



# PAKISTAN

## Strategy Support Program



## Competitive Grants Program, Round 2

Applications Submitted by Oct 31, 2012; Proposals Presented at the Second Research Competitive Grants Conference, Islamabad, February 8-10, 2013  
Further information: [www.pssp.ifpri.info](http://www.pssp.ifpri.info)

### PROJECT SUMMARIES

#### IMPROVED GOVERNANCE

##### **Dimensions of Corruption in Pakistan: A Qualitative and Quantitative Analysis Based on System Dynamics Modelling**

Dr. Eatzaz Ahmed ([dfss@qau.edu.pk](mailto:dfss@qau.edu.pk)), Quaid-i-Azam University, Islamabad

Over the past few decades, many studies of corruption have been carried out. These studies have mainly focused on specific characteristics, such as economic issues, legal issues, social propositions, impact on national development, and relation to economic policy. The rationale of this research is to build system dynamics models in order to extend our understanding of corruption and act as an input into future policy making. System dynamics modeling allows researchers to discover “hidden” dynamic interactions. Moreover, system dynamic modeling enables the analyst an increased level of flexibility, using both theoretical understanding as well as empirical data collection. This research will undertake primary data-collection interviews and construct simulation models to explore how the social system of corruption develops its stable macro-state. Our conceptualization of corruption is that it is a social phenomenon, which involves public dealings manifested as a system that affects other systems of the economy in one way or another.

##### **The First Constituent Assembly of Pakistan: An Institutional Economics Analysis**

Dr. Yaqoob Khan Bangash ([yaqoob.bangash@gmail.com](mailto:yaqoob.bangash@gmail.com)), Forman Christian College, Lahore

This project aims to understand the constitution making process in Pakistan between 1947 and 1956. The constitution, being the Supreme National Institution, is the basic ‘set of rules’ which governs the country, and creates incentives/disincentives for economic growth. Utilizing theories from history, philosophy and institutional economics this research, which forms part of a larger monograph project, will assess the first constitution of Pakistan (which set the tone for the later 1962 and 1973 ones), as an economic, political, ideological, philosophical and religious document. An appreciation of the ideas behind, processes pertaining to, and documents emerging out of the deliberations of the Constituent Assembly will go a long way in enabling an understand Pakistan as a polity in a more comprehensive manner.

### **Bureaucratic Performance and Local Public Service Delivery in Punjab**

Dr. Maryam Tanwir ([mt383@cam.ac.uk](mailto:mt383@cam.ac.uk)), University of Cambridge, UK

While achieving economic development is dependent on the performance of the civil service, there is a growing failure in Pakistan to objectively evaluate the performance of the civil servants. This disconnect between actual performance and its measurement by the Performance Evaluation Report (PER), has discouraged efficiency and public-sector output. It has also led to introduction of perverse incentives that have resulted in civil servants resorting to political alliances, clientelistic networks and cultural norms as a way out of their quagmire. This research will examine the manner in which shortcomings of performance of the civil servants is associated with a lack of an apolitical, accurate performance measurement system. The research will analyze the strengths and weaknesses of the present civil service PER system and recommend a revised evaluation system, which meets the civil servants' requirement of impartiality as well as the local governments' requirement of local accountability.

### **Aid Effectiveness in Poverty Alleviation in a Post-Conflict and Post-Disaster Setting: A Case Study of the Malakand Region**

Dr. Murad Ali ([ma\\_hardy1@yahoo.com](mailto:ma_hardy1@yahoo.com)), University of Malakand

This project examines the effectiveness of foreign aid in a post-conflict and post-disaster region. Focusing on district Swat in northern Pakistan, which witnessed an unprecedented humanitarian crisis following the 2009 militants' insurgency and the 2010 floods, the objective is to examine the effectiveness of donor-funded development projects in rehabilitation and reconstruction. The research investigates to what extent aid donors and the Government of Pakistan incorporated principles of the 2005 Paris Declaration (PD) on Aid Effectiveness for making better use of foreign assistance in this post-conflict/disaster setting. The project posits that adherence to the PD principles leads to more efficient utilisation of aid, speeding restoration of the livelihoods of the affected population and the alleviation of poverty. There is a significant gap in the literature concerning the applicability of the PD in a post-conflict and post-disaster zone. Thus, this research has broad implications for aid effectiveness in complex, stressed environments.

