



PAKISTAN INSTITUTE FOR PARLIAMENTARY SERVICES  
DEDICATED TO PARLIAMENTARY EXCELLENCE

ISSN # 2414-8040

# Parliamentary Research Digest

BUDGET SPECIAL

VOLUME 8, ISSUE 04

APRIL, 2021

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## Editorial

Dear Readers,

The Pakistan Institute for Parliamentary Services, as per its tradition since 2014, organized THE NATIONAL CONSTITUTION WEEK (March 31<sup>st</sup> – April 10<sup>th</sup>, 2021) with two interactive virtual webinars attended by 289 faculty members and students from all over Pakistan to commemorate to celebrate the “National Constitution Day” on April 10, every year. The objective of the two seminars was to develop awareness of the Constitution, its importance and functioning of Parliament among academicians, civil society and the university youth.

Keeping in view the approaching budget session, the Editorial Board is pleased to publish the research digest as SPECIAL BUDGET ISSUES this quarter to assist honourable MPs develop insights on economy around the budget sessions, so, this Issue of the PIPS Parliamentary Research Digest includes analytical articles by two economists presenting their respective perspectives including debate on central bank independence and the economic performance of Federal Government in addition to an absorbing piece on Electronic Voting Machines by an international expert on Democratic Governance as well as brief report of the National Constitution Week organized by PIPS along with its key takeaways by the youth.

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)

Happy reading and profound regards,

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



Historic group photo of Muslim leadership taken during the 25<sup>th</sup> annual session of All India Muslim League on 29 December 1930 at Allahabad, India. The Session was chaired by Dr. Allama Muhammad Iqbal, the then President of All India Muslim League where he delivered his momentous Presidential Address that chalked out the future action plan of Muslims of India in shape of establishing an independent Muslim country, the Islamic Republic of Pakistan

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## OPINION

**Central Bank Independence: Lessons from International Best Practices****Dr. Amanat Ali**Assistant Professor, School of Economics,  
Quaid-i-Azam University, Islamabad**1. Introduction:**

The issue of Central Bank independence has once again come in spotlight after circulation of news regarding amendment in State Bank of Pakistan Act. The rationale for independence of Central Bank is based on the need to prevent and limit panics in financial markets for price stability and maintain stable financial markets. The theoretical reasoning for independence arises from the idea that an independent Central Bank ensure commitment to policy and promises leaving no incentive for policy makers to renege. Despite opposition, credible policy commitment for price stability is crucial to prevent and limit spike in inflation.<sup>1</sup> Such credibility and pre-commitment can only be assured by markets if they are exempted from pressures such as political pragmatism. Advocates of independent Central Bank claim planning and effectiveness of Central Bank's monetary policies prevented enormous economic and financial crisis/losses.

**2. History of the State Bank of Pakistan:**

The State Bank of Pakistan (SBP) was established under the State Bank of Pakistan Order 1948. After nationalization in January, 1974, the scope of its functions considerably widened. under State Bank of Pakistan Act 1956, SBP is mandated "*regulate the monetary and credit system of Pakistan and to foster its growth in the best national interest with a view to securing monetary stability and fuller utilization of the country's productive resources*".<sup>2</sup> SBP's autonomy was strengthened by financial sector reforms in 1994 and later In February 1994, the State Bank was given more autonomy, during the financial sector reforms and later in 1997 with three Amendment Ordinances<sup>3</sup> approved by the Parliament. These measures extended complete authority to SBP over banking sector, independent monetary policy and limit government borrowings from SBP. The government intends further amendments in SBP ACT to further strengthen this autonomy.

On January 21, 1997, this autonomy was further strengthened when the government issued three Amendment Ordinances (which were approved by the Parliament in May 1997). Those included were the State Bank of Pakistan Act, 1956, Banking Companies Ordinance, 1962 and Banks Nationalization Act, 1974. These changes gave full and exclusive authority to the State Bank to regulate the banking sector, to conduct an independent monetary policy and to set a limit on government borrowings from the State Bank of Pakistan. Now, to further

<sup>1</sup>Stephen G. Cecchetti, Kermit Schoenholtz, "A Primer on Central Bank Independence," Huffpost, [https://www.huffpost.com/entry/a-primer-on-central-bank\\_b\\_8707604s](https://www.huffpost.com/entry/a-primer-on-central-bank_b_8707604s)

<sup>2</sup>State Bank of Pakistan, "Introduction," <https://dnb.sbp.org.pk/about/Intro.asp>

strengthen this autonomy, the federal government of Pakistan is going present some more amendments in the State Bank of Pakistan Act in the parliament for discussion and approval.

#### A Brief History of Central Banks:

Central Bank plays the role of a lender of last resort and subsequently, it seems to be under government supervision. Before WW1, Central Bank did not attach great weight to the goal of maintaining stability of domestic economy. Therefore, in the 1930s, a campaign by governments to regulate bank issues was seen on a global scale, and the model of public Central Bank began to take form. Political leaders wanted to exert more influence on banking and financial structures, the instability of which had led to a drop in economic development. "Central banks had also largely failed in dealing with banking crises, and governments stepped into that area as well: this was typically the case of Italy, Austria, Germany, and Hungary".<sup>4</sup> Until early 1930s, Central Banks were conducting policies against social interest. In 1936 and 1938, Danish Central Bank and Bank of Canada were nationalized respectively. The capital of many European Central Banks was 100% state-owned (Ireland, West Germany, Netherlands, and Norway in 1942, 1948, 1948 & 1949 respectively). The Central Bank of Spain and Portugal were also nationalized in 1962 and 1974, respectively.<sup>5</sup>

According to Singleton

*"It would be unfair, however, to conclude that the typical Central Bank became a mere adjunct of the government machine. One or two particularly self-effacing governors, such as Nugget Coombs in Australia, came close to subservience at times, but many other governors and central banks managed to preserve a considerable degree of autonomy. The Federal Reserve System successfully reasserted its independence from the US Treasury in the early 1950s".<sup>6</sup>*

At the end of 1970s, the change in economic structure and the works of Friedman, who focused on currency and defining the rules of economic policies by Kydland & Prescott to boost long-term growth. Price stability was considered to be the best environment for long-term growth and economic stability. The central bank's independence was also another institutional support for keeping inflation under check. The right of monetary policymakers to pursue policy without direct political or legislative interference is referred to as central bank independence (Walsh, 2010).

Global developed countries endured prolonged waves of high inflation in the 1970s and early 1980s. To understand why central banks enabled these times of inflation to occur, one must first understand why they occurred. One common concern focused on the inflation tendency that comes with discretionary monetary policy. In a discretionary regime, the monetary authority can print more money and create more inflation than people expect.<sup>7</sup> However, the

<sup>4</sup> Gianni Toniolo, Piet Clement, *Central Bank Cooperation at the Bank for International Settlements, 1930-1973*, (New York: Oxford University Press, 2005).

<sup>5</sup> Bertrand Blancheton, "Central Bank Independence in a Historical Perspective. Myth, Lessons and a New Model," *Economic Modelling* 52(January 2016): 101-107.

<sup>6</sup> John Singleton, *Central Banking in the Twentieth Century*, (New York: Oxford University Press, 2011).

<sup>7</sup> Robert J.Barro and David B.Gordon, "Rules, Discretion, and Reputation in a Model of Monetary Policy," *Journal of Monetary Economics* 12, no. 1 (1983): 101-121.



gap between output stabilization and market stability can be viewed as the key difference between rules and discretion; there is a trade-off between credibility and flexibility.

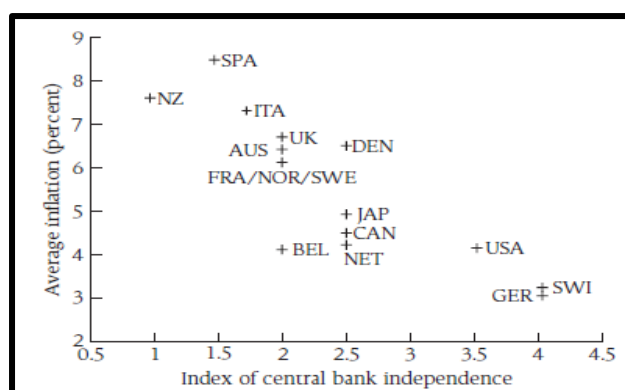
Free of government/political institutions interference, central bank independence leads to low inflation with no obvious risk of actual economic efficiency.<sup>8</sup> Inflation due to the public deficit and public debts do not result from macroeconomic policies but from politics. It occurs mostly in electoral economies; with a short period, the government is unable to overcome these issues.

*"Inflation is always and everywhere a monetary phenomenon."*<sup>9</sup>

### 3. Relationship between Central Bank Independence and Inflation

Fig.1 shows a negative relationship between average inflation and the index of central bank independence. That is inflation will be low in the countries with more independent central banks.<sup>10</sup>

Average inflation was negatively related to measures of central bank independence.



