

Just Adjustment Protecting the Vulnerable and Promoting Growth

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This paper is a follow up in the Pakistani context of the issues raised in UNICEF's classic contribution to the political economy of development, *Adjustment With a Human Face* [Cornia, Jolly and Stewart (1987), henceforth AWHF]. It tries to set out the issues involved in understanding why despite four decades of development has there not been a significant move towards meeting the basic needs of the population.

Our argument is that reliance on the cultural norms of justice and humanness – particularly as regards vulnerable groups – as the basis of choosing priorities and designing policies, is a *means* and not an *obstacle* to sustainable growth and structural adjustment.

Structural adjustment, namely changes in a country's production and consumption structure, becomes necessary when expenditures begin to exceed incomes systematically. However, orthodox adjustment programmes have often been criticised because they have tended to retard growth in poor countries, and to shift the burden onto vulnerable groups. In the tradition of this literature, we argue not against the necessity of structural adjustment, but against the adverse entailments of such adjustment. Hence the title, "Just Adjustment".

We also go on to argue that much criticism of orthodox adjustment programmes derives from an absence of justice in these programmes, indeed from an absence of justice in any aggregate concept of welfare or development. This provides another reason to demand that adjustment should be based on a society's norms of justice and fairplay; in other words, that there should be "just" adjustment.

More broadly, the argument is that the pursuit of human development and the protection of vulnerable groups is essential for the establishment of a just society, which is a pre-requisite of governance and the maintenance of social harmony, and therefore of economic growth – indeed of any valued societal objective. In other words, the goal is not only just adjustment, which is a short run objective, but also just development, a long run strategy that is not based

upon the sacrifice of weak and vulnerable groups in society, which will therefore lead to sustainable development.

A second innovation in the present work is to bring into focus the role of the civil society in addition to that of the state – not only as the basic unit of analysis, but also as the primary fount of values, the forum for choices and priorities, the beneficiary of developmental programmes and the cradle of monitoring institutions.

As a result of this shift in focus, a central element of our analysis is governance, the ability of a society to make and implement collective decisions. The state then is viewed not as an autonomous and monolithic entity but as one possible institution for collective decision-making, albeit the most significant one [see Amadeo and Banuri (1991)]. Similarly, underdevelopment and associated problems are seen not purely as lack of resources or technology, but rather as a form of “social helplessness”; namely as a condition in which a society, whether in the North or the South, is unable to deal with problems created by social change [see Zaman and Zaman (1991)]. As a result, the issue of redefining the social role of the state is added to those identified in earlier studies on adjustment. In particular, we take up issues of participatory development, the involvement of local populations, and the potential role of NGOs in future developmental activities.

This does not mean, however, that government policies are viewed as unimportant or even less important. On the contrary, government policies are seen by us not only as a means of pursuing the direct objectives of human development, but also the indirect objectives of promoting institutional changes which are necessary for the achievement of the primary objective. As a result, the study will continue to aim to provide guidance for the selection of wise government policies as in AWHF and related analyses. However, the attempt is to place these policies in a society-centred rather than a state-centred context.

I. THE PAKISTAN EXPERIENCE

The broad dimensions of the Pakistani developmental experience are quite well known [see, e.g., Banuri (1991)]. There are recurrent concerns about high levels of infant and maternal mortality, low literacy rates, poor housing, poor provision of social services, unpredictable availability of physical infrastructural services, inadequate nutrition, lack of improvement in the role and status of women, the inability of the society to protect its children, and inconsistent record on human rights, an accelerating process of environmental degradation, and a worsening of the overall security and protection available to citizens. At the same time, there are concerns about the breakdown of the civil order, as manifested

in growing civic intolerance and political violence, increasing corruption and irresponsibility in public services, a growing cynicism towards public institutions and public morality, and a virtual collapse of the system of higher education.

The impact of social action on human development is low, even though the share of public expenditure allocated to social sectors has increased steadily (as in the rest of South, though to a comparatively lower level), and the per capita income has doubled over the past 25 years. Social indicators for Pakistan reflect a somewhat dismal picture: short life expectancy of the population (55 years) with womens lives even shorter, maternal mortality rate of 6 to 8 per thousand (among the highest in the world), high illiteracy (70 percent), a high infant mortality rate at 107 per thousand as opposed to 73 per thousand for low income countries, and widespread malnutrition among children, (46 percent of all children under five chronically malnourished; 15 percent actually malnourished). [World Bank (1991), p. 3.]

