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NEWSLETTER

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From the Desk of the Vice Chairman

China Pakistan Economic Corridor- Policy Prescription

The Long-Term Plan (LTP) for China Pakistan Economic Corridor (CPEC), (2017-2030) constitutes the conceptual framework for implementing the key cooperation areas agreed between Pakistan and China. CPEC is based on the 1+4 framework, which includes: Gwadar Port, energy, transport infrastructure and agriculture and industrial co-operation. So far, the early harvest projects involving infrastructure development and energy have been completed or are at an advanced stage of completion. The Pakistan Tehreek-e-Insafe (PTI) government

seems to have shifted priority to industrial and agriculture cooperation and socio-economic development.

While LTP provides the overall structure for CPEC implementation, there continues to be a lack of coherent policy framework on the part of Pakistan Government to help clearly define the priority areas, create a win-win situation and sustainably harness mutual benefits for Pakistan and China. Below are some of the policy recommendations for consideration by the government:

The CPEC policy must be contextualized within two intertwined dimensions:(a) geo-strategic; and (b) national integration - each revolving around the troika of connectivity, peace and development.

Previous Publications



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- The geostrategic benefits for China include: overland route across Pakistan to the Arabian Sea to alleviate the "Malacca Dilemma" since roughly 60% of China's international trade and 85% of oil imports pass through the chokepoint of the Strait of Malacca; ability to influence physical access to the Indian Ocean; and closer proximity to Middle Eastern oil resources;
- The geostrategic benefits for Pakistan involve economic opportunities to integrate with the global trading, production and value chain networks; potential to serve as a nexus for BRI; and access to knowledge, innovation and technology. Also, Gwadar Port could serve as a transshipment hub by linking China to the Arabian Sea and enhancing connections between South and Central Asia, Eurasia and Europe.

Policy needs to ensure, as such, a win-win situation for both the countries

- The national integration stream should aim at mainstreaming the poor areas in the national development effort; addressing sense of socio-economic and political alienation in the deprived areas of Baluchistan,
- **Connectivity** plays a pivotal role in cementing the duo of peace and development and collective quest for equitable and sustainable human development. It has a socio-cultural aspect in terms of facilitating cross cultural experience; economic aspect as a lifeblood for trade and commerce, greater investment and growth; and knowledge/technology transfer.
- **Peace and security** are achieved through nationally linking the far flung and poverty stricken and violence prone areas to address sense of social, economic and political alienation and obviate the possibility of civil unrest -an anathema for human development which inflicts massive loss on livelihood assets besides huge costs of combating terrorism and extremism.
- The closer economic ties, interdependence and economic synergies play a catalytic role in preventing wars and conflicts

even resolving the frozen conflicts and preventing horrendous costs of conflicts and wars.

Development leads to both wealth generation and equity/poverty alleviation through (a) transformation of local endowment based comparative advantage to profit and income earning competitive advantage; (b) focused development planning along the three CPEC routes where the incidence of poverty is alarmingly high for the economic uplift of these areas.

- The policy must incentivize private sector, involve technoprofessional expertise to ensure inclusive, responsive and robust policy, programming and institutional frameworks, and, ensure due diligence, transparency and good governance.

**Shahid Najam
Vice Chairman**

The Shahid Javed Burki Institute of Public Policy at NetSol, Pakistan

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Message of the Month

Khan's Naya Pakistan: A Walk Down 365 Days of Foreign Policy

Pakistan is going through some very exciting times. The new government led by Prime Minister Imran Khan is committed to redress Pakistan's standing in global arena. Khan has taken many bold steps to invite the world to look at the Naya Pakistan—a peace loving tolerant Pakistan which is also providing conducive climate to open-up for business, foreign investment, tourism etc.