**Fig. 1 Relationship between Central Bank Independence and Inflation**

Preliminary findings point to a two-way (positive in both directions), a causal relationship between inflation and central bank governor turnover, which serves as a metric for the level of independence.<sup>11</sup> Lower independence leads to higher potential inflation, which reduces the subsequent actual level of central bank independence, and so on. Success in controlling inflation, on the other hand, seems to be enhancing the independence of the central bank.<sup>12</sup> Explaining unemployment, inflation, and wage equality through CBI (Iversen, 1998). In the wage-setting context in which monetary policies are made, the conservatism of monetary regime can have important effects on both unemployment and income distribution. The inflation rate is determined by the monetary authority through its command over the money supply. If inflation rate is set below, the price increase implied by the wage demand of unions. In this scenario the rise in wage costs will outpace price increases, profits will be squeezed, and layoffs and unemployment will be the consequence. For countries seeking to institute more deflationary monetary regimes, the lesson would appear to be that they are better off doing so through internal institutional solutions (for eg. in the form of more independent central bank).

<sup>8</sup> Vittorio Grilli, *et al.*, "Political and Monetary Institutions and Public Financial Policies in Industrial Countries," *Economic Policy* 6, no.13 (1991): 341-392.

<sup>9</sup> Milton Friedman, *Money Mischief: Episodes in Monetary History*. (Florida: Harcourt Brace and Co, 1992).

<sup>10</sup> Alberto Alesina and Lawrence H. Summers, "Central Bank Independence and Macroeconomic Performance: Some Comparative Evidence," *Journal of Money, Credit and Banking* 25, no. 2. (May 1993): 151-162.

<sup>11</sup> Carl E. Walsh, "Central Bank Independence," in *Monetary Economics*, 21-26. London: Palgrave Macmillan, 2010.

<sup>12</sup> Alex Cukierman, Steven B. Webb and Bilin Neyapti, "Measuring the Independence of Central Banks and its Effect on Policy Outcomes," *The World Bank Economic Review* 6, no. 3, (1992): 353-398.

There is a strong negative relationship between inflation variability and central bank independence.<sup>13</sup> Also, CBI has no measurable impact on real economic performance. The results show slower growth than the average and the country's relative CBI has relatively good economic performance in contrast the country with relative dependent CB enjoyed steady growth. Further, test the relationship between CBI and real interest and found no clear correlation.

The impact of central bank independence and openness was examined in 24 advanced economies and 13 emerging market and developed economies.<sup>14</sup> The results conclude that the developing and emerging market economies show the most comprehensive increase across all dimensions of independence.

However, on a lighter note, not every economist supports the idea of central bank independence; rather a few are extremely critical to the very existence of the central bank as an institution and against its monopoly over the creation of money.

*“There is no answer in the available literature to the question why a government monopoly of the provision of money is universally regarded as indispensable. ... It has the defects of all monopolies.”*

— Friedrich Hayek, *Denationalisation of Money*

“We have, in this country, one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board. This evil institution has impoverished the people of the United States and has practically bankrupted our government. It has done this through the corrupt practices of the moneyed vultures who control it.”

— Louis T. McFadden

#### 4. What can policy accomplish?

It is extremely important to understand that the right policy may not achieve desired results in the short run but an incorrect one will send wrong signals and consequently situation will start deteriorating in the short run and certainly worsen in the long run. Fig.2 depicts one of the classic examples of implications of either right or wrong policies. In this figure movements of the exchange rate (ER), imports and exports are shown by green, red and blue coloured lines over three decades from FY1990 to FY2019. Where number 1 on the horizontal axis represents FY1990 and so on number 30 represents FY2019. It is clear from the figure that until FY2002, the difference between imports and exports was not huge. However, after that, the trade deficit started increasing because of demand-driven and import lead growth strategy. It led to deindustrialization in Pakistan due to multiple reasons such as high input costs and energy crisis. Furthermore, it exerted enormous pressure on the exchange rate as demand for dollars was on rise and supply of dollars was not enough because of stagnant exports. When the exchange rate increases, it has political costs in the form of inflation, so to avoid that pressure PML(N) government wrongly opted to manage the exchange rate around Rs. 100 per dollar for about four years.

<sup>13</sup> Alesina, “Central Bank Independence,” 151-162.

<sup>14</sup> Christopher W. Crowe and Ellen E. Meade, “Central Bank Independence and Transparency: Evolution and Effectiveness,” *European Journal of Political Economy* 24, no. 4. (2008): 763-777.

The political decision of manoeuvring overvalued exchange rate proved to be a practical choice for the incumbent regime as far as low inflation during that period is concerned but it resulted in a huge trade deficit and current account deficit as shown in Fig.3 below. It is evident from the figure that the current account deficit worsened from \$2.0 Billion in FY15 to \$13.1 Billion in FY18. This was a political decision to manage over the valued exchange rate and in plain words Central Bank was not allowed to exercise its instrument/functional autonomy in this case.

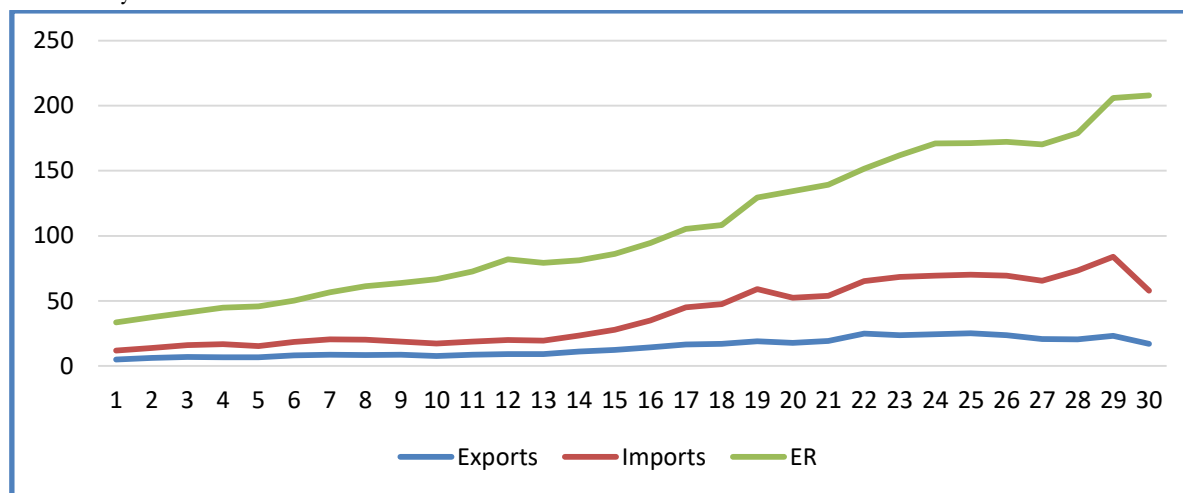


Fig. 2 Movement of Exchange Rate, Imports and Exports from 1990 to 2019

Contrary to this choice we can see a turn around in the current account by simply allowing a market-based exchange rate determination which resulted in a huge improvement in the current account from a deficit of \$13.1 in FY18 to a surplus of \$1.0 billion in July-March FY21. Severe inflation in the early adjustment period in FY19 and FY20 when the PTI government opted for a market-based exchange rate determination was observed. There is a trade-off between managing an over-valued exchange rate and inflation. As inflation has huge political costs in the short run, most of the times it becomes extremely challenging for political governments to choose the correct economic policy.

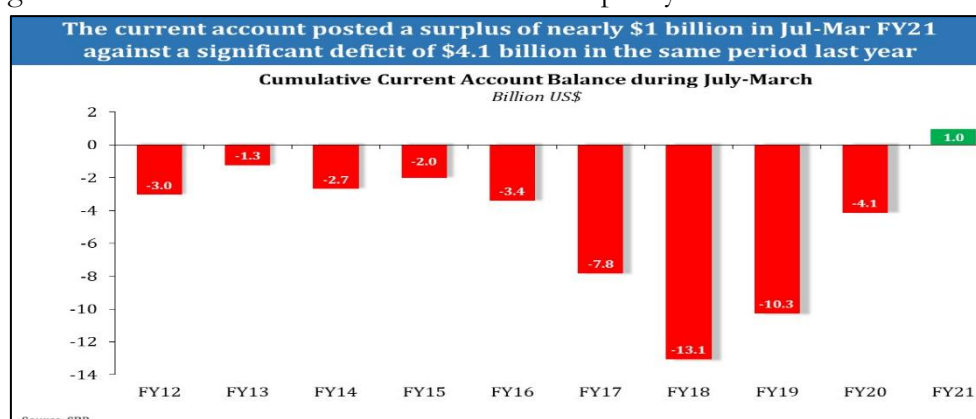


Fig. 3. The Current Account situation from FY2012 to July-March 2021

## 5. Coordination V/S Independence:

The alternative to complete independence of Central Bank is the coordination between fiscal and monetary policies, where fiscal policy is steered by the Federal Government (Ministry of

