



The impact of structural reform strategies of international financial institutions on the rule of law, good governance and development in Pakistan

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ABSTRACT

This article aims to critique the impact of Structural Reform Strategies of International Financial Institutions (IFIs) upon the rule of law, good governance and development in Pakistan. The key contention of this article is that the absence of social justice in Pakistan is a consequence of the interaction IFI policies and weak structures of governance, the rule of law and development introduced by the government of Pakistan. Whilst IFI policies have recently attempted to emphasise human rights, good governance, the rule of law and development, they have been ineffective in part due to submissiveness of IFI's to the geo-strategic interests of the U.S. and Western powers and internal factors within Pakistan.

This article is organised into three parts. Part I examines the impact of Structural Reform Strategies (SRSs) of the IFIs upon the rule of law and good governance in Pakistan. Part II highlights the impacts of SRSs of the IFIs on development in Pakistan whilst focussing upon three key issues such as, poverty, education and health. Part III concludes the article and summarises key arguments.

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1.1 THE IMPACT OF STRUCTURAL REFORM STRATEGIES OF INTERNATIONAL FINANCIAL INSTITUTIONS UPON THE RULE OF LAW AND GOOD GOVERNANCE

Since the early 1980s, the notion of law and development has been used to accelerate development within developing countries. The foundations of this movement hinged upon the formulation and incorporation of “good governance programmes to rule of law and development”, This resulted in the injection of huge amounts of money into development related projects. The projects involved improving legal scholarship, judicial reform, providing legal aid, combatting corruption as well as providing training and teaching programmes. A number of institutions were involved in the law and development movement. These include the Ford Foundation, the United Nations Development Programme (UNDP), the World Bank, USAID, the European Bank for Reconstruction and Development (EBRD), the American Bar Association (ABA), the Inter-American Development Bank (IDB), the Asian Development Bank (ADB) and the United Kingdom’s Department for International Development (DFID) among others (Tamanaha, 2009: 1-2).

Nader notes that to examine the capacity of any law and development plan, it is important that the initial concepts of development strategies be outlined regardless of their consequences to established authorities. The underlining rationale of legal reform is to promote social justice, human rights and the improvement of the structures and functionality of the state. The concept introduced the idea of law as a tool of social change and progress (Nader, 2007: 1-2).

In the law and development movement, similar things were highlighted in the World Development Report 2006. The World Bank identifies various principles, however, a lack of clear vision and lack of familiarity with the previous exercise has been observed in the application of law and development (World Bank, 2006). Nader concluded that the rule of law programmes will remain deficient if law serves to uphold issues of power and control (Nader, 2007: 20-21).

Yet despite this, Tamanaha suggests that there have been little lessons learned from the fault lines of law and development experiences;

One implication of this thought experiment is that the failures of law and development projects in the past five decades does not entail that legal development is failing. Rather, it means that that law and development projects—mostly related to the establishment of capitalist, democratic, and liberal legal institutions—are not showing much success. Legal development still takes place, although not according to or in compliance with this formula (Tamanaha, 2009: 242).

Tamanaha contends that a number of factors are central to legal transformation such as political strength, social approaches to law, sufficient human capitals, social balance and adequate financial assets. He further asserts that by constructing indigenous capabilities, the probabilities for effective legal growth can be improved as it grows its form and appeal inside a specified culture which is primarily an indigenous problem. Previously, the funds were misused by spending the money on armaments for the armed forces or through the establishment of foreign accounts by the elites which was basically provided for financial growth. Tamanaha also asserts that Sen has provided a broad and influential approach which includes justifiable growth, political and democratic freedoms, safety from violence and uncertainty, sufficient social services, an open print and broadcast media, and rights of women in relation to improve the capabilities and liberty of individuals (Tamanaha, 2009: 12-15, 23). Tamanaha identifies several problems. In the context of Pakistan, Tamanaha points to the dominance of the military in relation to internal issues of governance. noting that a well-functioning legal system and courts serve only urban areas at the expense of those living in rural areas. (Ibid: 7).

Legal reforms have also been neglected in Pakistan in the last three decades. This is coupled with the fact that previously, executive interference in judicial matters not only affected its independence, but also disrupted the structure and reliability of courts. Armytage identified a number of other serious problems such as

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prolonged adjournments,¹ insufficient services, lack of judges and courtrooms and inadequate remuneration which results in corrupt practices. The Asian Development Bank was the first International Financial Institution (IFI) to provide financial support and fund judicial reforms in Pakistan. It allocated \$350 million (US dollars) for the Access to Justice Program (AJP) from 1998 to 2002 (Armytage, 2003: 5-6).

Although, the AJP was not successful in obtaining all of its objectives immediately, it contributed largely to the transformation of future trends for the judicial and legal system of Pakistan. For example, in 2009, the National Judicial Policy² was announced in order to ensure speedy trial of cases, abolition of corruption, misuse of power and judicial independence. After the reinstatement of the Chief Justice of Pakistan (CJP), the judiciary entered into a new era of reforms including the lower judiciary and legal institutions (NJCP, 2009).

