

National institutions being destroyed systematically

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LAHORE: Many reputable national institutions may go into oblivion due to obsession of multi-lateral institutions to hand over their work to non-government organisations or to new institutions formed under their guidance.

Many in bureaucracy are fighting an uphill battle to convince the government not to destroy institutions that have been delivering and have made their mark in the national economy. Some highly respectable bureaucrats have urged the government to follow real home grown agenda instead of experimenting on the advice of the donor agencies.

They quote two recent examples of Indonesia and Malaysia in East Asia. Indonesia followed the path advised by the IMF putting total emphasis on private sector. The country eliminated the public sector on a fast track under Suharto's leadership. When his rule crumbled there were no state institutions to fall

back while the private sector proved more corrupt and inefficient than the public sector. Indonesia today is totally dependent on IMF.

They say in Malaysia Mahathir refused to take dictation from IMF. He encouraged private enterprises without damaging the public sector. He said Malaysia would follow home grown policies. The role of public sector Malaysia has also diminished gradually but this was done when the private sector was fully prepared to take over, they add.

Bureaucrats point out that PSO though in public sector is as vibrant as the two multinationals the Shell and Caltex. They say PTCL has delivered under worst circumstances and has shown sustained growth during last decade. In the small and medium enterprises sector the Punjab Small Industries Corporation has generated highest employment opportunities in the country with a very small financial base.

This institution has exemplary recovery rate on project loans,

much better than most of the financial sector. The institution is still functioning very smoothly but feels threatened from the signals it receives from the government as well as the multi-lateral agencies. *The Nation* found it a typical case of a systematic move to destroy national institutions without provision of a better and immediate replacement.

The Nation has learnt that ADB (probably in agreement with IMF) now insists in meeting that PSIC or other government institutions should not be assigned the job of facilitating the SME sector. They want private sector to come up either through associations or sectoral organisations to create a culture of cooperatives and let the commercial banks do the job of credit disbursement. They want new organisations like SME Bank and SMEDA to take up the role now being performed by PSIC. It is worth noting that these two organisations had the blessings of multi-lateral agencies. However, these agencies desire note that

these two need some reforms before they could be effective in supporting the SMEs.

Now the question is what was wrong with PSIC that has been performing so well through out. It had in the past been praised by these very agencies. The agencies should have scrutinised this organisation and suggested reforms if required. That would have ensured continuity. This is the only institution in the country that has been providing one window facility to the SMEs. It provides feasibility reports, loan, develop industrial zones and provides land for projects. The institution facilitates SMEs by providing common facilities that a small entrepreneur can not afford in the beginning.

Recently the corporation has taken up the task of providing electricity, telephone and gas connections to its clients within specified time. It has successfully negotiated with the three utilities to spare the small entrepreneurs from the hassle of running after clerks to get these connections.

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This institution is being systematically stripped to make it a non-entity. Its service centers were handed over to TEVTA four years back. Donors want it to transfer the job of providing credit for project loans to SME Bank or Commercial Banks. These institutions in the first place are not fully geared to facilitate small entrepreneurs. Secondly, they charge much higher mark-up from SMEs than they charge from big corporate sector. This is despite the fact that default rate in SMEs is lowest. PSIC that has done this job efficiently since 1972 provides loans at lowest possible mark-up.

Now the government has announced establishment of Punjab Estate Development Company that would probably take over the job of estate development from PSIC. It is learnt that the authority would be provided an initial fund of Rs2.2 billion. PSIC has offered to revamp the entire industrial estates in the province at 1/3rd the cost.

Gujrat, Gujranwala and Sialkot

triangle that has emerged as the fastest growing export oriented industrial center in the country owes its existence to PSIC. Industrial zones in these cities as well as Township Industrial Zone at Lahore were developed by PSIC. The development work on the first Export Processing Zone in Punjab near Sialkot has been completed by PSIC. Tender for development of EPZ at Gujranwala would be issued this month.

The new estate development company would be doing the same job as being done by PSIC. If there were any flaws in the estate development by PSIC (though obviously there are none) the government should have instituted reforms instead of making a new organisation.

Senior economists have urged the government to study the performance, efficiency and working of each public sector institution and take decisions on merit instead of applying one formula making all public sector organisation redundant and replacing them with new ones.