

Political Economy of Social Development in Pakistan

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Zafar H. Ismail

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Political Economy of Social Development in Pakistan

1. INTRODUCTION

Traditionally whenever one referred to development one normally thought of economic growth. This did not normally take into consideration whether this was sustainable or not. More latterly however, particularly after the first Human Development Report published by the United Nations Development Programme in its foreword wrote *“we are re-discovering the essential truth that people must lie at the centre of all development. The purpose of development is to offer people more options. One of their options is access to income — not as an end in itself but as a means to acquiring human wellbeing. But there are other options as well, including long life, knowledge, political freedom, personal security, community participation and guaranteed human rights. People cannot be reduced to a single dimension as economic creatures”* (UNDP 1990). Twenty years later, Rahman (2010) furthered this to state that development equates to the need for change by accepting different dimensions. Another view of development is that people take their own decision regarding their expectations, in effect attain empowerment at the local level so that they can drive the direction of growth. A long-held belief has been that economic growth will lead to a trickle-down effect in improving the overall quality of life, but this has not been observed - the well-being gap is widening. In most developing countries the chasm is widening between the haves and the have-nots. History has shown that the mindless pursuit of economic growth without a social conscience has led to inequalities in society. The classic examples lie in the colonisation of nations where the colonisers exploited the local population in collusion with the chosen few - the powerful elite and power brokers in the ruthless subjugation of peoples. This resulted in skewed growth, but left the nation underdeveloped and they provided and continue to provide the cheap labour and low-value added products on which the exploiting nations continue to grow. Offiong (1980) argues that *“In a very simple way, underdevelopment means a condition of economic and technological backwardness which, together, constrains the evolution of stable and enduring political system and dynamic external relation”*. This link between politics and the economy is what comprises the political-economy framework which has been driving growth and underdevelopment and which constrains sustainable development, particularly that of the social sectors.

The history of social development in Pakistan is disappointing. Even after substantial investment support by donors, the country’s standing in the Human Development Index (HDI) is low, 146 out of 186 countries, and is the second lowest in South Asia, its Gender Inequality

Index (Gil) is 123 out of 148, 49.4 per cent of its population in 2006-07 suffered from multi-dimensional poverty (which is estimated to have risen since). The incidence of income poverty increased from 29.76 per cent to 36.79 per cent in the period between 2004 and 2011 (Jamal 2013). Various reports by private sector think tanks¹ on the issues of governance and social development (see Bibliography) have identified a number of causes for this poor performance. These lie in the realm of the political economy of development, and, more particularly, in the mal-governance prevalent in the institutions of government, the lack of fiscal prudence and in elite capture. The issue of fiscal imprudence and elite capture has also been highlighted by Pasha et al (2013a, b).

While donors have developed tools for analysing the political economy of developing countries at the macro- meso- and micro- levels, only one study, by Nadvi and Robinson (2004) at the macro-level has been undertaken on Pakistan. Elements of Political Economy Analysis (PEA) or of Poverty and Social Impact Analysis (PSIA) have appeared in preparatory/appraisal documents of projects funded by the multi-lateral and bi-lateral funding agencies, particularly those relating to poverty alleviation, social exclusion or social sector development. All have made institutional change (based on technical rather than political, social and cultural factors) a condition for funding. However, in practice, these are set aside during subsequent appraisal missions, thereby condoning mal-governance and other shortcomings. The emphasis is on transparent procurement and maximum utilisation of funds and not effective or efficient utilisation. However, even these insertions into the project documents are peripheral to project preparation and are out-dated as most were undertaken at the beginning of the change from autocracy to democracy and more particularly devolution following the 18th Amendment to the Constitution.

This paper consists of ten parts. Section one introduces the state of social development in Pakistan and the role of donors; section two presents the methodologies for undertaking PEA and sets out the limitations of the methodology adopted; section three provides a short introduction to the historical, social, cultural and political context of the country; section four presents the economy in a nutshell; section five describes the politics of fiscal measures and public expenditure; section six sets out the issues in social development and government-civil society relationships; section seven discusses politics and political players at some length; Section eight examines government structures and institutions, civil services and the nexus between the politicians and the administrators; section nine traces the

¹ Sustainable Development Policy Institute, Social Policy and Development Centre and Institute of Public Policy

development of civil society and institutions and the interaction between CSOs, between development institutions, politicians and civil society, and the role of philanthropy in the delivery of social services and the provision of succour to the poor; section ten examines the issues of governance and the public sector delivery of social services. Finally, section ten sets out a possible course of action to improve social sector performance. Annex 1 embodies a summary of the results of a survey of the status of higher education in the country. Annex 2 presents an estimate of the NPO sector.

2. METHODOLOGY

Political economy has a long tradition in social sciences and its analysis is not based on a single theory. It underpins a set of coherent set of ideas centring on the contention that the public authority and public goods required for development arise through domestic political processes as a result of contest between interest groups. In other words, it is a process of bargaining between, one, the state and society actors, and two, the interaction of formal and informal institutions. Donors have assisted development in the third (developing) world since the early part of the last century in a meaningful way. Policies and programmes were planned and implemented in a technical manner, based on the presumption that expertise and aid was sufficient to generate growth. Theory and practice largely ignored political and social context. The failure to produce designed results led to a growing awareness that politics, 'political will' and local context mattered to development. It is only since the early 2000s that they have begun to understand and integrate, firstly, the importance of the political, economic and social processes that promote or block pro-poor change, and secondly, the role of institutions, power and the underlying context in developing countries in the development programmes and projects supported by them. As a consequence political economy analysis (PEA) has been taken up by development agencies with a view to improving aid effectiveness through the development of appropriate strategies and programmes. There is no single conceptual framework for PEA. PEA involves more than a review of institutional (formal and informal) and governance frameworks. It also considers the underlying interests, incentives, rents/rent distribution, historical, social and cultural legacies, trends and norms, prior experiences with change and reforms, and how all of these factors encourage or impede change. The best definition of PEA was enunciated by Collinson (2003) as:

Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time.

Various tools for PEA have been developed which incorporate the local context in policy and programming, rather than relying on an international blueprint - “one size fits all”. These examine the political and social context for addressing issues in social exclusion and poverty reduction. These tools include SIDA’s Power Analysis, DFID’s Drivers of Change (DOC), the Dutch Strategic Governance and Corruption Analysis (SGACA), the World Bank’s Poverty and Social Impact Analysis (PSIA) and Problem-Driven Governance and Political Economy Analysis: Good Practice Framework (PGPEA). The former two are flexible and integrate broad macro-level approaches, that look at actors (including donors), relationships, structures and institutions at formal and informal levels and determine how power is distributed and exercised and what factors are likely to ‘drive’ or impede poverty reduction. The SGACA combines the former two. The PSIA estimates the possible consequences of policy interventions on the well-being of various stakeholder groups, given social and political contexts at the macro (country context), meso (policy implementation) and micro (policy impact) and uses the SIDA and DFID’s tools as the base. The PGPEA strengthens the operational relevance of PEA building on the PSIA. The World Bank has also developed specialised tools for PEA at sector-, programme- project-level: *“Political Economy Assessments at Sector and Project Levels: How-Jo Note”*.

