

SOCIAL  
SCIENCE  
AND  
POLICY  
BULLETIN

Summer 2009

School of Humanities,  
Social Sciences and Law  
Lahore University of Management Sciences



## **Social Science and Policy Bulletin**

VOLUME 1 No. 1

(Summer 2009)

ISSN 2073-6789

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The *Social Science and Policy Bulletin* is published quarterly by the School of Humanities, Social Sciences and Law at LUMS. It provides a forum for debate on the economic and socio-political issues pertaining to the formulation and conduct of public policy as well as its impact. The Bulletin aims to disseminate, to a wider audience, high quality research and policy-oriented work being done by social scientists. The editors of the Bulletin welcome short essays, either analytical or quantitative, that are relevant as well as intellectually stimulating.

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## Editors' Note

The first issue of *Social Science and Policy Bulletin* comes out at a time when Pakistan is faced with a myriad of problems ranging from economic instability to political turmoil. The democratic government which came to power in February 2008 inherited a large fiscal deficit, an impending balance of payments crisis and a high rate of inflation. Stifled by high production costs and severe shortages of power, the manufacturing and export sectors shrunk considerably, lowering the GDP growth rate by more than 3 percentage points in the course of one year. The macroeconomic problems, in particular the burgeoning current account deficit, forced the government last year to resort to IMF financing. The stabilization package introduced at the release of the first tranche focused on a tight monetary and fiscal policy which, at least in the short run, can adversely impact both employment and income. A government which is sensitive to its popular mandate and is interested in achieving long term socio-economic stability has to devise an appropriate social protection program which provides a safety net for the most vulnerable groups in the society. The Benazir Income Support Program is an example of such a scheme.

The Economic crisis which has gripped the country for the past year was worsened by the ever increasing political turmoil. The prolonged power struggle between the two main political parties along with the unabated insurgency and militancy in Baluchistan, Swat and FATA created an atmosphere of uncertainty resulting in an environment inhospitable to most forms of investment, domestic or foreign. The country today is in the midst of a turbulent political and economic cycle and thus in dire need for workable solutions at both fronts. This particular issue is centered on the current state of affairs in the country. The articles reflect critically on various facets of public policy, from macroeconomic reform to

government programmes aimed at increasing social welfare.

The first article, by Ijaz Nabi, analyzes recent government policies in the light of achieving sustainable economic growth. Highlighting the twin structural problems of sustained budget deficit and current account deficit, the article underscores the need for widening the tax base of the economy and improving export competitiveness to achieve macroeconomic stability in the long run. Hammad Siddiqi's essay presents a critical view of the Karachi Stock Exchange and its institutions, in particular the financing institution of *badla*. He argues for an institutional reform in the stock market that proceeds both at the financing and governance level simultaneously. The article by Haris Gazdar, looks at the Benazir Income Support Programme, the latest initiative of the government to extend social protection. He analyzes both the advantages of such a policy as well as some of the flaws in its design and claims that although such initiatives are needed, attention needs to be directed at their structure and proper implementation to ensure that they deliver successfully. The last piece in the Bulletin, by Rasul Bakhsh Rais, moves away from the economic realm to explore the nature of the party politics in Pakistan. Attributing the dynastic nature of the leading political parties to feudalistic roots of the Pakistani rural society, he vests hope in the country's rising civil society that may, after all these years, demand a government ruled not by personalities, but by the Law and the Constitution.

The current issue also lists short thematic descriptions of the recent research done by the Social Science faculty at LUMS. In the forthcoming issues, in addition to the LUMS faculty research, we hope to also represent in these pages quality work being done elsewhere.

## The State of the Economy

By Ijaz Nabi



Six months ago, Pakistan's macro-economic situation was dire. The current account deficit that measures the difference between what we owe the world and what it owes us, and therefore is a good indicator of the overall health of the economy, had shot up to a record 8.6 percent. This was largely because of the rapid increase in public and private demand for imports compared to a much smaller increase in exports.

Private sector demand (for both locally produced as well as imported goods) was high because several years of loose monetary policy had promoted a culture of easy borrowing and spending. We all know that too rapid an increase in domestic demand results in inflation. Inflation that had been creeping up in 2006-2008, soared to 25 percent in October 2008; and in the absence of adjustment in nominal exchange rate, the real value of the rupee shot up relative to other currencies. This made imports cheap and people switched to imported goods — as seen in the surge in demand for cars, electrical goods and a host of other consumables.

In the public sector, our proclivity to spend (on average about 20 percent of GDP) far exceeded our ability to collect tax revenues (about 10 percent of GDP). This deficit was narrowed somewhat (around 5 percentage points) by the budget support operations of the donors. The rest was accommodated by the State Bank of Pakistan via its loose monetary policy and by the future

generations via creation of debt. When donors do not come to our rescue (as was the case last summer), an accommodating monetary policy results in both inflation as well as a large current account deficit. In October 2008, both of these indicators of the economy's health reached dangerous levels, the international reserves plummeted and a serious balance of payments crisis loomed.

Our macro-economic difficulties are rooted in the well-known structural weaknesses of the economy i.e. insufficient exports given the demand for imported goods and insufficient revenue in relation to public expenditure. These two weaknesses are at the center of the frequent boom and bust cycles of the economy. But two additional factors contributed to the problems of last summer: the loose monetary policy mentioned earlier and a global commodity price hike (the price of crude oil shot up to an unprecedented high as did the price of imported wheat).

Even in 2006, some economic observers were voicing concerns that these underlying vulnerabilities would have serious consequences for the stability of the economy. It was clear that the government of the day was unwilling to tame aggregate demand so that the entire burden of adjustment would eventually fall on the country's foreign exchange reserves. This policy stance could be sustained only if there were no major external price shocks and if capital inflows (both concessionary as well as private) continued. As we saw in 2007-8, neither of these assumptions would hold. Commodity prices shot up and the political events leading to Musharraf's downfall and beyond choked off concessionary and commercial capital inflows. The subsequent global financial crisis made matters even more acute.

In the summer of 2008, the government was faced with

the following choice. Hang on to the exchange rate of Rs 60 to the dollar and continue to subsidize imported oil and watch the reserves disappear leading to huge social costs, or use all the instruments under its command to reduce aggregate demand. The latter course would also demonstrate to the skeptical outside world that the government was serious about economic management and that it might step in to help ease the burden of adjustment.

The government chose wisely. It allowed the exchange rate to depreciate (the rupee shed 30 percent of its value vis-à-vis the dollar), sharply curtailed public sector expenditure including energy subsidies and tightened money supply allowing interest rates to nudge up. This belt tightening was noticed by the friends of Pakistan and they rewarded the nation with much needed balance of payment support in the form of an IMF program and budget support operations by multilaterals such as the World Bank and the Asian Development Bank. We also got lucky: international commodity prices have fallen sharply since last summer. These two factors have considerably eased the burden of adjustment.

