**PAKISTAN’S ECONOMY POST- FLOOD**

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Pakistan had been suffering from three serious external shocks before the recent devastation to human lives, property, infrastructure and social services by the floods struck the country in August-September 2010. Pakistan was engaged in fighting the militants and terrorists since the U.S. initiated the war in Afghanistan in 2001. Forty three billion dollars of losses have been incurred so far in the fight against terror and the country has been virtually shut out as a destination for investment, capital flows, tourism and trade. Thirty thousand civilians and six thousand Army, Para-military and Police officials have lost their lives. The Second shock occurred in 2007 when the world food and fuel price went through large, sudden and abrupt hikes. As Pakistan did not adjust these prices domestically and the government had to absorb the impact of this hike through the budget fiscal deficits became quite large. The deficits were financed by borrowing from the State Bank of Pakistan and the consequential monetary expansion led to 25 percent inflation, depreciation of exchange rate and lower growth. The decline in the purchasing power of the Pakistanis due to stagnating income, double-digit inflation and growing unemployment for the past three years has resulted in a major demand shock. Third, the synchronized recession in the global economy as a result of the financial crisis of a magnitude not witnessed since the 1930s hasn’t helped either in stimulating domestic economy. It is in this context that it must be realized that no country with the resources and capacity such as possessed by Pakistan can single handedly meet the onslaught caused by these floods. The pace, extent and magnitude of the stimulus provided jointly by the domestic and international community would determine as to how soon the Pakistani economy is stabilized.

 The floods have displaced 20 million people, damaged or destroyed more than one million houses, infrastructure, and washed away standing crops from 10 percent of the cultivable area. The losses of livestock, poultry, etc. which provide cash incomes to the poor are quite substantial. According to the UN observers, the 2010 Floods in Pakistan have caused more devastation than the combined effects of Asian Tsunami, 2005 earthquake in Kashmir and the recent Haiti earthquake. The loss of life has indeed been contained but the loss to property and incomes have been considerably higher. Internal displacement of people has been on a massive scale. World Bank and ADB have made preliminary estimates of damage assessment which are estimated at approximately $10 billion or about 6 percent of GDP. Researchers at Ball State University and Tennessee State University have put the damage to the infra-structure, buildings, contents and agricultural assets between $5.1 – 7.1 billion.

 The recent report by the IMF projects that the loss of output mainly in agriculture sector would reduce GDP by over 2 percent. Public finances are likely to be affected with lower revenue collections, higher outlays for needed humanitarian assistance and defense services. Floods have also disrupted trade with the supplies of exports and imports held up and fuel can not be delivered to power plants. The current economic scenario for 2010/11 looks bleak as GDP growth would be only 2.8 percent, inflation 13.5 percent, current account deficit 3.1 percent and fiscal deficit nobody knows for sure where it will end up.

 A timely and appropriate response of the domestic and international community to this calamity can not only contain and mitigate the risks to the economy but also turn it into an opportunity for economic revival. The Government has, however, urged the multilateral banks not to reallocate their existing loans for flood rehabilitation purposes. As the World Bank and ADB had together committed about $3 to 4 billion from their on-going programs for this purpose the gap between the requirements and the expected foreign donor inflows has widened. This goal is achievable if the post-relief rehabilitation and reconstruction activities are carried out in a framework of burden sharing, additional resources and not business-as-usual.

 Crisis situations do evoke exceptional responses. The present crisis provides an excellent occasion not only to formulate and execute the post flood relief rehabilitation plan but also to implement the structural reforms that are overdue but have been on the back burner for a long time and also set the long term economic direction in the light of the changed circumstances.

