



**SOCIAL POLICY AND DEVELOPMENT CENTRE**

**Managing Director's  
Annual Report  
2020-21  
(July 2020-June 2021)**

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# SOCIAL POLICY AND DEVELOPMENT CENTRE

## Managing Director's

### ANNUAL REPORT: 2020-2021

This report covers the period from July 1, 2020 to June 30, 2021 and provides an account of research and other activities undertaken during this period. During the reporting period, focus of the program activities remained on contract research projects, outreach and soliciting new contracts.

#### 1. Study on Tobacco Taxation in Pakistan

SPDC joined an international research partnership on tobacco tax policies led by the University of Illinois at Chicago (UIC), USA, in February 2018. The project aims to analyze the macroeconomic impacts of tobacco use in Pakistan. The current phase of the project will come to an end in December 2022.

The following activities were undertaken during the reporting period:

##### **RESEARCH COMPLETED**

##### **Research Report: The crowding out effect of tobacco spending in Pakistan**

The study assesses the impact of tobacco use on household expenditure patterns in Pakistan using data from the Household Integrated Economic Survey of 2015–16 and 2018–19. The study was completed; the research report was published and disseminated.

##### **Research Report: Economic implications of cigarette taxation in Pakistan: An Exploration through a CGE model**

This study uses a methodology based on computable general equilibrium (CGE) modelling for estimating the impact of tax increase on tax revenues, consumption of tobacco products, raw tobacco production, cigarette manufacturing, employment, and the overall economy. The study was completed; the research report was finalized and will be published in July 2021.

##### **Policy Brief: Household tobacco spending and consumption: Implications for tax policy**

This policy brief is based on the research study "The crowding out effect of tobacco spending in Pakistan". The Policy Brief was published and disseminated.

##### **Policy Brief: Higher tobacco taxes will not hurt Pakistan's economy**

This policy brief is based on the research study "Economic implications of cigarette taxation in Pakistan: An Exploration through a CGE model." The Policy Brief was finalized and will be published in July 2021.

### **Policy Note: Modelling the revenue and health implications of tobacco tax policy in Pakistan: Options for the federal budget 2021-22**

SPDC has developed a tax simulation model to analyze the impact of tax rate changes on consumption of cigarettes and tax revenue. Based on the tax simulation model, Pakistan Tobacco Factsheet 2021 was prepared and finalized in consultation with Bloomberg Partners (WHO, The Union and Campaign for Tobacco Free Kids). In addition, a Policy Note was published and disseminated. Subsequently, a newspaper article entitled "Revenue, health benefits of raising tobacco taxes" was published by SPDC staff in daily Business Recorder on May 6, 2021.

Based on the same analysis, SPDC provided assistance to the Health Ministry in drafting a proposal for enhancing excise tax on cigarettes in the Federal Budget 2021-22, which was submitted by them to the Ministry of Finance.

### **Policy Brief: The cost of inaction – implications of the cigarette tax policy in Pakistan**

The rate of Federal Excise Duty (FED) on cigarettes has not increased since July 2019. It was expected that the government would enhance the FED rate in the fiscal year 2021–22. However, the Finance Bill 2021 presented in the National Assembly on June 11, 2021 remained silent on this subject. Therefore, an analysis was conducted by SPDC to estimate the implications of this policy for government revenues, cigarette consumption, and health outcomes, and a Policy Brief was published and disseminated.

## **RESEARCH UNDERWAY**

### **Research Study – Consumption Behaviour of Smokers in Pakistan**

The main objective of the research is to study the consumption behaviour of cigarette consumers in relation to changes in prices, particularly due to the change in tax policy. In addition, the information collected about current consumption will also help to estimate the extent of the use of smuggled brands of cigarettes. The study will be based on a survey of households. The study was initially planned for 2020 but was postponed due to the Covid-19 situation. The Pakistan Bureau of Statistics has provided sampling framework. The field survey is planned to be started during the second week of November 2021.

### **Research Study – Underreported production by the tobacco industry in Pakistan**

Data collection and compilation have been completed, and the estimation of the econometric model is underway. The first draft of the study will be completed by the end of November 2021.

## **2. Review of Social Development in Pakistan**

Review of Social Development in Pakistan entitled 'Social Dimensions of the SDGs: A Localized Indicator Framework for Measuring the Progress' was completed and was shared with the Board members. The report will be sent for printing after incorporating comments/suggestions received by the members.

