

Quarterly

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From the Director's Desk

The Centre for Public Policy and Governance (CPPG) will be completing three years in July 2010. It is still in its infancy phase. However, it has made considerable progress in positioning itself as a leading institution promoting academic deliberation and policy dialogues. In these years the CPPG has arranged over 25 Seminars on issues of national significance and global relevance in which scholars, policy makers and experts from within the country and abroad have been invited. These deliberations are shared with FC community and wider national and international audience through our Research and News Quarterly. The first batch of our Executive MA in Public Policy will be graduating this year. To sustain this momentum the CPPG is now striving to build a faculty of dedicated researchers, scholars, analysts and policy experts who share our vision and have passion for developing CPPG into a center of excellence in Public Policy and Governance--this is a challenge and we want to convert it into an opportunity.

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CENTRE FOR PUBLIC POLICY
AND GOVERNANCE

Faculty Seminar Series

: Mr. Sartaj Aziz, Vice Chancellor Beaconhouse National University and former Finance Minister was invited as a Distinguished Guest Speaker by the CPPG to launch its Fall Seminar Series 2009-10. He delivered a talk on *Food Security in Pakistan: Challenges and Policy Choices* on October 19, 2009.



Mr. Aziz opened his remarks by outlining three categories of Food Security; the International, National and the Individual. According to him, the term Food Security was first used in the Food and Agriculture Organization (FAO) report in March 1973 with the backdrop of what came to be called "The Big Grain Robbery". Since the 2nd World War, America had produced surpluses to the tune of 60-65 million tons and food price had remained stable. Total world grain consumption (wheat, rice & maize) had been 1,250 million tons. In 1972, the world production fell by 33 million tons and the Russians purchased half - 28 million tons of the outstanding stock through several small transactions getting American State subsidies. Within six months the food prices had doubled rousing a concern that developing countries would not be able to afford grain. This led FAO to caution that at the international level the "World Food Security is threatened by the large purchases and the absence of stock in the face of growing demand and falling production". The second category National Food Security evaluated food security for a particular nation state. Despite ensuring food security at the international and national level, it was still possible that people may not be food secure. This prompted the 1996 World Food Summit to define Food Security; *"When all people, at all times, have physical and economic access*

to sufficient, safe, and nutritious food to meet their dietary needs and food reference for an active and healthy life".

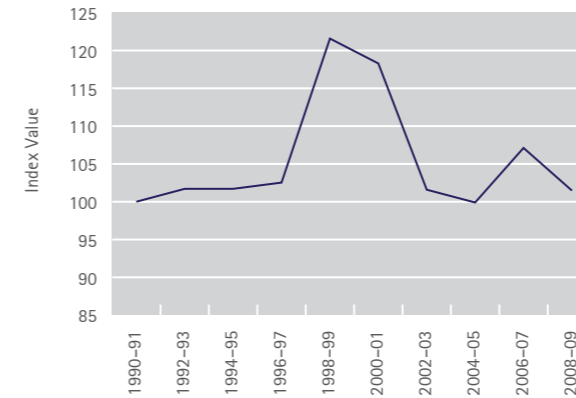
Given this context, Mr. Aziz argued that no other area of public policy had so many facets as Food Security and thus it was important to look at the interrelationship of different dimensions. The Task Force on Food Security, which he headed, had explored and investigated the issues of food security comprehensively. The Task Force recommended that Pakistan must adopt a food security strategy comprising of the following four components:

1. Ensure *adequate food supply* through an average agricultural growth rate of at least 4% (more than population) per annum in the next decade.
2. Evolve an efficient and adequate system of food procurement, storage and distribution to ensure food availability *at affordable prices* throughout the year in all parts of the country. Price fluctuations and remote areas being of special concern.
3. Improve poor households' access to food by adopting a pro-poor growth strategy and providing non-farm employment on a substantial scale thus *making sure that poor people's incomes could compensate for increase in food price*.
4. Build a transparent and well managed system of safety nets to *provide income support to very poor households* as there are always 10-12% households who'll need income support.

The assessment of these elements was incorporated in the Task Force created *Food Security Index*, which comprised of food availability (production & import), food prices, income and growth. Food Security Index had improved from 1990-99 deteriorating later. It was recommended that the Agriculture Policy Institute (API) of the Ministry of Food and Agriculture adopt a formal system of food security including monitoring on a regular basis and reporting through submission of a quarterly or biannual report to the Economic Coordination Council so as to pre-empt or manage crises. This would limit the government from making mistakes, as it did in 2007 when rather than a wheat estimate of 23.5 million tons (production numbers

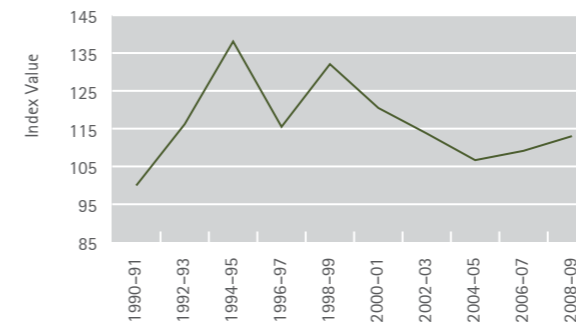
were padded before the budget to show increased growth rate), actual production was 21m+ leading the government to export 0.5m tons at \$200/ton and later importing 1.5m tons at \$500/ton.

: Food Security Index



For Aziz, a major policy issue was the deteriorating Agricultural Terms of Trade (TOT - Rate of increase in value of output compared to the rate of increase in input and basic needs costs). In the 80s & 90s, the agricultural TOT improved and support price of wheat went up by 140% compared to 67% price increase of fertilizer but for the next eight years support price went up only by 45% while all other prices increased higher. Still no one noticed because API did not calculate or report the quarterly TOT index while impact of day to day policies including that of energy and petroleum on agriculture was not assessed because of a lack of change sensitivity and connectivity in the overall system. Policies affecting food security cover a very wide range and unless these were consistent and mutually supportive, the objectives of food security could not be achieved.

: Agriculture Terms of Trade



He argued that the agriculture sector would respond only if its TOT improved. Though the government had taken recent policy actions to remove bias against agriculture by taking such steps; (a) raising wheat procurement price by 52% to Rs. 950 per 40 kgs; (b) removing sale tax on fertilizer and pesticides in the 2008-09 budget; (c) providing Rs. 32 billion subsidy on phosphatic fertilizer; (d) increasing agricultural credit target by 62% to Rs. 250 billion in 2008-09 budget; (e) introducing Benazir Card for agricultural inputs leading to a big supply response in both wheat and rice. Yet these measures were not enough. He pointed out that had government followed Task Force's recommended price of Rs. 900, the current price would have been Rs. 1-1.5 per kg less and this year, the government would have had the space to adjust. But even with production of 25m tons, low income groups did not have food security. Mr. Aziz highlighted some of the other recommendations including monitoring of TOT on a six monthly basis by the API, fixing agricultural credit target of Rs. 360 billion in 2009-10, enhancing capacity of the food wing of Ministry of Food, Agriculture and Livestock (MINFAL), API and provincial agricultural research and extension systems, early passage of Seed Act Amendment Bill and Plant Breeders Rights Bill which had been sitting in parliament for two years, and most importantly giving administrative & financial autonomy to research institutes and agricultural universities.

Discussing the various dimensions of food security, he began with increasing food production through an informed *growth strategy* with key elements of bridging the yield gap, diversifying towards high value crops improving nutritional value of intake, expanding R&D investment in agriculture, improving post-harvest handling, livestock sector development and improved water use efficiency.

To bridge the *yield gap* from 40 to 70%, certified seed coverage of 10-15% had to be increased which required a legal framework for seed multiplication- the approval of Seed Act, fulfilling seed requirements of deficit provinces and public private partnership (PPP) in seed multiplication as public sector Seed Corporation could not deliver a complex hybrid seed. For balanced use of fertilizer, which stood at 1:7 phosphate nitrogen ratio for wheat because of respective price, the ratio needed to be 1:3; and while

government provided subsidy of 50% on fertilizer seed band placement drills for uniform spacing allowing effective application of water and fertilizer, the coverage area of 5% needed to be increased to 60–70%. Additionally subsidy on deep tillage implements and sprayers, acceleration of farm mechanization, development of high yielding cotton varieties and approval of Plant Breeders' Rights Bill was also needed.

