

REFORMING GOVERNANCE IN PAKISTAN

Experiences from SNG and PFM-II

16th June, 2022 | Islamabad

Learning and Reflection Workshop Report

Reforming Governance in Pakistan: Experiences from SNG and PFM-II

16th June 2022 @ Serena Hotel, Islamabad

1. Introduction

This note sets out the summary findings from the SNG Learning and Reflection workshop held with the EU-funded PFM-II programme in Islamabad on 16th June. The workshop involved members of the SNG and PFM-II teams, with representation from the FCDO (Bianca Jinga) and EU-Delegation (Stephen Langrell) for the final session.

SNG and PFM-II are major governance programmes implemented by OPM, working across federal government, four provinces (Punjab, KP, Sindh and Baluchistan), and selected districts. The workshop provided a unique opportunity to share reform experience across programmes.

SNG-II (2019-2023) is funded by the UK Foreign, Commonwealth and Development Office (FCDO), and works in the provinces of Punjab and KP to improve public service delivery.

PFM-II (2020-2024) is funded by the European Union and provides technical assistance to the governments of Sindh, Baluchistan, and the federal government to strengthen public financial management and improve strategic budgetary forecasting.

Proceedings of the workshop are summarised below.

2. Thematic presentations and discussion

Programme overviews were provided by Mujib Khan (SNG) and John Gray (PFM-II). This was followed by thematic presentations and discussions on common themes between both programmes (PFM reform, planning reform, sub-provincial governance). Each theme covered core intervention areas, political economy considerations, results and impact, and lessons learned. Sessions drew upon implementation experiences across programme workstreams to identify lessons for both programmes in supporting transformational change within government.

(i) PFM reform

SNG workstream leads made presentations on fiscal risk management in Punjab and the KP PFM legal framework. PFM-II workstream leads made presentations on the Federal PFM Act 2019 and performance based budgeting. Summary points are provided below:

- **Long-time taken by the PFM reform.** PFM reforms take a long time to mature. This is due to the time required to build understanding and ownership within government, and to identify and support reform champions within key institutions. The process is highly political in nature, and therefore fragile. Development of a legal framework for PFM also takes time, with initial reluctance from government to introduce formal PFM processes and procedures.

- **Perfection is the enemy of the good.** Pursue 'good enough' reforms, which are pragmatic and workable. Incrementally improve reform and don't aim for perfection in the first cycle.
- **External shocks continue to challenge fiscal predictability.** Conflicts, epidemics (Covid) and economic recessions will continue to challenge fiscal predictability. To address this, government is gradually shifting from qualitative to quantitative fiscal risk assessment.
- **Encourage reverse learning from provinces to the federation.** Apart from the NFC Award, there is no formal mechanism by which provincial PFM systems connect with the federal government in macro-economic issues. This is an area for future reform.

(ii) Planning reform

SNG made Presentations on: public asset monitoring in Punjab and urban planning in KP. PFM-II made presentations on development of a planning manual for Sindh and SDG expenditure tagging. Summary of the discussion is provided below:

- **There are capacity constraints within government to plan and monitor projects.** The PC-I to PC-V system which governs the planning cycle (planning through to evaluation) is not properly implemented and does not support effective project management. This is a major reform area.
- **Centralisation is not always bad.** To ensure effective land use, KP government has established a centralised building control authority, with local representation. This reform follows previous experimentation with local authorities, which did not adhere to land use policy within their jurisdictions.
- **Budget tagging.** PFM-II has developed a methodology to tag budget expenditure against the SDGs. This methodology has wider applicability for tracking expenditure against other cross-cutting issues (e.g. gender, climate).

(iii) Working with sub-provincial governments

SNG presented experience on support to solid waste management service delivery pilots in Kasur and Swat districts. PFM-II presented their work in Sindh on strengthening PFM in districts and improving health outcomes through the People's Primary Healthcare Initiative (PPHI). Summary discussion is provided below:

- **Alternate service delivery models provide a useful mechanism to nudge government.** Outsourced management models help demonstrate to government how tasks can be executed in more efficient and cost-effective ways. This creates healthy competition, fosters partnerships and challenges established institutional arrangements.
- **Broader societal and political consensus is needed on local government reform.** Pakistan is a graveyard of local government experimentation. Political debate is needed on the powers, responsibilities and resources (staff, budgets) to be devolved to local governments.