Finance / Ministry of Planning take the lead role under the guidance/vision of Federal Cabinet) and Central Banks is considered responsible for monetary policy. Coordination can be explained as the process of putting together the various tools of a complex activity so that they can work together effectively. The need for coordination arises when two or more institutions are independent and they have common or conflicting objectives/goals (common e.g., achieving the same things based on different tools, conflicting; the one's actions or target affect the other directly or indirectly). In this situation to ensure the effectiveness of both institutions, the coordination will be fruitful, and a non-coordinating behaviour of any institution not only exhibits ineffectiveness but also unfavourably affects the credibility of both institutions. Here the two institutions are independent but mostly have conflicting goals, the one is central bank which formulated monetary policy to ensure price stability through the money supply and interest rate and the other is the Ministry of Finance which regulates fiscal policy to decrease unemployment and foster economic growth. The coordination in this context does not threaten central bank independence.<sup>15</sup> The interaction between the two institutions' inflation has a significant impact on monetary policy. As the government debt increases, the government raises its primary balance.<sup>16</sup> Under this, there is found a substitution relationship between the two policies; however, the Central Bank plays an active role, especially in the case of higher debt level. For coordination between the two institutions, debt and inflation were used for budgetary and monetary operation respectively.<sup>17</sup> The results show that monetary authority faces a trade-off between inflation and default risk and in a closed economy the Central Bank could be induced to ease its monetary policy in response to the budgetary difficulties of the national government. According to (Nishla & Musthafa, 2020) suggests that the government should implement some policies to enhance the good coordination between the fiscal and the monetary policy through proper institutional and operational arrangements towards enhancing well coordination of both policies.

## 6. Pakistan's Experience:

For the fiscal and monetary policies coordination, the study by Arby and Hanif<sup>18</sup> shows weak coordination and shows that better coordination was found in military regimes, which may be one of the reasons for macroeconomic stability and growth in such periods. Another study confirms the above result of weak coordination between the two institutions as both the monetary and fiscal policy variables affect each other but are insignificant.<sup>19</sup> Both studies suggest that these are two important tools to run the economy and should be formulated in a coordinated way to stabilize the economy and prevent the economy from external shocks.

<sup>15</sup> Muhammad Farooq Arby and Muhammad Nadeem Hanif, "Monetary and fiscal policies coordination - Pakistan's experience," *SBP Research Bulletin* 6, no.1. (2010).

<sup>16</sup> Antonio Alfonso, Jose' Alves and Raquel Balhote, "Interactions between Monetary and Fiscal Policies," *Journal of Applied Economics* 22, no.1. (2017): 132-151.

<sup>17</sup> Menguy, S. "Monetary and Fiscal Policy in the EMU: Conflict or Coordination?," *Journal of Economic Integration* 26, no.2. (2011): 361-385.

<sup>18</sup> Arby, "Pakistan's experience".

<sup>19</sup> Zubaria Andlib, Azra Khan, I. Ul Haq, "The Coordination of Fiscal and Monetary Policies in Pakistan: An Empirical Analysis 1980–2011," *Pakistan Development Review* 4, no. 51. (2012): 695-704



The situation becomes further problematic in developing countries like Pakistan where the role of the central bank includes some objectives like an increase in economic growth, reduction in unemployment, and financial inclusion of marginalized segments of society in addition to inflation targeting and financial stability. The efficient quest of these goals can only be achieved by a multiparty concerted effort at the state level. A strong coordination mechanism of fiscal and monetary policy becomes a prerequisite to achieving these goals. Therefore, instead of making the central bank completely independent of the government, a better option would be to give it autonomy within the government.

**What could be the solution to this dilemma?**

It is the legitimate right of democratically elected representatives to set the targets of economic growth, unemployment rate, and inflation in consultation with the central bank in any democratic country, but the latter should be given functioning independence and the autonomy to choose the suitable instruments to accomplish the given targets predominantly in the areas of inflation, interest rate, exchange rate etc. The central banks cannot be delegated with 'goal independence' rather 'instrument or operational independence'.

## ANALYSIS

## Should Pakistan Invest In Electronic Voting? The Advantages and Disadvantages of Electronic Voting

Hassan Nasir Mirbahar<sup>1</sup>

### 1. INTRODUCTION

Electronic voting (e-voting) has been a central part of discussions on Pakistan's electoral reforms in the recent past. Citizens and some political parties, notably the Pakistan Tehreek-e-Insaf, have demanded the introduction of such systems. As proponents, they argue that electronic voting machines (EVMs) will rid Pakistani elections of all their evils, helping to make them credible and transparent.

The Parliamentary Committee on Electoral Reforms formed by the last Pakistan Muslim League (Nawaz) (PML-N) government considered the issue thoroughly. It created a sub-committee on e-voting headed by Dr. Arif Alvi, current President of Pakistan and then a Member of the National Assembly. Both the main and sub-committee sought inputs from the Election Commission of Pakistan (ECP) and other experts, aside from considering research on the subject.<sup>2</sup> All of these sources had the same message for the committees: while e-voting comes with some benefits, such as efficient counting and preventing certain types of rigging, it is associated with considerable financial burden on the national exchequer; and that e-voting will not help achieve the stated objectives of making elections transparent and credible—it can be hacked, and other types of rigging, e.g., intimidation and vote-buying will still prevail. Yet, through the Election Act, 2017 that the Parliamentary Committee drafted, and which was adopted by Parliament in 2017, the ECP was required to conduct pilots and examine the possibility of introducing EVMs in future elections. The ECP conducted some pilots, including for internet voting (i-voting) for overseas Pakistanis, and presented findings to Parliament. Some of these findings are discussed below.<sup>3</sup>

As observers pointed out in 2018, the quality of elections in Pakistan has improved significantly. However, many issues—further transparency in results processes, subjective candidacy criteria, campaign finance, and minorities' voting rights—still prevail and were not addressed in the electoral reform effort by the last parliament. Some new issues, like with mobile-based results transmission systems, also came to light in the previous general and recent by-elections, which require legal changes. It is, therefore, encouraging to see that the

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<sup>2</sup> National Assembly of the Islamic Republic of Pakistan. 2017. The report of the Parliamentary Committee on Electoral Reforms on the Elections Bill, 2017. Islamabad: Parliamentary Committee on Electoral Reforms. [http://na.gov.pk/uploads/documents/1502166432\\_345.pdf](http://na.gov.pk/uploads/documents/1502166432_345.pdf) (accessed 24 April 2021).

<sup>3</sup> Election Commission of Pakistan. 2018. Report on i-voting pilot test in 35 constituencies held on 14th October 2018. Islamabad: Election Commission of Pakistan. <https://ecp.gov.pk/documents/ivotingreport.pdf> (accessed 24 April 2021).

current government and opposition parties are pressing for another round of electoral reforms.

The introduction of e-voting is being discussed once again as part of these proposals,<sup>4</sup> which brings us back to the original question of whether Pakistan should invest in e-voting. To answer this question, we must first understand the advantages and disadvantages of e-voting. Its use in countries like India and the USA is often cited as a successful example, so this paper touches on them as well.

E-voting is an umbrella term and includes different types of technologies. Therefore, before discussing country cases and the advantages and disadvantages of e-voting, this paper presents a brief, non-exhaustive introduction to voting technologies.

## 2. Understanding E-Voting Options

### 2.1 Direct-recording electronic (DRE) voting machines

DREs are the most common devices in use globally. They use a touchscreen, keyboard, buttons, mouse, stylus or other device to help voters record their choices on an attached storage device. DREs help tabulate votes and also store consolidated results. Some DREs also come with the optional feature of a ‘voter verifiable paper audit trail’ (VVPAT), which are kept in a ballot box. Machines using paper trail features print a paper version of the voter’s choice, allowing them to verify their selection and provide a record for audits. VVPATs are now essentially a standard for DREs. Some DREs even transmit results to centralised locations/consolidation centres, but this increases the risk of hacking over the internet. India, the USA, and Brazil are some of the countries that use DREs.

### 2.2 Ballot marking devices (BMDs) or electronic ballot markers (EBMs)

BMDs and EBMs are used to mark ballot papers with user choices. They display ballot papers in digital form; voters select their option using a touchscreen; the device prints the ballot with their selection for voter verification; the voter places their printed ballot in a ballot box. Other variants of these devices store ballots in their memory or allow ballots to be cast electronically or directly to an attached ballot box. Depending on the machine type, ballots can be counted manually or electronically using optical scanners.

### 2.3 Internet voting

I-voting allows voting via the internet using a dedicated website. This allows users to vote from anywhere in the world. Results are tabulated and transmitted in real-time. Fourteen countries have explored i-voting, five of which—Canada, Estonia, France, Norway, and Switzerland—did so in binding elections.<sup>5</sup> The others only conducted pilots. Compared to voting machines, i-voting is said to pose greater threats to electoral and democratic processes as the internet is heavily associated with such risks.

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<sup>4</sup> Ghumman, M. 2021. E-voting plan: Cabinet members raise questions over security aspect. *Business Recorder*. 11 April. <https://www.brecorder.com/news/40083186> (accessed 24 April 2021).