On May 20, 2004, the World Bank provided \$55 million (US dollars) to Pakistan to fund the Public Sector Capacity Building Project which was expected to be completed by November 2009. The project focuses upon three sectors for reform; namely the professional development of civil service, reforming both important federal and provincial ministries, as well as enhancing the capacity building enterprise of the controlling organizations such as Oil and Gas Regulatory Authority (OGRA), Pakistan Telecommunication Authority (PTA) and National Electric Power Regulatory Authority (NEPRA) (World Bank, 2004a).

Armytage (2003:7) notes the AJP has facilitated the publication of the progress and performance of the courts through annual reports. Moreover, there has also been a positive interaction between civil society and the judiciary, which is evident through the activist dimension of the Lawyer's Movement in Pakistan. What all these factors show is that although it is difficult to identify the immediate impact of the AJP, there were positive long term effects. In the case of the World Bank (WB) and International Monetary Fund (IMF), their investments have been largely confined to the

¹ He identified that an outrageous excess of cases in the courts was observed, which normally take five to twenty plus years to be decided and that in some of the cases related to land dispute, the case had been passed on to the third generation of the contesting party (Armytage, 2003: 2).

² The National Judicial (Policy Making) Committee (NJPMC) was instituted under the chairmanship of the CJP which formulated important recommendations.

reformation of governance structures in Pakistan. The projects have variously helped in improving good governance, which has also impacted on the general functionality of state institutions. It is important to note however, that despite their seemingly distinct focus, rule of law and governance have a number of interfaces implying that a disruption in one may profoundly affect the other.

1.2 THE IMPACT OF STRUCTURAL REFORM STRATEGIES OF INTERNATIONAL FINANCIAL INSTITUTIONS ON DEVELOPMENT

There are two underlying issues here, firstly whether the policies on rule of law and good governance are effective in promoting development and secondly, the impact of IFIs general policies upon development. The rule of law and good governance are important but are unfortunately being hindered by various internal factors in Pakistan i.e. the govt. of Pakistan has prevented effective reforms such as those relating to tackling corruption. Doubts also seem to exist as to whether the approach taken by the World Bank, IMF and ADB are likely to succeed.

Sen's capability approach suggests that improvement of capabilities in poverty, education and health is essential to development. Poverty, education and health are three relevant problems caused by a combination of inadequate policies of both the IFIs and Pakistan. This section will move on to explore how these issues manifest in reality.

It is a common perception that aid to Pakistan was conditional to the geo-strategic interests of the U.S. but the liability of the government of Pakistan cannot be ignored as it plays a significant role in formulating policies for development.

The international institutions started paying attention to the problems of poverty and famine in terms of finance during the second half of the 20th century. Initially, finance was mainly project based with a continued emphasis upon infrastructure projects. From the 1980's onwards, there was a shift to structural adjustment lending. These programmes were predominantly ineffective in dealing with the interrelated issues of poverty and famine. At the end of the 20th century, international organizations, IFIs, development banks and powerful nations realised the

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crucial role they could play in alleviating poverty and famine. In 1999, the Bretton Wood Institutions replaced their SAPs to Poverty Reduction Strategy Papers (PRSPs) and Poverty Reduction and Growth Facility (PRGF) based lending. These programmes are being used by the donors and the United Nations as parameters for the progress of a country in the developing loan receiving states (APCSF, 2003: 3).

Woods (2005: 3) argues that the disagreements within the states not only worsened the lives of deprived people but also devastated the prospects for human growth. Further, the end of the Cold War distorted foreign loans by entwining it to geopolitical interests. The Asia Pacific Civil Society Forum (APCSF) in its discussion paper notes that the geo-political circumstances in this region are responsible for the prevalence of famine and poverty. This is because governments spend the majority of their funding on military expenditure at the expense of public welfare. This is illustrated in the the “war on terror” which has been prioritised over the fight against famine and poverty. (2003: 3).

Mussa argues that “it is important to recognize that when geopolitical considerations weigh heavily; the IMF tends to be diverted from the principles that normally govern its provision of financial support” (Mussa, 2002: 13). There is plenty of evidence that IMF loans to Pakistan in the post 9/11 era were attached with conditionality for submitting as a frontline ally of the U.S. in the “war on terror”. General Musharraf said that it was necessary for Pakistan to facilitate the United States in order to protect our nuclear plan or in either case Pakistan might face lots of difficulties not only for its endurance but for Islam. He further explained that he saw it an obligation to defend state security. He was initially reluctant to cooperate with the U.S. but the survival of Pakistan forced him to do so.³ Pakistan provided supplies and strategic help including the use of military and air bases to help America to defeat the Taliban. It also promised to protect the Pak-Afghan border for purposes of infiltrating radicals, sharing of intelligence and many more tasks assigned by the U.S. In return, the USA legitimised Musharraf’s dictatorial regime and warmly welcome him by removing all economic sanctions which were previously imposed on

³ General Musharraf’s views were shared with Ajmal Khan Khattak (President National Alliance Party (NAP)) during a meeting later revealed to United Press International (UPI, 2001).

