

THE NEWS ON SUNDAY

Beneficiaries of status quo will always be against reforms'

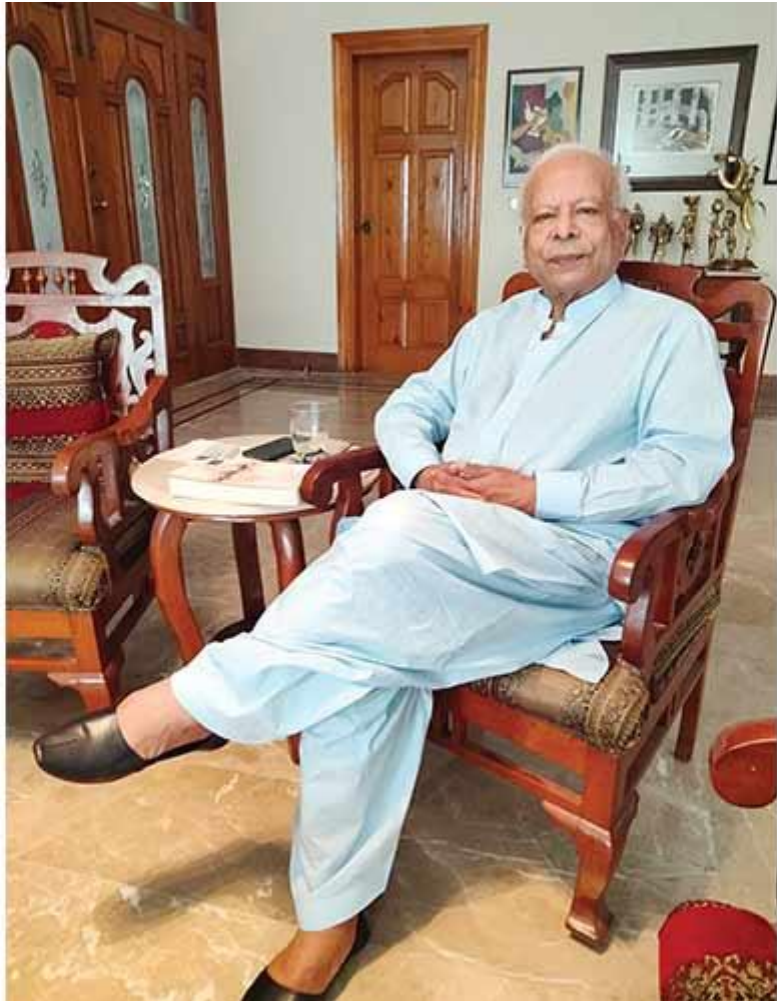
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The News on Sunday (TNS) interviews economist Dr Ishrat Husain, who, after over five decades of an illustrious career in public service, has decided to hang up his boots. Dr Husain last served as Advisor to the Prime Minister for Institutional Reforms and Austerity from 2018 to July 2021. A career bureaucrat, a former Governor of the State Bank of Pakistan, while also having a long and distinguished career with the World Bank and the Institute of Business Administration (2008-2016), Dr Husain has also worked as a Public Policy Fellow at the Woodrow Wilson Center in Washington DC.

Excerpts:

The News on Sunday (TNS): How was this particular stint as Advisor to Prime Minister on Institutional Reforms different from your previous roles in different capacities?

Dr Ishrat Husain (IH): In the past, I was working as the chief executive of organisations like the State Bank of Pakistan, IBA Karachi, where I would formulate the strategy, change management, bring reforms and execute it. But here I was as an advisor; I had no executive responsibility. So my task was to design the reforms, consult stakeholders, incorporate their views, take it to the cabinet and get it approved. After the implementation of those reforms, it comes to the responsibility of the respective ministries, whether it is the Establishment Division, or the Cabinet Division, the Finance Division or the Planning Division. They are supposed to carry them through implementation. I put into place a cabinet committee on institutional reforms. The committee did not exist before. This committee meets every week and monitors the progress which has been made on different reforms and also comes up with the reforms which have been discussed and agreed, but have not been approved by the cabinet. So, we now have an institutional mechanism for carrying out reform. So that is the innovation which I introduced to the governance structure.

The philosophy of this government is to allow private businesses to create wealth for the country. Then, take a portion of their profits and income through taxation and use this for the welfare of the poor and the downtrodden population. And that is why the Ehsaas Programme, during this government's tenure, reached out to 16 million households, which means 96 million people, who are poor in this country. They were given cash supplementary grants in order to sustain themselves. It has never happened before in history. And there are several other programmes under Ehsaas such as conditional cash transfer for girls' education, undergraduate scholarship programs for the poor, and *Nashumuna* programme for nutrition of the children. If you take all of these together, that is the major contribution of this government using technology to help out the poor segments of the population. That is the distinction.

TNS: You have mentioned here about creating opportunities for the private sector. How far do you think the PTI government has been able to provide ease of business to the private sector?