China is committed as ever to CPEC under its OBOR initiative by adding

more to its already heavy agenda of investments. Khan's initiative to visit KSA resulted in Crown Prince Mohammad Bin Salman (MBS) paying a return visit, proving to be a close ally in endorsing Pakistan's position and using his influence in back channel diplomacy with Trump administration. Pakistan is also getting a preferential treatment from Qatar government and this was amply displayed by the highest-level visit from Qatar culminating in billions of dollars commitment for investment. Khan's approach to strategizing the foreign policy has also borne fruits with UAE as evidenced in the assistance to cope with international payment crisis. Moreover, Pakistan's well-wisher Malaysia, has also decided to invest in five key development projects.

With Khan's recent visit to Washington, there is a renewed sense of trust and strong relationship along with focus on

peace in Afghanistan. Pakistan-Russia relationship has also witnessed a stronger diplomatic bond by expanding on bilateral military ties and enhancing cooperation across disciplines and industries.

Lastly, with Khan's stance on dialogue-based resolution, the Kashmir issue, once again after decades, has been prominently brought on the international agenda to the extent that even Trump has offered mediation between Pakistan and India.

With all these initiatives, we will be witnessing a reenergized Pakistan that shall dominate world politics with its foreign policy, conducive business environment, and most of all, the rich culture and hospitality of its people. Pakistan shall be a leading emerging economy in the 2020's.

**Ayub Ghauri
Member BOD**

The Shahid Javed Burki Institute of Public Policy at NetSol, Pakistan



From Think Tank Wing

Salt Balance Issue of the Indus Basin

The salt balance issue springs from a relatively straightforward arithmetic. Unless the outflow of salts from the Indus Basin equals or exceeds the salts flowing into the Basin, salt accumulation would occur. If such accumulations occur, then it is only a matter of time

before the salt buildup in the soil causes the underground aquifer to become harmful to plants and other users of groundwater.

The Indus Basin system is unique as it has virtually no return flow of subsurface drainage water—effluents from canal commands remain (with few exceptions) in the canal commands. In gross terms, about 35 million tons of dissolved salts enter the Indus Basin annually. About 7 million tons are discharged into the sea leaving a net addition of 28 million tons in the command

area. This amounts to 1000 lbs. per acre per year—an insignificant annual increment is adding up to a significant quantity over time.

So far human reclamation efforts and natural processes in Pakistan have moved salts from the upper soil layers to either below the root zone or into the aquifer itself. Without providing effective salt drainage out of the Basin, the soils or the aquifer will continue to accumulate salt thus increasing the salinity of the groundwater. This salt accumulation process must be

stopped or slowed down. If neither is done these areas will become unacceptably highly saline groundwater areas. This has already happened in most of Sind and parts of Punjab.

Preventing water quality decline from higher levels of salinity is currently a low priority. Interestingly about half of the water,

about 50 million acre-feet per year, for agriculture comes from groundwater. This dependence is forecasted to grow as a recent IPCC Climate Change report indicates that due to disappearing Himalayan glaciers surface water will decline by about 30 % in just three decades.

Pakistan cannot decelerate the effects of climate change, but it can prevent the deterioration of its groundwater quality. There is need for a high priority investment option in our agricultural strategy to save the Indus Basin from salinity.

**Tariq Hussain
Member BOD**

The Shahid Javed Burki Institute of Public Policy at NetSol, Pakistan



**From
Think Tank
Wing**

Looking Beyond Politics

Institutional interference, corruption and instability are few of the constant issues facing Pakistan. The apparent political problems of the country impede the progress since its inception. More than seven decades have passed but the same issues have only become chronic instead of being solved. Our policy makers seem to have wrestled consistently to address the problems but all in vain. Either the problem is misdiagnosed, or the treatment is wrong. In case of Pakistan, both are considered to be correct.

In fact, the political problems in

Pakistan continue to perpetuate primarily because of the moral and ethical deficit. Institutional interference, a problem explicitly seems political, has implicit ethical underpinnings. This has plagued the Pakistani mindset and historically evolved culture. To rectify this problem, solutions such as institutional dialogue have been proposed by the intellectuals, politicians and many pluralistic forums.