The common approach in all of these is an analysis of the existing political, social, cultural, and institutional structures, both formal and informal, to determine the power centres, the drivers of change, the impediments to change and the interface between and across each which are based on existing documents, interviews, focus group discussions and in-depth interviews of ‘movers’ and ‘shakers’ of civil society. The common factors identified in each of these are and emphasise on: the centrality of politics (with donors also as political players); understanding country realities and to ground development strategies in these; identifying underlying factors -local history, culture, society and geography; and focusing on institutions to determine the incentive frameworks that induce patterns of behaviour. The span of the topic is large and would require substantial resources to undertake primary surveys and discussions. This scarcity has been a binding constraint and as such the analysis is limited to only the macro-level based solely on published and available documents. The documents are listed in the Bibliography and in the foregoing tools.

3. CONTEXT

To some Pakistan is synonymous with the terms “failed state” and “country on the brink”. Shaikh (2009) and Cohen (2011) both conclude that the security needs of a newly created Pakistan bordering a powerful neighbour set the course of its direction for the following 60

plus years. The country's woes are mired in: a history of military rule; corrupt and inefficient politicians, civil service and judiciary; a failure to confront extremists; and the thrall of the US. However, Pakistan is a country of huge potential, which seems held back by the perpetual problems of political instability, ethnic strife and, more recently, religious fundamentalism and militant violence.

The last three-and-a-half decades of Pakistan's existence have been beset by a series of crises - economic, social and political. In the last five years this has been magnified, largely owing to mal-governance. The Supreme Court has intervened on various occasions - the electricity crisis, massive corruption, questionable appointments and transfers, pricing policies, etc. - to remedy the situation. The outlook remains of concern: political, ethnic and cultural divisions are multiplying, religious extremism continues to plague the nation, drone strikes by America continue unabated, the possibility of further damage by floods in the ensuing monsoon is high, and the economy is spiralling downwards. However, one positive development is that the coalition government elected in 2008 has completed the full term, elections were held in May 2013, and a transition to a democratically elected government has been achieved with the Pakistan Muslim League (Nawaz) in power with a simple majority in the National Assembly. Better governance is eagerly awaited by the public largely because the new government will not be faced with the pressures of coalition politics. However, the government will be facing many of the old challenges: militancy and ethnic crises, consequential violence, lingering consequences of disasters, decentralisation, eroding fiscal bases, circular debt, and a difficult economic situation. This will be exacerbated by parochial politics and rent seeking to at least recover a hefty return on electioneering costs. Given the Government's recent actions with regards to appointments, particularly at the political level, and transfers in the administration, it would appear that nepotism and favouritism continues unabated. For instance, there are several instances of conflict of interest appointments at the Adviser level and as members of Reform and Policy Committees which are beginning to be commented upon by civil society and the media. The budget itself is rife with taxation proposals which favour the rich. The PML-N has not honoured its election manifesto which categorically required that items of conspicuous consumption would be taxed. Instead the General Sales Tax was increased across the board by 1 per cent. The promised publication of the Tax Directory is conspicuous by its absence and has not even been mentioned in the budget speech.

Pakistan's political horizon has been a story of instability. About half of its existence has been under authoritarian government who have legitimised their existence by installing strong

local governments. The other half has been under some form of elected government each of which have not completed their term of office, except for the last coalition government which was elected in 2008. All of these civilian governments have forsaken local government - the bedrock and nursery of democracy. As a consequence there has been no continuation of policy or administrative structures or “government for the people by the people”. Since inception Pakistan has been a federation of four provinces and two regions as adjuncts - the Tribal and the Northern -administered by the Federal Government. Effective local governments have existed from time to time and economic performance has seen spurts of prosperity and periods of stagnation.

4. ECONOMY

Pakistan’s economy has been dominated by agriculture and its major cash crop, cotton, and its downstream products - textile goods - accounts for the majority of manufactured exports for most of its existence. While the structure of the economy was veering towards manufacturing from the mid-sixties, this trend has changed. This change was brought about by a variety of causes over the last decade or more. These include: ethnic violence in Karachi following the language riots and the creation of the Muttahida Qaumi Movement; the interjection of religious fundamentalism with its accompanying terrorism effective 9/11; mal-governance driven by vested interests and massive corruption; and the energy crisis. The result has been catastrophic: the removal of manufacturing from Pakistan to the other countries in the region. The void created has been the boom in the services sector, which today accounts for nearly 57 per cent of the GDP.

Both Pakistan’s economic growth and stability are inhibited also by deteriorating basic infrastructure. This has not kept pace with its burgeoning population, which is expected to double by 2040, of which over 60per cent will be resident in towns and cities (ADB 2013, Tomoo 2013, IMF 2013, Pakistan 2013). Both gas outages and electricity blackouts (between 12 to 16 hours per day in many regions) have reduced productivity economy-wide, increased unemployment, and undermined support for the government from a frustrated public (witness the wipe-out of the People’s Party in the recent elections). Deteriorating irrigation canals and inadequate storage have long inhibited and will continue to inhibit agricultural potential. Inefficient transportation networks have added to the cost of production. Profligate public spending driven by greed and parochialism, particularly in the last five years, have added to inflation, an untenable public debt and the crowding out of private investment. The law and order situation has been exacerbated by the over-spill of the Afghan war which has also added militancy and extremism to the ethnic and regional conflicts.

Gross domestic product (GDP) growth increased from 2.0 per cent in fiscal year (FY) 2001 to 9.0 per cent in FY2005 but declined sharply to 3.1 per cent in FY2015, owing to a range of factors, including increases in security issues, a steady deterioration of investment, global slowdown, and policy rigidities. Cumulatively these factors have weakened the economy. Major policy reforms were promised to multi-lateral financing institutions (ADB, World Bank, and IMF) but were not delivered owing to political exigencies. They are critical at this stage. Throughout its tenure between 2008 and 2013 the Peoples Party's fiscal and economic policies were largely populist in character and were not fiscally prudent. Large scale borrowings from the banking sector coupled with excessive printing of money and major overspending from budget approved limits led to an increase in the public debt and consequential cost of servicing the debt. Domestic public debt more than doubled. Debt servicing is now 48 per cent of budget expenditures. The *fin-de-siecle* of the government in mid-March 2013 limited political scope for major policy or structural reforms in Pakistan. Economic developments subsequently are broadly similar. The economy weakened further in the first half as official reserves declined substantially, both food and general inflation increased once again in January, and exports stagnated while imports contracted. Economic growth slowed down in the last decade with risks on the downside from possible shortfalls in agricultural production, which may offset the modest improvement in large-scale manufacturing during the first half of the year. Production of petroleum products, iron, and steel increased while the rest of industrial output remained negligible. Manufacturing performance for the coming years will hinge largely "on limiting power outages, particularly during the peak demands of summer.