To *diversify towards high value crops*, cultivated area under high value crops (fruits, vegetables, pulses and oilseeds) needed to be doubled in the next five years. This required enhancing credit allocations for horticulture for example giving special allocation to plastic tunnels; *establishing post-harvest systems* (harvesting, storage, transport, marketing) and cold chains through public private partnership to decrease wastage as higher value crops were more perishable eg. Milk, the highest value product had a life of 10 hours. Understandably only 6–7% of milk was processed in Pakistan while farmers were forced to convert the rest. He argued that recently established cold chains macro stores were useful because they bought directly from farmers giving them a higher price but their numbers needed to be increased; modern markets should be developed in all major cities allowing ordinary people to sell their produce as currently markets in most cities such as Gujranwala & Jhang were unhygienic and underdeveloped; and to stem the manipulation of prices by market committees in cities hurting both the farmer as well as the consumer, the Marketing Act which had been sitting in the Punjab Assembly for 2 years needed to be passed. Additionally market information was needed allowing farmers to find the best market price for their produce, as had been done in India through cooperatives' use of computers to find the best market price.

Making a case for *expanding R&D investment*, he argued that R&D investments had returns of 50–100% but the expenditure on agriculture R&D was only 0.24% of value added compared to 0.40% in Bangladesh and 0.50% in India. What we spent went mostly into salaries without enough actual research production and its translation from station to field. Thus a well-funded and adequately staffed provincial research system with a proper incentive structure rewarding breakthroughs and an autonomous agriculture university system for self-prioritization was

needed. Aziz was critical of the outmoded extension system and pleaded for the use of electronic media for transferring results of research to farmers. Giving the example of an extension message based British drama where two farmer brothers, one efficient and the other disinterested, he argued that an illiterate farmer could learn from TV provided the programming was interesting, which was possible through the collaboration of media and extension personnel.

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He drew attention towards the neglected but vital *Live-stock sector*, which contributed 52% of the agricultural value added (higher than crops), 11% of GDP and 8% of exports. More importantly, it targeted female oriented poverty reduction and improved family's nutrition. But because of small-scale, poor quality feed & fodders, inadequate veterinary health and extension coverage, inferior feeding practices and overgrazing, livestock's potential was unfulfilled. He suggested universal veterinary coverage, a national program of artificial insemination, setting up of dairy co-operatives to market milk, improved credit outreach through micro-finance and setting up of a Range Land Management Agency to ensure that range needs were properly met.

Discussing *Improved Water Use Efficiency and Development*, he argued that Pakistan had 20.6 million acres of culture able wasteland, of which potentially 12 million acres (2million acres through perennial irrigation schemes in mountainous and hilly areas; 5million acres in spate irrigation, *rod-kohi*, *sailaba* farming system across Pakistan; 5million acres through *barani* and *khushkaba* farming systems) could be developed for agricultural production. The cultivated area had increased by at least 40% because of Mangla and Tarbela. But investment in the water sector in the current decade had declined to 10–11% from an

average of 20% of the Public Sector Development Program (PSDP) during 1980–1999 leading to a decline from 1.3% to 0.3% in the annual increase in water availability for agriculture. This was a major cause of agricultural growth slowdown from 4.6% in the 1990s to only 2.8% in 2000–2008.

The second dimension of *food procurement, storage and distribution of wheat* was important because even with record production, 9 million tons rather than the usual 4–5 million tons of wheat was successfully procured but storage facilities were inadequate leading to wastage. The subsequent challenge was the regular release of wheat quotas to flour mills, combined with a program of subsidized sales at Utility Stores and Sunday Bazaars. Providing the historical background, he stated that after the 1965 war, ration cards were distributed to citizens for a particular quantity of wheat flour at a subsidized price but this program had deteriorated by the early 1980s as only 20–25% of the total was drawn by the poor while the rest was pocketed by the flour mill, food department and the ration depot triad. Thus this Rs. 2 billion subsidy was abolished in 1987 and instead the government decided to procure wheat and issue it at a fixed price throughout the country and year. The new system worked well for twenty years though it required adequate stocks and proper management of inter provincial movement. But because major inter-provincial differences existed between Punjab as a surplus province where millers wanted to export flour rather than wheat, Baluchistan which was dependent and Khyber-Pukhtoonkha which additionally encompassed demand for Afghanistan, leading to inter-provincial differences in prices due to restrictions on cross provincial movement.

“The extent to which one moved away from the market system led to increased difficulties in managing the public policy arena.”

Sartaz Aziz was emphatic in observing that the difficulties in food procurement, storage and distribution were not easy because of competing interests, so policy consensus and better coordination within ministries and with pro-

vincial governments was imperative. Instead of smuggling grains, he argued that appropriate policy choices were needed to export wheat to Afghanistan at international prices through official channels to earn foreign exchange. This also required capacity to monitor international price trends because if domestic price was markedly lower than international prices then wheat was bound to be lost to smuggling. Same was true within the country. The extent to which one moved away from the market system led to increased difficulties in managing the public policy arena. If market price was much higher than government price then the beneficiary queue would be too long for the government to manage. While the alternative where even with increased production, if wheat price increased more than the increase in people's incomes, they would not be able to afford it. Thus expertise in both federal and provincial levels was needed to determine how much could the government move away from the market system before deciding the procurement price, release price and mechanisms to subsidize wheat for the poor.

The third dimension of Food Security related to the person through *poverty and hunger*. The real cause of hunger was not lack of food but poverty not allowing the poor to buy or produce the needed grains to eat. Thus food security could not be ensured without reduction in poverty, which had to be dealt with simultaneously with food production issues. Providing statistics he stated that 77million people were food insecure in 2008 according to World Food Program while 50 million people lived below the poverty line. The incidence of poverty was 46% in 1980s, decreasing to 28% in 2005 but had risen again to 36% partly because of higher food prices.

Aziz argued that the most important element for poverty reduction was non-farm employment because more than half of rural population did not have land or other assets to produce food. He suggested promotion of non-farm employment in agro-industry and services through agricultural diversification, skill development and micro credit, especially for livestock. While rejecting selling land to foreigners or following the American agriculture model with large holdings employing only 3% of the population, he argued for Corporate Farming, a professionally managed corporate entity managing large land holdings (10–100K acres) of pooled small farmer land with farmers

as share holders. He argued that 75% of all farmers had small holdings of less than 12 acres with a 5+ member family, making it hard for them to buy and apply the right inputs. But if the land was pooled under a professionally managed corporate entity, the corporation could professionally manage the lands, recover actual costs and distribute net returns among share-holders. Additionally the corporation would also give preference to its shareholders for paid labor opportunities. He argued that any state land developed through such measures should be given to small farmers and the poor, and not to army officers or other well to do allottees.

“The real cause of hunger was not lack of food but poverty not allowing the poor to buy or produce the needed grains to eat.”

While accepting well managed safety nets providing relief to vulnerable groups as an important element of the food security strategy, he concentrated on transparency and targeting for program such as the Benazir Income Support Program (BISP) and Punjab Income Support Program providing Rs. 1000 per family, and earlier Zakat and Baitul-Maal providing Rs. 200-300. But it was only a temporary relief, which could not reduce poverty in the long run.

In conclusion, he stated that Pakistan's real challenge was *Institutional & Organizational Capacity* because the government did not have the expertise to prepare large agriculture projects and Agriculture Minister was usually the weakest member of the cabinet with little capacity to get resources. Being an insider on the policy and decision making process in the country he perceptively observed that policy makers invariably worked under the assumption that things got done just by issuing an order. Contrasting with China where, he said, no reform or program was introduced unless the administrative and institutional capacity to implement was first improved. He created an air of optimism by saying that resources were also available in terms of foreign assistance but only if Pakistan could gear itself to prepare 15-20 large programs to implement the suggested four pronged food security strategy.

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The Question and Answer session was lively and led to several questions. Responding to a query about the formation of Task Force, Aziz stated that the Task Force was setup in May 2008 and comprised of 20 members including various secretaries, head of universities and 5-6 private persons related to agriculture. It was a hard decision to continue with the Task Force when his party's government was overthrown but he felt that its importance outweighed those concerns and he completed the task without accepting any remuneration. A comprehensive report on agriculture made by the national commission setup by Prime Minister Junejo was still valid. Thus members of the Task Force were requested to submit their proposals followed by completion of the report based on comments and discussions involving just three face to face meetings. But the report had yet to be implemented.

In answering a question regarding international politics of food, he stated that Kissinger's call for a Food Conference at the 1973 UN conference was world class politics and a call to OPEC countries' food dependency. Though the American Government had its own strategy, the UN of which he himself was a part was able to neutralize this agenda by propagating a philosophy of self reliance and self sufficiency with the third world, and the Conference adopted a policy for countries to increase their food production while calling for doubling of foreign assistance for agriculture.