Pakistan because of nuclear test explosions, whilst also increasing aid. (UPI, 2001).

Momani also asserts that these submissions created various domestic and regional conflicts due to anti-American sentiments. Military interference within the region increased insurgency in the country as well as threatening Pakistan’s national interests. During this period, the IMF loans were conditional to the support for the American-led war on terror (Momani, 2004: 43-44). The chart below shows the cost of the ‘war on terror’ which not only devastated the economy of Pakistan but also diverted resources which were meant for poverty alleviation and other social services. The estimated loss to the economy can be seen in the table 1.1 below.

Table 1.1 Estimated Losses to Economy of Pakistan 2001-02 to 2015-2016

Table-2: Estimated Losses (2001-2016)			
Years	Billion \$	Billion Rs.	% Change
2001-02	2.67	163.90	-
2002-03	2.75	160.80	3.0
2003-04	2.93	168.80	6.7
2004-05	3.41	202.40	16.3
2005-06	3.99	238.60	16.9
2006-07	4.67	283.20	17.2
2007-08	6.94	434.10	48.6
2008-09	9.18	720.60	32.3
2009-10	13.56	1136.40	47.7
2010-11	23.77	2037.33	75.3
2011-12	11.98	1052.77	-49.6
2012-13	9.97	964.24	-16.8
2013-14	7.70	791.52	-22.8
2014-15	9.24	936.30	20.0
2015-16*	5.55	578.20	-39.9
Total	118.32	9869.16	-

* Estimated on the basis of 9 months actual data

Source: M/o Finance, M/o Interior, M/o Commerce, M/o Foreign Affairs Joint Ministerial Group

Source: “Finance Division, Government of Pakistan”.

http://www.finance.gov.pk/survey/chapters_16/Annexure_IV_War_on_terror.pdf

There is strong evidence of the political use of IFIs’ aid to developing countries which has been admitted by the World Bank: “It is true that during the Cold War year’s aid was politically motivated. Now, however, aid is being delivered to countries most in need and to those who show they are determined to use it well” (World Bank, 2010). Pakistan has been a major beneficiary of IF. It is currently unclear whether the structural reforms introduced in Pakistan by the IFIs have been successful or not. To determine this, we must look at the various indicators as discussed above and consider the economy of Pakistan. The following charts and graphs below demonstrate various pieces of information. Table 1.2 for example outlines the Real GDP, Exports%, Imports %, FDI, economic situation from 2000-2016, Table 1.3 highlights the HDI of Pakistan, South Asia and

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Table 1.4 identifies World and Government Spending on Poverty, Education and Health (2001-2016).

Table 1.2 Macroeconomic Situation of Pakistan

For the Financial Year (FY)	Real GDP Growth Constant Factor Cost (fc) (%)	Exports (As % of GDP)		Imports (As % of GDP)		Foreign Direct Investment (US \$ billions)
		US \$ Billions	US \$ Billions	US \$ Billions	US \$ Billions	
2000-01	2.0	12.9	15.1	0.3		
2001-02	3.1	12.8	14.4	0.5		
2002-03	4.7	13.5	14.8	0.8		
2003-04	7.5	12.40	13.60	0.9		
2004-05	9.0	14.48	19.00	1.5		
2005-06	6.6	16.57	24.89	3.5		
2006-07	7.0	17.30	26.87	5.1		
2007-08	3.7	20.45	35.28	5.2		
2008-09	1.2	19.13	31.67	3.7		
2009-10	2.6	19.68	31.13	2.02		
2010-11	3.6	25.37	35.80	1.33		
2011-12	3.8	24.72	40.37	0.86		
2012-13	3.7	24.80	40.16	1.33		
2013-14	4.05	25.08	40.23	1.78		
2014-15	4.04	24.09	41.79	2.76		
2015-16	4.71	10.82 (6M16)	19.90 (6M16)	1.57 (6M16)		

Source: "Economic Survey of Pakistan 2008-09", Ministry of Finance, Government of Pakistan. (See also State Bank of Pakistan; Federal Bureau of Statistics), <http://www.finance.gov.pk/survey/chapters/01-Growth.pdf>, "Karachi Chamber of Commerce and Industry". ([https://kcci.com.pk/Rnd/Country%20Wraps%20\(PDF\)/IW-%20KCCI-Pakistan%20-%20Country%20Wrap%20-%20Combined%20Feb-16.pdf](https://kcci.com.pk/Rnd/Country%20Wraps%20(PDF)/IW-%20KCCI-Pakistan%20-%20Country%20Wrap%20-%20Combined%20Feb-16.pdf))