This somewhat dismal scenario is further complicated by the sustained imbalance between income and expenditure that require concerted action in the form of a structural adjustment plan. In the past, and in other countries, such programme have often been accompanied by a squeeze on social sectors, worsening income distribution, and regression in the provision of human rights. In Pakistan's case, such a shift would worsen an already grim situation. Pakistan needs, therefore, to search and devise policies that can facilitate adjustment without jeopardising social justice and human resource development.

II. JUSTICE, DEVELOPMENT AND ADJUSTMENT

The argument for "adjustment with a human face" is basically an economic and not a moral one. It is not that citizens have inalienable human and civic rights, however important that is, but that, first, long-run development is impossible without the protection of these rights, without the participation of the entire population, both men and women, in development activities, without the maintenance and improvement of the health and educational level of the people, and without the conservation of the natural environment. Second, that development programmes and adjustment policies of governments have often failed to protect these rights, and thus have not only violated the inalienable human rights of their populations, but have also harmed their longer term prospects. Lastly, that this need not have been so: there are policies and programmes which could have enabled these countries to pursue simultaneously the goals of economic growth, structural adjustment, and human resource development.

It turns out that the implicit goal of all critics of development has been the

absence of justice in any aggregate concept. This has emerged in a number of guises: the focus on inequality and income distribution; the introduction of the concept of basic human needs as an alternative to aggregative income based measures of development; the invocation of the rights of women, children, minorities, and other vulnerable groups; and more recently, the concern with the natural environment.

Before proceeding, it may be useful to distinguish between two concepts of justice: "justice as equality," and "justice as quality". The former refers to the idea that everybody is equal in some ontological sense and ought to be treated equally. The latter is, in a sense, a contrasting view, that every individual has to be treated differently, because every one as a unique individual and not a cypher. The idea of "justice as quality" emerges from concerns over the bureaucratisation of the world and the tyranny of aggregates.

South countries are confronted with both kinds of injustice. First, people are not treated equally – before the law, before a tribunal, or in society in general. Second, people do not receive the personal attention and trust that they need to develop their potential, and to contribute effectively to society. In other words, the object is not only to provide education to everybody, but *good* education to everybody, education that contains the personal attention and devotion of the teacher; the idea is not to provide a doctor for every community, but to provide a doctor who will exert himself/herself for the community.

The establishment of justice requires the protection and strengthening of judicial or quasi-judicial institutions – not only judges, but also teacher, doctors, bureaucrats, politicians, election commissioners, service commissioners, and cricket umpires!

Second, it is also necessary that the services of these quasi-judicial functionaries be recognised and rewarded. It cannot be over-emphasised that the provision of justice is a *wealth creating activity*. A just society can resolve its problems more readily, and can enable people to pursue their ordinary business of living effectively and productively. Just as financial institutions or entrepreneurs or traders are rewarded, not because they produce wealth, but because they are essential to the production of wealth in a society, so also quasi-judicial personnel need to be rewarded as if they were the producers of wealth.

Finally, the greatest obstacle to the establishment of a just society is the uncertainty and unpredictability created by centralised structures. Unpredictability militates against people making long run agreements with each other, and abiding by those agreements; i.e. against people treating each other fairly and justly. In today's world, a government which takes arbitrary actions, which changes the rules

of the game frequently, which bases its legitimacy on patronage, and which is corrupt and unprincipled, creates an environment of uncertainty in which it is in no one's interest to follow the dictates of justice.

The absence of justice is perhaps the gravest charge which can be levelled against orthodox adjustment policies and orthodox development experiences. By violating the societal norms of justice, however, these policies and programmes undermine their own long-run potential.

There are a number of reasons for this. First, the climate of injustice will not be conducive to the creation of wealth. Second, the presence of injustice creates a reaction down the road, and undermines the social fabric which again is crucial to ordinary economic decision-making.