<sup>5</sup> Spakovsky, Hans von. 2016, The dangers of Internet voting, <https://www.heritage.org/report/the-dangers-internet-voting>, (accessed 24 April 2021)

### 3. E-VOTING: ADVANTAGES AND DISADVANTAGES

The analysis in this section applies to all types of e-voting options discussed above. However, BMDs/EBMs are associated with specific issues not covered here.<sup>6</sup> In addition, I use ‘EVM’ and ‘e-voting’ to refer to the most common devices and methods in use.

#### 3.1 Preventing electoral fraud

There is a widespread belief that e-voting helps prevent or decrease electoral fraud. EVMs can indeed prevent some types of fraud, e.g., ballot stuffing. For example, voting machines in India are programmed to allow only a certain number of votes to be cast in an hour.<sup>7</sup> However, e-voting is deployed only for casting ballots, typically on election day, whereas electoral fraud can occur anytime during the electoral cycle. For example, people can tamper with voter lists ahead of polling day; electoral boundaries can be manipulated in favour of a party or candidate (popularly known as gerrymandering); candidates or political parties can use money or other tactics like intimidation to change voter choices or silence opponents; and polling officers can disenfranchise particular voters. In addition, devices can be vandalised to cause malfunctions. Voting machines and i-voting are prone to hacking. In summary, voting technologies only change the methods of fraud, they do not necessarily prevent it, and traditional rigging techniques cannot be addressed technologically.

The i-voting pilot based on the National Database and Registration Authority (NADRA) app that the ECP conducted for overseas Pakistanis demonstrated the risk of hacking by other countries. The system faced ‘distributed denial of service’ (DDoS) attacks which drain a website’s bandwidth and render it inaccessible to intended users. NADRA successfully detected and prevented the attacks,<sup>8</sup> but their possibility remains given that many vulnerabilities are associated with IT and the internet, even when advanced security protocols are deployed. The banking sector’s ‘fool proof’ internet security is often cited as a success story in discussions on i-voting, but the 2018 attack on Pakistani internet banking is proof of internet security deficiencies.<sup>9</sup>

The i-voting pilot in Pakistan also exposed the danger of phishing attacks where mock malicious e-mails were sent to influence voter choices.

Pakistan is not the only country facing such issues. The 2016 US election is an oft-cited example. A foreign country allegedly hacked into US electoral technology in all 50 states and

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<sup>6</sup> Cohn, J. 2019. How new voting machines could hack our democracy. *The New York Review*. 17 December. <https://www.nybooks.com/daily/2019/12/17/how-new-voting-machines-could-hack-our-democracy/> (accessed 24 April 2021).

<sup>7</sup> Democracy Reporting International. 2011. Electronic voting machines: The promise and perils of a new technology. Briefing paper no. 11. Berlin: Democracy Reporting International. [https://democracy-reporting.org/wp-content/uploads/2016/02/dri\\_briefing\\_paper\\_11\\_-\\_electronic\\_voting\\_machines.pdf](https://democracy-reporting.org/wp-content/uploads/2016/02/dri_briefing_paper_11_-_electronic_voting_machines.pdf) (accessed 24 April 2021).

<sup>8</sup> Election Commission of Pakistan. 2018. Report on i-voting pilot test in 35 constituencies held on 14th October 2018. Islamabad: Election Commission of Pakistan. <https://ecp.gov.pk/documents/ivotingreport.pdf> (accessed 24 April 2021).

<sup>9</sup> Qarar, S. 2018. ‘Almost all’ Pakistani banks hacked in security breach, says FIA cybercrime head. *Dawn*. 6 November. <https://www.dawn.com/news/1443970> (accessed 24 April 2021).

breached three election service providers and voter registration in at least two states.<sup>10</sup> During internet voting trials in Washington DC, a university professor and his students were able to hack into DC's internet voting and they changed the results of the mock election. They also 'gained a near-complete control' of the election server.<sup>11</sup>

### 3.2 Lack of trust and transparency in elections

Elections are primarily a public exercise and require that all electoral matters—except ballot secrecy and user data confidentiality—and data be publicly available to citizens, political parties, observers, and the media. Trust in electoral systems is contingent upon the balancing of transparency and confidentiality. The same principles apply to e-voting. But achieving these goals through e-voting requires complex software that only a handful of programmers can understand. To others, the internal mechanism of a voting machine is like a black box—it is not always clear if this black box is recording user inputs correctly and aggregating results accurately. Only a handful of IT experts can understand the inner workings of EVMs. Voters, political parties, candidates, and election management bodies will have to trust the judgement of these experts, who can be biased or intimidated/lured to hide facts. The Federal Constitutional Court of Germany banned EVMs in the country based on this very issue, writing:

*“the use of electronic voting machines requires that the essential steps of the voting and of the determination of the result can be examined by the citizen reliably and without any specialist knowledge of the subject.”*

*“all essential steps of an election are subject to the possibility of public scrutiny unless other constitutional interests justify an exception.”<sup>12</sup>*

Part of the issue can be addressed by attaching paper trails (VVPATs) to voting machines, allowing voters to verify their selections and provide a record for audits. However, VVPAT trials indicate that they do not always achieve the stated objective as most voters (in trials) did not verify their votes. In addition, experts say even VVPAT features can be manipulated, causing further controversies.<sup>13</sup> Similarly, Indian VVPAT tests have produced mixed results.<sup>14</sup>

<sup>10</sup> The alleged country, Russia, has denied the allegation. For more details see: Cohn, J. 2019. How new voting machines could hack our democracy. *The New York Review*. 17 December. <https://www.nybooks.com/daily/2019/12/17/how-new-voting-machines-could-hack-our-democracy/> and: Malone, C. 2018. What we know and don't know about election hacking. *FiveThirtyEight*. 10 April. <https://fivethirtyeight.com/features/what-we-know-and-dont-know-about-election-hacking/> (both accessed 24 April 2021).

<sup>11</sup> Spakovsky, Hans von. 2016, The dangers of Internet voting, <https://www.heritage.org/report/the-dangers-internet-voting>, (accessed 24 April 2021)

<sup>12</sup> For the court verdict, see: Democracy Reporting International. 2011. Electronic voting machines: The promise and perils of a new technology. Briefing paper no. 11. Berlin: Democracy Reporting International. [https://democracy-reporting.org/wp-content/uploads/2016/02/dri\\_briefing\\_paper\\_11\\_-\\_electronic\\_voting\\_machines.pdf](https://democracy-reporting.org/wp-content/uploads/2016/02/dri_briefing_paper_11_-_electronic_voting_machines.pdf) (accessed 24 April 2021).

<sup>13</sup> Cohn, J. 2019. How new voting machines could hack our democracy. *The New York Review*. 17 December. <https://www.nybooks.com/daily/2019/12/17/how-new-voting-machines-could-hack-our-democracy/> (accessed 24 April 2021).

<sup>14</sup> See a sample of reports at <http://www.indianevm.com/> (accessed 24 April 2021).



### 3.3 Ease in results tabulation and compilation

As EVMs are purpose-built computers, they can indeed tabulate and compile election results quickly and efficiently. Connected to a network, they can transmit results instantly, helping release election results smoothly. Faster results compilation could be helpful in politically sensitive contexts like Pakistan's where even minor delays in electoral processes often spark controversies. Efficiency in results compilation notwithstanding, EVMs' results compilation features are not particularly transparent. Conventional paper ballots allow detailed vote verification down to the polling station level, which is not always possible using voting machines. While VVPATs help address this issue, they raise another—discrepancies between VVPATs and votes recorded in voting machine storage. Such mismatches can lead to legal questions and controversies about which ones to count, the VVPATs or the ones stored on the machine. The situation can lead to endless court cases, resulting in a 'fish eating its tail' situation.

### 3.4 Compromising ballot secrecy

E-voting does not protect ballot secrecy. Whether connected to the internet or not, it is theoretically possible to breach ballot secrecy with DREs. Votes recorded on DREs include timestamps, i.e., the exact time and date of when a citizen voted, which is required for the verification and delay loops discussed above. Combined with the selection on a ballot, this information can be used to figure out how a particular user voted, and then to victimise voters.

Voter choices are even easier to discern in i-voting. The ECP's report on i-voting for overseas Pakistanis contended that i-voting compromises ballot confidentiality, which is a fundamental and constitutional requirement in any election. I-voting requires identity verification, which is then linked to the vote, immediately compromising secrecy.<sup>15</sup>

### 3.5 The costs of introducing e-voting

It is often argued that voting machines save money. This is partly true as installing voting machines may decrease the costs associated with printing and distributing ballot papers and employing polling staff. But they themselves require prohibitive expenditures. For example, one of the cheapest variants (used in India) costs about 250 US dollars. Let us consider the case of Pakistan's 2018 General Election where the ECP established some 85,090 polling stations with around 244,687 polling booths across the country.<sup>16</sup> Each polling booth typically requires two ballot boxes, one each for the National Assembly and provincial assembly. This would mean two voting machines per booth, and, therefore, a total of 489,374. At 250 US dollars a-piece, that many machines would cost over 122 million US dollars or 18.351 billion Pakistani rupees. This figure does not include expenditure on the

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<sup>15</sup> Election Commission of Pakistan. 2018. Report on i-voting pilot test in 35 constituencies held on 14th October 2018. Islamabad: Election Commission of Pakistan.  
<https://ecp.gov.pk/documents/ivotingreport.pdf> (accessed 24 April 2021).