The Human Development Index (HDI) focuses upon three elements; literacy, life expectancy or health and the standard of living (Purchasing Power or Income) (UNDP, 1990: 10). It is basically an assessment of human capabilities whose, "foundational importance" according to Amartya Sen, "provides a firm basis for evaluating living standards and quality of life" (Sen, 1990: 54). The introduction of assessment tools for measuring human attainment was essential to bring in human growth as an unconventional idea as well as to attract the concentration of policy architects. Mahbub ul Haq, the chief architect of the Human Development Reports formulated the three core indicators of development as education, health and income as one,

the Human Development Index (HDI). Sen acknowledged his initial disagreement with Haq as he was apprehensive about the complications of limiting the intricate concept of human capabilities to particular indicators but was subsequently convinced by Haq that it was a measure that is not as blind to social characteristics of human lives as GNP is. In addition, Haq holds the view that the lone index would be able to attract the concentration of planners from pure economic based approaches to human development as a concrete measure of development (UNDP, 1999: 23; Fukuda-Parr, 2002: 1-2). Anand and Sen argue that "longevity and education are clearly valuable as aspects of a good life, and also valued as constituents of the capability to do other things... the income component of the HDI has been used – as an indirect indicator of some capabilities not well reflected, directly or indirectly in the measures of longevity and education" (Anand and Sen, 2000: 86).

Alkire suggests that human growth should include education and health in growth evaluation as it is a broader criterion. However, the elimination of deprivations in education and health are fundamental to growth through "participatory...capability and income approaches along with others" (Alkire, 2010: 4). In addition, it is evident that education and health are key elements of the Human Development Index (HDI) and Human Poverty Index (HPI). The indicators of education and health do not enervate the types of capabilities which are significant to growth evaluation (Ibid). The HDI comparison of Pakistan with South Asia and the World together with government spending on poverty, education and health can be seen through table 1.3 and graph 1.1 below.

Table 1.3 Comparison of Human Development Index (HDI) of Pakistan, South Asia and the World

FINANCIAL YEAR	WORLD	SOUTH ASIA	PAKISTAN
1980	0.455	0.315	0.311
1990	0.526	0.387	0.359
2000	0.570	0.440	0.416
2005	0.598	0.481	0.468
2010	0.697	0.586	0.522
2011	0.703	0.596	0.527
2012	0.707	0.599	0.532
2013	0.709	0.603	0.536

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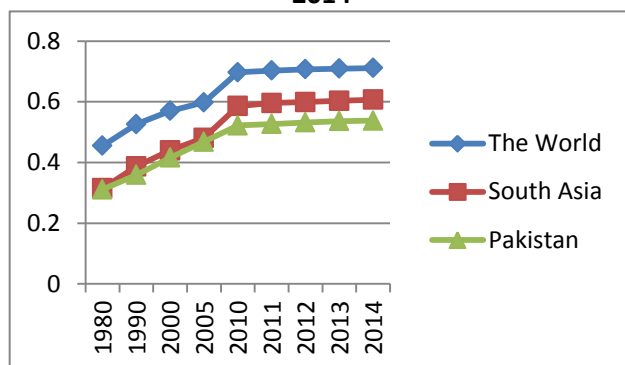
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2014	0.711	0.607	0.538
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Source: "Pakistan: Country Profile of Human Development Indicators"

(<http://hdrstats.undp.org/en/countries/profiles/PAK.html>); Human Development Report 2015" (http://hdr.undp.org/sites/default/files/hdr_2015_statistical_annex.pdf)

Graph 1.1 Human Development Index: Growth 1980-2014



Source: Pakistan: Country Profile of Human Development Indicators.

http://hdr.undp.org/sites/default/files/hdr_2015_statistical_annex.pdf

Table 1.4 Government Spending on Poverty, Education and Health (2001-16) In Billion \$

Financial Year	Health % of GDP	Education		Poverty Social Sector & Poverty Related Expenditure (As % of GDP)
		% of GDP	% of Budget	
2001-02	0.59	1.79	9.5	3.8
2002-03	0.58	1.86	10.0	4.32
2003-04	0.58	2.20	13.0	4.63
2004-05	0.58	2.15	12.5	4.81
2005-06	0.49	2.24	12.2	4.93
2006-07	0.54	1.75	12.0	4.89
2007-08	0.56	1.76	9.8	5.46
2008-09	0.56	1.82	11.5	5.86
2009-10	0.53	1.75	11.86	7.57
2010-11	0.23	1.77	10.92	6.9
2011-12	0.27	1.96	11.04	9.7

2012-13	0.56	2.14	11.51	8.6
2013-14	0.69	2.14	11.30	7.7
2014-15	0.42	2.1	11.30	7.9

Source: "Economic Survey of Pakistan 2009-10 and 2015-16", Ministry of Finance, Government of Pakistan. (See also State Bank of Pakistan; Federal Bureau of Statistics), http://www.finance.gov.pk/survey_0910.html; The World Bank Group, http://data.worldbank.org/indicator/SE.XPD.TOTL.GB.ZS?locations=PK&year_high_desc=false; <http://budget.par.com.pk/economic-survey/2015-16/>

The government of Pakistan's spending upon education, health and poverty, is very low in comparison to its counterparts both in South Asia region and globally. This is despite the country receiving massive loans to improve the structure of social services, health services, poverty reduction and to raise the literacy rate. Table 1.4 shows government spending on Poverty, Education and Health care from 2001 to 2015.