In other words, the issue is not whether a government follows populist or orthodox economic policies. The issue is whether it obeys the norms of justice in its own society while following its selected policy. If it is a weak, disorganised, and corrupt government, it will not be able to attend to all the details that the provision of justice necessitates. This takes us to the second set of concerns of this essay, namely governance.

III. GOVERNANCE AND COLLECTIVE DECISION-MAKING

In a recent article on the developmental crisis in Latin America, the eminent development economist Albert Fishlow, observed:

The correct solution to deal with the continuing problem of economic recovery in Latin America is not the uniform application of orthodox remedies; and ...The right question is how to reconstruct a Latin American developmental state that can consistently implement the right policies, not just register the right prices. [Fishlow (1991), p. 169.]

Fishlow's advice is equally relevant to other South countries which are, increasingly, finding themselves unable to pursue their social as well as economic objectives effectively.

The most significant obstacle to the pursuit of social objectives is what may be described as the crises of governance. It is a nuanced concept, involving the erosion of the government's capacity to make and implement policies, particularly policies which require attention to details, such as targetting, selection, or judgement. In particular, it refers to an excessive degree of centralisation, overburdening, and rigidity of the government machinery; the absence of local participation which can provide the requisite attention to detail; the deterioration in the profession-

alism, competence, and integrity of public functionaries; and the weakening of judicial and quasi-judicial institutions.

All of these characteristics can be observed in Pakistan. The government has become excessively centralised over the years; participatory institutions have eroded, and are virtually non-existent today; and the deterioration in the quality of the bureaucratic as well as political elites is a matter of common knowledge. In this situation, while the government would still be able to pursue a few aggregative goals, anything which involves qualitative concerns will not be addressed.

This implies that if the government and the civil society take the task of governance seriously, some attention will have to be given to supportive institutions. Broadly speaking, this means the strengthening, restoring, and nurturing of participatory institutions; the improvement in work conditions of the bureaucracy; and the strengthening of judicial institutions, partly as a check on the bureaucratic and political elites, and partly as a means of ensuring coordination and accountability in democratic and participatory institutions. Governments in South countries have become ineffective because of a number of reasons. The proximate reasons are easily established. Breakdown in professional standards, over-burdening and over-centralisation, lax supervision, arbitrary procedures encouraged by venial politicians and bureaucrats, and consequently a minimisation of the attention to detail that makes for good training of public functionaries.

Some obstacles to governance are purely economic in character, even though their removal would involve a broad understanding of social processes. Foremost amongst these is the fiscal crisis of the state. The Pakistani state spends roughly 8 percent of GDP on debt servicing and 6 percent on defence. The remaining 2 to 3 percent of GDP collected as tax and non-tax revenues is far too inadequate to fund social sector projects. Since the debt burden is increasing over time, it means that state financed progress on social concerns would be impossible unless one of three things happen. Either, a fiscal reform helps restore the solvency of the state; or, external resources are tapped to emancipate the social sector from the imperatives of governmental patronage; or lastly, that alternative and innovative funding mechanisms are devised. What follows is a picture of the fiscal crises with a few suggestions.

Another obstacle is the balance of payments, which in Pakistan's case has almost always been in deficit. This creates an obstacle to the pursuit of social objectives, since payment difficulties have a tendency to make government policies hostage. Erratic trends in exports, import substituting policies, terms of trade and workers' remittances have led to sharp variations. Except for the period from 1965 to 1975 and 1985-90 period, the deficit has been rising rapidly overtime.

While workers remittances grew sharply over the period from 1974-75 to 1984-85 and financed a large part of the deficit, the fall in workers' remittances since 1983-84 has led to a sharp deterioration in the balance of payments.

Other obstacles have emerged in monitoring and information systems. All systems which provide a means of supervision, monitoring, and regulation, have eroded over time.¹ Because of legal restrictions, the system of property registration has become erratic: real estate as well as automobiles are often registered in fictitious names. There is an absence of effective, impartial and trustworthy institutions for gathering information, rendering social data meaningless. Among other things, this imbues public information with a certain degree of power, which encourages information hoarding as well as corruption.

