

# Financial crisis, social unrest and reform

Dr. Sania Nishtar

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The December 22, 2008 issue of Newsweek featured an article on the downside of Chinese state reform. Entitled 'Why China is too scared to spend', the article drew attention to the weaknesses created in the Chinese health system with the advent of market reforms in the 1980's, which did away with the communes that funded the Chinese system of work-unit based welfare. The consequent negative impact on the Chinese social sector hit healthcare the worst, as bare foot doctors in villages and affordable hospitals in towns were replaced by privatized state enterprise. Currently, a majority of the population spends out-of-pocket to seek healthcare and as rightly pointed out in the article 'a serious illness can wipe out a family's savings'—a pattern labeled as catastrophic spending.

The word 'catastrophic' in the present context denotes an economically dire outcome for a family. This pattern of spending in health comes to the spotlight in view of the recent financial crisis because of its implications for spending patterns, as Chinese families, unprotected in terms of their health needs being financed, save chunks of their income in anticipation of the need to spend in the event of a health-related eventuality. This behavior is an impediment to spending and reduced spending in today's environment is not desirable, given that one of the key strategies to address the current financial crisis is boosting consumption, not cutting it. As a result of this consideration, it is being recognized in China that a better healthcare system may be an impetus for domestic spending and increase in employment in addition to offsetting the social unrest that can be a feared consequence of the present financial crisis.

Not all of these considerations apply in Pakistan's context. The global financial downturn is not likely to impact Pakistan to the extent it has in China and the more integrated markets of East Asia owing to the lack of full integration of Pakistan's financial markets with international markets; additionally, the level of disposable incomes is comparatively much lower than in China. Notwithstanding, there are important reasons for drawing this analogy not just for the health sector but for the broader construct of social policy in Pakistan.

First, a vast majority of Pakistan's population runs the risk of spending catastrophically. According to a survey conducted by the Planning Commission of Pakistan prior to the development of the Social Protection Strategy of Pakistan, 2005, nearly two-thirds of low-income households reported that they had been affected by one or more shocks at some point in the last three years. Secondly, there is a high likelihood that slowing of economic growth in Pakistan—though for reasons other than in China—coupled with many other domestic issues will worsen the existing social unrest in the country. Both these considerations create an imperative for the state to enhance its capability to target social services to its population.

At this point, let us be reminded of our poor social sector indicators even independent of the present crises. Let us recall that we are off track in meeting the MDG's and many other organically stipulated targets. Pakistan compares poorly in its social sector indicators in many areas with countries that have similar levels of per capita income and overarching economic development. In the health sector, data from the largest household survey ever conducted in

Pakistan—the Pakistan Demographic Health Survey released in 2008—is a stark reminder of the stalling progress and failure to achieve certain straightforward endpoints such as immunization outcomes despite the availability of ample resources and political will on part of successive governments. We now have to accept that the capacity of our systems to deliver has been seriously eroded overtime and that unless deep-rooted systemic reforms of the service delivery system and its governance arrangements is undertaken holistically, not much will change. The realization is sobering at a time when social unrest as a consequence of a number of domestic economic and political and external factors is envisaged to escalate to unprecedented levels. Reform of the social sector, therefore, becomes an imperative in today's environment.

It often takes some sort of political or economic shock or a drastic change at the level of the state to begin a reform process. There have been many such shocks in Pakistan in the recent past. The earthquake of 2005 was the most notable—a time when the feeling of national solidarity was most palpable. Ongoing conflict, ethnic and religious divides and mayhem, the recent commodity crisis, and the domestic economic downturn are glaring examples of other recent shocks. However, none of these has galvanized unity amongst the political stakeholders about the directions of a reform process in an attempt to sustainably impact the lives of the disadvantaged. Instead, attention has remained focused on the power interplay of partisan politics.

Let me at this point acknowledge that Governments in the past and present have developed several individual programs aimed at social protection and welfare. However, individual programs have their limitations in impacting outcomes and program-by-program fixes have inadvertently led to a whole series of uncoordinated, duplicative and sometimes conflicting initiatives housed in various ministries and departments at the federal, provincial and district levels.

A key prerequisite for a successful social policy reform in Pakistan's environment entails introducing a set of interdependent and mutually supporting interventions. Developing an agenda for such a reform requires a coordinated analysis and revision of the social sector system as a whole, as a starting point. It would require both technical as

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A key prerequisite for a successful social policy reform in Pakistan’s environment entails introducing a set of interdependent and mutually supporting interventions. Developing an agenda for such a reform requires a coordinated analysis and revision of the social sector system as a whole, as a starting point. It would require both technical as well as political consensus. Whilst the former can be easily achieved with some level of creativity, commitment and skill, the latter is more problematic. Reform in any sector is a profoundly political process in a range of domains and institutions and involves many actors and processes. It has to be based on an explicit understanding of the changes needed at the level of institutional structures, human resource, policy, and regulatory and legislative domains; therefore in order for it to be successful not only does it have to be holistic, more importantly it must be sustained overtime. It is here that a critical bottleneck lies. Pakistan has a longstanding history of initiating reforms, reform-like initiatives and attempts with the potential to transform. However, every time with the change of government, previous initiatives are disregarded and planning starts *de novo*. There is no institutional mechanism or institutional memory to build further on initiatives in the pipeline and seek evidence for up-scaling impartially. Institutional decisions are determined by political expediency and political benefaction or are driven by vested interest. This is not to say that there is any dearth of committed individuals within the system—on the contrary. However, those with the understanding and the ability often do not have the clout or voice to ensure that the right decisions are upheld. If the present trend continues, we can never hope to reform structures of the state and instruments of governance and the present mayhem in the social sectors will continue to play havoc with the lives of the poor, as it has.

A plausible way forward is for all political stakeholders—the government, opposition, civil society players and religious community—to sign up to a multi-partisan vision and roadmap for a reform agenda that is technically and politically feasible and for every incoming government to abide by the consensus-driven plan. Reform is a mark of politically mature democracies and must outlive administrations. It is about time that we moved to a more substantive understanding of what democracy is all about and realize that in order for it to be successful it must strive to be true to social justice, which is one of its core values.

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