This indeed is the need of the hour, given the magnitude of the challenges which the country is confronted with and to bring the country out of the state of instability and governance dysfunction. What is equally, if not more, important is to go beyond the political remedies and instead, at the societal level, inculcate morals scruples and values. This, a priori, involves

to go beyond the political remedies and instead, at the societal level, inculcate morals scruples and values. This, from the former, involves the role of faith-based institutions like mosques to pay due emphasis on training and teaching in schools and revival of family traditions to shape the collective behavior for a progressive outlook of our polity.

**M. Waqas Nawaz
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**From
Education
& Learning
Wing**

Pakistan's Loan History and IMF

Pakistan, on independence, inherited a very fragile and weak economy. The subsequent economic management models, lack of effective measures to establish robust internal resource mobilization capacity and series of successive financial and fiscal crises accentuated the country's dependence on foreign aid and borrowing both bilateral and from the international financial institutions.

As for the International Monetary Fund (IMF), the country knocked at IMF doors as early as 1958 and has since made 21 financial arrangements resulting in borrowing of around 13.76 Billion SDR (Special Drawing Rights refer to an international type of monetary reserve currency created by the International Monetary Fund that operates as a supplement to the existing money reserves of member countries). This figure is not inclusive of the recent 22nd package.

General Ayub Khan signed the first Standby Agreement with IMF to secure 25 million SDR in 1958. However, this money was never withdrawn. In 1965 and 1968 Ayub Khan's finance team pursued two back to back IMF programs and secured 112 million SDR; this move made Pakistan an official client of IMF.

During Zulfikar Ali Bhutto's tenure, Pakistan went to IMF three times (from 1972 to 1974

and then again in 1977) and secured 314 million SDR. During General Zia ul Haq's regime, Pakistan managed to access loans of 2.187 billion SDR in two terms out of which only 1.079 billion SDR was utilized. Thereafter, the Pakistan People's Party (PPP) and the Pakistan Muslim League-Nawaz (PML-N) Governments together, from 1988 to 1997, concluded eight programs (5 PPP and 3 PML-N) with the IMF to obtain 1.64 billion SDR.

General Pervez Musharraf's regime borrowed 1.33 billion SDR in two attempts on massively low interest rate. In 2008, the PPP government secured the largest IMF bailout package in the history of Pakistan, amounting 4.94 billion SDR followed in 2013, by the PML-N government which accessed the second largest loan of 4.399 billion SDR.

The Table below succinctly captures the history of the IMF loaning to Pakistan:

Table 1
Pakistan's Loan History With IMF

Government	Facility	Date	Expiration Date	Agreed Amount Million SDR	Amount Drawn million SDR	Amount Outstanding
PML-N	Extended Fund Facility	Sep 04, 2013	Sep 30, 2016	4,393,000	4,393,000	4,273,000
PPP	Standby Arrangement	Nov 24, 2008	Sep 30, 2011	7,235,900	4,936,035	0
Musharraf	Extended Credit Facility	Dec 06, 2001	Dec 05, 2004	1,033,700	861,420	0
Musharraf	Standby Arrangement	Nov 29 2000	Sep 30, 2001	465,000	465,000	0
PML-N	Extended Fund Facility	Oct 20, 1997	Oct 19, 2000	454,920	113,740	0
PML-N	Extended Credit Facility	Oct 20, 1997	Oct 19, 2000	682,380	265,370	0

