The Pakistan Institute of Development Economics (PIDE) and the Pakistan Institute for Parliamentary Services (PIPS) jointly organized a Pre-Budget Seminar at PIPS Campus on Thursday, May 26, 2016. The seminar was aimed at conveying expert opinion on the budget, its process and its shortcomings. The speakers at the seminars included academics, renowned economists and representatives of policy think-tanks, including Dr. Asad Zaman, Vice Chancellor, PIDE, Dr. Aliya H. Khan, Dean, Faculty of Social Sciences Quaid-i-Azam University, Dr. Idrees Khwaja, Head, PIDE School of Public Policy, Mr. Sakeb Sherani, renowned economist, Mr. Ali Salman, Executive Director, Prime Institute and several others. Member National Assembly, Mr. Siraj Muhammad Khan and Senators Usman Khan Kakar and Saeed-Ul-Hassan were also present at the event. Mr. Siraj Muhammad Khan thanked the panel for their recommendations and assured that all the parliamentarians remain cognizant of the needs of the people and the people remain a priority while making the budget. Mr. Usman Khan Kakar said that the leaders should ensure that the upcoming Pak-China Economic Corridor does not lead to the division and dismemberment of the country by furthering the existing inequities between the regions. The Executive Director PIPS, Mr. Zafarullah Khan, in his opening remarks said that the seminar was a way of bringing the parliamentarians closer to people. Other speakers at the event highlighted the issues faced by the Economy of Pakistan and put forth the recommendations to overcome these issues. Mr. Sakib Sherani said that the economy is under fiscal stress and it is the industry
in the country that is facing tax burden. Dr. Safdar Sohail, while talking about the opportunities presented to the Economy by the Pak-China Economic Corridor, emphasized that institutional reform is needed to enable the economy to reap the full benefits of Chinese investment in the country. Dr Wasim Shahid Malik said that low growth rates have made the economy incapable of absorbing the youth bulge leading to large-scale unemploy-ment of the youth. Dr Idrees Khawaja talked in length on the inadequacy of the whole budgetary process, he said that there is an urgent need to overhaul the institutional structures including that of the FBR, he said that it should be removed from the list of civil services offices and must be led by experts in the fields of taxation. Dr. Idrees Khawaja further said that the budget targets should not be 2% of the GDP on education or 5% rather the focus should be on the outcome; for as long as even a single child in the country remains out of school, government must keep spending on education no matter how much. Mr. Ali Salman, executive Director, PRIME Institute, while speaking on the tax reforms said that there is a need to move away from complex and progressive taxes towards flat, low-rate, broad and predictable taxes. Dr. Aliya pointed out that a cursory glance at the budgetary allocations is enough to reveal the skewed government priorities; she said that the tertiary education sector gets the Lion’s share of the already meagre education budget and there is very little attention paid to preventive healthcare. She said that given the scale of urbanization, the state must divert resources to public urban housing. Dr. Asad Zaman said that a paradigm shift is needed to make the budget making process effective and the need is to take focus away from concepts such as growth, exports, revenue targets and towards the welfare and capacity building of the people. The seminar was attended by students, parliamentarians and representatives of several industry and services chambers.
Newspaper Articles by PIDE Staff

The following articles of Dr. Asad Zaman, Vice-Chancellor, PIDE were published in the daily *Express Tribune*:

**The Fairy Tale of GNP Per Capita**  
(May 1, 2016)  

**The Emergence of Science**  
(May 10, 2016)  

**Confusing Greek Methodology**  
(May 16, 2016)  

**Keynesian Revolution and the Monetarist Counter-Revolution**  
(May 23, 2016)  

**Creating Full Employment**  
(May 31, 2016)  

The following article of Dr. M. Idrees Khawaja, Head, School of Public Policy, PIDE were published in the daily *Dawn*:

**Skewed Paradigm**  
(May 8, 2016)  

**Applied Econometrics Division**

Dr. Asad Zaman had been invited by the Centre for Banking, Finance and Sustainable Development, Southampton Business School, in collaboration with the Association for Research on Banking and the Economy to give a seminar on, “Revisiting the Foundations of Probability” on, May 31, 2016. The following is the gist of Dr. Zaman’s lecture:

“We show that the dominant definitions of probability are seriously flawed. While finite frequentism fails to define, infinite frequentism is not operational. Similarly, the Dutch Book arguments used to establish the existence of subjective probability fail to do so. An alternative definition of probability as a metaphor is offered. It is shown that this definition resolves several puzzles regarding the interpretation of common frequentist procedures. In particular, there are no “true” values for parameters, and no way to formulate a “sharp” null hypothesis. If one model offers a good match to the data, all nearby models will also be good models, and hence equally “true”. Viewing models as metaphors also resolves some puzzles in the philosophy of science generated by Popper’s falsification and Kuhn’s paradigm shifts. Falsification is the discovery of a limitation in the scope, and a paradigm shift is the discovery of an alternative metaphor; neither invalidates or “falsifies” previous scientific knowledge. This also explains the progress of science.
Along with day to day academic engagements, Dr. Asad Zaman also participated in the following important forums and shared his views on various issues of national importance:

1. Attended the meeting of the Annual Plan Coordination Committee of Ministry of Planning, Development and Reform on May 28, 2016.
2. Attended the Pre-Budget Seminar 2016-17 jointly organized by the Pakistan Institute for Parliamentary Services (PIPS) and the Pakistan Institute of Development Economics (PIDE) at PIPS Campus, on May 26, 2016.
3. Attended the meeting of the Monetary Policy Committee (MPC) of SBP, Karachi through video link from Islamabad on May 21, 2016.
4. Attended the 97th meeting of the National Accounts Committee (NAC) of Pakistan Bureau of Statistics to review and examine the estimates of GDP and CFCF for the year 2013-14 to 2015-16 held on May 20, 2016.
5. Attended the dinner reception to mark the completion of 25 years of FES Work in Pakistan on May 18, 2016.
7. Attended a session "How to improve Teaching and Learning through Deep Analytics" at Lecture hall, HEC, on May 16, 2016.
8. Gave a presentation about the working of PIDE at Awan-e-Sadr on May 12, 2016.
9. Attended the workshop on "Faculty Development Program: Prioritizing Areas" organized by HEC on May 12, 2016.

**Public Policy & Governance Division**

**Industrial Policy under Clientelist Political Settlements in Pakistan** by Usman Qadir
(PIDE Working Papers No. 135)

**ABSTRACT**

Developed and developing countries are diverging rather than converging in their growth trajectories in contradiction to theory. Many explanations have been put forward to explain this fact but they fall short of providing an adequate account of the growth experiences of all countries. The key to explaining this divergence lies in the source of growth in developed countries on the one hand—industrial sector development, and the channel employed by developing countries attempting to emulate their experience on the other hand—industrial policy. The implementation of industrial policy in developing countries has been influenced by political economy factors such as political settlements. Against this backdrop, the interplay between political settlements and formulation and implementation of industrial policy will shed light on the experience of developing countries with industrialisation, and lessons for the future. The aim of this paper is to identify specific political economy factors that could explain the economic growth performance of Pakistan’s industrial sector, by comparing two distinct periods of industrial development, and in so doing contribute to the policy debate on industrial policy in the country. This paper finds that Pakistan’s political settlements have fractured over time and in doing so compromised the ability of the state to effectively monitor and enforce policies designed to influence and direct economic

**JEL Classification:** D72, P48, L52

**Keywords:** Political Settlements, Industrial Policy, Political Economy
The Department of Business Administration

- Professor Dr. Usman Mustafa, Head department of Business Studies, PIDE presented a paper entitled “Appropriate Development Strategy and Role of Private Sector” as a keynote speaker at International Conference on Business and Economics 2016, (ICBE) held on May 05, 06 and 07, 2016 at the Islamia University, Bahawalpur. ICBE provided the premier business & economics forums to research scholars, academicians, business practitioners, students and other relevant stockholders. It build opinions on business and challenges of economic trends which are prevailing in business and economic system requirements and provided a forum in seeking the solution for challenges of modern era.

41 papers were presented on different domains related to business and economics in nine different sessions. Best paper of each sessions was also awarded. Dr Mustafa also Chaired three sessions and be a part of best paper selection award. In his his keynote address, he highlighted the Private Business Entrepreneur role in economic growth and development. He emphasized that the economic policy construction and development is fundamentally the responsibility of the government but the private sector also has to add through informed policy inputs and implementation strategies. Large as well as small and medium enterprises not only provide employments to labor force but also use state of the art technologies to produce goods and services for domestic as well as international consumers. The address further highlighted the role of private sectors business entrepreneur in country growth and its constraints; approaches/cross cutting themes, and strategies for its development in general and with special reference to Pakistan. He was honored with the best speaker award during.

- Dr. Mustafa also Chaired a session on 5th International Applied Business Research Conference 2016, held at International Islamic University (IIU), Islamabad on May 17 and 18, 2016. The main theme of the conference was “Contemporary Challenges of Management and Innovation in Developing Countries”. There were 61 papers presented in 14 sessions and sub sessions. Dr. Usman Mustafa also distributed certificates and awards amongst the participants of the session.

