

Book Reviews

A. F. Aisha Ghaus, Hafiz A. Pasha, and Zafar H. Ismail (eds) *Provincial Governments and the Social Sectors in Pakistan*. Lahore: Vanguard Books (Pvt.) Ltd., 1997. xi+76 pages. Hardbound. Price not given.

In Pakistan, most of the media attention and research effort directed at public finance goes into highlighting and analysing budgetary policies of the federal government. This virtually exclusive focus on the highest tier of government obscures the fact that provision of social services like health and education that directly touch the life of millions of ordinary mortals is primarily the responsibility of the provincial governments. The haze, hence generated, provides a perfect backdrop for the book under review which is devoted entirely to the study of provincial government finance with special reference to its impact on the maintenance and expansion of social services.

The editors and contributors of this volume seem to be well aware of the fact that professional jargon can impress the reader but may not educate or convince him/her. Hence they have kept their exposition non-technical and reader-friendly. The result of their endeavour is a seventy-six page collection of ten articles neatly divided into two parts, with simplicity and brevity as their hallmarks. However, the brevity has been achieved at a cost, which is particularly visible in the first part of the book. Most of the articles in this part, with the notable exception of those authored or co-authored by A. F. Aisha Ghaus, are restricted to the presentation and description of facts, making only passing references to the deeper underlying issues.

The first article of Part I makes a comparison between fiscal powers and responsibilities of various tiers of the government as provided in the Constitution and as actually practised. It shows that higher tiers of the government have taken over some of the functions of the lower tiers, while the burden of expenditure has been passed on to them. The last four rows of Table 1.2, which is presented to substantiate some of these claims, are quite confusing. Here percentages do not add up to hundred nor do the components add up to their total. A closer look at this table leads one to believe that some of the figures in this part of the table have somehow managed to interchange their places.

The next three articles look at the issues related to fiscal status, expenditure patterns, and resource mobilisation efforts of the provinces. The authors of these articles are able to bring out many interesting facts that are often lost in the heat of political debate. For example, as compared to other provinces, Punjab self-financed the highest proportion of its recurring expenditure in 1995, while growth in its recurring and

development expenditure from 1990-91 to 1994-95 was the lowest. On the other hand, Sindh had the highest dependence on federal transfers for financing its expenditure, while its current and development expenditure showed the highest growth in the corresponding periods.

The article on resource mobilisation offers, in a nutshell, the most that can be offered in such a limited space. After discussing the sluggish fiscal effort of the provinces prior to 1990, the authors go on to analyse the impact of the 1990 NFC (National Finance Commission) award on the revenue-generating policies adopted by the provincial governments. They touch issues like the incidence, inflationary impact, and regional bias of provincial taxes, each of which is a separate research topic by itself. With so much material to digest, the reader can easily ignore the identical captions which appear on Tables 4.1 and 4.2 despite their distinct contents. Proposals for increasing provincial revenues listed in this article, particularly those related to reforms in tax administration, deserve serious attention.

The author of the fifth article has taken up the important subject of user charges in the social sectors. He reports the cost recovery record of the provinces and argues for increased user charges in the public sector. Some circumstantial evidence has also been extended to support the existence of “willingness to pay” in these sectors. There exist certain ‘strong economic arguments’ against direct cost recovery in the social sectors, as pointed out by Hafiz A. Pasha in an article appearing later in the book. It would have helped the readers a great deal in forming a balanced point of view on this matter of prime practical significance if they could find at least a brief listing of these arguments in this article on user charges.

This article also informs us that “Most private sector facilities are not very different from public schools ...” in that they are often marked by characteristics like “Shortage of trained manpower, non-availability of textbooks, teaching materials, and teaching aids in schools and medication and supplies in health facilities, ...”. (p. 30). This similarity between the public and private sector facilities in terms of poor quality of their services exists despite the fact that, in the private sector, these services are provided by “... a range of organisations from the host of non-profit organisations which are professionally managed by the purely profit-motivated individuals offering only lip service to ‘quality’” (p. 30). But then on page 34 we read: “... the case for increasing user charges in the public sector exists, subject to quality improvement, *to match those offered by the private sector*”. (Italics added). The need for reconciling these statements is obvious.