In response to a question on the Political Economy of Poverty Reduction, he stated that obstacles to poverty reduction were not economic but primarily political - the poor had unequal access to capital, land or labor markets

because of the structure of land ownership, and control of credit and income sources. Because inequality adversely affected both growth sustainability as well as poverty reduction capacity, it was important to build poverty & inequality tackling strategy within the structure of the growth process.

Dwelling upon water and climate change, he said that the inter-governmental panel had suggested serious affects for South Asia because its major source of water came from large snow covers, which were melting at an increasing rate. He argued for research to improve water use efficiency (rather than flood irrigation) while accepting that high water consuming crops such as rice and sugarcane may not be feasible in the future. Key was to develop institutional arrangements, a National Commission on Climate Change based on a model similar to HEC (chairman of minister status not under any particular ministry, manned by professionals where transfers are not random and frequent). While accepting that water diversion to fill the Bagliar Dam by India was an obvious violation, by pointing to its current arbitration in the World Bank, he argued that Indus Basin Treaty was the best thing against an alternative with no constraints. But more important was to improve our own water use efficiency as almost 50% of the water was wasted.

Replying to the question regarding reasons for the rise in food prices, he said that though various arguments including 'Chinese and Indians have started eating more', speculation, globalization, conversion of grain to oil (profitable when oil price > \$70-80) were given, the fact remained that we were part of the global market subject to gluts and shortages. Thus the objective of the food security policy should be to isolate the country from big jumps and drips while keeping pace with broad trends else the system would come under severe pressure.

Addressing the sensitive issue of government interference in grain prices, he suggested that while in the 1980s, government regulated price for five different crops- wheat, rice, cotton, pulses and sugarcane, the only area left with indicative price intervention was wheat providing farmer a support price if he could not sell for a higher price. He accepted that market be allowed to operate freely while regulating import and export.

“... obstacles to poverty reduction were not economic but primarily political - the poor had unequal access to capital, land or labor markets because of the structure of land ownership, and control of credit and income sources.”

Finally, responding to a question on how prime agriculture land around cities was being converted into housing colonies and industrial area, he argued that the National Commission Report had a complete chapter on land policy and development, in which they had divided the land into four categories: A - prime cultivable, B, C and D classes. With only 25% of land in A class, the commission had recommended that no A class land be given for non-agriculture usage. He argued the need for developing secondary centres of industrial activity to limit growth and congestion of the few large cities where most activity was concentrated. Additionally, cities needed a hinterland of 30-50 miles around them for their high value agricultural needs including fruits, vegetables and milk.

: Mr. Daniyal Aziz started his political career as Member District Council. A former Chairman National Reconstruction Bureau (NRB) & Member National Assembly (MNA), and currently Chairman Board of Directors Devolution Trust for Community Empowerment (DTCE) he was invited to deliver a talk on the 23rd of November, 2009. He spoke on the subject of: *Does Local Government have a future in Pakistan?*



Mr. Aziz began his talk by providing a context to the formation of the NRB and development of the Local Government Ordinance (LGO 2001). Devolution & Decentralization was one of the seven point agenda articulated by General Musharraf as he assumed power on November 12, 1999 and NRB was created as a policy think tank to advise the government in fulfilling this agenda. An atmosphere also prevailed that Pakistan could be declared a 'failed state' because there were allegations of embezzlement in the health and education sector to the tune of \$ 400 million. To break this vicious circle, it was decided to promote grass root democracy through local government and reduce reliance on the bureaucracy. Thus main objective of the NRB was to make local government functional and elected leadership at the local level more representative and responsible.

The task of designing such a reform involved four separate pillars including the administration, political, legal and financial. Following the study of various similar international experiences as well as reforms tried in the sub-continent, the district seemed the right administrative unit of analysis and action. Historically it had been a viable geographical entity with key attributes of language, culture, and socioeconomic activity. In terms of relationship between political and the administrative, the Principle of Subsidiary (any function that could be per-

formed at a lower level would be inefficient at the higher level) was used. At the village level the Union Council had history of over 5,000 years and seemed the most natural organization. However, the costs establishing an administrative unit appeared too high. Thus Union Council was used as the basic political unit, which would vote both for the District and Tehsil Nazims linking together the political and the administrative units. Tehsil was made the unit of analysis and action for higher order municipal functions and its traditionally separate rural and urban management systems were merged into one.

In terms of administrative changes, the Divisional tier, which had been the principal arm of provincial bureaucracy with little oversight of elected representatives, was eliminated. Its functions were mostly devolved to the district level while in certain cases new positions were created. Though a coordination tier, it was insulated from elected representatives, from below through the tehsil and district level tiers and from above through the policy level tier (secretary, deputy secretary & section officers) and the attached departments & directorate tier. Additionally the Line departments, which ran from local to the provincial level for province wide planning and decision making were devolved and in certain cases multiple departmental positions were merged for improved performance at the district level. For example, the agriculture group at the district level was a merger of 12-15 different departments (Fishery, Livestock etc) allowing planning to maximize the co-potentialities of the district's economy and the proper use of budget and technical skills under the direction and monitoring of the Nazim and the Council respectively.

For financial design, the Provincial Finance Commission (PFC) was instituted. The basic principle in designing jurisdictional hierarchies of government required that there were no un-funded mandates. The PFC substituted for lack of revenue generation providing the necessary funds according to a specific criterion, while each tier of the local government was given 1 major buoyant tax to generate revenue in the long term. Interestingly, Pakistan had been a case of extreme vertical fiscal imbalance—where federal government had much more revenue than its requirements while provincial and local governments had no revenue generation. Ideally, the local government should generate all its revenue.

“Pakistan had been a case of extreme vertical fiscal imbalance where federal government had much more revenue than its requirements while provincial and local governments had no revenue generation.”

The LGO 2001 was radically different from all earlier local government laws in its approach and breadth. Before the mid 1970s when local government ordinance was introduced in an omnibus fashion, there had been bits and pieces of local government services in different laws. Then 1979 saw another round of omnibus ordinance. The LGO 2001 combed through and consolidated the various Line departments, development authorities and local governments responsible for the same municipal service into one. The legislation brought the administrative, financial and to some degree even the police functions, under the purview of the district level elected representatives.

“LGO 2001 combed through and consolidated the various Line departments, development authorities and local governments responsible for the same municipal service into one.”

The design work in consultation with government departments culminated in a Local Government Proposed Plan, which came out as a Green Book on March 23, 2000 and was widely circulated, printed in newspapers and sent to political parties and government departments asking for their comments, suggestions and position on specific issues, thus initiating an open political process. Though feedback was received from various political parties including PPP, PML-N, Tehreek Insaaf, Jamaat-e-Islami and various civil society organizations, it was clear that political parties had not done any deep thinking on these issues as their responses showed a lack of technical skills or a communicable syntax. The consultative process continued till August 14, 2000 when the approved plan was announced with significant changes. For example, the Green Book had proposed direct elections for Tehsil and District

Nazims; it is worth noting that despite these changes the plan was opposed by almost all political parties. Most political parties pleaded for indirect elections using every conceivable argument including high costs of elections.

It was then that the harder part of translating the plan into a legal instrument began leading to all the details – service interests, political angles, financial complexities including audit and account responsibilities, chart of classification, basis for the PFC formula and integration with ongoing PIFRA reforms. Unfortunately, it became trench warfare making it the hardest period of the whole process because it created the space to oppose the plan that had been proposed. After going through three rounds of iteration in combing through, understanding the logic and then applying suggestions from the consultative process among government departments, the process was considered complete. Then the bureaucracy was left with no constitutional or historical argument in opposing the LGO and began to debunk it as un-Islamic. NRB's success in pushing through these changes in spite of bureaucracy's resistance was possible only because the NRB had prepared and educated itself on the minute details, history, breadth & width, and the legal precedence.

Aziz argued that this process had positive externalities as younger public officers educated themselves in trying to defend the status quo, the whole country started thinking about governance and most importantly "the first step to solving a problem is to accept that there is a problem" was taken. Finally, the law was sent to the provinces as a model ordinance and minor modifications for a province were overseen by the governor. For example, Sindh had certain Hindu majority areas and thus the minorities' complexion of the electoral part of the LGO needed to accommodate it. He agreed that ideally *the Police order, the Cantonment Act and the Islamabad Capital Territory Act (despite, different construction, jurisdictions and histories) all should have been part of the LGO.* He conceded that the NRB's capacity was limited and more importantly the approval process was hierarchal, long and tedious.