With the planned reforms in the energy sector, Pakistan's growth is expected to improve, however this will still continue to remain weak at less than 4.0 per cent in the near future. However, there are deepening concerns about sustainability and the availability of water for irrigation, the adequacy of foreign reserves and the ability to raise requisite revenues. The fiscal deficit is expected to be of the order of 6.5 per cent of the GDP. Austerity measures alone will not overcome the problem. Unless plans are set afoot immediately to improve not only the availability of water, but also improve efficiency in use, the agriculture sector will not be able to meet the demands placed on it for food and cash crops. Moreover, a policy mix of stabilisation and development needs to be adopted and implemented with vigour. For accessing international assistance the new government will have to address long delayed structural issues and strengthen macroeconomic policies.

5. FISCAL MEASURES

The existing fiscal regime in Pakistan favours the rich over the poor, the elite versus the disadvantaged, indirect taxation instead of direct taxes, unearned income versus earned income. Moreover, the tax administration is inefficient - the number of returns filed is only a very small fraction of those registered (non-salaried), yield from assessment of tax returns is pathetically lower than one would expect - and the tax officials are icons of corruption (the police being the most corrupt). The current tax-to-GDP ratio (2012) is 9.45 per cent in 2016 which places it at 169 of 182 countries. Direct taxes accrue largely from withholding on all forms of goods and services supplied.

To ensure that growth is sustained over time a broad-based economic reform agenda must include: i) reforming the tax system (taxing the rich and powerful, broad-basing the tax net) and tax administration (removal of discretion and powers to issue SROs², performance based evaluations, withholding tax and sales tax administration, rebates and refunds); ii) expenditure reform (subsidies, removal of discretionary and secret funds, block allocations, development funds for politicians, stricter budgeting and budget controls, parliamentary *ex-ante* authorisation of supplementary grants³); iii) restructuring (merit, professionalism, over-employment) and privatisation (not strategic management) of public sector enterprises; iv) reforming the energy sector; v) enacting reforms in the financial sector; vi) improving the investment climate and vii) promoting inclusive and sustainable growth (Pasha 2013, Tomoo 2013).

Responding to these paradigms the government has, in the recent budget (2013/14), announced measures to reduce expenditures, through an across the board (barring debt servicing and defence) cut of 30 per cent, excising the bulk of discretionary and the totality of secret and Public Works Programme (PWP) II funds, and reducing the Prime Minister's and President's houses' expenditures (Dar 2013). On the other hand, it has excised neither the block allocations for all ministries, nor the authority of secretaries to approve over-budget expenditure, nor the powers of the Federal Board of Revenue (FBR) to issue SROs⁴. While the allocations for development expenditures at the discretion of senators and MNAs

² The body of tax legislation would require amendments

³ This would require a constitutional amendment

⁴ Statutory Rules and Orders used by the FDR for benefiting individuals or a class through tax reductions/exemptions. Euphemistically called the SWIFT ROUTE TO OPULENCE by Mahbubul Haque

(the PWP I) have been discontinued, these have been replaced by substantive allocations of over Rs. 100 billion for “*New Development Initiative*” to be utilised at the Prime Minister’s discretion. Given the inefficiencies in tax administration, shortfalls in revenue from Income and Sales Taxes can be safely assumed to be about 20 per cent lower than target, i.e., by about Rs. 400 billion. In addition the likelihood of income from privatization will be much lesser than expected owing to delays in implementation. Reforms of loss-making public sector enterprises can take a year or more to materialise (provided there is a political will, with a demonstrated commitment to implement and ensure compliance). A lack of this will require substantively more than the budgeted injection of funds to keep them afloat. All of these will increase pressures on the government to adhere to the targeted budget deficit and add to the stress of non-fulfillment of targets.

Financial resources are shared between the Federal and the Provincial governments according to the National Finance Commission (NFC) Award. The last (7th) NFC Award was negotiated in 2009 and allocated the major share (57.5 per cent) of the divisible pool (Income & Sales Taxes and Customs Duty) to the Provinces. In addition, the smaller provinces receive fiscal equalisation grants for meeting development expenditures. This resulted in the Provinces declaring surpluses in the 2010-11 budgets. While, the 18th Amendment in 2010 devolved additional functions to the Provinces, this did not match with a transfer of commensurate financial resources thereby eroding the provinces’ capacity to finance these responsibilities. The provinces are also constrained in raising resources as their ability to borrow from the central bank is limited by the Constitution. Moreover, the forecasts of revenue both, in the formulation of the NFC and in subsequent Federal budgets were and are optimistic. These shortfalls have become major irritants in the fiscal relations between the Federal and Provincial governments. To add insult to injury the transfers are delayed, thus straining the cash balances of the Provincial governments.

This year, the Federal government expected the Provinces would declare a surplus budget in each case. In actuality, the Provincial governments have declared a cumulative deficit. This has, therefore, increased the budget deficit *ab initio*. With opposition party governments in power in Sindh and KPK, cordial relations with the PML-N government at the centre are not expected. Hopefully the next NFC due in 2014 will address these issues. There is a likelihood that Federal government will be asked to guarantee transfers to the provinces equalling the forecast share. This will pressurise the FBR in performing and adhering to target.

6. ISSUES IN SOCIAL DEVELOPMENT

The development of infrastructure and the provision of basic services in Pakistan lie in the public domain. The quality of the built infrastructure and the service offered reflect successive governments' capability as a channel for public sector funds, their role in overall financial and macro-economic planning and management, and their administrative efficiency in implementation, operations and management - in essence the extent to which they are able to adhere to the principles of good and humane governance. It has three dimensions, one, the political regime, two, the systems and procedures for exercising authority, and three, the capacity of governments.

Despite the oscillating, economic and socio-political situation, some of Pakistan's human development indicators have improved over the years, largely because of the accelerated development of infrastructure and improved access through the Social Action Programme of the 1990s. Life expectancy at birth has increased from 57.9 years in 1980 to 65.4 years in 2016. Expected years of schooling had reduced to 4.9 years in 2014 with gross enrolment rate of 92 per cent (NER=57 per cent)⁵ at the primary level. Per Capita Income increased from US\$ 503.8 in 2001 to US\$ 4454⁶ in 2013. Pakistan in 2013 still belongs to the low human development category, ranking 146th out of 186 countries and territories. During Musharraf's regime, HDI rose at an annual average of 2.7 per cent. For the next five years to 2012 it was just under 0.7 per cent per annum. In the last three years of this time frame, the average annual increase was a less than 0.20 per cent - totalling only a meagre 0.59 per cent (UNDP 2013 2014, Wilders 2009).

While gender inequalities remain an issue across the board, there have been some improvements [Gil 123/148 in 2012 and 147/188 in 2014]. The majority of people do not have access to potable water and sanitation facilities. Nearly half of all children under five in Pakistan are chronically undernourished. One-fifth of the world's stunted children live in Pakistan. Pakistan is totally off-track and will not come close to eradicating extreme hunger (SDG 1). Its exploding population growing at 2.1 per cent annually, lack of basic services, insecurity, and exclusion from opportunities for economic advancement lead to frustration and disillusion which results in recruitment to extremist ideology and engagement in unlawful activities. Despite the multi-billion rupee Benazir Income Support Programme, poverty has risen over the past five years. By 2010 the multi-dimensional poverty index had reached 51

⁵ The differential is due to over-age enrolment

⁶ In PPP at 2011 prices

per cent, 23per cent of the population were below the \$ 1.25 per caput day benchmark, and 60per cent were below the \$2 mark. While official estimate of poverty is around 23per cent, international agencies, bilateral donors and independent researchers estimate that about half (49per cent) of the population is below the official poverty line (UNDP 2013, 2014).