The short run economic outlook in March 2009 thus is more favorable compared to what it was six months ago. Inflation is coming down rapidly and is expected to be in the single digit by the summer, allowing an easing of interest rates. International reserves have been built up and the threat of default has receded. The exchange rate has stabilized at a rate higher than was expected a few months ago (although some would argue that the rupee is still overvalued). However, the global financial crisis and what that implies for our foreign exchange earnings (export of goods and remittances) continues to cast a shadow.

Of course, stabilization in itself is a kind of recovery compared to the worries of last summer. But we should aim for a robust recovery and sustained economic growth. This will require restructuring the economy to

make a real difference to the lives of the citizens in terms of improved quality of employment and better incomes and living standards. That, in turn, requires addressing the two core structural weaknesses of the economy i.e. increasing tax revenue to a more respectable 15 percent and substantially increasing manufactured exports. One will require a visible improvement in the quality of public programs and the political will to widen the tax net, and the other requires teaming up with foreign investors to access better technology, management practices and richer markets. Both are huge challenges but now is the time to take them up.

The challenges facing the economy can only be met if we have a cost-effective program of social service delivery (education and health) and social protection for the deserving. Such a program will help to upgrade the quality of our work force and give citizens the assets to benefit from growth as well as to fulfill a basic tenet of social justice that ensures that those who are most needy are looked after by the society. Both are essential elements of a social contract that creates the space for governance, stability and sustained economic growth.

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## Why do we need a New Stock Market?

By Hammad Siddiqi



The story of attempted institutional reforms in the stock exchanges of Pakistan is a very interesting one. I will tell the story here with particular reference to the Karachi Stock Exchange, however, the description is equally applicable to the other two stock markets in Pakistan.

There are two main institutions in the Karachi Stock Exchange (KSE). The term institution here means “rules of the game”. The rules can either be formal or informal. The two primary institutions in KSE are: a financing institution called *badla*, and a governing institution that specifies how the directors are elected. After the March 2005 crisis, policy makers came out with a plan of reforms which was aimed at reforming both the above mentioned institutions. According to the plan, the financing institution of *badla* was to be replaced with margin financing and the governing institution was to be replaced through the demutualization of KSE. However, both sets of reforms have been stalled due to a crucial weakness in the strategy of the policy makers. The policy makers adopted a model of gradual institutional reforms in which the *badla* institution was to be replaced first, followed by a change in the governing institution through demutualization. We will see shortly that the very idea that institutions can be changed one by one is fundamentally flawed; such a plan is bound to fail from the start.

Apart from the question of why gradual institutional reforms are bound to fail, there are two related questions that must also be answered. Firstly, brokers themselves have argued for and successfully implemented certain reforms. Reforms such as the introduction of electronic trading, ‘dematerialization’ of shares through creation of CDC, switching from ‘quote driven’ trading to ‘order driven’ trading, and replacing periodic settlements with rolling settlements were broker-driven. Without any doubt, all these reforms have made trading more transparent and safer by reducing opportunities of manipulation by brokers and by reducing systematic risk. Elimination of *badla* financing and demutualization (policy maker driven reforms which the brokers are stalling) are also aimed at reducing manipulation and systematic risk. If all the reforms have the same objective, how come brokers forcefully argue for some and stall the others?

It is also a common perception among participants and commentators that most of the benefits of market manipulation go to big brokers who are not more than a dozen in number. However, the reputational costs are shared by the entire broker community. There are 200 brokers in KSE alone. If most of the gains go to only a dozen and the costs go to all, why don’t the other brokers out-vote the manipulating bloc and elect directors who would check such manipulation?

In this short note, I will argue that all three questions raised above have a common answer. The answer lies in understanding the interactions between announced formal rules and historically developed informal rules. If we consider the process of reforms as a mere transplantation of formal rules from developed markets to our markets, the questions remain unanswered. But, if we consider the interactions of these transplanted rules with existing informal rules underlying our markets, then things appear to fall into place and coherent answers

to the questions raised above are found. Along the way, we will see that the underlying 'rent structure' that shapes the informal rules is very different from what one typically sees in developing countries. Normally, rent-seekers aim to gain privileged positions through favorable government interventions. The "SRO culture" in our industrial sector is a case in point. But as far as the stock market is concerned, the privileged positions have arisen endogenously through market interactions. Hence, the rent-seekers of the stock market do not want government interference in their affairs. Consequently, the politics of rent-seeking is very different in the stock market.

Before answering the above questions, one myth perpetuated by brokers needs to be debunked. Brokers often argue that badla has been eliminated and now we have a new system called 'Continuous Funding System' or CFS\*. In reality, CFS is just another form of badla. In fact, it is an even stronger form of badla since it not only makes funds available for a longer period but also operates in parallel with the ready market. As will become clear shortly, it increases the de facto power of 'badla kings' by strengthening the informal ties among brokers.

I will begin by addressing the third question first. Consider two games, one with formal rules and another with informal rules. Initially, assume that the two games are not linked. The formal game has legally spelled out procedures for election of 5 member directors. There are about 200 brokers who can vote. The informal game is one in which few large brokers decide how to allocate badla funds to other brokers. Badla is lucrative to all brokers since it magnifies their trading volumes and consequently their incomes. Of course, large brokers with badla funds have complete freedom to decide who gets badla. If the two games are separate, it is optimal for the majority of small brokers to unseat member directors who favor large brokers in the formal game. But, by strategically linking the two games, that is, by making badla availability in the second game conditional on cooperative voting in the first game, a few powerful

brokers can manipulate the outcome of elections.

The second question is now fairly easy to answer. Broker-driven reforms are exactly those that increase the component of the informal game in the pooled incentive constraint across the two games. "Dematerialization of shares", "badla market operating in parallel with the spot market" and "rolling settlements", all increase the efficiency with which the badla funds can be employed along with some mitigation of systematic risk. Both outcomes are favorable to badla financiers. That is, broker-driven reforms are exactly those that increase the de facto power of already powerful brokers. In contrast, regulator-driven reforms are those that, if implemented, will weaken the component of the informal game in the pooled incentive constraint across the two games. No wonder such reforms are stalled. Hence, the brokers' response to the two sets of reforms is entirely consistent.

