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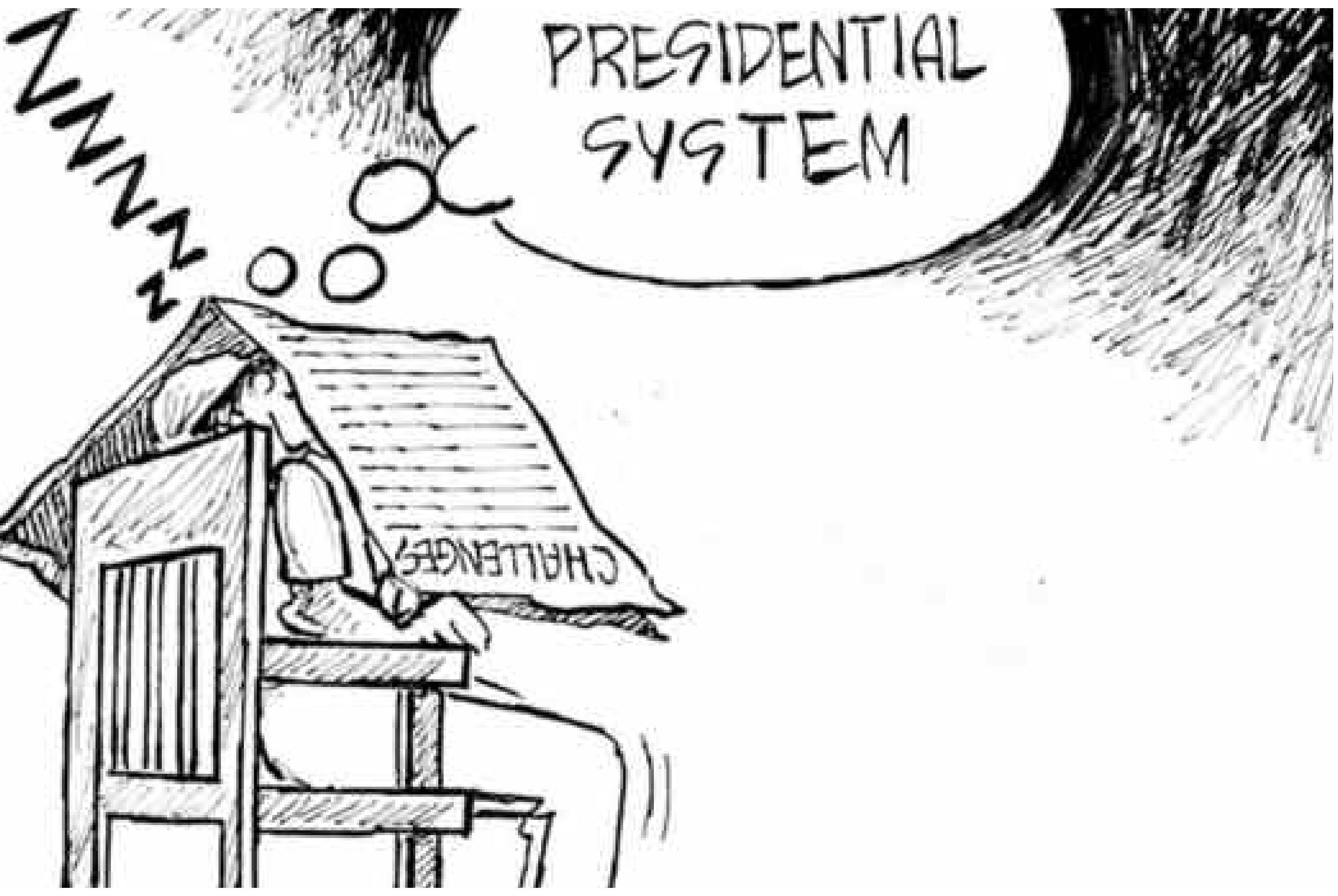

Rule of law

While highlighting the most urgent challenge facing the country, Prime Minister Imran Khan termed struggle to establish rule of law. He also said that over the last 75 years of its history Pakistan has suffered from "elite capture", where powerful and crooked politicians, cartels, and mafias had become accustomed to being above the law in order to protect their privileges gained through corrupt system. While protecting their privileges they had corrupted state institutions, especially those responsible for upholding the rule of law, he added. There is no denying that the present system is heavily skewed in favour of power elites at the expense of social progress and economic development of this county and its people.The PM, however, seems to see the challenge only where his political rivals are concerned whereas the resistance to rule of law also comes from within the system he presides over. The status quo persists because those who use their positions to benefit from public resources and inequitable relations between the state and ordinary citizens ensure their interests are not undermined. The PM promised to eliminate what he described as the culture of thana (police station) and patwari (land record officer at the tehsil level) which favoured the elites to the detriment of the disadvantage sections of society.

