

The Business

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Fall in cotton output

One big reason for the fall in cotton output is diversion of a lot of land towards production of things that make our political elite more secure about its personal portfolios. It's for a reason that it is said that the sugar lobby is always in power regardless of whichever party is in government. The latest body to make a fuss about declining cotton output directly threatening the economic security of the country is the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), not the least because it feeds into the largest exportable product category — textiles. It's a shame that cotton production has been reduced to 6-7 million bales per year, down from 10-12 million bales, just as textile exports are set to cross the \$20 billion mark in the outgoing fiscal year. Pakistan's textiles became much more competitive after the Covid lockdowns because the country was able to open up ahead of much of the competitors; and while the commodity supercycle in the international market played against us in items like oil, copper, etc., it also won us something of a windfall in textiles. But, considering the circumstances, increasing demand for our textile products also increases our demand for import of raw materials because we are experiencing declining output of cotton at the worst possible time.

It turns out that importing one million bales of cotton costs the exchequer something like \$1 billion and about 60 percent of the cost of producing textile products is attached to cotton. Therefore, even the simplest math suggests that producing more cotton, or at least reclaiming cotton production land lost to other products, will improve exports, increase revenue, strengthen foreign exchange reserves and the trade balance, stop the fall of the rupee and increase employment; among other things. It's not just the loss of land that successive governments have turned a blind eye to. Stakeholders have also long lamented lack of official support and unavailability of certified and high-quality seeds, which means cotton produced within the country is of medium staple.

It's bad enough that our export basket remains limited to a small list of items with little or no value addition; and even a record collapse of the local currency barely made exports budge by a few percentage points. Since we're still a very long way away from adding either value or more items to our export mix, our best bet would be to improve the quantity and quality of what we do presently export. And it's already shocking that no government has done much about it so far.

Reversing Ehsaas data analytics



DR SANIA NISHTAR

The government has signaled a policy intent to reverse a decision, which was taken in 2019, under the Ehsaas Governance and Integrity Policy through which we removed 850,126 undeserving people from the list of BISP beneficiaries. This reversal, which entails watering down a data analytics-driven rule-based process, is a regressive step and should be reconsidered.

Within this context, the purpose of this comment is to outline the context in which the 2019 decision was taken, reasons for the policy choice, the evidence behind it, the policy process, methodology adopted to implement this policy, and imperatives for the way forward.

In terms of the context, back in late 2018 when I joined, BISP was giving stipends based on a 10-year-old paper-based survey. The survey had many inclusion and exclusion errors. It was common knowledge that in addition to many deserving beneficiaries, pensioners, the relatively well-off, and many government servants were also benefiting. In any case, the economic situation

of families evolves over time and many that may have been deserving back in 2011 may not have qualified in 2019.

We therefore decided to adopt a rule-based wealth-profiling data analytics process without space for human intervention, to clean BISP's lists before including beneficiaries in Ehsaas. For this purpose, we used Pakistan's ability to triangulate varied personal information using the CNIC as the peg. This capability existed for some time but was used for the first time by Ehsaas. A number of wealth proxies developed in consultation with NADRA were used as exclusion filters; these included international travel, ownership of a car (motorcycle owners were not excluded), average six-month telephone bill above Rs1000 a month (landline and mobile phone), expensive processing of passports and national identity card numbers by three or more members of the family through Executive Centres, and government employment. These wealth proxies were approved by the cabinet.

We ran these wealth proxies as exclusion filters and found out that there were 820,165 unique undeserving individuals, of which 44,438 owned cars, 525,461 had been traveling internationally, 140,313 had their six-monthly average phone bill above Rs1000; 38,216 had processed their passports and ID cards in expensive executive centers and 142,556 were government servants. Amongst government servants, 2,543 were grade 17 or above, which was shocking. These individuals did not qualify for social protection. Around five million beneficiaries were included in Ehsaas after cleaning BISP's lists. Disciplinary action was taken and all BISP staff members whose wives had been BISP beneficiaries were dismissed from service.

In 2019, we did not have data for autonomous agencies and pensioners.

After repeated requests we received partial data from these sources in 2021, based on which 29,961 employees of autonomous agencies were removed from lists. Hence in total, 850,126 were exited from the programme. It is important to appreciate that we did not include any new beneficiaries into Ehsaas in lieu of the 850,126 exited back in 2019. It was only in 2020 when data from the end-to-end digital National Socio-Economic Survey started trickling in that began adding more beneficiaries in an objective, rule-based manner and totally apolitical manner.

Two more exclusion filters were added when we ran Ehsaas Emergency Cash: income level above Rs50,000 declared by the Federal Board of Revenue; and ownership of land; the latter was only for Punjab, where digitized data existed. All the wealth proxies were discussed at length at the Design Committee and BISP Board, ECC, and cabinet levels and were approved by all. In addition, there was unanimous provincial consensus garnered through the National Coordination Committee and the National Command Operation Centre.