The first question can now be answered. The institution of badla creates microstructure rents (through strategic linkage across the two games) as described above. Such microstructure rents are exploited to control the management of KSE. Consequently, regulators cannot negotiate their way to success with KSE management because powerful brokers who run the show will never accept elimination of their source of power through negotiations. In short, when the institution of badla is targeted for reforms, powerful brokers strengthen their hold on the governing institution and use their increased power to stall the attempted reforms. That is, the institutions of badla and governance are inter-dependent. Furthermore, the microstructure rent associated with the institution of badla has arisen endogenously in the market and no government action was involved. Hence, this type of rent is very different from the rent associated with the SRO culture

Also, another intriguing development is that of brokers entering into the commercial banking sector whereby some of the brokers are now operating their own commercial banks. Serious conflicts of interests have

been created here along with substantial increase in the de facto power of some brokers. There must be a strong regulatory response here. The consequences of repealing the Glass-Steagall act in the US are in front of us in the form of this global financial crisis. We need a Glass-Steagall act of our own to avoid our own localized financial crises.

So, what's the way forward? It is clear that the policy makers cannot win this battle with the brokers as long as the powerful brokers are on their own turf. The battlefield needs to change. I suggest that all the institutions (both financing and governing) should be reformed simultaneously by creating a new stock exchange called the "National Stock Exchange of Pakistan". This approach will solve the problem of institutional inter-dependence (endogenous institutions) highlighted above. The new exchange should start out with all the reforms (new institutions) in place. Most importantly, the new exchange must have a totally separate spot and derivatives market and not an amalgamation of the two in a strange mixture of CFS and spot. Investors with speculative appetite and short-term horizons should be deflected to the derivatives market. The spot market should only have transactions for delivery. The transparency of the new market will first attract investors, and then firms will follow. This will create strong competitive pressures on the existing stock markets and powerful brokers will have no choice but to accept the reforms.

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\*It is very important to realize that the planned phase-out of CFS will not end badla. Badla will continue in the form of "in-house" badla. Due to its nature, interest in badla is naturally lower when the market is depressed. However, as things return to normal, badla volumes will soar again.



## BISP and the Issues in the Design of Social Protection in Pakistan

By Haris Gazdar



The Benazir Income Support Programme (BISP) represents the flagship initiative of the federal government for expanding social protection during a period of economic downturn and stabilization. This note provides a critical assessment of issues in the programme's design and implementation, and offers thoughts on emerging issues.

The Benazir Income Support Programme was launched in the federal budget of 2008-2009 with an allocation of 34 billion rupees. This was an unprecedented fiscal commitment, particularly during a time of economic downturn when there is pressure for pruning government expenditures. Although delays in implementation have led to a significant downward revision, the BISP with a planned outreach of over 3 million beneficiary families, is one of the most ambitious social protection programmes to be initiated in Pakistan. By comparison, the total expenditure on existing cash transfers (Zakat and Bait-ul-Maal) in the previous budget was under 10 billion rupees.

Although the manifesto of the Pakistan People's Party (PPP) promised a workfare scheme – similar to India's National Rural Employment Guarantee (NREG) – its estimated cost of around 100 billion rupees seemed infeasible given the government's precarious fiscal position in 2007-2008. The BISP then emerged as an alternative; a targeted cash transfer that allowed a wide

coverage within a smaller expenditure envelope.

Despite the fact that the policy decision to opt for targeted cash grants rather than workfare was motivated by fiscal considerations, it is useful to briefly review the relative merits of the two types of methods from the design point of view. The strongest point about workfare is that it is supposed to be self-targeted; willing workers are guaranteed employment whereas the non-poor will self-select out due to more remunerative opportunities elsewhere. However, although workfare schemes develop infrastructure, they may involve high transactions costs in implementation of public works projects and will automatically exclude people unable to work due to old age, illness, or other social norms (such as patriarchy) governing the local labour markets.

In contrast, direct cash grants require less elaborate administration. Potentially, targeting is more effective if income can be effectively measured or proxied; however, any administrative targeting is more likely to be prone to Type 1 and Type 2 errors than self-targeting (see below). Cash grants may involve measurement costs and once lists are drawn up, they inhibit dynamic entry and exit.

There are some general conditions that need to be addressed in the design of a targeted social protection measure. First, the targeting criteria must be transparent and consistent with policy goals. If the policy goal is to provide cash transfers to people below a certain income level, targeting criteria must credibly have a way of selecting people with the requisite income levels. Second, there must be a clear idea of the universe from which targeting is to take place. Third, an efficient targeting method will minimize the number of intended beneficiaries who are left out (Type 1 error), and minimize the number of non-intended beneficiaries that get selected (Type 2 error). In most targeting approaches there is a trade-off between minimizing Type 1 and Type

2 errors, and where the axe falls will be a policy decision. Fourth, the targeting method should be dynamic in the sense that it should allow entry and exit for beneficiaries as their economic situation changes.

BISP design has been through three phases. In the first phase it was decided to use the National Database Registration Authority (NADRA) records to select beneficiaries, mainly to expeditiously utilize readily available computerized records and to reduce the subjective “human element” in the selection process. The latter argument was premised on an incorrect understanding of NADRA information, and on the requirements of targeting design. The quality of NADRA information like any other survey information depends on what is volunteered by respondents and the robustness of the systems of verification.

NADRA-based targeting however, proved problematic; a high Type-1 error would be incurred since a disproportionately poor segment of the adult population (over a quarter) lacked NADRA identity cards. Also, not only was NADRA collected information a crude proxy for income, it is updated infrequently, rendering entry and exit virtually impossible.

Subsequently, the NADRA scheme was replaced by administrative targeting using parliamentarians. Each parliamentarian was provided with 8,000 BISP application forms and these required applicants to supply information, some of which could be cross-checked with NADRA. This approach reduced the gravity of the Type 1 error – people without NADRA cards were now allowed to apply for a cash grant, but had to register with NADRA in the course of their application. Steps were taken to facilitate the provision of NADRA cards to applicants. There was wide concern, however, that selection through parliamentarians might exacerbate Type 2 errors – that is, leakage to the non-poor. It was also widely observed that parliamentarians would tend to favour their own political supporters – though this was not necessarily a fatal flaw if they selected only the poor from among their supporters.

An appreciable positive that emerged from these various experiments was the decision to create the entitlement in the name of women members of the beneficiary family. The importance of creating citizenship based entitlements for women can play a crucial role in expanding women’s de facto rights over resources.

For the time being, while BISP has gone into operation through the parliamentarians, the government has also reached an agreement with the World Bank for its substantial redesign. It has been accepted that beneficiary selection will be based on proxy mean testing (PMT) using a scorecard developed by the World Bank.

A PMT tries to identify intended beneficiaries – in this case income-poor families – through easily observable and verifiable variables that can proxy for income. Whereas household income surveys are expensive, time consuming and complicated due to the wide range of variables used, a score-card is a simple survey based on easily observable and verifiable family or individual characteristics that can proxy income. Additionally, it is simpler to fill and can be used to survey the entire population; problems arise however, in finding efficient proxy variables-models for PMT are derived from actual household survey data.