Following the thematic presentations, participants broke into three discussions groups to discuss implementation experiences and learning opportunities in more detail.

3. Discussion group presentations

Three discussion groups, comprising staff from both programmes, discussed and presented back to plenary: i) lessons from implementation experiences; ii) political economy

challenges; and iii) potential areas for cross-learning. This session was joined by staff from FCDO (Bianca Jinga) and EU-Delegation (Stephen Langrell).

Group 1: PFM Reform	Group 2: Planning reform	Group 3: Working with sub-provincial governments
Key lessons emerging from the implementation experiences		
<ul style="list-style-type: none"> Resistance to rule-based fiscal governance (FRDLA, TSA and Grant-in-Aid rule) Ensure coordination among reform partners Reforms are easy to design, but difficult to implement Lobbying, persuasion, engagement, and choice of appropriate timing yield results Collaborative work removes obstacles and optimises benefits 	<ul style="list-style-type: none"> Clearly understand the reform problem and political-economy Anchor reform in the political agenda Identify reform champions (may not be top leaders) Engage in a way that renders ownership to implementors – nudge them to become politically savvy Informal authorisation is helpful as long as the context remains the same Securing political authorisation is helped by active donor engagement 	<ul style="list-style-type: none"> Use an evidence-based approach and lobby at each reform stage Remain inclusive in planning and implementation (enhanced role of private & informal sector) Foster administrative and financial independence in decision-making Identify and work with local solutions Identify reform champions
Challenges, and how those can be addressed?		
<ul style="list-style-type: none"> Continuity of PFM reforms is the first casualty of regime change (loss of reform champions) Identify risks to fiscal sustainability Regulatory reforms do not have an immediate impact Governance structures need to be aligned to objectives (laws, strategy, policy, rules, plans) Political economy is not always in harmony with the reform agenda (e.g. fiscal profligacy during election years) 	<ul style="list-style-type: none"> Uncertainties arising from resource challenges Managing government expectations is critical Political stability is important (reform during election periods) Need to manage change within government (break institutional inertia) Inclusive and evidence-based planning Government staff turnover is a challenge 	<ul style="list-style-type: none"> Weak policy, legal and implementation frameworks Political instability and changing government priorities Financial sustainability Engaging private/informal sector is complex Lack of transparency and citizen awareness
Recommendations for cross-learning between SNG and PFM-II		
<ul style="list-style-type: none"> Ensure reform partner coordination at national and sub-national levels Coordinate at workstream level with frequent knowledge-sharing Advocacy for high impact reforms (and their sequencing) More innovative and committed are the partners the higher are the chances of success (identify relevant institutions and partners) 	<ul style="list-style-type: none"> Foster advocacy coalitions at donor and programme implementation levels Develop joint knowledge products (across provinces and programmes) Learning hub (joint webinar, online repository) Cross programme QA 	<ul style="list-style-type: none"> Inter-programme coordination (technical & management) Build synergies (especially in overlapping areas) Experience sharing platforms and frequency (learning events, webinars) Share success stories

4. Summing-up session

Concluding and thank you remarks for the workshop were provided by SNG (Mujib Khan, Stephen Akroyd), PFM-II (John Gray), FCDO (Bianca Jinga) and EU-Delegation (Stephen Langrell).

Key points are summarised below:

- Understanding the **political economy is a critical factor** for reforms to succeed.
- Fostering **reforms in the public sector is a slow, painstaking process**, and continuity of reform processes is important.
- **Flexibility is important to negotiate structural impediments**, e.g. SNG end-to-end service delivery pilots circumvented the uncertainty in district level governance.
- **Helping institutions find their purpose, can lead to lasting improvements**. For example, Punjab Economic Research Institute (PERI) is now actively contributing towards provincial annual planning process.
- Both SNG and PFM-II are working with **dynamic models at the sub-provincial levels** (working through PPHI, district PFM work, TMA led SWM, outsourced WSSC model). These approaches need to be evaluated for cross learning and adaptation.

The workshop ended on a vote of thanks, and both FCDO and EU representatives agreed to go beyond programme boundaries to create complementarities and facilitate mutual learning.