In terms of what could have been done better, Aziz stated press and donor management; and that more effort should have been put in developing an understanding at a societal level for greater acceptance of the reform. He

mentioned that sometimes unrelated problems, such as, inflation and devolution were linked to discredit LGO. For example, it was argued that removal of Magistrate had led to minimal check and balance, weakening the writ of the state on the market leading to inflation in common commodities. While the real issue was increase in money supply (increase of printed money), an outcome of loose monetary policy propagated by Mr. Shaukat Aziz (PM) & Dr. Ishrat Hussain (Governor State Bank) and anti money laundering measures restricting the Hundi system, forcing remittances to come through the banks. Rather than sterilizing it with higher interest rates, it was pushed through with low rates creating a financial bonanza for urban Pakistan increasing demand for goods and services (interest rate for buying a Suzuki car was 7.9%) while backup investment in agriculture did not keep pace (interest rate on farmer loans was 14%) to provide supplies. Coincidentally a drought at the same time led to huge increase in food prices leading the political team to shift the blame on the NRB. In investigating the matter, it was discovered that laws pertaining to price controls were in place, monitoring of price list (Nirkhnama) was kept up, fines (challans) had gone up four folds and fine amounts eight folds. The difference between Sensitive Price Index (Market Observed Price) and the Nirkhnama (Market Stated Price) was about 50paisas on average on a weekly basis. Thus increase in food prices was not due to administrative weakness but because of economic and monetary policy leading to real increase in nominal prices. This was but one example of how an unrelated issue was used to discredit the Local Government System (LGS).

Aziz accepted that implementation could have been managed better. It was affected by the attack on the Indian Parliament leading to army monitoring teams being pulled from districts to the border even before the Implementation Phase 2 & 3, which included taxation, district ombudsman, police order and more. Additionally an interfering hostile provincial government wanted to use state auspices to create a political following but to their dismay the political technology had changed. He argued that had the government not given in to indirect elections and the elections had been clean, the centre of gravity of Pakistani politics would have shifted to the local level as heavy weights themselves would have run for District Nazim rather than nominating their relations leading to a

changed relationship with the bureaucracy. Unfortunately it was quite clear that power that be while continuing to use LGO as a legitimacy tool, also wanted to maintain control if push came to shove.

Aziz argued that the intent of LGS was to change the political culture of the country, which had become corrosive to institutions including to the bureaucracy. Thus strong political reaction from provinces was expected and it was the very reason that new laws in the Six Schedule, constitutional changes including 140(a) and implementing article 175(3) dealing with separation of judiciary and the executive were put in place to give these changes time. This was the first time that the public had been able to judge an alternative to the existing system. *The real change was the shifting of ownership of institutions to the democratic class at the local level, which had been NRB's answer to get the political class to start behaving responsibly towards institutions rather than blaming the bureaucrats.* Unfortunately taking responsibility for society was not something the political class had been trained for. Instead the last 200 years had groomed them in the system of patronage in return for loyalty. Thus they would find their way to the loyalty gravy train while the system lent credence to a dynastic loyalty based political party format with bureaucratic nodes doing both the political bidding as well as political management. An effective local democracy would require politicians to be judged by their service delivery performance rather than by their personal loyalty to the leader's family thus threatening family fiefdom oriented dynastic mode of politics. Additionally it would enable creation of various democratic platforms and leaders within political parties at the local level, which would take on a political life of its own again threatening the loyalty based politics' use of the top down bureaucratic system.

“ An effective local democracy would require politicians to be judged by their service delivery performance rather than by their personal loyalty to the leader's family thus threatening family fiefdom oriented dynastic mode of politics. ”

He stated that LGO reform was not about the civil services but about empowering the people to take control of their destiny and to make their own decisions. He disagreed that it had adversely affected the provinces arguing that he considered the people of the provinces to represent the province rather than two and a half acres of the Civil Secretariat off of Mall Road, Lahore. Additionally he argued that most of the officers in the Provincial Civil Secretariat were federal officers, an outcome of the 1954 federal-provinces agreement on the sharing of posts. According to this agreement, the federal government was responsible for certain posts in the province including the Chief, Home, Finance and Planning Secretaries, the Inspector General (IG) Police and the Senior Board of Revenue among others. These officers were recruited and trained by the federal government while their management also resided with the federal government. Additionally a percentage of posts in grade 17-20 were also allocated to the federal government from the tehsil level up. *Thus it was wrong to argue that devolution was anti provincial because it was the federal bureaucracy that had lost power to the elected representatives of the province.* Given Pakistan had a unitary bureaucracy and a federal constitution, any movement towards a federal system was bound to affect the bureaucracy.

In answering a question on the future of Local Government, Aziz said that the Constitution through Article 140-A created the 3rd tier of government stating “Each province shall by law establish a local government and shall devolve its financials, administrative, political authority and responsibility to the elected representatives of the local government”. So any changes to the LGS had to be within this framework. The proposed laws drafted by the bureaucracy, approved by the provincial cabinets and sent to the federal governments would certainly be struck down as they centralized political, administrative and financial responsibility thus going against the spirit of the constitution. He stated that sources of opposition continued to emanate as the officer king model of governance where one man (Deputy Commissioner -DC) had the revenue, judicial, criminal justice and police authority in addition to being the executive head, was in the interest of the bureaucracy and the political family fiefdom mode of politics. He claimed that the District Management Group (DMG) was still striving to have judicial authority, so that

indirectly it could bring the police under the executive. But the biggest hurdle in acquiring these Magisterial powers came from the movement of independent judiciary as Chief Minister's sacking of a DC with magisterial powers would be akin to Musharraf sending the Chief Justice packing home. He stated that the case for Local Government was being fought on two fronts; first, the judicial as there were a number of cases pending in the courts challenging recent government acts including the Nizam-e-Adl Regulation recreating District Magistrates in Malakand Division, in the Peshawar High Court and Reinstatement of Commissioners in the Lahore High Court. Second, the reaction on the streets was for LGS as various elected local governments, some political parties, civil society, labor unions and chambers of commerce wanted a reasoned dialog in improving the LGS rather than throwing it all out. Additionally service rivalries were also playing a part as a section of the bureaucracy was also comfortable doing their technical jobs as Executive District Officers (EDO) without being under the yolk of DMG generalists. A new PCS Officer Federation had recently taken up the case against the 1993 changes when the government had increased the 1954 Federation's job quota across the board. Lastly even lower cadre workers of parties in power who could never run for an MPA or MNA seat felt angry for not being able to aspire to run Tehsils or Districts.

“ Each province shall by law establish a local government and shall devolve its financials, administrative, political authority and responsibility to the elected representatives of the local government. ”

Answering a critique of the LGS implementation, Aziz argued that compared to other countries (Uganda, South Africa, and Indonesia), Pakistan comparatively had a soft landing in devolving an old entrenched system. Giving the example of PFC, he stated that a team in the provincial financial department went on a 3-4 days tour of each district to train officers in creating an integrated district budget for the much bigger fund receivable following

devolution. This provincial training program was successful in creating a functional PFC where each Union Council received a cheque for their share of the provincial finance award, thus rationalizing and stabilizing a fiscal regime in the provinces as compared to the partisan politics' ad-hocism which had led to 10,000 unfinished schemes, some beginning as early as 1975.

“ The legally allocated 25% of all development funds to be spent only through CCBs, with unspent money to be carried forward was meant to incentivize the bureaucracy to move towards a participatory approach in the triangular relationship between elected representatives, bureaucracy and the public. ”

In answering a question challenging that local elections had empowered people, arguing for an approach combining devolution plan and the rural support program, Daniyal Aziz stated that there was a difference between representative democracy and questioner's ideal of participatory democracy, but argued that the Citizen Community Board (CCB) in the Devolution Plan was meant to include the participative aspect. The legally allocated 25% of all development funds to be spent only through CCBs, with unspent money to be carried forward was meant to incentivize the bureaucracy to move towards a participatory approach in the triangular relationship between elected representatives, bureaucracy and the public. But even local governments had resisted the participative aspect with

Nazims wanting a centric view, not letting village councils to come about, or district councils and monitoring committees to have real power. But he was hopeful that the participative aspect would evolve as councilors learnt the ropes of the system. He argued that change took time and would not come about just by elections. In time examples would be created, leadership would emerge, eventually leading to the path towards change but most importantly an enabling environment had been created with the needed legislative structure. *The Devolution Plan differed from the Rural Support Programs in trying to reform and work within the system using resources provided by the State rather than developing a parallel infrastructure.* Thus it was much bigger in scale.

