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## Editorial

Dear Readers,

The world conscious in unison across continents condemns the brutal Israeli bombardment of Gaza in East Palestine, killing more than 200 innocent unarmed civilians including 60 children and 38 women. Humanity bleeds asking international forums UNSC and OIC to leave no stone unturned to stop the state terrorism by Israel. Thousands of demonstrators took to the streets Saturday in several cities in Europe, and elsewhere around the world, in support of Palestinians in the ongoing clashes with Israel.

On May 21<sup>st</sup>, 2021 Friday, the Hon. Speaker National Assembly of Pakistan, Mr Asad Qaiser and Members of Parliament, expressed solidarity with people of Palestine in a March held against the ongoing aggression and barbarism by Israel in Palestine. The Parliament of Pakistan, including MPs across both sides of isles, also presented a Memorandum to UN Representative in Pakistan demanding the UN Secretary General to make arrangements for an investigation into the genocide of Palestinians by the Israeli forces. Both the Houses passed resolution condemning the Israeli barbarism.

This Issue of the PIPS Parliamentary Research Digest includes analytical article on Special Economic Zones under CPEC and Gender-responsive budgeting in addition to absorbing piece on China-Iran Comprehensive Strategic Partnership. We welcome feedback of our invaluable readers. Please do not hesitate to send your feedback or contact for any of our services at [research@pips.gov.pk](mailto:research@pips.gov.pk)

**Muhammad Rashid Mafzool Zaka**  
Director General (Research)



**FREEDOM FOR PALESTINE**

## MAPPING PARLIAMENTARIANS' FORUMS

### Inter-Parliamentary Union

#### **The UN commitment to the Least Developed Countries: a reality check**

Tuesday, 15 June 2021, Online

The 2030 Agenda for sustainable development, adopted in 2015, embraced the mantra “leave no one behind”. How much does this apply to the Least Developed Countries (LDCs), where some 900 million people live all too often in conditions of acute poverty and with many basic human needs still unmet? The UN is negotiating a new Programme of Action for the LDCs to be adopted in Doha, Qatar, in January 2022. So the time has come for a reality check with regard to this group of countries whose success is critical to the realization of the entire 2030 Agenda. In 2011, when the Istanbul Programme of Action for the LDCs was adopted, 49 countries were classified as “least developed” based on three criteria: national income below a certain threshold; education and health levels impeding overall human development; and a higher than average degree of economic and environmental vulnerability. This briefing for parliamentarians will raise awareness of the LDCs as part of the IPU’s commitment to contribute a parliamentary dimension to the preparatory process for the Doha Conference (LDC V).

*Source: <https://www.ipu.org/event/un-commitment-least-developed-countries-reality-check>.*

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#### **Virtual World e-Parliament Conference 2021**

16 - 18 June 2021, Online

The World e-Parliament Conference is the leading international forum for exchanging good practices and building inter-parliamentary cooperation in the area of innovation and digital technology in parliaments. This year’s Conference takes place against the backdrop of the Covid-19 pandemic. Since early 2020, parliaments have made extensive use of digital technologies to support remote working. It has been a period of accelerated innovation and the rapid adoption of new working practices and procedures. In this fast-changing context, the Conference will present and discuss findings on “Lessons from the pandemic” from the upcoming World e-Parliament Report. Over three days, participants will take part in interactive sessions featuring: thought leadership discussions on digital parliaments; good practices on parliamentary innovation; and collaborative creation of practical “how to” guides. The virtual format of the World e-Parliament Conference allows for a broad participation from parliamentarians and staff with an interest in digital transformation and innovation in parliament. Different sessions will be targeted at different audiences, and this will be clearly indicated in the conference program.

*Source: <https://www.ipu.org/event/virtual-world-e-parliament-conference>.*

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#### **Transforming food systems for health, equity, and sustainability**

23 June 2021, Online

Food systems touch every aspect of human existence and are intricately connected to human and animal health, land, water, climate, biodiversity, and the economy. However, too many of the world’s food systems are failing at multiple levels. Parliaments and parliamentarians are challenged to contribute more effectively to the governance of food systems, including the protection of the right to food, the regulation of the different stakeholders, institutions and processes involved along the food supply chain, and the promotion of equitable access to healthy and sustainable diets. The meeting will identify entry points for parliamentary action to ensure the production, processing, distribution and consumption of food responds to health, equity and sustainability imperatives. The outcomes of the meeting will inform the preparatory process of the UN Food Systems Summit. The meeting will be held virtually and will be open to all parliaments.

*Source: <https://www.ipu.org/event/transforming-food-systems-health-equity-and-sustainability>.*

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**PARLIAMENTARY BUSINESS****Resolution passed by National Assembly over the increasing violence and brutality perpetrated against the Palestinian people by the Israeli apartheid regime****RESOLUTION**  
**17-05-2021****This House**

- *Expresses* deep concern over the increasing violence and brutality perpetrated against the Palestinian people by the Israeli apartheid regime;
- *Strongly* condemns the systematic and institutionalized oppression and domination of the Palestinian people by the apartheid Israeli regime;
- *Strongly denounces* the systematic and brutal disenfranchisement, exclusion and ethnic cleansing of the Palestinian people;
- *Strongly denounces* the attacks by the apartheid Israeli regime on worshippers in al Aqsa mosque during Ramazan and attempts to stop the *Azaan*.
- *Denounces and rejects* the continuing practice of expanding settlements through forced evictions by the apartheid regime, which are in violation of Article 49 of the Fourth Geneva Convention;
- *Supports* the Palestinian people in their struggle for their right to self-determination;
- *Denounces* the practice of dehumanizing and delegitimizing the Palestinian struggle for self-determination through the use of terminology, by governments and media, attributing responsibility for the war crimes to victims of those war crimes;
- *Reaffirms and expresses* Pakistan's unwavering political, diplomatic and moral support to the brave and resilient Palestinian people;
- *Conveys* prayers and condolences to bereaved Palestinian families and prays for the recovery of injured.
- *Condemns* the deliberate destruction of buildings housing and local and international media outlets in Gaza and Jerusalem, carried out with the intent to erase evidence of the genocide being committed against the Palestinian people;
- *Reaffirms* Pakistan's unwavering support for the realization of the right to self-determination and other fundamental rights of the Palestinian people as well as for the two-State solution, based on the pre-1967 borders, and a free, secure, viable, independent and contiguous State of Palestine, with Al-Quds Al Sharif as its capital.
- *Recalls* relevant resolutions introduced by Pakistan in the United Nations regarding Occupied Palestinian Territories (OPT), especially the seminal UNSC Resolution 271, that was adopted after the incident of burning of the Al-Aqsa mosque in 1969.

- *Calls upon the UN*
  - (a) Security Council to take necessary action under Chapter VII of the UN Charter to bring to an end the ongoing crimes against humanity being perpetrated against the Palestinians.
  - (b) Ensures Israel's compliance with the resolutions of the UN Security Council, United Nations General Assembly and the Human Rights Council, reaffirming the right to self-determination of the Palestinian people.
  - (c) Ensure Israel's compliance with the Fourth Geneva Convention relative to the Protection of Civilian Persons in time of War and its Additional Protocol.
  - (d) Ensure Israel immediately halts its aggression which has violated the sanctity of Al Aqsa Mosque, a holy site for more than 1.5 billion Muslims, and respect their freedom to worship and allow unfettered access to Muslims to repair any damage done to the religious holy site by Israel's criminal actions.
  - (e) *Calls upon the UN Secretary General to establish an independent Inquiry Tribunal to investigate the crime of genocide by the Apartheid Israeli regime against the Palestinian people.*

*Calls upon the international community to take immediate cognizance of and action against the ethnic cleansing, genocide and forced displacement of the Palestinian people; and to establish international protection mechanism for the Palestinian people.*

*Demands that the international community ensure accountability for all past and present grave human rights violations and crimes against humanity being perpetrated against the Palestinians through fair, impartial and independent accountability and trials.*

*Calls upon the OIC to take immediate decisive steps for the protection and safety of the Palestinian people, and to break the illegal Israeli blockade of Gaza in order to provide humanitarian assistance.*

Makhdoom Shah Mahmood Hussain Qureshi, Minister for Foreign Affairs  
Dr. Shireen M. Mazari, Minister for Human Rights  
Mr. Zaheer-ud-Din Babar Awan,  
Adviser to the Prime Minister on Parliamentary Affairs  
Mr. Asad Umar, Minister for Planning, Development and Special Initiatives  
Mr. Omar Ayub Khan, Minister for Economic Affairs  
Mr. Muhammad Hammad Azhar, Minister for Energy

Mr. Noor Ul Haq Qadri,  
Minister for Religious Affairs and Inter-faith Harmony  
Dr. Fehmida Mirza, Minister for Inter-Provincial Coordination  
Mr. Shafqat Mahmood, Minister for Federal Education, Professional Training,  
National Heritage and Culture  
Chaudhary Tariq Bashir Cheema, Minister for Housing and Works  
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Mr. Shaukat Ali  
Ms. Maleeka Bokhar  
Rai Muhammad Murtaza Iqbal



## ANALYSIS

**Status of Special Economic Zones under CPEC:  
Best Practices and Lessons for Pakistan****Sonia Shabbir,**

Research Analyst on China Pakistan Economic Corridor

**1. Introduction**

In this modern era, a standard constituent for an economy to thrive sustainably lies in the pace of its industrialization process. A process that not only boosts the economy but also allows a country to achieve the status of “developed nation.” Moreover, within the industrialization process, not only long-term economic development is concentrated, but it also adds more emphasis on managing the core bottlenecks of the economy. The type of industrialization process aimed in this study is the “Special Economic Zone (SEZ)” which is an industrial enclave meant to produce export-oriented products with the assistance and support of Foreign Direct Investment (FDI), along with exemptions and incentives to the investors, pertaining relatively liberal rules for doing business.<sup>1</sup> Industries within the special vicinity enjoy certain facilities that are not available elsewhere i.e. efficient customer services ranging from fast track registration or licensing facility via one-stop-shop assistance, to the provision of better and reliable infrastructure environment along with tax freedom and special subsidies. These zones are created in a region with the aim of achieving certain objectives comprise of attracting FDI, endorsing exports, enhancing employment opportunities, bringing broader economic reforms and experimenting new policies.<sup>2</sup>