Pakistan's expenditure on social sectors is lower than some of the poorest African countries. For instance, the Democratic Republic of Congo spends 1.2per cent of its GDP on health and 6.2per cent on education. Pakistan spends 0.8per cent on health and 1.8per cent on education. Pakistan's total budgeted expenditure on social welfare in FY2012 was 6.9per cent, but the actual spend was substantially lower. As an example, the allocation for BISP was Rs. 75 billion which was revised down to Rs. 40 billion, but the actual release is unknown.

The numbers alone do not tell the tale. There are major issues of governance in the delivery of social services, law and justice, and infrastructure development by both the governmental and non-governmental organisations (NGOs) and in public administration generally. The state of human resource development may be gauged from the results of a survey on educational needs for marketable human resources (see Appendix 1) which clearly states that the educational qualifications do not compare with international requirements. Health services in the public sector cater to only 52 percent of the population. However, the service and its quality provided to the population at either these or by private sector facilities, barring a few outstanding ones, leave a lot to be desired. The former is limited by the budget available and the apathy of their staff. The latter are driven by greed.

The machinery of government has contributed to the present state of affairs; the populace is faced with an unresponsive and unaccountable political government whereas the entrepreneur is faced with incoherent, counter-productive and contradictory policies designed to assist in increasing corruption; the poor on the other hand are faced with a situation where their plight is not seen sympathetically. The impediments to social development problems Pakistan faces fall within three broad areas, legislative framework which addresses issues related to devolution, discretion and accountability; secondly, political structures, and lastly the institutional capacity which identifies and addresses issues related to proper use of systems and procedures, development of infrastructure and delivery of services (equitable and transparent access to goods and services; protection of public interest, resource generation, expenditure planning, expenditure control, regulation and overall public administration to ensure effective use of resources) (Ismail 1999). In addition, Nadvi and Robinson (2004) find that Pakistan's ability to move away is "*severely hampered by powerful*

and deeply rooted structural continuities that serve as impediments to change. These include the underlying structure of land ownership, a highly skewed distribution of wealth, entrenched patterns of inequality, a low rate of capital formation and economic growth, enduring ethnic and religious tensions, and fixed and unequal gender relations. These factors help to explain a form and pattern of poverty that has remained relatively immutable over time". With the introduction of SAP in 1992, the state for the first time formalised the relationship between state and civil society for the delivery of services in primary education, health and hygiene, water supply and population welfare through a public-private partnership arrangement. This was, in reality, a client-contractor relationship where the traditional contractor was replaced by CSOs. Ghaus-Pasha (1997), Nadvi and Robinson (2004), Mezzera and Aftab (2009) and a host of other researchers have found that the existing state-civil society relationships is based on a vertical, personalised and patron-client centric approach to politics and service delivery and was, therefore, was subject to elite capture.

Given these shortcomings, nevertheless, they and others (Ismail 1990, Nadvi and Robinson 2004, SPDC 1998 to 2012, Hasnain, 2008) find that the drivers of change who could impact positively in reforming institutions and governance are: one, the political parties (who themselves suffer from non-democratic structures, systemic corruption, nepotism and cronyism, chronic instability, and the failure to pursue virtuous policy agendas that are conducive to social and economic growth and poverty reduction"); two, civil society (which in itself is weak and relatively ineffective and is largely devoted to development and service delivery) which has had some success in advocating, pursuing and assisting reform; and lastly, the media, particularly the print media and the offshore television channels, which have resisted control and suppression and have played a major role in highlighting corruption, mal-governance and administrative malaise. They argue that once these issues are addressed growth will follow. Building the capacity and capability of these three key catalysts to change will be insufficient unless the major impediments are not removed or modified - the legislative framework, the civil bureaucracy, and, the judiciary, particularly at the lower levels.

7. POLITICS

Politics in Pakistan is dominated by the attitude of the people. Ask any person on the streets "Who are you?" and the answer invariably is not "Pakistani". While the state was established on the basis of Islam, the identity of the respondent is neither national nor "Musalman", but is caste, familial or tribal or parochial or regional or linguistic based. Islamisation, accelerated under Zia-ul-Haque, is a divisive force, as Omar Khayyam wrote, *'the two and seventy jarring sects confute'*, and has moved towards intolerance and violence. At partition there was only

one political party which was national - the Pakistan Muslim League - since then it has fractured and now there are innumerable ones, each distinguished by the suffixed alphabet. Today there is no true “national” party. There was only one religious party - the Jamaat-e-Islami (JI) which was moderate in its views and was quasi-political. Today there are a myriad, each representing a “*firqa*”. At the last count (May 2013), there were 216 political parties registered with the Election Commission of Pakistan. The political parties, by and large, reflect the divisiveness of the nation. Many clearly espouse separation, others religious intolerance; some are moderates while others are extremists; some espouse capitalism, others socialist policies. However, each works for and represents the interests of the two per cent of the population who comprise the “political elites”. Many banned organisations (terrorists) have re-born under the guise of political parties or as NGOs.

This change in the numbers and diversity of political parties is either the result of policy dictated by the need of dictators (military or civil) to legitimise their rule - for instance the MQM was created to counter the overarching influence of the PPP in Sindh, or in response to

Table 1
Representation in National Assembly including reserved seats

Parties	Total	Punjab	Sindh	Balochistan	Khyber			Minority
					Pakhtunkhwa	ICT	FATA	
PML (N)	183	158	3	6	6	1	3	6
PPPP	42	3	38	0	0	0	0	1
PTI	30	9	1	0	18	0	1	1
PML (Q)	2	2	0	0	0	0	0	0
ANP	1	0	0	0	1	0	0	0
JUI(F)	12	0	0	4	6	0	1	1
JI	4	0	0	0	4	0	0	0
PML (F)	5	0	5	0	0	0	0	0
AM LP	1	1	0	0	0	0	0	0
PML (Z)	1	1	0	0	0	0	0	0
MQM	23	0	22	0	0	0	0	1
NPP	3	0	3	0	0	0	0	0
NP	1	0	0	1	0	0	0	0
PMAP	3	0	0	3	0	0	0	0
AJIP	1	0	0	0	1	0	0	0
APML	1	0	0	0	1	0	0	0
QWP (S)	1	0	0	0	1	0	0	0
Independent	8	2	0	0	0	0	6	0
TOTAL	322	176	72	14	38	1	11	10

local political needs - for instance, the regional and ethnic parties created for meeting localised demands for separation or the fulfilment of demands for equitable development such as in Balochistan and KPK. Religious organisations received official patronage and support during the First Afghan war against Russian occupation and became “extremist/terrorist” after 9/11. The party-and region-wise composition of the sitting members of the National Assembly, Table 1, reflects this divisiveness in society.

