

2010 — grand challenges

Dr. Sania Nishtar

A review of 2009's grand challenges can provide useful insights for planning 2010. Although issues were pervasive in many state sectors, their salience is being underscored in a few domains with a view to outlining possible policy directions that appear plausible for perusal.

By far the greatest challenge related to undermining of internal sovereignty in the settled areas of NWFP and the rapidly fading writ of the government in the Federally Administered Tribal Areas (FATA). Although a military operation appears to have quelled the insurgency in some parts for now, these areas still need to be brought fully under state control. In addition, the largest ever displacement of civilians needs to be rehabilitated and damaged infrastructure reconstructed. Inextricably linked to this is the growing trend of militancy and acts of terrorism across the country. Dealing with these systemic fault lines is the biggest challenge of 2010.

On the political front, although democracy has now prevailed for over 20 months, some key decisions relating to separation of powers, critical for democracy to function are still awaited. Ensuring a 'democratic construct' of the 18th Amendment to the constitution will be one of 2010's grand challenges in addition to amendments relevant to provincial autonomy. Some progress with regard to the latter was evident in 2009 through the amicable decision on the National Finance Commission Award. The Balochistan Package — despite rejection by the Baloch nationalists — can also be a step in the right direction if there is a resolve to build further on it towards granting the provinces the needed autonomy while strengthening the foundations of Pakistan's federal structure. This has now become an imperative as a counter to separatist movements, which are an additional evolving threat to internal sovereignty. Quantum leaps can be made in 2010 through a political solution to this long-standing question.

The economy faced many challenges in 2009 but did not, fortunately, experience the same disruptions as in the previous year. Pakistan's entry into the IMF stabilisation programme and tightening of monetary policy, led to a positive impact on inflation and the IMF tranche helped in building reserves. Some level of fiscal discipline was ingrained, but at the cost of withdrawing subsidies. The grand challenge in 2010 would be to ingrain true fiscal discipline by narrowing the gap between revenues and expenditures. On the one hand this necessitates curtailing expenditures, stopping major bleeds from the fiscal system as in bearing the cost of running non-profitable public sector enterprise and rationalising the cost of running the civil government. On the other hand, this necessitates a move towards sustainable mechanisms of revenue generation. Although the government appears to be introducing the VAT with the latter in view, this indirect tax is not a substitute for widening the tax net and making the taxation system more effective. A challenge for 2010 would be to make substantive headway in the

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Fiscal constraints of the 2009/10 budget were in contrast to the expansionary fiscal policy as was evident in the largest ever Public Sector Development Program (PSDP). Ironically, this came after the largest ever cuts in PDSP the previous year on the premise that the gap will be filled with the envisaged forthcoming support from the Friends of Democratic Pakistan. To the best of knowledge in the public domain, pledges made have not fully realised. Forthcoming aid under the Kerry-Lugar legislation will not be a substitute for bridging this gap as most of it will be utilised off-budget. The challenge for 2010 would be to use aid to develop productive assets and build national capacity to mobilise domestic savings and raise domestic revenue so as to mitigate reliance on aid over the long term. However, a bigger challenge in 2010 in the economic realm would be to focus on the fundamentals of economic development and aim for growth and increase in employment rates. Here, many overarching issues, which stand in the way of investments and therefore realising this objective needs to be addressed: high interest rates and credit squeeze, both a fall-out of a tight monetary policy, poor law-and-order situation, public policy gaps, issues of governance, and crippling power shortages. These result in many impediments for businesses with resulting poor industrial growth, widening trade deficit and a negative spin on employment rates.

As social sector outcomes are determined more by overall socio-economic development than isolated changes within the sectors themselves, it came as no surprise that they remained intransigent in 2009. Although there is statistical controversy over prevalence of poverty in the country, it doesn't appear to have declined in 2009. Additionally, major headway in human development could not be made despite pronouncements in the Poverty Reduction Strategy Paper II. In view of prevailing constraints, the government launched an income support programme to strengthen its safety net arrangements. There are of course improvements needed in this area, such as making the targeting system transparent. However, beyond income support, the grand challenge now would be to move towards holistic social policy reform, with planning relevant to the labour market, other areas of social protection, infrastructure and key services the government is meant to ensure the provision of. With reference to the latter, policy, legislative and institutional reform, which can ensure universal coverage by increasing public financing and expanding the base of service provision by harnessing the outreach of private providers must be pursued.

Good governance is the key to performance. However, tracking of six indicators, used for country assessments of governance, show major challenges in each domain. (i) With regard to voice and accountability, there was a mixed outcome in 2009. Although media freedom was positive, lack of desired progress on the new legal and institutional framework for accountability, unaddressed problems with the draft of the Holders of Public Offices Bill, inaction with respect to the freedom of information law, and prevailing uncertainty around the devolution initiative, which can ensure community participation in decision making, have been decidedly negative. Movement in all these domains of voice and accountability is a 2010 imperative; (ii) With regard to rule of law, while the performance of the superior judiciary has been widely hailed for its activist stance, concerns have also been raised about the institution side-stepping its mandate. This has particularly been the case with regard to the prerogatives of the executive in the decisions on the petroleum levy and setting of the price of sugar and in relation to the legislature in the recent decision which held that the NRO was void ab initio, notwithstanding the judiciary's morally correct stance on that matter. Developing clarity in relation to prerogatives of state institutions would be a 2010 imperative; (iii) In the area of corruption, it suffices to say that it has continued to prevail: Transparency International's report and media coverage bear testimony, which should make reform in this area a 2010 priority. (iv and v) the saga of the sugar crisis and other commodity shortages are a proxy indicator of government effectiveness and regulatory quality, which are two other indicators. Implicit in these phenomena is the capacity of vested interest groups, which threaten the impartiality of public policy decisions. Finally, the situation with regard to the sixth indicator — political stability and absence of violence/terrorism — has been abysmal, as is known to all. The grand challenges loop closes with an emphasis on the need to tackle this area, as success in any state domain is dependent on progress in this area.

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