**Post-Relief Measures**

There are at least seven post-relief activities that deserve urgent attention for implementation in the immediate term:

1. In the next few months, as the flood waters recede, restoration of livelihoods of those displaced from their lands and abodes should immediately begin. The immediate task would be to facilitate the return of approximately four million families to their respective habitat and to enable them make the transition to earning incomes and preparing lands for cultivating Rabi crops – wheat, oilseeds, etc.. Cash grants, microfinance loans, supply of seeds, fertilizers, bullocks, implements and housing materials can be financed from the allocations from the Benazir Income Support Program, the funds at the disposal of MNAs and MPAs, the Peoples’ Works Program, the Poverty Alleviation Fund, Baitul Mal and Zakat, and the Provincial development budgets. These public sector funds should be supplemented by involving the corporate sector, the NGOs, Microfinance Banks and Institutions (MFBs and MFIs), the Civil Society Organizations, wealthy individuals and philanthropists, non-resident Pakistanis. These groups may operate in specific areas or assigned specific components to undertake on their own without being asked to donate cash contributions. MFBs and MFIs can be provided lines of credit from both domestic and international donors for channeling micro loans for agriculture, housing and micro businesses. Similarly, the international donor community should be invited to undertake projects of their choice in a particular district directly or through local partner organizations. The only requirement would be that the activities, projects, and components undertaken by each participating agency should be part of the District Rehabilitation and Reconstruction Program. The merits of this approach are several fold. First, there will be an integrated planning framework under which public sector, non-government sector, private sector and international donors will participate in a coordinated manner but with full control of their financial and administrative resources. Second, the plan will be drawn with the intimate knowledge of the local conditions – the communities displaced, the lands damaged, the livestock destroyed, the stocks of grains and seeds washed away, the extent of the repairs of houses, dwellings, sheds and shops and rapid rehabilitation of essential infrastructure and connectivity. Third, the disjointed or fragmented activities resulting in overlapping and duplication or too many resources going to one place would be avoided. The traditional way whereby the Federal or Provincial Government agencies formulate, approve and implement the plans from the capitals is bound to result in failure, slippages, or inordinate delays. The districts affected by the calamity should be provided the manpower and financial resources to prepare the plan with the help of all the government agencies, NGOs, private sector and donors. A District Rehabilitation and Reconstruction Board headed by the District Coordination Officer and consisting of the representatives of major participating agencies should be formed. The work of this Board should be overseen by an independent monitoring committee consisting of the MPA, MNAs belonging to the district, representatives of Armed Forces, and few eminent persons of repute belonging to the district. The Provincial and Federal Governments including the NDMA should place some of their technical experts, skilled and experienced manpower at the disposal of the Boards on deputation.
2. The Federal and Provincial Governments should prepare a comprehensive Post-Flood Rehabilitation Plan based on the district wise damage assessment. The financing of the plan should indicate the sources – domestic and foreign, the sectoral allocations and the timelines for deliverables. This plan should be presented before an International Donors conference. It would be credible if the Government informs the donors that it would contribute x percent from its own resources for financing this plan and expect the donors to make up for the remaining gap. In absence of such an explicit arrangement it would be quite hard to persuade the international community to come up with the entire financing from their own sources. Large infrastructure rehabilitation projects can be assigned to multilateral development banks because they have the expertise and the financial muscle to undertake these projects. Bilateral donors and international NGOs can be asked to focus on their areas of interest in certain provinces or districts. Other donors can either directly work at local level or pool their resources for certain projects if they do not have the capacity or local presence. The proposed Oversight Committee at the District level can have representatives from such donors.
3. The Federal and Provincial Governments should jointly draw out a revised budget for 2010/11, an indicative budget for the next three years outlining the reallocations from the recurrent and development budgets, allocations from Zakat, Bait ul Mal and the additional measures for revenue generation including Flood Tax or Surcharge. The incidence of this tax or surcharge should fall mainly upon the elites in Pakistan. It must be mentioned that under the new NFC award the share of the Provincial Governments in the divisible tax pool would be relatively high compared to the Federal Government while their capacity to absorb such large volumes of additional resources productively would take some time to build. At the same time the expenditures of the Federal Government are highly inflexible in the short term – Debt Servicing, Defense, Subsidies and transfers – with little room for maneuver. The old mindset where the provinces always put inflated claims and demands on the Federal Government would have to give way to a more responsible and collective view of national resources. Of course the provinces should be allocated external donor resources for flood rehabilitation in proportion to the assessed damage needs for the projects they are assigned for implementation. The provinces, in turn, should subdivide these resources and all others saved from their budgets to the Districts affected by the floods so that local rehabilitation projects can be completed expeditiously without lengthy and cumbersome approval processes.
4. At the Provincial level, this crisis can be utilized for a complete physical rehabilitation and strengthening of our entire irrigation system that has been neglected for over sixty years. The barrages, the embankments, flood protection bunds, spurs, river training, removing obstructions from flood plains, de-silting of canals, lining of water courses. The physical rehabilitation should be accompanied by an institutional overhaul of the Irrigation and Power Departments. The technical expertise and competencies of the irrigation engineers have eroded over time and they have become bureaucrats pushing papers, awarding contracts, dispensing favors and collecting rents for themselves. The willful neglect of maintenance and operations work due to the leakage and diversion of budgetary funds coupled with inefficient and inequitable distribution and mispricing of water were the main factors behind the weakening of the irrigation system. A revamped organizational structure, a modern management system, re-engineered business processes and automation along with performance based human resource policies are badly needed for the Irrigation Department. The outdated system of water allocation that is misallocated by generous access to the large and well to do farmers at the expense of the poor has to be replaced by a more efficient equitable community based system. Water pricing mechanism has to be readjusted from time to time to meet at least the Operations and Maintenance (O&M) expenses of the system.
5. Physical infrastructure – power grids, gas transmission lines, bridges, the Highway System should be repaired, rehabilitated and rebuilt on a sustainable basis. The allocations for these activities should be made out of the reprioritized budgets of the Government, NHA, Gas Companies, PEPCO, etc. The recommendations of the Prime Minister’s Task Force on climate change ought to be scrutinized and implemented if they are found feasible. The efforts aimed at deforestation have to be penalized and re-forestation and water-shed management encouraged and given priority in public sector allocations.