The recent government which completed its term was a coalition government prone to compromises on all issues. However, it managed to pass the 18th Amendment through a consensus and implemented this only with partial devolution and the creation of new ministries for appeasing the demands of coalition politics. Each party is headed by a leader⁷, none of whom, barring the JI and now the Pakistan Tehrik-e-Insaf (PTI), hold elections for office bearers. While each party propagates local government, the form and definition varies. When in power, either at the federal or the provincial capital, their fiscal priorities are to protect the rich and the elite, and propagate programmes for mitigating poverty and exclusion, but implement them in ways which benefit the rich: schools for familial employment, ghost schools and health facilities, cash grants distributed either through or at the behest of the elected members of assemblies. These self-same individuals are more interested in the pork-barrel projects funded through the exchequers (Senators’ MNAs’ and MPAs’ Programmes - the still retained PWP-I) than in legislating (other than for their own perks, privileges and allowances). Barring the JI and the PTI all parties are “family-run corporations” and are generally perceived to be out to plunder and loot and the politicians, themselves, are largely seen to be corrupt and incompetent. While each promises reform, none delivers.

A recent change in the power profile of politics is the emergence of the PTI and its cohort of followers from among the urban youth who turned out in droves to support the party both during campaigning and at the ballot box. The other parties have followed suit in attracting the youth vote. PTI’s manifesto advocating change, transparency and accountability and the candidates also appealed to the elderly and the educated middle class which also turned out in large numbers to vote for the party. While the turnout has given hope for the long-term future, the short-run hopes of this large unforeseen growth in votes cast were insufficient to result in a vote for change, owing largely to charges of rigging which have also been alluded to by election monitors. Electoral reforms have been advocated in a number of the reports

⁷ Who is himself the head of an elite clan or family cumulatively accounting for about 2 per cent of the population. One member of each clan or family is a member of each of the top ten political parties, thus ensuring continuity of access to power and thereby the spoils which are accessible for loot and plunder.

produced by observers and monitors. These relate to multiple candidacy of a candidate (which entrenches elite capture) transparency in counting votes, timely announcement of results, single standard for accepting applications from candidates, and ensuring timing compliance.

8. GOVERNMENT STRUCTURE AND ADMINISTRATION⁸

At the federal level the Government consists of a President elected by the National and Provincial Assemblies and a Prime Minister with his Cabinet (selected members from Parliament) and a bevy of Advisers (the PM's cronies) supported by a bicameral Parliament - the National Assembly and the Senate for legislating, and an executive arm for administration and implementation (the civil bureaucracy). In each of the provinces, the elected members of the Assemblies elect a Chief Minister who selects members to form his Cabinet. The Governor is appointed by the President in discussion with the PM. Soon after independence, regional quotas instead of merit became the route to induction in the civil services. Thus began the rot. The administration is in the hands of the bureaucracy who by arrangement are largely drawn from the All Pakistan Administrative Services - currently the District Management Group (DMG) and the Police Services of Pakistan (PSP). They are selected on the basis of merit (10per cent) and provincial quotas (90per cent) by the Federal Public Services Commission. The topmost are selected for the Foreign Service. The rest are then streamed into occupational groups, and the creme de la creme go into the DMG and the PSP. After being trained centrally they are subsequently farmed out to the provinces (mandatorily not to their own province of origin). As their career progression is determined by the Federal Government divided loyalties are created. Even though the 18th Amendment to the Constitution has devolved a number of functions to the Provinces, this arrangement should have also been redacted. Instead in the dying days of its tenure the last government extended this for another 20 years.

Until 1973, they were a powerful group protected by the constitution and there was limited scope for interference from politicians as the bureaucracy maintained control over the selection, training and posting of its members and was therefore able to retain its institutional autonomy. Their independence was curtailed by the redaction of the constitutional protection from dismissal in 1973 by Mr. Bhutto⁹ who also inducted hundreds of civil servants laterally.

⁸ Hussain 2008, ICTA 2012, ICG 2008 & 2010, Khan, Ismail and Brohi 2011 a, b, Wilder ,2009, World Bank 2004, Trimbooy Ismail and Catterell 1991.

⁹ "No institution in the country has so lowered the quality of our national life as to what is called *Naukarshahi* [bureaucratic rule]. It has done so by imposing a caste system on our society. It has created a class of 'Brahmins' or mandarins, unrivalled in its snobbery and arrogance, insulated from life of the people and incapable of identifying itself with them" Z.A. Bhutto quote in Gustafson (1973).

This opened the floodgates of politicising not only the bureaucracy and the police services, but also all other professional groupings. Moreover, a cosmetic change was introduced by renaming the Civil Services of Pakistan as the Central Superior Services. No move was made, however, to ensure that promotions were merit-based and that retention in post was according to the rules of business. During subsequent military rule the bureaucracy's power was further diminished by the induction of retired or serving military officers. In Musharraf's time this induction was so excessive that most important positions were held by the militocracy and a quota for the induction of military officers in the executive arm of government was introduced.

An analysis of the relationship between the elected and unelected arms of government in Pakistan leads to the conclusion that the under-lying cause of political instability lies in the very strong bureaucratic institutions inherited from colonial India and the very weak representative and democratic institutions. Wilder (2009) writes that: *"Like the elected institutions during the colonial period, Pakistani legislatures have often had little more than an advisory or rubber stamp function, do not usually initiate legislation and serve primarily to legitimize the exercise of power by the executive branch of government"*. Moreover, since at least one member of the each political elite family was inducted into the bureaucracy, the military, the revenue service, the judiciary and the law an unholy alliance of vested interests was created. This continues to date and encourages corruption. Because of inter-marriages to consolidate power this clique is now much stronger and more entrenched and is further exacerbated by cronyism and the "old school tie" network. Reform will only become effective once this patron-client relationship is broken.

The general perception, and more oft recently pinpointed by demonstration, of civil servants is that they are incompetent, corrupt, unfriendly, archaic, exploitative, mired in ossified systems and procedures inherited from the Raj (colonial India) and subservient to the political masters rather than the state and its masses. This demonstrated decay has demoralised the bureaucracy, and it is not a recent phenomenon, but a result of continuous political manipulation, poor salaries, insecure tenure, lack of accountability, raw and motivated experimentation and non-existent career planning. Recruitments, postings and promotions on the basis of personal contacts and political affiliation, instead of merit have become the order of the day. Bureaucratic procedures are cumbersome and exploitative, they are dysfunctional and low capacity undermines governance, providing opportunities to vested interests to destabilise the state. Decades of decay and mismanagement have rendered Pakistan's civil service incapable of providing effective governance and basic public services.