IH: The ease of doing business index has actually improved in the last two years, and there is a whole exercise we have introduced which is called the regulatory guillotine. That means all the regulations of the federal government, provincial and local governments have to be mapped out, screened, evaluated, and those which are totally redundant or hinder the progress in the way of the private sector, they have to be eliminated. The result is there would be a single portal which will have all the prevailing regulations of the federal, provincial and local governments and they will all be consistent across the country. The provincial government cannot impose its own rules or regulations, unless the board of this committee says we want to introduce this. There is a whole exercise to make it easy for the private businesses to reduce their cost of doing business and by 2022, inshallah, there will be a national single window for international trade. Today, if you decide to import or export goods, you would have to go and visit more than 30 different government departments and agencies. You have to get no objections and clearance from each one of them. And then there is an element of corruption as well, there are also instances where people do not do their work unless you pay them. So, the national single window will have one entry point, you file your documents for all the different agencies. They will process it at the back-end and give their approvals or rejections to the national single window and you can go back and look at it whether your application or your goods declaration form has been cleared or not. This will save enormous amounts of time and also reduce corruption. The first phase, the pilot phase is already on. We want to roll it over in June 2022 [and] that will be a huge progress as far as the whole international trade is concerned.

TNS: The macroeconomic numbers now show a grim picture. The Current Account Deficit is expanding as we focus on economic growth. How far has the PTI government been successful in breaking this vicious cycle?

IH: There can be two ways to look at the economic problem. One is that you accelerate the path of economic growth and that is what Mr Ishaq Dar and the Pakistan Muslim League-Nawaz (PML-N) government tried to do. But there is a built-in tension that is [a] restraining factor for this particular policy. The domestic production capacity is so limited that when incomes rise and

economic growth takes place, that demand spills over into imports. The import bill goes up and up. And because your exports are not growing at the same pace, you have two options: one to devalue the currency in order to reduce the trade imbalance or take off your foot from the accelerator of growth. You cannot have both high growth and trade balance. As this government is also accelerating the growth pedal, the import bill has already increased. And therefore, they have to devalue the currency in order to reduce the imbalance. You have to make tough choices. If our domestic capacity was at par with the aggregate demand, and we could produce wheat, sugar, cotton to meet our demand, then the import bill would be curtailed. If we can have high quantities of domestic gas and oil production, that will ultimately reduce the import bill. But if we are constrained in our domestic production, naturally, it will spill over into imports. And that is an economic principle. It should not be attributed to one regime or the other.

TNS: Can we say that Mr Dar's obsession with the accelerated economic growth proved detrimental in the long run?

IH: It was not an obsession. That was his policy. Everyone has their own policies. This government has also started accelerating growth. No country can afford not to have higher growth. But at the same time, we should try to increase our domestic capacity. So that our balance of payments is not stressed. It is a simultaneous approach, you do increase your domestic production capacity, and also, at the same time, accelerate growth. Otherwise, you cannot actually achieve a balance of payment equilibrium.

TNS: As you mentioned that your role was advisory. The buck stopped with the Establishment Division, executing ministries, finance division and planning ministries. To put here a layman's question, why is getting structural reforms into action such a painstaking task in Pakistan?

IH: What is happening is that there are some reforms, which are going to create some losers. And the losers are well organised. They come out on the street, they go to the media, and they get the support of the opposition party. And that has happened throughout history. The Pakistan Steel Mills has been closed for the last six years, but they are getting all their salaries, and all the

benefits from the exchequer without producing one tonne of steel. So even if you let them go through a very attractive golden handshake, they come out on the streets, they go on strike. And the opposition parties say, oh, you are doing injustice, you are laying off the labourers, that is false. You are basically saving millions and billions of rupees by letting them off and giving this to the private sectors to operate. But this will meet resistance. Take for example, the case of PIA: you have 14,000 staff and you only need 7,000. Even a golden handshake and a two-year salary, won't make the laid off employees happy. They will mobilise, backed with all the media as well as the other opposition parties. That is the nature of reforms, it is going to disturb the status quo, and the beneficiaries of the status quo will always be against it. When you save money from the Steel Mills, or PIA, by not giving them grants or subsidies, the fiscal deficit improves. Consequently, we don't have to borrow that money from either domestic or international sources. The country's going to benefit. But there is no single group which is really organised to support these points. That is the difficulty and this is all over the world. The losers try to resist. And there are no champions of reforms.

TNS: Information Minister Fawad Chaudhry, in an interview to a foreign outlet, expressed his frustration over our bureaucracies' liking for sending around summaries. National Security Advisor Moeed Yousuf also expressed reservations over the 'summary culture' in Islamabad. How long are we going to put that obsolete tradition in practice?

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IH: The tiers of the government will be curtailed soon. The decision-making will be restricted to joint secretary, additional secretary and secretary. The joint secretary will be in charge of the whole unit. So, instead of six steps, there would only be three steps, and that will accelerate the process. Secondly, we are making all things digital. The idea is to automate and digitise and make it responsive to the times of the day. All the rules, regulations and laws,

will be on the website of the division of the ministry and all the filing will be done electronically. The notes on the summary will be done simultaneously. Instead of 15 days, the turnaround will be in a day. And that is the progress we have made. Now we have an E-Office Suite where all the files are transmitted electronically. But obviously this will take time, the whole culture cannot die overnight. Young people who are joining the service are very tech savvy. And they are very comfortable with the ICT tools. But then there are old people who have never even used computers in their lives. As time passes, we will see more efficiency coming in. The only way ahead is automation, digitalisation.

