Global crises—imperatives for a just social order

Published in The News International on December 14, 2008:

There is an apprehension within the development circles that the economic impact emanating from the crisis in international commodity markets and the affects of the global financial downturn coupled with constrained fiscal space in the country as a result of a number of factors inherent to Pakistan's domestic situation is likely to hit development budgetary allocations hard, over the coming months. Such a situation is indeed plausible. While the lack of full integration of Pakistan's financial markets with international markets, to some extent precludes the adverse impact getting imported into Pakistan as it has in the more integrated markets of East Asia, notwithstanding the synergistic effect of other factors will mean that the government will have fewer options to raise additional resources to support the social sector budget.
Pakistan will, from now on have to comply with the stipulations of the International Monetary Fund; these ingrain fiscal discipline and should not be used as an excuse to limit social sector expenditures. On the contrary these times require strengthening of interventions that support the vulnerable in terms of their social sector requirements. It is also not yet clear if development assistance from bilateral and multilateral sources upon which Pakistan has significant reliance particularly in the social sectors is going to be impacted and the level of scaling down over the next planning cycle, if that happens. Furthermore, over the last two years, there has been a move towards pushing development budgets ear-marked under the 'revenue stream' to the 'public-private partnership domain' with the assumption that the private sector will make necessary investment in infrastructure. Although this is generally a feasible approach, it is not

likely to materialize any time soon given that a necessary prerequisite for attracting private sector’s investment in public private arrangements is an enabling environment and appropriate capacity to handle complex public private transactions—an area where Pakistan has yet to fully build its capacity.

Ironically, the financial downturn has hit at a time when difficulty in achieving the Millennium Development Goals, evidenced by the half way mark reviews (year 2008) underscore the need for greater investments in the social sector. Likewise, there is now a growing realization of the need to strengthen systems of delivery to achieve program targets at the global level, approaches which signify the importance of new investments to strengthen delivery systems. Against this backdrop, Pakistan is in the process of finalizing development instruments for its next planning cycle; the Poverty Reduction Strategy Paper-II, which has recently been placed in public domain for stakeholder review, has an ambitious agenda for a range of interventions for poverty reduction. The Medium Term Development Framework 2010-15 is also in the pipeline and inputs are solicited for an agenda setting exercise to recast its vision. Furthermore, since the new government has taken office earlier this year, many sectoral policies are undergoing review. All these strategic planning tools will need resources for implementation and it appears that our resource realities will not be able to support the plans, these instruments aspire to deliver. Within this financially constrained milieu, there are a number of imperatives for the government in terms of planning and ensuring financial allocations for a social policy agenda.

The first priority should be to synchronize planning and to review various national development strategies and associated operational frameworks (planning, budget, performance assessment frameworks) to develop a consolidated approach to the social sector. Efforts currently underway to restructure the Planning Commission—as outlined in a press release in the NEWS on November 20—can be used an entry point for synchronizing strategies and frameworks whereas the recently constituted Social Sector task force by the Planning Commission could review the current social sector agenda and offer independent advice on what the country should be aiming for and outline evidence in support of that.

The other priority is to ensure appropriate financing. Here several measures need to be pursued in tandem. First and foremost it is important to protect development budget from being squeezed and to protect against the cuts that were part of structural adjustments in the 1980s and 90s. 'Every cloud has a silver lining' as they say. Lessons from reviewing the course of events in the past show that such crises can actually galvanize political commitment for sustained social transformation because of their dire social impact. The Great Depression of 1929 and the subsequent evolution of social security in the United States and the establishment of the National Health Service in the United Kingdom after World War II are cases in point. The Government of Pakistan can use the present global financial crisis as an opportunity to broaden the base of social protection arrangements initiated as part of the recently established income support cash transfer program to include social protection measures for other areas where poor and vulnerable households run the risk of spending catastrophically as in the case of health. In addition to increase in the size of the envelope, a critical imperative for cash transfer schemes is to reduce opportunities for political benefaction and patronage in targeting and ensure transparency in management of resources.

Secondly, it is hoped that the 'international community will do more and not less to help the world's poorest people at its time of economic crises' as a G 8 leader has recently stated. In today's financially constrained environment, the government of Pakistan should make use of instruments of Debt forgiveness such as PRSP and debt swaps to free up fiscal space for the social sectors. The recent signing of the debt swap for EUR 40 million under the umbrella of the Debt2Health initiative of the Global Fund on AIDS, TB and Malaria by Germany, Pakistan and the Global Fund on November 30 in Doha can be an entry point to maximizing the role of debt forgiveness tools.

Thirdly, more than ever this is the time to recall the poor correlation between total spending and social sector outcomes and to reinforce the need to improve the returns on social sector spending. This can be done in many ways; reducing the impact of inefficiencies—at the level of allocation, which result in suboptimal allocation of available resources as well as at a technical level to reduce inefficiencies in relation to the monies invested in programs; by rationalizing transaction costs and better integrating programs and through better alignment of aid with national financing strategies as has been outlined in the Paris Declaration on Aid Effectiveness to which Pakistan is a signatory. In terms of returns on investments, the effect of corruption on compromising public investments in a highly constrained environment must be taken into account. Widespread patterns of regulatory corruption, outright graft in contracting and procurements, in-attention to accountability at various levels—performance, financial and political—cause more economic losses than are realized. Transparency promoting measures and systems reform are mutually synergistic. Pakistan must invest in strengthening its Public financial management, procurement and accountability systems and build fiduciary safeguards in this resource constrained time in order to use resources more effectively,

Finally, and most importantly it must be recognized that better planning and availability of resources can come to fruition only through effective governance. The writer has raised issues for consideration in this regard in these columns on August 3 and 17 and September 8, this year.

Pakistan’s policy makers must review their ability to target welfare services to their populations. This is not just a constitutional responsibility under Article 38(d) but also an imperative in view of Pakistan’s current geo-political situation and its unique pattern of conflict, and religious and ethnic divides, which make poor populations vulnerable to exploitation. This comment, with its focus on ‘planning and financing for the social sector’ will be followed by another comment next week on the construct of a social policy with some suggestions for a way forward.

The author is the founder present of the NGO thinktank, Heartfile. E mail: sania@heartfile.org