During his party's first government in Khyber Pakhtunkhwa, he did introduce widely applauded police reforms. But the attempt to do the same in Punjab proved a total flop. At the time some had tried to attribute that failure to cultural differences between the two provinces.If there was any difference, it was that the elites in Punjab, in particular the government's allies, were accustomed to having influence over administrative affairs. They had stopped the reform effort in its tracks. Similarly, postings and transfers of revenue officers at the behest of members of the ruling alliance went on as usual.At least in two reported instances, senior civil service officers concerned wrote letters of protest over this unfair practice to their superiors, but to no avail. The PM surely was aware of such meddling in administrative matters, but preferred to ignore it.

The present government should have had no hesitation to go ahead with its plans to create even playing fields for all citizens.But it is not difficult to figure out why it could not do that despite stated intentions. The then government enjoyed comfortable majority in Parliament, the present one can ill-afford to estrange its allies on whose support it depends to stay in office. As admirable as PM Khan's struggle to establish the rule of law is, his ability to change things for the better where he could is constrained by impediments put up from inside his administration.

Pakistan's tryst with the IMF

DR KHAQAN HASSAN NAJEEB

Second chances are rare. Pakistan has had innumerable chances of participating in loan programmes supported by the International Monetary Fund (IMF). But this is half the truth. Most of the programmes the country signed onto were abruptly abandoned. Pakistan could not complete the programme stipulations during the tenure and opted out of them.

Coupled with these several incompletions is the fact that the design of Pakistan's programmes with the IMF is at times overshadowed by expediency, deals more at the periphery, and remains short of tackling the fundamental issues. Take a look at an issue which is affecting the lives of 220 million citizens – the inefficiencies of the country's state-owned enterprises (SOEs) which are a huge financial burden on the national exchequer and offer unsatisfactory services. This is a well-known truth. The actions envisaged in the current programme for managing SOEs are hardly transformational. They include publishing audit reports of PIA and Pakistan Steel Mills, publishing a triage document of SOEs, preparing a new SOE law although most SOEs work under the well-established 2017 Companies Ordinance. More laws and documents can help only on the edges.

I, as a reform strategist, believe that Pakistan needs a massive divestment effort, large-scale financial re-engineering, and operational autonomy for SOEs – a real progressive reform of SOEs supported by the political, executive and other arms of the state. The above analysis may partly satisfy our curiosity as to why the economy is not in a great place even after decades of rendezvous with the IMF.

Pakistan was labelled a 'one-tranche country', having never really completed the stipulated term of a programme with the IMF. One was reminded of this stark reality when one began an involvement to support Pakistan's tryst with the IMF initiated in 2013. The cliche bothered one's sense of pride as a Pakistani. Three years later on August 4, 2016, against a soundtrack of camera shutters, both sides – Pakistan and the IMF – proudly announced the first-ever successful completion of a programme, in Dubai. Travel restrictions to Pakistan forced Dubai to be the venue for 10 of the 12 IMF reviews over the three-year period. The completion was indeed a sense of relief to get some pride back.

Subsequently, circumstances unravelled in a less favourable manner. An insurmountable current account deficit and our relentless ability as a nation to shy away from fundamental changes in the economy yet again pushed Pakistan to sign a new programme with the IMF on May 12, 2019. This programme – with higher front-loaded conditions – was overshadowed by a new government which took more than usual time to decide between self-reliance and signing with the IMF.

Fast forward to today, the country is waiting for January 28 to get the IMF board's approval for the sixth review. The prior actions of the government for the upcoming review are indeed some of the toughest seen in Pakistan's history and other programmes supported by the IMF globally. As things stand, with gross financing needs crossing $28 billion for FY 2022-2023 alone, the IMF's seal of approval seems a prudent way forward. The IMF is the lender of last resort. Its approval ensures access to a host of multilateral and other international financing options. It may be argued that we can arrange short-term financing on our own – and surely we may – but the markets, both international and local, are jittery and our friends may also have exhausted their capacity to help. The IMF's continuity can remove uncertainty and help Pakistan finance the short term. However, smart people know that a Plan B should always be ready.