One of the most challenging aspects of a PMT approach is the implementation of the survey. In effect, the PMT approach requires a population census – or complete enumeration of all residents with a specific area. In Pakistan the use of the PMT approach will mark a historic departure – as the idea of a universe is not yet fully internalized in social policy delivery. There are other government interventions such as the Lady Health Worker programme, and polio campaigns that are supposed to enumerate the entire population, but their implementation has been uneven. If the BISP succeeds in the effective implementation of its score-card over a well-defined universe, it can have a positive externality for all other government social policy interventions.

Score-card implementation requires a mix of organizational skills and capacity; from the ability to

carry out a population census to the use of social mobilization methodologies that may motivate marginalized groups to participate in data collection and verification as well as to guarantee that beneficiaries and non-beneficiaries are able to understand, accept or satisfactorily appeal against targeting outcomes.

But there are many technical as well as policy issues that need to be understood better and resolved in the course of BISP redesign and implementation. One of the most important of these concerns institutionalization of social protection through the programme. The organizational infrastructure that will be required for effective targeting, implementation and monitoring could quite easily be used for a range of social policy interventions. It is important, therefore, to get things right in BISP. Critically, there is a need to build state capacity at the local level for undertaking the implementation of the scheme, as this will engender a sense of entitlement.

There is a need, too, to place the BISP in a broader perspective within social protection. Even efficiently designed and implemented targeted cash transfers fill only part of the social protection gap. In Pakistan, a broader social protection agenda needs to be pursued with greater vigour. There are many non-budgetary social protection measures that could be implemented even during a period of economic slowdown and fiscal prudence. The most promising among these is residential security for the landless poor in rural areas, and for residents of irregular settlements in urban areas.

There are existing schemes to build upon – such as the Marla scheme in Punjab, the Goth Abad scheme in Sindh, and the Katchi Abadi regularization. These schemes were historically important in creating entitlements among some of the most socially marginalized groups.

There is some interest in moving in this direction which needs to be encouraged. It has been reported, for example, that the Sindh provincial government is considering grants of state land for homesteads to women.

Workfare too needs to be brought back to the policy

agenda. This will require a considerable reworking of the systems of contracting public works, but such reforms are due in any case. The advantages of workfare as a self-selecting and counter-cyclical unemployment insurance measure are far too obvious to ignore in the Pakistani context. There is much that can be done even within the existing fiscal envelope to reorient existing public works allocations towards workfare.

Finally, there is a need and scope for direct support to the most vulnerable segments – such as the girl child – who may face discrimination even in intra-household allocations. Direct school nutritional and health programmes can play an important role. The implementation experience in Pakistan thus far has been mixed, but this is no reason for not trying again.

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## Pakistan's Stable Crisis

By Rasul Bakhsh Rais



A recurrent political crisis of Pakistan lies in the family-dominated political party system, which makes the political system dysfunctional and imbalances the distribution of power among different institutions of the state, with greatest concentration being in a single individual. At times, it is a major source of political confrontation like the one we recently witnessed because it is the personal interests of the party boss or his vision of good politics and good society that determine the party line, its policy orientation, and above all the larger question of democracy and rule of law in the country.

All the political parties have dynastic character. This includes both the mainstream national parties, even those with a long history and nationwide constituencies as well as ethnic and regional parties with an equally strong social support base and history of political struggle. Other smaller parties, religious or ethnic that might appear to be free of single family domination have been and are currently run by single individuals in dictatorial fashion.

Pakistan cannot make the transition to democracy without a competitive party system, which it fortunately has developed since the colonial days. Parties are indispensable for how we translate the idea of popular sovereignty to a representative government and run such a government. It is true that the political parties of Pakistan, whatever the nature of their manifestos, ideology and social support base, have a political support

without which they couldn't survive the efforts of several military dictators to fragment and destroy them.

The political parties of Pakistan have popular constituencies and each one of them has a separate political identity as well as a recognizable ideological orientation, that might have faded off, but that nevertheless links them all with a particular type of programme, vision of the country or a worldview. And the country and society can be rightly proud of a multiparty system, which is pretty much a reflection of the multi-cultural character of the society and the familiar political divides.

Then what is wrong with these parties and why have they not been able to deliver the political, security and economic goods—the expectations that the people generally have from them? There are many reasons which we would like to mention in passing, but focus on the single most important weakness, the absence of democratic culture within the structure of the political parties.

Students and analysts of Pakistani politics generally explain the questions of political instability, confrontations, political crises and failure of democracy with reference to feudal culture, safe family electoral constituencies and the caste and tribal features of the society. Regular military interventions for individualistic and institutional interests are a further reason for the country's enduring political crises because of disruption of civilian rule; not merely for disruption of natural political balances but for causing institutional decay of both informal and formal spheres of political process.

However, a party system with a good degree of internal democracy and recruitment of leaders in the party ranks and nomination of candidates for public office, provincial and national legislatures, could repair the political damage caused by the military interventions.

Unfortunately, the periods of civilian rule in the country under the political parties have not been very different in political attitudes and behaviour than the ones under the military rule.

Both have demonstrated two common strands of politics—personalised rule and hybridism. The party leaders in power have acted within the party like the political commanders, allowing others to speak but taking arbitrary decisions, going more by their own whims and understanding of political interests than by the collective wisdom of the party rank and file.

Hybridism is an important feature of Pakistani politics and political process, which largely explains the ability of the military and civilian rulers to stay in power and justify their rule. This is about combining elements of democracy and authoritarianism and presenting them as ‘genuine’ democracy. The democratic elements in both the regime types are elections, freedom of expression, fundamental rights and open politics. But this kind of openness has marginal influence on decision-making, policy formulation and the general system of governance.

Why this disconnection between the popular representation and democratic governance? The party leaders from the PPP, PMLN and PMLQ that have in the past formed governments at the centre and the provinces didn’t embrace democratic principles in running the parties or the governments. The experience of ethnic and religious parties is no different.

The political parties in Pakistan are run like a family business or a private corporation with major political stakes of the dominant families that have captured or inherited them. The dynastic party system could transform itself and the political process like the Congress in India, if the leaders felt secure enough to share power at different levels of the party structure and at different tiers of the governments when they formed them.

Much of the incentive for not giving up authoritarian control over the party and the government comes from

negative factors—fear of the party being captured by the rivals and escaping judicial and legal accountability of corruption.

The greater damaging effect of personalised control over the party and the government is on governance, the rule of law and democratic culture. This has reduced Pakistani politics to a dangerous clash of personal interests of the party leaders and the forming of governing coalitions out of political conveniences rather than because of programme or ideological compatibility; both tend to destabilise the political system.