1. The Federal government should also redouble its efforts to obtain access for our textile exports to the European Union (EU) and U.S. Domestically, textile and other export industries should be given all the support they need in form of raw material, uninterrupted supply of power and gas, credit and logistics. Easy and automatic refunds should be made to the exporters under the new reformed GST so that their cash flow is not un-necessarily stuck. The increased export earnings will obviate the need for more external loans, improve the capacity to import essentials and thus subdue the inflationary pressures.

 The post-relief phase can have positive impact on the economy both in the short as well as long term. The infusion of large capital and redeployment of four million persons in productive activities would stimulate aggregate demand, promote employment and thus help in kick starting the economy. The higher moisture retention in the arid lands of the country can boost agriculture production and ease inflationary pressure in the economy arising from shortages of food and other commodities. In the medium to long term the efficiency of the Irrigation System would pay positive dividends in form of better utilization of scarce water resources and higher yields.

 The risks to the proposal outlined above are also many. First, by perpetuating the negative perceptions about the government the much needed financial and human resources required from within and outside the country may never materialize. This risk has been mitigated in this proposal by bringing in each player to play their part but allowing them the autonomy and independence to operate with monitoring and accountability mechanisms. Second, the tendency of over-centralization and the allergy to devolve powers, authority and resources to the people having the best knowledge about their problems and the solutions may persist. The plan to set up the District Board is likely to be fiercely opposed by the Federal and Provincial Ministers as they will lose control. Third, we have perfected the art of going through the rituals and motions without caring for the substance. It is possible that these Boards may, in fact, be formed on paper but may be made toothless or ineffective and meet the same fate as the Police and Public Safety Commissions in the previous regime.

**Structural Reforms in the Medium Term**

 First, there is a need for reprioritization of our on-going medium term public sector spending at all levels - the Federal, Provincial and State owned corporation - and elimination of low priority, low impact development projects, waste and inefficiencies. A clear link between public expenditure and the desired economic outcomes – incomes, output, prices and employment – should guide screening of the projects, programs and policies for inclusion in the priority list. Only targeted subsidies and conditional cash transfers that can reach the poor segments of the society should be provided for and the current across-the-board subsidies available to everyone should be discontinued.