In closing, Mr Danyal Aziz while agreeing that promulgation of LGS would have been better if done by a democratically elected government pointed to various examples of implementation failures during representative governments. In terms of outcome, independent survey of perceptive indices of citizens had pointed to an improvement in service delivery since the time of LGS. But the more important story was that Pakistan's political class was learning how to run the system rather than being completely dependent on the bureaucracy. He suggested direct elections for Nazims and instituting a District Civil Services to further strengthen the Local Government System.

“ ... the more important story was that Pakistan's political class was learning how to run the system rather than being completely dependent on the bureaucracy. ”



: Dr. Ayesha Siddiqua, a former civil servant, currently an independent security analyst and author of *Military Inc.: Inside Pakistan's Military Economy* was invited to deliver a talk on *Crises of Governance: Changing dynamics of Civil Military Relations* at the Centre for Public Policy & Governance on the 10th of December 2009.



Siddiqua began her talk with a quote from a Pakistani ambassador "Transitionists had won the elections" highlighting the difference between transition and transformation. She raised the question "Was Pakistan slowly and gradually moving towards military rule and would military rule be acceptable again?" To address this question Dr. Siddiqua structured her talk around four factors; the military, political parties, civil society and the power structure in relation to civil military relations.

“ Was Pakistan slowly and gradually moving towards military rule and would military rule be acceptable again? ”

Siddiqua categorized the *military* as the only surviving institution of the country with its own economic and political stakes, international partnerships and the ability to play politics and manipulate the geo-strategic situation. Military was a thinking institution, which adapted and evolved by learning from its past experiences. For example, the last military dictator had called himself a Chief Executive rather than a Chief Martial Law Administrator, only temporarily suspending the constitution rather than getting rid of it all together, while adopting the same old tactic of using a set of politicians.

Military's primacy in politics and decision making were now an established fact. The army had carved out this place in the country's power politics institutionalizing it formally through the 2004 National Security Council (NSC) Ordinance. It had acquired the sensibility that it represented Pakistan, alone understood Pakistan's interests and should shape the country's policies while ignoring the fact that even within the Parent Guardian Military Model, Pakistan Military's post colonial institutional paradigm differentiated it from the Turkish Military which was instrumental in the creation of the Turkish state.

Since the last elections, the army had been skillful in improving its public image by standing up against the Taliban onslaught and by also challenging the US drone attacks on Pakistani soil. With reference to Afghanistan she asserted that Pakistan military had attained a pivotal position. If the Americans could not stabilize the situation in the next year, they may decide to leave the Afghanistan mess with the Pakistan military. Such a scenario according to Dr. Siddiqua begged the question "Would the military come back to power again and manipulate society and the political system?"

Dr. Siddiqua argued that *political parties* lacked the capacity to improve the current civil military balance. Politicians had not been able to devise a viable strategy to push back the military in the last 50 years primarily because of a complete lack of an institutional framework. No one had tried to redress the balance by strengthening civil institutions. Case in point was the Ministry of Defense, a civil institution, which instead of improving the civil military balance had instead become a military dominated institution. She maintained that politicians had used different tactics while dealing with the military. Zulfikar Ali Bhutto had humiliated the army chief while building the army thinking that the institution would look up to him. Benazir Bhutto learnt to keep out of what made the military unhappy but couldn't manage it for too long. Nawaz Sharif tried to buy the military by dividing its leadership but had limited success. President Asif Zardari had instead tried to change the discourse. Though it was too soon to tell, still initial tries had not borne fruit. The Kerry Lugar Bill meant to engage and empower the civilian government was in consonance with the demands raised during the lawyers movement. Similarly civilian control of the ISI could

establish the civilian supremacy. But both had been met with hostility by the media and civil society. She argued that constant focus on the NRO was meant for disempowerment of the President through constitutional changes or destabilization of the government under the pretext of corruption. She re-iterated that transition to democracy was extremely problematic. Corruption tended to increase in the middle period when a country was transitioning to democracy as political parties increased their patronage base. Corruption and misuse of resources was likely to persist till such time that the system matured, and this required that it survive the teething period.

Civil Society, she argued was divided both horizontally and vertically, and was not yet prepared to make a transition from military to civil rule. The society had changed dominated by strife and conflict on the one side, and a semi-consolidation of a strengthened brand of nationalism benefiting right wing forces on the other. *It was now militarized to the extent that the civil society seemingly preferred order and discipline rather than the perpetual negotiation oriented culture of politics.* More importantly, the media rather than acting as a watchdog had instead become an active player in politics. It constantly manipulated information, conducted bias presentations and raised false expectations about the political system.

“... power system was structured such that benefits accrued to the king maker rather than to the public while the king was mostly symbolic and often replaced.”

Lastly, she argued that Pakistan's basic *power structure* remained authoritarian in character and outlook. The power elite was driven by short term gains rather than long term interests. This elite never ran out of ideas to use the military to its own advantage keeping the military relevant rather than going into permanent negotiations among themselves to strengthen the civilian domain. Thus the power system was structured such that benefits accrued to the king maker rather than to the public while the king was mostly symbolic and often replaced. Media, which had gained a sense of power was the recent addi-

tion to the kingmaker class. It guided opinion, stabilized or destabilized a government and was now a possible partner of other kingmakers.

Answering a question "If military's dominance was also an outcome of the permanent constituency it enjoyed among the Punjabi-Mohajir middle class?" Siddiqua agreed stating that the concerned middle class was nationalistic with an Anti-India orientation, socially it was very conservative and its commercial groups also funded Jihadi organizations. This was in agreement with military's anti-India and singular national identity framework. She argued that the military also desired a middle class alternative to the current feudal dominated political class and insinuated that a hidden hand was behind the recent MQM entry in the Punjab. She argued that both MQM presence in Punjab as well as new Bahawalpur and Saraiki speaking provinces would be acceptable to the military establishment. Just as MQM could never become a majority party and thus be dependent on some other power base. Similarly, she claimed that political leaders of the new provinces would remain regional players with little chance of evolving into powerful politicians able to challenge the military.

Summing up her arguments Dr. Siddiqua said that democracy was a political system built around multiple stakeholders negotiating power and distribution of resources (including minorities). Instead the Pakistani political system was authoritarian in nature dominated by the dynamics of a praetorian society, which according to her had socially regressed. There was no substantive change in the overall political system and Pakistan continued to be a mercenary state with an imbalance in its civil military relations. In the current scenario where all civil institutions of the country had been ruined, military could only be challenged at the intellectual level, thus *a dire need to conduct a thorough cost benefit analysis of the relevant strength of different institutions.* The only recipe was to re-imagine the Pakistani State itself where civilians were allowed to learn from and correct their mistakes, because to strengthen the political system it was important to ensure the continuation of the system itself. Re-defining civil military relations required behavioral transformation of stakeholders to sustain any meaningful transition to civilian rule.

To give students of Executive MA in Public Policy a flavour of how young and emerging executives, policy makers, practitioners and experts are working to promote public-private partnership, the CPPG has initiated a stream in Seminar Series, whereby promising young leaders are invited to share their experiences, challenges and opportunities as they choose and build their professional careers.

: **Mr. Salman Khalid**, an Associate with Manara Equity Partners, Bahrain and an aspiring leader within the Emerging Markets Private Equity and Venture Capital Industry, was invited to deliver a talk on the *Role of Public Policy in Fostering Entrepreneurship* on December 22, 2009.

Khalid began by delineating the various facets of entrepreneurship: what it really meant, who comprised the entrepreneurial stage and why should public policy practitioners focus on it. From the word "entrepreneur's" origin in a 13th century French verb – *entreprendre* – meaning "to do something" or "to undertake" to its modern context of "people who found new businesses, not people who found religions, social movements, or corporate ventures, or people who are just acting creatively" or "any entity, new or existing, that provides a new product or service or that develops and uses new methods to produce or deliver existing goods and services at lower cost", Khalid argued that entities solely replicating production technologies may or may not come within the purview of entrepreneurship depending on one's definitional context.

Discussing the anatomy of an entrepreneur, Khalid quoted the findings of Kauffman Foundation's 2009 study focusing on technology and healthcare industries that contrary to popular belief, a majority of entrepreneurs tended to be middle aged, married with children, well-educated, with significant industry experience mostly belonging to the middle class, and not necessarily from a family of entrepreneurs. Their primary motivations for launching a business were to build wealth, to own their own company and to capitalize on a business idea.