**2. Global SEZs Framework**

In Ireland, the first successful example of industrial SEZ appeared in 1959. Later in 1970’s, the industrial trend became popular in Latin American and East Asian regions with a great success in many countries like China, Bangladesh, Singapore, South Korea, El Salvador and Dominican Republic, and achieved a status of competitive economy in the world.<sup>3</sup> Currently, SEZs are located in more than 145 countries around the world where more than 5000 SEZs are operating, while establishment of almost 500 new SEZs are included in future plan.<sup>4</sup> Prominent examples show that SEZs are facilitating economies with achieving their targets along with boosting the economy. For instance, science and technology parks in the European Union states comprised of 28 million square meter space, hosting 40,000 organizations, created employment for 750,000 people and generated investment of 11.7 billion euros from the year 2000-2012.<sup>5</sup> From 2005-2015, Russia established six techno-innovative SEZs, hosting approximately 370 firms and

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<sup>1</sup> Thomas Farole and Lotta Moberg, “It Worked In China, So Why Not In Africa?: The Political Economy Challenge Of Special Economic Zones,” WIDER Working Paper 2014/152 Helsinki: UNU-WIDER, 2014.

<sup>2</sup> Douglas Zhihua Zeng, “Special economic zones: Lessons from the global experience.” PEDL synthesis paper series, (Washington D.C: World Bank, 2016): 1-9.

<sup>3</sup> Thomas Farole and Gokhan Akinci, eds. “Special economic zones: Progress, emerging challenges, and future directions”, World Bank Publications, 2011.

<sup>4</sup> UNCTAD, “World investment report 2019: Special economic zones,” (Geneva: United Nations, 2019), [https://unctad.org/system/files/official-document/wir2019\\_en.pdf](https://unctad.org/system/files/official-document/wir2019_en.pdf).

<sup>5</sup> David NE Rowe “Setting up, managing and evaluating EU Science And Technology Parks: An advice and guidance report on good practice, (Luxembourg: European Union, 2014).

creating 14,000 jobs.<sup>6</sup> Successful evidences from China approves that 156 High Tech SEZs contributed 1.42 trillion US dollars in Chinese economy by the year 2017.<sup>7</sup> Besides all the SEZs success stories around the world, evidence of SEZs failure is also prominent in case of African countries. Inappropriate design of facilities, inadequate infrastructure, bad governance, political influence, regulatory issues, information lags, minor incentives for investors, excessive bureaucracy, high costs in availing the basic inputs and mainly unplanned structures are some of the main factors which, irrespective of considerable investments, becomes a burden on the economy, hence, having negligible contribution in flourishing the region.<sup>8</sup>

*This study aims to highlight the key practices adopted by China for attaining the required objectives from SEZs, along with the mis-steps happened in African SEZs, taking the learning into account and present comprehensive conclusion for Pakistani SEZs. Moreover, the study will also shed light on the current political and economic condition of Pakistan with respect to SEZs future.*

### 3. SEZs in China: A Success Story

One of the major reasons for taking China as a successful instance is that according to the World Investment Report 2019, China successfully accommodates half of SEZs in the world. Secondly, SEZ in Pakistan is a distinctive attribute of CPEC projects, which is leading to bring FDI from China on a large scale, so learning their successful practices with implementation would be a right choice to facilitate them in the host country.

Right after the cultural revolution in the 1970's, Chinese authorities aimed to experiment the impact of economic reforms such as flexible measures, special policies and new institutions within only two provinces of China i.e. Fujian and Guangdong, opening these markets to the world. By 1980, cities like Zhuhai, Shenzhen, Xiamen and Shantou within the two provinces were designated as special economic zones with special trade, investment and financial privileges, large land areas, supportive infrastructure, eliminating political interference via keeping these zones far away from political center Beijing.<sup>9</sup> This experiment brought prominent successful results, accounting for 58.9 percent of China's total FDI in the year 1981, improving the annual GDP growth rate up to 10 percent from 1981-1984, whereas SEZs in Shenzhen became leading unit with advancement in many factors of production including capital, land, labor and technology by the year 1986.<sup>10</sup> This effective experiment led China to open its economy on broader level for the outer world and introduce distinct varieties of economic zones throughout country to attract FDIs and promoting exports, comprising Economic and technological development zones (ETDZ), High-Tech Industrial Development Zones (HTIDE), Free Trade Zones (FTZs), Export Processing Zones (EPZs) and numerous industrial Parks. All these

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<sup>6</sup> Alexey V Kuznetsov and Olga V. Kuznetsova, "The success and failure of Russian SEZs: some policy lessons," *Transnational Corporations Journal* 26, no. 2 (2019).

<sup>7</sup> Azam Pasha, "Assessing Synergies, Linkages and the Role of Hainan Special Economic Zone in Development of Natural Rubber Ecosystem," *Linkages and the Role of Hainan Special Economic Zone in Development of Natural Rubber Ecosystem (January 13, 2020)* (2020).

<sup>8</sup> Lotta Moberg, "The political economy of special economic zones," *Journal of institutional economics* 11, no. 1 (2015): 167-190.

<sup>9</sup> Douglas Zhihua Zeng, *China's Special Economic Zones and Industrial Clusters: Success and Challenges*. Lincoln Institute of Land Policy, (2013).

<sup>10</sup> Yue-man Yeung, Joanna Lee and Gordon Kee. "China's special economic zones at 30." *Eurasian Geography and Economics* 50, no. 2 (2009): 222-240.

initiatives resulted in achieving the goals profitably in the time period of 30 years. With the total number of 6 SEZs, 69 ETDZs, 114 HIDZs, 15 FTDs, 61 EPZs and nearly 1500 Industrial Parks were working through different provinces of China by 2013.<sup>11</sup>

### a. Achievements

The idea of opening economy for manufacturing purposes and enhancing trade with outside of world increased China's GDP, exports and employment opportunities, inviting foreign investment, brought updated technologies in China which made the country capable of adopting modern successful policies and practices. By the year 2014, these economic zones jointly presented 22% contribution in national GDP, accumulated 45% of total national FDI, participated 60% of the country's exports and created nearly 30 million jobs in China, also augmented the industrial and agricultural sector of economy.<sup>12</sup>

### b. Key Initiatives taken for the Achievements

The success story of SEZs in China is drawn from some major features that the country worked over the years for a consistent accomplishment. Despite facing great resistance from opposition powers, the top leadership of China showed strong determination to bring market oriented economic reforms and applied practical route for experimenting new economic policies.<sup>13</sup>

- i. China provided low-cost land, tax breaks and subsidies, quick custom clearance registration process, duty free raw material imports and export tax exemptions, to attract the local and foreign investors.<sup>14</sup>
- ii. For attracting skilled labor and modern technology, the country ensured the provision of housing societies along with giving free family utilities to the workers like subsidies for education for children, health services and invested heavily in research and development sector.<sup>15</sup>
- iii. The labor laws and regulations were revised via including labor time specific contracts, performance base appraisals and labor unions for attaining best skills from employees.
- iv. The power from the central government was decentralized to the provincial governments such that the provinces had been facilitated with the political and economic autonomy to develop policies and regulations accordingly, provide robust infrastructure accommodations and business services for regulating and administrating the SEZs structures.
- v. Another major reform concerning land acquisition has played a significant role in the successful operation of SEZs, as the central government decided to transfer the land to

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<sup>11</sup> Zeng, *China's Special Economic Zones*. 2013.

<sup>12</sup> The World Bank, "China's Special Economic Zones-World Bank Group," World bank, 2015, <https://www.worldbank.org/content/dam/Worldbank/Event/Africa/Investing%20in%20Africa%20Forum/2015/investing-in-africa-forum-chinas-special-economic-zone.pdf>.

<sup>13</sup> Zeng, *China's Special Economic Zones*. 2013.

<sup>14</sup> Jiangbo Bie, Martin de Jong, and Ben Derudder, "Greater Pearl River Delta: historical evolution towards a global city-region," *Journal of Urban Technology* 22, no. 2 (2015): 103-123

<sup>15</sup> Douglas Zhihua Zeng, *How do special economic zones and industrial clusters drive China's rapid development?* The World Bank, 2011.



private investors, resulting in significant revenues as well as clarity and efficiency in the land management system.<sup>16</sup>

- vi. Moreover the efficient One-stop-shop approach helped the process ranging from land acquisition to development, making investment procedures much easier and speedier for the quick progression of SEZs.<sup>17</sup>

Meanwhile, some other factors including location advantages for proposed SEZs, clear objectives, benchmarks and intense competition to achieve the aims, the culture of welcoming innovations and adaptation of modern techniques, strict audit, follow-up of regulations and transparent operations are also included in the practices which ultimately proved the initiative of economic zone as a major game changer for the economy of China.

#### 4. SEZs in African Countries- Narrative of Failure

The SEZs first were introduced in Africa during 1970's, however, were operationalized in 1990's and 2000, while most of these zones were based on traditional Export Processing Zones EPZs and industrial park<sup>1</sup>. Many of these SEZs failed to achieve the objectives of attracting FDI, job creation and export expansion. Where the programs were observed to be productive in terms of FDI, employment generation and exports enhancement, complications regarding the standard of investment and sustainable job growth appeared.<sup>18</sup> In fact, African SEZs also received ample assistance regarding technical expertise and financial support from experienced Asian countries. For instance, China participated to develop 'Economic and Trade Co-operation Zones' in Ethiopia, Nigeria and Zambia, whereas governments of Korea, Japan and Singapore provided technical support to develop SEZ's in various regions of Africa.<sup>19</sup> Along with this, African countries had an advantage of availability of raw material, in production and massive internal market as well. All of these aspects should have worked together in order to bring economic reforms in Africa, however there are some other factors as well which led the African economy to fail continuously.