The wealth proxies were also validated by the Household Income and Expenditure Data (Pakistan Bureau of Statistics 2017), showing that international travel, ownership of a car, and a six-monthly average phone bill above Rs1000 implied minimal risk of excluding beneficiaries in the poorest two income quintiles. Hence there was solid evidence behind this decision and due process had also been followed. It is important to note that the budget available for government social protection benefits does not cover the entire "poor population below the official poverty line"; hence objective criteria have to be adopted for targeting benefits and currently this includes both data from the survey as well as wealth proxies. The government plans to open a win-

dow of appeals for those that were excluded on the basis of wealth profiling. This will further discretion. Appeals should be reserved to overcome shortcomings of the survey instrument in identifying widows, single women, and homeless abandoned elderly individuals, as we had already planned. As for regular recipients of benefits, the Ehsaas Dynamic Socio-Economic Registry -- which has been deployed -- will ensure revision of eligible lists every three years. Wealth proxies are a double check and were introduced to overcome shortcomings of the self-reporting in the survey; together the survey and wealth profiling make the selection of beneficiaries far more robust. A discretionary window should not be opened to strike down wealth profiling. The government should instead focus on further strengthening it.

When decisions have to be made about millions of beneficiaries, it is important to use water-tight rule based objective criteria and accept their shortcomings rather than open the door for discretion, where the risk of political manipulation lurks and which inevitably results in abuse. Ehsaas introduced far-reaching changes to promote integrity and operated in an apolitical manner; this was also evidenced in the distribution of Ehsaas Emergency Cash where 31 percent of assistance went to Sindh. The Ehsaas Building and Rebuilding Institutions Report provides details about the wide-ranging changes in BISP (which is just one of the several implementing agencies of Ehsaas) to promote integrity. Data analytics was just one facet of the many changes introduced. The new government can build further on this work to target funds and opportunities on the basis of need and merit rather than inadvertently opening to door for political influence.

The writer is a former SAPM and former chairperson BISP.

Terrorism financing in Pakistan

DR MAQSOOD AHMED

Terrorism is a contested term -- difficult to define, and a cause of contention in academics and policymaking for years. There is no universal definition of terrorism. According to the UNHCR, terrorism is commonly understood as acts of violence that target civilians to pursue political or ideological aims. In legal terms, although the international community has yet to adopt a comprehensive definition of terrorism, existing declarations, resolutions, and universal 'sectoral' treaties relating to specific aspects of it define certain acts and core elements.

In 1994, the General Assembly's Declaration on Measures to Eliminate International Terrorism, set out in its resolution 49/60, stated that terrorism includes "criminal acts intended or calculated to provoke a state of terror in the general public, a group of persons or particular persons for political purposes" and that such acts "are in any circumstances unjustifiable, whatever the considerations of a political, philosophical, ideological, racial, ethnic, religious or other nature that may be invoked to justify them." Article 2 of 'International Convention for the Suppression of the Financing of Terrorism' defined financing of terrorism as: "An act of providing a person funds by

any means (directly or indirectly), deliberately and knowingly so that the funds will be used in full or part to carry out a terrorist act by a terrorist or a terrorist organization."

Funds are essential to execute a terrorist activity. Terrorists acquire funds by different means and place them in different ways and procedures. One of the most vibrant ways of utilizing money in the business of terrorism is money laundering. -- a process of hiding illegitimate origins of money by transforming them into other currency or assets, which can then be legitimately utilized, essentially conversion of dirty money into clean money. According to Dr Nicholas Ryder, money laundering is claimed to be one of the largest global industries, and it is impossible to measure the actual scope of money laundering. Money laundering poses an international global threat undermining the financial system's integrity. The object of laundering money is to get the economic benefit from criminality without being caught. The terrorist or criminal will always seek to avoid leaving a trail that can lead back to the original crime (predicate offense). The terrorist will also seek to conceal the origins of the money, allowing it to be used to further terrorist activity or be invested to increase their funds. Traditionally there is a three-step phase to money laundering -- placement, layering, and inte-

gration. Terrorism in the world at large, and Pakistan in particular, depends on many sources and channels of funding. Funding sources used by terrorists may involve funds raised from legitimate sources, such as personal donations and profits from businesses and charitable organizations. A percentage of the amount collected as donations and charity by organizations is used for the purchase of weapons, equipment, and to give training. So, terrorism is morphed into a proper structure -- they are into business, including drugs that are not prepared here but mostly from Afghanistan.

The charities and donations made by the developed countries to entities, either religious or social, in developing countries have the lion's share in financing extremist diaspora and, in turn, terrorism. People who are more inclined towards religion give their own money as charity and donations. They also collect money from other people for such purposes. Some individuals, due to their ideological convictions, donate personal assets also.