A total of 28 reports (not counting scholastic articles) on civil service reforms have been prepared over the years with marginal implementation of their recommendations and the objectives of efficient, accountable and responsive civil service have never been achieved. A number of them have attempted to reduce the size of government and public sector employment. The dichotomy in these recommendations was that the services of excess staff would not be terminated. They have all failed because the governments of the day either ignored them or did not pursue them with vigour and adopted only those recommendations which suited their purpose. These were largely technocratic in content and did not address the social, cultural and political issues surrounding them. An example is the World Bank's Public Sector Capacity Building Project (loan of \$55 million) in 2004 which hoped to achieve improvements in: public sector services; design and implementation of policies; public expenditure management practices; regulatory functions; effective monitoring and evaluation of public expenditure and reform program etc.; competition and private sector participation; accountability of public service. None were achieved largely because the thrust was to train individuals and not to re-engineer institutions, systems and procedures.

Most donor objectives are similar as they hope to improve: governance; access to better quality education, health and health services and social welfare; opportunities for sustainable livelihood for communities; and latterly, child-centred disaster risk management. One way in which these can be achieved is through a more effective, responsive and accountable civil service. This would require both, one, improvement in the quality of human resources engaged through capacity building of both knowledge and skill sets, and two, re-engineering institutions through more efficient structures and updating the systems and procedures and aligning them to e-government. The NCGR has recommended a number of actions, but only some of these will achieve to redress few of the shortcomings and gaps identified earlier. The following should be targeted for implementation:

- i) the inclusion of all officers, including those outside the current professional and service cadres, in matters of recruitment, training, career progression and promotion on the basis of performance and achievements and does away with entitlements and reservations,
- ii) creation of District Services under the control and management of the districts,
- iii) a transparent and accountable merit-based approach that rewards performers and penalises the recalcitrant,

- iv) the availability of all government laws, rules, regulations forms, manuals and guidelines should be placed on government's web-site
- v) the potential offered by e-Government should be exploited quickly and advantageously (*introduce e-Government by dictat in all agencies of government within two years*)¹⁰

In addition PLAN should work towards reviving the NCGR and having this housed under the Council of Common Interests reporting to the Prime Minister; doing away with the all-Pakistan nature of DMG officers and converting the DMGs into a Federal level executive service only; ensuring adherence to tenures as stated in the Rules of Business; revising rules, regulations, systems and procedures to make them more easily understood, remove duplication and overlaps and contradictions, and make them easily understood by the layman; and introduce induction/promotion in government service only on the basis of a merit oriented, position-based examination system open to all, even from the private sector, for all positions with government or quasi-government entities, both statal and para-statal. This can only be brought about with the active participation of opinion makers from within society: key politicians; key professionals; literati; reputable academics; and retired but respected government officials, and with relevant civil society organisations, both for- and not-for-profit organisations (NPO).

9. CIVIL SOCIETY

History is replete with examples of how civil society, philosophers and political leaders have changed the future of nations and have impacted on national, regional and global development. Sattar (2011) states that "*conventional notions in social sciences (regarding)*¹⁰ *civil society refers to that space which (1) exists between the family, on the one hand, and the state, on the other, (2) makes interconnections between individuals or families possible, and (3) is independent of the state*". Others argue that this also includes the media because it interconnects diverse groups and opinions. A number of studies around the globe have explored civil society's role in social movements and its stature as the driving force behind social and political changes. These range from the introduction of democracy in ancient Greece (around 600 BC), the French and Russian Revolutions, to the recent upsurge against autocratic governments around the world. The size of civil society can be stated to be as large as the populace, but for it to be effective it has to form groups pursuing a single goal or a collection

¹⁰ Author's insertion.

and most such groupings are informal and ephemeral striving for short-term goals. To achieve longer term goals, these civil society organisations (CSOs) have to be formal thus completing the circle of society - the state, business and civil society. The latter two comprise the non-governmental sector. While civil society has been existing from the birth of civilisation its true beginning were only in the eighteenth century - through, first, the Treaty of Westphalia which heralded the birth of the sovereign states system and gave birth to absolutism, and second, the foundation of discourse to limit the power of the state (absolute monarchy) which culminated in the French Revolution and the rise of socialism and communism. Since then the dialogue between State and Civil Society has been on-going both for changes in policy, efficiency, effectiveness and transparency and in the delivery of public services through partnership arrangements or through voluntarism. The various crises within the last century caused by wars, natural disasters, terrorism, economic and financial linked to the inability of governments to mitigate their impact has spawned a plethora of non-governmental organisations (NGOs) which have bridged the gap between public supply and overall demand. Because of its very diversity ranging from small informal groups to large service organisations which are formally structured and accountable it is difficult for most developed countries to count these NGOs accurately.

Ismail (2002) introducing to the NP legal framework in Pakistan stated that the financial crunch faced by Pakistan started to become acute in the 1990s which was also accompanied by a crisis in governance. The combined effect has resulted in expenditures in a wide spectrum of public services being reduced substantially and has led to a resurgence of the private sector in trying to fill the gaps. CSOs have continued to flourish in Pakistan particularly over the last four decades. Over 200 CSOs were established in the 70s to help settle, in Balochistan and Khyber Pakhtunkhwa (KPK) the 3.5 million refugees fleeing civil war in Afghanistan. A raft of international NGOs (INGOs) also established their offices to help in mitigating the impact of this influx. The 1980s witnessed, one, the foundation of giants, such as, the Aga Khan Rural Support Programme and the Orangi Pilot Project, two, increase in funding from the government and international development partners, and three, the emergence of CSO coalitions. During the 90s semi-autonomous grant-making foundations and rural support programmes were established and the USAID provided the seed money to create the Trust for Voluntary Organizations and the donors jointly established the Pakistan. The decade saw the birth and the death of the Social Action Programme, launched with multi-donor assistance and was the vehicle for establishing the large-scale country-wide local-level public-private partnerships for delivering primary health care and education, water, sanitation and hygiene services to the poorer segments of society.

A large part of the gap in the health and education sectors has been filled by the for-profit organisations since then. The gap in the other public service sectors rest has fallen to the lot of the non-profit organisations (NPOs). Similarly the shortfall in the other social or welfare services has been taken up by not-for-profit organisations. *“The crisis in governance has also resulted in the international donor community diverting their development grants for Pakistan away from the government line departments to the NGOs as executing or partner agencies”* (ADB 2009). An unintended consequence of resource diversion has resulted in the government collaborating with the NPOs in delivering public services through partnership arrangements, but with varying degrees of suspicion, reservation and success. To quote *“The growth of the non-profit sector has created a number of organizations which have been established without due awareness of the procedures and consequences of the legal framework which governs their establishment and operations. Consequently a state of mistrust exists between the NPO sector and the government”*. This has been exacerbated by the diversion of development aid (the channel for easy rent-seeking by the bureaucrats and the politicians) away from government.

Another form is the intervention is, and has been from time immemorial, through philanthropy to mitigate exclusion and hunger, and the role of NGOs in the delivery of social services, previously largely within the domain of the public sector. One major component of the civil society sector which delivers social and welfare services principally to the poor and disadvantaged is the Not-For-Profit (NP) one. It spans the spectrum from advocacy to religious proselytization. In a survey conducted in 2000, the NP sector in Pakistan was estimated to consist of about 45,000¹¹ active organisations (see Appendix 2). Of these the formal sector accounted for about 24,000 organisations. The active organisations employed 264,000 paid employees and 212,000 full-time-equivalent volunteers (Ghaus-Pasha, Jamal et.al. 2002).