#### Reasons of Failure

Major failure factors explored in this regard were:

- i. The problematic political economy comprise of weak policies, bemusing strategies and negligent planning.
- ii. Evidences of exploiting the privileges of SEZs by politicians with their influential positions had been the findings too. The concentration of political government was more towards the physical structure of SEZs, which comprises infrastructure in order to show progress to the local masses for political gains, while the programming was ignored comprising comprehensive legal framework, effective execution and professional business environment.

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<sup>16</sup> Jiangxing Mao, Xiaopei Yan, Zhigang Li, and Suhong Zhou. "The effect of urban planning control upon land use in Shenzhen." *Acta Geographica Sinica* 63, no. 3 (2008): 311-320.

<sup>17</sup> Xiaofang Shen, and Songmin Xu. "Shenzhen Special Economic Zone: A Policy Reform Incubator for Land Market Development in China," (Washington, DC: World Bank, 2011)

<sup>18</sup> Cornelia Staritz, and Mike Morris, "Local embeddedness and economic and social upgrading in Madagascar's export apparel industry," Feb, 2013, DOI:10.2139/ssrn.2237506.

<sup>19</sup> Farole and Moberg, "It Worked In China," 2014.

- iii. One-stop-shop notion was introduced in African SEZs became frail in operational terms because of the sluggish managerial dealings and administrative barriers in terms of long wait for firm registration process, weak coordination, information gap among institutions and large number of government bureaucracies.<sup>20</sup>
- iv. Moreover, lack of good research by government officials and policy makers regarding location, designing and implementation of fiscal incentives, nature of production and industry focus, strategies to attract investors and employment projection turned SEZs into costly mistakes in Africa i.e. COEGA in South Africa and Calabar SEZs.
- v. The SEZs in South Africa, provided no special treatment to the firms in terms of incentives and regulations, as there was nothing different for investors what they could get from the domestic environment.<sup>21</sup>

Consequently, the progress of SEZs in Africa is constrained by all the above mentioned challenges, which could be tackled vigilantly at the stride of planning and implementation of SEZs structure for successful outcomes.

### 5. Situational Analysis of Pakistan

The concept of SEZs in Pakistan is not a new notion as perceived by the initiation of CPEC SEZs. The non-performance of the industrial sector in the 1970s prompted the government to establish more than 100 industrial zones across the country, beginning with the introduction of the first SEZ in Karachi in 1983.<sup>22</sup> Besides few examples of successful industrial zones in Pakistan, like Sialkot Surgical Goods cluster, Khyber Pakhtunkhwa Marble cluster, Faisalabad Readymade Garments Manufacturing cluster and Gujarat Ceramic/pottery industrial cluster, the rest of the industrial zones collapsed, deteriorating the share of manufacturing sector. Only seven functional SEZs remained in the country by 2005. Until year 2017, these zones created approximately 35,000 jobs and had a share of only 3% in the total export of Pakistan.<sup>23</sup> The failure of these industrial clusters were mainly because of the poor governance, rent seeking behavior from authority, political instability, lack of skilled labor, security issues and lack of supportive infrastructure.<sup>24</sup> Another study found that the number of ill industrial units in priory built industrial zones has increased to 4000, indicating that the industrial sector is in worse condition as a result of a lack of policy implementation and the abolishment of incentives.<sup>25</sup>

Under the CPEC flagship projects, the industrial section of the project proposed to build nine (9) SEZs across Pakistan in order to revive, support and upgrade the industrial structure within the country. Table 1 shows an overall picture of the upcoming SEZs project updates, which are

<sup>20</sup> Claude Baissac, "Brief history of SEZs and overview of policy debates," (World Bank, 2011) [https://doi.org/10.1596/9780821386385\\_CH02](https://doi.org/10.1596/9780821386385_CH02)

<sup>21</sup> Ann Bernstein, Antony Altbeker, and Katie McKeown, "Special Economic Zones: Lessons for South Africa from international evidence and local experience," (Center for Development and Enterprise, 2012).

<sup>22</sup> Saira Naeem, Abdul Waheed, and Muhammad Naeem Khan, "Drivers and Barriers for Successful Special Economic Zones (SEZs): Case of SEZs under China Pakistan Economic Corridor," *Sustainability* 12, no. 11 (2020): 4675.

<sup>23</sup> Ministry of Industries and Production, *Year Book 2017-2018*, (Islamabad: MIP, 2017-18), <http://www.moip.gov.pk/>

<sup>24</sup> Karim Khan, Krim Khan, and Saba Anwar, "Special economic zones (SEZs) and CPEC: Background, challenges and strategies," *Pakistan Development Review* (2016): 203-216.

<sup>25</sup> Faiza Nawaz, Muhammad Fawad Azam, and Naheeda Noor, "The Dilemma of Gadoon Amazai industrial estate, Khyber Pakhtunkhwa," *Journal of Economic and Sustainable Development* 6, no. 9 (2015): 313-327.

expected to be completed by 2030. The initial work has been started on Rashakai (KPK) and Allama Iqbal (Punjab) SEZs, whereas Pakistan also enacted SEZs Act in 2012 to elaborate the regulations regarding incentives for all the stakeholders and the structure of SEZs regulatory authority.

**Table 1** Nine Proposed Upcoming SEZs in Pakistan as part of the CPEC Project

SEZ Project	Province location	Area (Acre)	Project Updates
<b>Allama Iqbal Industrial City</b>	Punjab (Faisalabad)	3217	Land Acquisition = Done by 2019` Ground Breaking = Done by 2020 Utility provision = Expected by 2022
<b>Bostan Industrial Zone</b>	Baluchistan	1000	Project notification = 2020 Procedure is in progress.
<b>Dhabeji SEZ</b>	Sindh	1530	Land acquisition = Done by 2020. Construction work = In progress.
<b>ICT Model Industrial Zone</b>	Islamabad	200-500	Land Finalization Stage
<b>Industrial Park Pakistan</b>	Sindh (Port Qasim)	1500	Feasibility study assessment stage.
<b>Mirpur Industrial Zone</b>	AJK	1078	Feasibility study of the project is in progress.
<b>Mohmand Marble City</b>	Khyber Pakhtunkhwa	350	Feasibility study of the project is in progress.
<b>Moqpondass SEZ</b>	Gilgit Baltistan	250	Post Feasibility Stage
<b>Rashakai Economic Zone</b>	Khyber Pakhtunkhwa	1000	Land Acquisition = Done Development Agreement= Done by 2020. Ground breaking = Expected on Chinese President visit to Pakistan.

The latest statistics from economic survey 2020 shows that the industrial sector contributed 19.74 percent in the GDP and providing employment to the 16 percent of total labor force, whereas the overall manufacturing sector is facing negative growth rate of -2.53 percent because of the issues like heavy reliance on imported raw materials, devaluation of money, high interest and inflation rates in country.<sup>26</sup> The in-depth analysis of country's political economic condition and business environment reveals that Pakistan ranked 135<sup>th</sup> on Global Economic Freedom Index because of corruption in regulatory environment for property rights, a politicized judiciary, a lack skilled and ethical labor, and a lack of business and investment freedom due to political instability, sectarian conflicts, and inefficient bureaucracy. Indicators from reputable organizations show that Pakistan has major governance problems and that the government's ability to achieve potential development outcomes is constrained. Table 2 exhibits the brief picture showing international ranking of Pakistan via illustrating the bottlenecks in terms of economic characters and potential governance.

<sup>26</sup> Finance Division Pakistan, *Pakistan Economic Survey 2019-20* (Islamabad: Printing corporation of Pakistan Press, 2020), [http://www.finance.gov.pk/survey\\_1920.html](http://www.finance.gov.pk/survey_1920.html)

**Table 2** Pakistan's International Ranking in Various Categories

List	Ranking	Year (Source)
<b>Index of Economic Freedom</b>	141 <sup>st</sup> /184	2020 (Heritage Foundation) <sup>27</sup>
<b>Global Competitiveness Index</b>	110 <sup>th</sup> /141	2019 (World Economic Forum) <sup>28</sup>
<ul style="list-style-type: none"> <li>• <b>Institutions (107<sup>th</sup>)</b></li> <li>• <b>Infrastructure (105<sup>th</sup>)</b></li> <li>• <b>ICT adaptation (131<sup>th</sup>)</b></li> <li>• <b>Macro-Economic Stability (116<sup>th</sup>)</b></li> <li>• <b>Skilled labor (125<sup>th</sup>)</b></li> <li>• <b>Innovation Capability (79<sup>th</sup>)</b></li> <li>• <b>Product Market (126<sup>th</sup>)</b></li> </ul>		
<b>Ease of Doing Business Index</b>	108 <sup>th</sup> /190	2020 (World Bank) <sup>29</sup>
<b>Corruption Perception Index</b>	124 <sup>th</sup> /180	2020 (Transparency international) <sup>30</sup>
<b>Democracy Index</b>	105 <sup>th</sup> /167	2020 (Economist Intelligence Unit) <sup>31</sup>
<b>Failed States Index</b>	25 <sup>th</sup> /178	2020 (Fund for Peace & Foreign Policy)

In relation to the preceding context, the current state of private sector performance in Pakistan is deplorable, as Pakistan was ranked 126<sup>th</sup> out of 140 countries for a lack of long-term structural reforms aimed at increasing productivity and unleashing entrepreneurial talent.<sup>32</sup> Moreover, Pakistan Global Competitiveness indicators show weak ranking in some major pillars including institutions, infrastructure, goods market efficiency, labor market efficiency and market size which are essential for consideration in order to strengthen the industrial sector and economic output.