A. F. Aisha Ghaus’s paper on inter-governmental fiscal relations is a thorough study of the revenue-sharing arrangements between the federal and provincial governments. She points out the distortions which existed prior to the 1990 NFC award and shows how this award has helped in removing some of them. At the end, she raises some very pertinent questions about the future of centre-province fiscal relations that emerge in the light of the terms of reference given to the 1995 NFC. The following

article, written by the same author, about the implications of these terms of reference is a natural extension of the preceding one. Some discussion of the previous article about the pre- and post-1990 NFC award era inter-governmental relations has almost completely been repeated here. It would not have been a bad idea to merge the two articles into a single one, keeping in line with the concise nature of the book. The recommendations for future centre-province fiscal relations given in this article have been carefully designed to strike a balance between competing financial interests of the federal and the provincial governments.

As one moves on to the second part of the book, one cannot help but admire the intellectual input and analytical content of the articles by Hafiz A. Pasha and M. Aynul Hasan. A careful reading of these articles reveals that far more research effort has gone into them than meets the eye, as the findings reported in these papers are embedded in elaborate models which have been only briefly described in these papers.

Hafiz A. Pasha poses the critical question whether the Social Action Programme is financially sustainable. He predicts that under certain assumptions, the financial position of the provincial governments will deteriorate and, at the end, they will be left with newly hired teachers, doctors, and other personnel they cannot pay for. One of the assumptions underlying this prediction is that cost recovery will continue at the current level. This assumption should be regarded with care. If the consumer is guaranteed that the money collected from him through user charges will go into improving the availability and quality of the existing social services, he will be willing to pay more than their current price. In such a circumstance, it would be possible to increase cost recovery beyond its current level.

M. Aynul Hasan's findings about the social sector targets of the perspective plan are no less pessimistic. Quoting estimates derived from his functional costing model for expenditure requirements, he concludes that development and recurring expenditure, implementation capacity, and training facilities needed to achieve these targets make their attainment very unlikely. One of the key assumptions used to calculate expenditure requirements for achieving the perspective plan objectives is a population growth rate of 3.1 percent. To the extent that recent claims about reduction in Pakistan's population growth rate are true, these calculations will need some revision.

Allocation of more resources to the social sectors is often emphasised in political debate as well as academic discourse. However, the vital issue of efficient use of these resources is often left to the sidelines. The tenth and the last article, titled "Issues in Social Sector Delivery", tries to overcome this shortcoming by tackling this issue head on. An attempt has been made to measure inefficiency in social service delivery, in addition to listing its causes and cures. The article treats the gap between the growth rates of real public expenditure and school enrolment as a measure of cost-ineffectiveness in the education sector. However, a little reflection will reveal that at least a part of this gap can be explained by demand-side factors, such as high opportunity and travel costs associated with schooling, and low actual or perceived

returns to education, that influence parents' decision to enrol their children in a school. Prevalence of child labour, educated unemployment, nepotism in the job market, and limited availability and access to information needed to calculate the present discounted value of the stream of future earnings are closely linked to these factors. Any social sector policy which ignores these considerations runs a serious risk of failure, no matter how efficiently it is executed. The main thrust of the book, particularly of this second part, is on the supply side, though demand-side influences on the social sector policies have also been mentioned here and there.

A few editorial errors occasionally distract the reader. Still, the editors and authors of this book deserve appreciation for putting together a lot of information, research, and analysis in a concise volume on a topic of crucial significance. Easy accessibility of this material to intelligent non-professional readers, in addition to the professionals, is a guarantee for its wide circulation.

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