Following this survey the Federal (now Pakistan) Bureau of Statistics undertook a Census of Economic activities over the April 2001 to December 2003 period (PBS 2005) and found that the total number of organisations engaged in Community, Social & Personal Services were about 660,000¹² (22.3per cent of the census). Of these only 36,000¹³ organisations (5.48per cent) were based inside households. In other words the NGO sector alone accounted for 624,000 organisations ranging from proprietorships to the companies registered as NPOs. One major segment of these were private educational/training institutions (51,654)¹⁴, and

¹¹ This does not include an estimated 8,000 labour unions (ADB) 2009).

¹² 39.82 percent in the rural areas

¹³ 88.66 percent in the rural areas

¹⁴ 36,096 educational establishments (not including doeni Madaris) counted during the Census of Private Educational Institutions in Pakistan 1999-2000

private health establishments of all types (96,430). While no count of such establishments is available for the latest year, estimates suggest that these could be as much as three or more times than a decade earlier when the Economic Census was undertaken.

The ability of the CS sector to sustain its exponential growth has also created major fault lines in the sector. There are a number of serious issues impacting on the sector, such as the internal ones: poor financial transparency; development partner dependency; institutional capacity, non-availability of trained human resources; and internal governance, and the external ones: enabling environment; state security; political instability and general law and order. These will continue to impede its efforts to be an effective partner of the state in the delivery of services, and enabling it to act as an effective counterpoise of the state in checking its excesses. Basic deficiencies in Pakistan's education system and lack of economic mobility mean that the vast majority of citizens' organisations have limited access to people who can be trained to run more effective organisations (ADB 2009). This could be achieved through the both implementation of and monitoring the PNF Code of Conduct mandatorily.

Implementation of the law needs to be strengthened, particularly as organisations fail to file obligatory reports with the government. The levels of the fine and punishment should be made prohibitive. This will help improve the widespread perception of misuse of charitable funds, especially foreign funds. The widespread public impression that CSOs in the country are heavily dependent on foreign funds may hold true for large development-oriented and advocacy organisations, but not all others. While intermediary NGOs have multiple funding sources, Community Based Organisations (CBOs) rely mostly on local sources. Civil society at large relies on indigenous funding, both private and public. While development funds are not forthcoming from the local private sector, philanthropy is estimated to double to Rs140 billion in the millennium decade 2000-2010 (Express Tribune 2010).

The increased size and public profile of CSOs has also inevitably led to increased scrutiny and criticism (ADB 2009). Their legitimacy has been questioned. The general perception is that rights organisations - labour and women's - advocate a culture and norms alien to the country. Some are harsher in their criticism: the partnership of some rights organisations with international development partners harms the ideology and the integrity of the country. The best means for sustainable improvement of the sector is full disclosure. This is unarguably the weakest aspect of the CSO governance and regulatory system. Even though access to the internet is available to all, only some upload their financial records and activity details. This mistrust of the CSOs also was replicated within government. This was also fuelled by the

perceived need of the government to control the functioning of the NGO sector and resulted in a major confrontation when the government presented a bill in 1994 in Parliament to make substantive changes in laws. After a four-year period of hibernation a more draconian bill was proposed giving the government substantial oversight, dissolution and asset acquisition powers without remedy with no transparency and accountability in the administration of the proposed law. This was seen as a contravention of the right to association guaranteed by the Constitution of Pakistan. Conflicting provisions between proposed legislation and *in situ* civil and case law were not remedied. While this was perceived as an unnecessary bureaucratic burden the cynics in the NPS community saw this as yet another avenue for rent accruing to the bureaucrats. To cap it the oversight department was under-staffed, -under-skilled and under-resourced (Ismail 2002; Ismail and Baig 2004). While there is merit to oversight by a single agency the mistakes of the past should not be replicated. A law similar to the Charities Law in Great Britain should be drafted, discussed threadbare by the CSOs, and presented by the CSOs in Parliament a consensus piece for legislation.

10. ISSUES OF GOVERNANCE AND DELIVERY

Governance is generally conceived of as the exercise of economic, political and administrative authority in the public and private spheres to manage a country's/organisation's affair at all levels to improve the quality of life of the people. It is a continuing process where divergent opinions and desires are satisfied through compromise and tolerance in a spirit of cooperative action for the mutual benefit of the larger whole. It has three dimensions: one, the political regime; two, the systems and procedures for exercising authority; and three, the capacity of governments (Ismail and Rizvi 2000). What ails Pakistan in three basic elements of governance are: one, decentralisation to the local government level; two, the implications of corruption and corrupt practices as an impediment to good governance and as a cause of the failure of institutional structures with particular reference to the process of planning and procurement; and finally, the social and economic costs of mal-governance through lost or diverted opportunities. Worldwide good governance over the years has been measured by Transparency International (TI) using the Corruption Perceptions Index (PCI). TI's survey for 2012 found that Pakistan ranked 139 out of 174 countries surveyed and the over the last five years (overlapping the last PPP government) the level of corruption accounted for the siphoning of Rs. 12,600 billion which peaked in 2012 (TI 2012). This alone tells a story of mal-governance in Pakistan in a nutshell.

In Pakistan, the concept of "*governance*" is largely synonymous with the term "*mal-governance*". This is evident from several facets of operations, some of which are: one, sound

development practices are not followed; two, accounting systems are so weak that budgetary policies cannot be implemented or even monitored; three, poor procurement systems encourage corruption and distort public investment priorities; four, frequent transfers and postings; five, mis-matched skill to job requirements, in other words, untrained staff; six, political patronage; seven, legalised corruption (PWP I and II, discretionary funds, nepotism); eight, absence of systems of accountability; nine, inadequate and unreliable information; and ten, inefficiency in resource management and delivery of public services (Pasha, Ismail, et.al 2011, Trimboy, Ismail and Catterell 1991).

The public institutions in Pakistan generally are today faced with an enabling environment which is hostile. There is a skill shortage for identifying and enunciating coherent and coordinated policies; the prevailing work ethos discourages officials from ensuring compliance; systems and procedures are obsolete if not ossified; mechanisms to ensure coordination exist but are not implemented - in Pakistan meetings of the secretaries' committees have not been held for years on end; there is continuous interference in day-to-day management by vested interests; staff is inadequately trained both *ab initio* and subsequently on-job because of the very short-term assignment to posts and rotation between skill needs; staff selection, posting and promotions neither are merit based nor linked to individual skills - thus the constant matching of round pegs in square holes; and the incentive structure is designed to penalise the performers (Hussain 2008; Ismail and Rizvi 2000; Ghaus-Pasha et.al. 1997; Trimboy, Ismail and Catterell 1991).

