

Editors' Introduction

The Lahore School's Ninth Annual Conference on Management of the Pakistan Economy took place on 20 – 21 March, 2013 and the topic of this year's conference was: "Human Capital Development for Sustained Economic Growth". The conference participants ranged from leading economists and researchers in Pakistan, India, Sri Lanka, the United Kingdom, and the United States to leading Pakistani policy makers and NGO representatives. Over the course of two days, 14 research paper presentations were made on topics related to public service delivery, with a special emphasis on the education and health sectors as well and human development and social safety nets.

Even though an introduction cannot present the detailed results and depth of analysis in each paper, it is a useful way to summarize the themes in each session and report the key results of the speakers. We have grouped the discussions based on the main themes of each session though there are obvious overlaps in themes and analyses.

The keynote address was given by Jeffrey Hammer who spoke on governance and service delivery. The speaker outlined how market limitations in service delivery can be matched by appropriate government interventions, though the level of intervention has to be based on a careful analysis of the limitations of each sector as well as country circumstances. This paper outlines how limitations of the market can be matched to appropriate interventions by government as it actually performs, not as it is hoped to perform. This matching will, by necessity, vary with country circumstances. While pure public goods must be provided by government regardless of its weaknesses and pure private goods should generally be left to the market, most serious policies operate in between. The balance of the limitations of the sectors needs careful analysis. The welfare costs of private market failure are rarely measured and the difficulties of implementing different policies are rarely discussed let alone quantified. Policies that are sensitive to deviations from perfect implementation should be avoided in preference to those that are more robust to circumstances. Further, every policy will generate interest groups that will constrain future decisions through political pressure. Dr. Hammer also discussed examples from various sectors, including health, where interventions vary from nearly pure public goods through nearly pure private goods to the complicated set of issues raised by insurance market breakdowns and education (particularly in Pakistan) where the government should be challenged to question fundamental assumptions concerning its responsibility.

After the keynote address, the first session of the conference focused on the theme of educational opportunities and began with a paper by Masooma Habib that reviewed education outcomes and policies in Punjab. The speaker discussed the various educational reform initiatives undertaken in Punjab to improve education outcomes but noted that still about a quarter of school age children are still not attending school either because they never enrolled or because they dropped out early. The speaker also discussed how recent assessments have shown that students' knowledge and comprehension of basic subjects remains alarmingly low. The speaker then analyzed how patterns in learning achievement in Punjab indicate the importance of school level factors, implying that a good school could make up for other regional and socio-economic disparities. Finally the speaker reviewed the extent to which critical gaps in achievement levels and other educational outcomes have been addressed by past policies and current reform programs.

The second speaker in the session was Salman Asim who looked at the public school system in Sindh. The speaker showed how the schooling system in Sindh comprises 48,932 schools of which 47,000 are primary, middle and elementary schools making Sindh one of the densest public schooling systems in the world with almost 1.8 schools catering to each 1000 people in rural Sindh. The speaker went on to show how functional schooling capacity is low however with less than 15% of these schools having at least two teachers and access to basic facilities including a toilet, drinking water supply, electricity and boundary wall. Finally, the speaker examined key trends of education outcomes in Sindh and described how net enrollment rates (NERs) at primary, middle and secondary levels in Sindh have at best stagnated from 2007-2011 after a sharp increase registered in 2006, while gains in NERs vary significantly across districts with some districts performing exceptionally better than the others. Finally, the speaker cross-validated the statistics presented in the paper using independent household and school level census data of 300 communities for an ongoing impact evaluation study in three districts of rural Sindh.

The third speaker, Zeba Sathar, looked at access to secondary schooling for girls in Pakistan. The speaker discussed that while there has been improvement in schooling outcomes for girls in the decade 2001-2011, when it comes to access to secondary schooling rural girls lag far behind urban girls and progress across provinces is uneven which is a critical issue since transitioning to secondary schooling is critical for improving employability and reproductive health and other outcomes for girls. The speaker also pointed out that that question about the preference for public versus private schools and the actual choice of schools available to girls in most rural areas needs to be answered if secondary school enrollment rates

for schools are to be escalated. The speaker showed how access is the main driving force behind the transition to secondary level schooling - there is an almost total reliance on public schools for 10-14 year old girls - while the next major intervening factor is household income level. Public schools for girls are the only choice often even for the rich families. The speaker's analysis also shows that regional patterns reflect the expansion of private schools in Punjab and KP and less so in Sindh and Balochistan.