## 6. Way Forward for Pakistan

Pakistan may improve its political economy attributes and business structure environment in order to achieve optimal results from all major industrial project initiatives in the future. The country possesses sufficient potential to raise its economy as far as the endowments and the natural resources are concerned, including large proportion of youth (60 percent of the population), abundant land resources, and escalation of the existing industrial and manufacturing sector through advancements in technological diffusion. SEZs Act 2012 presents a profound

<sup>27</sup> Index of Economic Freedom, "Country's Ranking," 2020, <https://www.heritage.org/index/ranking>

<sup>28</sup> Klaus Schwab, "The Global Competitiveness Report 2019," (Geneva: World Economic Forum, 2019) [http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf)

<sup>29</sup> World Bank Group, "Doing Business 2020," (Washington D.C.: World Bank Group, 2020), <http://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>

<sup>30</sup> Transparency International, "Transparency International Report 2020," <https://www.transparency.org/en/countries/pakistan>

<sup>31</sup> The Economist, Intelligence Unit, 2020. Available online: <http://country.eiu.com/pakistan>

<sup>32</sup> WEF (World Economic Forum), "The Global Competitiveness Report 2015- 2016," 2015, <http://reports.weforum.org/global-competitiveness-report-2015-2016/economies/#economy=PAK>

governing structure for the proposed industrial zones under CPEC, involving both provincial and federal government along with the relevant public sector institutions like Board of Investment (BOI), for the execution of economic zones in different regions of the country. Besides this, taking the lessons from Chinese government, Pakistan needs to cater its political regime aspects, policies framework, administrative and management capacities and its global ranking in terms of governance measures for avoiding the mistakes done by African countries. Implementation of following recommendations may help to maximize the benefits, likely to attain from SEZs in Pakistan:

**a. Strong System of Transparency**

Verifying transparency into the institutional design and ensuring an absolute scrutinizing system for the upcoming SEZs project management is mandatory for moving on a victorious avenue in terms of high yielding industrialization in Pakistan. A systematic process should be there for revealing the accurate graph of annual SEZs progression right from the initial stage, which would make authorities answerable and competitive in term of giving best output. This can be done by taking notable steps, including legal framework for transparent management of resources and implementation of anti-corruption laws, raising the reward of being honest and cost of being corrupt, creating transparency and openness in government spending and replacing distorting subsidies for public projects into targeted cash transfer.

**b. Market Demands Assessment**

Carrying out full market demands assessment and righteous knowledge via conducting surveys and research on national level and open public reviews about project from launching till operation and even further is requisite for policy makers to step forward or before making project forecasts. Also this research and analysis sector can work as a foundation for innovation and implementation of upgraded technologies and policies.

**c. Positive Role of Public Office Holders**

Government authorities and ministries associated with the projects are proposed to ensure the on time implementation of SEZs projects, while both federal and provincial level government should work as one unit with clear determination and strong coordination between institutions and government bureaucracy to grasp the forthcoming opportunities from CPEC project.

**d. Public-Private Partnership**

For a proper execution and delivering efficient services to the investors of the SEZs project, a channelize one-stop-shop is required with a vigorous and technical expertise leading authority to ensure the efficient work from officers and avoid long delays in issuing necessary permits to the investors. Besides, bridging the knowledge gap by sharing the true information regarding incentives and benefits from project, between private and public sector stakeholders is also needed. Explicit information about project mechanism should be shared with the investors to lop off any kind of knowledge uncertainty

**e. Revisions to the current Labor Regulations**

The practice of evolving labor legislations by China, to acquire benefits from skilled human resource is a good example for CEPC projects. Revising the existing labor regulations to deal with the labor related complexities is proposed, such that provision of housing societies, health services, child education benefits, and supplying subsidies family utilities to the working labors. The output base rewards and appraisals superior to the prevailing trend, and promotion of trade unions may act as a catalyst for labor productivity.

## OPINION

**China-Iran Comprehensive Strategic Partnership****Fakiha Mahmood**

Deputy Director (Research), PIPS

**Abstract**

*In March 2021, China and Iran signed the “Comprehensive Strategic Partnership” deal during the Chinese Foreign Minister’s Tehran visit. The draft of this deal was leaked to media in early in July 2020 which signaled expected Chinese investment of \$400 billion in Iran in various sectors including for example energy and infrastructure. Though the signed document has not been made public, the agreement has raised questions about its impact on the regional politics, geo-economics as well as its role in the wider Belt and Road Initiative. This paper provides an overview of the regional impacts of the recently signed China-Iran Comprehensive Strategic Partnership deal. At the outset the paper places the deal in the Iranian nuclear deal context. Furthermore, it looks into the geo-economic outreach of China in the Middle Eastern region dominated with the Arab countries, and analyses the same in the context of China’s Persian overtures. The impact of the agreement on regional security and strategy has also been analyzed within the limited scope. In lieu of the Indian suspicions, it underscores the importance of this bilateral agreement on the South Asian region. It infers that though the agreement is significant, much would depend upon its implementation. Though it would be erroneous to underestimate the potential of Iran’s collusion with Chinese for the regional scenario, there seem little chances of it being a game changer at least in the near future.*

**1. Introduction**

Soon after the coming into force of the Joint Comprehensive Plan of Action, the Chinese President Xi Jin Ping visited Iran. In the joint statement issued at the end of the visit, both countries committed to advance the bilateral relations thereby agreeing to a “Comprehensive Strategic Partnership” in various domains including political, economic, security, defense, regional and international. In March 2021, China and Iran announced the signing of a “Comprehensive Strategic Partnership” during the Chinese Foreign Minister’s Tehran visit. The draft of this deal was leaked to media in early in July 2020 which signaled expected Chinese investment of \$400 billion in Iran in various sectors including for example energy and infrastructure. Though the signed document has not been made public, the agreement has raised questions about its impact on the regional politics, geo-economics as well as its role in the wider Belt and Road Initiative.

The Iranian nuclear deal and the subsequent Sino-Iran partnership emerged out of the Iranian desire to address its economic woes due to the US led international sanctions imposed in the wake of its nuclear program. On the other hand, China looks forward to increase its partnerships with regional countries to carry out the ambitious Belt and Road Initiative. Iran retains many peculiarities including strategic location and adverse relationship with the US which increase its importance in the Chinese calculations. Therefore, China made hectic efforts to broker the Iranian nuclear deal with P5+1 states so that the Iran-US rivalry may not threaten the regional peace and stability thereby upsetting Chinese interests in the region. If implemented, the deal will enable China to pursue its flagship Belt and Road Initiative (BRI) with greater confidence and loosen the economic strangulation of Iran due to the US led international sanctions imposed in the wake of its nuclear program.

*The paper provides an overview of the regional impacts of the recently signed China-Iran Comprehensive Strategic Partnership. At the outset the paper places the deal in the Iranian nuclear deal context. It looks into the geo-economic outreach of China in the Middle Eastern region dominated with the Arab countries, and analyses the same in the context of China’s Persian overtures. The impact of the agreement on regional security and strategy has*

*also been analyzed within the limited scope of this paper. In lieu of the Indian suspicions, it underscores the importance of this bilateral agreement on the South Asian region.*

## **2. The Comprehensive Strategic Partnership (CSP) between China and Iran**

The term “Comprehensive Strategic Partnership” between China and Iran was used in the full text of Joint Statement issued at the end of the Chinese President Xi Jin Ping’s visit to Iran in 2016. The recently signed agreement has been crafted out of the broader framework detailed in the joint statement issued in 2016. The text made public henceforth envisions bilateral cooperation in various domains including; “political,” “executive cooperation,” “human and cultural,” “judiciary, security and defense,” and “regional and international.”

Though the final draft of the agreement signed in March 2021 between the foreign Ministers of China and Iran has not been made public, the initial draft which was leaked to the media in July 2020 envisions bilateral cooperation in the areas including: “oil production, transportation and security, railway, road and port infrastructure development activities in Iran, the use of national currencies in international banking activities, and strategic sectors such as defense, military and information technologies.”<sup>1</sup>

The reports emerging from unofficial sources point to expected Chinese investment of \$400 billion in Iran, including investment of \$280 billion in energy sector and \$120 billion for development of infrastructure. In return, Iran will provide low-cost oil to China for the next 25 years. Though the magnitude of the agreed partnership seems huge in terms of the stated numbers, the actual worth can only be calculated with its on-ground implementation which still remains to be seen.

Despite of shared interests and commonalities existing in both countries, the deal will certainly face challenges out of various factors. For example, the Iranian elite is generally prone towards the western countries, criticism has been leveled within Iran for the possible ‘colonization of Iran’. The Iranian drive to avoid dependence on China can threaten the future of the agreement in terms of its implementation. On the other hand China also has its own priorities.<sup>2</sup>

## **3. The JCPOA and the Sino-Iranian cooperation**

One of the members among the P5, China was instrumental in bringing the western countries and Iran to negotiating table which culminated into the signing of the Joint Comprehensive Plan of Action (JCPOA), also termed as Iran nuclear deal, on July 14, 2015. China was keen at avoiding a potential military confrontation between the United States/Israel and Iran, therefore played instrumental role for the successful signing of the Iran nuclear deal. Chinese President, Xi Jin Ping visited Iran soon after the signing of the JCPOA. However, the agreement signed between Iran and P5+1, including five permanent UN Security Council members plus Germany entered a perilous path during the Donald Trump Administration. The US pull out from the agreement was one of the major setbacks for the international community in the arena of multilateralism. The China Iran strategic partnership agreement has come about at a time when Iran is set to negotiate with the US over the nuclear deal with the change of administration in Washington. In this context, analysts see the signing of bilateral strategic cooperation agreement as a move to influence the negotiations on the revival of nuclear deal.