### **Remittances and Entrepreneurship: Evidence from the Pakistan Remittance Initiative**

Dr. Javaeria A. Qureshi ([javaeria@uic.edu](mailto:javaeria@uic.edu)), University of Illinois-Chicago, USA

This project will investigate the impact of the Pakistan Remittance Initiative (PRI) on remittance flows to Pakistan, and analyze the relationship between remittances and entrepreneurship in remittance-receiving households. In 2009, the Government of Pakistan launched the PRI aimed at facilitating the flow of remittances sent home by non-resident Pakistanis. By quantifying the impact of the various incentive schemes that comprise PRI, this analysis will provide information to potentially restructure the initiative to better facilitate remittances in the future. In exploring the impact of remittances on entrepreneurship, the characteristics of individuals that form small-scale enterprises using remittances and the types and operation of the enterprises that are created will also be examined. By investigating this link between remittances and entrepreneurship, the study will provide insights on how policymakers may capitalize on the impressive growth in remittances in recent years to create investment and growth in Pakistan.

### **Urban Open Spaces for Adolescent Girls**

Mr. Syed Ayub Qutub ([s.a.qutub@pedar.org](mailto:s.a.qutub@pedar.org)), Pakistan Institute for Environment-Development Action Research, Islamabad

Urban open spaces meet the recreational needs of men and women. However, they are under pressure from city growth and urbanization. In Pakistan, adolescent girls are limited in their access and use of open spaces due to security and cultural reasons. The research tests hypotheses about the quantity and quality of open spaces in selected localities of Rawalpindi and Islamabad. It will measure and rank the

impediments and enabling factors for open space access as perceived by adolescent girls and their guardians. It will develop and test the efficacy of physical design options as well as institutional and programmatic interventions for enhancing girls' access and usage. Research papers will be generated on the basis of the findings and policy briefs will be shared with city managers and town planners. Revised gender-sensitive open spaces standards will be advocated for reference manuals and plans.

### **Priming Rural Health Facilities for Optimal Service Delivery**

Dr. Musharraf Rasool Cyan ([musharraf.cyan@gmail.com](mailto:musharraf.cyan@gmail.com)), Georgia State University, USA

This research will implement an intervention to strengthen maternal care during childbirth in rural Pakistan, where the maternal mortality rate of 260 deaths per 100,000 live births is one of the highest among comparable countries. The intervention will prime rural health facilities by institutionalizing readiness protocols for maternal care during childbirth, which in turn will reduce delays in managing obstetric complications and save lives. Facility priming will be augmented by an innovative management regime delivering measureable and higher service delivery outcomes in an endemically low performing area of healthcare. The experiment will be conducted in 36 rural health centers of Punjab with 36 additional centers serving as a non-treatment control group. The project results will demonstrate the efficacy of the interventions toward saving maternal lives to address the lag in achieving a key Millennium Development Goal. The study with its focus on the ignored and underperforming rural health facilities, accessible to the poor among the rural population, seeks a solution where it is most needed.

## **VIBRANT MARKETS**

### **Public Investment Efficiency and Sectoral Economic Growth in Pakistan**

Dr. Qazi Masood Ahmed ([qmasood@iba.edu.pk](mailto:qmasood@iba.edu.pk)), Institute of Business Administration, Karachi

This study will examine the sectoral level effects of public investments in Pakistan on the long-term marginal productivity and rate of return for eight sectors. Vector autoregressive/error correction (VAR/VEC) time-series models will be estimated to capture the dynamic feedback effect of public investment on private investment, employment and output. Marginal productivity and rate of returns will be calculated to evaluate the effectiveness of disaggregated public investments. The results will highlight whether the public investments crowd-in or crowd-out private investments in Agriculture, Mining and Quarrying, Manufacturing, Electricity & Gas Distribution, Construction, Transport Storage & Communication, Finance and Insurance, and Public Administration & Defense. The study will calculate the rates of return and tax revenue in each sector and the period in which the initial investment can be recovered. Finally the study will quantify the cost of additional employment in each sector which will contribute to the understanding of the dynamics of employment creation.

### **Productivity and Growth: A Disaggregated Analysis for the Manufacturing Sector of Pakistan**

Ms. Fauzia Kamal ([fauzia\\_15@hotmail.com](mailto:fauzia_15@hotmail.com)), Applied Economics Research Centre, University of Karachi

The role of productivity in economic development is widely accepted as an indispensable factor for sustained economic growth. This study will provide a detail review of Pakistan's past economic and industrial policies and identify the sources of growth and its determinants for Pakistan's large-scale manufacturing sector over the last three decades. The research employs Harberger's two deflator growth accounting approach and sunrise/sunset approach to examine the role of productivity in industrial development. The research will provide a basis for rational interventions for industrial development through industrial, trade, monetary and fiscal policies.

### **Channelizing Pakistan-Afghanistan Informal Trade into Formal Channels**

Dr. Adil Khan Miankhel ([adilmiankhel@gmail.com](mailto:adilmiankhel@gmail.com)), Competition Commission of Pakistan, Islamabad

Pakistan's informal trade with Afghanistan is a source of major concern for policymakers. The presence of informal trade reflects excessive transaction costs of moving goods across the border through formal channels. High transaction costs may be due to either high tariffs or institutional, socio-economic and political factors. Enforcement and trade facilitation measures could help in channelizing informal trade into formal channels. In addition, due to high tariffs, informal traders have an incentive to smuggle merchandise. This project will empirically investigate the presence of obstacles to bilateral trade flows between Pakistan and Afghanistan that result in high transaction costs for traders. Through an empirical stochastic frontier gravity model analysis, the level of potential trade will be estimated that could be achieved in the absence of factors incurring high transaction costs.