There are two other important dimensions of the undemocratic political party culture of Pakistan which foment political crises: the regular renegeing on political commitments and the backing off on pledges made to the electorates. The party leaders do it believing that they can get away with this attitude, since neither the institutions of the state nor the electorates can hold them accountable for what they have failed to do or what they have done in violation of the law and the Constitution.

The present crisis is actually born out of this traditional mindset of the supreme political bosses of the parties, mainly of those in power at the centre today. The self-delusion that they could keep the superior judiciary subordinate, pack the courts with the party workers, use courts as an instrument of political manoeuvring and throw an elected government in the Punjab with impunity, is what has created the ongoing clash between the lawyers and civil society movement supported by the opposition parties and the Zardari-dominated PPP.

The traditional leaders like Mr. Asif Ali Zardari and his non-political advisors now occupying influential public offices fail to recognise that Pakistani society has changed. There is in fact a generational change, which is reflected in the self-image of the younger generation in Pakistani society and the vastly expanded professional middle class as the real stakeholders of the state and society.

There is a big gap in the cultural orientation, belief

system and worldview of the new Pakistani classes and the old-fashioned leaders of the political party. Rooted in new social realities, there is an emerging democratic coalition that cuts across ethnic, regional and party lines. It simply wants a government that adheres to the rule of law; whosoever forms it should be constrained by the Constitution and be accountable under the law.

Victory of this non-partisan social movement may resolve the stable crises of Pakistan politics as the leaders might be forced to respect law and accept constitutional restraints on the exercise of power. Running political parties like despotic oligarchs and manipulating political processes would only perpetuate confrontations. Pakistan has entered a decisive political phase in the struggle between democracy and authoritarianism. The hopeful sign is that counter-authoritarian social forces are stronger than ever before and have gathered enough momentum and power to outbalance the authoritarian party bosses.

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## Research Notes

Several faculty members at the School of Humanities, Social Sciences and Law (SHSSL) at LUMS are actively involved in research in the fields of Economics and Political Science. The research notes collected below thematically organize their latest work and highlight its policy relevance.

### **Macroeconomics and Economic Growth**

*Syed Zahid Ali*

Dr. Zahid Ali wrote and published quite a few papers on issues related to exchange rate policy, taxes, and interest rate policy. His focus throughout is on the supply-side effects of exchange rate and interest rate. In his early work, he developed non-stochastic models in continuous time. He checked the proposition that if the system is stable then currency devaluation cannot both contract employment and worsen the balance of payments of the country. In a similar model, he also investigated how the supply-side effects of the exchange rate and taxes interact to complicate the effects of devaluation. Later on, Dr Zahid developed stochastic models in discrete time. Using Fisher and Taylor type models, he developed a two period wage contract model and, assuming rational expectations, calibrated the model to determine the short-run and long run effects of currency devaluation.

In another study (with Dr. Sajid Anwar), he attempted to test the productivity bias hypothesis by making use of data from the latest version of Penn World Tables to examine the productivity bias hypothesis for three South Asian economies – India, Pakistan and Sri Lanka. The paper shows that purchasing power parity holds for Sri Lanka, evidence is mixed for India and it does not hold for Pakistan. In addition, the productivity bias hypothesis does not hold for any of the three countries considered. Currently, Dr Zahid is working on models that

incorporate forward-looking variables and are backed by micro foundations. Using these models, he is attempting to analyze issues such as the correct exchange rate and interest rate policies for less developed countries.

*Antonio Marasco*

Dr. Marasco's research interests include the investigation of the implications of foreign direct investment (FDI) for the economy of the host country. One study (coauthored with Ehsan Choudhri and Farhan Hameed) uses a dynamic general equilibrium model to explore the macroeconomic and the welfare effects of a large increase in FDI, such as that experienced recently by a number of emerging economies. For an economy with free access to the international financial market, a large FDI capital inflow is found to lead to a surplus in the current account, but not to have large effects on other macroeconomic variables. The welfare analysis showed that a surge in FDI leads to a net welfare loss in the absence of technology spillovers. A second ongoing project focuses on the effects of FDI on host country's welfare in the context of a trade model with monopolistic competition and firms characterized by heterogeneity in their productivities.

Empirically, Dr. Marasco has tested the link between FDI and growth. In one article, he has tested the relationship in the presence of economic integration, while in another he studies the role played by technology. Both of these are ongoing projects, and he plans to rerun them after collection of newer and more complete data. Separately, he has also been interested in researching the relationship between income inequality and growth via technological progress. To this end, he has developed an endogenous growth model with quality ladders and income inequality and an open economy version of the same model. It is shown that, under monopoly, an increase in the degree of income inequality lowers the intensity of research activities and the growth rate of the economy while under duopoly

the opposite is true. He has empirically tested the relationship between income inequality and growth, and plans to modify this investigation on the basis of new developments and data.

### *Ijaz Nabi*

Dr. Ijaz Nabi's latest research focuses on economic growth, income distribution and poverty reduction. Between 1990 and 2007, South Asia, led by India, saw rapid economic growth and impressive poverty reduction. His on-going research assesses the quality of that growth in view of the fact that it is driven in all countries, with varying degree, by remittances and rapid increase in consumption. The impact on the economic structure of South Asia is being examined in order to assess whether there is a shift of labor towards higher productivity, higher wage employment that would sustain growth and improved living standards over a longer period of time. The principal findings indicate that the inflow of remittances coincides with a structural evolution biased towards the services industry; other than in India where the IT services are export oriented, the services sector in South Asia comprises activities that are largely non-traded and have relatively low labor productivity. Thus, South Asia is experiencing a growth in economic activities that do not fit the description of "growth vents" as described by East Asia Renaissance (2007) and Growth Commission (2008) studies i.e., high productivity economic activities that workers employed in relatively less productive jobs can move to in order to raise overall productivity of the economy and income levels.

Finally, Dr. Nabi's research points out that ongoing global financial crisis and a sharp reduction in the price of oil have impacted the economies (the US and the oil rich middle-east) where remittances to South Asia originate; this could have far reaching consequences for South Asia and constitutes a major vulnerability that needs to be better understood and managed. Dr. Nabi

is currently advising the government; he is a member of the Prime Minister's *Economic Advisory Council* as well as the Planning Commission's *Panel of Economists*.

### **Efficiency, Agriculture and the Rural Economy**

#### *Abid Burki*

Dr. Abid Burki's recent research includes work on stochastic and DEA frontier efficiency in banking; productivity change; agricultural development; and the dairy sector. In a recent paper coauthored with Dr. Mushtaq A. Khan, he examines the effect of major depression on the technical efficiency of dairy farms by using data of 800 smallholder commercial dairy producers from rural Punjab. Psychological and somatic symptoms are recorded using WHO's Self Reporting Questionnaire (SRQ-20) and an index of depression is constructed by using a random effects binary response model in item response theory. The Efficiency index is constructed by using frontier production function. The results of this research suggest that 12% of farmers were suffering from major depression while 31% respondents had mild depressive disorders. Major depression was significantly related to decrements in technical efficiency; dairy output of farmers suffering from major depression significantly dropped due to technical inefficiency. The paper also calculates annual loss to Pakistan's economy due to major depression.