<sup>1</sup> Ezgi Uzun, “The Iran-China deal amid the global power transition,” *Anadolu Agency* 14 April 2021, <https://www.aa.com.tr/en/analysis/analysis-the-iran-china-deal-amid-the-global-power-transition/2208353#>.

<sup>2</sup> Mohammad Bagher Forough, “Iran between the US and China,” *Iram Center for Iranian Studies in Ankara*, March 2021, [https://iramcenter.org//d\\_hbanaliz/Iran\\_between\\_the\\_US\\_and\\_China.pdf](https://iramcenter.org//d_hbanaliz/Iran_between_the_US_and_China.pdf).

Chinese interests in JCPOA emanated not only from the resultant lifting of sanctions on Iran, thereby opening the path of economics and trade, analysts underscored the Chinese desire to erect a partner for itself in Asian region where it has been facing threats from many quarters. At the time of the signing of JCPOA, experts predicted expanded Sino-Iran cooperation in the security arena as well. Iran's normalization of ties with the western countries meant emergence of conducive environment for China-Iran military cooperation. For example, when China began increasing its military activities in the Gulf of Aden and the Indian Ocean around late 2008, despite of Iran's strategic regional location it seemed missing from being part of Chinese maritime ventures. That trend began changing at the time when the JCPOA was being negotiated.<sup>3</sup>

#### 4. Chinese overtures in Middle East under the Belt and Road Initiative (BRI)

The strategic location of the Middle Eastern region makes it a natural attraction for Chinese multi-billion project termed as Belt and Road Initiative (BRI) which aims to connect Europe, Africa and Asia. Moreover, the energy supplies from countries inhabiting this region as well as the navigation security compel the Chinese policy makers to increase their footprints in this part of the world. Since 2016, China has made Middle Eastern region a key component in the wider BRI framework. The BRI has a maritime constituent termed as the Maritime Silk Road Initiative (MSRI) which connects China with Europe and Africa through the Middle East, and the land route termed as Silk Road Economic Belt (SREB) links China with Europe through Central Asia as well as the Middle East.<sup>4</sup>

Among the Middle Eastern countries, China has signed strategic partnership agreements with Saudi Arabia, UAE, Iran and Egypt, though over the recent years it has emerged as the largest trading partner of other states like Qatar as well. The interests of the regional countries to engage with China emanate out of the need for high-quality communication and technology infrastructure as well as the requisite financing for those projects. With Chinese investments, some of these countries are pursuing their national strategic goals like the Saudi Arabia Vision 2030, and working rigorously to diversify their oil dependent economies for sustainable economic development.<sup>5</sup>

Saudi Arabia is the largest trading partner of China in this region. The major chunk of bilateral trade includes Saudi oil and petrochemicals and Chinese hardware machinery. Chinese companies are working on nuclear power plants and research reactors in order to provide multiple sources of energy to the Kingdom in order to meet its growing energy demands. Saudi Arabia is working in collaboration with Chinese companies to build industrial park in the Jazan Economic City.<sup>6</sup>

The United Arab Emirates is the second largest Chinese trading partner in the region. Bilateral trade primarily consists of Emirati oil and natural gas and Chinese textiles, light industrial product apart from heavy machinery. Under the recent agreements, UAE is set to benefit from the development of Port Jebel Ali and Port Khalifa from Chinese assistance under the MSRI. China has also cast its footprints in the Egypt where it has been facilitating the construction of a new administrative capital city among other flagship projects. China is also working on the

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<sup>3</sup> John W. Garver, "China and Iran: an emerging partnership post-sanctions," Middle East Institute Policy Focus Series (2016), <http://www.jstor.com/stable/resrep17581>.

<sup>4</sup> Lisa Watanabe, "The Middle East and China's Belt and Road Initiative," *CSS Analysis in Security Policy* December 2019, <https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/CSSAnalyse254-EN.pdf>.

<sup>5</sup> Watanabe, "The Middle East and China's Belt and Road Initiative."

<sup>6</sup> Watanabe, "The Middle East and China's Belt and Road Initiative."



renovation of Suez Canal and Port Said apart from various industrial zones in Egypt. China is also cooperating with Israel for development of critical infrastructure including the building of a high-speed railway from Eilat on the Gulf of Aqaba to Ashdod Port on the Mediterranean as well as new Haifa Port. With these projects China seeks to provide alternative route in order to avoid dependence on Suez.<sup>7</sup>

Though the Chinese interventions in the Middle East are largely geo-economics so far, slowly and gradually China has begun entering the arena of regional security. Since 2006, China has been supporting a UN peacekeeping mission in Lebanon apart from playing mediating role in some key regional conflicts. More importantly, China has established first overseas military base in Djibouti on Bab el-Mandeb Strait in August 2017. It serves as the replenishment center for the Chinese People's Liberation Army Navy in the Gulf of Aden.<sup>8</sup>

## 5. BRI's Persian ventures

China's third largest trading partner in the Middle East, Iran is located at the center of various connectivity corridors constituted under the Chinese BRI. "The land route crossing Iran represents the southern branch of the China-Central Asia-West Asia corridor, conceived as an alternative route to the main Trans-Caspian sea and land route." Within this land route, the Tehran-Mashhad railway is being revamped with the Chinese financing provided through the Exim Bank. The railway project will connect Chinese city Urumqi in Xinjiang province to Tehran leading up to Turkey and the European Union passing through the Central Asian states. Moreover, the Iranian ports will enable China to develop a north-south transport corridor to further its connectivity under the BRI projects. The Chabahar port occupies strategic importance in this regard, though Iran-India pronounced collaboration on Chabahar has shrouded its scope with uncertainty. China is also helping Iran in the development of free-trade zones in Maku, Abadan and Queshm Island.<sup>9</sup>

Despite the ongoing and pronounced Sino-Iranian projects under the BRI, a comparative analysis of China-Iran bilateral cooperation and Chinese advances in other countries in the region reveals that Iran is in fact a late comer in the ongoing regional transformation. Though China was interested in trading with Iran since the inception of the BRI, the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA) and the subsequent imposition of sanctions on Iran compelled the Chinese to defer some of its commercial activities in Iran. Also the Chinese voting in favor of Iranian sanctions related resolutions at the United Nations irks the Iranians. Hence, the recently signed China-Iran strategic partnership agreement will only open up the window of opportunities for Iran which the regional countries have already reaped. Still the partnership is being viewed with apprehension in among some of the Arab and Gulf countries as well as the US. Their apprehensions arise much out of the potential ramifications in the regional security arena which is currently dominated by the US.<sup>10</sup>

## 6. Impact on regional security and strategy

Under its flagship megaproject i.e. the Belt and Road Initiative China has expanded its geo-economic outreach into the Middle Eastern region. Similarly, China is increasing its hold in the security area as well, though very slowly and cautiously. In 2008 China launched an anti-piracy

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<sup>7</sup> Watanabe, "The Middle East and China's Belt and Road Initiative."

<sup>8</sup> Watanabe, "The Middle East and China's Belt and Road Initiative."

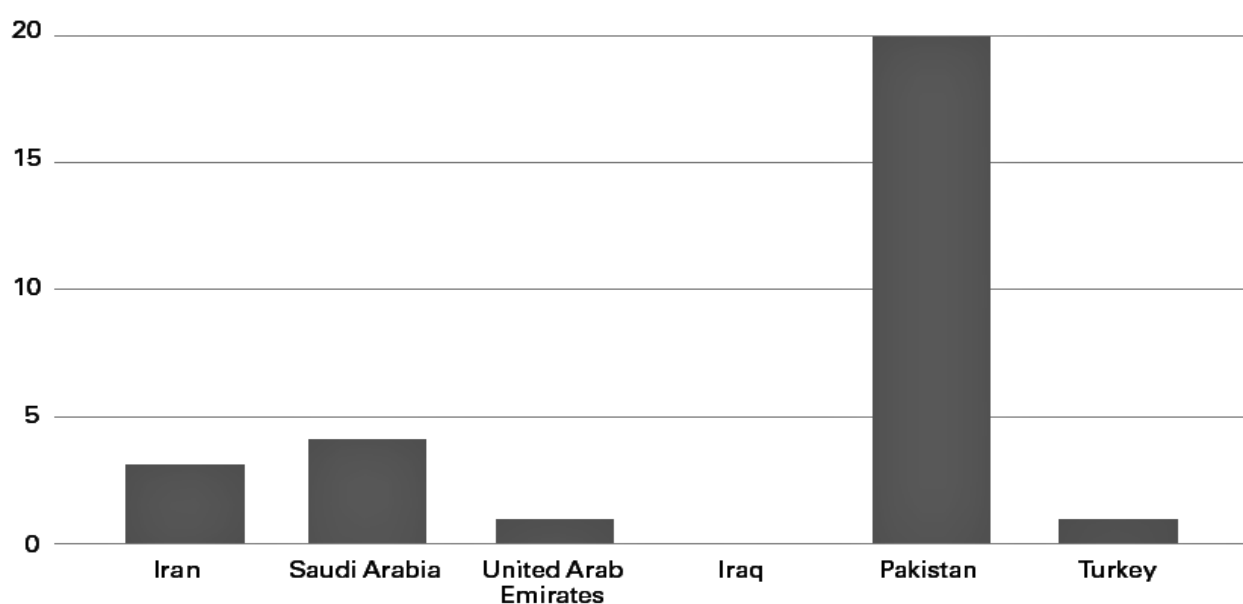
<sup>9</sup> Fabio Indeo, "The Middle East in China's Belt and Road Initiative: strategic and geopolitical implications," *Middle East Insights* 16 March 2021, <https://mei.nus.edu.sg/wp-content/uploads/2021/03/Insight-256-Fabio-Indeo.pdf>.