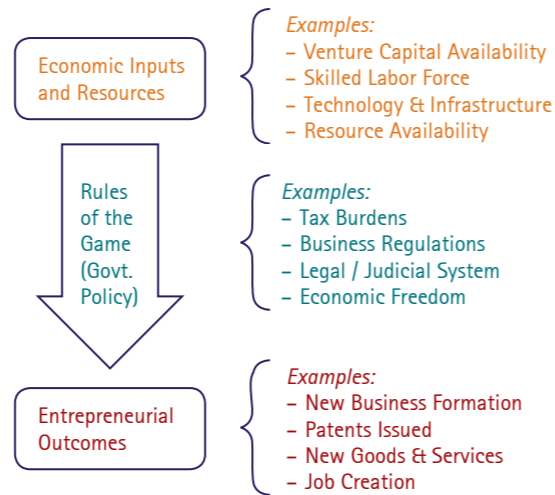
He then proceeded to highlight the significance of entrepreneurship for public policy quoting several studies arguing that entrepreneurship was a primary catalyst for economic growth and regional development, driving innovation and creating a lot more jobs than steady-state



firms. Different rates of entrepreneurship accounted for 1/3 or 1/2 of the difference in national economic growth rates. Firms like Microsoft, Google and Intel had driven innovation in technology essentially changing the whole economic paradigm in the USA merely in the last two to three decades. Recognizing this, state and local policy-makers now devoted considerable resources to fostering entrepreneurship. Suggesting a research framework for entrepreneurship, he argued for an interlinked three level analysis: the *individual level* exploring entrepreneur's characteristics, strategies and achievements, the *firm level* analyzing size, technology production, managerial style & outcomes, and macro, i.e. the *regional and national level* studying the relationship between entrepreneurship, public policy and economic growth. The approach should be interdisciplinary exploring the Economic: cost benefits analysis of policies; Sociological: cultural attributes, social class and social networks; Psychological: personality characteristics regarding aptitude for innovativeness, competitive aggressiveness, and autonomy; and Managerial: management systems and practices.

In discussing the government's role through the interaction of public policy and entrepreneurship, Khalid explored the associated framework (on the right) constituting Economic Inputs and Resources, Rules of the Game and Entrepreneurial Outcomes. *Economic Inputs and Resources* needed for entrepreneurship included education, skills development, access to finance through loan programs (subsidized loans and micro-financing), small business research grants, availability of venture capital and opportunities for university R&D commercialization. To start

a business, besides some seed money and 'bright ideas', one needed a suitable level of education (including math, reading, history), and skills (business, management, science and technology in addition to industry specific skills) including the intangible aspects like prudent risk taking, creative thinking, business acumen and social skills. Giving an example of the MIT's \$100K Entrepreneurship Competition, where students pitched their business plans to a select committee of experts and financiers, he argued for creating opportunities and environment conducive for student involvement in entrepreneurial activities stating that the local context even needed a lesser requirement of initial seed money.



Dwelling on access to finance, he argued that information asymmetry was a key characteristic of the market for small and medium enterprise (SMEs - most entrepreneurial firms are SMEs, given the general lack of available economic inputs and resources) primarily due to SMEs' multiple inherent drawbacks- issues of new firm, lack of track record & product maturity, little management experience and reputation, informal business plan, low profitability, small market and little financial resources. Furthermore, without auditable financial statements, limited cash flow and a lack of collateral, SMEs were rarely funded by financial institutions. Thus financing options were limited to using own money or to raise capital. Typically, most entrepreneurs received initial funding from FFF (friends, family and fools), which could lead to funding market inefficiencies due to adverse selection and moral hazard. For the US, funding through personal and family savings and assets amounted to 72.4%, which would be 80-90% for Pakistan.

To tackle this market inefficiency, *venture capital* (VC) firms assist start-ups overcome their financial barrier. These independent and professionally managed firms seek funds from institutional (university endowments, pension funds, insurance companies, etc.) and individual investors and typically invest in small, young firms where there are large information asymmetries between entrepreneurs and investors. VC firms focus on equity-linked investments after evaluating the business plans and monitoring prospective firms. Additionally they generally participate in strategic planning and managerial assistance to the firms that they invest in. Quoting a study, he stated that VCs

invested in less than 5% of the considered proposals and expected to write off 3 out of the 4 investments. Still a successful venture generated enough money for the VCs to be profitable in this high risk and return business segment.

“ ... almost all businessmen complained of the scarcity of skilled labor directly impacting a number of aspects, foremost being innovation. ”

Having provided an overview of the role of input factors impacting the level of entrepreneurship, Khalid analysed the domestic situation in Pakistan. He stated that in terms of education and skills, literacy rates as well as the quality of education remained low such that most people did not even possess basic skills, let alone higher education. While large number of management schools had emerged, technical and skill-based professional education remained in short supply and overall quality remained low. As a result, almost all businessmen complained of the scarcity of skilled labor directly impacting a number of aspects, foremost being innovation. Thus most entrepreneurship was imitative rather than innovative¹. This required greater emphasis on institutes providing training in commercial and professional skills especially sectors with a competitive advantage, for example the Agriculture sector.

Financing, another major economic input, was almost nonexistent. Small businesses had little recourse to bank financing or other financial instruments. Furthermore, there was a lack of 'business angel' networks that could provide funds or entrepreneurial help. As of 2008, there were only three VC companies registered in the country, namely TMT Ventures Ltd., TRG Ltd. and AMZ Ventures but these had not achieved any tangible results because of underlying demand and supply factors ²:

- Insurance companies and Pension funds were not allowed to invest in high risk sectors including the VC Industry hindering investments in entrepreneurship.
- Minimum capital requirement to setup a Fund Management company in Pakistan was US\$ 4,200,000 compared to US\$ 100,000 internationally creating a significant barrier to VC industry growth.
- Annual renewal of license requirement by the SECP for Fund Management companies increased their business risk and conflicted with the VC business model, which worked on longer time horizons reaping investment benefits several years down the line.

Khalid recommended regulatory changes to remove the mentioned factors in addition to allowing Insurance Companies and Pension funds to invest a small portion of their portfolio if VC funds were considered too risky; relaxing tax rates (on capital gains tax and 'carried interest'- profit sharing among VC equity partners) for VCs; creating favorable policies towards Merger & Acquisitions (M&A) and Initial Public Offering (IPO) activity; increasing the R&D budget with focus on commercialization of R&D (rather than just publications) to augment entrepreneurial ventures emerging out of educational institutions; and facilitating establishment of business angel networks' across Pakistan.

“ ... increase the R&D budget with focus on commercialization of R&D (rather than just publications) to augment entrepreneurial ventures emerging out of educational institutions. ”

He then concentrated on the overall role of public policy in influencing the rules of the game to nurture entrepreneurship in the country. He pinpointed "ease of doing business" as the most crucial policy lever to support entrepreneurship; Additionally, taxation, environmental regulation and healthcare liability regulation also impact it; With only 60%-70% chance of success, protection through functioning bankruptcy laws would be beneficial. But he specifically concentrated on the significance of intellectual property rights (especially in areas such as computer software development) and anti-trust enforcement for fostering entrepreneurial growth.

“ ... lack of strong enforcement of patent laws discouraged the entrepreneur to spend time in research, as the product could not later be defended to make profit. ”

In the West, most entrepreneurial ventures emerged as an outcome of R&D activities in universities. Patenting this research assisted in commercialising the product as the patent system essentially granted temporary monopoly to the innovator to reap economic benefits while increasing societal welfare. But lack of strong enforcement of patent laws discouraged the entrepreneur to spend time in research, as the product could not later be defended to make profit. Similarly the goal of anti-trust laws was to prevent monopolies from forming, inhibiting entrepreneurship in the concerned sector. In Pakistan though, in the context of patents, no 'practical' implementation of Intellectual Property Protection rights existed. In addition, certain types of patenting were not possible as these were listed in the "UnPatentable Inventions" (Intellectual Property Organisation of Pakistan, 2009). Rather surprisingly, computer software, being a pure outcome of intellectual effort, was included in this list.

Lastly Khalid delved into the impact of overall macro-level policies on entrepreneurship. He argued that Pakistani economy had traditionally been 'centrally planned' accruing economic benefits on the basis of influence and contacts. Instead of developing a competitive market-based economy, this incentive regime created a rent-

seeking businessman rather than a professional manager or a productive entrepreneur. Thus competitiveness, risk taking and innovation never took root in Pakistan leading to a general lack of *entrepreneurial outcomes*. Additionally professional managers were not trusted given that legal system could not prevent fraud, theft and outright misuse of business information because of a lack of contract enforcement and property rights. Consequently, the cost of doing business increased and the entrepreneur ended up getting involved in everything, including some of the tasks that could be deliberated to professional managers, resulting in the stagnation of growth in SMEs, the sector that most entrepreneurs started from. He thus argued for deregulation and a free market economy with strong anti-trust, intellectual property rights, contract and property rights enforcement.

