

The PDF premise

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Pakistan Development Forum (PDF) 2010 was convened at a time of unparalleled challenges—with several macroeconomic issues, a grinding fiscal crunch, competing priorities for resource allocations, an energy crisis, ongoing war, relentless insurgency, and an unprecedented need for resources in the aftermath of the worst disaster on this planet in recent history, characterizing the country's needs. Within this context, pronouncements at the forum highlighted some windows of opportunity at the margins of these significant challenges. This comment alludes to six in particular, emphasizing that stronger stewardship is needed to reap the potential within these opportunities.

The first is about development assistance itself, given that PDF is the key forum, which determines priorities for allocating development assistance in Pakistan. In this regard, commitment of the international community to express their solidarity with Pakistan is appreciable, specially since many donors are recovering themselves from the ravages of a recession and have many competing priorities at home for which they are answerable to their taxpayers. Commitments have been made despite donor fatigue and we hope pledges will be realized.

Let us not forget though that both donors as well as Pakistan's economic managers need to learn lessons from past mistakes in relation to the use of development assistance. During the past three decade-long surges in aid (1960s, 1980s, and 2001 onwards), use of aid as a foreign policy tool by donors and the lack of attention on part of successive governments to use aid strategically for productive assets that could generate resources necessary to pay back loans and the use of resources in ways that contributed to dependency

were major mistakes. In this regard, there are many immediate questions in view of the commitments being made to provide assistance "on budget". Aid is flowing into Pakistan under various policy and contractual norms and instruments under the rubric of grants, humanitarian, military and development assistance and debt-swaps; it is imperative that these are strategically harnessed.

Secondly, on a positive note, there appears to be an emphasis on systemic reform and on the need to tackle corruption alongside discussions on aid and revenue mobilization. However, the importance of transparency promoting reform in terms of structuring a set of institutional parameters needs to be clearly spelt out. Tackling corruption should not be about a set of coercive politically motivated and individually targeted measures, as has generally been the case in Pakistan under various administrations. It should be about institutionalizing systems and structures, which eliminate opportunities in the first place. Work on such structures was initiated in the past on several occasions but could not be sustained and therefore, wasn't fully institutionalized. The lack of commitment within the system to sustain reform is an important constraint in this regard. Incoming governments in Pakistan have the tendency to undo programs initiated by past governments in the interest of political expediency without regard for the value lost in the process. This trend has been detrimental for some of the projects which could have helped strengthen processes and systems of the executive with reference to building anticorruption safeguards. There is an opportunity to accord higher priority to this now in view of increasing demand and the consequent support that this is likely to get from various constituencies. The recent advent of judicial activism around anticorruption, an open media which is playing a pivotal role in highlighting institutional fault-lines and unearthing scams, the potential that exists to partner with civil society in the calls for greater transparency, and donors for whom transparency has become a

sine-qua-non, particularly with reference to the use of Kerry Lugar resources, are notable in this regard.

Thirdly, it is a sign of responsibility that Pakistan is taking proactive steps to mobilize indigenous resources through the reformed GST, finally announced at the PDF. Although the government's economic managers have capacity to technically plan this reform and there is acceptance of the approach by technocrats in opposition factions, the street and political sentiment will not be supportive, businesses that come within its net will fight it tooth and nail and the reform may become a subject of political point scoring. Opposing political factions are already pointing in particular to the lack of attention to widening the tax net and taxing the exempt sectors and the rationale behind committing to the IMF without the parliaments approval, which reinforces the impression that the parliament is, in effect, a rubber stamp. It is important that the government takes the public into confidence about the imperatives for this levy, the circumstances under which it was negotiated, the constraints, which led the economic team to commit without the parliaments approval and measures which are being taken to ensure that the common man and the poor are outside of the remit of this levy.

In the fourth place, it is encouraging that expenditure management and fiscal discipline were recognized as mainstream concerns at the PDF. Establishment of the committee on budgetary oversight, stipulations governing supplementary grants, and an amended State Bank Act which places limits on government borrowing, are positive steps indeed. However, ensuring compliance with such stipulations in an environment where circumventing procedures has become a norm will be a challenge. It is also a welcome trend that economic managers themselves are talking about the massive Rs. 623 billion loss from public sector enterprises, and are tabling plans to cut back expenses in that arena through various policy choices. These reforms will be painful indeed as massive lay offs may

be necessitated and it remains to be determined how that can come about in a context where the government is resorting to massive job reinstatements in these very organizations through legislative enactments in the name of upholding employees' rights citing past layoffs as victimization.

Point five relates to the importance of mainstreaming the role of provinces in the process of development and getting them to own their development agenda, which is just the right step after devolving responsibilities in the provincial domain under the 18th constitutional amendment and the new federal fiscal formula. But expectations have to be tempered by the realities of provincial stewardship capacities and fiscal discipline and knowledge of the fact that provincial competence in the area of agenda setting, determining priorities and visionary planning are weak. These critical gaps in capacity will have to be bridged as a priority.

Lastly, one understands policymakers' preoccupation with big ticket issues in grappling with the macro economy and getting it back on track. Those of us with interest in social outcomes do understand that the benefits of broad based growth in accruing social benefits far outweigh the advantages of isolated social sector piecemeal interventions and are, therefore, supportive of attention to these areas. Nevertheless, the lack of attention to the social sector, per se, from a programmatic standpoint in this year's PDF has been glaring. It is hoped that due attention would be accorded to areas that need reshaping in view of the recently reorganized landscape of social sector related responsibilities in Pakistan's federating system and that some long overdue critical policy decision would soon be made in this space.

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