 Second, domestic savings rate is dismal and has made us heavily dependent on foreign assistance. Saving rate has to be stepped by providing incentives for households, corporate, small businesses and overseas workers through National Saving Schemes, Mutual Funds, Bank Liability Products, Insurance, etc. Public sector as a whole has been a source of large dis-savings mainly because of losses of public corporations, low resource mobilization arising from exemptions, evasion, waivers, weak compliance, and indifferent enforcement. Empirical studies have shown that at the current tax rates, the tax collection can be raised by 4-5 percentage of GDP while the plugging of the leakages, waste and corruption in public corporations and development projects can provide an additional fiscal space of 2-3 percentage of GDP. An action plan should be implemented by the Finance Managers to capture these missing public savings.

 Third, privatization program has been stalled for quite some time now and the loss making public corporations are bleeding the exchequer. Not only that privatization is necessary for the health of public finances it will also contribute to efficient allocation of resources, improvement in productivity, expansion of output and employment. The vested interests have so far prevailed upon the decision makers by perpetuating myths and falsehoods about privatization. It is time to ignore them and proceed with the privatization in an open and transparent manner both by off-loading limited shares of profit making companies and disposing of the loss making corporations. To avoid cronyism and fronting pre-qualification of the bidders against specified criteria and careful screening process must be incorporated in the law. As soon as a decision is taken to privatize the entity its control should be taken out of the hands of the Administrative Ministry and transferred to either the Ministry of Finance or Privatization Commission. The consistent efforts to subvert the privatization process by the administrative ministries will thus be contained.

 Fourth, the government by becoming too intrusive is now an impediment in the way of new enterprises, start-up companies and small businesses in the private sector. Entrepreneurship is discouraged by excessive rules and regulations. Too many agencies and departments are involved – often at cross purposes – in cumbersome and long drawn process of clearances, no-objection certificates, building permits, land acquisition, provision of utilities and infrastructure. A single building project requires more than two dozen government agencies and departments with connections and corruption as the main determinants. Land acquisition, taking possession, transfer of title deed and registration of urban property have proved a nightmare to the prospective investors. City Governments and District Governments should develop simplified IT-enabled procedures and post the land titles with ownership details on the website. Public utilities should be provided in bulk at dedicated Industrial estates in each urban centre. Computerization of land records – urban and rural – has been lingering on for almost a decade because of the resistance offered by the present functionaries. An independent authority should be given legal powers to carry out this task. Successful examples such as Sunder Industrial Estates should be replicated all over the country.

 Fifth, decision making at the government level is convoluted and complex because of the overlap, duplication and multiplicity of organizations, elongated hierarchal chain within the organization and a growing tendency for turf protection and inter-agency rivalry. Rules and procedures along with structural changes in the ministries / attached departments have to be drastically modified and powers delegated and accountability established to make room for fast track decision making. The financial rules have outlived their utility. These must be reviewed and the redundant rules purged out and the latest rules that are in force placed together in form of a manual that is freely accessible on the website. The enormous discretionary power enjoyed by poorly paid, ill trained low level functionaries such as Patwari and SHO have alienated an ordinary citizen from the Government and should be transferred in the hands of higher caliber Civil Servants. Only qualified and younger officers should be entrusted these functions.

 Sixth, the gap between the capacity of the government to deliver public goods and services and the growing expectations of the public at large is getting wider. This can be filled in by an empowered and well functioning local government system. The Local Government System 2001 had rightly devolved powers, authority and resources for basic public service delivery to the Union Councils and District Governments. This system, with some required changes, should be reinstated as soon as possible with the Provincial Governments responsible for policies, standards, assuring quality and monitoring results. Police Order 2002 with built in checks and balances of Executive Magistracy should form the Citizen-Police relations. The logical follow up of the 18th amendment and the National Finance Commission Award by building up strong representative Local Government System. For the last two years the entire LG System has been put in abeyance as the old system was abolished and no alternative system was put in its place. The void and vacuum at the district level due to the absence of a well functioning Local Government system created a large number of avoidable problems. We should learn lessons from this regrettable experience. The previous system of devolving powers, authority and resources for 12 Provincial Departments should be restored with some changes and modifications. Law and order, Disaster Management and Revenue Record Maintenance should be transferred from elected Nazim to a neutral and impartial government official. Executive Magistracy needs to be re-established for supervising the Police and keeping it accountable. Police order of 2002 should be stripped of all the subsequent amendments and the Police commissions revived and strengthened. Urbanization is placing many severe strains and urban management for large metropolitan cities done on modern lines.