“ the incentive regime created a rent-seeking businessman rather than a professional manager or a productive entrepreneur. ”

Khalid stated that establishment of Small and Medium Enterprises Development Authority (SMEDA), SME Bank and SME Business Support Fund were steps in the right



direction, and additionally welcomed the formation of Competitiveness Support Fund (CSF) and the Agribusiness Support Fund (ASF), both providing matching grants to small entrepreneurial businesses interested in value addition. He promoted the idea of setting up a secondary market (such as NASDAQ) for listing of smaller firms. However, he argued that awareness regarding these initiatives remained low and most entrepreneurs had difficulty understanding and utilizing these facilities because of a lack of literacy and awareness. Education thus remained the most critical factor of them all.

¹ Haque, N. U. (2007). PIDE Working Paper # 29: *Entrepreneurship in Pakistan*. Retrieved December 20, 2009, from Pakistan Institute of Development Economics (PIDE) - Working Papers: http://www.pide.org.pk/index.php?option=com_content&view=article&id=69&Itemid=94

² Akhtar, S. (2008, April 17). *Venture capital in Pakistan*. Retrieved December 20, 2009, from Competitiveness Support Fund: <http://www.competitiveness.org.pk/downloads/Venture%20capital%20in%20Pakistan.pdf>

³ Akbar, U., & Bashir, N. (2010). Entrepreneurial Environment In Pakistan For Start-Ups. In Z. Haqq (Ed.), *Proceedings of the 12th International Business Research Conference* (pp. 710-722). Dubai, United Arab Emirates: World Business Institute. Available at: http://www.wbiconpro.com/table_of_contents_manage_apr2010.htm



Debating Public Policy Instruction: Graduate Level and Beyond

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The history of policy programs in Pakistan dates back to the early 1960s, when Punjab University started a program in Public Administration. Simultaneously with US advisory support, the Pakistan Administrative Staff College and National Institutes of Public Administration were established to provide training and capacity building of the higher civil services of Pakistan. Subsequently, Public Administration programs sprang up in a number of public universities but it was only in the last decade that universities started Public Policy and Governance programs.

Our research indicates that currently there are fifteen degree awarding policy programs in the country. Eleven programs (9 Public Administration, 1 Governance, 1 Public Policy) require 14 years of education for admission, seven programs (4 Public Administration, 3 Public Policy) require 16 years of education, six programs offer PhDs while two offer Executive Programs (1 MBA- Public Administration, 1 Public Policy). Curriculum wise, these policy programs can be divided into three broad categories: First, Public Administration programs which have evolved more towards management than policy with concentrations in Human Resource Management (HRM), Marketing, Finance and MIS with few schools offering Development. Second, Public Policy programs with heavy economic concentration producing economic analysis experts. Third, programs in Public Policy, Administration and Governance, which have an inter-disciplinary curriculum and aim at providing broad range of policy related skill sets.

To explore both the philosophy and methodology of graduate level policy instruction for indigenous needs, senior social science academics were interviewed at various Pakistani universities¹. Our study showed that there was a broad consensus among the academia that the study of Public Policy had remained understudied and that national interest was generally understood and defined in narrow terms. One reason was that the vision and philosophy of Governance had yet to be properly articulated by the po-

litical elites while the current formulators of public policy; the bureaucracy had limited engagement with the public, academics and other stakeholders. For most academics, the current domestic reality of process and institutional breakdown, and various regional and class imbalances demanded rethinking and evidence based formulation of policies, followed by efficient implementation. A few additionally stressed good university governance as key to inculcating the very value system articulated in governance literature providing an opportunity for students to gain first hand experience in both theory and practice.

Most academics understood Governance as an over all ability of the political system to address public needs and aspirations. They considered it as a broader notion that encompassed Public Policy as interplay of policy formulation related to public interest, and Public Administration as the management of public sphere during the policy implementation process. Some instead considered Governance closer to Public Administration only including Public Policy if broadly defined. Addressing the issue of governance in the context of globalization, Shafqat defined Good Governance as a two dimensional phenomenon; Political and the Technical. In the Political, he included rule of law, consensus building and conflict resolution through bargaining and negotiations, requiring supremacy of parliament, independence of judiciary, freedom of media and an elite having some faith in constitutional liberalism. In the Technical he included efficient and professionally trained civil service as an effective custodian of public institutions—as modern and well trained bureaucracy ensured continuity of policies, political stability and cultural cohesion. In defining Public Administration, some academics restricted it to management of public institutions encompassing only the technical issues of administration while others defined it as an art of policy implementation including the management of political, socio-cultural and administrative issues. For Public Policy though, academics agreed that it was a complex interface of economics, political science, sociology and management aspects, a holistic interdisciplinary approach to policy analysis. Few academics also suggested inclusion of Development Studies into the broader policy

domain arguing that its interdisciplinary social sciences makeup complemented a professional policy degree with academic theory.

Within policy studies, a vibrant debate exists on the influence and use of economics. Shafqat, a political scientist argued that Good Governance rather than economic development alone was a function of political will and leadership's commitment, affected by the cultural, historical and institutional setting of the country.² Burki, an economist while accepting that policy was a mixture of economics, sociology and political science, argued that a strong economics base was required because quantification and statistics were now required for all social scientists to strengthen their argument. Thus concentration in economics with master's level micro, macro and econometrics courses was necessary in the policy arena. But even economists agreed that Neo-classical Economics restricted to Rational Choice Theory should be a thing of the past primarily supported by the argument that public policy instrumentation and choice of tools should not be treated as evidence with an autonomous meaning, as Neo-classical Economics had been for the last few decades.³ "Instruments" were not neutral devices and included power relations. They could further legitimize certain relations by their politicization or de-politicization, thus constructing a framework for categorizing a situation.⁴ Instead, Pasha argued for heavy concentration on Political Economy while Burki supported Institutional Economics because both explained the formulation and implementation process better than Neo-classical Economics.

“... Good Governance rather than economic development alone was a function of political will and leadership's commitment, affected by the cultural, historical and institutional setting of the country.”

Hussain agreed that there was no neutral study of public policy, considering governance as a value driven phenomena and argued for a people centered policy and an ethics

based governance. But even with a consensus on values for overall policy evaluation, its instrumentalization would still be a challenge. Moving beyond the so called 'natural' phenomena articulated by Neo-classical Economics, both Burki and Pasha specifically mentioned Game Theory as an important constituent of the policy domain because it analyzed and tried to model interactions among people, groups and institutions. Still this consensus on a different instrument for policy analysis did not extend to the level of quantification of social sciences. While some academics wholeheartedly supported quantification, others though accepting the strength of empirical evidence argued for case study treatment with emphasis on qualitative analysis instead.

“... Game Theory as an important constituent of the policy domain because it analyzed and tried to model interactions among people, groups and institutions.”

Another difference of opinion existed in the debate between Generalists and Experts. Most academics argued that the modern system of government could not alone be handled by the generalist bureaucrat and thus required experts in specific policy arena. Rais alone extended this line of argument taking a position against the generalist policy analyst instead suggesting that a postgraduate with thorough grounding in social sciences would be better placed in the policy arena than a generalist master's level policy graduate. Hussain was closer to this position arguing that intake of interdisciplinary postgraduate policy programs be restricted to social science or at most literature majors. Most other academics were open to an interdisciplinary policy program with diverse student intake.

“... the modern system of government could not alone be handled by the generalist bureaucrat and thus required experts in specific policy arena.”

Language was another area of concern. Haider approached it as a single most important factor in equalizing knowledge among the various groups of students. Shah argued that the substance of thesis/report would be much better if written in Urdu, because students' level of articulation differed drastically between English and Urdu.

In terms of Program Structure, opinions regarding the two year Master's program were quite similar while differences remained on the method and structure of executive programs. Suggestions varied from a short term 6 weeks in-house program involving facilitated sessions among a group of around 60 executives, representing armed forces, national assembly members, nazims and the private sector; a 3-6 month in house program with both classroom instruction as well as seminars, providing in depth grounding in relevant policy areas; and a 1 year university program. The difference of opinion lie in the purpose of executive education, some arguing for training while others for education in a structured university oriented program.