Dr. Burki has also carried out research regarding Pakistan's banking sector. His recent paper, coauthored with Shabbir Ahmad of the International Islamic University, examines the impact of bank governance changes on bank performance by taking unbalanced panel data of Pakistan from 1991 to 2005. The findings of this paper suggest that, in general, financial reforms improve banking sector performance. The winners from the governance change are the privatized banks and private banks selected for M&A, whose post-governance-change efficiency levels have enabled them to exploit new profit making opportunities. The results of the



research predict that these banks are expected to hold on to X-efficiency gains even in the near future. Further consolidation of the banking industry will eventually decrease profits, but this is likely to happen much more slowly than did the present gains in efficiency.

#### *Mushtaq A. Khan*

Dr. Mushtaq Khan specializes in the field of econometrics, labour economics, regulatory economics and particularly, agricultural economics. His recent research looks at milk supply chain networks and the efficiency of smallholder dairy producers in Pakistan. The paper, coauthored with Dr. Abid Burki analyzes the effects of milk supply chains on technical inefficiency of smallholder dairy producers by using cross-section survey data of 800 commercial dairy producers from rural Punjab, Pakistan. It studies the impact of rural milk supply chain, known as milk district, on smallholder efficiency by employing stochastic production frontier and technical inefficiency effects model. While location of dairy households in the paper's sample is exogenously determined, building of milk supply chain indeed decreases technical inefficiency. The authors detect stronger power of milk district in further reducing technical inefficiency if the farms are located in remote areas, or if their size is relatively large. The advice to policy makers from these results conforms to the standard economic view that market competition leads to decreased levels of technical inefficiency of smallholder producers. Dr. Mushtaq Khan is a member of the *Working Group on Institutions for Development* of the *Panel of Economists* set up to produce a Medium Term Plan for Pakistan.

#### **Political Economy, Governance and Social Protection**

##### *Ali Cheema*

The research work of Dr. Ali Cheema can be broadly classified into two themes: (a) Descriptive work on poverty, social and income mobility and village and

district-level development outcomes; and (b) governance, institutions and political economy. His paper, "Geography of Poverty: Evidence from the Punjab," *Lahore Journal of Economics* (Sept. 2008) co-authored with Ms. Manasa Patnam and Ms. Lyyla Khalid is the first paper to provide robust statistical estimates of poverty and development indicators across Punjab's thirty-five districts. Government of Punjab's Poor District Programme uses these results to identify poor districts. Another paper makes use of a unique panel data-set on development outcomes in the district and measures the degree of convergence in development outcomes across villages between 1961 and 1998. The paper finds considerable divergence in development outcomes across villages and analyzes correlates that explain this divergence. Dr. Cheema has used this work to inform the design of poverty alleviation and social protection strategies that he has worked on as part of the Planning Commission's *Panel of Economists* and as part of the Chief Minister Punjab's *Economic Advisory Council*. His work on institutions and political economy analyzes the manner in which state institutions and local village-institutions impact development outcomes. His paper (with Shandana Mohmand and Asjad Naqvi), "Bringing Government Closer to the People: Who Gains Who Loses?," presented at the Regional Econometrics Society Conference, 2006 and at the Institute of Policy Dialogue, Columbia University, 2006 analyzes the extent to which decentralization at the union-level results in elite capture of public service delivery. Finally, his paper (with Bilal Siddiqi) "Colonial Village Institutions, path dependence and public good provision" estimates the extent to which development outcomes at the village-level are affected by initial socio-economic inequality within the social structure of villages. Dr. Cheema's research has been funded through research grants from University of Sussex, Government of Punjab Planning and Development Department, US National Academy of Sciences and HEC.

##### *Miguel Loureiro*

Since the 2005 earthquake Miguel Loureiro's research

has focused on community coping mechanisms and resilience to shocks (particularly in Pakistan-administered Kashmir), social protection, social exclusion, and social stratification. He is one of the founding members of Research and Information Systems for Earthquakes in Pakistan (RISEPAK). Presently, Miguel is a doctoral candidate at the University of Sussex, looking at the impact of the 2005 earthquake on social institutions and value systems in Pakistan-administered Kashmir. In his latest papers (to be submitted this month), he assesses the resilience of informal social protection mechanisms in Pakistan, and problematizes the concept of “community” in rural Pakistan and its impact on community-based and community-driven development. He has also started revisiting notions of social stratification within South Asian Muslims.

#### *Muhammad Farooq Naseer*

The focus of Dr. Naseer’s work has been on various issues of economic development ranging from the economics of education and health, social capital, farm efficiency and political economy. He mostly uses analytical tools from the modern micro-econometric methods to research important empirical questions in the field. One of his ongoing areas of research interest is to understand the voting behavior in Pakistan general elections.

His latest work attempts to evaluate the impact of government policy on certain outcomes of interest. For instance, he and his co-authors examined the impact of recent schooling reform under a public-private partnership on learning outcomes. Their research established that child-friendly classrooms, which emphasized teaching innovation, via non-didactic pedagogy and exploratory learning, instead of the traditional lecture-based rote learning, tended to improve student performance in languages as well as mathematics. Furthermore, in work currently in progress, he is attempting to determine the effectiveness of a

community-led sanitation program in improving rural hygiene and health in two union councils in the period 2007-08. It is anticipated that this program will be expanded nationwide as part of the future sanitation strategy of the Government of Pakistan. Hence, it is crucially important to learn the lessons from this pilot through a rigorous impact evaluation before scaling up program coverage to the entire country.

#### **Game Theory and Behavioral Finance**

##### *Hanjoon Michael Jung*

Dr. Jung’s areas of research span the fields of Game Theory, Microeconomic Theory, Political Economy, and Industrial Organization. His previous research has looked at the general role of news media as a means of information transmission. He already showed that in a conflict situation, by using news media, the sender can influence receivers’ decision-making process. He has also worked on modeling hierarchy based on endogenous power system. In this model, powerful players can raise their status to publicly establish their power and wealth. Dr. Jung’s current research extends the game introduced by Crawford and Sobel (1982) and introduces a new concept of “Complete Equilibrium” to deal with the situation in which the receiver has systematically wrong beliefs about the sender’s signal. He situates the new concept of “complete equilibrium” in comparison to the concepts of “perfect” and “Nash” equilibria and through his research, develops a system that allows general games to be solved using the Bayesian Inference.