Ismail (1997) concludes that the impediments that exist in the development of the social sectors and in the delivery of these services in Pakistan suggests that in essence these stem from mal-governance and can be attributed to a number of causes which lie within three broad areas: firstly, **the legislative framework** which sets the boundaries within which institutions, agencies and agents can operate and therefore addresses issues related to devolution, discretion and accountability, secondly, **political structures** which determine the way in which we are governed, and lastly, the **inter-twined trio** of: *institutional capacity* which identifies the ability of institutions, agencies and agents to identify policies, ensure coherence and coordination and ensure compliance, *management* which addresses issues related to the proper use of systems and procedures and the mechanisms used for the development of infrastructure and the delivery of services by ensuring that there is an equitable and transparent access to goods and services and protection of public interest from private intrusion, and *efficiency* which addresses issues of resource generation, expenditure planning, expenditure control, regulation and overall public administration to ensure the most

effective use of resources. He suggests that while solutions exist and are well-known most remedial actions which can remove these impediments require time and patience as institutional and societal reforms require patience and cannot be accomplished overnight or in the short-run without revolution.

In sum, governance is a continuum; it does not automatically improve over time. Citizens need to demand good governance. Their ability to do so is only enhanced by awareness, education, and employment opportunities. The governments in Pakistan need to be responsive to those demands. For change to be effective it must be embedded in the societies/institutions concerned and cannot be imposed from the outside. Moreover, politicians must realise that over-employment leads to shirking of responsibility, waste, inefficiency and lack of accountability. It also results in lower remunerations which in turn diminishes morale.

11. FUTURE ACTION PLAN

PLAN'S principal goal for Pakistan envisages strengthening local governance, as an overarching theme for all its programmes, and towards this end to create an enabling environment for collaborating with CBOs and CSOs. To be able to design interventions which will work, a more detailed PEA is required which must be undertaken in three phases: (a) an historical/foundational country overview (which is the output from this report); (b) organisations, institutions and actors; and (c) operational implications.

At the outset it should be realised that institutional re-engineering without a revolution cannot be achieved in a short time frame without an executive diktat backed by political will and demonstrated action. Otherwise it will require 15 to 20 years. In either case the buy-in by the senior-most levels of policy makers and the willing components of CS is central to success. Most important of all this is best achieved by "on-the-job" training and working "side-by-side" during the period of change from beginning to end.

To do so it must first examine institutional structures, enabling environments, systems, procedures and the re-engineer them to bring at par with e-government requirements and implement the recommendation of Section Hand of the NCGR Report.

It must simultaneously, with some time lag for understanding the earlier stated actions, build the institutional capacity of all tiers of government, not necessarily with the same width, scope and intensity, to manage their resources in an efficient and effective way. These resources would be all inclusive: the 3Ms - man, machines and money. In effect this would

entail (a) re-engineering institutional structures, (b) systems, procedures, methods, manuals, guidelines, rules and regulations, (c) establishing, nurturing and implementing government-CSO/CBO partnerships, and (d) improving finances through widening tax bases, revising rates and levels, and improving yields.

Concurrently it should examine the public finance of local government in particular and advise and implement changes agreed. To integrate child-centred budgeting, changes can only be initiated with the Ministry of Finance, the Auditor General's Office and the Comptroller General of Accounts Office, PLAN should initiate contacts at the outset.

ANNEXURE 1

SUMMARY OF SURVEY FOR ESTABLISHMENT OF A PROFESSIONAL COLLEGE

1. Is the TEVT system of training successful in creating marketable staff for:
 - a) the Pakistan market,
 - b) the Middle East market,
 - c) the emerging countries of Central Asia and Africa, and
 - d) the “West” - Europe, US/Canada, Australia?

If not, why not and how can this be overcome?
2. Is the existing system of education and training producing the professionals who can compete favourably with those trained abroad?

If not, what is the root cause of the problem?

The general opinions of the respondents are extremely unsettling:

1. In the case of the TEVT sector, the general opinion is:
 - a) a definitional problem which restricts the sector to a skill level which supports only the skilled craftsmen and trades people - largely working in manual occupations (exception being the ICT sector) - and leaving out those skills which require the “soft” inputs thereby creating mid- and upper- management and policy/planning professionals,
 - b) almost all TEVT organisations are preparing students as replacements for the skilled workers who have migrated abroad or are willing to accept positions not at the top of the skill ladder and much lower than current market rates, largely owing to their skill attainments,
 - c) the syllabus and curriculum is based on inappropriate and out-dated knowledge,
 - d) even though EU, UKAID, USAID and other donors are pumping millions into the sector, barring a very few organisations, none are offering the type of courses that would produce the skilled professionals (middle- to upper-management),
 - e) even cumulatively the sector is not offering the full range of courses that are required go cater to the needs of the market,
 - f) the reasons appear to be, one, a lack of understanding of what is actually required, two, no or little understanding of the composition of the workforce in the in-migration countries, and three, a lack of vision on how to overcome the shortages in human development.

2. In the professional development arena there is a plethora of organisations offering qualifications (largely their own through accreditation by the government and recognition by the HEC) which unfortunately are not acceptable for the skilled professional category in the international arena.
3. These are largely limited to the business schools producing managers for financial institutions and marketing companies and not for the manufacturing sector. For instance, there are no courses being offered for project planning and appraisal, project management, procurement management, production management, except in the textile sector.
4. The training courses are largely following a two-day to two-week prescriptive workshop format which are not interactive or participative in character and substance, but are largely confined to a series of lectures and case studies working sessions - most of which are based on Pakistani experience and are therefore not suitable for professionals wishing to enter the international arena.
5. Barring a very few examples, students have to repeat these courses/qualifications after which they can proceed directly to a higher level of studies abroad at the same level and are, therefore, counterproductive. The exceptions are NUST + UET Lahore + NED in the technology arena, FAST + COMSATS in ICT, LUMS + Karachi College of Business Leadership in Management.

ANNEXURE 2
SIZE AND DISTRIBUTION OF THE NPO SECTOR

<i>Organisational Activities</i>	percent
<i>Education and Research</i>	46
Religious Education	29
Primary Education	9
Secondary Education	5
Other Activities	3
<i>Civil Rights and Advocacy</i>	18
Lobbying for civic amenities	15
Civil Rights Promotion	2
Other Activities	1
<i>Social Services</i>	8
Material Assistance to the Needy	4
Income Support	2
Burial and Funeral Services	1
Other Activities	1
<i>Development and Housing</i>	7
Residents Welfare Associations	5
Community and Neighborhood Development	1
Other Activities	1
<i>Health</i>	6
Primarily Out-Patient	4
Primarily In-Patient	1
Other Activities	1
<i>Culture and Recreation</i>	6
Sports	4
Other Activities	2
<i>Religion [Management of Religious Events]</i>	5
<i>Business and Professional Associations</i>	4
Traders/Shopkeepers Associations	3
Other Activities	1
<i>Estimated Number of Active Organisations</i>	45,000
<i>Number of Paid Employees</i>	264,000
<i>Full-time-equivalent Volunteers</i>	212,000

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Social Policy and Development Centre

Head Office: 15-Maqbool Co-operative Housing Society
Block 7 & 8, Karachi 75350, Pakistan
Tel: (92-21) 111-113-113 | Fax: (92-21) 3453-4285
E-mail: spdc@spdc.org.pk

Islamabad Office: 209, 2nd Floor
Emirates Towers, F-7 Markaz
Islamabad
Tel: (92-51) 2099146

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