The second session focused on educational impacts across income and gender and the first speaker was Monazza Aslam who looked at education, training and labor market outcomes for women in Pakistan. The speaker looked at the economic (i.e. labor market) outcomes of 'training' separately for men and women in Pakistan. The paper was novel in that it investigated the role, if any, of acquiring 'training' - technical/vocational, apprenticeship or on-the-job - to look at both these channels of effect onto economic well-being. Using data from a unique purpose-designed survey of more than 1000 households in Pakistan, collected in 2007, the speaker analyzed how having undertaken training determines occupational choice and estimated the returns to schooling and to training. The speaker's results revealed that while acquiring training significantly improved women's chances of entering *self-employment* and *wage work* (also the more 'lucrative' occupations), only wage-working women benefited from improved earnings through vocational schooling.

The second speaker was Bisma Haseeb Khan who looked at the issue of whether tuition affected the learning gap between private and public schools in Punjab. The speaker used the Learning and Educational Achievement in Punjab Schools (LEAPS) data and analyzed the individuals who switch between taking and not taking private tuition, as well as looking at the shadow education market for private tuition. The speaker found a positive significant effect of private tuition on learning outcomes, specifically for public school students. The speaker also found that tuition is more of a private sector phenomenon with private school teachers more likely to supply such tuition, although the mainstream teachers that provide private tuition do not shirk during regular class hours, as is normally believed. Lastly, the speaker found that tuition is taken as a supplement to formal education rather than as a substitute for low quality formal schooling.

The final speaker on the first day was Fahd Rehman who looked at the differential economic impact of education across income groups and provinces in Pakistan. The speaker discussed how he used an Engel curve specification to infer the differential impact of education on measures of household well-being across income groups and provinces. The speaker's results showed that net primary and matriculation education

enrolment ratios may bring a significant improvement in the welfare of people and that there is a need to specifically redirect resources to Balochistan, Sindh and KPK. The speaker also found that the people who fell in the lowest two income groups were worse off in terms of access to educational opportunities from 2008 to 2011 and the speaker recommended that efforts should be stepped up to enhance the access to educational opportunities at primary and matriculation levels across these lowest income groups.

The second day of the conference focused on the critical issue of social service delivery and social safety nets. The first session looked at the role of institutions in social service delivery with the first speaker, Azam Chaudhry, looking at the impact of patronage in Punjab on rural access to public services. The paper found that households reported receiving active assistance both from local officials and provincial and national politicians in accessing state services and on a range of other measures and that vulnerable households, such as landless and female-headed households, appeared less likely to receive assistance from patrons, suggesting that patronage activity could increase inequality of outcomes. The speaker also found that shared 'biraderi', or clan based kinship, between the patron and client was not associated with an increased likelihood of reported assistance from patrons. Finally, the paper found that local officials and politicians tended to recommend candidates in the last election and rural households were strongly convinced that the patron knew for whom they had cast their votes for in the last election, and that clients from rural households meet local officials most frequently and politicians least frequently.

The second presentation was made by Ali Cheema who looked at intergenerational educational mobility in rural Punjab. The speaker showed that differences in class status institutionalized at the time of colonial village settlement lead to a sustained divergence in the rate of intergenerational educational mobility, with limited mobility for non-proprietary and marginalized groups compared to proprietary groups. In particular, the speaker found that inter-class differences in the rate of mobility were higher in proprietary landed estates where the colonial state concentrated land rights and governance in the hands of landlords compared to crown estates that had a more egalitarian arrangement of land rights and governance. The speakers also found that the divergence in inter-class mobility was a matter in concern since a significant portion of the current generation of marginalized households appeared to have fallen a generation behind in terms of educational attainment even though it physically resided in the same villages as the proprietary households.