 Seventh, investment decisions in Energy, rehabilitation of irrigation system, education and health should be made on a medium term basis. Pakistan’s reservoirs and dams have only 30 days storage capacity. Hydro power is the cheapest and cleanest source of energy. But dams – large or small – could not be built because of political differences among the provinces. It is imperative that all the provinces reach a consensus and then allow the construction. As changes in the government in Pakistan bring about abrupt reversals private investors desiring to invest in long gestation projects suffer from a high degree of uncertainty. They are also hesitant to invest or participate in any public-private partnership because they are not sure as to what will happen to their project when the new government comes to power. To minimize this uncertainty the Parliament should discuss and approve the projects and allocations for the entire implementation period which should remain unchanged at the time of annual budget except for fine tuning. This will assure that some critical activities that produce results in the medium to long term are not sacrificed at the altar of short term expediency and arbitrary cuts in development projects.

 Eighth, the emergence of an assertive and independent judiciary in Pakistan in the last few years is a most welcome step. But the priority of the judiciary should be to make dispensation of justice easily available to an ordinary citizen without him incurring huge unaffordable costs or committing years of productive life in inordinate delays, adjournments, stay-orders and multiple appeals. Expeditious disposal of cases pending at all tiers of courts and integrity of lower judiciary can unlock a large amount of dead or illiquid capital for investment. The Federal Board of Revenue cannot recover Rs.100 billion of taxes owed as the cases are pending in the courts for years altogether due to cumbersome procedures, delaying tactics adopted by the lawyers and no penalty for filing frivolous litigation. The commercial banks have billions of loans stuck up as the borrowers have either obtained stay orders from the courts and thereafter the cases are adjourned for one reason or the other or the decrees granted by the courts have not been executed. Others get encouraged by such tactics and they also pursue the same path. Most of the litigation in Pakistani court system arises from the disputes on land, residential or commercial property. A large number of projects are either delayed or abandoned as the potential investors find themselves entangled in cases filed by those illegally occupying their land or property against the legitimate owners. Weak and unclear title deeds, loopholes in registration procedures and unreliable transfer mechanisms have encouraged the propensity for unnecessary litigation. In large urban areas, organized land mafias have taken illegal possession of large tracts of state and private land parcels. Building Control Authorities such as CDA, LDA and KBCA have become hubs of corruption where lower functionaries would create hurdles at every stage of construction and won’t issue the Building Completion Certificates unless they are paid huge sums as illegal gratification. Multi billion dollars worth of investment is stuck and has become illiquid because of these factors.

 Finally, most of the problems in the operation of the Public Sector enterprises arise due to widespread favoritism and nepotism in the appointments of the Chief Executives and the Boards. The process of their appointment is highly opaqe and depends upon the whims of the Prime Minister or the Chief Minister who enjoy enormous discretionary powers. These powers have been mis-utilized to favor the cronies of the rulers. To avoid this tendency and introduce transparency the Chief Executives (CEOs) and the Board of Directors for 100 key economic institutions, organizations and corporations should be appointed for a fixed tenure in a clearly defined process. Once appointed they cannot be arbitrarily removed without cogent reasons. These appointments should be placed and endorsed by the Parliamentary Committees and the removal can be challenged in the higher courts of law if done with malafide. These CEOs should be given specific targets and held accountable for results. The Annual Reports of their performance and financial statements should be submitted to the Parliament and made public. Those who consistently fail to meet agreed performance goals without any justifiable reasons should be taken to task.

 The political will to carry out these above decisions has been lacking so far. It is time that the government musters the courage, rise above narrow partisan interests and get the country out of its present crisis and a general state of despondency by taking these tough decisions.

