

Risks and resilience

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At the recent meeting of the Global Agenda Council of the World Economic Forum in Dubai some of the top issues in the global risk landscape and their possible mitigates were highlights. Ironically, a few of us from Pakistan could relate to most systemic risks as being endemic to our sovereign environment, each of them inextricably multi-dimensional in their scope. As global experts underscored the salience of effective governance structures, accountability, and clarity in multi-stakeholder concerted action as the means of addressing these risks, one could not help reflect on ones own constraints within that space.

Reflecting on these risks and the mechanisms that can ensure institutional and population resilience is part of what one should be doing at the turn of the decade.

Against the backdrop of mayhem caused by Iceland's Volcano and the recent unexpected weather on Christmas Eve, probably the beginnings of manifestations of the "inconvenient truth", the agenda of climate change and the modest progress achieved in Cancun are now a major point of reflection, globally. Pakistan has recently learnt some bitter lessons which drove home the importance of natural calamities and their inter-linkages with climate change. The widespread inundation and damage consequent to the 2010 floods may not have received the support it deserved from the international community particularly vis-à-vis Haiti earthquake and the earlier Tsunami, it nevertheless speaks volumes about resilience of the poor in the riverside communities of the Indus river. The response of the domestic and expatriate Pakistanis was additionally indicative of community resilience. The same cannot be said for the systems of governance though. Our disaster management systems need significant injection of

resources and capacity building in order to be effective.

Someone once very appropriately stated: "half of Pakistan is seismically active and the rest is flood prone" may I add that nearly all is vulnerable to terrorist attacks. Terrorism featured prominently as a global threat. Pakistan is at the epicenter. Water and food insecurity are other internationally-recognized global risks; both are inherent to the problems the country faces and are deeply interlinked. Health security and the threats of emerging and reemerging infections loom large as global risks; Pakistan's underreporting of H1N1 during the crisis in 2009 points to lack of responsiveness and hence failure on its part to comply with International Health Regulations, 2005. It is easy to draw up an inventory of risks, but sobering to gain insights into the manner in which state capacity has been eroded over time to respond to these challenges.

In the economic sphere, global deliberations now centre on slow moving risks exacerbated by the financial crisis and global economic downturn, the costs and consequences of public bail outs, systemic loop holes in the global financial system, the impact of the crisis in making people risk averse which stymies recovery and the need for enhancing global resilience in a globally interconnected economy. Our worries in the economic sphere are sharper and fairly mundane. The grinding resource constraints and severely crowded out development budget are realities in an environment where there are many competing priorities: the unrelenting energy crisis, the cost of waging a war and fighting insurgency, the massive need for rebuilding in the aftermath of the 2010 floods, to mention a few. The deepening fiscal deficit and the new formula for federal fiscalism, which according to an expert economist "has sown the seeds of fiscal indiscipline", inadvertently, I would add, are sobering. In such an environment, the lack of institutional resilience is evident in some key trends: in particular, the unrelenting inability of economic managers to

implement the RGT reform, levy long overdue taxes on the 'privileged sectors' and address constraints that stand in the way of reforming public sector enterprises that continue to incur massive unnecessary losses from the fiscal system. Slow mobilization of development assistance and the stalemate over the IMF negotiations also mirror impediments to institutional resilience despite the presence of some credible economic managers within the system. These are ominous signs and indicate that injecting individual capacities in the system, though important in its own right, is not enough; a major overhaul of systems of governance is due.

While institutions may not be responsive and resilient, people are and have become so. They are enduring the fall out of the recession, bearing the brunt of unemployment, putting up with the crippling power shortages in severe temperatures, holding out in the face of food price inflation and soaring cost of utilities with painful and unprecedented endurance. The tacit suffering is now frequently changing color with street protests commoner than they were before. These outbursts can spark out of hand if institutional capacity to respond is not stepped up.

The recent notion and expectation that the 18th amendment and the 7th NFC will be a means of addressing these problems are founded on a well-conceived premise, but theoretically so. Decentralization of power to sub-state units can indeed open avenues for accelerating progress in social service delivery and enhancing public sector effectiveness by bringing those responsible for delivering services, close to intended beneficiaries and making them accountable. However, in reality provinces lack fiscal discipline and are plagued by pervasive collusion and state capture. The lack of progress in the accountability legislation and many other transparency promoting measures, prevailing views on the local government system, which resort to moving the pendulum towards strengthening provincial central control and away from

district devolution and community oversight do not auger well for strengthening democratic governance in provinces. The risk of crony appointments and procurement graft will in all likelihood increase if checks and balances are not mainstreamed.

Institutional resilience with respect to individual and community risks is another important dimension. With many ministries related to the social sectors in the process of being devolved to the provinces over the next six months—inclusive of health, education, social welfare, Zakat, etc.—the mechanisms, which can enable that are in a flux. Perhaps the most ominous risk and one not very clearly appreciated in international circles is the risk that population trends pose in countries like ours. With a rapidly burgeoning base of the population pyramid, limited economic opportunities, and scarce welfare systems, there is a risk that people will increasingly fall prey to extremist ideologies.

Pakistan may not be the only country where the dark shadow of interconnected systemic risks loom and where the imperative to be institutionally resilient stands tall. However, it is certainly one of the few countries where the interconnectedness of risks and the progressive erosion of institutional capacity to respond are most clearly manifested. The pendulum of resilience must shift from individuals and communities to institutions and the state. People are stretched to capacity and may not be able to withstand stresses for very long.

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