TNS: The Chinese government has appreciated the establishment of the newly China Pakistan Economic Corridor Authority (CPECA). However, the Pakistani opposition members have raised objections over it by calling its establishment parallel to the Planning Commission, with little utility. What is your opinion on it?

IH: The Planning Commission cannot be an executing authority. By its mandate under the rules of business, it is responsible for preparing the national economic plans and the strategies for the future. It can negotiate with counterparts in China. It can design long term and short term goals but the execution has to be done by the line ministries. The CPECA was created because there was a coordination gap. The power sector projects are still being completed by the power ministry; the industrial cooperation, special economic zones are being dealt with by the provincial governments and the Board of Investments; and the highway projects in Balochistan are all being completed by the National Highway Authority. The CPECA tries to resolve the bottlenecks, which each ministry is facing, because we have to commit ourselves to a timeline with the Chinese. The Chinese are very efficient, we are not.

TNS: It is said that Karachi is a ticking time bomb. All across the board, the census has been rejected by the political parties. Post-18th Amendment, the federal government has now less authority for the city. The Rs1.1 trillion packages are yet to be put into place. Do you think that in the power circles of Islamabad, there is seriousness for the city?

IH: Yes of course, there is. The PM recently appealed to the Sindh government, and said, let us put our political differences apart and work for the betterment of Karachi. The state cannot thrive without Karachi being put into focus. It has two ports, the city generates 50 percent of total exports, and it is the origination of almost 70 percent of all tax revenues from the country. We have to look after Karachi as India looks after Bombay and the US looks after New York City. And the only way to do it is to devolve the administrative control and financial resources to the Karachi city government. Why should the Karachi Development Authority, Karachi Building Control Authority, Karachi Water Sewerage Authority, Urban Transport Corporation be under the direct control of the provincial government? Is it a service to Karachi? Give the powers to the city government and allow the urban property taxes to be collected by the city government. Karachi will not need any money from the federal or the provincial governments. The city can carry itself on its own.

TNS: Federal Minister for Finance Shaukat Tareen in a news show said that the bureaucracy was reluctant to take timely decisions for the fear of NAB. He said that a new regulatory body of professionals should be constituted to oversee the finance ministry. Do you agree with Mr Tareen's assessment? Is NAB's overreaching power halting timely decisions?

IH: I agree with him on that totally. But we had found a solution to this problem in the ordinance that was promulgated in 2020 where the misuse of authority without any gains for person, relatives, families or friends was taken out from the NAB's cognisance and that actually created a very favourable environment. The civil servants felt comfortable that they wouldn't be taken to task for a legitimate decision taken in good faith, but that ordinance lapsed after four months. Now that bill containing the same formulation is in the assembly. Extra institutional authorities do not help. You have to get to the source of the problem. We have to change the law of NAB.

TNS: Zafar Mirza, Tania Ardu, Nadeem Babar, Shahzad Qasim, Tabish Gauhar - the technocrats inducted in the government resigned after brief stints. There is a perception that private sector officials find themselves in

difficulty in working with politicians and civil servants. How far is this assessment true?

IH: All the ministers should have technical advisors in their offices reporting to them. If you have a minister and then for the same portfolio you have a special assistant to the prime minister, you will have tensions. Go to the root cause, rather than saying that the technocrats can't get along. Sania Nishtar and Dr Faisal Sultan are technocrats, [and] they are doing marvelous jobs as far as Ehsaas and Covid programs are concerned. Because they are ministers themselves, they carry out the affairs of their ministries without any second guessing by any other person. My suggestion is to bring in technical advisors to the ministers. That is why we got it approved by the cabinet. That is not happening. But that is the path I proposed. It is up to the ministers to decide. Some ministers have done it. Shafqat Mehmood already has a technical advisor. He is benefiting from it. There is no SAPM for education and the ministry of education is happy with the arrangement.

TNS: Shabbar Zaidi has reportedly said at *Breakfast with Jang* that he resigned as he could not realise his vision of creating the Pakistan Revenue Service out of the FBR. He lamented that Prime Minister's Advisers — Arbab Shahzad and Dr Ishrat Husain — opposed his proposal of creating the service. I would like your comments on it.

IH: That is not true at all. I never got the proposal. I am not even aware of the proposal about that. We were already saying that there was a lot of tension between the internal revenue service and the custom service. And we wanted the reforms of the FBR to proceed without creating ruffles among these groups. So our aim was to get automation and digitisation of the FBR first and what happens to the service structure, we will deal with it later when FBR becomes more productive and efficient. I am sorry to say that this is not actually based on facts.

The interviewer is a human rights reporter based in Karachi. He covers conflict, environment and culture