<sup>10</sup> Indeo, "The Middle East in China's Belt and Road Initiative."

mission in the Gulf of Aden. The anti-piracy mission evolved into a continuous naval presence in the Horn of Africa. During the course of a decade, Chinese Navy deployed 26,000 personnel to the region engaging them in multitude of security operations. In August 2017, China established a permanent military base in Djibouti. Moreover, the importance of this military base can be gauged from the fact that since 2001 and especially in the past one decade, the Horn of Africa has seen substantial increase in foreign military deployments including countries like France, Germany, Israel, Italy, Japan, Saudi Arabia, Spain, Turkey, UAE, UK, and USA.<sup>11</sup>

Some analyst look at the increasing Chinese military outreach in this region as part of the ongoing strategic shift which signals the reducing US influence, as it continues to withdraw its forces from the region e.g. Iraq and Afghanistan, and increasing focus on the Indian Ocean where US has been projecting India to counter the Chinese emergence. However, the Chinese military incursions in the region are still at a nascent stage and even the magnitude and scope of its military base in Djibouti is much smaller as compared to the US. China still relies heavily on the existing military setup dominated by the US to navigate through the region.

In terms of China-Iran bilateral security cooperation, the Comprehensive Partnership Agreement does not signal a breakthrough or significant game changer. Though the copy of signed agreement has not been made public, the earlier leaked document did not include broad based cooperation in defense realm. The scope of bilateral defense cooperation is limited and focused more on joint military exercises and industrial defense cooperation. The scale and depth of both the US as well as Chinese partnerships with other regional countries cumulatively neutralizes the significance of the existing or upcoming Sino-Iran military cooperation. A comparative snapshot of Chinese joint drills and technical port call during 2010-19 with selected regional countries presented in figure-1 makes the point clear.<sup>12</sup>



**Figure 1** Chinese Joint Drills and Technical Port Calls 2010-19

<sup>11</sup> Neil Melvin, "The Foreign Military Presence in the Horn of Africa Region," *SIPRI Background Paper* (April 2019), [https://www.sipri.org/sites/default/files/2019-05/sipribp1904\\_1.pdf](https://www.sipri.org/sites/default/files/2019-05/sipribp1904_1.pdf).

<sup>12</sup> Lucille Greer and Esfandiyar Batmanghelidj, "Last among Equals: the China-Iran Partnership in a Regional Context," *Wilson Center Occasional Paper Series* No. 38 (September 2020), [https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MEP\\_200831\\_OCC%2038%20v3%20%281%29.pdf](https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MEP_200831_OCC%2038%20v3%20%281%29.pdf).

## 7. The Sino-Iran agreement in the South Asian context

With peculiar dynamics of its own, the South Asian regional politics and economics are closely intertwined with the contiguous Middle Eastern region. Chinese entry into South Asia under the China-Pakistan Economic Corridor (CPEC) as part of the Belt and Road Initiative has opened up new vistas of economic development and regional connectivity. It has also been contributing to the changing regional politics and strategy. A venture worth almost \$62 billion, CPEC is being seen as countering the US-India collusion in the region meant to hamper the Chinese rise; it is also opening up the Middle Eastern region for China in geostrategic terms. Gwadar, a key component of the CPEC, is situated at the crossroads of the Arabian Sea and the Gulf of Oman near the strategic Strait of Hormuz. In terms of international trade, it carries the potential to connect South Asia, Central Asia and the Middle East. It can also provide an alternate sea route for Chinese in case India and US collude to block the Strait of Malacca. Over the past few years the Chinese trade with oil rich Middle Eastern countries has increased significantly and Gwadar's importance as a hub for related oceanic commerce has increased simultaneously.<sup>13</sup>

In order to counter the strategic implications of the CPEC, India approached Iran to get access to Afghanistan, the resources rich Central Asian Republics as well as Russia under its strategic International North-South Trade Corridor (INSTC). India signed a bilateral agreement with Iran to develop Chabahar Port with investment worth \$500 million in 2016, moreover, \$1.6 billion has been earmarked for the construction of a rail link which will connect the port with Zahedan bordering Afghanistan. India agreed to erect two terminals with five berths at the Shahid Beheshti area in Chabahar. Later on, both countries signed 15 MoUs in 2018, including nine related to the Chabahar Port.<sup>14</sup>

However, India failed to meet its commitments with Iran in the backdrop of economic sanctions and the development of Chabahar remained suspended. The subsequent delays in the release of funds has generated frustration in Iran, some reports suggest that India has been dropped out of these projects. The China-Iran partnership has raised alarm bells in India which is supposed to lose its influence in the region, if China provides alternative to projects envisaged by India. And if both countries augment their bilateral projects by cooperating with adjacent Pakistan, it would add insult to injury for India who has been struggling to revive its relations with many of the regional countries deteriorated to substantial levels in near past.<sup>15</sup>

A comparative analysis establishes superiority of Gwadar over the Chabahar port in terms of capacity and the ability to attract more traffic. Though the infrastructure of Chabahar is more sophisticated, Gwadar's natural depth allows large ships to dock with greater ease. The maximum capacity of Chabahar is 10-12 million tons per annum. On the other hand, Gwadar retains the potential of up to 300-400 million tons capacity. This is a mammoth size given that 212 ports in India together make up the capacity for 500 million tons a year. Though India has been trumpeting the rhetoric of rival ports for Chabahar and Gwadar in order to meet its strategic designs, there is great complementarity between the two, therefore termed as 'sister ports.' The partnership between the China and Iran can provide opportunity to move in a complimentary manner in order to get a win-win situation for all. Even prior to the culmination of the Sino-Iran partnership analysts were underscoring the potential of a trilateral cooperation for better

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<sup>13</sup> Ali Haider Saleem, Arhama Siddiq, Muhammad Hassan Abbas, "Saudi Investment in the East: implications for Gwadar Chabahar Rivalry," *Center for Iranian Studies in Ankara* (March 2020), [https://iramcenter.org//d\\_hbanaliz/Saudi\\_Investment\\_in\\_the\\_East\\_Implications\\_for\\_Gwadar-Chabahar\\_Rivalry.pdf](https://iramcenter.org//d_hbanaliz/Saudi_Investment_in_the_East_Implications_for_Gwadar-Chabahar_Rivalry.pdf).

<sup>14</sup> Saleem, Siddiq and Abbas, "Saudi Investment in the East."

<sup>15</sup> Sruthi V S, "The Iran-China Deal: Implications for India," *South Asian Voices*, August 26, 2020, <https://southasianvoices.org/indias-stake-in-the-iran-china-deal/>.

economic development. It is noteworthy that Iran is cautious in its dealings with India so that its relations with Pakistan may not get effected. Moreover, the nature of Iranian economic cooperation with India is very different from that of Pakistan-China economic cooperation. While foreign investment for a country reeling from international sanctions certainly provides space for economic recovery, Iran can set aside Indian approaches to pursue its strategic objectives. On the other hand, the depth of Pakistan China relations necessitates its continuity.<sup>16</sup>

## 8. Conclusion

The China-Iran Comprehensive Strategic Partnership opens opportunities for Iran to come out of the economic as well as political isolation in the context of nuclear sanctions, and enables China to pursue its economic as well as strategic objectives under the belt and Road Initiative with greater audacity. In the immediate scenario, the agreement provides boost to Iranian and Chinese positions at the negotiating table for the revival of the nuclear deal. However, the agreement would have to overcome various challenges in its way including the domestic opposition. The secrecy of the agreement further shrouds its future into mystery as much of the analysis is based on speculations as well as the draft which was leaked into the media last year. Though at the face value the figure of \$400 billion seems appealing, much would depend upon its implementation which remains to be seen.

On the Middle Eastern side of regional geo-economics and politics, Iran is a late comer in the Chinese BRI ambitions. Much of the countries in this region have already capped the potential of Chinese investment in past few years. The expected outcome in the strategic arena has raised concerns in Gulf countries and US. However, it is not impending in the immediate future and would take place gradually. China does not have the will or the capacity to replace the US as the dominating power in the region in the immediate future, however Chinese footprints are certainly growing and US has been shifting its focus from Middle East to the Indian Ocean in order to counter the Chinese rise. These ongoing shifts in major power relations are being felt within the region. Various countries took to enhance bilateral relations within the region, for example Saudi Arabia approached Iran, Turkey made effort to mend its relations with Egypt, and rifts with the GCC were also taken care of etc.

In the South Asian region, India is not happy with the agreement which can threaten its strategic objectives under the so called INSTC. India's inability to meet its commitments under the agreement signed with Iran to develop the Chabahar port has frustrated the Iranian policy makers who seek the opportunity to revive it through other means. The China-Iran partnership provides Pakistan the opportunity to cape the potential of regional development through bilateral and trilateral cooperation. The region can pursue economic development through the complementarity of sister ports i.e. Gwadar and Chabahar. Pakistan can also look into reviving its agreed ventures with Iran halted due to the economic sanctions.

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<sup>16</sup> Saleem, Siddiq and Abbas, "Saudi Investment in the East."

## ANALYSIS

**Gender Responsive Budgeting in Pakistan:  
International Best Practices and Lessons****Laraib Kiani**

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**1. Introduction**

Pakistan as a society and nation has deep rooted inequalities concerning gender roles and gender parity, religious affiliation, ethnic and racial history and demographics. These differences are especially significantly noticeable in terms of gender and are amplified through geography (urban/rural, and different provinces). Gender inequality has prevailed in Pakistan since its independence and is often supplemented by culture and religious ideologies in the country. However, like many other nations, successive Pakistani governments have recognized the need to promote and strengthen gender equality in the country as a cornerstone for sustainable economic growth and social development. A government's budget reflects its priorities and sets the direction of policies and initiatives for social development. Like many other nations, Pakistan recognizes the paramount importance of gender sensitive budgeting to catalyze economic growth while strengthening all the segments of the society.