The lack of a structured market for policy graduates was considered itself an outcome of a lack of graduate program as Development and Social Science graduates had an existing market in the State Bank, Housing sector, Financial Consulting research departments and NGOs. Rais had serious reservations arguing that any market required a change in the mindset that policy was the preserve of bureaucrats, while for Think Tanks, trained social scientists served better than the generalists. For others, the competence level of graduates mattered more. Hussain saw a huge opportunity in Chambers of Commerce, professional organizations and legislative bodies,

which employed full time policy analysts across the world including India. But in Pakistan, a lack of awareness of benefits of policy research, analysis and implementation had led to a lack of investment in policy arena as well as a lack of market.

“... a lack of awareness of benefits of policy research, analysis and implementation had led to a lack of investment in policy arena as well as a lack of market.”

Although universities did not follow the same pedagogical approach owing to their selected philosophy, faculty expertise and student intake, still the academic discourse generated through a continued policy instruction discussion among academics would lead to further articulation of stated positions, improvements in curricula, and a direction and vision for policy programs in the country.

* This is a slightly revised and somewhat modified version of a chapter from the research report titled *Training Needs Assessment for Master's Level Programs a study conducted by the Centre for Public Policy & Governance (CPPG) for the Governance Institute Network International (GINI)*. The research team included Raheem ul Haque, Khurram Waqas Malik, Adeel Riaz & Saboor Karamat

1 Dr. Saeed Shafqat, Director CPPG, FCC; Dr. Hafeez Pasha, Dean School of Social Sciences, BNU; Dr. Rasul Buksh Rais, Professor LUMS; Dr. Abid Burki, Professor LUMS; Dr. Sarfraz Hussain Ansari, Professor NDU; Maj Gen * Syed Usman Shah, Chair Governance Department, NUML; Dr. Rifaat Hussain, Chairman Dept. of Defense & Strategic Studies, QAU; and Mr. Ameer Haider, Director Hamdard Institute of Management Sciences, Hamdard University were interviewed

2 Saeed Shafqat, "Pakistani Bureaucracy: Crises of Governance and Prospects of Reform." *The Pakistan Development Review* 38:4 Part II, (Winter 1999), pp995-1017.

3 Lasoumes and Gales, "Introduction: Understanding Public Policy through Its Instruments - From the Nature of Instruments to the Sociology of Public Policy Instruments". *Governance: An International Journal of Policy, Administration, and Institutions*, Vol 20, No.1,(2007), pp1-21.

4 ibid

Visitors and Activities

14 –16 July, 2009

The Director, CPPG attended the workshop on *Monitoring & Evaluation of Projects* at the Sustainable Development Policy Institute (SDPI), Islamabad.

23 – 25 July, 2009

The Director, CPPG was invited to Bangkok, Thailand for the *Eminent Person's Group (EPG) meeting for Reproductive Health*. He chaired a session and presented a paper.

28 July, 2009

The Director, CPPG attended and presented a paper at the International Conference on *De-radicalization & Engagement of Youth in Pakistan* organized by IPRI, Islamabad

18 August, 2009

The Director, CPPG participated in a meeting on *Journey through the Decade: An Organizational Bibliography* organized by SMEDA at the Pearl Continental Hotel, Lahore.

21 August, 2009

Mr. Dee Fink, an Instructional & Faculty Development expert visited the Centre to discuss the Executive M.A in Public Policy program with the faculty.

28 August, 2009

Mr. Paul Lundberg, Chief of Party, Districts that Works (DTW) project of USAID visited the Centre.

01 September, 2009

The Director, CPPG was invited to participate in a Roundtable Discussion on *Reforming Punjab's Bureau of Statistics* by The Development Board at the Avari Hotel, Lahore.

15 October, 2009

Dr. Qian Xuemei, Associate Professor at the School of International Studies (SIS), Beijing University visited the CPPG and participated in a Roundtable Discussion on Pakistan China relations .

19 October, 2009

Mr. Sartaj Aziz, Vice Chancellor Beaconhouse National University (BNU) gave a talk on *Food Security in Pakistan: Challenges & Policy Choices* at the Centre.

28 October – 01 November, 2009

The Director, CPPG attended the *Fulbright Alumni Conference* in Washington DC.

04 November, 2009

The Director, CPPG gave a talk on *Pakistan's Transition to Democracy – Militancy and Future Relations with the United States* organized by the School of International and Public Affairs (SIPA), the South Asia Institute and the Middle East Institute at Columbia University, New York City.

10 November, 2009

The Director, CPPG moderated an Action Aid dialogue on *Promotion of Rights, Capacity Building Measures and initiatives to Curb Illegal & Temporary Migration including Human Smuggling & Trafficking* at Ambassador Hotel, Lahore.

11 November, 2009

The Director, CPPG presented his paper on *Pakistani National Identity* at the Alternate Solutions Institute, Lahore

20 November, 2009

Dr. Gilles Boquerat, Senior Research Fellow and Head of India & South Asia Program, Institut Francais Del Relations Internationals, Paris visited the Centre to discuss issues of federalism and the India & South Asia Program.

23 November, 2009

The Director, CPPG participated in the seminar on *The Role of Demographic Transition in Pakistan's Development* organized by The Population Council at the Serena Hotel, Islamabad.

23 November, 2009

Mr. Daniyal Aziz, former Chairman National Reconstruction Bureau gave a talk on the subject of: *Does Local Government Have a Future in Pakistan?* at the CPPG.

10 December, 2009

Dr. Ayesha Siddiqa, author of *Military Inc.: Inside Pakistan's Military Economy* gave a talk on the *Crises of Governance: Changing Dynamics of Civil Military Relations* at the Centre.

12 – 15 December, 2009

The Director & Research Fellow CPPG attended the conference on *Governance, Sustainable Growth, Peace & Equity* organized by the Governance Institutions Network International (GINI) at Serena Hotel, Islamabad.

21 December, 2009

Mr. Mark Ward, Special Advisor on Development to the Special Representative of the Secretary General for the United Nations Assistance Mission in Afghanistan (UNAMA) gave a talk on *Afghanistan Policy: Challenges of Reconstruction and Development* at the Centre.

22 December, 2009

Mr. Salman Khalid, Associate Manara Equity Partners, Bahrain gave a talk on the subject of: *Entrepreneurship & Public Policy* at the CPPG.

Faculty & Staff

Dr. Saeed Shafqat | Professor & Director
> PhD University of Pennsylvania

Raheem ul Haque | Research Fellow
> Masters Intl. Public Policy, SAIS,
Johns Hopkins University

Dr. Mohammad Qasim | Associate Professor
> PhD Barbara Jordan-Mickey Leland School
of Public Affairs, Texas Southern University

Aneel Salman | Associate Research Fellow
> Doctoral Candidate,
Rensselaer Polytechnic Institute (RPI)

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CENTRE FOR PUBLIC POLICY
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Board of Advisors

: **Dr. William B. Eimcke** is the founding director of the Picker Center for Executive Education of Columbia University's School of International and Public Affairs.

: **Barrister Shahid Hamid**, former Governor of Punjab currently manages his own Law Firm.

: **Dr. Salman Humayun**, Deputy Chief of Party, Education Sector Reform Assistance Program (ESRA).

: **Dr. Akmal Hussain**, a development economist specializing in action research. He runs a private manufacturing firm, Sayyed Engineers (Private) Limited.

: **Dr. Saba Gul Khattak**, former Executive Director SDPI specializes in comparative politics and state theory.

: **Dr. Anjum Khurshid** (MBBS, MPAFF), Assistant Professor and Director of the Health and Behavioural Risk Research Centre, University of Missouri.

: **Khushnood Akhtar Lashari**, a DMG officer currently serving as the Federal Secretary of Health.

: **Dr. Naushin Mahmood**, Senior Researcher at Pakistan Institute of Development Economics (PIDE) specializes in demography and population issues.

: **Javed Masud**, former Managing Director and CEO The Pakistan Credit Rating Agency Limited.

: **Dr. Jack Nagel**, Professor of Political Science, Business and Public Policy, Wharton, University of Pennsylvania.

: **Jean-Luc Racine**, Senior CNRS Fellow at the Center for South Asian Studies, School for Advanced Studies in Social Sciences, Paris focuses on geopolitics of South Asia.

: **Kamran Rasool**, former Chief Secretary Punjab, Federal Defense Secretary and Chairman PIA.

: **Babar Sattar**, LL.M, a Rhodes Scholar who writes on social, political and legal issues and runs a law firm AJURIS.

: **Dr. Shafqat Shehzad**, Associate Professor Comsat University, Islamabad and former Research Fellow at SDPI specializes in health economics.

: **Dr. Ayesha Siddiqua** is a security studies expert specializing in defense decision-making and civil-military relations in South Asia.

: **Dr. Rukhsana Zia**, Director, Directorate of Staff Development (DSD), Punjab specializes in curriculum and management issues in education.



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