1.2.1 EDUCATION

Literacy is essential for the development of a country as demonstrated below:

If a country is unable to develop its human resources, it cannot build anything else...the building of modern nations depends upon the development of people and organization of human activity. Capital, natural resources, foreign aid and international trade, of course, play important roles in economic growth but none is more important than manpower (Harbison and Myers, 1964: V, 6).

Education has been recognized as a universal human right. The Universal Declaration of Human Rights said that "Everyone has the right to education.... Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms".⁴ and an effective mechanism to develop individual capabilities and to attain financial and social growth. Education enables people to formulate choices, whilst extending both their scopes and prospects and to have a say in public decision-making (Youssef, 2005; Akram and Khan, 2007: 6). Wolfensohn (1999) suggested a

⁴ Article 26 of Universal Declaration of Human Rights approved by the United Nations in 1948.

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comprehensive strategy for the international community and said that:

Quaid-E-Azam Muhammad Ali Jinnah, the founder of Pakistan strongly emphasised on the importance of education in Pakistan

The Constitution of Pakistan 1973 provides protection for the educational rights of all citizens of Pakistan.⁵ Article 38 (d) speaks of instilling ethical standards and offering education to all citizens regardless of their gender, caste, creed, or race. In addition, Article 37 (b) specifically mentioned that “the state shall remove illiteracy and provide free and compulsory secondary education within minimum possible period”. Therefore, it is the responsibility of the state government as well as the provincial governments to provide free basic education to children. The government has been assisted by international institutions such as the Fast Track Initiative (FTI)⁶ linked with Education for All (EFA). Pakistan is a signatory to both plans (EFA-FTI) but the low levels of government spending on education demonstrate a depressing situation with regards to government commitment. In addition, issues such as poor quality teaching, low staff salaries, coupled with poor involvement and administration are problematic within government controlled schools (Lister et al, 2010: 19; IMF, 2010: 169). To overcome this problem United Nations Educational, Scientific and Cultural Organization (UNESCO) (2011: 2) has suggested that developing states should allocate at least 4% of GDP for education; but it would be extremely difficult without external support in terms of foreign aid to achieve EFA targets. In an interview, the former minister for education of Pakistan aspired to spend 4% of GDP on education and up to 8% by 2015. This was however not successful as can be seen in table 1.4..

Anwar and Aman (2010: 355) suggest that in recent years, Pakistan has received substantial amounts of aid for education. Malik (2007: 1) has analysed the education policies of Pakistan during the last twenty years and established that while aid is being provided but it was gradually being decreased and therefore was

⁵ The Principles of Policy in Chapter 2 under articles 37 (a) (b) (c) and 38 (d) ensure the educational rights of the citizens.

⁶ It originated from 22 bilateral aid providers, development banks and international organizations to help poor states in education. It has been supervised by the World Bank and G-8 aid provider countries. The main objective of this initiative is to provide high quality primary education to all children by 2015 (World Bank, 2002).

unable to attain the required results. After considering various education policy papers from 1970, 1972-80, 1992 and 1998-2010, Anwar and Aman (2010: 358) observed that although the education strategy methods carried a central place in each five years’ plan for education coupled with some other programmes. For example, the National Education Assessment Systems (NEAS), National Plan of Action (NPA), Social Action Programmes (SAPs) and School Management Communities (SMCs). These programmes were initiated by the government of Pakistan during different periods to produce both a transparent and accountable atmosphere for the proper utilization of foreign aid, Unfortunately no government has succeeded in comprehensively implementing these policies.

Table: 1.5 Human Developments in South and West Asia

Country	HDI Ranking	Public Expenditure on Education as % of GDP	Literacy Rate % (15+ Years)
Bangladesh	146	2.4	53
India	134	3.3	66
Iran	88	5.6	82
Maldives	95	8.3	97
Nepal	144	3.8	57
Pakistan	141	2.8	54
Sri Lanka	102	5.4	91

Source: “Financing Quality Basic Education for All in Pakistan”, PILDAT 2010, Briefing Paper no. 38. <http://www.pildat.org/Publications/publication/EFA/FinancingQualityBasicEducationforAllinPakistan-BriefingPaper.pdf> (See Also HDR 2009)

Malik after a broad analysis of the education policies of Pakistan observed that government allocation of just 2.1% of GDP (with slight variations) has remained the same since 1993. This depressing share of the GDP, objective productivity and quality of the education division has diminished aid providers’ responsiveness in Pakistan and started discussion about possible options for delivery of education. Literacy has however increased but the required levels are yet to be achieved, especially in rural areas of Pakistan (Malik, 2007: 20-21).