Government	Facility	Date	Expiration Date	Agreed Amount Million SDR	Amount Drawn million SDR	Amount Outstanding
PPP	Standby Arrangement	Dec 13, 1995	Sep 30, 1997	562,590	294,690	0
PPP	Extended Credit Facility	Feb 22, 1994	Dec 13, 1995	606,600	172,200	0
PPP	Extended Fund Facility	Feb 22, 1994	Dec 04, 1995	379,100	123,200	0
PML-N	Standby Arrangement	Sep 16, 1993	Feb 22, 1994	265,400	88,000	0
PPP	Structural Adjustment Facility	Dec 18, 1988	Dec 27, 1991	382,410	382,410	0
PPP	Standby Arrangement	Dec 28, 1988	Nov 30, 1990	273,150	194,480	0
Zia ul Haq	Extended Fund Facility	Dec 02, 1981	Nov 2, 1983	919,000	730,000	0
Zia ul Haq	Extended Fund Facility	Nov 24, 1980	Dec 01, 1981	1,268,000	349,000	0
PPP	Standby Arrangement	Mar 09, 1977	Mar 08, 1978	80,000	80,000	0
PPP	Standby Arrangement	Nov 11, 1974	Nov 10, 1975	75,000	75,000	0
PPP	Standby Arrangement	Aug 11, 1973	Aug 10, 1974	75,000	75,000	0
PPP	Standby Arrangement	May 18, 1972	May 17, 1973	100,000	84,000	0
Ayub Khan	Standby Arrangement	Oct 17, 1968	Oct 16, 1969	75,000	75,000	0
Ayub Khan	Standby Arrangement	Mar 16, 1965	Mar 15, 1966	37,500	37,500	0
Ayub Khan	Standby Arrangement	Dec 08, 1958	Sep 22, 1959	25,000		0
	Total	19,388,650	13,795,045	4,273,000	13,795,045	4,273,000

Source: Tribune Blogs

The economic rationale behind the IMF loan is essentially to stabilize the economy, sustain and adjust the exchange rates and correct the aberration in the balance of payments.

In case of Pakistan all previous IMF programs had taken the economy out of crisis in the short to medium term but unfortunately failed to provide a long-term sustainable growth. Various research studies

confirm the pains of IMF structural adjustment which in case of Pakistan was manifested during the 1988-1999 by the levels of inequality and poverty; and in the 1992-2002 decade coupled with the earlier

equitable and sustainable development of Pakistan.

small elite and enhance the livelihood problems of general people.

period, by a decrease both of per capita income and per capita GDP and increase in the unemployment rate from an average of 3.5 % in the 1980s to 5.7% in the 1990s and to 6.7% in 2000-01.

Any improvement in country's macroeconomic indicators, if any, was artificial since the focus of the IMF programs has never been on the institutional improvement; instead on narrow neo-liberal structural adjustments to benefit the a 39-month

The outcome of the recent IMF approved \$USD6Billion bailout package under Extended Fund Arrangement (EFF) has yet to be seen. The conditionalities are however, strict including exchange rate adjustments, increased energy tariffs, cut down in development expenditures (which will impact health, education, and other social sectors), and fiscal and taxation reforms.

Hopefully, the structural adjustment program would be accompanied by a robust growth strategy to lead to a stronger,

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From Education and Learning Wing

The Debt We Owe to Pakistan's Christians

According to official figures Pakistan is a predominately Muslim country, 96 percent, with a small but significant number of religious minorities. Other than Muslims, millions of Hindus, Christians, Parsis, Sikhs and people from other faiths call the country home. Christians are the second

largest religious group in Pakistan. They make up around 2.5 million of the population though some figures suggest even higher numbers of up to 3 million. It is interesting to note that Christians were relatively left unharmed by the communal-conflict between Hindus and Muslims during the 1947 partition of India and Pakistan. Sadly, however, this is no longer the case.

The founding father of Pakistan, Muhammad Ali Jinnah, while upholding the Islamic character, believed in a secular legacy for the country. This pluralistic democratic spirit attracted many Christians to support the freedom

movement of Pakistan led by Jinnah. Ill luck would have it, the social and political fabric in the country has since undergone a massive radicalization.

Today very few of us remember that Christian leaders like Deewan Bahadur S. P. Singha, in the Punjab Assembly of British India, played a significant role in the formation of Pakistan. Indeed, four Christian Members of the Assembly, representing the Christian population, recorded their statement during the demarcation of the boundaries and voted in favor for joining Punjab, Pakistan.

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In the same spirit, the Christians in Pakistan have wholeheartedly contributed to the various realms of life as patriotic Pakistanis. Just to name a few: the former Chief Justice Alvin Robert Cornelius, tirelessly served the country's legal system; Squadron Leader Cecil Chaudhry is a celebrated

Pakistani war hero and educationist; Faustin Elmer Chaudhry was an iconic photo-journalist not to speak of female icons such as Sister Gertrude Lemmens, Hilda Saeed, Norma Fernandes and Perin Cooper Boga who have supported philanthropic and educational causes in the country.