Gender responsive budgeting (GRB) has gained prominence over the past few decades internationally and raised debates on how budgetary allocations and national policies impact different genders and segments of the society differently. The Fourth World Conference on Women in 1995 emphasized the importance of addressing gender inequality by ensuring that budgetary allocations are viewed through a gender lens. Since then, governments, non-governmental organizations (NGOs), international organizations, academia, researchers, and especially women's rights activists have raised knowledge and awareness about the issue, and a variety of GRB initiatives have been designed and implemented, with tools and strategies that have been modified and molded to domestic circumstances and requirements.<sup>1</sup>

In simple terms, GRB is “an approach to mainstream the gender dimension into all stages of the budget cycle. Gender responsive budgeting aims at analysing the differential impacts of public expenditure as well as revenue policy on women and girls, and men and boys, respectively. In addition to the impact analysis, gender-responsive budgeting makes proposals for a reprioritization of expenditures and revenues which takes into account the different needs and priorities of women and men.”<sup>2</sup> GRB employs tools and strategies to analyze the outcome of government budgets through a gender perspective, i.e. how the budget has impacted different groups of men and women, boys and girls differently. The concept arises from the idea that different people or groups have socially developed inequalities and different needs which thus require different policies and initiatives to meet them. GRB calls for identifying those needs and changing budgetary processes and policies so that expenditure and revenues can address these needs and bridge inequalities. GRB highlights the gaps between policy statements and the resources committed to their implementation. GRB does not imply presenting a separate budget for women, but rather assessing how existing budget policies impact existing societal and gender inequalities. It presents a roadmap to achieve gender equality through affirmative pro-poor

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<sup>1</sup> Ra'ana Malik, Nayab Javed, Memona Rafique, “Gender Responsive Budgeting In Education: A Case Of Punjab Budget (2013-14),” *Pakistan Journal of Gender Studies* 17, 2018, pp. 127-141

<sup>2</sup> “Gender Responsive Budgeting,” Finance Division Government of Pakistan, Accessed on May 22, 2021 <http://prsm.finance.gov.pk/faqs.html>

budgetary allocations. GRB implies that the needs of all age groups and genders are identified and addressed, and that no single group dominates economic policy.

## 2. Significance of GRB

GRB is an essential tool in gender mainstreaming. At first glance, budget appears to be a gender neutral document which means that policies designed under the budget are blind to gender based needs. GRB, on the other hand, highlights issues that policymakers frequently overlook and brings them into deliberation, eventually leading to policy decisions and implementation. Gender and gender-related roles are socially constructed ideas and norms that are addressed via social policies. As a result, in economic policy, they are generally overlooked. GRB aims to bring the two together so that economic policy follows social policy and involves consideration of gender and gender needs at every stage of economic policy and funds allocation. It aims not only at budget allocation but also at budget execution in a gender equitable manner, so that women and men, girls and boys benefit equally. GRB monitors the impact of expenditure and revenue generation from a gender perspective and revisiting policies (re)prioritizing expenditure and (re)formulating revenue-raising policies in a gender equitable way.

## 3. Advantages

- i. **Improved monitoring of policies:** GRB adds a new dimension to view policies and review is an integral part of the process. In order to mainstream gender, it is essential to constantly monitor the outcome of the policies executed.
- ii. **Effective poverty alleviation:** As GRB calls for assessing the needs of gender and other groups, budgetary allocations and policies are designed to provide targeted interventions to uplift the disadvantaged groups. The impact is felt on a larger scale, alleviating poverty in the country as a whole.
- iii. **Enhancing economic efficiency:** Gender equality promotion has not only a social impact, but also significant economic consequences. Women become more active members of society when their opportunities are expanded. GRB is not limited to a specific gender or allocation of funds; its influence in policy formulation and implementation ensures that societal inequalities are addressed and rectified. Rectification of inequalities means more people have access to basic facilities including health, education and employment. This ultimately means that citizens who require the expenditure the most benefit from it.
- iv. **Promoting gender equity/equality:** The GRB focuses on identifying inequalities and understanding people's needs based on gender and other factors. Policies and initiatives that are formed with a gender-responsive approach promote equality.
- v. **Advancement towards the realization of women's rights:** GRB promotes better understanding of inequalities prevalent and enables the governments to mitigate the inequalities and injustices faced by women in particular. GRB also enables women to become part of the decision making process in various capacities as councilors and legislators. Their involvement in decision making spheres enables better acknowledgment of their issues and their rights and improves the overall situation of gender equality. It also allows for the recognition and acknowledgment of women's contributions to society, particularly unpaid work in their households, as well as understanding of women's participation in the informal sector of the economy, which is frequently unrecognized.<sup>3</sup>

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<sup>3</sup> Debbie Budlender, Guy Hewitt, *Engendering Budgets: A Practitioner's Guide to Understanding and Implementing Gender-Responsive Budgets*, (London: The Commonwealth Secretariat, 2003).

- vi. **Promoting good governance, accountability and transparency:** GRB is an essential indicator of good governance and interlinked with the others. Government improves the inclusivity and equality of budgetary allocations as well as social policies through GRB. GRB can be used effectively to track government expenditure, policy efficiency, and funds spent in accordance with those policies, as well as to reduce corruption. GRB makes the policy formulation and budgeting processes more participatory, inclusive, and democratic. It strengthens connections between policymakers, legislators, civil society, and the general public, making the government, legislators, and policymakers more accountable to citizens in particular.

#### d. **Gender Responsive Budgeting in Pakistan**

The Constitution of Pakistan guarantees provision of needs and rights of its citizens in a non-discriminatory manner. The Article 25 of the Constitution of 1973 clearly states, “All citizens are equal before law and are entitled to equal protection of law, there shall be no discrimination on the basis of sex alone and nothing in this article shall prevent state from making special provision for the protection of women and children.” Pakistani governments have implemented a variety of policies and programs to promote gender equality over the last several decades. Pakistan is a signatory to CEDAW and other international treaties; eradicating all forms of poverty and promoting gender equality are not only constitutional guarantees; but also Pakistan's commitment in the form of Sustainable Development Goals.

Pakistan began this journey by introduction of Social Action Program (SAP) in order to improve the social indicators. Among others closing the gender gap was the foremost objective of the SAP. In the later years, Pakistan introduced various policy documents and initiatives to mainstream gender perspectives into economic and social policies. The first of these was the Poverty Reduction Strategy Paper (PRSP) in 2003, followed by the Medium Term Development Framework (MTDF) and Gender Reform Action Plan (GRAP) in the following years. The Ministry of Finance (MOF) launched the 'Gender Responsive Budgeting Initiative' (GRBI) project (2005-2007) under the MTDF, with technical and financial assistance from UNDP.

GRBI was the most comprehensive and fruitful initiative to incorporate gender perspective in Pakistan. The project was introduced as three tier system; at federal level through MOF, at provincial level in two districts of Punjab and one in Sindh. GRB was initially proposed at the federal level to be applied in the education, health, and population welfare sectors, but was later expanded to 12 ministries. At federal level, MOF instructed ministries to add GRB in budget circular in 2007-08. From 2008-2012, gender-targets in the “output-based budgeting system” were introduced at the federal level across all ministries to improve the national performance on MDGs. For the budget FY2015-16, the federal government carried out gender responsive overview and conducted gender segregated analysis of budget. However, despite efforts GRB has not been institutionalized as a mandatory practice like many other states. As time passes, emphasis on inclusion of gender perspective is losing focus in Pakistan.

When the GRBI was in effect in Punjab, the Gender Budget Statement was presented. The statement emphasized the gendered allocation of funds to various sectors. However, this practice has also become obsolete.<sup>4</sup>

An excerpt from the federal budget call circular from 2007-08 and the most recent budget call circular is provided below, demonstrating the emphasis on gender in both cases.

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<sup>4</sup> Foqia Sadiq Khan, “The need for gender budgeting,” *The News*, January 06, 2019.

<b>Ministerial policy objectives</b>	<b>Specific Instructions FORM – VII</b>
<p>Indicate gender-related objectives in the Ministry's own policy as well as objectives relevant to the sector from general GoP policies.</p> <p><b>Key output indicators</b> Indicate the required desegregations, such as sex/gender and age group for services delivered to individuals.</p> <p><b>Input indicators</b> Indicate the relevant desegregations. In particular, indicate the current gender/sex breakdown of both qualified and unqualified staff.</p> <p><b>Mission statement and functions of the Ministry</b> Specify where and how functions contribute to the achievement of gender equity. Disaggregate targets and performances measures where appropriate. In particular, indicate sex/gender desegregation wherever possible. Include specific performance measures related to gender equity.</p> <p><b>Key output indicators in the medium term</b> Disaggregate key output indicators wherever relevant. In particular, disaggregate by sex/gender wherever possible. Include specific output indicators related to gender equity.</p>	<p><b>7(b).</b> Where possible, the Targets should reflect gender. This can be done in two ways. Firstly, indicators relating to individuals can be disaggregated into male and female. For example, primary education being an output (service) of Ministry of Education can have two indicators/measures namely; Number of male students enrolled, and Number of female students enrolled. These two can be assigned different targets. Secondly, indicators relating to gender-relevant issues can be included, such as number of deliveries attended by skilled personnel.</p>

*Source: Ministry of Finance<sup>5</sup>*

*Source: Ministry of Finance<sup>6</sup>*

#### **4. International Best Practices of Gender Responsive Budgeting**

##### **a. Australia**

Australia was the first country to implement GRB at the federal level in 1983, and later at the state level as well. Global GRB initiatives have drawn inspiration from the Australian model, but the practice has declined in recent years. Despite this, Australia's performance in GRB is still remarkable.