Research:

This study aims to identify disparities between skills demanded and skills required by the labour market and the skills available in the young adult population in Sindh, one of the four provinces of Pakistan. The study considered a wide variety of soft and hard skills desirable to small and medium-sized enterprises across different sectors. It also investigates how much focus different skill institutes (which we use here interchangeably with Technical and Vocational Education and Training [TVET] institutes) place on this same set of skills. The aim here is to discern whether TVET institutes are focusing on the skills where supply does not meet demand.

The study may be accessed from the following link: [https://www.britishcouncil.pk/sites/default/files/skill_disconnect_in_sindh.pdf](https://www.britishcouncil.pk/sites/default/files/skill_disconnect_in_sindh.pdf)
The students of PIDE’s Business Administration department represented PIDE at Express Education Expo and Participated in ACCA Business Competition titled "Popcorn Search" held at Pak China Friendship Center on May 12, 2016. The Team secured First Position in the competition with the students of other universities.

Among the team members who participated in the competition were Syed Muhammad Jawad, Sarmad Masroor, Wasim Khan, and Azeem Tanoli from the Finance Section of the department.

PIDE’s School of Public Policy

On May 28, 2016 Dr. Idrees Khawaja, head PIDE’s School of Public Policy, served as panelist on the PTV World’s talk show ‘Changing Times’ hosted by Dr. Zubair Ghouri. He talked about the current state of Pakistan’s economy. Several possible reform measures in the area of energy and taxation etc. were also taken up by him.

During May 2016, Dr. Khawaja served as panelist at the panel discussion on ‘Future of Fiscal Federalism in Pakistan’ (May 31, 2016). The discussion was hosted by Center for Rural Development and Comsats and was chaired by the Chairman Senate, Mr. Raza Rabbani.

Dr. Khawaja also delivered a lecture on cost-benefit Analysis to mid-career civil servants at the National Institute of Management, Quetta. The lecture was a part of series of lectures being delivered at NIM in collaboration with Kennedy School of Government, Harvard University. During the month, Dr. Khawaja also served as panelist at two separate pre-budget seminars hosted by Pakistan Institute of Parliamentary Services (PIPS) and National University of Modern Languages (NUML).

The Department of Environmental Economics

- Research Submitted for Publication

<table>
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<tr>
<th>S. No</th>
<th>List of Studies with Complete Reference</th>
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<tbody>
<tr>
<td>1.</td>
<td>Anwar Hussain and Jaffar Hussain, “Trends in Domestic Terms of Trade of Agricultural Sector of Pakistan” German Journal of Agricultural Economics.</td>
</tr>
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<td>4.</td>
<td>Naveed Hayat, Anwar Hussain and Hazrat Yousuf, &quot;Food Demand Pattern of Households Across Income Groups in Pakistan&quot; Amfiteatru Economic</td>
</tr>
<tr>
<td>7.</td>
<td>Anwar Hussain and Tariq Gul, Fiscal Marksmanship in Khyber Pakhtunkhwa, Asian Journal of Social Science</td>
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• Research Studies in Progress

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<td>1</td>
<td>Demand and Supply Projections of Major Food Grain Crops in Pakistan</td>
<td>The Pakistan Development Review</td>
<td>Dr Anwar Hussain</td>
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<td>2</td>
<td>Social and Biophysical Factors influencing Mangrove Cover Change in the Indus Delta of Pakistan</td>
<td>The Journal of Environmental Management/ Applied Geography</td>
<td>Junaid Alam Memon Dr. Asmatullah</td>
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• Research Projects of the faculty members

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<tbody>
<tr>
<td>1</td>
<td>Sara Jabeen and Anwar Hussain</td>
<td>Pakistan with and without SAFTA</td>
<td>South Asia Network of Economic Research Institute (SANEI)</td>
<td>In Progress</td>
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<td>2</td>
<td>Junaid Alam Memon and Anwar Hussain</td>
<td>Groundwater Water Sustainability in Baluchistan</td>
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Seminars Organized by PIDE

The following four Seminars were organized in the month of May, 2016.