While the Constitution of Pakistan grants all the human rights to the minorities, the societal ethos that we have evolved since inception of Pakistan seems to deny the equal

opportunities to them to exercise and expand their economic, social, cultural and religious choices. Pakistan has lost almost ten percent of its minorities in the last seven decades. We can never payback the debt we owe to their contribution. It is in our best interest as a nation to stand by Jinnah's spirit of pluralistic democracy where human rights and dignity is secured and ensured for the minorities in their homeland.

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**From
Research
and
Consultancy
Wing**

'Change' in Britain

"I think I can save the British Empire from anything—except the British."

- Winston Churchill (Former British Prime Minister)

Finally, the 'change' has come to Britain in the form of Boris Johnson as the Prime Minister. Johnson has been a leading figure of Brexit movement which was based on an assumption of saving more than three hundred and fifty million pounds annually in addition to other benefits. On other side of Atlantic, he finds a similar right-wing populist leader

in USA, Donald Trump. Both are products of reactionary populist movements gaining moment in the West. In the international community, Trump seems to be the strongest ally of the new British Prime Minister. More specifically, Johnson, after "Brexit" when the EU institutional support will no longer be available, is likely to be increasingly dependent upon Trump's backing and patting in the conduct of international affairs.

The 31st of October marks the exodus of Britain from EU with or without a deal. The Prime Minister has indeed taken a hard stance to leave EU- "do or die, come what may". Michael Gove, the Chancellor of Duchy of Lancaster, has been delegated the task of 'No Deal', hard Brexit. There might, however, be a further extension after 31st October but that is also

uncertain since all 28 members of EU have to agree to it. 'No Deal' it is predicted, will inflict a heavy cost on Britain especially its economy.

Once, Britain is out of EU, it would have less bargaining power unless it manages to strike a good exit deal. However, given Johnson's tough stance and past populist promises and slogans, it is highly unlikely for Britain to seek hugely concessional arrangements. Furthermore, the Tories working majority which is already fragile is expected to dwindle down to almost one. That would accentuate the problems for Johnson and make Brexit a daunting challenge considering the extreme divide in the British parliament on the issue.

The post Brexit prognosis scenario for Britain seems to be bleak and gloomy. Without a favorable deal, there is likely to be a chaos in Britain in the immediate horizon characterized by severe congestions at seaports, shortage of medicines

and food not to speak of the general unease and frustration. The Pound Sterling has already fallen to its lowest value in the last 28 months. Britain would have to revert to the World Trade Organization (WTO) regime and rules which could cause some serious ramifications for its economy. In the circumstance, Johnson needs all the wishes and luck in the next three challenging months to acquit

himself well with the huge task lying ahead to position himself on the right side of history.



**From
Knowledge
Management
Wing**

During the preceding two months, BIPP staff participated in several in-house and external meetings, presentations and conferences. In June, shortly after Eid-ul-Fitar holidays, BIPP upheld the tradition of celebrating Eid Millan Party in the office. Dr. Dennis DeTray, member Advisory Council from USA was also invited to join. With a cake cutting ceremony and light refreshments, the team members greeted one another and shared their festive experience.



A Memorandum of Understanding (MoU) was signed between The Shahid Javed Burki Institute of Public Policy at Netsol (BIPP) and Izhar & Associates Consulting (IAC) on 18 June 2019, at BIPP's, where both the parties agreed to collaborate especially in the design and implementation of development projects.



On June 19, 2019, Mr. Shahid Javed Burki, the Chairman BIPP, delivered a lecture titled "Pakistan's Need of the Hour: A Program of Policy and Structural Change" at the National Institute of Public Policy. Dr. Ishrat Hussain, a leading Pakistani economist and academician, graced the event as the chief guest. The lecture was attended by eminent public officials,

**Ammar Hayat
Research Associate**
The Shahid Javed Burki Institute of
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academicians, media personnel and private sector representatives.