1.2.2 HEALTH

Good health plays a significant role in shaping human resources for sustainable development. Generally, governments provide health facilities to their citizens at very cheap rates to maintain healthy, capable, well-organized and dynamic workforce. Normally, governments supply these services by investing the full or fractional charges in overall health costs. The structure of health services varies from state to state, as it depends upon the volume and delivery of these services. However, the main problem is how to make these services more effective and successful. Furthermore, the governments spend on various projects relating to primary health care provisions to get rid of burden of diseases (BOD) in the early years of life (Akram and Khan, 2007a: 1; WHO, 1999; Abbas, 2010: 16). Sen (reference) perceives health as a fundamental capability which produces financial growth and the liberty of a nation. He underscored the importance of healthcare facilities especially for the poor in his early writings: (Sen, 1998: 1).

The problem of improving the health of deprived individuals has received considerable attention from the donors to the international agenda for development. Generally, the poor have more health problems, resulting in a shorter life expectancy than the affluent. Poor children are more likely to fall ill than those from wealthier backgrounds. Good health is a key positive feature especially for the poor; however barriers to the poor such as daily expenses and expensive health facility expenditures when required can create difficulties. Health is currently a hot topic and global actors have established a strong link between health and poverty. In addition, health is progressively analysed as key to the first Millennium Development Goal (MDG) of eliminating both poverty and intense famine.

The IMF in its country report on Pakistan noted limited progress in healthcare services and no positive improvement over the past decade. The public hospitals at tehsil⁷ and district level do not have sufficient numbers of doctors, paramedics equipment and lifesaving medications (2010: 39). The specialised public hospitals are in the settled parts of the country or in big cities, therefore the patients (especially

women from rural areas) pay a high price for transport in order to obtain secondary-level treatment. Patients are forced to go for private treatment to access quality facilities. During an interview, many people said that the deprived never received any financial support for health services (IMF, 2010:38). Generally, dispensaries, Basic Health Units (BHUs), Rural Health Centres were not completely operational. The people strongly emphasized that life-saving drugs must be provided at BHUs by the government. Several people think that due to an effort of public private collaboration by the head of Punjab government in principal healthcare services, the situation to control BHUs has been better in the past three years (IMF, 2010: 39).

Pakistan is suffering from increasing levels of poverty-related contagious ailments. These are aggravated by undernourishment and health threats to pregnant women. The level of government health facilities is considered insufficient by several people, consequently a substantial decrease in the use of facilities occurred. According to an assessment, only 55% of people benefitted from the health facilities which further declined to 30 percent in general for kids and maternal wellbeing whereas barely 57% kids completed their usual vaccination and the number for pregnant women who complete immunization against tetanus is 40 percent (UNDP, 2010: 16).

The government of Pakistan has developed various plans to provide healthcare services to the poor through its five-year plan, entitled "Health for all" for 2005-10. Although, the funds distributed for the health division have improved and which is currently 0.7% of GDP⁸ this is still low when compared to other South Asian countries in the region (EUEA, 2007: 12). Unfortunately, government spending on health has been decreased gradually rather than increased as it was 0.72% in 2000-01 but after that period it has dropped to levels ranging from 0.50% to 0.60% of GDP. It has been observed that the poor spending on healthcare services by the government of Pakistan is a key factor for declining health situations in Pakistan (GoP, 2006; Uddin and Swati, 2006; Hassan and Mehmud, 2006; Lashari, 2004; Abbas, 2010: 28). The World Health Organization (WHO) Commission on

⁸ Currently, the government spending on Health is 0.56% of GDP as per the economic survey of Pakistan, 2009-10 (Ministry of Finance, Government of Pakistan; See also, State Bank of Pakistan; Federal Bureau of Statistics; Table 1.4)

⁷ A division that is smaller than a district but bigger than a town in Pakistan.

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Macroeconomics and Health in its document identifies that US\$ 34 per capita is compulsory for a whole programme of essential health care facilities in Pakistan but currently, it is just US\$ 18 per capita and notably the public share is only US\$ 4 per capita. These figures of government expenditure upon health of the people unveils a lack of dedication of the governmental authorities within the health division, and especially for those deprived individuals and families living in disadvantaged and rural areas of the country who cannot pay for private health services (Akram and Khan, 2007a: 15).

Through the health sector reforms, entitled the "National Health Policy 2001", the federal government formulated a joint structure in collaboration with the provinces by offering them plans per their own preferences and needs. It was decided that the responsibility of federal government would focus upon key areas, such as infectious disease management schemes. However, the major responsibility of investing money to build up the configuration and healthcare facilities was delegated to the provincial governments. The new National Health Policy 2006 was launched but unfortunately due to poor procedures it was unable to achieve its objectives. The government of Pakistan initiated The National Health Policy 2009: "Stepping towards Better Health" which aimed to introduce a health care policy for all citizens of Pakistan, especially for the poor, (MoH, 2009: 1).