##### *Hammad Siddiqi*

Dr. Hammad Siddiqi’s research is interdisciplinary in nature. Currently, he is looking at how analogy based thinking or coarse thinking explains a few puzzling results in industrial organization. In particular, he has shown that coarse thinking provides an alternative

explanation for collusive outcome in a Bertrand duopoly with increasing marginal costs. He has also demonstrated that the two main aspects of coarse thinking, that is, transference and framing, are present in an experimental options market. This is probably the first ever empirical verification of the existence of coarse thinking in asset pricing. He is also developing a framework for asset pricing in which ambiguity plays a central role. The model shows that ambiguity makes agents infra-marginal or price insensitive. This result has important implications for market volatility and existence of market equilibrium.

On the policy side, Dr. Siddiqi has been working on two issues. Firstly, there is the issue of Hawala. Cash collaterals are provided to our formal banking sector through the informal institution of Hawala. The primary purpose of such cash collateralized lending is to convert equity into debt for tax advantages. However, such interactions between formal banking and informal Hawala greatly diminish the ability of the state bank to affect the quantum of credit circulating in the economy. Monetary policy may become ineffective if such interactions are not taken into account while designing policies. Secondly, the issue of CFS or badla financing in our stock markets is a very important one. CFS or badla financing creates microstructure rents. Such microstructure rents concentrate the de facto power in the hands of a few powerful brokers. Due to the concentration of de facto power in the hands of a few powerful brokers, the process of reforms in the stock exchanges of Pakistan has stalled. Consequently, the model of gradual institutional reforms is not going to work. All institutions in the stock exchanges of Pakistan (governing as well as financing) must be changed simultaneously through the establishment of a new stock exchange called the National Stock Exchange of Pakistan.

### **Trade, Economic Geography and Public Economics**

*Syed Turab Hussain*

Dr. Turab Hussain's research interests have ranged from

migration theory and policy, poverty and rural development to trade and development. His research on migration employs the extended family framework instead of the standard Harris-Todaro model, whereby the family rather than the individual is treated as the relevant decision making unit for migration. This idea, developed initially in sociological and anthropological studies, is corroborated in economics by analyzing the continued linkage between a migrant and his family, thus treating migration as a rural household's strategy to diversify risk. The policy implications of his research indicate that developmental policy may lead to counter-productive results; urban employment subsidies may increase the pull factors of migration, hence leading to greater unemployment in the long run. Similarly, rural subsidies or lump sum transfers to rural households may, counter-intuitively, make migration more attractive by reducing the costs of migration. In another paper, Dr. Hussain explores how the rate of migration may not be positively related to the degree of networks present at the destination; using an extended family framework, it is shown that a greater number of previous migrants may crowd out opportunities for new ones, hence reducing migration incentives.

*Anjum Nasim*

Dr. Nasim's research interests include macroeconomic policy, international trade and public finance. His recent research, co-authored with Sajal Lahiri at Southern Illinois University, specifically examines the potential for the reform of sales tax and tariffs in Pakistan. The research looks at whether tariff revenue should be substituted by consumption tax revenue and at whether tariffs on intermediate and final goods should be altered. Analysing welfare effects, the research concludes that replacing tariffs on intermediate goods with increased consumption tax would be welfare reducing. Also, optimal tax and tariff calculations indicate that Effective Rates of Protection in Pakistan can be lowered by decreasing tariffs on final goods and raising them on intermediate goods.

Another recent paper by Dr. Nasim and Dr. Lahiri

develops a trade-theoretic model to calculate the optimal level of rebate provided by the Government of Pakistan; it concludes that as the Government becomes less revenue constrained, national welfare would be boosted by increasing the rebates given to the exporting sector.

## **Political Science**

### *Aasim Sajjad Akhtar*

Aasim Sajjad Akhtar holds a PhD in political economy from the School of Oriental and African Studies, University of London. His MA and BA degrees are in Economics from Yale University and Northwestern University in the USA respectively. His primary research interests include post-colonial state formation, imperialism, the informal economy, peasant movements, and the political economy of Islamism. At present he is working on numerous research projects, one is discussed briefly here: the rise of Islamism in Swat in light of the seminal anthropological writings on the region. The current brand of Islamists, while invoking a historical mandate to conduct 'jihad' must also be seen as an entirely modern political entity that is motivated primarily by the lure of state power. Crucially the rhetoric of jihad explains the rise of the Islamists only in part; the latter actually exploit historical grievances amongst traditionally powerless social groups, including the landless and 'non-Pakhtuns' more generally, by making landed Khans and the cumbersome judicial apparatus of the state the target of their polemic. The 'Islamic' solution offered is in fact an offer to these historically excluded groups to displace the incumbent power structure.

### *Shandana Khan Mohmand*

Shandana Mohmand's research is focused on the empirical analysis of the impact of decentralization, colonial village land settlement histories and village-level informal institutions on voting behaviour, socio-economic inequality and the politics of public service delivery in rural Punjab, Pakistan. Her past work has concentrated on analysing Pakistan's decentralisation

reforms in terms of accountability structures and in terms of their impact on public service delivery, participation, and socio-economic inequality. Her paper (with Ali Cheema and Asjad Naqvi), "Bringing Government Closer to the People: Who Gains Who Loses?", presented at the Regional Econometrics Society Conference, 2006 and at the Institute of Policy Dialogue, Columbia University, 2006 analyzes the extent to which decentralization at the union-level results in elite capture of public service delivery. Another paper (with Ali Cheema), "Accountability Failures and the Decentralisation of Service Delivery in Pakistan", published in the IDS Bulletin (Vol.38.1), finds that the nature of local politics, and the administrative procedures and structure instituted by decentralisation reforms, have increased the provision of targeted services but have not been able to improve the quality or provision of universal services.

The bulk of her current work concentrates on informal local governance structures and non-state political actors at the village level in Punjab. Her paper (with Ali Cheema and Manasa Patnam), "Colonial Proprietary Elites and Institutions: Persistence of De Facto Political Control" finds that the historical control of de jure political and economic power is a precursor of de facto political control by non-state actors in Punjabi villages today. Shandana's PhD thesis attempts to analyse voting behaviour in rural Punjab by laying out a model for household-level voting motives in unequal and clientelistic settings, and uses primary data to come up with measures for this variable. Her research has been funded through research grants from University of Sussex, Government of Punjab Planning and Development Department, and Social Enterprise and Development Centre.