### **Developing a Vibrant Financial System and Bond Market through Market Disciplines and Regulatory Policies**

Dr. Syed Kumail Abbas Rizvi ([skrizavi@yahoo.com](mailto:skrizavi@yahoo.com)), Synergistic Financial Advisors, Lahore

The presence of a vibrant financial system is indispensable for sustainable economic growth. For Pakistan, with weak bond markets and heavy reliance on financial intermediaries to obtain corporate financing, there is a dire need for special regulatory attention to ensure financial stability. A relevant regulatory approach is through market discipline that may ensure additional prudence through actions of third-party agents. This study will use secondary data to assess whether bank financials exhibit any evidence of market discipline, especially in the post-reform period. We will assess the perceptions of depositors, using primary data, and their ability to evaluate financial disclosures and consequently impose market discipline. Lastly, we will assess the role of selected macro financial variables in determining the activity in bond markets (in view of its need and importance to strengthen the financial system). Emphasis will be on *de facto* situations rather than *de jure* commitments. The research findings will help to empirically validate policy recommendations for developments of vibrant financial markets.

### **Corporate Governance Index: A Measure of Corporate Governance Practices in Pakistan**

Dr. Aneel Salman ([aneelsalman@yahoo.com](mailto:aneelsalman@yahoo.com)), Center for Policy and Management, Islamabad

Poor corporate governance has been acknowledged as an important cause of the recent financial crisis despite stringent prudential regulation of firms' capital and risks. This study will investigate the impact of compliance with the Code of Corporate Governance by KSE 30 Index companies and make policy recommendations in this regard. An index will be constructed to measure the level of compliance by the companies. This index will be used to evaluate whether the market capitalization of KSE 30 Index companies as of June 30, 2012 has any relationship with the level of compliance with the Code of Corporate Governance, demonstrating whether compliance provides an avenue to achieving greater market capitalization or not.

### **Estimating Labor Market Skill Mismatch in Selected Professions**

Dr. Pervez Zamurrad Janjua ([pzjanjua@hotmail.com](mailto:pzjanjua@hotmail.com)), International Institute of Islamic Economics, Islamic University, Islamabad

Higher education in Pakistan has undergone revolutionary changes during the past decade. To achieve desired economic outcomes from education, it is important to have a balance between supply and demand of graduates in various subjects. An excess supply or shortage of skilled graduates both have associated problems. Over-skilling gives rise to unemployment, lower job satisfaction and social stress related with unemployment including hypertension and crime. A shortage of skills in a subject will cause under-

utilization of resources, reduction in the possibilities of investments, and unemployment in the allied industries and professions. Therefore, some countries have established separate organizations to design a policy to minimize skill mismatch. This project will estimate the gap between demand and supply of skilled graduates in various professions using several skill mismatch indicators. These indicators will inform recommendations for universities, educational institutions, policy institutions and students to create harmony between supply of and demand for skills.

### **Determinants of Expansion of Micro and Small Firms and the State of Entrepreneurship**

Dr. Idrees Khawaja ([idreeskhawaja@pide.org.pk](mailto:idreeskhawaja@pide.org.pk)), Pakistan Institute of Development Economics, Islamabad

This study will empirically investigate the determinants of the expansion over the past five years of micro and small firms in Rawalpindi/Islamabad. To develop stylized facts regarding the overall state of entrepreneurship and explore the determinants of expansion, 300 firms across different sectors will be surveyed. A purpose-specific questionnaire will be designed to gather information on various aspects of entrepreneurship. As the questionnaire will have more than one question on each aspect, the responses will be aggregated to form an index. The indices for 12 aspects of entrepreneurship (e.g. innovation, risk, financing) will serve as the potential determinants of firms' expansion (growth in number of employees) in the econometric analysis. The knowledge generated will provide policymakers with a basis for providing an enabling environment for small and medium firm entrepreneurship to prosper. The study will also help focus policy attention on micro firms as a distinct category.