There are several problems which created demoralising consequences such as the institutional organisation exclusive of system of checks and balances, which is under the management of local elites, prevalent bribery, ethnically established disparity, and) no voices of the poor or their dynamic involvement in development. The societies which are faced with problems of this kind require a comprehensive transformation to shift from weak governance to a government that is answerable to the poor for their acts. It remains is the responsibility of the government to support poor friendly policies for development, with social growth in the shape of primary public services. (Ibid). Therefore, the ADB followed Amartya Sen's capability approach and expanded it as "human capital development" to fight against poverty.

1.2.3 POVERTY

The International Financial Institutions (IFIs) have demonstrated an interest in the fight against poverty. This fact is highlighted by the World Bank through its 2000/01 report that "the primary focus of the World Bank is on helping the poorest people and the poorest countries. It uses its financial resources, staff and extensive experience to help developing countries reduce poverty, increase economic growth, and improve their quality of life" (World Bank, 2000: 1).

In relation to Pakistan, the World Bank in its evaluation report of 1999 categorized one third of the population as poor especially in rural areas (World Bank, 2002b: 10). There are opposing perspectives upon the problem of poverty experienced by Pakistan. The first group which includes the World Bank identifies the issue in terms of obstacles to accessing social services in rural areas of the country. (World Bank, 2002a: 10).

The World Bank, IMF and the government of Pakistan designed the Social Action Program Project (SAPP), Pakistan Poverty Alleviation Fund (PPAF), Poverty Reduction Strategy Paper (PRSP), Poverty Reduction and Growth Facility (PRGF) respectively to regulate the issues of accessibility of social services to the poor and to reduce poverty under the label of structural reforms. These programmes failed to achieve their goals due to reasons such as reduction in allocation of funds by the government, lack of accountability, heavy spending on defence, feudalism, unequal distribution of wealth, mismanagement of funds, absence of the rule of law culture, corruption and poor governance (Ali, 2008: 25).

Ahmed (2009) and Miankhail (2010) consider some core reasons for poverty in Pakistan. Firstly, the agrarian industry is out-dated and small scale farmers are deprived off modern facilities resulting in low production. Secondly, due to unequal distribution of wealth, the gap between the rich and the poor has increased. Thirdly, the population of Pakistan is growing at the rate of 1.8% which is the highest in South Asia. It is the sixth most populous country in the World, yet its GDP has plummeted. Furthermore, there is an unequal balance of payment as imports increased as opposed to falling exports which expended huge amount of foreign exchange on imports of industrial machinery linked in a direct or indirect way to poverty. Industry is also contributing less to the country's revenues, whilst poor

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standards of education coupled with a shortage of skilled labour result in a low output and poverty.. Notably bad governance is one of the key reasons for poverty, whilst good governance is considered as a significant feature for development and progress, which seems to be missing in Pakistan. Consequently, corruption is on the rise, civil society is weak, and the legal system dysfunctional. Finally, the weak tax structure contributes to poverty and therefore needs to be restructured. The system of tax should be pro-poor and favourable for investment, but presently it favours only the elites of society and not the deprived.

Haq and Zia have studied the relationship between governance and poverty within Pakistan. They advocated that concrete accountability instruments and an established political structure which is directly linked with steadiness of strategies can perform a substantial role to eradicate poverty. Generally, the weakening institutional structures of governance noticeably incapacitates the state machinery to transfer the public and financial services to reduce poverty and impoverishment in the country. The participation of governmental machinery to provide social security nets through poverty relief programmes are inadequate, therefore poverty increases. In addition, corruption and the lack of rule of law pose challenges to nominal democratic systems and therefore are unable to tackle poverty openly (Haq and Zia, 2009: 16-18).

Due to natural catastrophes like earthquakes, floods and persistent drought in some areas of Pakistan over the last decade, there has been a considerable strain placed upon the economy. A consequence of which has been to overstretch the capability of the government of Pakistan. The government has initiated a social safety net by restructuring the institution of zakat and Pakistan Bait-ul-Mal (PBM) which provides financial support to state level health bodies, leprosy patients, as well as for educational purposes, well-being, Eid donations, and wedding support to the most deprived in society. In addition, the Benazir Income Support Programme (BISP) started by the central government and Food Support Programme (FSP) by the Punjab provincial government spent 56 billion rupees to reduce poverty (IMF, 2010: 67-69). Butt however suggests that both programmes were initiated without a clear vision of poverty and the central and provincial governments have been wasteful in the distribution of their resources. As a result, the governments haven't invested money on long term

projects such as the creation of technical colleges which would provide people with the skills necessary to help themselves to earn their livelihood (Butt, 2011). Furthermore, the government has failed to provide adequate social services, housing or equitable opportunities, which would enable the poor to find employment in a dignified way and ultimately reduce poverty levels.