### *Rasul Bakhsh Rais*

Dr. Rasul Bakhsh Rais is a political scientist whose eminent research interests include political and security issues pertaining to South Asia, Indian Ocean and Afghanistan. His current research focuses on the relationship between the tribe and the state in Pakistan's

Western borderland. According to his research, there is a dialectical relationship between the tribe and the state. Both of them represent an authority structure, institutions, leadership and rules to govern local populations. While the modern notion of national sovereignty and territorial control would require assimilation of the tribe into the larger national community, the tribe and its chieftain would strive to maintain their autonomy, traditions, and political arrangements. The ethos and structural needs of the two to survive, and for the state to expand, come into clash. The research therefore raises the issue of how to go about assimilation or integration of tribal regions without provoking conflict. One of the central questions of Dr. Rais' research is whether the Pakistani state pursued a well-designed, elaborate and consistent policy of effecting social change through modernization process in the western borderlands, or has it relied on the colonial framework of "separation" and indirect control? The focus is how the three international systems-British colonial, Cold War, and American hegemonic have defined and redefined dynamics and interactive process between the tribes and Pakistani state.

#### *Mohammad Waseem*

Professor Mohammad Waseem has been coordinating research on Religion and Development (RaD) sponsored by DFID-University of Birmingham. The components of the study include relationships between religious values, development concepts and practices; religions, politics and governance; the role of faith communities in contemporary social movements; the role of faith-based organizations in development; faith-based service providers and their changing relationship with the state; the development activities, values and performance of faith-based organizations and the role of faith-communities in conflict transformation and long-term development. Dr. Waseem is the team leader of one of the research components - dealing with the role of faith communities in conflict transformation and long-term development. He has conducted field research in Jhang district and is planning to go to Gilgit in late March 2009. This component deals with resettlement and

rehabilitation of communities after the sectarian conflict that exacerbated tensions between Shi'as and Sunnis. This project would bring out policy implications for official and non-official initiatives in this regard. In addition, Dr. Waseem is working on his new book "Political Conflict in Pakistan". He plans to submit the manuscript by the end of 2009 / early 2010 possibly to Routledge. This book deals with ethnic, religious, linguistic, constitutional, electoral and civil-military conflicts.

#### **Law and Policy**

##### *Asad Farooq*

Asad Farooq's main areas of interest are international law and emergent global forms of law, human rights discourse and practice, law in development, alternative theorizations of law, and popular reason in law and politics. His work is premised on the contextual approaches to law and law-doing. Much of this work has been tied to ongoing engagements with social movements. During his thesis work, he was engaged with peasant communities struggling for land rights in Malawi, whilst researching on the implications of dominant discourses of governance for the social majorities, and examining languages and forms of resistance to these. It represents a study in both legal imperialism and the decolonizing of law. Similarly he has worked on developing a jurisprudence of 'People's Law' whilst engaged with communities of resistance on land and water rights struggles in Pakistan. The latter has also involved (dis)engagements with inspection processes both at the World Bank and the Asian Development Bank. More recently his work is developing into the examination of 'the indigenous' as a 'new' political subjectivity.

Asad Farooq has also been working with a pioneering collective that aims towards developing new pedagogical methods of communication and communication design (both within new and old media) for use with and by social movements. Engagement with theories and praxis of voicing, testimony/ witnessing and the archive, underpin this process.

### *Jawwad S. Khawaja*

The research work of Professor Jawwad Khawaja, who resigned as a Judge on the Lahore High Court in March 2007, is concentrated on improving the quality of justice. This includes institutional reforms in the legal system for the delivery of prompt and inexpensive redress to litigants; gathering and collating accurate data from Court records to ascertain causes for delay in deciding cases and based on this to (a) formulate recommendations and (b) suggest legislation which will ameliorate systemic shortcomings; researching Police and Jail administrations to chart out practices relating to under-trial prisoners in particular and those generally who need to interact with these administrations; to gauge the impact on economic activity, of inefficiencies in the resolution of contentious litigation. His most recent and ongoing academic effort consists of working on a thematically organized book on Civil Procedure. In addition, he is developing a short course for legal orientation on corporate governance including teaching modules for Banking sector executives. He has been nominated by the Chief Justice of Pakistan, Iftikhar Muhammad Chaudhry, to the Law and Justice Commission of Pakistan (LJCP) which is a statutory body broadly mandated to undertake research and to make recommendations in the field of law. Professor Khawaja was named on the four-member Technical Evaluation Committee to scrutinize and evaluate proposals for funding of research and other projects. Professor Jawwad Khawaja has now been appointed as Justice of the Supreme Court of Pakistan (June 2009).

### *Sikander Ahmed Shah*

Sikander Shah's area of research relates to Public International Law and is focused on state sovereignty and territoriality, use of force, self-determination, global terrorism, human rights, WTO laws and corporate governance. His most recent work is forthcoming in the American Journal of International Law and the Vermont Law Review. He is currently a Research Scholar at the University of Michigan Law School working on public international law issues most relevant to Pakistan. In particular, his work focuses on the legality of the US Drone Attacks on Pakistan under the international law

of armed conflict and on determining the impact of the international law of sovereignty and statehood on classical Islam as well as on Islamic revivalist movements.

### *Osama Siddique*

Osama Siddique has been closely involved in research as well as policy work. His recent research includes a book written about the Presidential power to dissolve assemblies under the Pakistani Constitution and its discontents; articles exploring the use of Blasphemy Law in Pakistan, the State liability and remedies for victims of defective construction in Pakistan as well as on the crisis of legal education in Pakistan and key areas of reform; and various book chapters on the liberation of juvenile prisoners and on legal issues surrounding corporate governance.

Professor Siddique has also been continuing justice sector policy consultancy work since 2004 as the 'Law & Justice Reform Specialist' for the Asian Development Bank on legal education reform, through the design and formulation of the joint ADB, Ministry of Law, Justice & Parliamentary Affairs and HEC initiative for introducing Centers of Excellence in Legal Education ('CELE Project'). The main aim of this initiative is to extend financial and technical support to the most promising public and private law colleges in the country in order to bring about improvements in the areas of curricular reform, legal teaching and research. Additional law & policy reform projects in which he has participated in this advisory capacity have involved work on, inter alia, delay reduction in courts, legal bar reform initiatives, drafting of new laws and legal amendments in the areas of consumer protection laws, ombudsman laws, the civil and the criminal procedure codes, as well as institutional capacity building projects for provision of free legal aid and setting up of judicial training institutes. Furthermore, he is a member of the Governor of the Punjab's Committee for Reform of Punjab University Law College (PULC) - the largest public sector law college in Pakistan; the committee benchmarked proposals for provincial legal education reform against the Law & Policy Program initiative at LUMS.

SOCIAL  
SCIENCE  
AND  
POLICY  
BULLETIN

Social Science and Policy Bulletin  
Lahore University of Management Sciences  
Opposite Sector 'U', D.H.A.,  
Lahore Cantt.54792, Pakistan  
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