<sup>16</sup> Election Commission of Pakistan. 2019. Annual report 2018. Islamabad: Election Commission of Pakistan. <https://drive.google.com/file/d/14bQ3XFnuIm78URJmTlY8c3dnCFUu7bcM/view> (accessed 24 April 2021).

storage, maintenance, upgrade, or transportation of voting machines. Nor does it include the cost of replacing machines, many of which would wear out between two electoral cycles. Finally, the 250-US dollar price tag does not include the expenses of VVPAT, which, as already discussed, is essential for ensuring some level of transparency and ballot verifiability. It may then be said that i-voting would be cheaper than voting machines, which is not entirely untrue. But projections and experience show that the cost would still be quite high, given the fragility of Pakistan's economy. The i-voting pilot for overseas Pakistanis, which ran in just 35 constituencies, cost the country about 95 million rupees. The ECP estimates a 195 million-rupee expenditure to scale the programme to all overseas Pakistanis for all constituencies.<sup>17</sup> That figure would increase exponentially if Pakistan decided to use i-voting for the 220 million people at home.

#### 4. EVMs AROUND THE WORLD: SOME COUNTRY EXPERIENCES

##### 4.1 India's EVMs

India's experience with EVMs is often cited as a success story. The country uses locally manufactured EVMs based on DRE technology<sup>18</sup> and has also exported its machines to countries like Namibia and Nepal. However, the claims of success require further research. A group of independent researchers has exposed several vulnerabilities in Indian EVMs.<sup>19</sup> Reports of device malfunctions have also surfaced in different Indian elections. Some opposition parties alleged widespread machine hacking in the last elections, although the Election Commission of India denied this.<sup>20</sup> Moreover, unlike Pakistan, India does not allow independent election observers to scrutinise electoral processes. Therefore, many claims of well-functioning EVMs cannot be independently verified.

##### 4.2 EVMs in the Netherlands

The Netherlands was one of the earliest EVM adopters in Europe—around 95% of its population was using e-voting by the late 1990s. However, a citizen group, 'We Do Not Support Voting Computers', pointed to several problems with the voting machines. Following the group's advocacy, the government finally formed two commissions to investigate the use of machines. One of the commissions concluded that the devices, supplied by Nedap, were not trustworthy and had several fundamental issues—along the lines of the issues described in Section 3. The group also filed a complaint in a district court which was judged in its favour. The Netherlands eventually abandoned EVMs altogether.<sup>21</sup>

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<sup>17</sup> Ibid.

<sup>18</sup> Some parts, including processors, are procured from other countries.

<sup>19</sup> For details, see: Prasad, H.K., Halderman, J.A., Gonggrijp, R., Wolchok, S., Wustrow, E., Kankipati, A., Sakhamuri, S.K., and Yagati, V. 2010. Security analysis of India's electronic voting machines.

[https://indiaevm.org/evm\\_tr2010-jul29.pdf](https://indiaevm.org/evm_tr2010-jul29.pdf). Also see video:

<https://www.youtube.com/watch?v=ZlCOj1dEIDY> (both accessed 24 April 2021).

<sup>20</sup> For more details, see: Purkayastha, P. and Sinha, B. 2019. Revisiting the EVM hacking story. *The India Forum*. 12 June. <https://www.theindiaforum.in/article/revisiting-evm-hacking-story> (accessed 24 April 2021).

<sup>21</sup> For the Netherlands voting machine case study, see: Goldsmith, B. and Ruthrauff, H. n.d. Case study report on electronic voting in the Netherlands. National Democratic Institute/International Foundation

### 4.3 Ireland's purchase and non-use of EVMs

Ireland procured Nedap voting machines at a cost of 40 million euros. However, following reports of a lack of trust in the devices, a commission was set up to investigate the problems of the devices. After its hearings, the Commission said that the secrecy and accuracy of the machines could not be guaranteed. It concluded that “it has not been proven at this time to the satisfaction of the Commission that it [voting machines] will work”.<sup>22</sup>

### 4.4 The curious case of US voting machines

The USA is another country that has been using EVMs for a long time. However, long-term use is not an indication of reliability. It points, instead, to necessity. People around the world follow US presidential and congressional elections, but not the numerous other types of US elections, which include gubernatorial elections, state legislature elections, county and city government elections, school board elections, and court elections—depending on the state. All these elections can happen on the same day. Hence, election management bodies have to prepare ballots for all of these, which can have around 1,000 ballots depending on the state. The sheer complexity of administering and aggregating results for so many simultaneous polls necessitates US counties' use of EVMs.

Notwithstanding the need, EVMs in this technologically advanced country are not without fault. Experts have pointed out various issues with different voting machines used in the US. Harri Hursti, a respected, world-renowned computer security expert, has shown that some voting devices can be compromised by changing just a few lines of software code.<sup>23</sup> As already mentioned, a foreign power allegedly penetrated US electoral technology during the 2016 elections.

## 5. CONCLUSION

The analysis above concludes that e-voting will not solve all of Pakistan's election issues. E-voting comes with both benefits and problems. Therefore, thorough consideration will be needed to decide about introducing e-voting.

Pakistani policymakers and parliamentarians can start first by stating the objectives for the introduction of e-voting. Then they can see if e-voting will help achieve these objectives. Experience and good practices on introducing electoral changes show that such major changes should only be made when all stakeholders, including political parties and citizens,

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for Electoral Systems. [https://www.ndi.org/sites/default/files/5\\_Netherlands.pdf](https://www.ndi.org/sites/default/files/5_Netherlands.pdf) (accessed 24 April 2021).

<sup>22</sup> For more discussion, see: Hoft, J. 2021. Ireland and the Netherlands ended electronic voting after finding machines untrustworthy and failed security requirements. *Gateway Pundit*. 18 February. <https://www.thegatewaypundit.com/2021/02/ireland-netherlands-ended-electronic-voting-finding-machines-untrustworthy-failed-security-requirements/> and: Democracy Reporting International. 2011. Electronic voting machines: The promise and perils of a new technology. Briefing paper no. 11. Berlin: Democracy Reporting International. [https://democracy-reporting.org/wp-content/uploads/2016/02/dri\\_briefing\\_paper\\_11\\_-\\_electronic\\_voting\\_machines.pdf](https://democracy-reporting.org/wp-content/uploads/2016/02/dri_briefing_paper_11_-_electronic_voting_machines.pdf) (both accessed 24 April 2021).

<sup>23</sup> Wolfe, A. 2020. Why a data-security expert fears U.S. voting will be hacked. *The Wallstreet Journal*. 24 April. <https://www.wsj.com/articles/why-a-data-security-expert-fears-u-s-voting-will-be-hacked-11587747159> (accessed 24 April 2021).

trust and own the change. Therefore, it is paramount to first discuss these changes openly and thoroughly with all stakeholders.

Long, carefully implemented pilots and a gradual introduction may be a better option than nationwide use of technology in one go should Pakistani policymakers decide to use e-voting in future elections. Moreover, experience and good practice also indicate that building trust in existing processes is a prerequisite to introducing any technology. If stakeholders do not trust existing processes, quick technological fixes are not likely to help.

**OPINION****Economic Performance of Federal Government:  
An Appraisal and Way Forward**Muhammad Ali Kemal<sup>1</sup>**1. Introduction**

Pakistan Tehreek-i-Insaaf (PTI) government inherited 5.4 percent GDP growth, \$16.7 billion foreign exchange reserves, 5.8 percent inflation, \$4.4 billion third quarter current account deficit, 6.6 percent fiscal deficit, overvalued exchange rate, rising overall debt (Rs.24.95 trillion) and rising circular debt (Rs.1.14 trillion). In the first year, there were two major tasks i.e. National Accountability Bureau's (NAB) cases and bringing back money that was illicitly sent outside as well as to fix the debt and current account and fiscal deficit. Therefore, the growth was pushed back to relax. The current account deficit pushed the overvalued currency upwards (depreciation). The depletion of reserves started decreasing the ability to pay for imports or repay debts. The burden for repaying debt of \$12 billion forced the government to have another bailout from International Monetary Fund (IMF).

**1) 100 Day Agenda and its Outcomes**

There are different views on the definition of "Madina ki Riyasat". However, PM's vision was to create a state where everyone has their rights such as right to information, more accountable government authorities, true and on time decisions based Justice system, unbiased institutions and strong social protection system. For this purpose a 100 day agenda was announced by the government that was supposed to set the stage for socio-economic betterment of the country. The announcements were very clear that there will be no corruption, no rent seeking, no extra incentives, and documentation of the economy, efficient tax collections, major governmental and civil service reforms, strong justice system, lower debt, lower inflation, and lower fiscal and current account deficit. In addition, economically speaking five million low-cost housing scheme was also announced that would involve private sector and several other related industries. Socially speaking PM gave a vision of "Madina ki Riyasat".