**Long-Term Direction**

 The impact of the structural reforms proposed for the short and medium term would significantly affect the current parameters of Pakistan’s economy. But the situation gets further complicated because in the next twenty five years the shape and form of the world economy itself in which Pakistan has to position itself, is going to change quite dramatically. The locus of economic power is likely to shift from the western block to the US, Europe and Japan to emerging economies particularly Brazil, Russia, India, China, etc. China would most probably surpass the U.S. to become the largest economy in the world by 2025. Pakistan’s strategic location – neighboring both China and India – offers attractive prospects if it consciously reworks its foreign economic relations. China has been an all weather friend of Pakistan irrespective of the kind of political regimes that have ruled China or Pakistan. Nurtured under Mao Ze Tung – Chou En Lai period the friendship between the two countries has remained rock solid in spite of the tumultuous domestic political changes in Pakistan. In the recent years the economic ties have strengthened and a Free Trade Agreement has been signed by the two countries. However, the volume of bilateral trade at about $5 billion annually with Pakistani exports amounting to only $1.2 billion remains much below the potential. Pakistan should aim to achieve at least 1 percent of the share of Chinese imports that in the current terms would translate into additional earnings of approximately $11 billion – a significant boost to the aggregate export revenues of the country. Foreign direct investment flows, joint ventures in manufacturing industries, partnership with the Chinese companies in large infrastructure projects, opening of bank branches, transfer of technology, exchange of scientists, teachers and students would further enhance Pakistan’s economic capabilities. The special historical ties can be translated into mutually beneficial economic gains.

 Peace with India should form an integral part of Pakistan’s economic agenda. Both Pakistan and Northern India contain a large number of people living below the poverty line. The proximity and contiguity between Indian Punjab and Pakistani Punjab and Rajasthan and Sindh Provinces can be profitably utilized to create clusters where agglomeration economies should kick in. Water sharing arrangements, including Reservoirs and Dams, alternate sources of renewal energy, grids and transmission lines, oil pipelines, railway and highway connections can help both the countries in overcoming their infrastructural deficiencies, improving the connectivity across the region and expanding markets for goods and services. Tourism – ethnic and heritage, cultural exchanges, music, drama, films and sports contests can help cement the people-to-people contacts and promote a better understanding. Diversion of trade from informal means to official channels would reduce the transaction costs and lower the prices to end-users. Dissemination of Best Agricultural Practices in similar agro-ecological zone can boot productivity and farmers’ income. The large reservoir of English speaking educated youth available in Pakistan can augment the skill base of Indian Business Process outsourcing and I.T. export industries maintaining India’s labor arbitrage in the global market intact. Scientific and technological cooperation between the two countries can help resolve a number of problems that are common in nature e.g. economically viable renewable energy for example.

 Pakistan’s demographic profile can also become a source of growth and improvement in the living standards. As most western countries and Japan are going to face an ageing population the youth of Pakistan – if properly trained and equipped – can become part of the global labor force. More than half of Pakistan’s population is below the age of 19 and the ratio of non-working age to working age population is on a gradual decline. Net enrolment ratios at the primary level are only 53 percent and completion rate still lower. The average years of schooling of the labor force is quite low – 3.9 while the labor force participation rate is 38 percent. Technical and vocational enrolment rate is 1 percent. With such weak indicators Pakistan is not prepared to supply the kind of workers required by the rest of the world. But there is no reason that accelerated and focused efforts on educating the youth not only in literacy and numeracy but in technical and vocational skills, middle level para-professionals and high level professional education can transform this resource into employable manpower. Teachers, nurses, paramedics, lab technicians, accountants, leisure industry workers, IT & Software experts would be in high demand in the future and Pakistan should establish centers of learning and practices which can produce a continuous supply of this type of skills. Of course, changes and adaptations have to be made in light of the changing demand-supply equation. Building strong foundation at the primary school level, introducing new curriculum, trained teachers, pedagogical tools, that can retain the interests of the children, are the instruments through which this transformational change can take place. All hands-on-the-deck approach in which public, private, communities, non-governmental organizations all participate in this education and training expansion efforts should be encouraged and incentivized. Human capital formation would require no more than 4 percent of GDP which is financially affordable but is highly intensive in organization, management and delivery.