There are many misconceptions about a country's engagement with the IMF. Even though it is casually referred to as the IMF programme, it is not an IMF programme but an IMF-supported Pakistan programme. The country should take ownership of it. A few lessons learned during the last and the current programme and from global experiences may help strengthen the ongoing engagement. It is helpful for a country to map out and put forward contours of an economic agenda which could become the basis of the initial Memorandum on Economic and Financial Policies (MEFP), the document a country signs for approval of the IMF board at the start of a programme. The MEFP is subsequently updated during 12 quarterly reviews with the fund over three years. Each review examines the agreed stipulation from last time and negotiates new prior actions, structural benchmarks, indicative targets and performance criteria. The complexity of the above technical jargon highlights the technicalities involved. The success of an IMF-backed programme hinges on a country's preparation, ability to interpret data, and competence of technical analysis - all dependant on high-calibre and trained professionals and a thoroughly prepared team.

The IMF has personnel with tertiary education and relevant training, though a country's context-based understanding is hard to come by in a short time. On the other side, country teams tend to be crowded with more generalists who also are busy in day-to-day work alongside the IMF negotiation. Both aspects need a design overhaul. A country needs to have an unbiased understanding of key economic indicators and should use the Fund's expertise to fill in the knowledge gaps. Country teams must believe that they certainly know more than their counterparts about their own country. This gives a sense of confidence and helps negotiate from a position of strength.

It may not be out of place to mention that the IMF can be surely more thoughtful in its approach. Inflation today is an economic and social concern. An emphasis on a large indirect tax effort of Rs343 billion, in addition to Rs750 billion of new tax policy measures already taken at the start of the program in 2019, does carry a certain burden of price hike. A substantive increase in petroleum levy and a full pass-through of energy prices at a time of double-digit inflationary pressure, doesn't paint an inspiring picture. We should always be sympathetic that Pakistan remains to be a country with high inequality and uncomfortable social indicators.

There has been a debate on a potential compromise of Pakistan's sovereignty. Going to the lender of last resort may at times infringe on sovereignty. Where one had always argued for the sovereignty of parliament, that space seems to have been lost. The submission of laws to parliament as a condition of the MEFP has been converted to 'approval' by parliament as seen in the case of the two current bills – the mini-budget and the State Bank of Pakistan autonomy law. An uneasy disposition. A reasonable way to overcome the sense of a loss of sovereignty is by trying to be so well articulated that we match and, hopefully, outperform our counterparts in facts, data, economic modelling and policy prescription. Not sure if the Pakistan side has made all this happen. Undoubtedly, the country should take the necessary steps to never have to refer to any 'lenders' of last resort in the medium term. A topic we hope to ex-

Business gaps

ABDULLAH KHALID

Pakistan has been gradually reducing the regulatory requirements for businesses operating in various geographical jurisdictions. Still there is plenty of room for improvement in this regard.

Anecdotally, the lack of coordination between federating units and departments and policy inconsistencies have led to a difficult business regulatory environment in Pakistan and creation of negative competition in various geographies.

Khyber Pakhtunkhwa has huge economic potential, particularly in sectors including Afghanistan-Pakistan transit trade, mining, hydroelectric power, and tourism. The province contributes 10 percent to the national GDP of Pakistan. In addition to the prolonged conflict-stricken nature, some of the reasons for not fully tapping on the economic potential include a weak positioning of the provincial government on the district level and federal issues in the economy of Khyber Pakhtunkhwa causing a decline in the confidence of both local and foreign investors.

In a recent development, on the directives and guidelines of the KP chief minister, a highly business-friendly policy has been formulated which is converting all estate offices to industrial facilitation offices, with emphasis on development agreements. The KP-Economic Zones Development and Management Company (KP-EZDMC) has successfully launched five economic zones recently including Jalozai EZ, Nowshera EZ (extension), D I Khan EZ, Rashakai EZ and Chitral EZ while fast-track development and provision of utilities to 11 more such schemes are in full swing. The company has also mobilised investment to the tune of Rs165 billion via new and existing EZs and since March 2020 has allocated 357.61 acres of land to investors.

The provincial government is focusing on creating EZs which indeed will pivot the way forward for business development. The investment-friendly policies of the incumbent KP government and efforts of the KP–EZDMC the province is acting as a beacon of hope for the business community as they are attracting foreign and local investments across the country and focusing on growth of the province as land of opportunities. Still the government has to focus on certain barriers that can be addressed by legislative, regulatory and policy actions.

The comparative advantages of various districts in KP are very vast and different as CPEC and Afghan transit trade have opened new avenues of business and investment for the business community. A gap still persists in the current economic policy framework as there is a need to focus on district-level or city-level business reform strategies.