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<th>Title/Topic</th>
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<th>Discussant</th>
<th>Date / Time</th>
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<tr>
<td>The Role of Corporate Governance on Insolvency Risk of Financial and Non-Financial Listed Firms of Pakistan</td>
<td>Ms. Hani Baloch</td>
<td>Dr. Attiya Y. Javid, Professor, PIDE</td>
<td>May 06, 2016 at 11:00 a.m.</td>
</tr>
<tr>
<td>Measuring Poverty</td>
<td>Dr. Naeem Uz Zaffar, Member Social Sector, Planning Commission, GoP, Islamabad</td>
<td>Dr. G.M Arif, Former Joint Director, PIDE Islamabad</td>
<td>May 10, 2016 at 11:00 a.m.</td>
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<tr>
<td>Impact of Terrorist, Financial and Political Events on Stock Returns and Volatility Behaviour of Pakistan Stock Market</td>
<td>Bilal Ahmad</td>
<td>Dr. Attiya Y. Javid, Professor, PIDE</td>
<td>May 11, 2016 at 11:00 a.m.</td>
</tr>
<tr>
<td>Introduction to China Pakistan Economic Corridor (CPEC) and CPEC Center of Excellence in PIDE&quot;</td>
<td>Dr. Safdar A. Sohail Executive Director CPEC</td>
<td>Ms. Nadia Farooq, Ph.D Scholar</td>
<td>May 18, 2016 at 11:00 a.m.</td>
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External review and defense of final M.Phil thesis of following students are conducted:

<table>
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<th>S. No.</th>
<th>Name of Students</th>
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<tr>
<td>1</td>
<td>Altaf Hussain</td>
<td>“An Empirical Analysis of Passenger Rail Demand in Pakistan”</td>
<td>Dr. Saqlain Raza</td>
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<td>2</td>
<td>Madeeha Akram</td>
<td>Pakistan Economic Growth under Markov Switching Regimes with Endogenous Transition Probabilities</td>
<td>Dr. Hafsa Hina</td>
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Trainer: Dr. Zahid Asghar, Associate Professor, Quaid-i-Azam University Islamabad

**Thesis Title: “An Empirical Analysis of Passenger Rail Demand in Pakistan”**

Name of Student: Altaf Hussain  
Supervisor Name: Dr. Saqlain Raza

**ABSTRACT**

This study identifies the major determinants of passenger rail demand along with forecasting Performance of Pakistan Railways. The data set covers annual observations over the period from 1980 to 2012. To examine the association between passenger rail demand and its determinants in both dynamics, the ARDL model has been used. We have compared forecasting performance of univariate ARIMA and multivariate ARDL. The passenger kilometers (PKM) is our variable of interest whereas the explanatory variables are total population, GDP per capita, domestic diesel oil prices and fare. The findings of this study indicate that the GDP per capita and population plays pivotal role for increasing passenger rail demand whereas fare and domestic diesel oil diminishes the demand. The results postulated that ARDL is more precise than ARIMA setting for forecast. The performance of the predicted models is assessed based on mean absolute error, mean absolute percentage error and root mean square error. On the basis of results government may adopt policies for enhancing GDP, and generating alternative resources for reducing fare and diesel oil prices.

**Thesis Title: “Pakistan Economic Growth under Markov Switching Regimes with Endogenous Transition Probabilities”**

Name of Student: Madeeha Akram  
Supervisor Name: Dr. Hafsa Hina

**ABSTRACT**

This research aims to model the Pakistan long-run per capita growth under Markov switching regimes to explain regime changes in the economic growth for the period 1970 to 2015. The objective is attained with the help of Markov Switching Models, namely, the Hamilton (1989) Markov Switching Model and Diebold et al. (1999) Time Varying Markov Switching Model. We found the evidence of nonlinearity in the per capita economic growth, and recognized two different levels in the data related with stagnation and stable growth regimes. In particular, the probability of remaining in the stagnation regime is high as compare to the stable growth regime. Result also indicate that the probability of remaining in the stable growth regime increases with a fall in inflation and with the increment in the terms of trade and foreign direct investment. If the economy is in stagnation regime, an increase in foreign direct investment and terms of trade decreases the probability of remaining in this state, while a rise in inflation increases this probability. From the AIC value, it is found that the Markov switching model with Time Varying Transition Probabilities (TVTP) is the best fitted model then the Hamilton Markov Switching Model.

Organized a workshop on “Visualization & Exploration Of Data”
PIDE Organizes Sports Gala

The Pakistan Institute of Development Economics organized Sports Gala on May 11, 2016. The purpose of this event was to freshen up the minds of students before their final exams and to encourage the importance of physical activity for nourishment of body and mind. The day was inaugurated by Dr. Asad Zaman, the respected Vice-Chancellor, PIDE and he shared that the importance of brotherhood and harmony is associated with sports; people learn to tolerate and share their differences which increase the integrity and coordination among them. The whole day during the Sports Gala remained filled with fun and excitement as students participated in mental and physical activities enthusiastically.