The ultimate reasons, however, may have to do less with economics than with social causes. The most important one, again, is the violation of the norms of justice of society by public functionaries, and hence a gradual diminishment in their legitimacy and motivation. The loss of legitimacy has generally been accompanied by decline in official privileges, and therefore induced a shift towards non-formal privileges. Therefore, the restoration of collective institutions would be impossible without the establishment of a strong and independent judiciary.

An important consequence has been the loss of a spirit of service, and hence a decline in the quality of service. This, then impinges upon the ability of the state to raise revenues through formal mechanisms, and hence in its ability to provide adequate work conditions for its functionaries.

What this brings out is that the object is not that any single policy is or is not followed, but that public functionaries should act in the public interest, no matter what policy they pursue. Given this perspective, the issue becomes somewhat simpler. It is what economists would call a question of incentive compatibility. The society would like to fashion institutions through which the individual incentive for a politician, or a bureaucrat, or a teacher, or journalist, or doctor, or researcher, is the same as the collective incentive for the public interest.

The upshot is that what needs to be studied is not development, but underdevelopment – not in the sense of a lack of financial or technical resources, but in the sense of the failure of corrective mechanisms, and the inability of managing collective goals. One point will suffice. Collective action is impossible without direct participatory institutions. The fact that these institutions have eroded over

¹For example, taxi meters are used as a means of regulating the relationship between taxi drivers and their customers; they provide an easy method for the inspector to check on this relationship. In Pakistan, however, because of the arbitrarily fixed fare rates, and because of corruption, these meters do not have any meaning any more. The result is that the customer and driver have to waste their time haggling over matters which could be resolved easily.

centuries means that renewal and restoration is not going to be an easy task. It will require support and protection from the government as well as other powerful groups in society.

The failure of collective action is directly linked to the inability of the civil society to influence its educational and cultural life. A start can be made by transferring the control of primary schools to community organisations. It would be essential to involve women directly into such controlling activities. This would not only restore the role of women as the guarantors of cultural continuity, but also humanise the functioning of the educational system.

IV. THE ROLE OF THE STATE

The literature on human development is focused entirely on what the state should do, without seeking to address the more fundamental issue of the role of the state in society, or that of what the state can or cannot do. Indeed, the "human" objectives are presented not as if they were the values held by a living community, but rather as the values of "outsiders", be they policy-makers or international advisors. In this sense, the prevailing discussions of "human" development continue the quasi-colonial tradition of conditionality, whereby all good things are to be pursued only as a compact between government policy-makers and financing agencies.²

This is partly because the discussion has been dominated by economists, who tend to recognise only two decision-makers, the individual and the state. A perception of the society as composed of various collectivities – villages, urban communities, ethnic groups, school and college students, etc., would give a different slant on the issue. To the extent that these communities are autonomous and active, they can identify issues, articulate and pursue social values, create institutions, supervise public functionaries, and maintain the social and economic health of the society.

Second, the persistence of "problems" like underdevelopment, poor quality of life, social violence, crime, corruption, or industrial pollution then appear not as failures of the state which can be corrected through coercive or other means, but as "social helplessness", namely as the failure of social homeostatic mechanisms through which healthy societies normally cope with problems [Zaman and Zaman (1991)].

Third, the nature of societal conflicts and growing polarisation militates

²An example is the World Bank's Social Action Plan, which identifies the "lack of a strong constituency for public expenditures in basic social services" as a major impediment to the pursuit of these objectives. [See World Bank (1991), p. 1.]

against the emergence of collective syntheses.

Fourth, while the state measures its performance and actions by the "inputs" that go into the process of, say, education (e.g., number of schools, or teachers, or school enrollments, even literacy), the society is interested only in the "output" of such a process, in this case the inculcation of "initiative, the ability to work with others, and the ability to understand and influence society" [Raven (1989), p. 460)]. (Presumably, the state too would be interested in outputs but it simply does not know how to measure or monitor them. That would require each individual to apply themselves creatively, sincerely, and judiciously to advance the ends of society.) The result is that the focus on society instead of the state would help bring questions of quality directly into the discussion.