 The other major driver of the competitiveness in the global economy is going to be Innovation, Entrepreneurship and Technology. On the current set of indicators, Pakistan is fast losing its already low place in the ladder. The constant preoccupation with crisis management both political and economic has rendered the country’s ability to invest in science, technology, higher education, knowledge creation, acquisition, assimilation and dissemination quite ineffective. A modest beginning was made in the early 2000s with the setting up of Higher Education Commission and some reform of Science & Technology organizations. Faculty development, training overseas for Ph.d degrees, e-learning and digital libraries, liberal research grants were beginning to make some modest difference. But the incoming government has reversed the trend and cut back both the recurring and development expenditures. There is a strong apprehension that the country may suffer a brain drain as a result of this policy and the investments made so far in the infrastructure may go waste. If this happens, the set back to Pakistan’s efforts to enter the race for global knowledge economy may prove abortive. A long term strategy with five year rolling action plans debated and approved by the Parliament with a broad political consensus should drive the knowledge economy agenda of Pakistan. While planning, guidelines, funding and monitoring should be entrusted to the Higher Education Commission and a similar Science and Technology Commission each learning and research institution should be given resources, operational autonomy and empowered to implement the plan. Knowledge creation and application cannot take place under controls and rigid bureaucratic rules. A new organizational model on the lines of China and Korea would be more appropriate with suitable adaptations.

 In 2010, four out of every ten Pakistanis live in an urban area. By 2025, the majority of Pakistanis would live in a town, city or metropolitan area. This growing urbanization would impose, in its spate, a number of social, political and institutional changes of significant nature. The traditional biradri, tribal, kith and kin affiliations that characterize the rural societies would break down and completely new relationships would be forged with altered behaviors and norms. Politically, the patron-client based system would be replaced by a more result-based, service-oriented dispensation. Those who want to get re-elected would have to demonstrate that they deserve the votes on basis of their track record and performance during their tenures. Economically, the share of services and manufacturing industries would rise and the absorption of migrants and surplus rural labor would pose a major challenge. The contest between those already settled in the urban areas and the migrating population for the scare resources – land, water, transport, services – would result in clashes and conflicts. If these two groups have separate ethnic and political affiliations, violence can erupt as has been happening in Karachi in recent months. These conflicts can be avoided only if there is a proper planning to meet additional demands for land, housing, transport, energy, food, water, sewerage and sanitation, and other urban services. This will be predicated upon considerable strengthening of the capacity of the urban management institutions. Resource base at the local level through taxation and user charges can be augmented if appropriate legal, administrative and financial powers and authority are devolved to urban managers. Multiple and overlapping jurisdictions in the same metropolitan area have so far impeded integrated planning and delivery of services in an efficient and effective manner. Innovative solutions have to be found to organize the urban management systems. Haphazard and unplanned land utilization that has made our cities pits of squalor and squatters has to give way to a more systematic mix of residential – commercial – industrial zones that conform to the emerging standards of environmental safeguards.

 The cumulative effect of a strong civilian administration and judicial system, regional economic integration with China and India, demographic dividends, innovations and knowledge creations and rapid urbanization would be the emergence of a vibrant middle class that will challenge the monopoly of the entrenched elites who have dominated the Pakistani scene for the last sixty years. There are those who argue that this middle class in Pakistan will consist of Mehran man who will be educated and skilled but religiously conservative, opposed to the western style of living and highly nationalistic in temperament. The combination of these traits in a Pakistani will naturally run foul of the trends of a global citizen. A global citizen will have very little emotional attachment to the country of birth, will have little affinity to religion, and will feel comfortable in different living environments. This clash of culture and beliefs between a religiously conservative Pakistani citizen looking inward and an outward looking liberal global citizen would possibly marginalize Pakistan in the shaping of future power dynamics in the world. On the other hand, if a different sort of Pakistani middle class which we may call Chery man (for the Chinese car Chery) emerges that may feel ease both within the country as well as outside and is not antagonistic and hostile to those who do not share his world view, the prospects of Pakistan playing a more vital role in the comity of nations cannot be rule out.

 The crux of the problem therefore lies in the arena of public policies and governance mechanisms in Pakistan over the next two decades or so. They can either catapult Pakistan as a responsible global player making the lives of its citizens comfortable or plunge Pakistan into an ever continuing struggle for its citizens to survive and sustain themselves.