### **Exploring Determinants of Entrepreneurial Behaviour in Disadvantaged Areas of Kyber Pakhtunkhwa**

Dr. Ali Muhammad Mohmand ([dralimohmand@gmail.com](mailto:dralimohmand@gmail.com)), University of Peshawar

This project investigates the relative strength of entrepreneurial determinants in one of the most disadvantaged areas of Pakistan, the Federally Administered Tribal Areas. Disadvantaged entrepreneurs mostly rely on socio-cultural factors to facilitate earning their livelihoods. Persistent wars, economic downturn and strong adherence to culture have turned the Pashtun tribesmen into entrepreneurs by necessity. In an atmosphere of chaos and disadvantage, most of their cultural traits compel them to build strong entrepreneurial behaviour. Several hypotheses will be empirically tested about determinants of Pashtun's entrepreneurial behaviour and thematic analysis will be performed on interview data. The study will provide policy-based recommendations for strengthening entrepreneurial behavior as a viable mechanism for eliminating extremism and sustaining peace in the long run.

### **Formulating Water Policy Based on Rationalization of Water Allocations Using Remote Sensing and GIS Modeling**

Dr. Muhammad Jehanzeb Masud Cheema ([mjm.cheema@gmail.com](mailto:mjm.cheema@gmail.com)), University of Agriculture, Faisalabad

Water allocations for canal commands are not uniform throughout Pakistan. The water allowance for different canal commands varies from 2.5 to 15 ft<sup>3</sup>/sec per 1000 acres. This variability in water allowance has resulted in low water productivity (kg of yield per m<sup>3</sup> of water use, an indicator to assess efficient water use), especially in command areas having higher water allocations. In this study, near real time satellite imagery will be used to estimate crop water use and corresponding water productivity for each canal command. Spatially distributed maps of land use, evapotranspiration, crop yields and other variables at 1-km pixel resolution will be prepared. GIS maps of canal water availability will also be prepared. This spatial database will be used to evaluate water productivity and irrigation efficiency in different canal commands. A threshold level of water productivity /crop water use will be determined to meter the canal water. The study will formulate incremental canal water pricing mechanism to enhance

water productivity that will potentially reduce non-beneficial water use and will benefit the farmers of canal commands with low water allowance.

### **Comparative Advantage and Policy Analysis of KPK Agriculture**

Dr. Noor P. Khan ([profnoorkhan@yahoo.com](mailto:profnoorkhan@yahoo.com)), KPK Agricultural University, Peshawar

A paradigm shift in Pakistan's growth strategy, the central role of agriculture in KPK's economy, and widespread poverty in the province raise important questions about the future of KPK's agriculture and the potential for government policy or investment to enhance the sector. This study employs a Policy Analysis Matrix (PAM) to determine comparative advantage and government intervention in KPK's agriculture for three different agro-ecological zones (Central, North and South). Questions to be addressed include the comparative advantage for KPK's agriculture (assessed using primary data for 2012), whether comparative advantage differs by agro-ecological zones due to difference in yield, prices or transportation costs, and the potential for investment and policy interventions to strengthen the region's competitiveness. The results will provide timely guidelines to manage KPK's agriculture with reference to food security, agricultural trade and poverty alleviation and to gauge the adjustments that are needed in the province's agriculture.

### **The Role of Milk Collection Contracts in Improving Production and Marketing in Irrigated Punjab**

Dr. Muhammad Qasim ([m\\_qasim@yahoo.com](mailto:m_qasim@yahoo.com)), Pakistan Agricultural Research Council, Ayub Agricultural Research Institute, Faisalabad

This project evaluates the impact of milk marketing through collection centers of different processors on the productivity of livestock holders in Pakistan's irrigated Punjab. The study also aims to provide an empirical basis for promoting value chains in agricultural commodities where production is dominated by small farms. A farm-level survey of livestock owners will be conducted for the year 2013 and overall 280 milk producers will be interviewed. A structured questionnaire will be used for the data collection. The data gathered will be used to quantify the income of livestock owners from milk production. The impact of improved, product specific and formalized marketing on milk production of livestock holders will be quantified. Policy guidelines for improvement of the dairy sector will be drawn from the results of the project for further research, development planners and policymakers.

### **Agricultural Markets and Agrarian Change in Pakistani Punjab**

Mr. Muhammad Ali Jan ([muhammad.jan@wolfson.ox.ac.uk](mailto:muhammad.jan@wolfson.ox.ac.uk)), University of Oxford, UK

The study explores the link between asset distribution of land, indebtedness, commodity markets and market power in a fertile region of Pakistani Punjab; more specifically, it investigates whether market outcomes for different players in fertile canal irrigated Punjab are dependent on prior distribution of resources and the extent and nature of indebtedness, or whether these markets are competitive. This will be achieved through a 9-10 month repeat survey of 100 traders and farmers in Dipalpur Tehsil of District Okara. Data will be collected through a survey questionnaire on asset distribution (land and other assets), type and extent of indebtedness (e.g. tied contracts or not) and market outcomes (prices received/paid, costs and profits). The study will include both a descriptive analysis of the situation and an econometric analysis. It will provide policy prescriptions on whether agricultural markets in Pakistan are vibrant and if not, what can be done to make them so.