Fifth, the Pakistani state has had a tendency to finance investment but not recurring costs of establishments, leading to a situation in which the bias towards the quantitative dimension is considerably enhanced. Investment is but an input; the output is produced by the continuous operation of institutions.³

Sixth, the focus on society would bring out alternative solutions to a problem, and in particular solutions involving different scales of operation. Different groups, depending on the nature of their needs, would be willing and able to reach the same goals through methods which differ in terms of technology, nature of knowledge, nature of organisational input required, and the financial package needed.

Seventh, the perception of the society as the primary unit of analysis can lead to a distinction between spheres where state action can be effective and spheres where it cannot operate. More importantly, given the tremendous variation in cultural systems and social structures, no two societies would have an identical division between the legitimate and illegitimate areas of state action.⁴

Eighth, this focus also enables a discussion of the efficacy of the state, namely the professionalism of its functionaries, and the degree of coordination between them. Similarly, the respective functions of federal, provincial, and local governments, and non-governmental bodies can also be located in the discussion of the goals of the larger society.

Ninth, the focus on civil society also enables us to talk about larger values, such as justice, human dignity, and the protection of the vulnerable. More importantly, it allows us to bring out how the establishment of a just society is essential to the pursuit of other objectives.

³This point has been made in the Human Development Initiative for Pakistan.

⁴For instance, many Western people would consider it quite legitimate for a Western state to take away a women's child on the grounds that she is not a good mother. In Asian countries, like Pakistan, while people may be coerced into accepting such an action, it will simply not be viewed as legitimate. Other examples can be given.

Finally, the alternative focus enables us to look at the fundamental issue of governance, namely how to create systems of collective decision-making that work, and how to ensure that public officials (politicians, bureaucrats, judges, journalists, community leaders) act in the public interest.

V. LEARNED HELPLESSNESS

In a recent paper, Zaman and Zaman (1991) have argued that conventional concepts of development and underdevelopment are inappropriate for understanding or reforming societies in the Third World. In addition to the fact that conventional development approaches "suggest implicitly that the levels of consumption accumulation achieved by Europeanate societies is available to all mankind", they are looking at the wrong things:

We believe that development... is an epiphenomenon, like the speedometer of a car which registers speed, but neither causes nor explains it. The primary phenomenon which needs to be studied is human behaviour, in its widest sense, which is not in some sense "prodevelopment" (as in Europeanate society) but instead sustains poverty, disease, illiteracy, etc. (*ibid.*: 4).

The point is that many South societies find themselves incapable of pursuing even collectively valued objectives. While a considerable amount of research needs to be conducted into the causes of such disabilities, a few points can be made.

First, although it has become a cliché by now, there are strong reasons to believe that such helplessness derives from the traumatic encounter between colonised and colonising people in the previous centuries [see *ibid.*; Nandy 1987)]. The influence of this encounter is sustained by the nature of South-North interaction in the post-colonial period.

Second, the nature of state policies and state action in the post-colonial period, in particular the hostility towards participatory institutions, has led to the gradual erosion of the self-confidence, the skills, and the institutions needed for organising collective action.

Third, the exacerbation of social dualism and conflicts over identity, partly as a reaction to misguided state action in the early days of independence, has made it difficult to agree upon national values and national institutions.

Fourth, an educational system which sought explicitly to produce not citizens but technicians has militated against the possibility of the creation of new syntheses and new compacts which must underlie any initiative for collective action.

Fifth, the belief of many experts that all desirable social values are to be

imported from outside has made both agreement and creativity impossible. For instance, as long as there is the belief that the Pakistani society, left to itself, will violate the rights of women, minorities, or other vulnerable groups – or that the protection of these groups is valued only by outsiders – it would be impossible to introduce reforms which are both democratic and legitimate.

VII. SYSTEMS OF KNOWLEDGE

Lastly, the existence of certain prevailing attitudes and beliefs about society, local communities, development, and science can constitute formidable obstacles to pursuit of “human” objectives. There is a large literature which identifies a kind of vulgar scientism as a major cause of intolerance, rigidity, and anti-psychologism [see, e.g. Nandy (1987)]. These ways of thinking include a hostility to cultural and biological diversity – with significant environmental as well as human costs. It also tends to look at all questions through the reductionist mirror efficiency. Activities which replenish the social, political, or cultural life of societies, however necessary are difficult to justify.