The second session focused on health service delivery in Pakistan. The first speaker was Uzma Afzal who presented an overview of the state

of health in Pakistan. The speaker began by comparing Pakistan to other South Asian countries and found that it lags behind in immunization coverage, contraceptive usage and infant and child mortality rates. The speaker also discussed how an analysis of public health service delivery presents an uneven distribution of resources between rural and urban areas with the rural poor are at a clear disadvantage in terms of primary as well as tertiary health services. The speaker went on to discuss how there has been a massive increase in the role of the private sector in the provision of service delivery which has been precipitated by the poor state of public facilities. Finally the speaker discussed how the 18th Amendment of the Constitution has led to the devolution of health as a sector to the provinces, even though the distribution of responsibilities and sources of revenue generation between the tiers remains unclear.

The second presentation was by Ali Hasanain who looked at the opportunities for using information communication technology (ICT) to improve health worker performance in Punjab. The speaker began by describing the structure and management of primary healthcare facilities in Punjab followed by a description of selected results from a survey of a representative sample of Basic Health Units (BHUs). The speaker discussed how the results of the survey identify some key issues including officials' responses to the question of how services might be improved.

The third speaker in the session was Hadia Majid who looked at how increased rural connectivity affected health outcomes. The speaker analyzed how improved access to markets for rural areas through a widening (and/or upgraded) road network could have a positive impact on child nutritional status as measured by height-for-age and incidence of illness. The speaker's results suggested that as roads improve and rural markets become more integrated with urban ones, health outcomes witnessed a positive affect at the aggregate level with differences at the intra-household level, particularly those between the genders, declining.

The final session of the conference focused on vulnerability, social safety nets and human development. The first speaker was Ijaz Nabi who looked at the federal government's Benazir Income Support Program and Punjab's skill's development program. The speaker discussed how the Benazir Income Support Program had, at its core, an unconditional cash grant for the poorest households and how the federal government responded to the concern of creating a large pool of permanent government handouts by also launching an ambitious skills development program. The speaker also discussed how the government of Punjab was implementing skills development as social welfare in the four poorest Southern Punjab districts.

The second presentation was by Syed Rabab Mudakkar who looked at a new way of measuring human development and vulnerability. The speaker began by analyzing the pros and cons of the UNDP's Human Development Index (HDI) and how three additional indices were designed, the *Inequality-Adjusted HDI*, the *Gender Inequality Index*, and the *Multidimensional Poverty Index*. The speaker went on to argue that economic uncertainties need to be explicitly considered as another dimension (negative) of the human capabilities, and proposed an *Uncertainty-Adjusted HDI (U-HDI)*. The speaker then presented a methodology for constructing such an index, taking time variability of income changes as a proxy for economic vulnerability. Finally the speaker presented results of an exploratory exercise in constructing such an index across countries and also presented a detailed analysis for Pakistan in the context of the uncertainties associated with the country's political and economic environment over time.

The final paper was presented by Theresa Thompson Chaudhry who looked at microinsurance in Pakistan. The speaker started by discussing how more than half of current microinsurance policies in Pakistan were being offered through the Benazir Income Support Program, with the remainder being offered in conjunction with microcredit services offered by microfinance institutions (MFIs), banks (MFBs), NGOs, and the rural support programs (RSPs). The speaker went on to discuss how small health insurance policies covering hospitalization were also being offered by some lenders and how some small pilots in agricultural microinsurance were being started. The speaker also discussed how microinsurance outreach could be extended in the short to medium term through offering health insurance coverage to the entire household of microcredit borrowers, and by offering microinsurance to all members of the rural support programs, rather than only its borrowers and spouses. Other options presented by the speaker were partnering with mobile phone operators for payments to the transaction costs and how provinces could use the existing database of households and poverty scorecards executed by BISP to target subsidized microinsurance policies to poor households above the BISP threshold.

The papers presented at the annual conference were aimed at academics and policy makers as well as representatives of NGOs and the general public. The editors hope that this Special Edition of the Lahore Journal of Economics will help in informing key policy debates taking place nationally and internationally regarding economic planning and development in Pakistan.