

DEVELOPMENT STRATEGY OF PUNJAB¹

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I would like to congratulate the Punjab Government for taking this initiative to organize this Development Forum and thank them for inviting me to participate. It is high time that the provinces should take stock of their approach to development and poverty reduction and introduce new measures which will make the difference in the lives of their citizens.

The population of this province has multiplied four times during the last fifty years rising from 20 million in 1951 to almost 80 million today. The dynamics have changed so fast that the districts of Lahore and Gujranwala divisions have a much higher population today than what the whole of Punjab had in 1951. More than one third of Punjab's population now lives in the urban areas and rapid growth of cities and urbanization are creating economic and social stress.

What does this dynamic change suggest? This clearly implies that the institutions, procedures, systems and skills which were quite appropriate and valid even until about 10 years ago have to be readjusted, retuned and recalibrated to address the new and emerging challenges. Unfortunately, we have failed to adapt these institutions with the passage of time and that is why institutional decay has become so visible throughout the country. The erosion of capacity of key institutions to deliver public services is causing inequities and suffering to the common people. At the macro level this blunts the transmission

¹ Chairman's address at the Punjab Development Forum held on September 16, 2003 at Lahore.

mechanism of various policies and at the micro level this retards implementation of projects and makes development ineffective.

A newly elected democratic government is, therefore, fully justified in revisiting the development scenario and identify as to what needs to be done differently to overcome these problems. I will make a humble attempt to offer some observations about the direction which the Punjab Government should consider carefully and seriously.

The only pillar of development strategy Punjab should focus during the next four years or so in my view is the strengthening of key economic institutions at the provincial and local levels. These changes ought to be fundamental and not cosmetic and they will require strong political will. The first institution to deal with is the Planning and Development Department itself. A change in the mandate, thrust and terms of reference is badly needed as it has outlived its utility and is not equipped to face the present and future challenges of development. There is a need to make a shift from too much preoccupation at present with approval of schemes to a more holistic approach that ranges from assessment of needs to policy formulation to program and project preparation to monitoring implementation to evaluation of policies, programs and projects. The traditional way of preparing five year plans has to be replaced by a rolling public sector development program and a medium term public expenditure framework on which the annual budgets are anchored. The coordination of all economic policies with the Federal Government, with the various parts of the Provincial Government and all the local

governments has to be carried out by the Planning and Development Department under the guidance of a Development Coordination Committee of the Provincial Government

The second key institution to be reformed is the Unification of Provincial Tax and Revenue Collection agencies. The present division between the Board of Revenue and Excise and Taxation Department in the collection of taxes and revenues should give way to a single Provincial Revenue Authority organized on the basis of modern organizational principles.

This reform will entail elimination of multiple taxes, simplification of tax policy and procedures, reliance upon self-assessment, enforcement of audit on a selective basis and a dispute resolution mechanism that is quick and efficient. Labor levies and Social Security taxes should also be the responsibility of the same Provincial Authority. The governance structure of the authority should be different from the traditional department and autonomy be given to the authority with full accountability for the results. The Board of Directors of the Revenue Authority should be headed by the Chief Minister himself and consist of key Ministers and Secretaries. The Board of Revenue should be revamped for state land utilization, allocation, record management and other matters.

The third element of institutional reform is that the District governments should be given full administrative and financial powers to manage primary, secondary and college education along with basic health units, tehsil and district hospitals. The staffing of these

entities should be drawn from local cadres of staff and supervisory bodies consisting of government, private sector and communities should be responsible for supervising and oversight of these institutions. This will take immense political pressure of transfers from one district to another which occupies so much time of our legislators. At the Provincial level, all the higher educational institutions, hospitals and health institutes should also be supervised by autonomous boards. I realize this is not a highly popular or politically correct viewpoint, but this is my firm belief that de-politicization and de-bureaucratization of our educational and health institutions would be the greatest service we can render to the public at large. The financial resources of these institutions can be augmented through private donations and this is only possible if the donors have a say in the affairs of these institutions.

The fourth ingredient has to do with the organization of agriculture education, research, extension and dissemination of new knowledge and techniques among our farmers. The present compartmentalization and silo-like approach of keeping each of these activities separate has not benefited the farmers in any significant way. While we have entrusted the distribution of seeds, fertilizers, insecticides and other inputs to the private sector and are encouraging them to participate in the marketing of output, the Government will have to continue providing these public goods to enhance productivity. The synergies and horizontal linkages between education, research, extension and dissemination, are too strong to be left alone. We need to develop an integrated approach in which the Universities and Institutes are producing skilled manpower and carrying out

research on the real problems faced by our agriculturists. The expertise at these Universities and Institutes should be used in extension and dissemination of new knowledge and techniques. The rivalries between these various components of an integrated system are creating more harm than good.

Fifth, the Government of Punjab should take a hard look at many of its enterprises, corporations, boards, businesses and see if they can sell some of them to the private sector, wind up those no longer required, merge or scale down others. This will free up a lot of financial and managerial resources which can be utilized for other purposes. At the same time, the Punjab Government should also review the terms of reference of each existing department and separate out policy, regulatory and operational responsibilities. Policy formulation, budgeting and monitoring should continue to be vested in the departments; regulatory functions should be transferred to independent regulatory bodies and operational and implementation to the autonomous bodies, authorities, corporate entities or other structures fully endowed with adequate powers. The current system of overloading the Departmental Secretaries with unclear and overlapping functions induces a culture of indecisions and lack of ownership. The rules of business should also be amended to reflect the new processes.

The Secretary of the Department is the Principal Accounting Officer but he is provided no expert assistance in carrying out this important function. In every organization there is a financial person with requisite skills and experience to assist the

Chief Executive but we do not have any such person. This is highly desirable when we have implementing agencies engaged in billion rupee businesses without the services of a qualified financial manager. The tendency to appoint an Accounts and Audit Officer as Financial Director or Member Finance in large autonomous bodies or corporations should be done away with. Financial professionals of integrity should man these positions and be paid market-related salaries. The savings they can bring about through efficient management can be hundred times with their salaries.

Finally, the Punjab Government should look at the Officer – support staff ratio carefully. We should increase the compensation packages of the officer class to attract, retain and motivate the bright and the best. This can be done within the existing wage bill if there is a reallocation from support staff towards officer cadre. Unless we provide a decent living wage to our talented civil servants, we cannot expect them to be dedicated, motivated or committed. Their current salaries last only one week on the basis of their purchasing power. Corruption can be minimized if we compensate our officers adequately, have clear accountability and remove discretionary powers.

I realize I have focused this morning on just one aspect of the strategy but it is my firm belief that we have spent too much time, energy and resources in writing beautiful strategy papers, elaborate policy documents, comprehensive blueprints and plans, sophisticated PC-I forms. But we have not come to grips with the reality that it is the

disconnect between our capacity to theorize and our capacity to implement. All of us need a wake-up call and move from rhetoric to action.

Action can take place in a meaningful way only if we have a cadre of well compensated, qualified and skilled civil servants with dedication and commitment, organizational structures with clarity and delineation of responsibilities, processes which are transparent and efficient and attitudes that are not cynical and negative. These are the ingredients of successful institutions which we need to promote in our country. I very much hope that the Punjab Government will take the lead in adopting many, if not all, of the proposals I have presented before the Forum this morning.

Thank you.