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## **Economic policymaking**

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The writer is author of *Governing the Ungovernable* and *CPEC and Pakistani Economy*.

THE incoming government has committed itself to breaking new ground and improving institutions of governance. One such activity that needs immediate attention is revamping the flawed process through which public policies are formulated.

Pakistan has suffered heavily due to the wide gap between declared economic and social policies and their implementation. The malaise lies not so much in the content but in the process of their formulation, execution and review, absence of clearly defined responsibilities

and accountabilities, and superficial consultation with stakeholders. The result is frequent reversals, lopsided modifications and premature abandonment.

Tax policy is a living example of this phenomenon. Every incoming government starts policy formulation without examining the previous experience. The same mistakes are repeated again and by the time it completes its tenure no tangible results are achieved, compelling its successor to deem the policy a failure and restart the process. Compared to other factors, top-down driven, whimsical and ad hoc policies have done much damage to the economy. The resulting loss of credibility creates uncertainty among stakeholders contributing to lackadaisical implementation.

This article proposes a structured, systematic and synergetic process within the existing constitutional arrangement. The process places greater emphasis on (i) staff skills and competence, (ii) wider consultation, (iii) multi-stage approval and (iv) regular monitoring of the policies.

### *Top-down driven, whimsical and ad hoc policies have done much damage to the economy.*

Let us begin with the first. The finance ministry's dominance in economic policymaking and almost exercising veto power has given rise to short-termism and excessive preoccupation with the sole objective of balancing the books without realising the impact on long-term development goals. For example, manufacturing is saddled with excessive taxes discouraging industrial investment. The chief economic adviser, who is supposed to lead the staff work for policymaking, has been reduced to almost a peripheral position of producing the annual Economic Survey.

Unlike India, which has attracted top-ranking economists of international standing from outside the Indian Economic Service, Pakistan, with few exceptions, has not been able to do the same. Intra-service rivalries and court interventions end up relying on seniority alone. Members of the economist cadre insist they are entitled to occupy this top position along with that of the chief economist, Planning Commission. Anyone recruited from outside is resented and extended non-cooperation. This does not permit the selectee to be productive and he/she remains preoccupied with court cases against his/her appointment. A better option is to have open competition for these positions without reservations for any cadre and the best candidate — whether from outside or within the cadre — meeting the Federal Public Service Commission's selection criteria should be appointed.

The same procedure should be applied for the selection of the chief economist, planning and development departments of the provinces. This competition would spur those within the cadre to prove themselves by dint of hard work and performance rather than marking time to complete the length of service required for promotion. The intrigues would end if a transparent, merit-based system is adopted. The practice of open competitive recruitment has been successfully followed at the State Bank of Pakistan for the last 18 years. The CEA and CE should be an integral part of the highest decision-making bodies and report directly to the

finance minister and the deputy chairman of the Planning Commission. Their compensation package should be equivalent to those in MP1 (the highest management cadre post).

Recently, I have come across some talented and well-trained young economists inducted in the economist cadre. This augurs well for the future course outlined here. In order to keep their skills up to date and prevent them from lapsing into cynicism and lethargy or leaving the government, they should be given continuing professional training and education. Their promotion should be contingent upon performance as well as clearing training assessments.

Having positioned the finance ministry and Planning Commission with the right staff, skills and incentives, the next step is to decentralise sectoral policymaking responsibility to the ministries concerned. Each ministry dealing with economic and social development and their counterpart departments in the provinces should have an economic advisory cell headed by a grade-21 professional expert in the field. These officers should also be selected through open competition, with members of the economist cadre given equal opportunity to compete for these positions.

China has full-fledged research and training institutes attached with the ministries. The role of the Planning Commission would be that of a think tank that shares its insights and international experiences, and advises and guides the sectoral ministry. It would ensure the proposed policy is coherent and consistent with other policies and strategic objectives. The finance ministry would comment, before approval, on the financial implications arising out of the recommendations and their impact on public finances. Each ministry should prepare the initial draft in consultation with the stakeholders.

For example, the commerce ministry before initiating trade policy would bring all the business bodies and chambers, research institutions and academia, federal and provincial ministries and agencies together. The draft document should then be posted on the ministry website to elicit public views. After incorporating the opinions that are valid and add value, the next version should be presented for approval to the cabinet, the Council of Common Interests or the National Economic Council. Following this, the policy should be placed before joint parliamentary committees dealing with the subject to ensure broad political support and ownership extending beyond the tenure of the incumbent government. The policy document should be widely disseminated.

The next step is to prepare a matrix that clearly outlines the responsibilities and accountabilities of different executing agencies, key performance indicators, milestones and timelines. Each minister concerned would monitor and review progress and submit an annual report to the cabinet, Council of Common Interests, the National Economic Council and parliament. Matters that cannot be resolved at the ministerial level should be sent to the prime minister. Persons and agencies responsible for implementation should explain the deviations and lapses, if any.

These measures would hopefully minimise the wide gap between well-intentioned policies and poor implementation.

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