, Ghana. He worked as a subject specialist (science text books) with the Khyber Pakhtunkhwa Text Books Board and as senior scientific officer with Pakistan Council for Scientific and Industrial Research. Dr. Khwaja has been SDPI lead investigator & focal person in several joint/collaborative projects/programs with partner organizations in Pakistan and Switzerland, Japan, Czech Republic, India, Republic of Korea and USA. He has over 75 publications to his credit, which have appeared in refereed national and international research journals, magazines and newspapers. Dr. Mahmood Khwaja holds honorary positions on executive committees of chemical societies, science associations, international networks like IPEN, PBC, ISDE, GCSF and regional/international institutes.
پاکستانی انتظامی تربیت بارے کے پالیطیزاٹی (اتجہلاکی آنی)
 الإسلام آباد، نومبر 2012