### 3. Interactive Dialogues on Countering Violent Extremism (CVE)

This project, funded by DAI Pakistan, started in August 2019 and was to be completed in August 2021. The project involved conducting a series of interactive dialogues on various topics covering a range of the drivers of violent extremism in Pakistan. The aim of the project was to increase understanding of violent extremism related issues by government representatives and different stakeholders and increase the capacity of civil society to organize and advocate for CVE. During the reporting period, the following activities were held:

- Third Interactive Dialogue on '**Governance failure and violent extremism**' was held on March 11, 2020 at Avari Hotel, Karachi. The participants included experts in the field and representatives from youth and civil society organizations. Several issues related to governance and rule of law were covered in the discussion.
- Fourth Interactive Dialogue on '**Linkage between corruption, elite impunity and violent extremism**' was held online on July 13, 2020. The participants included experts of the field and representatives from civil society organizations, media, and human rights activists. The issues discussed included the role of political parties and power elites in promoting the culture of impunity and corruption, poor governance, and social justice.
- **The follow-up meeting** of the Third Interactive Dialogue on "Governance failure and violent extremism" was held online on July 16, 2020. Summary of the discussion held in the dialogue and the key messages were shared with the participants. The participants included government representatives, journalists, youth leaders and representatives from civil society organizations. The discussion revolved around the issues related to the rule of law and police reforms, the role of local governments in effective service delivery and maintaining peace, and communication deficit between state and the society.
- **The follow-up meeting** of the Fourth Interactive Dialogue on "Linkage between corruption, elite impunity and violent extremism" was held online on July 20, 2020. Summary of discussions and action points identified in the interactive dialogue were shared with the participants, which included representatives from government and civil society organizations.
- **Webinar on Countering Violent Extremism** was held on July 28, 2020. The participants included politicians, government representatives, analysts, youth leaders and representatives from academia and civil society organizations. The key findings and recommendations that emerged from the interactive dialogues were shared with the participants, which were endorsed by them. The main discussion points of the webinar included:
  - Drivers of violent extremism are wide-ranging for which piecemeal interventions cannot work. A holistic approach is needed for developing an

integrated policy framework, which clearly defines the role of all state institutions.

- Countering violent extremism is the responsibility of the state as a whole, therefore, efforts of federal and provincial governments should be cohesive and synchronized.
  - The Paigham-e-Pakistan declaration, which reflects the collective thinking on extremism and terrorism, should be widely publicized to promote tolerance, justice, and equality in society. However, it may also be revisited with the changing trends of extremism.
  - Pakistan's democratic system has not expanded beyond its electoral focus towards a democratic culture. Political parties must find ways to be more inclusive by making space for public representatives who cannot afford to bankroll campaigns to contest elections.
- **The follow-up meeting** of the webinar was held online on July 29, 2020. The participants included representatives from government, media and civil society organizations. The purpose of the meeting was to share discussions and action points identified in the IDs and webinar and to explore the avenues and possible networking relationships to take the recommendation forward to the policymakers. The participants agreed to make a forum/body represented by CSOs, government, and media to work on the identified issues beyond the project period. A government representative suggested that the Steering Committee of the Rule of Law Roadmap Sindh can serve as a bridge to connect the CSOs with the Home Department. The participants from CSOs and media also offered their support. It was proposed that SPDC can take the lead in this regard and provide secretarial support to the proposed forum.

## **PROJECT PUBLICATIONS**

- **Position Paper: Governance failure and violent extremism**  
This paper focuses on specific aspects of governance, namely service delivery, law and order and justice, and communication; governance is understood to be a wide-ranging field in which piecemeal interventions cannot work. The paper outlines specific areas of governance which need urgent attention, while underscoring the need for holistic approaches which target governance neither as a law & order problem, nor as only administrative capacity function – but a people-centric prerequisite for human security and fulfilment of human rights for which states are ultimately responsible.
- **Position Paper: Corruption, elite impunity and violent extremism**  
Based on the discussion held in the fourth interactive dialogue mentioned above, this paper asserts that corruption and elite impunity erode public trust –a critical component for democracy and the social contract between citizens and state. It is both a cause and consequence of governance deficits. By increasing and strengthening

inequalities, this creates fertile ground for distrust of systems and consequent conflict and violence, hence must be combatted.

- **The Composite Report: Interactive dialogues on countering violent extremism**  
The composite report brings all the position papers and discussions together. It provides a primer for all the debates and discussions that were held in the four themes of violent extremism, both, through SPDC's Interactive Dialogue process, as well as through different writings of national and international scholars and practitioners reflected in the literature review.

#### **4. State of the Economy/ Budget Analysis**

SPDC team worked with the IBA team on the analysis of Federal Budget 2021-22 and the state of Pakistan's economy. The output was a newspaper supplement published in Dawn on June 26, 2021 and a research report planned to be published by mid-July 2021.

#### **5. Proposals for Contract Research**

- Post Covid-19 Economic Resilience of Women in Pakistan: Gender Responsive Policy Options in Challenging Times, submitted to South-South Global Thinkers Network. (Response awaited)
- Exploring the Tax Potential of the Services Sectors in Pakistan, submitted to PIDE (Not recommended for funding)
- Analyzing Potential and Political Economy of Earmarked Health Taxes in Pakistan, jointly submitted to WHO by SPDC and Aga Khan University (Not recommended for funding)

#### **6. Dissemination/Outreach**

- Research report on the Impact of Tobacco Expenditure on Household Consumption Patterns in Pakistan and a policy brief entitled 'Tobacco expenditure leads to reduced spending on basic needs among poor households' were disseminated electronically. A dissemination webinar was held on August 26, 2020.
- A meeting was held with the Member, Inland Policy, Federal Board of Revenue on December 8, 2020. The purpose of the meeting was to brief FBR on the on-going tobacco taxation research at SPDC, identify policy issues that require further research, and discuss the potential avenues where SPDC can provide analytical input to the FBR for supporting evidence-based policymaking.
- In an event organized by the Human Development Foundation on February 8, 2021, SPDC made a presentation based on the revenue loss due to under-reporting of cigarette production.
- A webinar was held on June 17, 2021 where findings of UIC's Tobacconomics Cigarette Tax Scorecard and implications of the current tax policy were discussed. Dr.

