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**What are we missing? A tale of PSDP**

The Public Sector Development Program (PSDP) is one of the most important government sector endeavours. The PSDP is intended to prompt growth and bring in development mainly through infrastructure development, as seen from the trend in PSDP projects.

But what do we need infrastructure for? Over the past 40 years, we have been doing this. The main architect of this plan was Dr Mehboobul Haq. Yes, in the 1960s, Pakistan was in dire need of basic infrastructure so planning was needed for such schemes. We planned for infrastructure and infrastructure only.

Today, in 2020, the situation is different, the requirements of developments are different and therefore the priorities should be different. The way we plan should also reflect these changes in the environment. Plug-in growth back into the planning equation – as some economists such as Dr Nadeem ul Haque (VC PIDE) would say. We also need to ensure return on assets, make Cost-Benefit Analysis (CBA) of national and sub-national projects under the PSDP and train human resources. The objective of all this and the entire planning process should be growth.

On the February 27, the Pakistan Institute of Development Economics (PIDE) conducted a conference on PSDP at the Ministry of Planning Development and Special Initiatives. In the conference, different aspects of planning and PSDP were discussed but what was missed by all the panels was the discussion on ‘growth’; this was rightly pointed out by Dr Haque in the concluding remarks of the conference.

We do have certain binding constraints that influence our planning process from the cradle to the grave but if our planning and projects are not directed at growth then the whole planning process and the PSDP funds all will lead to nothing. Unfortunately, this is being missed by the planners, the decision-makers and the donors as well. The projects and the programmes would work if and only if the objective is economic growth.

Economic growth will lead to a betterment of human lives across the country and if growth is made the primary objective there might come a time when we may not even need planning and special development funds; the market will supply those things. As Dr Haque said, “The entire human history is on my back when it says that economic growth is the primary determinant of the prosperity of nations”. Everything else follows economic growth.

Let’s look at some examples from history. Take the example of the United States of America. The US has trade, strict tariffs, and duties on imports, local cottage industry that turned into industrial giants and then followed development in all other sectors, for example, inclusivity, rights for all, R&D budgets, etc. It wasn’t the case that economic growth followed the indicators of development but the other way around.

The roads and the communication networks put in place by the US brought in growth and therefore it worked. Therefore, we find ourselves in complete agreement with Dr Nadeem ul Haque who believes that “Somehow we have forgotten growth; and we must bring growth back into the equation”.

So how to make our planning process and PSDP more growth targeting? One most important thing that we need to do, as suggested by Dr Nadeem ul Haque in the PSDP conference, is the fact that we need to assess the return on assets. Our projects do create assets but the return on those assets is not materialized. He pointed out that we build sports stadiums and spend huge sums of money on such infrastructure yet we do have enough sports to fill those stadiums. We make auditoriums yet we do not have enough conferences to fill those.

The list can go on; the point we want to make here is that we should listen to our economists and check out the return on our assets. If this point is paid attention to, the public investment can then lead to the creation of public goods that would contribute to growth and employment otherwise the investment will sink. What is the point of investing a huge amount in something that will not be utilized? And why does this happen? It happens because we do not listen to the market.

Next comes the Cost-Benefit Analysis (CBA). We do not have any mechanism at the government level to run a CBA. Projects should have a CBA done first. If the cost exceeds the intended benefits do go for those projects as there wouldn’t be any return from those projects. Go for projects, where the perceived benefits are more than the costs. Now some people might question that we cannot do a CBA of hospitals. But does this mean that we should create as many and as big hospitals as we can? No, not at all.

The hospitals will be subjected to CBA in a bit different way. For instance, the area and the average number of patients will determine the type, equipment and size of the particular hospital. If it receives a case that case will be referred to a specialized hospital wherein those facilities will be available. The funds are there; all we need to do is to pay some attention to economic logic before we allocate that huge amount of funds to national projects.

Finally, there is a lot of emphasis on digitization and the use of IT in the conception, development, implementation and execution of projects. In the PSDP Conference, this was stressed upon by notable speakers such as the country director of the World Bank, Illango Patchamuthu. But we find ourselves in more agreement with what was said in the concluding remarks by the VC of PIDE. No doubt technology is of extreme importance and we have to own it and utilize it but at the same time, we need to be fully aware that the user of the technology is going to be a human being. As long as we have not given that human being the capacity, right incentives and motivation to work there is not much to which can be derived from technology. To fully utilize technology, we need proper investment in human resources in the right direction.

We need to pay attention to economic growth and make it an objective of our programmes and projects. The Ehsaas document on its website states that only pro-poor projects will be entertained. We differ and, based on the discussion in the PSDP conference and thoughts shared by VC PIDE and PIDE researchers, we believe that only pro-growth projects should be entertained; that way we can make something good out of PSDP.

The time of Mehboobul Haq’s HAG is gone; we need to adapt to the current situation as required. We should also do a CBA and for all assets that have been created as a result of projects, we need to ensure return. We must bear in mind that growth should be our primary objective in the planning process.

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