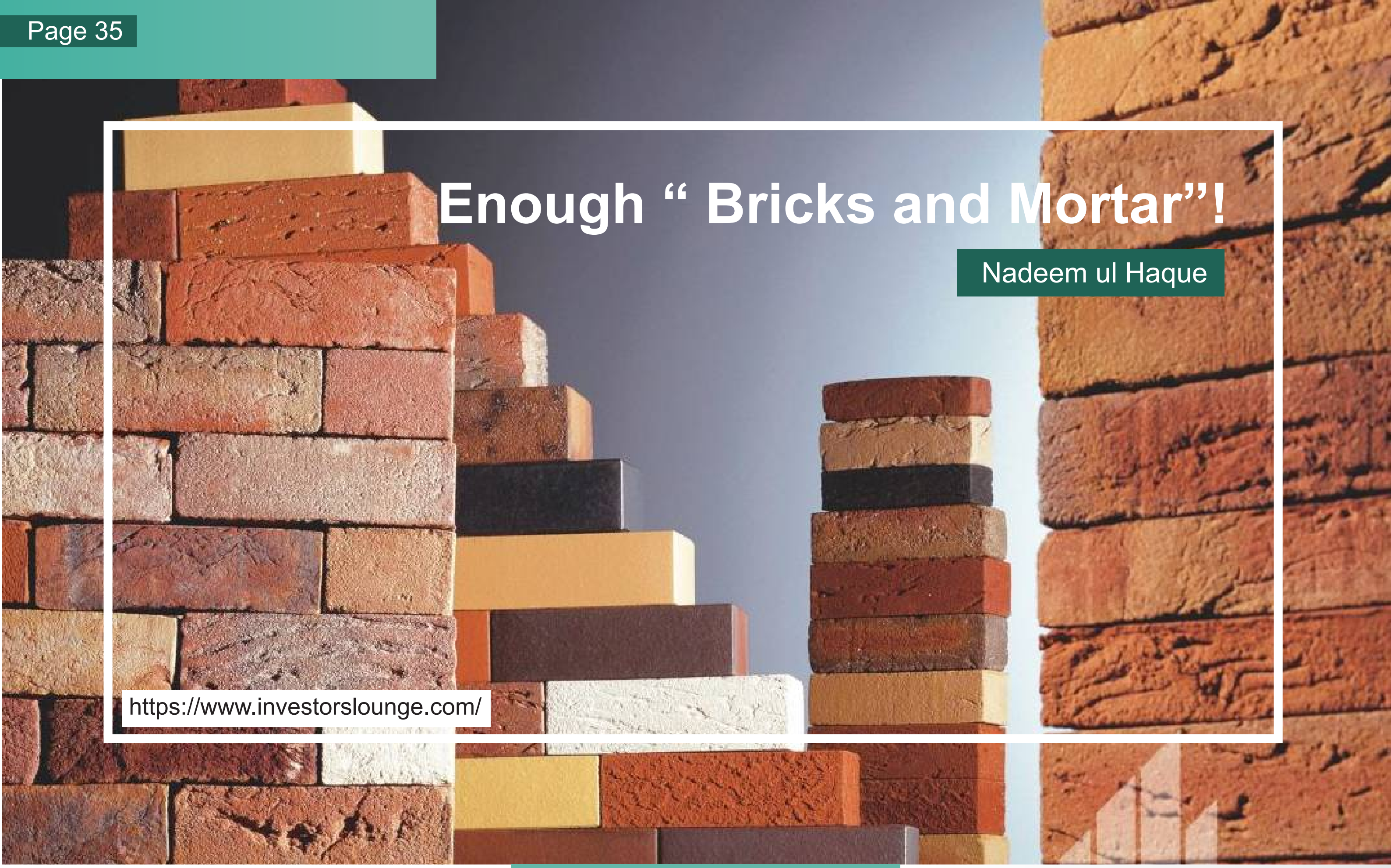

Enough “ Bricks and Mortar”!

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The novel corona virus has exposed the weakness of our development planning. We have plush roads for our cars, but our health industry remains stagnant. We have 200 universities with few accomplished professors to lead the research effort to fight the corona.