Unfortunately, almost all of the major economic indicators were deteriorating on November 29, 2018 as it was the 100<sup>th</sup> day of the government's agenda. Though the Rupee was depreciated to Rs135.2/\$, making it less overvalued than previous. However, petrol prices increased from Rs95.24 per liter to Rs97.83; the KSE-100 index has lost almost 1,600 points; inflation was slightly increased up to 7 percent; foreign reserves had fallen to \$14.7 billion and the discount rate had increased from 7.5 percent to 8.5 percent (and went up to 10 percent in the next day).

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After the 100 days there were numerous agenda items, viz-a-viz, reduction in energy prices for the Punjab export industry, task force for developing a national tariff policy, provincial labour and industrial policies formulation in Punjab and KP, and revamping FBR by separating tax policy and administration. To consult them on various economic and business matters, two separate advisory councils were constituted i.e. councils of economic advisors and business leaders.

The wish list also included turning around loss-making state-owned enterprises to profitable entities. Security and Exchange Commission of Pakistan (SECP) policy board had been reconstituted to promote business-friendly and enabling environment to invite private investments into the manufacturing sector. One of the reasons for this reform was to increase exports and substitute imports. Although it was the duty of ministry of commerce and Trade Development Authority of Pakistan (TDAP), they were not on board at that time therefore; the entire process hasn't been completed yet.

The wish list continued with reforming energy sector to make energy affordable, eliminate inter-corporate debt in the power sector, recovered unpaid electricity bills and reduced system losses (including theft), and shift to renewable energy. In short, Goal 7 of SDGs will be achieved if all of the components are tagged and implemented.

The persistent economic downturn during the first 100 days created an urgency to make policies of economic revival. Despite several initiatives were taken by the government economy was not reviving and ultimately the blame went on to bureaucrats and their system. The reasons for bureaucratic delays were generally associated with NAB and their strictness. In addition, previous governments were also blamed during the first few months.

One of the most important issues was the documentation of the economy. Every trader/buyer is required to show CNIC if they are buying cement exceeding Rs.50, 000. Several withholding taxes were imposed including the banking transactions. In short, in order to curtail fiscal deficit, revenue increasing interventions were designed and implemented that have reduced the overall economic activity. FBR was committed to get more taxes from the businesses and several unresolved meeting were held with the businesses. Nonetheless, businesses were shrunk and informal sector faced the bigger loss than any other sector. Furthermore, just to tighten up the accountability and transparency standards several PSDP projects were at halt. Thus, lower economic activity and higher unemployment.

## **2) Fiscal Performance of FY 2018-19**

The growth rate in the first year, 2018-19 was 1.9 percent. Agriculture growth rate was 0.58 percent due to negative growth in important crops (-7.68 percent) and cotton ginning (-12.74 percent). Large scale manufacturing growth was declining (-2.56 percent) compared to preceding year, hence the overall industrial growth depicted growth rate of -2.27 percent. Services sector contributed the 3.75 percent which has offset the overall commodity producing sector growth of -0.90 percent.

Fiscal deficit increased to 9.1 percent due to increase in current expenditures as well as decline revenues. Inflation stood at 6.8 percent and interest rate was 12.25 percent. Current account deficit was reduced to \$13.4 billion from \$19.2 billion. Foreign exchange reserves were \$14.48 billion. Total domestic debt has increased from Rs.16.4 Trillion in 2017-18 to Rs.20.7 Trillion in 2018-19, whereas external debt has increased from Rs.7.8 trillion in 2018-17 to Rs.11.1 trillion in 2018-19. Total public debt has increased by Rs.7.75 trillion in one year to Rs.32.7 Trillion (84.8 percent of GDP).<sup>2</sup>

### 3) Covid-19 and Economic Performance-2020

The first case of COVID-19 in Pakistan was reported on 26<sup>th</sup> February 2020. By 1<sup>st</sup> June 2020, 76,398 cases were reported with 1,621 deaths i.e. CFR 2.12%. The episode of complete shutdown had brought down the expected growth of 3.3 percent to -0.4 percent. The provisional estimates showed that services sector declined by 0.59 percent while industrial sector recorded -2.64 percent growth and agriculture sector has positive growth of 2.67 percent, although cotton ginning has -4.61 percent growth. Large scale manufacturing (LSM) during July 2019 – December 2019 had shown -2.82 percent growth. Textile, food and beverage and fertilizer had positive growth whereas automobiles and pharmaceuticals had negative growth. The growth was not much different during the next two months; growth rate of large scale manufacturing was -2.92 percent during July – Feb 2019-20<sup>3</sup> compared to same period of preceding year. Despite negative LSM growth rate it was expected to get GDP growth around 3.3 percent.<sup>4</sup>

Since prevention from the virus lies in social distancing (the most important), wear masks, and hand washing. Thus daily business was severely affected when government has imposed lockdown or smart lockdowns especially in the informal retail and wholesale markets. It results in several business closures and extraordinary job losses. Pakistan stock market lost on average 1500 points daily in the first few days. Billions of rupees invested in different shares are reduced by one third and in some cases half of the value. However, it started recovering by the End of March, nonetheless, it took almost a year to reach at the same level and still it give panic attack to the investors.

The exporters faced difficulties due to the decline in the demand for imports from Pakistan. Numerous consignments of the textile sector were stranded on the sea and then returned because, in wake of the pandemic, no state wants to bring them inside the country unless everything goes to normal. International Labor Organization (ILO) estimates 12.6 million to 19.1 million vulnerable workers may lose their jobs while Pakistan Institute of Development

<sup>2</sup> Finance Division Pakistan, Pakistan Economic Survey 2019-20 (Islamabad: Printing corporation of Pakistan Press, 2020).

<sup>3</sup> Pakistan Bureau of Statistics, "Revised Quantum Index Numbers of Large Scale Manufacturing Industries (QIM)," (Pakistan: GOP, Ministry of Statistics, 2020). [https://www.pbs.gov.pk/sites/default/files//industry\\_mining\\_and\\_energy/qim/2020/web%20note%20feb20\\_0.pdf](https://www.pbs.gov.pk/sites/default/files//industry_mining_and_energy/qim/2020/web%20note%20feb20_0.pdf)

<sup>4</sup> Pakistan Bureau of Statistics, "Revised Quantum Index Numbers," 2020. [https://www.pbs.gov.pk/sites/default/files//industry\\_mining\\_and\\_energy/qim/2020/web%20note%20dec19.pdf](https://www.pbs.gov.pk/sites/default/files//industry_mining_and_energy/qim/2020/web%20note%20dec19.pdf)

Economics (PIDE) estimated 15.54 million to 18.65 million job loss<sup>5</sup>. It is expected that wholesale and retail trade will lose maximum workers followed by manufacturing, construction and transport. However, expected job loss in non-agriculture sector is between 4.8 million to 5.8 million. According to a survey conducted by Pakistan Bureau of Statistics, it was estimated that 27.31 million working population was affected; while 20.6 million people could not work during the first wave of pandemic. Whereas 6.7 million people said that their income was declined.

Government announced stimulus package to counter the pandemic difficulties. Ehsaas program stepped in this regard and started giving Rs.12000 per quarter to 16.9 families under the Kafaalat program. The package helped in boosting the overall consumption that could have been reduced significantly. Moreover, refunds were given to the exporters and loans were announced for the employers to hoard labour. Similarly, State Bank of Pakistan has also come up with several initiatives such as deferment of payments for one year, reduction in margin call requirements, Temporary Economic Refinancing Facility' (TERF), Refinance Facility for Combating COVID-19 (RFCC) etc.

#### 4) Post First Wave of Covid-19 Economy

The positive signs in Pakistan's economy were seen during the first quarter of the fiscal year 2020-21; remittances increased by 26.5 percent, foreign direct investment (FDI) increased by 9.1 percent, tax collection has gone up by 4.5 percent, and the primary balance turning into a surplus worth Rs258 billion. Large-scale manufacturing was growing at 4.8 percent growth, while the cement sector expanded 20 percent at 100 percent capacity utilization. Sales of cars, motorbikes and tractors also witnessed a significant increase during the same period.

Similar trends continued in the second quarter. Large scale manufacturing growth rate during July – December 2020 was 8.16 percent<sup>6</sup>. Growth momentum in remittances continued till December and then till March 2021. Current account surplus remained for first two quarters of current fiscal year, while negative in the third quarter. Nevertheless, the overall current account was in surplus by the end of 3 quarters, i.e. \$ 959 million.