These attitudes are born of a kind of inferiority complex with regard to science and hard-nosed thinking, and have been traced by some writers to the psychological consequences of colonialism. The only way in which post-colonial societies can combat them is by shifting their resources into education, research, and discussion. Decentralisation of power and knowledge are essential pre-requisites of this process.

VIII. BY WAY OF A SUMMARY

This has been an exploratory exercise in the social dimensions of the dissonance between social and economic objectives. The idea is that this dissonance be seen in terms of a weakness of society wide institutions, rather than in financial or technological backwardness. This approach can lead to a number of interesting results, of which one is developed below.

The parlous state of the country's finances has been a subject of sustained discussion, albeit from a purely macroeconomic aspect. An alternative set of suggestions would add a few points.

First, it is widely acknowledged that the collection of tax revenues is not organised very efficiently. Indeed, the former finance minister was quoted as saying that as much as a half of the state's resources were being wasted because of leakages. However, tax reform also requires money as well as long-run commitment.

More importantly, a major reason for tax evasion is the poor quality of services that people receive in return for the payments of taxes and other charges. An important step for the improvement of revenue collection is the improvement of services. Yet, this too is a vicious cycle: the improvement of services costs money, and more money would be available only if better services were being offered. However, this does provide a possible clue to a solution; the government could try to start offering better services through better paid and better motivated individuals, and charge a higher fee for those services. This principle could be applied to schools, hospitals, and other service outfits. However, it will have to be accompanied by a "scholarship" programme to keep the proposal distributionally neutral.

A related solution is to link revenues and services across the board through decentralisation and community participation. Thus, a local community which, say, wishes to invest in the education of its children, cannot do so because it does not have any guarantee of a return on its investment. Even if the community puts in more money into the system, it is not assured that the quality or relevance of teaching will improve. The decentralisation effort links the beneficiaries directly with the service, and thus improves the efficiency of the service by improving the supervision as well as personal interest.

The significance of the last proposal is the fact that community participation will also help mobilise idle resources of the community in the pursuit of collective ends. In addition, by providing a forum for decision-making and a mechanism for social and political participation, it will address some of the issues raised in the previous section.

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**Comments on
“Just Adjustment Protecting the Vulnerable
and Promoting Growth”**

Pakistan has an impressive economic growth rate and is at the threshold to graduate from a lower level of development in GNP terms to a higher level of development but the country's performance as measured against social indicators is abysmally low and Pakistan ranks 120th out of 160 countries as mentioned in the Human Development Report of 1991.

The illiteracy rate is 70 percent about 40 percent of the children of the primary age group are still without elementary education, infant mortality is 106 and under-5 mortality is even higher 162, about 40 percent of the children are malnourished and safe water supply to about 45 percent of the rural population is still needed.

These facts are known to all of us but what is explicitly not highlighted as a response to these issues is the inability of society to deal with the problems created not necessary because of the lack of resources but due to (i) lack of justice (ii) crisis of governance (iii) eroded monitoring and evaluation and (iv) high balance of payments. This is one of the strength of this paper.

This paper is a shorter version of a more comprehensive study. Any substantive change to improve the quality of life for the vulnerable groups may not happen only with economic growth but requires institutional development which entails change and not only growth. The absence of justice in terms of 'Equality and Quality' is a serious and constant problem in Pakistan. That is why this papers reiterates 'Just Adjustment' and not only Adjustment.

However, I would like to mention few a issues to draw your attention and then perhaps generate some discussion.

- (i) This country seems to be over bureaucratised and regulated but under led and every thing is seen either in the context of a law and order situation or personal political gains. This has perhaps distorted the perception of development and only growth is synonymous with development. The argument here is that we do not need more legislation or regulation but more participatory decentralised collective decision-making for development. The role of bureaucracy in this context is not to provide guidance but to interfere least in the social development process;

- (ii) The second point is the fragility of political development and its implications on social change. As there is a wide gap between knowledge and politics, political debates are of low intelligence and eventually national policies are not pragmatic; and
- (iii) In our chequered history another major institution which influenced the country's development is the armed forces. They have been saviors but in the recent unanticipated global changes their role needs to be redefined which may lead to support just adjustment.

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