In this context, think tanks can play a crucial role in bridging the policy research gaps in the existing business regulatory environment. The Sustainable Development Policy Institute (SDPI) has launched a national network of economic think tanks in its KP chapter with a single objective of discussing and brainstorming on regulatory ease of doing business. Such platforms are creating immense support to the business community by shedding light on sub-provincial business reforms. The recommendations are floored to the government to create a passage for ease of doing business. Think tanks are of the opinion that KP-EZDMC should focus on provision of facilities in already developed industrial areas instead of giving more attention to new industrial zones where no facilities are available. Also, the business community capacity should be increased inline to new taxes, banking channels and new policies from time to time.

For an effective and everlasting impact, research-based economic policy should be implemented in the country and for this purpose universities and the youth should be mobilised to do research from time to time and suggest the missing facilities and loopholes for policymakers to play a role in the decision-making process leading to ease of doing business. Public-private coordination is where the solution lies.

Welcome gender lens

HUMA YUSUF

Words have power. Say something often enough, and it will manifest. This is why, despite the mounting, valid critique, Pakistan's first-ever National Security Policy should be commended. "The security of Pakistan rests in the security of its citizens." These are the words with which the prime minister introduced the policy. Not the army, not the border with India, not the nuclear arsenal. This paradigm shift will inevitably make security and broader policy discourse in Pakistan more productive.

Admittedly, we're starting from a low bar when we must celebrate the fact that people are at the centre of a national security policy. But that's how it is. And that's why, as a Pakistani woman, I'm particularly heartened to see gender security highlighted within the policy.

The document rightly acknowledges that "no security policy can be successful unless it adopts a gendered lens to achieving peace and security ... providing women and transgender persons a safe environment at home, in public spaces, and at the workplace are priorities for the country". The policy also calls for women and transgender people to participate freely and securely in all avenues of public life, and calls for protection from gender-based violence. The two paragraphs on gender security are a huge leap forward, but could be taken even further. Gender security must be more robustly integrated across national security considerations.

By giving more space to women, the policy would likely have deflected much of the critique it is now facing. For example, the policy has been criticised for failing to put a strong democracy at the heart of security considerations and, in fact, for exhibiting disdain for the political system by failing to air this 'citizen-centric' policy before the citizens' representatives. This angle could not have been missed if women's increased political participation was recognised as key to their security. Women's political participation and involvement in conflict prevention and management and security policymaking is known to result in more stable outcomes. This is not only because women advocate more effectively for gender (and, hence, community) security, but also because they disrupt entrenched political elites, and push for more liberal, inclusive — and so more resilient — agendas. Research has shown that greater female representation leads to reduced corruption and improved public service delivery which, as the policy notes, are key to addressing deep-seated socioeconomic grievances that drive conflict.

A more consistent gender lens would have highlighted the overlaps between seemingly diverse threats. For example, violent extremism and digital security threats have direct implications for women's security, and by tackling one you can also better tackle the other. Indeed, an expanded review of gender security would have led to a better articulation of the multifaceted challenge Pakistan faces from religious extremists. An in-depth consideration of women's security would also have nuanced the policy's depiction of 'sub-nationalist' movements. These are dismissed as fringe concerns, troublemakers funded by external hostile actors. But the term presumably encompasses long-standing ethno-political movements that endure because of what the policy itself terms as "horizontal" inequalities, the systemic exclusion from politics and resource allocation of many Pakhtuns, Baloch and Sindhis. Recent protests, for example in Gwadar, have comprised largely of women asking for the basics: water, electricity, fishing rights, etc. These are not fringe concerns.

More emphasis on women's security would also have allowed for better consideration of non-traditional threats. Writing in these pages, Ali Tauqeer Sheikh has pointed out that the policy neglected Pakistan's climate vulnerabilities. Climate change impacts more than infrastructure. The effects of climate change make women more insecure as they have to travel farther distances during drought to procure water, and are subject to increased levels of harassment and violence during times of food scarcity or during evacuations etc. There is no gender security (or national security) without climate change adaptation.

The policy's critics say that it makes human security subservient to economic — and ultimately territorial — security. The critique is fair, but given the securitised history of all policymaking in Pakistan, it's better to have public safety and prosperity prioritised in a security framework, than not at all. However, in this context too, the policy misses a trick by not highlighting the key role that women (if provided basic security) will play in boosting the country's economy. The policy should also focus on women's inclusion in the workforce, including a target for formal labour participation. Such details would ensure that the rhetoric is implemented, and that citizens are truly made more secure.