The first ever Women's Budget Statement (WBS) was presented in 1984 at the federal level which continued consistently till 1996 when the government changed. Later, the Women's Budget Statement became a less consistent federal practise, but it was still used in some states until the early 2000s. Along with WBS, the federal government required all departments to

<sup>5</sup> Ministry of Finance, *Gender Responsive Budgeting in Pakistan*, Islamabad: Government of Pakistan, 2008.

<sup>6</sup> Ministry of Finance, Budget Call Circular 2021-2022.



analyze the impact of policies and programs aimed at women and girls, in addition to regular programs. It also significantly contributed to the availability of gender disaggregated data, which proved to be instrumental for gender aggregated policy impact analysis.<sup>7</sup>

GRB has received less attention at the federal and state levels since the 2000s because it is not mandated by law. Since the practice's inception, the onus has been on the Office for Women and the Minister for the Status of Women to produce WBS. This proved to be a significant flaw because responsibility was assigned to a specific department rather than all departments. The policy stalled due to the lack of a legal framework and political commitment to gender mainstreaming in the budget. With Conservative government rising to power in government, the status of Office for Women was demoted, thus reducing its influence. Eventually, the production of Women's Budget Statement suddenly ceased in 2014 without any explanation.<sup>8</sup>

### **b. South Korea**

South Korea has made remarkable achievements in institutionalizing gender in budgeting. National Finance Act passed in 2006 laid the legal framework for GRB. After the passage of the Act, the government trained officials in gender budgeting, prepared analysis and tools in relevance to GRB. As per the Act, federal and local governments are bound to present Gender Budget Statements analyzing the impact of their laws, regulations, plans, policies and budget to the Ministry of Gender Equality and Family. Governments are also required to present gender balance sheet, a substantive measure towards gender equality as they assess if the budget benefits both genders equally and combats gender discrimination in the country.<sup>9</sup> The first gender budget statement was presented in 2009 at the federal while the first Gender Performance Report was presented in 2009 and 2012 at federal and local level, respectively.

The most notable factors contributing to the success of GRB in Korea is political commitment to gender mainstreaming and gender equality by the Parliament especially the female MPs and comprehensive research dedicated to find the optimum approach tailored to the needs of the country. Application of gender lens to research impact of policies in the country enabled them to identify the gaps in policies on gendered basis. This eventually reduced the obstacles faced by women in full participation in labor and economy and also resulted in developments in other areas and improved the overall social indicators.<sup>10</sup> As compared to men, higher percentages of women were primary care givers to elderly which resulted in low women participation in the labor in Korea. As a remedial measure to Gender Impact Analysis, flexible work practices were gradually introduced in local public and private companies.

### **c. Bangladesh:**

As the first step towards promoting gender equity, the Ministry of Finance developed the Recurrent, Capital, Gender and Poverty (RCGP) database. The expenditure details in the RCGP database were gender disaggregated to assess the funds allocated for women development. Bangladesh also follows Medium Term Budget Framework Process since 2005, which enables impact analysis of policies in a short period and reprioritization on need basis. Another important initiative to understand how policies impact genders differently and redressing gender

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<sup>7</sup> Lekha Chakraborty, *Asia: A Survey of Gender Budgeting Efforts*, IMF, 2016.

<sup>8</sup> Rhonda Sharp, "Following the Money in the Pursuit of Gender Equality," *Australian Institute of International Affairs*, Accessed on May 24, 2021, <https://www.internationalaffairs.org.au/australianoutlook/following-the-money-in-the-pursuit-of-gender-equality/>

<sup>9</sup> Lekha, *Gender Budgeting Efforts*, 2016, 30.

<sup>10</sup> Lekha, 2016

inequalities came with the introduction of “Poverty Reduction Strategy, unlocking the potential National Strategy for Accelerated Poverty”.<sup>11</sup>

After series of policy developments in the areas of poverty reduction and women empowerment, the Ministry of Finance introduced amendments in the Budget Circular. As per the instructions set out in the budget circular ministries and departments are expected to include the impact of each policy objective on poverty and women empowerment.

For the first and only time, the Ministry of Finance presented a separate gender budget alongside the conventional budget in fiscal year 2009-10. The gender budget was divided into four categories: education, health and family welfare, social welfare, and disaster management. In 2011-12, all ministries were required to follow GRB, and a Gender Budget Report for each ministry is presented annually with the budget. The report highlights each ministry's policies for women's development, the funds allocated, and the progress made in meeting respective goals and targets.<sup>12</sup>

## 5. Way Forward

- i. **Political Commitment:** Gender inequalities are pervasive and visible in male-dominated societies. Successive governments have implemented women-centric policies, but it should be noted that GRB is a broader policy measure with far-reaching consequences. Due to a lack of ownership, the GRB policy became largely redundant in policy following the end of the GRBI project. GRB's success in Australia, South Korea, Bangladesh, and other countries is largely due to political commitment to gender equality and the use of GRB as a tool for this purpose. Observing GRB practices in policy, budget and policy appraisal requires more effort, time and additional workload which is often why it often receives displeasure.
- ii. **Legal framework:** Legal framework to institutionalize the practice of GRB is of paramount importance to address gender inequalities. With the passage of time, GRB has waned in pioneer state like Australia. On the contrary, the states which have institutionalizes GRB through amendments in general or financial laws (Korea, Canada, and Austria) have made remarkable progress. Legislation can strengthen GRB as consistent and vital feature of policy making and also protect it from becoming forgotten or obsolete practices in case of change in political leadership or economic policies.
- iii. **Clearly Defined Roles and Responsibilities:** It is critical to clearly define the roles and responsibilities of every ministry/department. In Bangladesh, every ministry presents the impact of policies and budgetary allocations in a gendered manner, making everyone responsible and accountable. In Pakistan, on the other hand, the Ministry of Women Development and the Ministry of Finance were primarily responsible. Ensuring that every ministry/department conducts gender analysis of policies makes them more effective and keeps gender a constant consideration in policy and budget.
- iv. **Increasing women participation:** Increasing women's political participation as well as representation is essential in gendering policies and budgets. Decision making has been dominated by men and issues are often undermined. In the National Assembly, 60 seats are reserved for women out of a total of 342, while 17 seats are reserved in the Senate.

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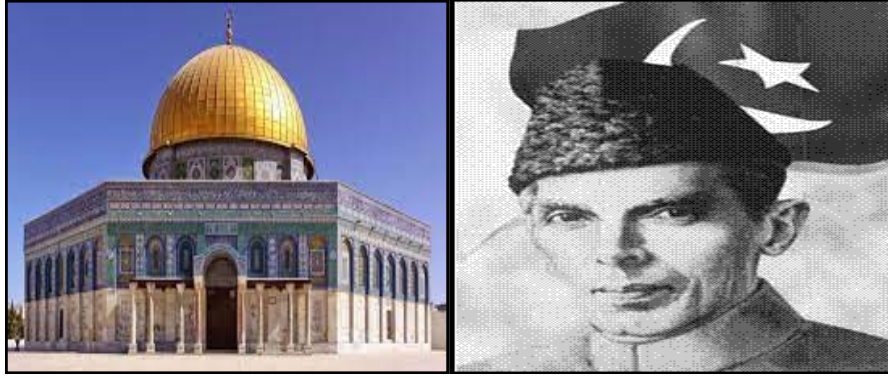
<sup>11</sup> Rhonda Sharp, Diane Elson, Monica Costa et.al, “People's Republic of Bangladesh,” Gender-Responsive Budgeting in the Asia-Pacific region, University of South Australia, Accessed on May 23, 2021, <https://www.unisa.edu.au/siteassets/episerver-6-files/documents/eass/hri/gender-budgets/bangladesh.pdf>

<sup>12</sup> Aditi Ratho, *Gender-Responsive Budgeting in India, Bangladesh and Rwanda: A Comparison*, (Delhi; Observer Research Foundation, 2020).

Although the number of female legislators in both houses is increasing, it remains disproportionate and low given that women make up nearly half of the country's population. It is critical that more women become active decision-makers so that gender becomes a constant consideration when policies are developed and implemented. States with the greatest success in gendering budgets (Australia, South Korea) had active participation of women in policy formulation.

- v. **Awareness and Sensitizing:** In order to promote gender mainstreaming in social and economic policies, it is crucial to raise awareness and sensitize public and government officials alike about the importance of gendering budget. Awareness programs, seminars and public hearings highlight the gender inequalities which are often overlooked and increase advocacy on policy issues. It also strengthens connections between public, civil society and parliamentarians, who can effectively advocate for gender equality and women empowerment through GRB. Government officials should be trained in gender budgeting and gender issues in general so that they realize the importance of approaching policies from a gender perspective and do not overlook GRB in order to avoid additional paperwork. GRB is more than just an accounting exercise; it must be factored into every policy that is developed and implemented.
- vi. **Gender Disaggregate Data:** Gender disaggregated data is critical for identifying problem areas and improving the economic efficiency of policies. Disaggregated data allows policymakers to become well informed about performance indicators and ensures more evidence-based decision-making, ensuring that public funds are utilized efficiently.

## QUAID- E-AZAM MUHAMMAD ALI JINNAH's SUPPORT FOR THE PALESTINIANS



**“Muslim feelings have been stirred over the issue of Palestine, I know Muslims will not shrink from any sacrifice if required to help the Arabs who are engaged in the fight for their national freedom...But no nation, no people who are worth living as a nation, can achieve anything great without making great sacrifices, such as the Arabs of Palestine are making. All our sympathies are with those valiant martyrs who are fighting the battle of freedom against usurpers. They are being subjected to monstrous injustices.”**

*Quaid-e Azam Muhammad Ali Jinnah's Presidential Address at the Annual Session of the All India Muslim League held at Patna (26th December, 1938).*



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