On June 27, 2019 chairman BIPP, Mr. Shahid Javed Burki conducted the 7th meeting of the Board of Directors (BOD) with M/S Shahid Najam, Tariq Husain, and Ayub Ghauri in attendance. The meeting, inter alia, reviewed BIPP's progress report for the last six months, the work plan for the annual report 2019- to be issued in late Nov 2019, BIPP's financial position, the revised governance structure, and took important decisions for better functioning of the Institute and implementation of its mandate.

Civil Service Academy. BIPP was represented by Ms. Kainat Shakil, Research Fellow and the Acting Director Research at BIPP.



On 5 July 2019, an in-house knowledge sharing session was held by Mr. Waqas Nawaz on the topic "Doctrine of Non-Interference and Institutional Crisis in Pakistan". This session ended with an interactive Q&A session between the staff and the presenter.



BIPP members also participated in external conferences and workshops, notably, in the "Asian Development Bank Country Partnership Strategy (CPS) 2020-2024 Consultation" and "Training Needs Assessment for Common Training Program" at

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Assistant Manager IT/KM
The Shahid Javed Burki Institute of
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**From
Finance and
Operations
Wing**

Increase in Interest Rate

The State Bank of Pakistan (SBP) announced its new monetary policy on Tuesday, 16 July 2019. SBP announced to increase the key interest rate by 100 basis points to 13.25%. BIPP Investment Policy has been revised since last month to get maximum return on investments.

Stock Market Review regarding BIPP Investment

During the month of June 2019, the Stock Market extended its trend of losses. The continued downward trend meant the KMI-30 declined 7.07% to close at 54,119 pts while KSE-100 declined 5.76% to close at 33,902 pts. BIPP's Finance Committee has been reviewing its investment portfolio on weekly basis to minimize the market risk and taking 22% exposure of the total portfolio in Stock Market.

Money Market Review regarding BIPP' Investment

Activity remained strong in the bonds market; stakeholders are

finally anticipating decline in further tightening. During the month of June, the KIBOR rates were up in the range of 13bps to 16bps and interest rates have reached up-to 13.25%. Therefore, BIPP's management decided to take 32% exposure of total portfolio in Money Market and 20% in TDR's of AA+ credit rating commercial banks.

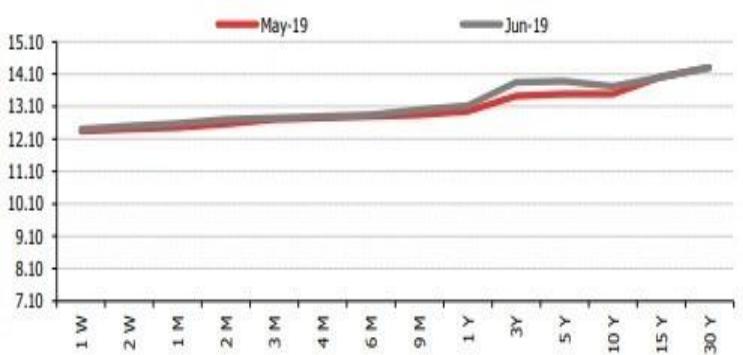
ISO 9001-2015 Certification:

The Shahid Javed Burki Institute of Public Policy at NetSol (BIPP)

has been awarded ISO 9001-2015 certification for the period 2019-2020. Resource Inspection Canada Incoporation Co. (RICI) has certified that the BIPP management system is in full accord with the prescribed international quality and management standards.

Closure of Financial Year 2019

Pre-audit reports are under process for which the accounting and financial reports are being analyzed in a comprehensive manner to ensure full financial propriety and discipline.



**Awais Khalid
Manger Finance**
The Shahid Javed Burki Institute of
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Mission Statement

IPP's mission is to improve welfare of the citizenry with particular emphasis on identifying policy measures that will lead to inclusive growth, socio-economic stability and sustainable development, besides fully harnessing the potential for regional and global integration.

Partners

