



PSDP: A Political Phenomenon

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“The Public Sector Development Programme (PSDP) is an important policy instrument for achieving socio-economic objectives of the government. It also creates spillover impact for the private sector and leverages potential of the economy for creation of greater social good.”

These are the first lines of the Planning Commissions' 2020-21 PSDP document, and although they paint a wonderful picture of the PSDP; we really must consider if it is even in sight of the reality, let alone close to it. Since the 18th amendment, PSDP has seen a significant change as the provincial share in the development outlay has increased while functional responsibilities have also been distributed among the three tiers of government i.e. federal, provincial and local governments.

The Planning Commission's role over the years has more or less been limited to being just a PSDP approving body, with much less planning coming through the commission. Although PSDP is announced annually in the budget before the start of the new fiscal year, the process of finalizing begins much earlier. Each Ministry or Division forwards its projects and required funds estimate for approval to the Planning Commission. As a result, series of discussions, evaluations, and valuations are carried out over the next few months before the Planning Commission finally approves the PSDP funds for the coming fiscal year which then becomes part of the budget document presented to the cabinet for approval before being tabled in the parliament.

While some would see it as a positive devolution of responsibility and empowering the ministries and divisions, however, it comes with issues attached. As a result of this devolution, there is a lack of central planning or policy being followed through the PSDP projects as the project preferences relating to the said ministry are ranked as per the ministry's evaluation instead of the government policy and mandate upon which they have been voted to power by the people. Secondly, it also increases the chances of the minister's bias being represented in the PSDP project recommendations forwarded by the ministry, while also opening gateways for rent-

seeking pressure groups to influence the decision of ministries. Not only this, but there comes a great degree of policy inconsistency as well due to the change of ministers' portfolios as every minister could bring their preferences and policies under the ministry.

The Planning Commission's role has thus been limited to just a PSDP approving body, which gets to pick and choose only from the recommendations made by the ministries, instead of being responsible for formulating short-term and long-term policy objectives and then devising a PSDP program that revolves around those policy objectives. This has resulted in PSDP allocations becoming a major political gimmick and selling points as well. Political parties and candidates individually use PSDP allocations during their governmental or ministerial tenure as a major campaigning point for the elections. This attitude is reflected in PSDP allocation decision-making as well, as large amounts of money are allocated for projects that do not seem necessary or fruitful but help the government party and members gain political mileage and support. It would not be wrong to say that **PSDP is turning into a 'Political Support Development Programme' instead of being a Public Support Development Programme.**

Ideally, such a development programme in a country like Pakistan must be investment driven. This means, that the PSDP should focus more on projects that help generate revenue by initiating and encouraging economic activity in the economy. This will result in increased employment and wealth creation in the economy. The government's lack of focus on acting as a facilitator and encouraged through the PSDP for developing an investment-driven development model, as has been done by China, has resulted in increasing the inefficiencies attached with the PSDP allocations. At this moment, while there are few investment-driven projects part of the PSDP, numerous entirely demand-driven projects are also part of the PSDP for years. The demand-driven nature and political leverages now attached with a higher PSDP allocation have increased the PSDP throw-forward liabilities to around PKR 6 Trillion. This is a testament to the notion that PSDP projects are becoming a burden on the already thin fiscal powers of the government due to increasing inefficiencies and lack of revenue generation from these. It is of utmost necessity that the Planning Commission is made responsible for long- and short-term planning with regards to the PSDP and allocations are more investment-centric to be able to generate revenue for these projects and those in the future. This will eventually help restrict the throw-forward liabilities from increasing while also proving to be a facilitator in increasing economic activity and thus wealth creation in the economy.

THROW-FORWARD

Numerous PSDP projects are approved and initiated without any proper financing plan or availability of required funds. Despite allocation, government is unable to provide adequate financial support to these projects timely which not only builds the throw-forward but also causes delay in the projects. Multiple delays also often result in increasing the total cost of project, which eventually has an impact on the throw-forward as well and by the time these projects are completed, their cost turns out to be much higher than initially estimated. The ahead graph represents the amount of throw-forward over the past few years in PSDP.