By design, the focus of the Public Sector Development Programme (PSDP) is on “Brick and Mortar” regardless of the consequences. We build purposelessly. Convention Centers, Stadiums, roads remain underutilized giving no returns to the funds spend to build them.

Avenues have been built where country roads were required, flyovers where a traffic light was required, expensive metros where buses were required, public money has been spent with little visible return.

In the name of education, our politicians want to build a university in every district, no matter the dearth of qualified professors. All departments want a huge residential training center to run at 25% of its capacity. Meanwhile, our education indicators are declining and the government lacks the capacity to make policy. It now regularly asks donors for even routine work such as making plans, inventorying stocks and monitoring our schools.

The public imagines that money went into corruption. The fact is that despite corruption, assets have been built. The questions to ask are, “were these the right assets to build?” and “could the money have been better utilized to increase our growth and productivity?”

Projects are creating assets but then they are managed for no return. We must recognize that the pressure to build more “brick and mortar” has led to a lot of waste.

No wonder, our research shows that public investment does not increase growth and productivity over the long run! We must ask, “why not?”

A new Pakistan Institute of Development Economics (PIDE) study, “Doing Development Better”, suggests that our current development approach is based on the model given by Dr. Mahbub ul Haq and the Harvard Advisory Group (Haq/HAG). This was also suggested by the Planning Commission's Framework for Economic Growth (FEG) of 2011, which was approved by the NEC, which suggested that our planning model needs to change.

Both reports note that Pakistan has been following the Haq/HAG development model since the First Five-Year Plan. Key features of this model are:

· A focus on building physical infrastructure through discrete projects in different sectors in the economy.

· Planning to develop medium term budget to finance the sectoral hardware.

· Seeking foreign projects for meeting financing gap in the plan given an expected shortfall in domestic savings.

At that time, we had no infrastructure. Haq/HAG therefore favored 'bricks and mortar' development without giving consideration to usage or the maintenance of assets. In other words, it merely created the hardware.

Times have changed. Modern policy suggests that growth happens because of the 'software' of society such as productivity, management, policy, innovation and institutions.

The PIDE study also shows the importance of developing a coordinated and well-researched national development strategy for economic growth and development. This will require detailed inquiries into developing strategies for enhancing productivity, developing markets and better asset creation and management.

system indigenously.

Pakistan must grow at 8% per annum for 30 years consistently if the growing youth population is to be employed. The PC Framework for Economic Growth of 2011 (FEG), which was approved by the NEC, suggested that this would only happen if policy moved from building “brick and mortar” to focus on “software” –reform and deregulation.

For this to happen, the PSDP approach must change. It is well known, the PSDP is overly politicized and wasteful. Politician push through pet projects that are not well-considered or analyzed and waste taxpayer funds. In any case, the PSDP merely measures the money spent on building but never learns anything on the return from the building.

It is time that the Haq/HAG approach that merely considered the money spent on projects with little regard for outcomes be discarded. It has served its purpose.

FEG as well as the PIDE study recommend that we should frame our growth policy to maximize returns and not only on measuring inputs (PSDP). In other words, assets should not be created without yielding a maximum return.

Agencies and ministries would get a budget—both investment and current—to let them build assets and make policies for results to people.

Both studies say that the PC must oversee the Medium-Term Budget Framework (MTBF) not the Ministry of Finance. The MTBF must be soundly based on well-thought out performance contracts that are also desired by the PM. The Planning Commission must then play a role in coordinating and leading with research to develop well-thought out initiatives for reform and deregulation.

Sustained growth will only happen with reform and deregulation to accelerate productivity, private investment and entrepreneurship. Policy can then focus on building a sports industry that rather than just empty stadiums. Universities can stop building buildings and campuses and focus on R&D and using existing capacity. Training academies can share resources to capacity rather than each department seeking buildings.

Potential growth and productivity have both been on the decline for the last four decades, even as we rushed to develop large “brick and mortar”—roads, buildings, metros etc. I urge policy to rethink the age old Haq/HAG model. Time to stop and modernize our growth policy: develop a modern Results Based Management