The economy was moving fine<sup>7</sup>, when the third wave of COVID-19 hits hard. Then the economy again felt the heat of lockdown. Stock market was hazy, investors were confused. Besides January 2021, inflation rate is on average remained close to 9 percent. Rural food

<sup>5</sup> Pakistan Institute of Development Economics, "Sectoral Analysis of the Vulnerably Employed COVID-19 and the Pakistan's Labour Market," (Islamabad: PIDE, 2020). <https://www.pide.org.pk/pdf/PIDE-COVID-Bulletin-4.pdf>

<sup>6</sup> Pakistan Bureau of Statistics, "Revised Quantum Index Numbers," 2020. [https://www.pbs.gov.pk/sites/default/files//industry\\_mining\\_and\\_energy/qim/2021/qim\\_web\\_note\\_dec\\_2020.pdf](https://www.pbs.gov.pk/sites/default/files//industry_mining_and_energy/qim/2021/qim_web_note_dec_2020.pdf)

<sup>7</sup> Muhammad Farooq, "Moody's upgrades Pakistan's outlook from 'under review for downgrade' to 'stable', maintains B3 rating," *Pt Profit*, August 08, 2020. <https://profit.pakistantoday.com.pk/2020/08/08/moodys-upgrades-pakistans-outlook-from-under-review-for-downgrade-to-stable-maintains-b3-rating/>

inflation was higher than urban since March 2020 besides the last three months. Whereas, core inflation remained around 6 percent in urban areas while 7.5 percent in rural areas.

During the next few days it is expected that economy will face another lockdown or smart lockdown that will reduce the business activity especially at the time of Eid which is the big season for all the traders as well as for manufacturers. The decline in business is somehow expected to ruin the expected growth rate close to 2.5 percent to 3 percent this year. Fiscal deficit fell to 2.9 per cent of GDP in the first seven months of FY21 compared to 3.2pc in the preceding year in the same period.<sup>8</sup>

#### 5) Performance after 2.5 Years

After 2.5 years, one year was associated with pandemic and one year was associated with stabilization. Thus they are left half of the year which must not be used to grade the performance. However, despite Covid-19 which gave a good opportunity to strengthen institutions and brought reforms in different sectors, the opportunity is lost.

The current government, when came into power, has two thrusts, i.e. to stabilize the economy by increasing revenues, reducing expenditures, reducing the overall debt situation and strengthen NAB and overall institutions of justice and bring back money sitting outside. On both front the government remained unsuccessful at the start but due to Covid-19 and restrictive regime reduced the trade deficit and current account deficit. The government had unrealistic proclamations before coming to power.<sup>9</sup> It is obvious now that the team and realistic program is missing to implement the overall policy. Too frequent changes in the offices. It leads to lack of consistency and lack of room for better performance.

#### 6) Way Forward

The following set of policy options may be helpful for the betterment of the economy:

- a) It is sad to say that overall economic structure is the same as the last many decades that is hindering the sustainable growth process. Few significant initiatives which was started are Ehsas, Kamyab Jawan Program and Roshan Pakistan Digital Account. Structure of Ehsaas required modifications. The social protection program designed in the BISP/Ehsaas is not for poverty reduction, nonetheless, an income support program that increases the consumption.
- b) It is the need of time to take some initiatives for the documentation of the economy. A year that is lost in which we would have been doing major reforms to change the structure of economy. Contrarily, all the reformative strategies which was started before COVID was taken back to support the economy, such as investment in

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<sup>8</sup>Mubarak Zheb Khan, "Fiscal deficit falls to 2.9pc in 7MFY21," *Dawn*, April 25, 2021, <https://www.dawn.com/news/1620236>

<sup>9</sup> Shahid Mehmood, "The economy under the PTI," *News*, July 22, 2020, <https://www.thenews.com.pk/print/692443-the-economy-under-the-pti>

construction sector is free from any documentation (no one will inquire about the source of income).

- c) Imports were restricted and few sectors were able to export. Whereas increase in remittances played the trick and made current account surplus for several months. However, this practice is not sustainable for longer term higher growth. Several imports that includes all categories from raw to final finished goods are necessary for domestic production and exports have either higher tariffs or numerous bureaucracy hurdles are involved in importing those commodities. Therefore we need to find, identify and remove all kind of anti-export biases from the system.
- d) Cotton and related products contribute 60 percent in exports. While they do not have same share in the industry and overall GDP. This clearly implies that there are several other products which have potential to exports in different markets. There is need to identify the potential products, upscale those and find markets to export them.
- e) Taxation structure is not at all growth enhancing. It is mostly revenue extracting formula which we are following that does not help in business activities. Although Pakistan has improved in EODB ranking to 108 but that does not imply that investor would invest in Pakistan. Therefore it is need to improve it significantly below 50 where investors are indifferent to invest in any country. Moreover, cost of doing business is still very higher and transparency of the system is necessary for the domestic investment and foreign investment.
- f) Pakistan has the lowest agricultural productivity among the emerging economies. Productivity can be increased through various means; introducing new varieties of seed, nevertheless, it takes time and investment in Research and Development. Another way is through better management; it could be efficient fertilizer usage, efficient water usage, efficient seed sowing and harvesting techniques. Private sector under the umbrella of corporate social responsibility (CSR) would work in this sector to enhance productivity.
- g) Services sector that take out 60 percent of the share in pie has lots of scope to grow. Domestic commerce, transport and local traders are the key informal sector activities that employ most of the semi-skilled people and have huge potential for growth. Smaller carts are one example in which a common person can invest and start their own business. Registering those “thelas” which ehsaas is doing these days would help them in sustaining the household income.
- h) Human capital lead growth is the key to sustain growth. Education, training and good health all three are the basic indicators of human capital that needs to be improved.
- i) Health infrastructure including the soft reforms are in limelight during the last one year. One must capitalize on the development and continuously fueling in the required financing and reforms to make it better each year. Otherwise it will be a



onetime wasted effort. Interestingly, the health indicators according to PDHS 2017-18 as well as PSLM 2019-20 are improving.

- j) On the other hand, there is a severe crisis in the education sector. PSLM 2019-20 results are showing that literacy as well as enrollment rates are stagnant and despite spending billion after the 18<sup>th</sup> amendment by the provinces there is not improvement in the education indicators. This is a very alarming situation because there are both access and quality issues in the education and if both are not improving then it cannot achieve higher sustainable long term growth.
- k) After the pandemic it is expected that few extra non-tariff barriers could have been imposed on the developing countries. These may include all the SOPs regarding the COVID-19. Thus it must understand the criteria and scenario and adapt in the industries, agriculture and other sectors that are related to international trade.
- l) It is extremely necessary to change the current structure of the economy. Thus economic transformation is inevitable. This is what is evident in Framework of Economic Growth<sup>10</sup> and The PIDE Reform Agenda for Accelerated and Sustained Growth<sup>11</sup>.

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<sup>10</sup> Pakistan Institute of Development Economics, "Framework for Economic Growth Pakistan," (Islamabad: PIDE, 2021)<https://pide.org.pk/pdf/Framework-for-Economic-Growth-Pakistan.pdf>

<sup>11</sup> Pakistan Institute of Development Economics, "The PIDE Reform Agenda for Accelerated and Sustained Growth," (Islamabad: PIDE, 2021)  
[https://pide.org.pk/index.php?option=com\\_content&view=article&id=884](https://pide.org.pk/index.php?option=com_content&view=article&id=884)