Owing to the religious concepts of the people of this country, people are very prone to giving charity because it is our sacred obligation to give zakat and sadaqah. At the same time, terrorist organizations collect funds on the pretext of religious charities. They collect zakat, sadaqa, fitra,

and hides of sacrificial animals in the name of religion and helping the poor and needy. Charitable organizations collect funds during religious congregations like after Jumma prayer every Friday or during spiritual prayers like Eid. During the holy month of Ramadan, they keep donation boxes or collect money in the name of zakat and sadaqah. People generally don't ask what is being done with the money they give in the form of charity. Such cash is misused for terrorist activities. This element of the socio-religious aspects of our nation is being exploited by the perpetrators of money-laundering and terror financing -- and charities and NPOs, especially those are running on donations, have a high-risk of terrorist financing and money laundering. Religious conservatism, the mushroom growth of madrassahs, and the evolution of different sectarian groups were not kept in check over the past 33 years. Some madrassahs do serve as conduits for funding terrorism.

There is no data available regarding sources of funding for these madrassahs, whether foreign or domestic. It is a high-risk area, and it is challenging to opine about the madrassahs, which are unregulated because there is no database or whereabouts of the background of children studying there, what kind of curriculum is being taught to them,

whether any military training is being given to them or not. Various funding groups like madrassahs, student organizations, religious parties, NGOs, NPOs, and others go unaccountable due to the cash economy and make us vulnerable to terrorism financing.

The Hundi/Hawala system has been established for many decades in Pakistan, India, and the Middle East. And it has for such a very long time been so successful in laundering all sorts of black money, including terrorism financing. Terror groups have taken advantage of this because it remains successful in many legitimate businesses, and it has been misused by our bankers, traders, and local businessmen. Most of the proceeds of crime are based on illegal means -- corruption, weapons and drug trafficking (mainly from its Afghan border), smuggling, illegal gambling, and other criminal activities. There is a consensus that Pakistan has many policies on every imaginable subject. The dilemma, however, is that there is a lack of implementation -- and thus the core objectives of the policies are not being met. This issue becomes more complex in the presence of the enormous civil, military, law enforcement, and other forms of bureaucracy that are trained and experienced in implementing the policy. There is an absolute disconnect between policy formulation and its implementation.

WENONAH HAUTER

Though corporate America would like us to believe otherwise, the retail prices of essential goods like food and energy are not set by simple supply and demand.

In large part, they're determined by the corporate cartels that have vanquished their competitors -- and Wall Street speculators who place bets on the future availability of commodities. With price hikes for energy, gas, and food remaining stubbornly high, it's time to do something about it. That's why some experts now support a fix that was long considered taboo: limiting what corporations can charge for certain goods.

In other words, price controls. Price controls tend to outrage many economists and business-friendly politicians. But curbing excess profits and making essentials more affordable would be politically smart -- and effective.

The public is clearly worried about high gasoline prices, and polls show that a majority think corporations are fleecing them. There's a good reason for that: While the pandemic certainly created logistical and supply chain headaches, it's equally true that corporate profits are soaring amid all the suffering.

That's no coincidence. Corporations that have near monopoly power in their sector understand that the pandemic has given them the perfect cover to profiteer. In some sectors of the food industry -- where just four companies control about 85 percent of the beef market and three companies dominate the chicken business -- CEOs are telling shareholders that they raised prices above their additional costs simply because they could. Let's take

them at their word. Setting reasonable maximum prices for essentials like food, gasoline, and energy would reduce out of pocket costs to consumers -- and therefore curb excessive profiteering by corporate giants. We could start in the mega-consolidated food industries, where the meat and dairy giants exert considerable control over pricing. (Indeed, the companies that control the meat industries regularly face price-fixing accusations.) Gasoline prices -- always a hot-button political issue -- are another area where setting maximum prices would deter fossil fuel industry profiteering. There's historical precedent for such actions. Price controls were a key concern of the Roosevelt administration's Office of Price Administration during World War Two. Controls re-

mained available in the decades that followed, either as a wartime measure or to properly align wages and worker productivity. Even President Nixon instituted short-term controls on prices and wages in response to an inflation spike. It wasn't until the Reagan administration that lobbying by corporate interests eventually succeeded in eliminating these constraints on their power. We've all been taught that prices are determined by supply and demand. But that really only applies in theoretical, competitive marketplaces. Rampant corporate concentration upends those assumptions in many parts of the economy, granting the dominant players the ability to keep prices high -- to the delight of Wall Street investors. In short, we already have price controls -- they're just being set by corporate powers to keep prices higher.

Excerpted: 'One Way to Control Inflation? Enforce Price Controls on Corporations'.
Courtesy: Commondreams.org

Controlling prices