On the one hand, the first group of critics which are discussed above have suggested that the government of Pakistan is for many reasons, responsible for pervasive poverty in the country. Whilst, on the other hand, the second group of critics shift the responsibility on the IFIs for their wrong policy prescriptions to poverty reduction to countries like Pakistan. For example, Woods suggests that both the Bretton Wood institutions implement their policies without knowing the local conditions of loan receiving countries. They never depute their experts to observe the public bodies and principles that support operational activities, marketplace and political survival in the member states. They provide advice for their trained economists who are completely unaware of the local situations, and apply prescriptions which lead to chaos.. (Woods, 2006: 54-55).

Ali notes that the effect of structural reforms upon poverty reduction in Pakistan is not encouraging., Neo-liberal reforms of privatization created unemployment and especially affecting women whereas liberalisation of the agricultural division has decreased the power of the poor to purchase food stuffs (2008: 29). Several researchers suggest that privatization and downsizing of government departments (initiated under the neo-liberal reforms of the IFIs) with the aim to decrease government spending on employment in the public sector were unable to meet its targets as it decreased by 35.3% to 28.7% from 1987 to 1994. The unemployment ratios have increased from 3.1% to 6.1% between 1989 and 1996. In the case of Pakistan, the effects of these reforms have not been helpful for poverty alleviation (Khan, 1999: 15; Anwar, 2001; Kemal, 2001; Ali, 2008

The World Bank identified a number of reasons for the incidence of poverty in Pakistan (World Bank, 2002a).

The Asian Development Bank recognizes the same thing in case of Pakistan, noting that "a number of factors explain the existence of an increase in poverty in the last

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decade. However, poor governance is the key underlying cause of poverty in Pakistan” (ADB, 2002).

1.3 CONCLUSION

For the last fifty years, law and development have been identified to help the process of development in developing states. Whilst this has generated some positive outcomes, the rationale behind it had not gone uncontested. Concerns relating to the effectiveness of the law and development movement were further echoed by the World Development Report 2006, which highlighted the absence of a clear vision and lack of understanding of the impact of previous initiatives.

The need for a more proactive focus upon capabilities as a tool for tackling poverty and underdevelopment is an urgent one. The types of reforms initiated by the World Bank and IMF have (for the most part) led to the aggravation of problems rather than their alleviation.. This is because the loans have generally been insensitive to the plight of poor people and have imposed heavy burden upon them through debts. In addition, one of the reasons for its failure was that the IFIs lendings to Pakistan were mostly conditional to achieve the U.S. led geostrategic plan in the region, which impacted upon the effectiveness of aid. Another significant reason was that lending makes authorities dependent upon aid rather than building their own resources, addressing infrastructure and formulating meaningful development agendas. It is also the case that the dysfunctionality of the government of Pakistan is partly to blame for poor management of foreign aid. This has also been aggravated by a few internal problems such as lack of effective infrastructure, political instability; pervasive corruption and massive expenditure on the “War on Terror”. In addition, a lack of coordination between the IFIs and the government of Pakistan has been observed and that was one of the major obstacles in the way for ensuring the effectiveness of aid.

Poverty is one of the major problems of Pakistan, as approximately one third of the population is living in poverty and the situation is worse in rural parts of the country. With the help of the government of Pakistan, the IFIs have started several poverty reduction programmes. Unfortunately, these have failed due in part to corruption, the diversion of domestic resources and foreign aid towards the budget deficit, the

continued heavy expenditure upon defence, a lack of land reforms, , lack of good governance and the very small tax base.

In addition, poor allocation of funds by the government of Pakistan to the education and health sectors is a major hurdle in the way of development.

The findings of this article are twofold: The Structural Reform Strategies (SRSs) of the IFIs can make a better contribution to the development of Pakistan if they are not aligned to the U.S. A’s geostrategic interests within the region. For the most part however, Pakistan has been unable to effectively manage foreign aid. This can be achieved through the introduction of better policies, control of corruption, accountability, promotion of the rule of law culture, good governance, reasonable government spending on poverty reduction and social services.

It is an important fact that the projects related to development cannot flourish in the absence of rule of law and governance. To introduce an effective rule of law structure, it is important to take into consideration Tamanaha’s suggestions, as it is better to address problems within the indigenous structures before introducing rule of law projects. In the case of Pakistan it is imperative that consideration is given to its particular circumstances. Pakistan’s security challenges vis-à-vis its active role in the U.S. led “War on Terror” implies that the critical issues of rule of law, governance and development are hard to formulate or enforce in the current circumstances. What this means is that the extent to which rule of law and governance and development can be synchronized is to a considerable degree dependent upon the ability of Pakistan to transcend on-going security challenges.

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