Aisha Ghaus-Pasha, Member, National Assembly Standing Committee on Finance, Revenue and Economic Affairs, was the guest speaker. The Secretary FBR (Sales Tax and Federal Excise) also participated in the event.

- SPDC staff members made presentations in the events organized by other stakeholders, which include:
  - i) Fiscal intervention for health policy: Advocating the case imposing higher taxes on tobacco, organized by Sustainable Development Policy Institute–SDPI–on May 24, 2021.
  - ii) E-cigarettes: myths, realities and the policy, way forward in Pakistan, organized by SDPI on April 15, 2021.
  - iii) Webinar on Tobacco Factsheet organized by the Union for its grantees on April 6, 2021.
- At the invitation of the Health Ministry, SPDC participated in a consultative meeting on the National Tobacco Control Strategy being developed by the ministry. The meeting was held on June 29, 2021.

## 7. SPDC in Press

Following is a list of news coverage and articles citing SPDC research:

- SPDC hosts webinar on cigarette taxation in Pakistan, Business Recorder, June 25, 2021. <https://epaper.brecorder.com/2021/06/25/5-page/891019-news.html?ref=whatsapp>
- Experts call for increase in FED on cigarettes for Finance Act 2021, The Financial Daily, June 20, 2021 <https://epaper.thefinancialdaily.com/epaper/edition/1110/the-financial-daily-epaper-20-06-2021%09/page/2>
- Third-tier in tax structure- A devastating experience of 2017, Daily Times, May 30, 2021. <https://dailytimes.com.pk/763729/third-tier-in-tax-structure-a-devastating-experience-of-2017/>
- Health issues need constant monitoring systems: secretary, The News, May 26, 2021. <https://www.thenews.com.pk/print/839955-health-issues-need-constant-monitoring-systems-secretary>
- Govt plans to have constant monitoring system on tobacco consumption: Nausheen Hamid, The Nation, May 25, 2021. <https://nation.com.pk/25-May-2021/govt-plans-to-have-constant-monitoring-system-on-tobacco-consumption-nausheen-hamid>
- Tobacco taxation, related health issues need monitoring systems, Business Recorder, May 25, 2021. <https://www.brecorder.com/news/40094909>
- Daily Islamabad Post, May 25, 2021. <https://islamabadpost.com.pk/dr-hamid-says-constant-monitoring-system-on-tobacco-consumption-is-on-the-card/>
- Hostage to smoking, by Shahzada Irfan Ahmed, The News, May 21, 2021. <https://www.thenews.com.pk/magazine/money-matters/838941-hostage-to-smoking>



- Revenue, health benefits of raising tobacco taxes, by Muhammad Sabir, *Business Recorder*, May 6, 2021. <https://epaper.brecorder.com/2021/05/06/10-page/885191-news.html>
- SPDC proposes tobacco tax reform, *Business Recorder*, April 21, 2021 <https://epaper.brecorder.com/2021/04/21/5-page/883139-news.html>
- SPDC urges govt to increase tax on tobacco in upcoming Federal Budget, *Business Recorder*, April 20, 2021 <https://www.brecorder.com/news/40086042/spdc-urges-govt-to-increase-tax-on-tobacco-in-upcoming-federal-budget>
- Tobacco taxation: A win-win policy, *The Financial Daily*, April 20, 2021 <http://epaper.thefinancialdaily.com/epaper/edition/1056/the-financial-daily-epaper-20-04-2021%09/page/2>
- Govt asked to increase duties on tobacco products, *Dawn*, February 9, 2021. <https://www.dawn.com/news/1606334>
- Govt urged to increase FED on tobacco products, *The News*, February 9, 2021 <https://www.thenews.com.pk/print/787138-govt-urged-to-increase-fed-on-tobacco-products>
- Lower-income households' spending on tobacco more than higher-income households: Study, *DND*, August 26, 2020. <https://dnd.com.pk/lower-income-households-spending-on-tobacco-more-than-higher-income-households-study/196556>

## 8. Staffing

### Research

1. Muhammad Asif Iqbal
2. Muhammad Sabir
3. Naveed Aamir
4. Wasim Saleem (Islamabad)
5. Haroon Jamal (Part-time)

### Admin/Support

6. Inamullah Khan (Accounts/Admin)
7. Amir Khan (CFO, Part-time)

### Other

8. Ms. Sana Lokhandwala, *Manager Communications and Outreach* (Part-time)
9. Mr. Rizwanullah Khan, *Graphic Designer* (Part-time)