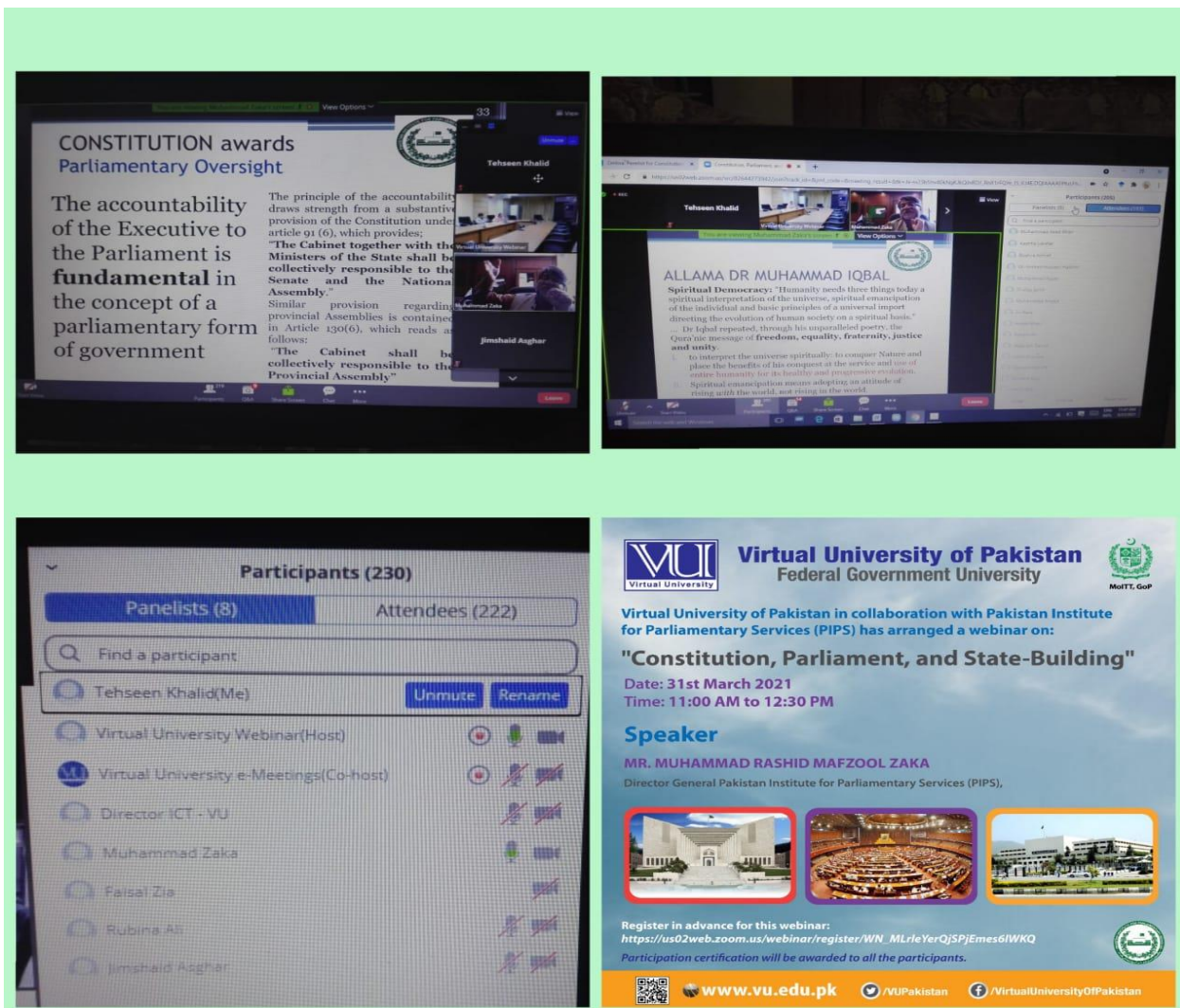
## PIPS YOUTH OUTREACH

**PIPS hold Historic National Constitution Week with University Youth**

By Mr. Jamshid Asghar, Assistant Director (Research) - PIPS Outreach desk

The Pakistan Institute for Parliamentary Services organized THE NATIONAL CONSTITUTION WEEK (March 31<sup>st</sup> – April 10<sup>th</sup>, 2021) with two interactive virtual webinars attended by around 289 faculty members and students from all over Pakistan to commemorate its tradition since 2014 to celebrate the “National Constitution Day” on April 10, every year. The objective of the two seminars was to develop awareness of the Constitution, its importance and functioning of Parliament among academicians, civil society and the university youth.

**The first session was held on Wednesday, March 31<sup>st</sup>, 2021 with a Nationwide webinar on “Constitution, Parliament and State Building” attended by 247 students enrolled in Masters of Political Science at Virtual University of Pakistan, from all parts of Pakistan online through Zoom.** The event began at 11 am with the recording of the recitation from Holy Quran. Mr. Faisal Zia from VU moderated the session.



(Picture of PIPS Nation-wide Webinar with Virtual University, April 10, 2021)

Prof. Dr. Arshad Saleem Bhatti, Rector Virtual University, presented welcome remarks and expressed his view that “*The Constitution is imperative because it protects the rights of the citizens of a concerned nation, irrespective of their religion, caste, creed, sex or physical appearance.*” He acknowledged that

the PIPS initiative to help youth of Pakistan across all provinces to understand the vision of founding fathers of Pakistan viz a viz parliamentary democracy, surely brings unity, strength and the optimism to progress together.

PIPS Director (Research), Ms. Tehseen Khalid gave brief introduction of PIPS, its working and milestones achieved by the premier parliamentary institute. Director General (Research) Mr. Muhammad Rashid Mafzool Zaka, gave a one and a half hour detailed interactive presentation followed by Q & A session, on Constitution, Parliament and State-building. He elaborated the basic functions of the Parliament including representation, legislation and oversight. Ms. Robina, General Manager Marketing VU, presented vote of thanks and expressed her *“Gratitude for PIPS for organizing such an absorbing, comprehensive and passionate Webinar which enlightened the students from all over Pakistan, many of whom acknowledged it to be one of the best sessions they’ve attended.”* The nationwide webinar session concluded with proud slogan of Pakistan Zindabad!!!

**Working on its mandate to ensure public understanding of the Parliament and Constitution of Pakistan, Team PIPS organized the second session of the CONSTITUTION WEEK 2021 on April 10, 2021 (Saturday), which was attended by 42 students and faculty members from Department of Cyber Security, Air University of Pakistan to celebrate the 48<sup>th</sup> Anniversary of signing of the Constitution of Pakistan on April 10, 1973:** The three hours session was held online through Zoom. The event began at 11.18 am; Mr. Jimshaid Asghar AD PIPS recited versus from the Holy Quran to commence the program while Ms. Fakiha Mehmood, Deputy Director (Research) moderated the session.

A brief introduction of PIPS, its working and milestones covered by the premier parliamentary institute, was given by Director (Research), Ms. Tehseen Khalid. Director General (Research) Mr. Muhammad Rashid Mafzool Zaka, gave a two hour detailed interactive presentation on “Constitution, Parliament and National Progress – an indigenous narrative, followed by keenly participated Q & A session.” *Prof Ms Umme Class Advisor at Air University and students of AU, “lauded PIPS for its professionally held session and passionate presentation of Imperative Nature of the Constitution of Pakistan and the Parliament’s role and enormous contribution towards achieving an egalitarian happy society for the people of our great country.”* The students expressed their desire to future participation in PIPS seminars.

The key take-away by participants from the two nation-wide webinars were as follows:

- i. As envisaged by the Quaid e Azam Muhammad Ali Jinnah and the founding fathers, Parliamentary Democracy as envisioned by the Constitution is part of Pakistanis DNA and remains an essential source of national unity across the beautiful diversity of the country.
- ii. The Nature of the Constitution of Pakistan rests on five key foundations - Islam, Parliamentary democracy, Welfare, Federal and Independence of Judiciary.
- iii. The Fundamental Rights enshrined in the Constitution emphasize fulfillment of human rights for every country-men no matter from majority or minority communities as it revolves around equal opportunities according to work for all for prosperity.
- iv. “We agree to Disagree,” is essence of parliamentary democracy, which makes, live and let live; fraternity, equality and brotherhood the strengths of our national discourse.
- v. The Constitution of Pakistan makes the whole cabinet and all state institutions accountable to the chosen representatives of the people, that has historically always delivered much more in terms of national unity, happiness and prosperity in comparison to any aristocracy or dictatorial presidency.



**NATURE OF CONSTITUTION**

**Islamic**

- Sovereignty of Allah & authority of people within limits (Preamble)
- All laws in conformity of Quran and Sunnah (Article 227)
- Safeguard of Minorities & Backward

**Welfare**

- Fundamental Rights
- Equality of status
- Equal opportunity
- Freedoms of thought, expression, belief, faith, worships, association, law & public morality
- Int'l Peace

**Federal**

- Integrity of Territories
- Provincial autonomy

**Democracy**

- Powers by Chosen Representatives
- Democracy
- Freedom
- Tolerance
- Social Justice

**Independence of Judiciary**

- All Equal in front of law

**Egalitarian Society and Happiness of Humanity**

**State Building Goals**

1. Legitimate (inclusive) politics;
2. People's security;
3. Access to justice;
4. Employment generation and livelihoods support;
5. Accountable revenue management and service delivery.

Reference: UN Peace and State Building, see at: <http://www.un.org/apps/news/story.asp?NewsID=48681&Cr=peace&Cr2=statebuilding>

**Participants (42)**

Find a participant

- PIPS Resear... (Co-host, Me) [Unmute] [Rename] [More]
- PIPS Research Wing (Host)
- mrmzaka (Guest)
- Hassan Mahmood\_181255\_BS\_CYS-6-A (Guest)
- Muhammad Farooq 200945 (Guest)
- ASIA NAWAZ - 190768 | BSCYS - 4A (Guest)

Invite Reclaim Host Mute All More

Chat

(Picture of PIPS Webinar with Air University, April 10, 2021)



*"I hope you will pardon me for this apparently academic discussion. To address this session of the All-India Muslim League you have selected a man who is [=has] not despaired of Islam as a living force for freeing the outlook of man from its geographical limitations, who believes that religion is a power of the utmost importance in the life of individuals as well as States, and finally who believes that Islam is itself Destiny and will not suffer a destiny. Such a man cannot but look at matters from his own point of view. Do not think that the problem I am indicating is a purely theoretical one. It is a very living and practical problem calculated to affect the very fabric of Islam as a system of life and conduct. On a proper solution of it alone depends your future as a distinct cultural unit in India".*

(Excerpt from the Presidential Address by Allama Dr Muhammad Iqbal at the Annual All India Muslim League Allahabad Session—December, 1930)



**PAKISTAN INSTITUTE FOR PARLIAMENTARY SERVICES**  
DEDICATED TO PARLIAMENTARY EXCELLENCE

Pakistan Institute for Parliamentary Services (PIPS) was established in December 2008 through an Act of the Parliament to provide research, legislative and capacity building services to honourable parliamentarians and parliamentary functionaries.

PIPS team endeavors to serve the Parliament through its cherished values of :

*Integrity, professionalism, non-partisanship, accessibility and anticipation*

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